

MASTER THESIS

Why Does the South Caucasus Matter For the EU and Russia

(Comparative analysis of the interests and policies used)

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Abbreviations

BTC	Baku-Tbilisi-Ceyhan Pipeline
CEEC	Central and Eastern European Countries
CFSP	Common Foreign and security Policy
CIS	Commonwealth of Independent States
EaP	Eastern Partnership
ECHR	European Court of Human Rights
ENP	European Neighborhood Policy
EU	European Union
EUMM	European Union Monitoring Mission
GDP	Gross Domestic Product
IDP	Internally Displaced Persons
NATO	North Atlantic Treaty Organization
OSCE	Organization for Security and Co-operation in Europe
PCA	Partnership and Cooperation Agreement
SCP	South Caucasus Pipeline
TACIS	Technical Assistance to CIS
UN	United Nations
US	United States

Why Does South Caucasus Matter For The EU and Russia

Abstract

In the new millennium, the South Caucasus emerged as the region gaining international attention. If about two decades ago the region was quite neglected, today it is in the center of attention. Many people can not understand the change of thinking and attitude towards the region and often ask the question “Why the South Caucasus matter”. Many articles and books were devoted to the subject and this is one more attempt to answer the question. The thesis analyses the South Caucasian region and its importance for the main political players on the international political stage the European Union and Russia. It investigates main reasons of acquiring significance and effectiveness of the policies used by the actors.

Methodology

The method used in the thesis is a mixture of descriptive, explanatory and analytical as well as comparative methods, as it describes the region and its ties with the mentioned countries, explains that there is the real need for such relationship and at the same time analysis why and where these needs are driven from and compares the means, policies and actions of the EU and Russia toward the region.

The paper consists of introductory part, main body and conclusion with author's remarks, as well as references and abbreviations. The main body of the thesis is divided into four main chapters. *Chapters one and two* are devoted to the relationship of the European Union and Russia with the South Caucasus and the main policies and means the actors use in the region. *Chapter three* deals with the main question of the thesis, Why does the South Caucasus matter for the European Union and Russia, and mentions only main drivers of the interests in the region. (Due to time limit, the author of the thesis decided to concentrate only on the main aspects of interest, though if going deeply other drivers of interest can also be found). In the *Chapter four* the author drives reader's attention to the EU-Russian competition in the region and drivers of the reasons of the competition as such. At the same time the chapter compares means and policies used by both actors towards the region and tries to find out which policy is more productive in the given region. The thesis is based on the books, academic articles, speeches, etc.

Because of lack of time and not to sound subjective, the thesis does not concentrate on the conflicts, just briefly mentioning as background information where it is impossible to omit it.

Theory

This part of the thesis tries to theoretically explain the development of the EU-South Caucasus relationship. (Because of the lack of time it does not deal with theoretically explaining the development of Russia-South Caucasus relationship). Many scholars tried to explain the integration processes that took place in the past and continues to proceed even today. Accordingly many theories were introduced, especially in connection with the European Union, but the thesis analyzes only one theory out of many interesting ones, and that is the theory of “regional integration” or otherwise called Neo-functionalism.

Neo-functionalism is a theory of regional integration, which was introduced in the late 1950s and the most prominent neo-functionalists are considered to be Ernest Haas and Leon Lindberg.¹ Neo-functionalism is a theory of regional integration that tries to explain a process of political integration, especially that of European integration, and does not concentrate on the end goals or otherwise to formulate, how the enlarged Europe will look like after the integration.² As for the political integration, For Haas:

“ Political integration is the process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations and political activities toward a new centre, whose institutions possess or demand jurisdiction over the pre-existing national states”³

The main concept of the neo-functionalism is that of a “spillover” and that is the concept the thesis concentrates on. According to Haas the cooperation on one policy area or field creates pressure in the neighboring area thus leading to the farther

¹ Neill Nugent, “Conceptualizing and Theorising” in “The Government and Politics of the European Union” Palgrave Macmillan 2006 p562

²Carsten Stroby Jensen, “Neo-Functionalism” in Michelle Cini (ed) “European Union politics”, Oxford University Press 2007, available form www.books.google.com, pp 86-87

³ quoted from : Laura Cram “Integration Theory and the Study of the European Policy Process towards a Synthesis of approaches” in Jeremy Richardson (ed) “European Union Power and Policy-Making” London ; Routledge 2001. available from www.books.google.com , p 56

integration.⁴ In the logic of spillover he saw the central mechanism that explained the “expansive logic” of integration and categorized the factors and conditions producing it.
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There are several main aspects of snowball effect: functional spill-over, political spill-over and cultivated spill-over.” Functional spillover sometimes referred to as sectoral spillover, outcomes from the connectedness of different policy sector, mainly economy. The logic beyond Functional spillover is that integration in one sector produces pressure for integration in related sectors.⁶

Political spillover – national elites direct their expectations, activities and even loyalty to the supranational institutions which become more influential in the process of integration and national states and governmental actors contrary-less influential. Increasing importance of integration generates demand for political control, as well as accountability at the supranational level⁷

Cultivated spillover, also known as institutional spillover,⁸ emphasis the role of supranational institutions, in the case of the EU, the Commission, the European Court of Justice and the European Parliament. These actors contribute to the process of spillover, functional as well as political, at the same time supranational actors-especially the Commission-also help the governments of the European Union member states to discover the common interests as well as ways of efficient cooperation. “In this sense , the Commission tries to “ cultivate” the ground to advance integration process through its role as a mediator and provider of ideas.”⁹

What is also important to mention is that the snowball effect identified by neo-functionalism is not limited to political or functional spillover and also refers to what Haas calls “ geographical spillover”. According to Haas cooperation between one group

⁴ Ibid

⁵Franck Schimmelfenning and Berthold Rittberger, “Theories of European Integration” in Jeremy Richardson (ed) “European Union Power and Policy-Making”, Routledge 2006 p 87

⁶ Ibid

⁷ Neill Nugent, “Conceptualizing and Theorising” in “The Government and Politics of the European Union” Palgrave Macmillan 2006 pp562-563

⁸Franck Schimmelfenning and Berthold Rittberger, “Theories of European Integration” in Jeremy Richardson (ed) “European Union Power and Policy-Making”, Routledge 2006 p88

⁹ Ibid.

of member states would likely have an impact and effect upon non-member states, at least by changing existing patterns of trade. At the same time the responses of non-member states can influence the process of integration.¹⁰ In other words, as McGowan, Lee mentions in his article a geographical dimension of spillover concentrates on the “degree to which the EU has impacted on non-member states and how such states have altered their domestic systems to comply either voluntarily (e.g. Norway) or been coerced (accession states) to adopt EU rules and norms.”¹¹

Neo-functionalism has undergone many criticisms, but the thesis does not concentrate on it. After giving the background information on what the theory is about, the thesis directly moves to his attempt to explain the development of EU-South Caucasus. The theory of spillover can be applied to the development of EU-South Caucasus relationship. But the relationship will be analyzed through functional and regional spillover.

Relationship between the EU and the south Caucasus started after the break up of the Soviet Union. The first official agreements signed by both sides were the Partnership and Cooperation Agreements (PCAs) in 1996, coming into force in 1999, which were concluded with nine former Soviet Union states. The aim of these agreements is to strengthen their democracies and develop their economies through cooperation in a wide range of areas and through political dialogue. Cooperation Council has been set up to ensure implementation of the agreements.¹² At this period of time such kind of cooperation was quite enough for the EU but the situation changed in 2000s. In 2004 CEE countries joined the EU, and Romania and Bulgaria were on the road to join, sharing maritime border with the South Caucasus. At the same time the EU realized the need for energy diversification, thus the importance of the South Caucasus. The EU also realized the perspectives of the region because of its strategic location. All

¹⁰ Laura Cram, “Integration theory and Study of the European policy Process” in “Policy-making in the European Union”, Routledge 1997 at www.books.google.com, p.16

¹¹ McGowan, Lee “Theorizing European Integration: revisiting neo-functionalism and testing its suitability for explaining the development of EC competition policy?” Vol. 11, EIoP 2007 p 16.

¹² Council and Commission, “Partnership and Cooperation Agreements”, Decisions [99/602/EC](http://www.europa.eu), 1999 at www.europa.eu

these reasons snowballed and were followed by realization of the need of new incentives in the relationship. Accordingly the PCAs “spilled over “into the European Neighborhood Policy, which offer a privileged relationship, building upon a mutual commitment to common values¹³. It offers political association and deeper economic integration, increased mobility and more people-to-people contacts.¹⁴ After a couple of years from the ENP formation, there was a more need for farther cooperation, or to say in other words “integration in one sector produced pressure for integration in related sectors.”¹⁵ The consequence of that was the initiation of the Eastern Partnership, an ambitious project for 21st century European foreign policy and an ambitious new chapter in the EU's relations with its Eastern neighbors¹⁶. EaP is a continuation of the ENP in its eastern dimension, offering closer relationship with the EU, Gradual integration into the EU economy, opening markets, mobility partnerships - greater access for workers, easier travel to the EU for citizens, prospect of a new generation of Association Agreements, increased financial assistance etc.¹⁷ How far the relationship will develop is difficult to say but the theory of the neo functionalism does not say anything about the end goals of the integration and how the integrated Europe will look, concentrating on the process of integration itself,¹⁸ so even from this perspective it can be applied to the EU-South Caucasus relationship.

From “geographical spillover” point of view, the “expansion” to the CEEC and acquiring new neighbors, produced the need and will to “expand” farther, and to spread and extend the EU governance regime – norms, standards and values – beyond the political borders of the Union¹⁹, the main tool for which became the ENP. Thus “expansive logic” of integration is also presented in the given case.

¹³ http://ec.europa.eu/world/enp/policy_en.htm

¹⁴ Ibid

¹⁵ Franck Schimmelfenning and Berthold Rittberger, “Theories of European Integration” in Jeremy Richardson (ed) “European Union Power and Policy-Making”, Routledge 2006 p 87

¹⁶ Benita Ferrero-Waldner, “Eastern Partnership - an ambitious project for 21st century European foreign policy “, 20 February 2009,

¹⁷ Ibid

¹⁸ Carsten Stroy Jensen, “Neo-Functionalism” in Michelle Cini (ed) “European Union politics”, Oxford University Press 2007, available form www.books.google.com, pp 86-87

¹⁹ Nicu Popescu, “The EU and South Caucasus: learning lessons from Moldova and Ukraine” IPF Policy Brief 2 (draft), p 2

Introduction

The term South Caucasus stands for the region south to the Great Caucasus mountain range comprising the states of Georgia, Armenia and Azerbaijan. It is widely regarded as a single regional group by external actors, including the European Union²⁰. The term South Caucasus is quite new and was before known as Trans-Caucasus, coming from Russian "Zakavkazje", which in western languages is translated "The lands beyond the Caucasus Mountain Range", hence clearly reflecting a Russian point of view. Recently the term Trans-Caucasus has been dropt out of the international political vocabulary and the term South Caucasus is used as an alternative to it to nominally separate it from Russia.²¹ When talking about the South Caucasian region, one must also take into consideration the fact that the South Caucasus is not homogenic , comprising of different people, (three nation: Armenians, Azeri and Georgians) different religion(Georgia -orthodox Christian, Armenia Gregorian Christian and Azeri Muslim) and accordingly different traditions. So one can say that the region is full of divergences and it is very difficult to co-operate on the regional level on the given situation. But notwithstanding all the mentioned above, it is regarded as one single region.

Each of the South Caucasus states experienced turmoil and war and even today suffer form the unresolved conflicts and in case of Georgia, occupation by Russia. The conflict between Armenia and Azerbaijan over Nagorno-Karabakh started in 1988 and was suspended by a cease-fire in 1994 brokered by Russia²². As a result Armenia occupied about 17 percent of Azerbaijani territory. Georgia experienced two armed conflicts, with the secessionist provinces of South Ossetia and Abkhazia. Conflict in

²⁰ icinia Simão and Maria Raquel Freire, "The EU's Neighborhood Policy And The South Caucasus: Unfolding New Patterns of Cooperation" in *Caucasian Review of International affairs* Vol. 2 (4) © CRIA 2008 p 225

²¹. Narine Ghazaryan, "The ENP and the Southern Caucasus: Meeting the Expectations?" *Global Europe Papers* 2008/5 pp 4-5. For more detail see Thomas V. Gamkrelidze "Transcaucasia" or "South Caucasus?", "Post communist Democratic Changes and Geopolitics in South Caucasus" "International Research Center for East-West Relations", Tbilisi, 1998, pp. 40-42

²² Svante E. Cornel, » The Armenian –Azerbaijani Conflict over Nagorno-Karabakh " in " Small nations and Great Powers" Curzon Press 2001 at www.books.google.com, pp 61-62

South Ossetia emerged in 1989, but erupted into war in 1991-92 and was suspended by cease-fire in 1992 as a result of which about half of the territory was left under Russian-supported separatist forces. After the conclusion of the cease-fire in South Ossetia, another war broke out in Georgia, namely the war in Abkhazia. Russian-supported Abkhaz separatist forces gained control over the near entirety of Abkhazia's territory in 1993²³ and as culmination of those conflicts, Georgian-Russian war of August 2008 followed by Russian occupation of Georgian territories²⁴ .

After the break up of the Soviet Union all countries of the South Caucasus regained independent and sovereignty, but at the same time experienced rapid economic collapse. People suffered from the poverty and unemployment, by the mid-1990s, up to half of the population of the South Caucasus lived below the poverty line. By 2006 their economies began growing and the three states managed to place themselves among the top ten countries in the world in terms of economic growth.²⁵ In this process Azerbaijan occupied the leading place with the GDP growth of about 20 per cent since 1995 peaking in 2006-2008 (reaching the first rank) as a result of its oil reserves and could get economic independence but after the global economic crisis Azerbaijan economic growth dropped back to around 3 per cent in 2009 and currently experiences economic slowdown²⁶. Armenia experienced double-digit economic growth especially in 2006-2008 but now is facing a severe economic recession with GDP declining at least 15% in 2009.²⁷ Georgia Georgia's economy experienced GDP growth of more than 10% in 2006-07 but it slowed down to 2 per cent in 2008 and after the war of August 2008 to 5 per cent.²⁸

²³ Svante E. Cornell , S. Frederick Starr; " Russia's Role and Policies in the Caucasus" in "The Caucasus: A Challenge for Europe", © Central Asia-Caucasus Institute and Silk Road Studies Program, 2006pp 51-52

²⁴ see: The Law of Georgia on Occupied Territories. Tbilisi. October 23, 2008

²⁵ Svante E. Cornell , S. Frederick Starr; "European Interests in the Caucasus" in "The Caucasus: A Challenge for Europe", © Central Asia-Caucasus Institute and Silk Road Studies Program, 2006 pp13-14

²⁶ http://www.indexmundi.com/azerbaijan/gdp_real_growth_rate.html also
<http://www.cisstat.com/eng/azer.htm>

²⁷ http://www.indexmundi.com/armenia/economy_overview.html also www.armstat.am

²⁸ http://www.theodora.com/wfbcurent/georgia/georgia_economy.html also
www.cisstat.com/eng/georg.htm

The level of democracy is quite low in the region. Although the countries have undergone through the changes, ratified many important documents (UN conventions and protocols on human rights, most core Council of Europe Conventions) and have shown some progresses in areas such as women's and children rights, concerns still remain. According to Human Rights Watch Armenia although Armenia undergone some reforms, concerns still remain, especially in the Area of Torture and ill treatment. Over 100 opposition supporters were arrested after authorities used police force in 2008 and many experienced physical abuse and The Armenian Helsinki Association reported there were at least four cases of torture of opposition supporters in custody in 2009. Free Media also faces problems. In 2008-2009 one journalist was assassinated and two were attacked but no conclusive investigations followed any of these incidents. In 2008 Armenia was found guilty in violation of article 10 (freedom of expression) of the ECHR in relation to an independent television station by the European Court of Human Rights. In 2009 parliament amended broadcasting laws and OSCE positively assessed some of the amendments. At the same time there are still some problems in gender equality.²⁹

Azerbaijan also faces some challenges. According to Human Rights Watch Azerbaijan's human rights record further deteriorated. About nine pro-opposition journalists were sent to prison in 2008-2009. Several journalists were attacked but government failed to investigate the cases. At the same time Torture and ill-treatment in custody continues. About 90 complains are reported on Torture and ill-treatment and At least three prisoners are reported to have died in custody in 2009 after allegedly being ill-treated. At the same time concern remains in Freedom of Religion. Religious organizations are restricted in producing, importing, circulating, or selling religious literature without specific permission from the State Committee for Work with Religious Organizations.³⁰

After the "Rose Revolution" Georgia underwent significant reforms and turned from a failing state into an increasingly functioning democracy³¹ but concerns still remain in some areas. In April-May of 2009 Tbilisi underwent the waves of protests form opposition. Although the government tolerated protracted protests, police used force

²⁹ <http://www.hrw.org/en/node/87532>

³⁰ <http://www.hrw.org/en/node/87607>

³¹ Svante E. Cornell , S. Frederick Starr; "European Interests in the Caucasus" in "The Caucasus: A Challenge for Europe", © Central Asia-Caucasus Institute and Silk Road Studies Program, 2006 p 14

against demonstrators and journalists, and dozens of activists were arrested, some later claiming ill-treatment in custody. Although government has built several new prisons, overcrowding and poor conditions still remain a problem. Free media also faces some problems as nationwide television broadcasting is limited to the state-owned public broadcaster and pro-government stations. Transparency of media ownership remains a concern. Pro –opposition televisions face problems and several journalists claimed pressure and attacks.³²

Chapter 1: *EU-South Caucasus, relationship and policy development*

1.1 1990-2000s

The South Caucasus has always been geopolitically important area, connecting two continents, Europe and Asia, two divergent regional cultures.³³ But notwithstanding its important strategic geographical location, the area was forgotten for some time, maybe because of being the constituent part of the Soviet Union. and later under the domination of Russia, avoiding to complicate relationship with Moscow. But situation nevertheless has changed and in 1990s and especially in 2000s the region attracted international attention, mainly that of the US and the EU (Russia's presence was always felt in the region).

The South Caucasus region did not enjoy much attention from the European Union. The region was quite neglected and the EU was only passively involved during the conflicts in the South Caucasus in 1990s, if not taking into account a consecutive role of Italy, Sweden, and Finland in the OSCE Minsk Group on the Armenian-Azerbaijani conflict. As a whole the attitude towards the region did not differ from other

³² <http://www.hrw.org/en/node/87536>

³³ Vit Stritecky "The South Caucasus in the European Periphery" in Bezen Balamir-Coskun and Birgül Demirtaş-Coşkun, "Neighborhood Challenge: The European Union and it's Neighbors" Universal Publishers Boca Raton, Florida, USA 2009, at www.books.google.com, p211

post soviet countries.³⁴ There were several reasons for that, internal as well external. For the EU the South Caucasus was not a region itself. As Dov Lynch mentions in his work, the South Caucasus is divided by conflicts and blockades and has no institutional form. It has no regional structure to allow Georgian, Armenian and Azerbaijan governments to discuss the questions that affect the region as a whole. During the war between Armenia and Azeri, during which Azerbaijan lost one third of its territory and number of IDP's (Internally Displaced Persons) reached about 1 million, Georgia remained neutral and did not even try to play its role as a regional hub and there was lack of dialogue between the countries, so it was hardly seen as a region by the EU.³⁵ But when talking about Georgia's neutrality one should take into account the fact that Georgia itself was involved in war with Abkhazia and South Ossetia, and in this situation it would be very difficult, for any state in this situation, to play " a role of a regional hub"

At the same time the South Caucasus did not have a proponent and lobbyist within the EU. This problem was clearly seen, for example, during the negotiations of the first wave of the ENP,³⁶ when the voices of three South Caucasian countries were not heard and they were excluded from the policy, notwithstanding the fact that Georgia, Armenia and Azerbaijan had already been the members of the Council of the Europe and signed the Partnership for Peace-a program of practical bilateral cooperation between individual countries and NATO³⁷

As mentioned above, the attitude towards the region did not differ from other post soviet countries. The most important document becomes the Partnership and Cooperation Agreements, which were rather technical and economy-based agreements. Signed in 1996 the PCA came into force in 1999 being concluded with all former Soviet Union countries, not only with the South Caucasus. And the TACIS (Technical Assistance to CIS) were determined for the whole region – an area of 12 former Soviet Union countries, with different geography, political and economic system. In the 1990s

³⁴ Ibid

³⁵ Dov Lynch: "A Regional Insecurity Dynamics" in ' Lynch (ed)The South Caucasus: A Challenge for the EU', Chaillot Paper no. 65, EU Institute for Security Studies, December 2003 pp 9-10

³⁶ Dov Lynch, "The EU: Toward A Strategy", in Lynch, (ed.), The South Caucasus: A Challenge for the EU, Chaillot Paper no. 65, EU Institute for Security Studies, December 2003 pp 178

³⁷ Svante E. Cornell , S. Frederick Starr; "European Interests in the Caucasus" in "The Caucasus: A Challenge for Europe", © Central Asia-Caucasus Institute and Silk Road Studies Program, 2006 p 13

the EU was seen not very visible donor in the region. Although the amount of money allocated in the region was quite significant, it was quite low in comparison the resources allocated by the US.³⁸

1.2 2000-2009

The relationship between the EU and the region dramatically changed in 2000s and accordingly the policies towards the region. In order to rise its profile in the region, the EU decided to appoint a Special Representative in the South Caucasus, to support efforts to resolve the frozen conflicts in the region, to avoid further instability in the region and not to complicate the relationship between the Russia and the EU.³⁹ At the same time it was his task to help those countries in carrying out their political and economic reforms focusing on areas as the rule of law, democracy, human rights and good governance. This was the first attempt of the EU to implement a common strategy in the region. At the same time the EU's Council of Ministers promised the three South Caucasian countries, which expressed dissatisfaction by the exclusion from the ENP, to return to this question on the basis of the recommendation by the Commission and in May 2004 the Commission recommended their inclusion in the ENP.⁴⁰ So in 2004 three South Caucasian countries joined the ENP and in 2005 Action Plans were signed. Here must be mentioned the role of the "Rose Revolution" of 2003, which according to some experts, such as Svante E. Cornell and Frederick Starr for example, played an important role in the changing of EU thinking. As the above mentioned experts mention in their work, The "Rose Revolution" was the most important event which increased the

³⁸ Vit Stritecky "The South Caucasus in the European Periphery" in Bezen Balamir-Coskun and Birgül Demirtaş-Coşkun, "Neighborhood Challenge: The European Union and its Neighbors" Universal Publishers Boca Raton, Florida, USA 2009, at www.books.google.com pp219-220

³⁹ Esther Brimmer and Stefan Frohlich (eds) "The EU's Neighborhood Policy", in "The strategic Implication of European Union Enlargement" Center for Transatlantic Relations, Johns Hopkins University 2005. pp 117-119

⁴⁰ Ibid . also; Commission of the European Communities COM(2004) 373 final "Communication from the Commission" European Neighborhood Policy Strategy Paper, Brussels 2004, as well as Yelda Demirag, "EU Policy towards South Caucasus and Turkey" PERCEPTIONS • Winter 2004 – 2005 pp 97-98

prominence of the South Caucasus in the European debate. “This brought the states of the South Caucasus publicity but also what it had lacked until then – a constituency of EU members with an interest and understanding for the region.”⁴¹

When talking about the European neighborhood Policy, it must be mentioned that exclusion of the region from the ENP was not out of logic. The new policy aimed at developing “a zone of prosperity and a friendly neighborhood – a ‘ring of friends’ - with whom the EU enjoys close peaceful and co-operative relations” and what is more important, promoting stability and prosperity within and beyond the new borders of the Union.⁴² As Romano Prodi mentioned in his speech in 2002, the participant countries should be offered close economic and political integration, more than just partnership, but less than membership, not promising membership but not excluding as well.⁴³ So from this perspective not including the South Caucasus -- region without any land border with the EU, full of conflicts, not so high level of democracy and economic growth – in the policy, under the formal explanation of falling “outside the geographical scope of this initiative for the time being”⁴⁴ sounded quite logical. In fact the South Caucasus is a peripheral region for the EU does not offering much neither as a region of production nor as a consumer market, with insignificant number of population. (Armenia – 3.077m, Azerbaijan – 8.680m, Georgia – 4.307⁴⁵) . Notwithstanding of all the problems mentioned, the South Caucasus became a part of the European neighborhood Policy, but development of relationship between the EU and the South Caucasus did not end with the ENP. In 2008 the South Caucasus together with the eastern neighbors Belarus, Moldova and Ukraine, was invited to participate in the Eastern partnership,(inaugurated in May 7 2009) an ambitious project for 21st century European foreign

⁴¹ Svante E. Cornell , S. Frederick Starr; ”European Interests in the Caucasus” in “The Caucasus: A Challenge for Europe”, © Central Asia-Caucasus Institute and Silk Road Studies Program, 2006 pp 13-14

⁴² Commission of the European Communities,» Wider Europe— Neighborhood: A New Framework for Relations with our Eastern and Southern Neighbors.” Brussels 11. 3. 2003

⁴³ Romano Prodi, “A wider Europe – A proximity Policy as The Key to stability” Brussels 2002

⁴⁴ Commission of the European Communities» Wider Europe— Neighborhood: A New Framework for Relations with our Eastern and Southern Neighbors”, Brussels 11. 3. 2003

⁴⁵ Data source: World Bank, World Development Indicators - Last updated April 21, 2010

policy and an ambitious new chapter in the EU's relations with its Eastern neighbors.⁴⁶ The Policy initiated by Poland and Sweden is seen as the continuation of the strengthening the ENP in its eastern dimension, offering closer relationship with the EU, Gradual integration into the EU economy, opening markets, mobility partnerships - greater access for workers, easier travel to the EU for citizens, prospect of a new generation of Association Agreements, increased financial assistance etc⁴⁷. As Benita Ferrero-Waldner mentioned in her speech, by helping these countries, the EU is not only inventing in the economic and political stability of these countries, but also in well-being of the EU itself⁴⁸.

At the same time the region was included in the Black Sea Synergy initiative proposed by the European Commission in 2007 and was formally launched in Kiev in February 2008 by the Foreign Ministers of the Black Sea partners and of the EU. The Black Sea Synergy is regional initiative and is open to all Black Sea states, the importance of which grew for the EU especially after Bulgaria and Romania entered the EU family and thus becoming irrevocably *part* of the region and longer an external actor there. The Black Sea Synergy is the expression of the EU's commitment and rise of interest in the Black Sea region and the EU wants to give reality to this initiative by establishing sector partnerships in three crucial sectors: environment, transport and energy as well as democracy and internal security.⁴⁹

When talking about the relationship between the EU and South Caucasus, by all means should be mentioned the rapid reaction of the EU on the Russian-Georgian war of August 2008. For the first time since it was founded the EU acted as a mediator between an ally of the US and Russia and played the role of a regional peacemaking power.⁵⁰ The EU played a crucial role in agreeing the ceasefire between Russia and Georgia under the presidency of France President Sarkozy only after 5 days of the outbreak of the war. At the same time on September 2008 extraordinary session of the

⁴⁶ Benita Ferrero-Waldner, "Eastern Partnership - an ambitious project for 21st century European foreign policy ", 20 February 2009,

⁴⁷ Ibid

⁴⁸ Ibid,

⁴⁹ see: Black Sea Synergy: MEMO/10/78 Brussels, 15 March 2010, also : Benita Ferrero-Waldner "Black Sea Synergy: the EU's approach to the Black Sea region "SPEECH/08/77

⁵⁰ Cornelius Ochman, "EU Eastern Partnership: Fine, but what about Russia?" Spotlight Europe, issue : 06 / 2009 , on www.ceeeol.com page 6

European Council was held, where the EU strongly supported sovereignty and the territorial integrity of Georgia and strongly condemned Russia's decision to recognize the independence of Abkhazia and South Ossetia.⁵¹ At the same time the EU made a decision to postpone the negotiations with Russia on the Partnership Agreement, until Russian troops have withdrawn to the positions held prior to 7 August⁵². Another serious step from the EU was the rapid deployment of an EU civilian monitoring mission (EUMM) in Georgia, with a mandate for monitoring the effective implementation of the ceasefire agreement in all the territory of Georgia, including the separatist regions. By establishing the EUMM the Union became physically visible and has appeared as a new actor in the region, an equal with Russia and the United States⁵³ and thus once again stressing the importance of the region for the EU.

But what happened? What made the EU so dramatically change its position towards the region? What made the EU, which in March 2003 excluded the region from the ENP based on geographical grounds, to claim shortly after this date in June 2003 that the states should be considered within the EU's neighborhood in the EU Security strategy prepared by Javier Solana and titled "A Secure Europe in a Better World"⁵⁴

The fact is that the European Union has slowly been recognizing the strategic importance of the South Caucasian region. And the positive development of the integration policies (from PCA to Black Sea Synergy & EaP) towards the region should be explained by the interests the EU in South Caucasus, driven by various aspects, positive as well as negative⁵⁵ When talking about positive aspects, there of course should be mentioned diversification of energy resources and the role of the region for the transportation of hydrocarbons . Beside energy there should be

⁵¹ Council of the European Union" Extraordinary European Council", Brussels 1 September 2008 12594/08

⁵² Ibid

⁵³ Iris Kempe, Tarek Hohberg and Roderick Kefferutz, "Eastern Partnership and the Caucasus, Strategic Input from the Region" Heinrich Boell Foundation's, Prepared for the Eastern Partnership: Towards Civil Society Forum, Prague 2009, p 2 also European Union Committee "After Georgia - the EU and Russia: follow-up report" report with evidence 3rd report of session 2008-09, House of Lords, 2008-09, also European Neighborhood Policy – Georgia: MEMO/09/184 : Brussels, 23 April 2009

⁵⁴ European Security Strategy "A Secure Europe in a Better World" : Brussels, 12 December 2003

⁵⁵Vit Stritecky "The South Caucasus in the European Periphery" in Bezen Balamir-Coskun and Birgül Demirtaş-Coşkun, "Neighborhood Challenge: The European Union and it's Neighbors" Universal Publishers Boca Raton, Florida, USA 2009 at www.books.google.com p 213-214

mentioned trade as well as regions role as a critical link between East and West and transport, communications corridor, etc. As for the negative driver for the integration, one should mention here that although it constitutes the periphery for the EU, with no land border, the South Caucasus may become a threat for the European security. The reason is not only the “unresolved conflicts “ and possibility of the new war in European neighborhood, but what is more important , international crime and trafficking.⁵⁶ In the chapter below all the above mentioned aspects will be in more detailed explained and analyzed.

Chapter 2 *Russia – South Caucasus, Relationship and policy development*

2.1 General overview

Relationship between the South Caucasus and Russia dramatically differs from that of EU-South Caucasus. If the EU appeared in the region only after the three countries regained independence from the Soviet Union in 1990s, Russia was presented in the region for more than two centuries ago. Speaking more exactly, Russia emerged as a regional power and established its hegemony over the South Caucasus in 1801 after annexing Georgia and establishing control over present-day Armenia and Azerbaijan after wars with Persia.⁵⁷ (it must be mentioned here that the relationship between the South Caucasus and Russia goes back to more than two centuries, but as the main theme of the thesis is not the history of Russian relationship with the South Caucasus from the very beginning, the thesis describes the relationship between the two only after Russia’s emergence as regional power concentrating on the period of 1990s till today). After the first world war, a weakened Russia allowed the South Caucasian states to declare independence, but it did not last for a long time and immediately after getting over , it started to think how to regain control over the region.

⁵⁶ Ibid

⁵⁷ Svante E. Cornell , S. Frederick Starr; “ Russia’s Role and Policies in the Caucasus” in “The Caucasus: A Challenge for Europe”, © Central Asia-Caucasus Institute and Silk Road Studies Program, 2006 pp 49-50

Russia could cleverly use the differences and conflicts among the three South Caucasian countries and in 1921 took over the control on the region again⁵⁸. Russia could maintain the control over the region almost through the whole century. During the Soviet Union all of the South Caucasus states were the part of the “Soviet family” together with CEEC, big majority of which nowadays belong to the “European family”.

In 1991, after the dissolution of the Soviet Union, weakened Moscow made the similar step as in 1918 and allowed the states to restore formal independence with the hope and even confidence, that it would regain control over the region like in 1920s. Russia did not even think of losing the control over the region, what it needed was to strengthen after the dissolution of the Soviet Union and with the fresh strength restore its control in the region of the South Caucasus faster and more decisively than in any other part of the former Soviet Union.⁵⁹

From the mentioned above one can conclude that Russia realized the importance of the region and thus tried by all means not to lose but contrary, increase its role in the region. Russia feared that after the dissolution of the Soviet Union hostile forces could emerge on its borders and in order to avoid it happening Russia should control and influence even the external orientation and foreign policies of these countries.⁶⁰ Russian aspiration to control the region was so strong that it did foresee the long run effect of its behavior and as a result it came out to be destabilizing for the region and counter – productive for Russia itself. Russia tried to use its strategy of “divide and rule” in the region and instead of having strong states, with control of their territories as a partners, it supported the separatist regimes, emergence of statelets in the region (Abkhazia, South Ossetia) and weakening of three states⁶¹. Generally speaking Moscow helped the fragmentation of the region that caused instability in the

⁵⁸ Ibid

⁵⁹ Ibid

⁶⁰ Shireen T. Hunter, “The Evolution of the Foreign Policy Of the Transcaucasian states” in Gary K. Bertsch, Cassady Craft, Scott A. Jones and Michael Beck (eds) “Crossroads and conflict: security and foreign policy in the Caucasus and Central Asia” © Copyright 2000 by Routledge. www.books.google.com, pp25-27

⁶¹ Svante E. Cornell, S. Frederick Starr; “ Russia’s Role and Policies in the Caucasus” in “The Caucasus: A Challenge for Europe”, © Central Asia-Caucasus Institute and Silk Road Studies Program, 2006 pp 49-51,

whole Caucasus. Russian policy in the South Caucasus, as well as North Caucasus, have been coercive, and manipulative, especially towards Georgia and Azerbaijan and by using such kind of policies, instead of spreading its control over the region, Russia reinforced these states to seek future apart from Russia and counterweight to it and as a result had an counter – productive effect for Russia itself.⁶²

Russian imperialistic nature could not let the South Caucasian states, as well as other former Soviet states go, so it tried to use all possible means to maintain its influence in the region and to let other powers consider its presence. This view is very well expressed in the foreign policy guidelines issued in 1993 by the Security Council, which argues that the international community should recognize Russia's key role and rights for an external CIS border.⁶³ Generally speaking Russian policy was based on the principle that it has to be a regional power and have hegemony over the region. To guarantee this imperialistic desire, the Caucasian states had to be members of the Commonwealth of Independent States, under the ruling power of Russia. The 'external' borders of these states were to be guarded by Russian border troops and Russia's key role should be recognized by the international community.⁶⁴

As Bertil Nygren mentions in his book, Putin's foreign policy towards the CIS countries are driven first and foremost by one single goal : this is to rebuilt the " Greater Russia " and re-establish Russian control over the geographical area it " owned " once . Russia has realized that it was impossible to rebuild the Soviet Union but it seeks to rebuild at least the region where Russia enjoys all-dominant influence and hegemony. To achieve its goals, Russia has used number of instruments among which the author wants to highlight the following : Russia's major " *hard power instrument* " or in other words its military strength in forms of regular armed forces, peacekeepers and border guards, which unfortunately was used in the South Caucasus. Also very important " *soft*

⁶² Ibid, for more detail see: Shireen T. Hunter,"The Evolution of the Foreign Policy Of the Transcaucasian states" in Gary K. Bertsch , Cassidy Craft, Scott A. Jones and Michael Beck (eds) "Crossroads and conflict: security and foreign policy in the Caucasus and Central Asia" © Copyright 2000 by Routledge. www.books.google.com also Leila Alieva," EU and South Caucasus Bertelsmann Group for Policy Research", CAP Discussion Paper, December 2006

⁶³ Kavus Abushov , "Policing the near abroad: Russian foreign policy in the South Caucasus" Australian Journal of International Affairs Vol. 63, No. 2, June 2009, pp. 190-191

⁶⁴ Ibid

power” instrument such as oil, gas and energy transit capacities, also presented in the region of the South Caucasus.⁶⁵ Here the author of this thesis wants to draw your attention and mention, that although she agrees in many things with Nygren, in this case she would more agree with E. Svante in the referring of the last mentioned instrument of Russia and would call it not “ soft power” but more “ economic levers “⁶⁶. The author considers that use of its energy and transit capacity as a political weapon and cutting gas (in case of Georgia during tense political negotiations over Russian bases) or even Russian – Ukrainian energy crisis as a result of which many European households suffered, does not fall under the explanation of “ soft power “by Joseph Nye, who defines “ soft power “ as the “ability to get what you want through attraction rather than through coercion”⁶⁷

And finally one more very important instrument of Russia to achieve the goal and can be said ambition, is *social and cultural instrument*, this includes Russian citizens in the CIS countries which is very important to mention as Russia often justifies its actions by “ protecting the interest of its citizens”, as well as press , TV and radio broadcast in the Russian language etc.⁶⁸ This instrument has also been used towards the South Caucasian region, so one can say that Russia has made use of all main instruments towards the region.

At the same time one should mention that Russia was easily irritated if any countries in his “ near abroad “ tried to establish relationship with other players and it

⁶⁵ Bertil Nygren “The rebuilding of Greater Russia: Putin’s foreign policy towards the CIS” Routledge 2008, at www.books.google.com. pp8-10

⁶⁶ Svante E. Cornell , S. Frederick Starr; “ Russia’s Role and Policies in the Caucasus” in “The Caucasus: A Challenge for Europe”, © Central Asia-Caucasus Institute and Silk Road Studies Program, 2006 p 57

⁶⁷ . Joseph. S Nye, Jr. “Soft Power and Euro-American Affairs “ in Thomas L. Ilgen (ed) “Hard power, soft power and the future of transatlantic relations” Ashgate Publishing 2006 at www.books.google.com pp27-28

⁶⁸ Bertil Nygren “The rebuilding of Greater Russia: Putin’s foreign policy towards the CIS” **Routledge** 2008, at www.books.google.com. pp8-10

was jealous if it saw foreign presence in the Caucasus.⁶⁹ In both cases Russian policies towards the “disobedient” state has been aggressive, using all the means to punish it. As means of punishment Russia has used its economic levers, discriminatory visa regimes, cutting gas supplies, embargos etc especially in Georgia and Azerbaijan.⁷⁰

It must be mentioned here that in contrast with the EU policy towards the region, which is more or less similar for all the South Caucasian countries, Russian policies towards the three states differ and that’s why the author considers relevant to mention briefly Russia’s policies and attitudes toward individual states of the South Caucasus. The author of the thesis also wants to highlight that in the thesis the conflicts are not discussed and is only mentioned just for general overview and picture.

2.2 Russia – Armenia

As Kakha Gogolashvili mentions in his article Georgia is considered to be more pro-western, Armenia pro-Russian and Azerbaijan tries to find middle ground between the two.⁷¹ The relationship between Russia and Armenia, as well as Azerbaijan, and Russian policies towards the two has been defined by Kremlin’s attitude towards the Nagorno-Karabakh conflict. Armenia’s pro-Russian orientation was resulted from Russia’s assistance and support of Armenia in the Nagorno-Karabakh war as a result of which Russia gained dominant influence over Armenia.⁷² Russian support to Armenia was driven by several reasons out of which some authors highlight

⁶⁹ Ibid, also Svante E. Cornell, S. Frederick Starr; “Russia’s Role and Policies in the Caucasus” in “The Caucasus: A Challenge for Europe”, © Central Asia-Caucasus Institute and Silk Road Studies Program, 2006 pp 52-53

⁷⁰ Ibid

⁷¹ Kakha Gogolashvili, “The EU Policy Towards The South Caucasus: Case of Georgia”

⁷² Kavus Abushov, “Policing the near abroad: Russian foreign policy in the South Caucasus”

Australian Journal of International Affairs Vol. 63, No. 2, June 2009, pp195-196 for more details see Bertil Nygren “The rebuilding of Greater Russia: Putin's foreign policy towards the CIS” Routledge 2008, at www.books.google.com

the religious solidarity as well as strategic interest at the start of the conflict and later levers towards Azerbaijan, as Armenia has complied with Russian demands.⁷³ Pro-Russian oriented Armenia is a close ally for Russia, which is ready to provide its territory for Russia's military engagement and support Russia's international actions if necessary. As a result of it Russian policy towards Armenia is quite mild. In exchange of Russian support, it guarantees Armenia's political and economic security, which is very important for Armenia because of Nagorno-Karabakh from political point of view and from the economic point of view because Armenia receives gas twice cheaper than Georgia and at the same time because Russian companies invest substantial amount of money in Armenian industry.⁷⁴ So to conclude with one can say that Russian policy towards Armenia is quite mild and positively developed because of Armenia's pro-Russian orientation and because of "being the only strategic partner in the South Caucasus" but at the same time Russia could gain control over Armenia as it became largely dependent on Russia economically and politically.⁷⁵

.2.3 Russia – Azerbaijan

Russian- Azerbaijan relationship has been very tense since 1992 because of Russian support of Armenia in the Nagorno-Karabakh war, as a result of which Azerbaijan lost control over Nagorno-Karabakh. Although Russia could convert Armenia into loyal country and make it as an ally, Russia could not successfully do the same in the case of Azerbaijan. Accordingly Russian policies towards the state was not as mild

⁷³ Svante E. Cornell , S. Frederick Starr; " Russia's Role and Policies in the Caucasus" in "The Caucasus: A Challenge for Europe", © Central Asia-Caucasus Institute and Silk Road Studies Program, 2006 pp53-54 as well as Kavus Abushov , "Policing the near abroad: Russian foreign policy in the South Caucasus" Australian Journal of International Affairs Vol. 63, No. 2, June 2009, pp195-196

⁷⁴ Kakha Gogolashvili "The EU Policy Towards The South Caucasus : Case of Georgia "as well as Svante E. Cornell , S. Frederick Starr; " Russia's Role and Policies in the Caucasus" in "The Caucasus: A Challenge for Europe", © Central Asia-Caucasus Institute and Silk Road Studies Program, 2006 pp 51-53

⁷⁵ Bertil Nygren "The rebuilding of Greater Russia: Putin's foreign policy towards the CIS" Routledge 2008, at www.books.google.com pp 105-108

as in Armenia. Russia used the conflict of Nagorno-Karabakh, by assisting Armenia in the conflict, as a political weapon and lever against Baku to impose its own conditions such as Azerbaijan's entry to the CIS, deployment of military bases, jointly using the resources of the Caspian Sea etc.⁷⁶ Armenia complied Russian demand to join the CIS and entered the organization, but it refused to comply with other Russian demands. Azerbaijan refused to have Russian military base on its soil and at the same time did not agree on joint Russian - Azerbaijan exploration of the energy resources of the Caspian Sea. Although Azerbaijan entered the CIS, Russia's calculation that the conflict could be used as a political weapon and lever against Baku to hinder it to implement any Caspian pipeline project without Russia, came out to be vain. In the contrary, Azerbaijan used its Caspian natural resources as a bargaining tool for farther negotiations and instead of complying with Russia's demands focused on the West on deploying the Caspian sea oil resources, which would increase countries importance in the West. So one can say that by allowing its oil and gas resources to go to the West by route that bypasses Russia, Azerbaijan played a "destructive role" in Russia's South Caucasian policy and undermine Russia's ambitious energy policy goals, mainly that of monopolizing the hydrocarbon routes from East to West.⁷⁷ Although Azerbaijan behaved disobediently, Russia could not punish the neighbor as it could have dangerous consequences for Russia itself. Conflict with Azerbaijan could inspire hostility and negative attitude towards Russia of Western powers, who are greatly interested in Azerbaijan's gas and oil resources and of Muslim states, especially regional powers such as Turkey and Iran, as well as cause internal instability in Russia due to Russia's own large Muslim population.

From the discussed above one can conclude that although Russia could not achieve its goals in Azerbaijan, it could not use its aggressive policies towards the state as it could deteriorate Russia's condition. In the contrary, in the beginning of new millennium their relationship started to improve and several declarations were signed by both sides, such as "Baku declaration" which outlined the expansion of bilateral economic, political and military relations over the next decade. Both sides expressed satisfaction with the improvement of the relationship and Aliev, president of Azerbaijan,

⁷⁶ Kavus Abushov, "Policing the near abroad: Russian foreign policy in the South Caucasus" Australian Journal of International Affairs Vol. 63, No. 2, June 2009, 195-196

⁷⁷ Ibid

referred Russia as a “ strategic partner “ and expressed full support Russia’s straggle against international terrorism. So Azeri-Russian relations continue on a basis of apparent friendship, because each fears the other.⁷⁸

2.4 Russia – Georgia

As mentioned above, Georgia is the state in the South Caucasus with clear pro-western orientation and strategically very important location. If Russia could easily convert Armenia into a loyal country , and more or less stabilize relationship with Azerbaijan, because both states needed and feared each other, it could not achieve the same success in Georgia and Full range of Russian anger is focused on it. Russia was heavily and intensively involved in both conflicts in Georgia, supporting separatist movements thus trying to weaken Georgia and by this way regain control over it. As the situation in Georgia deteriorated and there was a danger of full disintegration of the state, Georgia had to comply with Russian demands and Russia could successfully establish its bases in four strategic parts of Georgia, under the umbrella of helping Georgia in crushing mutiny. Although it must be mentioned here that Georgian parliament has never ratified these agreements and Russia’s military presence became highly questionable.⁷⁹ Situation have especially deteriorated between Russia and Georgia after the Rose revolution, when new president and government , clearly pro western oriented, came into power in Georgia and announced openly that their goal was to unite Georgia again. Georgia has actively started to cooperate with NATO, US and the EU, that highly irritated Russia. Accordingly as the aspiration to join the NATO and integrate into Europe grew, grew Russian aggressive attitudes and policies toward Georgia. Generally speaking as punishment of pro-western orientation, Russian policies

⁷⁸ Bertil Nygren “The rebuilding of Greater Russia: Putin's foreign policy towards the CIS” Routledge 2008, at www.books.google.com 110-114

⁷⁹ , Svante E. Cornell , S. Frederick Starr; “ Russia’s Role and Policies in the Caucasus” in “The Caucasus: A Challenge for Europe”, © Central Asia-Caucasus Institute and Silk Road Studies Program, 2006 pp 52-54as well as Kakha Gogolashvili, “The EU Policy Towards The South Caucasus : Case of Georgia”

vis-à-vis Georgia got harsher and harsher. From 2000s Russia imposed discriminatory visa regimes and at the same time permitted naturalization of the inhabitants of the separatist regions of Abkhazia and South Ossetia. Russia tried to justify its action of giving citizenship to those people by “humanitarian gesture” the aim of which was to give these people chance to travel abroad by granting them valid passports, and later it justified its presence and active involvement in the region by “protecting the interests of its own citizens”⁸⁰ But Russian Coercive policy does not stop here. In 2006 Russia stopped issuing visas to Georgians, used its energy lever, put a ban on Georgian wine and later on mineral water. All that was followed by air and main blockade. All that was followed by massive deportation of Georgians from Russia, during which 2 citizens died and Russia was highly criticized by the West.⁸¹

Relationship between the two especially deteriorated in 2008 and was culminated by the Georgian-Russian war of August. followed by occupation of Georgia. It must be also mentioned, that in the international political vocabulary the term “occupation of Georgia” was not officially used or was avoided, but on 5 July 2010, U.S. Secretary of State Hillary Clinton repeatedly used the term “occupation” while describing the presence of Russian troops in the breakaway regions of Georgia. She announced that the Obama administration strongly supports Georgian sovereignty and territorial integrity and calls for “ending the occupation and withdrawing Russian troops from South Ossetia and Abkhazia to their pre-conflict positions,”⁸²(in order not to be very subjective as being Georgian, the author of the thesis does not speak about the details of the war, who started and upon whom is the responsibility of the hundreds of died people from both sides). After several days of intense war between the two, the cease-fire agreement was signed in 15th and 16th August brokered by the EU under French presidency Nicolas Sarkozy and EU monitors were deployed in the conflicted zones. After the war, on the 26th of August 2008 Russia declared the independence of two

⁸⁰ Bertil Nygren “The rebuilding of Greater Russia: Putin's foreign policy towards the CIS” Routledge 2008, at www.books.google.com pp 119-124 and Kavus Abushov ,”Policing the near abroad: Russian foreign policy in the South Caucasus” Australian Journal of International Affairs Vol. 63, No. 2, June 2009 pp192-194

⁸¹ Ibid

⁸² William Dunbar “Clinton backs Georgia on Russia 'occupation' The Independent Tuesday, 6 July 2010 at <http://www.independent.co.uk/news/world/europe/clinton-backs-georgia-on-russia-occupation-2019191.html> (reached on 09.07.10)

secessionist regions: Abkhazia and South Ossetia.⁸³ At the same time it must be mentioned that Russia referred to the war as ‘Russia’s 9/11’ maybe in order to seek the Western support, but again Russia got a counter effective result as Western strong support was granted to Georgia and its territorial integrity and sovereignty not to Russia.

⁸⁴

As a conclusion of this part one can conclude that, Russian policies vis-à-vis Georgia is distinguished from the other South Caucasian states and is characterized by coercive nature and use of “hard power”. More Georgia tried to integrate into the West more aggressive and sharper the policies towards the state become. Russia tried by all means to stop Georgia’s integration into the West but more it tried, more Georgia deviated to the West. Such great attention from Russian side to small Georgia was driven from Georgia’s strategic location and of real importance for Russia. Converting Georgia into a loyal country to Russia, it could achieve all the goals it possessed towards the South Caucasus general. It could avoid Western, Especially NATO presence in its “near abroad”, could hinder the energy diversification of the EU and accordingly could maintain its influence on it, as well as on the whole region, and could use all the profitable benefits the region, as a “corridor of power” could offer.

⁸³ Roy Allison, “Russia resurgent? Moscow’s campaign to “coerce Georgia to peace” in *International Affairs* **84**: 6 © 2008 Blackwell Publishing Ltd/The Royal Institute of International Affairs pp 1145–1171 for more detail see Alec Rasizade “A propos of the Georgian war: reflections on Russia’s Revanchism in its near abroad” *Journal of Balkan and Near Eastern Studies*, Volume 11, Number 1, March 2009 pp 15-16

⁸⁴ Ibid

Chapter 3 *Interests in the South Caucasus*

3.1 Brief overview

Interest of the EU in the South Caucasus, as well as other international entities, such as Russia or the USA is driven because of its key strategic location. Being situated between the Black and Caspian Sea, and neighbored by Iran and Turkey, the region presents a bridge between the East and the West, Europe and Asia.⁸⁵ But just geographical advantages of the region would not be enough to charm the EU. If not gaining international attention, region may not be able to involve the EU so deeply in itself, but after the increase of attention of the main political players, the EU was also “awakened”.⁸⁶ After the dissolution of the Soviet Union, dependency of almost all former members on the former center continued and Moscow could more or less control the situation and fulfilled its geopolitical goals. Russia could create military base on the Georgian soil by supporting Abkhazian and Ossetian separatists, and tried to do the same in Nagorno-Karabakh, but here other regional powers were involved, such as Turkey and Iran, so similar strategy did not turn out so successfully for Russia any more. As for the EU as well as the US, they almost did not expressed their interest in the regional affairs and reluctantly responded to Georgian and Azerbaijani calls to the west as they did not want to complicate relationship with Russia, but at the same time did not want to provoke any further Russian intervention.⁸⁷

But situation has dramatically changed after the end of Nagorno-Karabakh conflict, in 1994 when the Contract of the Century was signed, at the same time the 9/11 terrorist attack on the US also worked as a driver for more attention from the America. America was motivated to have military base near Afghanistan, and finally it

⁸⁵ Tracey C. German, “Corridor of Power: The Caucasus and Energy Security”, *Caucasian Review of International Affairs*. Vol. 2, © CRIA 2008 pp 64-65

⁸⁶ Vit Stritecky “The South Caucasus in the European Periphery” in Bezen Balamir-Coskun and Birgül Demirtaş-Coşkun, “Neighborhood Challenge: The European Union and it’s Neighbors” Universal Publishers Boca Raton, Florida, USA 2009 at www.books.google.com p 213

⁸⁷ Ibid

achieved its goal and for the first time in the history, NATO member established military presence in the Caucasus.(Uzbekistan, Kyrgyzstan).⁸⁸ After the increase of interest of the US, as mentioned the EU was also “awakened” and more active involvement started. (The thesis does not concentrate on the interest evolution of the US but to mention it was necessary in order to describe one of the reasons of the EU in involving in the region).

3.2 Energy (from the EU perspective)

Major factor of attracting EU' s as well as international attention is the natural resources of the region, namely gas and oil, mainly exploited by Azerbaijan. The EU is largely dependant on energy supplies from a very limited number of countries, especially Russia, as about half of the import of natural gas comes on Russia.⁸⁹ As a result of Europe's dependency on Russian energy, European energy security is facing serious challenges. Already high and rising European energy demand will further increase the importance of energy imports from Russia and accordingly Europe's dependency. The need for energy diversification became obvious especially during the Ukrainian-Russian gas crisis in January 2006, and was strengthened by Russian energy diplomacy against Belarus, Georgia, and Lithuania. “These developments have highlighted Russian willingness to use its energy leverage as an active component of its foreign policy and means to achieve political goals, as well as EU' s vulnerabilities driven from the reliance on Russia as a dominant gas supplier”⁹⁰. At the same time it should be mentioned that Russian resources are unlikely to meet future increased European demand due to lack of domestic investment in new energy projects and

⁸⁸ Ibid

⁸⁹ Robert L. Larson, “European Caspian energy: Dodging Russia, Tackling China” in Svante E. Cornell and Niklas Nilsson (eds)"Europe's Energy Security: Gazprom's Dominance and Caspian Supply Alternatives", © Central Asia – Caucasus Institute & Silk Road Studies Program, 2008 pp 20-21

⁹⁰ Mark Leonard & Nicu Popescu, “ A Power Audit of EU-Russia Relationship”, Published by the European Council on Foreign Relations © ECFR November 2007. pp13-16

infrastructure. From this perspective the energy resources of the South Caucasus are of particular interest to the EU, representing alternative energy supplies for Europe. As a result of all these the EU realized the need to deal seriously with the problem of diversification of natural resources and here the South Caucasus emerged not only as a potential region of gas and oil supplier but at the same time as a transit route, bringing Caspian energy to Europe by passing Russia.⁹¹ And the fact that the EU started being actively involved in diversification process was strengthened by approving and starting building BTC (Baku-Tbilisi-Ceyhan) oil pipeline which opened in 2006 and the South Caucasus (or Baku-Tbilisi-Erzurum) gas pipeline (SCP), becoming operational in 2007 – the only transit route for bringing Caspian energy to the European market, which is not under Russian control.

In parallel to BTC and SCP, the South Caucasus is planned to participate in the pipeline project which is considered to become the backbone of the Europe's attempt for natural gas diversification.⁹² That is the Nabucco Pipeline, supposed and initiated by Australian Gas Company in 2002. Starting construction is planned in 2011 and first gas is planned to flow in 2014. The project is favored by European Union as well as the US, as the best chance to diminish energy dependency on Russia and a step towards greater independence of Russian gas supplies.⁹³ It must be mentioned that Russia supposed an alternative pipeline, extended Blue Stream, for transmitting Azeri and Iranian gas to Europe and thus retaining its influence over the continent but it failed to meet one of the most important goal of the EU that is to diversify gas supplies, as Blue Stream runs partly on Russian territory. As for the Nabucco project, it is planned that the pipeline would deliver Azeri and Iranian gas from Turkey to Austria via Bulgaria, Romania and Hungary, passing the South Caucasus and bypassing Russia. (It must be mentioned that for the beginning Hungary was more favor for Blue Stream than Nabucco, calling Nabucco just a "dream" and Blue Stream a "reality" but finally it

⁹¹Mamuka Tsereteli, "The Black Sea/Caspian Region in Europe's Economic and Energy Security" in Svante E. Cornell and Niklas Nilsson, (eds) "Europe's Energy Security: Gazprom's Dominance and Caspian Supply Alternatives", © Central Asia – Caucasus Institute & Silk Road Studies Program, 2008 pp 42-44

⁹² Niklas Nilsson, "The Nabucco Pipeline: Reemerging Momentum in Europe's Front Yard" in Svante E. Cornell and Niklas Nilsson, (eds) "Europe's Energy Security: Gazprom's Dominance and Caspian Supply Alternatives", © Central Asia – Caucasus Institute & Silk Road Studies Program, 2008 p 127

⁹³ Ibid also Cornelius Ochman "EU Eastern Partnership : Fine, but what about Russia?" Spotlight Europe, issue : 06 / 2009 : pages 1-8 , on www.ceeeol.com

commits, but at the same time Hungary signs the agreement with the Russia on extending Southern Stream, planned extension of the Blue Stream).⁹⁴

So from the analyzed above one can conclude that the South Caucasus really matters for the EU, as the region of strategic importance, as the best way to get energy resources and at the same time to decrease European dependency on Russian energy and Russia's energy leverage as an active component of its foreign policy. That is why all the pipelines that transmit energy from the Caspian basin to Europe passes the South Caucasus and gives Europe a chance to bypass Russia. And when talking about dependency on Russian energy, one should also take into account the Ukrainian-Russian gas crisis of January 2009, when as a result of cutting gas to Ukraine, suffered many European countries.

3. *3Energy form Russian perspective*

But does the region matter to same extend for Russia as well? The author argues that the region matters for Russia as much as for the EU. If the EU wants to decrease its dependency on Russia, Russia in the contrary tries to maintain its influence on it. If talking only on economic perspective, the EU is the largest consumer of energy resources Russia transfers. So losing the EU as a consumer would mean losing the huge market that would not only make a negative affect on the economy of Russia as energy sector represents the main source of Russia's budget and is the main engine of its economic growth,⁹⁵ but at the same time would cut Russia from the chance to use energy matters as a political weapon, making the EU position more or less weak while making decisions affecting Russia. If the South Caucasus is the way to diversify energy resources of the EU, than for Russia the region is the way to stop the process. That is

⁹⁴see : Anita Orban, "Power, Energy, and the New Russian Imperialism", copyright © by Anita Orban 2008 PP 148-150,

⁹⁵ Katinka Barysch, "The EU and Russia: Strategic partners or squabbling neighbors?"

Published by the Centre for European Reform (CER), 29 © CER MAY 2004 p 15

why Russia does it best to prevent European countries to diversify energy recourses and these attempts can be seen as a clear risk to all the projects⁹⁶ mentioned above as projects for energy diversification from Russia. Russian energy strategy is mainly based on gaining overall control over Asian Resources as well as energy production and transit routs. Russia seeks to prevent independent European access to Caspian energy by energy monopoly (Gazprom) as well as proposing alternative way to Nabucco for transmitting Azeri and Iran gas to Europe, namely extended Blue Stream.⁹⁷ The fact is that Russia considered Nabucco pipeline as its competitor and very anti-Russian hindering its interests and did all to prevent it starting and functioning. Russia proposed not only extended Blue Stream, which as mentioned above failed as it could not meet the most important goal of the EU, that is to diversify gas supplies, as Blue Stream runs partly on Russian territory, but also South Stream planned to run under the Black Sea from Russia to Bulgaria, bypassing Turkey⁹⁸. It is driven by Russian interest and directly competes with the Nabucco pipeline project. The main purpose of the South Stream is to prevent Nabucco to transport Caspian gas directly to European market bypassing Russia. If South Stream goes forward, Nabucco pipeline will lose its strategic as well as commercial importance and Russia will be able to maintain influence over the EU and continue using energy dependency as political weapon against the West. At the same time Russia will be able to increase its political control over the Caucasus and Central Asia as well.⁹⁹

Notwithstanding Russia's attempts to prevent Nabucco pipeline to built, the building of it is planned to start in 2011. But Russia is not going to give up its ambition of being the regional power and the actor in the international political stage, which

⁹⁶ Ibid Niklas Nilsson, " The Nabucco Pipeline: Reemerging Momentum in Europe's Front Yard" in Svante E. Cornell and Niklas Nilsson, (eds) "Europe's Energy Security: Gazprom's Dominance and Caspian Supply Alternatives", © Central Asia – Caucasus Institute & Silk Road Studies Program, 2008 pp 128-32

⁹⁷ Robert L. Larson, " European Caspian energy: Dodging Russia, Tackling China " in Svante E. Cornell and Niklas Nilsson (eds)"Europe's Energy Security: Gazprom's Dominance and Caspian Supply Alternatives", © Central Asia – Caucasus Institute & Silk Road Studies Program, 2008 pp26-32 also see Katinka Barysch:"The EU and Russia: Strategic partners or squabbling neighbors?" Published by the Centre for European Reform (CER), 29 © CER MAY 2004

⁹⁸ Ibid

⁹⁹ Zeyno Baran,"Security Aspects of the South Stream Project" Center for Eurasian Policy, Hudson Institute © European Parliament, 2008 pp 9-11

influences not only small countries of the Caucasus and Central Asia, but also the West by means of energy dependency. And the best choice for Russia to maintain EU's dependency on it is to control the South Caucasus, the only way for the EU for energy diversification. In this way even if all the pipelines bypass Russia and go through South Caucasus directly to Europe, Russia would not worry as having control over the region would give him power to still manipulate with energy resources and transitions.

In this regard one could say the region of the South Caucasus and the whole Black Sea Region in general, became a focal point for the EU- Russia competition over controlling energy resources.¹⁰⁰

3.4 Economic Stability from the EU perspective

The South Caucasus matters not only for energy resources and transit rout of energy resources, but also as a means of economic security for both, the EU and Russia. The European Union is known to be the “economic giant”¹⁰¹ so economic security is of great importance for the EU. The south Caucasus does not represent a great market for the EU itself as the EU has much more important and large markets. Accordingly one can ask why the region with only about 15 million population matter in this concept? But the fact is that the region matters not as a market itself but as a transit (future transit) to the EU's great economic partner countries and huge market. Currently several important projects, which may in the future help the EU to access East market, are under consideration. One is a network of highways connecting Baku to Black Sea ports in Georgia and then to the Turkish highway system. This infrastructure may turn into serious project for the EU as in the west it can potentially be linked to Istanbul and in the south the Mediterranean ports . This highway has a real potential to shorten the

¹⁰⁰ Nicolas Nilsson, "EU and Russia In the Black sea Region: Increasingly Competing Interests?" at: <http://ssrn.com/abstract=1173563> pp-3-4

¹⁰¹ quoted from War in the Gulf: Europe, Gulf Fighting Shatters Europeans' Fragile Unity, By Craig. R Whitney, Special to The New York Times Published: January 25, 1991 at www.nytimes.com

time for shipping containers and other cargos intended for the Mediterranean and Southeastern Europe and thus serve to increase trade in the region.¹⁰²

What is more important the South Caucasus has the potential to link Europe to China by railway station. Already existed connection between Azerbaijan, Georgia, and Turkey could extend further to Europe and connect railway system of Kazakhstan to China and thus making it possible to ship rail cars from Europe all the way to China via the Caucasus. With the overall population of about 300 million, China represents the huge market and an attractive opportunity for the European producers and service providers.¹⁰³ In other words there is an expectation that the South Caucasus will be a key part of a fully integrated transportation system, the 'new Silk Road' that will include pipelines, railways, fibre-optic cables and power transmission grids linking Western China with Europe.¹⁰⁴ From this perspective the South Caucasus turns to be of real importance for the EU.

At the same time, Poti port could also play an important transition role for the EU. It should allow transshipments from Central Asia to Europe to reduce the time and cost, thus representing the shortest and cheapest way to connect Europe and Central Asia and at the same time China via international waterways.¹⁰⁵ All these could dramatically increase the flow of goods between the Europe and Central Asia as well as South Caucasus itself and what is more important China, one of the hugest markets in the world, thus strengthening the EU economy.

In order to maintain economic stability and security and its competitiveness in the world economy and the status of "economic giant", Europe needs the *natural*

¹⁰² Mamuka Tsereteli, "The Black Sea/Caspian Region in Europe's Economic and Energy Security: Svante E. Cornell and Niklas Nilsson, (editors) "Europe's Energy Security: Gazprom's Dominance and Caspian Supply Alternatives", © Central Asia – Caucasus Institute & Silk Road Studies Program, 2008 pp43-48

¹⁰³ Ibid

¹⁰⁴ Ibid also Tracey C. German, "Corridor of Power: The Caucasus and Energy Security" *Caucasian Review of International Affairs*. Vol. 2, Spring 2008 © CRIA 2008

¹⁰⁵ Ibid, as well as "Poti Sea Port: Gateway to Caucasus and Central Asia", presentation from Invest in Georgia. [http://www.investingorgia.info/Projects/Port_Poti_presentation.pdf], accessed on 8 January 2008.

resources, - and the South Caucasus plays here the crucial role as both energy supplier and transit region for this energy - *new market for its goods*, where the South Caucasus alone did not play crucial role, but together with Ukraine and Central Asian states represents serious market for European market and service with the joint population of 130 million people. But in this case the region's role is more seen as a possible transit rout connecting Europe to Asia and China, one of the hugest market.

According to the discussed above the author tried to show that the region matters not only for energy resources, but for the economic security of the EU as well. At the paragraph bellow will be discussed the importance of the region for the same reason for Russia.

3.5 Economic stability from Russian perspective

The South Caucasus is of great importance for Russia because of economic matters as well. The fact is that Russia has an ambition, even after the dissolution of the Soviet Union, to be the main player and great power in the region. As Katinka Barysch writes in her work, to maintain or regain the status of a great power, Russia needs stronger and more stabile economy. According to the World Bank statistics, Russian economy is largely dependent on oil and gas sector that raises concerns in the government. The fact is that energy sector accounts for about one-quarter of Russia's GDP, about 30 per cent of its budget revenue and more than half of its export earnings. Because of great dependency of Russian economy on the energy sector, its economy is left " at the mercy of the volatile and changeable international market. "¹⁰⁶

As the European Union represents the huge market for Russia in energy sector, losing it as a consumer, would cause instability in economy sector and could become a real threat in regaining and retaining its title as a great power in the region. By losing the EU as a consumer, would not only threat its economy and status, but would also prevent Russia from a chance to use EU's energy dependency as a political weapon

¹⁰⁶ Katinka Barysch, " The EU and Russia : Strategic partners or squabbling neighbors?"

and lever against the West.¹⁰⁷ And as the South Caucasus is the only way for the EU to diversify its energy resources, thus making all the fear and threat reality, the region acquires a great importance for Russia. Controlling the South Caucasus would mean maintaining energy dependency of the EU and strengthening its status of a great power and that is why the region matters for Russia greatly.

At the same time the South Caucasus represents, not huge but quite substantial market for Russia not to lose it. According to statistics rate of export to the South Caucasus increased in the last years especially in Armenia and Azerbaijan. As for the import rate, it has also increased, exception being Georgia,(import rate decreased 3 times in 2008 than it was in 2005.)¹⁰⁸ At the same time Russia has migration ties with the South Caucasian countries that can not be neglected. Russia is supplemented by cheap labor market from the three countries that also makes a positive effect on Russian economy.¹⁰⁹

3.6 Security Matters form the EU perspective

The South Caucasus is significant for the European Union for security reasons as well. In fact as according to some experts, the South Caucasus matters for the EU first and for most for security reasons, and other reasons such as energy diversification or economic benefits are the reasons mentioned by the international experts¹¹⁰. The

¹⁰⁷ Svante E. Cornell , S. Frederick Starr; "European Interests in the Caucasus" in "The Caucasus: A Challenge for Europe", © Central Asia-Caucasus Institute and Silk Road Studies Program, 2006

¹⁰⁸ Russia in figures: foreign Trade Of the Russian Federation with the CIS Countries: Copyright © Федеральная служба государственной статистики 2009 , www.gks.ru

¹⁰⁹ for detailed information see: Статистическое обозрение: Indicators of International Migration, Copyright © Федеральная служба государственной статистики, 2010 <http://www.fsgs.ru/wps/portal/english>

¹¹⁰Vit Stritecky "The South Caucasus in the European Periphery" in Bezen Balamir-Coskun and Birgül Demirtaş-Coşkun, "Neighborhood Challenge: The European Union and it's Neighbors" Universal Publishers Boca Raton, Florida, USA 2009 at www.books.google.com pp213-214

South Caucasus, as mentioned before, is full of conflicts. At the same time the countries of the South Caucasus have tense relationship with their big neighbors, namely Armenia with Turkey, Azerbaijan with Iran and Georgia with Russia, ending with Georgian-Russian war of 2008. But conflicts are not the threat for the general stability of the region only, but represent threats to international security as we. At the same time the South Caucasus, as well as North Caucasus, is associated with international crime, drug trade, trafficking etc.¹¹¹ Because of its strategic location, linking East and West, The South Caucasus represents not only a transit route for energy resources but at the same time transit route for drugs and weapons. The Caucasus is situated along both the 'Balkan' and 'Northern' smuggling routes and is an important international centre for narcotics, human, and arms trafficking. As the region came closer to the EU, nowadays sharing no land border but merit border, the significance of it increased for the EU. The region's security is necessary to achieve the goal of Common Foreign and security Policy (CFSP), namely, the establishment of a zone of security around Europe.¹¹² According to some experts the inclusion of the South Caucasian region in the European neighborhood Policy and later the Eastern Partnership is also linked to fact that the security issue is placed high on the ENP agenda. The fact that the security issues are of great importance for the EU and were the main drivers of the ENP, is clear from the joint Solana/Patten letter of 7 August 2002, when the idea of the ENP was officially announced for the first time:

'there are a number of overriding objectives for our neighborhood policy: stability, prosperity, shared values and the rule of law along our borders are all fundamental for our own security. Failure in any of these areas will lead to increased risks of negative spill-over on the Union.'¹¹³

¹¹¹ Svante E. Cornell, S. Frederick Starr; "Challenges to a Peaceful and Prosperous Caucasus" in "The Caucasus: A Challenge for Europe", © Central Asia-Caucasus Institute and Silk Road Studies Program, 2006 pp 42-44

¹¹² Ibid, also Narine Ghazaryan, "The ENP and the Southern Caucasus: Meeting the Expectations?" Global Europe Papers 2008/5

¹¹³ quoted from : Marine Cremona and Christophe Hillion, "L'Union fait la force? Potential and limitations of the European neighborhood Policy as an integrated EU foreign and security policy"

At the same time it must be mentioned that the conflicts and instability in the region may also become a threat for the energy diversification for the EU, the importance of which was already discussed above. As energy security plays a vital role for the EU, ensuring reliable and stable export routes for Caspian hydrocarbons should logically be of great importance. As the South Caucasus represents the transit route for the energy resources from Caspian basin to Europe, peace and stability in the region automatically means reliable access to gas and oil for the EU whereas instability can hinder the delivery of hydrocarbons not only to the EU but international market.

So from the discussed above one can conclude that region matters for the EU in a great instance in the context of security, as instability can make a negative affect on the security of the EU itself in several reasons. First reason to be mentioned is crime, trafficking and smuggling. Being situated between the East and West, the region can be the corridor and route for crime and can export instability to the west. Another important reason to be mentioned is that being the neighboring region, conflicts and instability in the South

Caucasus can import instability and weak state spill over¹¹⁴ to the whole continent as well, and so become the threat for the security of the EU as well as the whole continent. At the same time being the only way to diversify energy resources and accordingly decrease dependency on Russia , security of the transit route of hydrocarbons means managing the energy security of the EU in general.

Talking generally, The EU has become attracted by energy resources of Caspian basin, the transit of energy resources from Asia to the West and concerned by the challenges of trafficking and criminality that regional instability aggravates ¹¹⁵that can become the challenge for the EU security itself coming geographically closer to the EU. From this point of view the European Union's major interest in the region is perfectly well defined in the statement of Patten, C., and Lindh, A. on February 20, 2001

¹¹⁴ Svante E. Cornell , S. Frederick Starr; "European Interests in the Caucasus" in "The Caucasus: A Challenge for Europe", © Central Asia-Caucasus Institute and Silk Road Studies Program, 2006 21-25

¹¹⁵ R. Craig Nation "Russia The United Sates, and The South Caucasus "February 2007 This publication is a work of the U.S. Government.<http://www.StrategicStudiesInstitute.army.mil/> pp 3-5

‘There is perhaps as much oil under the Caspian Sea as under the North Sea and a huge amount of gas there and in Central Asia - good news for energy-hungry Europe. The Caucasian corridor is the fastest way from southern Europe to central Asia and beyond; peace would help realize the potential for transporting goods and energy from the Caspian region and central Asia. Peace in the Caucasus would also boost the security of the whole continent. This is why the EU is involved in helping all three governments to develop their economies and promote regional cooperation’¹¹⁶

Because of becoming significant for the EU, In July 2003 the European Council appointed Finnish diplomat Heiki Talvitie as EU Special Representative to the region and in 2004 the states of the Southern Caucasus were included in the European Neighborhood Policy.

But the South Caucasus matter for security reasons not only for the EU but for Russia and for the whole continent as well.

3.7 Security-- Russian perspective

One more very important aspect why the region matters for Russia, is security. In Russian thinking, controlling the South is essential as instability and conflict escalations in the region may destabilize the North Caucasus and threat Russian statehood itself. Since the break up of the Soviet Union Russia viewed the Caucasus as one single region with security interconnectedness and thus tried by all means to maintain its influence in the region.¹¹⁷ But is the Caucasus one single region? As Svante E. Cornell and S. Frederick Starr mention in their work, the conceptual division of the Caucasus into the North and South Caucasus is the result of the fact, that after the break up of the

¹¹⁶ reached from Syuzanna Vasilyan “The European Union (EU) as a ‘Civilian’ and ‘Normative’ Power’: Connotational Meanings from Outside” Paper Presented at the EUSA Tenth Biennial International Conference Montreal, Canada (May 17-May 19, 2007) p 19

¹¹⁷ Kavus Abushov, “Policing the near abroad: Russian foreign policy in the South Caucasus Australian Journal of International Affairs Vol. 63, No. 2, , June 2009 pp. 187_212

Soviet Union, Russia managed to maintain control over the North Caucasus but not the South. According to them this is the main reason why the single region is artificially divided into two.¹¹⁸ But many experts think that division was necessary in order to normally separate the South Caucasus from Russia¹¹⁹ and the author of this thesis absolutely agrees with them. As for the security is concerned, above mentioned authors remark that the South Caucasus may negatively affect the North Caucasus, from Russian perspective, reason for that being the formal independence and sovereignty the three nations in the South Caucasus could attain after the break up of the Soviet Union. The people in the North Caucasus, still under Russian control and seeking the greater self rule, are attracted by the sovereignty of the three and one day it may cause serious problems for Russia.¹²⁰ But the South Caucasus may effect the North for another reason as well, namely conflicts and instability. To avoid the spill over effect of conflict and instability from the South to the North, after the military intervention on Abkhazia and South Ossetia, Russia supported secessionist regions thus balancing power against Georgia. In Russian conception, as long as there is a military balance of power, on the one hand between Armenia and Azerbaijan, and on the other hand Abkhazia, South Ossetia and Georgia, there is no real threat of military operations between them. Thus though there is an instability in the region, Russia do not fear of spillover effect of it unless the control over it is in Russia's hands and as Kavus Abushov mentions in his work, " Russia prefers a situation of controlled instability in the South Caucasus rather than long-term stability for the region as Russia is the relevant power in the South Caucasus and still has certain resources to influence the security-political developments in the region" ¹²¹ At the same time, as Katinka Barysch notes in her work another reason why some Russians prefer " controlled instability" is that it

¹¹⁸ Svante E. Cornell , S. Frederick Starr; "European Interests in the Caucasus" in "The Caucasus: A Challenge for Europe", © Central Asia-Caucasus Institute and Silk Road Studies Program, 2006

¹¹⁹ .Narine Ghazaryan:"The ENP and the Southern Caucasus: Meeting the Expectations?" Global Europe Papers 2008/5 p 4-5

¹²⁰ Kavus Abushov , "Policing the near abroad: Russian foreign policy in the South Caucasus Australian Journal of International Affairs"Vol. 63, No. 2, , June 2009 pp. 187_212

¹²¹ Kavus Abushov, "Policing the near abroad: Russian foreign policy in the South Caucasus Australian Journal of International Affairs Vol. 63, No. 2, June 2009, pp. 187_212,

provides Russia with extra leverage over weakened and fragmented governments and secessionist movements.¹²²

When talking about Russian interests in the region, one should also mention that Russia considers itself as the great regional power and it is not going to give the title up so easily. In order to maintain the title of a great regional power and not only title but actual influence over the region as well, it is important to keep the NATO and generally the West out of its regional shell as Russia has seen the presence of any other western power, such as Europe, America or Turkey, as a threat and tried to prevent western influence using all the possible means, even the endemic instability in the region.¹²³ As the west is openly interested in the region, Russia tries to prevent them establish themselves in its border. It thus tried to persuade Georgian Government not to enter the NATO. As the persuasion did not have the desired result then it started to strengthen its position by demanding guarantees from Georgia, during the negotiations on the withdrawal of Russian military bases from Georgia, that after the withdrawal there would not be any other third state's military presence.¹²⁴

So from the discussed above one can say that the importance of the South Caucasus for Russia from security point of view is of great importance. After "losing Eastern European Countries", Russia is in danger to lose the South Caucasus as well, and if it happens, as a spillover effect, Russia will be in a serious and real danger to lose the North Caucasus as well, and it can threaten Russian statehood in general. Russia is already in a great danger to lose its title of the regional power and its influence in the region, as well as its weight for the West if losing the energy dependency as political power, and all these may happen by means of the South Caucasus. That is why Russia tries to use all possible means and maintain its influence in the region, but how

¹²² Katinka Barysch, "The EU and Russia : Strategic partners or squabbling neighbors?"

Published by the Centre for European Reform (CER), 29 © CER MAY 2004 pp 41-42

¹²³ Svante E. Cornell , S. Frederick Starr; " Russia's Role and Policies in the Caucasus" in "The Caucasus: A Challenge for Europe", © Central Asia-Caucasus Institute and Silk Road Studies Program, 2006 pp 49-50

¹²⁴ Kavus Abushov : Policing the near abroad: Russian foreign policy in the South Caucasus Australian Journal of International Affairs Vol. 63, No. 2, , June 2009 pp. 187_212

effective Russian policies towards the region are, will be discussed in the paragraphs below.

Another reason for Russian interest in the region, as Svante E. Cornell mentions, is the fact that the control over the South Caucasus was seen important in keeping a buffer zone between Russian territory and the Islamic world in the South.¹²⁵ Maybe that is the reason, together with the will to surround “its territory” visible from other powers, why one of the main priorities of Russian foreign policy is guaranteeing its exclusive military and political presence in the area and thus visibly surround its “sphere of influence”.

Chapter 4 The EU-Russia Competition

4.1 Battle Field of EU-Russian competition

It must be also mentioned that the South Caucasus region represents the neighboring region for both players, the place of clash of interests and “power play”. For decades the region was under the domination of Russian influence even after the break up of Soviet Union. But after the enlargement, especially after inclusion of Romania and Bulgaria in the European family, the EU became a geopolitical player in the South Caucasus and generally Black Sea region. About a decade ago and earlier as well, the region was treated as a peripheral by the EU and was quite neglected as trying not to challenge Russian interests and thus not to awake “Russian bear”,¹²⁶ , and maybe because of that Russia could still maintain its influence and power over the

¹²⁵ Svante E. Cornell , S. Frederick Starr; “ Russia’s Role and Policies in the Caucasus” in “The Caucasus: A Challenge for Europe”, © Central Asia-Caucasus Institute and Silk Road Studies Program, 2006 p 49

¹²⁶ “The image of the Russian bear has been long established in the European mind, as 19th century newspaper cartoons remind us. The 20th century experience of the Soviet Union sustained the idea of a huge, threatening and wild presence in the north.” see Michael Emerson with Natalie Tocci, Marius Vahl and Nicholas Whyte “The Elephant and The Bear, The European Union, Russia and Their Near Abroads.” © Copyright 2001, Centre for European Policy Studies pp 1-3

region. But after the enlargement and even during the preparations for the 2007 enlargement with Romania and Bulgaria the EU started to gradually realize the region's importance to European security. However, it must be mentioned here that the EU interests in the region in several instances contradict those of the region's major player, Russia.¹²⁷

Talking generally, Both Players are concerned because of each others more and more engagement in the region. Russia represents the challenge for the EU because of energy dependency, as mentioned above and at the same time attempts to expend its ideology in the continent, offering a different approach that from the EU to sovereignty, power and world order. The EU is in favor of the idea of order based on the rule of law, democracy, interdependence and consensus, as for the Russia foreign policy –it stands for the power, control and independence. So the EU's main concern is to ensure that its neighborhood is peaceful and well-governed. As for Russia, it wants to expand its sphere of influence and achieve control of economic interests and energy assets in neighboring countries and the EU.¹²⁸

In the last decade the situation in the continent, especially in the Middle East, dramatically changed. If in the previous century Russia represented the regional power and dominated in the continent or better to say controlled the East part of Europe, in the new millennium the European Union emerged as a clear competitor for Russia. After the break up of the Soviet Union, although Russia tried to maintain its influence, the EU managed to “take control over” Eastern European countries by integrating and making them the members of European family. After CEEC joined the EU, Russian influence on them diminished and it lost the great part of the continent. But because of energy transit Russia still maintained its status as a regional power and EU dependency on it. On every decision made by the EU concerning Russia, its influence was felt, that made decision makers to consider Russian interests as well¹²⁹. But why should the EU, “ an

¹²⁷ Nicolas Nilsson “EU and Russia In the Black sea Region : Increasingly Competing Interests? “ at: <http://ssrn.com/abstract=1173563> pp2-3

¹²⁸ Mark Leonard & Nicu Popescu, “A Power Audit of EU-Russia Relationship,” Published by the European Council on Foreign Relations © ECFR November 2007. pp13-16

¹²⁹ **see:** European Union Committee, “ The European Union and Russia, report with Evidence”, 14th Report Session , House of Lords 2007-2008

economic giant”, one of the main player on the international political stage, be dependent on something on another country ? The EU realized that it could “take over” former Soviet Union countries without using “hard power” and the lives of its citizenship and extend its influence in the continent, becoming stronger and ready to compete with Russia. It also realized that if acting cleverly and carefully it could escape from dependency on Russia, its main competitor in the continent. And if there is a chance for that why not use it? And where is the possibility for that? And here the South Caucasus, as the only way for energy diversification, emerged and attracted the EU’ attention. If the EU manages to diversify energy recourses, its dependency on Russia will diminish and the EU will act according to its will and won’t be “forced” to consider competitor’s interests. As for Russia, losing its influence over the EU will mean losing its power on the continent, that would be a real demonstration of Russia’s “step back “. At the same time losing the EU as a huge consumer of the energy recourses will make a negative effect on Russian economy, as energy sector represents the main source of Russia’s budget.¹³⁰

So from the discussed below, one can conclude that the region of the South Caucasus become “the battle field “or “polygon” for the EU Russia interests and “Power play “. The region became significant not only because of energy, security or economy, but also because of showing strength and ability to be a real regional power in the region. That is why the both sides try to do their best to make the countries of the South Caucasus loyal to them and bring them closer. But the policies, and means used by the above mentioned powers to achieve their goals differ form each other.

4.2 Comparison of the policies and means used by the EU and Russia

As discussed in the previous chapters, the EU became engaged in the region after the break up of the Soviet Union in the 1990s but the relationship between the two deepened in 2000s. As a result of the realization of the importance of the South

¹³⁰ Katinka Barysch ,”The EU and Russia : Strategic partners or squabbling neighbors?”

Caucasus, the EU changed its attitude towards the region and relationship moved farther from the Partnership and Cooperation Agreements to the European Neighborhood Policy, the policy which is considered to be the alternative to the EU membership,¹³¹ and then farther from ENP to the Eastern Partnership, the policy which offers the closest integration with the EU after membership. The region was also included in the Black Sea Synergy and EU aid has been increased and the European Investment Bank has received a mandate to extend loans in the region.¹³² One can conclude that every new policy toward the region or every following agreement with the component countries is a farther step to more integration the EU offers to the South Caucasus. Of course the EU's engagement in the region, so neglected in the past, has its own drivers and that is the interests the EU has acquired and that has already been discussed in the previous sections.

But one should not understand EU's behavior as "giving everything and getting nothing". The EU has its own interests in the region with defined objectives and to achieve these objectives the EU offered partner countries of the South Caucasus (as well as other countries of the ENP and later EaP,) a kind of bargain.¹³³ The EU wants to extend its governance regime, its own standards, norms and values such as democracy, rule of law, good governance, etc beyond its political border and in exchange for reforms in this direction, the EU offers prospects of increased political dialogue, deeper economic integration¹³⁴ and participation in several important aspects of its activities, such as internal market, police and judicial cooperation, border management, development of energy and transport network(crucial for both sides), exchange programs etc. ¹³⁵ In other words , the EU is definitely the "*soft power* user" as it tries to get what it wants " through attraction rather than through coercion and

¹³¹ Eneko Landaburu "From Neighborhood to Integration Policy: are there concrete alternatives to enlargement?"CEPS Conference "Revitalising Europe" Brussels, 23 January 2006 at http://shop.ceps.be/BookDetail.php?item_id=1305 p2-5

¹³² Dag Sourander "The South Caucasus (Armenia, Azerbaijan, Georgia)" EN 6.4.3. 02/2010

¹³³ Esther Brimmer and Stefan Frohlich (eds) "The EU's Neighborhood Policy", in "The strategic Implication of European Union Enlargement" Center for Transatlantic Relations, Johns Hopkins University 2005. p 108

¹³⁴ Ibid also see Nicu Popescu, "The EU and South Caucasus: learning lessons from Moldova and Ukraine : IPF Policy Brief 2

¹³⁵ Ibid

payment”¹³⁶. And if the EU succeeds in getting what it wants, then it will not only diminish its energy dependency on Russia and secure its stability, it will definitely become a considerable competitor for Russia in being a strong regional power. (actually it is already and that is why both sides try to “take over “the region).

As for Russia, in achieving its goal, it has chosen an opposite way from that of the EU. If the EU tries to get what it wants by attraction of the South Caucasian countries or otherwise “soft power”, Russia in contrast uses “hard power”, which is explained by Joseph Nye as “an ability to coerce, grown out of a countries military and economic might,¹³⁷ or in other words hard power is the means to use to get what you want which rests on inducement (“carrots”) and threats (“sticks”).¹³⁸ If we once again look at the policies and behavior of Russia toward the South Caucasian states, the statement that Russian is a hard power user won’t be under question (if a question as such arises). As mentioned above, Russia tried to re-established its hegemony over the region and in achieving this goal used its main instrument that of a “ divide and rule” and helped the weakening of the countries by supporting separatist regimes, thus assisting the fragmentation of the states and emergence of new statelets. At the same time Russia has used its economic levers, discriminatory visa regimes, cutting gas supplies, embargos etc especially in Georgia and Azerbaijan¹³⁹. In the case of Armenia, Russia did not use discriminatory policies, because it has complied with Russian demands to provide its territory for Russia’s military engagement and support Russia’s

¹³⁶ Joseph. S Nye, Jr. “Soft Power and Euro-American Affairs “ in Thomas L. Ilgen (ed) “Hard power, soft power and the future of transatlantic relations” Ashgate Publishing 2006 at www.books.google.com p 26

¹³⁷ Ibid

¹³⁸ Nye, Joseph S. “Power in the Global Information Age: From Realism to Globalization”, Routledge, 2004. at www.books.google.com p 5

¹³⁹ Svante E. Cornell , S. Frederick Starr; “ Russia’s Role and Policies in the Caucasus” in “The Caucasus: A Challenge for Europe”, © Central Asia-Caucasus Institute and Silk Road Studies Program, 2006 pp 49-51

international actions if necessary.¹⁴⁰ In exchange of Russian support, it guarantees Armenia's political and economic security¹⁴¹

By once again shortly revising the policies used by both actors, Russia and the EU toward the region, the author of the thesis tried to prove its assumption that the Russia is a “hard power” and the EU “soft power” user toward the region. But which is more productive? which actor could gain more by using such kind of policies? which way to go and follow? in the chapter below the author will fix its attitude toward the policy means in achieving the favorable goal and answer the questions.

4.3 “Hard Power “or “Soft power “?

The answer to the question: which is more profitable for the Country “soft power “or “hard power” is difficult and there are still many arguments among the scholars. Thus in this chapter the answer will be asked only according to the concrete example of the already mentioned “triangle “ and of course it will be open to discussion as every idea has its opponents and proponents . In answering this question one should briefly analyze the attitude of the South Caucasian countries itself toward the EU and Russia that will help to find out which of them came out to be more productive for the two mentioned actors.

Armenia is known to be Russia's only strategic partner in the South Caucasus¹⁴² Many experts consider that Armenia's pro-Russian attitude is a result of its dependency on Russia economically as well as politically¹⁴³. But by 1999s, even Armenia began to

¹⁴⁰ Ibid see also Kavus Abushov, “Policing the near abroad: Russian foreign policy in the South Caucasus Australian Journal of International Affairs” Vol. 63, No. 2, June 2009 pp. 187_212,

¹⁴¹ Kakha Gogolashvili, “ The EU Policy Towards The South Caucasus : Case of Georgia” as well as Svante E. Cornell , S. Frederick Starr; “ Russia's Role and Policies in the Caucasus” in “The Caucasus: A Challenge for Europe”, © Central Asia-Caucasus Institute and Silk Road Studies Program, 2006 pp51-52

¹⁴² Bertil Nygren “The rebuilding of Greater Russia: Putin's foreign policy towards the CIS” Routledge 2008, at www.books.google.com pp 114-119

show its positive attitude towards the EU and interests in the policies the EU adjusted in the South Caucasus and began to develop western linkages.¹⁴⁴

According to Tigran Mkrtchyan, there are some factors why Armenia expressed positive attitude towards the EU, notwithstanding its high dependency on Russia. According to him, Armenian political leaders were attracted by the long term political stability and economic growth of the EU and began to think that cooperation with the EU could serve as a guarantee for the democratic and secured future. At the same time Armenia could benefit from the economic cooperation with the EU. At what is also important to mention is that large number of population feels it belong to Europe.¹⁴⁵

Armenia not only expressed its positive attitude towards the West but also was involved in all main policies that the EU offered the South Caucasus that would help more integration. Namely Armenia signed PCA agreements, become the member of the Council of Europe, joined the ENP, got ENP Action Plans, joined EaP. From economic point of view, Armenian export – import towards European countries has dramatically increased and the EU became major economic and trade partner of Armenia. Although the author also mentions that the Russian factor still exists and it hinders Armenia to fully participate in all “European projects”¹⁴⁶

Azerbaijan is a country with the “balanced foreign policy”¹⁴⁷. Since the independence Azerbaijan aspired great cooperation with the EU and desired do

¹⁴³ *ibid* also Kakha Gogolashvili, “The EU Policy Towards The South Caucasus : Case of Georgia “ also: Svante E. Cornell , S. Frederick Starr; “ Russia’s Role and Policies in the Caucasus” in “The Caucasus: A Challenge for Europe”, © Central Asia-Caucasus Institute and Silk Road Studies Program, 2006 pp51-52

¹⁴⁴ Tigran Mkrtchyan , “Armenia’s European Future” in Armando Garcia Schmidt, Sibylle Reiter-Zimmermann and Cortnie Shupe (eds) “The European Union and the South Caucasus : Three Perspectives on the Future of the European Project from the Caucasus” Europe in Dialogue 2009/01 pp14-19

¹⁴⁵ *ibid*

¹⁴⁶ *ibid*

¹⁴⁷ Tabib Huseynov , “The EU and Azerbaijan: Destination Unclear “ in Armando Garcia Schmidt, Sibylle Reiter-Zimmermann and Cortnie Shupe (eds) “The European Union and the South Caucasus: Three Perspectives on the Future of the European Project from the Caucasus” Europe in Dialogue 2009/01 pp 61-65

diminish Russian influence in the region. But nowadays Armenian foreign policy is balanced. As a result of its oil reserves, Azerbaijan could get economic independence and acquired an important role for both Russia and the EU. Azerbaijan do not want to antagonize Russia by open pro – western orientation because of conflict with Armenia over Nagorno-Karabakh and fear that Russia will increase its support to Armenia and do not want to lose Europe, as Azeri population is pro-western oriented and seek further cooperation and deeper integration with the EU.¹⁴⁸ Azerbaijan joined all the main policies of the EU in the region (PCAs, ENP, EaP, etc) but at the same time tried not to deteriorate relationship with Russia. But in comparison with Armenia and Georgia, because of its oil and economic independence, Azerbaijan could and can afford such kind of “game “where it is not just part of the game but one of the main actors.

One should also say that if Azerbaijan keeps “balanced “not clearly pro-western orientation, the blame lies on the EU itself according to Tabib Huseynov. In his article he mentions several reasons for that. First is the fact that the EU lacks the ability to speak with one voice and guarantee security in the region. Second reason for that is Kosovo’s declaration of independence, supported by most EU countries. Azerbaijan do not want to have any foreign peacekeeping forces in its soil, even the EU troops, without guarantees that “those troops would not contribute to the legitimization of forceful secession by a part of its territory”. And one more important reason for that mentioned by Tabib Huseynov is statement of Benita Ferrero-Waldner, EU Commissioner for External Affairs, who in her speech somehow neglected the territorial integrity of Azerbaijan by stating the Following on 1 September 2008: “partners like Georgia, Ukraine and Moldova can count on our support for their territorial integrity and sovereignty.”¹⁴⁹ The fact that Benita Ferrero-Waldner omitted Azerbaijan from his list of countries caused a wave of criticism in Azerbaijan¹⁵⁰.

¹⁴⁸ Ibid

¹⁴⁹ Benita Ferrero-Waldner, “Speech by Commissioner Benita Ferrero-Waldner in the European Parliament after the extraordinary European Council “ 1er Septembre 2008

¹⁵⁰ Tabib Huseynov , “The EU and Azerbaijan: Destination Unclear “ in Armando Garca Schmidt, Sibylle Reiter-Zimmermann and Cortnie Shupe (eds) “The European Union and the South Caucasus: Three Perspectives on the Future of the European Project from the Caucasus” Europe in Dialogue 2009/01 pp 76-77

As for Georgia, it is clearly pro - western oriented. As Kakha Gogolashvili mentions in his article, Georgia has long been the country of European aspiration and majority of population believe that their future is in Europe.¹⁵¹ As Svante E. Cornell and S. Frederick Starr mentioned in their work, Georgia openly announced its aspiration to join the NATO and at the same time the accession to the European Union as its long term goal despite Russian troops and border guards in its soil.¹⁵² Georgia, like Armenia and Azerbaijan, became a part of PCAs, ENP, EaP, etc. After the war of August 2008 the EU emerged in the region as a new actor, equal to Russia and the United States¹⁵³ and the EU's advancement in the region was strongly welcomed by Georgia. It welcomes the process of Europeanization in the area and seeks to integrate in the West.¹⁵⁴

So as can be seen, although the both actors, Russia and the EU, did their best to bring the countries closer, the EU has achieved more in this direction, "making" the all three South Caucasian countries join almost all the policies and programs the offered. All three nations seek farther cooperation and integration with the EU and see their future in Europe. But one also can not of course exclude the "Russian factor" which exists and it will be very difficult to remove it. But according to the individual countries attitudes towards the EU and Russia, one can clearly see that the: "soft power" instrument came out to be more productive than the "hard power". The author thinks that if not "Russian factor" all three states would more openly follow the path to desired

¹⁵¹ Kakha Gogolashvili : " The EU and Georgia: The Choice is in the Context " in Armando Garcia Schmidt, Sibylle Reiter-Zimmermann and Cortnie Shupe (eds) "The European Union and the South Caucasus : Three Perspectives on the Future of the European Project from the Caucasus" Europe in Dialogue 2009/01 p91

¹⁵² Svante E. Cornell , S. Frederick Starr; " Russia's Role and Policies in the Caucasus" in "The Caucasus: A Challenge for Europe", © Central Asia-Caucasus Institute and Silk Road Studies Program, 2006 pp53-54

¹⁵³ Iris Kempe, Tarek Hohberg and Roderick Kefferutz,, " Eastern Partnership and the Caucasus, Strategic Input from the Region" By Heinrich Boell Foundation's, Prepared for the Eastern Partnership: Towards Civil Society Forum, Prague 2009 p 2

¹⁵⁴ Kakha Gogolashvili : " The EU and Georgia: The Choice is in the Context " in Armando Garcia Schmidt, Sibylle Reiter-Zimmermann and Cortnie Shupe (eds) "The European Union and the South Caucasus : Three Perspectives on the Future of the European Project from the Caucasus" Europe in Dialogue 2009/01 pp91-93

Europe. But if not Russian factor the importance of the region would be also under the great question.

The effectiveness of the “ Soft Power “ was also realized by Russia itself, and as Nicu Popescu mentions in his article, “the truth is that Russia has started to invest in the infrastructure of a soft power.”¹⁵⁵ As is mentioned in the same article Russia realized the effectiveness of the “soft power” after the “Orange revolution “in Ukraine. As Konstantin Kosachev, Chairman of the foreign affairs committee of the Russian Duma announced “the situation is absurd” when post-Soviet states enjoy more benefits from cooperating with Russia and still they want to “enter into the straitjacket of European institutions and to fall under the diktat of Brussels.”¹⁵⁶ According to the same statement the West is achieving its goals under the banner and umbrella of democratization, but the result they get is quite impressive.¹⁵⁷

Which ways will the actors chose in the future in achieving their goals is up to them but analysis showed that people and governments of the three South Caucasian countries are more loyal to the West than to Russia. And finally author wants to end the discussion on this topic by words of Nye, Joseph “If I can get you to want to do what I want, then I do not have to force you to do what you do **not** want. If a country represents values that others want to follow, it will cost less to lead. “ 158

¹⁵⁵ Nicu Popescu “ Russian’s Soft Power Ambitions” CEPS Policy Briefs, issue 112/2006 Nom 115 at www.ceeol.com p 1

¹⁵⁶ Ibid and See: Konstantin Kosachev, “Neftegazovaia Diplomatiia kak Ugroza Marginalizatsii”, *Nezavisimaya Gazeta*, 28 December 2004 (http://www.ng.ru/world/2004-12-28/5_uspeh.html).

¹⁵⁷ Nicu Popescu “ Russian’s Soft Power Ambitions” CEPS Policy Briefs, issue 112/2006 Nom 115 at www.ceeol.com p 1-2

¹⁵⁸ Nye, Joseph S.” *Power in the Global Information Age: From Realism to Globalization*”, Routledge, 2004. reached from www.books.google.com p 5

Conclusion

The thesis analyzed the South Caucasus region and its importance for the European Union and Russia and answered the research question why the South Caucasus matter. Comparative analysis was made and was compared not only the reasons of being important but also what kind of policies were used to bring the region closer and make it loyal to the actor.

There are various reasons why the South Caucasus matters but the thesis concentrated on main drivers of gaining the significance. The answer to the main research question “Why does the South Caucasus matter for the EU and Russia” is energy, economy and security driven from of its key strategic location. What is also important to mention, as the analysis showed, although the main interests of Russia and the EU in the region coincide, the drivers of interests (in some cases) and policies used are different. The most often used factor of gaining significance is natural resources mainly exported form Azerbaijan. For the European Union the region matters as it is the only way to diversify energy resources. The EU is largely dependent on Russia as a dominant energy supplier and Russia in its turn uses energy dependency of the EU as a levers and political weapon in the foreign policy.¹⁵⁹ So If the South Caucasus is the way to diversify energy resource of the EU, than for Russia the region is the way to stop the process.

Energy resources play significant role for economic Security as well, thus adding value to the region. For Russia losing the EU as a huge market would make a negative affect its economy as an energy sector represents the main source of Russia’s budget and is the main engine of its economic growth. ¹⁶⁰ For the EU region matters not as an important market (if not taking into account hydrocarbons) but as a transit (future transit)

¹⁵⁹Svante E. Cornell , S. Frederick Starr; ”European Interests in the Caucasus” in “The Caucasus: A Challenge for Europe”, © Central Asia-Caucasus Institute and Silk Road Studies Program, 2006 pp 15-20

¹⁶⁰ Katinka Barysch, “The EU and Russia : Strategic partners or squabbling neighbors?” Published by the Centre for European Reform (CER), 29 © CER MAY 2004p 15-16

to the EU's great economic partner countries and huge market, such as China for instance with the huge market for the EU with the population of 300 million.¹⁶¹

The South Caucasus is significant for security reasons as well. Conflicts in the region are not threat for the general stability of the region only, but represent threat to international security as well. The region's security is necessary to achieve the goal of Common Foreign and security Policy (CFSP) of the EU, namely, the establishment of a zone of security around Europe.¹⁶² At the same time the South Caucasus associated with international crime, drug trade, trafficking etc.¹⁶³ because of its strategic location, linking East and West, represents not only a transit route for energy resources but at the same time transit route for drugs and weapons. Controlling the South is essential for Russia as instability and conflict escalations in the region may destabilize the North Caucasus and threat Russian statehood itself as the people in the North Caucasus, still under Russian control and seeking the greater self rule, are attracted by the sovereignty of the three and one day it may cause serious problems for Russia¹⁶⁴

So both countries try to bring the region closer, but the means achieving these goals differs from each other. The EU is a "soft power user" in the region, trying to bring the countries of the South Caucasus closer not by aggression or coercion but by attraction inviting them in number of projects and policies, the most significant being the ENP and EaP, thus offering the states Gradual integration into the EU economy, opening markets, mobility partnerships - greater access for workers, easier travel to the

¹⁶¹ Mamuka Tsereteli, "The Black Sea/Caspian Region in Europe's Economic and Energy Security" in Svante E. Cornell and Nicolas Nilsson,(eds)"Europe's Energy Security: Gazprom's Dominance and Caspian Supply Alternatives", © Central Asia – Caucasus Institute & Silk Road Studies Program, 2008 pp 43-45

¹⁶² Narine Ghazaryan, "The ENP and the Southern Caucasus: Meeting the Expectations?" Global Europe Papers 2008/5 pp10-11

¹⁶³ Svante E. Cornell , S. Frederick Starr; " Challenges to a Peaceful and Prosperous Caucasus" in "The Caucasus: A Challenge for Europe", © Central Asia-Caucasus Institute and Silk Road Studies Program, 2006 pp 42-44

¹⁶⁴ Kavus Abushov , "Policing the near abroad: Russian foreign policy in the South Caucasus " in Australian Journal of International Affairs Vol. 63, No. 2, June 2009 pp. 187_212,

EU for citizens.¹⁶⁵ As for Russia it is obviously as “hard power” user in the region, trying to achieve its goals by aggressive policies, discriminatory visa regimes, economic levers, embargos, etc especially towards Azerbaijan and Georgia.¹⁶⁶ In case of Georgia the culmination was the war of August 2008 followed by occupation of Georgia that caused the instability in the Caucasus.¹⁶⁷

The thesis also tried to answer the question “which policy had more productive results for the regional players “soft power” or “hard power”. Investigation showed that the people of the three state are more loyal to the EU than to Russia and see there future in Europe. All three countries joined all the important policies the EU offered them and seek deeper integration to the EU. Georgia is openly western oriented, seeking to join the NATO and the EU in the long run, Azerbaijan is somewhere in the middle with the balanced policy, for that being the fear of Russia mainly because of Nagorno-Karabakh issues and Armenia is considered to be Russia’s main strategic partner, but people of Armenia seek closer ties with the EU, and if the government is not western oriented, the reason being the” Russian factor”. (see chapter 3 for more details). As can be seen in the region of South Caucasus use of “soft power” came out to be more productive and it was realized even by Russia and as Nicu Popescu mentions in his article “Russia has started to invest in the infrastructure of a soft power.”¹⁶⁸

Which ways will the actors chose in the future in achieving their goals is up to them but analysis showed that people and governments of the three South Caucasian countries are more loyal to the West than to Russia. And finally author wants to end the discussion on this topic by words of Nye, Joseph “If I can get you to want to do what I want, then I do not have to force you to do what you do **not** want. If a country represents values that others want to follow, it will cost less to lead. “¹⁶⁹

¹⁶⁵ Benita Ferrero-Waldner, “Eastern Partnership - an ambitious project for 21st century European foreign policy “, 20 February 2009,

¹⁶⁶ Nicu Popescu “ Russian’s Soft Power Ambitions” CEPS Policy Briefs, issue 112/2006 Nom 115 at www.ceeol.com p 1-2

¹⁶⁷ Ibid

¹⁶⁸ Nicu Popescu: Russia’s Soft Power Ambitions CEPS Policy Briefs: issue: 112 / 2006, pages: 13, on www.ceeol.com.

¹⁶⁹ Nye, Joseph S.”Power in the Global Information Age: From Realism to Globalization.” Routledge, 2004. reached from www.books.google.com p5

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