
THE FUTURE OF SOUTHERN CAUCASUS IN THE LIGHT OF NEW GEOPOLITICAL RECONFIGURATIONS

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The past 15–20 years saw some major events that led to considerable geopolitical changes and reconfigurations in the world, such as the downfall of the USSR and the entire Socialist block, the rapid enlargement of the EU and NATO to the East, the beginning of a large-scale campaign against terrorism, the growing influence of market mechanisms on the global economy, etc.

The last four years were also rich in events, which in the next decade will undoubtedly have major impact both on global processes and the Southern Caucasus region, making this one of the most significant regions in the world:

- The rising of the new wave of democratic processes in the territory of the former USSR (the “colour revolutions” in Georgia, Ukraine, and Kyrgyzstan);
- The tightening of Russia’s energy policies;
- The changes in the direction of Russia’s foreign policy, as set out in President Vladimir Putin’s speech given on February 10, 2007 at the Munich Conference on Security Policy;
- The suspension or withdrawal of Russia from international treaties signed during the period of warming of East-West relations;
- The attempts made by the EU and the US aimed at diversification of sources and manners of hydrocarbon supply;
- The qualitative and quantitative changes in the military and economic structure of Southern Caucasus;
- The transformation of Southern Caucasus into a transit region for transportation of energy resources, goods and provisions from East to West, and vice versa;

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- The change of leaders in Germany and France, which led to the strengthening of the emphasis on European integration and Euro-Atlantic aspects in the foreign policies of the above-mentioned states;
- The transformation of the GUAM into an actively developing regional organisation.

1. The aggravation of Russia-CIS relations

Russia did not manage to offer the CIS States any attractive cooperation model. As a result, the process of reorientation of the CIS States towards other countries, organisations, and security systems has begun.

There are numerous examples of this: the establishment in the CIS territory of regional organisations without the participation of Russia; the accession of Georgia, Moldova, Armenia and Kyrgyzstan to the World Trade Organisation; the construction of oil and gas pipelines bypassing Russia; the consent of Kazakhstan to transport some of its oil to Europe bypassing Russia, and the participation of Kazakhstan in the Baku-Tbilisi-Akhalkalaki-Kars railway project; the deployment of NATO and US military forces in the territories of some states of Central Asia; Georgia's appeal for NATO membership; the clear orientation of Moldova and Georgia towards European integration, etc.

In recent years, relations between Russia and some CIS States have become openly hostile. This can be seen in relations between Russia on the one hand, and Ukraine and Belarus on the other hand, due to issues of energy resource prices and transit of Russian gas and oil through the territory of the said states. In autumn of 2006, the "spy scandal" between Russia and Georgia flared up, whereby Tbilisi officially accused four Russian officers of spying and deported them from the country. Moscow responded by imposing a disproportionately strict large-scale sanction mechanism, including closure of all transport communications between Russia and Georgia. Almost one year later, in August of 2007, a new scandal flared up related to the shooting attack on the Georgian village Tsitelubani, of which Tbilisi accused Moscow.

The aggravation of Georgia-Russia relations has had serious impact not only on these two nations, but also on all of Southern Caucasus. For instance, the

closure by Russia of the Verkhny Lars crossing point at the Russia-Georgia border had serious implications for Armenia's economy, as its only land communication with Russia running through the territory of Georgia was blocked by Russia itself.

2. Deepening of cooperation of the Southern Caucasus States with the EU and NATO

At the NATO Istanbul Summit held in June of 2004, a decision was taken regarding the strategic importance of the Southern Caucasus and Central Asia regions for NATO. Readiness to pass from the Partnership for Peace level of cooperation to a closer cooperation based on individual action programs, and the establishment of the institute of special representatives in Central Asia and Southern Caucasus were declared. In December of 2005, Georgia and Armenia, and later Azerbaijan, signed the Individual Partnership Action Plans (IPAPs) with NATO. Georgia openly poses the question of NATO membership, having passed to the level of an intensive dialogue (ID) in its cooperation with the Alliance.

We should consider in more detail the obligations undertaken by Armenia in the IPAP framework. It should be noted that here not only security related issues, the anti-terrorist campaign, defence and military reforms, border security and preparedness for emergency situations are dealt with, but also Armenia's obligations in the area of democratic transformations, human right protection, assurance of the rule of law, civil control of the army, the anti-corruption campaign, establishment of the military ombudsman institute, electivity of the position of mayor of Yerevan, etc., are described in detail.

After EU enlargement in 2004, all three Southern Caucasus States as well as Ukraine and Moldova entered the group comprising 17 countries that drew up and signed closer cooperation programs with the EU. Thus, in October of 2006, the EU signed new Partnership and Cooperation Agreements with the Southern Caucasus States, and on November 14, 2006 the three Southern Cau-

casus States ratified the agreements in the framework of the European Neighbourhood Policy (ENP).

It should be noted that the European Neighbourhood Policy Action Plans for Armenia, Azerbaijan and Georgia differ and constitute separate processes with each individual country. Thus each of the countries has its own objectives and tasks in the European integration processes. We believe it is of utmost importance that the European Neighbourhood Policy Action Plan for Armenia covers not only cooperation and support on the part of the EU in the economic, trade, environmental, scientific, cultural and other areas; but also deals with such political issues as strengthening of democratic institutes, judicial system reform, support for a peaceful resolution to the Karabakh conflict, and protection of human rights and fundamental freedoms.

3. The world is facing the beginning of a new Cold War

On the one hand, Russia acknowledges the right of the EU, NATO and the US to pursue active cooperation with the Southern Caucasus States in all issues, including military cooperation and regional security. For instance, in the Joint Declaration signed in May of 2002 by Presidents Bush and Putin it is stated that: "In Central Asia and Southern Caucasus, we acknowledge our mutual interest in the assurance of stability, sovereignty and territorial integrity of all States in the region..." On the other hand, the speech given by Vladimir Putin on February 10, 2007 at the Munich Conference on Security Policy represented a declaration of a new direction in the country's foreign policy, the cornerstone of which is an open confrontation with the West. The Russian leader said that in the present-day world a unipolar model is "not only unacceptable, but absolutely impossible."

At the EU-Russia Summit held in May 2007, the Russian delegation definitely refused to ratify the European Energy Charter Agreement (the Charter was adopted in 1991, and the Charter Agreement was signed in 1994 in Lisbon); and on July 16, 2007, the Russian President signed the Order regarding

Discontinuation of Russia's Participation in the Treaty on Conventional Armed Forces in Europe (CFE Treaty).

It seems today that the Russian authorities are constantly looking for those areas of international policy, where relations with the West can be intensified even more. The most recent example of that was Moscow's attempt to engraft the continental shelf with an area of 1.2 million square kilometres in the Arctic Ocean. For that purpose, Russia sent an expedition there, in the course of which, on August 7, 2007, the Russian flag was placed at the bottom of the Arctic Ocean. A few days later it was established that Russia had resumed regular watch by its strategic (long-distance) aircraft which had been suspended since 1992.

4. Changes in the military structure of Southern Caucasus

The withdrawal of Russian military bases from Georgia is an important process which will have serious impact on the formation of a new military architecture in Southern Caucasus.

The Russian military presence in the Southern Caucasus region is decreasing. At the same time, the scope of cooperation between the US and NATO and the Southern Caucasus States is growing: for instance, after the events of September 11, 2001 the US started bilateral military cooperation with the states in the region; hundreds of initiatives have been implemented in the framework of cooperation of NATO with the states in the region, including major Cooperative Best Effort military training exercises; the Southern Caucasus States falling under flank restrictions of the CFE Treaty (pursuant to the Treaty, each of the three Southern Caucasus States may not have in its military forces more than 220 tanks, 100 combat airplanes, 50 combat helicopters, 220 armoured combat vehicles, and 285 artillery systems); active participation of the Southern Caucasus States in the anti-terrorist campaign, and the presence of their peacekeepers in Iraq, Kosovo, and Afghanistan; participation of the OSCE in the settlement of regional conflicts and monitoring in the zones of conflicts, etc.

In the beginning of March 2007, an official representative of the US Department of Defence declared the intention of the US to consider the possibility of deployment of an ABM radar in the Caucasus region in the framework of development of the anti-ballistic missile (ABM) defence system in Eastern Europe. In our opinion, the probability of deployment of the US ABM defence system elements in Southern Caucasus is fairly high, and will constitute a logical continuation of the actively developing bilateral military cooperation between the states of the region and the US.

We believe that the proposal made to the US by the Russian President Putin on June 7, 2007, at the G8 Summit in Germany regarding joint use of the Gabalin Radar Station is not accidental and that it reflects the increasing significance of the Southern Caucasus region for global politics.

5. Changes in the economic and energy structure of Southern Caucasus

Russia's decision to raise the tariff for gas supplied to Armenia in the winter of 2005–2006 and the closure of the Verkhny Lars crossing point at the Russia-Georgia border had some detrimental effects on the Armenian economy and caused serious concern in the Armenian community. Even the pro-Russian Armenian politicians have now understood that Russia has changed its policies, including its policies towards its most loyal partners.

Today, Russia controls about 80 percent of the energy systems in Armenia. For instance, the Sevan-Hrazdan Hydroelectric Plant Cascade was transferred to Russia as reimbursement for the national debt; Hrazdan, the largest thermal power plant in Southern Caucasus, was transferred to RAO UES of Russia; and in April of 2006, the Armenian Government sold the fifth uncompleted power unit of the above-mentioned power plant to the Russian monopolist Gazprom. Since September of 2003, the Armenian Nuclear Power Plant has been on transfer for a five-year term to the financial management of RAO UES of Russia.

Armenian authorities are quite slow in reacting to the current situation in the area of energy security, yet even they are bound to look for alternative sources and ways of supply of energy resources. For instance, in March of this year, the construction of the Iran-Armenia gas pipeline was completed; construction of a modern power unit at the Yerevan Thermal Power Plant is underway financed by the Japanese loan funds; construction of the Megrin Hydroelectric Plant on the border at River Araks was started in cooperation with Iran; and the program of construction of small hydroelectric plants is being developed actively.

Armenia has undertaken the obligation to decommission the Armenian Nuclear Power Plant. This issue was included among the main priorities of the ENP Action Plan, in which it is stipulated that Armenia, by the year 2007, undertakes to present the action plan and the time schedule for decommissioning of the Armenian Nuclear Power Plant. One thing is clear — in this situation Armenia needs to go in the direction of construction of a new nuclear power plant, as no alternative sources of energy will be able to compensate decommissioning of the Armenian Nuclear Power Plant and ensure Armenia's energy security.

However, in order to make such plans reality certain initiatives must be demonstrated, e.g. by suggesting Georgia jointly construct a nuclear power plant in the territory of Armenia. This will make the task of construction of a new nuclear power plant a more realistic one, enable sourcing of required financing (it is well-known that the EU and the US always encourage joint projects in Southern Caucasus!), and involve Armenia in the regional cooperation activities.

Recently, the EU has been paying special attention to searching for alternative sources and ways of energy resource supply. The elaboration and implementation of new large-scale projects concerning oil and gas supply to Europe from the Caspian basin, and countries of Northern Africa and the Middle East is underway.

Having constructed the Baku-Tbilisi-Supsa and Baku-Tbilisi-Ceyhan oil pipelines, and the Baku-Tbilisi-Erzrum gas pipeline, Azerbaijan made its choice in favour of supply of energy resources to the global markets independently of Russia.

At the Summit held in Krakow on May 11, 2007 (which was attended by the leaders of Azerbaijan, Ukraine, Georgia, Lithuania, and Poland), the Azerbaijan President Aliiev talked about the readiness of his country to join the

Odessa-Brody oil pipeline project, which will enable transportation of Caspian oil to Western Europe through the territories of Ukraine and Poland.

As far back as 10-12 years ago, active discussions on the issues of restoration of the Great Silk Route that went through the territory of Southern Caucasus for the purposes of trade between the East and the West were started. The EU has joined the discussions enthusiastically, and started implementation of several communication and transportation projects in the Southern Caucasus region. For instance, roads from the East to the West in the territory of Azerbaijan and Georgia were constructed and repaired. From this point of view, construction of the new Baku-Tbilisi-Akhalkalaki-Kars railway line will also encourage more active trade between the East and the West and increase the importance of the role of Southern Caucasus as a transit region.

Thus, it is clear that establishment of close economic ties with the EU, the US, Turkey, Iran, China, and countries of the Middle East and Central Asia leads to rapid changes in the structure of economic relations between the states in the region.

The only question that arises here is the issue of participation (that is, non-participation!) of Armenia in most of the above-mentioned projects.

What can Armenia do in order to convince Azerbaijan, Georgia and Turkey of the need to involve Armenia in the major regional projects? As we know, Azerbaijan and Turkey demand withdrawal of Armenian armed forces from the “controlled territories” (the territories around Nagorno-Karabakh), and only afterwards will they be ready to discuss the issue of participation of Armenia in regional projects and the issue of unblocking the routes leading to Armenia.

I don't consider this to be the best plan of action on the part of Azerbaijan and Turkey, because the post-war experience of Europe has demonstrated that many conflicts can be solved thanks to and alongside with economic, cultural and scientific cooperation of the conflicting parties.

6. Reference points for Armenia's foreign policy

What should be the main reference points for Armenia's foreign policy, enabling the creation of favourable conditions for trilateral cooperation in the Southern Caucasus region? In the current situation, one may not passively observe the processes, because such passivity may lead to Armenia turning from an international law subject into an object whose destiny is decided outside of the country and the region.

We believe that Armenia needs to take the following steps in the nearest future:

- To abandon the orientation towards the ineffective Collective Security Treaty Organisation (CSTO) system that creates separation lines in the region and is rapidly losing its significance in the context of development of the Shanghai Cooperation Organisation (SCO);
- To express its readiness to create a common security system with Azerbaijan and Georgia;
- To continue integration into European and Euro-Atlantic structures, by fulfilling all obligations undertaken under the Individual Partnership Action Plan signed with NATO and the European Neighbourhood Policy Action Plan signed with the EU;
- In its cooperation with the OSCE and CE, to abandon the practice of imitation of democratic transformations in the country;
- To express its readiness to cooperate with the GUAM on observer rights;
- To expand bilateral military cooperation with the US;
- To announce plans of construction in Armenia of the second (new) nuclear power plant, and to express its readiness to implement this project together with Georgia;
- To express its readiness to turn the Iran-Armenia gas pipeline into a transit pipeline with an output to Georgia;
- To express its readiness to establish official relations with Turkey without setting any preconditions;

- Yerevan must officially express its interest in Turkey's membership in the EU;
- To abandon the policy of prolonging ("freezing") the resolution of the Karabakh conflict;
- To express its readiness to resolve the Karabakh conflict in a mutually acceptable manner based on concessions and compromises;
- To abandon the practice of transfer of Armenia's major energy sites into the control of a single state.

It goes without saying that the above-mentioned steps to be taken by Armenia must be accompanied by certain reciprocal steps from its neighbours. Turkey might refrain from setting any preconditions for normalisation of its relations with Armenia. Azerbaijan in its turn has to be ready for mutual concessions and compromises in the process of resolution of the Karabakh conflict.