

# Towards Europe?!

Straddling Fault Lines and Choosing Sides  
in the South Caucasus

**Ernst M. Felberbauer and Frederic Labarre (Eds.)**

Study Group Information



Study Group Information



Ernst M. Felberbauer,  
Frederic Labarre (Eds.)

## **Towards Europe?!**

# **Straddling Fault Lines and Choosing Sides in the South Caucasus**

**10<sup>th</sup> Workshop of the PfP Consortium Study Group  
Regional Stability in the South Caucasus**

**23/2014**

Vienna, December 2014

**Imprint:**

Copyright, Production, Publisher:

Republic of Austria / Federal Ministry of Defence and Sports  
Rossauer Lände 1  
1090 Vienna, Austria

Edited by:

National Defence Academy  
Command  
Stiftgasse 2a  
1070 Vienna, Austria

in co-operation with:

PfP Consortium of Defence Academies and Security Studies Institutes  
Garmisch-Partenkirchen, Germany

Study Group Information

Copyright:

© Republic of Austria / Federal Ministry of Defence and Sports  
All rights reserved

December 2014

ISBN 978-3-902944-51-1

Printing:

HDruckZ-ASt Stift 1506/15  
Stiftgasse 2a  
1070 Wien

# Table of Contents

Foreword <i>Ernst M Felberbauer and Frederic Labarre</i>	7
Abstract	13
PART I: THE EUROASIAN UNION AND CUSTOMS UNION IN QUESTION	15
Geopolitical Development Aspects of the Customs Union and the Eurasian Economic Union: Relationship with the European Union <i>Ivan Babin</i>	17
The Eurasian Union and the Challenges of Russia's Search for Regional Hegemony in the Post-Soviet Space <i>Oktay F. Tanrisever</i>	25
The Civilizational Choice of the Ukrainian People and its Regional Impact <i>Oleksandr Sadovskij</i>	37
PART II: RECONCILING THE EU WITH THE EURASIAN UNION	49
Reconciling the EU with the Eurasian Union: A Pragmatic Approach <i>Gayane Novikova</i>	51
Russia, the EU and the South Caucasus: Towards a More Efficient Over-arching Cooperative Regional Security Framework <i>Elkhan Nuriyev</i>	61

PART III: GEORGIA, ARMENIA AND AZERBAIJAN AT THE FAULT LINE: WHAT CHOICES FOR WHAT CONSEQUENCES?	77
Heading in Any Direction or Just Holding the Ground: Analysing the Case of Azerbaijan from the Perspective of EU and Eurasian Integration <i>Elchin Karimov</i>	79
Armenia Confronted with a Choice Between two Integration Projects <i>Emma Margaryan</i>	89
The Russian-Abkhazian Agreement on Strategic Partnership and Alliance – A New Geopolitical Threat to Georgia <i>Vakhtang Maisaia</i>	105
PART IV: THE IMPACT ON THE BREAKAWAY REGIONS	109
Armenia-Azerbaijan and the Nagorno-Karabakh Conflict <i>Orkhan Akbarov</i>	111
Self-Determination, Independence and Recognition: Real and Imagined Choices in the South Caucasus <i>Jonathan Lis</i>	117
Abkhazia and the Changing International Context <i>Astana Pataraya</i>	129
Why does Putin Need an Eurasian Economic Union? <i>Inver Alshundba</i>	135
Epilogue <i>Frederic Labarre</i>	143

PART V: POLICY RECOMMENDATIONS	147
Policy Recommendations	149
List of Authors and Editors	161



## Foreword

*Ernst M Felberbauer and Frederic Labarre*

The 10<sup>th</sup> workshop of the Study Group “Regional Stability in the South Caucasus” was convened from 6-8 November 2014 in Reichenau, Austria, against the background of the worsening conflict in Ukraine. It seemed fitting to speak of the role of the two major political-economic integration projects in Europe – the European Union and the Eurasian Union – as of competing models of regional integration as forcing a choice upon “uncommitted” countries in the South Caucasus. The workshop title “*Towards Europe?! Straddling Fault Lines and Choosing Sides in the South Caucasus*” is evocative of the integration dilemma for Armenia, Azerbaijan and Georgia. This is also true of breakaway regions of Abkhazia, South Ossetia and Nagorno-Karabakh.

The timeliness of the topic is not only due to the increasing tensions between Russia and the Western powers. Recently, scholars have begun to treat the South Caucasus as a “settlement fringe”, a borderland between massive competing blocks which are intent on pressing certain socio-economic values upon the countries that are caught in between. This has been, to a certain extent, validated by two key events. One is the foreign policy concept of the Russian Federation which perceives the order of international relations at the beginning of the 21<sup>st</sup> century as a civilizational contest. The foreign relations concept of Russia does not clearly describe or denote what are the components of each “civilization” which may be taken to be the Euro-Atlantic (Western) civilization and the Slavic (Eastern) civilization. Another feature that makes this dichotomy all the more evident is the insistence by the European Union that participation in integration initiatives such as the Association Agreements are exclusive to the European Union, meaning that a country such as Georgia, for example, could not also participate to the Russian Customs Union or eventual Eurasian Union.

The workshop addressed the issue of exclusivity as one that deepens the cleavage between the two trading blocs at a moment when the rationale for



trading and engaging in commerce – the production and increase of wealth as driven by free-market principles – are actually common to both blocs. It would therefore seem inaccurate to speak of two different blocs, or ideologies, or even civilizations. Because of this, many believe that the Russian initiative is in fact a mask to hide the true meaning of the Eurasian Union; that of a re-created Soviet Union. Opinions on this subject are divided, as the reader can tell from the 10<sup>th</sup> workshop contributions.

Some of the key issues discussed were: What is the nature of the Russian Customs Union, and the Eurasian Union? To what extent is the Eurasian Union an attempt by Russia to develop non-military tools of persuasion? What are the implications of an expanding Eurasian Union for Georgia, Armenia and Azerbaijan? Does joining the Eurasian Union automatically mean re-attachment to Russia (or Armenia, as the case may be) for breakaway regions? Is the South Caucasus really at a fault line separating two civilizations, or is it merely located in a difficult geopolitical area? What impact has the Eurasian Union on regional stability in the South Caucasus? Can fault lines be erased to enhance the South Caucasus chances of reaching a minimal level of stability? To what extent does the Eurasian Union reflect the Eurasianist tendencies of the Kremlin? How can a commerce and trading project so closely correspond to an integrative political project? Why aren't the EU and the Eurasian Union incompatible? These are some of the questions that the workshop has addressed. Some of the answers are found in the contributions of this booklet.

The most difficult knot to untie is the relationship of the South Caucasus countries relative to Russia and the EU on the one hand, and the prevalent security dilemma in the region on the other. Azerbaijan, which prides itself on being non-aligned, would have certain manifest interests in linking its trading and commerce future with Russia, owing to the potential for economic diversification that it carries, but the more lucrative market for its oil and gas is in Europe. Because of the tensions it faces with Armenia over Nagorno-Karabakh, and Russia's commitment to the security of Armenia, Azerbaijan can move towards Europe only with great difficulty. There is a certain balancing act taking place here.

Armenia is certainly among the most Europeanized countries in the South Caucasus, but the security relationship it enjoys with Russia definitely limits

the scope and depth of any integration project. As a matter of fact, Armenia was seen as keen on joining the Eurasian Union. Contributors to the workshop were again of a divided opinion as to how “free” this acceptance was. There are material benefits to be had with joining in on the Russian project. For one, it facilitates the travel of labour between Russia and Armenia. This is an important point for the latter, which depends much on remittances for its operating budget. Second, there is a form of loyalty at play, where the security of Armenia is in fact guaranteed by Russia. Like-mindedness often leads to commonality of integrative goals. Armenia and Russia might “naturally” attract one another in matters not only of security, but commerce as well.

Georgia’s case is not any easier. Since 2013, the Georgian government has proven a certain degree of openness in relation to its Russian neighbour. This has allowed the re-opening of the Russian border to Georgian products. Without formally joining in on the Russian Customs Union or Eurasian Union project, Georgia has nevertheless managed to salvage some of its trading relationship with Russia despite its engagement with the EU through the Deep and Comprehensive Free Trade Agreement (DCFTA), which remains stillborn to a certain extent. As Georgia continues on the path of normative integration with the EU (and to some extent NATO), it has manoeuvred itself in such a position that the EU-Eurasian Union exclusivity clause seem not to operate. On the other hand, the fate of its breakaway regions seems to become clearer as time goes by. Abkhazia and South Ossetia are ever more “separate” not only in fact, and psychology, but also physically. Contributors from these regions have reiterated the notion that they have been “independent” if only not recognized for the last 20-plus years, and that while their sovereignty was limited, this didn’t change the Russian orientation of their integration aspirations.

While South Ossetia, the most economically-deprived of the breakaway regions, might see a future only with formal re-integration within the Russian Federation, Abkhazians view their future more optimistically as an independent state able to choose its economic development path on its own. It is not clear which path is preferred however. There seems to be certain specificity in the Abkhaz case which makes it difficult to correspond either with the EU or the Eurasian Union. Abkhazia is not a bridge, but a hub – a turn table between Russia, Georgia and also Turkey and Europe.

Her proximity with the recently and highly-developed Sochi Olympic installations has afforded some modicum of international attention. The extent to which she will be able to make her own choices in the future is also somewhat in question. Despite opinions to the contrary, the readers should not expect to see Russian troops withdraw from Abkhazia anytime soon. The security component of the Russia-Abkhazia relationship is well known, and this factor impedes any possibility of moving beyond the current conflict between Tbilisi and Sukhum. That is, Sukhum would not benefit from any rapprochement between Tbilisi and Brussels in the commercial or trading realm. This may yet restrict the development of this region. As we have seen, people are eager and impatient for material improvements in their daily lives; little surprise then that Abkhazia has suffered a minor “coup d’État” in the spring of 2014.

After half a decade of austerity to cope with the effects of the global recession, and as sanctions make their effects felt in Russia, but also effect the European markets, the provision of adequate and increasing living standards by the state to its constituents is emerging as a central and common feature of peoples’ demands on both sides of the “civilizational” dividing line. Sooner or later, individual and collective prosperity will have to go through the abolition of borders to trade and commerce between blocs. It is inexplicable that at the strategic level, the leadership of Russia and the European Union do not grasp this reality. Certainly, there are powerful lobbies (mainly in the realm of agriculture and commodity extraction and transformation) that are worried about integration of large labour forces whose low wages compensate for their lack of productive efficiency. That is, the competition between the EU and the Eurasian Union, and how it affects the South Caucasus, is not merely a binary “either-or” problem. It is a problem with multiple variables and it is not certain that a pan-economic union between the blocs is possible or even desirable.

However, the South Caucasus countries have their security first and foremost in their minds. To many, there is no economic promise on the side of Russia, just like there is no guarantee of sovereignty if they deal with the European Union. All considerations are subsumed to the necessity of security. Therefore the EU remains a weak political actor precisely because it is a normative and economic integrator, while Russia cannot offer anything but political dominance over weaker members because her economy does

not perform well enough for it to generate the rewards associated with loyalty. The Eurasian Union project might be put in jeopardy by the sanctions that were imposed on Russia for her actions in Ukraine. Yet, at face value, the Eurasian Union should be entertained as a radical departure in Moscow's political narrative. The Eurasian Union may not be a normative integrator, but it is not a hard security tool either for Moscow. This seems like a genuine project which reflects a deep change in political behaviour from the Kremlin, at least in what concerns the economy, trade and commercial relations.

The cataclysm in Ukraine has shaped our point of view to the extent that it is difficult to recognize Russia's attempts at political modernization. In the same way, the crisis impedes modernization in the South Caucasus and makes effective conflict resolution more difficult and the creation of novel solutions nearly impossible. Old stereotypes are back in play. Not only will finding peace in the South Caucasus be more difficult, but the current East-West tensions may mean that some of those "uncommitted" populations will have to face growing hardship before things get better. Constituencies are no longer passive. Their reaction may be significant and have deep reverberations in the fabric of EU, Russian and South Caucasus societies. It is not known at this moment whether the resilience is there to face all the looming challenges associated with inter-bloc competition.

The RSSC SG workshop in Reichenau has touched upon many of these themes, and room for guarded optimism was very narrow indeed. While the enthusiasm of the participants was evident and their contributions relevant to the workshop, the solutions that were shaped will have to be reviewed as the Ukraine crisis accelerates. There can be no "business as usual" between Russia and the Euro-Atlantic powers, and this will definitely impact the fate of the states of the South Caucasus, recognized or not.

The editors would like to express their thanks to all authors who contributed papers to this volume of the Study Group Information. They are pleased to present the valued readers the analyses and recommendations from the Reichenau meeting and would appreciate if this Study Group Information could contribute to generate positive ideas for supporting the still challenging processes of consolidating peace in the South Caucasus. Special thanks go to Ms. Maja Grošinić, who supported this publication as

facilitating editor and to Mr. Benedikt Hensellek for his stout support to the Study Group.

## **Abstract**

The publication to the 10th Workshop of the Pfp Consortium Study Group “Regional Stability in the South Caucasus”: “Towards Europe?! Straddling Fault Lines and Choosing Sides in the South Caucasus” deals with the effects the Russian Customs Union and the Eurasian Union might have on the South Caucasus. As earlier RSSC workshops have demonstrated, the emergence of the Eurasian Union, and the Customs Union that precedes it, can be interpreted as the “trade” expression of civilizational competition. Media reports as well as analysis by experts seem to suggest that the European Union, as well as its many integration mechanisms, such as the EU Eastern partnership initiative and Association Agreements have to be considered as rival to Russia’s Eurasia Union and Customs Union initiatives.

The publication specifically focuses on the questions of to what extent the Eurasian Union is an attempt by Russia to develop non-military tools of persuasion and what implications this might have for Georgia, Armenia and Azerbaijan. It deals with the emergence of a fault line separating two civilizations in the South Caucasus as well as the question of whether the EU and the Eurasian Union need to be mutually exclusive.

## **Zusammenfassung**

Die Publikation zum 10. Workshop der Pfp-Konsortium Studiengruppe “Regional Stability in the South Caucasus”: “Towards Europe?! Straddling Fault Lines and Choosing Sides in the South Caucasus” beschäftigt sich mit den Auswirkungen der russischen Zollunion und der Eurasischen Union auf den Südkaukasus. Wie bereits frühere Workshops der Studiengruppe gezeigt haben, kann die Entstehung der Eurasischen Union und der Zollunion, als wirtschaftliche Ausprägung eines zivilisatorischen Wettbewerbs interpretiert werden.

Medienberichte sowie Analysen von Experten scheinen darauf hinzudeuten, dass die Europäische Union, aber auch viele andere Integrationsmechanismen in Konkurrenz zur Eurasischen Union und zur Zollunion Initiativen Russlands stehen. Dieses Werk befasst sich mit der Frage einer neuen geopolitischen Bruchlinie im Südkaukasus.



**PART I:**

**THE EUROASIAN UNION AND CUSTOMS  
UNION IN QUESTION**





# **Geopolitical Development Aspects of the Customs Union and the Eurasian Economic Union: Relationship with the European Union**

*Ivan Babin*

The Treaty establishing the Eurasian Economic Union (EAEU) was signed on May 29<sup>th</sup> 2014 in Astana, Kazakhstan. The Treaty takes effect on January 1<sup>st</sup>, 2015. It is expected that the Treaty will become a new form of economic integration of Russia, Belarus and Kazakhstan. Nowadays, these countries already have common custom territory and they totally provide 85% of internal gross product of the Commonwealth of Independent States (CIS).

It is necessary to accurately define terms before considering tendencies of the Eurasian Union development. What is the Eurasian Union and what is the Customs Union? The answers to these two questions can help us to understand the exclusivity of these Unions and show an integrative role in the creation of new associations with continental or may be even transcontinental value.

The definition of the Customs union is given in the Treaty “On the Establishment of a Single Customs Territory and the Formation of the Customs Union”, signed by the Russian Federation, Belarus and Kazakhstan on October 6<sup>th</sup>, 2007. According to the first article of this Treaty, the Customs Union is a form of trade and economic integration of the member-states. The Union envisages the common customs territory without customs duties and economic restrictions in mutual trade. The Union provides trade in goods originating from the common customs territory or from the third countries. The goods are admitted for free circulation in this customs territory except special protective, anti-dumping and compensation measures. The parties of the Treaty will apply the common customs tariff and other common regulative measures in trade with the third countries (nonmembers of the Treaty).

The key parameters of the present stage of integration process are fixed in the relevant documents. The Customs Union is the main tool of these processes. It concerns the reduction of trade and investment barriers, encourages labor force mobility and the development of a single standards system. Certainly, the Customs Union will help to build up the relationship with other integration groups and countries, as the world goes to the formation of continental may be even transcontinental blocks.

The exclusivity of the EAEU consists in fuller integration. The task is to establish a certain integration core, i.e. to begin with a minimum – with three countries. During the discussions there were disputes on the question “what is more important: to go “deeper” or “wider”, to achieve a tighter integration system or to try to cover the vast territory of the former USSR?” Finally, the idea of “deeper” integration prevailed over the idea of geographical expansion. In my opinion, that was the main reason why it was decided to start not on the basis of the Eurasian Economic Community (EurAsEC), but to “start with a blank slate” and create an entirely new association not bound by the obligations, procedures and rules under the Eurasian Economic Community.

Nursultan Nazarbaev, president of Kazakhstan, put forward the idea of creation of the Eurasian Economic Union and the single currency – the Altyn – in 1994. Vladimir Putin supported this idea in 2011. The newspaper “Izvestiya” published an article with Putin’s opinion on this issue. According to this article, Putin expresses the idea that the Customs Union between the Russian Federation, Belarus and Kazakhstan should gradually develop into the EAEU which will become a “link” between Europe and a dynamic Asia-Pacific Region. It was also stressed that an economically logical and balanced partnership system of the Eurasian Union and the EU would be able to create real conditions to change the geopolitical and geo-economic configuration of the entire continent and would have undoubtedly positive global effect.

Integration processes on expansion of economic cooperation have been initiated since 2009 when the Parties managed to agree and ratify about 40 international treaties that constituted the basis of the EurAsEC Customs Union. The Treaty establishing a common custom territory between the Russian Federation, Belarus and Kazakhstan particularly was signed on

November 28<sup>th</sup>, 2009 and came into force on January 1<sup>st</sup>, 2010. The creation of the Eurasian Union based on common economic space of Belarus, Kazakhstan and Russia was agreed in the course of the EurAsEC summit in Moscow in December, 2010.

On November 8<sup>th</sup>, 2011 the presidents of the Russian Federation, Kazakhstan and Belarus signed the Treaty Establishing the Eurasian Union. On May 29<sup>th</sup> 2014 in Astana was signed the Treaty establishing the Eurasian Economic Union. The Treaty is coming into force on January 1<sup>st</sup>, 2015. Some modern politicians want to see the USSR № 2 and the “re-Sovietization” in the Eurasian Economic Union. The Treaty establishing the EAEU reminds them the unsigned Treaty on the Union of Sovereign States proposed by Mikhail Gorbachev in 1991. I would like to attract attention to the principal items of the Treaty in order to clarify and understand the difference. The first principal item consists in the fact that The Union of Soviet Sovereign Republics (1991) is a sovereign federal democratic state formed as a result of consolidation of equal republics. The Union carries out public functions within the limits established by the Treaty members. The 5<sup>th</sup> Article of this Treaty vested state power in the Union of Soviet Sovereign Republics (1991):

- Protection of the sovereignty and territorial integrity, ensuring defense;
- Ensuring Union security and border protection;
- Implementation of foreign policy;
- Implementation of foreign economic activity;
- Budget approval and implementation of currency issue and
- Adoption of a Union constitution and its further amendments.

Thus, the Union of Sovereign States is a “soft” decentralized federation. As we remember, the signing of the Treaty was disrupted in consequence of August Putsch in Moscow in 1991. The result of the August Putsch was the dissolution of the USSR including the Treaty in its new edition. The Eurasian Union is radically different from Gorbachev’s ideas both on a political system and on the functions of member-states.

What are the advantages and the exclusivity of the Eurasian Union?

The Eurasian Economic Union is the association of states without any restrictions on the movement of goods, services, fund and labor. In addition, the approved single policy that concerns key economic areas will be pursued within the Union. Equal access to transport and energy infrastructure will be carried out step-by-step. The integration process also provides:

- Lower commodity prices and reduced transportation costs;
- Promotion of competition in the common market;
- Increase in performance;
- Production increase due to product ramp-up;
- Increase in employment and
- Increase in market volume.

The EAEU exclusivity is also seen in terms of civilizational specificity. In fact, today the Eurasian Union consists of three countries – Belarus, Russia and Kazakhstan – which have decided to stick together not only within the framework of the Customs Union, but also within that of a perceived Eurasian civilization. The leaders of these three countries find this civilization self-sufficient and independent. Another two independent states (Armenia and Kyrgyzstan) are in close relationship with the core of the Eurasian Union and they are preparing to join it. Three unrecognized territories (Abkhazia, South Ossetia and Trans-Dniester Moldavian Republic) do not see themselves out of the Union. The main civilizational characteristics of the Eurasian Union are incompleteness and instability. The key foreign policy characteristic of the Eurasian Union is sovereignty.

From our point of view, Europe has lost itself in the civilizational sense at the beginning of the new millennium and has become part of the global space in many ways. Unfortunately, the logic of this space is set up not by the Euro members, but by the demands of the “market”. The Social Justice Index compares the 28 EU states across six dimensions: poverty prevention, equitable education, labour market access, social cohesion and non-discrimination, health as well as intergenerational justice. It reveals that EU countries vary considerably in their ability to create a truly inclusive society.

The social imbalance between the affluent Northern European states and the many Southern and South-Eastern European countries has intensified over the course of the 2008-2009 economic crisis. Whilst there is still a high level of social inclusion in Sweden, Finland, Denmark and the Netherlands, social injustice in countries such as Greece, Spain, Italy or Hungary has increased. Alongside this North-South division, the analysis is particularly critical of the growing imbalance between generations. Young people are much harder hit by social injustice than those who are older. 28 per cent of children and young people are threatened by poverty or social exclusion right across the EU, which is significantly more than in 2009. For the new EU Commission as well as for policymakers across Europe, these results illustrate the need for an integrated European strategy that not only stimulates economic progress but also places greater emphasis on improving social justice among the youth within the Union.

Islamic radicalism in Europe is increasing and that often brings sad fruit. So many young people in Germany are often imbued with Salafist ideology after visiting Islamic religious centres. Unfortunately, these young people sometimes decide to join and fight under the banner of the Islamic State. According to studies, two thousand people left Germany and went to the Islamic State (IS).

Well-known American political scientist Samuel Huntington in his book “The Clash of Civilizations” assesses trends in the development of the civilizations and especially highlights the problem of the Islamic radicalism. The recent events in Hamburg and other German cities support this theory. Countering Islamic radicalism can provide a unifying agenda for the European and the Eurasian Union. We need to develop economic relations and attend to the common threat to our civilizations. At the same time we need to look for areas of mutual cooperation.

We admit that the countries of the Eurasian Union as well as the European countries are dependent on global financial institutions and various international agreements. These agreements often influence different decisions in both the European and the Eurasian Union. Nowadays, none of the European Union member-states is able to solve their own problems without the permission of the European bureaucracy, i.e. the global market. All decisions in the Eurasian Union are made by consensus. And today it is impos-

sible to imagine that the leaders of the Eurasian Union would impose a model of economic and political development to any member-states of the Eurasian Union. This fact also makes the EAEU exclusive. The Eurasian Union expands an economic impact with the interested states in the South Caucasus.

Armenia and Azerbaijan refused to have associative relations with the EU and this decision justified itself. The Ukraine's rejection of immediate entry into associative relationship with the EU and its delay until 2016 proves this statement. Azerbaijan has to cooperate closer with Russia (as with the EAEU member) in matters of economic preferences and security. Since the Ukraine crisis Baku lost its dominant supplier of pipe rolling. Under these circumstances, Russia is ready to take over – and is already taking over – the production and delivery of such commodities for Azerbaijan.

### **The Eurasian Union and the Outside World**

The Eurasian Union is developing relations with the Asian countries especially with China. On May 21<sup>st</sup>, 2014 the Russian “Gazprom” and the China National Petroleum Corporation (CNPC) signed the long hope contract on gas supply to China. And so a memorandum of understanding (MOU) in the sphere of gas supply along the “East route” was signed.

This epoch-making event is the biggest contract ever in the gas industry of the Russian Federation and the former Soviet Union. Its implementation will become the world's largest pipeline building in the next four years. More than this, Russia and China are turning to the study of the western route of gas supply to China with possible diversification. The total value of the contract is 400 billion dollars for 30 years, for 38 billion cubic meters of gas a year.

Our relations with China are developing in other ways too. A Chinese investment company offered replacement of the European manufactured goods with the Chinese ones in the Russian market. Emphasis has been put on spare parts for cars up to their re-export. China is considering the problem of the purchase of production capacities in Russia with Western companies. Europe can be hit again by its own sanctions.

The new “Big Seven” group including Brazil, India, Indonesia, China, Mexico, Russia and Turkey was formed. According to a recently-published economic overview of the “Financial Times” newspaper, the new “Big Seven” group is about to overtake the G-7 (Great Britain, Germany, Italy, Canada, the USA, France and Japan) in GDP calculated at par purchasing power (PPS). According to the Financial Times, this data suggests a dramatic change in the balance of economic forces in the world. Emerging economies are in top twenty rankings now.

These figures show the growing influence of Asian countries in the global economy and the necessity for both the European and the Eurasian Union to cooperate with them. These steps show that the two largest unions on the continent based on the rules of free trade and the compatibility of control systems to include relationships with third countries and regional bodies. As a result, the two Unions are able to extend the aforementioned principles to the whole space of the Atlantic and the Pacific regions. Subsequently, the leaders of the European and the Eurasian Union can have a constructive dialogue about the principles of interaction with the Asia-Pacific and the North American countries as well as with other regions.

During the 11<sup>th</sup> Annual Meeting of Yalta European Strategy (YES) in Kiev Stefan Füle, the European Commissioner for Expansion and Neighbourhood Policy, announced that Russia had proposed to the EU leadership to form a free trade zone with the EAEU. According to his words, the cooperation between the European Union and the Customs Union should be developed in trade and economic spheres as well as in the security structure. Füle also added

“We need a consistent policy with respect to Russia ... The time has come not to hide behind slogans such as ‘Free Economic Zone from Lisbon to Vladivostok.’ We need to give specific content to this, which would go further than the trade and economic cooperation. I think we need to raise the stakes in this ‘game’ if we want to restore trust in the security structure ... it seems to me that it’s time for official relations at a high level of cooperation between the European and the Eurasian Union with the Customs Union.”

Famous European scientists share this opinion. They also regard the Eura-



sian integration as a geopolitical cluster in a changing world. Russian International Affairs Council (RIAC) headed by Igor S. Ivanov (former Minister of Foreign Affairs of Russia) and Des Browne (former Defence Minister of Great Britain) together with Adam Rotfeld (former Minister of Foreign Affairs of Poland) prepared and published a major report on the “Problems and Prospects of Building Greater Europe” as part RIAC’s activities. The report focused on the following tasks:

- Joint efforts against the threat of extremist violence in Syria and Iraq as well as the Islamic State which may be a threat to the whole world;
- The necessity of building Greater Europe as a single security space;
- The necessity of creating a Greater Europe by deepening trade and investment ties that will rely, primarily, on the engagement of the Eurasian and the European Union. As a result of which the relationship with the Asia-Pacific region would also develop;
- The necessity of improving cooperation in the energy sector and the diversification of different approaches in this sphere;
- The necessity of developing human contacts.

The solution to these and other problems can provide the best conditions for prosperity and integration for a new generation of Europeans. In conclusion I’d like to stress that the high-level cooperation of the European Union and the Eurasian Customs Union should become a strategy of continental and macro-regional paradigms of the world development.

# **The Eurasian Union and the Challenges of Russia's Search for Regional Hegemony in the Post-Soviet Space**

*Oktaf F. Tanrisever*

## **Introduction**

This paper seeks to discuss the characteristics of the Eurasian Union initiative, which is expected to be realized starting from 1 January 2015, and its implications for Russia's search for regional hegemony in the post-Soviet space. This regional integration initiative is explored in terms of its role in deepening the emerging fault lines not only within the wider Europe but also between the European Union and Russia. The paper also hopes to identify possible ways of coping with the risks emanating from the potentially polarizing impacts of the Eurasian Union initiative through an open and critical engagement of all actors involved in a multilateralist regional cooperation framework.

The paper is composed of the following parts; to begin with it examines the process of transforming the Customs Union into Eurasian Union. Second, it explores the characteristics of the Eurasian Union in terms of its composition and mechanisms. Third, it compares the Eurasian Union with the Soviet Union in terms of their similarities and differences. This will be followed by an analysis of the political and security implications of the Eurasian Union initiative. The penultimate part discusses the mechanisms for minimizing the security risks of this initiative.

## **Transformation of the Customs Union into the Eurasian Union**

It is important to discuss the characteristics of the Customs Union that preceded the Eurasian Union and the motives behind the Russian President Vladimir Putin's decision to transform the Customs Union between Russia, Belarus and Kazakhstan into the Eurasian Union by including new members like Armenia and Kyrgyzstan in 2015. It is important to note from the outset that the Customs Union does not automatically necessitate its transformation into a "fuller integration" in the form of the Eurasian

Union. Therefore, the transformation of the Customs Union into the Eurasian Union is an essentially political process, reflecting the political agenda and foreign policy of Vladimir Putin towards Russia's neighbors in the post-Soviet space.

The Eurasian Union has its origins in the integration process among the members of the Commonwealth of Independent States (CIS) which was formed in late 1991. The CIS members included all post-Soviet states except the Baltic States. Although most of the CIS countries preferred not to deepen their relations with Moscow, which was the former imperial centre of the Russian Empire and the Soviet Union, an inner core group of CIS states with close links to Moscow seemed to be interested in furthering the integration process. In this context, the Customs Union among Russia, Belarus and Kazakhstan was the product of their desire to deepen the economic cooperation among their economies in 2006 with the intention of realizing the Customs Union in 2010. The other CIS members preferred to stay out of this project of Customs Union since they hoped to develop better trade arrangements with partners other than the post-Soviet states as well.

So far, the members of the Customs Union have been able to liberalize their own trade with each other and to adopt a common customs tariffs for their trade with third parties. In this process, Kazakhstan had to make its tariffs policy more protective, undermining its potential for greater trade with third countries. In this way, the three members of the Customs Union seem to be trying to benefit from the Soviet-era trade links among their countries and erecting trade barriers against third countries and trading blocks to avoid tough international economic competition. Nevertheless, the smaller countries are likely to benefit less from these networks as compared to Russia.

Although the entry of Russia, Belarus and Kazakhstan into the World Trade Organization (WTO) in 2012 diminished the importance of their member countries' regional free trade agreements since they already agreed to liberalize their trade with other members of the WTO, Russia, Belarus and Kazakhstan have remained interested in deepening their economic cooperation further. Russia's search for deepening its trade relations with the neighbours also coincided with a tendency to "stretch" the WTO's

rules. Belarus and Kazakhstan seem to be interested in benefitting from Russia's bargaining power in the WTO and its ability to "stretch" the WTO's rules as part of their policy of deepening regional cooperation among themselves.

It was this context that enabled Vladimir Putin to declare the creation of the Eurasian Union as one of his key priorities during his election campaign for the Russian Presidency in late 2011. Vladimir Putin's article in the Russian newspaper *Izvestiya* suggested that the Eurasian Union could strengthen Russia and its partners in the Customs Union not only regionally but also globally. He also hinted that Moscow will ask other post-Soviet states – above all Ukraine – to join this Russian-led regional integration process. Vladimir Putin's election as Russia's President again for the third time in 2012 enabled him to put his designs for deepening the "integration" among the post-Soviet states into practice.

In fact, the decision to replace the Customs Union Commission with the Eurasian Economic Commission (EEC) in January 2012 reflected the desire of the Customs Union to deepen their economic cooperation even further mainly under the Russian pressure in a direction defined by Vladimir Putin. EEC decisions were influenced mainly by Moscow due to the comparative superiority of Russia over Belarus and Kazakhstan in all major policy areas. The EEC was composed of two institutional structures: the Inter-Governmental Council, which was composed of three Deputy Prime Ministers, and the Executive Board, where the qualified majority was accepted as the decision-making principle. This institutional structure demonstrates that Russia could impose its will on others by attaining the qualified majority on daily routine functioning of the Eurasian Union. Member countries will not have veto rights at this operational level.

### **Characteristics of the Eurasian Union**

Although it is too early to reach lasting conclusions about the Eurasian Union due to the fact that it is still in its formative stages, it is possible to identify some of the emerging characteristics of this initiative by analyzing the relations among Russia, Belarus and Kazakhstan in the context of the Eurasian Union initiative. Such an analysis could demonstrate the underlying dynamics of this initiative too.

One of the key characteristics of the Eurasian Union seems to be its highly-centralized institutional structure. The “Eurasian Economic Commission”, which is the key decision-making organ of the Eurasian Union not only oversees the functioning of the existing Customs Union, but also represents Russia, Belarus and Kazakhstan at the WTO as well as the other trade related international platforms. The Eurasian Economic Commission can also influence the member countries’ decisions regarding the key economic sectors of finance and energy. The Eurasian Economic Commission has also key responsibility in harmonizing the standards of the Eurasian Union on technical and public health matters. Given the impact of the technical and public health challenges being used by Moscow as barriers to trade, as experienced by Poland and Moldova in the past, the Eurasian Economic Commission could impose restrictions on trade relations of its members with third countries directly without having the consent of the member countries. Therefore, the wide scope of responsibilities enjoyed by the Eurasian Economic Commission could be considered as a reflection of the tendency for even greater centralization within the Eurasian Union.

Secondly, it seems that the Eurasian Union is based on a state-centric model of regional integration which neglects the constructive integrative roles of non-state actors such as business groups and the civil society. The Eurasian Union gives its member states a leading role in decision-making processes as well as in promoting regional economic development. The Eurasian Union privileges the leading role of states as integrating agent, weakening the basis for transnational and international movements of labour, capital and communication due to the centrality of state structures that are not comfortable with civil society and autonomous business communities.

Thirdly, the Eurasian Union is designed to be a Russia-centric organization. Moscow’s dominance is quite visible in all aspects for comparing the members of the Eurasian Union from GDP to population. Russia’s GDP and population are clearly much greater than those of Belarus and Kazakhstan with almost 80:20 ratio. The expected membership of states such as Armenia, Kyrgyzstan and Tajikistan is not expected to change this ratio in a meaningful way due to the small size of these countries. In addition, Moscow pressures some of the post-Soviet countries into joining the Eurasian Union either through offering some economic incentives as in the case of Kyrgyzstan or threatening them with destabilization as in the case of

Ukraine. Therefore, the Russia-centric nature of the Eurasian Union is not likely to be remedied in the foreseeable future.

In order to counterbalance the central role of Russia in the Eurasian Union, Kazakhstan suggested that the membership of the organization should be broadened so that the members other than Russia could form coalitions in order to promote their own interests and to resist Moscow's pressures. For example, Kazakhstan's President Nursultan Nazarbaev invited Turkey to become a prospective member of the "Eurasian Union" in 2013. With this move, Kazakhstan sought not only to moderate the international concerns that the "Eurasian Union" might develop into an anti-Western organization but also to counterbalance Russia's power by enlarging membership to other regional actors. Not surprisingly, Turkey responded to this speculative idea negatively as Turkey's Ministry of Foreign Affairs publicly ruled out such a possibility by emphasizing its strong commitment to its European Union membership process.

Last but not least, the Eurasian Union has a very ambiguous vision for its future development. It is not clear whether the Eurasian Union will pursue an open door policy towards all post-Soviet states or not. It is not also clear whether like China, Korea or Mongolia would be considered as Eurasian countries or not. There is also an ambiguity regarding the conflict resolution mechanisms within the Eurasian Union for resolving the differences among its members. Finally, it is also unclear whether the Eurasian Union will forge ties to the Collective Security Treaty Organization (CSTO) or not. These aspects seem to be intentionally left ambiguous for the purpose of not focusing on potentially more divisive and controversial issues in the formative period of the organization when it is more preferable for Moscow to stress commonalities rather than differences.

In addition to these characteristics, it is also important to note that the Russia-centric "integration" project of the Eurasian Union has its own internal contradictions and limitations. These contradictory internal dynamics could carry the inherent potential of creating new problems for Moscow's regional hegemony project too. It seems that Russia lacks the capacity to accommodate the interests of major stakeholders in the post-Soviet space. Nevertheless, such a capacity is essential for the smooth functioning of the Eurasian Union. In addition to the limitations of the cultural unattractive-

ness and commercial problems of the “Eurasian civilization” to youth in the post-Soviet countries including the South Caucasian states, the “ethno-territorial conflicts” in the South Caucasus and Moldova also create further complications for the Eurasian Union project. The ambiguity and incompatibility of the Eurasian Union principles with those of the EU principles could weaken the project considerably too. Last but not the least the Eurasian Union’s state-centric model implies that political criteria could often take precedence over commercial expediency causing economic inefficiency among its members. These contradictions and limitations of the Eurasian Union are likely to play crucial roles in the future development of the Eurasian Union initiative.

To sum up, these contradictions and ambiguities combined with the Russia-centric nature of the Eurasian Union present Moscow with a very challenging context, which is qualitatively and significantly different from that of the Soviet Union. It is this new and complex strategic environment that makes it difficult for Moscow to impose its own foreign policy preferences and economic policies on the post-Soviet states in Russia’s near-abroad.

### **Comparing the Eurasian Union with the Soviet Union**

Although the Eurasian Union demonstrates the characteristics of a very high level of centralization, a top-down approach to the regional integration process and Russia-centrism in the internal balance of powers similar to the Soviet Union, the Eurasian Union cannot be considered fully comparable to the Soviet Union for a variety of reasons. These differences range from the ideological to the institutional dimension.

Of course, there are obvious similarities between the Eurasian Union and the Soviet Union. To begin with, just like the Soviet Union, the Eurasian Union initiative does not envisage regional integration based on the cooperation of democratic regimes. The members of the Eurasian Union are composed mainly of authoritarian states. Secondly, similar to the Soviet Union, the Eurasian Union establishes an asymmetrical relationship between resource-rich and powerful Moscow and the client states of Belarus, Kazakhstan, Kyrgyzstan and Armenia. Thirdly, just like the Soviet Union, the Eurasian Union seems to be neglecting the integrative roles of free market business dynamics as well as international organizations, business

communities and civil society organizations in promoting regional integration. Last but not least, the Eurasian Union resembles the Soviet Union in terms of its high levels of centralization and its top-down approach to the process of regional integration.

There are also significant differences between the Soviet Union and the Eurasian Union. To begin with, the Eurasian Union is not guided by a radical ideology of communist internationalism. The driving ideological motive behind the Eurasian Union seems to be a combination of nationalism and pragmatism as well as statist model of capitalist development. Neither Russia nor other members of Eurasian Union are interested in promoting any form of communist ideology at all. Although the majority of the Eurasian Union members resist liberal democracy, as practiced in the West, their political leaders and business elites seem to be happy with enjoying the benefits of the state-led capitalist development model.

Secondly, from a geo-political perspective, unlike the Soviet Union, the Eurasian Union is expected to concentrate its activities on deepening regional cooperation in certain parts, but not all of the post-Soviet space. The Eurasian Union is not likely to engage in geopolitical competition with the other global powers at the global level either. Unlike the Soviet Union, the Eurasian Union seems to be concentrating its activities on Russia's close neighbourhood rather than the globe as a whole. This geographical concentration differentiates the Eurasian Union from the Soviet Union in the sense of accepting the limits of the Eurasian Union's integrative potential in Turkmenistan as well as Azerbaijan and Ukraine.

Thirdly, the Eurasian Union differs institutionally from the Soviet Union in terms of the lack of totalitarian means of socio-political control at its disposal. Although the Eurasian Union is composed mainly of semi-authoritarian and/or authoritarian states, unlike the Soviet Union, none are totalitarian. The members of the Eurasian Union are also expected to oppose the creation of institutional structures similar to those of the KGB and the Communist Party of the Soviet Union (CPSU), which played crucial roles in the functioning of the Soviet regime.

Last but not least, neither Vladimir Putin as a leader nor Russia as a country has the capability to pressure the member countries into stopping their



own cooperation with the other countries. In fact, Vladimir Putin's emphasis on the nominally integrative trade principles in the Eurasian Union project reflects his pragmatic agenda. This Russian need to be more pragmatic demonstrates the limits to Moscow's capacity for regional hegemony dominance in the post-Soviet space. All in all, the Eurasian Union lacks the material and institutional capabilities of the Soviet Union on many issue-areas.

### **Political and Security Implications of the Eurasian Union**

There are also significant geopolitical and security implications of the Eurasian Union initiative for Russia's neighbours and the international community at large. These geopolitical and security implications emanate mainly from the polarizing effects of the Eurasian Union in the post-Soviet space.

The most important geopolitical implication of the Eurasian Union is linked to its challenge to the European Union's Eastern Partnership (EaP) program. In fact, Vladimir Putin's idea of a Eurasian Union reflects Moscow's desire to undermine the European Union (EU)'s Eastern Partnership initiative, as reflected by Moscow's immense pressure over Ukraine regarding its desire for an Association Agreement. Consequently, Moscow's designs for the Eurasian Union have set Russia and the European Union on a collision course over the formation of their own "special partnerships" with the countries located in this grey zone in Eastern Europe and the South Caucasus. The emergence of overlapping neighbourhoods transforms Russia's mutually beneficial pragmatic relations with the European Union into a more confrontational relationship, which is based on the logic of a "zero-sum game."

The Eurasian Union initiative presents the regional countries with other challenging geopolitical and security implications as well; Russia can use its control over energy supplies to manipulate the vulnerability of other post-Soviet states. Consequently, the Eurasian Union's role in energy sector is likely to increase Moscow's control over the energy sectors of the other post-Soviet countries, rendering these countries more vulnerable to Russia's energy diplomacy. The energy dimension of the Eurasian Union could also have a negative implication for the global energy markets and the price levels too.

From a regional perspective, the Eurasian Union is likely to have a significant impact on the South Caucasus through the polarization of regional politics into pro-Russian and pro-European orientations. In addition to the widening gap between Armenia and Georgia representing the opposing positions regarding the Eurasian Union, Azerbaijan's increasing vulnerability to the pressures of Russia presents Moscow new opportunities for re-configuring the regional political (dis-)order in the South Caucasus. The complexity of the ethno-territorial conflicts and the lack of a vision for their resolution in the short-run worsen the regional geopolitical situation further. In the absence of functioning regional security frameworks, the Eurasian Union could unleash regional dynamics that might necessitate the development of new international arrangements for stabilizing the region.

Last but not least, the Eurasian Union seems to be leveraged by Moscow to achieve a "great power status" for itself at the global level. Aligning with its partner states in the post-Soviet space, Russia is translating its partnerships into diplomatic influence at the international and global levels. Likewise, Russia's partners in the Eurasian Union such as Kazakhstan seem to be tempted to use this regional grouping to strengthen their negotiating positions internationally. It is very likely that these expectations stem from the wishful thinking rather than serious estimations of the Eurasian Union's influence. Therefore, whether these expectations could be realized or not remains to be seen. It is also very probable that the disillusionment of non-Russian members of the Eurasian Union about the benefits of their memberships could result in new tensions with Moscow.

To sum up, although the idea of the Eurasian Union originated from an essentially economic integration process, its realization creates significant geo-political and security challenges. It is also important to discuss the ways of overcoming these risks through enhancing dialogue and partnerships between the Euro-Atlantic and the Eurasian structures and actors based on the cooperative logic of a "win-win strategy".

## **Minimizing the Security Risks of Russia's Eurasian Union Initiative**

It is important to propose policy recommendations for coping with the geopolitical and security risks of the Eurasian Union due to its potential in creating and deepening fault lines within the Euro-Atlantic area as well as the post-Soviet space.

To begin with, in order to alleviate fears about the polarization and deepening fault lines in the post-Soviet space, including the South Caucasus, Moscow should be encouraged to revise the nature of the Eurasian Union substantially so that it could be attractive for the European Union and other Euro-Atlantic structures and actors to work with the Eurasian Union. Similarly, such an attempt at revising the character of the Eurasian Union could also make this initiative attractive to the wider public, civil society as well as business communities.

It could also be recommended that the Euro-Atlantic institutions and the regional countries in and around the post-Soviet space develop a well-coordinated and comprehensive strategy towards Russia and its partners in the Eurasian Union initiative. Such a strategy needs to be based on the critical engagement of the relevant stakeholders who could be negatively affected by the implementation of Eurasian Union project in its present version. In line with such a competitive – but not confrontational – strategy, the Eurasian Union could be motivated into reforming itself from within and adopting the European principles of regional integration.

Besides, it is also important to enhance the effectiveness and attractiveness of the EU's Eastern Partnership program to the countries that are participating in the Eurasian Union initiative. To this purpose, the European Union could take some concrete actions to back up its Eastern Partnership strategy with a mix of diplomatic and economic instruments, enhancing its soft power even further. To enhance its soft power, Brussels could propose selective economic benefits to actors in Eastern Partnership countries that are oriented towards Russia's "Eurasian Union" initiative. To enhance its power of attraction, or soft power, Brussels could also offer these Eastern Partnership countries more favorable conditions in EU community programs, such as education.

Last but not least, Brussels could also take new measures in order to decrease the overdependence of its Eastern Partners on Russia's energy supplies. To enhance European energy security, Brussels could financially assist these countries in building new LNG terminals in order to import natural gas from overseas countries. Besides, Moscow could be prevented from dominating the energy markets in these countries by strengthening their ties to the planned European Energy Union. By deepening their cooperation with the European Union, these countries could ensure their place in an increasingly democratic, peaceful, and prosperous wider Europe.

## **Conclusion**

To conclude it could be stated that the Eurasian Union initiative of Vladimir Putin which seems to be realized in 2015 reflects Moscow's search for a "Russia-centric" model of regional "integration" in the post-Soviet space. The present form of this initiative also seems to be lacking a capacity for contributing to Russia's successful integration of Russia into the international community of states with democratic regimes and free markets in wider Europe. In fact, the Eurasian Union initiative in its present form seems to be designed for enabling Moscow to consolidate its regional hegemony in the Commonwealth of Independent States (CIS) area, and also to support its authoritarian partners in the post-Soviet space. The present form of this initiative does not seem to be meeting the expectations of the civil society and the new generation of political actors within the post-Soviet space, which are mainly oriented towards the European Union and its value system. The negative and polarizing implications of the present form of the Eurasian Union could be mitigated by engaging rather than marginalizing the members of the Eurasian Union in the wider global networks of international cooperation by strengthening cooperation not only at the levels of diplomacy, economic development and trade but also at the level of civil society. To this end, Russia, the post-Soviet states and the Euro-Atlantic institutions should engage a genuine dialogue to transform the Eurasian Union into a multilateralist regional integration framework in which all local, national, regional and global stakeholders could benefit from this regional cooperation initiative.



# The Civilizational Choice of the Ukrainian People and its Regional Impact

*Oleksandr Sadovskij*

## Introduction

For more than two decades since independence, Ukraine has tried to identify its place in a constantly changing geopolitical environment. During this period, Ukrainian authorities have made sometimes successful, and sometimes less successful attempts at balancing between the necessities of good relations with post-soviet states, principally with the Russian Federation on the one hand, and a natural gravitation towards the Western world on the other. This tilt towards the West is caused by deep historical ties and the aspirations of the current generation of Ukrainians.

A magical formula for mutually beneficial international relations with both the East and the West, which could also contribute to the successful sustainable development of Ukraine, has not been found. The so-called “multi vector” policy approach was only an attempt to sit on two chairs at once, nevertheless allowed time for the development of Ukrainian state institutions.

However, balancing between big power centres was unsustainable. The decision to choose a path forward required resolve, but it depended more on the external factors than the ability or political will of the Ukrainian authorities.

Russia has been putting overwhelming economic and political pressure on Ukraine and started an information campaign in order to prevent its movement towards the West. The Kremlin clearly understands that its geopolitical projects such as Customs Union (CU) with a further transformation to a Eurasian Economic Union (EEU), the Collective Security Treaty Organization (CSTO) would be incomplete, or even doomed without Ukraine’s membership.

The historical events of 2013-14, called the “Revolution of Dignity” in Ukraine, determined the choice of the people for the country’s future development. This choice between two worlds made by Ukrainian society can be called “civilizational”. It is the social values and moral principles of the free world that the majority of Ukrainians seek to be a part of.

Admittedly Russia’s annexationist policy and undisguised aggression was not the sole cause which determined this choice. Russia lost the struggle for the hearts and minds of Ukrainians in its economic competition with the West for Ukraine, and ultimately resorted to the use of military force in its attempt to implement this policy on Ukraine. I would call this policy “enforcement to friendship”.

The Ukrainian people gained independence in a peaceful way in the early 1990s, but started to understand the value of freedom only after bloodshed. Patriotism has acquired a particular meaning for every citizen of Ukraine.

## **Prerequisites**

In all its period of independent development, Ukraine has remained a hostage of its Soviet past. It inherited from the Soviet Union, an unproductive, resource-demanding economy, outdated political system and paternalistic social perception, all of which restrained the country from advancing to the western (modern) way of development. On top to these unfortunate circumstances was the model of the oligarch-clan government system which was born from the ruins of the Soviet Union.

This system of governance merged with organised crime blossomed in the years of Yanukovich’s governance. The state’s power was held by criminals and thieves, and turned Ukraine into a kleptocracy. Its leaders were interested only in excessive personal enrichment, and did not take care of the state’s true needs and interests. For example, the wealth of Yanukovich’s eldest son almost tripled in the first half of 2013 according to Bloomberg’s List of 300 wealthiest people.

Through their own ignorance, greed, delusions of grandeur and false sense of security, these criminal leaders were not able to accurately assess the reality of the situation, and maintained even the continuity of their own

governance. The country drowned in total corruption that permeated all levels of society, permanently, and was perceived as normal behaviour. According to the World Economic Forum's corruption level ratings, Ukraine ranked 118 out of 144 countries surveyed.

Prior to its downfall, the country's short-sighted government fell into a trap by signing an agreement with Russia to accept a gas supply of \$268.50 per thousand cubic meters and a \$15 billion credit, that came with crippling conditions. By agreeing to these conditions, Ukraine practically agreed to the joint management of its economy, and these agreements that were signed by Ukraine in December 2013 became a step towards conceding almost its total economic and later, political independence.

Resentment had been brewing in society which resulted in the well-known revolutionary events, as moderate politicians realised that to wait for the next elections would mean a total loss of independence.

### **The Russian Factor**

The Russian state machine is built on the same oligarchial system. In Russia, 110 individuals own 35 percent of the country's wealth.

However Russia has a distinctive feature which is that its state apparatus is under total control of the principal staff of the Russian security agencies – successors of the former KGB. This is a unique phenomenon in the modern history “of a country that is managed by corporations, gangs or simply castes, which consists of representatives of special services” says publicist Sabirzhan Badretdinov.

Ukraine in this context has been and still remains a peculiar polygon for foreign special services, particularly for Russia. Former special services personnel have infiltrated numerous Ukrainian governmental authorities and business entities, or simply live on Ukrainian territory, remaining faithful adherents to the “corporation”, ready to act upon instruction.

With this assistance Russia has the capability not only to clearly assess the situation in Ukraine, but also to influence it. Some reckoned that Yanukovich was a pro-Russian leader, but according to facts he has been simply



dependent on the Kremlin being surrounded by pseudo-Ukrainian governors. The Ministers of Defence, Justice, Education and Science, the Head of Security Service, Head of Foreign Intelligence, Minister of Internal Affairs, and others, were working on behalf of Russia. It meant Yanukovich's every step was controlled and guided by Moscow, and all the aforementioned are currently residents of the Russian capital's suburbs.

A vast instrument of influence on Ukraine, the world and its own population is the Kremlin's powerful propaganda machine. Sometimes it is unbelievable how effectively this Kremlin-led, anti-Ukrainian propaganda works. We have enough examples of how ethnic Ukrainians, who moved to Russia some years ago or just temporarily moved there, under the impact of Russian propaganda, stopped believing their own friends and family back home. By using statements from Russian television they are supporting the annexation of Crimea and war against Ukraine in the South-East region and believe that Kyiv is ruled by "fascists" and "banderivtsi", though they cannot explain the nature of these notions.

Suppression of dissent and the cultivation of Russian superiority, exclusivity, the blaming of other nations for its own problems, and blindly praising its own government, are bearing fruits. As a result of its continuous influence on its own population, and the manipulation of the nation's consciousness through mass media, Russia has well laid the foundations for its neo-imperial ambitions.

A recent survey amongst the Russian population, conducted by the Office of the Russian human rights representative, in conjunction with The Public Opinion Foundation, was published in October 2014. According to this survey, when asked, what is the most important thing one expects from their country: 70 percent of respondents mentioned free healthcare; 57 percent mentioned work and fair pay; and 54 percent, free education. However, political freedoms such as: the right for gatherings and protests, and the ability to take part in state and societal governance, only 3 percent of Russians put this above everything else. Freedom of speech is a priority for only 16 percent of Russians. Hence among modern Russians there reigns nostalgia for soviet values: namely, free goods in exchange for personal freedoms.

To understand Russian power-broker's ideology we can look at an interview with the "The Head of the Constitutional Court of the Russian Federation", V. Zorkin, for the "Russian Gazette". He specifically said: "With all disadvantages of serfdom, it has been the main clamp that kept intact the inner unity of the nation".

As we all know from history, serfdom was a form of slavery in this part of the world which the Russian Empire practiced throughout its territories over many centuries until 1861. According to this logic the GULAG has been a "clamp" of the USSR.

No wonder then that Russians view another Kremlin governor as a messiah and do not doubt his orders. "For the majority of Russians, V. Putin is not just a Russian president, but a mystical, archetypal and sometimes even religious figure, a "Great Father" (sometimes even worshipped as a "new Stalin"). The masses want "stability" and "security", even if they have to pay with their own dignity", says Marutyan.

### **The Ukrainians' Civilizational Choice**

Civil society in Ukraine during its years of independence had quite substantial periods of free development. A vast number of Ukrainians used the opportunity to travel and study abroad, experience and discover the surrounding world and took part in cultural and scientific exchange programmes. For these reasons the level of development of civil society in Ukraine is much higher than in Russia.

A survey conducted in March 2009 by the sociological section of the Ukrainian think tank Razumkov Centre of Economic and Political Studies shows that for 58 percent of Ukrainians the basic rights of an individual (the right to life, personal freedom, freedom of speech and religion, freedom of movement, the right to privacy, etc) are the most important principles. At the same time, only 28.6 percent defined social and economic rights as a first priority (the right to work, an adequate standard of living, social security, the right to run a private business, etc.)

Another survey conducted by the Centre showed that, even in the times of Yanukovich's rule, the number of Ukrainians who were prepared to cope

with some economic difficulties for the sake of personal freedom, and guarantees of compliance with all civil rights, greatly outnumbers those who are prepared to sacrifice their rights and civil freedoms for their welfare.

In the absence of desire and political will of the corrupted powers to conduct reforms which could have transformed Ukraine into a civilised state, Ukrainians used their constitutional right of democracy and went onto the streets to protect their rights and freedoms.

### **A Revolution of Dignity**

The people of Ukraine decided not to tolerate the obvious disrespect of their dignity. Peaceful protests against the self-will of the powers turned into well-known bloody events on the streets of the capital and other big cities.

There is a common perception outside of Ukraine and particularly in Russia that the revolutionary events of 2013-14 in Ukraine were triggered by the former leaders' sudden political U-turn on the euro-integration course of the country. However, to my deepest belief, as a participant of those events it was just a spark for the initial protests. The real reason for the "Revolution of Dignity" became the resentment of the people towards the government's neglect of its own citizens, their thoughts and aspirations, and the increasing arrogance of the authorities, associated with criminality, lawlessness, corruption in law enforcement agencies and the courts, and negligence towards society, ethics, and the direct theft of the country by the Yanukovich clan. These were the real reasons behind the revolutionary protest.

Influenced by Russian propaganda some people also say that nationalists and radicals overthrew the government in Kiev. It is worth noting that amongst the first victims of the protesters against Yanukovich's regime were ethnic Armenians Sergey Nihoyan and Georgy Arutyunyan, Belarusian Mikhail Zhyznevsyy and Georgian Zurab Hurtsiya, who died on the streets of Kyiv.

Despite the events that led to Yanukovich fleeing from the country, and his

power passing into the hands of the opposition leaders, the country continued to be looted by the corrupt and confused managers of the state apparatus and Parliament, most of whom supported the former regime.

While Ukraine bled, facing economic ruin, and its armed forces virtually unfit for purpose, it became easy prey for Russia. Russia did not wait long and, ignoring international agreements, invaded Crimea using regular troops and a fully-prepared fifth column. The world came to realise that not only individuals could loot, but sometimes even a whole country could steal from another; where moral principles are worthless in comparison to the chauvinistic ideas and imperialistic ambitions of a nation.

Events in the Crimea were a turning point, after which Ukraine finally stopped trying to find a compromise in relations with the Customs Union and the EU. Peaceful economic competition for Ukraine ended and under Russian pressure, the issue moved from the economic sphere to military coercion towards a “Russian world”.

“In fact, after the annexation of Crimea, Russia rejects the modern development path, modernization as such, and chooses a mobilization path of development, which involves rallying the masses against foreign and domestic enemies” as Marutyán emphasizes in her article.

The regular armed forces of the Russian Federation are present on Ukrainian territory in Crimea and the Donbas region, where they conduct military operations against the Ukrainian army causing suffering and death of soldiers and civilians alike, and also destroying regional infrastructure. So-called Russian “humanitarian convoys” are stealing equipment from Ukrainian defence plants. In the words of the Prime Minister of Ukraine, Russia has a new kind of business with Ukraine; it trains and supplies insurgents on our territory and provides them with arms and heavy military equipment.

The Russian leader also threatened to start an economic war if even one single law on the implementation of a free trade zone between Ukraine and the EU will be adopted by Ukrainian authorities. In fact, if Russia really wanted to just protect their markets from “cheaper and quality goods from Europe that flood into Ukraine,” in the words of the Russian president, it

would require Ukraine to take only one law that prohibited the re-export of European goods to Russia. Also, the Russia has to improve its own standards to protect itself from alleged sub-standard imports from Ukraine.

Another factor, planned in advance, is gas blackmail by Gazprom on the eve of winter; an economic weapon that Russia uses not for the first time against its opponents.

This is a typical pattern of behaviour within the Customs Union and the Eurasian Union dominated by Russia.

For instance, Russian leaders have called Kazakhstan an artificial state that never existed. “The Kazakhs never had statehood”, the Russian president said, adding that the “Eurasian Union created now by Russia, Kazakhstan and Belarus is beneficial for Kazakhstan’s economy in order for it to “remain in the Greater Russian world”.

The people in Ukraine who soberly assess the situation there are under no illusions and doubts about the choice between the Eurasian Union and the EU.

So “civilizational choice” is a choice in favour of the democratic sustainable development of the state in replacement of the criminal oligarchical tyranny of the ruling elite. This is not only a choice between European and Russian vectors of development; it is a choice in favour of universal values and principles.

### **International Responsibilities and National Pragmatism/-egoism**

There are not many precedents in world politics when a country-guarantor of security, who confirmed its responsibilities by signing an international agreement, acted as an aggressor itself. It seems that only now do people recognise how right was Otto von Bismarck when he spoke of the value of agreements signed by Russia.

Russia created a dangerous precedent in modern international politics by ripping-up the Budapest Memorandum (signed and ratified in 1994) on guaranteeing the security and territorial integrity of Ukraine, in return for

joining the Treaty on non-proliferation of nuclear weapons. The surrender of nuclear weapons will now be considered an imprudent decision by any country.

The Moscow powers ignored such international agreements as the Agreement on friendship with Ukraine, the UN Charter, the Helsinki Final Act and others. The Russian aggression destroyed the general system of security and stability in Europe which evolved after WW2. As former NATO Secretary General Anders Fogh Rasmussen stated in Warsaw: “Russia’s illegal and illegitimate aggression against Ukraine is the greatest challenge to Europe’s security in a generation”.

Some people in the West continue to meekly call the usage of sabotage units and mercenaries from Russia, the training of militants on its territory and supply of weapons to them from military warehouses, the continuous shelling by heavy artillery from Russian territory and the participation of Russian regular armed forces in the Donbas a “hidden war”. Perhaps the employment of criminal gangs on the pro-Russian separatists’ side, or the application of insidious tactics such as using the civilian population as human shield, firing from windows of residential buildings and hospitals is called “hidden war”. There is evidence of these facts which have been passed on to the relevant UN and OSCE authorities by their respective observers.

The United Kingdom’s representative at the UN, Mark Lyall, at a UN Security Council meeting on 23 October 2014, declared that Russia continues to sustain conflict in Eastern Ukraine. “Russia continues to supply separatists with weapons including rocket launchers and artillery; continues to maintain several hundreds of its forces in Ukrainian territory; and in yet another ominous reminder of the tactics it used to shape the frozen conflicts in Moldova and Georgia, is handing out passports to individuals in separatist-held areas”.

In our opinion, the Western reaction lacks decisive actions to the political and military ruthlessness that Russian leaders demonstrate. An aggressor cannot be stopped merely by words; the Baltic countries and Poland understand this well, because they feel a direct threat to their own borders. The position of the rest of the countries favouring appeasement of the Kremlin

only encourage the latter's actions towards Ukraine – and perhaps other regions besides.

The energy dependence of European countries on Gazprom (Germany – 40 percent, Italy – 20 percent, France – 18 percent, United Kingdom – 0 percent) corresponds to their positions on Russia's aggressive policy. However, the national self-pragmatism of some European countries could result in significant losses in the future, as history shows.

### **Consequences for Russia**

The world community and the USA in particular, nonetheless do support Ukraine and has applied appropriate actions against Russia. Some consequences have already appeared which, if not stopping Russian powers, have at least made them think twice.

Western sanctions have painfully affected the Russian economy. A sharp decline in the value of the national currency and a drain of foreign investment is just the beginning.

The increasing antagonism between Russia and the USA and the worsening of relations with the EU, Japan, Canada and Australia has led to a sudden decrease in political contact between the aforementioned countries and Russia, and its eventual dismissal from the G8 and the deepening of Russia's isolation on the international arena.

As a result of the Kremlin's aggressive actions and rhetoric, the consolidation of NATO members increased and their positions were reinforced, particularly in Eastern Europe. An appropriate reconsideration of the existing principles and plans on further formation of self and collective systems of defence in the West, and recognition of Russia as a main threat to the peace and security on the European continent by the members of the Alliance, will be of significant importance for the planning of the Alliance's military and defence policy for years, or maybe even decades to come.

### **Impact on the Further Development of the Post-Soviet Space**

The countries of the post-Soviet space have seen the real face of the "Rus-

sian world”. Despite different reaction to events in Ukraine, none of the post-soviet countries and even the members of the Eurasian Union did not express unconditional support of Russia’s aggression against Ukraine.

Russia did not succeed in achieving unanimous support of its annexation of Crimea among the member-states of the Commonwealth of Independent States. They themselves are concerned by Russia’s rhetoric on defending its compatriots, to whom Moscow classifies as all speakers of the Russian language. Particularly concerned by a possible intervention is Kazakhstan, which is currently trying to move closer to Europe and China, but not to upset Moscow at the same time.

Belarus is trying to gain political and economic dividends from the Ukraine-Russia conflict, by emerging as a peacekeeper and mediator. Such a position in certain circumstances could push Minsk into softening its relations with Europe and at the same time, a deterioration of relations towards Moscow.

Apparently Armenia, which has been aiming to consolidate its position in the South Caucasus with Russia’s assistance, in light of the latest events, will be forced to reconsider its plans accordingly.

It is clear that pressure imposed by Russia will remain an influential factor for the development of the internal and external policies of former soviet republics. Russia will continue to consider them as its “backyard” or “near abroad” until its political class and population understands that we no longer live in the 19<sup>th</sup> century and the world has already changed.

Russia proved that it is not a guarantor of security in the region, but quite the opposite; it is the main destabilising factor which now everyone is certain of.

The choice of the Ukrainian people has to be protected and it is vitally important not only for Ukrainians, but for the rest of Europe as well. Ukraine enjoys the support of international community and will succeed in its fair struggle for peace and independence.

A peaceful resolution of the situation in Eastern Ukraine – as well as the



restoration of Russia's economic health – will be found as soon as Russia stops to sustain the conflict.

The Ukraine needs urgent reforms. If they are successfully implemented and this leads to sustainable development, the people the other ex-Soviet countries and territories will have a good example of an alternative path to follow, a path which stands apart from Russian integration projects.

## **PART II:**

# **RECONCILING THE EU WITH THE EURASIAN UNION**



## **Reconciling the EU with the Eurasian Union: A Pragmatic Approach**

*Gayane Novikova*

The Russia-West relationship plays a crucial role in shaping the security environment in Europe and Eurasia. On the one hand, both sides are blaming each other in violation of core principles of international law, including those related to the sovereignty of states; on the other hand, each side introduces its own explanation to justify its decisions and approaches. Mainly owing to the pragmatic and so-called pragmatic decisions of the stakeholders involved in processes in the South Caucasus, the regional states have become even more divided and insecure. Armenia, Azerbaijan, and Georgia have found themselves facing more difficulties both in dealing with each other and with all the concerned external actors.

To understand how the two integration projects such as the EU Association Agreements (including the DCFTA) and Russia-led Eurasian Economic Union could be implemented and complemented or combined, it is necessary to analyze the motivations of the main stakeholders. I will concentrate upon this aspect. Let me also mention that the economic figures provide to justify the gains and losses of the integration choice, are not very correct; they are contradicting each other, and are mainly politically motivated.

### **Some Aspects of Russia's Foreign Policy**

The key components of Russia's foreign policy began to develop in the late 1990s as a response to Western neglect of Russian national interests. It crystallized in the course of the next years, becoming more offense-oriented and to some extent more intolerant toward the West in general. It has been shaped in accord with Russia's self-identification as one of the pillars in the multi-polar world, and an equal – among the strongest – partner in international affairs and one capable of defending its strategic interests and national priorities in all areas of international life. This foreign policy focuses upon “Russia's increased responsibility for setting the inter-

national agenda and shaping the system of international relations.”

Russia develops and implements its foreign policy on the basis of two ideas. First, Russia should be a great power and serve as a bulwark of all conservative forces fighting against revolutions, chaos, and liberal-democratic ideas being spread by the US and Europe. The second pillar of Russian foreign policy doctrine relates to the shaping of the Russian national identity and national idea; it is rooted in concept of Eurasianism. It found fertile ground in new and independent Russia which defining itself as a model nation in opposition to the West.

The most important figure among the modern Eurasianists is President Putin, who gradually “injects” his vision of Russia’s greatness and its unique role in Eurasia into Russian society at large and demonstrates its strength through the implementation of hard-nosed security measures in Russia's immediate neighbourhood – and in this manner challenging the West.

The first “test” was the five-day war in Georgia, followed by the recognition of independence of Abkhazia and South Ossetia. The West reacted with moderation to the violation of Georgia’s sovereignty and international law because this South Caucasus state (together with Armenia and Azerbaijan) a priori was viewed as an area of Russia’s “special, privileged, or national/strategic interests” and owing supposedly to Russia’s warnings against the background of developments surrounding Kosovo.

The internal developments in Ukraine which began at the end of November, 2013, were evaluated in Russia as aggression by the West against Russian civilization, values, and the Russian world in general. Euphoria throughout all strata of Russian society regarding the return (in Russian terminology) or the annexation (from the Western viewpoint, and in accordance with international law) of Crimea must be considered as a clear indication of the readiness of Russian society to support any step by the authorities – and President Putin in particular – to re-establish Russia as a strong political, military, and economic power – at least in a limited area called Eurasia. Even more, the concept of a unique role for the civilizational factor has found its firm and special place in present-day Russian foreign policy. Indeed it has become one of its pillars.

Gleb Pavlovsky, the president of the Foundation for Effective Politics, called this new phase the “Ukrainization of Russian policy.” Actually, the Ukrainian issue per se promotes a legitimization of Putin’s regime, a strengthening of Russia’s economic independence (although through extremely tough measures), and closer cooperation in the international arena with some other actors (BRICS, in particular). The EU and the US sanctions against Russia are also contributing to the radicalization of Russian society.

### **The EU’s Limited Pragmatism: To What Extent?**

By launching the European Neighbourhood Program in 2004, the EU demonstrated its readiness to work with immediate and distant neighbours to prevent external non-conventional threats to the EU. Europe needs to increase security along its borders, to secure diversification of energy supplies, thereby reducing its dependence upon Russian gas and oil.

It was believed that democratization and economic cooperation would contribute to internal stability and prosperity of the EU neighbouring states, making them in the process more predictable, and therefore would reduce non-conventional security threats to the EU. Let me quote former European Commission president Romano Prodi who noted in 2002 that the EU has “to be prepared to offer more than partnership and less than membership, without precluding the latter ...” and to share with the partners “everything ... but institutions. The aim is to extend to this neighbouring region a set of principles, values and standards which define the very essence of the European Union.”

In 2009, after the Russian-Georgian war of August 2008, the pragmatic approach – to provide more security to those EU member states which have a common border with Russia and three Eastern European states (Ukraine, Belarus, and Moldova) – forced the EU to launch a new Eastern Partnership Program (EaP). Six post-Soviet states participated: Belarus, Ukraine, Moldova, Armenia, Azerbaijan, and Georgia (the inclusion of the latter three states was determined by a consideration of Caspian energy resources and their supply to the European market).

There was a vague vision regarding a general form of cooperation between

the EU and its Eastern partners, but the EaP was an attempt also to shift from a completely regional approach toward an intensification of bilateral relations with the partner states and in accordance with the latter's priorities. The next step in "bringing the neighbours closer" was the initiation of the Association Agreements, which were evaluated by all sides concerned as an attempt to take a real step toward involvement of these post-Soviet states into the European integration project.

Gradually becoming a geopolitical actor, the EU offered assistance and cooperation in four soft security areas. Although Association Agreements mention "security policy" in the first area of cooperation, this does not mean cooperation in the security field: Membership in the EU was not on the negotiation agenda. The European Union has not provided any security guarantees to its EaP partner states. However, security was and still is a core issue for all states involved.

Thus, having removed the security question from its EaP agenda, the EU minimized its influence upon developments in all six states. It also did not gain any influence-enhancing leverage in the soft security area. Even more, as a geopolitical actor, the EU pursued its own interests – and hence to a certain degree ignores the interests of partners and "forgets" the initial goals of the EaP. It is becoming also more inconsistent in its policies: for example, against the background of the war in Ukraine, it has become very much interested in Azerbaijan as an economic partner and as a main energy supplier from the Caspian Sea area, all the while ignoring Azerbaijan's systematic and increasing violations of human rights.

Of course, US-Russia disagreements on several issues, including the future of Ukraine, affect Russia-EU relations. However, different approaches between the EU and the US to Russia and to dealing with Russia are becoming more visible; the EU wants, and tries, to reduce its subordination to the US and seeks to provide its own – although multi-vectored and not unified – "Russian policy."

To summarize this part of my presentation, let me stress that confrontation between Russia and the EU reminds one of a game without rules. Their overlapping and conflicting interests and chosen styles of interaction with each other and with the small and weak states in the South Caucasus pro-

voke the growth of insecurity in this region. The direct result of the “pragmatism” of these three non-regional actors has resulted in the further militarization of the region, the deepening of division lines between the regional states and state entities, an exclusion of now-reluctant neighbours from regional cooperation projects, and an increase in unpredictability as concerns the future.

### **Pragmatism or External Pressure: Designing the Future**

Although Ukraine became a catalyst for the relationship between Russia and the West, and although future developments in the South Caucasus will be significantly influenced by relations between Russia, the EU, NATO, and the US, four major features of the current developments in the South Caucasus must be underlined if the trend(s) in the trilateral Russia- South Caucasus-Euro-Atlantic relationship are to be understood; first, in three regional states – Armenia, Azerbaijan, and Georgia – domestic problems dominate over foreign policy problems. Second, Russia provides a tri-polar policy in the South Caucasus, distinguishing between regional actors, including Abkhazia, South Ossetia, and Nagorno-Karabakh. Its political, economic, and military leverage is strong and influences the crucial decisions of its partners and adversaries in the region. Third, the EU is reshaping its policy toward the region, changing its regional approach to a more bilateral-oriented policy; however, its influence on internal processes in soft security areas, as well as in respect to the economies of Armenia, Azerbaijan, and Georgia, currently is in decline as a consequence of internal EU problems, Ukrainian affairs, and Russia’s strong presence in the South Caucasus.

The fourth point refers to NATO. NATO has concentrated its efforts – and continues to do so mainly in the western part of Eurasia; it has avoided interfering directly in the Ukrainian situation while strengthening above all the defence capacities of the Baltic States. In the meantime, it is improving its relations with the South Caucasus states in several mutually-beneficial areas, including a peacekeeping, security sector reform, and others.

Under these circumstances, the security deficit in the South Caucasus is becoming an additional factor for the regional states, each of which is facing a difficult dilemma regarding the choice of the integration vector and



therefore the corresponding security environment parameters. To some extent the political, economic, military, and social components of this bipolar integration choice – either the EU or the EaU – are mutually exclusive, especially when viewed in political and military terms. The references to a so-called civilizational choice in regard to the South Caucasus states are artificial: without any doubt Georgia and Armenia belong to Europe, while Azerbaijan possesses a dual European and Middle-Eastern identity.

Armenia attempted to reconcile the EU and the Eurasian Union. On 3<sup>rd</sup> September 2013, Armenian president Serzh Sargsyan stated during a meeting with the Russian President Vladimir Putin that Armenia intended to join the Customs Union and later the Eurasian Economic Union. This U-turn was unexpected by European Union representatives, with whom Armenia had been negotiating the Association Agreement and DCFTA for nearly four years. The EU reaction was quite predictable:

...given Armenia's wish to join the Customs Union of Russia, Belarus and Kazakhstan, announced in September 2013, the Association Agreement, incompatible with membership in the Customs Union, will not be initialled nor signed. The European Union will continue cooperation with Armenia in all areas compatible with this choice.

These two interrelated statements almost brought to an end Armenia's attempt to synchronize two integration projects, however, the phrase "the European Union will continue cooperation with Armenia in all areas compatible with this choice" gave some space of manoeuvring to Armenia.

There are two questions to be discussed through the prism of Armenia's national security; first, was this choice – integration into the Russia-led Eurasian Economic Union – unavoidable? Second, was it made under pressure or did it constitute above all a pragmatic decision? Several external and internal factors render Armenia's national security in its broader meaning vulnerable;

1. involvement in the protracted international Nagorno-Karabakh conflict;
2. two borders with the neighbouring states are closed as a consequence of this conflict;

3. high dependence upon energy (oil and gas) supplies;
4. a decline in economic growth and a growing demographic problem (caused among other reasons by emigration) and
5. the risk of social unrest which is gaining momentum.

Taking these factors into consideration, as well as the growing militarization in the South Caucasus and beyond, Armenia needs, as other state entities in the South Caucasus, first of all security guarantees.

Reasons why neither the EU nor NATO will provide military guarantees to Eastern Partner states, including Armenia, are well-known. Military-political and military-technical support to Armenia is provided by Russia in accordance with several bilateral agreements, including a Russian-Armenian Treaty on the Russian military base in Gyumri, Armenia. Indeed, the Russian 102<sup>nd</sup> military base, together with the “Armenia” military group of the Border Force of the Federal Security Service of the Russian Federation, is a constitutive element of Armenia’s defence system. Guarantees are also provided on the basis of Armenia’s membership in the Collective Security Treaty Organization (CSTO), especially after the abandonment of the consensus principle in the decision-making of this organization.

Another critical issue concerns Armenia’s economic security, in particular in respect to the energy sector. A high level of participation by Russia in the Armenian economy, including ownership of major industrial complexes, makes Armenia highly dependent upon Russia. This situation allows Russia to implement a carrot-and-stick policy; Armenia receives preferential treatment in return for its political loyalty and support for the Eurasian integration project.

It must be emphasized that, in the area of economic security as in the area of political-military security, the EU has nothing to offer to Armenia; it objectively cannot provide (and it has no interest in doing so) economic support to Armenia at a volume level that could be compared to Russia’s investments in leading sectors of the Armenian economy. In addition, in the event that the Association Agreement with the EU with its DCFTA component was to be signed and ratified, the Armenian economy would hardly survive.

The third important link to Russia is to be discovered in the growing role of the Armenian Diaspora. This factor plays a dual role in Armenian-Russian relations.

On the one hand the Russian migration policy stimulates immigration to Russia from the CIS countries, thereby ensuring the free movement of labour. This policy indirectly contributes to Armenia's dependence upon Russia (the latter can use the factor of working migrants to introduce political pressure on Armenia) and to a deepening of Armenia's demographic problem. The remittance flow plays a significant role for a country with a high unemployment rate.

A very sensitive and important issue for Armenia is to provide and guarantee the security to the Nagorno-Karabakh Republic. The integration with the EU, through signing of the Association Agreement (with DCFTA), would threaten the economic security of Nagorno-Karabakh, above all owing to the establishment of strong border controls and the customs arrangements between Armenia and NKR. On the other hand it could weaken military support, provided by Armenia to this unrecognized political entity.

Taking into account the spectrum of problems facing Armenia today, Russia's strategic partner role is evident – all the more owing to the EU's incapacity to rescue the Armenian economy or to guarantee the nation's security. Of course, the sanctions imposed on Russia will undoubtedly slow integration processes inside the Eurasian Union. They will also negatively influence the Armenian economy.

The decision to join the Eurasian Economic Union resulted from a rational calculation of gains and losses regarding Armenia's possible integration vector. Developments in Ukraine, which actually became a battlefield for Russia and the West, indirectly confirmed that the decision made by Armenia in September 2013, was cautious and rational. It allows to Armenia to avoid economic collapse and reduce sharply its capacities in defence.

Let me mention that this decision was accepted even by the Armenian opposition: at a meeting of oppositional forces on 24<sup>th</sup> October 2014, former President of Armenia Levon Ter-Petrosyan announced that the integration

into the EaU was unavoidable and necessary. He added that no reason exists to discuss this question at a time when the country faces serious domestic problems.

## **Conclusion**

In the geopolitical game initiated by Russia and the EU, the South Caucasus states could only benefit through participation in both integration projects, such as the EU's Associated Agreements and the Russia-led Eurasian Economic Union. Armenia, Azerbaijan, and Georgia are trying to balance these two directions. For Armenia it is crucial to strengthen the cooperation with Russia in hard security area, and to continue and improve the cooperation with the EU in soft security.

For Georgia it is critical to continue cooperation with Russia (until it becomes competitive with the other European states) in economy, trying to delegate its defence and security issues to NATO. Azerbaijan is still having some time to make the choice, but the most successful actor in the South Caucasus, soft security is not on the agenda of the current Azerbaijani authorities.

To some extent Armenia is capable of re-establishing the equilibrium between these two competing integration projects. Armenia and the EU confirm interest in bilateral cooperation in the soft security area; the two sides signed an agreement, in accordance with which Armenia will receive from the EU 140-170 million Euros to improve the situation in education, human rights, and other spheres.

Let me also stress that soft security could provide the basis for cooperation between the three regional states, and therefore to contribute to the reconciliation of the EU and the Eurasian Union goals. The involvement of unrecognized or semi-recognized political entities is also crucial. Free trade areas could be considered as a first brick in a platform for regional cooperation.

Unfortunately, developments in Ukraine first and foremost are the result of the incapability or unwillingness of both Russia and the West to cooperate in the sphere of security understood in broader terms. This outcome con-

tributes to a further increase of competition, tensions, contradictions, and confrontations between Russia on the one hand, and NATO, the EU, and the US on the other. This trend negatively influences the security environment in Europe and Eurasia.

Any attempt by Russia and its Western counterparts to reduce the existing tension and the confrontational postures should be welcomed by the South Caucasus states. Furthermore, the prolongation of wide-ranging sanctions imposed on Russia by the EU and the US will not lead to the isolation of this country, which is still the most influential actor in Eurasia. If (and when) Russia succeeds in diversifying its economy and reducing its dependence upon the EU market and technologies, it will become more self-confident and less flexible in international affairs.

# **Russia, the EU and the South Caucasus: Towards a More Efficient Over-arching Cooperative Regional Security Framework**

*Elkhan Nuriyev*

## **Introduction**

Oddly enough, much that happens today in the South Caucasus resembles the turmoil of the pre-Soviet era and the inter-war period of the early 20<sup>th</sup> century. As was the case just then, Armenia, Azerbaijan and Georgia are again facing a daunting task of how to safeguard their state sovereignty and protect their national security. The unique geostrategic position of the South Caucasus is now of crucial significance for the evolution of the 21<sup>st</sup> century world order. While competition for energy resources is a highly geopolitical issue, the rivalry over control and influence in the South Caucasus has become an ideological factor and acquired greater strategic importance for Russia and the EU.

The South Caucasus nations face the momentous choice between either repeating the history of the early 1920s, when the Soviet Union was created, or repeating the history of the late 1940s, when the Marshall Plan was proposed. It should hardly be surprising to see the return of geopolitics that has raised interesting, yet sensitive questions; will the current circumstances of competition and future situation be 1917-1920 or 1947-1949 with a merely new content? Are Russia, the EU and the South Caucasus going to cooperate internationally in ventures that unite them in the reconstruction of the larger Europe, or will they fail that test?

What follows below is a detailed discussion which analyzes the complex nature of the EU-Russia policies towards their shared neighbourhood, as well as examines their impact on the contemporary geopolitical landscape of the South Caucasus and looks into possible ways in which the EU, Russia and the partner countries could devise new approaches for mutually beneficial cooperation based on recognition of the interests of all sides involved.

## **The Changing Geopolitics of the EU-Russia Shared Neighbourhood**

Obviously, the 2004 and 2007 waves of EU enlargements, in addition to the expansion of the ENP and the Eastern Partnership program (launched in 2009), have induced the EU to formulate explicit interests in the post-Soviet space. More particularly, with the accession of Bulgaria and Romania to the EU in 2007 when the Black Sea Synergy initiative was likewise proposed by the European Commission, the South Caucasus actually became a region of direct concern to the EU's security strategy in its wider neighbourhood.

In essence, the EU realized the importance of new incentives for closer economic and political relations with partner countries and their gradual integration into the EU economy. By offering a privileged relationship based on mutual commitment to common values, the EU opened a new chapter with an ambitious plan to broaden cooperation with the Eastern neighbours. While trying to assume a greater regional role, increasing its strategic importance for the neighbourhood, the EU's integration policies have been aimed at promoting regional interests, driven by factors such as good governance, the rule of law, the resolution of protracted conflicts, energy security and the fight against organized crime.

In practice, through Action Plans and Association Agreements, the EU has expanded its power eastwards and seeks to persuade the post-Soviet neighbours to adopt reform measures that contribute towards fostering stability and security of their countries, and hence the well-being of the EU itself. As a result, the "expansive logic" of EU integration with the purpose of acquiring reliable partners has corresponded with the need to spread and promote European norms and values beyond the political borders of the Union. In so doing, Brussels does not promise the South Caucasus neighbours eventual membership but rather tries to make the region more predictable and controllable by creating a secure geopolitical buffer for itself.

In all this, however, there is the potential for tension with Russia in the Eastern neighbourhood. Right from the outset, Russia agreed to have a special status with the EU-Russia Common Spaces instead of participation in the Eastern Neighbourhood Policy (ENP). Yet Moscow accuses Brussels of trying to carve out a new sphere of influence and on several occa-

sions Russia has voiced concerns over the Eastern Partnership, seeing it as another attempt to extend the EU's power in the quest for energy resources. For this reason, the South Caucasus that represents the shared neighbourhood for both Russia and the EU has turned into the place of clash of interests and "power plays".

In response to the EU's extension of power over the common neighbourhood, Moscow ever more demonstrates its geopolitical enthusiasm and frequently uses rigid methods to safeguard Russia's national interests. As Russian influence tends to increase in the South Caucasus, the present-day relations with the three countries not only preoccupy Moscow but also present all too many opportunities and challenges for stability and security in the region. Given the absence of a political solution to the protracted conflicts, Russia's diplomatic efforts continue to be strongly engaged. Despite many shared problems, Russia and the South Caucasus countries are ultimately condemned to coexist and cooperate if they want to survive and prosper as sovereign nations. In the coming years, Russia is hence bound to remain actively involved in the region, which it regards very definitely as part of its privileged sphere of influence.

On the other hand, the overall context of EU-Russia relations strongly affects foreign policy strategies of the Eastern neighbours. The extent of the contacts with the partner countries is evidence of the serious intent of Russia and the EU in engaging the South Caucasus nations. Even as the EU and the United States make every effort to prevent Russia from rebuilding the post-Soviet territory with new content, the entire region is turning into a staging ground for great-power manoeuvring, colour revolutions, secessionist movements and civil wars. Notwithstanding the wide range of initiatives, partnerships and action plans for the South Caucasus, the current regional situation remains unstable, fragile and insecure. While the EU is viewing democratic change as crucial condition for lasting peace and stability on its new borders, the Kremlin has perceived the West-backed democracy promotion as a real threat to Russia's leverage over the CIS space. It should therefore come as no surprise that the EU's extension of power for security purposes has met increasingly with Russian counter-measures.



## **Divergent Logics of Region Reshaping**

Since Vladimir Putin's return to the Russian presidency in March 2012, Russia's foreign policy decision-making has been motivated by major ideological conceptions rather than traditional geopolitical considerations of territorial expansion. Above all, the most important are the concepts of "sovereign democracy", "the Russian world", and "the great Russian civilization". Indeed, Russia's desire to re-establish its great power status has become a constant focus of the Kremlin's international behaviour. President Putin has repeatedly reminded the West that Russia is a World War II winner and a nuclear super power, mainly arguing that his country has considerable military might and has therefore a legitimate right to be recognized in great power capacity. Russian Foreign Minister Sergei Lavrov evoked an Orwellian view of international relations where "competition is becoming truly global and acquiring a civilizational dimension, that is, the subject of competition now includes values and development models."

In this context, the South Caucasus has been an area of East-West competition for over twenty years. And it is precisely this fact that has put the whole region at risk of potential confrontation in the absence of greater Western assertiveness. Even so, Russia and the EU have their own sometimes contradictory interests in the region. Increasingly suspicious of Western presence in the South Caucasus-Caspian basin, Russia is now trying to reinforce its influence in this part of the post-Soviet world. Russia in effect has begun to actively resist the EU's perceived encroachments on its backyard.

In a broader sense, regional strategies of Russia and the EU seriously differ from each other in terms of interests and approaches. This means that Moscow actually perceives the EU's Eastern Partnership as a serious challenge to its traditional sphere of influence in the Southern Tier. The Kremlin has therefore developed the Eurasian Union project as an attempt to alter the status quo in the CIS territory in line with Russia's national interests. Likewise, Moscow has formulated a strategically pragmatic regional approach that aims at restoring friendly relations with the countries of the region.

From a geopolitical standpoint, Russia-EU competition, often perceived as

a battle along civilizational lines, is most likely a real but ever more subtle contest of the opposing value systems and ideologies that represent different models promoted by Moscow and Brussels. Both the EU and Russian integration policies towards the shared neighbourhood are built upon the vision that internal security challenges arise from outside their borders. In this way, the countries-in-between eventually turn into cornerstones of the principal players' regional security strategies. In this regard, a closer integration with the EU is largely regarded by Russia as a geopolitical loss, by the same token that a growing rapprochement with Russia is generally viewed as an attempt to restrain the EU's leverage in the region. Under such a competing logic of integration, the EU and Russia seek to expand their power and protect their interests in the South Caucasus and even beyond.

Seeing that the Eurasian Union and the Eastern Partnership are in direct competition with each other, the EU and Russia have indeed become locked into an integration trap-battle over who is most of all capable of attracting the partner countries and under what terms and conditions. So far, the EU-Russia geopolitical contest has resulted in the failure of their integration policies towards the region. As a consequence, prospects for genuine cooperation between Moscow and Brussels are increasingly diminishing.

Clearly, the Eurasian Union project promoted by President Vladimir Putin is connected with the Kremlin's strong desire to implement a single economic and security space around Russia. Moscow's sole goal is to secure Russia's privileged sphere of influence in the CIS territory. Given the impact of the unresolved conflicts on future developments in the South Caucasus, Moscow could make a concerted effort to exploit internal fault lines in order to serve as a major arbitrator in the peace process and to pursue its objectives through military tactics. To be sure, Russia's geopolitical activism challenges the EU's integration policies as this process creates dividing lines and could have broader geostrategic implications for the Western democracies.

Internationally, the Kremlin advocates a geopolitical philosophy, which suggests the EU accepts Russian-style Realpolitik and respects Moscow-established rules of the game for the post-Soviet neighbourhood. The Kremlin has thus far taken what the British researcher Roy Allison calls

“protective integration” approach towards the post-Soviet Eurasian countries. In addition to promoting strategic initiatives within the format of the Customs Union, the Collective Security Treaty Organization and the Shanghai Cooperation Organization, Putin’s Eurasian Union project is the newest, best thought-out plan and most passionate manifestation of the protective integration logic.

Recognizing the region’s geopolitical importance to European security, the EU, in turn, is frequently talking about democracy but increasingly thinking of geopolitics. By doing so, the EU and the US unwittingly help President Putin fulfil his CIS strategy. Brussels and Washington have not coordinated with each other to craft achievable policy goals, while Moscow moves closer to creating a Eurasian security alliance that can compete with the EU and NATO.

All in all, both the EU and Russia try to bring the shared neighbouring countries closer to their orbit, although the policies and means used by Brussels and Moscow to achieve their goals differ from each other. Such a complex reality highlights the existence of the two competing logics of region reshaping which prolongs the cycles of instability without resolving security problems that could potentially spill over into Russia and the EU over time.

### **Russia’s Strategic Goals and Interests**

As the Kremlin strategists examine the real power situation in the international arena, the significance of the CIS or the so-called “near abroad” becomes abundantly clear to the Russian Federation. Moscow knows well that the security of Russia is inextricably linked to political and economic developments in the CIS countries. In order to emerge as a great power, Russia concentrates on expanding strategic ties with the post-Soviet neighbours. For that reason, the Kremlin concept of geopolitical standing suggests Russia’s special relationships with the near-abroad countries, whether their political systems are similar or different, and whether they share geopolitical interests and problems, or have none in common.

The South Caucasus is hence the region of critical national interest to Russia. From the South Caucasus to the Caspian Sea and Central Asia, Russia

has essential economic and security interests that are vital to Moscow. To be sure, Russia cannot simply shirk from engagement in this area. As the August 2008 Russian-Georgian war has vividly illustrated, and as the Nagorno-Karabakh peace process shows us today, Russian influence and engagement grow stronger. The Kremlin insists that the ex-Soviet republics not only retain but also strengthen security arrangements with Moscow. The main purpose of these arrangements is to make sure that the post-Soviet states do not develop closer security relations with the EU, NATO and the Western democracies.

Even brief analysis on how Russia is responding to the changing strategic environment in its immediate neighbourhood actually shows how threatened Moscow feels. In essence, Russian policymakers believe that the current wave of globalization and the process of westernization represent an obvious threat to Russia's national security. The very fact that the Western policies are backing economic goals pertaining to the Caspian region has already brought the EU into conflict with the strategic interests of Russia. Added to this rivalry, the issues of pipeline routes, foreign policy tradeoffs and regional security tend to involve intense competition over who receives how much gas. Besides, Russian military and political assertiveness in the South Caucasus and even beyond is indeed growing, and the Kremlin authorities seek to strengthen Russia's military potential through increases to the defence budget in the coming years. Likewise, there is much talk about the need to protect the country's frontiers and turn them into an impenetrable barrier against would-be adversaries of the Russian state.

Certainly, Russia is a powerful neighbour with genuine security concerns in the region, and will remain so in the future. It is no surprise that the Kremlin wishes to restore the former Soviet Union with new content that would gratify not only Russia's interests, but also the entire CIS space. As one Moscow-based policy analyst points out, it is not imperial ambition that lies at the heart of this policy, but Russia's security needs, and the Russian policy-making process is defined by finding the best way to maintain security. Such regional perspective best illustrates Russia's broad interests, of which Putin's Eurasian Union is but one important part. Moscow makes decisions that advance the Russian agenda of geopolitical influence and economic cooperation. Strengthening security ties with the South Caucasus countries is a prerequisite for Russia's continued success in the 21<sup>st</sup> century. The

Kremlin circles believe that now is not the time to be timid; now is the time for Russia to affirm its leadership and take these steps in terms of protecting Russia's national interest in the region.

And yet, the Kremlin strategists understand well that Russia needs at any cost to enhance its attractiveness as a centre of integration and to demonstrate a strong penchant for long-term stability. It however remains to be seen whether Russia's economic modernization will successfully be implemented and to what extent the country's inner reforms can boost the Eurasian Union's attractiveness for the South Caucasus nations. And this is why the next few years will prove decisive in the struggle to reshape the post-Soviet neighbourhood and integrate the CIS countries into the Eurasian Union.

### **Shortcomings and Weaknesses of the EU Policy**

Since the mid-1990s, the EU has increased its political and economic engagement with the countries of the South Caucasus. The politicization of EU actions actually started with the conclusion of Partnership and Cooperation Agreements with Armenia, Azerbaijan and Georgia in June 1999 in Luxembourg. Although the signature of the accords was formally seen as a qualitative breakthrough in the EU-South Caucasus relations, the actual role and the impact of the EU remained insignificant. Just then, the EU also began to express its interest in developing commercial energy projects in the Caspian basin, depending on regional security and the diversification of source. The EU member states recognized the geopolitical importance of the South Caucasus, thus viewing Azerbaijan, Georgia and Armenia as a strategic corridor linking Southern Europe with Central Asia.

Likewise, the EU acknowledged the rich potential of the Caspian hydrocarbon resources and realized that oil and gas development projects could help secure and stabilize world energy supplies in the future. In actual fact, the EU has intensified relationships with the South Caucasus countries to access the Caspian Sea's energy deposits and decrease Europe's dependence on Russian energy imports. In so doing, the EU has concluded agreements on transnational projects that will provide the flow of substantial energy supplies from Azerbaijan and the Caspian Sea region directly to the EU.

Nevertheless, rapid improvements in the EU-South Caucasus relations made in 2004 and 2009 were spurred by a series of new political breakthroughs such as the ENP and the Eastern Partnership initiative. Indeed, the EU strategy underwent an overall transformation from enlargement to regionalization relating to the South Caucasus. As such, the Eastern Partnership, designed to provide greater impetus to EU's relations with the partner countries, was generally seen as a continuation of the ENP and was also meant to genuinely improve on the EU's integration policies. However, from the very beginning the EU's engagement with the South Caucasus under the ENP had frequently been criticized both in the academic and political circles. Besides, the Eastern Partnership, since its adoption, has been called into question for being ineffective policy. Above all, the critics have argued that the EU lacks ability to offer its Eastern partners full benefits of freedom, interaction and cooperation.

Meanwhile, it is worth pointing out two major factors that have influenced the Eastern Partnership's policy expectations in the EU's eastern periphery. First, right from the outset the Eastern Partnership required strong support from the EU member states that are still playing a key role in the formation of European policy towards the South Caucasus. While some of EU member states have failed to take an active role, others simply lack strong vision when it comes to policy towards the EU's eastern countries. As a consequence, polarization within the EU between those member states which prefer to pursue a "Russia first" policy and those which see it as the serious obstacle to the formation of an effective strategy towards the Eastern neighbourhood has actually impeded a reorientation of the EU's integration policy in the South Caucasus.

Second, the expectations of the partner countries regarding the Eastern Partnership have differed not only from that of the EU member states but also among themselves. They do not share the same capacities, resources or weaknesses. For that reason, the EU has sought to find appropriate ways of responding to the heterogeneity of the Eastern partner nations, which are characterized by different degrees of interest in EU integration. Due to its new instruments, such as Action Plans and Association Agreements, the Eastern Partnership has certainly developed a new level of strategic cooperation between the EU and South Caucasus, thus adding value to the ENP. The key question, however, is whether both the EU and the partner

countries can succeed in committing themselves to meet the Eastern Partnership's policy goals in the coming years.

On the other hand, the EU has on several occasions used Russian geopolitical assertiveness as a justification to play a greater role in the region. The signing of the Action Plans and the negotiations over Association Agreements actually helped to advance the EU's political and economic interests in the shared neighbourhood. But yet the EU is inept at developing a strategic vision for the South Caucasus. This failure has limited EU influence and enabled Russia to increase its leverage over the partner countries. Besides, Russia's strong military presence in the conflict-torn areas has complicated the EU's strategic thinking on the South Caucasus. In recent years, EU strategy towards the region has therefore been dominated mainly by considerations of how European policies will affect EU-Russian relations.

In addition, none of the EU member states that are engaged in regional geopolitics at a high level is able to independently exert significant influence on the neighbourhood countries. If these Western European democracies would act in concert, the EU could probably be one of the major players in the South Caucasus, and even could become the most influential power in the middle to long-term. However, the incapability of the European powers to shape a common and well-integrated policy towards the South Caucasus has prevented them from fulfilling their potential. The EU's political ineptitude has helped Russia's skilful diplomacy to consolidate its geopolitical standing in the region where the vacuum left by Brussels has immediately been filled by Moscow.

Even though the South Caucasus is on the periphery of Europe geographically, the processes currently underway there are by no means peripheral to European security and stability, or to the security interests of the EU member states. While the post-Soviet states grapple with their choices in the rapidly changing regional geopolitics, the EU has been slow to make the three countries a focus of its foreign policy. Given the recent deterioration of the regional security environment, the EU has mostly preferred to hold back and take a wait-and-see approach. The EU member states have thus far lacked solidarity and ability to defend their rights, their interests and their values. This means that Brussels is reluctant to stand up to Russia both geopolitically and geo-economically.

And yet, one should acknowledge the vital role the EU has played in building up economic and political relations with the states of the South Caucasus. The EU has sought to engage more strategically in cooperation with the three nations, mostly with a view to their deeper integration with the European community. By doing so, the EU has contributed towards bringing these states closer to a wider EU-centred order of democracy, integration and prosperity. The EU, has, however, declined to be a relevant security actor since Brussels primarily seeks to defuse tensions with Moscow which has always been suspicious of the Western encroachments. As a result, the EU and Russia have been unprepared to play a sort of geopolitical zero sum game, in which one side loses what other one wins. This has ultimately harmed the interests of the South Caucasus neighbours more than it has helped them.

### **Understanding the Choices of the Partner Countries**

Despite many shared problems the three countries of the South Caucasus are developing differently and pursuing their own political agendas. Although it is not yet clear whether they will be successful in developing democratically-constituted polities in the near future, the Eastern Partnership represents an important means of drawing attention to the eastern neighbours and offers more cooperation and political support in return for genuinely transformational reforms. As such, the Eastern Partnership's success hinges on whether the partner countries are willing to make greater use of regional cooperation in order to become closer to the EU norms and standards.

However, the lack of conflict settlement and the absence of peace bring considerable risk of instability on the EU's outer borders. While the EU tries to promote stability, democracy and prosperity in the South Caucasus, different security perceptions of the eastern neighbours continue to be key obstacles in forging closer relations with the EU and with each other in the interest of stable region reshaping. The three countries' varying orientations make economic cooperation less straightforward and undermine regional integration, negatively affecting relations at the EU-Eastern neighbourhood level. Whereas small countries seek greater stability, their national security concerns differ vastly.



Evidently, regional security issues plague the South Caucasus. Russia's military presence in Abkhazia and South Ossetia is perceived by Tbilisi as the most serious threat to Georgia's national sovereignty. The continuing military standoff around Nagorno-Karabakh is challenging the national security of both Armenia and Azerbaijan, especially when Moscow plays both sides, maintaining a military base in Yerevan but also selling Baku billions of dollars' worth of weapons. Under such complex circumstances, Russia has pressured the leaderships of the three countries to join the Eurasian Union as Moscow is gravely concerned about their strong alignment with the EU. Indeed, economics and politics in these states are in many ways determined by their relationship to Russia and vice versa. This means that the Russian factor remains considerable in the foreign policy strategies of the post-Soviet nations. As a consequence, they see constant cooperation with Russia as the best solution for them, though they also develop relations with the EU both in the bilateral and multilateral contexts.

Even so, the South Caucasus countries face an increased vulnerability from disputes in EU-Russia strategic relations, let alone their geopolitical tensions in world affairs. Local decision-makers seem to understand that neither Russia nor the EU has a real desire to pursue cooperative policies towards them. There came a difficult time for the leaderships when they realized that Russia and the EU had chosen competition over cooperation in the South Caucasus-Caspian basin. Hence, at the decisive moment, each of them announced their respective choices.

Clearly, Armenia withdrew from the negotiations with the EU, turning towards Russia instead. Such move was easily predictable right from the outset because Yerevan has long been seen as Moscow's traditional ally and has always fully relied on Russian military and security assistance. In turn, Azerbaijan's non-membership in the World Trade Organization (WTO) makes the country ineligible for Deep and Comprehensive Free Trade Agreement (DCFTA). Baku has remained reluctant in terms of stepping onto the integration path with the EU and instead focused on visa issue. However, Azerbaijan's eschewing choice is likely to continue with perilous balancing act that allows Baku to stay away from the Eurasian Union and manipulate EU energy interests in the region. And finally, Georgia, the only country with a pro-EU government, has long strived to meet EU criteria. Tbilisi first initialled Association Agreement during the Vilnius Summit in

November 2013, and formally signed it with a far-reaching trade partnership deal in Brussels on 27<sup>th</sup> June 2014. Yet Georgia's Russian Dream remains unfulfilled, albeit despite Tbilisi has eagerly rushed to mend relations with its largest neighbour in the region. The EU looks unconcerned about Georgia's new Russian course, which means that Tbilisi's policy rethink has most likely been approved by Brussels.

Consequently, these different choices mean the EU's three Eastern partners are much more diverse in terms of their geopolitical ambitions to expand relations with the EU. Presumably, the EU's integration strategies simply do not work without clear membership prospects for the Eastern neighbours. Brussels should find new ways of devising a more realistic, coherent and articulated policy so as to better fit into the modern geopolitics of the South Caucasus. The Ukraine crisis has broken the status quo in the Eastern neighbourhood and the repercussions are now rapidly unfolding. Therefore, the final chapter of the post-Soviet states is still being written and there is much work to do before long-term stability and lasting peace become firmly rooted in the South Caucasus.

### **The Way Forward: Cooperation rather than Confrontation**

Given the continuing EU-Russia rivalry over alternative energy projects, no one can accurately predict the outcome of the zero-sum game in the South Caucasus-Caspian basin. Much will depend on the evolution of Russia and the ultimate future direction the countries of the South Caucasus and other post-Soviet states will choose. However, the region reshaping process can take different forms and there are two main scenarios for the future.

Increased competition for resources and influence in the region is the most likely scenario, as it currently looks inevitable because EU member states are striving to reduce their deep dependency on Russian gas. Intense geopolitical contest will negatively affect EU-Russia energy relations and could lead to significantly greater distance between Brussels and Moscow. For the South Caucasus countries, this scenario means that they will be increasingly caught in between Russia and the EU, trying to find a way to meet the needs of both of them and to avoid being a battle ground between Moscow and Brussels. It is a known fact that Russia and the EU are now fighting the regional security issues instead of deciding them.

Even so, there may also be a cooperation scenario, albeit it looks less realistic for the moment but still includes a possibility of it being materialized only if Moscow and Brussels demonstrate political will to engage in dialogue. Economic incentives, trade interests and joint responses to new security challenges could push both sides to think strategically of reconciling two integration projects in their shared neighbourhood. Without doubt, reconciliation will not be a simple process. It will take a long time and it is essential not only to Russia and the EU but also to the future of the post-Soviet countries and to that of the rest of the world. In order to better coordinate their integration policies, Russia and the EU actually need to develop the economic and political basis of reconciliation through constructive interaction between the Eurasian Union and the EU.

The economic component could stimulate the EU's greater interest to commence a dialogue on a free-trade zone with the Eurasian Union. Such a special, free economic zone would certainly not resolve the regional security problems, but it could induce Russia and the EU to pursue cooperative engagement in the South Caucasus and strengthen economic integration with the partner countries.

At the same time, the EU needs to formulate an integrated energy policy on the basis of a new comprehensive vision. Creating a kind of new format of multilateral dialogue between the EU and the five Caspian littoral states (Russia, Iran, Azerbaijan, Kazakhstan and Turkmenistan) will probably make it possible to find common ground and to remove differences on important strategic issues in relation to laying pipeline across the bottom of the Caspian Sea. Hence, the establishment of an EU-Caspian multilateral energy framework in which Russia's participation is very important could be a starting point for decreasing competition over resources in the South Caucasus, Central Asia and the Caspian Sea region.

On the other hand, the political component of reconciliation between Russia and the EU could be developed through the elaboration of a new model for cooperative security. It is extremely important that Russia and the Western powers understand that the Europe of the 21<sup>st</sup> century should be free of both new and old dividing lines. Forging a more efficient overarching cooperative security model based on relations of genuine and profound partnership is a concrete means of reaching that goal. Moscow and

Brussels should explore new complementary forms for managing regional crises. This will strengthen their relationship much beyond where it is today and will help them take fairly bold action to rectify the current security situation in the South Caucasus. Much has to do with consolidating the diplomacy of the OSCE Minsk Group even further by giving it a stronger political element.

Whatever will happen in the near future, the challenge of devising a coherent strategy focusing on an integrated, coordinated approach that recognizes the shared interests of Russia, the EU and the South Caucasus countries still remains unresolved.

## **Conclusion**

Obviously, Russia and the EU's security cannot be guaranteed when both are in isolation from each other. Thoughtful statesmen in both Moscow and Brussels do not need to re-learn the painful lesson that isolationism leads to disaster. Although the voices of division remain strong, the new security environment in which Russia and the EU find themselves is full of the variety of the challenges that they face now. But those challenges can indeed be transformed into opportunities if responsibility and decisive action are taken by Russia and the EU.

The EU, Russia, and the South Caucasus are entering into a period that is likely to bring even greater change than they have seen in the past twenty years. There are urgent demands for new ways of cooperation on new problems lurking on the horizon. The greatest challenge Russia and the EU should meet in their shared neighbourhood will be designing and implementing a concrete peace plan for the South Caucasus. Solving the problem of the region-reshaping therefore requires sustained commitment that should be put by Russian and European leaders at the top of their list of things to be done.



## **PART III:**

### **GEORGIA, ARMENIA AND AZERBAIJAN AT THE FAULT LINE: WHAT CHOICES FOR WHAT CONSEQUENCES?**



# **Heading in Any Direction or Just Holding the Ground: Analysing the Case of Azerbaijan from the Perspective of EU and Eurasian Integration**

*Elchin Karimov*

## **Abstract**

The rising Russian pressure on former soviet countries aims to call them to join the new project – the Eurasian Union. In this new era, South Caucasus is to choose its own way. Armenia has already decided to join the Eurasian Union. On the contrary, Georgia can be considered to have decision, because she has signed the Associative Agreement which deepens political and economic ties with the European Union. However, the case of Azerbaijan is quite ambiguous, and she is still positioning between two. The situation of Azerbaijan can be explained with internal and external factors. The paper analyses these factors by touching upon geopolitical realities and domestic issues, in some extend light on current political processes of Azerbaijan Republic.

## **Introduction**

Azerbaijan – the largest country of the South Caucasus to have regained its independence after the dissolution of Soviet Union – has many advantages and several problems as well comparing with other countries of South Caucasus.

The first distinguishing feature of the country is its geopolitical location. The country has three giant neighbours – Russia, Iran and Turkey – all of which have economic and political interests in the region. Moreover, the geopolitical location makes the country very attractive for Western actors due to being located at a major trade and energy junction between East and West. The second unique characteristic of the country is being the only secular Muslim country in the South Caucasus, which makes it strategically crucial for both Western actors and Russia in terms of their relationship with Iran. Therefore, the Azerbaijan Republic is a major strategic partner of



the aforementioned actors in terms of both regional and international security (Aliyev, 2013, 2). In addition, rich oil and gas resources have made the country economically powerful and independent, which is also a unique feature for a country in this region. Thus, in light of the problems previously mentioned, Azerbaijan has developed a balanced and pragmatic foreign policy in order not to cause a clash of interests among global and regional powers (Aliyev, 2013). Such balanced foreign policy also serves the interests of the current political elite of the Azerbaijan Republic in terms of controlling the country and exploiting oil incomes domestically (Orujlu, 2014), which will be discussed further in the article.

### **The Impact of Russia on the Land of Fire: Lessons from History**

Russia arrived in the region for the first time at the beginning of 19th century. The second Russo-Persian war (1826-1828) (Cossa, 1990, 13-14) concluded with the redrawing the geographical map of the region which later on would be the south border line of the independent Azerbaijan Democratic Republic with Iran. Obviously, Russia came to the region for its own military and political interests, however, the Russian Empire built her cultural heritage during almost a century, which resulted in the emergence of a new intellectual generation in Azerbaijan (Erkin, 2013). Those few enlightened people established the first independent, democratic, secular state in the Muslim and Turkish world. In this matter, it is undeniable that the Russian Empire had a positive influence on the region for the ensuing century (Erkin, 2013).

A century later Russia returned to the region again in 1920 but with the name of Soviet Russia, ending the first Azerbaijani republic, as well as the Azerbaijan Democratic Republic which had merely lasted twenty-three months (1918-1920) (Mahmudlu, 2005, 17-26). The newly established countries of the South Caucasus again underwent Russian occupation. Realising her imperial interests, Soviet Russia decided to purge that enlightened generation which remained from the time of the Russian Empire and forced people to forget their history of independence. Despite all of its hostile traces in the history of Azerbaijan, Soviet Russia brought some benefits to the region as well, but unlike the Russian Empire, these were not cultural, but rather material advantages, i.e., industrial innovation, basic education for everybody, healthcare, and social security.

Nonetheless, a wave of nationalism started at the end of 1980s in the Azerbaijan SSR. It started with Nagorno-Karabakh problem which was annexed by the Armenian SSR (with the consent of the Supreme Soviet) in 1988 (De Waal, 2003, 29-30). This poured hundred thousands of people to the streets of Baku to protest against Moscow. The movement soon turned out to be a movement for sovereignty. The Azerbaijan Popular Front, which was coordinating the movement, aimed at the separation from the USSR and the resumption of independence. Relations with Moscow reached a fever pitch. When on 20<sup>th</sup> of January, 1990 the Eleventh Red Army entered Baku and killed more than 200 people died and wounded many hundreds more, this event became a turning point from which people of Azerbaijan SSR who lost all loyalty to Moscow (“Nationalism and Elchibey”, 2011).

Soon thereafter the USSR collapsed. Azerbaijan regained its independence on 18<sup>th</sup> October, 1991. The bilateral relations between Russia and the independent Azerbaijan Republic were quite chilly at the beginning of 1990s. In fact, the Azerbaijan Republic was the one which had the most anti-Russian government among the post-Soviet countries. Abulfaz Aliyev (Elchibey) – head of the Azerbaijan Popular Front – was elected president of Azerbaijan Republic in 1992, and he decided to keep distance from Russia whilst seeking rapprochement with pro-Turkish powers (Nurullayev, 2003). He rejected to join the Commonwealth of Independent States (CIS), which was introduced by Russia. At that time, the Azerbaijan government preferred to have bilateral agreements with Russia.

However, after realising such a foreign policy, a Russian-backed revolt broke out in June, 1993 which resulted in the fall of the Elchibey regime. This made it clear that Russia’s intention was to take revenge on Baku because of her foreign policy (Hajizadeh, 2014). Soon countries of the South Caucasus joined the CIS, and Azerbaijan followed suit in September 1993, after the fall of Elchibey. Politician Hikmet Hajizadeh claims that Haydar Aliyev promised Russia to join the CIS and other Russian backed projects at the time when he prepared to come to power. This was due to the fact, as presented to people at that time, that Azerbaijan would get Russian support for the Nagorno-Karabakh issue in response. However, despite the fact that Azerbaijan joined the CIS, she did not get any support from Russia for the Nagorno-Karabakh problem. Therefore, Azerbaijan rejected to join another Russian supported entity – the Collective Security Treaty Or-

ganization (Hajizadeh, 2014). According to Hajizadeh, staying in the CIS definitely served Russian interests more than those of Azerbaijan, as it impeded Azerbaijan's European integration.

It is worth mentioning that maintaining independence has been the main issue for the Azerbaijan Republic since the Elchibey regime. This is because Elchibey was openly against joining any kind of organization led by Russia which, according to him, would mean definitely falling again under Russian control. He successfully insisted on the withdrawal of Russian troops and military base from territory of Azerbaijan Republic in 1993 which was the first such attempt among the CIS (Nurullayev, 2003). This principle cost Azerbaijan very much when Armenia launched a war for Nagorno-Karabakh. As Erkin Gadirli testified before the US Congress,

At the end of the 1980s and beginning of 1990s, there were two different trends. Armenians wanted Karabakh at any price, but we (Azerbaijani) wanted our independence at any price. When you want something for any price, you pay the highest possible. As a result, Azerbaijan got independence but lost control over Karabakh and the surrounding areas. And Armenia got Karabakh and the surrounding area but lost her independence. Now, everyone here should understand that the occupation (of Nagorno-Karabakh) was the price that Azerbaijan paid for its independence (YouTube). Consequently, since Russia supported Armenia in Karabakh war, Azerbaijan lost control over twenty percent of its territory. All this happened because of the anti-Russian foreign policy of Azerbaijan. Azerbaijan was the first country from the CIS to suffer from Russian aggression.

Today, Russia again intends to return to the region with the name of Eurasian Union. There are some pro-Russian powers in Azerbaijan authority to push the government in the direction of the Eurasian Union. Now the question is what for?! If today's Russian Federation comes back again, what will she bring with her? What kind of values does she possess now? What will she teach us? Today's Russia exhausted her cultural opportunities and moral advantages a long time ago (Gadirli, 2013). There is nothing to integrate to Russia. According to the Gadirli, "going to the Eurasian Union will degrade the foundation of the statehood of Azerbaijan Republic and will cause the loss of its independence".

## The Question of the Eurasian Union

There are a lot of unclear questions regarding Eurasian Union. What is clear is that Russia wants to see Azerbaijan in the Union as well as other former Soviet Republics. However, it is not clear yet what Russia proposes to Azerbaijan, which risks will be prevented by joining the Union, what kind of interests of the country will be met. There is not even any kind of terms or conditions for being member of the Union (Gadirli, 2013).

Many reasons including the recent Russian role in the Ukrainian crisis, show that the Union has a political rather than an economic motive. It is expected that accession could give some economic benefits for Azerbaijan in the short term but will bring many problems later on (Bayramov, 2013).

Unlike most post-soviet countries, Azerbaijan is not dependent on Russian energy resources. Russia cannot pressure Azerbaijan with her energy domination. And at the same time, Western countries are still key economic partners. More than 70 percent of export of the country consists of crude oil which flows mainly to Western countries (Ismayil, 2014). In such a situation, joining Eurasian Union would mean deterioration of relations with the Western strategic partners of Azerbaijan Republic. However, recent changes in the energy export policy of Azerbaijan have raised some questions. The tendency of exporting crude oil to West has decreased in last six years whilst South East countries' proportion has increased (Izmayil, 2014). Economist Z. Ismayil (2014) brings statistics according to which "if the shares of the Asian market were 12.2 percent in 2008, by 2013 it reached some 31 percent". According to him, seeking new partners in energy market can be a sign of Russian rapprochement (Ismayil, 2014). If this tendency increases, it can bring about the end of balanced foreign policy of Azerbaijan.

On the other hand, Azerbaijan exports agricultural products to Russia. However, its share in total export is very small. Russia does not have any standardization, and certification policy for these products like the EU. There is official corruption on either side. Problems are solved informally through the intercession of criminal groups in the Russian market. There is no predictable legal framework to sell something safely on Russian market. Russia can easily destroy foreign business in her market whenever she

wants. Xenophobia is another political tool against immigrants and their businesses which is quite widespread in Russia as we hear in the media time to time (Valiyev, 2013).

The vital issue for Azerbaijan regarding accession to Eurasian Union is the risk to her independence. Taking the example of Armenia, it is clear that her foreign policy was heavily influenced by the Russian Federation since Russian military bases remain on Armenian land. Armenian-Russian military cooperation of Armenia also threatens Azerbaijan. The Nagorno-Karabakh problem is not a problem between only Armenia and Azerbaijan but it is also problem between Azerbaijan and Russia. Apparently, Russia stands behind the conflict. Since the beginning, Russia has been providing Armenia with not only political, but military, logistical and other support.

This pressure aims at restricting the opportunities of Azerbaijan to be a powerful country and hampers its integration to Europe. Therefore, Russia is eager to maintain occupation via Armenia until Azerbaijan gives up. If the Azerbaijan government decides to join the Eurasian Union even in a case of getting Nagorno-Karabakh back, she will lose her independence in response (Gadirli, 2014). However, even this case is not convincing, because Russia does not want to lose such leverage. Moreover, the solution to the conflict does not only depend on Russia. Other international and regional players have their own interests in the region, and it is hard to solve the conflict without agreement among them (Orujlu, 2014).

Azerbaijan's joining the Eurasian Union could be a strategic mistake for Azerbaijan. When weighing the pros and cons, it becomes apparent that disadvantages are significantly high from both socio-economic (Bayramov, 2013) and political-strategic perspectives (Orujlu, 2014, Gadirli, 2014). Therefore, the only way is toward Europe and integration of European values. The values to adopt are clear. Mutual interests are clear. Rules of the game are clear. And there are fundamental rules and institutions which serve those values in the EU (Gadirli, 2013). The solution for Azerbaijan can be integration to EU and NATO in order to protect her independence and allow for a more effective and efficient resolution of the conflict in Nagorno-Karabakh. Yet, Nagorno-Karabakh is a very difficult reality for Azerbaijan. Russia is the main actor in the conflict and her attitude is clear. Iran also has her interests over the conflict in which she gets large benefits

from our uncontrolled borders in the conflict zone (Sohbet, 2014). Western players have also interests in the region which prevents Russia from taking complete control of the region (Orujllu, 2014). International and regional players are satisfied by the status quo, because they do not have agreement among themselves over the region, yet. Moreover, as long as it provides stability, they are willing to maintain the status quo. When they will be more demanding and insist to solve the problem, this will mean that they are no longer satisfied with the situation (Gadirli, 2014). Hence, the solution is dependent on both the role of international players and the political will of Armenia and Azerbaijan.

### **Problems Concerning EU Integration**

The EU integration process is strictly connected with the internal political process of Azerbaijan. The nature of the current government is authoritarian. Thus the political stage is closed, economic resources and opportunities have been monopolized by the political elite (Gadirli, 2013). Corruption shows itself everywhere in the life. And this situation does not allow to meet preliminary terms and conditions for accession to the EU. However, the current regime obviously does not want to realize any reforms (Orujlu, 2014). Therefore, integration is a huge headache for the current regime in Azerbaijan. The same problem is observed about the Eurasian Union but from a slightly different angle. Even Russia will never push Azerbaijan to make reforms in case she joins the Eurasian Union, but she would impose her will on the regime in matters of security and defence policy. Consequently, today's situation is quite comfortable for the government of Azerbaijan who controls the country totally. Reforms are not acceptable, because it would mean the end of the corrupted system. From another angle, Eurasian Union integration would mean in turn loss of control over the country. Therefore, from an internal perspective, the current political elite is apparently eager to sustain the status quo (Orujlu, 2014).

### **Conclusions**

Presently, Azerbaijan aims at non-alignment. Since any integration process means the delegation of authority to supra-national entities (Orujlu, 2014), Aliyev's regime continues to maintain a so-called balanced foreign policy between West and East, avoids one-sided approach in order to both con-

trol the country in complete and exploit oil incomes with impunity and not to provoke major powers. According to the political analytic A. Orujlu (2014), any calls toward the Eurasian Union or European Union should be characterized as imitative, and they do not express reality for now.

## References

- “About Russia” (2012, November 11). Retrieved from <http://bay.tc/xeber/114>
- A. Valiyev (2013, November 18) “Zeynalov’s Case Might Become Turning Point for Azerbaijan”. Eurasia Daily Monitor Vol: 10, Issue: 207. Retrieved from [http://www.jamestown.org/programs/edm/single/?tx\\_ttnews%5Btt\\_news%5D=41645&tx\\_ttnews%5BbackPid%5D=685&no\\_cache=1#.VHZNXIvF9qU](http://www.jamestown.org/programs/edm/single/?tx_ttnews%5Btt_news%5D=41645&tx_ttnews%5BbackPid%5D=685&no_cache=1#.VHZNXIvF9qU)
- E. Akhundzada, (2014, January 14). “Eurasian Custom Union: Advantages and Disadvantages. Retrieved from” [http://www.hazar.org/analizdetail/analysis/eurasian\\_customs\\_union\\_advantages\\_and\\_disadvantages\\_481.aspx](http://www.hazar.org/analizdetail/analysis/eurasian_customs_union_advantages_and_disadvantages_481.aspx)
- Erkin Gadirli (Member of Board Directors in REAL Movement) and Ali Karimli (Leader of Azerbaijan Popular Front Party) in “Real Sohbet” on Youtube Channel (2nd January, 2014). Retrieved from <https://www.youtube.com/watch?v=vaxGT6dbCqc>
- Erkin Gadirli’s speech at Helsinki Commission’s briefing in the US Congress, namely “Growing Authoritarianism in Azerbaijan” (2013, July 17). Meydan TV Retrieved from <http://www.meydan.tv/en/site/politics/631/Erkin-Gadirli%27s-Speech-in-the-US-Congress.htm>
- “Elchibey’s rise and downfall” (March, 2011), European Stability Initiative (ESI) Berlin – Brussels – Istanbul. Retrieved from [http://www.esiweb.org/index.php?lang=tr&id=321&country\\_ID=2&slide\\_ID=6](http://www.esiweb.org/index.php?lang=tr&id=321&country_ID=2&slide_ID=6)

Facebook web addresses of the following authors:

Erkin Gadirli (Legal expert, Member of Board of Directors in REAL movement) <https://www.facebook.com/erkin.gadirli.5>

Arastun Oriju (political analytic)  
<https://www.facebook.com/arastun.oruju?fref=ts>

H. Adomeit, (July, 2012). Neighbourhood Policy Paper “PUTIN’S ‘EUR-ASIAN UNION’: RUSSIA’S INTEGRATION PROJECT AND POLICIES ON POST-SOVIET SPACE”. pp 1-9

K. M. Aliyev, (2013, January 5). “Azerbaijan’s Foreign Policy: Between East and West...” Istituto Affari Internazionali. pp 2-11. Retrieved from <http://www.iai.it/pdf/dociai/iaiw1305.pdf>

“Nationalism, Elchibey and the birth of the Popular Front” (March, 2011). European Stability Initiative (ESI) Berlin – Brussels – Istanbul. Retrieved from [http://www.esiweb.org/index.php%3Flang%3Dtr%26id%3D321%26country\\_ID%3D2%26slide\\_ID%3D5](http://www.esiweb.org/index.php%3Flang%3Dtr%26id%3D321%26country_ID%3D2%26slide_ID%3D5)

R. Nurullayev, (2003, March). Political Culture & Challenges In Azerbaijan: Past, Today & Future. Conflict Studies Research Centre. pp 14-25. Retrieved from file:///C:/Users/Elchin/Downloads/M27-Chap2-RN.pdf

R. A. Cossa (1990), “Iran: Soviet Interests, USA Concerns”. The Institute for National Strategic Studies. pp 13-14.

T. De Wall (2003). “Black Garden”. New York University. pp. 10-283

V. Bayramov (2013, June 17), “Considering Accession to the Eurasian Economic Union:

For Azerbaijan, Disadvantages Outweigh Advantages” (subtitle) (pp. 14-17), Caucasus Analytical Digest, No. 51-52 Retrieved from <http://www.css.ethz.ch/publications/pdfs/CAD-51-52.pdf>



Xayal,(7th April, 2014) “MDB Azərbaycanı rəhbərçənə lazımdır mı?” Interview with Hikmet Hajizadeh (politician) and Jasur Sumarınlı (military expert). “Azadlıq” newspaper. Retrieved from <http://www.azadliq.info/xeberler-menu/311-son-xbrlr/43724-mdb-azrbaycana-lazmdrm.html>

Y. Mahmudlu 2005. Azerbaijan: Short History of Statehood. pp. 17-26. Retrieved from <http://www.ebooks.az/view/orqI08Z1.pdf>

Z. İsmayıl (20 October, 2014). “Azerbaijan’s "Oil strategy" is shifting from Europe to Asia”. Meydan TV. Retrieved from <http://www.meydan.tv/en/site/politics/3440/Azerbaijan%E2%80%99s-Oil-strategy-is-shifting-from-Europe-to-Asia.htm>

# Armenia Confronted with a Choice Between two Integration Projects

*Emma Margaryan*

## Foreword

Armenia's integration choices are substantially different from those of other countries in the South Caucasus region, and as such present an unprecedented case of two historic developments, both in the history of the EU's Neighbourhood Policy, and in the history of the Post-Soviet space in general. First of all, it's the only country in the Eastern Partnership initiative to make a sudden U-turn and hastily decide to join the Russian-led integration project in September 2013, after finalizing the Association Agreement with the EU in July 2013.

Secondly, Armenia's accession to the Eurasian Economic Union (hereafter EEU) on October 10<sup>th</sup> 2014 is an ample illustration of the latter's first historic "enlargement" at an unparalleled accelerated pace, as a result of a year of intensified negotiations between the Armenian and EEU officials.

Armenia's case is also unique because it's the only country among the EEU member-states (Russia, Kazakhstan, Belarus) to fundamentally upgrade its institutional system, especially quality infrastructures, to bring them in line with European standards and requirements, and in this regard, it is the most "Europeanized" state to enter the EEU.

This contribution aims at understanding the nature and extent of Armenia's recent engagement in the international integration projects led by the EU and Russia. It tries to explore the incentives, motivations and security priorities that preconditioned Armenia's choice for and/or against either the EU or the EEU. This paper cannot claim to provide a comprehensive and full account of the political, economic, social, and cultural implications of Armenia's integration choices. Neither will it concentrate on a thorough analysis of the legal basis of the EU-Armenia and the EEU-Armenia cooperation frameworks. It will rather try to draw a general picture of Armenia's

perception of its relations with the EU and Russia and highlight the main challenges and key events in Armenia's recent engagement in these international integration projects. My argument is that energy, economic, and hard security issues are the main driving forces of Armenia's accession to the EEU.

## **Armenia-EU Relations**

The EU, representing some 500 million consumers, is Armenia's biggest trading partner, covering around 30 percent of Armenia's total trade (EEAS, n.d.b). Since 2005 Armenia has been enjoying the benefits of the EU's enhanced Generalized Scheme of Preferences Plus ("GSP+") which provides Armenia with preferential access to the EU market in the form of zero duties on some 6400 products in response to Armenia's binding commitments in implementation of conventions relating to human and labour rights, as well as of the principles of environmental protection and good governance (EEAS, n.d.c).

EU-Armenia relations are currently regulated by the EU-Armenia Partnership and Cooperation Agreement (hereafter PCA) in force since 1999, which defines the legal framework of bilateral cooperation in the areas of political dialogue, trade, investment, economy, law-making and culture (EEAS, n.d.e).

In 2004 the EU incorporated Armenia, together with other South Caucasus countries, in its Neighbourhood Policy and developed an Action Plan inviting Armenia to enter into "intensified political, security, economic and cultural relations with the EU, enhanced regional and cross border cooperation and shared responsibility in conflict prevention and conflict resolution" (EEAS, n.d.d).

Since 2008 a fully-fledged Delegation of the European Union to Armenia officially represents the EU in Armenia with the aim of enhancing bilateral relations in the field of political dialogue and economic integration. The Delegation works closely with almost all sectors of Armenian society (authorities, political parties, civil society representatives and organisations, the media, educational institutions and international organisations) and seeks to promote democracy and good governance, strengthen energy security,

promote public sector reform and environmental protection, encourage people-to-people contacts, and to support economic and social development (EEAS, n.d.b).

With the introduction of the Eastern Partnership initiative in 2009 the EU aimed to further upgrade its political and economic cooperation framework with six post-Soviet states (Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine) by negotiating country-specific Association Agreements (hereafter AA) designed to replace the obsolete PCAs. The negotiations for the Armenian AA began in July 2010 and lasted three-and-a-half years. The trade-related part of the negotiations- the Deep and Comprehensive Free Trade Area (hereafter DCFTA), a key element of the AA, was launched in May 2012 (EC, 2013 July 24a).

The DCFTA intended to bring economic benefits to both the EU and Armenia by ensuring better market access and closer bilateral ties. As suggested by an independent Trade Sustainability Impact Assessment study, the DCFTA would bring a significant share of income to the EU and Armenia, estimated to reach €74 million and €146 million respectively, which implies a 2.3 percent rise in Armenia's GDP (EC, 2013 July 24b). It also intended to financially and technically assist the Armenian Government with the implementation of economic reforms and the harmonisation of trade-related legal bases through advisory activities (Twinning, TAIEX etc.) and embraced provisions relating to sanitary and health standards, food safety, intellectual property rights, customs and trade facilitation, sustainable development, environmental, social, labour and other related issues (Ibid.). The negotiations on Armenia's DCFTA were finalized on July 24, 2013 and were due to be signed at the Eastern Partnership Summit in Vilnius on November 28-29 2013.

### **The Pre-Vilnius Environment**

However, after bilateral talks held in Moscow with Vladimir Putin on September 3<sup>rd</sup> 2013, Armenia's President Serzh Sargsyan made a controversial public announcement stating Armenia's readiness to join the Russian-led Customs Union and to take part in the establishment of the Eurasian Economic Union. "It is a rational decision stemming from the national interests of Armenia", said President Sargsyan in a joint press conference, "This

decision does not constitute a refusal to continue our dialogue with European structures. We intend to continue these reforms in the future” (RFE/RL, 2013 September 3).

A month later, during his working visit to the Parliamentary Assembly of the Council of Europe (PACE) on October 2<sup>nd</sup> 2013, Sargsyan stated

The European Union is one of Armenia’s most vital partners. Wide-scale reforms in the areas of human rights, democracy, and the rule of law make up the core of the Armenia-EU relationship. [...] As [it] is known, Armenia has a close allied relationship with Russia. Armenia is not building new relationships at the expense of the relationship with her strategic ally [i.e. Russia] [...] We will continue to develop in parallel relationships and interests with our key partners. (Horizon Weekly, 2013 October 2).

Arguably, the president’s statement about the development of parallel relationships reflects the key elements of complementarity – the fundamental principle of Armenia’s foreign policy that has been enacted since its independence in the early 1990s. The key aim of this approach is to simultaneously develop good relations with all states in the region and with states that are interested in the region thus maintaining an overall balance (MFA RA, 2007). This also refers to Armenia’s engagement in Western structures (NATO, EU etc.), whilst keeping the strategic alliance with Russia.

However, retaining parallel relationships between the EU and Russia is not an easy task for a small state like Armenia, especially when there is a conflict of strategic interests and an incompatibility of goals between the EU- and Russian-led integration projects themselves. In particular, there is a significant overlap between the EU and Russian projects in their shared common neighbourhood. Traditionally, Russia has viewed the post-Soviet CIS (Commonwealth of Independent States) space as its near-abroad and a fertile zone for the realization of its ambitious projects. Regional integration with the CIS appears to be of central importance in both the Foreign Policy Concept (2013) of the Russian Federation, and in its National Security Concept (2000) (see MFA RF, 2013 February 12; MFA RF, 2000 January 10). In the same vein, the EU’s ambitions driven by the necessity to secure its borders, enlarge its markets and have a greater access to the Cas-

pian oil reserves, and the domination of the structures developed by the West without Russian participation in Russia's close neighbourhood are perceived by the latter as a direct threat to its national interests. In Moscow's view, the EU's growing attractiveness "as a template for modernization and prosperity" entails the decrease of Russian influence, because Russia has little legitimacy in this respect (Delcour & Kostanyan 2014, 4).

Yet, the EU has repeatedly stated that the AA and the DCFTA will not harm Russian interests. Already on September 11<sup>th</sup> 2013 Stefan Füle, the former European Commissioner for the Enlargement and Neighbourhood Policy, addressed the issue of Russian pressure exercised on the countries of the Eastern Partnership at the European Parliament Plenary in Strasbourg, emphasizing that "AA/DCFTAs are not conceived at Russia's expense. [...] We encourage our partners to deepen their ties with Russia, as we do ourselves, but in a way which is compatible with AA/DCFTA obligations", adding that membership in the Russian-led Customs Union is incompatible with the DCFTA

This is not because of ideological differences; this is not about a clash of economic blocs, or a zero-sum game. This is due to legal impossibilities: for instance, you cannot at the same time lower your customs tariffs as per the DCFTA and increase them as a result of the Customs Union membership. [...] Our partners must enjoy full sovereignty over their own trade policies, which members of the Customs Union will not (EC, 2013 September 11).

The counter proposal made by the Armenian Government to finalize a more watered-down version of the AA without the DCFTA part at the upcoming Vilnius Summit was rejected by Brussels. EU officials announced that the deal with Yerevan is "now off the table" (Chilingarian, 2013 September 10).

As a matter of fact, Armenia did not initialize the AA with the EU at the Vilnius Summit in November 2013, because as interpreted in a study made by the European Friends of Armenia (EuFoA), "one country cannot belong to two different customs unions if those customs unions do not already have a trade agreement or share the same standards" (EuFoA 2004: 5).

## **Armenia in the EEU and the Question of Nagorno-Karabakh**

Armenia's accession to the Eurasian integration project proceeded relatively quickly. Already on November 6<sup>th</sup> 2013 a memorandum of cooperation had been signed between Armenian and Eurasian officials that would provide a roadmap for Armenia's accession to the Customs Union and the Common Economic Space (Gabrielyan, 2013 November 20).

On December 24, 2013 the meeting of the Supreme Eurasian Economic Council in Moscow endorsed the roadmap for Armenia's Eurasian integration. During the meeting Kazakhstan's president Nazarbayev, who had long opposed Armenia's membership in the Eurasian integration project, and apparently concerned with the unresolved Nagorno-Karabakh conflict, raised his Azerbaijani counterpart's concerns, announcing that he would sign the road-map for Armenia's entry only with a "special opinion" and the suggestion that a customs checkpoint should be established between Armenia and Nagorno-Karabakh by the next spring (Hayrumyan, 2013 December 25).

A few months later, on May 29<sup>th</sup> 2014 at the Astana Summit, which gave birth to the treaty on the establishment of the EEU, Nazarbayev called Armenia to enter the EEU with only its internationally recognized borders, i.e. without Nagorno-Karabakh (Armenia Now, 2014 June 18).

The agreement of Armenia's accession to the EEU was signed on October 10<sup>th</sup> 2014 in Minsk, and although Nazarbayev announced that a special kind of "compromise" had been reached on the issue of the customs checkpoints between Armenia and Nagorno-Karabakh, there was in fact no section in Armenia's accession treaty that bore a single reference to this issue or to Nagorno-Karabakh. Moreover, as stated by Armenia's Foreign Deputy Minister Shavarsh Kocharyan, the setup of the customs checkpoint between Armenia and Nagorno-Karabakh had not been a subject of negotiations on Armenia's accession (News, 2014, October 14).

According to some scenarios, Putin convinced Nazarbayev to drop the precondition of international borders (The Economist, 2014 October 14). Perhaps with this move Putin aimed to neutralize possible claims towards its address with reference to Russia's internationally recognized borders

with Ukraine. Arguably, Putin also incentivized Belarusian president Lukashenko, who also did not seem to welcome Armenia's membership in the Union.

### **Domestic Opposition and Public Support**

President Sargsyan's decision to join the Russian-led integration project didn't receive any significant domestic criticism. It can be partially explained by Armenia's predominantly pro-Russian stance at almost all levels of society, starting from the ruling elites and the opposition, and ending with the public at large. Some analysts suggest that in spite of the low popularity level of Sargsyan's regime, his U-turn managed to strengthen his position in the eyes of the opposition and thus neutralized the attacks over his pro-Western initiatives (Giragosian 2014: 2). The largest Armenian oppositional party, the previously pro-Western and currently pro-Russian Armenian National Congress (ANC, Arm. HAK), led by former president Levon Ter-Petrosyan, has long criticised the government over the planned Association Agreement with the EU, arguing that it threatens the country's strategic alliance with Russia (Giragosian 2014: 2).

The other largest opposition party, Prosperous Armenia (Arm. BHK), although internally divided into pro-Western and pro-Russian camps, led by pro-Russian businessman Gagik Tsarukyan and former president Kocharyan, and pro-Western former foreign minister Vardan Oskanian, also didn't seem opposed to President Sargsyan's choice (Giragosian 2014: 2).

Even after October 10<sup>th</sup> 2014, when the agreement of Armenia's entrance to the EEU was signed in Minsk, the joint opposition rallies held in Yerevan on October 10 and October 24, organized by ANC, BHK and Heritage party led by the US-born former foreign Minister Raffi Hovhannisian, didn't reveal any substantial criticism towards Armenia's membership in the EEU.

On the contrary, the leaders of the respective parties were very cautious in making public statements relating to the EEU and targeted mainly Sargsyan's administration, demanding his dismissal. ANC's Ter-Petrosyan interpreted Armenia's membership in the EEU as "irreversible" stating that the membership in any structure will lead to a partial loss of sovereignty:



“Even if Armenia joins the EU, anyway it will lose a part of its sovereignty, maybe even a greater part, than in the case of the EEU” argued Ter-Petrosyan in his speech (PanArmenian Net, 2014 October 24).

With regards to public opposition, the decision to join the Russian-led integration project received very little domestic resistance at the societal level, and was largely limited to sporadic protests by activists from civil society organizations, and didn’t gain any sort of momentum like the kind seen in Ukraine. Especially noteworthy is the youth protests in Yerevan during the visit of Putin to Gyumri, Russia’s military base in Armenia, on December 2<sup>nd</sup> 2013. Putin chose quite a symbolic date for his arrival to Gyumri, as on this same day in 1920, Armenia signed an agreement with Soviet Russia to relinquish its independent status and embrace accession to the Soviet Union. The Armenian media was filled with anthropological remarks comparing these two historical events as the irony of history: the decision to join the Eurasian Union was compared with the Sovietization of Armenia, and Putin’s visit to Gyumri – to the entry of the Red Army into Yerevan (Simonyan 2013, November 21). However, these discussions were confined to narrow intellectual circles, and the protests, as said above, didn’t receive large public support.

Moreover, as suggested by the Caucasus Research Resource Centre’s (CRRC) survey and the Eurasian Development Bank’s (EDB) “Integration Barometer” of 2013, respectively 62 percent and 67 percent of Armenians were supportive of Armenia’s membership in the Eurasian Economic Community (Cornell 2014: 152).

### **The “Incentives” to Join the Eurasian Union**

As a result of Putin’s visit to Armenia several economic agreements were signed between Armenia and Russia, which were designed to “incentivize” Armenia for deeper cooperation with Russia. Most notably, it was announced that starting from 2014, Russia will supply natural gas to Armenia at a price of \$189 per 1,000 cubic meters, significantly below the price that Russia is offering to Europe and Ukraine. However, in return the Armenian government will lose its 20 percent stake in the Armenian RosGazProm supply and distribution company, handing it over to Russia’s Gazprom which, as a result, becomes the company’s 100 percent stakeholder. Russia

will also increase gas supplies from 1.7 billion cubic meters (bcm) to 2.5 bcm per year starting from 2014 (Socor, 2013 December 10).

Under the signed agreements Russia will also abolish the 35 percent duty on petroleum products supplied to Armenia starting from 2014 and will sell arms to Armenia at domestic Russian prices (Warren, 2013, December 4). It was further announced that Russia's RosAtom will upgrade Armenia's obsolete Metsamor Nuclear power Plant to prolong its service life for electricity generation (Socor, 2013 December 10).

Among other incentives proposed by Russia was the upgrade of Armenian railroads by the Russian Railways, which Armenia handed over in a concession and trust management agreement in 2008 for 30 years, with 20 years further extension to the agreement a possibility (Socor, 2013 December 10). In addition, the official launching of the fifth power-unit of the natural gas-based Hrazdan Thermal Power Plant (THP), Armenia's most powerful and most modern electricity-generating bloc currently owned by Russia's Inter RAO Unified Electricity Systems, was timed to coincide with Putin's visit to Armenia (Socor, 2013 December 10).

And last, but certainly not least, Armenia received some security incentives. Just a couple of weeks before his visit to Gyumri, Putin announced that Armenia would be more tightly integrated into Russia's air-defense system, and news emerged that Russia is planning to modernize its air forces in Armenia in addition to adding a helicopter squadron (Kucera, 2013 December 3). Whereas in November 2013 the commander of the 102nd Russian military base in Gyumri, Andrey Ruzinksy, for the first time made a controversial public statement, stating that "if Azerbaijan decides to restore jurisdiction over Nagorno-Karabakh the [Russian] military base may join in the armed conflict in accordance with the Russian Federation's obligations within the framework of the CSTO" (cited in Kucera, 2013 November 1), a scandalous statement that generated a huge level of public encouragement in Armenia, but was later disavowed by Russian Defense Minister Sergey Shoygu during the meeting with his Azerbaijani counterpart (Contact, 2013 November 22), once again illustrating that the CSTO (Collective Security Treaty Organization) provisions relating to the involvement of collective action in case of military aggression against one of the CSTO member states, the Russian equivalent of NATO's Article 5, are virtually non-existent.

Nevertheless, Armenia's membership in the CSTO, as well as other defense-related bilateral agreements with Russia, has been the main pillar of Armenia's security architecture (MFA RA, 2007). In light of the unresolved Nagorno-Karabakh conflict, non-existent diplomatic relations with Turkey and Azerbaijan due to which almost 80 percent of Armenia's borders are closed, the Russian military presence in Armenia, as well as Russia's involvement in Nagorno-Karabakh mediation efforts, has been perceived by Armenians as an important factor for their national security.

Moreover, Armenian officials have repeatedly advanced Armenia's membership in the CSTO as an argument supporting Armenia's accession to the EEU. For example, president Sargsyan, trying to substantiate its decision to join the EEU, has stated that "when you are part of one system of military security it is impossible and ineffective to isolate yourself from a corresponding economic space" (RFE/RL, 2013 September 3).

This doesn't mean that the CSTO and the EEU is the same thing. Yet, in the inaccurate words of CSTO Secretary Nikolay Bordyuzha, the EEU complements the role of the CSTO, but would not result in a merger of the two organizations – at least in the short term.

For example in Europe you have NATO and the European Union. Not one government is accepted into the EU without joining NATO. NATO deals with security, the EU with politics, economics, and so on. The same scheme is proposed for relations between the CSTO and the EEU. That is, the EEU will resolve economic issues, and the CSTO – politics and security. I think that we will work precisely in this vein ... I don't exclude that at some stage the CSTO, and especially the EEU become more complete, when all the mechanisms for their cooperation are worked out, there will arise demands for them to merge (cited in Kucera, 2014 June 25).

Apart from the arguments advanced above in this section, Armenia has attributed a great importance to Armenian-Russian relations due to the presence of a significant number of Armenian Diaspora there, both as migrants and citizens, which also implies a great amount of remittances coming from Russia that significantly contribute to Armenian economy, as well as the presence of business links, people-to-people contacts and economic interdependence that provide additional leverages for Russian influence in

Armenia. Besides, the Russian language is still a lingua franca in Armenia and its predominance is fairly sustained by the widespread dissemination of Russian media (Delcour and Kostanyan, 2014, 3). Moreover, it will be further entrenched due to Armenia's membership in the EEU, because all the official documents articulated in the EEU space are written in Russian.

Free mobility, visa-free regime and better opportunities offered by the Russian labour market are further instruments of Russian soft power (Delcour and Kostanyan, 2014, 3), in contrast to the difficulties with entering the EU due to its demanding visa regulations. Needless to say there is a familiarity factor in relations with Russia: the common Soviet past, cultural ties and historical links that both countries share.

Russia is also a key trading partner and the biggest investor in Armenia, accounting for more than \$3 billion (more than 40 percent) of all cumulative direct investments in Armenia (Socor, 2013 December 10). However a great part of Armenia's strategic assets, especially in the energy sector, are in Russia's hands resulting in an unhealthy imbalance in Russian-Armenian relations. The foundations of these unhealthy relations were laid immediately after Armenia's independence and intensified during Armenia's Kocharyan administration, (1998-2008) during which time Armenia began to transfer its energy system to Russian companies in order to cover its debts, a strategy that is known as debt-for-asset swaps (Hakobyan 2014: 104). As a result of this, Russia gained control of almost 90 percent of Armenia's energy market (Cornell, 2014: 73). Moreover, due to the existing unfavourable business environment, successive administrations in Armenia have made certain that "Russian companies are the only ones doing business in Armenia" (PFA, 2014: 12).

These unhealthy relations are illustrated by the large amount of arms deals between Russia and Azerbaijan worth \$4 billion, which only serve to heighten the risk of a renewed conflict in Nagorno-Karabakh, and generate a great amount of controversy in the Russian-Armenian strategic "alliance".

## **Conclusion**

This paper was a summary and evaluation of the extent of Armenia's recent engagement in international integration projects. It puts forward the argu-

ment that in spite of the whole attractiveness of the deeper integration within the EU, Armenia's current political course towards the integration within the EEU was largely preconditioned by Armenia's security priorities and the long history of inconsistency of Armenian-Russian relations.

## References

- Armenia Now. (2014, June 18). Armenia Reaffirms Determination to Become a Part of Customs Union. Armenia Now News. Retrieved from: [http://www.armenianow.com/news/55345/armenia\\_serzh\\_sargyan\\_public\\_television\\_interview](http://www.armenianow.com/news/55345/armenia_serzh_sargyan_public_television_interview).
- Chilingarian, E. (2013, September 10). Armenia-EU Accord "Off Table". Azatutyun.am News. Retrieved from: <http://www.azatutyun.am/content/article/25100726.html>.
- Contact. (2013, November 22). Shoigu Disavows the Words of the Commander of the 102nd base. Contact.az News. Retrieved from: <http://www.contact.az/docs/2013/Politics/112200058582en.htm#.VFkmvPSUfIR>.
- Cornell, S.E. (2014). Azerbaijan: Going It Alone. In S.F. Starr, S.E. Cornell (Eds.), *Putin's Grand Strategy: The Eurasian Union and Its Discontents* (pp. 145-155). Central Asia-Caucasus Institute. Silk Road Program.
- Delcour, L, Kostanyan, H. (2014, October). Towards a Fragmented Neighbourhood: Policies of the EU and Russia and Their Consequences for the Area that Lies in the Between. CEPS Essay, No.17. Retrieved October 10, 2014 from: <http://www.ceps.eu/book/towards-fragmented-neighbourhood-policies-eu-and-russia-and-their-consequences-area-lies-between>.
- EC (European Commission). (2013, July 24a). EU and Armenia Agree on Trade Deal (EC-Press Release). Retrieved from: [http://europa.eu/rapid/press-release\\_IP-13-740\\_en.htm](http://europa.eu/rapid/press-release_IP-13-740_en.htm).

- EC (European Commission). (2013, July 24b). EU and Armenia Deep and Comprehensive Free Trade Area (EC-Press Release). Retrieved from: [http://europa.eu/rapid/press-release\\_MEMO-13-728\\_en.htm](http://europa.eu/rapid/press-release_MEMO-13-728_en.htm)
- EC (European Commission). (2013, September 11). Statement on the Pressure Exercised by Russia on Countries of the Eastern Partnership (EC-Press Release). Retrieved from: [http://europa.eu/rapid/press-release\\_SPEECH-13-687\\_en.htm](http://europa.eu/rapid/press-release_SPEECH-13-687_en.htm).
- EC (European Commission) (n.d.). Armenia. Trade picture (EC- Policy). Retrieved October 05, 2014 from: <http://ec.europa.eu/trade/policy/countries-and-regions/countries/armenia/>
- EEAS (European External Action Service). (n.d.a.). Armenia (EEAS-Policy). Retrieved September 10, 2014 from: [http://eeas.europa.eu/armenia/index\\_en.htm](http://eeas.europa.eu/armenia/index_en.htm).
- EEAS (European External Action Service). (n.d.b). Delegation of the European Union to Armenia. Political and Economic relations (EEAS-Policy). Retrieved September 10, 2014 from: [http://eeas.europa.eu/delegations/armenia/eu\\_armenia/political\\_relations/index\\_en.htm](http://eeas.europa.eu/delegations/armenia/eu_armenia/political_relations/index_en.htm).
- EEAS (European External Action Service). (n.d.c). Delegation of the European Union to Armenia. Preferential Regime (GSP+) (EEAS-Policy). Retrieved September 10, 2014 from: [http://eeas.europa.eu/delegations/armenia/eu\\_armenia/trade\\_relation/prefer\\_reg\\_gsp/index\\_en.htm](http://eeas.europa.eu/delegations/armenia/eu_armenia/trade_relation/prefer_reg_gsp/index_en.htm).
- EEAS (European External Action Service). (n.d.d). EU-Armenia Action Plan (EEAS-Policy). Retrieved September 20, 2013 from: [http://eeas.europa.eu/enp/pdf/pdf/action\\_plans/armenia\\_enp\\_ap\\_final\\_en.pdf](http://eeas.europa.eu/enp/pdf/pdf/action_plans/armenia_enp_ap_final_en.pdf).
- EEAS (European External Action Service). (n.d.e). EU-Armenia Relations (EEAS-Policy). Retrieved September 20, 2013 from: [http://eeas.europa.eu/armenia/index\\_en.htm](http://eeas.europa.eu/armenia/index_en.htm).

EuFoA (European Friends of Armenia). (March, 2014). EU-Armenia Relations: Future Developments and Prospects (EuFoA - Policy). Retrieved September 29, 2014 from: <http://www.eufoa.org/uploads/futureofEUAMRelations.pdf>.

Gabrielyan, E. (2013, November 20). Why has Putin chosen the symbolic date, December 2, for visiting Yerevan? European Dialogue. Retrieved from: <http://www.eurodialogue.eu/%20Why-has-Putin-chosen-the-symbolic-date-December-2-for-visiting-Yerevan>.

Giragosian, R. (2014, April 22). Armenia's Strategic U-Turn (European Council on Foreign Relations (ECFR) - Policy Memo). Retrieved October 10, 2014 from: [http://www.ecfr.eu/page/-/ECFR99\\_ARMENIA\\_MEMO\\_AW.pdf](http://www.ecfr.eu/page/-/ECFR99_ARMENIA_MEMO_AW.pdf).

Hakobyan, T. (2014). Challenges of Geopolitics and Democracy. In S. Asatiani, N. Lejava (2014), South Caucasus at a Crossroad: Thorny Realities and Great Expectations (pp.103-107). Heinrich-Böll-Stiftung. South Caucasus.

Hayrumyan, N. (2013, December 25). Roadmap for Armenia's Eurasian Integration: Karabakh Customs Border Among challenges Ahead. Armenia Now News. Retrieved from: [http://www.armenianow.com/commentary/analysis/51097/armenia\\_customs\\_union\\_roadmap\\_ Eurasian\\_economic\\_space](http://www.armenianow.com/commentary/analysis/51097/armenia_customs_union_roadmap_ Eurasian_economic_space).

Horizon Weekly. (2013, October 2). Sarkisian Addresses PACE Session. Horizon Weekly News. Retrieved from: <http://www.horizonweekly.ca/news/details/20598/print>.

Kucera, J. (2013, November 1). Russian Officer: We Would Intervene in Karabakh Against Azerbaijan. Eurasianet.org. Retrieved from: <http://www.eurasianet.org/node/67712>.

Kucera, J. (2013, December 3). Armenians Protest Putin – But Not His Military Aid. Eurasianet.org. Retrieved from: <http://www.eurasianet.org/node/67826>

Kucera, J. (2014, June 25). CSTO: We Complement Eurasian Union, Won't Join It- Yet. Eurasianet.org. Retrieved from: <http://www.eurasianet.org/node/68751>.

MFA RA (Ministry of Foreign Affairs of the Republic of Armenia). (January 26, 2007). Republic of Armenia National Security Strategy (Approved at the Session of National Security Council at the RA President Office) (MFA RA – Policy). Retrieved October 10, 2014 from: [http://www.mfa.am/u\\_files/file/doctrine/Doctrineeng.pdf](http://www.mfa.am/u_files/file/doctrine/Doctrineeng.pdf).

MFA RF (Ministry of Foreign Affairs of the Russian Federation) (2013, February 12). Concept of the Foreign Policy of the Russian Federation (Approved by President of the Russian Federation V. Putin) (MFA RF – Policy (Unofficial translation). Retrieved October 1, 2014 from: <http://www.mid.ru/bdomp/ns-osndoc.nsf/1e5f0de28fe77fdcc32575d900298676/869c9d2b87ad8014c32575d9002b1c38!OpenDocument>.

MFA RF (Ministry of Foreign Affairs of the Russian Federation) (2000, January 10). National Security Concept of the Russian Federation (Approved by Presidential decree No.24) (MFA RF – Policy (Unofficial translation). Retrieved October 1, 2014 from: <http://www.mid.ru/bdomp/nsosndoc.nsf/1e5f0de28fe77fdcc32575d900298676/36aba64ac09f737fc32575d9002bbf31!OpenDocument>.

News. (2014, October 14). Armenia-Karabakh Customs Checkpoint Issues Was Not Subject of Talks – MFA. News.am. Retrieved from: <http://news.am/eng/news/234089.html>.

PanArmenian Net (2014, October 24). Trio's 2nd Rally. Regime Change in the Focus. PanArmenian Net News. Retrieved from: <http://www.panarmenian.net/arm/news/183983/>. (in Arm.)

PFA (Policy Forum Armenia).(2014). Armenia and the West: A New Vision for the Caucasus. Washington DC. Retrieved October 5, 2014 from: <http://www.pfarmnia.org/sites/default/files/documents/files/Armenia%20and%20the%20West--FINAL%20%281%29.pdf>.



RFE/RL. (2013, September 3). Armenia to Join Russian Led Customs Union. Radio Free Europe Radio Liberty (RFE/RL) Armenian Service. Retrieved from: <http://www.rferl.org/content/armenia-customs-union/25094560.html>.

Simonyan, A. (2014, November 31). Putin's Visit is Symbolic: We Do the Same As On December 2, 1920. Asparez.am News. Retrieved from: [http://www.asparez.am/news-hy/putini\\_ayc\\_hayastan-hy/](http://www.asparez.am/news-hy/putini_ayc_hayastan-hy/).

Socor, V. (2013, December 10). Armenia's Economic Dependence on Russia Insurmountable by the European Union. Eurasia Daily Monitor, Vo. 10, Issue 221. Retrieved from: [http://www.jamestown.org/regions/russia/single/?tx\\_ttnews%5Btt\\_news%5D=41740&tx\\_ttnews%5BbacPid%5D=48&cHash=408a5840473a1f08b45f64b8178116ba#.VFk-B\\_SUfIT](http://www.jamestown.org/regions/russia/single/?tx_ttnews%5Btt_news%5D=41740&tx_ttnews%5BbacPid%5D=48&cHash=408a5840473a1f08b45f64b8178116ba#.VFk-B_SUfIT).

The Economist. (2014, October 14). Armenia Joins Eurasian Union. The Economist. Retrieved from: <http://country.eiu.com/article.aspx?articleid=592382843&Country=Armenia&topic=Politics&subtopic=Forecast&subsubtopic=International+relations>.

Warren, A. (2013, December 4). PUTinOUT: Armenia's Show of Anger, Activism, and Solidarity. Eastbook.eu. Retrieved from: <http://eastbook.eu/en/2013/12/material-en/information-material-en/putinout-a-show-of-armenian-solidarity-with-ukraine/>.

## The Russian-Abkhazian Agreement on Strategic Partnership and Alliance – A New Geopolitical Threat to Georgia

*Vakhtang Maisaia*

On 24<sup>th</sup> November of 2014 a special document was signed between de facto Abkhazian government and Russian Federation so-called “Agreement on Strategic Partnership and Alliance” that demonstrates clearly the geopolitical missions and goals of the parties. The Agreement was signed in a very celeritous manner, anticipating its scheduled signature by several weeks. What’s happened? Why has the document been arranged for signing with such velocity? With a conceptual analysis of the agreement, several factors that would drive parties to be precipitous could be outlined.

These factors are reflected in the chart below under headings of the Survival, Vital, Major and Peripheral national interests’ postures. These factors are compared respective to the signatories in the left column.

	<b>Survival</b>	<b>Vital</b>	<b>Major</b>	<b>Peripheral</b>
<b><i>Russian Federation</i></b>	Create geo-strategic area: Sukhumi-Tskhinvali-Derbent-Gyumri to protect military-strategic goals from regional level to wider Black Sea area level.	Get access to energy resources at Black Sea seabed and shelf area in line of Novorosiisk-Ochamchire (led by “ROS-NEFT”).	Reinforce Eurasian Economic Union enlargement perspective to Southern direction (Abkhazia and possibly Iran)	Tailor additional instruments to utilize geopolitical pressure on Georgia – Russian President Putin mentioned on possibility to open Railway transport corridor “North-South” connecting Abkhazia with Armenia.

<b><i>De-facto Abkhazia</i></b>	Reinforce geopolitical axis Sukhumi-Moscow to break international isolation.	Attain better economic-social conditions at any expense and attract foreign investment (mainly from Russia and other similar states).	Achieve <i>status quo</i> goals at the regional level in the political, cultural and economic spheres in relations with North Caucasus regions.	Stimulate balance of power geopolitics with Georgia.
---------------------------------	--	---	---	--

If we consider the content of the agreement itself several articles are important to take into account which directly identifies the true reach of such so-called “strategic partnership” provisions. Namely Article 3 of the agreement implies those areas where the main activities are to be developed;

- Coordination of foreign policy;
- Creation of common defence and security space;
- Creation of common social and economic space;
- Promotion of Abkhazia’s socio-economic development;
- Protection of common cultural, spiritual and humanitarian space. (One should mention that in accordance with Article 21 Russia will assist Abkhazia in developing special programs on Abkhazian language);
- Promotion of Abkhazian involvement into the integration processes in the post-Soviet space under Russia’s initiative, namely into Eurasian Economic Union.

This last point is more underlined in Article 11. The first paragraph points out that in order to harmonize Abkhazia’s economic and customs legislation, it is necessary for Abkhazian laws to keep pace with the legislation of the Eurasian Economic Union. In other words Abkhazia is being lobbied by the Russian Federation to somehow be incorporated into the Eurasian Economic Union structures either as a full-pledge member or at least as an associate member or with the status of observer.

In that respect, in order to accelerate the process in accordance to Article 13, it is foreseen that the Russian Federation will take up additional measures to make it easier for citizens of Abkhazia to receive Russian citizenship more easily. This means that the procedures of acceptance of Russian citizenship aim to promote Abkhazian citizens' travel abroad and downgrade their status of being citizens of independent and sovereign Abkhazia as it is considered by the de facto Abkhazian citizens.

As for Georgia's national security provisions, the agreement means pure annexation of Georgian territories in a so-called "Crimeanization" scenario performed one-by-one by the Russian Federation incumbent authority (the project idea has been stimulated and promoted by the Deputy Head of the Presidential Administration of the Russian Federation Vladislav Surkov).

The annexation provisions are very vivid if some provisions of the agreement are to be implemented. For example, in accordance with Articles 6 (which stipulates the creation of a military-political alliance between parties under collective defence principles), and 7 (in case of war, the creation of a joint military grouping combining the Armed Forces of the Russian Federation and of Abkhazia with full-command authority of the Russian high-level command representatives).

In peace time it is envisaged to set up on informal basis an Operational Military Group of the Armed Forces presumably consisted of 15 thousand military servicemen deployed in Abkhazia with reinforced Naval and Air Force units and with strategic air defence protection – for these missions strategic rocket systems S-300M or even S-400 and air defence surveillance systems, like "Daryal" or "Dnestr" and even several modern air jet wings could be deployed. Article 9 orders the parties to provide with proper technical-engineering and special provisions the so-called "border-lines" between the internal territories of Georgia and de facto Abkhazia with the assistance of Russian Border Troops of the Federal Security Service (FSB).

The agreement also urges setting up joint information-coordination centres of the special services of de facto Abkhazia and the Russian Federation in conjunction with Ministry of Internal Affairs and State Security Agencies.

As it has been seen from the above-mentioned postulates, Georgia's geo-

strategic stability is again under jeopardy and remains volatile considering the several important provisions stemming from the agreement document;

- On the Georgian territories in Abkhazia Russia will be deploying a quite massive military grouping of about 15 000 servicemen all fully-equipped;
- Russia completely integrated the Abkhazian socio-economic system within the Russian South Federal District and the Russian Ruble is to be the only payment currency in Abkhazia. Furthermore salaries and pensions are to be paid in accordance with Russian standards;
- Russia is distributing its national passport and citizenship rights to Abkhazian population and by doing so, making it easier to completely incorporate Abkhazia into the Russian legal space.

Hence, Georgia is in a quite difficult geopolitical condition and Western support remains very crucial to meet these Kremlin-imposed challenges.

## **PART IV:**

### **THE IMPACT ON THE BREAKAWAY REGIONS**



## Armenia-Azerbaijan and the Nagorno-Karabakh Conflict

*Orkhan Akbarov*

Currently Nagorno-Karabakh is a territory internationally recognized as a part of Azerbaijan, although the latter has not exercised power over most of it since 1991. Since the end of the Nagorno-Karabakh war in 1994, representatives of Armenia and Azerbaijan have been holding peace talks mediated by the OSCE Minsk Group on the region's status. This presentation gives an appreciation of the conflict.

### **The History of Nagorno-Karabakh**

Karabakh is one of the ancient regions of Azerbaijan. The name of this inseparable part of Azerbaijan consists of two different Azerbaijani words: "kara" (black, big) and "bag" (garden, land). The combination of these two words is as ancient as the nation of Azerbaijan. It was used for the first time 1,300 years ago (in the 7<sup>th</sup> century).

Firstly, Karabakh was used as a historical-geographical definition, but it later transformed to cover a larger geographical area. Most of the region has been settled by Azerbaijani tribes, such as the Otuziki, Javanshir and Kebirli. Most of Karabakh's population at that time was Muslim. Research in recent decades has shown that 80 percent of the population in the southern Caucasus was Muslim and 20 percent Armenian. The Armenian population in Karabakh was still only 8.4 percent of the total in 1823.

So... how is it that by 1989 77 percent of the population of Nagorno Karabakh was mostly Armenian?

On May 14, 1805 a treaty between Ibrahim Khan the Khan of Karabakh and the commander in chief of the Russian army in Caucasus P. Sisianov was signed. Sisianov began to move Armenians from the other provinces of South Caucasus to Karabakh after the Khanate became part of Russia.

According to Yermolov and Mogilevski's "Description of Karabakh prov-



ince” the ethnic composition of Karabakh in 1823 was made up of 15 729 Azerbaijani families, and 4 366 Armenian families.

That is to say by 1823 the increase of Armenians was 4366 because of migration of Armenians in the region. 124 000 Armenians from Iran and Turkey were moved officially to the mountainous part of Karabakh, then a large number of Armenians were moved unofficially there. Generally, by 1828-1830 Karabakh counted some 200 000 Armenians. In the second half of the 19<sup>th</sup> century Armenians laid territorial claims against Azerbaijan again. For reaching its goal Armenians committed genocide and aggression against Azerbaijanis and 250 000 Azerbaijanis were deported from Armenia.

In 1948-1953 more than 100 000 Azerbaijanis living in the territory of the Armenian SSR – especially from Yerevan and its adjoining district – were deported to the lowland regions. Armenians of Nagorno-Karabakh marked the 150<sup>th</sup> anniversary of their resettlement there in 1978, and a special monument was erected in Maragashen-Leninavan village of the Mardakert (Aghdara) region. However, the memorial remained intact only for 10 years, as in 1988 the inscription which reads “Maraga-150” on the memorial disappeared.

### **The Republic of Armenia Implements a Policy of Aggression against Azerbaijan**

Between 1988 and 1993 the Republic of Armenia intended to create an ethnically homogeneous state and implemented a policy of aggression against Azerbaijanis. As a result, civilians were killed and their dwellings burnt.

During this war, seven districts (Lachin, Kalbajar, Aghdam, Fizuli, Jabrayil, Zangilan and Gubadly) outside of the Nagorno-Karabakh region became occupied by the Armenian armed forces.

### **The Khojaly Genocide**

During the night of 25 to 26 February 1992 Armenian armed forces with the help of the 366<sup>th</sup> Soviet infantry guards regiment seized Khojaly. Some

2 500 inhabitants of Khojaly who had remained in the town before the tragic night tried to leave their houses after the beginning of the assault in the hope to find the nearest place populated by Azerbaijanis. The Armenian armed forces and foreign military units spared virtually no one who had been unable to flee Khojaly and the surrounding area.

In a few hours 613 persons were killed including 106 women, 63 children and 70 elderly people. The social impact was devastating; 8 families were completely wiped out, 25 children were made orphans, and 1 275 inhabitants were taken hostage, among which 150 remain unaccounted for to this day. 487 were severely injured, including 76 children. About 1 million Azerbaijanis became refugees and internally displaced persons. 25 000 Azerbaijani soldiers died fighting the Armenians.

### **International Organizations React to Peace Initiatives**

Peace initiatives are welcomed by international institutions at all levels. We appeal to the international community to help us in putting pressure on the separatist regime now in place in Karabakh which impede the negotiation process.

The Azerbaijani Community of Nagorno-Karabakh is not going to give up and abandon its intentions. Sooner or later, the dialogue will certainly take place. I believe that in the future, it will pave the way for the start of the rehabilitation period in the relationship between our peoples.

The Azerbaijani government is seriously interested in the speedy settlement of the Nagorno-Karabakh conflict. Now the negotiation process is more urgent than ever and I believe that it will continue.

But for this, Armenia should abide by UN Security Council resolutions 822, 853, 874 and 884 which call for the immediate and unconditional withdrawal of Armenian forces from the occupied Azerbaijani territories, recognition of the territorial integrity of Azerbaijan, the immediate cessation of military activities and the immediate, full and unconditional withdrawal of armed forces from all the occupied regions of the Republic of Azerbaijan.

So far, Armenia is not in a hurry to fulfil any of these conditions. Armenia should recognize that the occupied Nagorno-Karabakh and surrounding regions are an integral part of Azerbaijan.

### **The Azerbaijani Community of the Nagorno-Karabakh Region of the Republic of Azerbaijan**

On March 24, 1992 at the CSCE/OSCE Ministerial Council meeting in Helsinki, The Minsk Group was established as signed by Armenia and Azerbaijan. According to paragraph 9 of the document establishing the Minsk Group, the Azerbaijani and Armenian communities of Nagorno-Karabakh were recognized as interested parties and were given a mandate in the negotiations. Since 1992 the representatives of the Azerbaijani community of Nagorno-Karabakh, at various times, took part in the negotiations.

Usually, the representatives of the Azerbaijani community in Nagorno-Karabakh arrange meetings with the ambassadors of foreign countries and representatives of international organizations accredited in Azerbaijan, present the history, culture and nature of Karabakh at exhibitions, and disseminate relevant information about it in foreign media presenting the history of Karabakh and of the Armenian aggression against Azerbaijan.

The Azerbaijani community established foreign representation overseas. It provides students with work abroad, expands relations with Turkish and Azerbaijani Diaspora organization and lobbies on the history of Karabakh, the Armenian aggression and the position of international organizations in peaceful settlement of the conflict in English and Russian languages.

### **The Need for Dialogue between the Azerbaijani and Armenian Communities of Nagorno-Karabakh**

Dialogue between the communities in the first place will allow at the table of peace talks to discuss the sore points in the relations between the Armenian and Azerbaijani peoples. I believe that the outcome of a dialogue in this format can be extremely positive, because this way you can restore the lost trust between our peoples. Yes, there are many major differences in the relationship, there is a big problem, but they need to be addressed. Dia-

logue between the Armenian and Azerbaijani communities is possible, and Armenia should be interested in it, since Azerbaijan has long been ready for this.

In this case, the Armenian side is prevented by the separatist regime that prevails in Nagorno-Karabakh. The first attempt in the negotiation process on the part of the Azerbaijani community of Karabakh was made in Germany, but the Armenians didn't come. During a visit to Yerevan, members of our community personally asked Armenian President Serzh Sargsyan to assist the organization in the Armenian-Azerbaijani dialogue. And at that moment, they even got his support and consent to participate directly in this matter.

But, unfortunately, the situation has not changed to this day, and the dialogue is still not taken place because of a lack of political will of the Armenian government.

Our people for centuries lived side by side peacefully as neighbours. In fact, all that people need is nothing but a quiet life, confidence in the future and a normal setting to work and grow. All these conditions can be obtained if we restore confidence between the two peoples.

And I have no doubt that we can bring back trust, at least because our people aspire to it. The main challenge is to make every effort so that the dialogue takes place. Community dialogue will give new impetus to the peaceful solution of the Armenian-Azerbaijan conflict, and rule out military intervention.

I am confident that a peaceful solution to the Armenian-Azerbaijani conflict is the right decision, which the Azerbaijani government has chosen. Azerbaijan has always stood for the integrity of its territories, and President Ilham Aliyev of Azerbaijan stated, Armenians and Azerbaijanis in Karabakh can live in conditions of autonomy, but only within the territorial integrity of Azerbaijan.

The Head of State has repeatedly stressed that Azerbaijan's position is unequivocal and unchanging, and it relies on all international norms, it is built on the basis of resolutions and decisions adopted by international organiza-

tions, and the Nagorno-Karabakh conflict can be solved exactly in the legal field.

I think that Armenia, taking into account the increasing strength of Azerbaijan in the international arena in the military, economic, political and diplomatic spheres, should make the appropriate conclusions.

As for the military solution, then we try exclude it completely, as it is unacceptable not only to the conflicting parties, but also to other world powers, who have their own interests in the region. Meanwhile, Azerbaijan sees the solution to this conflict only in a peaceful manner and tries to convey its just voice to the international community. And no doubt, some international organizations, taking into account only the position of Armenia in the Nagorno-Karabakh conflict, will always face a fair discontent from Azerbaijan.

## Self-Determination, Independence and Recognition: Real and Imagined Choices in the South Caucasus

*Jonathan Lis*

The Unrepresented Nations and Peoples Organization (UNPO) is an international, democratic and non-violent institution, based in The Hague and Brussels, with 46 members around the world. We represent indigenous peoples, national and sub-national minorities, and unrecognized or occupied states and territories: from the de facto state of Taiwan to the indigenous Mapuche people in Chile. UNPO has been active in the South Caucasus since its establishment in 1991, and we currently have three members in the region: Abkhazia, and the Lezghin and Talysh peoples in Azerbaijan. Other nearby members include Circassia, the Crimean Tatars and the Southern Azerbaijanis/Azerbaijani Turks. We also have links with Nagorno-Karabakh through the Brussels-based European Friends of Armenia lobby group. These members, however diverse, have two principal issues in common: a desire to gain the civic and political rights that they deserve, and a complex relationship with Russia.

This conference could hardly be more timely; relations between Russia and the European Union are, as both sides acknowledge, at their lowest ebb since the Cold War, and the prospects for all – out war – a proposition which would have dwelt beyond most people's wildest imaginations just a year ago – remain, if not probable or even manifestly likely, then nevertheless a distinct possibility. The nations of the South Caucasus, with their complex socio-political histories and geopolitical specificities, have long represented a cauldron of conflict, in which the enduring but contested legacies and affiliations of the Cold War confront the defining challenges of democratization, stabilization and meaningful sovereignty. And so it is with an air of familiarity but also foreboding that we come to tackle the central question of 'choosing sides' in the South Caucasus: choosing the Eurasian Customs Union or European Union, Moscow or Brussels, even – I hope and believe falsely – the dangerous, reductive and utterly a historical civilizational binaries of 'East' and 'West'.

## The Problem of Choice

The notion of ‘choosing sides’ is an intriguing one, simultaneously a suggestion of a freedom to select meaningful political options, and an intimation of clear-cut, simplistic dichotomies that belie the reality of a global, interconnected world. Speakers in previous panels have already discussed the various machinations of Russia and the EU in securing allegiances in the Eastern Neighbourhood, and the Russian tightening of the political, economic and at times even military screws which forced Ukraine, Armenia and Moldova into such uncomfortable predicaments. Whether Armenia’s selection of the Eurasian Customs Union and Moldova’s of closer European integration expresses compulsion or freedom is ripe for debate. Certainly, Ukraine’s internal tension in the run-up to the Vilnius summit less than a year ago was present in the diplomatic circle as well as in the general populace: senior diplomats in Brussels extolled the virtues of the Association Agreement with DCFTA even as their boss in Kyiv was planning to derail it, with the catastrophic consequences we still see unfolding today.

Unlike perhaps in Armenia, Ukraine had a valid choice last November, and it did not divide cleanly in the geographical centre with those on either side facing in opposite directions. Rather, it seems the problem sprang from 1) the belief that a choice had to be made at all, and 2) what that choice represented. Why did Ukraine have to decide whether it wanted to be either European or to fall within a broader Russian/Slavic/Orthodox social, cultural and political sphere, when to so many of its people it, and they, were clearly already both, and never perceived those apparently ‘western’ and ‘eastern’ identities as mutually exclusive? Why did a seemingly political and economic choice have to represent the rejection of one crucial element of the nation’s history, society and identity? Why, fundamentally, did the concept of choice seem so unnecessary and so constrictive?

Because although choice appears by its very definition an expression of freedom and empowerment, in practice it can force polities – and by extension people – into positions they might never have wished to occupy. And here we reach the vexed question of so-called ‘breakaway’ regions and states, whose position is even more troubled than their recognized neighbours. For while the Eastern Partnership countries have seemingly had to choose between Russia and the EU, unrecognized polities such as Abkha-

zia and Nagorno-Karabakh are obliged to factor in far more complex choices. Never mind the EU, Abkhazia has seemingly been required to decide between Georgia, Russia and indeed itself, while Nagorno-Karabakh is a battle between Armenia and Azerbaijan which is taking place not only against the backdrop of wider Russian-EU discourses, but with the additional potent contributions of Turkey and Iran, who add their historical and cultural baggage to an already volatile political mix. UNPO's emphasis on non-violence is sorely tested in these spaces; we note that dozens of soldiers and civilians have died in Nagorno-Karabakh this year alone, in a largely neglected, but very much ongoing war. Along the highly dangerous Line of Contact, deciding between the Eurasian Customs Union and European Union must seem an esoteric pursuit indeed.

But choices, and choices of allies, exist. So what are they? With such numerous options seemingly available, it is worth emphasizing the one choice, more specifically one right, that most people – certainly most politicians – claim to endorse, namely the right of a people to determine their own political destiny. In other words, self-determination, a concept enshrined in international law, and which, in particular circumstances, legitimizes secession and the creation of new states. UNPO believes that peoples should not be forced to live within systems which institutionally deny them their rights or identity, and that people's voices and opinions must always be sought and heard. That does not mean that we should ignore the unique status of each 'breakaway' region or oppressed group. We recognize that independence is not the answer to every question of self-determination. Indeed, UNPO interprets self-determination in its widest sense, and as with all matters, we are guided by our members themselves, whom we trust to know the most just and appropriate solution to their own specific challenges and circumstances.

### **Self-determination: Choices of Independence and Orientation**

Self-determination can result in federalism, autonomy or simply the right to access public services in one's own language. The unrecognized, breakaway or de facto states claim the most attention; they certainly offer outsiders the surreal experience of witnessing countries seemingly beyond international norms and regulation, where airports stand unused in places that to the international community effectively do not exist. But in fact self-



determination can be just another way of expressing a series of fundamental rights, not least the right to representation.

We and our members are pragmatic enough to recognize that self-determination – and therefore choice itself – has its limits. We similarly recognize the conceptual validity of territorial integrity, which like self-determination, is enshrined in the United Nations Charter. But even if we know what the choice is and have agreed, in principle, its parameters, how do we measure and evaluate it?

Even the apparent compromise of a referendum is riven with difficulties, starting with who gets to vote: self-determination counts for little when electorates are imported, exported or gerrymandered. The Crimean referendum in March was notionally an exercise in democracy, and yet plainly visible as a sham. There are sensible people who would not discount the possibility one day of holding a legitimate referendum in Crimea if the people genuinely demanded it, who nevertheless deplored a vote which was organized in a couple of weeks, against a backdrop of a virtual invasion and mass public intimidation, and which we believe was designed to provide cover for an illegal annexation.

And after the choice of independence, what of the choice of strategic orientation? Even the British Government (or the majority of it) plans to hold a referendum on whether the United Kingdom faces ‘towards Europe’, to quote the title of this conference. Thus Scotland, which recently voted on the question of independence from Britain, would then have to make a separate choice, with the rest of the UK, about its relationship with Europe. If Britain does decide to withdraw from the EU, Scotland could easily then organize a third referendum, with the specific aim of creating an independent state that could choose, and re-join, the European Union on its own. But most people in Scotland seem not to want to choose between Britain, Scotland and Europe – they feel they belong to all three, and for them choosing sides actually divides.

Unrecognized states in the South Caucasus do not, of course, have the luxury of being able to decide if they wish to join the European Union or not. Certainly, Abkhazia and South Ossetia, in their closeness to Russia, have, for obvious reasons, no immediate desire to join the community of

nations in Brussels. Further afield, the same is true of Transnistria, and, we assume, the so-called Donetsk People's Republic, who depend on Russia for their economic, political and military survival, and whose existence is resolutely opposed by the wider international community. Despite the fact that Armenia does not technically recognize Nagorno-Karabakh, the territory depends on Armenia for its political existence, and would not countenance any overtures towards Brussels without the pre-approval of Yerevan. Given Armenia's entry into the Eurasian Customs Union, that would appear a somewhat remote possibility. This therefore leaves Kosovo as the only unrecognized state in so-called Eastern Europe which is actively pursuing entry into the European Union; in this we find numerous symmetries, as Kosovo is the only one of the aforementioned unrecognized territories that the EU – almost – treats as a functioning state.

Why should Kosovo, which has recently signed a Stabilization and Association Agreement with the EU, be so far down the road to Europe when five EU members – Spain, Romania, Greece, Cyprus and Slovakia – for their own specific reasons, consider it as much a part of Serbia as they consider Abkhazia a part of Georgia? Certainly, the fact that 23 EU countries, along with Balkan neighbours Macedonia and Montenegro, recognize Kosovo, is a key element of this. Moreover, the people of Kosovo see the EU as a means of ensuring future peace and prosperity, and a final escape from the Balkan wars. But is this movement being driven by the enthusiasm of the EU, of Kosovo, or of both symbiotically? If Abkhazia expressed an interest in furthering EU engagement – even EU integration – would the EU become better disposed towards it? Could it even bring EU countries closer to recognition? And if not, why not?

### **Recognition: Political Tool and Commodity**

The fundamental point, of course, is that we appear to be asking recognized, as well as unrecognized states in the region to move closer to the EU, whilst applying asymmetric standards to determine who gets recognized and who remains in international no-man's land. UNPO conducted an Election Observation Mission for the Abkhazian presidential elections in August 2014, and this week in the European Parliament presented its report, which considered the elections to have been broadly free and successful. The EU, however, merely reaffirmed its belief in the illegitimacy of

these elections and the territorial integrity of Georgia – despite the fact that an independent Georgia (and therefore a Georgia to whom norms of territorial integrity would apply) has never exercised authority over Abkhazia. Perversely, an independent Serbia (or at least a Yugoslavia comprising Serbia and Montenegro) did in fact control Kosovo, but that has, rightly, not prevented the Kosovar people from affirming their self-determination, and with it their right to live in an independent state.

I have already stressed that, just as not every case of self-determination demands independence, not every claim for secession or independence can be seen as immediately valid – with Crimea and the Donetsk People’s Republic obvious examples. There are similarly no internationally agreed protocols to decide which ‘breakaway’ polities deserve fully recognized statehood. In this way, we are always bound to encounter inconsistencies. But such inconsistencies seem to have trapped us in a system whereby competing powers use recognition itself as a political tool, deployed not on the merits of each individual case, but to consolidate alliances which too frequently re-institute the strategic norms of the Cold War. President Putin was rightly challenged for his hypocrisy in demanding self-determination for Crimea but not for Kosovo.

Russia, indeed, operates a deeply inconsistent – or from its perspective perhaps highly pragmatic – approach to the ‘breakaway’ states elsewhere in its neighbourhood, choosing to recognize Abkhazia and South Ossetia, but not Transnistria or Nagorno-Karabakh, despite its overt support for the former territory and generous private investment in the latter. But Russia is hardly alone. In Europe’s Southern Neighbourhood, Algeria willingly hosts the Sahrawi Arab Democratic Republic within its own internationally recognized territory, but refuses to recognize Kosovo – a fellow majority-Muslim state whose population suffered grave oppression – ostensibly on the grounds of territorial integrity. The more realistic supposition is that Algeria wishes to preserve its historic alliance with Russia, and to a lesser extent Serbia. As a reminder of how crucial recognition is to strategic alliance, it is perhaps worth remembering that the USSR was the first country to recognize Algeria when it, too, was a form of ‘breakaway’ state. If sides are to be chosen, then recognition – and the withholding of recognition – embodies the most valuable of bargaining chips.

The Russian example demonstrates how powerful countries can recognize territories in order to gain (or buy) their allegiance, and as some allege, to produce client states. UNPO supports the political development of Abkhazia, but we know that in recognizing Abkhazia and South Ossetia, Russia not only acted to punish the 'West', but gained vast leverage in the region as well. It can similarly dangle the carrot of recognition over Transnistria to secure its interests, without actually having to recognize it formally at all. A guarantee of influence is thus exchanged for one of security. In other cases, poorer or smaller recognized states can use their status to gain patronage and investment – in effect, the 'selling' of recognition, as we perhaps see in certain Pacific Island and African countries. But if their 'legitimate' status offers them leverage and power where elsewhere they have been denied it, perhaps these states should be applauded for their shrewdness, rather than scorned for making a mockery of the process of recognition. After all, if countries offer recognition for strategic political, rather than strictly ethical or principled reasons, then why not, we may ask, for nakedly economic or financial ones as well? In return, those territories soliciting recognition may need to pay a high price, be it political, monetary or a ready commodity – and the unrecognized territories seeking it risk making Faustian pacts.

### **Choosing Sides or Forcing Hands?**

And so in the nexus of pragmatism and principle, politics and economics, what options exist in reality for the unrecognized states of the South Caucasus and wider European Neighbourhood? Can their choices simply represent different forms of exploitation? One encouraging development is the networks of support and alliances between unrecognized states. A prime example is the Community of Democracy and Rights of Nations, in which Abkhazia, South Ossetia, Nagorno-Karabakh and Transnistria recognize one another, to varying extents, as states and allies. In this sense strong relationships between unrecognized states potentially offer a bulwark against the pressures and power struggles of wider geopolitical games. Indeed, UNPO prides itself on offering a similar, if more informal platform for unrecognized states to communicate and interact in new and engaging ways; our conference this week on Abkhazia, for example, featured the participation of the envoy to Brussels of Somaliland, another of our unrecognized members. And yet for all this solidarity, Abkhazia, for instance, does not recognize Kosovo. Rightly or wrongly, the belief persists that

such a gesture would violate Abkhazia's Russian alliance, and risk jeopardizing its fragile international framework. Even more pointedly, the authorities in Sukhum/Sukhumi support Russia's stance on Crimea. Fundamentally speaking, for Abkhazia to recognize Kosovo or not recognize Russian Crimea would, at the current time, be to choose the wrong side.

Perhaps, then, we cannot ask 'breakaway' regions to assume vastly different policy positions from their political patrons. So how can choice be exercised?

A couple of months ago I visited an unrecognized polity within an unrecognized polity: northern Kosovo. It is unrecognized in the sense that half the world considers it a part of independent Kosovo, while the other half agrees that it, along with the rest of Kosovo, remains a part of Serbia. As I walked over the Mitrovica Bridge, to the de facto Serbian side, an enormous mural emerged, featuring the outlines of Kosovo over a Serbian flag and Crimea over a Russian one. It proclaimed, in Russian, that 'Kosovo is Serbia', and in Serbian, that 'Crimea is Russia'. Whatever the merits of that parallel – and I suggest there are not many – it does demonstrate an explicit choosing of sides in the discourse of 'breakaway' states. Despite the fact that the people of Kosovo (at least in the south) have overwhelmingly rejected Serbia, and the people of Crimea have not been given a fair opportunity to express their views on the subject either way, for this community, at least, breaking away from a state represents, in itself, the expression of a permanent allegiance. The artist's views on Serbia's candidature of the EU are unclear, but we can assume that at the time of painting he or she was more focused on affirming commitment to Moscow than to Brussels, however inconsistent the message and unnecessary the choice.

But of course the northern Kosovo position must be taken into account, just as voices sympathetic to Ukraine must hear the views of Russian-speakers and 'separatists' in eastern Ukraine, and indeed Crimea. The question of Georgians in Abkhazia and Azeri IDPs from Nagorno-Karabakh must similarly not be ignored by those territories' friends. Certainly, it adds further layers of complexity to the choosing of sides, in which minorities may find themselves firmly on the wrong side. Perhaps the strongest recent example of this can be found in Crimea, where the Crimean Tatars – an indigenous group and UNPO member for 23 years – have faced shocking

levels of oppression and discrimination since the Russian takeover, from the marking of doors and recent curbs on religious and political freedom, to enforced disappearances and killings. The people of Crimea have had their side chosen for them whether they liked it or not, and in the proxy war (if that is what it is) between Russia and the EU, Crimea's most oppressed community has especially little political capital. The Tatars' voices – and choices – are thus neglected and ignored. So how do we factor the marginalized minority voice into self-determination? To be sure, if the Crimean Tatars wanted to remain a part of Ukraine, let alone anchor themselves towards Europe, they would not be able to say or do so from Simferopol.

And so we arrive at the central tension: how can anyone in the region really choose sides when so many decisions are being made for them? Certainly, countries such as Georgia want to move closer to the EU, and the EU wants them to move closer, but can even the most Europhile of us deny that there is an element of bringing Eastern Partnership countries into the fold – as it were, out of the cold – in order to stop Russia? If this is a factor, then the competition looks set to become more, not less, fierce.

The row over the use of the Cyrillic alphabet in Romanian-language schools in Transnistria demonstrates a cultural expression of this geopolitical tussle, while Abkhazia and Russia are currently negotiating an agreement which some fear will entrench Russia's influence or even make Abkhazia a Russian colony in all but name – though it is worth noting that the EU Special Representative (EUSR) for the South Caucasus and Crisis in Georgia, Herbert Salber, this week in the European Parliament likened it more to 'harmonization' than 'annexation'. Certainly, European political and civil voices fiercely contest the involvement in Abkhazia; Anna Fotyga, former Polish Foreign Minister and Chair of the EP's Security and Defence Committee, also participating in the hearing, called Abkhazia 'de facto occupied' rather than 'breakaway', and suggested that European engagement with Abkhazia was simply helping Russia. The EUSR emphasized in reply the importance of engaging with the de facto authorities and helping civil society. Crucially, he reiterated that Abkhazia is not seeking formal integration with Russia, and also demonstrated that Georgia would have to win over Abkhazian and South Ossetian hearts and minds if it ever wanted to, so to speak, integrate or re-integrate them. He moreover expressed his

commitment to visiting and engaging with Nagorno-Karabakh.

From this, then, we have an acknowledgement from the highest level in the EU that Europe does want to work with the unrecognized states of the South Caucasus, and, crucially, that these territories do have valid options. The EU and Russia (and Georgia, if it wants to) can only engage – or push – so far. I have postulated that unrecognized states can buy recognition or sell allegiance, but away from the analogy of commodification they can also determine their own goals, borders and friends. Short of invasion, they have the power to make limited but meaningful choices. To be sure, that euphemism of ‘soft power’, either from Brussels or Moscow, will not change the fact that Abkhazia and Nagorno-Karabakh (and Crimea) are staying where they are – if not permanently, then certainly for the foreseeable future.

So we must then return to the thorny issue of recognition, and its unintended consequences. Countries or supranational bodies like the EU, exercise power in recognizing states, and in not recognizing them. Indeed, the act of not recognizing is a concrete assertion of hierarchy and superiority. But in the case of Abkhazia and South Ossetia the EU has perhaps unwittingly constructed a zero-sum game. The lack of recognition has entrenched the ‘breakaway’ republics’ isolation, and merely driven them further into the arms of Russia; the fact that 70 percent of Abkhazia’s citizens have Russian passports may not speak to any sense of Russian identity, but certainly indicates a dependence on Russia which the EU’s policies are actually consolidating. To this extent, we might conclude that the EU is indeed inadvertently choosing sides for Abkhazia – and not the side it may prefer. If unrecognized states do form bargaining chips, then Europe could be losing its hand.

So how might Abkhazia respond to EU recognition? What would be the exact quid pro quos? Could there indeed be drawbacks? Perhaps the power dynamics are more nuanced – and tangled – than they sometimes appear.

The key similarity between unrecognized and recognized states in the South Caucasus is not independence but interdependence. We know that Abkhazia relies upon Russia for its survival, but then so, in many profound ways, does Armenia. And why are ordinary Moldovans and Georgians so keen to

enter the European fold? They may see the EU as a beacon of freedom and prosperity, but does that stop them from fearing the consequences if they do not come closer to Brussels – and if so, what sort of choice can that constitute? Unrecognized states, like recognized ones, face unique challenges – but in a region where polities are being asked to choose sides, whether with carrots or sticks, nobody is really independent. Free choice may either be no choice, or a choice that people have no wish to make.





## Abkhazia and the Changing International Context

*Astana Pataraya*

The timeliness of the current meeting is obvious. Against the promptly changing international context there is a need for the exchange of opinions on the relevant aspects of the South Caucasus region both at the international and regional levels between leading specialists and experts on the South Caucasus region.

It is obvious that international relations are turbulent. The drama of the reshaping of the greater Middle East initiated from third parties, the tragedy of Libya, Syria, and before that Iraq and Afghanistan, and now the emergence of the Islamic State of Iraq and the Levant (ISIL), the dramatic events in Ukraine, sanctions against Russia, and against this background the increased requirements of Georgia about its accession to NATO, create a very explosive and in many respects an unpredictable situation.

We live in a world which is characterized by the strengthening of processes of globalization. Nevertheless, the experience of the last decades shows that globalization has begun eroding, and countries look for opportunity to find a niche in political and economic blocs. At the same time, it is obvious that today the economic development of countries is impossible in isolation. This is true of all countries big and small.

The participation in integration processes is vital for Abkhazia as it leads to economic development. It will be impossible to raise the standard of living in Abkhazia without it. Economic integration of Abkhazia in the world economy is mainly possible through the cooperation and development of economic relations with Russia as Abkhazia, firstly, is still in a condition of conflict with Georgia, and, secondly, isn't recognized yet by the majority of countries in the world.

Twenty years have passed in the building of an independent state and economy. However from the point of view of economy development we achieved small success. There are subjective and objective reasons for it.

The 1990s were years of survival in conditions of sanctions from the CIS countries. Since the beginning of the 2000s the situation began to change gradually, and sanctions began to weaken. Since 2008, from the moment of recognition of independence of Abkhazia and the signing of the treaty of friendship, cooperation and mutual aid by Russia the situation began to change radically.

Abkhazia's economic potential rests in its strategic location for trade transportation. It provides the North Caucasus with an outlet to the sea, an airport and a seaport. This potential will allow not only to raise GDP per capita, employment in Abkhazia, but also to eliminate the accruing disproportions in development of regions between western and eastern Abkhazia.

Certainly, for Abkhazia the participation in the Customs Union is very interesting. But due to the non-recognition of Abkhazia by Belarus and Kazakhstan, the solution to this question is delayed. Nevertheless, by increasing its commercial relations and strengthening integration processes Abkhazia sees a way to economic development, the improvement of people's quality of life and exit from the difficult social and economic situation in which it is today. These and other questions of social and economic development of Abkhazia will be reflected in a new Russian-Abkhazian treaty of friendship, cooperation and mutual aid which is planned to be signed by the end of 2014.

Abkhazia is recognized by six member-states of the UN. Is it enough or not? During the time of war and sanctions we merely talked of the survival of the Abkhazian state in extremely adverse conditions of isolation and continuous threat of new Georgian invasion. Now, after the recognition of Abkhazia, we readily speak about the involvement of Abkhazia in world political and economic processes. Considering the fact that among the countries which have recognized Abkhazia there is the Russian Federation – world power and permanent member of UN Security Council – the progress Abkhazia achieved in strengthening its statehood and security is immense.

If Kosovo was recognized, shouldn't Abkhazia deserve the same? After Eritrea, Slovakia, Montenegro, East Timor, Kosovo, and the Southern Sudan, to deny Abkhazia recognition means, in essence, to go against pro-

gress. An increasing number of western experts and foreign affairs specialists are of this opinion. The “enlightenment” of the political elite should naturally follow. But here Abkhazia also has to advance vigorously the idea of its recognition, using all modern technologies, and also direct contacts.

Concerning prospects of wide international recognition of Abkhazia, it is possible to claim that we have them, and they are very serious. It is just necessary to give time to the European Union, America, to the world in general to understand that Abkhazia never will become part of Georgia and that return to former positions is impossible. But many people in the West still have such illusions. Participation of Abkhazia in the international Geneva discussions is very important – the largest world political players are convinced that the coexistence of Abkhazia and Georgia within one state is actually impossible and impracticable.

The August 2008 greatly impacted the South Caucasus security situation. Russia quite reasonably used the precedent of Kosovo concerning Abkhazia and South Ossetia. However the recognition of independence of two new southern Caucasian states was followed by rigid resistance from the western community. Today the position of the EU has softened a little, has become more pragmatic though the rhetoric about the policy of non-recognition still continues. According to the EU representatives, non-recognition shouldn't exclude interaction with Abkhazia. It is obvious that the growing relationship between Abkhazia and Russia causes concern in international circles. In Georgia the fear is, most likely, connected with the possibility of establishing direct connections between Abkhazia and Europe bypassing Tbilisi.

However, the international community continues to perceive Abkhazia from a position of double standards. It not only blocks the broadening of the international legitimating of Abkhazia as an independent state, it also limits opportunities for strengthening its sovereignty, and slows down the process of its democratic modernization.

It is natural that the policy of double standards from the international community influences attitudes in relation of Western policy in the Abkhazian society. There are such questions as does Abkhazia need recognition from Western countries? What will such recognition give Abkhazia?

Whether Abkhazia loses something because of its absence and what exactly? Why recognition of Abkhazia is excluded by the West today? Under which conditions such recognition can be possible?

Recognition of independence of Abkhazia by the West is not our end today. Abkhazia isn't going to turn its back to Europe. It is necessary to resolve issues of humanitarian, cultural nature, freedom of movement and the related problem of visas to citizens of Abkhazia, etc. directly with the Abkhazian side, and not to act as the conductor of Georgian policy.

It makes sense for the West in general and to the European Union in particular, to depart from bloc thinking and to develop the relations with partially-recognized political entities, including Abkhazia, on the basis of mutually-beneficial cooperation in the field of economy, international law, education, culture, etc., without looking back at Georgia. Such approach has to be the cornerstone of the policy proclaimed by the EU "interaction without recognition".

However, the strategy of the EU in the former Soviet space was initially assigned to the countries which were avowedly anti-Russian. The strategy began to be used by Georgia, Ukraine and other countries to undermine the bases of the Russian influence in the former Soviet Union. Therefore ideas that Abkhazia can become a zone of cooperation of Russia and Europe were contradicting common sense. It also led to the failure of the "Eastern Partnership" policy, and efforts of conflict management. As a result the region was involved in the geopolitical competition between East and West. Abkhazia became the hostage to the Georgian influence in Europe therefore an attempt to build a pragmatic European alternative to the American ideological bias was not successful.

But as all of us can observe, instead developing relations, the danger provoked by the West's new geopolitical game in the former Soviet Union is aggravating the situation. Abkhazia accurately stated that it isn't going to accept any offers by the European Union and other global actors based on unreasonable conditions. To offer Abkhazia an anti-Russian geopolitical choice is counterproductive and useless.

If Georgia doesn't want to make a peaceful settlement out of reach, it has

to refuse the policy of isolation of Abkhazia. Georgia still has chance to affect the situation in the region, having reconciled itself to the factual evidence and consequently having recognized the independence of Abkhazia. Having taken this step, Georgia could positively shape the political reality in the South Caucasus, having resolved the long-standing deadlock and having opened opportunity for a peaceful and stable arrangement and development of the region.

The Georgian administrations having come to power since Shevardnadze and even during the Saakashvili period have repeated their intention to reconcile with Abkhazia. Then recent statement made by Prime Minister of Georgia Garibashvili is not the first. We are used to such statements by the Georgian side.

But this reconciliation is very odd; instead of real steps to reconciliation, all Abkhazians have received from Georgia are only provocations, discrimination of the rights of our citizens, and the isolation of Abkhazia. Georgia hasn't admitted its fault for unleashing the bloody war of 92-93 and the main thing is that Georgia refuses to sign with Abkhazia a legally binding agreement on the non-use of force today. Therefore to ensure the safety of Abkhazia we have to speak against Georgia's movement towards NATO, the acceleration Georgia's integration into Euro-Atlantic structures, increases of strategic partnership with the United States. We need defensive potential, and today there is a consensus in Abkhazia about it.

The Georgian-Abkhazian border has to function as an interstate border because in Georgia today there is the idea that this border is merely administrative. It will become stronger; the corresponding infrastructure will be built in order that transit through the border will be carried out strictly according to the legislation of Abkhazia.

It is obviously, that Abkhazia won't return inside Georgia. And today any person who understands today's Abkhazian society understands this perfectly as well. Newly-elected president of Abkhazia R. Hadzhimba stated that "Georgia has to prove by its actions that it confirms the fact of existence of the Abkhazian state." It will also be a real step to establish equal and normal relations between Abkhazia and Georgia as between two sovereign states. The statements made by the Georgian side are for external

consumption showing an allegedly uncompromising Abkhazia while Georgia is ready to compromise that it is not actually ready for.

They are also done for internal Georgian audience where there are still certain groups in society which consider returning Abkhazia inside Georgia as a main goal to achieve. We have heard this rhetoric for many years and hardly anybody in Abkhazia trusts in these words today.

Abkhazia will become stronger as a subject of international law, an active actor of the regional system of international relations, a reliable ally of Russia and a participant of integration processes in the former Soviet Union.

It is important to emphasize that Abkhazia is not a buffer or “artificial” state, it is not a puppet and an annex to Russia. Abkhazia is an independent republic having its own dignity and ready to make a substantial contribution to the common cause of security and stability in the region of South Caucasus.

## Why does Putin need an Eurasian Economic Union?

*Inver Alshundba*

### World Economics Games

Game theory is a mathematical method of studying optimal strategies in games, where game refers to the process involving two or more parties fighting for the realization of their interests. Each party has its purpose and uses strategies that, depending on the behaviour of other players, can lead to a gain or a loss. Game theory helps to choose the best strategy considering other participants', their resources, and their possible actions.

Mathematician Robert Aumann, Economics Nobel Prize laureate (2005) for his games theory variation, was one of those who developed the concept of «Cold War». In 1964, the Agency for Arms Control offered him and his colleagues to develop an optimal strategy for the United States negotiations of Geneva Agreement. Aumann developed the repeated games theory with incomplete information. He suggested that any conflict (including military), as every other game, takes place according to certain rules.

Aumann's theory can be used when describing any prolonged interaction. Its main idea is that in repeated interactions, both parties should refrain from actions that promise quick profits. The benefits of compliance with long-term commitments will always be higher than the benefit of their single violation.

Despite the period of stagnation after what Putin called “the most tragic geopolitical scene of the 20<sup>th</sup> century”, the collapse of USSR, Russia today still possesses enviable combat power, especially aimed at avoiding a direct military confrontation between the West and Russia, again according to Aumann's principle.

However, the situation in the world is changing, and given the many treaties and agreements bearing preventive purpose it is no longer possible to rely on brute force. Brute or military force is only a deterrent to aggression



between, to a certain extent, equal states, and an auxiliary tool in establishing the desired political vectors in countries that oppose the strong ones.

The new weapon of world domination is economics. It has become the most important tool to achieve a nation's political goals, and this fact is well understood by both the leaders of the Western powers, and Vladimir Putin. That is why, today, the confrontation between Russia and the Western World has shifted to a different plane – a plane of economical confrontation.

### **Currency as an Economics Tool: “He who Holds the Gold Makes the Rules”.**

After the Second World War, the British economy suffered heavy losses, and the once most secure currency in the world, British pound, known with the common name “cable” among traders all over the world, could no longer serve as global reserve currency. United States of America was the only industrialized country not only economically unaffected by war, but among the few that benefited from it. 70 to 80 percent of world gold was at the time sitting in US vaults. In these circumstances, in accordance with the Bretton Woods Agreement (1944) between the United States, Britain and France the US dollar was agreed to support the price of gold and thus became the world's undisputed reserve currency. At the same time, the US dollar was pegged to gold at the rate of \$ 35 per ounce, and most countries artificially anchored their currencies to the US dollar. The same Bretton Woods Agreement led to the establishing of the International Monetary Fund (IMF) that serves as money-lender to support countries that pursue economic reforms.

In the early 1970s a milestone in the history of financial markets was the abolition of the gold reserve system and the introduction of freely floating exchange rates, which was legally enshrined in the Jamaican Currency Conference in 1976. Practically, this means that any party can trade the national currency, and its price is determined as a function of ratio of current supply and demand in the market. That is, in essence, the currency has become a commodity – the greater demand for it, the higher its price. The United States dollar was ready for this trading system, as well as the United States economy.

The United States government had foreseen these crucial changes in world financial system. In the 1970s, when the fact that gold standard system would not last for long became obvious, President Richard Nixon and his comrade-globalist Secretary of State Henry Kissinger knew that the abandonment of the gold standard will hit demand for the US dollar in the international market and decided to back the dollar with one of the most profitable resource – oil. Maintaining an “artificial demand for dollars” was a vital prerequisite for continuation of increased spending on the US social programs and the war in Vietnam.

As a result of a series of negotiations, the United States, represented by Henry Kissinger and the Saudi Royal Family conducted a critical agreement, according to which the United States provided military protection of the oil fields of Saudi Arabia, supplied arms and guarantee the protection of Israel. The Saudis, in their turn, must evaluate and sell their oil only in US dollars and needed willingness to invest excess profits from oil transactions in debt securities issued by the United States.

Thus, the United States secured an unprecedented economic rise for the next few decades. The system became popular under the term “petrodollar”. By 1974, the petrodollar system worked in Saudi Arabia at full capacity.

As US officials expected, other oil-producing countries shortly also wanted to join the transaction. By 1975, all OPEC oil-producing countries, agreed to trade their oil in dollars and keep their surplus oil revenues in US debt securities in exchange for the generous promises of the United States.

The new monetary system brought new challenges. The struggle for the benefits accruing to the countries issuing international currencies, as well as an objective need to maintain a limited number of most reliable currencies for international payments resulted in the displacement of most national currencies from global commodity and stock markets. This process led to the formation of the modern World Monetary System hierarchy of currencies. Currencies were distributed into four different groups: functioning keys, international, local and closed. Nixon and Kissinger succeeded in the transition from gold standard to petrodollars, which secured dollars place at the top of this hierarchy.

The Russian (then Soviet) Ruble, however, was considered to be a local currency. As international practice shows, raising the status of the national currency is one of the most effective tools for acquiring a strong economy. Raising the status of the Ruble as an international currency would oust foreign currency as a means of accumulation, conservation and treatment of the internal market, to transfer a significant part of the settlement of export-import operations in national currency, as well as to facilitate access to the commodity and stock markets of the CIS countries.

## **New World Order**

Zbigniew Brzezinski, in his book *The Grand Chessboard*, states that after the collapse of the USSR, the USA had become the world's only superpower. He further states that there is no possibility there could ever exist any state that could challenge American predominance. Brzezinski was partially right, in what he calls the medium period, the period of time from five to twenty years. At the time his book was published (1997) Russia lacked not only the strength needed to be superpower, it was also weak and practically lacked an economy; most of the factories and industrial zones were out of order, the economic system having failed.

At the time Russian Federation was dealing with its domestic problems, the United States and the European Union have acted in a manner not unlike of that described by John Perkins in "Confessions of an Economic Hitman". After securing the economic leverages, the NATO Alliance was able to expand up to the borders of the Russian Federation. After that leading NATO countries could safely promote their economic interests, without fear of angering once formidable Moscow. The European Union and the United States, which, according to Brzezinski are natural partners, have dragged former partners of Russia, be that Ukraine and Georgia or the Baltic countries, into economic and political partnership.

As a result, almost all the prediction of Brzezinski came true over the past 20 years: Russia lost its strategic partners, and today NATO extends its arms in the region, thereby literally tying "Russia's hands" in the sphere of its own military security.

It was assumed that everything leads to a complete US hegemony in the

world economics, and that there never will be any rival to it. In that case, the United States would be the legislator of the global “economic game”. However, Russia had its own plans.

The world was divided into Western world allies and their adversaries, and in this game, Russia cannot risk being left alone. In order to achieve safety, and only then competitiveness in global economics, Russia must first create a “safe neighbourhood”. For this purpose it would need an economical union, which, in terms of economic efficiency, would be a smaller replica of the EU, in order to provide stable circulation of goods and no shortages within the market. Russia must shield itself from dependence on countries that can turn away from it in favour of the US, and acquiring such friendship is possible only by formal economical association and weighty economical arrangements that can become a lever of pressure.

### **Here Comes the Eurasian Economic Union**

Ever since the break-up of the Soviet Union, Russia has launched various initiatives aiming at reintegrating the newly-independent states. These lacked neither the number of international agreements signed by governmental officials, nor top-level political meetings arranged. What those initiatives lacked was good institutional framework.

These economic integration initiatives were perceived by former Soviet states as vehicles for Russia’s traditional power methods in the neighbourhood, expressed in a mix of crude power and institutional weakness. Newly independent states saw those initiatives as a step back from economic development and independence towards the outdated economic and political system fully dominated by Russia.

The other option was the European Union, the “new game in town”, which was seen as a primary source of modernization and improved governance in the region.

Until recently regional integration in the post-Soviet space was largely declarative. Even with its natural resources and potential, it was hard for “post-Soviet” Russia to deal with emerging interest of its former co-Soviet republics towards the Western world and European Union as their eco-

nomical partners. The formation of the Eurasian Economical Union, however, may change the situation.

The Eurasian Economic Union appears more viable because of its better institutional framework, proven commitment to implementation and system of rules harmonized with international norms and the WTO regime.

The Union will provide several advantages to member countries. One of those advantages is abolishing customs controls between member states that will result in exempting custom duties. The new alliance will help restore horizontal connections between industries and enterprises, which were severed after the collapse of the Soviet Union. Also, its creation will stimulate business development by eliminating trade barriers. The Union will play a great role in lowering production costs and in increasing the production of goods by creating custom-free raw material import for producing companies.

With the free movement of goods and capital, direct investments among member states will increase, resulting in more employment opportunities for citizens of member countries. Good news for the employees is that there will be no visa regime between Union member-states.

The main point that distinguishes this project from previous projects and the CIS in particular is the notion that it can grow and will not be limited only by the former Soviet Union. In this project, Moscow is primarily pursuing a strategy of creation of a powerful centre of gravity, and sequential gain in the process of its implementation.

Vladimir Putin said that the Eurasian Economic Union is open to all neighbouring countries. That is, the economic union with a population of 170 million will grow bigger. Putin's plan suggests that a powerful supranational association capable of becoming one of the poles in the modern world and serving as an efficient bridge between Europe and the dynamic Asia-Pacific region. Alongside other key players and regional structures, such as the European Union, the United States, China and APEC, the Eurasian Union will help ensure global sustainable development. According to this, the new alliance will become not only one of major economic and geopolitical influence centres, but also a bridge between the EU and China,

which can benefit from its geopolitical closeness to Europe as well as to the today's most dynamic region – the Pacific. Everyone needs large-scale, high-capacity market and the larger they are, the better. Therefore, it is objectively beneficial for any independent state to become a member of such an organization.

It is important not to regard the project as a direct political association and realize that it does not choose as a target the sovereignty and independence of the post-Soviet states. According to the schedule, Russia, Kazakhstan and Belarus started their Union membership on January 1, 2015, and Armenia on January 2. Kyrgyzstan will follow suit in May, and Tajikistan considers joining the venture as well. The potential of this free trade zone is also important for countries in Asia and Middle East, particularly for Turkey, Iran and Israel. Meanwhile, the public attention does not escape the assumption that Republic of Abkhazia and South Ossetia can join the Union, after they are officially recognized by all the member states of Eurasian Economical Union.

## **Conclusion**

The Eurasian Economic Union is more institutionally-analogous to a Customs Union. Potentially the Union could develop from the economic to the political level; the European Union is an example of such a way, from European Economic Community, which was structurally a customs union established by the Treaty of Rome, to a political union. It could also obtain its own currency that will be in use throughout all the Union, and maybe even worldwide.

However, what is now crucial for Putin, is to create a “Russia-friendly zone”, and most of the countries in the region will benefit from this Union, securing Russia's international economical positions. The union will create a platform for Russia's economic stability, and secure market, that will be a guarantee of normal trade even in the times of heaviest US and EU sanctions.

Today, when economics has become the battlefield for global domination, Russia is the party that is at risk. It is obvious that efficient steps to prevent domination of the Western World over Russia in at least the region of its

interests should be taken. Vladimir Putin understands there is a necessity in creating “detering economical tool” that would meet requirements for Aumman’s “deterrence” model in the sphere of economics. As a first step in achieving this model he has to create a “safe neighbourhood” that will ensure Russian economic security and will prevent the Ruble from becoming worthless. He chooses to create the Eurasian Economic Union and to form an economic alliance that would guarantee economical safety. Later, if the Union grows stronger, it may well become Russia’s leverage, or deterrence tool against sanctions.

## Epilogue

*Frederic Labarre*

The 8<sup>th</sup> RSSC SG workshop follows through the approach launched in 2012 whereby the workshop themes succeed, inform and reinforce each other from meeting to meeting. In Tbilisi, in March 2013, we had examined confidence-building measures in the EU and NATO frameworks and hits had given impetus to revisit an idea that had been proposed in Reichenau in 2012, that of joint sovereignty, by Dr. Craig Nation.

In effect the 8<sup>th</sup> workshop provided participants representative of every group in the South Caucasus the opportunity to tackle the thorny issue of status in a new way. The first measure of success of the 2013 Reichenau meeting was its representativeness; very rarely is it possible to accommodate Abkhazians, South Ossetians, and Nagorno-Karabakh constituents, together with Armenians, Azerbaijanis, Georgians and Russians. Also we also had a very rich Russian participation, probably the largest in years for a PfP Consortium workshop. Certainly the quality of the papers presented, the spontaneity in discussions are both the result of the expert organizational skills of the staff of the Austrian National Defence Academy, who have provided the Study Group with an idyllic setting, and of the professionalism of the participants.

The substance of the discussions is revealing. Federal or confederative arrangements are the governance solutions for any geopolitical actors whose constituent parts (either de jure or de facto) are characterized by distance; either physical or psychological/cultural. Canada and the United States are federations because they are large countries, and governing from the centre would inevitably clash (as they have in the American case in 1861-1865) with local particularities spread out over a vast territory. Other times, it is the variety of cultures within a small territory which requires representation. Here, the case of Switzerland and Belgium are patent cases. So too are the countries of the South Caucasus. Taken in isolation, the subject of federalization in the South Caucasus or of sharing sovereignty over resources and public service functions should have yielded in-depth examination of



how to make alternative governance models work. This is not exactly what happened. Instead, the discussions on sharing sovereignty or on joint management oscillated between two poles.

One of these poles saw the question of sovereignty (enhanced, shared, diluted, usurped or residual) as dependent upon whether the European Union or Eurasian Union model of integration would win out in the South Caucasus. Indications from our discussions suggest that there is significant disquiet as to how Russia is pushing its Customs Union and eventual Eurasian Union in the region. For the organizers, however, there is no either-or dilemma to the EU or Eurasian Union. There is no exclusivity to free trade at all. To wit, Canada, a founding member of the North American Free Trade Agreement (NAFTA) just entered into a free trade agreement with the European Union in October 2013. This should be an indication of the possibilities that exist for South Caucasus countries as well to enter both into agreement with the EU while being part of another formal structure. Unless of course one considers trade is only a veneer to hide ideological and normative motivations. Then the question of values comes to the fore, and that is subject for a workshop in itself! Suffice it to say that one of the alternative models of governance/sovereignty was considered at the macro-political level only.

The other pole of discussion did not focus on the details of how to make alternative governance models work at the regional level or between governments and breakaway regions, but on the *conditions* necessary for such ideas to even be considered. Namely, nearly all the participants at the workshop highlighted the issue of internally-displaced persons (IDPs) and of the commitment by the parties to the non-use of force. Certainly, this is hardly surprising, as these are two key bones of contention within the Minsk Group and Geneva format negotiations.

One cannot say categorically that the participants wanted to convey the message that security guarantees for refugees and non-use of force were *sine qua non* conditions for any ulterior discussion on status or even stabilization. Previous workshops had all argued that the necessity to focus on achievable goals and grass-roots level or non-political cooperation initiatives could spill-over into other domains, and lead to a more stable South Caucasus by building confidence between parties. Such confidence building

was then thought to be one of the essential keys to begin talking about refugee return and commitment to nonviolence. Rather, it seems more appropriate to say that in its own way, the Study Group examined the issue of alternative governance model in a deeper manner than expected. In this sense the discussions could not yield the policy recommendations that were anticipated. Instead we see continuity rather than variety.

This must be seen as an indication of the soundness of the Study Group's approach, and of the coherence of its participants. This gives enormous credibility to the recommendations that have been issued in the past. But there is also innovation. For example, the discussions on interim solutions rather than arguing *ad vitam aeternam* on national end states are an important step forward. We have also heard statements warranting optimism; Medea Turashvili hinted that Georgia, for its part, was demonstrating readiness to reconsider certain notions associated with Abkhazian and South Ossetian sovereignty, and to revisit federative options once again. But most evocatively, Stepan Grigorian let fly the remark that it's the whole idea of *borders* that had to be looked at in a critical manner, not merely issues of sovereignty or even territorial integrity. In that last regard, Nina Selwan argued that discussions about territorial integrity were positively harmful to making headway in negotiations. These observations should be heeded by Euro-Atlantic powers, who lobby so strongly for a "Europe at peace, whole and free".

In April 2013, the French daily *Le Monde diplomatique* released a special periodical asking whether "borders shouldn't be completely discarded". (*Faut-il abolir les frontières?*) This point is valid in view of the fact that borders carry double meanings. They represent barriers and filters – a potent image in the South Caucasus – but they also represent the "great beyond", aptly illustrated by the French-to-English false friend "frontier." The frontier is the place where anything is possible. It is the myth of the North American West, where individual (not national or collective) achievement is rewarded. The breakaway regions' independence drive is therefore not incompatible with the desire expressed by their representatives (but also by Armenian, Azerbaijani and Georgian participants) for easier access to the European Union through visa liberalization. Indeed, it is the very manifestation of the double meaning of borders in the globalizing world.

All in all the discussions were rich and spontaneous. Perhaps too rich; topics for future workshops abounded and selecting a theme for the 9<sup>th</sup> RSSC SG workshop was difficult. The 9<sup>th</sup> workshop, which will be held in Istanbul 20-22 March 2014, will focus on the non-use of force through the prism of disarmament and military de-escalation. This topic will be explored at the individual, regional, national and international levels. To some extent, it offers the participants the chance to expand in greater detail on ideas that were put forward at the 7<sup>th</sup> RSSC SG, namely “cold cooperation”.

The aim will be to communicate to the South Caucasus stakeholders the risks associated with out-of-control military escalation, and how disproportionate military spending threatens socio-economic (and domestic) stability. It will also aim at determining the conditions whereby an effective arms control regime involving larger powers constructively can be established at least at the South Caucasus level. In the absence of an agreement on the non-use of force by the parties, raising awareness among adversaries of the objective justification for moderation will bring about the realization that the greater part of honour lies in a more discrete military footprint.

## **PART V:**

# **POLICY RECOMMENDATIONS**



## Policy Recommendations

### Current Events in the South Caucasus

The on-going crisis in Ukraine simultaneously distracts and colours perceptions about recent events in the South Caucasus. The international community devotes as much attention on the Ukraine crisis as it has failed to devote on the conflicts in the South Caucasus. While the Ukraine crisis reminds experts of how regional tensions led to full-blown war twenty years ago, Western leaders seem to be oblivious of the fact that yet another frozen conflict is being concocted at Russia's periphery, between the European Union and the Eurasian landmass. This also means that the West is no closer to a clearer understanding of the tensions in the South Caucasus, as the sources of those tensions recede ever further into the past, making resolution more difficult.

More to the point, Abkhazia suffered a minor revolution in the Spring of 2014, which led to the removal of Aleksandr Ankvab as democratically-elected president of the self-proclaimed Republic of Abkhazia. These events are reminiscent of those that saw Ukraine's president Yanukovich seek exile in Russia, with the exception that it didn't trigger accusations of third party (read Western or Georgian) involvement. Following the elections of 24 August 2014, predictably repudiated by Georgia and the West, Abkhazia has largely recovered its former stability.

In Georgia, prime minister-elect Bidzina Ivanishvili has, as promised upon his election in 2013, relieved himself of office and left it open to incoming PM Irakli Garibashvili. The brief passage of Ivanishvili at the helm of the Georgian state has left its mark. Among the major accomplishments of his leadership, the relative rapprochement with Russia through the reopening of some aspects of trade merits mention.

However, Georgian politics have suffered from a deep polarization during that period, beginning with attempts at prosecuting outgoing president Mikheil Saakashvili (since 2013 in exile in the U.S.), and continuing with accusations of corruption against defense minister Irakli Alasania, which

led to his departure from the ruling coalition in October 2014, and was followed by the resignation of key cabinet ministers, among which foreign minister Maja Panjikidze.

This has thrown the Georgian government in disarray in particular with regards to its ambitions of integration into Western institutions. While this crisis is likely to be resolved through new parliamentary elections, it has cast a shadow on the 2012 – 2013 success of the first peaceful, free and fair government transition in Georgia since its independence. Because of this, all eyes will be turned on the quality of the Georgian electoral process, bearing in mind Russia's interest in keeping NATO out of that country.

In the case of Armenia and Azerbaijan, the respective election results of 2012 and 2013 have predictably perpetuated the stalemate over Nagorno-Karabakh. It remains to be seen how the localized arms race that has characterized the relations between the two countries since around 2007 will affect Armenia's entry into the Eurasian Union, and Azerbaijan's continued reliance on oil exports in a context of plummeting prices. Experts have predicted that Azerbaijani oil reserves would peak in 2014, and that production would inevitably drop thereafter. This means that the rate of its defence spending would also be expected to diminish. These factors may give the impression to Azerbaijan that it may lose the initiative. After outspending Armenia's entire government budget, the Russo-Armenian alliance may be too much to withstand if its oil revenues drop. Ergo, Azerbaijan may be tempted to initiate action through military force.

In addition, the budgetary restrictions that the drop in oil prices and production may create can also lead to a crisis of expectations among the population. The government may already be anticipating such an eventuality, as the recent spate of arrests of dissidents, journalists and bloggers attests. The Aliyev regime may feel under pressure and pre-empting possible popular unrest.

Turkey is also fresh from recent rounds of elections that have secured Erdogan's position at the helm of this country, but the major challenge comes from the South East. ISIS is knocking on Turkey's door, throwing into question the very existence of the Kurdish minority, let alone Kurdistan. Turkey is a critical actor in the South Caucasus, especially in view of the

stabilization of relations with Armenia. Its attention is now monopolized by the morphing threat of spill-over of the Syrian crisis, refugee in-flows and ISIS. How Turkey will deal with the double challenge of its relations with the Kurds and that of ISIS will be the object of close scrutiny by the international community.

### **The Eurasian Union and Customs Union in Question**

The speakers considered whether the Eurasian Union would one day become an integrative project like the European Union, or whether it was merely the re-creation of the Soviet Union in a new form. Panellists argued that the defining difference between the two institutions was the presence of checks and balances, which mitigates the disproportionate weight of France and Germany in the EU, which seems (as yet) absent in the Eurasian Union, where Russia is the dominating actor. Indeed, 80 percent of the total GDP of the Eurasian Union is produced by Russia. But furthermore, nearly a quarter of that wealth depends on some 110 oligarchs, which makes the Eurasian Union heavily asymmetric.

At the “operational level”, the difference between the EU and the Eurasian Union is their degree of centralization, with the former being a “soft”, decentralized federal economic project. The Eurasian Union, it was argued, lacks the institutional framework to accommodate the interests of smaller players, which could lead to an overbearing centralization. Panellists agreed that the Eurasian Union – void of ideological context – was a return to Soviet days. However, this does not mean that there is no cleavage between the EU and the Eurasian Union. In fact, the people of Ukraine, for one, put the issue of individual rights before that of personal comfort, whereas the people of Russia seem (*prima facie* evidence seems to support this claim) willing to submit to strong directive rule in exchange for greater material comfort. Whether the Eurasian Union will produce this standard of living has yet to be seen. In this sense the choice between one and the other integrative project represents a civilizational choice. Beyond the ideological content and the common the desire to foster trade and economic relations, could the two projects be reconciled so that countries and nations caught between East and West can better form their policies?



## **Reconciling the EU with the Eurasian Union**

Because the two integrative projects are perceived as “civilizational” incarnations of their respective “blocs”, they also constitute competing geopolitical projects. Some aspects of the EU cannot satisfy the security requirements of participants to the Eurasian Union. Armenia’s choice for the Eurasian Union, ratified by the Constitutional Court on 15 November 2014, is motivated through the need for additional security guarantees. This is something the EU cannot hope ever to match. The EU has also been accused of being inconsistent (a reflexion of the number of decision-making centre’s there) in its policies, especially pertaining to enlargement.

This means that the issue of “attractiveness” becomes mitigated by hard security considerations. Ukraine’s choice is clearly a loss for Russia because it means that a potentially hostile military adversary will manifest itself on its doorstep. This is something that Russia does not want, and it has been a central tenet of its foreign, defence and security policy for the last twenty years. How Ukraine’s return to the “Russian fold” will alleviate this sentiment of vulnerability is not clear. Still, the principle of “strategic patience” should be applied all around to allow simmering tensions to cool down and let leaders engage rationally.

Geopolitics is about material interests, not values. The competition for resources is allowed to take place because there is no real normative contest; Russia must use force to impose its writ, whereas the EU’s values do the work for her. In other words, the latter does not need to stand up to Russia to still gain an advantage. The problem is that the South Caucasus will remain isolated by the geopolitical competition. This isolation will continue, regardless of whether a particular country chooses this or that economic integrative project. The solution to reconciling the two projects, and therefore breaking the isolation of the South Caucasus would be to establish therein a free economic zone, commercially accessible to either blocs, liberating the participants from the painful consequences of their dilemma. It could induce both sides to engage in the South Caucasus in a way to eliminate inter- and intra-regional dividing lines.

## **Georgia, Armenia and Azerbaijan at the Fault Line: What Choices for what Consequences?**

Perhaps it is not primarily a question of choice, but of complementarities. While “choosing” the EU would bring clarity as to rules of expected behaviour, joining the Eurasian Union would bring security. Panellists here believe that it is unproductive to distinguish or separate between a political project and a security project, which the EU and the Eurasian Union respectively are. Armenia’s participation in the EU’s Deep and Comprehensive Free Trade Agreement via the Association Agreement agreed to in July 2013 (DCFTA – see previous RSSC SG Policy Recommendations) is a case in point; it allowed for a 2.3 percent increase in GDP. How Armenia will fare now that it has signed up for the Eurasian Union remains to be seen. Azerbaijan’s position is that joining the Eurasian Union would amount to a loss of sovereignty without compensation. With the EU, the rules and benefits are clear, but detrimental for any authoritarian regime, since it brings the issue of normative change to the fore.

Russia has very little to offer in exchange for joining the Eurasian Union. In fact, it can be a vehicle to undermine the comparative advantages of the South Caucasus countries; for example, membership in the Eurasian Union may turn over the resources of Azerbaijan to Russia, and it may permit the by-passing of Georgia as regional transport hub. In addition, it provides no roadmap for a comprehensive conflict resolution package for the region. All the countries in the region are trying to seek equilibrium between three factors; internal stability, Russian influence and Western integration (and the associated obligations, such as meeting the *acquis communautaire*).

Full Western integration means adoption of EU and NATO rules of the road, which mean reform, and therefore can threaten established regimes. Furthermore, it will undoubtedly attract Russia’s negative attention, and may exacerbate the already tense situation in the region, especially over Nagorno-Karabakh. At the societal level, it will also contribute to an already aggravating brain drain in the region. On the other hand, staking everything on the Eurasian Union for hypothetical guarantees of security is a non-starter for many communities; namely because of the expected impact on individual rights, not to mention vague expectations of standards of living improvement. The South Caucasus as a whole seems to prefer to

articulate a balancing position between the two projects. How to articulate this balancing act into a platform for regional stabilization remains in question. It has been argued that the two projects or blocs could be reconciled in their fight against Islamic radicalism which is threatening both Russian/Eurasian and Western power centre's.

### **The Impact on the Breakaway Regions**

For Abkhazia, South Ossetia and Nagorno-Karabakh, the question is not of “joining” one side or another, it is about affirming status (regardless of whether this status means joining a third country or remaining separate from its titular country). The international community needs to wake up to the reality on the ground. Namely, that no matter how “attractive” the EU may be, security lies with Russia, at least for Abkhazia and South Ossetia. The choice of one model of economic interaction or another cannot supersede the affirmation of independence of some of the breakaway regions. Already, Russia is engaging economically at both the Georgian and the breakaway regions' level, but this doesn't mean there is a solution to the disputes on the horizon.

In Nagorno-Karabakh, while the dispute over status still simmers on, the basic question of trust hampers any decision as to which model could better offer the highest potential for economic development. Mistrust at all levels makes it impossible to move forward on any issue. The direction of choice would be to begin looking at the region as border-free strategic entity of its own. As of yet, there is no leader either in Armenia or in Azerbaijan who has the imagination to build up this narrative. The all-consuming, most important issue is status resolution. Over this there cannot be any compromise, although the majority of the Study Group experts agrees that there must be. The idea of a modern “Transcaucasia” is still far off, but medium-term solutions can be imagined. Decision-makers and leaders must demonstrate openness and pragmatism if another generation is to be spared isolation. Pragmatism here needs not be the cool, calculated assessment of “national” interests at the detriment of individual or adversarial rights, but a reconciliation of interests to the benefit of the greater number.

The disputed regions are locked in this titanic geopolitical contest between the EU and the Eurasian Union, herself piloted by Russia. They do not

represent a large enough market to be interesting to either, except that Russia might make a point of pride in “capturing” (this is how certain Western commentators would see it) or “protecting” (how the Abkhaz and South Ossetians view the situation) regions lacking universal recognition. The dilemma for Abkhazia and South Ossetia in particular is that either solution (EU or Eurasian Union) means shedding independence that has been fought for bitterly. Yet the affirmation of this independence may also result in a more complete isolation of these regions. Formal recognition would have the merit of “liberating” Abkhazia and South Ossetia not from the “grip” of Georgia, but from the reflex of forever affirming independence as a *fait accompli*, which has policy consequences that are detrimental to their respective constituencies. That is, formal recognition would give them the freedom to engage with whomever they would wish freely (in the case of South Ossetia this may mean joining up with North Ossetia), independently, and in a sovereign manner – as long as Russia authorizes it.

### **Summary of Recommendations**

There are three levels of recommendations that the Study Group RSSC would like to submit; (1) general recommendations, expected from one meeting to the next, (2) recommendations of a strategic or structural nature, aimed at establishing new security regimes in the region, and (3) particular recommendations, aimed at exploring solutions that have been the subject of interactive discussions during the workshop.

#### *1. Keep Communication Channels – especially informal ones – Open*

The current tensions between Russia and the West over its actions in Ukraine are a case in point. While sanctions apply and keep mounting, opportunities for dialogue should not be missed. The same applies within the South Caucasus as a whole, and also between South Caucasus actors and Russia.

When dealing with the South Caucasus, the international community should engage in a dual approach of reconciliation at the grass roots and community level and development. In particular it was proposed that there be a dedicated platform for such “Track 2” engagement between interested parties in Armenia and Azerbaijan, including actors from both sides of the

Nagorno-Karabakh conflict. Such a platform could be formal or informal, but it would need to gain some permanence to enable relationships to blossom. In many ways, the PFP Consortium's RSSC SG procures such a platform. The recommendation here would be to explore ways to adapt workshop agendas to make this platform a reality and better engage academic and official actors from the region.

Also in keeping with the idea of a common platform for discussion, negotiations should continue within the existing frameworks for all unresolved conflicts despite cease-fire violations. Furthermore, in moving ahead with negotiations, matters of history should be secondary to the need to develop a narrative away from "civilizational" understandings of the conflict, and turn towards the future. For example, regional referendums should ask respective societies where they see themselves in x years' time, rather than keep focusing on status issues.

Finally, the need for "strategic patience" has been voiced. Although vaguely defined, it can be said that time heals all things. This is why a narrative hinging on this principle should be aimed at the younger generation (the 20 – 25 year-olds) who have not lived through the conflict or have no memory of the breakup of the USSR. In the context in which it was voiced during the workshop, however, "strategic patience" can give the impression that when sufficient time has passed, what has been achieved in fact is also achieved in law. This merits debate, and the conditions under which this would be possible will be explored in future workshop meetings.

## *2. A not so "Final" Final Act: Adapt the 1975 Helsinki Treaty*

The international community, and more particularly the OSCE, should consider creating new security architecture for the South Caucasus by adapting the 1975 Helsinki Final Act. This would provide for non-contradictory "exceptions" which would bring consistency to the regional realities, and humour Russian suggestions, voiced in 2008 already, about new security architecture for Europe. The main thrust of the potential changes to the OSCE security framework should rather aim at adapting the regional security architecture (not necessarily only in the South Caucasus, but in the whole Eastern Europe- or in the EU Eastern Neighbourhood) in order to increase its consistency with regional realities. The 2009 Russian

proposal for new European security architecture might be part of that discussion, although it couldn't obviously respond all of the regional security needs.

In particular, such an adaptation should include re-defining and harmonizing the concepts of territorial integrity and self-determination in order to stimulate conflict resolution in the area of application. For example, by precisely distinguishing between internal and external self-determination (the latter leading to fully-fledged independence) and the conditions under which the former can turn into the latter.

At the economic/trade level, the Final Act could take on the promotion of a South Caucasus economic free zone (or free trade areas) irrespective of the "allegiance" of the respective countries (to join the EU or the Eurasian Union) and irrespective of status.

In addition, the OSCE will mark the 40<sup>th</sup> anniversary of the Helsinki Final Act in 2015. In reality, the "Helsinki at 40" anniversary is intended to revitalize the OSCE. Naturally, this would also reflect well on the various peace processes (Minsk, Geneva) which the OSCE stewards. The international community has a golden opportunity to reconcile conflicting security reassurances within a multilateral framework which everyone values.

### *3. The International Community should face up to Realities in the South Caucasus*

After 20 years of stalemate, it is increasingly doubtful that reintegration can be made attractive to regions lacking universal recognition in the Western South Caucasus. In this sense, the EU's "engagement without recognition" principle should perhaps be reconsidered so as to prepare for the gradual recognition of increasing levels of formal Abkhaz and South Ossetian authority, including sovereignty over their own affairs. The conditions that would permit this recommendation to apply to Nagorno-Karabakh are not yet present.

Georgia should explore the possibility of trading gradual or partial recognition of such responsibilities in Abkhazia and South Ossetia in exchange for equally gradual and reciprocal withdrawal of Russian forces from Abkhaz and South Ossetian territory. This would be underpinned by a formal trilateral

eral (Russia-Georgia-breakaway region) treaty on the non-use of force.

At the present time, nowhere is the need for a reinforced cease-fire agreement more urgent than in the Nagorno-Karabakh conflict between Armenia and Azerbaijan. The shooting down of an Armenian Mi-24 (NATO designation “Hind”) helicopter allegedly on a training mission close to the line of contact by an Azerbaijani missile represents a dramatic escalation. The opportunity should be seized to make the line of cease-fire more robust, not only by proscribing snipers (see earlier policy recommendations) but by proposing a heavy weapons exclusion zone, buttressed by a formal non-use of force agreement between the sides.

A Western strategy for the South Caucasus is needed. While it is becoming increasingly clear that, in the wake of the Ukrainian crisis, the West will seek to prevent Russian attempts at “re-Sovietising” Eastern Europe and Central Asia by an emerging strategy to contain the Eurasian integration, the focus for the SC strategy should take a constructive/power sharing approach. From this perspective, the resolution of the protracted conflicts should become a key Western priority. Such an approach might, on the one hand, undo Russian geopolitical games in the region, and, on the other hand, may open the door to developing new European security rules and mechanisms in the OSCE area. To that end, a more pro-active and imaginative role of the West should be considered for engaging both Russia and Turkey in effective conflict resolution. For example, the West might start to prepare the ground for sustaining post-conflict regional economic integration in the South Caucasus, as a way to circumvent the dilemma of post-Soviet states caught in between competing European and Eurasian integration processes. The West might also defend its regional economic and security interests in the South Caucasus more pragmatically by seeking new regional arrangements according to common interests, not necessarily upon acceptance of common values.

In Nagorno-Karabakh, a more promising path might lead towards post-conflict economic integration of Armenia, Azerbaijan and the break-away region of NK, in the wake of a political compromise on the final status established in line with the OSCE Minsk Group’s updated Madrid principles. Fresh research on economic incentives as peace-building tools in the context of the NK conflict has clearly shown that there is a will for nascent

economic cooperation to emerge between Armenians and Azerbaijanis. Furthermore, the same research highlighted that Armenia and Azerbaijan need not only the prospect of economic cooperation, but an entire post-conflict blueprint for integration and regional (economic) development, inclusive of projects of “common economic interest” that can be developed jointly. While military strategists in these countries keep in place their contingencies for war, there is an alternative choice: the path to eventual peace, prosperity and possibly economic integration for both Armenia and Azerbaijan.

#### *4. Make the Eurasian Union more Attractive*

Russia and the other members of the Eurasian Union should reform the existing model from within so that consensus could be adopted as the main decision-making principle. In this way, the smaller/weaker members of the Union could be empowered in order to sustain their autonomy. This could also be formulated as giving veto power to the member countries on substantial issues.

Likewise, the Eurasian Union should be decentralized into a more flexible structure which could be more attractive to the business groups, democratic civil society organizations as well as youth. Increasing the attractiveness of the Union could go hand in hand with the prioritization of persuasion over coercion as the exclusive mode of communication among the stronger and weaker members of the Union.

Last but not least, the Eurasian Union’s competencies in issues like energy and health regulations should be made more transparent not only to the domestic actors but also to the international stakeholders. The Eurasian Union’s energy policy should not infringe on the energy security of the partner countries. In this way, energy policy would reflect the dynamics of the free market





## List of Authors and Editors

AKBAROV Orhan, Coordinating Council, Azerbaijani Community of “Nagorno Karabakh Region of Azerbaijan Republic”, Azerbaijan

ALSHUNDBA Inver, Department of Turkey and Middle East of the “Ministry of Foreign Affairs in the Republik of Abkhazija”, Sukhum

BABIN Ivan, Centre of Science and Social Innovation, Russia

FELBERBAUER Ernst M., Austrian National Defence Academy, Austria

KARIMOV Elchin, Jagiellonian University, Center for European Studies, Poland

LABARRE Frederic, George C. Marshall Center, Garmisch-Partenkirchen, Germany

LIS Jonathan, Unrepresented Nations and Peoples Organization, Belgium

MAGARAYAN Emma, The University of Glasgow, Jagiellonian University, Russian, Central and Eastern European Studies, European Studies, Armenia

MAISAIA Vahjtang, Caucasus International University, Georgia

NOVIKOVA Gayane, Center for Strategic Analysis, Yerevan

NURIYEV Elkhan, DGAP – German Council on Foreign Relations, Germany

PATARAYA Astanda, “Ministry of Foreign Affairs of the Republic of Abkhazia”, Sukhum

SADOVSKIY Oleksandr, Development & Security Association (NGO), Ukraine

TANRISECER Oktay F., Middle East Technical University, Turkey

The creation of the Russian Customs Union and the Eurasian Union has created new power paradigms between Russia and her neighbours. Given Russia's new political self-confidence, questions arise on the nature and purpose of these unions as non-military tools of persuasion. Which implications for Georgia, Armenia and Azerbaijan might an expanding Eurasian Union have versus the – currently stalling – enlargement of the EU? Does joining the Eurasian Union automatically mean re-attachment to Russia (or Armenia, as the case may be) for breakaway regions? Is the South Caucasus at a new fault line separating two civilizations, is it merely located in a difficult geopolitical area and can these fault lines be erased to enhance reaching a minimal level of stability?

**ISBN: 978-3-902944-51-1**



10<sup>th</sup> Workshop of the PfP Consortium Study Group  
Regional Stability in the South Caucasus