

The South Caucasus: a challenge for the EU

*Pavel Baev, Bruno Coppieters, Svante E. Cornell, David Darchiashvili,
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Edited by Dov Lynch*



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Institute for Security Studies
European Union
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Director: Nicole Gnesotto

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	Preface Nicole Gnesotto	7
<hr/>		
1	A regional insecurity dynamic	9
<hr/>		
	Dov Lynch	
	• <i>'The transition is over'</i>	10
	• <i>The states of the South Caucasus</i>	12
	• <i>External actors</i>	15
	• <i>The structure of this volume</i>	20
2	The growing threat of transnational crime	23
<hr/>		
	Svante E. Cornell	
	• <i>Crime in the former Soviet Union</i>	23
	• <i>The Caucasus</i>	25
	• <i>The drug trade</i>	28
	• <i>Arms and nuclear smuggling</i>	35
	• <i>Conclusions</i>	37
3	Russia's policies in the North and South Caucasus	41
<hr/>		
	Pavel Baev	
	• <i>Countering the threat of terrorism and containing Chechnya</i>	42
	• <i>Charting pipelines on the geopolitical/geoeconomic maps</i>	45
	• <i>Projecting power for (mis)managing conflicts</i>	47
	• <i>Ready for new challenges?</i>	50
4	US policy	53
<hr/>		
	Brenda Shaffer	
	• <i>Evolution of US policy towards the South Caucasus</i>	54
	• <i>Current US policy towards the Caucasus</i>	57
	• <i>Moving ahead: cooperation with Europe?</i>	60
5	The UN, the OSCE and NATO	63
<hr/>		
	Domitilla Sagramoso	
	• <i>The United Nations</i>	63
	• <i>The OSCE</i>	72
	• <i>NATO</i>	82
	• <i>Conclusions</i>	88

Contents

6	Energy reserves, pipeline politics and security implications	91
	John Roberts	
	· <i>Reserves and production forecasts</i>	91
	· <i>Pipeline politics</i>	92
	· <i>Security implications</i>	96
	· <i>Caspian boundary issues</i>	100
	· <i>Appendix 1</i>	104
	· <i>Appendix 2</i>	105
7	Georgian security problems and policies	107
	David Darchiashvili	
	· <i>Political-military problems and the external dimension</i>	109
	· <i>Internal risks and the human security dimension</i>	111
	· <i>Obstacles to regional security cooperation</i>	117
	· <i>Contradictory efforts to handle security risks</i>	118
	· <i>External assistance</i>	123
	· <i>Dilemmas and directions for the future</i>	126
8	The EU and the Karabakh conflict	129
	Arman Grigorian	
	· <i>The current situation</i>	130
	· <i>The optimal solution</i>	131
	· <i>Obstacles to peace</i>	135
	· <i>Third-party mediators: parts of a solution or parts of a problem?</i>	138
	· <i>Conclusions and recommendations</i>	139
9	Azerbaijani security problems and policies	143
	Arif Yunusov	
	· <i>External factors</i>	143
	· <i>Internal factors</i>	149
	· <i>Conclusions</i>	156
10	An EU Special Representative to a new periphery	159
	Bruno Coppieters	
	· <i>Multi-regional policies: the Caucasus and the South Caucasus</i>	160
	· <i>At the periphery of Europe</i>	164
	· <i>Final notes</i>	169

Contents

11	The EU: towards a strategy	171
	Dov Lynch	
	• <i>From footnote to example</i>	171
	• <i>Strategic trends at play</i>	173
	• <i>Conditioning factors</i>	175
	• <i>EU thinking and debates</i>	180
	• <i>Recommendations for an EU strategy</i>	187
	• <i>Conclusions</i>	191
	• <i>Appendix (Elements of an EU strategy towards the South Caucasus)</i>	192
	Annexes	197
	• <i>Maps of the region</i>	197
	• <i>The Caucasus</i>	197
	• <i>Georgia</i>	198
	• <i>Armenia</i>	199
	• <i>Azerbaijan</i>	200
	• <i>About the authors</i>	201
	• <i>Abbreviations</i>	204



Why a paper on the Caucasus? After all, the region does not border directly onto the European Union, it does not even form part of the 'new neighbourhood' that the Commission sees as the main consequence of the forthcoming enlargement, and none of the countries that make up the region is a candidate for EU membership. Given the accumulation of both internal and external issues to be tackled by the Union in the coming months – from the IGC to the various international crises in the greater Middle East to enlargement – the South Caucasus as one of the Union's security concerns might seem to be of only marginal interest.

And yet for the Union the significance of the Caucasus far outweighs considerations of geography or its institutional timetable. Indeed, the region presents practically all the security challenges that typify the post-Cold War period: newly independent states' transformation from the Soviet system; regional conflicts and separatist movements, often against a background of religious strife; the difficult process of democratisation in weak states; the flourishing activities of mafia networks and trafficking of various types directed by criminal organisations; the infiltration of networks linked to international terrorism; the security of oil and gas pipelines; ecological risks and massive economic underdevelopment; and so on. As from 2007, when Bulgaria and Romania are due to become members of the EU, all of the region will also form part of the Union's immediate neighbourhood. The South Caucasus therefore figures *de facto* on the European Union's security agenda: at a practical level, with the nomination in July 2003 of an EU Special Representative for the Caucasus; and at a conceptual level, since the region has been recognised as an area where the European Security Strategy would typically apply.

This Chaillot Paper is therefore devoted to an examination of the different security challenges posed to the European Union by the countries of the South Caucasus. Dov Lynch, who is a specialist on Russia and responsible for Eurasian questions at the Institute, brilliantly managed and edited the paper, and most of the authors of chapters were members of the task force on the Caucasus led by him at the Institute in 2003.

Recent events in Georgia have illustrated that the transition to democracy, in this region as elsewhere, is not only a long-term affair but also calls for a skilful mix of restraint, openness and vigilance on the part of the international community. The European Union has no ambition to become the major security actor in the region, but it holds all the cards required to contribute, along with other international partners, to the gradual stabilisation of crisis zones and to encourage all the forces striving for the democratisation of the countries of the South Caucasus.

Paris, December 2003

A regional insecurity dynamic

The South Caucasus:
a challenge for the EU

Dov Lynch

1

The South Caucasus contains three states that emerged after the collapse of the Soviet Union: Georgia, Armenia and Azerbaijan. Geographically, the region is populated by some fifteen million people, links the Caspian Sea basin to the Black Sea on an east-to-west axis, and is the juncture between the greater Middle East, Turkey and Iran, and the Russian Federation. This chapter will introduce a number of themes that run through this *Chaillot Paper*. The first part examines the nature of the ‘transition’ that the three South Caucasian states have undergone with a view to understanding the scale of their transformation. A second part discusses dimensions of state weakness across the region. Next, the chapter considers the impact of third parties on regional security/insecurity, and finally it outlines the structure of the volume.

The South Caucasus is divided by conflicts, blockades and trade restrictions. Armenia has lived under blockade from Azerbaijan and Turkey for more than a decade. Important rail links from Armenia through Georgia to Russia have been blocked since the early 1990s by the failure to resolve Georgia’s conflicts. Russia has applied periodically a strict border regime vis-à-vis the South Caucasus, and this has also disrupted oil/trade flows. Despite ongoing exploration and the development of its energy reserves, the status of the Caspian Sea remains undetermined, and tensions have flared between Azerbaijan and Iran over particular zones of the Sea. The region is criss-crossed with armed conflict: between the separatist regions of South Ossetia and Abkhazia and the central Georgian authorities; and between the separatist region of Nagorno-Karabakh and Baky and between Armenia and Azerbaijan.

Moreover, the region has no institutional form. Contrary to the institutionally rich Baltic area, the South Caucasus has no regional structure to allow the Georgian, Armenian and Azerbaijani governments to discuss questions that affect the region as a whole. In the late 1990s, the leaders of the region put forth a num-

ber of proposals for the creation of such forums. However, each plan followed the geopolitical preferences of the proposing country rather than the needs of the region as such. The region is poor in dialogue. The South Caucasus insecurity dynamic is sustained by a lack of trust. Armenia and Azerbaijan fought a war in the early 1990s. Yet neither has full trust in Georgia's ability or willingness to act as a regional hub. Georgia is the main link for Armenia to the regional and international market (except for an important sliver of border with Iran to the south). However, the Georgian road infrastructure from the Armenian border is a portrait of complete neglect. Georgia also contains Armenian as well as Azerbaijani minorities, which have not always been facilitating factors in regional confidence-building. The South Caucasus has seen little spirit of regional cooperation. The attention of Baky, Tbilisi and Yerevan is directed more outside the region rather than on the region itself or with their neighbours. The three states devote time and energy to jostling between themselves for external support. This trend of regional neglect stands in contrast to developments in Central Asia, where states are keen not only to compete for external support but also for a predominant position in the region itself.

All of this illustrates the fact that the South Caucasus is hardly a region in itself. As the name indicates, it is the southern section of a wider Caucasus that includes a northern part that lies in the Russian Federation. The area lies also on the periphery of a number of other regions, such as the greater Middle East, the Caspian basin, and the Black Sea region. The South Caucasus, caught in the cross-currents of powerful external forces and segmented by armed conflicts, is the subject of this *Chaillot Paper*.

'The transition is over'

The main intellectual prism for understanding developments in the former Soviet Union since the collapse of the USSR has been that of 'transition'. In an article entitled 'The End of the Transition Paradigm', Thomas Carothers examined the core assumptions defining a so-called 'transition paradigm'.¹ The first assumption is that a country is indeed in transition from dictatorial rule to democracy, a process that is seen to occur through a sequence of

1. Thomas Carothers, 'The End of the Transition Paradigm', *Journal of Democracy*, vol. 13, no. 1, 2002, pp. 5-21.

stages in which elections play a pivotal role. The process of transition itself is considered more important for the outcome of change than the structural factors of a particular state – such as its previous experience with democracy, its ethnic homogeneity and its level of economic development. Moreover, according to Carothers, democracy-building – that is, a focus on the nature of ruling regimes – is given more importance in this approach than state-building. If anything, the two processes are seen as being mutually reinforcing. These points have informed thinking about the new states over the last decade and lent a deterministic flavour to much analysis.

In fact, the three South Caucasian states are not in transition. The paradigm is misleading at a number of levels. First, the notion of transition is too light to characterise the overwhelming process of *transformation* thrust on these new states after the Soviet collapse.² Their transformation encompasses the building of new institutions, new states, new borders, new identities, new foreign policies and new military systems. Change has occurred at the economic, political, external policy and national levels on a scale that is far greater than that of the ‘transitions’ that occurred in southern Europe in the 1980s or in Latin America at various periods since the 1960s.

Second, as noted by Carothers, these states may not be moving towards *democracy*:

They have entered a political grey zone. They have some of the attributes of democratic political life . . . Yet they suffer from serious democratic deficits, often including poor representation of citizens’ interests, low levels of political participation beyond voting, frequent abuse of the law by government officials, elections of uncertain legitimacy, very low levels of public confidence in state institutions and persistently poor institutional performance by the state.³

Fundamentally, the problems affecting democratic standards in the new states may not be transitory but enduring features. The three South Caucasian states have developed large bits and pieces of the institutional façade of democracy but its substance has not been fully realised. Certainly, these states have ‘moved’ over the last ten years, but the process has been consistent only in its inconsistency. If the ‘transition’ is over, the question becomes ‘what is left?’

2. Archie Brown develops this argument in his *The Gorbachev Factor* (Oxford: Oxford University Press, 1997).

3. *Ibid.*, pp. 9–10.

The states of the South Caucasus

What is left are poorly institutionalised forms of politics, endemic levels of corruption, deeply impoverished populations, low levels of economic interaction with international markets, declining production bases and subsistence agricultural sectors – all within a political climate characterised by growing popular disenchantment and a deepening gap between the ruled and the ruling. People survive thanks to structures of support other than the state, through family and clan/regional networks and thanks to remittances sent back to the country from economic migrants abroad. The three South Caucasian countries are rich in potential, having abundant sources of energy and educated and skilled populations. But the transformation of the last decade has shattered people's sense of security – their physical security, at the personal level, and their prospective security, in terms of educational and professional prospects. The 'future' is not necessarily bleak, but it is entirely uncertain. This uncertainty has eroded people's sense of trust in their governments and states, and exhausted the rich vein of legitimacy that existed at the time of independence. Georgia's 'Rose Revolution' in November 2003, which led to Shevardnadze's resignation and new presidential elections on 4 January 2004, illustrated the profound lack of legitimacy in the regime that ruled that country for ten years. The peaceful nature of the revolution, and the broad coalition on which it is based, are signs of the maturity and strength of civil society in Georgia. However, the ease with which power was seized highlights the extreme weakness of the Georgian state.

It is often stated that the South Caucasian states are 'weak'. Some elucidation of the notion of 'weakness' may be insightful. There are two approaches to state weakness in the scholarly literature. The first looks to the institutional capacities of a state.⁴ In his writings, Joel S. Migdal determined that the relative strength of a state must be considered in light of its capacity to 'penetrate society, regulate social relationships, extract resources and appropriate or use resources in determined ways'.⁵ Here, state weakness is seen as a syndrome, characterised by widespread corruption, the rise of 'strongmen' and the segmentation of the political community into several 'publics'.

4. See discussion by author in 'Euro-Asian Conflicts and Peace-keeping Dilemmas', in Y. Kalyuzh-nova and D. Lynch (eds.), *The Euro-Asian World: A Period of Transition* (London: Macmillan Press, 2000).

5. See, for example, Joel S. Migdal, *Strong Societies and Weak States, State-Society Relations and States Capacities in the Third World* (Princeton, NJ: Princeton University Press, 1988); Mohammed Ayoob, 'State-Making and Third World Security', in J. Singh and T. Berhauer, *The Security of Third World Countries* (Geneva: UNIDIR, Dartmouth, 1993); William Reno, *Warlord Politics and African States* (London: Lynne Rienner, 1998); William Zartman (ed.), *Collapsed States: The Disintegration and Restoration of Legitimate Authority* (London: Lynne Rienner, 1995); Eva Busza, 'The Dysfunctional State and International Collaboration', Davis Center for Russian Studies, *PONARS Working Paper Series*, Harvard University, September 1997; Michael McFaul, 'When Capitalism and Democracy Collide in Transition: Russia's Weak State as an Impediment to Democratic Consolidation', Davis Center for Russian Studies, *Working Paper Series*, no. 1, Harvard University: September 1997.

In his discussion of the post-Soviet political order, Jack Snyder also adopts an institutionally driven focus.⁶ According to Snyder, the Soviet collapse gave rise to three security challenges.⁷ First, the security of the individual was put in jeopardy with the disintegration of coercive structures and the rise of semi-private militias. Second, widening political participation allowed for large-scale social mobilisation without clear channels of mediation. Finally, the collapse of the Soviet economy ended the command system and central subsidies, resulting in a desperate search for economic survival. These challenges were all present in the South Caucasus: 'Thus, conflict was greatest in places like Azerbaijan, Georgia and especially Tajikistan, where conditions came closest to that of an anarchical vacuum.'⁸

The entities that emerged from the Soviet collapse could barely be considered 'states'. Georgia, Armenian and Azerbaijan were recognised by the international community, and assumed the various responsibilities that accompany this process, such as seats in the United Nations General Assembly. In practice, sovereignty hardly existed within the boundaries of these states. Nowhere was this more evident than in Georgia in 1992-93. In the first years following the Soviet collapse, Georgia suffered two conflicts with separatist regions (Abkhazia and South Ossetia) inside its borders, as well as two quasi-civil wars (in late 1991 and autumn 1993). The writ of the Georgian state did not extend far beyond the administrative boundaries of the capital city, Tbilisi, which certainly had no monopoly over the legitimate use of force, to use Max Weber's definition of the attributes of the modern state. Several armed militias vied for power, and parts of the country lay beyond the control of the government. The large-scale war fought between Armenia and Azerbaijan had different effects on their relative state strength: a disintegrative effect on the Azerbaijani state, which saw a succession of government reversals and armed coups in 1992-93; and a more integrative effect in Armenia, at least until 1998.

The South Caucasian states have come along way since the early 1990s. Constitutions have been ratified, electoral processes regularised and armed militia groups (for the most part) reined in. Yet, while the extreme failings of the early 1990s have been rectified, these states remain weak institutionally. The 'Rose

6. See Barnett R. Rubin and Jack Snyder (eds.), *Post-Soviet Political Order: Conflict and State Building* (London: Routledge, 1998), pp. 1-14 and 162-82.

7. *Ibid.*, pp. 7-8.

8. *Ibid.*

Revolution' marked the strength of Georgian society as much as the weakness of the state. Civil-military relations are poor in each of them, either because the military plays too strong a role in politics or because the civilian leadership has purposefully sought to weaken the armed forces. Both Azerbaijan and Georgia have seen unrest in their armed forces because of the conditions of service and the lack of funding by the government. Relations between the central governments in the capitals and the regions are also troubled. In general, the capital cities have attracted all of the (little) investment that has been made over the last decade, and the gap with the surrounding regions is wide. On a daily level, the individual's interaction with the state is distinctly predatory: either one has a position/function, in which the resources of the state may be captured for private use or one ends up on the receiving end of various forms of state rent-seeking. The institutional weakness of the South Caucasian is a vicious circle: the governments suffer from very low levels of tax collection, which provides little revenue for the provision of public services in health care and education, which creates greater public discontent as well as incentives for corruption – all of which decrease popular willingness to pay taxes.

The second approach to understanding state weakness looks beyond political-institutional capacities. In his work, Barry Buzan stressed the importance of the 'idea' of the state in terms of perceptions of its legitimacy.⁹ If widely held, this idea may act as an organic binder, linking the state to its component parts and society with coherence and mechanisms to allow for popular subordination to its authority. Without such an idea, and in circumstances of institutional weakness, Buzan noted the prospect of the 'disintegration of the state as a political unit'.¹⁰ On a similar note, Kalevi Holsti has argued that the fate of states was determined 'in the realm of ideas and sentiments'.¹¹

In this view, state weakness consists of patterns of flawed legitimacy, in which the domestic use of force remains common, the state becomes personalised, several political communities vie for power, and the basic idea of the state constitutes an arena of conflict. Juan Linz and Alfred Stepan have called this the 'stateness' problem, which arises when there are 'profound differences about the territorial boundaries of the political community's state and profound differences as to who has the right of citizenship in that state'.¹² They stress 'the degree to which inhabitants accept the

9. Barry Buzan, *People, States and Fear: An Agenda for International Security Studies in the Post-Cold War Era* (Hemel Hempstead: Harvester Wheatsheaf, 1991).

10. *Ibid.*, p. 82.

11. Kalevi J. Holsti, *The State, War and the State of War* (Cambridge: Cambridge University Press, 1996), p. 84.

12. Juan J. Linz and Alfred Stepan, *Problems of Democratic Transition and Consolidation, Southern Europe, South America and Post-Communist Europe* (Baltimore and London: Johns Hopkins University Press, 1996), p. 16.

domain and scope of a territorial unit as an appropriate entity to make legitimate decisions about its possible future restructuring.¹³

The South Caucasians all feature the ‘stateness’ problem, and in different ways. The armed conflicts in Abkhazia, South Ossetia and Nagorno-Karabakh reflect conflicting perceptions of the domain and scope of the new states of Georgia and Azerbaijan. The aim of the separatist authorities is *not* to capture power in the capital cities, or to renegotiate the division of powers within a given territory. The objective is *to secede* from Georgia and Azerbaijan. This absolute disagreement about the ‘idea’ behind the new states of Georgia and Azerbaijan has made conflict resolution difficult. What is at stake is the very idea of the new Georgian and Azerbaijani states.

The weakness of the South Caucasian states (as opposed to *nations*) is evident also in the large proportion of their populations who have left their countries to work abroad as economic migrants. The figures vary between ten to twenty per cent of the working populations who have left, mainly for Russia. This trend reflects the lack of professional opportunity available in the South Caucasus. It may also illustrate a deep-seated perception of the illegitimacy of the states that have arisen in the last ten years.

External actors

The South Caucasus is crowded with different kinds of international actors, ranging from international organisations and states to multinational corporations. The motives driving these external actors are varied, and not necessarily complementary.

International organisations, such as the United Nations (UN) and the Organisation for Security and Cooperation in Europe (OSCE), have become deeply engaged in seeking to advance the settlement of the region’s conflicts.¹⁴ The UN has taken the lead in the Georgian-Abkhaz conflict, while the OSCE has guided negotiations in the conflict in South Ossetia and over Nagorno-Karabakh. The involvement of these organisations, despite being quite extensive and multifaceted, has not been successful in catalysing settlement. In addition, the UN and the OSCE have sought to support democratic standards in human rights and elections in the region. Moreover, all three states are members of

13. *Ibid.*, p. 25.

14. See the chapter in this volume by Domitilla Sagramoso.

the Council of Europe, which is becoming active in promoting democratic standards in the political life of these states.

Through their membership of international organisations, important external states are also present in the South Caucasus. The Minsk Group, leading negotiations in the conflict over Nagorno-Karabakh, has three co-chairs, from France, Russia and the United States. European states are also present in the Group of Friends of the UN Secretary-General, which has played a role in negotiations in the conflict in Abkhazia. Germany has been particularly active in this respect. In addition, the British government appointed a special envoy to Georgia in 2002, enlarging his responsibilities to include the whole South Caucasus in 2003. There has been a surge of interest in the region from the United States and the Atlantic Alliance in the last two years (although it started earlier) – the United States following in the wake of 11 September and the Alliance following the 2002 Prague summit, which reconfigured NATO and gave it a more global role.¹⁵

For the United States, NATO and the EU, the South Caucasus is an area of opportunity, in terms of the exploitation of the region's energy reserves, its geographic position and the presence of the moderate Muslim state of Azerbaijan. The region is also an area from which threats stem, in the form of criminal transit flows, the presence of international terrorist networks and the dangers associated with the weakness of the South Caucasian states. The vision of the region as both opportunity and threat has led to increasing attention and involvement in the region.

US policy since 11 September shifted to far deeper military engagement. In early 2002, President Bush waived the restrictions on US assistance to Azerbaijan in the Freedom Support Act of 1992. As a result, American aid has become more balanced across the region, with the focus falling heavily on security and counter-terrorism. The US military has been quick to develop contacts with Azerbaijan, to support Azerbaijani border and customs controls and strengthen its capacity for terrorist interdiction. More visibly, the United States launched a Train and Equip Program in Georgia (GTEP) in 2002 to train some 1,200 Georgian troops in counter-insurgency by 2004.¹⁶ In addition, Washington has revived an interest in developing GUUAM (Georgia-Ukraine-Uzbekistan-Azerbaijan-Moldova).¹⁷ At the Yalta summit in July 2003, the United States pledged financial assistance to joint projects on training mobile anti-terrorist units and border troops.

15. See the chapter in this volume by Brenda Shaffer.

16. See the 'Fact Sheet' on GTEP produced by the US Department of Defense Europe Command, available at: <http://www.eucom.mil>.

17. For official information on this grouping, consult the GUUAM website: <http://www.guam.org>.

The North Atlantic Treaty Organisation (NATO) has also become increasingly present in the South Caucasus. Georgia and Azerbaijan have been active participants in the Partnership for Peace programme (PfP) since the mid-1990s.¹⁸ The 2002 Prague summit launched new relations with NATO's partners, founded around the Individual Partnership Action Plan (IPAP) and the Partnership Action Plan on Terrorism. Georgia and Azerbaijan have applied to join these programmes.¹⁹ Since 11 September, Armenia has also sought greater cooperation with NATO, including through the Planning and Review Process (PARP). Turkey has also developed a notable presence in the South Caucasus, providing important military assistance to Azerbaijan and Georgia.

Russian policy towards the South Caucasus has changed since the Soviet collapse.²⁰ In the early 1990s, Russia (various forces in Moscow and on the ground) played a heavy-handed, and sometimes coercive, role in the region's conflicts, at times supporting the separatist forces, at others assisting the central authorities. Over the course of the 1990s, Russia has shifted away from direct military adventures across its southern borders. While fighting active wars in Chechnya, successive Russian governments have not had the military tools at their disposal for greater engagement abroad. Moreover, Russian policy in its so-called 'near abroad' has become more 'civilianised' over the last decade, with power shifting away from the ministry of defence towards the foreign ministry. Since 2000, Russian policy has become more presidential under Vladimir Putin. In all, Russian thinking has shifted away from the tight association between military presence and the protection of Russian interests. This linkage has not been abandoned entirely, as Russia retains two military bases in Georgia and a large contingent in Armenia. The focus of Russian policy has become increasingly geo-economic over the 1990s, with the rise of interests that are better served through active economic and diplomatic measures.

Yet, Russia has not abandoned the South Caucasus. The North and South Caucasus are seen as interlinked security regions by Moscow. In this sense, ensuring Russian security in the north is seen to require an active policy further south. Under Putin's leadership, Russian policy has become more differentiated in the region. The strategic alliance with Armenia has deepened in economic and military terms. Putin reoriented Russian policy away from a more or less malign neglect of Azerbaijan with a first state

18. For more details on these ties, see <http://www.nato.int/pfp/eapc-cnt.htm>.

19. See 'The Prague Summit Declaration,' 21 November 2002; <http://www.nato.int/docu/pr/2002/p02-127e.htm>.

20. See the chapter in this volume by Pavel Baev.

visit in 2001. Ties have since become remarkably closer between Baky and Moscow on such questions as exploitation of the Caspian Sea energy reserves and even Russia's campaign in Chechnya. Azerbaijan participated in the large-scale naval exercises organised by Russia in the Caspian Sea in August 2002. By contrast, relations with Georgia have gone from bad to worse on a range of questions, such as Russian ties with Abkhazia and negotiations over the closure of Russian military bases. Relations are likely to remain tense until after the Georgian presidential elections in 2005.

There are a number of points to note with regard to external involvement in the South Caucasus. First, in the region's highly charged climate, small steps by external parties have wide impact, as much because of the misperception by local parties as because of genuine misunderstanding. No matter what is done to offset this risk, the policies of external parties always tend to raise expectations in the region, either positively or negatively. GTEP is a case in point. In operational terms, the programme will not fundamentally alter the combat readiness of the Georgian armed forces. The importance of the programme is seen to reside elsewhere, as a symbol of US commitment and perhaps as a presage of future membership of NATO (neither of which is in any way certain). Small steps are quickly magnified and distorted.

Second, the policies of external actors are not consistent either in themselves or with those of other parties. The United States has insisted that elections in the three states be 'free and fair'. At the same time, American interests in the stability of these states, and especially Azerbaijan with its energy reserves and a moderate Muslim leadership, sometimes seem to trump such democratic concerns. In the 1990s, Russian policy towards the delimitation of the Caspian Sea was divided between a hard-line position taken by the foreign ministry and a more pragmatic approach taken by Russian oil companies. Moreover, external states have pursued clashing policies. In the conflicts in Nagorno-Karabakh and Abkhazia, Russia has on a number of occasions displayed a desire to exclude a role by third parties.

Third, external actors have impacted only marginally on solutions to the fundamental problems facing the three South Caucasian states. To take the most prominent example, GTEP

may be considered strategically significant by Russia and the South Caucasian states, but the programme is likely to have little impact beyond perceptions. GTEP will not be sufficient to solve Georgia's main security dilemmas. In fact, the creation of such élite forces could create further civil-military tensions in Georgia and increase problems within and between Georgia's 'power ministries'.

Fourth, the crowded presence of external actors has exacerbated a tendency of the South Caucasian states to play various organisations and states off against each other, as so many different 'tables' at which to advance their interests. All three tend to view external actors as either 'saviour' or 'enemy'. This perception detracts from the intended results of international engagement and has led Tbilisi, Baky and Yerevan to spend much energy on seeking foreign support rather than addressing questions directly. Georgian and Abkhaz approaches to the settlement negotiations have reflected this thinking, with the result that little progress has been reached over the status question.

Finally, despite the international attention it has received, the South Caucasus remains strategically ambiguous. External actors are present but not in a manner and with an intensity that would clarify the strategic future of the region. No external actor has clearly and irrevocably thrown its lot in one or another direction, as, for example, NATO did in Central and Eastern Europe in the 1990s. Relations with Moscow add a note of ambiguity to US/NATO policies in the region. In every speech that NATO Secretary General George Robertson gave in his 2003 tour of the South Caucasus, he took care to mention the new NATO-Russia Council as a new force in NATO policy towards the former Soviet Union. Openly anti-Russian policies should not be expected from Washington or Brussels. One can find notes of this ambiguity in US policies towards the Pankisi Gorge in 2002, which were far from fully supportive of the Georgian case.

Thus, the region remains shrouded in a high degree of strategic uncertainty. The international community and external states are sufficiently present to create misperceptions and misunderstanding but not enough to dissipate them. The result is a region that is divided in itself and by external parties, whose actions and intentions remain veiled in uncertainty.

The structure of this volume

This *Chaillot Paper* fits in with the increasing attention given to the South Caucasus by the European Union (EU). EU focus on the region has intensified periodically since 1999, and then in 2001, culminating with the appointment of an EU Special Representative in July 2003.²¹ The EU Institute for Security Studies launched a Task Force on the South Caucasus in early 2003 and organised a conference in May 2003, where the chapters in this volume were presented and discussed. The objective of this *Chaillot Paper* is limited to a desire to introduce a wide variety of views on security developments in South Caucasus for an EU audience and present some suggestions as to how to develop a reinforced EU role.

The context is not propitious for a reinforced EU role. The region is crowded with other international organisations which are engaged in the negotiating mechanisms for conflict settlement, in which the EU has no formal presence. The South Caucasian states are not candidates for EU membership, which leaves the EU with little opportunity to exploit its single most effective 'foreign policy' tool – conditionality. At the same time, with enlargement, the area will become an EU neighbour that cannot be ignored for long by the Union. The absence of unitary actors in the South Caucasus makes EU and international engagement difficult. The separatist regions of Abkhazia, South Ossetia and Nagorno-Karabakh have survived isolation and blockades for a decade, and look set to survive another ten more years. The recognised states of Georgia, Armenia and Azerbaijan all seem to perceive themselves as doing well enough despite the region's conflicts and trade restrictions. In the view of some élites in Tbilisi, Georgia will survive thanks to transit fees from the Baky-Tbilisi-Ceyhan pipeline; for some in Yerevan, the macro-economic figures seem to indicate that Armenia can survive despite closed borders; and many politicians in Baky have placed their bets on the rosy future of oil and gas revenues.

In sum, the EU faces series of conundrums in the South Caucasus. How can the European interest in the stability of a neighbouring region be advanced when the EU has little power? How can the EU avoid becoming simply another 'table' – which would only amplify the current forces of insecurity that are at play? What can the EU do to alter the volatile status quo that has set over the region?

21. On the evolution of EU policy, see the last chapter in this volume.

This *Chaillot Paper* starts with a general consideration of a range of security concerns arising in the region, discussed in this chapter and that by Svante Cornell, who examines the vexing question of organised crime. These are followed by a discussion of Russian policy by Pavel Baev, US policy by Brenda Shaffer and the activities of international organisations by Domitilla Sagramoso. John Roberts outlines the main issues related to energy exploitation and transportation in and from the region. The following three chapters are written by David Darchiashvili, Arman Grigorian and Arif Yunusov, who examine aspects of the security policies adopted by the South Caucasian states themselves over the last decade. Bruno Coppieters looks at the dilemmas facing the EU Special Representative in seeking to settle the region's conflicts. The paper finishes with a discussion of the evolution of EU security policies towards the South Caucasus since 1999. The last chapter also outlines the framework for an EU strategy towards the region, with a list of specific initiatives that may be considered. Despite the difficulties, the EU can help the development of regional stability through a policy that is low-profile but quite wide-ranging, and draws on the Union's strength in focusing on soft security over the long term.



The growing threat of transnational crime

Svante E. Cornell

The South Caucasus:
a challenge for the EU

2

The South Caucasus is plagued by a long list of security threats. These include first and foremost the deadlocked armed conflicts in Nagorno-Karabakh, Abkhazia, and South Ossetia; the complicated nature of regional states' relations with each other and their larger neighbours, most notably Georgia with Russia, Armenia with Turkey and Azerbaijan with Iran; domestic political instability, looming succession crises and economic recession that has not yet been overcome. All these problems, and their severe implications, nevertheless obscure the salience of a growing threat to the societal, economic, and political security of the South Caucasian states – the increasing role of transnational crime in the region. This phenomenon, of course, is related to and exists in a symbiotic relationship with most of the problems mentioned above. Transnational crime in the South Caucasus is multifaceted, involving issues posing a mainly economic threat, such as the smuggling of alcohol, cigarettes and fuel; but also issues with much wider implications, such as the smuggling of narcotics, weapons, persons and components of weapons of mass destruction (WMD).¹ The consequences of crime in the South Caucasus affect both the region itself and Europe. As criminal networks entrench their influence over the economic and political élites of the states in the region, they become increasingly powerful actors in the region, and this has a clearly destabilising effect on these societies.

Crime in the former Soviet Union

Since the collapse of the Soviet Union, transnational crime has gradually grown in importance in all former Soviet states. For obvious reasons the exact extent of the influence of organised crime remains unknown, but its growth is measurable in these states, and beyond. Several factors common to the former Soviet states have

1. See Cornell Caspian Consulting, 'The South Caucasus: A Regional Overview and Conflict Assessment', a report prepared for the Swedish Agency for International Development Cooperation, Stockholm, August 2002, pp. 50-2, 60-1.

made this very rapid growth of transnational organised crime possible.

A first factor is the weakness of state structures. At independence, the newly independent states were forced to build the institutions of statehood from scratch, with little preparation and highly limited financial resources, and often in an environment of armed conflict. This ensured the weakness of governments' control over state institutions; and that agencies crucial to combating crime such as customs, border guards and police remained inexperienced, understaffed and underpaid.

Second, the economic recession that followed the collapse of the Soviet Union, and the failure of most former Soviet states to generate sustainable economic development, limited the venues for legal economic activity – thereby increasing the opportunities for illegal economic activity, and especially organised crime.

Third, the former Soviet 'space' is auspiciously located between the source of illicit drugs, especially the opiates produced in Afghanistan, and their main market, Europe. Moreover, the former Soviet Union contains numerous resources that are standard 'commodities' of transnational crime: in addition to drugs, weapons, components of WMD and women used in prostitution in West European countries are also trafficked.

Fourth, and related to the previous factors, state institutions have proven to be malleable to corruption, and furthermore to direct infiltration by transnational criminal groupings. A permissible moral environment for corruption already existed in the Soviet era, and has only worsened with the economic recession and turmoil of the post-Soviet transition. As salaries have plunged, corruption has become widespread at all levels of society, from primary school teachers to military officers and high-level bureaucrats. Transnational criminal groupings have hence found an environment where the practice of buying services or favours, including illegal ones, for money is common, a feature of these societies that they have used with great skill. But the role of state officials, units and entire agencies or ministries in the transnational criminal activities across the region often supersedes the simple, passive role of bribe-taking, such as a customs official taking money for looking the other way when a drugs shipment crosses a border.² In fact, government officials and branches have become increasingly active, even direct, participants in criminal activities, raising the issue of state complicity in organised crime.

2. See Nancy Lubin, 'Watching the Watchdogs', *Journal of International Affairs*, vol. 56, no. 2, Spring 2003, pp. 43-58.

In countries such as Georgia or Tajikistan, credible allegations have lingered of officials at the highest levels having leading roles in organised crime. This raises important questions for the political future and internal political struggles in former Soviet states.

The Caucasus

The Caucasus, including both the Russian North Caucasus and the independent states of the South Caucasus, has been considerably affected by transnational crime. While it is hard to compare the degree of criminalisation of post-Soviet societies, the South Caucasus has been badly hit, as the permissive factors of weakness, recession and conflict have been worst in this region.

The links between separatist and extremist political groups on the one hand and transnational crime on the other in the region are plentiful, yet the factor of crime in understanding these groupings and their interests is scarcely studied. In other parts of the world, the links between ideologically, ethnically, or religiously motivated organisations and crime have been noted. Such groupings typically turn to crime to finance their ideological struggle, and due to their already underground status as well as their needs they tap the criminal market to obtain weapons. However, many of these groups are involved in crime to such an extent that it becomes a secondary – and occasionally perhaps a primary – *purpose* of these groupings. In other words, as the struggle extends in time, parts of the leaderships of ideologically motivated groups tend to turn to crime, no doubt attracted by the large sums of money to be made. Eventually, some of these groupings are motivated as much, if not more, by perpetuating crime networks than by their ideological struggle, and their actions can be better understood in the context of their criminal activity than the ideological one.

The Revolutionary Armed Forces of Colombia (FARC) guerrilla movement in Colombia, for example, was originally a Marxist-Leninist organisation that increasingly seems to have drug trafficking and abductions as a core motivation. The Islamic Movement of Uzbekistan is an example of a religiously-motivated extremist group that very quickly turned into an organisation driven, to a large extent, by the sums of money to be made on transporting opiates from Afghanistan to Central Asia.³ Likewise, the

3. Tamara Makarenko, 'Crime and Terrorism in Central Asia,' *Jane's Intelligence Review*, July 2000.

Kurdish separatist Kurdistan Workers' Party (PKK) raised most of its money from the drug trade, with laboratories converting opium to heroin in the unruly areas of south-eastern Turkey, and a complete network of distributors among Kurdish exiles in Western Europe. Separatist regions in Burma provide another example of the same phenomenon.

Given the global convergence of separatism and/or extremism with crime, the persistence in the South Caucasus of armed ethnic separatism and uncontrolled territories is a priori a facilitating factor for crime. In fact, the ethnic conflicts that have plagued the South Caucasus since 1988 and remain unresolved have contributed to the booming role of transnational crime in several ways. Ethnic conflicts have meant the loss of state control over large areas of territory and the creation of unaccountable and often criminalised regimes in the secessionist states. They have also led to the weakening of state authority and the consolidation of semi-authoritarian rule in the central governments, and to an economic collapse more severe than elsewhere in the former Soviet Union. Armenia's economy had contracted to 30 per cent of its 1989 levels by 1993; Azerbaijan's to 35 per cent by 1995 and Georgia's to 25 per cent by 1994.⁴ While some recovery has taken place, no country is close to a return to 1989 levels of production in the near future.

The territorial problem concerns Georgia and Azerbaijan in particular. In Georgia, the central government lost control of the entirety of the Autonomous Republic of Abkhazia and roughly half of the territory of the Autonomous Province of South Ossetia in the course of warfare between 1990 and 1993. These territories remain under the control of self-appointed separatist authorities with little to no accountability, and remain virtually isolated islands where international treaties do not apply and there is no official international presence. In addition to these areas, Georgian governmental control over the remainder of its territory has been weakened to the point where it is nominal in several areas. The Autonomous Republic of Adzharia is controlled by a local strongman, Aslan Abashidze, who has set up his own military forces patrolling the border with the rest of Georgia, and regularly refuses to pay taxes to the Georgian central government. For many practical purposes, Adzharia acts as a de facto independent entity.⁵ The Pankisi Gorge in north-central Georgia was for most of the late 1990s a no-go area in which armed Chechen groupings

4. See e.g. Giovanni Andrea Cornia and Vladimir Popov, *Transition and Institutions: The Experience of Late Reformers* (Oxford: Oxford University Press, 2001).

5. Monica Duffy Toft, 'Two-Way Mirror Nationalism: the Case of Ajaria', in Moshe Gammer (ed.), *The Politics of the Caspian* (London: Frank Cass, 2002); Georgi M. Derlugian, 'A Tale of Two Resorts: Abkhazia and Ajaria Before and Since the Soviet Collapse', in Beverly Crawford and Ronnie D. Lipschutz, *The Myth of 'Ethnic Conflict'* (Berkeley, Calif.: University of California, 1998).

and criminal networks based themselves with impunity.⁶ Only as a result of intense international pressure and American assistance was the Pankisi Gorge brought under control in 2002.⁷ The Javakheti region in south-western Georgia, predominantly Armenian-populated, is another area to which the central government's writ does not extend. Georgian officials concede that they are unable to control the law and order situation in the region. Likewise, the north-western region of Svaneti is not under government control, and its rule of parts of Mingrelia such as the Zugdidi-Senaki area in the west is tenuous at best.

In the case of Azerbaijan, the government in Baky exerts control over the territory that is not occupied by external forces. However, over 17 per cent of Azerbaijan's territory is occupied by Armenian forces from Nagorno-Karabakh. This includes the Nagorno-Karabakh Autonomous Province, as well as its surrounding regions of Lachin, Kelbajar, Agdam, Fizuli, Jebrail, Qubati and Zangilan. As in the case of Abkhazia, these territories remain outside international supervision. Whereas foreigners have access to the Nagorno-Karabakh area itself, as they do to Abkhazia, the occupied territories totalling around 10,000 sq. km have been out of bounds to international observers for the past ten years.

The wars of 1988-94 also wrought tremendous damage to the functioning of the economy of the region. A first consequence of armed conflict was the disruption of transportation and trade routes, which is still the case due to the unresolved character of the conflicts. The border between Armenia and Azerbaijan was sealed by warfare and subsequently kept closed by a cease-fire regime. Likewise, trade across the Georgian-Abkhaz border has been shut down, and railroad lines that connected Georgia with Russia through Abkhazia, and Armenia to Russia through Azerbaijan, were closed. Armed conflict also affected the political systems of the Caucasus, as coups and insurgencies plagued Georgia in 1991 and 1993, as well as Azerbaijan in 1993. For these reasons, the economic recession in the South Caucasus was considerably more severe than elsewhere in the Soviet Union.

Conflict also naturally affected governance. As the economy plunged, corruption permeated government bureaucracies and became endemic. As a result, Caucasian governments not only fail to control their territories – to varying degrees, they also fail to control their own state institutions. This problem was widespread

6. Pavel Baev, 'Could the Pankisi Gorge Decide the Fate of the Caucasus?', *Central Asia-Caucasus Analyst*, 24 April 2002; Khatuna Salukvadze, 'The U.S. on the "Silk Road" of Expansion to Eurasia?', *Central Asia-Caucasus Analyst*, 13 March 2002; 'Islamic Radicals from Afghanistan Active in Georgia – US Diplomat', *Eurasianet*, 15 February 2002; Jaba Devdariani, 'Georgian Security Operation Proceeds in the Pankisi Gorge', *Eurasianet*, 3 September 2003.

7. Ariel Cohen, 'Moscow, Washington and Tbilisi Wrestle with Instability in the Pankisi Gorge', *Eurasianet*, 19 February 2002.

in the mid-1990s in all three countries, even though addressed with some success in Armenia and Azerbaijan. Georgia made some progress in rebuilding functioning state institutions in 1995-97,⁸ but has since seen a further weakening of state institutions and the functioning of the bureaucracy.

Instability in the North Caucasus is another issue that has exacerbated the situation in the South Caucasus, especially the destabilising effect of the war in Chechnya. Throughout the 1990s, Chechnya and Dagestan both saw a boom in organised crime, including the smuggling of arms, drugs and other commodities, and abductions of people for ransom. Criminal groups operating in the North Caucasus have spilled over into the South Caucasus, for example in the Pankisi Gorge in Georgia, and also in Azerbaijan, where the influx of Chechen refugees and the proximity to criminalised and troubled Dagestan has facilitated the presence of criminal networks with links to the North Caucasus.

The drug trade

The drug trade is the leading business in transnational organised crime, primarily because it is where the largest profits are made. Weapons, fuel or persons are also trafficked for profit, but the astronomical price of a gram of heroin in Western Europe, the small size of the commodity and the steadily increasing demand for drugs in Western and Eastern Europe makes the smuggling of narcotics a particularly lucrative business: a gram of heroin is worth \$2-4 in Afghanistan; in Central Asia, it averages \$7-10; in countries on the Balkan route \$25-30; and in Western Europe \$80.⁹

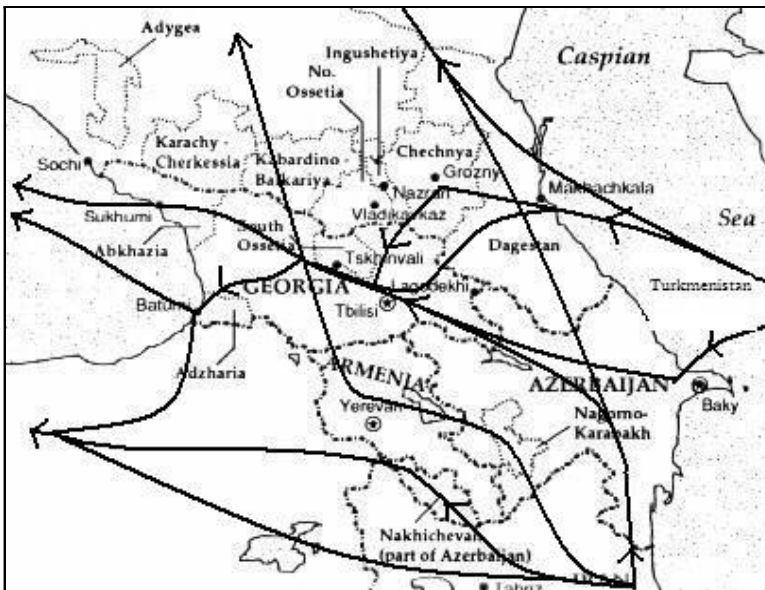
The importance of the drug trade also stems from its social consequences for transit countries. Couriers are normally paid in kind and not in cash; this automatically injects drugs into the transit societies, and creates an addiction problem there, which is, in turn, followed by epidemics. In Central Asia, where the problem is even greater, addiction rates are already well over 1 per cent of the population, or three times that of Western Europe; an HIV epidemic is following in its wake, with around 88 per cent of HIV cases in Central Asia and 60-75 per cent in Russia being directly related to intravenous drug use.¹⁰ A similar phenomenon, though perhaps not of the same magnitude, is likely to take place in the Caucasus if the region continues to act as an important transit point.

8. Stephen Jones, 'Georgia's Return from Chaos', *Current History*, October 1996.

9. United Nations Office on Drugs and Crime, *The Opium Economy in Afghanistan: An International Problem* (New York: United Nations, 2003), p. 221.

10. UN Office on Drugs and Crime, *The Opium Economy of Afghanistan: An International Problem* (New York: United Nations, 2003), p. 197; UN Office on Drugs and Crime, *Global Illicit Drug Trends 2003* (New York: United Nations, 2003), p. 122; Burt Herman, 'UN: Steady Flow of Afghan Opium through Central Asia Leads to Rising Drug Addiction, AIDS Infections', Associated Press, 28 February 2003.

The Caucasus has been affected by the drug trade primarily due to the weakness of these states, and their location along both major smuggling routes from Afghanistan to Europe, the so-called 'Balkan' and 'Northern' routes. While none of the major arteries of either route passes through the South Caucasus, the fact is that by its location on the periphery of both routes, the region has become a component in both. As a result, the criminal networks of different drug routes are present in the region. In fact, the Caucasus is where the two main routes meet, and the chief area where smuggling on these two routes intersect.



The 'Balkan' route

For over a decade, the 'Balkan route' and its various sub-routes has been the chief route employed for the smuggling of Afghan opiates to Western Europe. Originating in the southern opium-producing provinces of Helmand and Nangarhar in Afghanistan, the route's main artery is through Iran, or via Pakistani Baluchistan to Iran, towards Turkey and the Balkans and then to markets in Western Europe. This route transports both heroin and raw opium, which is turned into brown (inhaled) or the purer white (injected) heroin in laboratories along the way. This route dominated trade in the mid-

1990s, but due to harsher anti-drug law enforcement measures, in Iran especially but also Pakistan and Turkey, this route has become more risky, and therefore more expensive for drug traffickers to use. While gradually overtaken by the 'Northern' route, it still carries a large portion of the heroin destined for Western Europe.¹¹

Information collected from seizures in the South Caucasus suggests that opiates on the Iranian/Balkan route enter the South Caucasus through three main points.¹² The Iranian-Azerbaijani border point at Astara is one of these. Some of the drugs head from the Iranian border across Azerbaijan to Dagestan for transport to Russia, whereas some are trafficked to Georgia and on to Central Europe. The drugs being trafficked are both heroin and, significantly, raw opium: for example, 28 kg of opium of Iranian origin were apprehended at the Azerbaijani-Russian border in May 2003.¹³ A second point of entry appears to be the border between Iran and the Armenian-occupied territories of Azerbaijan, from where drugs transit Armenia towards Georgia, or possibly to Russia by air. Azerbaijani sources have with increased vigour accused the separatist Nagorno-Karabakh government of complicity in the drug trade,¹⁴ and even submitted a motion to the Parliamentary Assembly of the Council of Europe on this matter, among other accusations.¹⁵ These accusations have focused on the province of Zangilan, the south-westernmost province of Azerbaijan, which has been occupied by Karabakh Armenian forces since Autumn 1993. Recently, the US State Department expressed concern over the possible use of occupied territories in the drug trade.¹⁶ Armenian sources have also observed the lack of any reaction to these allegations by Nagorno-Karabakh separatist authorities.¹⁷ Azerbaijani sources have also alleged that drugs are being cultivated in the occupied territories.¹⁸ Moreover, similar accusations have been voiced by Georgian officials against Abkhazia.¹⁹

All of these allegations have yet to be backed with substantial evidence. However, court cases against drug traffickers in Iran have mentioned trafficking activities in areas that are Armenian-occupied territories in Azerbaijan.²⁰ It may also be noteworthy that Nagorno-Karabakh authorities have failed to respond to the allegations. Certainly, the isolation of the occupied territories can only make matters worse. The Armenian-occupied territories of Azerbaijan are, indeed, some of the least accessible areas of Eurasia. Whereas the self-proclaimed Nagorno-Karabakh republic itself, Abkhazia, and South Ossetia are all areas where interna-

11. UNODCCP, *Global Illicit Drug Trends 2002* (New York: United Nations, June 2002), pp. 78-82.

12. Information obtained (in addition to news reports on seizures) through interviews with security officials in Georgia and Azerbaijan, Tbilisi and Baky, July 2002 and August 2003.

13. *Yeni Musavat* (Baky), 13 May 2003, p. 2.

14. See e.g. *Zerkalo*, 20 July 2002, p. 11; <http://www.alexsv7.com/~karabakh/>.

15. <http://stars.coe.fr/documents/workingdocs/doc02/edoc9444.htm>.

16. Media-Press News Agency, 4 March 2003.

17. 'Karabakh Failing to Counter Azeri Charges on Drugs Trade', *Iravunk* (Yerevan), 12 March 2002.

18. *Zerkalo*, 20 July 2002, p. 11.

19. *BBC Monitoring FSU Political*, 9 February 2002, quoting Georgian Television, 1100 GMT, 9 February 2002.

20. <http://www.alexsv7.com/~karabakh/>.

tional NGOs, foreign journalists and other observers can travel, albeit under certain restrictions, the same is not true for the occupied territories of Azerbaijan. The city of Agdam, east of Karabakh and occupied since 1993, was not made available to OSCE monitors until 2001.²¹ The southern occupied territories on the Iranian border, including Zangilan (and Jibrail – where Azerbaijan had accused Armenia of burying nuclear waste) remain basically no-go areas for outsiders. As long as this remains the case, allegations that these territories are used for various kinds of criminal activities are likely to continue. Especially following 11 September 2001, international concerns about uncontrolled territories being used for transnational crime and terrorism have increased, with international attention falling on the most ‘uncontrolled’ of territories, namely parts of Chechnya and the occupied territories of Azerbaijan.

Finally, the Azerbaijani exclave of Nakhchivan in Armenia has long been cited as a major transit point of drugs. From Iran, opiates enter Nakhchivan headed primarily for Turkey and the traditional Balkan route.

The ‘Northern’ route

Since the mid-1990s, the ‘Northern’ route has become increasingly important as a chief smuggling route for Afghan opiates.²² As Iranian counter-narcotics measures grew harsher, the collapse of the Soviet Union created five weak, corruptible and poor states in Central Asia, just to the north of the booming opium source that was Afghanistan. Trafficking networks soon found it convenient – and less risky – to transport opiates through the former Soviet Union, finding there not only a transshipment route to the lucrative markets of Western Europe but also a booming market for drugs and criminalised state structures. In the space of ten years, addiction rates in Central Asia and Russia have reached staggering proportions, as have related epidemics and especially the rate of HIV infections.

A main artery of the northern route is through Tajikistan, and on to Russia by Russian military aircraft, or via Kyrgyzstan and Uzbekistan into Kazakhstan and on to Russia.²³ These routes do not involve the Caucasus. However, whereas the weakness and relative openness of Tajikistan after its civil war has brought attention and publicity to that country’s problems with drug traffick-

21. See for example the visit of monitors at http://www.glasnostonline.org/news_en/2001/april/23/08.html.

22. Tamara Makarenko, ‘Traffickers turn from Balkan conduit to “Northern Route”’, *Jane’s Intelligence Review*, vol. 13, no. 8, August 2001.

23. Asal Azamova, ‘The Military is in Control of Drug Trafficking in Tajikistan’, *Moscow News*, 30 May 2001. This is the first acknowledgment by Russian officials of the long-suspected involvement of its troops in Tajikistan in the drug trade. See also, ‘Civil Order Still a Distant Prospect in Tajikistan’, *Jamestown Monitor*, vol. 7, issue 137, 18 July 2001; Jean-Christophe Peuch, ‘Central Asia: Charges Link Russian Military to Drug Trade’, RFE/RL, 8 June 2001.

ing, very little hard evidence is available on what is the other likely major artery of the drug trade – Turkmenistan. While seizures of narcotics skyrocketed in all other countries of Central Asia in 1995-2001, the numbers in Turkmenistan actually dropped from two tons in 1997 to one hundred and eighty kilograms in 2000.²⁴ While the United Nations noted that ‘it seems surprising that drug traffickers were not making use of these links’,²⁵ citing the fact that Turkmenistan was the only Central Asian country bordering both Afghanistan and Iran and enjoying political relations with both the Taliban and the Northern Alliance, as well as commercial relations with the Taliban controlled regions of Afghanistan. It would seem quite certain that traffickers have made use of Turkmenistan. The UN Office on Drugs and Crime (UNODC) analysis is based mainly on two figures: production figures and seizures, assuming that seizure figures provide an indication of the actual amount of drugs being smuggled through a country. In the case of Turkmenistan, one of the most closed societies in Eurasia and comparable to North Korea, seizures are not likely to give much indication of what is really going on in the country. In fact, accusations of high-level penetration of the Turkmen state by drug trafficking networks abound.²⁶ Turkmen President Saparmurad Niyazov has publicly maintained that smoking opium is good for health, and testimonies coming out of Turkmenistan indicate a rampant drug addiction problem.²⁷ Unofficial sources estimate that one hundred and twenty tons of heroin pass through Turkmenistan each year; a recent International Crisis Group report cites numerous eyewitnesses reporting government involvement in the drug trade from the lowest to the highest levels.²⁸

This short digression on Turkmenistan is relevant, because, unless Turkmenistan’s role in Afghan opium smuggling is understood, the full role of the Caucasus is difficult to grasp. Most of the heroin that transits Georgia, and a substantial part of that transiting Azerbaijan, comes to the Caucasus from across the Caspian Sea, specifically from Turkmenistan. Some of these shipments reach the ports of Derbent, Kaspiysk and Makhachkala in Dagestan, from where some veer north toward parts of the Russian Federation and Eastern Europe, whereas others transit Dagestan, or Dagestan and Chechnya, into Georgia and then from the ports of Poti, Batumi in Adzharia, or Sukhumi in Abkhazia, on to Central Europe. Drug shipments from Turkmenistan also enter the South

24. United Nations Office on Drugs and Crime, *The Opium Economy in Afghanistan: An International Problem* (New York: United Nations, 2003), p. 160.

25. *Ibid.*, p. 160.

26. Rustem Safronov, ‘Turkmenistan’s Niyazov Implicated in Drug Smuggling’, *Eurasianet*, 29 March 2002; Alec Appelbaum, ‘Turkmen Dissident Accuses Niyazov of Crimes’, *Eurasianet*, 26 April 2002; ‘Russia Turns its Back on Turkmenbashi’, *Gazeta.ru*, 27 May 2003;

27. International Crisis Group, *Cracks in the Marble: Turkmenistan’s Failing Dictatorship* (Brussels/Osh: ICG, 17 January 2003), pp. 27-8; ‘Turkmen Addiction Rising’, *IWPR Reporting Central Asia*, no. 64, 10 August 2001.

28. International Crisis Group, *ibid.*; Rustem Safronov, ‘Turkmenistan’s Niyazov implicated in drug smuggling’, *Eurasianet*, 29 March 2002.

Caucasus directly at the Azerbaijani port of Sumgait, north of Baky. The high quality of the drugs recovered occasionally in Sumgait contrasts with the lower quality of those crossing over from Iran at Astara. This is further evidence that the drugs crossing through Sumgait are produced in Afghanistan itself.²⁹

The drug trafficking issue has received considerable attention in Azerbaijan, where various government agencies are seeking to address it, though with little success. In Georgia, however, the situation is worse. As the Georgian Minister for State Security Valeri Khaburdzania noted in early 2002: ‘Criminal groups involved in drug trafficking show strong interest in Georgia and regard it as a convenient transport corridor.’³⁰ The Georgian security services are ill-equipped to deal with the problem, and have apparently been infiltrated by trafficking networks to a greater extent than in Azerbaijan. Moreover, Georgia faces the additional problem that it shares a border with Chechnya; between 1999 and 2002, Tbilisi failed to exert control over the Pankisi Gorge close to the Chechen border following the influx of Chechen refugees from the Russian invasion of Chechnya in October 1999. The flow of refugees was accompanied by groups of fighters and transnational criminal networks that had been based in Chechnya during the cease-fire there between 1996 and 1999. During 2000 and 2001, a major drug route developed from Dagestan to Chechnya and the Pankisi Gorge, and from there to Telavi in the Kakheti district of Georgia and then westward towards the Black Sea coast.

The reshuffle in the Georgian government in late 2001, which featured the replacement of leading officials in the ministries of the interior and state security, has improved the situation significantly. Previously, the leadership of these ministries had been accused of widespread corruption, involvement in drug trafficking and permitting the Pankisi problem to spin out of control for their own personal gain. Amongst others, local NGOs accused the head of the interior ministry’s drug enforcement department of being the country’s number one drug dealer.³¹ Eventually, popular protests led to their removal. The new leadership of these ministries has since gained a measure of international and public confidence. It is noteworthy that a number of senior officials have been arrested for complicity in the drug trade. In July 2002, the head of the anti-drug department of the Marneuli police was arrested in possession of a large amount of heroin and in the company of a known criminal figure.³² Likewise, the independent

29. See for example *BBC Monitoring*, 4 August 2001, quoting ANS TV, Baky, 1600 GMT, 3 August 2001, regarding the seizure of over one kilogram of high-quality heroin.

30. *BBC Monitoring FSU Political*, 9 February 2002, quoting Georgian Television, 1100 GMT, 9 February 2002.

31. *BBC Monitoring*, quoting Iprinda News Agency, 26 October 2001.

32. *BBC Monitoring*, quoting Rustavi-2 Television, Tbilisi, 11 July 2002.

Rustavi-2 television channel caught the head of the interior ministry's anti-drug department on camera selling drugs in his office.³³ While the problem of criminality in Georgian law enforcement remains grave, it is being gradually addressed by the authorities and exposed in the Georgian media.

The clean-up of the Pankisi Gorge in 2002 and the reshuffle of the power ministries led to a change in drug routes in Georgia, but it is unlikely that there has been any decrease in trafficking. According to Avtandil Ioseliani, the head of Georgian intelligence, drugs which had previously entered Georgia mainly from Chechnya now arrive from Dagestan and Azerbaijan.³⁴ South Ossetia, where smuggling of consumer goods is rife, has also been cited as a new route for narcotics entering Georgia.

Implications

The most direct implications of the drug trade in the South Caucasus are a criminalisation of state structures and an increasing problem of addiction in society. The Georgian President Eduard Shevardnadze has estimated that one ton of heroin is consumed in Georgia annually.³⁵ The number of drug addicts in Azerbaijan is officially 15,000, though unofficial estimates place the number at around 115,000.³⁶ The true scale of the problem remains unknown, but the law enforcement officials and medical authorities in all three countries note a consistent increase in drug-related problems. As a consequence, HIV is also increasing, with ever-increasing numbers of HIV cases being registered in the region. In Georgia, 361 cases of AIDS have been registered, while the estimate of HIV-infected stands at 2,000.³⁷ In Azerbaijan, 41 people were diagnosed as HIV-positive in the first three months of 2003, compared with 14 cases for the same period in 2002. Many of these cases, it should be noted, contracted the disease in Russia, where over 200,000 people have been diagnosed as HIV-positive. As in other former Soviet states, the large majority (over 70 per cent, sometimes up to 90 per cent) of HIV cases are directly linked to intravenous drug use. The registered cases are, however, only a small portion of the real number of carriers of the disease. Russia and Central Asian countries are seeing dramatically increasing HIV rates as the disease spreads outside the circle of injecting drug users into the general population. This development has not yet occurred in the Caucasus. However, current patterns of smuggling

33. *BBC Monitoring*, quoting Rustavi-2 Television, Tbilisi, 23 June 2002.

34. *BBC Monitoring*, quoting Rustavi-2 Television, Tbilisi, 30 August 2002.

35. *BBC Monitoring*, quoting Iprinda News Agency, 9 February 2002.

36. AssA-Irada, 21 May 2002.

37. RFE/RL, 24 January 2003.

indicate a risk of severe public health problems related to the smuggling of drugs if the current trend continues.

Arms and nuclear smuggling

The drug trade is by no means the only international criminal activity in the Caucasus. The smuggling of small and heavy weapons, as well as materials for WMD, also happens in the region. As with the drug trade, the weakness of law enforcement and the geographic location of the Caucasus combine to make the area an important transshipment point. But unlike the drug trade, the Caucasus figures in the north-south direction, with the smuggling of arms and WMD components from Russia to the Middle East; in the east-west direction, with the smuggling of arms from Asia to Europe; and in the south-north direction, with the smuggling of small amounts of sophisticated weaponry to Chechnya.

Small arms are endemic in the Caucasus, with widespread ownership of handguns resulting partly from the availability of arms during the armed conflicts in the early 1990s, as well as from fears of renewed conflict and general insecurity.³⁸ The South Caucasus is practically saturated with handguns, and no credible attempts have been made to disarm society. Breakaway and minority regions are especially awash with weapons, raising the danger of lethal incidents that could spark ethnic unrest in times of instability.

The smuggling of heavier weapons is also a factor in the region. This involves both state and non-state actors. Russia has repeatedly accused Georgia of functioning as a conduit of arms to Chechnya since the beginning of the second Chechen war in 1999.³⁹ While this argument is plausible given the presence of Chechen groups in Georgia and the weakness of law enforcement in the country, it is unlikely that Georgia is an important conduit for Chechnya, simply because it is much more convenient and probably cheaper for Chechen fighters to obtain weapons from Russian soldiers fighting in Chechnya. This, of course, is the case for small arms and perhaps light artillery. Nevertheless, more sophisticated equipment used by Chechen forces, including night-vision sights and advanced Western-made arms, have reached Chechnya from outside Russia, and here the South Caucasus functions as the main conduit.

38. Anna Matveeva, 'Arms and Security in the Caucasus', in Anna Matveeva (ed.), *The Caucasus: Armed and Divided* (London: Saferworld, 2003).

39. See for example 'Georgia Fears All-Caucasus War', *BBC World*, 23 October 1999.

In terms of quantity, however, the main body of arms trafficking in the South Caucasus is connected with the Russian military bases in Georgia and Armenia. This includes some of the weaponry going to Chechnya. For example, in January 2000, a truck was apprehended near Georgia's Chechen border carrying anti-tank weapons and grenades that originated from the Russian Vaziani military base outside Tbilisi.⁴⁰ Quite clearly, in the mid-1990s Russian military forces provided Armenia with weaponry worth \$1 billion illegally. This led to investigations in the Russian State Duma, which were later linked to the killing of the main investigator, Lev Rokhlin.⁴¹ Weapons components heading from Russia to the Middle East, especially Iran, have also been intercepted on the territories of Georgia and Azerbaijan. Smuggling has also involved countries further afield, indicating how the Caucasus has become a transshipment point for arms. In 1999, Azerbaijan detained a cargo plane operated by a Czech company carrying six dismantled MiG-21 jets from Kazakhstan which were apparently destined for Yugoslavia (subject to sanctions at the time).⁴²

The increasing trend of smuggling of components of weapons of mass destruction, concentrated in the area stretching from Turkey via the Caucasus to Central Asia, is of more global significance. In fact, while seizures of nuclear material are decreasing worldwide, they are increasing steeply in this region. Only 4 of the 104 cases of nuclear smuggling registered from 1993 to 1995 occurred in Turkey, the Caucasus, or Central Asia. By contrast, between 1996 and 2001 16 of the 72 cases registered globally occurred in this region.⁴³

Georgia has been particularly affected by this development. In April 2000, Georgian authorities recovered 920 grams of fast-reactor fuel pellets of highly enriched uranium, and later seized a smaller sample of plutonium at Tbilisi airport.⁴⁴ In July 2001, the head of the state logistics department was apprehended in Batumi with four pounds of weapons-grade uranium-235, which was at the time the largest seizure ever made.⁴⁵ In December 2001, men gathering wood in a forest in Abkhazia stumbled upon nuclear batteries made of highly radioactive strontium-90 that may have been left behind in an aborted smuggling deal.⁴⁶ While not weapons-grade material, these could be used for the making of so-called 'dirty bombs'.⁴⁷ In September 2002, 33 pounds of weapons-grade uranium was seized in the Turkish city of Sanliurfa, break-

40. 'Gun-Running in Georgia,' *IWPR Caucasus Report*, no. 14, 14 January 2000.

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

42. Elizabeth Weinstein, 'Company Chief Bagged in Baky', *The Prague Post*, 31 March 1999.

43. Douglas Frantz, 'Nuclear Booty: More Smugglers Use Asia Route', *The New York Times*, 11 September 2001, p. A1.

44. Steven Erlanger, 'Lax Nuclear Security in Russia is Cited as Way for Bin Laden to Get Arms', *New York Times*, 12 November 2001, p. B1.

45. Frantz, *ibid.*, and Alasdair Palmer, 'Lone Wolf at the Door: The Blackest Market', *Sunday Telegraph*, 5 August 2001.

46. 'U.N. Seeks Nuclear Devices in Georgia', *Washington Post*, 1 February 2002.

47. William J. Broad, 'In Georgian Region, Race to Recover Nuclear Fuel', *New York Times*, 1 February 2002.

ing the record set in Georgia a year earlier. This shipment possibly came to Turkey through Georgia, and was worrisome as its size was close to the 55 pounds or so judged sufficient for the construction of a small nuclear bomb.⁴⁸ In 2002, another three pounds of reactor pellets of uranium-235 were seized.⁴⁹

Georgia's ability to apprehend nuclear smugglers has increased substantially since the leadership of the Georgian ministry for state security was reshuffled in late 2001. This reshuffle and the increasing amounts of Western aid arriving to support Georgia are encouraging, but the trend of smuggling of WMD components through Georgia, including some of the largest seizures ever made, remain disconcerting. As in the drug trade, the interdiction rate is relatively low, indicating that unknown quantities of nuclear components may have been smuggled successfully through the South Caucasus. As Khaburdzania noted, 'Georgia seems to have become a favorite route [for nuclear smuggling]. Georgia is close to where the material is – Russia – and close to the people who want to buy it in Turkey, in Iran.'⁵⁰

Conclusions

The trend of a gradually increasing role of transnational criminal activities in the Caucasus is clear. Given the region's geographic location and the weakness of its states, it is also a phenomenon that should come as no surprise. The Caucasus is sandwiched between the two major routes used for smuggling heroin from Afghanistan to Europe, and it is located between a major supplier of arms and nuclear components, Russia, and the major markets for these commodities, the Middle East. The increasing role of transnational crime has significant implications for the region and these must be taken into account in any analysis of other security issues in the region.

The most direct implication is a worsened security situation for both states and individuals in the South Caucasus. Arms, drugs and nuclear components threaten the health and security of inhabitants of the Caucasus, as addiction and petty crime are fuelled by transnational crime. State security is also challenged by the permeating influence of criminal networks, feeding on already existing widespread corruption. Government officials at low, middle and high levels in the countries of the South Caucasus have

48. United Press International, 28 September 2002.

49. Associated Press, 30 June 2002.

50. Charles J. Hanley, 'The Traffickers Bits of Doomsday Changing Hands Raise Alarms in Post-September 11 World', Associated Press, 30 June 2002.

been and are still directly implicated in transnational crime. The implication is that these officials have agendas that may conflict with the interests of their constituents and their states, as was clearly highlighted in Georgia before the cabinet reshuffle of November 2001. Criminal networks also challenge state control over territory, as the example of the Pankisi Gorge illustrates, a lack of control that also endangers the Caucasian states' relations with their neighbours.

Understanding transnational crime in the Caucasus colours our analysis of other security problems of the region. Crime is directly connected to the deadlocked armed conflicts of the South Caucasus, which highlights the dangers posed to the international community by separatist ethnic conflict and resulting state weakness in the region. Breakaway areas such as Nagorno-Karabakh, Abkhazia and South Ossetia, as well as areas virtually outside state control in practice, such as Adzharia, have been credibly and directly implicated in transnational criminal activities. Moreover, the separatist areas should not shoulder the blame alone. Just as Chechnya would never have become a hub for smuggling in 1991-94 without criminal links to the Russian government, in the same way the separatist regions of the South Caucasus could never have become hotbeds of crime if the recognised states of the region were not permeated by the same phenomenon. That said, there is no doubt that the persistence of unresolved conflicts increases the attractiveness of the South Caucasus for transnational criminal networks. Moreover, crime creates incentives on both sides of the deadlocked conflicts to preserve the status quo, and this is immensely detrimental to most people in the region but at the same time beneficial to those profiting from crime. In this sense, efforts to solve the conflicts of the Caucasus will remain largely futile if the role of transnational crime in the present circumstances surrounding these conflicts is not understood. Transnational crime also affects the effectiveness of foreign, security and aid policies of Western states towards the South Caucasus and is a problem that should be incorporated into those policies in order for them to become effective in achieving their stated aim of improving security and economic development in the region.

A decade after the end of open hostilities in the Caucasian conflicts, the security dynamics of the South Caucasus cannot be adequately understood in isolation from the role that transnational

crime plays in this strategically important region. As the South Caucasian states have learned, their geographic location is as much a curse as a blessing – transnational crime is a vivid testimony of this.⁵¹ Present and future developments in the region are likely to be influenced by criminal networks and interest to an extent that can only be estimated. The succession struggles that possibly lie in store for Georgia and Azerbaijan are a case in point. Given the weakness of democratic institutions and mechanisms, intrigue and shady deals will likely be of considerably greater importance in the struggle between various forces positioning themselves to maintain or seize power during any transition. Money will be one of the most important factors in determining the outcome of these struggles, and in states where the ways of generating wealth are severely limited, the role of transnational crime can be a strong, if not dominant, factor in providing much-needed financial resources to contenders for power. While speculative, this simply illustrates how transnational crime could be a potent factor affecting the political and economic future of the South Caucasus.

51. As formulated by Alexander Rondeli, 'Georgia: Foreign Policy and National Security Priorities', *Discussion Paper Series*, no. 3 (Tbilisi: UNDP, 1998).



Russia's policies in the North and South Caucasus

Pavel Baev

The South Caucasus:
a challenge for the EU

3

Russia's policies in the Caucasus are subject to strikingly different interpretations, which remain as contradictory now as they were a decade ago at the peak of escalation of several violent conflicts. An explanation for the width of the spectrum of assessments should not be sought only in the diversity of conceptual models applied by analysts or in the emotional involvement of particular commentators. Russian policy itself should be recognised as an extraordinary complex and incoherent combination of unsustainable aspirations, incompatible interests and uncoordinated activities. Its key paradox is perhaps the lack of connection between its desire to dominate a region where many of its vital interests are at stake and its inability to influence political developments in this same region. Russia behaves simultaneously as an old colonial power in retreat and a young expansionist state, as a guardian of the status quo and as a dynamic predator, while its policy style betrays a fusion of superiority and inferiority complexes.¹

This complex phenomenon offers an analyst few clues as to how to divide a discussion into 'natural' elements for separate evaluation. While the North Caucasus falls into the realm of Russian internal politics and the South Caucasus is a subject for foreign policy, in real life interconnected security challenges and energy flows make this distinction less significant. Moreover, much of its conflict management is done on an ad hoc basis with no attempt to learn broader lessons or to form widely applicable guidelines. Hard-driven special interest groups in Moscow push their agendas for political decision-making without much concern for an overall strategic design. This chapter does not aspire to producing some order out of this chaos or putting together all the pieces of this jigsaw puzzle. However, it will focus on three interconnected issues: first, the threat of terrorism and the war in Chechnya; second, the interests of the oil companies in the broader geoeconomic perspective; finally, Russia's ability to project military force for conflict management. Despite an emphasis

1. Competent and complementary analyses of Russia's interests and policies in the Caucasus can be found in Rajan Menon, Yuri Fedotov and Ghia Nodia (eds.), *Russia, The Caucasus, and Central Asia: The 21st Century Security Environment* (London: M. E. Sharpe, 1999). For my view of the situation at the end of Yeltsin's first presidency, see Pavel Baev, *Russia's Policies in the Caucasus* (London: RIIA, 1997).

on the most recent developments, including the turmoil in Georgia, some effort will be made to outline the prospects for the rest of this decade.

Countering the threat of terrorism and containing Chechnya

Russia experienced a massive emotional shock from terrorist attacks in September 1999, when two apartments were blown up in Moscow; since then, the threat of terrorism has been a top priority in the list of national security challenges. The answer to that threat has been forceful and straightforward: direct and unrestrained application of military force against its major source, which was identified instantly as quasi-independent Chechnya. The very swiftness of that response helped to transform public anger into a mobilising force, which was skilfully exploited to ensure a smooth transition of power from President Yeltsin to his hand-picked successor, Vladimir Putin.

The new leader was quick to set in motion a full-blown counter-terrorist campaign that covered issues ranging from public relations and internal security to foreign policy. Establishing the degree of success in achieving these goals is beyond the scope of this chapter. However, as far as Chechnya is concerned, the campaign – after the much-trumpeted initial military successes – is now in a state of deadlock that is not very different from the stalemate of 1995, which duly led to the defeat of 1996.² The second Chechen war served its function as the springboard for Putin's presidential campaign perfectly, but has since turned into a political liability, gradually losing public support and straining civil-military relations. Putin, however, has remained remarkably unconcerned about this drain on resources and has shown few signs of being under pressure to achieve a victory or to bring the conflict to any sort of satisfactory conclusion. The readiness to accept such protracted damage does not sit well with Putin's self-proclaimed pragmatism or with his visible emotional involvement with this war. As hostilities drag on, much evidence supports the proposition that the war continues to serve instrumental political purposes and is in fact an important built-in element of the tightly centralised system of power that characterises current Russian politics.³

2. For an insightful opinion on the first Chechen war, see Anatol Lieven, *Chechnya: Tombstone of Russian Power* (New Haven, Conn.: YUP, 1998). The clear-cut political course towards the second war is in sharp contrast with the muddled decision-making in 1994, as examined in Tracy C. German, *Russia's Chechen War* (London: Routledge Curzon, 2003).

3. I have earlier advanced this proposition in Pavel Baev, 'A Useful War?', *Russia and Eurasia Review*, 14 December 2002; http://www.jamestown.org/pubs/view/rer_01_014_001.htm. This article was extensively cited in 'Tchéchénie: choses vues sur la guerre de Poutine', *Le Monde*, 10 février 2003.

The core of this system is made up of several state agencies that maintain enforcement capabilities (the so-called ‘power structures’ in Russian political lingo, whereas a better term would be ‘armed bureaucracies’). These structures constitute the main power base of Putin’s regime and perform crucial functions in his ‘executive vertical’ – a situation that inevitably makes the president heavily dependent on these agencies, and particularly upon the Federal Security Service (FSB).⁴ The war in Chechnya, deadlocked as it is, helps to ease this dependency, as it provides the president with opportunities to punish the inept ‘heavyweights’ (as he did in September 2002 after the crash of a heavy military helicopter in Grozny) or to pardon their guilt (as he did in October 2002 after the theatre hostage drama in Moscow).

Somewhat paradoxically, Chechnya also helps in advancing Putin’s foreign policy goals, in the first instance regarding Russia’s rapprochement with the West. From the very start, justification for the war included two mutually exclusive propositions: that it was a part of the global struggle against the ‘plague’ of terrorism and that it was Russia’s internal affair to which the international standards of human rights did not apply. Before the terrorist attacks on the United States on 11 September 2001, the logic of these two propositions had appeared feeble, but Putin was very quick to exploit the resonance of that tragedy. The Russian president wasted no time in joining the US-led global war against terrorism (questionable as that campaign has been), thus reducing criticism from Washington to the absolute minimum. Fine-tuning the discourse of the Chechen war, he was holding firm to his ‘internal affairs’ defence against continuing European criticism. With the build-up towards the US-led war against Iraq, Putin shifted the emphasis in ‘selling’ Chechnya, dismissing renewed US criticism of the ‘internal affairs’ argument and arguing that the newborn ‘counter-coalition’ between France, Germany and Russia was firmly committed to the struggle against terrorism whereas the ‘aggression’ against Iraq was a deviation from that strategic course. Seeking, then, to mend relations with the United States, Moscow has emphasised the similarity between its efforts at restoring ‘normalcy’ in Chechnya and the coalition’s efforts at rebuilding Iraq, both threatened by ‘irreconcilable elements’.

4. On the role of ‘power structures’ in Russia’s political system, see Nikolai Petrov, ‘Power Ministries and Federal Reform in Russia’, *PONARS Memo 282* (Washington, DC: CSIS, December 2002).

At the same time, Moscow has sought to minimise the impact of the war in Chechnya on its broader agenda in the Caucasus. Indeed, a forceful Russian counter-terrorist line has been more pronounced in putting pressure on the deeply concerned rulers of Central Asia.⁵ Despite persistent terrorist attacks across the North Caucasus (particularly in Dagestan), Russia's federal authorities have been downplaying rather than escalating the problem, insisting on a 'business-as-usual' pattern of relations with Russia's federal 'subjects' (republics and krais) in the region. The proactive public relations campaign on the constitutional referendum in Chechnya in March 2003 and the October 2003 republican elections generally fit into the same pattern, while it has made little difference to the conduct of military operations.⁶

The only place across the Caucasus where the terrorist threat has been sharply and deliberately escalated, leading to serious strains in international relations, has been the Pankisi Gorge in Georgia. From the very start of the second Chechen war, Moscow complained about a 'safe haven' for terrorists in that area, threatening (albeit not very dramatically) to use its right of 'hot pursuit'. The situation acquired a new dimension in spring 2002, when Washington, pursuing unconfirmed links to al-Qaeda, decided to deploy to Georgia some 200 military instructors to transform four battalions of the notoriously disorganised Georgian Army into combat-worthy units. Moscow was seriously alarmed by this deployment, despite Putin's laboured 'this is not a tragedy' remark. The crisis reached a culmination in September 2002 when Moscow issued an ultimatum to Georgia and started planning for military strikes. However, in a matter of a couple of weeks, a face-saving compromise was achieved under considerable international pressure.⁷ Careful examination of that mini-crisis confirms that Moscow was not so much confronting a terrorist challenge as exploiting it to put pressure on Georgia and to influence the outcome of the predictably chaotic post-Shevardnadze political transition. The Russian leadership was nevertheless taken by surprise by the sharp escalation of political crisis in Tbilisi in November 2003, and therefore opted for a cautious line, implicitly encouraging Adzharian separatism and expecting the new leadership (too pro-Western in its opinion) to fail to establish a modicum of order.

5. Russia's attempts at exploiting the terrorist threat so as to expand its influence in Central Asia are examined in Martha Brill Olcott, 'State Building and Security Threats in Central Asia', in Andrew C. Kuchins (ed.), *Russia After the Fall* (Washington, DC: CEIP, 2002), pp. 221-41.

6. An interesting example of this 'normalisation' of the war was Putin's statement at the meeting with Chechen 'elders' in the Kremlin in November 2002, when - in a striking resemblance to Brezhnev's discourse - he praised the 'record high grain harvest' in the republic. Victor Shenderovich picked up this point in his 'Besplatny syr' (Free Cheese) television programme on 16 November; http://www.tvs.tv/archive/2002/read.asp?pid=3&bln=4&j=1&tnm=2002_11_16.

7. Perhaps the only political voice in Moscow raised against that clumsy ultimatum was that of Grigory Yavlinsky; see, for instance, his article 'This Could Prove a Costly Escapade', *The Moscow Times*, 23 September 2002. For diverging views on the ongoing manoeuvring, see the transcript from a round table 'The Confrontation Peak in Russian-Georgian Relations Has Not Been Passed', *Nezavisimaya Gazeta*, 7 April 2003.

Charting pipelines on the geopolitical/geoeconomic maps

From the start of the 'Great Oil Game' in the Caspian area in 1994, Russia was trapped between two diverging perspectives: between a state policy that was being formulated in terms of traditional geopolitical rivalries (the United States being the main challenger) and its economic activities, which were being driven by the interests of key oil companies determined by parameters such as profit and cost-efficiency. Arriving to the Kremlin, Putin promised to overcome that divergence and design a strategy that would accommodate both perspectives. While he has yet to prove himself as a strategist, Putin has indeed managed to pursue a more integrated and consistent Caspian energy policy than his predecessor. Admittedly, Yeltsin set a very low standard for comparison, and while Putin has made clear his intention to make the oil companies serve the interests of the state, the owners of LUKOil and Yukos up until summer 2003 had perhaps more reason to praise the state for serving their interests. While the brutal pressure on Yukos and the arrest of its leadership in autumn 2003 may have far-reaching consequences for relations between the 'regime' and big business, so far the main policy script for pursuing energy interests in the Caspian area remains unchanged.

In writing that script, one significant re-evaluation of the situation was the new guideline on developing 'cordial' bilateral relations with Azerbaijan as the key Caucasian state for Russia's oil interests in the Caspian area. President Putin paid a state visit to Baky as early as January 2001 and has ensured that the rich menu of accumulated problems between Russia and Azerbaijan – from the Gabala early-warning radar station to maritime delimitation and oil export quotas – have been addressed in a constructive manner.⁸ A direct follow-up from this policy line was the swift and unequivocal embrace of the father-to-son transfer of power in Azerbaijan in autumn 2003 under the guise of 'elections'.

Of particular importance was Moscow's formal consent for constructing the 'strategic' Baky-Tbilisi-Ceyhan (BTC) pipeline – a pet project of the Clinton administration that had been portrayed by Russian commentators as US encroachment on Russia's 'vital' geopolitical interests. One should note that Russia's reluctant consent was less than rock solid, and Russian officials continue to express an ambivalent attitude towards the project, emphasising its questionable economic foundation compared

8. A more detailed analysis of that shift can be found in Pavel Baev, 'Russia's Policies in the Southern Caucasus and the Caspian Area', *European Security*, vol. 10, no. 2, summer 2001, pp. 95-110.

with the Tengiz-Novorossiysk pipeline, which was swiftly completed in summer 2001. Further evidence of uncertainty was LUKOil's acquiring and then disposing of a minor share in the BTC project, as well as its withdrawal from Azerbaijan International Operating Company (AIOC) in late 2002.⁹ If Moscow had counted on implicitly weakening support for the 'non-Russian' pipeline, Turkey's position regarding the second Gulf war might have played into its hands by angering Washington, which, in the near future, may be more interested in developing Iraqi oilfields.

Moscow has taken great care to cut Chechnya out of any configuration of its oil interests by ensuring that the projected pipelines transit a safe distance around this sore spot and that the refineries in Grozny are obliterated beyond repair. This policy marks a significant difference with the first Chechen war and with the interwar period, both of which had featured high-stakes bargaining around the reopening of the Baky-Grozny-Novorossiysk pipeline. Currently the 'unofficial' pumping of crude oil in Chechnya provides a nice profit to local officials and some military commanders but has no relevance for a macroeconomic picture.

Large oil interests, however, are affected by the long and bitterly debated question of maritime delimitation in the Caspian Sea. Just a few weeks after his arrival at the Kremlin, Putin marked a departure from the rigid 'no-sectoral-division' position previously established by Foreign Minister Yevgeny Primakov by appointing a special representative to hammer out a compromise on the issue. Intensive shuttle diplomacy initially focused on an agreement between the five littoral states that was meant to be ready for signature at the Ashgabat summit in May 2002. The summit failed to produce an agreement and Putin demonstrated much irritation with the greed and stubbornness of the parties. None the less, Moscow now places emphasis on the intrinsic value of the negotiation process.

As it is more than simply a case of putting a brave face on a sorry business, there are reasons to question the sincerity of Russia's intentions to legalise the division of the Caspian seabed.¹⁰ Indeed, the driving force behind the shift of Moscow's position in mid-2000 was the need to establish property rights on the newly discovered oilfield in the Russian sector of the Northern Caspian as well as the desire to partake in the development of the vast Kashagan oilfield in Kazakhstan's sector. Both aims have been achieved through bilateral maritime border agreements signed in 2002

9. For a penetrating analysis of these developments that emphasises the priority of economic calculations over geopolitical schemes, see Douglas Blum, 'Why Did Lukoil Really Pull Out of the Azeri-Chirag-Guneshli Oilfield?', *PONARS Memo 286* (Washington, DC: CSIS, January 2003).

10. Martha Brill Olcott, a much respected expert on the Caspian area, in a recent testimony before the US Senate Committee on Foreign Relations, questioned Russia's ability to act as a 'stabiliser' in this area and argued that 'a close US-Russian energy partnership was based on a confluence of interests that for many other reasons was not likely to develop'. See <http://www.ceip.org/files/Publications/2003-04-08-olcott-senate-testimony.asp?from=pub-date>.

with Azerbaijan and Kazakhstan. The remaining disputes involve hydrocarbon reserves in the middle and southern parts of the sea which feature the overlapping claims of Azerbaijan and Turkmenistan, as well as between these two post-Soviet states and Iran. Moscow may now be more interested in fanning these disputes, thereby reserving for itself the role of arbiter; all the more so as a resolution of the claims would open the reserves to development by transnational oil giants. Considerable diplomatic skill is called for to untangle this oil-soaked knot with one hand and pull it tighter with another, but the rigid US course of excluding Iran from any regional arrangements plays into Moscow's hands.

Projecting power for (mis)managing conflicts

The failure of the Ashgabat summit prompted Russia to undertake a massive demonstration of its capacity to project military power across the Caspian area. The naval exercises in July 2002 (their name was not revealed) involved up to 10,500 troops and sixty vessels, greatly exceeding the modest show of force by a naval squadron around the Apsheron peninsula at the time of Putin's visit to Baky in January 2001.¹¹ Possessing unquestionable military superiority in this closed sea, Russia is eager to demonstrate its usefulness as long as the border disputes persist. For that matter, every minor military incident, like the one in July 2001 when a couple of Iranian patrol craft chased a BP exploration vessel out of a disputed area, provides a justification for this 'gunboat diplomacy'. Even on a reduced scale, as in summer 2003, such demonstrations may look reasonably impressive around the oil-rich sea but much less so across the conflict-rich Caucasus.

Russia has unique experience in using its military power as an instrument of conflict management in both the North and South Caucasus, but its record of success is mixed, with the protracted disaster in Chechnya, perhaps, outweighing all its achievements. In the early 1990s, with few misgivings Moscow deployed its 'big battalions' for a variety of missions ranging from traditional 'linear' peacekeeping (in South Ossetia) to 'muscular' peace enforcement (most successfully in western Georgia in October 1993) – and achieved a remarkable measure of success in extinguishing several violent conflicts. However, the second half of the decade saw stalled peace processes, confused political manoeuvring and

11. The exercises had good media coverage, and Defence Minister Sergei Ivanov observed them from an oil platform owned by LUKOil. See Sergei Sokut, 'Military Return to the Caspian', *Nezavisimoe Voennoe Obozrenie*, 16 August 2002.

worsening economic crises; hopes of reversing these trends with the start of a new decade are quickly fading.¹² Russian troops, still deployed in peacekeeping roles, have de facto become guardians of continuing existence of several breakaway quasi-states (Abkhazia, Nagorno-Karabakh, South Ossetia).¹³ One part of the problem is that Russia has never been able to supplement its military efforts with sufficient economic assistance to underpin fragile peace processes. Another problem has been Russia's uncertain motivations for resolving the 'frozen' disputes, as every step towards stability reduces the justification for relying on military instruments – and Moscow has few others at its disposal.

The undisguised attempt to apply military pressure on Georgia during the Pankisi Gorge crisis in September 2002 highlighted yet another dimension of this problem. The Russian president announced his order to the General Staff to prepare plans for a military operation against an alleged 'safe haven' for Chechen terrorists in the remote and inaccessible Georgian region. However, in a matter of a few days, Putin was quietly informed that, apart from air strikes, no other options were in fact available.¹⁴ Because of its involvement in the manpower-intensive war in Chechnya, the Russian Army has no reserves for other engagements. This overstretch has been exacerbated by the 'experiment' under way in the 76th (Pskov) Airborne Division (which is to become the pilot 'professional' unit), so that Russia even had to announce the complete withdrawal of its peacekeepers from the Balkans. The Chechen war is an exception in its intensity, as the outcome in most other conflicts in the region has been decided by the rapid deployment of a few battalions. Moscow has to recognise the fact that today such an expeditionary force cannot be raised without a major mobilisation effort involving the whole of its debilitated military machine.

This fact raises questions about the purpose and rationale of the Russian military bases in Georgia and Armenia, since their dismal status stands in sharp contrast to the strategic importance that is often ascribed to them. Indeed, the few thousand troops stationed in those bases are at a low state of readiness and increasingly resemble 'lost legions' that have few chances of seeing reinforcements arriving swiftly in a time of crisis. At the same time,

12. For an insightful evaluation of the balance sheets of the three South Caucasian states, see Zeino Baran 'The Caucasus: Ten Years after Independence', *The Washington Quarterly*, Winter 2002, pp. 221-34.

13. On the survival strategies of these statelets, see Charles King, 'The Benefits of Ethnic War: Understanding Eurasia's Unrecognized States', *World Politics*, July 2001, pp. 524-52. An elaborate analysis of patterns of Russian peace operation can be found in Dov Lynch, *Russian Peacekeeping Strategies in the CIS* (London: RIIA, 1999).

14. On Putin's clumsy back-peddalling, see Mikhail Khodarenok, 'Threat and Forget', *Nezavisimoe Voennoe Obozrenie*, 4 October 2002; Vitaly Portnikov, 'We Announced a War and Nobody Came', *GraniRu*, 7 October 2002 (<http://www.grani.ru/Politics/World/Europe/Georgia/m.11176.html>).

Russia keeps dragging its feet over the promise, made at the OSCE summit in Istanbul in December 1999, regarding withdrawal of its military bases from Georgia. The military significance of these shabby garrisons is limited, but they are located in politically sensitive regions (Abkhazia, Adzharia, Javakheti) and enjoy strong backing from local leaders, who are not interested in seeing firm (or, in the Abkhazian case, any sort of) control from Tbilisi.¹⁵ Russia most probably clings to these 'assets' in order to have a few extra levers of influence over the predictable chaos that has spread from Tbilisi following Shevardnadze's forced departure from Georgian politics. For that matter, Aslan Abashidze, the authoritarian ruler of Adzharia, has been able to challenge the outcome of the 'velvet revolution', relying on Russian military support.

Moscow's strategic calculus concerning the bases in Armenia is even more complicated. In 1994, Moscow pushed for employment of these troops in a peacekeeping operation in Nagorno-Karabakh, which never happened (the surprise April 2001 Key West initiative of newly elected President Bush led nowhere). While Armenia hardly needs Russian forces for ensuring its military superiority vis-à-vis Azerbaijan, Yerevan perceives them as a security guarantee against much-feared military pressure from Turkey. During Putin's first presidency, Moscow has gone a long way towards overcoming old perceptions of Turkey as an eternal geopolitical competitor (the restraint shown by Ankara towards the second Chechen war definitely helped in this shift of perception) and towards developing cooperation, especially in energy trade. However, the bitter political manoeuvring surrounding the second Gulf war has shown how unreliable even the most tested alliances have become. Russia cannot ignore the possibility that a future crisis (for instance, triggered by strife in Azerbaijan caused by a failure of Aliyev Jr's leadership) might escalate into a confrontation between Armenia and Turkey. Pragmatic analysis of this scenario inevitably leads to the conclusion that Russia has few military options for determining the outcome of such a confrontation other than resorting to tactical nuclear weapons. It should be noted that the Military Doctrine approved in May 2000 (as well as its modification announced in autumn 2003) does not rule out a preventive nuclear strike in a crisis of this type.¹⁶

15 On the possibility of destabilisation in the Javakheti region, see Oksana Antonenko, 'Assessment of the Potential Implications of the Akhalkalaki Base Closure for Stability in Southern Georgia', *CPN Report* (Berlin: SWP, September 2001).

16. This assumption is elaborated in a paper by Alexander Pikaev, 'Some Ideas on Russia's Deterrence Policy' on which I had the privilege of commenting at the PONARS academic conference, Moscow, 24-26 April 2003.

Ready for new challenges?

Russia's policies in the Caucasus have indeed become more consistent and better integrated under Putin's leadership, but still there are few signs of an overall strategy or even a clear perception of long-term interests. A remarkable concertation between Russia's state interests and the interests of several energy giants achieved in the period 2000-02 did not develop into lasting harmony; even if spillover from the 'Yukos affair' is limited, the oil companies are likely to remain uncertain about their mid-term prospects being entirely dependent upon the changing fortunes of the world markets. Putin's personal involvement with 'pacifying' Chechnya is unquestionable, but it has not translated into sustained attention by Moscow to the wider Caucasian region or, indeed, into the development of expertise necessary for assessing the risks of a new wave of conflicts. While in the European direction, Putin, relying on a narrow circle of advisers, has been able to deliver several surprise initiatives, in the Caucasus, this pattern of closed-door decision-making only increases the possibility of a serious blunder.

Russia is essentially a status quo power in the Caucasus and works towards further stabilisation of the present-day power balances in most local settings, including in the preservation of deadlocks in the region's conflicts. Its policy, therefore, is reasonably predictable as long as no major shifts upset the peculiar system of corrupt loyalties and weak dependencies that passes for the region's 'security architecture'. Russia's policy is basically one of small steps aimed at increasing control and influence, witnessed, for instance, in installing a more controllable president in Ingushetia by rigged elections or in building ties with Abkhazia in order to make sure that this 'tail' will no longer be able to wag the 'dog'.¹⁷ One problem with this policy is that, for many parties to the 'frozen' conflicts, the status quo, even if relatively stable, continues to be unacceptable. Another problem is that the gradual accumulation of problems leads to a steady rise in conflict potential, so that the status quo might turn out to be unsustainable. It is entirely possible that the 'velvet revolution' in Tbilisi that has taken Moscow very much by surprise could trigger a new chain of violent local conflicts. Russia's readiness to face acute new challenges or to act as a security provider in the region is at best questionable.

17. For various perspectives on the situation in Abkhazia, see Bruno Coppieters, David Darchiashvili and Natella Akaba (eds.), *Federal Practice: Exploring Alternatives for Georgia and Abkhazia* (Brussels: VUB Press, 2000).

Simmering instability in the Caucasus requires sustained international attention; this region could benefit greatly from complementary efforts by the EU and Russia, aimed first of all at Georgia. In order to develop this interface, however, Putin must recognise that his policies of keeping Chechnya 'low-profile', scoring a few extra points in the competition for energy resources and occasionally showing muscle cannot pass for a strategy.



Brenda Shaffer

4

Since 2002, the United States has been conducting an activist policy in the South Caucasus. As a whole, Washington now views the US presence and policy in this region as a component of its larger Middle East and anti-terrorism policies. In addition, since the late 1990s – especially in the post-11 September 2001 era – the United States has viewed the energy resources of Azerbaijan in two ways: first, as a contributor to global oil supply diversification and second, as oil in the margins (an effective tool for lowering oil prices). Washington views cooperation with Moscow in the Caucasus as important to resolving the conflicts there and, during this period, has tended to work cooperatively with Russia in this area. The United States would welcome European activity aimed at resolving regional conflicts. While the United States views resolution of these conflicts as important to promoting its own goals in the region, it will not devote significant efforts to resolving them, especially since the United States has now entered a presidential election campaign season. The current period of US activism in the South Caucasus was preceded by two distinct periods of policy towards the region following the Soviet break-up: the first was characterised by deference to Russian supremacy, while attempting to promote both the role of Turkey in the region and the independence of the new states there (1991-94); and the second period saw more pronounced activism aimed at promoting US economic, security and political interests in the region (1994-99). Throughout all three periods, US policy towards the South Caucasus has been uncoordinated and often contradictory. Domestic interest groups, especially the Armenian-American lobby, through influence over Congressional decisions have had a large impact on the formation of current US policy towards the region, often in contradiction to policies articulated by agencies of the US executive branch.

This chapter will discuss US policy towards the South Caucasus in the post-Soviet period. It will start by briefly outlining the United States's previous policy towards the region. In conclusion, it will examine the likely prospects of future US policy, with an emphasis on the implications of future EU activity in the South Caucasus.

Evolution of US policy towards the South Caucasus

1991-94

In the early period following the break-up of the Soviet Union, Washington tended to treat the South Caucasus as Russia's 'backyard' and did not take a strong interest in the region. The United States attempted to promote the independence of the new states of the region, but, beyond consolidating their independence, Washington did not consider that these states contributed to important US national interests. It viewed the energy riches of Azerbaijan as a valuable tool to support the economies of the states of the region, but not in the global energy context. Domestic considerations, led by the strong and active Armenian-American community, had a huge impact on the actual US policy towards the region. At the urging of the American-Armenian lobby, Congress imposed sanctions on Azerbaijan in 1992 in the form of Section 907 of the Freedom Support Act. Up until the presidential waiver in 2002, this legislation barred direct government-to-government aid between Washington and Baky and constituted a major constraint on US policy options towards the region.¹ Consequently, the congressional sanctions forced the various US government agencies to repeatedly rebuff Azerbaijan's offers of closer cooperation. Inadvertently, Section 907 also limited America's scope for security cooperation with Armenia: the United States had instituted a policy of parity in its security cooperation and military transfers with Azerbaijan and Armenia, and, since Section 907 blocked cooperation of this type with Baky, it also led to minimal US security cooperation with Yerevan.

In this period, Washington promoted a strong role for Turkey in the economic, political and security developments in the region. A strong motivating factor in the US decision to promote the Baky-Tbilisi-Ceyhan pipeline was the anticipated economic

1. Section 907 prohibits US assistance (with the exception of humanitarian assistance and assistance for non-proliferation and disarmament programmes) to the government of Azerbaijan under the Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act of 1992 (also known as the Freedom Support Act) 'until the President determines, and so reports to the Congress, that the Government of Azerbaijan is taking demonstrable steps to cease all blockades and other offensive uses of force against Armenia and Nagorno-Karabakh.' The legislation imposes sanctions only on Azerbaijan, despite the fact that both Armenia and Azerbaijan waged a war over the territory of Nagorno-Karabakh.

benefits for Turkey as well as the desire to link Turkey to the states of the Caucasus and avoid a crisis in the Bosphorus by not increasing tanker traffic from the Caspian region. Additionally, the United States joined efforts in the OSCE Minsk Group, which has led the external efforts aimed at resolving the Nagorno-Karabakh conflict.

Washington gave the Republic of Georgia special attention and promoted more cooperation with Tbilisi than with neighbouring Armenia and Azerbaijan. The special policy towards Tbilisi is motivated by Georgia's strategic geographic location on the Black Sea, which confers a pivotal role in the region's developments. Moreover, the special treatment of Georgia may have emanated from the fact that relations with Georgia were less controversial from a US domestic perspective than relations with either Armenia or Azerbaijan. In addition, Washington seemed to support Georgia's defiant stance towards Moscow. In addition, President Eduard Shevardnadze personally succeeded in drumming up considerable support for his state among past colleagues in Washington.

1994-99

Following the lead given by major US corporations, Washington worked to extend its political and economic influence in the South Caucasus during this period, often intentionally to the disadvantage of Iran and, at times, Russia. The United States put a greater emphasis on the importance of the energy resources of the region, as embodied by the appointment in 1998 of Ambassador Richard Morningstar as Special Adviser to the President and Secretary of State for Caspian Basin Energy Diplomacy. Washington actively promoted the building of east-west energy corridors (the Baky-Tbilisi-Ceyhan oil pipeline and the Baky-Erzurum gas line) and, in 1999, both commercial and political support for these projects was obtained, symbolising a major US achievement in the region.

The United States also made some limited and ultimately unsuccessful attempts in this period to facilitate resolution of the Nagorno-Karabakh conflict. This period was characterised by extreme dissonance between Washington's statements about the region and its actual policies, due to the lack of synchronisation between the policies and goals of the president and executive branch agencies (state department, department of defense, etc.)

and those of the US congress.² While both Presidents Clinton and George W. Bush opposed the Section 907 sanctions on Azerbaijan, neither was able to persuade Congress to cancel these sanctions. Thus, in this period, one witnessed a plethora of congressional testimonies and major public statements by senior US officials responsible for policy towards the South Caucasus that stated the importance of the Baky-Tbilisi-Ceyhan project to the United States and the significance it attached to relations with Azerbaijan while, at the same time, Congress continued to uphold the Section 907 sanctions on Azerbaijan that barred direct government-to-government assistance. Accordingly, Congress has provided Armenia with \$1.4 billion in assistance, which is the highest per capita amount in any country of the former Soviet Union.³ The Congressional ban often created animosity among both Azerbaijani officials and the wider public. Despite the ban, the Executive Branch was able to authorise cooperation programmes with Baky in the fields of non-proliferation and democratisation; these objectives, in addition to support for the expanding US business activity in Azerbaijan, became the focus of Washington's activity in Azerbaijan in this period, but long-term comprehensive policy instruments were not implemented.

In this period, cooperation in the security realm with both Armenia and Azerbaijan was minimal. The United States also attempted to promote regional cooperation. In the South Caucasus, this idea is often perceived unfavourably: it is difficult for belligerents Azerbaijan and Armenia to comprehend how they can cooperate in the security realm when they are at war.

As part of the US policy of encouraging regional security cooperation, in March 1996 Washington welcomed the establishment of the GUAM regional grouping of which Azerbaijan and Georgia were core members, although the United States was not central in the initiation of this group.⁴

Washington released a number of statements calling for resolution of the secessionist conflicts in Georgia (Abkhazia, South Ossetia) but did not invest serious efforts to promote resolution of these conflicts in practice. Washington also issued a number of statements condemning what was viewed as Moscow's heavy-handed treatment of Georgia. As part of its policies towards Tbilisi, Moscow used its support for the secessionist regions as a

2. Unlike many other government systems, the legislature possesses extensive legal authority in setting and limiting the foreign policy of the United States.

3. In contrast, in this same period, the Republic of Azerbaijan received \$165.92 million. The Republic of Georgia was allocated \$1.2 billion.

4. The initial GUAM member states were Georgia, Ukraine, Azerbaijan and Moldova. In April 1999, Uzbekistan also joined the regional grouping and its name was accordingly changed to GUUAM. The grouping set out to foster political, economic and strategic cooperation, with special emphasis on cooperation and security of energy supplies between the member states. GUAM/GUUAM has not succeeded in fostering significant cooperation beyond that which would have existed between the states on a bilateral level, with or without the establishment of this multilateral format, and is currently not a significant security organisation.

lever. Russia's policies regarding Georgia were an issue of contention between Washington and Moscow, but were not a central point of discussion in their summits or other meetings.

Current US policy towards the Caucasus

Despite Bush's multiple public declarations, during the presidential election campaign and his first months in office, that the United States would not take an activist role in conflict resolution, including in zones such as the Middle East, one of the first serious foreign policy initiatives taken by the Bush administration was the high-profile hosting of the Key West peace talks in April 2001 attended by the presidents of Azerbaijan and Armenia and led by Secretary of State Colin Powell. While in the end this summit did not succeed in facilitating a peace agreement between the sides, it did signal high-level US commitment to resolution of this conflict. In this period, Washington has viewed cooperation with Russia as important for solving the regional conflicts, and has tended to work cooperatively with Russia. Since Putin's ascent to the presidency in Russia, an overall high level of cooperation has emerged between Moscow and Washington, and this has had a very positive impact on their ability to cooperate in policies and conflict resolution efforts in the South Caucasus. This shift in US-Russian relations can serve as an important factor in peace promotion in the area.

US policy towards the Caspian region changed even more dramatically following the events of 11 September. The United States initiated a very activist policy in the South Caucasus, and many of its priorities have changed. Currently, Washington views US presence and policy in this region as a component of its larger Middle East and anti-terrorism policies. The United States conducts extensive security cooperation with both Azerbaijan and Georgia in the anti-terrorism and non-proliferation spheres. As part of this policy, it emphasises training and supplies equipment that can help the states improve their border controls.

Since 11 September 2001, and the war in Iraq, the importance of Azerbaijan has grown in the eyes of US policy-makers due to the perceived need to strengthen ties with Muslim-majority states,

especially those like Azerbaijan which border on the Middle East. Washington also perceives that it needs the troops of Muslim-majority countries to participate in its peacekeeping and civil efforts in both Afghanistan and Iraq in order to add legitimacy to these missions and, thus, especially seeks deployment of forces there from Muslim-majority countries.

Washington's shift in priorities following 11 September gave the Administration the political will and power to waive the Congressional sanctions on Azerbaijan. However, that this was a presidential waiver and not an actual repeal of the Congressional sanctions seemed to create long-term indignation towards the United States among the wider public in Azerbaijan. Many in Azerbaijan felt that the sanctions were waived only in order for the United States to take advantage of Azerbaijan's airspace and bases – not as a reflection of a true policy shift.

In the post-11 September era, the United States began to attach even more importance to Azerbaijan and the greater Caspian region as important contributors to global oil supply diversification and effective tools for lowering oil prices. In light of the links between al-Qaeda and Saudi institutions, as well as the Saudi reaction to the events, which included attempts to cut world oil production in order to elevate oil prices, the United States invigorated its search for developing non-OPEC sources of energy, such as those in Azerbaijan.

In its security policies towards the region, the United States is attempting to bolster the security of the states of the region and address threats that are of concern to the United States. Among those issues are the threats posed by the 'uncontrolled territories'⁵ of the Caucasus, which can serve as a base for terrorists and illegal transfers (money laundering, trafficking in human beings, arms and drugs). The United States also cooperates with the states of the region – especially Georgia and Azerbaijan – to capture suspected terrorists who traverse these states' territory. In addressing both types of threats, the United States assisted the Georgian military in successfully confronting foreign elements (Chechens and potentially militants from Arab states) lodged in the Pankisi Gorge region (close to Georgia's border with Chechnya). In addition, as part of its increased activity in the Caspian region, the United States deployed its first military forces in the region with the introduction of the Georgia Train and Equip Program in

5. This term refers to separatist regions, such as Nagorno-Karabakh and Abkhazia, that are no longer under the control of the central governments of the states from which they seceded, nor under the legal authority of other states.

April 2002. The 'train' side of the programme entailed the deployment of close to 200 US military trainers to instruct four Georgian battalions in light infantry tactics, with the goal of producing a serious fighting force which could successfully confront small-scale security threats. On the 'equip' side of the programme, the United States has supplied uniforms, small arms, ammunition, communications equipment and other equipment to the Georgian armed forces. In addition, as part of the military cooperation with Georgia, the US Sixth Fleet and the Coast Guard visit the republic.

Turkey has continued to play an important role in the promotion of US policy goals in the South Caucasus. Ankara maintains extensive military cooperation with Georgia and Azerbaijan, and Washington supports this policy. In July 2001, when Iranian gunboats threatened a BP survey boat in a sector of the Caspian Sea contested by Iran, and Iranian warplanes then repeatedly violated Azerbaijani airspace, Ankara responded with a demonstrative military presence in Baky to deter Tehran. The United States seemed to encourage this show of force and was pleased that Turkey could serve as the deterrent.

Despite the increased activism, US policy towards the region continues to be contradictory and inconsistent due to the often conflicting policy directions of different arms of the US government - mainly the congressional versus the executive branch. For instance, despite the long-standing promotion by US officials of the BTC pipeline, Congressional members who receive considerable support from the American-Armenian community still try to frustrate this project. Moreover, congressionally allocated aid to Armenia is still the highest per capita of all the former Soviet states, despite Yerevan's strong cooperation with states of concern to the United States, such as Iran and Syria. In addition, Congress grants earmarked funds directly to Nagorno-Karabakh, which contradicts US State Department policies. Another good example of this policy dissonance towards Armenia is found in the controversy over the registration of Armenian citizens who reside in the United States. In December 2002, the Department of Justice designated Armenia as one of the countries whose citizens residing in the United States must register with the Immigration and Naturalization Service due to potential security concerns. The announcement on Armenia's designation was made together with

that of Saudi Arabia and Pakistan. Within twenty-four hours of the announcement, intense Congressional pressure forced the removal of Armenia from this list, in defiance of the requests of government agencies responsible for security.

Washington also has concerns over the prospects for smooth and legal leadership succession in the region, especially in Georgia and Azerbaijan. The United States seems to have adopted a much more sober view of the prospects for quick democratisation in the states of the South Caucasus. Elections were held in all three states of the South Caucasus in 2003 (Armenia – presidential and parliamentary; Azerbaijan – presidential; Georgia – parliamentary), and the United States had concerns about their conduct. Washington will continue to invest funds and policy efforts to promote this goal, but where infractions occur this will probably not have a major impact on US policy towards the region.

Moving ahead: cooperation with Europe?

The United States would also welcome European Union (EU) activity as well as the involvement of specific European countries, with the aim of resolving the conflicts of the South Caucasus. Washington's goals in the region would be bolstered by the resolution of these conflicts, but the United States has not formulated a concrete plan towards this end. The United States would encourage EU activity in conflict resolution. A potential snag in cooperation between the United States and Europe could emerge from their diverging views on the appropriate role that Iran should play in security and economic arrangements in the region. To avoid controversy on this issue, US and European representatives should attempt to coordinate their positions on Iran's activities in the South Caucasus prior to the inauguration of intensive European conflict resolution activity in the region.

Both the United States and Europe actively promote the concept of regional cooperation, including security cooperation, among the states of the South Caucasus. Until significant advances have taken place in resolving the Nagorno-Karabakh conflict, it is not prudent to promote security cooperation between the three states of the South Caucasus. It is hard to see how two of the three states can be expected to cooperate in the security realm, as each views the other as its main security threat.

The borders between Armenia and Azerbaijan are still highly disputed, and over a million refugees are still displaced: it is difficult to translate the regional cooperation concept into a practical mechanism. In moving forward, the United States and the EU should be sensitive to how their policies, including this one, are perceived in this region, and think critically about which goal or policy to promote in the South Caucasus rather than continue with existing policies.

The extent of deployment of its forces in Central Asia indicates that the United States is planning a long-term presence in the region, and thus will be interested in preserving overflight rights and the right to station forces in the South Caucasus. This will ensure continued US security and military cooperation with the states of the region. US economic presence in the region is firmly established, and is growing. The Baky-Tbilisi-Ceyhan pipeline has gone from an idea discussed in offices to an actual pipeline that is being constructed and should be operational in early 2005. This east-west pipeline will further cement US presence in the region.

Resolution of the remaining conflicts in the South Caucasus, especially Nagorno-Karabakh, will help the United States guard its interests in the area. While the United States views conflict resolution in the Caucasus as important to promoting its own goals in the region, it will not expend significant efforts to resolve them in the coming year. The foreign policy agenda of the US government is already overburdened with Iraq, terror, Afghanistan, North Korea and, potentially, Iran and the Middle East. As the United States enters a presidential election year, the time and resources it can invest in foreign policy issues will shrink even more. Prodding and activity from the EU could help keep conflict resolution efforts in the Caucasus on the policy agenda and would be immensely significant to the success of these efforts.



Domitilla Sagramoso

5

Twelve years after the collapse of the Soviet Union, the newly independent states of the South Caucasus still face a vast array of major security challenges – unresolved military conflicts, uncontrolled territories, open borders, smuggling of arms and drugs, corruption, economic disruption, poverty and widespread population displacements. Local and regional actors, as well as the international community as a whole, have so far proven unable effectively to address and resolve these major challenges, despite significant efforts in a variety of areas. Major international and security organisations such as the United Nations (UN), the Organisation for Security and Cooperation in Europe (OSCE) and the North Atlantic Treaty Organisation (NATO) have become involved in the region, and have tried to tackle some of the above-mentioned issues. However, the results still remain limited, to a great extent because Western countries have proven unwilling or unable to devote the necessary time and resources to addressing the security challenges affecting the region. This chapter examines the involvement of these major organisations in the region and assesses the contribution that they have made to the enhancement of regional stability and national security.

The United Nations

At the end of the Cold War, the UN experienced a dramatic expansion in the number of peacekeeping operations, as well as a substantial enhancement in the role and functions of UN operations worldwide. Twenty new peacekeeping operations were launched between 1988 and 1993, and the number of troop-contributing countries grew from 26 to nearly 80.¹ Moreover, since the late 1980s, UN peacekeeping operations have involved a remarkable variety of activities, some of which have been either totally new for the United Nations or on a much larger scale than before, such as

1. Mats Berdal, 'UN Peacekeeping and the Use of Force: No Escape from Hard Decisions', in Robert G. Patman (ed.), *Security in a Post-Cold War World* (London: Macmillan, 1999), p. 52.

monitoring or even running elections, protecting designated 'safe areas', ensuring the partial demilitarisation of particular areas, guarding weapons surrendered by or taken from parties to the conflict, assuring the delivery of humanitarian relief supplies, assisting in the reconstruction of governmental or police functions after civil wars.² In addition, since the mid-1990s there has been a willingness to entrust the United Nations and other multilateral bodies with substantial authority for the administration of war-torn territories such as Kosovo and East Timor.

The radical expansion of UN operations and role contrasts sharply with the UN's limited involvement in the former Soviet 'space' in general, and the South Caucasus in particular. In the South Caucasus, the role of the United Nations in the field of peacekeeping and post-conflict rehabilitation has remained fairly limited. The UN did not intervene militarily when conflict erupted in Abkhazia, South Ossetia or Nagorno-Karabakh, nor did it dispatch a peacekeeping force to the conflict zones after a cease-fire had been reached. Moreover, the absence of lasting political settlements precluded the involvement of the UN in post-conflict reconstruction and administration of the war-torn territories. However, the UN did take the lead in the negotiations over the resolution of the Georgian-Abkhaz conflict, and sent an observer mission to monitor the implementation of the Abkhaz-Georgian cease-fire agreement. Moreover, UN agencies became heavily involved in humanitarian relief efforts and development programmes throughout the South Caucasus, significantly contributing to the enhancement of security and stability.

Resolution of the Georgian-Abkhaz conflict

The United Nations became involved in the resolution of the Georgian-Abkhaz conflict in November 1992 when it opened a UN office in the Georgian capital Tbilisi in order to ensure an integrated UN approach to the region and to assist in the peacemaking efforts of the Secretary-General. In May 1993, the Secretary-General appointed a Special Representative for Georgia, and in August 1993 proposed the deployment of an advance team of ten UN unarmed military observers to help verify compliance with the cease-fire that had been agreed on 28 July 1993. On 24 August 1993, the UN Security Council decided to establish a permanent United

2. Adam Roberts, 'The Crisis in UN Peacekeeping', in Chester A. Crocker and Fen Osler Hampson with Pamela Aall (eds.), *Managing Global Chaos: Sources of and Responses to International Conflict* (Washington, DC: United States Institute for Peace, 1996), pp. 299-301.

Nations Observer Mission in Georgia (UNOMIG), comprising 88 unarmed military observers to monitor the agreed cease-fire. However, the cease-fire broke down in September 1993 and UNOMIG was forced to suspend operations.³ In May 1994, after several rounds of negotiations, the Georgian and Abkhaz sides signed the Moscow Agreement on a Cease-fire and Separation of Forces. The parties agreed to the deployment of a peacekeeping force from the Commonwealth of Independent States (CIS) to monitor compliance with the agreement, and to the presence of UNOMIG military observers to monitor implementation of the agreement and observe the operation of the CIS peacekeeping force.

On 27 July 1994, the Security Council expanded the mandate of UNOMIG and increased its strength to up to 136 military observers. The Mission was entrusted with monitoring and verifying the implementation of the cease-fire agreement, observing the operation of the CIS peacekeeping force, verifying that heavy military equipment was not to be found or reintroduced into the security zone or restricted weapons zone, and monitoring the storage areas for heavy military equipment withdrawn from the zones. UNOMIG was also made responsible for monitoring the withdrawal of Georgian troops from the Kodori gorge, and for investigating alleged violations of the cease-fire agreement. Moreover, UNOMIG was tasked with keeping in close contact with the parties, cooperating with CIS peacekeeping forces and helping, by its presence in the area, to create conditions conducive to the safe and orderly return of refugees and displaced persons.⁴

The presence of UNOMIG observers and CIS peacekeepers (an entirely Russian peacekeeping force) on the ground since 1994 has contributed considerably to the enhancement of stability and the avoidance of a major resumption of violence by the warring parties. Although fighting has broken out on several occasions, namely in May 1998 and in October 2001, the situation has remained relatively calm most of the time. This stability along the cease-fire line can partly be attributed to the presence of UN observers and CIS peacekeepers, their patrolling activities and their monitoring of stored equipment withdrawn from the security and restricted weapons zone. However, the main deterrents against a resumption of violence remain the inability of Georgian forces to launch a major attack against Abkhazia, the creation of a

3. United Nations Observer Mission in Georgia, 'Background', p. 1, available at <http://www.un.org/Depts/dpko/missions/unomig/background.html>.

4. United Nations Observer Mission in Georgia, 'Mandate', available at <http://www.un.org/Depts/dpko/missions/unomig/mandate.html>.

clearly defined and properly defensible Abkhaz front line, and the military support that Russia may be expected to provide to Abkhazia in the event of a Georgian attack.

UNOMIG observers on the ground, however, have failed to help create the necessary security conditions that would have allowed for the safe return of refugees and IDPs to their homes. The situation in many areas of Abkhazia, and especially in the Kodori and Gali regions, remains extremely dangerous. Crime and lawlessness have become endemic, with robberies, killings and abductions occurring on a regular basis.⁵ In addition, well-equipped Georgian partisan groups, the White Legion and the Forest Brothers, remain active in the southern Gali region of Abkhazia and in the neighbouring Georgian area of Zugdidi.⁶ The security situation is further undermined by the criminal activities of both organisations and their links with organised crime in both Georgia and Abkhazia.⁷ The absence of a clear mandate to police the streets of local towns and villages along the cease-fire line explains the inability of UN observers and CIS peacekeepers to restore order in the Gali and Zugdidi regions. That task remains the prime responsibility of local Abkhaz law enforcement organs. According to the Moscow Agreement, CIS peacekeepers are not empowered to override local officials in the discharge of their responsibilities in those areas.⁸ Georgia has been trying for several years to expand the UN and CIS peacekeeping mandate in order to include police functions, but has regularly faced opposition from the Abkhaz side.

Furthermore, UNOMIG operations have been often undermined by the lack of proper security guarantees from the Georgian and Abkhaz police forces. Being unarmed, UN observers have been forced to rely on local authorities and CIS peacekeepers for protection. When protection has not been guaranteed, UNOMIG observers have been forced to limit their movements. UN observers have also been unable to work towards resolution of the conflict. In the absence of a political settlement, the continued presence of UN observers and CIS peacekeepers along the cease-fire line has significantly contributed to the hardening of positions on the ground, thus hampering efforts aimed at changing the status quo through negotiations. On the other hand, UN observers have helped to improve CIS (in this case, Russian) peacekeeping practices in the area, thus enhancing the overall security of the region. The presence of UNOMIG observers in the field has

5. 'Report of the Secretary-General on the situation in Abkhazia, Georgia', United Nations Security Council, S/2001/59, 18 January 2001, p. 3; S/2001/401, 24 April 2001, p.3; S/2003/412, 9 April 2003, p. 4.

6. David Darchiashvili, 'Georgia: A hostage to arms', in Anna Matveeva and Duncan Hiscock, *The Caucasus: Armed and Divided*, (London: Saferworld, April 2003), p. 89.

7. Conversations between the author and UN officials in Abkhazia, Georgia, July 2001.

8. 'Moscow Agreement', p. 4, UNOMIG, available at <http://www.unomig.org/background/moscowagreement/moscowagreement.asp>.

enhanced the transparency of Russian peacekeeping activities and has limited the ability of Russian peacekeepers to pursue a unilateral agenda that could in any way violate the cease-fire agreement.⁹

Successive UN Special Representatives to the Secretary-General (SRSG) have also been trying to facilitate a comprehensive political settlement between the Georgian and Abkhaz sides. Over the past decade, the various SRSGs have helped to establish regular contacts with the parties, sponsored several rounds of negotiations, submitted draft proposals on the future status of Abkhazia, and worked towards the introduction of confidence-building measures. Since 1993, UN actions have oscillated between attempts to reach a comprehensive settlement of the Abkhaz conflict and efforts to conduct a successful 'step-by-step' approach which would address issues related to the conflict first while leaving the thorny question of Abkhazia's status to the end. During the first years of negotiations, the UN focused its efforts on reaching a comprehensive political settlement, and negotiated actively between the parties. However, after efforts to reach a settlement failed in 1997, the UN decided to put the emphasis on the 'step-by-step' approach. UN efforts seemed initially to succeed. At a high-level meeting held in Geneva under UN aegis in November 1997, the parties agreed to establish a Coordinating Council and three working groups involving all sides in the conflict, which would address three clusters of issues – i.e. preventing a resumption of hostilities and addressing security questions, assisting in the return of refugees and internally displaced persons, and improving economic and social conditions.¹⁰ The UN also sponsored two conferences on confidence-building measures (CBMs) held in Athens and Istanbul on 16-18 October 1998 and 7-9 June 1999 respectively, in which a series of CBMs were agreed by all sides. However, very limited results were achieved and hardly any progress in any of these areas has ever been made.

In the year 2000, the UN SRSG again placed the emphasis on achieving a comprehensive political settlement. In that undertaking, the SRSG worked closely with the Group of Friends of the Secretary-General on Georgia (GF), composed of the United States, the United Kingdom, France, Germany and Russia. In December 2001, after two years of discussions with the GF, the SRSG was able to finalise a draft paper on 'the Basic Principles for the Distribution of Competences between Tbilisi and Sukhumi' on the basis of Georgia's territorial integrity. However, the Abkhaz leadership

9. Conversations between the author and a former UNOMIG official, London, June 2003.

10. 'Report of the Secretary-General on the situation in Abkhazia, Georgia', United Nations Security Council, S/1998/51, 19 January 1998, p. 1.

refused to accept even to read the document, claiming that Abkhazia's status had already been determined through Abkhazia's unilateral proclamation of independence and rejecting suggestions that Abkhazia was 'within the state of Georgia'.¹¹ The Abkhaz leadership also claimed that the unresolved security situation in the Kodori gorge, which had led to the deployment of Georgian troops in violation of the Moscow Agreement, was not conducive to discussions on Abkhazia's political status.

Ever since, the Abkhaz-Georgian peace process has remained deadlocked and, as a result, over the past two years the UN has been trying again to adopt a phased approach. A confidence-building measures conference was held in Yalta in March 2001, aimed at ensuring the implementation of previously adopted CBMs.¹² More recently, on 20 February 2003, at a meeting in Geneva, the UN SRSG and the GF recommended that Georgia and Abkhazia work in parallel on economic issues, the return of internally displaced persons (IDPs) and refugees, and political and security issues. To this end, they proposed the establishment of three task forces in which the parties, representatives of the GF and external experts would participate.¹³ However, the results so far, in terms of implementing CBMs and reaching a comprehensive settlement, remain rather limited.

The UN's lack of success in implementing confidence-building measures and in reaching a political settlement is related to a series of factors. First, the positions of the parties remain very far apart and the lack of trust between them seems to be growing continuously, thus preventing the emergence of a compromise agreement. Second, disagreements among the GF regarding the future status of Abkhazia, especially between Russia and its Western partners, have prevented the emergence of a united front capable of strongly influencing the negotiating process. Russia's unclear position regarding Abkhazia's status, its desire to keep a military presence in the region, and its presumed military support to the Abkhaz have failed to win the approval of Western partners, hindering efforts to reach a common position. The UN has also been hampered in its negotiating efforts by the lack of will of the GF to override Russia's objections and by the unwillingness of the UN, and of the international community as a whole, to put pressure on the parties in order to move ahead on the negotiations and find a political resolution to the conflict. The UN Secretary-General has emphasised that the document presented to the parties in

11. 'Report of the Secretary-General on the situation in Abkhazia, Georgia', United Nations Security Council, S/2002/88, 18 January 2002, p. 1.

12. Annex to the 'Programme of Action on Confidence-building between the Georgian and Abkhaz Sides', Yalta, 15-16 March 2001, S/2001/246, p. 6.

13. 'Report of the Secretary-General on the situation in Abkhazia, Georgia', United Nations Security Council, S/2003/412, 9 April 2003, p. 1.

December 2001 was 'simply a means to open the door' to substantive negotiations in which the parties themselves would work out a settlement.¹⁴ Moreover, the UN has been forced to compete with a Russian-led parallel negotiating process, which has often proven to be much more effective. Russia managed to negotiate the 1994 cease-fire, which has been holding ever since, it succeeded in introducing Russian peacekeeping forces under a CIS umbrella to monitor the cease-fire, and it brought the parties together in 1997 when they negotiated an agreement on the non-use of force. More recently, on 6-7 March 2003, it brought together Georgian and Abkhaz leaders at Sochi to discuss once again the reopening of the railway line linking Sochi to Tbilisi, the modernisation of the hydroelectric power station at the Inguri River and the return of refugees and IDPs to Abkhazia.¹⁵ Such initiatives significantly hamper UN efforts at advancing a settlement, especially because of the absence of concrete results that would allow the peace process to move forward.

UN agencies and humanitarian relief action

Despite their lack of success in settling the Abkhaz conflict, UN agencies have been working quite actively in the various areas of conflict in the Caucasus to address the basic needs of the population. When fighting broke out in Abkhazia in 1992, the UN High Commissioner for Refugees (UNHCR), the World Food Programme (WFP) and the UN Children's Fund (UNICEF), moved quickly into the areas affected by the war and provided food and shelter to the vast number of refugees and IDPs.¹⁶ Such prompt intervention by the UN contributed significantly to prevention of a major humanitarian disaster. UNHCR also took a prominent role in the early efforts conducted by the UN to secure the return of IDPs to Abkhazia and participated in the UN-sponsored negotiations that led to the April 1994 agreement on the return of IDPs and refugees to the region. Thereafter, UNHCR also tried to ensure the return of IDPs to Abkhazia. However, very few IDPs ever managed to return to their homes, largely because of the absence of proper security guarantees and the spread of crime and lawlessness. Those IDPs who did return to their homes faced harsh reprisals, and were forced once again to flee to Georgia proper. Despite these setbacks, UNHCR has remained active in the region, providing assistance to those IDPs who decided to return

14. United Nations Observer Mission in Georgia, 'Background', p. 7, available at <http://www.un.org/Depts/dpko/missions/unomig/background.html>.

15. 'Report of the Secretary-General on the situation in Abkhazia, Georgia', United Nations Security Council, S/2003/412, 9 April 2003, p. 2.

16. S. Neil MacFarlane, Larry Minear and Stephen D. Shenfield, 'Armed Conflict in Georgia: A Case Study in Humanitarian Action and Peacekeeping', *Occasional Paper 21* (Providence, RI: The Thomas J. Watson Jr. Institute for International Studies, Brown University, 1996), pp. 21-47.

voluntarily, as well as to elderly people and people severely affected by the war.

UNHCR has also been active in other parts of Georgia and in other areas of the Caucasus. It has provided life-sustaining assistance and protection to refugees fleeing from Chechnya and settling in the Pankisi Gorge. UNHCR has also remained engaged in the OSCE-sponsored conflict resolution process in South Ossetia by participating in the Joint Control Commission on issues related to refugees and IDPs in the region. However, the lack of a political resolution to the conflict has prevented the return of most IDPs and refugees to their original homes in South Ossetia.

In Azerbaijan, UNHCR has provided protection and material assistance to IDPs from Nagorno-Karabakh and refugees from Armenia, Chechnya and other neighbouring regions. The war in Nagorno-Karabakh caused the displacement of over one million persons in the region. Of these, 188,000 are ethnic Azeri refugees who fled from Armenia, and another 570,000 are Azeri IDPs who became displaced within Azerbaijan. In order to address the immediate needs of these refugees and IDPs during the war, UNHCR provided them with food and temporary shelter. After the war ended, it supported a limited number of self-sustainable settlements of IDPs unlikely to return to their homes in Nagorno-Karabakh in the near future. UNHCR has also been assisting ethnic Azeri refugees from Armenia and formerly deported Meskhetians to integrate into Azerbaijan and obtain Azerbaijani citizenship, and has been providing health care to over 60,000 IDPs. It has also assisted in the provision of primary education, access to drinking water and the development of income generation activities.¹⁷ Such relief operations, especially during the war period in Nagorno-Karabakh, significantly contributed to meeting the essential needs of the population and averting a major humanitarian catastrophe. As a result of UN efforts, Azerbaijan has neither faced starvation nor the significant spread of diseases.

The conflict in Nagorno-Karabakh also caused massive population displacement in Armenia. Between 1988 and 1992 some 280,500 ethnic Armenians fled Azerbaijan and other areas of the former Soviet Union and went to Armenia. Since 1992, UNCHR has been helping the Armenian government to address the needs of IDPs and refugees, by setting up a mechanisms aimed at providing social and legal counselling to refugees and asylum-seekers, and addressing their basic needs. Since 1992, the agency has also

17. 'UNHCR Global Report 2000', UNHCR, Geneva, 2001, pp. 351-4.

organised community-based activities, improving access to health and providing individual assistance, social activities and basic humanitarian assistance to refugees.¹⁸

Other UN agencies have also assisted Georgia, Armenia and Azerbaijan in handling the humanitarian consequences of war and economic collapse. Over the period 1994-97, the UN Department for Humanitarian Affairs (DHA) mounted three consolidated inter-agency appeals for the Caucasus, with approximately \$87 million going to UN agency and NGO activities.¹⁹ The World Food Programme has been running a food emergency operation since 1993 which has been providing relief and recovery assistance to over 453,000 people in Georgia, 165,000 in Azerbaijan and 140,000 in Armenia, and which has been targeting primarily vulnerable elderly and disabled persons in rural areas, as well as refugees and IDPs.²⁰ The UN Development Programme (UNDP) has addressed various social and development issues affecting the South Caucasian states and has introduced programmes aimed at improving governance and reducing poverty.

In their operations in the Caucasus, UN agencies have faced some major shortcomings. According to local observers, UNHCR operations in Abkhazia have suffered from the lack of coordination with UNOMIG officials and other UN agencies, and from a reduced presence in the affected regions during periods of relative calm and limited violence.²¹ Also, UNHCR's activities have been hampered by the lack of security guarantees for the agency's personnel, which has caused frequent suspensions of field activities. Similar problems have also beset UNHCR actions in Armenia and Azerbaijan. Tensions and lack of proper coordination between UN agencies, a result of intrinsic bureaucratic rivalries and diminishing resources, have hampered the effectiveness of UN operations in these countries.²² UN operations have also suffered from the dysfunctional nature of local government structures and the lack of control of the centre over peripheral areas, especially with regard to Georgia. Moreover, limited resources have forced UN agencies to concentrate their efforts on the most needy, creating resentment among other segments of the local populations less severely affected by war and famine but still in need of support.²³

Despite these existing deficiencies, most UN programmes have so far been running quite effectively. UN efforts have significantly helped the South Caucasian states to address the basic needs of the local populations, and have prevented the development of

18. *Ibid.*, pp. 343-9.

19. S. Neil MacFarlane, 'The Role of the UN', in Jonathan Cohen (ed.), 'A Question of Sovereignty: The Georgia-Abkhaz Peace Process', *Accord*, Issue 7, Conciliation Resources, 1999, p. 38.

20. World Food Programme, WFP Activities, Armenia, Azerbaijan and Georgia, available at http://www.wfp.org/country_brief/indexcountry.asp?country=051.

21. Conversations between the author and a former UNOMIG official, London, June 2003.

22. Conversations between the author and a regional expert, London, July 2003.

23. *Ibid.*

massive starvation and the spread of contagious diseases. As a result, they have very much contributed to the overall enhancement of stability and security in the region.

The OSCE

The end of the Cold War represented a watershed for the CSCE/OSCE, as it expanded its membership, changed its structure and enhanced its functions. From being a forum for negotiation and dialogue, the CSCE became an active operational mechanism for early warning, conflict prevention, crisis management and post-conflict rehabilitation. The CSCE was declared a 'regional arrangement' under Chapter VIII of the United Nations Charter, and was empowered to conduct peacekeeping operations. Also, a series of new organs to address these issues were created. At the Paris summit in 1990, a permanent secretariat in Prague, a Centre for Conflict Prevention in Vienna and an Office for Democratic Institutions and Human Rights in Warsaw were established. At the Helsinki meeting in 1992, a troika of past, present and future chairmen of the Council of Foreign Ministers was created, and the Chairman-in-Office was given broad discretion to deal with crisis management and peaceful settlement of disputes. A High Commissioner for National Minorities was appointed to provide early warning and informal good offices in case of tensions likely to lead to conflict, and a Court of Arbitration and Conciliation was established to improve the dispute settlement mechanism. In addition, a Forum for Security Cooperation was set up in Vienna to coordinate future negotiations of conventional disarmament, arms control, and regional security. The signing of the Dayton peace agreement in 1995, which brought the Bosnian conflict to an end, increased the involvement of the OSCE in conflict resolution and post-conflict rehabilitation, and provided a new opportunity for the enhancement of the OSCE's operational role. As a result, the OSCE experienced a substantial increase in the number of field missions, primarily in the Balkans, the Caucasus and Central Asia.

As far as the South Caucasus is concerned, the role and impact of OSCE activities in enhancing the region's security and addressing security challenges has been mixed. The reluctance of most OSCE member states at the CSCE Budapest summit in December 1994 to transform the OSCE into the major security organisation

of the European continent precluded the emergence of the OSCE as the main security provider to countries in the South Caucasian region. Instead, countries in the Caucasus have relied for the enhancement of their security on the bilateral assistance of neighbouring countries, such as Russia and Turkey, as well as the United States, and military organisations such as NATO and its Partnership for Peace programme, and the CIS. The OSCE, however, has become substantially involved in conflict prevention and conflict resolution activities in the region, and has assisted South Caucasian states in their transition from totalitarianism to democracy and in their efforts to protect human and minority rights. The OSCE has also become a forum for arms control negotiations and an organ for monitoring the implementation of relevant arms control treaties, such as the CFE treaty and its flank zone agreement, as well as for monitoring the withdrawal of Russian armed forces stationed in Georgia and Moldova.

Conflict resolution in Nagorno-Karabakh

The involvement of the CSCE/OSCE in the Nagorno-Karabakh conflict began in January 1992, at a meeting of CSCE foreign ministers in Prague, in which CSCE countries agreed to send a fact-finding mission to the region. As a result of this first mission, CSCE member states decided in March 1992 to set up an international conference under the auspices of the CSCE aimed at providing a permanent forum for negotiations on a peaceful settlement of the conflict. The conference, to be held in Minsk, was expected to include representatives from eleven CSCE countries, as well as representatives from the warring parties. The CSCE initiative represented a major breakthrough in terms of conflict resolution in the CSCE area. For the first time ever, an international organisation became primarily responsible for resolving a military conflict in the former Soviet 'space'. However, the CSCE did not succeed in its initial attempt to set up a conference to address the Nagorno-Karabakh conflict, primarily because of disagreements between Armenia and Azerbaijan regarding the official status of the Armenian Karabakh delegation, and because of disputes over the responsibilities of the Armenian government in the Nagorno-Karabakh war.²⁴ Instead, the initiative was taken by a smaller group of CSCE mediating countries, later called the 'Minsk Group', which worked towards presenting cease-fire proposals to the parties.

24. Olivier Paye and Eric Remacle, 'UN and CSCE Policies in Transcaucasia', in Bruno Coppieters (ed.), *Contested Borders in the Caucasus* (Brussels: VUB Press, 1996), pp. 116-18.

Despite its various efforts, the CSCE Minsk Group did not succeed in its efforts to negotiate an end to the fighting that ravaged the region during 1992 and 1993. The cease-fire agreement that was reached in 1994 was brokered by Russian Minister for Defence Pavel Grachev, and was achieved primarily as a result of a decisive Armenian military victory over Azerbaijani forces, which led to the occupation of Nagorno-Karabakh and six adjacent Azerbaijani districts. The CSCE Minsk Group also proved unable to find a lasting political settlement to the conflict after a cease-fire had been reached. During the initial phases of OSCE/CSCE involvement, from 1992 to 1996, the organisation's effectiveness was hampered by the lack of knowledge, expertise and interest of Western countries in the region. At the time, European countries and the United States were primarily preoccupied with resolving conflicts in the Balkans and the Horn of Africa, and were, therefore, unable or unwilling to devote the required time, effort and resources to bring about a settlement of the Karabakh war. CSCE diplomats involved in the Minsk group had little knowledge of the region and expertise on the conflict, and lacked the necessary tools to put pressure on the parties.²⁵

Moreover, the CSCE/OSCE as an organisation failed to become a decision-making organ and, as such, lacked the necessary political, diplomatic, economic or military clout to enforce a decision or induce the parties to reach a settlement. As a diplomatic forum, its effectiveness depended on the willingness of OSCE members to enforce a decision and induce the sides to reach a compromise. Of all OSCE countries, only Russia seemed willing and able to compel the parties to arrive at a resolution. However, at the time, Russia was the subject of suspicion and resentment on all sides of the conflict, because of its past history in the region, its interest in dominating the negotiation process and its insistence on introducing a Russian-led peacekeeping force to monitor the 1994 cease-fire agreement. At the same time, Russia was the only country able to broker a settlement among the parties, and as a result it was needed and courted by all sides.

Western countries proved reluctant to impose a resolution on the parties, and limited their efforts to mediating between the sides and producing joint settlement proposals. The unwillingness of Western countries to commit a peacekeeping force, even after a cease-fire was signed, also reduced the OSCE's chances of brokering a settlement. Without a firm commitment from the

25. John Maresca, 'Resolving the Conflict over Nagorno-Karabagh: Lost Opportunities for International Conflict Resolution', in Chester A. Crocker, Fen Osler Hampson and Pamela Aall (eds.), *Managing Global Chaos* (Washington, DC: USIP, 1996), p. 259.

OSCE to provide a force in a short lapse of time after a cease-fire was reached, no agreement seemed possible. Moreover, the OSCE peacekeeping procedures required full OSCE approval for the deployment of a peacekeeping force, and the existence of a well-established cease-fire agreement among the parties. The OSCE clearly had no intention of getting involved in peace enforcement operations – often an essential requirement for peace support operations to be successful – thereby reducing its chances of brokering a lasting political settlement.

During the mid-1990s, the OSCE-led negotiations also suffered from Russia's attempts to take the lead in the Nagorno-Karabakh negotiations and override the OSCE peace process. In early 1993, Russia increasingly separated itself from the Minsk Group, and started producing its own individual peace proposals, without informing the other Minsk Group negotiators, and often in stark contradiction to the Minsk Group propositions. The emergence of a Russian proposal involving a Russian 'separation force' significantly hampered the OSCE's negotiating power, as the parties to the conflict felt able to 'shop around' for the best option. Parallel negotiating tracks emerged, resulting in a growing rivalry between Russia and the OSCE for attention, leading one Karabakh Armenian to argue that the sides had effectively become 'the mediators between the Russians and the OSCE'.²⁶ In 1997, a more coordinated approach emerged among the co-chairs of the Minsk Group – Russia, the United States and France – which allowed for intense negotiations to take place on the basis of a renewed series of OSCE peace proposals. However, disagreement among the parties over the future of Nagorno-Karabakh, political turmoil in Armenia, and strong domestic opposition to making concessions prevented Armenian and Azerbaijani leaders from reaching a compromise.²⁷

The arrival of Vladimir Putin in the Russian presidency in 2000 gave additional impetus to the search of an OSCE-sponsored resolution of the Nagorno-Karabakh conflict. According to the negotiators, in 2001, for the first time ever, the three co-chairs of the Minsk Group appeared to be working in close harmony towards a resolution of the dispute.²⁸ Improved coordination and increased attention to the conflict by the Minsk co-Chairs led to intensive negotiations among the parties during the spring of 2001, which resulted in the high-level meeting at Key West, Florida, in April 2001. However, the parties failed once again to

26. *Ibid.*, p. 273.

27. Thomas de Waal, *Black Garden: Armenia and Azerbaijan through Peace and War* (London and New York: New York University Press, 2003), pp. 259-60.

28. David Stern, 'OSCE Negotiators Encounter Obstacles in Karabagh Peace Process', *Eurasia Insight*, 5, June 2001, p. 3; available at <http://www.eurasianet.org/departments/insight/articles/eav060501.shtml>.

reach a compromise, because of disagreements over the fundamental issue of Nagorno-Karabakh's future sovereignty, and because of strong domestic opposition to making territorial concessions, especially as far as Azerbaijan was concerned. Despite renewed OSCE efforts ever since, the resolution of the conflict remains a distant reality.

The OSCE has not succeeded thus far in negotiating a successful outcome to the Nagorno-Karabakh conflict to any great extent because of its inability to impose a settlement on the parties and because of its need to rely on the will of the parties to reach a compromise. However, the organisation's efforts have not all been in vain. The OSCE has succeeded in gathering all parties to the conflict around a single negotiating table, and has created a serious, credible and sustained negotiating process that has remained active until today. Whereas the lack of coercive capacity can be seen as a major weakness of the OSCE, its openness and willingness to compromise can also be seen as assets. The OSCE is perceived, despite some regular complaints from the parties, as the only relatively impartial and effective negotiating forum available to address the Nagorno-Karabakh dispute. As such, it remains extremely relevant. Unless individual OSCE member states, or organisations such as the UN or the EU, take a more active role, the OSCE Minsk process will remain the only credible and effective negotiating forum at the disposal of the parties.

The OSCE has also been involved in promoting confidence-building measures among the parties to the Nagorno-Karabakh conflict through the Office of the Personal Representative of the Chairman-in-Office. The office has emerged as a regular channel of communication between Armenia and Azerbaijan, and has become involved in joint projects aimed at enhancing trust among the parties. In 2002, it assisted the parties in a joint project intended to establish water-sharing structures in the northern part of the border between Armenia and Azerbaijan by facilitating visits and cross-border consultations. Since 1996, the OSCE office has devoted special attention to the fate of civilians and military personnel detained or missing during the conflict. As a result, all prisoners of war (POWs) have now been released and a new agreement has been reached on the release of new POWs and civilians detained for illegally crossing the border.²⁹

Moreover, since 1996, the OSCE has been involved in monitoring the cease-fire, through regular patrolling and observation

29. 'Annual Report 2001 on OSCE Activities', OSCE Secretariat, Vienna, 2002; available at http://www.osce.org/docs/english/misc/anrep01e_activ.htm.

activities along the cease-fire line. Such operations have not only provided the OSCE Chairman-in-Office with extremely valuable information regarding the situation on the ground, they have also enhanced communication between the militaries on both sides of the cease-fire line and allowed for representatives of local authorities to be brought together. The OSCE Office remains the only permanent body on the ground dealing with the resolution of the conflict, and as such it plays a crucial confidence-building role among the parties.

Conflict resolution in South Ossetia

The OSCE has also been involved in the management and resolution of the South Ossetian conflict, which erupted into violence the winter of 1991 and reached a stalemate in the summer of 1992, after Russian President Boris Yeltsin negotiated a cease-fire agreement among the parties. The OSCE's involvement in the region began in December 1992, when the OSCE dispatched a 'Mission of Long-Duration' to Georgia which became responsible for assisting the parties in their efforts to find a lasting political settlement to the conflict. The mission was also made responsible for actively encouraging dialogue among the parties, identifying and eliminating sources of tension in the South Ossetian region, upholding the existing cease-fire and monitoring the Joint Peacekeeping Force (JPKF) deployed in the region. As far as conflict resolution is concerned, the OSCE mission has been conducting negotiations with the leaders of Georgia, South Ossetia, North Ossetia and Russia, has presented settlement proposals to the parties and has facilitated extensive talks between experts on both sides of the conflict. Despite these efforts, the conflict remains unresolved. As in Nagorno-Karabakh, the OSCE has faced several difficulties related primarily to the incompatibility of the Georgian and South Ossetian positions, the inability of the OSCE to coerce or induce the parties to a settlement, and the limited attention and resources devoted by the international community, especially by Western OSCE member states, to resolve the conflict.

A substantial breakthrough in the negotiations was made at the OSCE's Fourth Meeting of Experts, which was held in Baden near Vienna on 11-13 July 2000 and co-chaired by Russia and the OSCE. At the meeting, the parties agreed on a 'Draft Intermediary Document' that spelled out the basic principles regulating

political and legal relations among the sides. The principles included the recognition of the territorial integrity of Georgia and the acceptance of the development of special links between South Ossetia and North Ossetia, the granting of a high level of autonomy to South Ossetia, and the introduction of international security guarantees, including the presence of Russian troops in South Ossetia, to ensure respect of the agreement.³⁰ Despite these significant achievements, little progress towards further implementation of the Document has been accomplished since. According to experts, the current stalemate in the negotiations seems no longer to be related exclusively to disagreements over the future status of South Ossetia but to more parochial factors, related primarily to the existence of well-entrenched criminal elements in the region, whose interests would suffer considerably from the implementation of the agreement, the growing radicalisation and rearming of the South Ossetian side in response to the American assistance programme to the Georgian armed forces, and the opposition of the Russian armed forces based in North Ossetia – the 5th Army in Vladikavkaz – to the agreement.³¹

Despite these setbacks, the OSCE has continued its operational work in the region. In accordance with its mandate, OSCE military observers have been monitoring the cease-fire agreement reached in 1992, and have been observing the conduct and operations of the Russian-led JPKF. Moreover, ever since its involvement in the region, the OSCE has been trying to promote confidence-building measures and enhance cooperation among the parties at grass-roots level. In January 1993, as a result of OSCE-sponsored negotiations, the sides agreed to the creation of three joint inter-governmental commissions – Joint Control Commissions (JCCs) – to help in the return of refugees, address military and security issues, and facilitate economic and financial activities. Through the JCC, the parties have been able to reach agreement on joint action to stabilise the situation in the zone of conflict – i.e. jointly combating organised crime, restoring road and rail communications between Tskhinvali and other towns, and cooperating on economic, agricultural and social reconstruction. As a result, the late 1990s saw a spontaneous return of refugees and IDPs to the area, witnessed the implementation of internationally sponsored economic rehabilitation programmes, and benefited from the conduct of joint policing operations by the Georgian police, the South Ossetian militia and the JPKF.³²

30. 'Annual Report 2000 on OSCE Activities', OSCE Secretariat, Vienna, 24 November 2000, p. 43; available at http://www.osce.org/docs/english/misc/anrep00e_activ.htm.

31. Conversations between the author and an official based in the region, Tbilisi, May 2003.

32. 'Annual Report 1997 on OSCE Activities', OSCE Secretariat, Vienna, 1997; available at <http://www.osce.org/docs/english/misc/anrep97e.htm>. 'Annual Report 1998 on OSCE Activities', OSCE Secretariat, Vienna, 1998; available at <http://www.osce.org/docs/english/misc/anrep98e.htm>.

However, in the early 2000s, much of the initial progress failed to continue. Crime and lawlessness remain rampant and the return of refugees and IDPs has slowed down. The Joint Operations Group to combat crime has been working unsuccessfully and the economic situation is worsening dramatically.³³ Although the danger of renewed violence between the sides has receded substantially, the spectre of confrontation has recently reappeared. Direct confrontation between Georgian and Russian peacekeepers was narrowly avoided in August 2002. In January 2003, the Georgian press reported a military build-up of South Ossetian forces with Russian support.

Given the lack of progress in the negotiations and the worsening of the security situation on the ground, serious questions arise regarding the purpose and need of an OSCE mission in the region. Some local observers have gone so far as to argue that the OSCE presence in South Ossetia inadvertently provides international legal cover to the development of criminal activities and the emergence of a criminal quasi-state.³⁴ However, the OSCE is unlikely to withdraw from the region. Despite its shortcomings, the OSCE provides a valuable contribution to local and regional security by monitoring the behaviour and performance of the JPKF. In addition, the OSCE regularly collects information on the military situation along the cease-fire line and reports on breaches of the existing cease-fire. Since 2000, the OSCE has supported the JPKF programme of voluntary handover of small arms and ammunition, and has supervised the destruction of surrendered weapons, as well as several projects intended to benefit the communities that voluntarily hand over weapons.³⁵ Such activities, in support of the JPKF efforts, have significantly reduced the chances of open confrontation and have enhanced stability.

Border monitoring along the Georgian-Russian border

In order to reduce the tensions that developed between Russia and Georgia as a result of the outbreak of the second Chechen war, in 1999, the OSCE sent a team of unarmed military observers to monitor movement across the border. Since December 1999, OSCE observers have been monitoring the Chechen section of the Georgian-Russian border, and more recently the Ingush and Daghestani sections as well, in order to prevent the infiltration of Chechen fighters into Georgia and to ensure the protection of incoming refugees.

33. Conversations between the author and a local official, Tbilisi, May 2003.

34. Conversations between the author and a local expert, Tbilisi, May 2003.

35. 'Annual Report on OSCE Activities 2002', OSCE Secretariat, Vienna, 2002, p. 39.

The work of OSCE observers has been very valuable in terms of reporting movements across the border and preventing massive retaliation by Russian forces against Chechen fighters in Georgian territory. However, OSCE observers have been unable to stop movement across the border, because of the lack of enforcement capabilities, the absence of a proper mandate to address the issue and the limited number of observers deployed to cover the high mountainous region. OSCE observers have been forced to rely on Georgian border guards for security and, as a result, have been unable to move entirely freely along the border and properly check on movements across it. Moreover, OSCE activities have been hampered by the lack of control over the South Ossetian/North Ossetian section of the border. As long as that area remains open and beyond OSCE monitoring, fighters and traffickers are likely to cross without major impediment. Despite these shortcomings, the OSCE mission does perform a valuable function: it helps to enhance contacts between Russian and Georgian border guards, and to obtain information of the situation on the ground, thus preventing a major confrontation between Russia and Georgia.

Other activities

The OSCE has also assisted the UN in the settlement of the Georgian-Abkhaz conflict, and has been helping the Georgian government to handle the withdrawal of Russian troops from the country. Besides the efforts being conducted at diplomatic level within its Forum for Security Cooperation, the OSCE has played an active role on the ground in Georgia. In June 2002, a team of four OSCE military experts visited the Russian military base at Gudauta at short notice to inspect the facilities. The OSCE is expected to conduct similar visits in the future to ensure the proper withdrawal of Russian troops and military equipment from the remaining Russian bases.³⁶ However, its activities might be hampered by Russia's refusal, as an OSCE member state, to approve OSCE inspections. The mission has also focused on the economic and social consequences of the closure of the Russian military bases in Georgia and has been trying to devise methods aimed at addressing the negative impact of such withdrawals. The OSCE mission has also assisted the Georgian government in its efforts to rid the environment of surplus military stockpiles. In 2002, it assisted in the

36. Op. cit. in note 35.

conversion of four hundred tons of the 'melange' component of rocket fuel into agricultural fertiliser. The OSCE is also helping the Georgian government to ratify and implement the UN Convention on Transnational Organised Crime, in order to reduce human, arms and drug trafficking in the country. Moreover, the OSCE has assisted Georgia in its transition to a democratic country, by monitoring its elections, assisting in the formulation of the electoral law and monitoring the implementation of human and minority rights.³⁷

Since 2000, when it opened its missions in both Baky and Yerevan, the OSCE has also been active in Azerbaijan and Armenia. In both instances, special emphasis has been placed on implementation of the rule of law and the improvement of government practices. In Azerbaijan, the OSCE is assisting the government in the reform of electoral legislation, and planned to monitor the presidential elections of October 2003. The OSCE is also assisting in the retraining of Azerbaijani police officers through a series of seminars and a series of recommendations and directives produced by the OSCE Police Advisory Team. The OSCE has also been engaged in the reform of the Azerbaijani prison system and the training of Azerbaijani border guards. In Armenia, the OSCE has become involved in various projects aimed at enhancing good governance, democracy and the rule of law, as well as the development of free and independent media. The OSCE is currently providing assistance to the Armenian government in its efforts to implement the EU Code of Conduct on Arms Exports and the Ottawa Convention on landmines.³⁸

Although it is difficult to evaluate with precision the effectiveness and impact of OSCE field operations in the South Caucasus as far as governance, rule of law and security sector reform are concerned, there is little doubt that OSCE work is both positive and relevant. Although the results are still not visible, the OSCE provides a valuable contribution to the enhancement of peace and stability by promoting democracy, the rule of law and respect for human rights and minorities. However, much still needs to be done, and the record in terms of democracy, good governance and economic development is still rather disappointing. Ultimately, success very much depends on the implementation of the various OSCE programmes by national and local governments in the region.

37. *Ibid.*, pp. 39-40.

38. 'OSCE Office in Yerevan Activities in 2002: A Review', OSCE, 10 December 2002, pp. 1-2; available at http://www.osce.org/documents/oy/2002/12/147_en.pdf.

NATO

The end of the Warsaw Treaty Organisation and the collapse of the Soviet Union altered the main thrust of the Atlantic Alliance. No longer concerned primarily with providing a collective deterrent against a clearly identifiable adversary, NATO concentrated most of its efforts on developing close partnership relations with the countries of Central and Eastern Europe, and the former Soviet Union, some of which later became members as the Alliance enlarged eastwards. NATO's cooperative efforts with new partners became a significant activity of the new Alliance, as it became clear that European security was indivisible and that only through cooperation with non-NATO members would security and stability throughout the European continent be ensured. Such a rationale has also underpinned NATO's involvement and partnership with countries in the South Caucasus, Central Asia and beyond. In the words of NATO's Secretary General Lord Robertson during his trip to Georgia in September 2000: 'Our security is inseparably linked with that of other countries. We believe that security is only possible if, within Europe and its surrounding area, there is stability and a commitment to solve problems together.'³⁹

NATO's involvement in the South Caucasus has, therefore, been aimed at promoting the security and stability of the entire Euro-Atlantic area and, more specifically, at enhancing the security of Georgia, Armenia and Azerbaijan and developing regional cooperation. NATO's cooperation with the South Caucasian states has occurred primarily through the Partnership for Peace (PfP) programme. Launched in 1994, PfP was intended to expand and intensify political and military cooperation with non-NATO countries throughout the European continent, to increase stability and diminish threats to peace, and to build a strengthened relationship through practical cooperation and a commitment to democratic principles.⁴⁰ PfP was specifically designed to assist non-NATO countries in creating effective and adequate defence structures in order to address new security threats, promote civilian democratic control over the military and encourage transparency in defence planning and budgeting. Moreover, PfP was intended to enhance communication and dialogue between NATO and PfP countries and permit the conduct of joint peace-keeping operations with NATO countries.

39. 'Caucasus Today: Perspectives of Regional Co-operation and Partnership with NATO', speech by Lord Robertson, Secretary General of NATO, Tbilisi, Georgia, 26 September 2000.

40. 'Partnership for Peace: Invitation', Ministerial meeting of the NAC/NACC, NATO Headquarters, Brussels, 10-11 January 1994; available at <http://www.nato.int/docu/comm/49-95/c940110a.htm>.

Georgia and Azerbaijan fully embraced the opportunities provided by the PfP programme, and between 1994 and 1997 PfP activities and activities ‘in the spirit of PfP’ between these two countries and NATO increased steadily. The focus of these activities fell primarily on civil emergency planning, civil-military relations, defence policy and strategy, and defence reform. The enhancement of the PfP programme launched at NATO’s 1997 Madrid summit, and the two visits by the then Secretary General Javier Solana to the region in 1997 and 1998, served to develop cooperation further. Efforts were conducted to assist the two South Caucasian states to transform their defence and security structures, and to enhance transparency and allow for interoperability with NATO military forces. Georgia and Azerbaijan hosted two PfP exercises – *Cooperative Partner* and *Cooperative Determination* – in June and September of 2001 respectively, involving both NATO members and partners.⁴¹ Both countries also sent one infantry battalion to Kosovo, to operate with a Turkish battalion as part of the NATO’s KFOR peace support operation, and in 1999 joined the NATO Planning and Review Process (PARP) – a review and assessment programme aimed at advancing interoperability and increasing transparency between NATO members and partners.

Armenia’s cooperation with NATO remained more limited, partly because of its reliance on Russia for military assistance and partly because of its poor relations with Turkey, a NATO member state and neighbour. However, after Javier Solana’s visit to Yerevan in February 1997, Armenia decided to enhance its cooperation with NATO by participating in military training exercises and developing a peacekeeping contingent to participate in UN operations.⁴²

The terrorist attacks on 11 September 2001 gave an additional boost to cooperation in areas specifically related to the fight against international terrorism. At the November 2002 Prague summit, the Partnership Action Plan against Terrorism was launched, intended to enhance cooperation with NATO partners in areas such as defence and security reform, air defence and air traffic management, border control, enhanced control over weapons of mass destruction (WMD), the safe disposal of WMD and civil emergency planning. As a result of increased US military assistance to Azerbaijan after 11 September, Armenia decided to

41. James E. DeTemple, ‘Expanding Security Eastwards: NATO Military Engagement in the South Caucasus and Central Asia’, Research Report, Boston University, April 2001, p. 32.

42. Inga Paliani, ‘EAPC and PfP Enhancements in Promoting Security: The Caucasian Perspective’, NATO-EAPC Research Fellowship, 2000-2002, Final Report, p. 20.

expand its cooperation with NATO, and expressed its desire to hold a NATO PfP exercise in 2003 and to obtain NATO assistance in the areas of civil emergency planning and peacekeeping.⁴³ In 2002, Armenia also joined the PARP programme, and the first assessment of Armenia's armed forces was conducted in 2003. At the Prague summit, NATO launched the Individual Partnership Action Plan (IPAP), an individual cooperation plan designed specifically for each individual partner and intended 'to prioritise, harmonise and organise all aspects of the NATO-Partner relationship in the Euro-Atlantic Partnership Council (EAPC) and PfP framework'.⁴⁴ Azerbaijan and Georgia formally applied for IPAP in 2003 and their applications are currently under consideration.

On the political level, NATO's cooperation with the South Caucasian states occurred through the North Atlantic Cooperation Council (NACC) and its successor the EAPC. The NACC was formed in December 1991 in order to promote 'dialogue, cooperation and partnership' between NATO and its former adversaries.⁴⁵ Through the NACC, NATO intended to become a major stabilising influence for the whole of Europe.⁴⁶ It was hoped that through the NACC, NATO would induce and accelerate the process of European security integration to which all countries aspired. However, by 1995, the enlargement of NATO replaced the creation of an all-encompassing European security structure based on NACC, and NACC therefore became essentially a consultative body. In May 1997, NACC was replaced by the EAPC, whose aim was to provide an overarching framework for political and security consultations and for enhanced cooperation under NATO's Partnership for Peace programme. It was expected that expanded cooperation and consultation would allow partners to develop a direct political relationship with NATO, if they so wished.⁴⁷

Although the NACC/EAPC failed to develop into an all-encompassing European security structure involving all former Warsaw Treaty states, as some South Caucasian states would have hoped, it did allow for enhanced consultation and discussions between NATO members and partners. Over the past decade, the NACC/EAPC has been used extensively by South Caucasian states to express views and discuss security concerns, and, more specifically, the conflicts in Abkhazia, South Ossetia and Nagorno-Karabakh. In 1999, an Ad Hoc Working Group on the Caucasus was set up to address specific security issues related to the region. At the NATO Prague summit, NATO decided to enhance

43. 'Statement by his Excellency Vartan Oskanian, Minister of Foreign Affairs of the Republic of Armenia', NATO, Brussels, 7 December 2001; available at <http://www.nato.int/docu/speech/2001/s011207aa.htm>.

44. 'Report on the Comprehensive Review of the Euro-Atlantic Partnership Council and Partnership for Peace', NATO, Prague, 21 November 2002; available at <http://www.nato.int/docu/basictxt/b021121a.htm>.

45. 'The Rome Declaration', North Atlantic Council, Rome, 8 November 1991; available at <http://www.nato.int/docu/basictxt/b911108b.htm>.

46. Nick Williams, 'Partnership for Peace: Permanent Fixture or Declining Asset?', *Survival*, vol. 38, no. 1, Spring 1996, p. 101.

47. 'Madrid Declaration on Euro-Atlantic Security Cooperation', 8 July 1997.

consultations with all partners by inviting them to participate in NATO deliberations on issues of particular relevance to those partners, when considered appropriate.

Despite NATO's positive and increased involvement in the region, major shortcomings remain. First of all, NATO managed to address only peripherally the main security threats and challenges affecting countries in the region – i.e. unresolved conflicts, open borders, weak and corrupt state structures, inefficient armed forces, and arms and drug smuggling. NATO's limited involvement in the South Caucasus, especially as far as peace support operations are concerned, contrasts sharply with the organisation's deep involvement in other parts of Europe, particularly in former Yugoslavia. Only more recently, and within the context of the war on terror, have crucial security issues been addressed, such as the enhancement of border controls. Their high value notwithstanding, NATO's PfP programme and the EAPC remain limited instruments for resolving the region's pressing security needs, in spite of NATO's efforts to improve the countries' military and security structures.

Second, NATO member states have been unable so far to develop a clear strategy, with well-defined objectives, towards the South Caucasian region. It remains unclear, especially to the South Caucasian states, whether or not NATO's door will be open to them in the near future, and whether or not NATO will be ready to protect them against a foreign attack or a major threat. In other words, it is still unclear whether the South Caucasian states are important members of the Euro-Atlantic 'space' or instead are marginal to European security. Georgia and Azerbaijan have clearly expressed their desire to join the Atlantic Alliance, and at the 2002 Prague summit Georgia submitted an official application for membership. NATO has yet to respond to such demands. As a result, both Georgia and Azerbaijan remain in a security-system limbo, neither members of NATO nor allies of Russia, nor able to cooperate closely with each other.

NATO has tended to adopt vague commitments towards countries in the region, which has often created high expectations and resulted in serious misunderstanding. When PfP was launched, its aims were ambitious and far-reaching. PfP was expected to 'forge new security relationships between the North Atlantic Alliance and its Partners for Peace'. The programme went beyond dialogue and cooperation to forge a real partnership.⁴⁸ Through practical

48. Op. cit. in note 40.

cooperation and commitment to democratic principles, PfP was expected to expand and intensify political and military cooperation throughout Europe, increase stability in the Continent, diminish threats to peace and build strengthened relations between NATO and its partners. NATO also expressed its readiness to consult with partners if they perceived a direct threat to their territorial integrity, political independence or security.⁴⁹ In other words, there appeared to be a strong sense of solidarity in the event of a threat. However, there was no real commitment to come to the defence of a partner. This – rightly or wrongly – created high expectations among partner countries, especially Georgia and Azerbaijan, that NATO would resolve their security challenges. Moreover, many PfP operations have been conducted by individual NATO members within the ‘spirit of PfP’, and not necessarily NATO-organised or NATO-led. Such cooperation has led to confusion and created great expectations among South Caucasian states that NATO would become the new guarantor of peace and security in the region and even assist in the resolution of the Nagorno-Karabakh, Abkhaz and South Ossetian conflicts.

NATO has regularly condemned the use of force in the region and expressed its support for the territorial integrity of the South Caucasian states. However, NATO countries have refrained from getting directly involved in conflict resolution, deferring to other international organisations such as the OSCE or the UN for the peaceful resolution of the disputes. Not only did NATO not intervene to stop the violence or to impose a settlement in Nagorno-Karabakh, South Ossetia or Abkhazia, as it did in Bosnia and Kosovo, it has not become involved in peacekeeping operations along the various cease-fire lines. In all fairness, it must be said that when these conflicts erupted NATO did not yet have a mandate to intervene in out-of-area operations and conduct peace support operations. It took three years of bloody fighting and ethnic cleansing in Bosnia for NATO to conduct its first air strikes against Serb positions in the summer of 1995.

However, NATO has yet to devise the appropriate methods to address the various security challenges that are currently faced by countries in the region. Also, although NATO’s overall policy towards the three countries has been similar, and no distinctions have been made between them, NATO’s PfP à la carte involvement

49. Ibid.

inevitably creates differences between those countries more eager to participate in the programme, such as Georgia and Azerbaijan, and those less interested in NATO interaction, such as Armenia. This disparate involvement has led to confusion and exacerbated regional tensions. Russia remains deeply concerned over the growing ties between Georgia and NATO, as well as the possible establishment of an American base in either Georgia or Azerbaijan. Moreover, NATO's involvement often fails to take into account existing security concerns. For example, NATO's PfP exercise *Cooperative Partner 2001* held in June 2001 in Georgia, took place near the Abkhaz border, greatly upsetting the Abkhaz authorities. According to UNOMIG, Georgian armoured personnel carriers and helicopters were observed operating in the restricted weapons zone, in violation of the 1994 Moscow Cease-fire Agreement, and UNOMIG observers were forced to restrict their patrolling activities in the Kulevi area because of the ongoing exercise.⁵⁰

On the positive side, however, NATO's involvement in the region has assisted countries, especially Georgia and Azerbaijan, to start transforming their armed forces from Soviet-style organs into more efficient and transparent institutions capable of addressing the new threats and able to operate together with NATO forces in NATO-led peacekeeping operations. Largely because of the lack of attention of the South Caucasian states themselves, little progress has been made in this transformation process, except for the recent US-sponsored 'Train and Equip' programme for the Georgian Armed Forces. Moreover, there is a growing chance that the security concerns affecting the region – open and lightly patrolled borders, uncontrolled territories, proliferation of weapons and WMD material – will be addressed, primarily as a result of NATO's efforts to fight the war against international terrorism. In addition, the participation of Georgia, Armenia and Azerbaijan in PfP programmes and the EAPC has allowed these countries to discuss their security problems openly, make their voices heard at the highest levels among NATO allies and feel part of the 'NATO family of nations'. It has created the hope – mistaken or not – that if the prerequisites are met, these countries might have a chance to join the Alliance in the near future.

50. 'Report of the Secretary-General Concerning the Situation in Abkhazia, Georgia', United Nations Security Council, S/2001/713, 19 July 2001, p. 3.

Conclusions

The involvement of the UN, the OSCE and NATO in the South Caucasus has been quite significant, although certainly not as far-reaching as countries in the region would have wanted. Nor has their involvement been comprehensive enough to make a fundamental difference to the security and stability of the region.

The UN took the lead in the negotiations over the resolution of the Georgian-Abkhaz conflict and sent an observer mission to monitor the implementation of the Abkhaz cease-fire agreement, and UN agencies became deeply involved in humanitarian relief work and development efforts in Georgia, Armenia and Azerbaijan. The OSCE became deeply involved in the resolution and management of the Nagorno-Karabakh and South Ossetian conflicts, and assisted all countries in the region in their transition to democracy, the protection of human and minority rights and the reform of their security structures. Through its PfP programme, NATO has assisted the South Caucasian states in their efforts to create effective and adequate defence structures, introduce civilian democratic control over the military, enhance transparency and increase interoperability with NATO forces. Moreover, through the NACC/EAPC organs, NATO has enhanced communication and partnership between the South Caucasian states and NATO member states.

However, all of these efforts have failed to address and resolve the most pressing security challenges that the countries in the region currently face. Despite the involvement of the UN, the OSCE and NATO, conflicts remain unresolved, borders stay open, the smuggling of drugs and arms continues unabated and a number of territories remain outside the control of central government. Moreover, corruption in the region remains endemic, refugees and IDPs have been unable to return to their homes, and the economies of the three South Caucasian states have failed to develop effectively despite some recent positive signs at the macro-economic level in Armenia and Azerbaijan. International organisations such as NATO, the UN and the OSCE have been hampered in their efforts to address the security challenges by a series of factors: the limitation of their mandates, their lack of adequate resources, internal disagreements among member states and the absence of strong political will among member countries of the various organisations to become more deeply engaged in the

region. These organisations have tended to devote most of their attention to other regions of the world, such as the Balkans, Central and Eastern Europe or Africa, and have failed to devote to the South Caucasian region the attention and resources it requires.

However, it would be unfair to place the blame for the difficulties faced by the region entirely on the international organisations. The three South Caucasian states bear the greatest share of responsibility for the outbreak of the various conflicts and for failing to resolve their most pressing security needs. Moreover, regional powers, especially Russia, have also, at certain periods of time, not proven cooperative and helpful and have hampered the resolution of crucial security problems and the work of international organisations.

Although the UN, and more specifically the OSCE and NATO have failed to provide countries with the security guarantees they have been looking for, and although all these organisations have been unable so far, despite the amount of time and resources employed, to resolve the region's most pressing security needs, they have played a positive role in addressing less traditional security concerns. The aid provided by UN agencies has helped to cover the needs of populations in distress, and the efforts made by the OSCE to promote democracy, the rule of law, freedom of the media and economic development have addressed various fundamental development challenges faced by the South Caucasian states. As such, these efforts should not go unrecognised. Similarly, NATO's PfP programme has produced the beginning of a valuable contribution to the transformation of the military and security structures in the region, whose value will have to be proven in the future. It took these organisations years to understand the nature of the threats faced by these countries and devise the right strategy to tackle their main security challenges. The experience gained by them over the past ten years can and should be built on by other organisations, particularly the European Union as it becomes more deeply involved in the region, for the benefit of all. The appointment on 7 July 2003 of a European Union Special Representative for the South Caucasus, responsible for implementing EU policy objectives in the region, can only be applauded. It will most probably result in a growing engagement of the EU in the region, which could in turn lead to the resolution of major conflicts, and eventually to the enhancement of regional security and stability.



Energy reserves, pipeline politics and security implications

John Roberts

The South Caucasus:
a challenge for the EU

6

Reserves and production forecasts

The Caspian is important not because it is one of the world's major producing areas, but because it is likely to become one of the biggest producing areas in the world in which actual oil production remains essentially in the hands of market-oriented international energy companies. Its particular importance to Europe is that most of the additional Caspian oil and gas output is likely to move westwards to European and Mediterranean markets, although some oil will move by tanker to the giant US East Coast market.

One paradox is that the most likely plans for development of both regional resources and the necessary pipeline links are likely to impact the Asian Pacific market much less than the European market, even though it would seem logical that one of the world's fastest growing new production areas should find outlets in what is undoubtedly proving to be the world's fastest growing energy market.

Perhaps the most thorough analysis of Caspian production potential comes from the Edinburgh-based consultants, Wood Mackenzie. Woodmac's base-case scenario, based on the volume of cash that international companies have already decided to risk in pursuit of existing or scheduled projects, expects the Caspian to produce a total of 21.2 bn barrels between 2003 and 2020, peaking at 4.1 million barrels per day (mb/d) and then staying at a plateau of around 4.0-4.1 mb/d for about four years before starting to tail off in 2015, with output falling below 3 mb/d in or around 2019. On this basis, the Caspian would produce peak exports of around 2.3 to 2.6 mb/d. In gas, production would total some 80.3 trillion cubic feet (tcf) from 2003 to 2020, peaking at 14.3 bcf/d in 2011, and then tailing off to around 10.0 bcf/d in 2020. Investment costs – both oil and gas – would total US\$248 bn over the period 2003 to 2020 (See Appendix 1 for Wood Mackenzie's current assessment of Caspian reserves).

The US Energy Information Administration (EIA), in its latest 2003 forecasts, anticipates a rather different trend, with oil output continuing to increase beyond 2014, reaching as much as 5.0 mb/d by 2025. In context, the Caspian's importance is best shown by the EIA figures. The EIA anticipates an increase in non-OPEC conventional oil production from 45.5 mb/d in 2001 to 58.8 mb/d in 2025, despite a 1.0 mb/d fall in output from existing industrialised producers such as the United States, Canada, Mexico, Western Europe, Japan, Australia and New Zealand. Of this 13.3 mb/d increase, 3.4 mb/d is expected to come from the Caspian. Other non-Opec supply sources include Russia (up 3.2 mb/d), non-Opec Africa (up 4.2 mb/d) and South and Central America, notably Brazil, (up 2.6 mb/d). As indicated in BP assessments for both production and reserves, current actual production remains relatively modest (See Appendix 2).

Pipeline politics

Caspian pipelines remain a lustrous compendium of conspiracy theories, shattered pipe dreams and dogged persistence. When the United States organised the overthrow of Afghanistan's Taliban regime in late 2001, there were – and still are – plenty of commentators who argued that the whole operation was conducted so that US companies could revive Unocal's shelved mid-1990s plan for twin oil and gaslines across Afghanistan from Turkmenistan to Pakistan, and possibly India. The reality is much more mundane. The 12 years since Azerbaijan, Kazakhstan and Turkmenistan secured their independence amidst the collapse of the Soviet Union have so far resulted in the completion of just one major new oil pipeline, the Caspian Pipeline Consortium's 567,000 b/d system that links Tengiz and Atyrau in Kazakhstan with the Russian Black Sea port of Novorossiysk. However, official starts have now been made on two more major new pipeline projects, One is the 1.0 mb/d, \$2.95 bn Baky-Tbilisi-Ceyhan (BTC) pipeline which will carry Azerbaijani and perhaps Kazakh crude to the Turkish Mediterranean port of Ceyhan, the other is its twin: a \$1 bn gasline that will run parallel to BTC from Baky to the environs of the Turkish city of Erzurum, where it will join Turkey's already built main east-west gasline.

BP and its partners in these two projects gave formal approval for the BTC oil pipeline in August 2002 and for the South Caucasus Gas Pipeline (SCGP) in February 2003. Actual pipe-laying on the BTC line began in April 2003 and, as of end-November 2003, BTC had completed physical construction of around 30 per cent of the 1,768-km oil pipeline, while work on the 960-km SCGP had also started. The BTC line should open in the first quarter of 2005 and the Baky-Erzurum gasline a year later. In addition to these lines, a cluster of smaller lines have been built or expanded. The most notable of these is the Baky-Supsa 'early oil' pipeline, originally opened in 1999 with a 115,000 b/d capacity but now in the middle of a subsequent expansion phase to take capacity from 145,000 to 160,000 b/d, and eventually to at least 240,000 b/d.

Several other lines have been built or renovated in the last decade. These include the Baky-Novorossiysk line, renovated from Azerbaijan's marine terminal at Sangachali up the Russian border as part of the 'early oil' project of the mid-1990s intended to get at least some oil from the giant Azeri-Chirag-Guneshli megastructure to market before a purpose-built pipeline was ready. In Kazakhstan, there have recently been a series of expansions and rehabilitations of the Atyrau-Samara line, which Kazakhstan says will be steadily expanded to reach 25 mt/y (500,000 b/d) in 2009, while Russia has also encouraged Kazakhstan to look to Russia as a reliable transit partner by constructing a small line from Makhachkhala, a Russian port on the Caspian, to the Chechen bypass. This latter project, completed two years ago, replaces sections of the old Baky-Novorossiysk line that transited the heartland of Chechnya. The bypass is mainly used to carry Azerbaijani crude from Baky, but Russia is steadfastly wooing Kazakhstan over the line.

All these lines essentially serve markets in Turkey, the Mediterranean or Europe, although a few loadings in the Black Sea terminal at Novorossiysk have been dispatched as far afield as the United States and China. There has been one significant new line in a quite different direction: the 200 km gasline from Korpedzhe in western Turkmenistan to Kurt-Kui in northern Iran, where it joins Iran's main east-west line. This may one day come to form a core element in a gas network that would carry Turkmen gas as far as Western Europe. But for the moment it is underused, still carrying just half its nominal 12 bcm/y capacity after five years of operation.

Lines aimed at serving markets in South Asia, China and Japan face major hurdles. In March 2003, the steering committee for a revived attempt to develop a gas pipeline across Afghanistan sought to advance the project by suggesting that India be asked to join the troop of states planning the project. This appeared to indicate that, in the wake of a feasibility study financed by the Asian Development Bank (ADB), the steering committee had come to the conclusion that Pakistan alone would not provide a big enough market to justify construction of a line that is costed by the ADB at \$2.0-2.5 bn. Indian participation is crucial and, in the wake of the unexpected rapprochement of early May 2003, with its particular emphasis on the development of trade ties before such major issues as Kashmir are tackled, the project may at last have a real chance of success. The economics are favourable – but only if the line goes to India. During the difficult times when it appeared that India was foreclosed, the project was really only backed by the governments of Turkmenistan, Afghanistan and Pakistan, with the ADB providing cash for sectoral studies. There was little or no commercial sector interest in the project. Now that India and Pakistan may be willing to improve their trade relations, a move initiated by the ADB in April when it issued a call for commercial energy companies to pre-qualify to join the project, could bear fruit. Although several international companies, including Russia's Gazprom and Malaysia's Petronas, have shown interest in effectively becoming lead manager of a consortium to build, own, operate and maintain the projected 1,700 km line, in practice the project still depends on the existence of a stable investment environment in Turkmenistan itself in order to ensure development of upstream facilities at the Dauletabad gas field.

One project was very firmly placed on the back boiler in early 2003 – the proposal to build a pipeline from Kazakhstan to China. The project was part of the China National Petroleum Corporation's (CNPC) \$4.3 bn development programme set out in 1997. The original aim was that CNPC would move fast to carry out a feasibility study and that it would then pay for a 20 mt/y line might actually be ready for use within five years. In the event, Kazakh officials acknowledged on 27 February 2003 that the project required a radical rethink. They said China was now looking to import 50 mt/y from Kazakhstan – some 3 mt/y more than the whole country produced in 2002. Curiously, as far back as 1994, Germany's ILF consulting group had come to the conclusion that

a 20 mt/y line would be unlikely to make economic sense and that what was probably required was a 50 mt/y line, in view of the fact that the line would have to extend some 6,000-7,000 km if it was to connect the major oilfields of western Kazakhstan with the central Chinese city of Langzhou and the industrial cities of eastern coastal China. In June, Kazakh officials were talking of the need for a 30-50 mt/y line, but acknowledged they faced problems in finding oil to fill the line. They indicated they would be looking to Chinese companies to secure stakes in the next round of bidding for Kazakhstan's offshore Caspian oil and gas exploration blocks.

A consortium of Western oil majors recently quashed the most promising move by Chinese energy companies to adopt an alternative, market-based, solution to the problem of China's energy security. In March 2003, BG – the former British Gas – reached agreement with China's second and third largest oil companies, China National Offshore Oil Company (CNOOC) and Sinopec, to sell them each a half of its 16.67 per cent share in the joint venture currently developing Kazakhstan's giant Kashagan oil field. However, led by Shell, in May most of the other partners in Kashagan moved to exercise their rights of pre-emption, whereby they were entitled to purchase BG's stake at the same price offered by the Chinese. It was a move with profound long-term implications. At the Caspian end, it demonstrated the commitment of Shell, ExxonMobil, TotalFinaElf and Kashagan operator Eni-Agip to this massive Caspian field, the biggest offshore oil discovery in decades. At the Chinese end, it constituted a snub for China's efforts to diversify its overseas oil interests and could yet rebound on the oil majors, particularly Shell, in terms of future work in China.

In between, the move could impact on Caspian pipeline politics. Both CNOOC and Sinopec have been involved in refurbishing refineries in the Tehran area in advance of a planned increase of Caspian imports to northern Iran by means of a 390 km pipeline system now under construction between the Iranian Caspian port of Neka and the main Tehran refinery at Rey. The Neka-Rey system will initially be used to bring crude shipped down from Kazakhstan and Russia to Tehran, but is also seen as a likely long-term component of a system that would bring oil by pipeline down the eastern Caspian coast from Kazakhstan and Turkmenistan. A southern outlet for at least a good part of Kashagan crude would make sound sense, as the oil markets most likely

to grow most rapidly in the next decade or two are those in the Asia-Pacific region. And, as yet, there is no direct outlet for Caspian crude to that region. By involving themselves in Kashagan, CNOOC and Sinopec would have been contributing to an essentially market-based solution to China's energy security issue, since any development of an Caspian oil export system across Iran would increase the overall flow of crude into the Indian and Pacific oceans, and with oil as a fungible commodity – at least on a regional basis – it is an overall increase in regional supply that really matters. So long as Caspian crude only heads westwards into European and Mediterranean and even North Atlantic markets, all it is doing is widening the differential between better-off customers in European and North American markets and those who have to pay more because they live in or around the Indian Ocean and the Pacific Rim.

Security implications

Security issues take several forms in the European and Caspian energy context. These include:

- the Caspian's importance in the European energy security context;
- Europe's importance in the Caspian energy security context;
- the physical security of energy links.

The Caspian's importance in the European energy security context

The basic argument is as follows. Oil demand is likely to grow persistently over the next 20 years, fuelled largely by Asia-Pacific demand. There is a prevailing assumption that most of this demand increase will be met by the core Opec producers, in effect the five main Persian Gulf producers – Saudi Arabia, Iran, Iraq, the UAE and Kuwait – plus Venezuela. However, the speed with which Opec countries respond to, or anticipate the demands of, this supply challenge will very much depend on the competition from non-Opec sources. Of these, the Caspian producers are certainly amongst the most important and, collectively, could well be the most important. (The foci in this context include Angola, the Gulf of Guinea, Brazilian offshore and the Gulf of Mexico). According to the US Energy

Information Administration forecasts, the increase in Caspian output from 1.44 mb/d in 2000 to 5.01 mb/d is likely to account for one quarter of the increase in all non-Opec output from 45.88 mb/d to 61.69 mb/d during this 25-year period. The proportion of exports is likely to be similar: the Caspian can reasonably be expected to account for perhaps 2.5 mb/d of around 10 mb/d in increased non-Opec exports between 2000 and 2025.

In the specific European context, the core issue is that European dependence on energy imports is expected to increase over the next quarter of a century or so. The EU is heavily dependent on energy imports, particularly in oil, but its position is somewhat ameliorated by the fact that well over 20 per cent of its oil imports come from Norway.

Overall, in 2000, the EU was dependent on imports (including supplies from Norway) to meet some 75 per cent of its oil requirements; by 2030 it is expected to be 85 per cent dependent on oil imports. According to the European Commission's Green Paper, *Towards a European Strategy for the Security of Energy Supply*, adopted in November 2000 and published in 2001 – which in places tends to lump Norwegian production in with EU North Sea oil output – the EU anticipates that oil demand will rise from around 12 mb/d in 2000 to some 13.2 mb/d in 2030.¹ At the same time, its principal domestic and near-domestic sources of crude oil – the North Sea (including Norway) and internal production in various EU member states – is expected to fall from around 7.0 to 6.0 mb/d. In effect, the EU will move to much the same condition as the United States is in today – reliance on (non-Norwegian) imports to meet around 60 per cent of its oil needs.

Europe's importance in the Caspian energy security context

The oil pipeline being constructed through the South Caucasus and the gas pipeline due to follow in its wake will have profound implications for regional security issues and significant security implications for Europe and the world in general. The physical security of pipelines is, of course of vital importance to three main groups: the supplier countries, who rely on the lines to secure their energy revenues; the oilfield developers, who can only secure their earnings if the pipelines (which, in general, they also operate) remain secure and the consumers, who rely on oil and gas piped through these lines to maintain their economies and businesses.

1. Available at: http://europa.eu.int/comm/energy_transport/en/pi_en.html.

The BTC and Baky-Erzurum lines will constitute the prime mechanism for Azerbaijan to secure hard currency export revenues for the next two decades. In the absence of alternative export routes, they are vital for the country's economic prosperity, although it should be said that possessing the pipelines is no guarantee that the oil and gas revenues will be used wisely. Once built, the BTC line will have a near monopoly on Azerbaijani oil exports, in that it will possess a capacity of some 1.0 mb/d against perhaps 200,000-240,000 b/d for Baky-Supsa and 50,000-100,000 b/d for Baky-Novorossiysk. While it is also possible, indeed it may well be desirable, that further pipelines be built subsequently that would enable Caspian countries in general to export their oil and gas to alternative markets, in the absence of any further major discoveries Azerbaijan is not likely to need additional export lines. Indeed, for some years the debate has largely been focused on whether Azerbaijan's proven reserves – in essence, the Azeri-Chirag-Guneshli megastructure – were sufficiently large to justify such a large volume line, hence the persistent questioning concerning its suitability for handling Kazakh as well as Azeri exports.

The physical security of energy links

This is the question most usually raised in connection with Caspian energy security issues. In this context, the BTC line and CPC's line from Tengiz to Novorossiysk could each be carrying around one-third of all Caspian exports from around 2010 onwards as Azerbaijani output flattens out and before Kazakhstan's Kashagan oilfield starts to yield major export volumes. This may not, in practice, have significant implications for energy security but it will serve to focus attention on the issue of pipeline security in general.

The security of the CPC system essentially depends on Russia, and the issue here is commercial rather than physical security. Will the line be prone to politically inspired cut-offs rather than terrorist assaults? In all probability, as BTC comes on stream, offering a strong competitive challenge to CPC, Russia's attitude will become more competitive and it will seek to boost transit Caspian traffic through Russian lines by improving commercial terms. Physical security should present few problems.

But what of BTC itself, particularly in the light of Georgia's 'Rose Revolution' of 23 October 2003? In general, pipelines are rarely put out of action for any significant length of time as a result of military or guerrilla action. Moreover, if closed as a result of political action, this has usually been taken by the government of the state concerned rather than by rebel groups. Both the BTC and the SCGP pipelines will be buried at least one metre underground for their entire length, so this should shield them against casual attacks. But there will be two pumping stations above ground in Azerbaijan, another two in Georgia and various pumping stations and pressure reduction facilities in Turkey. Although these could constitute targets for guerrillas or terrorists, attacks on such installations are far more likely to occur as elements in a much more wide-ranging conflict than as part of a direct campaign against the pipelines themselves. So the underlining issue is the stability of the countries through which they pass. In the case of Georgia, this concerns its vulnerability to civil war or to foreign military intervention, with attacks on the pipelines seen as part of a much broader conflict rather than as part of a deliberate campaign either to disrupt international energy flows or to damage corporate interests.

The 'Rose Revolution' showed how much still depends on maintenance of Georgia's fragile semi-stability. The lines are being laid in a corridor in which the central government in Tbilisi still exerts full authority, although it passes close to areas such as the Armenian-populated Javakheti region, where Russia still maintains a military base, and Adzharia, where the local ruler, Aslan Abashidze, responded to the revolution by adopting an even greater degree of separation from Tbilisi than heretofore. The internal stability of Georgia continues to pose problems for the pipeline constructors and operators. But it is also true that Georgia's 'Rose Revolution' presents a challenge of quite a different kind: what repercussions might it have on Azerbaijani politics in the light of Azerbaijan's massively flawed parliamentary elections in October 2003? At this stage, perhaps the most obvious lesson is that security in the Caucasus pipeline corridor requires stability in the host countries, and that in turn requires a genuine and sustained commitment to real economic, social and political development. And, to date, the Caucasus has not been noted for any such commitment.

Caspian boundary issues

There are strong signs that most of the final remaining obstacles to a comprehensive network of agreements covering oil and gas development in the Caspian are close to resolution. In principle, all five littoral countries of the Caspian – Russia, Kazakhstan, Turkmenistan, Iran and Azerbaijan – are committed to completing a comprehensive agreement covering such issues as the legal status of the Caspian, national rights for oil and gas development and the ecological protection of a unique marine environment. At least nine rounds of discussions have taken place at deputy ministerial level, but, so far, progress has been characterised by a series of bilateral agreements rather than one comprehensive multilateral treaty to replace the former Russian/Soviet treaties with imperial Iran.

Northern Caspian

In the northern Caspian, Azerbaijan, Russia and Kazakhstan have concluded bilateral agreements with each other based on a Russian-developed principle known as the 'Modified Median Line'. In essence, this uses the median line principle to determine the boundary between two countries at seabed level, whilst making allowance for modifications so that significant oil or gas fields clearly fall one side of the line or the other. The seabed definition is important, since this enables the waters above to be regarded either as common property (apart from an immediate coastal strip) or at least as being subject to a planned common environmental regime. At the north end of the Caspian, this process was concluded in May 2003 when all three countries reached agreement on their common seabed tri-border point.

Southern Caspian

In the south, no such bilateral agreements have yet been concluded but the omens look good for at least two of the three necessary accords. In June 2003, Iranian officials said that they expected to conclude a boundary agreement with Azerbaijan during a forthcoming visit to Baku by Iranian President Ayatollah Muhammad Khatami.

Iran also said in February 2003 that it was close to reaching an agreement with Turkmenistan on boundary negotiations and, in June, held talks on Caspian Sea issues, which included possible joint exploitation of oil and gas prospects. But the biggest indications of a changed attitude in Iran came in the autumn of 2003. In October, Iranian officials said they were basing their claim to 'twenty point something per cent' of the Caspian on what they considered to be classic median line principles, rather than arguing for a precise one-fifth sector of the sea. Their claim for something just slightly in excess of 20 per cent was based on an Iranian argument that the southern end of the Caspian constitutes a natural bay, and that therefore they could use the line from Iran's onshore border points at Astara on the western, Azerbaijani, side of the Caspian and at Gasan-Kuli on the eastern, Turkmen, side of the sea as a baseline for their claim. Azerbaijan will no doubt fiercely contest the concept of such a baseline, but at least the two countries are now using the same kind of negotiating language. In practice, Tehran and Baky are disputing control over one major prospect, which Azerbaijan calls Alov and which Iran calls Alborz. Indeed, in July 2001, Iran even sent a gunboat to stop BP conducting seismic surveys at Alov under an Azerbaijani contract. In all probability, some kind of joint development agreement on this field will eventually be reached, not least because US antagonism to Iran is prompting Tehran to improve its relations with all its neighbours.

What remains very much in doubt is whether Turkmenistan and Azerbaijan are prepared to settle their differences. On a median line basis, Turkmenistan would appear to have a relatively good claim to one field in the centre of the Caspian known to the Turkmens as Serdar and to the Azeris as Kyapaz. However, Turkmen claims against Azerbaijan extend much closer to the Azeri shoreline by including at least part of the Azeri and Chirag fields, currently being developed as part of the Azeri-Chirag-Guneshli megastructure by a BP-led consortium. The Turkmens base their claim on their own unique method of calculating median lines solely with regard to an east-west axis and disregarding completely all other points of the compass. However, if Turkmenistan is apparently on the verge of concluding a boundary agreement with Iran then the probability exists that Turkmenistan is abandoning

this eccentric approach to median line calculations and instead be using the normal system of drawing median lines that take the nearest piece of land in any direction into account. When Iranian Foreign Minister Kamal Kharrazi visited Azerbaijan at the end of April 2003, he stated that Iran had no problem with any prospective Azerbaijani or Georgian membership of NATO (even though talk of these countries joining NATO is probably premature). The underlying point that Kharrazi was clearly trying to convey is that Iran has now opted for a non-confrontational approach towards Caspian Sea issues.

All five countries appear ready to accept in principle the concept that environmental aspects of the Caspian Sea require a common environmental regime. For many years, talks on implementation of such a regime stalled. Russia, backed by Azerbaijan and Kazakhstan, urged that an environmental agreement be both concluded and implemented in advance of any agreement on the status of the Caspian and its boundaries, while Tehran said that the environmental issue should be concluded at the same time as all other Caspian issues are settled.

But in October 2003 Iran dropped its insistence that all parts of a Caspian accord had to be agreed simultaneously. Instead, Tehran declared that it now favoured signing an environmental protocol on the Caspian – the main points of which had long been agreed by all five littoral states – in advance of any final settlement on what kind of regime might govern the Caspian Sea itself or the division of its subsea resources.

To a certain extent, the dispute over boundary issues is overlaid. In practice, it is unilateral control over existing major fields that has determined the pace of Caspian energy development, while bilateral agreements are sufficient to determine the pace of future developments. Bilateral agreements should also prove sufficient to cover the issue of subsea pipelines from one country to another – if indeed that is a significant problem. There are serious suggestions that the most discussed trans-Caspian pipeline project at present, an oil pipeline from the Kazakh port of Aktau to the Azerbaijani terminal at Dyubendi, near Baky, might not be necessary, since a new fleet of Caspian-class tankers might prove a cheaper alternative, so long as it relies on offshore moorings.

In terms of European security concerns, Caspian boundary issues are not likely to rank very high, particularly since Iran appears determined to adopt a more conciliatory approach to both its neighbours and, indeed, to potential Western security protection for the Caucasian states. The most important factor in determining the future of the Caspian is likely to be Russia's wish to keep its affairs out of the hands of any but the five littoral states themselves. If the majority of boundary issues are settled – in effect, leaving only the Azeri-Turkmen boundary unresolved – the sea is likely to disappear as a major political issue for some time. By and large, energy development is not dependent on a comprehensive agreement on the Caspian, but it does remain true that if such an agreement were to be concluded it would generate a feeling that the region had become much more secure and its countries much more at ease with one another. Political risk coverage might even be reduced.

Appendix 1

Caspian oil and gas reserves		
COUNTRY	OIL	GAS
	(billion barrels)	(tcf)
Kazakhstan	27.6	58.3
Turkmenistan	2.1	73.3
Azerbaijan	6.7	10.7
Russia (Caspian)	0.6	0.3
Iran (Caspian)	0.0	0.0
Total:	36.9	142.3

Source: Wood Mackenzie, Edinburgh, April 2003 assessment.

Caspian oil and gas reserves and production 2000-02

	O I L						G A S					
	Reserves ('000bn barrels)			Production ('000 b/d)			Reserves (tcm)			Production (bcm)		
	end-2001	end-2002	2000	2001	2002	end-2001	end-2002	2000	2001	2002		
Azerbaijan	7.0	7.0	281	300	308	0.85	0.85	5.3	5.2	4.8		
Kazakhstan	8.0	9.0	744	836	989	1.84	1.84	10.8	10.8	12.3		
Turkmenistan	0.5	0.5	144	162	182	2.86	2.01	43.8	47.9	49.9		
Uzbekistan	0.6	0.6	177	171	171	1.87	1.87	52.6	53.5	53.8		
Caspian Four	16.1	17.1	1446	1469	1650	7.42	6.57	112.5	117.4	120.8		
Iran	89.7	89.7	3766	3680	3366	23.00	23.00	60.2	63.3	64.5		
Russia	48.6	60.0	6536	7056	7698	47.57	47.57	545.0	542.4	554.9		
World	1050.0	1047.7	74574	74340	73935	155.64	155.78	2435.7	2493.4	2527.6		

Source: *BP Statistical Review of World Energy, June 2003.*

Note:

At end 2001 Caspian oil reserves were 1.5% of world total and oil production was 1.9% of world total.

At end 2002 Caspian oil reserves were 1.6% of world total and oil production was 2.2% of world total.

At end 2001 Caspian gas reserves were 4.8% of world total and gas production was 4.6% of world total.

At end 2002 Caspian gas reserves were 4.2% of world total and gas production was 4.8% of world total.



Georgian security problems and policies

David Darchiashvili

The South Caucasus:
a challenge for the EU

7

Security is one of the most dynamic concepts in political thought dedicated to international, national or subnational affairs. Usually, it implies protection of 'internal' national or societal values.¹ According to the tradition of the 'realist' school, international security relies on the balance between powers, while a state's security depends on its components of power. However, realism does not focus only on measuring the material strengths of states: security also relies on the quality of the government and its degree of societal legitimisation.² The maximisation of security must be achieved with minimal sacrifices of other societal values.³ The dilemmas of the Cold War and the demise of the Soviet Union complemented these security theories with those founded on concepts of cooperative and human security. Cooperative security thinking was based on the implied coincidence of values and trust-building among states.⁴ The 'human security' approach pointed to the narrowness of the Westphalia international system, with 'national security is insufficient to guarantee people's security' as its motto.⁵ In all, it is possible to trace the increasing complementarities of perspectives on defining and approaching security; developmentalists are interested in security, and defence circles in social issues. Thus, for instance, *NATO Review* mentions corruption as one of the main security threats in the post-communist world.⁶ And developmental agencies discuss the issues of the building of security institutions and the development of national strategy.⁷

All of these discussions are relevant for Georgia. Thus far, regrettably, the steps taken in the direction of considering Georgia's security have been contradictory, and with modest results. Instead of protecting its parent society and citizens, Georgia's security system and politics have been threatening their very clients. Regional cooperation in Georgia's neighbourhood is

1. Arnold Wolfers, *Discord and Collaboration: Essays on International Politics* (Baltimore, Md.: The Johns Hopkins Press, 1962); Martin Edmonds, *Armed Services and Society* (Leicester: Leicester University Press, 1988).

2. Hans J. Morgentau (and revised by Kenneth W. Thompson), *Politics Among Nations: The Struggle for Power and Peace* (New York: McGraw-Hill, Inc, 1993), pp. 149-54.

3. Samuel P. Huntington, *The Soldier and the State; The Theory and Politics of Civil-Military Relations* (Cambridge, Mass.: Harvard University Press, Twelfth Printing, 1995), pp. 1-2.

4. Richard Cohen and M. Mikhalka, 'Cooperative Security: New Horizons for International Order', *The Marshall Center Papers*, no. 3, April 2001; see also Barry Buzan, Ole Wæver, Jaap De Wilde, *Security: A New Framework for Analysis* (London: Lynne Rienner Publishers, 1998).

5. 'Human Security. Safety for People in a Changing World', Canadian Department of Foreign Affairs and International Trade, April 1999.

6. Chris Donnelly, 'Rethinking Security', *NATO Review*, Winter 2000/2001, p. 33.

7. 'Conflict, Peace & Development Cooperation on the Threshold of the 21st Century', Development Assistance Committee, Organisation for Economic Cooperation and Development, 1998; 'Military Expenditures in Developing Countries: Security and Development', DAC, Government of Canada, 1998 (final report and follow-up to the 1997 Ottawa Symposium).

hampered by mistrust, historical memories and myths, and the general weakness of its participants. Basically, the most appropriate notion for describing Georgia is as a 'weak' state, although one might legitimately also consider using the term 'failed'.

Fundamentally, until recent events Georgia remained uncertain about its foreign and security policy priorities. Most of Georgia's political élite were caught up in various forms of bandwagoning with stronger external states and with policies that lack genuine credibility and coherence, and only occasionally seek to appease when there are signs of aggressive external power.

Outraged, however, by the latest misdeed of the government, namely the open fraud during the November 2003 parliamentary elections, tens of thousands of Georgian citizens led by young oppositional leaders peacefully forced President Shevardnadze to step down. The 'Rose Revolution' – so-called for its peaceful character and in reference to the bunches of roses held by oppositional leaders when they halted the President's speech during the opening ceremony of the new parliament – is now under way. Georgian politicians and lawyers are working hard to pursue the process in a constitutional manner. One can hope that forthcoming changes in Georgia's security system and politics will be profound. People and politicians have taken power with a much more democratic and pro-Western stance than their predecessors. The reason for the revolution was not only electoral fraud, which merely triggered the events, but a deep dissatisfaction among Georgian society as well as a genuine conviction by democratically-minded Georgians that the country was moving towards either dictatorship or chaos.

This chapter seeks to highlight problems affecting Georgia's security, and to illustrate the mismanagement of the country's security system, which contributed to the popular protest and the end of Shevardnadze's reign. Once the new élite have acquired constitutional legitimacy through new parliamentary and presidential elections, the shortfalls examined in this chapter will have to be addressed systematically. Hopefully, the international community will fully support this new attempt at democratisation in Georgia, with all the positive consequences it may have for the country's security.

Political-military problems and the external dimension

A basic security problem facing Georgia is that its territorial integrity is violated and its sovereignty is limited. The secessionist regions of Abkhazia and South Ossetia do not fall under the jurisdiction of the central government. Tbilisi's influence over the region of Adzharia is virtual. By creating his own armed units and refusing to transfer taxes to the central budget, the Adzharian leader in fact throws into doubt the unity of the country's defence and financial systems. The central government's sovereignty is also only notional over the territories that are adjacent to separatist Abkhazia.⁸ Georgia's central authorities have been unable to curb the activity of illegal armed units or criminal gangs in Samegrelo-Svaneti region, where these groups have a heavy influence over local politics and economics.⁹

Their zone of activity coincides partly with the area of responsibility of the Russian peacekeeping operation which operates under a CIS mandate. Russia also has other military forces deployed only semi-legally in Georgia. At the OSCE Istanbul summit in November 1999, Russia agreed to close two of its four bases by July 2001 and to open negotiations on the fate of the remaining two. Thus far, only one base has been closed. In the view of a large part of the Georgian élite, including the media and wider society, Russian military forces support ethnic separatism in Georgia and participate in criminal deals. The behaviour of Russian troops is not seen as a lack of discipline but as part of an anti-Georgian conspiracy directed by Moscow.

Lack of trust and misperceptions largely account for the clouding of Russian-Georgian security relations. However, Georgian concerns about Russia's hostility are also founded on objective grounds. The problem concerns not only Russia's deployments and its troops' activities. A number of political and economic positions taken by Moscow indicate that Georgian concerns are not overly exaggerated. Either because of imperial nostalgia or the politicisation of the economy, Russia views every event in its so-called Caucasian 'backyard' painfully.

Russia's National Security Concept (2000) explicitly states that the weakening of integrationist ties in the CIS is seen as a threat.

8 Confidential interview with high-ranking security officer, January 2003.

9 www.civil.ge, online magazine: 'Badri Zandia Shot Dead,' 8 January 2003; Rustavi 2 TV Channel, programme '60 minutes', 29 September 2002.

Moscow considers the creation of a common economic 'space' throughout the CIS and joint participation in the protection of the external borders of the Commonwealth to be necessary.¹⁰ These provisions of the Concept therefore take a negative view of US-Georgian military cooperation and Georgian participation in East-West transport/communication projects that avoid Russian territory. As a result, Russian oil companies have withdrawn participation in the construction and exploitation of the Baky-Tbilisi-Ceyhan pipeline. Moreover, under Russian pressure, Kazakhstan has also refrained, thereby weakening the financial outlook of the project.¹¹

The private company Itera, which is closely connected to Russian political and public energy sectors, holds a near-monopoly of Georgian gas supplies. The company frequently cuts off gas to Georgia because of non-payment. This would seem perfectly reasonable, but the context is illuminating, as the cuts coincide with uneasy negotiations over the Russian military bases and/or the issue of extending the mandate of the Russian peacekeeping operation. Georgian suspicions are ever more aroused because the energy cuts affect the American-owned electricity distribution network in Tbilisi, which has been a quite disciplined payer.

Moreover, the Russian government has offered the option of citizenship to the populations of separatist Abkhazia and South Ossetia. The visa regime for crossing the border to Russia is also easier in the separatist areas than it is for Tbilisi. Certainly, Russian official circles are not discreet about their commercial negotiations with the unrecognised governments in Tskinali and Sukhumi. Recently Russian military assistance to South Ossetia has been reported. All of these policies are perceived in Georgia as an attempt by Russia to counterbalance Georgian-US military cooperation. During the summit in Sochi in March 2003, Putin and the Russian delegation hinted to Georgians that the keys to settling the Abkhaz conflict were held by Moscow, and that it no longer made sense for Georgia to rely on the UN format of negotiations.¹² One should recall that Russia is also a member of this format.

Against that background, there are legitimate doubts about Russia's interest in facilitating the solution of the Georgian-Abkhaz or Georgian-Ossetian conflicts, since their settlement would deprive Russia of important leverage over Tbilisi. As a whole, it is worth pondering the rhetorical question posed by the analyst

10. 'Russian National Security Concept', Moscow, 2000.

11. Svante E. Cornell, 'Safeguarding Monopoly: Russia's Energy Policy In The Caspian'; available on <http://www.cornellcaspiant.com>.

12. Confidential interview with senior Georgian diplomat, April 2003.

Vladimir Socor, 'whether . . . international law still applies to Russia-Georgia relations'.¹³

These steps by Russia may be seen either as direct threats to Georgia at worst or serious risks at best. In the long run, such policies are unlikely to advance Russian interests, unless these consist of some dream to establish a Pax Russica across the region, a dream which has never really dissipated, given the internal failings of the Georgian state.

Internal risks and the human security dimension

At the same time, Georgia faces threats that are more explicit and acute than the indirect problem of Russia. Their nature is more internal, though they have serious foreign policy implications. These threats consist of Georgia's shadow and 'conflict' economy, widespread corruption and high levels of organised crime. These problems permeate Georgia's political and security system.

Conflict economy

In 1992-94, Georgia lived with a war economy, which saw the amalgamation of the roles of politician, military commander, supplier and criminal leader in the propitious climate of civil and ethnic conflict.¹⁴ The conflicts have been more or less frozen since then, but the structures of politics and commerce that developed against that background have largely remained in place. In some cases, only the actors have changed: the roles of extortionist, smuggler and field commander have been assumed by security and policy officers, public servants, politicians and their relatives.

In the zones in and around Georgia's 'frozen' conflicts, the situation closely resembles wartime chaos, where officials have handed political and economic levers to guerrillas and criminal groups and/or cooperate with them. The Abkhaz and South Ossetian de facto borders are routes for contraband, which sometimes include drugs and weapons. Georgian law enforcement agencies fail to provide statistics on the trade, or to bring to justice its perpetrators. As an indication, the share of contraband in overall petrol consumption in the country reportedly reached 80 per cent in 2000. Nor do smuggled goods enter Georgia only through the conflict zones, but the objective difficulty of controlling the

13. V. Socor, 'A Test Ground of Putin's International Conduct', *The Wall Street Journal Europe*, 18-20 October 2002.

14. Ian Davis, Chrissie Hirst and Bernardo Mariani, 'Organized crime, corruption and illicit arms trafficking in an enlarged EU, Challenges and Perspectives', in *Small Arms and Security in EU Associate Countries* (London: Saferworld, December 2001), p. 26.

separatist areas is an excellent catch-all excuse for corrupt officers in the various Georgian state services responsible for taxation, customs or fighting economic crime. In this manner, the continuing existence of the conflict zones heavily influences Georgia's overall economic security.

Shadow economy and the security sector

Georgia's conflict economy is one facet of its statewide problem of organised crime and corruption. The scale of this problem can be seen in the shadow economy, which represents 66 per cent of GDP.¹⁵ This figure indicates that there must be active involvement of the state apparatus in these processes, particularly from the law enforcement and security sectors. One should remember that the salaries of average officials in the prosecutor's office, border guards, police and military only slightly exceed the poverty line, which stands at about US\$600 per capita per year. Constant salary arrears exacerbate the problems facing the agencies responsible for state and human security. As a result, the so-called 'power structures' have resorted to self-financing, usually by criminal means.

As an indication, during governmental hearings held in September 2001, the secretary of the anti-corruption policy coordination council admitted the high level of complaints about the misbehaviour of a particular service of the Interior Ministry, which is responsible for the fight against organised crime and corruption. According to data provided by the secretary, six out of nine sources of income for the interior ministry operated on an illegal basis. In conclusion, he stated that all 'power structures' had become heavily involved in different forms of corruption and were forming patronage systems.¹⁶

Privatisation of security

The Georgian state agencies responsible for national and human security basically pursue private interests. In fact, they have been privatised, with different owners in each case. In the words of the state secretary in 2001, 'the power agencies are pillars of corrupted public servants and their existence in the current form poses a danger to the state.'

15. Alexander G. Tvalchrelidze, 'Shades of Georgian Economy', in *Caucasus US Context*, no. 1, 2003, p. 76.

16. *Sakartvelos Respublika*, no. 220, 6 September 2001.

Throughout the second half of the 1990s, the police and security services became reliable servants of the ruling élite, and their increasing corruption served as a sort of a pay-off for their loyalty. Certain advisers of the president were genuinely concerned about such misbehaviour, all the while stressing the inevitability of depending on them: 'If they are stripped of illegal incomes, who would then protect the order in the streets' is the rhetorical question that has been raised by a senior official of the presidential chancellery in private. As a result of this logic, a patronage structure emerged which is reminiscent of classic relations between a praetorian guard and a suzerain.

The pattern of police involvement in the functioning of private protection and detection firms is further evidence of privatisation of security. Georgian legislation does not provide clear regulation in this field. Demand for these firms is increasing, but their employees do not have the right to carry weapons unless they register as policemen in the department for property protection of the interior ministry. This department is not above accepting bribes on such occasions and has shown little regard for the qualifications or activities of its new 'members'.¹⁷

At the same time, the process of security privatisation gradually slipped from the hands of the official power agencies. The achievement of the mid-1990s of reigning in the private militias that had plagued Georgian politics has now dissipated. Georgia's last security minister, who came to power on a wave of reformist rhetoric, affirmed that illegal armed formations still exist in the country.¹⁸ Not only that, but these armed groups play a role in the political process, as witnessed in the 2002 local elections through the intimidation of opponents. Certainly, their murky relations with particular political entities or state power agencies require further investigation.

Politics, crime and clans

The theme of corruption and organised crime is not limited to the paramilitary power agencies. Civilians in the public service and high representatives of the government are deeply involved in dubious commercial deals that involve the open or hidden privatisation of state assets. Frequently, such activities profit family and kinship/friendship ties, which, indeed, receive special privileges in the

17. Private interview with the representative of the protection firm.

18. *Prime News*, 13 March 2003.

economy and/or represent the interests of their political patron in business. Politico-economic clans are being formed.

Certainly, the former president's relatives obtained lucrative economic positions in the country. Rumours have circulated about his family's interest in maritime and air transportation, a sector known for its scandals. The latest scandal related to the murder of the former minister of sports and tourism, then vice-president of Georgia's leading air company. According to his widow, the killing was ordered by influential circles interested in acquiring the company but unable to settle the deal with the vice-president.¹⁹ The Georgian president's family strongly denied any interest in this sector. One thing is obvious: assassinations for the sake of protection or the expansion of illegally obtained financial and political influence are not rare in Georgia. The murder of the financial director of the US investment firm AES-TELASI, which reportedly met with criminal resistance in the energy sector, is another case in point.

Moreover, the Georgian media has noted increasingly the strengthening of an institution inherited from the Soviet criminal world, the so-called 'thieves-in-law'.²⁰ In the past, these authoritative representatives of the professional criminal underworld played a role of quasi-judges in a para-society and, sometimes, for ordinary citizens. In post-Soviet Georgia, 'thieves-in-law' have gained a footing in big business and politics. The criminal world has always been an alternative to corrupt law enforcers for 'protection' in a lawless environment of privatised security. However, there are numerous examples of cooperation between the 'thieves-in-law' and police or security officials. Who serves whom in this respect is very much conditional.

Against this background, it is not surprising that Georgia has become noted for high rates of human rights abuse. The 2003 Freedom House assessment placed Georgia, in terms of its level of political rights and freedoms, in the third category, along with Azerbaijan, Armenia and Tajikistan.²¹ When one adds this to the mixture widespread poverty and mass unemployment one starts to have an idea of the nature of human security in Georgia.

The extent of corruption, criminal interference in politics and economics, the formation of clans, where politician and businessmen are increasingly joined by law enforcer and professional thief, creates a real danger of the establishment of a mafia-dominated state. According to one definition, such predatory structures exist

19. *Caucasus Press*, 22 January 2003.

20. Statement of the Security Minister Valeri Khaburdzania at a joint meeting of the broadened session of National Security Council and *Caucasus Press*, 21 December 2002.

21. *Caucasus Press*, 30 September 2002.

when the state and the so-called ‘mafia’ share the protection business and even have overlapping membership.²² One feature of such a structure that may be lacking in Georgia is agreement on certain rules of engagement. Thus far, the mafia structures are still at an initial stage of institutional development, resembling the official state in this regard.

Cultural-structural characteristics

Still, internal insecurity processes in Georgia are dynamic, based on asocial values and deeply rooted in a broader society. The working group tasked with drafting a Georgian anti-corruption strategy stated: ‘Corruption has become the way of life in certain areas. Corrupt thinking so broadly embraces public perception that we have to be extremely cautious while drawing line between the roots of national originality and corrupt customary practices.’²³ In particular, Georgian life is characterised by the spread of what has been called ‘amoral familism’, which implies the prevalence of immediate personal and family interests, even basic passions, over communal affairs and a general inability to work collectively for the common good.²⁴

Apart from family, the other mobilising influence is ethnic affiliation. A considerable part of the Georgian population, including Georgians as well as national minorities, identifies itself more with ethnicity than with civic citizenship. Ethnic affiliation in Georgia is stronger than religious belonging; indeed, many people believe it more important even than financial wellbeing.²⁵ The discourse of Georgia joining the Euro-Atlantic community enjoys a healthy intellectual (and Christian) tradition, as well as widespread support. However, the single platform which is able to unify Georgia is that of ethnic nationalism, and the slogans of ‘Language, Land and Faith’, born in the nineteenth century. While Georgia should seek to transform itself to a new trinity of ‘Democracy, the Rule of law and Human Rights’, there is little movement in this direction, if at all.

As a result, there exists no working and trusted formula that might allow for coexistence between Georgians and the separatist Abkhaz or Ossetians. Georgian society seems unready to understand that their separatism was not the result of a Russian plot but rather that of a process of ‘awakening’ in these ethnic groups, which was distinct from the Georgian ‘rebirth’.²⁶ Neither

22. Susan Rose-Ackerman, *Corruption and Government, Causes, Consequences, and Reform* (Cambridge: Cambridge University Press, 1999), p. 121.

23. ‘The Main Directions of National Anti-Corruption Program of Georgia’, draft project, Tbilisi, 31 October 2000, p. 9.

24. Edward C. Banfield, *The Moral Basis of a Backward Society* (London: The Free Press, Macmillan, 1958).

25. Theodor Hanf and Ghia Nodia, *Georgia Lurching to Democracy* (Baden-Baden: Nomos Verlagsgesellschaft, 2000), pp. 92-102.

26. On this notion, see Anthony D. Smith, ‘The Ethnic Sources of Nationalism’, *Survival*, vol. 35, no. 1, Spring 1993, pp. 48-62.

Georgian society nor its politicians have accepted that the need to find a way to the heart of the Abkhaz shepherd and school teacher is as important as dealing with the Russian generals in terms of settling the conflict.

The chronic mismanagement of Georgia's security institutions, their functional overlapping and weak civilian control compounded the problem of security privatisation. Too many groups and individuals in various agencies and structures had vested and competing interests to allow Georgia to develop a more coordinated, transparent and reduced security posture. The Georgian constitution fails to provide for a clear division of responsibilities in the development of the armed forces and security policy between the President and the Parliament. In some respects, relevant laws even complicate the situation by contradicting the clauses of the constitution. One case in point: para. 78 of the Constitution prohibits any form of amalgamation between military, police and security agencies; yet, the Law on Defence declares that the interior troops, which come under the interior ministry, are part of the national military forces.

Georgia's military and paramilitary forces are divided among six ministries and three independent departments. These are rivals for the protection of lucrative assets, such as the task of defending the Baky-Tbilisi-Ceyhan pipeline. The presidential National Security Council is essentially the only body to coordinate these different agencies, but it is itself an unfinished creature. According to the relevant legislation, the council is an advisory body with the power to control and coordinate security system, but that legislation does not clarify the working procedure necessary to pursue these tasks.

Civil-military relations suffer when the functions of high political bodies are not clearly defined and separated, and when a government branch seeks to subordinate the military for personal gain. In his work on the question, Samuel Huntington defines this style of civilian control over the military as being 'subjective', highlighting the danger of military intervention in politics as a result.²⁷

27. Op. cit. in note 3.

Obstacles to regional security cooperation

Against this background, it would be disingenuous to argue that Georgia is contributing to the formation of a regional cooperative regime. On the region as a whole, the words of Thomas de Waal are fitting: 'Objectively speaking, what we have in this part of the world is a tangle of closed borders, dead ends and roadblocks, the different parts of which do not communicate with each other. In that sense, this is not really a region at all.'²⁸ Georgia contributes to this dismal picture through its unsettled conflicts and arbitrary borders and customs controls.

Developments around Georgia's Pankisi Gorge highlight the dangers of the shortcomings of the security/law enforcement bodies, which created a climate of reckless opportunism and led to a deterioration of relations with neighbours. Located in proximity to the Russian border, the Pankisi Gorge gradually developed over the 1990s into a lawless criminal area of Georgia where Chechen fighters driven from Russia found shelter. In autumn 2001, Georgian law enforcement facilitated the movement of Chechen armed units from Pankisi to Abkhazia, where they renewed fighting. The outcome of the operation was deeply counter-productive. Western countries demanded an explanation, having long heard Georgia's denials of the presence of Chechen fighters at all on Georgian soil and agreed to peaceful negotiations with the Abkhaz. Russia officially accused Georgia of harbouring terrorists, and in September 2002 Putin noted that Russia might be forced to undertake hot pursuit actions of Chechen fighters into Georgian territory. If such actions were never taken, Tbilisi has only Washington, which unequivocally warned Russia about the unacceptability of any unilateral action in Georgia, to thank.

There may be another twist to the story. Unlike Russian and Georgian diplomats and military officers, the then leadership of the Georgian security and interior ministries had good relations with their Russian counterparts, with whom some coordination may have occurred over the Chechen transfer. Indeed, one might argue that some deal was in the making to push for the strategic

28. Thomas de Waal, '(In)security in the Caucasus' (amended version of the presentation given at the Rose Roth NATO Parliamentary Assembly Seminar in Tbilisi, 27 September 2002).

rapprochement of Russia and Georgia at the expense of Abkhaz separatism and Georgian democracy. Alternatively, some Russian circles may have sought to drag Georgia into adventure in order to then retaliate with more effectiveness. Certainly, gross mismanagement of the power structures and a lack of coherent policy in both countries contributed to a strange and dangerous development.

Contradictory efforts to handle security risks

All political groupings genuinely wished to change the negative dynamics of Georgia's criminalisation. Moreover, a number of officials, whether from external pressure or flashes of conscience and fear, have sought to limit these activities. If this were not so, the Georgian state would most likely have ceased to exist. The previous government also had a well-developed anti-corruption and anti-criminal official rhetoric, and took its first reform-oriented steps and sought to develop an appropriate security policy. These measures lacked coherence. This government still confused private and public, and political and economic spheres, which limited the impact of any reform.

First moves towards the rule of law

By 1995, Georgia's civil and ethnic wars had ceased. The adoption of a new constitution and the disbanding of many illegal armed formations were important steps towards stability and democracy. Many volumes of legislation between 1995 and 1999 refer to human rights, equality and justice, as well as the rule of law and market economy. With regard to the development of democratic control over the security and law enforcement agencies, the general administrative code establishes transparency in the public sphere and places limits on confidentiality in the national security realm. Information can be classified only if there is a well-grounded case that its disclosure would endanger military, intelligence or diplomatic operations and the lives of their participants. The code also demands immediate disclosure of information related to the violation of the political and civil rights of the citizens. The parliamentary committees and the parliamentary 'Group of Trust' also serve to strengthen democratic control. The latter is tasked with moni-

toring special security programmes and secret activities. These developments led one senior NATO official to state that the Georgian parliament was the most active and powerful in the post-Soviet 'space'. These laws, combined with the reform of the justice system, contributed to Georgia's accession to the Council of Europe in 1999.²⁹ The rise of a strong independent media and a range of active NGOs complement these other positive developments in Georgia.

At the same time, it should be noted that the role of parliament is in fact limited by an unclear delineation of competences and competition with the executive branch – in which the latter prevails. The general administrative code also remains overshadowed by the long presidential list of state secrets. The chairman of the parliamentary 'Group of Trust' complained in March 2000 that his level of knowledge about the financial affairs of the power agencies was no different from that of ordinary MPs.³⁰ As a result of legislative vagueness and the predominance of the executive branch, it is not clear what the members of the 'Group of Trust' can do if the president ignores their concerns about a particular military or security programme.³¹

In all, however, the main problem is not the inadequacy of legislation but the reluctance of the majority of the political élite and public servants to consider revisions to and the implementation of these laws. By and large, the previous government continued to defy the normal rules of the game. The start of judicial reform did not help to rectify this situation, while the power agencies remained largely unreformed.

New stage of reforms

At the start of 2000, the Georgian media and civil society placed increasing pressure on the government because of its failure to curb rising levels of corruption and organised crime, to counter worsening official financial-economic indicators, and because of the cases of manipulation during the 1999 and 2000 parliamentary and presidential elections. Many Western countries joined in the criticism. The pressure produced a split in the ruling party and the situation deteriorated, with indications of governmental involvement in illegal activities in and around the Pankisi Gorge. Veiled threats to the media by the security and interior ministries brought students out onto the streets with mass rallies in October 2001. The

29. Interview with Chris Donnelly, Assistant of the Secretary General of NATO on East European Affairs, October 1998.

30. Interview with Revaz Adamia, March 2000.

31. Interview with the co-author of the law, Levan Alapishvili.

speaker of the parliament supported the students and resigned from his official position to join the opposition, calling for the resignation of a number of officials in the government. Shevardnadze gave in to the pressure and fired a number of contentious ministers.

These developments raised hopes throughout Georgian society and were followed by a new round of reforms, mostly in the shape of newly created presidential commissions. In July 2001, Shevardnadze established the inter-agency commission for the improvement of legislation in the military field. In December 2001, a new commission 'for the preparation of recommendations on the institutional reform of security and law enforcement agencies' was established. Earlier in 2001, the president ordered the creation of the anti-corruption policy coordination council. The reform spirit included the new security and interior ministries, V. Khaburdzania and K. Narchemashvili. In 2002, both ministries started anti-criminal operations in Pankisi. Throughout 2002-03, there has been increasing openness in official information concerning the country's criminal situation.

However, thus far the reform and anti-corruption initiatives remained at the planning stage.³² Levels of crime are still on the rise. Moreover, the reform spirit showed signs of dissipating in the interior and security ministries. Recent policy positions taken on police reform, the right to detention, the right to ban foreign-sponsored organisations and wide-ranging draft anti-terrorist legislation, all indicated the danger of slippage, which did not go unnoticed by a number of international human rights monitors or local NGOs.

Reasons for delay

There were three principal reasons. First, the government failed to produce clear national strategy guidelines. As a result, the definition of the missions of the various power agencies, their coordination and/or integration, was hampered.³³ Second, the law enforcement agencies, and public servants in general, displayed a chronic lack of professionalism and discipline. Law enforcement showed itself unable to investigate successfully violent crimes like murder or kidnapping. Moreover, most presidential decrees on anti-corruption measures were unimplemented.³⁴ Finally, public servants were not being held accountable for their actions: the maximum

32. One of the main donors of Georgian civil society, George Soros, in his interview to the Rustavi 2 TV channel stated that Georgian government lacked the will to implement anti-corruption measures. See the Program Kurieri, 20 June 2002.

33. Statements by the defence minister and the chairman of the border guard during hearings in the Parliament, autumn 2001.

34. *Sakartvelos Respublika*, no. 220, 6 September 2001.

punishment for high-ranking officials was retirement – with all of the perks and no obstacle to their later return. The lack of official will and courage exacerbates the syndrome of lawlessness that Georgia is facing. As a result, the previous governing élites were unable to pursue radical reform, or seek the establishment of genuine democracy and the rule of law. For the most part, the previous government's anti-corruption measures and rhetoric were mere window-dressing, aimed at calming emotions inside the country and creating a false impression on external donors.

External dimensions

It is the accepted wisdom in Georgia that Shevardnadze, the previous president, pursued a successful foreign policy: Georgia is a member of many international organisations, the Baky-Tbilisi-Ceyhan pipeline has broken ground and Georgia's military is being trained by American marines. Certainly, Shevardnadze's personal contribution to these developments was notable. However, Georgian foreign policy is replete with contradictions and shortcomings. Official Georgian rhetoric was increasingly pro-Western but bandwagoning with Russia, often a source of threat, frequently marks foreign policy in practice. Moreover, Georgia's foreign relations were strongly marked by internal weakness. In all, Georgia's pro-Western – and, hence, pro-democratic and pro-market – stance was hardly straightforward.

While Georgia did not formally adopt a national security strategy, its core elements could be identified: Georgia aimed to be a geopolitical and geo-economic bridge between the West and East, and Georgia saw it as necessary to balance between different global, regional or local powers, but through an increasing 'lean' towards Euro-Atlantic security structures. Yet the Georgian élite constantly muddied the waters.

Georgia oscillated throughout the 1990s between appeasing Russian pressure and developing a Euro-Atlantic direction. In 1995, Tbilisi thought seriously of allowing Russia to maintain bases on Georgian territory for a period of 25 years. Georgia also remained a member of the CIS collective security treaty until 1999. Reliance on Russian energy, the need to secure Moscow's assistance in the restoration of its territorial integrity and general economic interdependence all explained Georgia's reluctance to exacerbate fundamentally ties with its northern neighbour. Still,

Western interests increased in Georgia throughout the second half of the 1990s, especially as the notion of an East-West energy corridor took shape. Since Georgia withdrew from the CIS collective security arrangement in 1999, it sought, through the OSCE, to force a Russian military withdrawal from its territory. In March 2003, Georgia completed an agreement with the United States concerning the granting of diplomatic immunity to American military personnel, which seems to mark an end to Georgia's concern for balance and a firm choice for the Euro-Atlantic direction. However, as Shevardnadze's first foreign minister never tired of repeating, only strong states can afford to have definite foreign policy.³⁵

As Ghia Nodia has argued, Georgia's pro-Western orientation is built on the very anti-Western idea of living at the expense of others.³⁶ In 1999, Shevardnadze maintained that what mattered was the pragmatic calculation of interests, not a pro-Western or pro-Russian orientation.³⁷ However, the interests of Georgia's ruling élite and society differed. The foreign orientation of a country cannot be reduced to the point of a value-free expectation of assistance from whatever direction; rather it must be based on government determination and societal beliefs. Moreover, the flexibility of Shevardnadze's pragmatism created uncertainty: Georgia's direction might change radically according to the circumstances, and in the end left the country nowhere at all.

The ambivalence was evident in Georgia's balancing of Russia and the West in policy towards Abkhazia. During the Russo-Georgian summit in Sochi in March 2003, the Georgian president agreed to Putin's request to downplay the role of the UN in their final joint statement about Abkhaz conflict settlement talks.³⁸ Was Shevardnadze willing to cut a deal with Russia that limited Georgian sovereignty in exchange for the resoration of its territorial integrity?

The Abkhaz problem is a cornerstone of Georgian statehood in the view of all Georgian political circles. Thus, it cannot be excluded that the previous Georgian government might have accepted giving up elements of its sovereignty in exchange for the resoration of its territorial integrity. As Shevardnadze kept repeating: 'Russia really has the instrument, the opportunity and ability to fairly settle the Abkhazian conflict.'³⁹ According to a quite pro-Western Georgian politician, if Russia were to help Georgia to establish a joint administration even only in the Gali region of the

35. Olga Vasilieva, 'The Foreign Policy Orientation of Georgia', SWA-AP 2968, July 1996, p. 7.

36. Ghia Nodia, 'Obraz Zapada v Gruzinskom Soznanii', in B. Coppieters, E. Remakle, and A. Zverev (eds.), *Mejdunarodnii Opit Etnicheskix Konfliktov, Obshaia derakcia* (Moscow: Ves Mir, 1997).

37. *Evropa*, 25, 13 September 1999.

38. Confidential interview, April 2003.

39. *Sakartvelos Respublika*, no. 28, 1 February 2000.

Abkhaz separatist state, ‘there would not remain even a couple of politicians in Georgia who would not say “what the hell has the West done for us in Abkhazia?” – and who would not turn towards our northern brother.’⁴⁰

Since late 2002, Georgian criticism of Russia’s reluctance to withdraw from its military bases, according to the agreement reached at the Istanbul OSCE summit in 1999, became more subdued. At the OSCE ministerial, Georgia agreed to Russia’s new formula that the question would be finalised by the end of 2003 ‘if the conditions permit’. According to a high-ranking OSCE official, the new formula explicitly weakens the Georgian position for the withdrawal of Russian military bases in a reasonably short time-frame. The same official expressed concern that what Georgia desires from the international community is very unclear.⁴¹ In late 2002, Shevardnadze repeated his well-worn – and ludicrous – notion that Georgia would be a member of the CIS and NATO at the same time.⁴² In addition to Tbilisi’s murky hand in the Pankisi Gorge and its endemic corruption, the pressure put on Western firms in Georgia, such as the American-owner AES-TELASI and the BA and Turkish airlines, is also making the international community uneasy.⁴³ These positions were a serious blow to the Georgian idea of becoming a bridge between the East and the West.

In this climate, should Russia make the right offer, Georgia’s overall direction seemed to be moving increasingly northwards. However, there were good reasons why it would be difficult to make this happen. Russia has limited financial resources compared with the West. Moscow could hardly take the place of US aid to Georgia, amounting to \$90 million in 2003. Moreover, Russia has never made clear promises about Abkhazia, and still supports the separatist governments there and in South Ossetia. As a result, the Western direction still dominates in the Georgian political élite’s rhetoric.

External assistance

Given this ambiguity and the range of its internal problems, it would seem that Georgia adopted a pro-Western, democratic position only at the insistence of Western institutions. As the head of the parliamentary budgetary office had stated, World Bank and IMF conditionality is the only force forcing the Georgian govern-

40. Confidential interview, April 2003.

41. Confidential interview, January 2003.

42. *Black Sea Press*, 16 December 2002.

43. News Agency Caucasus Press, 5 December 2002; News Agency Prime-News, 10 February 2003.

ment to move towards a liberal economy.⁴⁴ Certainly, the role of external actors has been critical for Georgian security. Membership of the UN, OSCE, and Council of Europe provides forums that allow Georgia's voice to be heard on the international stage. Membership is also a school of sovereignty for Georgia, where the government may learn that there are alternatives to appeasement/bandwagoning for the protection of a state's interests.

At the same time, the United States and the EU play central roles for Georgia. Turkey is a serious regional player, but with limited resources. Only the United States and the EU are able to generate enough incentives and deploy sufficient leverage to make a positive difference in the internal and external dynamics of Georgian security. The assistance provided by the United States and the EU differs. While many Georgian politicians argue that Georgia's security problems stem mostly from external forces, the EU has not accepted this logic, focusing instead on internal failures and confining its assistance to the fields of soft or human security.⁴⁵ The US approach is more balanced between the external and the internal. Their style and level of conditionality are also different. As a result, and also because US security assistance is greater in material terms, the American role seems more effective, at least in the short term.

The impact of US policy on Georgian security has increased since 1999. Georgia falls in the zone of responsibility of US EUROCOM, which has conducted a thorough assessment of the Georgian armed forces and developed the plan for their reform. The new Republican administration and 11 September accelerated the process. Georgia offered its airspace and intelligence capabilities to the United States in the struggle against international terrorism. In 2002, the United States unexpectedly launched the so-called Train and Equip Program, worth \$64 million, which seeks to create the nucleus of the new Georgian armed forces, consisting of more than 2,000 officers and enlisted personnel. The March 2003 US-Georgian military agreement on the status of American military personnel may be the precursor of a future US military deployment on Georgian soil.

In parallel, US diplomacy has been actively engaged in Russian-Georgian negotiations over the issue of Russian bases in Georgia. American pressure was instrumental to Russia closing one of its bases since the 1999 Istanbul agreement.⁴⁶ Russian-American relations have become closer since 11 September, but without

44. Interview with Roman Got-siridze, February 2003.

45. Interview with representatives of Georgian embassy to USA, December 2002.

46. 'US Government Assistance to and Cooperative Activities with Eurasia, Fiscal Year 2001', Office of Coordinator of US Assistance to Europe and Eurasia, Department of State Publication 10952, March 2002.

hindering Washington from pressuring Russia on its policies in Georgia, a US policy which is seen locally to be drawing a 'red line' around Georgia. Moreover, in 1999 the Congress passed the so-called Silk Road Strategy Support Act. Together with the Freedom Support Act, which provides for support to democratisation and state-building in the former Soviet Union states, this act laid down a solid legislative base and a strategic blueprint for US assistance. In Georgia, the traditional US course of seeking to strengthen democracy and statehood in the post-Soviet states has gradually been transformed into a strategic partnership. Poor, not-so-democratic, and lacking in territorial integrity, Georgia happens to possess land, air and sea assets that are valuable for US global interests.

By contrast, the EU and European states do not draw 'red lines' for Russia in the South Caucasus, and even have doubts about the notion that the region is a part of Europe. Unlike Washington, Europe does not have a strategy towards the whole region or towards Georgia in particular. In February 2003, the European Parliament resolved that the South Caucasus might play the role of a bridge between Europe and Asia, and demanded the development of a strategy on the South Caucasian states. All the work remains ahead. For the moment, de Waal's words remain accurate: 'In strategic terms if not economic ones the European Union has not made an impact in this region.'⁴⁷ Neither the EU nor its member states have clear national interests in the region.

Still, the EU is not absent, nor is its 'outreach sister', the Council of Europe. For example, European experts drafted the reform concept of the Georgian prosecuting agency.⁴⁸ Germans have worked on the concept of reforming the border guards along civilian lines. European states have provided Georgia with small military vessels, and training to Georgian officers. However, most of these activities are pursued within the framework of NATO and not the EU.

Most European assistance falls in the category of soft security, which is indeed important for Georgia. However, such assistance lacks strong determination and will from the European states, and, therefore, has little impact. In general, the EU and its member states have little leverage over developments in Georgia's defence and security spheres, and lack the instruments to press recalcitrant Georgian officials and politicians.

47. Op. cit. in note 28.

48. Kviris Palitra, *Samartlebrivi damateba*, 23-29 September 2002.

Dilemmas and directions for the future

Georgia's future after the 'Rose Revolution' will depend on its ability to mobilise around a national idea. The implementation of any political project requires emotion, even romanticism. The notion of a civil society seems insufficient as a source of inspiration around which society can rally and on which Georgian statehood could be built. In this respect, Georgia's democratic forces should draw on nationalism to strengthen their project.⁴⁹ Current Georgian nationalism has a dangerously ethnic flavour, but all forms of nationalism contain ethnic elements.⁵⁰ The essential task of Georgian democrats must be to neutralise the xenophobic element of this ethnic feeling and redirect its passionate impulses into the service of the nation's security.

Unless it is achieved, Georgia's host of criminals and corrupt officials will continue to enjoy the backing of powerful nationalists, redirecting the notion of 'democracy' against that of 'nationalism'. Somehow, the challenge is to convince ordinary city and country dwellers that the rule of law will not ruin but rather enrich their ethnically flavoured pride, and that corruption and organised crime carry profound moral costs. Victory on the morals front is imperative to marrying democracy and nationalism in Georgia and setting the scene for national reconciliation, including with the separatist areas. This marriage would also undermine Russia's direct and indirect influence over the country. The dominant faith in 'Language, Fatherland, Faith' must be transformed into a belief in tolerance, human rights and shared sovereignty.

External assistance is required for these tasks. However, Western support must be carefully calibrated in order not to seem to be imposing another set of ideological beliefs on Georgia and in order to distinguish between a nationalism that goes hand in hand with democracy and human rights and one that fails to do so. In these conditions, international assistance, managerial know-how and military-diplomatic assistance will work effectively.

Foreign actors should consider the following measures in this regard. First, greater coordination among the various foreign missions and delegations acting in Georgia would provide external assistance with greater sharpness and effect, especially on the questions of state-building. Another field of concern and joint

49. As Jean Daniel mentions, 'the search for democracy might have preceded the appearance of modern nations, but . . . it is as if we have been dealing with twin concepts that would not be dissociated: the territorial nation and sovereignty of people.' See Jean Daniel, 'Democracy and Nation,' in Marc F. Plattner and Joao Carlos Espada (eds.), *The Democratic Invention* (Baltimore, Md.: The Johns Hopkins University Press, 2000), p. 82.

50. Anthony D. Smith, 'The Ethnic Sources of Nationalism,' *Survival*, vol. 35, no. 1, Spring 1993, pp. 48-62; See also Ghia Nodia, 'Nationalism and the Crisis of Liberalism,' in Richard Caplan and John Feffer (eds.), *Europe's New Nationalism, States and Minorities in Conflict* (Oxford: Oxford University Press, 1996), p. 106.

focus must be Georgia's educational system. Without radical and urgent reform of the educational institutions, and without new textbooks and testing methods in secondary schools and universities, Georgia will soon lack responsible citizens. These questions seem to have little impact on harder security; in fact, they lie at the heart of Georgian security, and resolving them will set the foundation for progress in addressing the human and national security problems of the country. On more concretely security-related questions, the EU and the United States should also seek greater coordination amongst themselves, perhaps to work out a division of labour between them.

Certainly, there is room for improvement in US assistance. The emphasis on democracy building in Georgia should be reinforced and clearer. Washington might also take a more active role in the Abkhaz settlement as well as in the Russian-Georgian security dialogue. Such positions would weaken Georgia's instinct to bandwagon with Russia under intense pressure. The focus on installing civilian and democratic control over Georgia's armed forces and security forces is vital. Closer ties between the US Department of Defence and the Georgian defence ministry and security agencies will be important in this respect.

European states were unusually irritated with Georgia before the 'Rose Revolution'. Failing free and fair elections in late 2003, there was even talk of suspending Georgia's membership of the Council of Europe. The tough pressure that the EU and other European institutions placed on Georgia in this respect should be sustained.

On the other hand, some work must be dedicated to clarifying the difference between Europeans and Georgians on the question of nationalism and ethnic issues. For example, in Tbilisi, government officials and intellectuals alike fear that the implementation of the European Framework Convention on National Minorities and the European Charter for Regional and Minority Languages would further alienate Georgian minorities from the state. In this view, the implementation of these documents might lead to the artificial labelling of such distinct ethno-linguistic communities as the Svans and the Mengrelians as 'ethnic minorities'. Many fear that, in a society with virtually no civic traditions, clans struggling for power will use these labels to create additional social cleavages for their personal gain. As a result, Georgia has refrained from

ratifying the Framework Convention for the Protection of National Minorities and from adopting the European Charter for Regional or Minority Languages.⁵¹

Georgian arguments on these points are not always well-founded. However, their very popularity in the country and amongst its élite means that a discussion between Georgia and Europe on the question of how to marry democracy with nationalism is vitally important. Europe must address Georgian fears on these points.

There should be a division of labour between the EU and the United States, with the formulation of a joint approach to Georgia that draws on the strength of both: the American extensive presence in strategic security terms and the EU's ability to pressure Georgia on questions of shared values. In this division of labour, the United States must continue to focus on military-political support to Georgia. In this, Washington must step up its role in the Abkhaz settlement process and also in Russian-Georgian relations. At the same time, the United States should continue its overall developmental assistance. The EU must strengthen its focus on soft security assistance, and reinforce its support to Georgian civil society, relying more heavily on conditionality to prod Georgia. The EU should also consider supporting the process of reform of Georgia's security agencies, for example by political, technical and financial sponsorship of civilian monitoring groups or advisory councils inside the ministries and with the parliament.

In a sense, each should do more of what it is already doing but more clearly and transparently. Euro-American coordination holds the key to the emergence of a Georgian state that is viable, secure and democratic.

51. Information valid in April 2003.

The EU and the Karabakh conflict

Arman Grigorian

The South Caucasus:
a challenge for the EU

8

The European Union's (EU) recognition of the need to become closely involved in the South Caucasus is a development that must be welcomed and encouraged. The EU is an organisation with immense, and growing, influence on the world stage, and with increasingly important political and economic ties to the region. It is also an organisation that, unlike many other third parties, enjoys the trust and admiration of all the states and societies in the South Caucasus. Europe has been and remains the ideal to which practically all relevant political actors in all three states aspire. Consequently, it is entirely reasonable to hope that the EU can make a difference if it does become seriously involved in seeking to resolve the region's stalemated conflicts – conflicts which hold back the normal development of Armenia, Azerbaijan and Georgia towards stable peace, economic prosperity and democracy. At the same time, it would be naive, and indeed dangerous, to neglect the enormous obstacles that the EU will undoubtedly encounter. The problems facing the South Caucasus are very real and very difficult to solve. Success is far from guaranteed, and failure may actually make things worse. Therefore, any third-party involvement, including that of the EU, should be based first and foremost on a careful analysis of these obstacles.

The dispute over Nagorno-Karabakh, and the obstacles that make its permanent political settlement difficult, will be the focus of this chapter. Before describing and analysing those obstacles, however, the discussion will examine briefly the essential features of the current situation, as well as what a possible solution that has a chance of satisfying the minimal demands of both Armenians and Azerbaijan might look like. After all, if such a solution does not exist even in principle – and this is not an exceptionally rare opinion – EU efforts would be a pointless waste of precious time and resources.

The current situation

The current situation has three essential, interrelated features. First, despite years of intense negotiations, the Karabakh conflict has resisted any solution. The Armenians and Azerbaijanis are locked into a stalemate, and no tangible results are evident from those negotiations. It is true that the cease-fire has held for nine years, and both parties have been committed to finding a political solution; these are certainly not insignificant achievements. The result, however, is no more than a fragile stalemate. A renewed escalation will be inevitable sooner or later if no real progress is made around the negotiating table.

The Karabakh conflict has had effects beyond the immediate problems that it has caused in Armenian-Azerbaijani relations. Most importantly, it has been the main obstacle preventing the normalisation of relations between Armenia and Turkey, and this is the second feature of the current situation. For some, the sorry state of present-day Armenian-Turkish relations is a function of the bloody history between the two peoples; some have even gone so far as to argue that the Armenian-Azerbaijani conflict is a result of that same bloody history. More specifically, there have been arguments that Armenians do not draw a distinction between the Turks and the Azerbaijanis, and that their behaviour towards Azerbaijan is the result of the narrative of persecution at the hands of Turks.¹ The problem with this argument is that the first post-communist government of Armenia made very serious efforts to establish normal relations with Turkey. These efforts failed precisely because the dispute over Nagorno-Karabakh escalated and also because Turkey made a strategic decision in 1992 to make its relations with Armenia derivative of its relations with Azerbaijan. Serious progress towards a peaceful settlement of the Karabakh conflict remains Turkey's precondition for the normalisation of its relations with Armenia.

The failure to normalise Armenian-Turkish relations has in turn determined the third important element of the current situation – Armenia's strategic dependence on Russia. Although this state of affairs also strikes many observers as normal and predictable, it was not what Armenia aimed for initially. Indeed, avoiding such a situation was high on the agenda of the first post-communist government. Its leadership envisioned a future for Armenia devoid of strategic entanglements, and insisted that

1. See for example Thomas Goltz, *Azerbaijan Diary* (New York, NY: M. E. Sharpe, 1998), p. xxii.

Armenia build normal, good-neighbourly relations with all of its neighbours, including and especially Turkey.² Avoiding an excessively close strategic relationship with Russia, however, became impossible as relations with Turkey took an ominous turn in the months that followed the collapse of the Soviet Union and the escalation of fighting in Karabakh.

This state of affairs is not optimal. There are many dangers that Armenia and Karabakh face because of the unsettled dispute with Azerbaijan, the very cold peace with Turkey and the excessively high level of dependence on Russia. There are also enormous opportunity costs that Armenia and Karabakh incur as a result of this situation, because both are effectively excluded from a number of major regional projects, and both spend an enormous proportion of their resources on ensuring their military readiness instead of on urgent economic projects. Certainly, settling the dispute with Azerbaijan will involve costs and risks as well, but are they higher than the costs and risks of not settling? To answer this question, we will turn now to a discussion of what may be the optimal solution, and one that the parties actually came very close to agreeing upon.

The optimal solution

A brief analysis of the causes of the conflict is necessary before outlining a possible solution, especially because the most popular existing explanations of the war between Armenians and Azerbaijanis are wide of the mark. This is certainly not a conflict involving religious antagonism, even though practically every single reference to it in the mainstream American media includes a mention that Armenians are Christians and Azerbaijanis are Muslims.³ Nor is this a conflict inspired by hatred, which supposedly boiled over as soon as the Soviet deterrent disappeared.⁴ The third common argument – that this was a classical manifestation of nationalism – is closer to the truth, but it is too deterministic and overly simplistic. It is true that the basic nationalist principle that has been driving the Armenian, and other similar demands, is stark and uncompromising. That principle requires that national and political borders be congruent, and it inevitably clashes with other states' insistence on maintaining territorial integrity, which also seems an uncompromising and rigid principle.⁵ Fortunately,

2. This vision is reflected in the collection of documents and essays authored by the leaders of the Armenian National Movement, which are published in Gerard J. Libaridian (ed.), *Armenia at the Crossroads: Democracy and Nationhood in the Post-Soviet Era* (Watertown, Mass.: Blue Crane Books, 1991).

3. Armenians and Azerbaijanis were as thoroughly secular as any society can be at the time that the conflict flared up. There is so little evidence for this claim that the only interesting thing about it is why it is so persistent in the Western, and particularly American media.

4. This is also a popular claim, and also one with little correspondence to reality. Many of its proponents confuse the cause and the effect. Seeing any case of antagonistic rhetoric immediately convinces them this must be why Armenians and Azerbaijanis (or Serbs and Croats, or Georgians and Ossetians) are killing each other. The opposite, and the more plausible claim, that the antagonistic rhetoric may be the effect of the conflict does not even appear as a possibility in most writings of this nature. Strangely, however, this kind of argument is only applied to certain regions and not others. For instance, I have never seen a claim that the Pacific War was a result of mutual hatred between the Americans and the Japanese, even though ample evidence of hateful and racist rhetoric during that war exists. Again, therefore, one wonders whether this claim says anything useful about the subject matter or about certain biases in some Western intellectual circles. For an example of arguments focusing on hatred as the source of the Karabakh conflict, see Stuart Kaufman, *Modern Hatreds: The Symbolic Politics of Ethnic War* (Ithaca, NY: Cornell University Press, 2001), pp. 49-85.

5. Ernest Gellner, *Nations and Nationalism* (Ithaca, NY: Cornell University Press, 1983), p. 1.

however, politics is not made of such rigid principles, otherwise we would have only Chechnyas and no Tatarstans. In reality, for every Chechnya we have *several* Tatarstans, and the challenge is to understand this variation. Why do some disputes resulting from the clash of these two principles escalate into full-scale violence while others do not? Why did the dispute over Karabakh escalate? Karabakh is particularly interesting, because escalation took place while the Armenian leadership was composed of moderates and people willing to make serious compromises.

After the Armenian National Movement (ANM) came to power in 1990, it adopted the position that the conflict was between Azerbaijan and the Armenians of Karabakh, rather than Armenia and Azerbaijan. If Azerbaijan and/or central authorities in Moscow could negotiate a deal with the local Armenians of Karabakh, Armenia decided not to stand in the way. At the same time, however, solutions that were imposed on Karabakh Armenians would not have been acceptable to Armenia, and all bets were off if Karabakh Armenians were threatened with deportation or mass slaughter. After the assumption of power by the ANM, Armenia's official demand was the restoration of local political and administrative structures in Karabakh, which the central government had been completely destroyed by this point. These political structures would be primarily responsible for negotiating a solution with Azerbaijan and the central government, making Armenia a secondary actor in the process.⁶ Unfortunately, despite initial enthusiasm in Moscow, nothing was done in that direction, because Russia chose to use violence in Karabakh as a means to put pressure on the post-communist government of Armenia, which it regarded as dangerous and hostile. The basic point, however, is that Armenia had considerably moderated its position, and while it still regarded the principle of self-determination as very important it did not interpret the principle only to mean the annexation of Karabakh to Armenia.⁷

The Armenian position did not change fundamentally after the Soviet Union collapsed. Indeed, independence reinforced the need for moderation, because, from being an internal Soviet problem, the Karabakh conflict had become an international one, and subject to interpretation by international law and to the closer involvement of other countries. Any demand for the unification of Armenia and Karabakh on the part of Armenia would now be regarded as an encroachment on Azerbaijani territory, with all the

6. I interviewed Ter-Petrosian in the summer of 2001 for another research project, and this question came up. Ter-Petrosian told me that on his first visit to Moscow after being elected Chairman of the Supreme Soviet of Armenia in August 1990 he met Ryzhkov, the Soviet Prime Minister at the time, and asked to restore the local power structures in Karabakh. When Ryzhkov asked what else the new Armenian government wanted, Ter-Petrosian answered 'nothing'. Ryzhkov was positively surprised and told Ter-Petrosian that he was the first Armenian representative to put forward such a limited and reasonable demand. Armenian communists, it turns out, had become more Catholic than the Pope by then.

7. For a detailed account of the shift towards a more moderate position by Armenians in this period, see Erik Melander, 'The Nagorno-Karabakh Conflict Revisited: Was the War Inevitable?', *Journal of Cold War Studies*, vol. 3, no. 2, Spring 2001, pp. 48-75.

predictable consequences. The legal implications of such a policy were not even the most important concern, which was that neither Turkey nor any other country would support such a policy. Armenia instead encouraged the formation of a local Karabakh government, which would be able to negotiate on Karabakh's behalf, and insisted that Karabakh's status should be decided by political negotiation between Karabakh and Azerbaijan, rather than predetermined by any one party's actions. As a result, it refused to recognise Karabakh's independence when the latter held a referendum and declared itself an independent state.

The hope that escalation in Karabakh could be contained and a negotiated solution achieved were dashed, however, as the conflict escalated into a full-scale war in the winter and spring of 1992. Clearly, peace could not be achieved only because Armenia had moderated its position. It could only be reached if Azerbaijan's response was commensurate. Unfortunately it was not, as two obstacles prevented Azerbaijan from adopting a position minimally acceptable to Armenians. Initially, Azerbaijan had an extremely weak government with very little domestic legitimacy, which made making sufficient concessions to Armenians very difficult. The general mood in Azerbaijan was also not conducive to compromises for a second reason, namely the overly optimistic estimate of the balance of power with Armenia and Karabakh. With hindsight this seems like a terrible blunder, but it was not unreasonable given that Azerbaijan had more than twice the population of Armenia, controlled a larger resource base, and had certain – not terribly outlandish – hopes that Turkey would come to its assistance if necessary. This is why the most that Azerbaijan was willing to concede in order to avoid a war was cultural autonomy for the Karabakh Armenians, and this only after Armenians had laid down their arms. At the same time, the notion that if Armenians wanted self-determination they should simply leave Karabakh and move to Armenia became very popular in Azerbaijan, which Armenians interpreted as an unmistakable statement of intent to deport Armenians of Karabakh. The conflict as a result turned seriously violent very quickly, especially now that the Soviet deterrent had been removed.

Wars are inhumane methods of settling conflicts, but they serve at least one positive function. They reveal the true balance of power and will, which parties could not agree on prior to the war, and therefore make the reconciliation of belligerents' demands

possible.⁸ The Karabakh war did the same thing by bringing the Azerbaijani position closer to the Armenian demands. Azerbaijan became willing to concede more than it had been prior to the war, and through an arduous negotiating process following the ceasefire in 1994 the parties came quite close to agreeing on the basic principles for a permanent solution.

The minimum Armenian demand consisted of the following elements: Karabakh would retain its own defensive capability, which would guarantee its security irrespective of Azerbaijan's current or future intentions; Armenia would have the right to intervene if Karabakh was threatened militarily; the so-called 'Lachin corridor', which is the overland link connecting Armenia and Karabakh, would have a special, internationally guaranteed regime, the territories outside Karabakh that were occupied by Armenians would be returned, but they would be demilitarised. For its part, Azerbaijan became willing to grant most of these demands, particularly on the security guarantees for Karabakh Armenians, but it insisted on retaining *de jure* sovereignty over Karabakh. Finally, it insisted on the return of all the occupied territories outside of Karabakh, on guaranteed access to Nakhichevan, and on addressing the rights of Karabakh's Azerbaijani community. There were of course many other issues, including issues of a technical nature, which were subject to difficult negotiations, but these were the most contentious and difficult problems to solve, and the negotiations had reconciled most of the differences.⁹ The parties, indeed, came close enough to a solution that the first Armenian president, Levon Ter-Petrossian, provisionally endorsed the settlement plan negotiated through the OSCE's Minsk group co-chairmen in 1997.

The process failed but it is undeniable that the positions of the parties had come much closer in 1997 than they had been in 1991. It also demonstrates beyond doubt that in principle the conflicting positions of Armenians and Azerbaijanis in the Karabakh conflict, as well as conflicting positions of disputants in other similar conflicts, are not irreconcilable in principle. Subsequent negotiations have also demonstrated that the basic contours of the solution will have to rely exactly on the principles outlined above. A permanent political solution, however, has proven elusive. The reasons why a deal has not been reached in the post-Ter-Petrossian period, and indeed why Ter-Petrossian's attempt failed, are the subject of the next section.

8. Thomas Schelling, *The Strategy of Conflict* (Cambridge, Mass.: Harvard University Press, 1960); James Fearon, 'Rationalist Explanations for War,' *International Organization*, vol. 49, no. 3, Summer 1995, pp. 379-414; Hein Goemans, *War and Punishment: The Causes of War Termination and the First World War* (Princeton, NJ: Princeton University Press, 2000).

9. For an excellent discussion of the draft of the 1997 plan, as well as its comparison with draft agreements negotiated by the Kocharian government, see Levon Zourabian, 'Sacrificed Diplomacy: The Truth about the Peace Negotiations,' *Aravot*, 31 March 2001 (in Armenian).

Obstacles to peace

Wars may indeed serve the function of reconciling the positions of belligerents, because they reveal the true balance of power and resolve, which at least one of the parties has to have miscalculated before the war. In this case, Azerbaijan moved considerably closer to the Armenian position, because Azerbaijan was the party that had done most of the miscalculating, as evidenced by its very poor performance on the battlefield. This shift, however, is only a necessary condition for opening up a bargaining space but not a sufficient one. In order for a bargaining space to open up, Armenia's pre-war position would either have to move closer to Azerbaijan's, or at least it should not have hardened. Winners, however, often discover that they do not have to make even those concessions that they were willing to make prior to the war, and stiffen their positions accordingly.¹⁰ This is what happened with Armenia's and Karabakh's positions. A large and very powerful part of Armenia's and Karabakh's political and security establishments concluded that even the moderated demands of Azerbaijan were too much to concede, and accordingly hardened their positions. Ter-Petrossian and many others in the government resisted this trend but they were defeated. The debate that took place between Ter-Petrossian and his opponents preceding his resignation is very interesting and revealing, and it is worth spending some time examining its essence in order to understand some of the obstacles on the path to a permanent, political solution to the Karabakh conflict.

By 1997, Ter-Petrossian had decided that Armenia and Karabakh had reached the peak of what they could get in a negotiated solution and of their relative power position. He also argued that the 'no war, no peace' status quo was holding back Armenia's development, causing unbearable economic hardship for the majority of Armenians which in turn was forcing large numbers of Armenians, especially the most capable and skilled segment of the population, to leave the country. Consequently, he argued it was time to settle the conflict approximately on the terms described above. His opponents, most prominently the current president of Armenia, who at the time served as Armenia's prime minister and before that as the president of Nagorno-Karabakh, argued that the poor economic conditions could improve without a settlement of the conflict. More specifically, the opponents argued that if corruption was curtailed and economic management improved,

10. Goemans, *op. cit.* in note 8, pp. 24-31.

then the economy would grow faster. They also blamed Ter-Petrossian for the intense political divisions of the country, as well as the poor relations with the Armenian Diaspora, arguing that improvement on those fronts could also considerably improve the situation in Armenia. This led them to the predictable conclusion that a settlement of the conflict was not a precondition for economic development. They also held the conviction that Azerbaijan was a deeply corrupt country, and that even when it started selling its oil the money would wind up in the off-shore accounts of Azerbaijani politicians rather than being spent on military hardware and training. Consequently, there was no need to rush towards a settlement. In other words, any concession was deemed to be more costly than trying to maintain the status quo.

There was a second, and subtler, element in the debate between Ter-Petrossian and his opponents. Ter-Petrossian argued that time was running out for everybody in the region, because the great powers were becoming more and more impatient. The Armenian-Azerbaijani conflict was an impediment to the development and export of Azerbaijani oil, and a number of related major projects. Thus, in this sense it was misleading to consider Azerbaijan as Armenia's and Karabakh's only, or even main, opponent. Sooner or later, Armenia and Karabakh would come under serious pressure to sign a deal, and it is always preferable to do it by negotiation rather than under pressure. Again, his opponents argued that Ter-Petrossian's fears were exaggerated. They maintained that there were sufficient differences and conflicts among the relevant great powers to reduce the likelihood of coordinated pressure and to give Armenia sufficient space for manoeuvre.¹¹

This political stand-off was resolved by Ter-Petrossian's resignation in February 1998, and his opponents, together with their arguments, assumed power in Armenia. Ter-Petrossian's defeat was not a result of the weakness of his arguments, for indeed his was the correct position, even if one can quibble with certain details. His defeat was the result of particular political and structural developments in Armenia, an understanding of which will help us understand the important domestic obstacles in the way of a permanent settlement.

First, there is the development of the war economy in Armenia. Most of the economic activity in the country was subordinated to the needs of the war; more importantly, the security and military establishment took over the most lucrative areas of economic

11. For a more detailed discussion of the debate between Ter-Petrossian and his opponents, see Gerard J. Libaridian, *The Challenge of Statehood: Armenian Political Thinking Since Independence* (Watertown, Mass.: Blue Crane Books, 1999), pp. 47-69.

activity. Even businesses and enterprises that are not directly controlled or managed by members of this establishment have developed a clientelistic relationship with them. Thus, a certain economic equilibrium, which can best be described as an oligarchy, which this oligarchy has no incentives to change has developed in Armenia. Even if one refrains from making the bald and incendiary claim that the current establishment in Armenia economically benefits from the ‘no war, no peace’ situation, it is clearly the case that they do not suffer from it. Hence, even if the current situation is sub-optimal for the country as a whole, it is not so for this establishment.¹²

It is also true that the economic situation has been improving at the margins over the last few years, even though its benefits are distributed very unevenly. This has given the current establishment grounds to argue that they were indeed right in their assessment of the potential to improve the country’s economic performance without solving the Karabakh problem. The sustainability of current growth is in serious doubt,¹³ and the country still incurs large opportunity costs as a result of the current situation,¹⁴ but the fact remains that the economic sky has not fallen in on Armenia, and this has strengthened the arguments and positions of the hawks.

The third obstacle is the radicalisation of positions in Azerbaijan and Karabakh – even though in Armenia itself it is hard to gauge true public opinion on what constitutes an acceptable compromise. With the passage of time and no tangible results, more and more people in Azerbaijan are concluding that negotiations are pointless, and that a military solution is the only one with any chance of regaining what the country lost on the battlefield. In Karabakh, as well as in Armenia, more and more people are questioning the need for any compromise, because the nine years of peace have dulled many people’s sense of the dangers of renewed escalation. One should also take into account that there is a generation of Karabakh Armenians now old enough to serve in the army who have grown up in what they have experienced as an independent (and victorious) country, and with no experience of contact, cooperation or even basic interaction with Azerbaijanis. Moreover, Karabakh is by necessity a thoroughly militarised society, very suspicious of any compromise, and loath to relinquish anything that has been attained on the battlefield at a very high price. It is very hard to convince them that compromises will have to be

12. For a more detailed analysis of how the war economy generated this problem, see Arman Grigorian, ‘Armenia’s Geopolitical Environment: Threats and Opportunities,’ Armenia International Policy Research Group *Working Paper* 12, January 2003; <http://www.armpolicyresearch.org/ResearchProjects/Index.htm>.

13. ‘Growth Challenges and Government Policies in Armenia’, The World Bank, February 2002.

14. Richard Beilock estimates that the absence of economic cooperation with Turkey alone costs Armenia US\$300 million a year, which is more than 10 per cent of Armenia’s current GNP. See Beilock, ‘Helping Armenia without Helping the Blockade,’ Armenia International Policy Research Group, *Working Paper* 3, January 2003; <http://www.armpolicyresearch.org/ResearchProjects/Index.htm>.

made. Thus, there is the perverse situation of Azerbaijanis saying ‘We have lost so much, how can we make any compromises?’ and Armenians saying ‘We have won, why should we make any compromises?’

Finally, the governments in both Armenia and Azerbaijan have been weakened lately. The controversial elections in both countries have put in place governments whose legitimacy and mandate are questionable. To make serious progress in negotiations, both sides will have to agree to painful compromises that are guaranteed to be politically costly and difficult. It is very doubtful that either the Armenian or Azerbaijani governments are capable of making such compromises, even if their good intentions were not in any doubt.

Third-party mediators: parts of a solution or parts of a problem?

Unfortunately, obstacles to a peaceful settlement of the Karabakh conflict are not confined to the domestic politics of Armenia and Azerbaijan. It is far from clear that the external setting is conducive to a settlement even if some or all of the domestic obstacles were removed. There is a general tendency to regard the activity of third-party mediators in any conflict, this one included, in purely technical terms. Third-party mediators are usually assumed to be impartial, disinterested arbiters whose principle aim is the peaceful settlement of the dispute and not much else. This is rarely the case, however, for third-party mediators often have other goals and interests. Indeed, there is a frequently ignored inverse relationship between how disinterested third-party mediators are and how much they are willing to invest in a peaceful settlement. Third parties that truly care only about peace may not be able to achieve much, as they are unlikely to invest too much politically and materially. Conversely, third parties that are very eager and willing to help find a solution may have things other than a concern for peace on their minds. And the situation becomes exponentially more complicated with the increase in the number of eager and willing third parties. The reason is that different third parties may be pursuing different, often conflicting and irreconcilable goals parallel to their efforts at finding a peaceful solution.

The two most important and influential third-party mediators in the Caucasus are Russia and the United States, and it is not clear that achieving a peaceful settlement to the Karabakh conflict is necessarily the most important item on their agenda in the context of their policies in the South Caucasus. This is not to say that they are not interested in peace; both are, but they are also interested in other things, and these other things sometimes get in the way. Namely, Russia and the United States have been competing for influence in the Caucasus at each other's expense throughout the 1990s, and this has created as many problems as their involvement has solved. Despite the sweeping declarations about the end of the Cold War and the new era of cooperation and engagement, the political rivalry between these two states in the Caucasus has been anything but. The United States has explicitly discouraged the Russian route for transporting Caspian oil to the West, explicitly or implicitly encouraged Azerbaijan and Georgia to play hardball with Russia, even encouraged Turkey to replace Russia as a 'big brother' in the region. In response, the Russians have tried to maintain and strengthen their strategic monopoly over the Caucasus, and they have used their economic and political levers in order to interfere in the domestic affairs of all three South Caucasian states as well as to influence the course of the three conflicts in the region in a direction most compatible with its interests, but not necessarily most conducive to a speedy political solution. The Caucasus today features increasingly sharpening lines of division, whereby Armenia gets closer and closer to Russia, and Georgia and Azerbaijan closer and closer to the United States. The United States and Russia are correctly seen as alternative and mutually exclusive powers by the states of the region, rather than as a coherent set of third-party mediators who might jointly help these countries to settle their conflicts. This is a major obstacle that needs to be overcome before any serious progress can be achieved in the negotiations.

Conclusions and recommendations

The focus of this paper has been the obstacles and difficulties preventing the peaceful settlement of the Karabakh conflict. The EU's involvement in the region in general, and in the process of

negotiations over Karabakh in particular, has to take all of these difficulties into account. The EU also needs to subject its own interests and concerns in the region to serious analysis. Does it care about the region enough? What does it want to achieve exactly? How do its interests mesh with those of the other external actors? Can these interests be reconciled? These are questions that need to be answered as the basis of its policy towards the region.

At the same time, however, this is not an argument in favour of the EU throwing its hands up and avoiding engagement. As argued above, the EU enjoys the trust of the conflicting parties, and it can start with a clean slate, which is more than can be said about the other third parties involved in the South Caucasus. Moreover, the conflict between Armenians and Azerbaijanis is not unsolvable. Armenians and Azerbaijanis do have a history of cooperation and peaceful coexistence. Even during the war in the early 1990s and to this day, Armenians and Azerbaijanis manage to work with each other, to engage in trade and other forms of cooperation. Should anyone doubt this, they should visit the border between Armenia and Georgia near the town of Sadakhlo, where Armenians and Azerbaijanis are engaged in active trade, and where their interaction is anything but hostile. The Karabakh conflict itself is a political problem of conflicting but not irreconcilable claims rather than a conflict of irrationally motivated mutual hatred that is not amenable to rational solutions. The EU's task therefore is a difficult one, but it is not hopeless by any means.

What are some of the steps that the EU can take to move the Karabakh peace process forward? At the most general level, the EU has to present Armenia, Azerbaijan, as well as Nagorno-Karabakh with tangible and serious benefits, which should be meaningful and consequential enough to alter the incentive structures of all the parties in this conflict. Those benefits should not be confined to economic aid alone, even though that should be a part of it. What the EU should offer instead is a real chance of integration into Europe, which should include political and security as well as economic dimensions. Putting Armenia and Azerbaijan in the queue for full EU membership is probably too unrealistic, at least for the foreseeable future, but certain creative alternatives to full EU membership that potentially contain similar benefits should not be impossible to devise. Needless to say, those benefits should be made strictly conditional on progress in the negotiations.

The EU should also do everything possible to aid democratisation in Armenia and Azerbaijan. The erosion of democracy in both countries has made progress in the Karabakh negotiations very difficult, and this is a problem that can and should be targeted by the EU. The argument here is not that fully democratic Armenia and Azerbaijan will have an easy time finding a solution. After all, both were more democratic than they are today when the conflict escalated in 1991-92. The argument is that democratic governments with unchallenged legitimacy will have an *easier* time in making necessary compromises without being branded as traitors and sell-outs if such compromises are available in principle. The problem in both countries is also the fact that they are not fully autocratic either, in which case the public opinion or the behaviour of the competing élites could be safely ignored. They are in the worst of all worlds, where they are neither democratic enough nor authoritarian enough for politically risky and costly moves, something that any progress in the negotiations will surely require.¹⁵ Democratic progress will not guarantee such progress, of course, but the lack of democracy will guarantee that there will be no progress.

Finally, the EU would be well advised to take the fears and interests of Russia in this region into serious consideration. For too long the Western discourse on Russia's behaviour in the Caucasus has been dominated by fears of Russian neo-imperialism, and the policies that have been informed by such discourse have generated quite a few self-fulfilling prophecies. It is time to put much of the sanctimonious rhetoric aside, and understand that Russia cannot possibly be disinterested in what is happening in the Caucasus any more than the United States can be disinterested in developments in Mexico. Moreover, the process of continuous decline of Russia's foreign policy influence, developments like NATO enlargement to within 600 km of Moscow despite the absence of any conceivable threat from Russia to the West, overt attempts to exclude Russia from the oil development and transportation projects in the Caucasus and growing talk of Georgia's and Azerbaijan's inclusion in NATO, has convinced even many liberal Russians that life in international politics is indeed 'nasty and brutish'. Hence, even a non-imperialist Russia that would otherwise be willing to accept shared influence in the Caucasus would have serious doubts whether the West was interested in sharing anything.

15. Most of the work in international relations theory that focuses on the regime type of states as the primary causal variable distinguishes only between democracies and autocracies. A prominent exception is Jack Snyder's work, where 'mixed regimes' or 'oligarchies' are treated as a third, analytically distinct type with policy formation processes and incentives that are very different from those in both democracies and autocracies. See his *Myths of Empire* (Ithaca, NY: Cornell University Press, 1991). See also Jack Snyder and Edward Mansfield, 'Democratization and the Danger of War', *International Security*, vol. 20, no. 1, Summer 1995.

This certainly is not an argument for giving Russia strategic, political and economic monopoly over the Caucasus, but rather for taking Russian interests and fears into account. In fact, the legitimacy of Russian interests and concerns in the Caucasus is not even the most important reason why others should not try to sidestep Russia. Despite its weakness, and the growing influence of the West, and particularly the United States, in the Caucasus, Russia still retains far more powerful tools of influence there than any other third party. It was emblematic that the recent crisis in Georgia between Eduard Shevardnadze and the opposition was mediated by Igor Ivanov, and not Colin Powell.

Azerbaijani security problems and policies

Arif Yunusov

The South Caucasus:
a challenge for the EU

9

2003 has been an important year for Azerbaijan. With all the uncertainties surrounding the epoch-ending presidential elections, a number of questions are worth posing. What can one expect for Azerbaijan in the near- and medium-term? What are the external security threats to its security? Which internal factors of development have an influence on the country's stability? How might these developments affect the South Caucasus as a whole? Finally, what might be done to prevent the rise of instability in Azerbaijan?

This chapter will examine the external and internal factors that are at play in affecting the stability/instability of Azerbaijan. These may be further divided into objective and subjective factors of influence. The focus of the following discussion falls on the most important and relevant factors that may negatively affect the development of the country.

External factors

The Karabakh conflict

The lack of resolution of the Karabakh conflict is the most serious threat and challenge to the security of Azerbaijan. The conflict broke out at the end of the Soviet era when, in February 1988, the Karabakh region inside the Azerbaijan SSR, mainly populated by Armenians, declared its desire to separate from Azerbaijan and join the Armenian SSR. After the collapse of the USSR in 1991 and the Azerbaijani declaration of independence, an undeclared war erupted between Azerbaijan and Armenia in 1992 over the question. After an agreement to a cease-fire in May 1994, Azerbaijan found itself the poorer by 20 per cent of its territory and almost one million citizens as internally displaced persons (IDPs).

Since 1994, the conflicting parties have held almost constant negotiations, and international mediators have put forward numerous proposals. However, settlement has remained out of reach. The unresolved questions of territorial loss and the internal refugee population have become a heavy burden on Azerbaijan's political and economic development. The IDPs have lived for more than ten years in tented camps, and are becoming so radical politically as time passes that they are now a social basis for opposition to the government. While meetings and demonstrations in Azerbaijan were quite rare in the 1990s, they have become normal events that no longer surprise anyone.

A part of the radicalisation of the IDP population is linked with the emergence of a new generation of Azerbaijani youth who never experienced living with Armenians or even the war itself, but who have been brought up on the idea that Azerbaijan's territorial loss must be rectified. Public opinion polls and reactions of youth organisations since 2001 clearly indicate an increasing radicalisation of the political views of young people on the Karabakh conflict.¹

As the settlement of the conflict is further delayed, one should expect a further hardening of society's views on the question. As a result, proposals for a settlement that were put forward in the 1990s, such as the idea of a creating a 'common state' and the notion of a package deal, have become increasingly viewed as 'defeatist'.

Regional tensions between the United States, Russia, Turkey, Iran

Regional tensions are another external challenge to the stability of Azerbaijan. First and foremost, Russian policy is of vital importance. There are important elements in Russian policy that still consider Azerbaijan, as well as the whole region of the South Caucasus, as Russia's sphere of influence and traditional presence. On these lines, Russian governments over the 1990s were keen to restore Russia's previous status as regional hegemon. In addition, Russian policy is led by concerns for its own security, with threats to it emerging from its southern borders and the increasing influence of other actors in the region, such as Turkey in Georgia and Azerbaijan. The strengthening of the role of political Islamic forces in Azerbaijan is another worry for Moscow.

1. See for example, 'This authority will not deliberate Karabakh. Youth organizations get ready for protest actions on February 22', *Yeni Musavat*, no. 47, 20 February 2003; and 'Oppositional youth in the search of the leader', *Zerkalo*, no. 71, 18 April 2003.

Most of all, the Russian government has been concerned with two developments tied directly to Azerbaijan. The first is the construction of a major oil pipeline to take Caspian Sea energy from Azerbaijan through Georgia to Turkey and not through a northern and Russian route. At the same time, Azerbaijan has strengthened its ties with the United States and called for closer ties with NATO and other Euro-Atlantic structures. This policy has been particularly noticeable since 11 September 2001 and the military campaigns in Afghanistan and Iraq. The pro-Western orientations of both Georgia and Azerbaijan are not enough to sweep aside Moscow's influence in the region. However, the long-term trends, especially on oil and gas transportation and the geopolitical future of the South Caucasus, are worrying for Moscow.

At the same time, Russia's more pragmatic leadership under Vladimir Putin remains uncertain about Azerbaijan. This lack of clarity is likely to last well into the post-presidential elections period. What is certain is that the ambitions of the new Russian Federation do not correspond to its economic resources. In this sense, the current situation of 'no war, no peace' in the Nagorno-Karabakh conflict may not be beneficial for Russian interests. And yet, it seems clear that Russia is active in seeking to delay conflict settlement in order to retain the issue as leverage to promote its other interests in Azerbaijan and the region. In turn, the role of Russia is well understood in Azerbaijan. In the early 1990s, elements in Russia kindled separatist spirits among national minorities, especially among part of the Lezgin population, to create instability in Azerbaijan. Such factors may again be exploited in the future.

Russia has another means of leverage that is undervalued in most analyses of Azerbaijan. As a result of difficult economic conditions, some two million Azerbaijani citizens (almost 25 per cent of the population) have found work in Russia. The figures concern mainly men between the ages of 20 and 40. Before the financial crisis in August 1998, Azerbaijanis annually transferred up to \$2.5 billion from Russia to Azerbaijan, an amount that is double the scale of foreign investment in the economy over the same period of time. Since 1998, the figures have changed little, with estimates of remittances reaching between \$1 and 1.5 billion per year.² The Russian government has not refrained from using this tool as leverage over Baky, threatening to repatriate Azerbaijani citizens or to halt the remittance transfers. The declaration by the Russian

2. See A.Yunusov, 'Labor Emigration from Azerbaijan', in *Labour Migration in CIS* (Moscow, 2003), p. 132.

government in August 2000 about Russia leaving the CIS non-visa regime and its desire to agree to bilateral visa regimes with each state was another case of Moscow using this dependence as leverage. The declaration had strong resonance in Azerbaijan and among Azerbaijani migrants, and led the Baky authorities to hold urgent negotiations with Moscow. In the end, Azerbaijan reached an agreement with Russia that lifted the visa obligation from its citizens, an objective that Georgia patently failed to achieve. For this, there was a cost for Azerbaijan. On 25 January 2002, the Azerbaijan president signed an agreement renting the Gabala early warning station to Russia for a period of ten years and also regulating the status of the Russian military presence in Azerbaijan.

The agreement led to sharp protest from Azerbaijan's domestic opposition, a storm of indignation from Turkey and anxiety in the United States. Azerbaijan is caught in the cross-currents of pressure and influence between Russia, the United States and Turkey. In April 1999 Azerbaijan declared that it was leaving the CIS Collective Security Treaty Agreement, originally created by Russia to retain a military presence throughout the former Soviet Union and to counter Western strategic influence in the region. At the same time, Azerbaijan has preserved military contacts with Russia. In the summer of 2002, Azerbaijan's navy took part in Russian-organised exercises in the Caspian Sea.

Azerbaijan has particular and complicated relations with its southern neighbour, Iran. More than 20 million Azerbaijanis live in Iran, and the separatist stirrings among them have made for constant headaches for the authorities of Iran. At the same time, Iran has considerable influence over Islamic forces in Azerbaijan. Iran is a Shia state and the most of the population of Azerbaijan are also Shia. Iran has also been concerned by Azerbaijan's contacts with its traditional rivals, Turkey and Israel, contacts that have gained prominence since the late 1990s. The question of dividing the Caspian Sea is another particular point of tension. July 2001 saw the narrow avoidance of an armed clash between the two neighbours, as Iranian fighters and naval ships transgressed Azerbaijan territory to obstruct work on energy exploitation near Iran's borders. There is no guarantee that a conflict on the Caspian Sea between Azerbaijan and Iran will not flare up.

The role of the West in Azerbaijan

For a number of reasons, primarily geopolitical, Azerbaijan and the West need each other. Azerbaijan is a Muslim country with a pronounced secular orientation. On the background of the explosion of Islamic radicalism and the associated problem of terrorism, the role of Azerbaijan for the West has gained importance. The role of the West is no less important for Azerbaijan, as a new state on the path towards democracy and facing serious internal and external challenges. Without the presence of members of the Euro-Atlantic community, Azerbaijan's very fragile democracy would certainly come under pressure.

Major corporations from the United States and Europe are heavily involved in Azerbaijan. The United States has started to play an ever greater role in seeking to resolve a number of the region's political problems, as have a number of European states. On top of a rich network of bilateral ties, Azerbaijan has established contacts with most Euro-Atlantic institutions, including, most prominently, the North Atlantic Treaty Organisation (NATO) and the European Union (EU). It is a member of the Organisation for Security and Cooperation in Europe (OSCE) and the Parliamentary Assembly of the Council of Europe (PACE). In January 2001, Azerbaijan was invited to join the Council of Europe. The concept of the 'West' is now linked in Azerbaijan not only with the United States and Western Europe, but also with the OSCE and the Council of Europe. Certainly, Western states and organisations play a vital role in keeping Azerbaijan on the path of transition, in terms of democracy and market development, holding it back from joining the world's collection of authoritarian and backward countries that are a threat to international security.

Western influence has been important in making Azerbaijan the state it is at the start of the twenty-first century: a highly Westernised country, integrated in Euro-Atlantic structures and with hopes for ever greater ties. At the same time, public opinion surveys have indicated a nuanced view of the role of the West in Azerbaijani society. Two surveys are illustrative. First, in February 2003, the expert group Turan conducted a survey on attitudes to the West, in the context of the approaching presidential elections, among 100 members of Azerbaijan's opinion-making élite, from

public organisations, research centres and institutes, as well as political journalists.³ Those people working for organisations protecting freedom of speech and human rights viewed the contribution of Western human rights organisations as being high. The efforts of the US authorities were deemed satisfactory. However, the Council of Europe and the OSCE provoked dissatisfaction. More than 55 per cent of this élite saw the overall attempt by the West as being insufficient in terms of democratisation. To the question: 'Why does the West (the United States and the Council of Europe) not pursue more effectively the democratisation of Azerbaijan?', 44 per cent drew the conclusion that the West in fact sought a weak and authoritarianising Azerbaijan, as this was more in its interests. Thirty-four per cent noted the West's tacit support to the regime of Heydar Aliyev as being the main reason for the lack of real democratising pressure from the international community; 31 per cent saw the weakness of the opposition as being most important; 28 per cent focused on the corruption and of Azerbaijan's bureaucracy; 21 per cent highlighted religious and ethnic differences in the country as the main reason. The majority of those polled pinpointed three factors as being vital for the conduct of free and fair elections: first, measures taken by the authorities; second, the role of the West and its organisations; and finally, the full and correct application of the electoral regulations.

Azerbaijan's Institute of Peace and Democracy (IPD) conducted a second public opinion poll on this issue. The results of that research were published for the conference held by the European Union Institute for Security Studies in Paris, on 16 May 2003. Between November 2002 and April 2003, the IPD monitored the press in Azerbaijan as well as the role of the Council of Europe and the OSCE in the political life of the republic. Monitoring covered 18 leading newspapers and magazines, which were governmental, opposition and independent. During the period of review, close to 250 published items about the two European organisations were noted in the mass media. The lion's share (218 articles – 88 per cent) of the publications focused on the OSCE. In fact, analysis of articles of substance shows that the Council of Europe was discussed in only seven publications. The treatment by the press of the activities of the OSCE office in Azerbaijan is not better for all the attention that it received. A sample of titles from newspaper articles is indicative: 'The OSCE again in a mess', in

3. See *Novoye vremya* (Baky), 4 March 2003.

Zerkalo (17 December 2002); 'The OSCE serves the interests of the authorities', in *Ekho* (22 February 2003); 'The strange mission of the OSCE', in *Novoye vremya* (18 December 2002); 'The heads of Baky office of the OSCE are cheaters', in *Jumburiya* (22 December 2002); 'Even NGOs boycott the OSCE', in *Huriyyat* (18 December 2002); 'The OSCE's refusal to mediate', in *Yeni Musavat* (19 December 2002); and 'The OSCE turned into a body obedient to the authorities', in *Sharg* (18 December 2002).

Articles discussing the wider activities of the OSCE and the Council of Europe are generally positive. Criticism is reserved solely for the missions of the two organisations in Baky itself. A majority of Azerbaijan society has formed negative views of the local representations of the two organisations. This is a worrying development, given the hopes placed on Azerbaijan by a number of Western states.

Internal factors

The economic situation

The Soviet collapse and the destruction of the integrated economic system dealt a serious blow to the economic prospects of the newly independent Azerbaijan. None the less, many experts inside the country in the early 1990s expressed confidence about its economic prospects, thanks to the country's energy reserves, skilled personnel and a number of relatively developed branches of the economy. All of these led to hopes of a rise in the country's living standards.

The Karabakh conflict was a first serious challenge to these hopes. An army of refugees and IDPs filled the country, and the authorities, afraid of social explosion, pulled back from serious economic reform. These difficult years were followed by the cease-fire in the conflict in 1994 and the signature of a number of so-called 'deals of the century' for the exploitation of the country's energy reserves, which again gave rise to euphoria in Azerbaijan. Over the course of the last decade, formal privatisation has occurred and international oil companies have made considerable investment, to a total of close to \$7 billion. Formally, according to the government picture, the socio-economic situation is rosy and

is only to get better. The government line is that the economic crisis of the 1990s has been overcome and growth has started in the country.

The reality is quite different. Almost 90 per cent of foreign investment is directed to the energy sector. Azerbaijan is poised to suffer from a serious case of 'Dutch syndrome', with an economy entirely dependent on the price of oil. Over the last ten years, the medium-sized production sector inherited by Azerbaijan after the Soviet demise has collapsed, with an estimated 90 per cent of plants lying idle and obsolete. Agriculture has been destroyed to such a point that Azerbaijan depends on the import of foodstuffs.

The hope placed on the impact of privatisation to stimulate growth has also failed to materialise. The privatisation programme was carried out by a small number of people for a small number of people with direct access to power. A vast shadow economy has emerged as a result, with independent estimates placing the scale of transactions at an equivalent size to the formal economy. At the same time, the average outflow of capital from Azerbaijan annually exceeds \$1 billion.⁴ The result is a country rent in two, with a relatively satisfied capital city and a desperately poor rural countryside. Baku has attracted all external investment.

One consequence of this situation has been the migration of an estimated 2 million citizens abroad in the search for work, mainly to Russia, the CIS countries, Turkey and even Western Europe. The departure of such a large segment of the healthy working population has both negative and positive consequences. On the one hand, the remittances sent back are vital additional sources of income for remaining families. This is a non-negligible factor behind the stability that characterises Azerbaijan's society. At the same time, this is a loss for Azerbaijan not only in terms of the 'brain drain' effect but also on demography: the number of marriages has decreased, the country's demographic structure has changed, and birth rates have fallen as have family sizes and overall population density. These conditions are laying down the foundations for social tensions in Azerbaijan.

The political system

For almost 70 years Azerbaijan formed a part of the USSR, and its current political system is still based on the previous Soviet system. In fact, many of the same communist leaders remain in power,

4. See 'Interethnic Relations and Conflicts in Post Soviet States', Annual Report, 2002 (Moscow, 2003), p. 296.

although the name of their party has changed. No matter the external changes, the élite think in the manner of former categories. Moreover, for much of the last 30 years, Azerbaijan has been led by Heydar Aliyev. Not only has he run the country but he has also set about creating a political system for himself, and his family, founded on what might be called a family-parochial basis. Emigrants from Aliyev's native Azerbaijani region of the Nakhchivan Autonomous Republic occupy the overwhelming majority of positions in the large state structures. The same is true for the major business and economic structures.

At the same time, Aliyev took care that this system did not arouse serious censure on the part of major external parties – in Soviet times, from Moscow, and now, from Washington – particularly with regard to the stability of oil production. A hybrid Eastern post-Soviet system emerged in Azerbaijan as a result. The Central Committee of the Communist Party still exists in many respects in different forms as the presidential apparatus. In the regions, authority lies in the hands of presidential appointees. In Baky, the Cabinet of Ministers and the parliament are fronts for the presidential apparatus and do not play an influential role in the country's political life. In the regions, local municipalities do not play a significant political role. The system is closed.

Opposition forces are weak financially and institutionally, but have some advantages. The leaders of the leading opposition parties are bright orators and experienced politicians, schooled during the wave of nationalist uprising in the late 1980s. The most prominent are Isa Gambar, leader of Musavat, Etibar Mamedov, leader of the party of National Independence, and Ali Kerimli, leader of the Popular Front of Azerbaijan. All three are supporters of a Westernising course for Azerbaijan and enjoy considerable support in the United States and Turkey, a situation that created concern for Aliyev. The leader of Democratic Party, Rasul Guliyev, is no less important. He has excellent organisational skills and is the only person in the opposition with considerable financial support. Moreover, he comes from Nakhchivan, which explains why many in Aliyev's entourage have maintained contact with him (at one point, Aliyev Snr indeed feared that many around him might move to support Guliyev over his son, Ilham).

Aliyev Snr was well aware of the support garnered by the opposition throughout the country. The economic situation is desperate and a large proportion of the working population is abroad.

Their remittances are vital for the survival of many people and this, combined with the absence of potentially radical section of the young male population, ensures a degree of social stability. Overall, however, society is very dissatisfied with the government's economic record, as demonstrated during the presidential elections in 1998 and parliament elections in 2000. In 1998, Aliyev failed to win outright in the first round over the leader of the party of National Independence – Etibar Mamedov. In 2003, the Central Electoral Committee had still not published the results of these elections. The parliamentary elections in 2000 were also problematic, as in all likelihood Musavat gained significant support.

The presidential election

Aliyev Snr started the campaign for the 2003 presidential elections a year earlier, declaring in June 2002 his intention to run for a third time. On 23 August, a referendum was conducted that amended the Constitution – changes that were unanimously seen by the opposition as the '*coup d'état*' and evidence of a desire to create a 'constitutional monarchy'. With the amendments, proportional representation was abolished, with elections to the parliament to depend on a straight majority. People will vote not for party lists but individual candidates. This change has the effect of pushing parties to the sidelines of the political system and de facto of creating a single party system around the ruling Yeni Azerbaijan. With the amendments, the decision to halt the registration of parties has passed from the hands of the usual district courts and the Constitutional Court. Finally, a provision was passed ruling that, should the President retire before the end of his term, authority would pass in the interim not to the speaker of the parliament but to the prime minister.

Aliyev Snr sought an overwhelming victory from the 2003 presidential elections. The plan evidently was to follow these lines: he would win the elections, appoint his son to the post of prime minister and ensure the elimination of the opposition as members of parliament and thus rule through the single party in power. In response, in November 2002, a number of opposition parties created a Coordinated Center of Opposition, which included nine leading parties. Later that month, the government elaborated and presented, jointly with the OSCE, a project for a new electoral

code. Much to their own and everyone's surprise, the opposition did the unexpected: it declared unanimously that it would not participate in the round tables on the new code organised by the OSCE and the Council of Europe. This was a blow to the prestige of the government and the OSCE. The August 2002 referendum had forced the opposition to unify its efforts. As a result, in late 2002, the opposition formulated a number of joint demands for the electoral code, many of which were approved. One demand, however, was rejected outright by the Baky government – that of parity in representation of the ruling government and the opposition on the electoral commissions.

The run-up to war in Iraq in early 2003 suited Aliyev's interests, as he sought to secure US support in the upcoming year by aligning Azerbaijan to American positions in the Middle East. Aliyev's visit to Washington in February seemed to many observers in Baky to have sealed the fate of the presidential elections in his favour. Even his health receded as a question in play. Aliyev returned from the United States confident in his own victory and openly stating that he would crush the opposition parties in the elections. His confidence in a rosy geopolitical climate was so strong that Aliyev brushed away pressures to accept opposition demands.

21 April 2003 changed everything. President Aliyev appeared at a commemoration ceremony and collapsed. His bodyguards caught him in time and swept him into the wings, but the podium remained empty for twenty long minutes, during which the entire country asked itself the same question: 'Had Aliyev died?' Then Aliyev returned to the stage, only to trip and fall again to the ground. Swiftly taken away by his bodyguards, panic erupted in the hall and television broadcasted numerous quite hysterical interviews with members of the ruling party. The situation calmed down when twenty minutes later Aliyev returned to the stage, wished everyone a good evening and left. Meanwhile, the police had been placed on high alert and the country's external borders closed. Life returned to normal the following day – on the surface. No one quite believed that the unavoidable question of Aliyev's mortality would actually be resolved. Whereas foreign analysts had long discussed the question, a pseudo myth of Aliyev's longevity, not to say immortality, was widely shared in Azerbaijan. His public collapse was most humiliating to his entourage: the president had collapsed twice before the entire population.

According to international medical opinion, Aliyev had experienced a moderate heart attack, which did not prevent him from returning to his feet. Given his stressful lifestyle, the president was prescribed thirty days' confinement to his bed. In another country, such an attack would have required the president to pass power immediately in the constitutional manner. In Russia, Boris Yeltsin had followed this path. However, Aliyev is a man of a quite different nature, and Azerbaijan is not Russia. Aliyev's entire strategy in the last few years has been built with a view to the presidential elections of Autumn 2003. Aliyev understood that his heart attack had changed the nature of the game. As such, the failing president sought to gain the support of external powers, and especially the United States, for his plans. Only hours after the heart attack, Aliyev met with the American Ambassador, no doubt in an attempt to reassure Washington about the continuing longevity of the Azerbaijani president and to reiterate his ability to continue to protect Western interests in the country.

But the situation had changed dramatically, and everything that had gone before was thrown into the air. First and foremost, victory in the elections was no longer a done deal: Aliyev could not possibly win from his bed; he would have to get out into the public and lead an active political movement from the front. There were also doubts about Ilham's ability to lead the charge. Certainly, external actors began to consider the opposition more seriously, even most prominently the American government. Aliyev Sr therefore worked to ensure the victory of Ilham by appointing his as prime minister in the place of Artur Rasizade. The situation in Azerbaijan was sharply changed and became much more dynamic and uncertain. Until 2003, political forces in Azerbaijan had been divided into three groups: 'pro-Western', 'pro-Russian' (ex-president Ayaz Mutalibov, social-democrats and others) and 'pro-Iranian' or, in the wide sense, pro-Islamic forces (Islamic Party, Islamic Democratic Party, Wahhabis). The latter two never played an important role as, after the Soviet collapse, a struggle for power occurred among supporters of a pro-Western direction. By early 2003, pro-Western forces were divided into two factions: on the one hand, the ruling élite headed by Heydar Aliyev and his son, as prospective successor, and a second represented by the opposition, united in the Coordinated Center, where the leading role was played by the Musavat, National Independence, Democratic Party and Popular Front parties.

On 14 June, the Central Election Commission (CEC) adopted the decision to hold the presidential election on 15 October 2003. It was also announced that the registration of all candidates would occur between 1 July and 6 August. Heydar Aliyev registered in late June. For a number of technical reasons, the CEC refused to register representatives of the pro-Russian (Ayaz Mutalibov, Araz Alizade and others) and pro-Iranian leanings (leaders of the Islamic Party). Rasul Guliyev, leader of the Democratic Party, with supporters among the pro-Western opposition and the ruling party, also failed to register. The rest of the pro-Western opposition behaved as if the results of the election were predetermined in Aliyev's favour; this conviction undermined any unity amongst its main leaders. While Aliyev Snr's health worsened, in early August, Ilham Aliyev was appointed Prime Minister. From then on, Azerbaijan entered a period of turbulence, with doubts about the elections, expectations of Aliyev Snr's death and uncertainty of the position of the West. On 15 August, the CEC registered 12 candidates for the presidency. All were pro-Western, but divided into government and opposition candidates, with all attention from the ruling élite and government on Ilham Aliyev.

In October, the situation became more tense, as both the government and the opposition saw the elections as a vital turning point. According to the polls, voting predictions were so tight that a second round looked inevitable. Thus, the official results from the elections, put forth by the CEC caused a shock: Ilham Aliyev received more 77 per cent of the votes, while his main rival Isa Gambar collected only 14 per cent. The remaining opposition leaders (Etibar Mamedov and others) together received about 8 per cent. Even Aliyev Snr had never achieved such an overwhelming majority, and the shock quickly moved to unrest, with people gathering around the headquarters of Musavat. Mass rallies on 16 October quickly turned into mass disorder, brought under control only after the arrival of additional security forces. According to estimates of human rights organisations, 1,000 people were injured (including 71 journalists) and 4 persons died. In all, close to 1,500 members of the opposition were arrested.⁵ According to official data, one person died, about 200 people were wounded (including 112 representatives of the law enforcement bodies), and some 625 people were arrested, of which 548 were quickly released. Seventy-seven have had criminal cases brought against them – all of them are leading members of the opposition

5. See '16 October,' in *Human Rights (Bakı)*, no. 5, 2003, pp. 25-33 (in Azeri).

parties.⁶ On 28 October, the Constitutional Court approved the results of the presidential election. Two days later Ilham Aliyev was inaugurated as President.

Aftermath

The supporters of the pro-Western parties and organisations viewed the position taken by Western international organisations, and of the leading countries of the West, as a betrayal. The statements made by international organisations changed nothing. In the view of many, the United States had acted inconsistently during the election period, sending out feelers to the opposition while maintaining ties with the government. The result is annoyance and frustration. During the election campaign Ilham Aliyev promised to create 600,000 jobs and to sweep the government clean of corruption. Yet, his first statement after the elections was to emphasise continuity with Aliyev Snr's programme.

Conclusions

The fragility of the political system created by Aliyev Snr was evident in 2003. The stability of his reign was in fact weak, and it remains to be seen if his son will have the skills required to keep the system viable. Neither do the opposition forces have the strength and personality to assume control. Certainly, one should expect a troubled period of transition to follow the elections. And the most vital question remains: transition to what? The pseudo-democratic system that has emerged in Azerbaijan, not without implicit acceptance by the United States and many European states, may not last. A deep undercurrent of social discontent, which may yet take an anti-Western form, runs through the country.

The United States and Europe should seek to prevent this by considering the following measures. First, it is necessary to realise that the age of Heydar Aliyev has come to an end, and that this is good for the security and stability of the country. The post-Heydar political system must not continue the more negative dimensions of Aliyev Snr's rule if social unrest is to be avoided. Second, the international community must take a firm line with the new government on the need to respect democratic norms. In particular, the international community must insist more strongly on the

6. According to N. Ramizoglu, 548 participants in the disorders were released; see *Ekho (Baky)*, no. 207, 30 October 2003.

need to pursue real political and economic reform throughout the country. Third, the international community must step up pressure for a settlement of the conflict over Nagorno-Karabakh and the return of IDPs to their homes. The continuing lack of a settlement would exacerbate popular unrest and continue to drag down the economy. A social crisis must be avoided. Europe, and the EU in particular, should play an active role in this. Finally, the activities of the Council of Europe and the OSCE must be more wide and active, particularly on the questions of the provision and protection of human rights and the promotion of democratic values and conduct in the country.



An EU Special Representative to a new periphery

Bruno Coppieters¹

The South Caucasus:
a challenge for the EU

10

The resources allocated by the EU in the South Caucasus – over a billion euros for the period 1991-2000 – have not produced the expected results.² As a consequence, the EU has not decided to withdraw or to diminish its involvement but, on the contrary, to enhance its political profile in the region. The Greek government, holding the Presidency of the EU for the first half of 2003, supported a proposal, first made in 2001 by the German government, to appoint an EU Special Representative for the South Caucasus. The appointment of such a representative is a complex procedure which involves decisions on a series of sensitive key questions including a definition of the mandate for a common EU policy representative in the three states of the South Caucasus. This was not a particularly easy task, given the lack of an explicit common strategy of the European Union for Azerbaijan, Armenia and Georgia, such as the Union has for Russia and Ukraine,³ but on 7 July 2003 a Special Representative for the South Caucasus was appointed.

This chapter will not address all the policy implications of the decision to send a Special Representative to the South Caucasus. Instead, it focuses on one basic question: to what kind of region is the Special Representative being sent? This question can be broken down into two parts: first, how is the region in which Armenia, Azerbaijan and Georgia are located to be delimited, assuming that the EU is defining its interests in these countries in security terms; and second, how does this region at the periphery of Europe relate to the European Union. To answer the latter, one must elucidate the different meanings of the notion of being at the periphery of the EU. On the basis of an analysis of these two levels, it will be easier to discuss the mandate and tasks of the Special Representative.

1. I am grateful to Dmitri Trenin, Dov Lynch, Reinhold Brender, Robert Liddell and Damien Helly for their comments on a first draft of this paper.

2. http://www.mfa.gr/english/foreign_policy/eu/eu_relations/nak_georgia.html (accessed 22 May 2003).

3. 'Common Strategy of the European Union of 4 June 1999 on Russia', in *Official Journal of the European Communities*, 24.6.1999, L 157/1-9; http://europa.eu.int/comm/external_relations/ceeca/com_strat/index.htm (accessed 22 October 2003). The Council implements the strategy by adopting joint actions and common positions. See also 'European Council Common Strategy of 11 December 1999 on Ukraine', in *Official Journal of the European Communities*, 23.12.1999, L 331/1-9; http://europa.eu.int/comm/external_relations/ceeca/com_strat/index.htm (accessed 22 October 2003).

Multi-regional policies: the Caucasus and the South Caucasus

If a region is defined primarily in security terms, it does not make sense to view the three states of the South Caucasus as representing a region on its own. The three states should rather be seen as part of a wider Caucasian region which encompasses the South and North Caucasus and is shaped by its relations with neighbouring Iran and Turkey.⁴

However, the EU does not define the Caucasus in this way. It conceives the region of the South Caucasus as being clearly delineated from the North Caucasus. In defence of this position, one may indeed consider that the notion of a 'region' is quite indeterminate and may have different meanings. Moreover, the three South Caucasian states may have sufficient interests and problems in common to constitute a region, at least from the perspective of the EU. Also, the borders between the South and the North Caucasus are international borders. Thus, conceiving EU interests and policies in terms of a region that encompassed federated entities of the Russian Federation would be seen by Moscow as an attempt to intervene in its internal affairs.⁵

Despite all of these reasons, the image of the South Caucasus as a region on its own does not fit with the patterns of interaction among the political actors of the South Caucasus and neighbouring countries. Put bluntly, the patterns of conflict and cooperation between the South Caucasian states are too closely linked with Russia, Turkey and Iran for them to be considered as constituting a separate region in security terms. A short overview of events in the South Caucasus in April 2003 illustrates the point that the security interests of the South Caucasian states cannot be dissociated from their neighbouring countries (see box 1). This snapshot taken in April 2003 highlights the importance of bilateral and multilateral initiatives at the economic and military level, and at the level of state- and democracy-building as well. But none of the initiatives mentioned indicates any form of integration at the economic, military or political levels between the three states. Even at the bilateral level, there have been no significant events. Moreover, the South Caucasian states are heavily dependent on external states and powers, and not only in terms of economics and military affairs. At the level of state-building, Western governments and international organisations have shared a concern that

4. On the concept of a security complex, see Barry Buzan, *People, States and Fear. An Agenda for International Security Studies in the Post-Cold War Era* (New York and London: Harvester Wheatsheaf, 1991), pp. 186-229. For its application on the Caucasus region, see Bruno Coppieters, 'The Caucasus as a Security Complex', in Bruno Coppieters (ed.), *Contested Borders in the Caucasus* (Brussels: VUB Press, 1996), pp. 193-204; Svante E. Cornell, *Small Nations and Great Powers. A Study of Ethnopolitical Conflict in the Caucasus* (Surrey: Curzon, 2001), pp. 22-5.

5. To consider the Caucasus as constituting a single region may be perceived by the Russian Federation as a threat to its territorial integrity. This does not exclude the fact that the Moscow authorities may themselves very well conceive the Caucasus as constituting a region in its own right. See the Russian proposals, first formulated by Boris Yeltsin, to create a 'Caucasian Home' and taken up by Vladimir Putin at the beginning of his presidency with the idea of a 'Caucasus Four'. In January and July 2000, the leaders of Armenia, Azerbaijan, Georgia and Russia discussed regional security issues at two CIS summits in Moscow. See Valery Tishkov, 'The Conflict Capacities of the Russian Government in the Caucasus', in Michael Lund, Anna Matveeva, Christine Tiberghien-Declerck and Valery Tishkov, *Conflict Prevention in the Caucasus* (London: EastWest Institute & Forum on Early Warning and Early Response, December 2001), p. 19.

the failure to organise democratic elections may lead to political instability in these states. At the wider level, the events of April 2003 illustrate how every state in the region is engaged in a complex system of military alliances involving neighbouring countries, the CIS and NATO, as well as individual members of those organisations.

Box 1: Events in the South Caucasus, April 2003

In the field of economics, the Armenian Airlines had to halt all its flights, facing bankruptcy. As a result, the Russian Armavia company emerged as the largest airline in Armenia. Russian enterprises have also increased their presence in other sectors of the Armenian economy. For example, the Armenian government was engaged in talks with Russian companies, which had expressed an interest in acquiring the Nairit chemical plant in Yerevan, following the announcement that the British-registered Ransat group would cede control of the plant back to the Armenian authorities. At the end of April, Vladimir Putin met with Armenia's president Robert Kocharian to discuss bilateral trade and economic cooperation, including nuclear energy. Moreover, Armenia was granted 'observer status' in the Eurasian Economic Community, which consists of Russia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan.

In terms of regional economic relations, talks were held in Azerbaijan on 13-15 April with Iranian and Greek officials. Azerbaijani relations with Iran have improved greatly after progress has been reached in resolving the dispute over the division of the Caspian Sea. Greek officials also discussed EU policies towards Azerbaijan (Greece then held the Presidency of the EU). The state-owned Greek DEPA energy firm is actively negotiating for a share in the planned gas exports from Azerbaijan. Moreover, the Azeri authorities approved the plan of LUKoil to sell its interests in one of the offshore oil fields to a Japanese firm.

In the field of state and democracy building, an agreement was signed in mid April between Armenia and the U.S. concerning more than US \$730,000 in assistance for training and technical assistance aimed at Armenian law enforcement personnel. The OSCE urged the Armenian authorities to ensure 'greater transparency' in the 25th May parliamentary election's vote count and 'more balanced' media coverage. In Georgia, the U.S. Ambassador Richard Miles discussed with opposition leader Zurab Zhvania the conditions under which the autumn parliamentary elections would be held. In Azerbaijan, the Council of Europe Parliamentary Assembly (PACE) official Terry Davis arrived in Baky for talks with parliamentarians and senior leaders. The Council of Europe had severely criticised the government's draft electoral law as being against democratic standards. Moreover, the head of the Human Rights Center Eldar Zeynalov was arrested in Baky after returning from a seminar on civil society that took place in Nagorno Karabakh in late April.

In the field of military relations, on 11 April, the Georgian deputy foreign minister Kakha Sikharulidze labelled the criticism by the Russian State Duma of the March 2003 bilateral agreement on defence and military cooperation between Georgia and the U.S. as an attempt to interfere in Georgia's internal affairs. On 18 April, Turkish military authorities declared that Turkey would increase its military assistance to Georgia. On the same day, the Azeri president Aliyev stated that his country qualified for membership in NATO. On 28 April, it was declared that Armenia would join Russia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan in the creation of a new joint military command for a rapid reaction force to combat security threats in Central Asia, a new formation that will strengthen the role of the Collective Security Treaty Organisation. On 29 April, NATO officials reviewed final preparations for NATO military exercises to be held in May 2003 in Armenia, with the participation of a Turkish detachment as observers. On wider international questions, the governments of Azerbaijan and Georgia declared their support to the American military occupation of Iraq. The Azerbaijani leadership even proposed to dispatch a force of 150 troops to Iraq to guard Muslim holy cities.

Finally, on 30 April, a closed meeting was held between the Parliamentary Speakers of Armenia, Azerbaijan, Georgia and Russia to discuss security and multilateral cooperation. The discussions included the idea of reopening of the railway link from the Russian Black Sea resort of Sochi to Armenia. This railway link passes through Abkhazia, and has been closed since the 1992-1993 war. At their previous meeting in February, the four officials had discussed the Abkhaz conflict and the role of Russian peacekeeping forces.

Source: *TransCaucasus: A Chronology*, vol. 12, no. 4, April 2003;

<http://www.ancsf.org/files/transcaucasus/April%202003,%20Vol%20XII%20No%204.pdf>

In sum, the South Caucasus does not constitute a region as defined positively, in respect to interdependence, amity patterns and alliances. Nor is it a region defined negatively, in respect to enmity patterns. As such, the South Caucasus is best seen as part of a wider Caucasian region which encompasses both the South and North Caucasus and where Iran, Russia and Turkey have competing and overlapping interests. The Caucasus is rife with disputes, simmering or frozen – e.g. the Caspian Sea, the Armenian-Azerbaijani conflict or the Russian-Georgian conflict. This wider region is also shaped by the policies of such non-regional powers as the United States and the EU, as well as other international organisations.

The security interests of the countries and entities making up the Caucasus are sufficiently interdependent to be considered as part of the same region. However, the EU perceives only the South Caucasus as a region in itself based on the formal independence of the three South Caucasian states and thereby excluding Russia's federal subjects in the North Caucasus. From a legalist standpoint, despite the security interdependence of the northern and southern parts, the EU definition of the South Caucasus as a region makes some sense. Yet, distinguishing the wider Caucasian region from its southern part has political consequences for the EU.

The EU Special Representative will have to perform a political task in a region that is not defined exclusively by international boundaries but also by the patterns of conflict and cooperation described above that cross these. The distinction will affect the task of the Special Representative, who will have to address – directly or indirectly – a host of concerns that involve the interests of the neighbouring countries, such as Russia, Turkey and Iran, as well as the policies of international security organisations, such as the OSCE and the UN, in the secessionist conflicts of Nagorno-Karabakh, South Ossetia and Abkhazia. For example, the war in Chechnya has poisoned Russian-Georgian relations, and, thus, affects the interests of the European Union in the South Caucasus. Also, any resolution of the Abkhaz conflict will be closely linked to the Russian-Georgian dispute.

As stated by the Greek presidency, the role of the Special Representative is to provide the three governments with a 'sole EU interlocutor' on political issues.⁶ In order for the EU voice to carry, Brussels must define new common positions on the region and also redefine relations between the EU and large EU member states and the EU institutions that are already deeply engaged in the area. With Russia and the United States, France has a leading role in the Minsk Group mediating between Azerbaijan and Armenia on the Nagorno-Karabakh conflict. Germany, France and the United Kingdom are members of the Group of Friends assisting the Special Representative of the UN Secretary-General in the search for a resolution of the Abkhaz conflict. The Special Representative will also impact on the European Commission's policies on the South Caucasus. All of these relations will require redefinition, a process that will not be without conflict.

6. http://www.mfa.gr/english/foreign_policy/eu/eu_relations/nak_georgia.html (accessed 22 May 2003).

The EU Special Representative will thus have to work on different regional levels, which will necessitate a common EU position on delicate geopolitical questions whose territorial scope extends beyond the boundaries of the South Caucasian states. The ramifications of sending a Special Representative to this particular region on the EU's wider CFSP are thus substantial.

At the periphery of Europe

The Special Representative will have a role to play in the clarification of the relationship between the EU and the South Caucasian states. This relationship may best be analysed in terms of centre-periphery relations. There are several concepts of periphery that may be relevant for this discussion.⁷

With regard to the South Caucasus, economic trade with the EU is peripheral, and as a consumer market, the South Caucasus is negligible. The energy resources of the Caspian Sea may decrease EU dependency on the Persian Gulf and Russia, but they should not be considered vital. The South Caucasus is also peripheral in terms of EU security interests. The frozen conflicts do not constitute significant threats to European security as do the simmering conflicts of the Balkans.

This does not mean that the South Caucasus is entirely irrelevant to EU economic or security interests. Caspian energy resources have attracted important capital investment by European oil and gas companies, and are relevant to Europe's energy security. The Armenian-Azerbaijani dispute over Nagorno-Karabakh and the Georgian-Russian dispute on Abkhazia and South Ossetia have a destabilising potential for Europe's southern core that makes the settlement of these conflicts a clear EU interest, especially as they affect relations between the EU and important partners such as Russia and Turkey.

None the less, EU policies towards the South Caucasus and the activities of an EU Special Representative will not attract the same interest from member states as the Balkans or the East European states that are the Union's future direct neighbours. In the first half of 2001, the Swedish presidency of the EU called for increased attention to be paid to Moldova and the Southern Caucasus,⁸ but this was not considered a priority by the Belgian presidency in the second half of the same year. The Special Representative will have

7. On the distinction between various meanings of a periphery, as applied to the relations between Europe and Georgia in the first years after Georgian independence in 1991, see Bruno Coppieters, 'Georgia in Europe: The Idea of a Periphery in International Relations', in Bruno Coppieters, Alexei Zverev and Dmitri Trenin, *Commonwealth and Independence in Post-Soviet Eurasia* (London: Frank Cass, 1998), pp. 44-68.

8. See 'Programme of the Swedish Presidency of the European Union 1 January 2001 to 30 June 2001'; http://www.eu2001.se/static/pdf/program/ordfprogram_eng.pdf.

to ensure continuity between the various presidencies, despite the peripheral importance of the region for Europe's foreign affairs.

According to a second interpretation of the notion of periphery, the South Caucasus may be seen as a place of confrontation. In Huntington's vision of a 'clash of civilisations,' the cultural fault lines separating religiously defined civilisations cross through the Caucasus. Huntington saw the Ingush-Ossetian and Azerbaijani-Armenian conflicts as illustrations of the thesis.⁹ While this view has been widely discussed, it has generally been rejected by Western policy-makers as implausible and/or morally unacceptable. Georgia became a member of the Council of Europe in April 1999 following a public debate on the significance of the early Christianisation of this part of the Caucasus. This accession was followed shortly afterwards by the simultaneous accession of Azerbaijan and Armenia in January 2001. The common membership of all three countries undermines any impression that Christian rather than Islamic religious traditions would facilitate integration into Europe. In a letter to European leaders before the Copenhagen summit of December 2002, the US Secretary of State Colin Powell demanded that the EU give Turkey a firm and early date to start talks on joining the European Union. Failing to do so, the EU would, in his view, only confirm the 'clash of civilisations' between the Western and Islamic worlds.¹⁰

After the terrorist attacks of 11 September, the Bush administration revived the idea of 'fault lines,' but in a very different way from Huntington. The military interventions in Afghanistan and Iraq have greatly increased the significance of Central Asia and the Caspian.¹¹ From the US perspective, a terrorist threat is seen to emanate from stateless zones and from states they see as supporting terrorism, such as Iran, which neighbour the South Caucasus. EU member states generally agree on the gravity of the threat of militant Islamic groups operating in stateless zones or failed states; consequently, the EU has placed stress on state-building in order to provide stability and security in the South Caucasus but has not agreed with the idea of a containment policy towards Iran. Contrary to the United States, for the EU, the South Caucasus as periphery has not projected the region as a fault line in as far as relations to so-called 'rogue states' are concerned.

However, the notion of a periphery as a line of conflict is relevant to EU policy on the Caucasus in other respects. An EU Special Representative will consider the Caucasus as a barrier in respect to

9. Samuel P. Huntington, 'The Clash of Civilizations?', *Foreign Affairs*, Summer 1993, pp. 22-49.

10. Judy Dempsey and Robert Graham, 'Tough talk by Ankara and Washington misfires', *Financial Times*, 14-15 December 2002, p. 2.

11. On the following see Steven E. Miller, 'Current Trends in U.S. Foreign Policy: Implications for the Caspian', Event Report Caspian Studies Program, 2003; http://bcsia.ksg.harvard.edu/publication.cfm?program=CSP&ctype=event_reports&item_id=108 (accessed 22 October 2003).

drug trafficking and other forms of organised crime. The European Commission, in the framework of its TACIS regional programme, supports the creation of a 'filter system' against drug trade from Afghanistan along the Silk Route. The first filter has to be created in Central Asia, the second in the Caucasian countries and the third in the so-called Western Newly Independent States (WNIS) – Ukraine, Moldova and Belarus.¹²

The potential for a hegemonic relationship between the EU and the South Caucasian periphery should not be neglected.¹³ Hegemony includes the acceptance of the domination of subordinate powers by the centre as legitimate. The leading role of the centre is perpetuated by constructive behaviour and the acquiescence of the dominated powers. The preponderance of the centre's economic resources and military might, and its ability to provide public goods, such as collective security, are necessary conditions for the relationship. In exchange for disproportionate benefits (for instance, concerning energy security), the centre accepts disproportionate burdens (for instance, concerning military support).

The policies of the South Caucasian states towards the EU and other Western actors are largely based on balance of power considerations. A resolution of the conflicts they are involved in would be easier to achieve if they could increase their bargaining power. Present but less prominent in the Europeanisation of the South Caucasus is the motive that joining a European community of values and standards is conducive to positive economic and societal development. Membership of the EU – which would increase significantly the political status of the South Caucasian states and is therefore also considered as a legitimate long-term political objective – is not a realistic objective in the foreseeable future. The Europeanisation of the South Caucasus is a process mainly institutionalised by multilateral organisations such as the OSCE or the Council of Europe. Membership of such framework organisations is also a question of status, and therefore indispensable, even if they place limited constraints on the institution of sovereignty. But these organisations do not have decisive consequences for the balance of power in the region either – a balance on which, according to the South Caucasian élites, their security depends.

A hegemonic link between the EU and the Caucasian periphery could be sustained on the condition that the 'European centre' is able to provide the public goods that are necessary for regional security and economic development. The public goods provided

12. European Commission, *Tacis Regional Cooperation – Strategy Paper 2002-2006*, p. 20; http://europa.eu.int/comm/external_relations/ceeca/rsp/02_06_en.pdf (accessed 22 October 2003).

13. On the question of hegemony in the Southern Caucasus, see Bruno Coppieters, 'The Politicisation and Securitisation of Ethnicity: the Case of the Southern Caucasus', in *Civil Wars*, vol. 4, no. 4, Winter 2001, pp. 86-91.

in the economic field by the European Commission are important, but not substantial. In the field of security, an EU Special Representative will have even less means at his disposal to strengthen the relationship between the region and the European Union. Some EU member states have developed military cooperation with countries in the region and/or have sent military observers to participate in the UNOMIG mission in Abkhazia. However, the EU has no direct military role in the area. It has provided only symbolic material (and non-military) support to the OSCE to monitor Georgia's borders with Chechnya.¹⁴

The model of European integration is another centre-periphery framework. The integration of Europe was conceived with the 1957 signature of the Treaty of Rome as the result of a process which started from a core and gradually encompassed ever-larger peripheries of the continent. In this, those states at the periphery were bound gradually to join the core and take a full and equal part in its common decision-making processes. In this, all European countries have been seen to progressively join a community of European values and common security interests. The integration of northern Europe, such as Sweden and Finland, of southern Europe, such as Spain and Portugal, and then of Central and Eastern Europe is seen as proving the validity of the core-periphery idea of European integration.

An enlarged European Union, with 25 member states and a population with more than 450 million, raises the question of the meaning of a wider Europe. In March 2003, the European Commission produced a policy document on the Wider Europe, in which the concept refers to countries on the EU's land and sea borders (Russia, Ukraine, Belarus, Moldova and the countries of the Southern Mediterranean, which have a total population of 385 million inhabitants).¹⁵ Enhanced relations with these countries are seen in the document as promoting reform, sustainable development and trade. This particular concept of a Wider Europe does not include any criteria for membership of the European Union. A debate on the ultimate limits of the European Union, which would have to define such criteria, was initiated with Turkey's application but is far from being finalised. The concept of a Wider Europe only provides a framework for new relations with neighbouring countries of the enlarged EU. 'Deeper economic integration, intensified political and cultural relations, enhanced cross-border cooperation and shared responsibility for conflict

14. See Damien Helly, *L'Action extérieure de l'Union européenne dans le Caucase du Sud 1992-2002 : Modes d'action, influence et légitimité*, Tome 1, Thèse pour obtenir le grade de Docteur de l'Institut d'Etudes politiques de Paris en science politique le 25 juin 2003, pp. 349-51.

15. 'Wider Europe - Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours', Commission Communication COM(2003) 104 final, Brussels, 11 March 2003.

prevention between the EU and its neighbours' are some of the objectives to be found in the EC's document.¹⁶ The incentives include an extension of the internal market and regulatory structures, preferential trading relations and market opening, perspectives for lawful migration and movement of persons and intensified security cooperation.

In all this, the South Caucasus has been explicitly excluded from the concept of a Wider Europe. In a footnote to the document, it is stated that the South Caucasus, given its geographical location, falls outside the scope of the initiative of a Wider Europe 'for the time being'.¹⁷ The Council of Ministers did not modify this position, and the question of the accession of South Caucasian states to the European Union will not be addressed in the foreseeable future. A Special Representative will therefore have to seek to consolidate the current form of integration of the South Caucasian states into European structures, through the OSCE and the Council of Europe and in cooperation with the European Union through the existing Partnership and Cooperation Agreements.

Another approach to the notion of 'periphery' refers to the function of the South Caucasian states as a bridge to other regions. In the second half of the 1990s, the Silk Route discourse – linked among others to a number of transportation and communication projects of the European Commission – was able to fulfil a number of expectations.¹⁸ The political discourse locating the Caucasus at the periphery of Europe and Asia raised the prospect that these countries would emerge from the political isolation in which they had found themselves during the first years of independence. It also responded to the hope that their geopolitical location would lead to economic development, integration into global markets and political stability. The EU gave strong financial support for the development of a diversified transport system between Europe and Asia, crossing the South Caucasus. The focus on the South Caucasus as a bridge has receded in EU discourse after the failure of these states to remove regional barriers to trade (such as sanctions policies regarding unresolved secessionist conflicts), the lack of cross-border cooperation policies and the corruption of customs officials. The Special Representative will have to deal with the question how to reinvigorate the notion of the Caucasus as the crossroads between Europe and Asia.

16. *Ibid.*, p. 9.

17. *Ibid.*, p. 4.

18. *Op. cit.* in note 13, pp. 88-9.

Final notes

Over the last ten years, European views on the South Caucasus have repeatedly shifted. Compared with the concern raised by the civil wars in the Balkans at the beginning of the 1990s, the conflicts in Nagorno-Karabakh and Abkhazia have met with a large measure of indifference on the part of European governments. After the signature of the 1994 so-called 'Contract of the Century' on the exploitation of Azeri oil reserves by Western companies, Western states came to view the region in more positive terms as a bridge linking different regions. However, after 11 September and the failure of domestic and regional reforms in the South Caucasus, the region is increasingly perceived in negative terms, primarily as a security threat.

Having nominated a Special Representative, the EU now has to redefine its position towards the South Caucasus. The more positive meanings of the South Caucasus as a periphery – the periphery as a region to be integrated more firmly into the core, as the beneficiary of public goods within a hegemonic relationship, as a bridgehead between various regions – will have to be distinguished from more negative meanings – the periphery as irrelevant to the core, as a fault line of conflict.

The mandate of Heikki Talvitie, the Special Representative to the South Caucasus appointed by the European Council on 7 July 2003,¹⁹ refers to the necessity to foster intraregional cooperation and to '[engage] constructively with key national actors neighbouring the region'. This is in accordance with the view of multi-regional policies, as defined above. The need for the EU to support conflict settlement efforts – without direct involvement in mediation, however – and humanitarian help for refugees is also stressed, a policy that fits in the above definition of hegemonic centre-periphery relations. The view of the Southern Caucasus as a source of insecurity – including the threats of terrorism and organised crime – is further stressed in the decision of the Council. The lack of any reference to the South Caucasus as a bridgehead between Europe and Asia may be seen as an expression of the shift from a more positive towards a predominantly negative view of this region. Security remains presently the key prerequisite for positive integration. In one of his interviews, Heikki Talvitie declared that the EU was interested in increasing its presence in

19. Council appoints an EU Special Representative for the South Caucasus - Decision taken by written procedure, Brussels, 7 July 2003, 11027 03 (Presse 196).

the South Caucasus and did not exclude closer ties in the long term (according to a view of the periphery as a region to be integrated more firmly into the core), but he clearly stated that the EU did not intend to significantly upgrade its ties at the present moment. The decision to send a Special Representative was even partly the result of the fact that the South Caucasus was not included in the concept of a Wider Europe, and that it seemed therefore appropriate to counterbalance this approach with a more positive measure.²⁰

The EU cannot afford to abandon the South Caucasian periphery to its fate. It cannot decide to consider the South Caucasus as simply a geographical expression to be treated with benign neglect. This would not be in the EU's self-interest. My view of the EU's interest is not only based on a positive but also on a negative definition of its periphery. The EU must assume – in order to protect itself against the various threats emanating from the region – a certain degree of responsibility for the region's destiny. For the same reason, the EU must design political alternatives to full accession in its neighbourhood policies. The EU must, in exchange for the benefits it receives from the Caspian region's energy resources, further define how it will support these states' economic and social development. In particular, the EU must address the inter- and intrastate conflicts that afflict the Caucasus and prevent the possibility of important communications projects across these various countries. Any EU strategy will thus have to be based on a correct balance between the various positive and negative meanings of the term periphery.

20. See Ahto Lobjakas, 'Caucasus : New EU Envoy Predicts Only Tentative Engagement', in Radio Free Europe/Radio Liberty, *Weekday Magazine*, 17 September 2003; <http://www.rferl.org/nca/features/2003/09/17092003181303.asp> (accessed 22 October, 2003).

Dov Lynch¹

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From footnote to example

On 11 March 2003, the European Commission published its Communication 'Wider Europe – Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours', which launched a debate about EU policy towards its new neighbours.² The South Caucasus was a footnote in the Communication: 'Given their location, the Southern Caucasus therefore also falls outside the geographic scope of this initiative for the time being.' Then, in June 2003, the three South Caucasian states, Armenia, Georgia and Azerbaijan, were rescued from obscurity in the draft EU Security Strategy, written by Javier Solana and approved at the Thessaloniki summit.³ The draft Strategy, entitled 'A Secure Europe in a Better World', outlined the Union's strategic circumstances, the variegated nature of threats facing the Union and the policies that must be considered in response. In the section on 'Extending the Zone of Security around Europe', the EU Strategy states: 'We should take a stronger interest in the problems of the Southern Caucasus, which in due course will also be a neighbouring region.' Then, in an editorial published in *Le Monde* on 22 September, Javier Solana went further: 'Le troisième objectif de l'UE consiste à opposer des parades efficaces aux menaces. En développant une politique systématique d'engagement préventif en Macédoine ou au Congo, en Bosnie ou dans le sud du Caucase, par exemple.'⁴

In seven months, the South Caucasus moved from the footnotes to being included in the same breath as the Balkans and the Congo in discussions of ESDP by the High Representative. What happened?

On 7 July 2003, the Council appointed an EU Special Representative (EUSR) for the South Caucasus, with the task of contributing to the EU's policy objectives: 'assisting the countries of the South Caucasus in carrying out political and economic

1. Many thanks to Michael Swann, EU Council General Secretariat, Reinhold Brender and Richard Tibbels from European Commission, and Jonathan Cohen, Conciliation Resources, for the care and time they devoted to reading this text.

2. 'Wider Europe – Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours', Commission Communication COM(2003), 104 final, Brussels, 11 March 2003.

3. 'A Secure Europe in a Better World', paper presented by Javier Solana, High Representative for the Common Foreign and Security Policy, European Council, Thessaloniki, 20 June 2003; <http://ue.eu.int/pressdata/EN/reports/76255.pdf>.

4. 'The EU's third objective is to effectively counter threats – by developing a systematic policy of preventive engagement in, for instance, Macedonia, Congo, Bosnia or the South Caucasus', Javier Solana, 'L'UE – Pilier d'un Monde Nouveau,' *Le Monde*, 23 September, p. 16. Solana has since noted the South Caucasus in every speech he has given on the European Security Strategy.

reforms, preventing and assisting in the resolution of conflicts, promoting the return of refugees and internally displaced persons, engaging constructively with key national actors neighbouring the region, supporting intra-regional co-operation and ensuring co-ordination, consistency and effectiveness of the EU's action in the South Caucasus.⁵ The Finnish diplomat Heikki Talvitie was appointed to the position. The decision was declared to be in line with the Council's wish to play a 'more active political role' in the region. The appointment of a Special Representative represents the culmination of a series of debates within the EU, and between its member states, on a reinforced political role. While a culmination, the decision does not mark an end to the debates.

This chapter will examine the evolution of EU thinking on the South Caucasus since 1999 with a view to understanding the context in which the decision on the EUSR was taken and how best the EU's role might be developed. The argument is divided into four parts. The first part outlines the strategic trends that are at play behind the EU's increasing attention to the region. The second part examines more specific conditioning factors that have affected EU thinking and will continue to impact on the EU's ability to assume a 'more active' political role. Third, the chapter discusses the debates that have taken place in the EU since 1999 about how best to reinforce the Union's interests and policies. The last part develops concrete proposals for an EU strategy, which could also guide the activities of the EUSR after the first six-month period. An appendix to the chapter presents an outline of the principles that could guide an EU strategy towards the South Caucasus.

One should note from the outset that EU policy towards the South Caucasus is not the result of calculated decisions taken as part of clear policy-making processes; quite the contrary. Much of EU thinking and policy is the result of contingent circumstances, the pull of events from the region itself, functional to the member state holding the presidency at a particular period, as well as the role of strong individuals inside the EU machinery. While seeking to explain the evolution of EU thinking, this chapter takes account of the danger of superimposing patterns on what has been a sometimes chaotic and certainly unplanned process. For example, the South Caucasus failed to feature in the 'Wider Europe' Communication because initial discussions in Brussels centred on the three states with which the EU would border after

5. Decision Taken by Written Procedure 11027/03, Brussels, 7 July 2003.

enlargement (Ukraine, Belarus and Moldova). The other 'older' neighbours were added in a 'Christmas tree' approach, where member states added their decorations. The South Caucasus, having no internal advocate, was left aside.

Strategic trends at play

The EU is in the throes of a revolution – in fact, two revolutions. The first consists of the greatest enlargement the Union has ever experienced, with ten new members due to assume full rights and responsibilities in May 2004. The impact of enlargement on the internal dynamics of the Union will be fundamental: political workings to which the Union has become accustomed, even reliant on, will change and new constellations of actors with new interests and needs will emerge. The second revolution consists of the completion in June 2003 of the work of the Convention on the Future of Europe and Valéry Giscard d'Estaing's presentation of a draft constitution of a new Union to the heads of state.⁶ A highly political exercise, the new constitution, once it has gone through the mill of the Intergovernmental Conference, will codify new rules of EU politics and policies.

While changing the way that the EU works internally, these revolutions will also affect the Union's external policies. There are four strategic factors at play. First, the EU will have new member states, which will have different interests from those of the older members. In the run-up to its accession, for example, Poland played an important role in pushing for a greater EU role in Ukraine and Moldova.⁷ Lithuania and Latvia have been active in developing military ties with the three South Caucasian states, including providing training assistance at the Baltic Defence College to officers from the region. The new member states will bring new urgency to questions that have hitherto only been touched on superficially by the EU.

Second, the enlarged EU will have new borders, immediately with Belarus, Ukraine and Russia, and at some time after 2007 with Moldova and the Black Sea. These new borders also bring a new immediacy to EU thinking about the states on its periphery and the policies that should be adopted in response to potential and actual threats emerging from these regions.

6. 'Draft Treaty establishing a Constitution for Europe'; <http://european-convention.eu.int/docs/Treaty/cv00850.en03.pdf>.

7. For examples of proposals developed by Polish research institutes, see K. Pelczynka-Natecz, A. Dukba, L. Poti and V. Vatapek, *The Eastern Policy of the EU: The Visegrad Countries' Perspective* (Warsaw: Centre for Eastern Studies, February 2003); G. Gromadzki and J. Boralynski, 'The Half-Open Door: The Eastern Border of the Enlarged EU', *On the Future of Europe Policy Paper* no. 2, Warsaw, March 2001; G. Gromadzki et al., *The Enlarged EU and Ukraine – New Relations* (Warsaw: Stefan Batory Foundation with CEPS, 2003); A. Naumczuk et al., 'The Forgotten Neighbour – Belarus in the context of EU Enlargement to the East', *On the Future of Europe Policy Paper* no. 4, Warsaw, September 2001; and 'New neighbourhood – New Association: Ukraine and the EU at the beginning of the 21st Century', *On the Future of Europe Policy Paper* no. 6, Warsaw, March 2002.

Third, partly in response to these pressures, the EU has started to rethink policy towards the states on its new borders. For much of the 1990s, EU 'foreign policy' – if this is the appropriate term – revolved around the question of membership/non-membership: if membership was on the cards, then the EU had a fully developed policy towards a given state; if it was not, then the EU had little policy at all. This is changing. The Commission's 'Wider Europe' Communication reflects an attempt to develop policies towards states where the EU has significant interests but where membership is not a prospect for now. This process is seeing the birth of the EU as a full foreign policy actor that is able to act beyond the dichotomy of accession/non-accession by drawing on a range of policies to promote its interests abroad. The process is dynamic: 'The EU is standing on a moving deck'.⁸

Finally, for all the clarion calls of the death of the EU's Common Foreign and Security Policy (CFSP) in 2003 because of divisions between member states over policy towards Iraq, the EU has emerged as a security actor. During 2003 the EU launched three missions – in Bosnia-Herzegovina, the Former Yugoslav Republic of Macedonia and the Democratic Republic of Congo. These operations have been mandated tasks ranging from law enforcement and cease-fire monitoring to security and humanitarian crisis management. Over 2,000 police and military personnel have been involved in the three operations.⁹ The military operations, in particular, are the first test cases of the Union's ability to apply some of the military policy instruments envisaged under the 1999 Helsinki Headline Goal. More widely, the Iraqi crisis stimulated thinking on the development of an EU Security Strategy, drafted by Javier Solana. A major point made in the Security Strategy is the need to have a belt of well-governed countries on the EU's borders. With all this, the EU is developing a strategic view of its borders, which will impact on its policies in and around the South Caucasus. For all of its difficulties – and the list is long – CFSP is not dead; far from it.

These developments augur an increasing attention by the EU to its immediate and future neighbours, and, in particular, greater attention being given to political questions in these relations. Until 2003, the EU had a low security profile in the South Caucasus. This is set to change.

8. Words of Michael Swann, Directorate General for External Relations, General Secretariat, EU Council.

9. See discussion in Dov Lynch and Antonio Missiroli, 'ESDP Operations' (EUISS website, <http://www.iss-eu.org>, 2003).

Conditioning factors

Before discussing the debates that have taken place on policy, it is worth examining the range of factors that condition EU thinking about the South Caucasus. Some of these factors are external to the Union and others internal to it. Some have been mentioned in the introductory chapter to this volume but are worth reiterating.

External factors

First, the region is crowded with other international actors. As discussed by Domitilla Sagramoso in her contribution, the United Nations (UN) and the Organisation for Security and Cooperation in Europe (OSCE) have taken the lead since the early 1990s in promoting conflict settlement. An informal division of labour guides their activities, with the UN leading negotiations between the central Georgian authorities and the separatist leaders in Abkhazia and the OSCE active in the Georgia-South Ossetia conflict and through the Minsk Group for that in Nagorno-Karabakh. Moreover, the Council of Europe, of which all three states are members, is likely to assume a greater role in promoting democratic standards in the region.

In addition, the South Caucasus has received the attention of regional and great powers. The United States ratcheted up its presence in the wake of the 11 September terrorist attacks with a policy that has become more militarised as well as military-led. Pre-11 September interests focused largely on three areas: promoting conflict settlement; ensuring the development and transportation of Caspian Sea energy resources; and preventing the rise of a single hegemonic power in the region. Since 11 September, the previous priority of ensuring the development and transportation of Caspian Sea hydrocarbon resources had been qualified, with the global war on terrorism taking precedence. In this, the United States has stressed three new concerns: military access, over-flight rights and basing rights. The South Caucasus states could assume greater importance for Washington at all of these levels. NATO stepped up its role in the region following its 2002 Prague summit. The emphasis also falls quite heavily on counter-terrorism. For Washington, the crisis over Iraq demonstrated the importance of

NATO *partners*, more even than *members*, for US strategic purposes. Georgia and Azerbaijan both plan to take on minor roles in the US-led coalition in Iraq.

Russia also maintains a strategic military presence in the South Caucasus. Armenia and Russia agreed to a military alliance in 1997, and military ties are especially deep. Military relations between Baky and Moscow have become closer since Putin's arrival in power. Azerbaijan participated in the Russian-led naval exercises in the Caspian Sea in August 2002, and Russia secured a long-term lease of the early warning station in Azerbaijan. Relations with Georgia are difficult. The Russian government has closed its military bases in Vaziani and Gudauta (not entirely), but talks have proceeded only slowly on the two remaining bases. Relations are also soured by Russia's ambiguous policy towards the separatist regions of Abkhazia and South Ossetia, where there are relaxed visa regimes on the Russian border. Moreover, since the start of the second Chechen war, and especially after 11 September, Moscow had pressured Tbilisi to assume full control of the Pankisi Gorge, threatening Russian 'hot-pursuit' failing this (and even carrying out this threat in August 2002).

The presence of important external actors has complicated EU thinking about a reinforced political role in the region by – apparently at least – leaving little room for the Union to claim as its own. The UN and the OSCE have become experienced and skilful mediators. The activities of Russia and the United States, not to mention the policies of other regional actors such as Turkey and Iran, muddle rather than clarify the strategic shape of the region. On the one hand, clear lines of contrast seem to be visible – between a Russia/Armenia alliance on the one hand and US/Georgia/Azerbaijan ties on the other. At the same time, these lines are not well-defined: the United States and Russia have vital strategic interests in common, particularly in the war against international terrorism, and Georgia and Azerbaijan have taken pains to ensure ties of comity also with Russia, including in military affairs. In addition, while maintaining military contacts with Moscow, Yerevan has started to develop ties with the United States as well as NATO. The South Caucasus is busy and confusing.

A second external factor conditioning EU thinking is the complexity of the region's problems. As discussed in the introductory chapter, the three South Caucasian states display weakness at the institutional level and at the level of 'ideas', in terms of perceptions

of the legitimacy of the states that emerged from the collapse of the Soviet Union. The conflicts in Abkhazia, South Ossetia and Nagorno-Karabakh bring together both forms of weakness. The self-declared 'states' have survived for over a decade, driven by a refusal to be included in Georgia and Azerbaijan and thanks to the institutional incapacity of Tbilisi and Baky – in the early 1990s and now – to rein them in. These conflicts throw a shadow over the viability of the two states, with over a million internally displaced persons and refugees between them and significant losses of state territory. The non-settlement of these conflicts has also affected political discourse in Georgia and Azerbaijan, where there exist veins of revanchism. The economic prospects of these states are also seriously affected.

The problems facing the South Caucasus are deep and pernicious. International organisations and European states have for a decade sought, admittedly with varying degrees of intensity, to assuage these problems. While their efforts have not been in vain, progress has come by drips. In such complex circumstances, what value could the EU add?

A third conditioning factor is that the states of the South Caucasus are not active *demandeurs* of an increased EU role. To rephrase: they are active *demandeurs* only if serves their interests, and not necessarily if it serves the interests of the other states in the region. Armenia and Georgia have declared a European vocation, and even a long-term desire to postulate for EU accession. The governments in Azerbaijan have laid less emphasis on this element of their foreign policy although it is not absent. In private, all are quite aware that accession to the EU is, at best, a very long-term option. By contrast, Georgia and Azerbaijan have declared their intention to seek membership of NATO – the only political/military organisation of the Euro-Atlantic community that might seriously consider their application. These states are not *demandeurs* of a reinforced EU role on the same level, for example, as the states of the Western Balkans.¹⁰ The intensity of their call for EU membership is not even similar to that emitted from Moldova, a country intent on putting forth its candidature in the medium term. The South Caucasian states are interested in an EU presence but the attraction is highly instrumental. The EU is seen as one more forum where these states may promote their own interests. Tbilisi sees the EU as another actor that might offset Russia's weight in the country. Some in Baky view the EU as an organisa-

10. Although the Georgian government showed great interest in the discussions in the EU of the possibility of a peace consolidation mission of some form in Moldova in mid-2003.

tion that might add more weight in the Minsk Group triumvirate co-chairmanship. The Union is also often seen mainly as source of financial support.

Indeed, the EU is an important aid player in the region. Since 1992, the EU has provided just over a billion euros in assistance to the three states, distributed through a range of programmes.¹¹ The assistance programmes have been bilateral as well as regional, such as the EU Transport Corridor Europe Caucasus Asia (TRACECA), Interstate Oil and Gas Transport to Europe (INOGATE) and the TACIS Regional Environmental Cooperation programme.¹² The Union's member states have matched EU assistance, with approximately one billion euros assistance also over the last decade. However, for all its diversity, EU assistance remains outplayed by the scale of US support. For example, Georgia received close to €301.28 million in assistance from Brussels between 1992 and 2000,¹³ whereas between 1992 and 2001, through the Freedom Support Act, US governments disbursed \$986 million.¹⁴ Moreover, EU assistance pales beside the scale of foreign direct investment provided in energy and infrastructure projects by multinational corporations in Azerbaijan.¹⁵ Despite the scale of its assistance, the EU often comes across as meddling and with little to offer.

Internal factors

In addition, a number of factors specific to the Union itself have affected EU thinking. First, the South Caucasus is caught in a proximity/distance paradox with regard to the EU. On the one hand, the region is close enough that the EU has been forced to consider its interests in promoting stability to avoid any regional aggravation that might spill over. At the same time, the region is distant enough that threats emerging from the region are not perceived as immediate. When combined with the reality that the South Caucasian states have not positioned themselves for EU accession, the distance of the region from Brussels becomes amplified.¹⁶ Certainly, the EU's single most powerful policy tool to advance its interests in non-member states – that of conditionality – is not available on the same level as it was in Central and Eastern Europe.¹⁷

11. EU assistance to the region as a whole is examined by Jacques Vantomme, EC Charge-d'Affaires in Tbilisi, 'The Role of the EU in the Economic Development of the Region', paper presented to a conference in Tbilisi, 27-29 September 2003.

12. For further information, see the following websites: <http://www.traceca.org> and <http://www.inogate.org/>.

13. 'Georgia Strategy Paper, 2002-2006 and National Indicative Programme 2002-2003' (adopted by the Commission, 27 December 2001).

14. USAID Georgia overview available at http://www.usaid.gov/locations/europe_eurasia/countries/ge/index.html.

15. See also discussion by S. Neil MacFarlane, 'Europe and its Iberian Periphery – Towards a European Strategy to the Caucasus and Central Asia', paper presented at the Geneva Center for Security Policy, 15 May 2002.

16. The Conclusions from the Cooperation Council meetings continually note that lack of implementation of the Partnership and Cooperation Agreements by the South Caucasian states.

17. Still, the EU has started to seek ways of using conditionality in relations with the South Caucasian states, through the re-assessment of the PCA.

Second, the South Caucasus has not had a lobbyist within the EU to catalyse a greater interest from Brussels. Finland played a determining role in the formulation of a Northern Dimension for the EU, and Spain has been important in the Barcelona Process. The South Caucasus has had no similar supporter in the Union (a fact that goes some way to explaining why the region was left in the footnotes of the 'Wider Europe' Communication). The picture is not entirely bleak, however, as certain member states have used their presidencies to focus EU attention on the region. The Finnish presidency in 1999 and the Swedish presidency in 2001 were significant in this respect. Moreover, with enlargement, the South Caucasus will gain sympathetic advocates in the Baltic states.

At the same time, a number of EU member states have developed definite, even special, positions in the region. The Group of Friends of the UN Secretary General on Georgia includes the United States, the United Kingdom, France, Germany and Russia. A German diplomat, Dieter Boden, held the post of Special Representative of the Secretary-General between 1999 and 2002, and played an influential role in the negotiation process. In addition, the British government appointed Sir Brian Fall as Special Envoy to Georgia in 2002, and enlarged his remit to the South Caucasus in 2003. France holds one of the chairs of the Minsk Group with Russia and the United States. However, coordination between EU member states – communication even from member states to Brussels – has rather been poor.

Finally, for the EU the South Caucasus was never a region in itself. The initial approach, embodied in the Partnership and Cooperation Agreements (PCAs) that were reached with all former Soviet Republics, used the 'former Soviet Union' as the regional category of reference. The Commission's Technical Assistance to the CIS (TACIS) programme largely reflected this vision. EU assistance objectives were determined for the whole region – an area which comprises twelve states with different geographies, political and economic systems and prospects. Differentiation in EU thinking about the former Soviet Union has been slow in coming – and the South Caucasus has come last on the list. The EU Commission agreed in October 2002 to a Strategy Paper on Central Asia that reflects the specific needs and features of this region.¹⁸

18. See 'Strategy Paper 2002-2006 and Indicative Programme 2002-2004 for Central Asia', Brussels, 30 October 2002; http://europa.eu.int/comm/external_relations/ceeca/rsp2/02_06_en.pdf.

The 'Wider Europe' Communication contains a heavy focus on a new category in EU thinking – the Western Newly Independent States (WNIS) of Moldova, Ukraine and Belarus.¹⁹ Although there have been calls for the formulation of an EU strategy on the South Caucasus since 1998-1999, the region has not benefited a specific regional focus.

EU thinking and debates

EU thinking about policy towards the South Caucasus has been the subject of a series of debates. Participants have ranged from the member states, which have taken active roles through their presidencies, such as Finland (1999), Sweden (2001), Greece and Italy (2003). The Commission has also participated through various communications, in 1995 and 1999, on how best to design an approach to the region, as well as through several Commission staff working documents submitted to the competent Council group. The EU heads of mission in the region themselves also contributed, particularly in the summer of 2002. The European Parliament has been vocal since 1999 in calling for the development of a strategy on the South Caucasus. The Council General Secretariat has also been active in its own capacity. The Policy Planning and Early Warning Unit contributed a number of papers, most notably in January 2001 and 2003, which prepared discussions in the Council Political and Security Committee. In all, the debate centred on several questions: how to advance conflict settlement in the region – a condition on which the effectiveness of EU assistance is seen to depend; how to balance a focus on specific states with the desire to foster greater regional cooperation; and what is the most appropriate framework for advancing EU aims in the region – the PCAs or a regional strategy? However salient these questions are, one should note from the outset that EU thinking has led to much hand wringing but little action.

19. Naturally so, as the original impetus for the Wider Europe discussion came from the Council General Secretariat and a subsequent letter from British Foreign Secretary Jack Straw, which launched the process in early 2001, with a concentration on these three states.

20. All of these documents may be found on the EU website, 'The EU's relationship with the countries of Eastern Europe and Central Asia'; http://europa.eu.int/comm/external_relations/ceeca/index.htm.

The 1999 debate

The Partnership and Cooperation Agreements that came into force in July 1999 represent the basic framework for EU relations with the three states.²⁰ The PCAs regulate relations, and define

objectives, the subjects for cooperation, and the institutional mechanisms of interaction.

The PCA with Armenia is illustrative: 76 pages long, the PCA contains 102 articles, 4 annexes and 1 protocol.²¹ The articles range from political dialogue, trade, business and investment issues to economic cooperation and intellectual property questions. Initially valid for ten years, the document sets four objectives for cooperation: to develop closer political dialogue; to support Armenia's democratic consolidation and market transition; to promote trade and investment; and to provide the basis for cultural, scientific, technological, legislative and other forms of cooperation. Three institutions were created to pursue these objectives: a Cooperation Council, which meets once a year at ministerial level, a Cooperation Committee that meets more regularly at the level of officials, and a Parliamentary Cooperation Committee with the European Parliament that meets annually. While the articles dealing with political dialogue call for closer ties 'to resolve the region's conflicts and tensions', the heart of the PCAs is economic and technical.

The coming into force of the PCAs sparked a discussion on the most fitting approach to be adopted by the EU. The Commission saw the need for the Union to lay down broad strategic objectives for the whole region.²² A Communication on EU relations with the South Caucasus under the PCA of June 1999 identified the conflicts as the root causes of the region's political, economic and humanitarian problems.²³ In the Commission's view, EU assistance could *only* be effective if two conditions were fulfilled: if the conflicts were settled and if regional cooperation became possible. The joint Luxemburg declaration by the EU and the three heads of state (22 June 1999) that accompanied the coming into force of the PCAs also recognised the primary importance of conflict settlement for external assistance to be effective, as well as the need for cooperation amongst the countries of the region.

The response from the General Affairs Council (GAC) was timid. Discussions in the GAC on 21 June 1999 welcomed the Commission's Communication as 'timely and appropriate'.²⁴ The GAC also recognised that the 'effectiveness of EC assistance is directly connected to the development of the peace processes'. However, the member states declared that the PCAs offered the best framework for the transformation of the three states. There

21. 'The EU and the Republic of Armenia, Partnership and Cooperation Agreement'; http://europa.eu.int/comm/external_relations/ceeca/pca/pca_armenia.pdf.

22. Largely under the impulse of strong individuals in the Commission at the time. The Commission had already put forward similar notions in an earlier Communication in May 1995.

23. See 'Bilateral Relations – South Caucasus', *Bulletin EU* 6-1999, 1 March 1998.

24. See Press: 198 Nr:9008/99, Luxembourg, 21 June 1999.

would be no strategy, and no political role other than that offered by the PCA framework. A vague pledge was made to develop broad strategic objectives for the EU 'in the coming years'. The GAC recognised that EU assistance would be ineffective without conflict settlement, but refused to create a framework that would actually enhance the prospects for their settlement – the PCAs patently not being enough for this purpose. At the same time, the Council called for an emphasis on greater regional cooperation, an objective that was blocked by the non-settlement of the conflicts. The EU had entered something of a vicious circle, where the correct analysis was being made but there was no political will to act on its conclusions.

At the same time, through the PCAs, the EU did succeed in developing a political profile. After 1999, EU activities in the region included:

1. reinforced political dialogue with the three states through the PCA mechanisms, including also EU declarations and statements on developments in and around the region's conflicts;
2. support to the OSCE in South Ossetia, through EU funding of small-scale rehabilitation programmes on the ground, and the presence of the Commission as an observer in the Joint Control Commission (since April 2001) that runs the Russian-led peacekeeping operation in the conflict zone;
3. some EU support to the rehabilitation of Azeri regions freed from Armenian occupation and a declared readiness to support large-scale rehabilitation in the case of a settlement between the two parties;
4. support to the Georgian border guards through three Joint Actions, as well as assistance to the OSCE in monitoring sections of the Georgian-Russian border;
5. support to the rehabilitation of the Inguri power complex, jointly controlled by Abkhazia and Georgia.

These activities are not negligible. In all, however, the EU retained a low profile, with little presence as such in the negotiating mechanisms, no direct involvement in mediation, and an undefined overall strategy to lead policy.

The debate since 2001

A number of developments crystallised in 2001 to reopen the debate. In the region itself, little progress was made towards conflict settlement (although some positive signs then seemed to emanate from the Armenian-Azerbaijani talks). Regional cooperation remained an aspiration blocked by the reality that two states remained at loggerheads while a third was little trusted. Even on supposed 'non-political' questions, such as opening a Regional Environmental Centre in Tbilisi, the EU faced difficulties. The attempt to lead discussions on reopening rail links between Armenia and Azerbaijan led nowhere. Also, the conclusions from the Cooperation Council meetings reiterated consistently the need for the states to implement the PCAs, which remained largely unfulfilled. In all, the EU approach to increasing regional cooperation and settling the conflicts was at a dead-end.

In parallel, and as a result, pressures increased within the EU and member states for a review of EU policy mechanisms. The European Parliament picked up many of the ideas of the 1999 Commission Communication and pushed them further. The Parliament called for an EU strategy for the region as a so-called 'Southern Dimension', drawing on the experience gained from the Stability Pact in the Balkans.²⁵ Some of the Parliament's ideas included the notion of sending an EU special envoy and organising a South Caucasus conference with all parties to catalyse the opening of the region and its borders. Of more direct relevance, the Policy Planning and Early Warning Unit in the Council Secretariat contributed a paper in early 2001 that called for a major review of EU policy to the region.

Crystallising these trends, in the first half of 2001 the Swedish presidency set the South Caucasus as one of its priorities. Under this impetus, the Council's Policy Planning and Early Warning Unit published its paper on 4 January 2001. The first ministerial troika visit to the capitals of the region in late February 2001 reflected Sweden's determination to allocate more time and energy to the question. Chris Patten and the late Anna Lindh published a joint article in the *Financial Times* on 20 February affirming that 'the EU cannot afford to neglect the Southern Caucasus', and pledging a more targeted EU political role to

25. See for example the declarations of the EU-Georgia Parliamentary Cooperation Committee of 18-19 June 2001 (Brussels PE 308.584), and the EU-Armenia Parliamentary Cooperation Committee of 19-20 November 2001 (Brussels PE 318.223).

support conflict resolution.²⁶ The Conclusions of the GAC of 26 February 2001 launched the process whose first phase ended in July 2003 with the appointment of Heikki Talvitie as EU Special Representative.²⁷ The GAC declared indeed that ‘the EU is willing to play a more active role in the region . . . and look for ways in which it can support efforts to push and resolve conflicts as well as in post-conflict rehabilitation.’

A number of measures were taken immediately to enhance the political dialogue. A troika of regional directors visited in 2001, followed by a political director troika visit in 2002. However, the idea of raising the level of dialogue with important regional actors, such as Turkey, Iran, Russia and the United States, was never fulfilled. A second ministerial troika visit, planned to take place during the Greek presidency, was delayed by the crisis over Iraq. However, additional rehabilitation assistance was secured in TACIS for South Ossetia in November 2002. The Commission participated in the expert group meeting with the parties to this conflict in Portugal in October 2002.

These steps did not add up to a ‘reinforced policy’. The EU Heads of Mission on the ground presented their own proposals on how to enhance policy between July and September 2002. The Commission follow-up on these noted the marked lack of progress in the political and economic transition of the three South Caucasian states and their implementation of the PCAs. The Commission called for a broad EU political role, including the possibility of sending an EU Special Representative, and launched the process of reviewing the PCA’s fulfilment by the states, with a particular focus on Georgia because of the kidnapping of British banker Peter Shaw. The Council working group COEST also reviewed the options for a reinforced policy in 2002, and the Political and Security Committee discussed the question of appointing a Special Representative on a number of occasions in late 2002 and early 2003.

Several concerns arose in the discussions on the possible appointment of a Special Representative. A minor first question was financial: the designated budget for Special Representatives in 2003 (€3.6 million) was already exhausted. The other concerns were more substantive. First, a number of member states remained unconvinced that the EU should seek to develop an enhanced role in the region or appoint a Special Representative for this purpose. The arguments were familiar: the region was

26. *Financial Times*, 20 February 2001.

27. GAC Conclusions (Brussels, 26/27 February 2001, 6506/01 Press 61).

crowded with external actors; the settlement mechanisms were blocked, with the apparent progress over Nagorno-Karabakh dissipating quickly; and the situation on the ground was proving dangerous for the EU (witness the kidnapping of Peter Shaw). The value-added of an enhanced EU role was seen to be very limited.

In contrast, some member states, on the lines developed within the Council Secretariat, argued that current EU policy, which sought to promote the transition towards democracy and market economy in the South Caucasian states through the PCAs, was failing. Having no strategy towards the region was still a policy – one of neglect. The argument put forward was that the EU should have a strategy in place that could be applied immediately in the aftermath of the transition election years in Georgia (2003 and 2005), Armenia (2003) and Azerbaijan (2003). The EU had to be ready to act swiftly and coherently in the perceived ‘window of opportunity’ opened by these elections. In this view, the EU should plan to undertake that which it does best: a long-term and comprehensive approach to the region and its conflicts, including offering the prospect of EU post-conflict rehabilitation. Moreover, compared with other external actors, even the UN and the OSCE, the EU was seen by regional parties as a relatively neutral and ‘benign’ organisation, a perception on which Brussels might capitalise.

The precise nature of a possible Special Representative was another concern. Traditional EU Special Representatives are funded by the Council, with an office in Brussels, and are directed to follow an already defined strategy. A first view put forward was that an EUSR to the South Caucasus – if one were appointed – should follow the traditional approach. This implied either finding additional monies from a review of the tasks of other Special Representatives or waiting until a new budget could be put together. The argument was also that an EUSR would be most effective if working from a clearly defined strategy. Without this, the EUSR faced the risk of becoming a solution – and a false one – in itself, and of being sidelined. The appointment of an EUSR was noted as a potentially useful idea only *if embedded* in a wider strategy and provided with the necessary resources.

Another view called for an innovative approach to the mandate of an EUSR. In this, the EUSR would be appointed for a six-month period, during which he/she would consult with as many actors in and outside the region as possible and present a report to the

Council on the shape of a possible EU strategy. The EUSR would play an idea-generating and strategy-formulating role, and his report would be discussed by the Political and Security Committee, after which a more targeted mandate would be adopted. In addition, during the first six months, the costs of the EUSR would be assumed by a member state. While this debate was ongoing in late 2002 and early 2003, a number of member states put forward candidates for the position (namely, Britain, Finland, Greece and Italy).

The EU Special Representative

The Finnish diplomat Heikki Talvitie was appointed as the EU Special Representative on 7 July 2003, with the following mandate:

To further these objectives, the EUSR will in particular develop contacts with governments, parliaments, judiciary and civil society, encourage the three countries to co-operate on themes of common interest such as security threats, the fight against terrorism and organised crime and prepare the return to peace including though recommendations for action related to civil society and rehabilitation of territories. He will also assist in conflict resolution, in particular to enable the EU better to support the UN Secretary-General and his Special Representative for Georgia, the Group of Friends of the UNSG for Georgia, the OSCE Minsk Group, and the conflict resolution mechanism for South Ossetia under the aegis of the OSCE.²⁸

The mandate follows the innovative approach. Finland has accepted responsibility for the costs of the first period of the mandate. The EUSR is to engage with all local and regional actors and develop recommendations for a return to peace. For now, the EUSR will not join any of the existing negotiating mechanisms – a good idea, as they are all blocked – but seek to ‘enable’ them. In the course of the six months, Talvitie will have visited the region three times and engaged with all parties in order to prepare a final report for the Council by early December – a task made more interesting and more challenging by Georgia’s dramatic ‘Rose Revolution’ and its implications for the region. In the process, the EUSR has developed a low but determined profile – one that is in keeping with his idea-generating mandate. If anything, the appointment reflects the recognition by member states that their individual

28. Decision Taken by Written Procedure (11027/03: Brussels, 7 July 2003). For the full text of the Joint Action, see *Official Journal of the European Union*, L 169/74 – L 169/75, 8 July 2003.

policies on the region have had limited impact, and that an EU umbrella would bring added value.

The questions facing the EU since 1999 are not resolved by the appointment. How will the EU promote regional cooperation when it has failed to do so until now? How will the EU become better coordinated internally, between member states and in Council policy? Underlying all of these remains the central question: what value can the EU add to conflict settlement?

Recommendations for an EU strategy

The unresolved conflicts lie at the heart of the problems affecting the three states and constitute the main obstacle to regional cooperation. Given that the current negotiating mechanisms are blocked, the EU should indeed avoid seeking a direct role in mediation. Instead, an EU strategy towards the South Caucasus should seek to influence the climate and conditions in which the settlement talks take place. Affecting the climate would require the EU to adopt a wide political/security approach to the region that pursues policies at three levels, at least in the short term. The recommendations below build on activities which have been started and stopped in the past or have already been launched but remain incomplete. There is no need to reinvent the wheel. In addition to the detailed proposals below, I propose a draft outline of the principles for an EU strategy to the South Caucasus in the Appendix.

Regarding the conflicts

1. Commission a new, region-wide *Costs of War Study*, detailing the direct and indirect costs to the South Caucasian states of the unresolved conflicts and regional trade restrictions. This would set a base reference for settlement talks, and discussions on security and politics in the region and outside.²⁹
2. Commission a new *Needs Assessment Study* of the Abkhaz region and adopt a reinforced position that seeks to promote human rights standards in the region.³⁰
3. Commission a *Needs Assessment Study* of the occupied territories of Azerbaijan, and contribute to the opening of these territories to the presence and activities of the international community.

29. The Costs of War Study might be commissioned from the World Bank with the support of local experts. The Needs Assessment Studies could be undertaken by UNDP.

30. This might include a study of the railway line – a highly controversial question that has failed to attract sufficient international attention.

4. Focus on expanding the EU role in South Ossetia, in terms of the scale and ambitions of the rehabilitation programmes and a more active role in the Joint Control Commission.
5. Explore the possibility of undertaking similar targeted rehabilitation programmes initially in the lower Gali and Zugdidi regions in Georgia.
6. Assume a role in fostering sustainable development in the Javakheti region of Georgia, with an emphasis on building inter-community advisory panels, and improving water hygiene, education and infrastructure in the region. In this area the EU could support the programme developed by the OSCE's High Commissioner on National Minorities.
7. Activate exchanges and contacts across conflict lines from professional groups, civil society, NGOs and journalists, with the creation of *Cross-Conflict Civil Society Rapid Reaction Groups* to ensure accurate information/investigation of possible crises in the conflict zones and a wider exchange exploring the factors underpinning the conflicts and potential crises.
8. Assess the thorny question of refugee/IDP return through an examination of lessons learned in other regions, such as the Balkans and Tajikistan, in order to raise various dimensions of the problem of repatriation/compensation at an early stage.

Regarding the region

1. Develop further the SCAD programme (South Caucasus Anti-Drug, with UNDP) to enhance and expand state-led projects and region-wide anti-drug cooperation (creation of SCAD offices in each country, law enforcement and border training, technical upgrading of infrastructure, regional exchange programmes, creation of 'crime filter points' with EU support).
2. Start up Justice and Home Affairs cooperation with the region, an area of cooperation that has been left by the wayside thus far – the focus can start by addressing endemic corruption.
3. Examine the idea of developing a regional educational exchange programme – a virtual *South Caucasus University* – for students and lecturers inside and outside the classroom. (This could build on the work led by the Council of Europe to edit new history textbooks in the region.)
4. Develop a *South Caucasus Scholarship* programme, where students from the three states would study together at educa-

tional facilities in EU member states (building on the EU *Erasmus World* programme, and other existing programmes, such as the John Smith fellowship Programme and the Democratic Leadership Programme of the European Youth Centre of the Council of Europe). Both programmes must include participants from marginalised regions in the three South Caucasian states, as well as the self-declared 'states'.

5. Make fuller use of the existing EU programmes in which the three states participate, such as INOGATE and TRACECA.
6. Support the development of journalism training programmes at the regional level, support a monthly regional publication as a professional outlet (e.g. *Panorama*), and organise journalist informational visits to Brussels to build regional knowledge of the workings of the Union.
7. Explore the need for a comprehensive region-wide landmine survey and awareness campaign.
8. Develop contacts with key regional and external actors, such as the United States, Turkey, and Iran. The EU should build the South Caucasus into its declared strategic partnership with Russia, as a permanent item on the agenda for an exchange of views and the development of common approaches.

Regarding the states

1. Complete the process of assessing the implementation of the PCAs and redraft the Country Strategy papers accordingly, with greater emphasis on the use of conditionality, and drawing on the idea of sectoral Action Plans from the 'Wider Europe' Communication. The focus should fall initially on Georgia's new leadership following the presidential elections in January 2004, which will require substantial external support, encouragement and assistance.
2. Open Justice and Home Affairs cooperation programmes with each state – fostering the rule of law must be the centre of gravity of all EU policies.
3. Conduct assessments of the needs for security sector reform in these states, starting with the Border Guards in Georgia (building on the last TACIS Indicative Programme) and then including the border services of Armenia and Azerbaijan.
4. Ensure a balanced presence of the EU in the three states, through the opening of an office in Baky, as well as EU Cham-

bers of Commerce (in Georgia and Azerbaijan) and Europe Houses.

5. Conduct informational campaigns about the EU in each state in order to foster greater public knowledge, through newspapers, posters documentation centres.
6. Create *Brains' Trusts* with each state, to include experts and former officials with high-level experience, which would be designed to provide high-level advice to the leaderships of the three states.
7. Provide technical assistance to the State Oil Fund of the Azerbaijan Republic as well as to the Georgian government for its transit fee revenue.³¹

These policy proposals are not exorbitant. Beyond direct involvement in mediation, there is a wide range of specific activities that the EU can undertake to improve the climate for regional stabilisation. The EU can prepare the ground for rehabilitation programmes through the commissioning of needs assessment studies in the conflict zones. These have to be undertaken at some point in any case. Some assessments have been made in the past but they require updating, and the EU is well placed to catalyse this difficult political exercise. The Union can also develop regional cooperation in fighting crime and drug smuggling. Moreover, the EU could consider taking part in security sector reform in the three states, focusing first on their border services. This could help contribute to the development of strategic stability in these still weak states. The EU should also seek to foster cross-conflict and regional contacts, stretching from education and journalism to include environmental, transport and social questions. Finally, the rehabilitation programmes developed in South Ossetia could be expanded, and some could also be transferred to targeted programmes in Abkhazia. Enhancing sustainable development prospects in the Javakheti region could be another priority – the emphasis here falling on socio-economic and infrastructure rather than conflict-related projects (to avoid creating any ‘hype’). The EU Special Representative could play a coordinating role in these policies.

31. For an excellent study of the question, see Svetlana Tsalik (ed.), *Caspian Oil Windfalls: Who will benefit?* (New York: Caspian Revenue Watch, Open Society Institute, 2003).

Conclusions

For much of the last decade, the South Caucasus was not seen as part of EU 'Europe', or even as a border of EU 'Europe'. The region is not becoming any easier as a target for EU policy. It is replete with unresolved conflicts, entrenched separatist regions, endemic levels of crime and corruption and general state weakness – all in a heady climate of external pressure and coddling. However, EU thinking is changing. Three new premises have emerged in the course of the internal debates since 1999. First, the South Caucasus will not be ignored in any EU Security Strategy. With enlargement at some point after 2007, the EU will gain another littoral border on the Black Sea and with the Caucasus. The problems that emanate from the region affect the EU directly. It should be recognised that the future of the South Caucasus lies within 'Wider Europe'. Second, the blanket PCA approach applied to the former Soviet republics in the mid-1990s will not be enough to assist the transformation of these states or to promote EU political interests. The EU has recognised the imperative of formulating differentiated approaches to states and regions in the former Soviet Union. An EU strategy towards the South Caucasus flows naturally from this. Georgia's 'Rose Revolution' offers a new opening for a reinforced and more comprehensive EU strategy towards the region. The opportunity must not be missed.

Finally, despite all the difficulties, the EU can add value to the stabilisation of the South Caucasus by adopting a low-profile and low-expectation but long-term political approach. The strategy should be indirect: to affect the climate and conditions of settlement talks. The aim should not be to paint the region blue and gold, as it has done in parts of the Western Balkans. However, the EU can no longer afford not to become involved.

Appendix

Elements of an EU strategy towards the South Caucasus

The present state of affairs

The European Security Strategy declares that the European Union, as a union of 25 states with a population of over 450 million, producing a quarter of the world's GNP, is a global actor. As such, the EU is ready to share in the responsibility for global security.

In so doing, the EU has declared its intention of extending the zone of security around the Union and in fostering stability and good governance in its neighbourhood. With prospective enlargement, the South Caucasus will become part of that neighbourhood. Composed of the three independent states of Armenia, Azerbaijan and Georgia, it will have a future in 'Wider Europe'. These three states have made tremendous progress towards the consolidation of their statehood since the early 1990s. Each has launched market reform and started to craft the institutions of democracy and the rule of law. The South Caucasus is also poised to become a major energy supplier and transit zone for the European market.

Yet, the South Caucasus is also replete with unresolved conflicts and tensions. Trade and normal contacts between the three states are blocked by trade restrictions and border closures – between Armenia and Azerbaijan, and between Armenia and Turkey. Organised crime has become trans-boundary in the region, and borders are weakly controlled. Moreover, the democratic transition in the South Caucasus has been turbulent.

Principles and interests

EU policy on the South Caucasus is driven by recognition of the Union's interdependence with Armenia, Azerbaijan and Georgia as part of its future neighbourhood and a 'Wider Europe'. The EU cannot and will not ignore developments in the region that may affect its values and interests, as well as those of member states.

The core objective of the EU is to promote the security and stability of the states of the South Caucasus and to assist in their pursuit of sustainable economic development, integration into the world economy and prosperity.

Flowing from this core objective, the EU will pursue two key interests in the South Caucasus:

1. *Stability and security*

Stability and security are preconditions for the development of the three states. Respect for the rule of law is a vital ingredient for stability, which also requires movement towards the settlement of the region's unresolved conflicts. Most fundamentally, the stability of the region rests on recognition of and support to the independence and sovereignty of Armenia, Azerbaijan and Georgia by all external states and organisations.

2. *Prosperity and development*

The South Caucasus has great potential to develop and prosper; given its natural and human resources and its strategic location between the Caspian and Black Seas and between Russia and the Middle East. The sustainable development of the region's resources and an appropriate transportation network are pillars for future growth which must be carefully built. The opening-up of the South Caucasus is another important precondition for its sustainable development. The region should not be divided internally or from neighbouring areas.

EU added value

The European Union is a unique formation of states, united by a common history and shared values of democracy and the rule of law. Founded on a shared sense of destiny, the strength of the Union lies in the desire to act jointly and prosper collectively. As such, the EU can add unique value in pursuing the stability and development of the South Caucasus.

The EU does not propose to approach the region exclusively out of a concern for its own security. Nor is the Union's objective to extend its exclusive influence in the three states. The EU maintains an expanding-sum vision of the future of Armenia, Azerbai-

jan and Georgia and rejects zero-sum approaches. The EU will promote the role of international law in the region, founded on the principles of the UN Charter and state sovereignty. The EU will not act alone, but will seek to support and facilitate the activities of key states and international organisations already active in the region.

In developing a reinforced role, the EU will pursue three tracks.

1. *Promotion of the rule of law*

The EU will seek to foster the rule of law in Armenia, Azerbaijan and Georgia as the centre of gravity of state consolidation, conflict settlement and economic development. The rule of law must be fostered in terms of state-society interactions, human and minority rights, the fight against organised crime and the development of market economic principles. The rule of law is a precondition for sustainable development and the creation of a climate for free trade and investment.

2. *Effective multilateralism*

The EU will seek to foster effective multilateralism in the region by working with all regional actors, key external states and the UN and the OSCE. The EU will therefore make use of its strategic partnership with Russia to develop common approaches to the region, and also draw on its privileged ties with Turkey. The EU will also seek greater member state coordination within the OSCE and the UN. An effective multilateral system in the South Caucasus will ease divisions within the three states and with neighbouring states.

3. *Coherence and capabilities*

The EU has allocated over one billion euros in assistance to the South Caucasus since 1991. EU member states have dedicated almost as much as well. It is vital that the EU develop greater coherence and synergy amongst its array of tools and with the activities of members. The full range of EU policies – from diplomatic and assistance to extra-regional programmes, such as INOGATE and TRACECA, and crisis management support – must work together in pursuit of the region's stability and development.

Challenges facing the EU

In seeking a reinforced profile, the EU faces four groups of challenges. Some of these may be overcome, and others simply addressed.

First, the EU itself must develop a clear understanding of the range of EU and member state activities in the region. A coherent and effective EU role can only be based on a comprehensive grasp of European policies already under way. Moreover, a greater degree of communication can be expected between member states and the EU. The CFSP High Representative and the Special Representative can play a bridging role in this respect. The EU will only be able to exploit the tool of conditionality with the three states if the Union itself is better coordinated and targeted.

Second, the problems affecting the three states and the region as a whole are deeply entrenched and difficult to resolve. The states remain quite weak institutionally, politically unstable, economically impoverished and have disenchanted societies. All have experienced processes of de-industrialisation, large-scale emigration (mainly to Russia) and mass poverty. None has developed viable or long-term development projects. Georgia and Azerbaijan face severe separatist threats from Abkhazia, South Ossetia and Nagorno-Karabakh inside their borders.

These internal weaknesses make these states vulnerable to external insecurity developments. The region has become a transit zone, as well as a source, of transnational organised crime. Drugs smuggling is a particularly acute problem. In addition, the region is divided on itself by tensions. The South Caucasus cannot be separated from the North Caucasus, which is inside the Russian Federation. The conflict in Chechnya has spilled over already into Georgia. The radicalisation of Chechen militants may affect the broader Caucasian region.

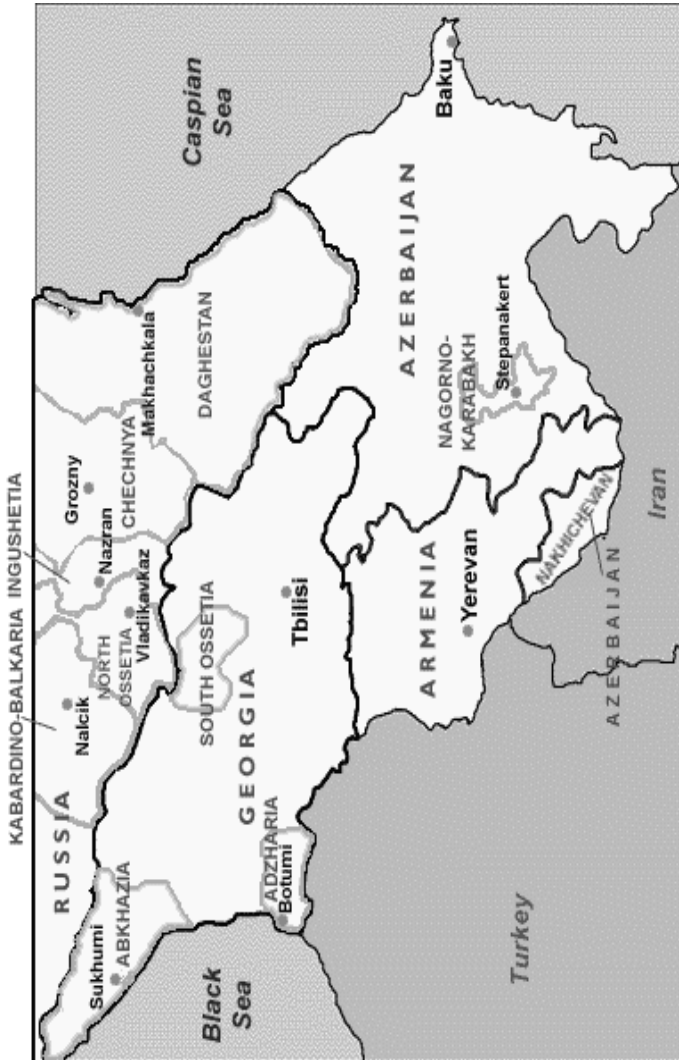
Facing such a range of problems, the EU must take care to maintain a low profile and to lower expectations about its role in the region.

Third, because of enduring tensions in and around the region the South Caucasus has no dedicated regional cooperative structures. The EU must not seek to build a region when the notion is premature. Yet, the EU can make use of the structures that do exist

in which all three states currently cooperate. The UN-led SCAD programme is an example of cooperation in anti-drug trafficking. All three states are participants in INOGATE and TRACECA – two programmes that can be more fully exploited by the Union. Cooperation between Armenia, Azerbaijan and Georgia must be best embedded for now in wider and extra-regional structures.

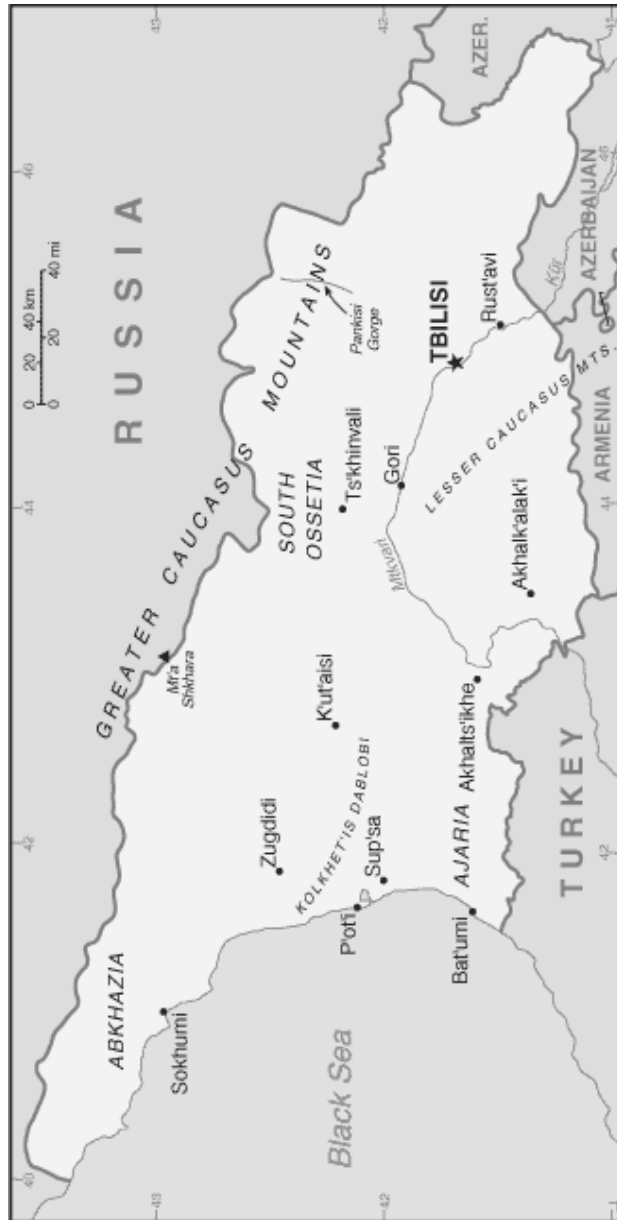
Finally, the South Caucasus cannot be isolated from world affairs. Developments with regard to the use of force and with international law cannot but fail to influence the policies of states in and around the region. The EU must seek to offset the potentially negative effects of such developments and ensure respect for international law and the UN Charter.

The Caucasus



Source: Radio Free Europe/Radio Liberty Caucasus Service

Georgia



Source: Perry-Castañeda Library Map Collection

Armenia

Source: *Perry-Castañeda Library Map Collection*

Azerbaijan



Source: Perry-Castañeda Library Map Collection

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Abbreviations

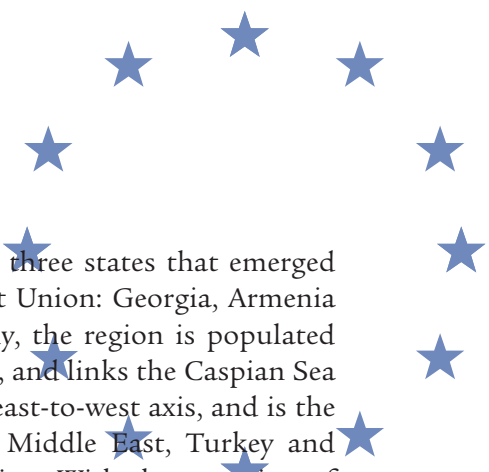
AIOC	Azerbaijan International Operating Company
ANM	Armenian National Movement
BTC	Baku-Tbilisi-Ceyhan pipeline
CBM	Confidence-Building Measure
CFE	(Treaty on) Conventional Forces in Europe
CFSP	Common Foreign and Security Policy
CIS	Commonwealth of Independent States
EAPC	Euro-Atlantic Partnership Council
ESDP	European Security and Defence Policy
EU	European Union
EUROCOM	European Command (US)
EUSR	European Union Special Representative
FSB	Federal Security Service
GAC	General Affairs Council
GDP	Gross Domestic Product
GF	Group of Friends of the Secretary General on Georgia
GTEP	Georgia Train and Equip Programme
IDP	Internally Displaced Person
IPAP	Individual Partnership Action Plan
JCC	Joint Control Commission
JPKF	Joint Peacekeeping Force in South Ossetia
NACC	North Atlantic Cooperation Council
NATO	North Atlantic Treaty Organisation
NGO	Non-Governmental Organisation
OSCE	Organisation for Security and Cooperation in Europe (formerly, the Conference on Security and Cooperation in Europe)
PACE	Parliamentary Assembly of the Council of Europe
PCA	Partnership and Cooperation Agreement
PARP	Planning and Review Process
PfP	Partnership for Peace
POW	Prisoner of War
SRSG	Special Representative of the Secretary-General
SSR	Soviet Socialist Republic
TACIS	Technical Assistance to the CIS
UN	United Nations
UNDP	United Nations Development Programme
UNDHA	United Nations Department for Humanitarian Affairs
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNODC	United Nations Office on Drugs and Crime

UNOMIG	United Nations Observer Mission in Georgia
US	United States
USSR	Union of Soviet Socialist Republics
SRSG	Special Representative of the Secretary General
WFP	World Food Programme
WMD	Weapons of Mass Destruction
WNIS	Western Newly Independent States

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The South Caucasus contains three states that emerged after the collapse of the Soviet Union: Georgia, Armenia and Azerbaijan. Geographically, the region is populated by some fifteen million people, and links the Caspian Sea basin to the Black Sea on the east-to-west axis, and is the juncture between the greater Middle East, Turkey and Iran, and the Russian Federation. With the accession of Romania and Bulgaria to the EU in 2007, and eventually of Turkey, the South Caucasus is set to become part of wider Europe.

In July 2003, the EU Council appointed a Special Representative with the task of developing a strategy to enhance stability and prosperity, and to advance conflict settlement across a strife-ridden region that is divided by war and blockade. The EU faces a series of conundrums in the South Caucasus: how to advance the European interest in the stability of a neighbouring region; how to avoid the EU becoming simply another 'table' – which would only reinforce the current forces of insecurity that are at play; and what can the EU do to alter the volatile status quo that has set over the region?

This *Chaillot Paper* brings together a host of international experts on security developments in and around the South Caucasus. It starts with a general consideration of the range of security concerns arising in the region, and continues by examining the policies of major external states, the activities of international organisations, the role of energy in regional developments and the policy responses of the three states themselves. The last chapters explore some of the dilemmas with which the Special Representative is confronted and propose elements for an EU strategy towards the region.

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