The Big Caucasus
BETWEEN FRAGMENTATION AND INTEGRATION

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Foreword
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We only need remind ourselves of the tragic consequences of the Georgia-Russia war nearly four years ago to appreciate the importance of stability not only for the wider Caucasus region but for relations between contending external great powers as well. The five-day war resulted in the complete breakdown in U.S.-Russia relations for the last five months of the George W. Bush administration. While the greatest danger in the Caucasus today is probably not another Russia-Georgia war, although that risk endures, but rather renewal of conflict between Armenia and Azerbaijan over the disputed territory of Nagorno-Karabakh, the Caucasus poses considerable risks and challenges to policymakers in Washington, Europe, and the broader region itself. Indeed, the central premise of this report of the CSIS Russia and Eurasia Program is that one cannot look at the North Caucasus or the South Caucasus separately, nor without taking into account the interests and actions of key external powers including Russia, Turkey, and Iran—or of those de-jure states as well as de-facto statelets that together comprise what we are calling “the Big Caucasus,” a term first coined by CSIS visiting scholar Sergey Markedonov.

In the following report, Jeffrey Mankoff has masterfully analyzed the complex and myriad centrifugal and centripetal forces that drive this region simultaneously toward fragmentation and integration. A central premise of Mankoff’s analysis—as well as the October 2011 CSIS conference, “The Big Caucasus: Old Ethno-Political Conflicts and New Geopolitical Design”—is that both U.S. and Russian influence have declined relatively and that viewing regional developments principally through a lens of Russian-American competition obscures rather than illuminates regional dynamics and results in suboptimal policies. For example, Armenia, Azerbaijan, and Georgia are no longer “newly independent,” after more than 20 years of sovereignty. In addition, globalizing market forces are creating opportunities for new actors to engage and new alignments to emerge. Yet while regional actors seek to enhance their connectivity to a wider world, they are constrained by persistent and enduring political conflicts. Too many borders remain closed, and the risks of political disputes degenerating into military conflict are too high.

In his conclusion, Mankoff emphasizes that Washington’s capacity to resolve existing conflicts depends to a great extent on accentuating the U.S. role as an honest broker rather than a party to one side or the other—notwithstanding the significant domestic political constraints on U.S. policymakers in this regard. At the end of the day, the onus is on political decisions taken by elites in Armenia, Azerbaijan, Georgia, and various disputed regions who have the most leverage and responsibility for a more decisive direction for the Big Caucasus toward deeper fragmentation or integration.
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For their diverse contributions to the production of this report, I would like to thank jointly and severally the members of the CSIS Russia and Eurasia Program team, as well as the participants in the conference, “The Big Caucasus: Old Ethno-Political Conflicts and New Geopolitical Design,” held at CSIS on October 24–25, 2011, and which served as the basis for this report. Conference participants are listed in appendix B. At CSIS, thanks are due first and foremost to Andrew C. Kuchins, senior fellow and director of the Russia and Eurasia Program, for giving me the opportunity to participate in the conference and to produce this report. Andy also chaired the conference, and his leadership was crucial to pulling off this large, multinational undertaking. Sergey Markedonov, visiting fellow with the Russia and Eurasia Program, helped shape the conference agenda and has been a leading advocate of the notion, fully supported in this report, of training a broad lens on the Caucasus and exploring the connections between the North and South Caucasus, and between the region and its immediate neighbors—in other words, of seeing the “Big” or “Greater” Caucasus as a distinct geopolitical entity. Aigerim “Aika” Zikibayeva, program coordinator and research assistant in the Russia and Eurasia Program, assisted greatly in compiling the report, including supervising logistics for the conference, tracking down key facts, and overseeing the production process. Aika also managed the program’s crack team of interns (Shalini Sharan, Stephen Weil, and Annabel Lee), who assisted with research and fact checking. I would like to especially thank Stephen Weil, who produced the statistical tables and located the maps used in the report. Andy, Sergey, Aika, and the interns all read drafts of the report at various stages and provided their feedback. On the production side, thanks go to James Dunton, director of publications at CSIS, and his team for their work editing the report and preparing it for publication. It goes without saying that no one but myself bears responsibility for any remaining shortcomings.
Situated astride one of the world’s key strategic crossroads, the “Big Caucasus” (figure 1) is increasingly a region in flux. The August 2008 war between Georgia, Russia, and the separatist regions of South Ossetia and Abkhazia emphasized the fragility of the territorial status quo that took hold in the years immediately following the collapse of the USSR but has failed to establish legitimacy among either local populations or the international community. The 2008 war solidified the de facto separation between the Georgian state and its breakaway provinces and put Georgia’s NATO accession on indefinite hold—but did not resolve the underlying problems of sovereignty and security that led to the conflict. Similar problems abound across the Big Caucasus. An increasingly authoritarian Azeri government has staked much of its legitimacy on regaining the disputed region of Nagorno-Karabakh. While talks between Baku and Yerevan have made little progress, an arms buildup in the region continues, raising fears of renewed conflict. Meanwhile, Russia’s North Caucasus smolders. A nationalist insurgency that began in Chechnya in the early 1990s has spread to neighboring regions and taken on a harder jihadist edge, raising concerns about a possible al Qaeda presence and creating a direct threat to Western interests.

1. The “Big Caucasus” here refers to the South Caucasus states of Armenia, Azerbaijan, and Georgia; the disputed regions of South Ossetia, Abkhazia, and Nagorno-Karabakh; and Russia’s seven North Caucasus republics: Dagestan, Chechnya, Ingushetia, North Ossetia–Alania, Adygea, Kabardino-Balkaria, and Karachaevo-Cherkessia. Less formally, it may include the adjacent regions of Turkey and Iran, as well as parts of Russia’s Stavropol and Krasnodar krays.
Even as the Big Caucasus itself becomes less stable, changes in the international environment surrounding it are also accelerating. Twenty years after the Soviet collapse, the three de jure states in the region—Armenia, Azerbaijan, and Georgia—have established themselves as fully sovereign members of the international community, though their borders remain contested. Meanwhile, the August 2008 war witnessed the large-scale projection of Russian power beyond the borders of the Russian Federation for the first time since the Soviet collapse. Yet this dramatic reassertion of Russian power obscured the fact that Moscow’s influence in the Caucasus—North and South—is gradually eroding. The West, increasingly consumed with righting its own finances and retrenching its overseas commitments, is likewise seeing its influence over events in the Caucasus, which never was decisive, wane further. Nevertheless, Russia, the United States, and the European Union remain the region’s most significant partners in both the economic and security spheres. The ebbing of Russian and Western power has created opportunities for new actors to gain a foothold, drawn by the region’s strategic location and associated economic opportunities. In particular, Turkey, Iran, and—to a lesser degree—Ukraine are establishing themselves as players with a stake in the region’s future development.

The growing influence of states like Turkey and Iran speaks to the emergence of the “Big” or “Greater” Caucasus as a political and economic reality stretching across the frontiers of the former USSR. While globalization initially came to the region in the form of complex, expensive, and controversial energy pipelines between the Caspian Sea and Europe, the gradual integration of the North and South Caucasus with surrounding regions is increasingly an organic process driven by market forces. It is at once a cultural, an economic, and a political phenomenon; the emergence of new stakeholders (states as well as private companies) is creating a more pluralistic geopolitical environment, in which the region’s states (both de jure and de facto) have greater leeway to choose their own partners and to determine their own fate.

Yet even if regional elites fully embraced such integration, their freedom of maneuver remains constrained by the ongoing political fragmentation of the entire Big Caucasus region. The borders between Armenia and Azerbaijan, Armenia and Turkey, and Georgia and its breakaway regions all remain largely closed, inhibiting regional economic integration and the increased prosperity that would accompany it. Moreover, the danger of renewed instability throughout the region, including insurgency and even large-scale interstate war, dramatically raises the level of political risk for business. It also creates profound insecurity for the inhabitants of the Big Caucasus themselves, who have suffered the most from the upheavals of the past two-plus decades. It is they, more than anyone else, who would benefit from solutions to the welter of geopolitical conflicts that continue to buffet the region, and they who have the most to lose if these conflicts worsen.

While U.S. and Western influence in the increasingly pluralistic Big Caucasus is limited, it remains a critical component of any strategy to address the region’s fragmentation and allow it to fully enjoy the benefits of economic integration. U.S. policies should focus on increasing the opportunities to benefit from economic and political integration, while overcoming the political fragmentation that has kept the Caucasus divided, dangerous, and poor. Such an approach would acknowledge the increasingly pluralistic geopolitical environment throughout the Big Caucasus, and seek to the extent possible collaborative solutions with Russia, Turkey, and the European Union, while recognizing the limits of U.S. influence.
Despite their internecine quarrels, the various states and statelets of the Big Caucasus region (table 1) face a number of common challenges. These include authoritarian leadership and poor governance, unstable politics, refugees and internally displaced persons, a dangerous external security environment, and stifled economic development. Such problems do not affect all the Big Caucasus political entities in equal measure, but many of them exist across borders and are truly regional in nature. Yet the Big Caucasus wholly lacks a regional identity; given their deep-seated rivalries, it is hardly possible to even speak of a regional identity among the independent states of the South Caucasus, much less one that incorporates the Russian North Caucasus and surrounding areas. Consequently, there have been no significant attempts to pursue regional solutions to common problems, or to strengthen intraregional economic cooperation along the lines of the European Union. The region’s states and statelets themselves have varying capacities to address their challenges; the fully sovereign states of the South Caucasus are in many ways better placed than their partially recognized neighbors or the sub–sovereign entities of the Russian North Caucasus to promote economic growth and political consolidation. On the other hand, the internal rivalries of the South Caucasus make it difficult to contemplate any truly regional solutions.

One common challenge across the Big Caucasus is the persistence of rigid political systems that have not fully broken from their Soviet predecessors. In the South Caucasus, Georgia has made the most progress in the economic sphere, as President Mikheil Saakashvili has dramatically improved the investment climate, tackled corruption, privatized large segments of the economy, and streamlined state administration (helped by significant Western financial and political backing). Nevertheless, Saakashvili has shown a worrying authoritarian streak despite his public embrace of democratic principles, and the low-hanging fruit from Georgia’s economic reform has already been harvested. While growth in gross domestic product was strong before the financial crisis, Georgia’s economic reform failed to significantly improve living standards for the majority of the population; poverty and unemployment numbers have not much improved, and Georgia’s GDP still remains below that of Armenia and Azerbaijan (table 2). Thanks to its energy resources, Azerbaijan is wealthier than its neighbors on both an absolute and per capita basis. At the same time, its politics increasingly resemble those of a Middle Eastern petro-sultanate. The government of President Ilham Aliyev harshly suppressed demonstrations calling for greater accountability in the spring of 2011 and has long refused calls for political reform. Dissatisfaction with Azerbaijan’s unresponsive politics has fed an increasing sense of frustration among the populace that has particularly benefited Islamist groups. In response, Aliyev’s government has cracked down on dissent and arrested numerous activists on frequently trumped-up charges of extremism.

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Armenia continues to suffer from the isolation imposed on it as a result of the Nagorno-Karabakh war. It is resource poor and cut off from major communication routes by the closure of its borders with Turkey and Azerbaijan, and thus it offers little attraction to foreign investors (though Russian and, increasingly, Iranian companies have invested significant amounts in Armenia, in part for political reasons). Yerevan consequently has little choice but to seek close relations with Moscow, and the West has few levers to press for political liberalization.

The separatist regions of the South Caucasus all face their own sets of challenges. While none of the three disputed regions is likely to gain widespread international legitimacy in the near future, all have established themselves as de facto independent entities unlikely to be reintegrated with their former hegemons. Part of the reason South Ossetia, Abkhazia, and Nagorno-Karabakh are unlikely to gain widespread international recognition has to do with their “missing” populations: More than 250,000 mostly ethnic Georgians have remained displaced from South Ossetia and Abkhazia since 1991, and another 250,000 ethnic Azeris have been driven out of Nagorno-Karabakh and surrounding regions—plus their descendants.3 Until a meaningful process for resettlement and compensation for these displaced persons is put in place, 

3. According to figures from the Georgian government and the Office of the UN High Commissioner for Refugees, at least 236,000 refugees from the conflicts of 1991–1992 (mainly ethnic Georgians driven out of Abkhazia) remain displaced, while another 22,000 Georgians who fled South Ossetia during the 2008 war had been unable to return home as of late 2010. See “Georgia: IDPs in Georgia Still Need Attention,” Internal Displacement Monitoring Center, July 9, 2009, http://www.internal-displacement.org/countries/georgia.
the breakaway regions will be unable to attain legitimacy in the international community. At the same time, the presence of large numbers of refugees from these conflicts has complicated politics in Georgia and Armenia (refugees from Karabakh are a key bloc in Armenian politics, whose presence makes Yerevan wary of pursuing any sort of compromise solutions). Moreover, as time goes on and memories of living together fade, the possibility of reintegrating these refugee populations into their original homelands will become smaller and smaller. Close to two decades of de facto existence has given the breakaway regions many of the trappings of statehood. Nevertheless, their politics remain largely defined by the quest to secure full international recognition and prevent reintegration. This warping of internal political processes has prevented the authorities in each of the separatist regions from focusing on more immediate concerns of security and development. At the same time, the breakaway regions’ absence from international bodies has complicated

attempts to address problems on the ground, a situation for which the international community shares at least some of the blame. The inability to develop creative solutions to the sovereignty dilemma has also perpetuated the standoffs between Yerevan and Baku, and between Tbilisi and Moscow, while inhibiting the development of regional approaches to shared challenges.

This fragmentation also extends to Russia’s North Caucasus. The North Caucasus itself is increasingly unstable, as poverty, unemployment, and poor governance combine to entrench discontent that frequently shades into militancy.4 Though the North Caucasus is heavily subsidized by Moscow, politically it is increasingly beyond the reach of the Kremlin. With the Kremlin’s backing, onetime warlord Ramzan Kadyrov has established a Shariah-tinged absolutist regime in Chechnya. Meanwhile, Kadyrov’s crackdown on Islamist groups has encouraged the spread of militancy to other parts of the predominantly Muslim North Caucasus, such as Ingushetia, where unemployment is more than 50 percent and distrust of Moscow is rife. In the past few years, militant attacks have occurred even in previously calm parts of the North Caucasus such as Karachaevo-Cherkessia, where the regional authorities launched a crackdown on unregistered Islamic organizations suspected of links with terrorism in the spring of 2011. North Caucasus jihadist groups have also been blamed for attacks elsewhere in Russia, including the bombings of the Moscow metro in March 2010 and of the international arrivals hall at Domodedovo Airport in January 2011.5

Because the North Caucasus also shares a border with Azerbaijan and Georgia, instability on the Russian side of the border also presents a significant security challenge for the states of the South Caucasus. Moreover, the deteriorating security situation exacerbates the flood of out-migration from the North Caucasus, as the majority of the region’s Slavic population and an increasing number of non-Slavs move to cities in the Russian interior.6 Russian observers increasingly worry that Moscow’s hold on the North Caucasus is eroding, turning the region into an unstable frontier zone lacking legitimate political authority of any kind. Nevertheless, Moscow continues to channel large amounts of aid from the federal budget to the republics of the North Caucasus in an attempt to buy the loyalty of local elites. In turn, this flood of cash is increasingly generating resentment in other parts of Russia, where it dovetails with the growth of racially motivated hostility toward “persons of Caucasian nationality” (litsa kavkazskoi natsional’nosti) on the part of Russia’s Slavic majority. A growing strand of opinion in Russia has consequently called for Moscow to “stop feeding the Caucasus” (khvatit kormit’ Kavkaz), which is tantamount to calling for an end to Russian control of the region and its people. The loosening of Moscow’s hold on the North Caucasus threatens a repeat on a larger scale of the chaos that reigned following Chechnya’s de facto independence after the First Chechen War (1994-96), when the region turned into a black hole for smuggling, kidnapping, and extremism.

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The divide between the North Caucasus and South Caucasus is in some ways artificial, a legacy of Soviet map drawing. Post-Soviet political and economic challenges often cross back and forth across the peaks of the Caucasus dividing Russia from the other post-Soviet republics further south. During the active phase of the wars in Chechnya, Chechen fighters frequently found refuge across the border in Georgia’s Pankisi Gorge, a circumstance that led Moscow to threaten military intervention long before the 2008 war. Moscow also provided inhabitants of South Ossetia and Abkhazia with Russian passports, effectively turning them into Russian citizens despite their residence in what even Moscow regarded before the war as Georgian territory. While Ossetian nationalism remains relatively weak, the de facto independence of South Ossetia (which is likely too small and geographically isolated to function as an independent state) raised the possibility of enosis with Russia’s North Ossetia–Alania—a step that would amount to Russian annexation of internationally recognized Georgian territory. Meanwhile, in response to the war, Tbilisi has actively injected itself into the fraught politics of the North Caucasus, instituting visa-free travel for North Caucasus residents and promoting international recognition of the “Circassian genocide,” when hundreds of thousands of Adyghe, Abkhaz, and others were expelled from the North Caucasus by the Russian army in the 1860s and 1870s. Russia regards both of these steps as meddling in what it considers an internal affair. The 2014 Winter Olympics, which are scheduled to take place in the city of Sochi in Russia’s Krasnodar Kray (part of the region from which the Tsarist army expelled the Circassians), threaten to become a major flashpoint in this dispute.

7. As part of its early attempts to improve relations with Moscow, the George W. Bush administration sought to ameliorate Russo-Georgian tensions by working with Tbilisi to restore its control of the Pankisi Gorge through the so-called Train and Equip Program.

The internal rivalries within the Big Caucasus are frequently exacerbated by the competing geopolitical agendas of outside stakeholders. In some ways, these rivalries are the result of developments outside the region—above all, the collapse of the Soviet Union, which opened up a political and strategic vacuum in the region while sharply limiting Moscow’s ability to act as arbiter of the Big Caucasus’ own rivalries. During the 1990s, the West was particularly active in the Caucasus, seeking to establish a corridor to transport the energy riches of the Caspian Sea Basin to Europe without transiting either Russia or Iran, and to encourage the newly independent states in the region to strategically orient themselves toward the Euro-Atlantic community. Turkey, which is both a member of NATO and a critical transit state for Caspian pipeline projects, played a leading role in these efforts. Though Western powers frequently emphasized that their ambitions were not driven by hostility to Russia, the practical consequence was an ever-escalating struggle between the West and Russia for influence across the former Soviet Union.

Though Russia remained by far the most influential power in the Caucasus even in the 1990s, the growth of Russian power since the start of the twenty-first century has complicated this dynamic. As the 2008 war demonstrated, Russia possesses the capacity to assert its own interests and check the expansion of foreign influence in a region it continues to regard as central to its own security, though Moscow struggles to limit the proliferation of economic and political links between the Caucasus states and other regional powers. Paradoxically, it was Russia’s desire to perpetuate the fragmentation of the South Caucasus by “freezing” the separatist conflicts of the early 1990s that most encouraged regional elites to diversify their international engagements, in the process feeding a perception of declining Russian influence.

Russia’s invasion of Georgia not only halted Tbilisi’s momentum toward NATO membership but also forced a fundamental reassessment of regional priorities on the part of Georgia, its South Caucasus neighbors, and the other outside powers. The war also helped ameliorate, at least for a time, the strategic conflict between the West and Russia, both by encouraging the United States and its allies to adopt a more restrained posture toward Georgia’s Euro-Atlantic ambitions and by encouraging Azerbaijan, in particular, to balance its pro-Western orientation with an attempt at rapprochement with Moscow. This freezing of the geopolitical rivalry over the Big Caucasus is likely, however, to be temporary, because the war did not permanently resolve the question of where the Caucasus fits in the larger geopolitical landscape. The 2012 U.S. presidential campaign, in particular, is liable to reignite some of the debates about U.S.-Russian relations and Washington’s role in the Caucasus that have remained largely subdued since the war.

Of course, the geopolitical role of the Big Caucasus is much more complicated than simply serving as a chessboard for the competing ambitions of Russia and the Western powers. The emergence of Turkey as an increasingly independent international actor since the rise of the Justice and Development Party (Adalet ve Kalkınma Partisi) and the freezing of Ankara’s EU accession
process has created a new dynamic, especially in the energy sphere. Meanwhile, Iran's growing estrangement from both the West and Russia has led Tehran to pursue a more assertive, if still somewhat opaque, role throughout the Caucasus. In Ukraine, the 2004 Orange Revolution established a temporary alignment between the new pro-Western governments in Kyiv and Tbilisi. But as the consequences of the Orange Revolution have been undone by infighting and political paralysis, Ukraine has again become something of a wild card, though its interests and influence in the Big Caucasus are more limited than those of neighboring Turkey and Iran. The increasingly pluralistic geopolitical environment of the Big Caucasus has also given other extraregional states a stake in regional development. These include the energy-exporting states east of the Caspian Sea (Turkmenistan and Kazakhstan), as well as Israel, which has developed close security ties with Azerbaijan.

**Russia**

Russia remains the most significant outside player, given its ability to project power on both sides of the Caucasus Mountains and the array of Soviet-era political, economic, and social links between Russia and the Big Caucasus as a whole. With the invasion of Georgia, separation of South Ossetia and Abkhazia, and freezing of plans for further NATO expansion in the region, Russia achieved most of its strategic goals—albeit at a high price. It continues to worry about the potential for the South Caucasus to provide North Caucasus militants with a kind of strategic depth, and for the further unfreezing of conflicts in the South to touch off instability and refugee flows that affect Russia itself. Relations with Georgia remain difficult, insofar as Moscow continues to view Tbilisi as an aspiring Western outpost. Russian officials nevertheless hint that ties could improve following the end of Saakashvili's presidency, which is scheduled for 2013 (even if Saakashvili, echoing Putin, chooses to stay on in the capacity of prime minister). Furthermore, Moscow and Tbilisi did manage to reach an accommodation allowing Russia to join the World Trade Organization in December 2011. 

Besides compromising on the difficult question of monitoring trade across disputed borders, the WTO accession deal restored trade links between Russia and Georgia severed in the run-up to the 2008 war, raising hopes for gradual progress toward normalization and the development of deeper economic linkages. Paradoxically, Moscow’s estrangement from Tbilisi (including its embargo on Georgia’s two largest export commodities, wine and mineral water) encouraged Georgia to diversify its international engagements and allowed it to drift still further beyond Russian influence.

In contrast to its diminished influence in Georgia, Russia retains a central role in managing the Nagorno-Karabakh standoff. In part to hedge against renewed violence, and in part to strengthen its own position as a regional broker, Moscow has in recent years actively pressed for a negotiated solution to the Nagorno-Karabakh conflict. For most of the period since the end of

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the fighting in 1994, Russia has been unable to play the role of honest broker to which it aspires because of its direct support for Armenia. In particular, Russia and Armenia are partners in the Collective Security Treaty Organization, which imposes a collective defense obligation on members. In the event of a renewed military clash between Armenia and Azerbaijan, Moscow would be committed to aiding Yerevan (though its willingness and ability to live up to this commitment is open to doubt).

The natural consequence of Moscow's support for Armenia has been a long-standing estrangement from Azerbaijan, which joined the Western-leaning GU(U)AM organization and cooperated with Georgia and Turkey to build oil and gas pipelines skirting Russian territory beginning in the 1990s. One of the most significant developments of the past few years has consequently been the rapprochement between Moscow and Baku, and the resulting growth of Russian influence with Azerbaijan. In part, this rapprochement is the consequence of the August 2008 war, which forced the Azerbaijani leadership to recognize the vulnerability of its lines of communication (above all, the energy pipelines) through Georgia in the event of a future wider Russo-Georgian conflict. Baku's interest in patching up its quarrels with Moscow also coincided with a Russian push to preempt the construction of the Nabucco gas pipeline, part of the United States–backed Southern Corridor, which would likely require gas from Azerbaijan's Shah Deniz-II field. Russia's opposition to Nabucco led Moscow to offer to buy the Shah Deniz gas at a higher price—though Baku has yet to make a final decision between the competing offers from Russia and the Europeans. Moscow's Shah Deniz-II offer did, however, contribute to a growing rapprochement between Russia and Azerbaijan, which included an agreement on the part of the giant Russian state-controlled energy firm Gazprom to double its purchases of Azerbaijani gas in 2011, with a further increase in 2012.

Although Azerbaijan remains committed to the Southern Corridor, the Russian offer helped clear the air between Moscow and Baku and facilitated Russia's more active diplomacy over Nagorno-Karabakh. President Dmitry Medvedev hosted the Armenian and Azeri presidents in Kazan in June 2011 and again in Sochi in January 2012 (though little progress was made toward a negotiated solution), while Russian diplomats continue to shuttle between Yerevan and Baku in search of an agreement. Russia's mediating role, undertaken in the context of the Minsk Group, is strongly backed by the United States and France, the group's other co-chairs, and is an example

medvedev-momentum-falters-in-nagorno-karabakh/

11. GUAM (Georgia, Ukraine, Azerbaijan, Moldova) was informally established in 1997 to promote political reform and European integration among its members—all of which confronted real or potential separatist conflicts on their territory and worried about Russia's capacity for intervention. Uzbekistan, which does not face a separatist danger of similar magnitude but nevertheless has long been sensitive to the threat of Russian intervention, joined in 1999 but withdrew in 2005.

12. An explosion along the Turkish segment of the Baku–Tbilisi–Ceyhan oil pipeline disrupted deliveries in August 2008 just days before the war. The Kurdistan Workers' Party (PKK) was blamed for the blast, but suspicions about Moscow's possible complicity linger. During the war, Russian planes dropped bombs close to the Georgian segment of the pipeline, as if to emphasize its vulnerability. See İsmail Altunsoy, "PKK Claims Responsibility for BTC Pipeline Explosion," Today's Zaman, August 8, 2008. On speculation of a Russian hand in the explosion, see "Turkey: An Oil Pipeline Fire and the Russian Alternative," STRATFOR, August 7, 2008.


of the U.S.-Russian cooperation in the post-Soviet region that has frequently been lacking but is essential for long-term stabilization.

Russia is also a major player in the energy diplomacy of the Big Caucasus, where it seeks to ensure that new pipelines from the Caspian Sea remain under Russian control. Moscow has offered to boost its purchases of Azerbaijan’s gas and continues to back the creation of the South Stream pipeline beneath the Black Sea as an alternative to the Southern Corridor, despite serious concerns about the project’s financial viability. It has also come out strongly against plans to build a gas pipeline across the Caspian Sea from Turkmenistan to Azerbaijan to feed into Nabucco. Moscow largely continues to view the competition for energy and transit routes in zero-sum geopolitical terms. Its support for South Stream and its attempts to block the competing Western-sponsored Southern Corridor are therefore tightly connected to its attempts to maintain its leading position in the Caspian region and to access new sources of energy to ensure its continued domination of the European market.

Turkey

After Russia, the most important regional stakeholder is Turkey, whose more ambitious foreign policy under the Justice and Development Party has led it to turn its attention back to the Big Caucasus as an arena for exerting influence, above all in the energy sphere. During the 1990s, Turkey’s role in the Caucasus was primarily limited to promoting the new republics’ stability and territorial integrity, while acting as a vanguard for the expansion of Western influence in the post-Soviet space (it was also an important ally of Baku during the war over Nagorno-Karabakh). Starting in the late 1990s, Ankara began pursuing a rapprochement with Moscow that led it to adopt a more cautious posture on the Caucasus, acknowledging Russia’s paramount role while focusing on building economic and trade links with Moscow. This approach was disrupted by the Russo-Georgian war, which threatened Ankara with a loss of access to the Turkic republics of Central Asia and endangered the East–West energy corridor from the Caspian Sea (above all, the Baku–Tbilisi–Ceyhan, or BTC, oil pipeline and the parallel South Caucasus gas pipeline).

Subsequent Turkish attempts at regional mediation have had little success: The Caucasus Stability and Cooperation Platform (released in the aftermath of the war) was designed to promote a multilateral dialogue on regional conflicts, but was never embraced by other states in the region; though Turkey’s attempts at normalizing relations with Armenia were strongly supported by the Obama administration, they fell afoul of Azeri concerns that normalization and the opening of the Turkish–Armenian border would cost Baku its strongest point of leverage for resolving the Nagorno-Karabakh conflict on favorable terms.15 The failure of the proposed normalization resulted in part from Ankara’s misreading of both the peace process itself and of Azeri politics. Ankara

at once overestimated the ability of Baku and Yerevan to resolve their differences and underesti-
mated the degree to which Karabakh was a basic issue of identity and legitimacy in Azerbaijan—a
fact that has repeatedly blocked attempts by Azeri leaders to accept a compromise solution.16 The
failed normalization consequently set back Turkish influence with both Armenia and Azerbaijan.
Meanwhile, the onset of the Arab Spring in early 2011 turned Ankara’s attention back toward the
Middle East at a moment when Russia’s influence in the South Caucasus was again waxing.

Turkey’s role is also underpinned by its connection to the Russian North Caucasus and its
status as the pivot for competing East–West energy transit plans. Turkey is home to a large North
Caucasus diaspora (consisting of many descendants of Caucasus mountain peoples driven out
by the Russians in the nineteenth century), which led Ankara to adopt a relatively tolerant posi-
tion toward Chechen and other North Caucasus separatist groups in the 1990s. In the context
of Turkey’s “reset” with Russia (beginning with Turkish prime minister Bülent Ecevit’s 1999 visit
to Moscow, leading to the signing of the so-called Eurasian Cooperation Action Plan in 2001),
Ankara has been more circumspect about its ties with such separatist groups, though a significant
number of Chechen and other North Caucasus exiles continue to reside in Turkey. Indeed, at least
seven Chechen opposition figures living in Turkey have died under mysterious circumstances in
recent years (including three gunned down in Istanbul in September 2011). Many observers blame
Moscow and the Chechen government of Ramzan Kadyrov for these assassinations—while the
rebels have even threatened Turkey with reprisals for allegedly conspiring with Moscow to permit
the killings.17

More important is the geopolitics of Caspian energy. In 1998, Turkey, along with Georgia and
Azerbaijan, endorsed the construction of the U.S.-backed BTC oil pipeline (the pipeline finally
came online in 2006), which was followed by the parallel South Caucasus gas pipeline from Baku
to the Turkish city of Erzurum. These pipelines, along with the earlier and smaller Baku-Supsa
“early oil” pipeline, all of which Russia strongly opposed, brought oil and gas from Azerbaijan’s
section of the Caspian Basin to European markets without crossing Russian territory. They also
cemented the Western orientations of Baku and Tbilisi by lessening their economic dependence
on Russia.

More recently, Turkey has sought to maximize its own leverage by working with both Rus-
sia and the Western powers to develop new East–West pipelines. These include the Western-
sponsored Nabucco, which will run from Erzurum on to Austria, as well as the Russian-sponsored
South Stream, which Moscow plans to run through Turkish territorial waters in the Black Sea.
Because Ankara recognizes the leverage that its geographic location confers and is increasingly
seeking to play an independent role in the region, it is driving a hard bargain with both sides.
Its participation in these competing projects reflects the growing independence of Turkish for-
eign policy, as well as a desire to strengthen Turkey’s position as a regional power, one that is not
content to merely collect transit fees on the oil and gas crossing its territory but is also playing the

128–129.
17. See Mairbek Vatchagaev, “Assassination Campaign of Chechen Opposition Figures in Turkey
single/?no_cache=1&tx_ttnews%5Btt_news%5D=38550&tx_ttnews%5BbackPid%5D=514; and “Chechen
umarov_chechnya_turkey/24397006.html.
role of a hub with the right to resell a percentage of this energy, and even to dictate the route of the pipelines themselves.

**Iran**

Iran’s interest in the Big Caucasus is also heavily influenced by Caspian energy politics; however, as with Turkey, the blending of populations across borders plays a role as well. While Iran was an active participant in the complex diplomacy of the South Caucasus in the 1990s, the growth of Russian power under Vladimir Putin and Iran’s increasing international isolation have made Tehran more deferential toward Moscow’s claims to regional supremacy. Russia long feared Iran’s ability to stir up trouble in the North Caucasus, particularly during the first war in Chechnya. But since the election of Mahmoud Ahmadinejad to the presidency in 2005, Tehran has proceeded cautiously in the South Caucasus while focusing its efforts on the Middle East and regions further afield. As Iran’s strategic rivalry with the West (and Turkey) has escalated, Iranian leaders have apparently calculated that they cannot afford to also alienate Russia.

For Georgia, Iran is valuable primarily as a bargaining chip in relations with the West and Russia. Political and economic ties are limited, despite an agreement in 2010 to establish a visa-free regime. Iran plays a similar role vis-à-vis Armenia, though given the closure of Armenia’s borders with Turkey and Azerbaijan, Iran is also an important economic partner. Of the states in the South Caucasus, Tehran’s most significant disputes are with Azerbaijan, which shares a significant border with Iran and is, like Iran, majority Shia. Iran also worries about the loyalty of its own 17 million ethnic Azeri citizens. Because Tehran was fearful that a strong Azerbaijan could become an irredentist magnet for these Azeri Iranians, it backed Armenia during the Nagorno-Karabakh conflict and remains a close partner of Yerevan today. Iran opened an oil pipeline to Armenia in 2007 that has played an important role in sustaining the Armenian economy despite the closure of the borders with Azerbaijan and Turkey. This history of Iran’s support for Armenia continues to underpin the difficult relationship between Tehran and Baku, even though Iran has also offered to mediate between Armenia and Azerbaijan (largely to avoid creating a pretext for an international presence in the region).

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21. Officials in Armenia and Azerbaijan did not give much credence to these offers of Iranian mediation. See “Eksperty v Yerevane ne schitayut ser’ëznymi popytki Irana i Turtsii pomoch’ v reshenii voprosa Karabakha” [Experts in Yerevan do not consider Iran and Turkey’s attempts to aid in resolving the Karabakh question to be serious], Kavkazskiy Uzel, April 30, 2010, http://www.kavkaz-uzel.ru/articles/168296.
Tensions between Iran and Azerbaijan are also connected to the broader struggle between Turkey and Iran for influence in the Muslim world. Iran fears that Turkic-speaking, secular Azerbaijan (which is closely allied to Ankara) might become a Western proxy on its borders. As Turkish–Iranian relations have worsened with the outbreak of the Arab Spring and Turkey’s decision to host a NATO anti-ballistic missile radar installation, ties between Iran and Azerbaijan have worsened in parallel. A series of border incidents in 2011 threatened to spiral into a political crisis, which was only averted by dispatching a senior official of the Iranian Revolutionary Guard Corps to Baku for talks.22

Despite its proximity, only about 1 percent of Azerbaijan’s foreign trade is conducted with Iran. Baku and Tehran have sparred for years over the delimitation of national sectors in the Caspian Sea. Azerbaijan’s support for the BTC pipeline put it at odds with an Iranian government that sought to route Caspian oil and gas through Iran. Under pressure from the West, Baku also sharply limited the stake it granted to Iranian companies in developing oil and gas fields in the Azerbaijani sector of the Caspian. Azeri observers also charge Iran with conducting agitation among the Persian-speaking minority in Azerbaijan and with supporting radical Shia groups opposed to the secular dictatorship of Ilham Aliyev. These fears became especially pronounced following Aliyev’s crackdown on antigovernment protesters in the spring of 2011.23 It is this feeling of vulnerability to Iranian pressure that has underpinned Baku’s long-standing security cooperation with Israel and that provides an impetus for Baku’s interest in deepening cooperation (short of membership) with NATO.24 Like Russia, Iran has sought to limit Caspian energy production until the question of delimitation is resolved (though Iranian and Russian positions on delimitation continue to differ) and opposes the construction of trans-Caspian pipeline infrastructure that would strengthen Azerbaijan and cement Iran’s exclusion from European energy markets.

Ukraine

Though its role remains comparatively peripheral, Ukraine is a factor in regional developments across the Big Caucasus as well. Ukraine’s significance in the Caucasus is largely the result of its unique position as a borderland and bridge between the post-Soviet world and the West. Particularly during its pro-Western “Orange” phase after 2004, Ukraine played the role of an alternative to Russia for the Caucasian states. It shares a common post-Soviet political culture with the states of the Caucasus (and Russia), but it is also a member of Western-leaning groups such as GU(U)AM and the Community of Democratic Choice, which was established in 2005 by Mikheil Saakashvili, Ukrainian prime minister Yuliya Tymoshenko, and the leaders of several Eastern Euro-

24. Like many of its post-Soviet neighbors, Azerbaijan is a member of NATO’s Partnership for Peace and has an Individual Partnership Action Plan laying out specific areas where it seeks deeper cooperation. Azeri forces have served as part of a Turkish-led unit in Afghanistan. It also participates in intelligence sharing related to terrorism and illegal activities on the Caspian Sea. Baku is also working with NATO to modernize and develop its security sector in accordance with NATO guidelines. For more information, see North Atlantic Treaty Organization, “NATO’s Relations with Azerbaijan,” http://www.nato.int/cps/en/natolive/topics_49111.htm.
Ukraine also serves as a magnet for labor migration, especially from South Ossetia, Abkhazia, and Azerbaijan; while criminal groups fleeing Saakashvili’s anticorruption campaign in Georgia found in much larger, politically divided Ukraine a more welcoming base.

Ukraine is also an important player in the debate over energy transit routes from the Caspian. After all, it was payment disputes between Kyiv and Moscow in 2006 and 2009 that underpinned the intensifying debate between supporters of the United States–backed Southern Corridor and the Russian South Stream project. As the state with perhaps the most to lose from South Stream, Ukraine has lobbied hard against the Russian pipeline, often finding itself pitted against Azerbaijan and Turkey in particular. Ukraine also matters because of its participation in regional transit and security projects such as TRACECA (Transport Corridor Europe Caucasus Asia) and the Black Sea Economic Cooperation forum. Nevertheless, given its own political divisions and uncertain international role, Ukraine continues to punch below its weight in these organizations. Its most important relations in the Big Caucasus are bilateral. A close symbiosis developed between Saakashvili and the Orange coalition that ruled in Kyiv from 2004 to 2010. Ukraine became a major arms supplier to the Georgian (and Azeri) military—a development that Russia strongly protested following the 2008 war. While this criticism stemmed primarily from the fact that Ukrainian weapons had been used to kill Russian soldiers, Moscow is concerned more broadly about being displaced as the principal arms supplier for the South Caucasus states. Aside from energy, Ukraine’s economic ties to the Caucasus are uneven; it is Georgia’s third-largest trading partner, but its trade with Armenia and Azerbaijan (not to mention the de facto states) is miniscule. Particularly since the ouster of the Orange coalition and the return of Viktor Yanukovych to the Ukrainian presidency in 2010, Kyiv has sought to depoliticize its relationships in the Caucasus in order to simultaneously strengthen ties with Russia and the European Union. Ukraine has consequently adopted a less visible role—though it continues to worry about South Stream—while focusing on bilateral economic relationships.

The ability of the international community to successfully manage the fragmentation of the Big Caucasus will depend to a great degree on whether the United States and European Union maintain their active engagement with the region. The United States and the EU have the advantage of not being regional players themselves, which allows them—at least in principle—to adopt a more dispassionate approach to the region’s disputes. At the same time, however, this very distance from the problems of the Big Caucasus has at times led the United States and EU to pull back from the region in ways that have made existing problems more intractable. In an era of financial crisis and strategic uncertainty, maintaining consistent engagement will be among the greatest challenges to U.S./EU influence.

Apart from the fragmentation stemming from the territorial disputes across the Big Caucasus, the issues of most concern to the wider international community are connected to energy, specifically the role of the Caucasus as a transit corridor for oil and gas from the Caspian Sea Basin to Europe. The states and statelets of the Caucasus themselves (except Azerbaijan) have little or no indigenous energy resources of their own. Rather, the oil and gas that Europe seeks to access is located further east, offshore in the Caspian Sea or on its eastern shore, which is to say, in Central Asia. Though the Caucasus and Central Asia have increasingly diverged since the collapse of the Soviet Union, their shared post-Soviet heritage and energy connection mean that developments in Central Asia cannot but have an impact on the strategic environment in which the Big Caucasus finds itself.

U.S. policy in the Caucasus has been fairly stable since the collapse of the Soviet Union. In the North Caucasus, Washington has largely deferred to Moscow, though the brutality of Russian troops in Chechnya was often a source of tension. Particularly since the September 11, 2001, terrorist attacks, Washington has accepted Moscow’s narrative that it is conducting a counterterrorist campaign in and around Chechnya, one that has at least implicit parallels to U.S. actions in Afghanistan, Iraq, and elsewhere, and has tended to downplay its criticism of Russian human rights abuses. In the spring of 2011, it agreed to Russian requests to have Doku Umarov, the self-proclaimed emir of the Caucasus Emirate (Emirat Kavkaz), placed on a UN blacklist normally reserved for members of the Taliban and al Qaeda, and even offered a $5 million reward for his capture.28 Yet America has always been uncomfortable with the aggressive tactics that Russia has pursued against its enemies, including the pulverization of Grozny and other cities during the two Chechen wars, the wholesale roundups of Chechen males into “filtration” camps, and the assassination of rebels both inside Russia and overseas (some of whom had been given asylum by U.S. allies).

In the more pluralistic South Caucasus, the United States has promoted the territorial integrity and sovereignty of the three fully recognized states (thereby rejecting the breakaway statelets’ claims to sovereignty), has encouraged the development of democratic government and market economics, and has promoted their integration into international institutions. This policy has not been specific to the South Caucasus; indeed, it is similar to the approach Washington has taken vis-à-vis the whole post-Soviet region—a sign perhaps of Washington’s overall lack of emphasis on the region during the past two decades. Washington pursued these policies in the face of often vehement opposition from Moscow, arguing that the emergence of prosperous democratic states integrated with the global economy was in the interests of the people of the South Caucasus, and ultimately also of Russia. In the process, Washington downplayed and dismissed as outmoded Moscow’s interest in restoring its own influence in the post-Soviet region. In crude terms, a zero-sum dynamic ensued, in which the United States and Russia each sought to drive the other out of the South Caucasus. This dynamic was visible during the pipeline struggles of the 1990s, but became especially pronounced following the Rose Revolution and Saakashvili’s proclamation of Georgia’s interest in joining NATO. The United States–Russia “reset” pursued by President Barack Obama and President Dmitry Medvedev led Moscow and Washington to push their disputes over the region to the side, but not much progress has been made in overcoming the underlying tension between U.S. and Russian priorities.

Washington’s somewhat sporadic attention to the region has at times led it to pursue incompatible objectives—the insistence on a narrow definition of territorial integrity (in states that, in some cases, never truly exerted sovereignty over all their de jure territory) has encouraged political elites to focus solely on the territorial issue in ways that strengthen illiberal tendencies and impede the democratic transitions that Washington also desires. In part, overt U.S. support for territorial integrity and transitions to democracy has been connected to the more implicit aim of integrating the states of the South Caucasus into the Euro-Atlantic community. The promise that Georgia and Ukraine “will become members of NATO,” which was made on America’s initiative (and over the opposition of many European leaders) at the 2008 Bucharest summit, is perhaps the starkest example of this strategy—but it is not the only one. U.S. support for the BTC and other East–West pipelines from the Caspian was also predicated to some degree on a desire to reorient Georgia and Azerbaijan to the West, as was backing for the GU(U)AM organization, mostly comprising post-Soviet states concerned about separatism and the potential for Russian intervention. Given the preexisting fragmentation of the Caucasus, this United States–led push for Euro-Atlantic integration could not but exacerbate tensions, both within the region and in relations with Russia. Azerbaijan’s participation in the BTC and Southern Corridor projects in essence deepened Armenia’s reliance on Russia and complicated prospects for reconciliation between Yerevan and Baku. Of course, Georgia’s NATO aspirations (and NATO’s support for them) strongly contributed to the estrangement of Tbilisi from Moscow that laid a foundation for the August 2008 war.

Washington’s push to reinforce the sovereignty and territorial integrity of the South Caucasus states (especially Georgia) has likewise injected the United States into regional quarrels, and has made it a party to the parallel conflicts between Georgia and South Ossetia / Abkhazia, and between Georgia and Russia. While U.S. support for Georgian territorial integrity is based on a principle enshrined in the Helsinki Final Act (a document accepted by Moscow as well as Washington and Tbilisi), this support has nevertheless made it more difficult for Washington to play the

role of honest broker or otherwise make a substantive contribution toward ameliorating the con-
sequences of the conflicts. If anything, the 2008 war made the territorial question more salient for
Washington—at least for a time. With Russia and only a small number of other states (Venezuela,
Nicaragua, and the Pacific archipelagos of Nauru, Tuvalu, and Vanuatu) recognizing South Ossetia
and/or Abkhazia as independent states, Washington made formal acknowledgment of Georgian
sovereignty over the breakaway territories a key component of its approach to the region.30 Presi-
dent George W. Bush and President Obama frequently invoked the notion of restoring Georgia's
territorial integrity as a basic goal of U.S. diplomacy—though, in de facto terms, Tbilisi has not
exercised authority in South Ossetia or Abkhazia since at least the mid-1990s. Washington also
closed down communication channels to the separatist leaders that are vital to any U.S. attempt to
play a mediating role. Now that the immediate passions of August 2008 have begun dying down
and the territorial stalemate looks likely to continue, Washington has an opportunity to shift away
from a narrow focus on the territorial issue and play a more constructive role in addressing real
problems on the ground.

More broadly, the war, followed by the United States–Russia “reset,” have led Washington to
reconsider its priorities in the Caucasus (and, indeed, in the entirety of the post-Soviet space),
and thus it is seeking to move away from a zero-sum approach to its relations with Moscow in the
region. Nevertheless, apart from the quite promising development of the Northern Distribution
Network to supply U.S. and coalition forces in Afghanistan, U.S. and Russian priorities in much
of post-Soviet Eurasia continue to diverge; the competition between the Southern Corridor and
South Stream is still very much alive, as is NATO's commitment to eventually admit Georgia and
Ukraine (even if NATO has little stomach for doing anything at the moment). To the extent that
Washington and Moscow can agree to disagree in the post-Soviet space while seeking to cooperate
in other areas, the more room they will ultimately create to rethink the competitive dynamic that
continues to prevail between them across the former Soviet Union.

The European Union has for the most part worked in parallel with the United States in the Big
Caucasus region. Transatlantic tensions have of course existed, above all over NATO expansion;
but since the 2008 war, Washington and Brussels have increasingly found themselves in agreement
on the region's principal strategic challenges. In part, this convergence has been possible because
the EU’s direct role has been fairly peripheral until quite recently, despite the proximity of the
Caucasus to EU territory. In recent years, however, Brussels’ role has increased, driven above all by
interest in Caspian energy and concern about the consequences of political instability in its own
neighborhood.

Given Europe's own unique experience in using economic and political integration as a tool
for overcoming deep-seated political conflicts (such as between France and Germany), the EU is
uniquely placed to encourage regional cooperation within the politically fragmented Caucasus. It
has developed a variety of tools for promoting both intraregional cooperation and integration with
the wider European community. These include the Eastern Partnership (EaP), which was launched
in 2008 and designed to both build closer trade and political relations among the post-Soviet states
in the South Caucasus and Eastern Europe and to promote European values.31 They also include a

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30. Tuvalu, Nicaragua, and Venezuela recognize both South Ossetia and Abkhazia as independent
31. “EU Assigns Funds and Staff to 'Eastern Partnership,'” EU Observer, March 20, 2009, http://euob-
server.com/24/27824.
series of bilateral initiatives, including visa liberalization agreements; association agreements laying out specific areas for deeper cooperation; and more far-reaching deep and comprehensive free trade agreements to improve EaP countries’ access to European markets.32

The EU is also involved in managing the military standoffs in the South Caucasus, at least in Georgia. It was the EU, then chaired by France, that negotiated the cease-fire ending the August 2008 war. An EU Monitoring Mission is also on the ground in Georgia policing compliance with the cease-fire.33 In contrast, Brussels remains largely aloof from the conflict in Nagorno-Karabakh and between Armenia and Azerbaijan more broadly. One of the unstated goals of the EaP is precisely to create mutual economic interests between Baku and Yerevan as a foundation for political rapprochement, but the EU’s direct engagement remains fairly limited, especially compared with its role in Georgia.

While its broad range of initiatives gives Brussels a degree of leverage with the South Caucasus states, the EU’s overall effectiveness is limited by disagreement within Europe about the ultimate goal of engagement in the former Soviet region. Given that there is little appetite among EU members to offer a path to membership even to Ukraine—much less to the more distant and politically fractured South Caucasus states—it remains unclear how effective the EU will ultimately be in promoting positive change in the region, especially if its activities are perceived as threatening by Russia (which has its own plans for regional integration). Moscow in particular has denounced the EaP as reflecting precisely the kind of zero-sum thinking for which Russia itself is often criticized.34 Though this criticism may be disingenuous, the very fact that Russia sees the EU’s aspiration to play a larger role in the Caucasus as threatening to its interests only deepens the geopolitical fragmentation from which the region suffers while making EU–Russian cooperation in pursuit of common interests more difficult. Among the most crucial tasks for the EU, then, is getting Russia (as well as Turkey) to acknowledge the value of a robust EU presence in the region, in part by providing reassurance that Brussels’ aims do not include reorienting the Caucasus states away from their existing relationships with Moscow and Ankara.

In substantive terms, the primary reason for the wider international community’s interest in the Big Caucasus has to do with the region’s role as a conduit for energy between the Caspian Sea Basin and Europe. Because much of this energy originates on the far (i.e., eastern) side of the Caspian Sea, the region’s complicated ties to post-Soviet Central Asia are also an important concern for outside powers such as the United States and the European Union. While Azerbaijan and Kazakhstan are both significant oil producers, the existence of a deep and liquid global oil market means that the principal geopolitical struggles over energy have played out over gas. Azerbaijan is the only major gas producer in the Caucasus (primarily from offshore fields in the Caspian Sea), but Kazakhstan and, above all, Turkmenistan are crucial to the EU’s current plans to promote security through a diversification of supplies.

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33. The EU Monitoring Mission (EUMM) was authorized in September 2008 and given a mandate to operate across all of Georgia’s internationally recognized territory. The de facto authorities in South Ossetia and Abkhazia have however denied it access to the disputed regions. See EUMM, “About EUMM,” http://www.eumm.eu/en/about_eumm.
The most important debates at the moment center on the routing of export pipelines from the eastern Caspian region. The EU and the United States are pressing for the establishment of the Southern Corridor and, in particular, construction of the Nabucco pipeline, while Russia continues to promote South Stream as an alternative. For both Nabucco and South Stream, the biggest challenge remains securing adequate volumes of gas—which officials connected with both projects have increasingly realized means gaining access to gas from Turkmenistan. Nabucco's planned capacity is 31 billion cubic meters (bcm) per year, an amount that EU officials initially believed they could secure solely from Azerbaijan. However, Baku's uncertain commitment to Nabucco (versus other, smaller East-West pipelines), as well as its interest in selling at least some of its gas to Russia as a means of balancing its geopolitical relations, means that Nabucco is unlikely to secure more than about 10–15 bcm from Azeri sources. While officials from the Nabucco consortium have discussed obtaining gas from a variety of other sources—including Egypt, Algeria, Iraqi Kurdistan, Iran, and even Russia—for both political and economic reasons, the most realistic source of the necessary gas (as much as 25 bcm may ultimately prove necessary) is Turkmenistan.

Turkmenistan's foreign policy remains idiosyncratic, and its relations with neighboring states, especially Azerbaijan, are often difficult. Nevertheless, in recent years Ashgabat has increasingly come around to favoring the construction of pipeline infrastructure that would allow it to sell gas to Europe, creating a means to both hedge its own dependence on Moscow and lay a foundation for further political cooperation with Brussels and Washington. This interest was heightened by the 2006 and 2009 gas crisis between Russia and Ukraine, which caused Russian purchases of Turkmen gas to plummet (much of the gas Russia supplied to Ukraine originated in Turkmenistan). Moscow remains adamantly opposed to the sale of Turkmen gas in Europe, which it fears would take market share from Gazprom and undermine Russian political influence. Even if Ashgabat's commitment to selling gas westward does not waver, political and logistical hurdles will remain high. Much of the gas would have to come from fields in eastern Turkmenistan (especially South Yolotan), which would require the construction of new pipeline infrastructure across Turkmenistan's Karakum Desert, and across the Caspian Sea to Azerbaijan; construction of an East-West pipeline within Turkmenistan has already begun, despite Russian opposition.

Turkmen president Gurbanguly Berdymuhammedov has also declared his support for building a Trans-Caspian Gas Pipeline (TCGP), which both Russia and Iran strongly oppose given ongoing disputes about dividing the Caspian and its resources among the five littoral states—Russia, Iran.  

35. Nabucco is the largest of the proposed Southern Corridor pipeline projects and the one that U.S. and EU politicians generally prefer. Other, smaller Southern Corridor proposals include the Trans-Adriatic Pipeline through Greece and Albania to Italy, the South East Europe Pipeline to Romania and Bulgaria, and the Interconnector Turkey–Greece–Italy (ITGI), which Azerbaijan officially rejected in February 2012. “Greek Crisis Kills ITGI Pipeline Project,” EurActiv, February 21, 2012, http://www.euractiv.com/energy/greek-crisis-kills-itgi-pipeline-project-news-510994.


37. Russia long preferred to sell Turkmen gas in the subsidized Ukrainian market, while reserving its own gas for sale to European customers paying significantly higher prices. Turkmenistan's lack of alternatives to Soviet-era pipelines to Russia gave it little choice but to accept Gazprom's cut-rate price. This arrangement changed significantly with the opening of a pipeline from Turkmenistan to the Chinese province of Xinjiang in December 2009.
Azerbaijan, Turkmenistan, Kazakhstan, and Iran. Apart from Russian and Iranian opposition, one of the principal obstacles to the TCGP is the perpetually difficult relationship between Ashgabat and Baku. Though both would stand to benefit in economic as well as geopolitical terms from the construction of a pipeline across the Caspian, Turkmenistan, and Azerbaijan have sparred since the mid-1990s over access to resources in the Caspian, along with their respective relations with Russia and Iran. Turkey, whose Justice and Development Party government views control of pipelines across its territory as a strategic asset, has sought to play a more active role in promoting reconciliation between Baku and Ashgabat as a prelude to moving forward with the TCGP. It also signed an agreement with Azerbaijan in mid-November 2011 that opens the way for the transit of Azeri (and perhaps in the future, Turkmen) gas through Turkish territory.

Of course, the Turkmen government is also interested in hedging its bets, and thus it is continuing to explore additional pipeline projects involving Russia, Iran, China, and India (figure 2). With projections that South Yolotan will produce approximately 30 bcm per year, it remains unclear whether Turkmenistan will have enough available gas to fill Nabucco if these other projects ultimately pan out. In addition to a pipeline to Xinjiang that opened at the end of 2009, China is already constructing a second gas pipeline from Turkmenistan, whose origin lies not far from the South Yolotan field. Ashgabat is also displaying renewed interest in the Turkmenistan–Afghanistan–Pakistan–India (TAPI) pipeline project that was first mooted by Unocal in the 1990s but was put on hold following the rise of the Taliban and the subsequent war in Afghanistan. Somewhat ironically, given its interest in Nabucco and the Southern Corridor more broadly, the United States is also providing strong backing for the TAPI project as part of its New Silk Road strategy for promoting Afghanistan’s reconstruction and regional economic integration after the planned withdrawal of coalition forces in 2014.

By most measures, the current round of sparring over access to Caspian energy resources is more complicated than in the 1990s, when the agreement on the BTC pipeline was signed. More players are now involved—not only a revived Russia but also an increasingly independent Turkey as well as Iran. Turkey, Iran, and even Azerbaijan are, moreover, increasingly angling to play an independent role as hubs rather than simply transit states. As in the 1990s, however, the underlying geopolitical view of pipeline politics remains the same. For all the nonregional states, pipelines are not merely commercial ventures but also strategic assets, whose construction is part of a larger geopolitical game played in zero-sum terms between the West, Russia, and increasingly Turkey.

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38. Vladimir Socor, “Turkmenistan Encourages Trans-Caspian Gas Pipeline,” Eurasia Daily Monitor 7, issue 221 (December 10, 2010), http://www.jamestown.org/programs/edm/single/?tx_ttnews%5Btt_news%5D=37267&tx_ttnews%5BbackPid%5D=484&no_cache=1.
41. Like Russia, China may well oppose the construction of the TCGP and Nabucco while seeking to boost its own purchases of Turkmen gas. See Robert M. Cutler, “Turkmenistan to Boost Gas Exports to China,” Asia Times, December 1, 2011, http://www.atimes.com/atimes/Central_Asia/ML01Ag01.html.
43. I.e., they are demanding to take ownership of a certain percentage of the gas that crosses their territory, with the right to then resell it on international markets, even in competition with the gas that flows onward to consuming countries.
The big Caucasus: between fragmentation and integration

and Iran—not to mention consumer states in Asia such as China and India. The Caspian also remains a forbidding climate in which to do business. Corruption is widespread in all the energy-producing countries, underpinned by a legacy of Soviet-era business practices that give international energy companies pause. Even where suitable pipelines exist, therefore, Western energy companies generally continue to insist on building new infrastructure outside the control of the national energy companies in the region (above all, Russia’s Gazprom). The geopolitical competition between producers and consumers, and among consumers, greatly enhances the political risk for companies interested in doing business in the Caspian region, a problem that is most acute for privately owned Western energy firms that must show a profit to shareholders.

The emergence of China and India as major energy consumers has also greatly complicated the quest for Caspian oil and gas. With the West struggling to articulate a clear political position (and floundering in the midst of its worst economic crisis in two generations), energy producers on the east side of the Caspian have less incentive to route new pipelines to the West. Instead, an increasing share of the region’s energy riches appear headed to customers in Asia. In strategic terms, Washington will nevertheless benefit from this development since the United States itself does not rely on purchases of Caspian gas, and since the emergence of new markets in East Asia and South Asia will advance the U.S. goal of bolstering the sovereignty and foreign policy independence of states like Turkmenistan.

For Europe, the failure to access significant quantities of energy from Turkmenistan could have more negative effects in terms of perpetuating both higher prices and dependence on Russia, at least in the short run (while the European Commission views this situation as problematic, several governments and state utilities, especially in Western Europe, do not). The Nabucco pipeline in particular appears unviable without significant gas supplies from Turkmenistan; while Azerbaijan is likely to continue selling the bulk of its gas to Europe, few neutral observers believe Baku can

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Figure 2. Big Caucasus Pipelines

provide anywhere near the full 31 bcm needed to fill Nabucco (of course, Nabucco also faces other challenges, including questions about whether in its current state the EU will be able to come up with the more than €10 billion in public funding needed to ensure construction of the pipeline in the first place). In the longer term, Europe will likely benefit from the growth of liquefied natural gas markets and the development of indigenous energy in the form of shale gas, but those prospects remain some way off for the time being.\footnote{John Deutch, “The Good News about Gas,” \textit{Foreign Affairs} 90, no. 1 (January/February 2011).}
Though energy and pipeline issues may be the principal drivers of international engagement with the Caucasus, they are hardly the only reason for the outside world to focus on the region. The political fragmentation that has plagued the Big Caucasus since the Soviet collapse has the potential to touch off new conflicts, with serious implications for regional and global security. The spread of extremism in the North Caucasus is increasingly overshadowing the nationalist disputes that sparked the first war in Chechnya, replacing them with the language and symbolism of the global jihadist movement. Indeed, Doku Umarov and the Caucasus Emirate have declared allegiance to al Qaeda, and even if their primary target remains the Russian government, they have been implicated in attacks and planned attacks outside the Russian Federation. For these reasons, Moscow's ability (or inability) to effectively integrate the North Caucasus into the structure of the Russian Federation and address the grievances of the region's inhabitants will have a direct impact on the security of not just Russia but also countries around the world. The Sochi Olympics scheduled for the winter of 2014 will provide a stark test of Moscow's ability to bring order and development to the North Caucasus. So, too, will the ongoing political protests in Russia, which could provide a platform for the expression of increasingly radical nationalist, anti-Caucasus sentiments across Russian society, even if such xenophobia has been relatively restrained so far.

In the South Caucasus, terrorism and other types of nontraditional security threats exist, but the greater challenge comes from the possibility of renewed interstate conflict between Armenia and Azerbaijan, or between Georgia and Russia. Of the territorial disputes in the South Caucasus, Nagorno-Karabakh is the most dangerous. Both Armenia and Azerbaijan (and also the Karabakh Armenians) are well armed, and influential figures on all sides believe they have something to gain from renewed conflict. Azerbaijan's rapid economic growth since the opening of the BTC pipeline has nurtured ambitions of recovering Nagorno-Karabakh, possibly by force. Though the International Monetary Fund predicted that Azerbaijan's GDP growth would be flat in 2011 because of the downturn in European energy demand, it estimates growth of 7.1 percent for 2012—the second-highest rate in the states of the former Soviet Union. Meanwhile, thanks to its energy wealth and access to global markets, Azerbaijan's aggregate GDP of $51.09 billion is four and a half times larger than Armenia's. This economic imbalance is reflected in military spending, as Baku seeks to upgrade its forces—including through weapons purchases from Armenia's nominal ally Russia. Baku's military spending already exceeds Yerevan's entire state budget, and the imbalance continues to grow with every year.

45. Hahn, Getting the Caucasus Emirate Right.
While Azerbaijan for the time being lacks the overwhelming superiority that would enable it to undertake offensive operations against Nagorno-Karabakh (whose mountainous terrain in any case favors defenders), a growing number of Azeri commentators believe that the long-term balance of power is shifting, and that Baku will sooner or later be in a position to recover Nagorno-Karabakh militarily. Cease-fire violations by both sides are already frequent, and the possibility that a local incident could lead to a wider conflict is far from negligible. Azerbaijan’s ties to Turkey and Armenia’s ties to Russia (including through the Collective Security Treaty Organization) potentially give any conflict a regional dimension, though both Ankara and Moscow are eager to prevent such a development.

Other types of regional instability could stem from a collapse of one or more of the existing regimes in the South Caucasus in a type of Arab Spring scenario. A local precedent exists, too, because Georgia’s Rose Revolution followed a similar dynamic of spontaneous street protests bringing down an increasingly brittle and unresponsive government. While the legitimacy of the existing regimes in the South Caucasus is somewhat tenuous, both internal and external factors make a wider wave of revolutions in the region unlikely—though not impossible. Azerbaijan in particular has a rigid, dynastic political system and a population with rising expectations that could provide a reservoir for antiregime protests. Both Azerbaijan and Georgia have put down popular unrest with force in the past few years. Nevertheless, the experience of the Rose Revolution and the other post-Soviet color revolutions serve as something of a cautionary tale for those who might seek to overturn the political status quo. For populations in most of the South Caucasus, it remains the former Soviet Union, rather than Middle East, that provides the main reference point and source of inspiration. Moreover, the major regional powers (including Iran) oppose any destabilizing change to the status quo—though a large-scale revolt in Iran itself could have unpredictable consequences in the Caucasus.

While fragmentation and the danger of renewed conflict provide the major rationale for outside engagement with the Caucasus, it would be wrong to view the region solely as a source of problems for the rest of the world. Leaders recognize the potential benefits for their own countries of deeper economic integration, a process that also holds out promise for foreign investors and the broader international community. In spite of the ingrained political conflicts that plague the region, infrastructure and trade are developing rapidly. As the Caspian Basin’s resources are developed, the importance of the whole Big Caucasus region as a transportation corridor will grow in parallel. Along with pipelines, roads, railways, and ferry crossings are being developed that will cut transit times and lower the marginal cost of shipping goods and people across the region (figure 3). These include a new North–South railroad from the South Caucasus to the Baltic Sea across Russia and multimodal transit links between Azerbaijan and China and between Azerbaijan and India. The Caucasus has also benefited from the development of the Northern Distribution Network, which is responsible for forging some of these new links.

Increasingly, however, private firms will need to take the lead in building and exploiting these corridors. Eventually, they may contribute to stability and political reconciliation, but in the shorter term, the absence of political stability presents the biggest challenge to this vision of regional economic integration. As ever, the problems are not so much economic or geographic as political. Can the leaders of the region’s states and statelets put aside their mutual mistrust—and in many cases their personal and political self-interest—in pursuit of solutions that will benefit not just their own citizens but also the region as a whole? In other words, will the processes of
Figure 3. Transportation Routes


fragmentation or integration drive the region’s political future? These are among the biggest questions with which the international community must grapple as it designs policies to promote integration, reconciliation, and development across the whole of the Big Caucasus.
The overall aim of U.S. policy in the Big Caucasus should be to promote the processes leading to the region’s integration with the broader global economy, while seeking to limit—and ultimately reverse—the contrary process of fragmentation. Given Washington’s comparatively limited influence across the Caucasus, this means developing mechanisms for working in tandem with other powers in the region that also have an interest in promoting stability and development, and moving away from a paradigm that sees the Caucasus (especially the South Caucasus) as a zone of geopolitical competition with Russia and other outside powers. America needs to acknowledge that opening the Caucasus to the outside world entails accepting that regional powers such as Russia, Turkey, the EU, and even Iran all have legitimate interests in the region that will need to be accommodated. Cooperation among these powers offers the best prospect for addressing the consequences of the protracted conflicts in the South Caucasus. And while its influence is limited, the United States has an important role to play as an external power capable of providing reassurance to all the regional players—but it can only do so if it extricates itself from the position of a participant in some of the region’s separatist dramas.

The United States therefore needs to gradually embrace a more realistic position on questions related to the status of the breakaway regions across the South Caucasus—which have enjoyed de facto independence for two decades and have little realistic chance of peacefully reverting to the full sovereignty of Azerbaijan (Nagorno-Karabakh) or Georgia (South Ossetia and Abkhazia). While the United States cannot publicly articulate such a shift for the time being, it at least ought to lay the foundation for more pragmatic, ground-level engagement that is—to the extent possible—neutral on status-related questions. This includes authorizing low-level engagement with the de facto authorities, while focusing less on questions of ultimate status than on ensuring an expanded international presence and seeking to enhance security and build trust throughout the region.

Similarly, efforts to enhance the role of the Caucasus as a transit corridor for Caspian energy should be encouraged, regardless of whether the resulting pipelines are owned and operated by Russian or international energy companies. Pipelines and other aspects of the transit infrastructure should also be designed as much as possible not to exacerbate disparities among the Caucasus states themselves (unlike the existing pipelines, which, for instance, all bypass Armenia and thus contribute to the growing economic and military disparity between Yerevan and Baku). Ensuring more equitable access to the fruits of economic integration will in the longer term require ending Armenia’s regional isolation. Following Turkey’s decision to formally link the normalization of relations with Armenia to the resolution of the Nagorno-Karabakh conflict, regional players have less flexibility today than in the past—especially given the growing perception in Baku that time is on Azerbaijan’s side. While there are no easy solutions, the region would benefit from greater international attention, especially a more visible role on the part of the United States and the EU,
which should also encourage the gradual expansion of travel and trade links between Turkey and Armenia. The Minsk Group should also do more to combat local governments’ obstructionism and raise the conflict's profile internationally. Finally, given the mounting danger of a military conflict involving Iran, it goes without saying that Washington needs to be proactive in working with the Caucasus states (not to mention Ankara and Moscow) to ameliorate possible wider consequences for the region.

Nagorno-Karabakh

Though Georgia’s quarrel with its breakaway provinces has received more attention in recent years (certainly since the 2008 war), the situation in Nagorno-Karabakh is in many ways more complicated and more dangerous. It is also the primary reason why Armenia has failed to benefit from projects such as the BTC and South Caucasus pipelines, and why Yerevan remains tightly bound to Moscow—thereby helping perpetuate the major powers’ struggle for influence in the region. More crucially, the politics surrounding Nagorno-Karabakh have hardened in recent years for several of the regional players—Armenia, Azerbaijan, Turkey, and Nagorno-Karabakh itself. Coupled with the rapid growth of Azerbaijan’s economy (and concomitant increase in military spending), the likelihood of renewed conflict in and around Nagorno-Karabakh continues to increase.

This hardening of positions has made resolution of the conflict less likely in the short to medium terms, even while making it more imperative than ever that the international community seek a means of defusing the potential for violence. Together with its partners in the Minsk Group, the United States has a role to play in the mediation process. During the past few years, Russian president Medvedev has taken the lead in bringing the sides together, including summit-level meetings at Kazan in June 2011 and Sochi in January 2012. While participants have characterized these meetings as positive, little progress has been made on resolving the major issues, and with the return of Vladimir Putin to the presidency following the March 2012 Russian presidential elections, the degree to which Moscow will continue its active engagement is unclear. Russia remains the most influential outside player, but the mediation process would benefit from increased attention on the part of Washington (and Paris, the other Minsk Group cochair). At the same time, the Minsk Group should do more to pressure Baku, Yerevan, and Stepanakert to play more constructive roles in the talks. This could include expanded public criticism of individual and government obstructionism, and efforts to coordinate steps by the Minsk Group with other regional players such as the EU and, especially, Turkey.

A concerted effort by the United States to drive talks and increasingly internationalize the negotiations would help provide reassurance to the participants on the ground, some of which have doubts about Russia’s motivations, and would provide a degree of continuity in the event that political change in Russia leads Moscow to shift its focus away from the South Caucasus. External mediation needs to focus first on preventing renewed conflict, and, secondarily, on addressing practical issues on the ground, including refugees and confidence-building measures. Given the large numbers of refugees from Nagorno-Karabakh and surrounding regions, a push to address settlement and compensation should be a key priority.
Georgia, South Ossetia, and Abkhazia

Washington’s role in the standoff between Georgia and its separatist regions is complicated by U.S. support for Tbilisi before and during the 2008 war, and the widespread belief that in consequence the United States cannot serve as an honest broker. Moreover, domestic politics limits Washington’s flexibility. Nevertheless, as with Nagorno-Karabakh, focusing on the question of the breakaway regions’ status is a recipe for deadlock. Concentrating on status issues detracts from actual measures to promote security on the ground, while helping perpetuate the standoff with Russia in the region. Building on the success of promoting agreement between Moscow and Tbilisi on Russia’s WTO accession, the United States needs to find a way to restore its credibility as an honest broker, within the constraints imposed by domestic politics. Its goals should be ensuring a broad international presence on the ground, encouraging official and unofficial contacts between Georgia and the breakaway regions, and addressing human security needs on both sides of the de facto borders.

One of the prerequisites for the United States will be finding a way to talk with the de facto authorities in South Ossetia and Abkhazia without implying that the breakaway regions are on a path to broader international recognition. Engagement would have to be conducted at a sufficiently low level to keep the management of day-to-day concerns separate from discussions of the regions’ status. Increasing U.S. (and international) contacts with the authorities in South Ossetia and Abkhazia would have the additional benefit of moderating the breakaway regions’ dependence on Moscow, which makes them less willing to compromise. Washington and its partners should make it easier for the de facto authorities to focus on the needs of their people, rather than Moscow’s geopolitical interests. As the price for such engagement, the United States should insist on an enhanced international presence on both sides of the de facto borders, starting with ensuring that the EU Monitoring Mission has access to South Ossetia and Abkhazia. Additionally, the United States should promote contacts, including at the official level, between Georgia and the breakaway regions. Tbilisi’s reluctance to engage with the de facto authorities makes resolution of problems on the ground much more difficult.

At the conceptual level, such engagement would require that the United States rethink its emphasis on restoring Georgian sovereignty as the only possible or acceptable outcome. Though it may not be in a position to say so publicly for some time, Washington should acknowledge that, given the demographic situation in the breakaway regions and the reality that Tbilisi has not exercised control since the first half of the 1990s, the assertion of formal Georgian sovereignty over the regions is unlikely. Instead, Washington should begin considering other avenues to a lasting settlement, including variations on the idea of shared sovereignty over South Ossetia and Abkhazia. This approach would also need to deal with the issue of Georgian refugees from Abkhazia in the 1990s and from South Ossetia in 2008. As with Palestinian refugees from post-1948 Israel, the most realistic solution would entail recognition of a theoretical right of return—coupled with financial and other incentives not to exercise that right. As in the negotiations over Russia’s WTO accession, the United States should consider Georgian requests for trade concessions and defensive military assistance as an inducement to show flexibility, and to assuage Tbilisi’s concerns about the possibility of renewed Russian aggression. Washington should also encourage the EU to proceed in parallel. At the same time, the United States should make clear that NATO membership for Tbilisi is not in the cards for the foreseeable future, and avoid taking steps that foster unrealistic hopes in Georgia—and unreasonable fears in Russia.
Infrastructure and Pipelines

The construction of transportation infrastructure (pipelines, as well as roads and railways) is a critical element of plans to connect the Big Caucasus region to the broader global market. The construction of pipelines such as BTC has already produced concrete benefits for Azerbaijan and Georgia, in terms both of the revenue they collect as transit states and of the broader impact on their sociopolitical development. Further construction of transit infrastructure can build on these benefits, and bring them to other parts of the region that have been left behind—particularly Armenia. As is often the case in the Big Caucasus, however, politics remains an obstacle.

The ongoing competition between Western and Russian-sponsored pipeline projects (Southern Corridor / Nabucco vs. South Stream) is, from the point of view of the Caucasus, especially counterproductive. For the states of the South Caucasus as well as Turkey, which pipeline is ultimately built matters less than the mere fact that any pipeline is built. While the EU would prefer the diversification that comes with the Southern Corridor, questions about the availability of supplies—as well as Turkey’s hedging, including a recent agreement to permit the construction of South Stream in Turkish territorial waters—are producing ever more obstacles. Meanwhile, Russia has agreed to significantly expand its purchase of Azeri gas, which it would like to use to supply South Stream.

While the United States has stated that decisions regarding Caspian pipelines will be driven solely by commercial considerations, in practice it continues advocating both publicly and privately for Nabucco. As Nabucco’s chances recede, Washington’s continued support only exacerbates the standoff between the competing visions of Moscow and Brussels, delaying the emergence of any new Caspian pipelines. Because both Nabucco and South Stream would rely heavily on Azeri gas and cross other parts of the Caucasus en route to their destination, both would bring economic and political benefits to the region. Washington should therefore give substance to its rhetoric, and back any Caspian pipeline that gains commercial traction—which is unlikely to be Nabucco. Washington’s most important strategic objective should not necessarily be European diversification (about which many Europeans themselves are ambivalent, especially given the impending shale gas “revolution”) but developing infrastructure that will enhance stability and security in the vulnerable transit states.

Beyond energy, Washington should encourage the construction of new transportation links, such as roads, railways, and ports that will make it easier to link the Big Caucasus region to the outside world and to global markets. Some of this infrastructure is already under construction, including the Turkish-sponsored Baku-Tbilisi-Kars railway and a fiber-optic cable network from Bulgaria to the Georgian port of Poti. On the one hand, such projects promote Azeri and Georgian integration with the global economy; on the other, they reinforce the existence of a tripartite Azerbaijan–Georgia–Turkey axis cemented by the BTC and South Caucasus pipelines. A fear expressed particularly by Russian officials has been that the exclusion of Russia and its client Armenia from regional infrastructure development risks creating a bipolar standoff in the Caucasus, with the Azerbaijan–Georgia–Turkey “East–West” axis leading to the creation of a countervailing Russia–Armenia–Iran “North–South” axis. Insofar as such polarization is not in the interest of either the Caucasus states or the United States, Washington should be open to the establishment of Moscow-sponsored North–South links across the Caucasus as well. The role of Iran is more complicated, given the standoff over Tehran’s nuclear program; but at the very least, Washington should be open to the emergence of additional links between the South Caucasus in Iran down the road.
Again, much hedges on the resolution, or at least successful management, of the Big Caucasus region’s protracted conflicts. Economic incentives are unlikely to overcome the region’s entrenched political fragmentation. Nevertheless, economic benefits can be held out as carrots for the authorities in all the region’s political entities to play more constructive roles. At the end of the day, however, politics must take precedence. Only a political decision by elites in Armenia, Azerbaijan, Georgia, and the various disputed regions to focus on the benefits of integration with the larger world can break the destructive cycles that have kept the Big Caucasus fragmented and under the shadow of renewed war.
The Big Caucasus: Old Ethno-Political Conflicts and New Geopolitical Design
Center for Strategic and International Studies
October 24–October 25, 2011

Day One
9:00–9:30 am Registration and continental breakfast
9:30–9:45 am Welcoming remarks by Dr. Andrew Kuchins and Dr. Sergey Markedonov
9:45–12:00 pm The Caucasian States and Entities: Domestic and External Development

Speakers
Dr. Arif Yunusov, chief, Department of Conflictology and Migration, Studies Institute for Peace and Democracy: “Azerbaijan: Domestic and External Dynamics”

Professor Alexander Iskandaryan, director, Caucasus Institute: “Armenia: Domestic and External Dynamics”

Ivlian Haindrava, director, South Caucasus Studies Program, Republican Institute, Georgia: “Georgia: Domestic and External Dynamics”

Thomas de Waal, senior associate, Russia and Eurasia Program, Carnegie Endowment for International Peace: “De facto States: In Search of their Identity”

12:00–1:30 pm Lunch

Speaker
Dr. Thomas Graham, senior director, Kissinger Associates

1:45–3:30 pm The Regional Stakeholders in the Big Caucasus

Speakers
Dr. Sergey Markedonov, visiting fellow, CSIS: “Russia: The South Caucasus as Continuation of the North Caucasus Agenda”

Dr. Mitat Celikpala, associate professor, Kadir Has University Department of International Relations, Istanbul: “Turkey: Rediscovery of the Big Caucasus”

Alex Vatanka, scholar, Middle East Institute: “Iran: Between Ideological Purism and Geopolitical Pragmatism”
Dr. Valentin Yakushik, professor, University of Kiev–Mohyla Academy: “Ukraine: Role of the Alternative Geopolitical Magnet?”

3:45–5:30 pm The Big Caucasus: Implications for International Relations

Speakers

Charles King, professor, Georgetown University: “U.S. Interests in the Big Caucasus”

Ambassador Peter Semneby, EU special representative for the South Caucasus: “EU Strategies and Projects”

Dr. Ivan Safranchuk, professor, Moscow State Institute for International Relations: “The Caspian Sea Problem and Central Asian Implications for the Caucasus”


5:30 pm Hors d’oeuvres and drinks

Day Two

10:00–12:00 pm Regional Economic and Security Challenges

Speakers


Dr. Mark Katz, professor, Government and Politics Department, George Mason University: “Implications for the Middle East Agenda”

Dr. S. Frederick Starr, chairman, Central Asia–Caucasus Institute and Silk Road Studies Program; research professor, Paul H. Nitze School of Advanced International Studies at Johns Hopkins University: “Regional Trade and Economic Development”

12:00 pm Working lunch / conclusion
APPENDIX B
CONFERENCE PARTICIPANTS

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Jeffrey Mankoff is an adjunct fellow with the Russia and Eurasia Program at CSIS in Washington, D.C., and a visiting scholar at Columbia University in New York City. He was a 2010–2011 Council on Foreign Relations International Affairs Fellow based in the Bureau of European and Eurasian Affairs at the U.S. Department of State. From 2008 to 2010, he was associate director for international security studies at Yale University and adjunct fellow for Russia studies at the Council on Foreign Relations. Previously, he was a John M. Olin National Security Fellow at Harvard University, a Henry Chauncey Fellow in Grand Strategy at Yale University, and a fellow at Moscow State University. His areas of expertise include Russian/Eurasian affairs, great power relations, foreign policy decisionmaking, ethnic conflict, and energy security. He also teaches courses on international security, Russian and Central Asian affairs, and modern diplomatic and military history. He received his Ph.D. and M.Phil. in diplomatic history, as well as his M.A. in political science, from Yale University and his B.A. in international studies and Russian from the University of Oklahoma.