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Facing Difficult Choices

The South Caucasus between Russia and the European Union

by Elkhan Nuriyev

The mounting tension over Ukraine has introduced numerous dangers to the security situation in the South Caucasus. These negative ramifications are further exacerbated by the fact that Russia holds the key to resolving conflicts in the post-Soviet realm, especially in the absence of greater Western assertiveness. But Moscow and Brussels are caught up in geopolitical competition over the region. Such continued competition prolongs the cycles of instability and could sooner or later spill over into Russia and the EU. Devising a coherent strategy for the region that focuses on an integrated, coordinated approach and recognizes the shared interests of Russia, the EU, and the South Caucasus countries is a pressing challenge that remains unmet.

Introduction

Much of what happens today in the South Caucasus resembles the turmoil of the pre-Soviet era, especially the period between the two world wars. As was the case then, Armenia, Azerbaijan, and Georgia are currently facing a daunting task: finding a way to safeguard their state sovereignty and their national security. Because of its unique geostrategic position, the region is of crucial significance for the evolution of the 21st-century world order. While competition for energy resources has always been a highly geopolitical issue, the rivalry over control and influence in the South Caucasus has taken on ideological connotations, and the region has acquired even greater strategic importance to Russia and the European Union.

The nations of the South Caucasus today are confronted with a momentous choice: whether to repeat the history of the early 1920s, when the Soviet Union was created, or to repeat the history of the late 1940s, when the Marshall Plan was proposed. It should hardly be surprising to see the return of broader geopolitical concerns, and these raise interesting yet sensitive questions: Will the current and future circumstances of competition resemble those of 1917–20 or those of 1947–49? How has the content of that competition changed? Can Russia, the EU, and the

South Caucasus find a way to cooperate internationally in ventures that unite them in the reconstruction of greater Europe, or will they fail to meet that challenge? This text analyzes the complex nature of the policies of Russia and the EU toward the neighborhood they share and examines possible ways in which the EU, Russia, Armenia, Azerbaijan, and Georgia could devise new approaches for mutually beneficial cooperation based on recognizing the interests of all parties involved.

Regional Realities of the Neighborhood Russia Shares with the EU

The South Caucasus became a region of direct concern to the EU's security strategy with the two waves of eastern EU enlargement that took place in 2004 and 2007, with the expansion of the European Neighborhood Policy (ENP), and with the Eastern Partnership program launched in 2009. During this period, the EU opened a new chapter with its ambitious plan to broaden cooperation with its Eastern neighbors. It offered them privileged

relationships based on mutual commitment to common values. While assuming a greater regional role through Action Plans and Association Agreements, the EU sought to persuade the post-Soviet leaders of these countries to adopt reform measures that would contribute to fostering stability and security. As a result, the “expansive logic” of EU integration geared toward acquiring reliable partners has produced the need to promote European norms and values beyond the EU’s political borders.¹ In doing so, Brussels did not promise eventual EU membership to its neighbors in the South Caucasus but rather sought to make the region more predictable and controllable – and to create a secure geopolitical buffer between itself and Russia.

In all this, however, there is no small potential for tension with Moscow, which has accused Brussels of trying to carve out a new sphere of influence in its Eastern neighborhood. On several occasions Russia has voiced concerns over the Eastern Partnership, describing it as another attempt to extend the EU’s power in its quest for energy resources. The South Caucasus has therefore turned into a site of clashing interests and power plays. Moscow strongly demonstrates its geopolitical vigor and frequently uses rigid methods to safeguard Russian national interests. Given the absence of a political solution to the protracted tension, Russia is bound in the coming years to remain actively involved in the region, which it very definitely regards as part of its own privileged sphere of influence.

Conversely, the overall context of EU-Russian relations strongly affects the foreign policy strategies of Armenia, Azerbaijan, and Georgia. Even as the European Union and the United States make every effort to prevent Russia from rebuilding the territory of the Commonwealth of Independent States (CIS) with new content, the entire region is turning into a staging ground for maneuvering among the great powers, “color revolutions,” secessionist movements, and bloody civil wars. Brussels views democratic change as a crucial means of establishing lasting peace and stability on its new borders, whereas Moscow perceives the Western promotion of democracy as a real threat to Russia’s leverage over the post-Soviet realm – as well as to Russian domestic policy. It is therefore no surprise that the EU’s extension of power for security purposes has increasingly met with Russian countermeasures.

Different Visions for Reshaping the Region

The South Caucasus has been an area of East-West competition for over twenty years, a fact that – in the absence of greater Western assertiveness – puts the whole region

at risk of confrontation. Russia and the EU have their own often contradictory approaches and interests in the region. Increasingly suspicious of the Western presence in the Caspian basin, Russia has begun to actively resist what it perceives as the EU’s encroachments. From a geopolitical standpoint, Russian-EU competition is most likely a real contest between opposing value systems and ideologies. Integration policies in both the EU and Russia are built on the view that internal security challenges originate outside their borders. In this way, Russia generally regards closer regional integration with the EU as a geopolitical loss, while the EU views growing rapprochement with Russia as an attempt to restrain its own regional leverage.

Because the EU and the Eurasian Union are in direct competition with each other, Brussels and Moscow are locked into a struggle over who is most capable of attracting the partner countries and under what terms and conditions. Given the impact of unresolved conflicts (especially Nagorno-Karabakh) on the South Caucasus’s future development, Moscow could exploit internal fault lines to serve as a major arbitrator in the peace process and pursue its objectives through military tactics. As a consequence, Russia’s geopolitical activism challenges the EU’s integration policies and creates dividing lines that could have broader geostrategic implications for Western democracies.

The EU for its part talks frequently about the energy market but increasingly thinks in terms of geopolitics. By doing so, the EU and the US unwittingly help President Putin fulfill his CIS strategy. Brussels and Washington have not coordinated with each other to craft achievable policy goals, while Moscow moves closer to creating its own Eurasian security alliance to compete with the EU and NATO. This complex reality involves two competing visions for reshaping the region, which prolongs the cycles of instability but does nothing to resolve regional security problems.

Realpolitik, Russian-Style

Internationally, the Kremlin follows a geopolitical philosophy: that the EU accept Russian-style realpolitik and respect the rules of the game set by Moscow for the post-Soviet realm. In order to reemerge as a great power, Russia is concentrating on expanding strategic ties with its CIS neighbors. The South Caucasus is hence a region of critical national interest to Russia, which cannot simply shirk engagement there. As the Russian-Georgian war of August 2008 vividly illustrated, and as the Nagorno-Karabakh peace process shows today, Russian influence is

growing stronger. The Kremlin insists that the countries in its “near abroad” not only retain but also strengthen their security arrangements with Moscow. Russia has taken what the British researcher Roy Allison calls a “protective integration” approach toward the post-Soviet Eurasian countries.² In addition to promoting strategic initiatives within the format of the Collective Security Treaty Organization and the Shanghai Cooperation Organization, Putin’s Eurasian Union project is the newest well-thought-out plan and a current passionate manifestation of the logic of protective integration.

The very fact that Western policies are backing Western economic goals for the Caspian Sea has already brought the EU into conflict with Russia’s national interest. The issues of pipeline routes, foreign policy tradeoffs, and regional security tend to involve intense competition over who receives how much gas. Besides, Moscow clearly continues to influence the South Caucasus nations in various, subtle ways so as to orchestrate a conflict settlement scenario that will not only serve Russian strategic interests but also in the end gratify Armenia, Azerbaijan, and Georgia. Such a regional perspective best illustrates Russia’s broad interests, of which Putin’s Eurasian Union is but one important part. Modernizing itself and demonstrating strong ability for long-term stability are the prerequisites for Russia’s continued success in the 21st century. It remains to be seen however whether Russia’s domestic reforms will successfully be implemented and to what extent they can boost the Eurasian Union’s attractiveness for the countries of South Caucasus. This is why the next few years will prove decisive in the struggle to reshape the post-Soviet neighborhood and integrate the CIS countries into the Eurasian Union.

The Regional Constraints of EU Policy

Recognizing the rich potential of the Caspian’s hydrocarbon resources, the EU has deepened its relationships with the South Caucasus countries to access the energy deposits and decrease Europe’s dependence on Russian energy imports. In effect, the EU has concluded agreements on transnational projects that will provide the flow of substantial energy supplies from Azerbaijan and the Caspian Sea region to the EU. Since the launch of the ENP, however, the EU’s engagement with the South Caucasus has frequently been criticized as ineffective.³ The signing of Action Plans and the negotiations over Association Agreements certainly helped advance the EU’s economic interests in the region, yet the EU could not act coherently as a single state actor in developing a strategic plan for the South Caucasus. This failure has limited the EU’s

influence and enabled Russia, via skillful diplomacy, to consolidate its geopolitical standing in the neighborhood. To put it simply, Moscow immediately filled the vacuum left by Brussels.

The EU’s individual member states have thus far lacked cohesion in pursuing their rights, interests, and values in the region, while the EU’s overall strategy has obviously been dominated mainly by considerations of how European policies will affect relations between Brussels and Moscow. This means that the EU is reluctant to stand up to Russia either geopolitically or geoeconomically. Though we should acknowledge the vital role the EU has played in bringing the South Caucasus closer to a wider EU-centered order of democracy, integration, and prosperity, the EU has at the same time refused to be a relevant security actor; Brussels primarily seeks to defuse tensions with Moscow, which has always been suspicious of Western encroachments. As a result, the EU and Russia have been ill-equipped to move beyond a sort of geopolitical zero sum game in which one side loses what the other one wins. This has ultimately harmed the interests of the South Caucasus countries more than it has helped them.

Divergent Responses from Armenia, Azerbaijan, and Georgia

The countries of the South Caucasus are increasingly vulnerable in the face of strained EU-Russian strategic relations, to say nothing of geopolitical tensions in international affairs. Local decision makers seem to understand that neither Russia nor the EU has a real desire to pursue cooperative policies in the neighborhood they share. The realization that Russia and the EU had chosen competition over cooperation in the Caspian basin brought difficult times for regional leaders. Hence each of them announced their respective choices at the decisive moment.

Armenia clearly withdrew from its negotiations with the EU, turning instead toward Russia. The move was easily predictable from the outset because Yerevan has long been seen as Moscow’s traditional ally and has always relied entirely on Russian military and security assistance. For its part, Azerbaijan’s non-membership in the World Trade Organization makes the country ineligible for a Deep and Comprehensive Free Trade Agreement (DCFTA). Baku has remained reluctant to commit itself to the path of EU integration and has instead narrowed its focus to visa-free travel and energy relations. Azerbaijan’s choice to eschew EU integration, however, is likely to involve a perilous balancing act, one that strives to allow Baku to remain outside the Eurasian Union while manipu-

lating EU energy interests in the region. Georgia, the only country with a decidedly pro-EU government, formally signed its Association Agreement with the EU, along with its DCFTA, in Brussels on June 27, 2014. At the same time, Tbilisi has eagerly rushed to mend relations with Russia, its largest neighbor in the region. The EU seems to be unconcerned by Georgia's new pro-Russian course, which suggests that this rethinking of Tbilisi's policy has most likely been approved by Brussels. Despite this, Georgia's Russian dream of improving political, economic, and cultural ties with Moscow remains largely unfulfilled.

The different choices made by the three countries indicate the diversity of their geopolitical ambitions in terms of expanding their relations with the EU. Presumably, the EU's own integration strategies for its Eastern neighbors simply do not work without clear membership incentives for them. Brussels should find new ways of devising a more realistic, coherent, and articulated policy so as to better fit into the modern geopolitics of the South Caucasus. The Ukraine crisis has broken the status quo in the Eastern neighborhood, and the repercussions are now being felt. The final chapter of the post-Soviet states is therefore still being written, and there is much work to do before long-term stability and lasting peace become firmly rooted in the South Caucasus.

Looking Ahead: Prospects and Challenges

Given the continuing EU-Russian rivalry over alternative energy projects, no one can accurately predict the outcome of the current zero sum game being pursued in the Caspian basin. However, the process of reshaping the region can take different forms. Increased competition for energy resources is the most likely scenario and currently looks inevitable, as EU member states strive to reduce their deep dependency on Russian gas. Intense geopolitical competition may widen the gap between Brussels and Moscow. For the South Caucasus countries, this scenario means that they will increasingly be caught between Russia and the EU, trying to find a way to meet the needs of both and to avoid becoming a battleground between the two. It is a known fact that Russia and the EU are now fighting over regional security issues instead of deciding them together.

Even so, there may also be a cooperation scenario, albeit one that looks less realistic; it is still possible for Moscow and Brussels to demonstrate political will and engage in increased dialogue. Economic incentives, trade interests, and joint responses to new security challenges could push both sides to think strategically about reconciling two integration projects in their shared neighbor-

hood. Reconciliation would not be a simple process – but it is essential not only to Russia and the EU but also to the future of the post-Soviet countries and the rest of the world. Yet Brussels and Moscow need to develop an economic and political basis for reconciliation. This can only take place through a constructive interaction between the EU and the Eurasian Union.

From an economic perspective, the EU could benefit greatly from starting a dialogue on a free-trade zone with the Eurasian Economic Union. Such a special, free economic zone would certainly not resolve all of the region's security problems, but it could induce Russia and the EU to pursue cooperative engagement and strengthen economic integration with Armenia, Azerbaijan, and Georgia. Moreover, the EU needs to formulate an integrated energy policy on the basis of a new comprehensive vision. The creation of a new format for multilateral dialogue between the EU and the five Caspian littoral states (Russia, Azerbaijan, Iran, Turkmenistan, and Kazakhstan) will probably make it possible to find common ground and to remove differences on important strategic issues in relation to laying the Trans-Caspian Pipeline across the bottom of the Caspian Sea. The establishment of an EU-Caspian multilateral energy framework in which Russia's participation is crucial could be a starting point for decreasing competition over resources in post-Soviet Eurasia.

From a political perspective, reconciliation between Russia and the EU could be developed through the elaboration of a new, efficient, and overarching cooperative security model based on relations of genuine and profound partnership. Moscow and Brussels should explore new and complementary forms for managing regional crises. This would help them take fairly bold action to rectify the current security situation in the South Caucasus. Much has to do with consolidating the diplomacy of the OSCE Minsk Group even further by giving it a stronger political element. This might be done by recreating the Minsk Group with the proactive participation of Russia, the EU, and the US.

Conclusion

Obviously, the security of Russia and the EU cannot be guaranteed if both are isolated from each other. Thoughtful statesmen in both Moscow and Brussels need not relearn the painful lesson that isolationism is the road to disaster. Although the voices of division remain strong, the new security environment facing both Russia and the EU is so varied and challenging that only continued dialogue will help them find responses. But those challenges

can indeed be transformed into opportunities if Russia and the EU take responsibility and decisive action.

The EU, Russia, and the countries of the South Caucasus are entering a period that is likely to bring even greater change than in the past twenty years. There are urgent demands for new ways of cooperating on the problems that lurk on the horizon. The greatest challenge Russia and the EU must respond to in their shared neighborhood will be to design and implement a concrete peace plan for the South Caucasus. Solving the problem of how the region should be reshaped requires sustained commitment; this belongs at the top of the to-do lists of

Russian and European leaders. For this to occur, however – and if Moscow wishes to be better placed to manage the peace process effectively – Russia needs especially to re-think its overall strategy. For its part, the EU needs to give its Neighborhood Policy a more individualized tactical consideration based on a concerted approach by all the Union's member states.

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Notes

- 1 James Headley, "Is Russia Out of Step with European Norms? Assessing Russia's Relationship to European Identity, Values and Norms through the Issue of Self-Determination," *Europe-Asia Studies* 64, no. 3 (May 2012), p. 428.
- 2 Roy Allison, "Virtual Regionalism and Protective Integration in Central Asia," in *Eurasian Perspectives: In Search of Alternatives*, ed. Anita Sengupta and Suchandana Chatterjee (Dehli, 2010), pp. 29–48.
- 3 George Christou, "European Union Security Logics to East: the European Neighborhood Policy and the Eastern Partnership," *European Security*, no. 3, 2010, pp. 413–30.

