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## The South Caucasus beyond Borders, Boundaries and Division Lines : Conflicts, Cooperation and Development

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# The South Caucasus beyond Borders, Boundaries and Division Lines

Conflicts, Cooperation and Development

Edited by Mikko Palonkorpi

2015

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The South Caucasus beyond Borders, Boundaries and Division Lines  
Conflicts, Cooperation and Development

Edited by Mikko Palonkorpi  
Layout & cover design Petteri Linnakangas

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# Preface

*Mikko Palonkorpi*

In the past twenty-five years, the Caucasus region – North and South Caucasus combined – has been a semi-permanent epicenter of reoccurring ethno-separatist conflicts and inter-state wars. This has led not only to redefinitions of identities, borders and boundaries in the region, but also to the contested and controversial political and legal statuses among the regions' recognized and unrecognized constituent parts. In recent decades the military clashes in the area of former Soviet Union (FSU) have concentrated in the Caucasus region, with just a few exceptions due to conflict flare-ups in Central Asia (Tajikistan, Kyrgyzstan and Uzbekistan) and in Moldova (Transnistria). Given the fact that the entire Caucasus region is only a minuscule slice of the total landmass and population of the FSU, its proven tendency for conflict and over-representation in this regard are all the more surprising.

The military crises in Crimea and in Eastern Ukraine that succeeded the prolonged violent standoff between President Victor Yanukovich and the protestors in the Maidan Square sent shock waves to the West partly because these crises brought epicenter of the FSU conflicts hundreds of kilometers westward, closer to the doorsteps of the EU and NATO. At the heart of the demonstrations which eventually ousted the pro-Russian Yanukovich from the power in Ukraine was a widespread dissatisfaction to the U-turn in its negotiations with the EU, and in particular the abandonment of the Accession Agreement at the very last minute in November 2013. What made matters worse was a declared intention of the

Ukrainian leadership at the time to deepen trade relations with Russia and the Eurasian Union.

Much less attention has been paid to the fact that the small Armenia, highly dependent on Russia for its energy, security and trade, also had to turn down its Accession Agreement with the EU (allegedly also due to a Russia's pressure) months before Euromaidan. Now that Armenia is about to sign a treaty on joining the Eurasian Union, and Georgia has already signed Association Agreement with the EU, these two decisions will have an impact on the power and trade dynamics of the South Caucasus.

One of the outcomes of the recent developments is an introduction of a new dimension into the concepts of borders and boundaries in the South Caucasus. From the geopolitical (or rather geo-economic) perspective, the South Caucasus is becoming one of many border regions between two integrationist projects: the European Union and the Eurasian Union. These border regions – South Caucasus included – could be regarded as buffer zones between the integration processes or spheres of influence rivalry areas between them.

In recent years, the states comprising the European Union and the Eurasian Union have been relatively stable and tranquil, unlike some of the countries in the border regions between two blocks (Georgia, Ukraine and Moldova for example) which have been riddled with conflicts and instability. Although this might be true in very general terms, a closer look reveals a somewhat different picture. The Eurozone has had its financial crisis, which affected most severely the economies of Greece, Italy, Spain and Portugal. The financial crisis also led to various degrees of domestic political turmoil in these southern EU-member states. In a slightly longer historical perspective, the stability and tranquility of the Eurasian Union member states is even more questionable. Russia's two wars in Chechnya are not too distant in memory, and ongoing armed clashes between Islamist militants and Russian security services in the volatile North Caucasus are often recurring phenomena in this restless part of the Russian Federation bordering the South Caucasus. Add to this the Russo-Georgian war in 2008, in which Russia was an active party of the conflict. Also exchange of fire over the line of contact in Nagorno-Karabakh has intensified recently, and August 2014 witnessed fiercest fighting since 1994 ceasefire between Azerbaijani and Karabakh Armenian forces, leaving up to forty people killed

and many more wounded. Downing of an Armenian helicopter over Karabakh by Azerbaijani forces in November has increased tensions even further. Therefore, the member states of the Eurasian Union appear far less stable and far more threatened by military conflicts inside or near their borders than their counterparts in the EU.

Even the wider Eurasian geopolitical landscape is in flux. Pakistan and India are expected to become new member states of the Shanghai Cooperation Organization (SCO) in 2015. This would imply greater security integration of the Central Asian states with the South Asia (India & Pakistan) and the East Asia (China). Not only could this signify further orientation of Central Asian states away from Europe, but in a long run it could also erode Russia's dominant role in Central Asia and add to Russia's fears that China is becoming the dominant partner in the SCO. This would be detrimental to Russia's proclaimed aim to recapture the FSU (excluding the Baltic States) in its sphere of influence. The end result could be Russia's further emphasis on the importance of the Eurasian Union and such organizations, where its leadership of the block remains unchallenged.

The recent developments in the adjacent regions like the Middle East also need to be taken into consideration. The latest round of the Israeli-Palestinian conflict further strained the relations between Israel and Turkey, but the strategic cooperation between Israel and Azerbaijan has remained on a high level. The ISIS advancement in Iraq and Syria has almost put Turkey and the Kurds back on the war path, but ISIS threatens the security of all three regional powers surrounding the South Caucasus (Turkey, Iran and Russia) more directly, Russia's volatile North Caucasus being the main concern in this regard. This, in turn, has raised fears for the security of the Georgia's Pankisi Gorge. Just over two years ago, Georgian security forces battled with the armed militants in Lapankuri near Pankisi Gorge. The same is true for Azerbaijan, which also shares the fear of Islamist radicalism. Armenia, on the other hand, has to cope with the influx of Armenian refugees from Syria and Iraq, as they have fled the fights and the ISIS rule. Some of these refugees have been resettled in Nagorno-Karabakh, which in turn has had an impact on the ethnic composition of the enclave. This could complicate conflict resolution efforts in the future by adding a new obstacle for any referendum on the political status of the Nagorno-Karabakh.

In many respects, the prospects for cross-border cooperation in the South Caucasus appeared much more optimistic in the beginning of 2010, when the project “The South Caucasus Beyond Borders, Boundaries and Division Lines: Conflicts, Cooperation and Development” was launched than what the prospects are now. The Turkish-Armenian rapprochement seemed in 2010 like a promising exception for conflict transformation in the South Caucasus, but currently the normalization process is as frozen as the conflicts in the region. Russia has been erecting physical obstacles for movement across the administrative boundary line (ABL) in South Ossetia and Abkhazia as part of its “borderization” policy. The new draft treaty on alliance and partnership between Russia and Abkhazia will further reduce possibilities for cross-border cooperation. Heightened tensions in Nagorno-Karabakh are not promising any progress in this regard either. Therefore the quick pace of the developments on the ground in the South Caucasus region and beyond has reshaped the empirical reality of the study, and as a result, the project has at times resembled the effort to catch a moving train. Paradoxically, at a same time as the environment for the cross-border cooperation in the South Caucasus has become more difficult, the importance of the CBC as one of the few instruments for conflict resolution and trust-building has remained.

The Aleksanteri Institute’s project was implemented within the Security Cluster of the Wider Europe Initiative (WEI), funded by the Ministry for Foreign Affairs of Finland, as a part of a research consortium with the Tampere Peace Research Institute (TAPRI) and the Karelian Institute at the University of Eastern Finland.

Research themes in the project ranged from cross-border cooperation to Turkish-Armenian reconciliation and trans-border energy issues. Project activities included several conferences, seminars, guest lectures and round table discussions in Tbilisi, Yerevan, Baku and Helsinki, where opposing side(s) of the conflict(s) were represented. Also researcher exchanges from South Caucasus to Finland and vice versa were organized.

This book is a second publication to appear within the framework of the project, the first one being “Armenia’s Foreign and Domestic Politics: Development Trends”, published in late 2013 by the Caucasus Institute and the Aleksanteri Institute. This publication is a result of the Aleksanteri Institute’s research cooperation with three part-

ner organizations in the South Caucasus: the Heinrich Böll South Caucasus Office in Georgia, the Caucasus Institute (CI) in Armenia and the Center for Strategic Studies (SAM) in Azerbaijan.

The project team of the Aleksanteri Institute would like to thank for everyone who contributed to this volume with their expertise. We would also like to express our sincerest gratitude to the Ministry for Foreign Affairs of Finland for financial support. The views expressed in this publication are solely those of the authors and do not represent those of the partner organizations or sponsors.

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Mikko Palonkorpi  
*November 2014*  
Helsinki, Finland



## **Chapter 1**

# **A Region of Regions: The Historical Failure of Integration in the South Caucasus**

*Jeremy Smith*

Look at any map, and it is clear that, geographically, the South Caucasus constitutes a distinct and clearly defined region. Bounded to the East and to the West by the Caspian and the Black Seas respectively, and to the North by the Caucasus mountains, it is only the southern border which is defined purely by history, and even there the border runs more or less between the southern corners of the two seas. Confined in this shared space for centuries, the three major and numerous smaller nationalities of the region have developed much in common when it comes to culture, cuisine, style of dress and so on. All have suffered, and occasionally benefitted, from the predatory appetites of the great empires that have surrounded the region - the Russian, Ottoman, and Persian - as well as several that have been more distant, notably the British and Germans. Given these common external threats, a high level of cooperation and integrated institu-

tional organization among the small states of the region might have been expected. For outside actors, such as the European Union or academic bodies, the South Caucasus is treated as a region, with institutions, publications and representations organized accordingly. More important, for the EU in particular an integrated approach is taken whereby the three main countries are linked in certain policy areas of intervention. But this regional approach has never been a reflection of the situation on the ground.

In a recent series of articles, the journalist/analyst/scholar Thomas De Waal (2012) has drawn attention to the persistent failure of the entities that make up the South Caucasus to act as a region. Today the most obvious sign of the division is the unresolved state of war between Armenia and Azerbaijan over the status of Nagorno Karabakh, an echo of the conflicts of 1918–1920. The continuing lack of diplomatic relations between the two countries also forms the most immediate barrier to integration, while the failure of the third, Georgia, to contain the two breakaway regions of Abkhazia and South Ossetia shows up another level of fragmentation.

Issues of historical distrust, power rivalry, religious and ethnic difference are certainly a part of this story, and the effort to overcome such divisions informs many of the chapters in this volume. But, as De Waal argues, the pattern of division is so repetitive that deeper forces must be at work. The complexity of this question is reflected in and in part determined by the complexity of the region itself – ethnic, geographic, and political. But we can start by examining the historical record in order to advance some ideas as to why integration and cooperation has been so hard to achieve.

Before the nineteenth century, the South Caucasus was divided into a number of political entities and was frequently the object of incursions from the greater powers to the South. To talk about integration at that time would be anachronistic. Starting from the early nineteenth century and up until 1991, there have been four attempts (two of them overlapping) to create political integration in the region, whether initiated from within or without: the Russian Empire, which included the whole region (with some border variations) from soon after 1800 up until 1917; the Transcaucasian Federation agreed between the independent states of Armenia, Azerbaijan and Georgia on 22nd April 1918 but lasting only until 26th May in the same year; the

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Soviet Union, which included all three countries as Union Republics from February 1921 until the end of the Soviet Union in 1991; and a more local Soviet federation - the Transcaucasian Soviet Federal Socialist Republic (*Zakavkazskaya Sovetskaya Federativnaya Sotsialisticheskaya Respublika* or ZSFSR) which lasted from 1922 to 1939.

Of these it was the Russian Empire that had most success in creating a unified region. As the Empire acquired territory through a combination of cooptation, conquest, and war with Turkey and Persia, the region was administered initially as a series of provinces within the the general administrative framework of the Empire. They were run along military lines, with the harsh methods of the notorious General Alexei Ermolov typifying the earlier period of Russian rule. But the Georgian, Armenian and Muslim nobility chose cooptation into the Russian noble system over the sporadic revolts that characterized the first two decades, and a Russian victory over Persia in 1828 consolidated Russian control. This allowed the South Caucasus to develop under more regular forms of administration, even as war between the imperial armies and local resistance led by Imam Shamil continued to rage in the North Caucasus. In 1844, a single administrative unit was created in the form of the Viceroyalty of the Caucasus. The first viceroy of the Caucasus, Mikhail Vorontsov, had already proved himself in transforming the cities of Odessa and Sevastopol as Governor General of New Russia, to the extent that Nicholas I delegated his own powers to Vorontsov in a manner unprecedented in the history of Russian autocracy. Vorontsov was granted the title of 'Commander in Chief of Caucasus forces and viceroy of all domains with full and unlimited powers'.

And he did not disappoint. Under Vorontsov's energetic and, for a tsarist official, enlightened rule, the South Caucasus not only achieved administrative unity but came together in other ways. Russian was established as the *lingua franca* of the region, and remained so until recently. Transport networks were developed across the region, including the construction in 1890 of a rail tunnel through the Surami mountain range, the biggest geographical obstacle dividing the region. In 1906, the world's first major fuel pipeline carrying kerosene from Baku followed the same route. The social structure of the South Caucasus also achieved a certain standardization. The fact that the North Caucasus mountain range had not been fully subjugated to Russian authority by the

time Vorontsov arrived, and was difficult to cross even after control was established, meant that the region remained isolated and the viceroy could not rely on timely intervention from Central Russia when the need arose. Hence the nobility of the region were incorporated into the Russian system with rights equal to those of the Russian nobles, while retaining many of their local historical privileges. After the emancipation of the Russian peasantry in 1851, a series of land reforms enacted across the South Caucasus served to bring more social uniformity to the various ethnic groups of the region.

But this social and ethnic integration was not sufficiently advanced to overcome the forces that tore the region apart when the regime's stability was first shaken by the revolutionary upheaval of 1904-06. While the Georgian region of Guria became a virtual self-ruled peasant state, in Baku to the east a successful strike movement in the oil industry at the end of 1904 gave way in the following year to horrific scenes of violence between Armenians and Muslims in and around the city. The violence spread rapidly, igniting for the first time the continuing dispute over the Karabakh region. When the Russian Empire broke up in 1917, political leaders of the new independent states were quick to recognize that, if they were to survive, these differences needed to be put aside and common cause made with each other. Hence the Transcaucasian Federation was formed as a political and military common front against hostile outside forces. But it was the same logic of defensive necessity which undid the Federation. Faced with predatory neighbouring big powers, a small power needs the support not of other small powers, but of another big power. So it was that the Georgian leaders concluded an alliance with Germany in May 1918, and consequently declared independence from the Federation. In the two and a bit years of independence that followed, territorial and border disputes led to warfare between all three independent states, while ethnic violence in Baku, Karabakh and elsewhere reached new levels, and Georgia had to suppress a series of risings in South Ossetia and Abkhazia.

The short-lived Transcaucasian Federation of 1918 was the only serious initiative at integration to come from within the region. With the defeat of Germany and Turkey in the world war, the reluctance of the American public to involve the US in the region meant that, with

the exception of half-hearted efforts by Britain and some interventions on the part of Turkey's new leaders, the way was left open to Bolshevik Russia, which duly established Soviet power across Azerbaijan, Armenia and Georgia by the end of February 1921. Partly in deference to the efforts of 1918, and inspired by the Bolshevik leader of the Caucasus, Sergo Orjonikidze, the ZSFSR was set up in 1922. This served two main, and limited functions: one was to coordinate the economic activity of the region, and in this regard Orjonikidze followed Vorontsov in recognizing that the relative isolation of the region from Russia meant that, for a time, it would need to stand on its own feet to a greater extent than other parts of the USSR. The second function of the ZSFSR was to manage ethnic relations, which had become a major source of violence and territorial disputes during the years of independence. The idea was that creating an extra administrative layer between the Union Republics (Armenia, Azerbaijan, and Georgia) and the USSR centre, the region's minorities would feel less vulnerable to the three dominant nationalities and would be able to identify with Soviet power at the regional level. Abkhazia, in particular, enjoyed a special relationship to the ZSFSR and was in a privileged position for much of the 1920s.

But this was not a project for political integration, and with Moscow the key arbiter the functioning of the ZSFSR depended very much on the personalities in leading positions in the region. The leaders of Soviet Georgia had always opposed the Federation, and with Orjonikidze's appointment to a Moscow post with responsibility for heavy industry in 1932 the ZSFSR lost its main supporter. The influence of the charismatic leader of Abkhazia, Nestor Lakoba, was also on the wane by then, and the ZSFSR was losing most of its *raison d'être*. Ethnic disputes had died down under Soviet rule but had little to do with the ZSFSR, while the advent of the five year plans brought the South Caucasus under the economic direction of the economic authorities in Moscow. When Lavrenti Beria, an opponent of the ZSFSR from the beginning, emerged as the head of the South Caucasus, he was able to quietly abolish the largely forgotten ZSFSR in 1936.

By that time, in any case, the Soviet leadership under Iosif Stalin was taking nationality politics in a different direction. National republics as the building blocks of the Soviet Federation were reinforced in their national character through a series of cultural mea-

tures, but also through encouraging by incentive or by force the movement of populations between republics. In the rest of the Soviet Union, a general trend of the migration of Russians and other Slavs into non-Russian cities counterbalanced this ethnicisation of the republics' population, but the low level of Slavic migration to the South Caucasus meant that there the trend was for the multi-ethnic character of the republics to diminish. In each of the three republics, the share of the majority group in the overall population increased steadily in the Soviet period. But the biggest changes were felt in the cities, especially Tbilisi, which had as many Armenians as Georgians in 1921, but was overwhelmingly Georgian by 1991.

The leaders of the three republics were also encouraged to develop links with Moscow rather than with each other. The fact that a number of Georgians and Azerbaijanis eventually made it into the top levels of leadership in the Communist Party of the Soviet Union, which was otherwise dominated by Russians and Ukrainians, shows how successfully leaders pursued these vertical ties. With the disappearance of the ZSFSR there were no formal institutions in which the republic leaders would meet. Economic integration of the region was poor, and was disrupted by a competitive rivalry which became more evident after Stalin's death. In the 1950s this went as far as Azerbaijan refusing to deliver oil to Georgia, which was one of the causes of the downfall of Imam Mustafaeu as leader of the Azerbaijan Republic. This period also saw the intensification of territorial disputes, beginning in 1954 with claims by the Georgian ethnologist Pavle Ingorovqa about the origins of the Abkhaz people. As academics from a variety of disciplines devoted themselves almost exclusively to proving the ancient territorial claims of the Georgians, Abkhaz, Armenians and Azerbaijanis, politicians and the general public became embroiled in the disputes, laying the ground for the violence that erupted first in Nagorno Karabakh at the end of the 1980s. So in spite of its reputation as a centralizing regime, the Soviet Union not only failed to integrate the South Caucasus, but in many ways its policies promoted difference.

Given that under the very different circumstances of Russian imperial rule, Soviet rule, and independence in the early and late twentieth centuries, the lasting integration of the South Caucasus has not been achieved, it would seem reasonable to look for some underlying causes. In spite of the cultural features common to all the na-

tionalities of the region, they are divided from each other by ethnicity, religion and language. Irreconcilable claims on territory are the biggest cause of division, following a notion of territoriality linked to nationhood which was only reinforced by the Soviet period. De Waal concludes that 'political difference continues to outweigh rational economic interest', emphasizing the role of Georgian nationalism in particular as a divisive force. And the great powers that have surrounded the region must take some responsibility for their interventions.

But it may be that 'why has the South Caucasus failed to integrate?' is the wrong question to ask. We can ask instead 'Why should the region integrate?' The combined forces of the region would leave it still militarily too weak to resist its powerful neighbours, so while in 1918-1920 individual countries looked for military support to Germany, Turkey, Britain or Russia, so today the choice seems to be between NATO and the CSTO. While Armenia, especially as long as its border with Turkey remains effectively closed, is dependent for transport links through Georgia, the other two countries enjoy independent links by sea to the east and west respectively. The fact that the region is relatively small and homogenous in terms of climate means that the agricultural structure of all three is similar, reducing the need for trade, while the current state of industrial development means that independent external links are more important than internal trade promoted by industrial specialization. The exception here is energy, which ought to promote regional unity, but has failed so far to do so in a meaningful way. This is not to say that greater regional integration would not benefit all three states and possibly provide a mechanism for resolving the deeper fragmentation that has seen Abkhazia and South Ossetia join the Russian sphere of influence while Karabakh remains an object of war, albeit a passive one. But the current reality is that the motives for closer integration are not big enough to outweigh the contrary pull of international orientations or to overcome the sources of distrust and competition which have characterized the South Caucasus politically for at least the past century.

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## Chapter 2

# Nagorno Karabakh under Soviet Rule

*Jeremy Smith*

The eruption of violent ethnic conflict in the South Caucasus and elsewhere in the Soviet Union in the late 1980s drew the attention of the world to the significance of the national question in the USSR. The subsequent escalation of independence movements in the Baltic republics and elsewhere, culminating in the 1991 break-up of the Soviet Union, inspired a series of serious scholarly studies of Soviet nationality policies and of the national histories of the major nationalities of the USSR. These studies tended to focus, naturally enough, on the major nationalities that eventually constituted the post-Soviet successor states. Among western scholars, little attention was initially paid to the smaller nationalities or cross-border nationalities which populated what had been autonomous republics or regions within the Soviet federal structure. Historians who were themselves affiliated with one or other of these territories took a naturally partisan view of their status, and a great deal of effort was expended on staking historical claims stretching back to the Middle Ages and beyond. Historians on both sides are adept at mobilising their understanding of distant history in support of current claims, but they are of little use in explaining the origins of what are, in historical terms,

very recent disputes. Thus it is with appropriate sarcasm that Laitin and Suny (1999, 46) have characterised the origins of the dispute over Nagorno Karabakh as 'shrouded in the mists of the twentieth century'.

The persistence of apparently unsolvable disputes over a number of the post-Soviet territories -Abkhazia, South Ossetia, Nagorno Karabakh, Transdnier and Chechnya -has ensured that the interest of western scholars in these regions has remained high, but mostly from the viewpoint of Security Studies. The importance of these disputes to international, especially European, stability, naturally encourages perspectives which view them in terms of international relations. But this should not disguise the fact that their origins and persistence stem, essentially, from local problems which are based in specific cultural and historical contexts. In the absence of serious historical study, it was easy to conclude that not just individual decisions such as that to locate Nagorno Karabakh inside Azerbaijan, but the whole system of national autonomy was fundamentally misconceived, or was deliberately designed to perpetuate ethnic rivalry. Thus Dov Lynch, writing with the 1980s in mind, has summarized much of the current accepted wisdom as follows:

This experience [the system of autonomous republics and regions] discredited the very notion of autonomy as a valid institution for the protection of a group's rights. *De jure*, these areas had autonomy but *de facto* power resided elsewhere....The legacy from this was paradoxical. Structures of autonomy did support the territorialization of ethnicity. However the experience of autonomy was negative for the titular nationality in the autonomous structure, well aware that power lay elsewhere. It was also negative for the titular nationality in the Union Republic in which the autonomy was embedded, who saw it as a means of Soviet/Russian "divide and rule" (Lynch 2001, 9-10).

How such conclusions have been arrived at is clearly illustrated by Audrey L. Altstadt (1988, 63): 'The recent conflict in the Soviet Republics of Armenia and Azerbaijan concerning the Nagorno Karabakh Autonomous Oblast' ...provides a case study in Soviet nationalities policy in historical perspective.' The danger with such a

stance (although Altstadt herself is not guilty of this) is that it might encourage reading back into history suppositions derived from the current situation, in place of the more constructive exercise of examining the historical record independently in order to gain insights into today's problems. By doing so, we can improve our understanding of the recent situation in Nagorno Karabakh and other 'frozen conflicts', which in turn may open up new perspectives towards a solution. This article does not advance any solutions, but in looking at some of the twentieth century evidence that has become available to scholars in the past two decades, it might at least dispel some myths and inform more detailed investigations in the future.

The formation of the Nagorno Karabakh Soviet Autonomous Region (NKAO) in the 1920s needs to be seen in the context of a broad policy of national autonomy implemented across the Soviet Union at the time. Although the NKAO differed in significant respects from other regions, it also followed in general lines an established model. Among other things, this model was based on the firm conviction among leading Bolsheviks that organising different ethnic groups as far as possible into distinct territorial entities would reduce ethnic conflict (Smith 1997).

## **2.1 Armenian-Azerbaijani conflicts before 1921**

Before examining the decisions behind the creation of the NKAO it is necessary to look at the circumstances that informed those decisions. A numerically substantial Armenian presence in the region can only be dated back as far as the Russo-Persian Treaty of Turkmenchay of 1828 and the subsequent colonising policies of Imperial Russia (Alijarly 1996, 126). Even then, significant conflict between the Christian Armenians and Muslims does not seem to have featured up until 1905 inside the Russian Empire (although across the border in the Ottoman Empire up to 300,000 Armenians were massacred between 1894 and 1896; see Walker 1991, 24). In February of 1905, the first serious blood-letting between Armenians and Azerbaijanis broke out in Baku. These soon spread to Nakhchivan and, in August, to Shusha, the main city of Karabakh, where 300 died. The

fighting in Shusha in turn reignited the conflict in Baku. A second conflict in Shusha and the surrounding area occurred in July 1906 as the Azerbaijani nomad herders took their flocks up into the mountains. Count I.I. Vorontsov-Dashkov, recently appointed Viceroy of the Caucasus, apportioned the major part of the blame for the conflicts to the Armenians, on the basis that they were better organised (presumably around the Dashnak Party) and therefore more capable of co-ordinated hostilities (Vorontsov-Dashkov 1907, 12). It is probably safer, however, to concur with Firuz Kazemzadeh (1951, 19) that 'it is impossible to pin the blame for the massacres on either side'. It seems that in some cases (Baku, Elizavetpol) the Azerbaijanis fired the first shots, in other cases (Shusha, Tiflis), the Armenians. All sides refer to the indifference or even complicity of the local authorities and the plenipotentiaries of the Russian Empire.

Between 1906 and the First World War, however, there were no signs of a repeat, and Karabakh may rather have resembled the idyllic, peaceful and amiably ethnically mixed land described by Kurban Said in his novel *Ali and Nino* (2000). In spite of the killings of Armenians in the Ottoman Empire in 1915, there appears to have been no open animosity on the Russian side of the border. In other words, up until the Russian Revolution, ethnic conflict between Azerbaijanis and Armenians, at least in Karabakh, was the exception rather than the norm.

All this changed in 1918. In Baku, the Bolshevik-led Commune of 1918 based itself largely on the Armenian population and found itself at key points in conflict with Muslims, who were subjected to a massacre by the city's Armenians in March (Suny 1972). With the collapse of the Commune in September and the Ottoman capture of the city, the Muslim population took out its frustrations on the Armenians, killing some 15,000. In Karabakh, meanwhile, an Armenian dominated assembly had elected a People's Government of Karabakh in August, independent of Azerbaijan. On 3 October an Ottoman Turkish army entered Shusha and killed numerous Armenians. Although the Ottomans soon withdrew, another foreign intervention caused a further deterioration in relations. In December, the British General W.M. Thomson persuaded the Armenian General Andranik to withdraw and subsequently brokered the passing of Karabakh to the administration of independent Azerbaijan, approving the appointment of the anti-Armenian Khosrov bey Sul-

tanov as governor (Swietochowski 1985, 143). For the next year and a half Nagorno Karabakh was a major battlefield between Armenian and Azerbaijani forces, as well as the scene of ethnic conflict. In April 1919 both Karabakh and Nakhchivan were scenes of bloody clashes. On 22 August 1919 the 7th Congress of Armenians of Karabakh reached an agreement with the independent Musavat government of Azerbaijan whereby Nagorno Karabakh would remain part of Azerbaijan under a complicated set of provisions designed to secure the position of the Armenian population.<sup>1</sup> This agreement, which ran to 26 paragraphs, combined an intricate system of power-sharing with 'cultural self-determination' as exercised by an Armenian National Soviet. The peace resulting from this agreement was short-lived, however. In February 1920 the Azerbaijani governor-general of Karabakh, Khosrov bey Sultanov, surrounded the region with troops and demanded the Armenians accept full integration into Azerbaijan. The events that followed culminated in a full-scale massacre in Shusha. In March 1920 an Armenian rising in Karabakh against the Musavat government distracted the Azerbaijani army sufficiently to ensure the Red Army an easy path to Baku, while in June it was the scene of an Azerbaijani rising under Nuri Pasha against Soviet power (Libardian 1988, 160, 189).

In March 1920, the Bolshevik agent in Transcaucasia, B.Shakhtakhtinskii, wrote to Lenin providing details of nine territories disputed at the time between the three Transcaucasian governments.<sup>2</sup> After the sovietisation of Transcaucasia, a series of border commissions settled the status of six of these nine territories, based in the most part on the 'ethnographic principle' whereby the borders of each Soviet republic would be drawn according to the dominant population in each of the regions.

The three other territories were disputed between Azerbaijan and Armenia: Karabakh, Nakhchivan and Zengezur. Zengezur, lying between the two republics, was of mixed Azerbaijani and Armenian population, as was Nakhchivan, lying to the south of Armenia. Shakhtakhtinskii claimed, inaccurately, that Nakhchivan had been entirely emptied of its Armenian population during the

<sup>1</sup>Rossiisky gosudarstvenny arkhiv sotsial'noi i politicheskoi istorii (RGASPI), f.5, op.1, d.2797; Libardian 1988, 20-22.

<sup>2</sup>RGASPI, f.5, op.1, d.2796, p.4.

war. According to this report, Karabakh formed a single administrative unit under the Russian Empire, but could be divided between Lower Karabakh and Nagorno (Mountainous) Karabakh. Lower Karabakh was inhabited by 415,000 Muslims and 170,000 Armenians. The settled population of Nagorno Karabakh was overwhelmingly Armenian. However, the semi-nomadic Azerbaijanis who dwelt on the lower slopes of Karabakh had traditionally driven their flocks into the Armenian inhabited highlands for summer pasture. On this basis, Shakhtakhtinskii argued against the splitting of Karabakh as this would directly interfere with the livelihood of the nomads. To further complicate matters, the Lachin strip which divided Nagorno Karabakh from Armenia was inhabited largely by Kurds.

Prior to Sovietisation the Bolsheviks were divided on their attitude to Nagorno Karabakh. While Shakhtakhtinskii and many Bolsheviks in Azerbaijan were against the dismemberment of Karabakh, the Caucasian Bureau of the Russian Communist Party (Kavbiuro) and the People's Commissariat for Foreign Affairs (Narkomindel) seemed to favor the Armenian claim on the basis of national self-determination. On 3 June 1919 S.M. Kirov, then attached to the Military Soviet of the Eleventh Red Army, wrote to Lenin and Stalin summarising the situation on the ground: 'Karabakh and Zengezur do not recognise the Azerbaijani Government. The Dashnaks [the Armenian government] are hoping to unite Karabakh to Armenia' (Kirov 1936, 144).

But the situation changed on 27 April 1920, when the Red Army marched into Baku, and the next day the Azerbaijan Soviet Socialist Republic was proclaimed. The Soviet state was entrusted to the Azerbaijan Communist Party, recently formed from the left wing of the socialist Muslim party 'Hummet' under N. Narimanov. The new government rejected all the Armenian claims, inspired both by the national interests of Azerbaijan and the fact that Armenia was not yet Soviet. Narimanov was confident that 'no-one in the world is in a position to prevent us from using our influence over the population of the given regions to declare in favour of unity with Azerbaijan' (Nagorni Karabakh 1988, 24). Stalin, then Soviet Commissar of Nationality Affairs, appears to have sided with Narimanov at this time, prompted in part by the diplomatic situation with regard to Turkey, which wanted to preserve a link between itself and Muslim

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Azerbaijan through Nakhchivan, Zengezur and Karabakh. Writing to the head of the Kavbiuro, Sergo Ordzhonikidze, Stalin said: 'My opinion is that we need to give decisive backing to one of the sides - in this case Azerbaijan and Turkey' (Nagorniy Karabakh 1988, 23). According to a later Armenian Soviet source backing the Armenian claims a number of Armenian Bolsheviks also supported Azerbaijani control of the disputed regions as a temporary measure until the sovietisation of Armenia (Nagorniy Karabakh 1988, 24).

Before this took place, the Azerbaijan Soviet Government issued an ultimatum to Armenia demanding the withdrawal of its troops from Karabakh and Zengezur. This led May Day demonstrators in Armenia to call on Soviet Russia to work out a just solution to the dispute (Libardian 1988, 28). The Russian Commissar for Foreign Affairs, Chicherin, favoured an even-handed solution. For the time being at least, Zengezur, Nakhchivan and Karabakh should belong to neither Armenia nor Azerbaijan, but the local soviets ought to be strengthened and the territories should be occupied by Russian troops until a permanent solution could be worked out.<sup>3</sup> During May and June, this proposal for the Russian occupation of the disputed regions was carried out by the Eleventh Red Army. In June 1920, Chicherin proposed that Zengezur and Nakhchivan should belong to Armenia, and the status of Nagorno Karabakh should be determined by a referendum (Walker 1991, 100).

This solution did not, however, meet with unanimous approval among the Bolsheviks in Transcaucasia. On 18 June Narimanov, supported by the leading Georgian Bolshevik Budu Mdivani and the Armenian Anastas Mikoyan, wrote to Chicherin protesting at Armenian incursions into what they considered to be Azerbaijan:

The Armenian population of Nagorno Karabakh and Zengezur, following the withdrawal of [the Armenian general] Dro, proclaimed Soviet power under the leadership of the Communist doctor Ambarpum'ian...We categorically declare that it is indisputable that these two areas should henceforward lie within the borders of Azerbaijan...The districts of Dzhu'fin and Nakhchivan should be occupied by our forces and joined to

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<sup>3</sup>RGASPI, f.64, op.1, d.17, l.18.

Azerbaijan, both for military purposes and towards the end of direct union with Turkey.<sup>4</sup>

A much stronger attitude was displayed by the head of the Karabakh Guberniya Revkom Asad Karaev. This character's solution to the Karabakh and Zengezur problems was violent and overtly racist. He wrote to the Gerusin Revkom:

Anyone who understands the psychology of Armenians...[knows that] there is not a single Armenian who will not betray everything for money...Your old policy of occupying Karabakh and Zengezur with troops was deeply mistaken. We know that our forces are broken and have retreated, but today instead of armed forces our money is working miracles. Again and again I repeat my advice - do not spare any sum, increase salaries, give them bonuses and anything they want. The government has decided that to unite Karabakh and Zengezur to Azerbaijan it will issue 200 million roubles.<sup>5</sup>

Faced with such opposition on the ground, the Politburo of the Russian Communist Party lent its support to Chicherin and sought to restore calm in an instruction of 7 July 1920:

Clarify to the population of the disputed territories, occupied by Russian forces, that these territories are occupied by our forces temporarily with the aim of halting inter-ethnic slaughter, and that the question of the status of these territories will be decided by a joint commission under a Russian representative, and that the joint commission will be guided by the ethnic composition of the population and its will (Nagorniy Karabakh 1988, 27).

The Bolshevik leadership wanted to apply in Transcaucasia the basic principles - ethnic homogeneity and self-determination - which guided national policy in Russia at that time. But in Azerbaijan the Politburo in Moscow did not have the same control over the newly

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<sup>4</sup>RGASPI, f.64, op.1, d.17, l.106.

<sup>5</sup>RGASPI, f.64, op.1, d.19, l.9.

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formed Communist Party that it had, by insisting on Party discipline, in Russia, let alone control over loose cannons like Karaev. As a result they were unable to enforce their will. In August 1920 Kirov wrote to Chicherin in exasperation:

I have done all I could to fulfill your directive. Regrettably, the results are disappointing, and the matter has not gone one step forward. Recently, in connection with the events in Zengezur and Nakhchivan, many opinions have been forthcoming on the Armenian question. For a long time the Commissar for Foreign Affairs for Azerbaijan, Guseinov, was here with several Party workers. I held a string of meetings with him and with Armenian representatives here. I also set up joint meetings. As a result of all this only one point was secured from the Azerbaijanis - they were ready to concede Sharuro-Daralageskii *uezd* to Armenia; for the rest, i.e. Nakhchivan, Ordubad, Julfa, Zengezur and Karabakh, the Azerbaijanis consider them unconditionally theirs. In their turn the representatives of Armenia categorically claimed these regions. The chief argument of the Azerbaijanis is that these regions belonged to Azerbaijan under the Musavat government and to concede these regions now would, in their opinion, discredit Soviet power not only in Azerbaijan but also in Persia and Turkey...I have already advised you, that the only way out of the situation which has arisen is to be firm and resolve this question in Moscow, only Moscow's authority can resolve the affair (Kirov 1936, 231-232).

Delay in resolving the disputes was, according to Kirov, discrediting Russia's policy as racial massacres continued to take place. Chicherin, the Kavbiuro and the Politburo of the Russian Communist Party were seeking a solution to the disputed territories along the lines of the national policy being employed in Russia but were being hampered primarily, in Kirov's view, by the Azerbaijani communists. Therefore the problem remained unsolved until the sovietisation of Armenia.

On 29 November 1920 the Soviet Socialist Republic of Armenia was proclaimed. Immediately it became clear that those like Stalin

who had opposed granting territory to Dashnak Armenia were only too happy to oblige the new Soviet state. The Azerbaijani leadership was also prevailed upon at this point. On 1 December, following a session of the Baku Soviet, the Azerbaijani Revkom proclaimed:

The problems of the frontiers between Armenia and Azerbaijan are declared resolved. Nagorno Karabakh, Zengezur and Nakhchivan are considered parts of the Republic of Armenia (Libardian 1988, 31).

Three days later, Stalin hailed this act in an article in *Pravda* and concluded that 'the age-old enmity between Armenia and the surrounding peoples has been dispelled at one stroke by the establishment of fraternal solidarity between the working people of Armenia, Turkey and Azerbaijan.' (Stalin, IV, 414). The transfer of the disputed territories to Armenia was enthusiastically welcomed by Ordzhonikidze, the Armenian Revkom, and an Armenian delegation which met with Lenin in the Moscow Kremlin on 12 December (Nagorniy Karabakh 1988, 207).

Azerbaijan's acceptance of the transfer did not last long, however. Shortly after the declaration of 1 December, Shakhtakhtinskii arrived in Nakhchivan and began to agitate against the declaration, claiming that 'the Azerbaijani Revkom has betrayed the interests of Nakhchivan by declaring its transfer to Armenia' (Nagorniy Karabakh 1988, 35). According to a Soviet source, a referendum held in Nakhchivan at the start of 1921 declared nine to one in favor of autonomy within the Azerbaijan SSR (Mil'man 1971, 234). Turkey also took an interest in Nakhchivan and, partly in the interests of good relations with Turkey, the Bolsheviks agreed to Nakhchivan becoming an autonomous region under the protection of Azerbaijan in the Treaty of Moscow signed on 16 March 1921 (Walker 1991, 106).

Almost immediately, Narimanov started to agitate for the return of Nagorno Karabakh to Azerbaijan, threatening that otherwise he could not prevent the re-emergence of anti-Soviet groups in Azerbaijan (Nagorniy Karabakh 1988, 31). The status of Karabakh as a part of Armenia was nonetheless confirmed by the Kavbiuro on 3 June 1921 (Walker 1991, 107), and in declarations of the Armenian government on 12 and 19 June (Libardian 1988, 23). The Kavbiuro was having to fight constantly with the Azerbaijani government. On 26

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June Ordzhonikidze and Kirov stated the most radical interpretation yet of the ethnic principle in a telegram to Narimanov:

‘Not one Armenian village ought to be united to Azerbaijan, equally not one Muslim village can be united to Armenia’ (Nagorniy Karabakh 1988, 32).

The very next day, however, the Politburo of the Communist Party of Azerbaijan flouted this principle and declared that Nagorno Karabakh would not be restored to Armenia on the grounds that it was linked with Azerbaijan *economically* (Walker 1991, 107).

On 3 July 1921 the Kavbiuro met to resolve the question of the status of Nagorno Karabakh. At its first session the Kavbiuro confirmed the decision to transfer Nagorno Karabakh to Armenia, against Narimanov’s protests. Two days later, however, the same body resolved:

Considering the necessity of national peace between Muslims and Armenians and the economic ties between upper and lower Karabakh and its permanent ties with Azerbaijan, to leave Nagorno Karabakh in the borders of the Azerbaijan SSR, granting it broad regional autonomy with an administrative centre in Shusha, coming into the composition of an autonomous *oblast* (Nagorniy Karabakh 1988, 32).

The decision to implement autonomy was not carried out immediately, most probably because of the need to maintain the goodwill of Turkey. By July 1923 relations with Kemal had cooled and the Autonomous Region of Karabakh was formed as a part of Azerbaijan (Libardian 1988, 34).

The sudden turnabout of July 1921 has never been fully explained. According to two pro-Armenian secondary sources the change was made following the intervention of Stalin, but a third source indicates that Stalin was himself present at the first meeting, which had confirmed Nagorno Karabakh as part of Armenia (Libardian 1988, 34; Nagorniy Karabakh 1988, 33; Walker 1991, 108). It is possible that a third party intervened (such as Chicherin, or the Politburo of the Russian Communist Party), but equally it could be that the members of the Kavbiuro and Stalin were persuaded by Narimanov’s threats of disorder or other factors to change their minds. What is clear is

that the decision-makers in Moscow did not operate in isolation from the pressures being exerted locally and internationally. As long as Armenia remained independent, it would never get a look in. Once Soviet power was established there, however, the pendulum swung in Armenia's favor. But the position of the Communist Party of Armenia was never as strong as that of the Communist Party of Azerbaijan. The latter was formed out of an established left-wing party, *Hummet*, which was close enough to the communists for the alliance to work but which also retained a strong national character and on which the Bolsheviks depended to maintain power in the region. By contrast, leading Armenian communists like Anastas Mikoyan were indifferent to Armenian national demands. Bolshevik ideologues saw Armenians as the oppressor nation in parts of the South Caucasus, playing a role analogous to the Russians elsewhere, while mostly Muslim Azerbaijan was a beacon for Eastern peoples which had an important part in the Bolsheviks' international revolutionary strategy. Turkey also had a major part in that strategy, and as a substantial military power in the region could ultimately bend the weak Soviet regime to its will over local issues.

## **2.2 Azerbaijani-Armenian conflicts after 1921**

Recent studies have indicated that national or ethnic conflict between different groups was commonplace in the Soviet Union in the 1920s, especially in Central Asia and also, in a different form, in Ukraine (Smith 2001). In Central Asia, the delimitation of national republics and regions in 1925 led to new forms of conflict between the different Muslim groups over land, borders and political control, while older rivalries between locals and European settlers persisted and intensified.

Newly declassified reports of the OGPU (secret police), which were sent to leading party members on a monthly basis, provide an overall picture of conflicts in the non-Russian regions. Regarding national relations in the South Caucasus up until the middle of 1925, the emphasis in the reports is on the activities of nationalist parties – the remnants of the Musavats, Dashnaks, and Georgian Mensheviks,

the Constantinople-based 'Committee for the Liberation of Azerbaijan and the Mountaineers of the North Caucasus', the Turkish 'Islam' party and the Turkey-sponsored 'Ittikhat'. Cross-border raids by armed bands are assigned to purely criminal rather than national motives. In contrast to the frequent reports of ethnic conflict in Central Asia<sup>6</sup> and the North Caucasus,<sup>7</sup> there are no references to internal ethnic conflicts in the South Caucasus. Mentions of Nagorno Karabakh itself are confined to reports of the effects of harvest failure there in 1924.<sup>8</sup>

When separate detailed reports on the Azerbaijan SSR began to appear in September 1925, however, it is clear that processes similar to those noted in Central Asia affected the republic. As the nation-building process proceeded in the union republics, the titular nationalities took advantage of their newfound status to further the interests of their own nationality at the expense of internal minorities. Armenian populated villages faced general discrimination from the Azerbaijani authorities. But these complaints were not to be heard from within Nagorno Karabakh itself. Rather, Armenian communities outside of Nagorno Karabakh appealed to be included inside the boundaries of the autonomous unit as a safeguard against Azerbaijani abuses of power. Thus, in the 9th district of Gandzha *uezd* Armenian peasants declared: 'the Azerbaijani government is not paying attention to the Armenian village. Unite us to the autonomous region of Nagorno Karabakh'. From Karachinar the *Zakkraikom* was handed decisions from 14 Armenian villages requesting to be joined to Nagorno Karabakh in response to perceived abuses by local Azerbaijani officials.<sup>9</sup> In November parallel cases occurred of Muslim communities in Armenia complaining of Armenian resettlement in their villages, and asking to be resettled in Azerbaijan or Nakhchivan.<sup>10</sup>

<sup>6</sup>e.g. 'Obzor politicheskogo sostoianiiia SSSR za oktiabr' 1924 gg.', see Sovershenno 2001, 247-252.

<sup>7</sup>e.g. 'Obzor politicheskogo sostoianiiia SSSR za iun' 1924 gg.', Sovershenno 2001, 132.

<sup>8</sup>'Obzor politicheskogo sostoianiiia SSSR za iul' 1924 gg.', Sovershenno 2001, 145, 148.

<sup>9</sup>'Obzor politicheskogo sostoianiiia SSSR za sentiabr' 1925 gg., prilozheniia no.4', Sovershenno 2002, 552-553.

<sup>10</sup>'Obzor politicheskogo sostoianiiia SSSR za oktiabr' 1925 gg., prilozheniia no.5', Sovershenno 2002, 639.

While this evidence is limited, the reports of Armenian villages submitting requests to be included in Nagorno Karabakh suggest that, at least in the eyes of Armenians living outside the region, autonomous status was effective in defending the Karabakh Armenians against the discriminatory practices that local officials were inflicting elsewhere. Nagorno Karabakh as a safe haven for the rural Armenians of Azerbaijan meant that regional autonomy was something more than a mere slogan, and Armenians were predominant in senior positions locally and enjoyed being in a position to push forward the national interest of local Armenians. At the higher levels of power, Armenians continued to be over-represented in the leading bodies of the Azerbaijan Republic.<sup>11</sup> Although the region suffered from collectivisation like the rest of the country, there is little to suggest that ethnic hatred was a feature of life in Karabakh while Stalin remained in power.

Discrimination against Armenians as well as other non-Azerbaijanis in Azerbaijan became a prominent issue again only after Khrushchev's Secret Speech in 1956. Emboldened by the apparent freedom which Khrushchev's policies granted to leaders in the Soviet republics, the Chairman of the Supreme Soviet of Azerbaijan, M.A. Ibrahimov, succeeded in passing a law making Azerbaijani the sole official language of the Republic in August 1956. While this brought Azerbaijan into line constitutionally with Armenia and Georgia, the Azerbaijani leaders were later charged with using the new law to effectively exclude non-Azerbaijanis from public life (Arkhivy 2004, 364-366). The most frequent complaints against these practices came from Russian officials and inhabitants of Baku, but the new law also had a negative impact on the Armenians of Nagorno Karabakh.<sup>12</sup> The purge of first secretary I. Mustafayev and other leading communists in Azerbaijan in 1959 was partly in response to this turn. Mustafayev's successors were far more cautious and were able to advance the cause of Azerbaijan by sticking closely to the demands of Moscow and pursuing a more balanced national policy.

In Nagorno Karabakh this meant that Armenian became, in

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<sup>11</sup> 'Iz dokladnoy zapiski Zakavkazskogo kraikoma v TsK VKP(b) o rabote i sostoyanii Zakavkazskoi partiinoi organizatsii' 19th October 1931, TsK RKP(b) 2005, 682.

<sup>12</sup> Gromov and Lebedev, 'Report on Ibragimov's language law', 16th November 1956, Rossiiskii gosudarstvennyi arkhiv noveishei istorii (RGANI) f.5, op.31, d.60, ll.10-12.

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practice, the principal language of business and administration, with many Armenians knowing no Russian at all. Economic and social data for Nagorno Karabakh also show that on most indicators Karabakh was developing at a similar, if not faster, rate than Azerbaijan as a whole in the late Soviet period. According to data recorded in the statistical yearbooks of Azerbaijan, while the population of Nagorno Karabakh grew at a slower rate than that of Azerbaijan as a whole, industrial output grew more rapidly. Education levels were similar, and pupils in Nagorno Karabakh enjoyed a higher teacher/student ratio. Azerbaijan had more doctors per 1,000 population, but fewer hospital beds. The late 1970s and early 1980s did see capital investment stagnate in Nagorno Karabakh while it continued to accelerate in the Republic as a whole, so that by 1985 per-capita investment in Azerbaijan was nearly double that of Nagorno Karabakh (see Kazandijan 1998). This is one reason why the economic crisis that hit the USSR in the later part of the 1980s was particularly acute in Nagorno Karabakh, and scarcity of economic resources is one of the factors most commonly associated with inter-ethnic violence (Horowitz 1985). In other respects, however, there is little to indicate any specific discrimination against the region or its Armenians at least until the late 1970s. In 1963 Armenians of Nagorno Karabakh petitioned Khrushchev, in 1967 an appeal was addressed to the Armenian Communist Party and in 1977 the popular author Sero Khanzatian wrote to Brezhnev, all demanding the transfer of Nagorno Karabakh and surrounding regions to Armenia (Walker 1996, 103-104). Such protests were, however, infrequent and it is unclear if they were backed by any substantial popular support. Elsewhere in the Soviet Union, Azerbaijanis and Armenians continued to coexist peacefully even after the break-up of the Soviet Union, most notably in Georgia, where the two nationalities continued to live side by side.

While it is not the place here to go into the immediate causes of the Karabakh conflict, one of the major differences in Georgia appears to have been the attitude of the republic's leaders towards Armenians and Azerbaijanis, which in turn contrasted with their treatment of the Abkhaz question (Kuhkianidze 1997, 182). It is also notable that Moscow's response to the growing dispute between Azerbaijan and Armenia in early 1989 was to impose direct rule, just as it had done in 1920. While the Red Army's actions in the region, and later

in Baku, did nothing to help and even inflamed the situation, the resort to direct rule from Moscow as an extreme measure is indicative of the way Soviet policy towards nationalities in the republics worked: Azerbaijan, as with other Soviet republics, enjoyed considerable authority in organizing the affairs of its territory, including its autonomous regions. The inherent danger in this policy was that it encouraged republican leaders to act in the interest of a single nationality, and at times this went so far as to make the republic's minorities feel threatened. This occurred in the early 1920s, the mid 1950s, and the late 1980s. On the first and third of these occasions, the leaders of Armenia also became involved. While in the 1950s a bloodless purge was enough to rectify the situation and set a lesson for the future, at the times when the Soviet Union was being put together and again when it was falling apart, this was not a viable or sufficient option. The only final resource Moscow had at its disposal was military force. But these were exceptional times, and for the rest of the Soviet period more subtle means could be employed to ensure that autonomous subjects of the Union republics would enjoy tightly limited, but real, autonomy. What this meant was that the autonomous structures of the USSR were created by, and depended on, the authorities in Moscow. This is the historical essence of the post-Soviet 'frozen conflicts' – structures which were meant to govern the affairs of national minorities in the USSR were simply not designed to work in the smaller independent states that succeeded the Soviet Union, as the system's architects simply did not conceive of this situation ever occurring. Kirov's 1920 appeal that 'only Moscow can solve this affair' appears to have held true for the whole Soviet period.

The political history of Nagorno Karabakh under Soviet rule is only one of the many complex factors underlying the conflicts that erupted in the late 1980s and the continuing impasse over the status of the region. Although the decision to include Nagorno Karabakh within the Azerbaijan Soviet Socialist Republic in the 1920s was to some extent arbitrary, it was a decision which could only be taken in Moscow. As elsewhere in the Soviet Union, the structure of the federative system continued to be dependent on Moscow. The central decisions were, however, taken with due regard to the balance of pressures locally, especially in the early years when Soviet rule in the borderlands was weak. This only helped the implementation

of a balanced national policy once central power was consolidated. There is little in the history of Karabakh to suggest that, for most of the Soviet period, Armenians in the region faced persecution and discrimination, or that serious ethnic tensions existed. On the contrary, Armenians could look to Karabakh as a beacon while their position may have deteriorated elsewhere in the republic. The federal structures that had evolved depended, however, on central intervention and, as Moscow's power waned, just as it had in 1917, they proved inadequate for maintaining balance between local regions and national groups, setting the region once more along the path of ethnic conflict.

Timeline of the formation of the Nagorno Karabakh Autonomous Republic		
1905	February	Ethnic conflict in Baku
	August	Conflicts in Shusha
1906	July	Further fighting in Shusha
1918	May	Creation of Democratic republics of Armenia and Azerbaijan
	August	People's Government of Karabakh elected
	September	Baku Commune collapses
	October 3rd	Turkish forces capture Shusha
	December	Khosrov Sultanov appointed governor of Karabakh, backed by British
1919	April	Conflict in Karabkh and Nakhchivan
	August 22nd	7th Congress of Armenians of Karabakh reaches agreement with government of independent Azerbaijan
1920	February	Khosrov Sultanov surrounds Nagorno Karabakh with troops, demands full integration of the region into Azerbaijan
	March	Armenian rising in Karabakh
	April 28	Soviet Socialist Republic of Azerbaijan proclaimed
	May	11th Red Army occupies Karabakh
	June	Azerbaijani rising against Soviet power in Karabakh, Soviet Commissar for Foreign Affairs Georgii Chicherin proposes referendum on the status of Karabakh
	June 18	Narimanov protests against Armenian incursions into Karabakh
	November 29	Soviet Socialist Republic of Armenia proclaimed
	December 1	Azerbaijan Revkom cedes Nagorno Karabakh, Zengezur and Nakhchivan to Armenia
1921	March 16	Under Soviet-Turkish treaty of Moscow, Nakhchivan becomes part of Azerbaijan
	June 3 and July 3	Kavburo confirms Nagorno Karabakh as part of Armenia
	June 26	Politburo of Communist Party of Azerbaijan declares Nagorno Karabakh would not be restored to Armenia
	July 5	Kavburo decides to transfer Nagorno Karabakh to Azerbaijan
1923	July	Nagorno Karabakh Autonomous Region formed as part of Azerbaijani SSR

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## Chapter 3

# The Åland Autonomy - an Alternative to Secession and Independence?

*Elisabeth Naulé*

Why is the Åland autonomy so interesting? Why has so much attention been drawn to this solution? And why is the Åland solution so often brought up in connection with the Nagorno Karabakh conflict?

The Organization for Security and Cooperation in Europe (OSCE) Minsk Group took the lead in mediating the Nagorno Karabakh conflict between the two parties Armenia and Azerbaijan in March 1992, and the current cease-fire agreement was reached in 1994. Finland had the presidency in the Minsk group in 1993, and it was natural to bring the two parties to the Åland Islands to study the solution that Finland had once been part in finding and is still part of. The dispute over Nagorno Karabakh has still not been resolved, and has become a so called frozen conflict.

This first contact to the Åland Islands was within the framework of so called Track One diplomacy, or official diplomacy efforts, but

many more initiatives were to be taken, such as visits, seminars, talks and research projects, or what would be labelled as Track Two, unofficial diplomacy efforts, or citizen's diplomacy. It became natural to continue with multi-track diplomacy initiatives related to the Åland Islands, some of them in cooperation with Finnish players and some with others, putting the Nagorno Karabakh conflict in a broader regional context (Pashayeva 2012, 107). Within the framework of multi-track diplomacy or Track Three diplomacy, meetings have been held in the Ålands Islands with journalists, researchers, youth, women, and representatives from non-governmental organizations as participants, making it possible for people from each side of the conflict to meet, people who do not otherwise have the opportunity to discuss with each other, and to understand how the other side views the situation. The atmosphere in the islands has proven to promote a culture of peace and reconciliation, and a place where trust can be built.

In 1995 the Center for International Development and Conflict Management (CIDMC) at the University of Maryland at College Park launched a project entitled "Partners in Conflict: Building bridges in Transcaucasia" with the aim to bring together professionals from Armenia, Azerbaijan and Georgia to examine theories for regional conflict management. One of the follow-up workshops was held in the Åland Islands in August 1997 (Pashayeva 2012, 115). In June 2010, a study visit was organized by the Helsinki Citizens Assembly Network in partnership with the Åland Island Peace Institute and with the support of the Ministry for Foreign Affairs of Finland so that civil society representatives from Armenia, Azerbaijan, and Nagorno Karabakh could familiarize themselves with the Åland experience (Pashayeva 2012, 111). Five organizations, among them the Crisis Management Initiative (CMI) in Finland and Kvinna till Kvinna Foundation in Sweden, established a partnership in 2010 and launched a project called "The European Partnership for the Peaceful Settlement of the Conflict over Nagorno Karabakh" (Pashayeva 2012, 117).

These initiatives are all important as a peace agreement brokered through Track One diplomacy is only a piece of paper with no effect if there is no corresponding wish for peace by the civil society and the population. The way to a successful peace agreement can only be paved by relentless efforts with the help of Track Two and Track Three diplomacy. It is about preparing the ground for cross conflict

encounters, individuals as well as societies reflecting on their attitudes and being prepared to confront their own demons and prejudices that stand in the way of reconciliation.

The decision made by the League of Nations in Geneva solving the Åland Island conflict in 1921 is just a piece of paper, very interesting for international lawyers, but not for solving the conflict (Åland Culture Foundation 2010, 8-18). It was against the will of the people, and the groundwork for the decision had in no ways been done beforehand. It took one generation to accept the decision and to embark on the autonomy project. What are interesting are the mechanisms that were developed by the Finnish state and the Åland Islands over many decades to come. They proved to function. As the fine-tuned autonomy system that was created in 1921 was not accepted by the inhabitants, the first parliament did not meet until one year later, and some of the possibilities created were not explored or used, such as the right to file complaints to the League of Nations. The Åland Autonomy is a political and conceptual solution that has proven to be both functional and resilient.

Finland was recognised as an independent state by Russia and Sweden on the very same day January 4, 1918 followed by recognitions from other European powers. Helsinki later on argued that Sweden and the other powers had, by their unconditional recognition, accepted the Åland Islands as part of the sovereign Finnish state. According to the Commission of Jurists established by the League of Nations, the recognitions by other states meant that Finnish sovereignty over the Åland Islands was incontestable and that legally the islands formed a part of the Finnish state.

Azerbaijan's territorial integrity and its right to the Nagorno Karabakh region were recognised by the international community in 1992, and four United Nations Security Council resolutions were passed on the issue in 1993 (822, 853, 874 and 884; see Ziyadov 2007). Nagorno Karabakh has declared independence under the name of the Nagorno Karabakh Republic, but so far it has not been recognised even by Armenia. Preserving the country's internationally recognized borders resulted in the case of the Åland Islands in the present autonomy, and this could also be an option for Nagorno Karabakh.

### **3.1 The Åland Islands and the autonomy solution**

One of the reasons why the Åland autonomy solution has attracted such interest is that it is one of the few conflicts that have been settled by an international organization in a sustainable way. It was one of the very first conflicts where this form of autonomy arrangement was implemented, and many of the special features were created specifically for the Åland case. It has therefore been natural to look at the Åland autonomy and ask if it is do-able anywhere else. Could it be copied as such, and applied in other conflicts? Is it a model? The answer is NO, because all minority disputes and internal conflicts are different. There are different needs, they have different backgrounds, different history, different possibilities etc. But conflict-solving mechanisms that are part of our autonomy and have proven successful could be copied, or function as an inspiration for other solutions.

The Åland Islands consist of more than 6,500 islands and skerries, situated in the northern Baltic Sea between Sweden and Finland. The only town is Mariehamn. The population amounts to 28,500, of whom 11,000 live in Mariehamn. Nine tenths of the Ålanders live on the largest island, the "Main Island". About 93% of the population speak Swedish as their mother tongue. The Ålanders have been Swedish-speaking since as far back as is known, and therefore share the Swedish cultural heritage. The Åland autonomy is considered as territorial autonomy but it would also fit into the notion of cultural autonomy, as the Swedish language and culture constitute the foundation of the autonomy.

The Åland Islands, together with Finland, belonged to Sweden until 1809 at which time Sweden, after losing a war with Russia, was forced to relinquish Finland, together with Åland, to the victor. The Åland Islands thereby became part of the Grand Duchy of Finland, under the Czars of Russia, which enabled St. Petersburg to begin building a large fortress on the islands.

The Åland Islands were viewed as an important outpost of the Russian Empire, and as a Russian guardian of the Baltic Sea, Åland became involved in the 1853-1856 Crimean War. The Bomarsund fortress was destroyed and Russia was defeated, but it was allowed

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to keep the islands. The Peace Treaty was concluded in Paris in 1856, and Russia had to undertake not to re-fortify the Islands. Demilitarization is one of the cornerstones in the status that the Islands enjoy under international law today.

When the Russian Empire started to disintegrate, but before Finland declared independence in December 1917, the Ålanders started to struggle for reunion with Sweden. A mass petition in favour of reunion was signed by an overwhelming majority of the Ålanders and conveyed to the King of Sweden.

In April 1919, Sweden raised the Åland question at the peace conference in Paris for a plebiscite in Åland which initiated the drafting in Helsinki of an autonomy act for the Ålanders. Three ministers from the Finnish government arrived in Mariehamn in May 1920. A meeting was convened in the town and the autonomy act was presented to representatives of the Ålanders. The Ålanders' aim was not autonomy, but reunification with Sweden. Accordingly, the Finnish initiative was rejected. The meeting took a dramatic turn when two of the Åland representatives were arrested. Sweden sent a diplomatic note protesting the arrests, an intervention that turned the controversy into an international issue, which paved the way for intervention by the League of Nations. Great Britain took the initiative of referring the Åland Islands question to the League of Nations in July 1920.

Many minorities turn to the Ålanders asking how they got the attention of the international community. Minority questions are always internal questions, not until there is an element of violence like in the case of Kosovo or Aceh is international involvement to be found. Non-violent methods like in the case of Tibet do not get the attention of the world. The answer is this little detail –the diplomatic note from Sweden to Finland made it an international conflict.

Sovereignty over the Åland Islands was recognized as belonging to Finland by the League of Nations in Geneva on June 24, 1921. Furthermore, the Council of the League stated that “peace, future cordial relations between Finland and Sweden and the prosperity and happiness of the islands themselves can only be consolidated through measures envisaging a) new guarantees for the population of the islands; b) the neutralization and non-fortification of the archipelago.” The League of Nations called upon Finland and Sweden to negotiate and come to agreement on the additional guarantees.

Three days later, Finland and Sweden presented to the Council a text, known as the Åland Agreement, whereby the two parties agreed on the terms under which Finland undertook to preserve the Swedish language, culture and local traditions. The Åland Agreement was not signed, and is formally not a legally binding document, but Sweden admits to being politically and morally bound by it.

The most important guarantee clause is the one stating that the language of instruction in schools supported or subsidised by the State, the Åland authorities or the municipalities should be Swedish. The right to buy land in Åland should be reserved for people domiciled in the Islands. The way of regulating this rule has changed over the years. The right to vote in municipal elections, and elections to the Åland Parliament should be reserved for the resident population. The Governor, who is the representative of the Finnish state in the Islands, should be nominated by the President of Finland in agreement with the Speaker of the Åland Parliament.

The League of Nations assumed responsibility for supervising the application of the guarantees. Finland was obliged to forward to the Council of the League of Nations, with observations, any petitions or claims of the Parliament of Åland in connection with the guarantees in question, and the Council should in turn, in any case where the question was of a juridical character, consult the Permanent Court of International Justice. This provision was later (1951) abolished.

This was one of the most important features of course: the international guarantees. This made the Åland autonomy different from most other autonomy arrangements. There are many autonomy arrangements created but most of them are a form of delegation of power, or decentralization. Another word is used in the case of Scotland, namely devolution or transfer. But in the case of the Åland islands it is a question of division of power. There are two parliaments in Finland, and thereby two jurisdictions. The legislative power is on an equal footing just in different spheres. The Åland autonomy is not entrenched in the Finnish Constitution, but has its basis in the decision by the League of Nations. The Finnish Constitution only makes a reference to the Åland autonomy saying that Åland has autonomy as laid down in the Act on the Autonomy of Åland.<sup>1</sup>

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<sup>1</sup>The autonomy acts of Åland before 1 January 1991 are called "Autonomy Act for Åland", while the present act which came into force 1 January 1991 is called "Act on

The Act on the Autonomy of Åland is a Law passed by the Finnish Parliament in the same way as the Constitution, but it should also be passed by the Åland Parliament with a qualified majority. The division of legislative power between the two parliaments can only be altered this way, and it could be seen as a bilateral agreement. Rather than a federation, Finland has a so called asymmetrical system.

The decision in Geneva did not meet the will of the people in the Åland Islands to reunite with Sweden, it did not meet the Swedish interests to have the sovereignty of the islands, and did not grant Finland unrestricted sovereignty over the islands. On the other hand, Sweden got military guarantees through demilitarization and neutralization, the Åland Islands were compensated through the Autonomy statutes and the eternal guarantees for the preservation of the Swedish language and culture, and Finland continued to have the islands even if it was with sous-sovereignty (Åland Culture Foundation 2010, 8-11).

There are two such cases in international law where federacy has been reinforced by "hard" international guarantees; the Åland Islands and South Tyrol (Anderson 2013, 225). The relation Finland-Åland is a federacy, but with no federal system to build on, therefore mostly viewed as an asymmetric system. This has caused many problems since Finland, and the Åland Islands, accessed the European Union. The European Union does not acknowledge any autonomous territories as members, and Finland has no federal system within which these issues could naturally be solved, and thereby constitute an instrument of conflict reduction.

### **3.2 Right of domicile, language issue and administration of Åland**

The right of domicile emerged as a legal concept in 1951. Several of the elements were already contained in the League of Nations' decision of 1921. The right of domicile as it is currently constituted covers the right to participate in elections for the Åland Parliament and the right to stand in such elections, the right to acquire real

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the Autonomy of Åland".

property without special permission, and the right to carry out business activities without special permission. Whoever enjoys the right of domicile and has moved to the Islands before the age of twelve is exempted from military service.

The right of domicile is acquired by a child at birth if one of his or her parents possesses the right of domicile. Immigrants who have lived in the Islands for five years, have obtained Finnish citizenship and have satisfactory knowledge of Swedish can obtain the right of domicile upon application. A person who forfeits the citizenship of Finland, or a person who moves his or her permanent residence from Åland also forfeits the right of domicile.

It has been argued that the right of domicile should be considered as a form of compensation for the disappearance of the international guarantees. At that time, the Soviet Union put pressure on Finland not to search to replace the role of the League of Nations by another international guardian (Modéen 1973, 67). The right of domicile does not constitute a form of citizenship, but is rather a form of indigenous right accorded to the persons who have decided to settle in the Islands.

Anyone can move to the Åland Islands, there are no restrictions. You can get a job, rent an apartment from day one, but you cannot buy an island. There are some special rights granted to the people who really settle in the islands. But anyone is welcome to settle there. We have over 90 different nationalities, and over 40 languages are spoken. It is a very open society.

The Åland autonomy is, as stated earlier, a cultural autonomy based on language; the fact that the residents speak a language different from that of the majority of the country. The people of the Islands therefore wanted to belong to another country where the language is Swedish, or as they put it "be reunited" with Sweden. The language provisions should be viewed in this perspective, and some of them could not have been acquired, or not even implemented today, had it not been for the light of history, and the decision of the League of Nations in Geneva in 1921. Finland is a bilingual country, while the only official language in the Åland Islands is Swedish.

The language of education in schools maintained by public funds or subsidised by them should be Swedish. Finnish is taught in Åland schools as a foreign language. There has up till now not been enough interest in setting up private schools with Finnish as the language

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of tuition. A pupil of an educational institution in Åland may be admitted to a state-maintained or state-subsidised Swedish or bilingual educational institution and be graduated therefrom, even if he or she does not have the required proficiency in Finnish.

Already in the League of Nations decision it was determined that the Governor must “enjoy the confidence of the population”. The Governor shall be appointed by the President of Finland upon agreement with the Speaker of the Åland Parliament. If agreement cannot be reached, the President must appoint one out of five persons who are suggested by the Speaker of the Åland Parliament. The fact that the Ålanders can influence Finland’s choice of representative to the Islands usually raises great interest in international forums.

The Åland Delegation can be described as an arbitrating/mediating body for settling disagreements between Finland and the Åland Islands. Two of its members are appointed by the Finnish Government and two by the Åland Parliament. The Governor acts as chairman and the fact that he or she is appointed after agreement between the State and the Speaker of the Parliament becomes important. The chairman represents the State but is a person in whom the Åland authorities have confidence.

The Åland Delegation should resolve controversies arising in certain situations referred to in the Act on the Autonomy of Åland, carry out the economic equalization, including determining the tax retribution and give extraordinary grants. The decision on the adoption of an act of autonomy of Åland shall be delivered to the Åland Delegation who shall give their opinion before the decision is presented to the President of the Republic of Finland. Upon request, the Delegation shall give opinions to the Council of State, the ministries thereof, the Government of Åland and the courts of law.

The Åland Parliament represents the people of Åland in matters relating to its autonomy, and has all the characteristic features of a parliament. Its duties are to enact legislation for Åland - acts of Åland - and to confirm the annual budget. The members of the Parliament are elected by direct and secret ballot. The suffrage shall be universal and equal. The right to vote and be eligible in the election of the Åland Parliament is based on the Right of Domicile, not on ethnic or linguistic grounds.

The sessions of the Parliament of Åland shall be opened and closed by the President of the Republic of Finland or, on his or her behalf,

by the Governor. The President of the Republic has the power to dissolve the Parliament and order an election, but only after consultation with the Speaker of the Parliament, and this has never occurred.

The fundamental principle of the Act on the Autonomy of Åland is that administrative power is to accompany legislative power. In the areas where the Åland Parliament has legislative competence, administrative power is exercised by the Åland Government. The Government is formed according to democratic principles; it has to enjoy the confidence of the Åland Parliament.

The Government may consist of five to seven members and the Chairman/Premier has the title "Lantråd". The Government exercises administration in all the spheres, which, under the Act on the Autonomy of Åland, devolve upon the Åland authorities instead of the State of Finland. The administration is vested in the Government and governmental organs, and officials subordinate to them.

### **3.3 Legislation and demilitarization**

Among the most important sectors belonging to the Åland Parliament are public order and security, fire-fighting and rescue services, building and planning, tenancy and rent regulation, leasing of land, pre-historic remains, health care and medical treatment, social welfare, education and culture, farming and forestry, hunting and fishing, the postal service, including the right to issue stamps, the right to broadcast by radio or cable in Åland, and the promotion of employment.

Finland's powers of legislation, exercised by the Parliament of Finland, include, among others: foreign relations, family and inheritance law, the judiciary, merchant shipping, most aspects of penal law, citizenship, legislation on aliens, and passports, firearms and ammunition, the armed forces and border guards, taxes and duties, with the exception of municipal taxes, trade and amusement taxes.

Although Finnish authorities are responsible for the general conduct of foreign affairs, the Act on the Autonomy of Åland provides Åland authorities with a means of exerting influence. If the Republic of Finland enters into a treaty with another state, which affects matters falling within Åland's jurisdiction, the Åland Parliament must give its consent. This is why we could have remained outside the EU

when Finland joined.

The division of legislative power between Finland and Åland is in principle exclusive in the sense that a Finnish law is not in force in the Islands if Åland has legislative power in the matter even if no act has been enacted in the Islands, and hierarchically a law of Åland is not subordinate to an ordinary law of the Parliament of Finland.

In the autumn of 1921, a conference was held to draft a new convention on demilitarization and neutralization of the Åland Islands. According to the Convention concluded on October 21, 1921 by Denmark, Estonia, Finland, France, Germany, Great Britain, Italy, Latvia, Poland and Sweden, Finland was to confirm the prohibition against fortifying the Islands that Russia had accepted in 1856. No military operations, air or naval bases would be allowed in the Islands. The ten signatory states agreed to regard the Åland Islands as a neutralized zone in wartime and not to use it for military operations. The Soviet Union was not a signatory to the Convention and accordingly not invited to the conference, and thus did not recognize the neutralization, but was bound by the 1856 agreement.

There are, however, examples of areas subjected to both demilitarization and neutralization (*status mixtus*), e.g. Åland and Spitsbergen. A neutralized area does not need to be defended because acts of war are not supposed to take place there. However, the state possessing sovereignty over the territory is obliged to defend its neutralization. If the area is also demilitarized, it may be difficult to meet this obligation. In spite of this complication, Åland is both demilitarized and neutralized and the purpose of this combination is probably to combine the confidence-building effects of demilitarization with the guarantee that the area shall not be used as a theatre of war in the event of armed conflict.

The decision on the adoption of an act of Åland shall be delivered to the Finnish Ministry of Justice and to the Åland Delegation. The Delegation should give its opinion to the ministry before the decision is presented to the President of Finland. Laws passed by the Parliament of Åland are submitted to the President of Finland, who may impose a veto, after having obtained an opinion from the Supreme Court. The President has a veto only in two cases, namely if the Parliament has exceeded its legislative competence, or if the law affects the external or internal security of the country, which has only occurred once. If an annulment is not ordered within four months the

law enters into force. The President was given this important role because he constitutionally had a very strong position in the Finnish legislation being the force commander, and directing the foreign affairs.<sup>2</sup>

According to the decision in Geneva in 1921, the Åland authorities had the right to use for their needs 50% of the revenues of the land tax, besides the revenues from provisional extra income taxes according to principles as decided by the State, plus trade and amusement taxes and a few other dues. The intention was that the Ålanders should be given the right to govern the region as freely as is possible, without being an independent state. However, the revenues proved to be insufficient for the administration, and the system was given up in 1951 when the second autonomy act (the Autonomy Act for Åland) introduced a new economic regime. This allowed fewer possibilities to freely govern the region, but on the other hand was a system that provided the means needed to administer the autonomous region in accordance with the autonomy act. The State authorities collected for State use all public taxes in Åland, direct and indirect, as anywhere else in the country. The budget of the region was primarily financed by State funds. The system was very complicated when it came to determining the final settlement of accounts between the State and the region. This very limited budgetary power severely restricted the autonomy and was abolished in 1993 in favour of the system authorised by the present act of autonomy (Act on the Autonomy of Åland).

According to the present autonomy act, the State has the right to levy taxes in Åland in the same way as in other parts of Finland, while the Ålandic authorities only have the right to levy additional tax on income for Åland and the provisional extra income tax, as well as the trade and amusement taxes. The main source of income in the budget for Åland is therefore the taxes levied by the state, and returned to the region from State funds. The sum returned is called "the amount of equalization" and is determined in a special equalization procedure. This is probably the weakest element in the Åland autonomy system. Most other autonomies have the right to levy taxes, and some of them do so despite receiving economic contributions from the state.

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<sup>2</sup>The Constitution of Finland 11 June 1999, Section 93 & 128.

Åland has one seat out of the 200 in the Finnish Parliament. He or she is not a member of any of the political parties existing in Finland. Traditionally the Åland Member of Parliament has had a seat in the Constitutional Commission as the Autonomy is referred to this Commission. A special seat is reserved in the Grand Commission (the European Affairs Commission) for the Åland representative. It encompasses the right to participate in the discussions, but not to vote. The Åland MP has the same duties as all other MPs, mainly focusing on issues under the competence of the Parliament in Helsinki, but also acting as a link between the political structure in Åland and in Helsinki.

The Åland Government maintains an information office in Helsinki and one in Stockholm, assisting the Åland Government in its cooperation with the authorities in Finland and Sweden. These offices have no special status within the autonomy or state structures, nor diplomatic status.

## **3.4 International Cooperation**

### **3.4.1 The Nordic Council and Nordic Council of Ministers**

Only a few years after the Second World War, in 1952, the Nordic Council was created as a forum where each nation's representatives could exchange opinions and experiences. The Nordic Council was founded as a parliamentary forum for cooperation among the five independent Nordic countries.

The Nordic Council has been a precursor for other international organizations when it comes to autonomous areas. The autonomous areas are not observers. Instead, their parliaments choose members of the Council on the same conditions as the sovereign states.

The Nordic Council of Ministers was established in 1971, to conduct cooperation at governmental level. In 1983, an important change occurred when the autonomous areas were granted the right to participate in the work of the Council of Ministers. Decisions in the Nordic Council of Ministers are based on consensus but only require the acceptance of those countries that are covered by the decision. The consent of the autonomous areas

is needed in cases where the decision belongs to their area of legislative competence. The approach is usually labelled “the right of consent” and is quite unique (Weller and Wolff 2008).

### **3.4.2 The European Union**

When Finland joined the European Union, Åland had the option of remaining outside (as is the case with the Faeroe Islands, Greenland and the Isle of Man) in accordance with the Act on the Autonomy of Åland, by not giving its consent when the Accession Treaty was to be passed. A solution with Åland on the outside would certainly not have appeared attractive to Finland. The Islands had managed to gain an advantageous negotiating position, and Finland chose to assist the Islands in negotiating a solution that convinced the islanders that membership was acceptable. The result was a separate Protocol for the Åland Islands making it a member of the customs union but leaving it outside the tax union. The aim of this derogation was to maintain a viable local economy in the islands.

The Åland Islands is the only jurisdiction that had the option of remaining outside the Union when the mother country became a member and yet chose to join, thereby making its position unique. The Åland autonomy has expanded over its 90 years of existence, but through joining the European Union the Åland Islands surrendered competence to Brussels, as did Finland. The EU only knows states as full members, and has a way of compensating them for their loss of power and influence; i.e. they obtain seats in the European Parliament and they can appoint one Commissioner each. In the case of a jurisdiction such as the Åland Islands, not being an independent state, there is no such mechanism. The Åland Islands received just one seat in the Committee of Regions, a body consisting of a variety of local authorities, some with and some without legislative power. The Committee exercises purely advisory powers and does not constitute an EU institution in the formal sense.

Authorities are therefore seeking to strengthen the position of the regions or alternative ways of compensating for the leakage. The result of these efforts remains to be seen.

### **3.5 National Symbols**

National symbols are of great importance to small autonomous areas, as well as to newly born independent states, and they have therefore tended to provoke unnecessary tension from time to time. The President of Finland has the right of veto in connection with an act of Åland if the act relates to the internal or external security of the State. This provision has been used only once in the history of the Autonomous period, namely when the first flag was being adopted. The design chosen was judged to resemble too closely the national flag of Sweden and “would be likely to cause misunderstanding about the status of the region of Åland under constitutional law.” A new design was proposed and the law on an Åland flag was passed in 1954. The flag is a blue-yellow-red Nordic flag, which is used in Åland and on Åland’s own official buildings. The flag may also be flown on Åland vessels, including merchant ships, fishing boats and pleasure boats, as well as comparable vessels whose home is in the Åland Islands (Tudeer and Liljeström 1994).

The Åland Government attempted to obtain the right to introduce Åland’s own postage stamps as early as the 1950s, but the first Åland postage stamps were not issued until 1984. The process required lengthy negotiations. The postal administration was later - through the present autonomy act - transferred to the Åland authorities.

The Ålanders hold Finnish passports, but since January 1993 the word “Åland” has been inserted in passports issued in the Åland Islands to persons with the Right of Domicile. The Åland Islands has its’ own country code “AX” allocated by the International Standardisation Organisation Maintenance Organisation (ISO-MA) and used for statistical purposes as well as postal matters, used as postal area code.

### **3.6 A Model for Others or just a Source of Inspiration?**

The procedures adopted to permit changes and evolution has for eighty years enabled the Ålanders to enjoy and to expand the Autonomy. There have over the years been tensions and difficulties,

sometimes acute, but the system has functioned. The Finnish Government as well as the President of the Republic of Finland commit themselves to further expanding the Autonomy step by step. The Åland Autonomy is under permanent transition.

Finland was definitely not a rich and civilized country in 1917 at its declaration of independence. The second city in Finland looked like Vukovar, as it had been levelled during the bloody fighting of the civil war in the country. The civil war in Finland was not about the Åland question, but the Finnish civil war took place at a same time, it was fought by the same people, and from the Ålanders' perspective in the same spirit in which the solution should have been found and the confidence built on the Åland question.

There are many elements in the Åland autonomy solution that are interesting for others to study. One of them is the fact that the decision that needed to be implemented was against the will of the people and despite this, the new form of power sharing has lasted for more than 90 years. The Åland autonomy is not a happy-end solution. I would claim that the shortcomings, the mistakes, the disputes, the unsolved problems are equally important when it comes to a learning process. How do we share power, what is good governance, how do you create a system with rule of law in such a small society? The Åland solution is considered as minority protection. You can even today hear that the Ålanders have privileges, while it is in fact a form of compensation for not being granted their wish to be part of Sweden. It is the question of a regional minority that forms part of a national majority. It is never a privilege to be a minority; a privilege is to belong to the majority in the country. We have accepted to have autonomy and be a minority (Spiliopoulou Åkermark 1997, 172).

In this context it is important to mention the kin-state. The reaction of the kin-state is of course crucial. I would claim that even if the Åland solution could not be seen as a model, Sweden is maybe a model in this respect. A kin-state which accepted the decision made by the League of Nations, but continued to support the minority in question in fields where cultural and linguistic factors are important, such as media, education, and medical care, but never ever getting involved in internal politics, or supporting any separation movement.

The question of army, security and policing is often one of the core issues in such discussions, and it was present in the case of Aceh with the existence of a guerrilla movement. Åland is one of the

few autonomous territories that has its own police force. The Åland police co-operates with the Finnish police, also carrying out tasks on their behalf through a special legal arrangement. This I am sure was studied in the case of Aceh. Thorvald Stoltenberg has used it in the case of Palestine, and he used to say “you don’t shoot at your own people.” The policeman in Åland is one of us.

The very strong guarantees, created in Geneva, were tailored to function for two parties that had no trust in each other. It is an extremely legalistic system. The fact that it has continued to be this way over the years is of course related to the tradition with Finland being an autonomous part of Russia. It is very safe for a minority to have a strict legalistic system, and the Åland autonomy has therefore been interesting for parties in armed conflict or war. The demilitarization/neutralization regimes add to it. Many politicians in the Åland Islands think that after 90 years of autonomy it is time to move on to a less rigid system where we could negotiate and agree in a less formal way, but still in agreement. But that is for the future.

### **3.7 Conclusions**

The Åland system was restrictive, legalistic, and tailor-made for a conflict that was to be implemented in an atmosphere of mistrust and disappointment. Geography cannot be changed, the neighbors are there, but the individuals are a resource that should be included in the process. More often the internally displaced persons (IDPs) in conflicts are used by politicians to keep up the hatred and distrust, and not until the politicians decide that now is the time for resolving the conflict are they accepted as parties to the conflict. By including the IDPs and the inhabitants, the distrust can be overcome in the peace-process. Cross-border cooperation and low level initiatives could be conducive to the peace process, if allowed to develop. The Ahtisaari plan for Kosovo has created a way for the Serbs in Northern Kosovo to cooperate with Serbia in a transparent way, but nothing has materialized. The positions are increasingly growing further apart from each other.

Nordic cooperation has given the Åland Islands, but also other areas in the Nordic countries, a natural base for engaging in cross-border contacts. This cooperation involves parties from different

states, but it does not hamper the work, and has no political connotation as long as there is substantive cooperation with tangible results. Nordic cooperation serves very well as a model for cross-border cooperation, and a way to diffuse tension in conflict areas. Globalization has led to a growing interest in regions, and ultimately regionalization, which implies an appreciation of traditions and local customs. This could easily be transformed to nationalism, and little understanding for minorities, thus creating the need for minority protection and affirmative actions.

Nationalism is not only oriented towards the construction of classical sovereign modern states, but nationalism is also the driving force behind the constitution of quasi-states, which are political entities of shared sovereignty (Sabanadze 2010, 43). It is important with transparency to avoid mistrust, in an independent state as well as in an autonomous territory. The rule of law should be respected, and functioning power sharing systems should be created based on democratic principles. An independent judiciary is a prerequisite if the autonomy shall have trust in the state, and the state must always follow the principles of good governance. This is difficult for a small new born state, and even more demanding for a smaller entity such as an autonomy structure. It could be seen as challenging and demanding, but is absolutely crucial for the survival of the autonomy solution.

### **3.8 Knowledge and experience**

When trying to assist in other conflicts, the most important things are not only to have experience of how the Åland autonomy functions in practice. It is equally important to have deep knowledge of the parties you address. Why has there been a war, how did they live together before the violence broke out, is there anything that functioned well and that could be developed, are there components to the problem that must be avoided. Knowledge of the Copenhagen criteria and the Oslo declaration are crucial, but it is not enough to have theoretical insight. Practical experience of how the system functions in reality is equally important for one to be successful.

It is necessary that the majority is ready to promote and defend the solution in the long term. The majority must understand minor-

ity protection as part of the state system, something to promote, develop, modernize, and be proud of. All too often is the knowledge of the structure and the reasoning behind it unknown to the broader public. The history of the minority is more often not part of the history of the majority, and thereby forgotten. This gives space for all sort of misunderstandings, and should be avoided at any cost. This is one of the mistakes others could learn from. Autonomy arrangements are never static in our globalized world, but differences must be respected despite the ongoing globalization. I believe that a counteraction to globalization is the ongoing regionalization, but it must be done in a cautious and skillful way.

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## **Chapter 4**

# **Azerbaijan and Energy Security in Europe: balancing National Priorities and International Commitments**

*Gulmira Rzayeva*

### **4.1 Introduction**

The EU's Southern Gas Corridor is aimed at bringing gas from alternative sources and via alternative routes primarily from the Caspian Region to the European markets, the largest gas market area in the world. Eastern and Southeastern Europe are heavily reliant on Russian gas deliveries, to the detriment of sovereign and independent policymaking of the states in question. Secure energy deliveries

make up the economic lifeblood of those countries and the reliance on Russia puts their national security and economic development at risk. The EU-supported Southern Corridor is, most importantly, directed to curtailing Russian energy leverage over those countries and open up direct access to the European gas markets for the landlocked Caspian states, primarily Kazakhstan and Turkmenistan.

After the signing of the Declaration on the Southern Gas Corridor between the EU and Azerbaijan in 2011, the role of the latter became pivotal as it is the only gas supplier and therefore an anchor for the opening of the Southern Corridor at this stage. Also, the country is considered as the initiator of the transportation infrastructure along the gas value chain. After the planned expansion that will make the total capacity 30 bcm, the South Caucasus Pipeline (SCP) will be able to transport both Shah Deniz Phase I and II (SDI and SDII) gas, as well as gas volumes from so-called next generation gas fields offshore Azerbaijan<sup>1</sup>, but also possibly gas from Turkmenistan and Kazakhstan in the long run.<sup>2</sup>

Shah Deniz Consortium (SD) made a final decision on the preferred route on June 2013 and the consortium selected the Trans-Adriatic Pipeline to supply Shah Deniz gas to Europe. Prior to the final selection, the Shah Deniz Phase II consortium finalized the ongoing Gas Sale and Purchase Agreement (GSPA) with the potential buyers at the end of April 2013 and gas transit agreements (GTA) in May 2013.<sup>3</sup>

Two agreements were signed between Shah Deniz Consortium partners and Nabucco on 18 January, 2013: on equity funding and on cooperation. These agreements enabled to co-finance and co-manage the work of Nabucco International Company (NIC) before the final decision on the route was made. The NIC reported that the signed agreements related to: close cooperation in adjustment of schedules and works on projects Nabucco West and Shah Deniz

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<sup>1</sup>Additional gas volumes up to 35bcm to be available for export by 2025.

<sup>2</sup>Editorial note: For instance in November 2014, Turkey and Turkmenistan signed a framework agreement on Turkmen gas contributions to TANAP.

<sup>3</sup>Editorial note: After the final selection was made in June, the Shah Deniz consortium announced the final investment decision (FID) on extracting gas from the Shah Deniz II gas field in Azerbaijan in December 2013. The FID was crucial for the project, since all other agreements and intents were conditional and dependent on the FDI. See, for example: [http://europa.eu/rapid/press-release\\_IP-13-1271\\_en.htm](http://europa.eu/rapid/press-release_IP-13-1271_en.htm)

Phase II and the co-funding of costs associated with the further development of the Nabucco West; provision of totally 50% equity stake for SOCAR, BP<sup>4</sup>, Statoil and Total in the new structure of NIC shareholders after positive selection. For the Shah Deniz Consortium partners, this was the second such package of agreements, as in the summer of 2012 a similar package was signed with the Trans Adriatic Pipeline.

## **4.2 Nabucco West vs. the Trans Adriatic Pipeline**

The overall strategic value of the Southern Gas Corridor was determined after the Shah Deniz consortium decided the ultimate destination of the Shah Deniz gas. The market destination and the timing were crucial. According to SOCAR, Azerbaijani gas deliveries to Turkey are scheduled to start by mid-June 2018 and due to be followed by gas deliveries to the EU in the beginning of January 2019. Also, emerging new gas sources, including unconventional gas, e.g. shale gas in United States, and shipping those liquefied volumes to Europe, will lead to the further tightening of gas price competition in Europe.

By virtue of geography, the companies of West European countries, like Spain, Britain and France, have already signed a sale-purchase agreement with the United States to import liquefied natural gas (LNG) as much as 6bcm/a from 2016 onward. Italy has been developing LNG infrastructure with the additional capacity of 85bcm of gas in Trieste, Molcanfone, Livorno, and Rosignano in the north of Italy, and LNG projects with additional import capacity of 30bcm/a in Brindisi, Rovigo etc. All those projects and infrastructure, once realized, will increase the potential import capacity of Italy up to 200bcm/a, whereas the country's current gas demand is about 85bcm/a.

Despite the fact that the Italian market can be oversupplied in the midterm perspective, there is no doubt that the Trans Adriatic Pipeline has advantages and strengths. With an initial capacity of 10bcm/a and a 48" diameter pipeline, it will be less costly than Nabucco West. Also, in comparison to Nabucco West, the Trans

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<sup>4</sup>BP to acquire 12%.

Adriatic Pipeline has a less complex and cumbersome management structure.

The question was raised whether Shah Deniz partners were ready to depend on merely a few country markets -namely Italy, Greece and Albania -if they had an option to market their gas in multiple country markets with a further potential to cover Balkan countries that were heavily in need of diversification as Nabucco West suggested. Technically the Trans Adriatic Pipeline is capable to offer an opportunity to access the Balkans with the Ionian Adriatic Pipeline and Greece-Bulgaria interconnector and even to the countries bordering with Italy to the North. However, these additional regional connections were not part of the Trans Adriatic Pipeline's proposal in 2013, when it was selected as transit route for Shah Deniz gas, and therefore these regional connections had no ready sources of financing. The Balkan market is of strategic interest to Azerbaijan, given the higher gas price and great diversification potential of the market.

The TAP pipeline itself can be financially attractive to Shah Deniz partners. However, the market that it is targeting is risky and has no strategic value in comparison to Nabucco West that offered more value in terms of diversification of the market, almost completely reliant on one supplier. For this reason alone, Nabucco West benefitted from accumulation of political support from Brussels and Washington. For the latter, most critically, diversifying the Central European market with the help of already existing and planned interconnectors, linking the countries along the Nabucco West route, would have given those states an ability to strengthen their negotiation position with Russia as a result of introducing international competition in the region, "reduce supply disruption threats, and bolster internal stability of NATO allies."<sup>5</sup>

In December 2012, US congress even went further in its support for Nabucco West when publishing its report "Energy and Security from the Caspian to Europe." The report was prepared for the use of the Committee on Foreign Relations of the U.S. Senate, it warned Shah Deniz partners and recommended to the State Department that if the project of U.S. preference that "must substantially contribute

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<sup>5</sup>"Energy and Security from the Caspian to Europe", <http://www.foreign.senate.gov/publications/download/energy-and-security-from-the-caspian-to-europe>

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to Europe's energy security" was not selected by the Shah Deniz consortium, Shah Deniz Phase II might not enjoy the same sanction exception that Shah Deniz Phase I did. This was due to the 10% stake of Iranian NIOC in the project. Shah Deniz Phase II and ancillary projects sanctions exception "will be based on compelling benefits for U.S. national security interests."<sup>6</sup>

According to the paper, "Nabucco West offers the most meaningful advance in two key objectives: prompt delivery of gas to multiple allies in desperate need of diversification and scalability to accommodate larger gas supplies to the region in the future." Putting to an end the "coercive pressure brought by Russia against its allies in Central and South Eastern Europe are of an order of greater magnitude."

The rivalry between the U.S. and Russia dividing and controlling the energy rich countries, transportation routes and lucrative energy markets as during the Cold War, is still continuing in the 21st century, but in another shape as in the "Great Game" theory. For Russia, as an energy producing country it is extremely important to sell its hydrocarbon resources to countries it has the ability to influence. Having those countries' energy security almost entirely reliant on Russia gives Moscow a leverage to make them fall into its sphere of influence by strengthening its negotiation position with the help of the energy dependency bargaining chip. This is perceived by the U.S. as a threat to its national interests in the South East European region.

The U.S., as a hydrocarbon producer and consumer state, is mainly interested in that its energy-dependent allies would import hydrocarbons from U.S. controlled sources, such as the Middle East and North Africa (MENA), the Caspian, Europe, trying to leave no chance for Iran (under sanctions) and Russia (with alternative supply routes) to be able to make those allied importer countries vulnerable.

Azerbaijan is the best positioned to ensure energy security of U.S. allies, such as Turkey and nations in Eastern and Southeastern Europe and the Balkans, which are all either U.S./NATO allies or enter into the spectrum of U.S. sphere of influence, and to be a part of a

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<sup>6</sup><http://www.foreign.senate.gov/publications/download/energy-and-security-from-the-caspian-to-europe>

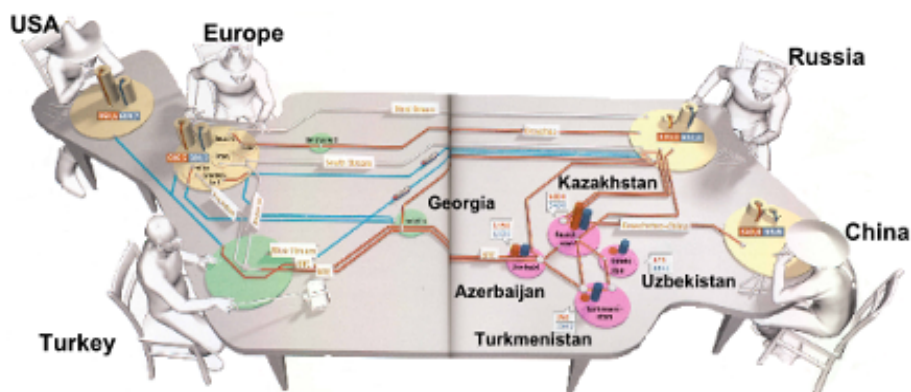


Figure 4.1: Caspian Poker (Source: Die Welt)

broader Euro-Atlantic Energy Security concept. It has been playing a crucial role in implementing U.S.-EU energy strategy by realizing the BTC oil project and is continuing to do so with the Southern Gas Corridor project. However, it is quite logical to assume that Baku would expect more political support in return from the U.S./EU to solve its number one foreign policy priority issue of Nagorno Karabakh and to restore its territorial integrity from the occupation.

### 4.3 Nabucco West and its shareholders

In December 2012, the German energy company RWE –one of the main drivers of the Nabucco West project –withdrew from the project. This fact once more demonstrated that the management structure of the consortium was extremely unwieldy and the partners, specifically the initiator of the project, the Austrian oil and gas company OMV, must have realized that such cumbersome management was putting the realization of the project at serious risk. As it had not been possible to sign the Cooperation Agreement (CoA) and Equity funding Agreement (EFA) between Nabucco West and Shah Deniz members between June 2012 and 18 January 2013,

the date when the Agreements were finally signed, one can conclude that there were also significant issues and differences of opinion on share allocation between Nabucco West and the Shah Deniz consortium among Nabucco shareholders.

According to publicly available information, Shah Deniz was demanding a 51% stake in the Nabucco West consortium to be able to make and conclude corresponding decisions in case the Nabucco West consortium had failed to deliver necessary progress in timely fashion. The reason that Shah Deniz wanted to get a majority share might have been that it was not confident that Nabucco West shareholders would have been capable to make the project happen, to invest the capital required and to make the necessary commercial and strategic decisions.

Although almost all Nabucco West consortium partners were in agreement on such a share allocation, OMV was reluctant to lose the opportunity to control and make decisions. The position of OMV was understandable, since once the CoA and EFA had entered into force under a 51% -49% proportion, the views of Nabucco West shareholders at the time could have been over voted. However, the lack of the NW project progress resulted in share dilution by the Hungarian partner FGSZ, starting summer 2012. Also, some other Nabucco West partners would have been happy to sell a certain portion of their shares either to Shah Deniz members or a third party.

According to the publicly available reason of why RWE decided to withdraw, it was not possible for the company to meet its commercial objectives.<sup>7</sup> However, there were apparently also other reasons, such as different views and a long lasting dispute with OMV over a number of issues on how to advance the project, but also the link from Baumgartner to Landzhot to connect Baumgarten into the RWE owned transport system Net4Gas. Further reasons might indeed have been of financial nature, forced by the nuclear phase-out in Germany. Moreover, because of the above mentioned financial difficulties, RWE sold its assets and did headcount reduction.

This is another reason why Net4Gas, a gas transport system in the Czech Republic fully owned by RWE, was sold in 2013. Earlier, RWE was aiming via the Baumgarten-Landzhot link to connect its Net4Gas

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<sup>7</sup>"Nabucco says Check-Austrian Transit Survey Completed", *Bloomberg*, <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aZSykMGpEc80>

system to bring the Caspian, e.g. Azerbaijani gas to Germany, in line with the German government strategy to diversify gas sources.<sup>8</sup>

#### **4.4 South Stream vs. Nabucco West: Market share or volume substitution?**

Despite the fact that Russia's top gas producer Gazprom's export to Europe significantly increased in 2011 after the reduction during the financial downturn, the company could not repeat this success in 2012. According to the Energy Ministry of Russia, gas export to Europe decreased by 8.7% in 2012 to 186bcm.<sup>9</sup> Earlier, Gazprom reported that in the first half of 2012, gas sales to Europe dropped by 10% and to CIS countries by 29%.<sup>10</sup> This corresponded with a decline in production in 2012 to 655bcm (from 662bcm in 2011), whereas Gazprom's own production dropped by 5.1% to 483bcm.

The export and production forecasts for the year 2013 were not very optimistic. According to the CEO of Gazprom Mr. Miller, the company hoped to keep the level of 500bcm of gas production in 2013 and pledged to refrain from any increase of investment programs for that year.<sup>11</sup> Earlier, Gazprom had cut gas production targets for 2013 and 2014, due to dwindling demand. According to the head of Gazprom's production department, the company was about to produce 541bcm in 2013, rising to 548bcm in 2014.<sup>12</sup> This was down from previous forecasts of 549bcm for 2013 and 570bcm in 2014.

Business Monitor International's projections showed the overall gas output of Russia rising to 724bcm by 2016 –dependent on growth in European gas demand and opportunities arising in Asian mar-

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<sup>8</sup>“Nabucco says Check-Austrian Transit Survey Completed”, *Bloomberg*, <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aZSykMGpEc80>

<sup>9</sup>“Gazprom reports weakening European gas sales amid economic slowdown”, [http://www.mrcplast.com/news-news\\_open-229012.html](http://www.mrcplast.com/news-news_open-229012.html)

<sup>10</sup>“Gazprom reports weakening European gas sales amid economic slowdown”, [http://www.mrcplast.com/news-news\\_open-229012.html](http://www.mrcplast.com/news-news_open-229012.html)

<sup>11</sup>“Russia's Gazprom sees 2013 gas output at 500 Bcm, roughly flat on year”: report, *Platts*, <http://www.platts.com/RSSFeedDetailedNews/RSSFeed/NaturalGas/8997445>

<sup>12</sup>“Ukrainian equipment producer dashes Gazprom production plans last winter”, *Kyiv Post*, <http://www.kyivpost.com/content/business/ukrainian-equipment-producer-dashes-gazprom-produc-1-128108.html>

kets.<sup>13</sup> The EU imports 25% of its total gas demand from Russia. Management of the Russian monopoly confessed that the reason for the decrease in choosing Russian gas by the European gas consumer companies and in export capacity to the European market was competition. During last few years, the number of the companies that were ready to transport gas based on the price fixed to gas indexation and spot market price was increasing.

The decline has been caused by not only the financial crisis in Europe and the Euro zone, but also as Europeans used cheaper alternatives, such as liquefied natural gas (LNG) and spot market gas supplies. For the years 2009–2011, the number of re-gasification plants as well as liquefaction plants in Europe had been rapidly increasing and it is expected that by 2014 majority of the coastal states across Europe will be covered by some LNG infrastructure. Currently a few are under implementation, others are planned: The EU's current re-gasification capacity of 150bcm looks set to double by 2020.

This is one of the most important goals for the EU to develop LNG infrastructure and build a terminal in each coastal state (Italy, Netherlands, France, Ireland, Germany, Poland, Spain, Croatia, Cyprus, Turkey, Finland, Estonia and Lithuania).<sup>14</sup> This has been also included into the Trans European Energy Network Policy (TEN-E) to cover Europe's increasing demand for natural gas. In fact, some of those terminals are being built to ensure energy security of Central Europe and lessen the vulnerability and reduce dependence on Gazprom by transporting already re-gasified gas from coastal states to the land locked states. For that, an ambitious TEN-E policy of the EU to connect all the European states with gas pipeline interconnectors by 2014 is being implemented.

Poland, which is also exploring for shale gas, hopes to open a 5bcm/a LNG import terminal in mid-2015. The LNG terminal at Świnoujście, near the German border in the northwest, should improve diversity of supply and reduce dependence on Russian imports.

Needless to say that increasing LNG capacity in receiving terminals across Europe offers a number of security-of-supply benefits for

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<sup>13</sup>Russia Oil & Gas Report, *Business Monitor*, <http://store.businessmonitor.com/em/oilgas/russia.html>

<sup>14</sup>T E N - ENERGY Priority Corridors for Energy Transmission, Prepared for the European Commission, [http://ec.europa.eu/energy/infrastructure/studies/doc/2008\\_priority\\_corridors\\_for\\_energy\\_transmission-natural\\_gas.pdf](http://ec.europa.eu/energy/infrastructure/studies/doc/2008_priority_corridors_for_energy_transmission-natural_gas.pdf)



Figure 4.2:

the Union, notably lower natural gas prices, having gas more readily available on the European gas markets, and adding diversity of sources to the EU's gas supplies.

During the period of 2009-2010, increasing LNG capacity in receiving terminals in North-West Europe and strengthening the link

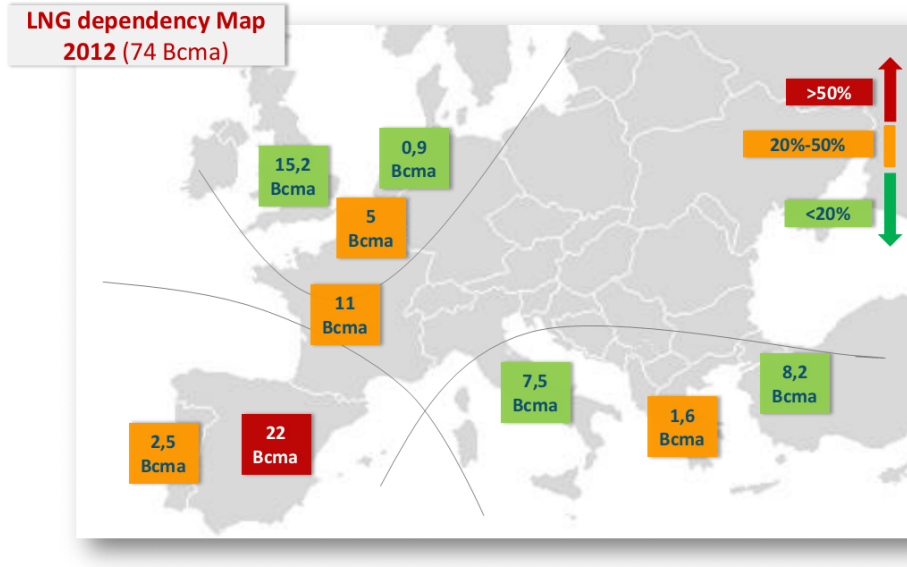


Figure 4.3: LNG dependency map 2012 (74 Bcma). Source: Streams interpretation of Waterborne data.

between US and EU gas hub prices gave European consumers a chance to benefit from the cheap spot traded gas. During the same period, a sharp fall in spot prices occurred and spot gas prices were some 25% lower than oil-indexed gas. This trend and correlation between EU and US gas prices was terminated in April 2010, because of unforeseen high demand in the US. However, beginning from 2011, the price difference became a major trigger for price revisions throughout Europe, the core market for Russian gas exports.

Many European gas consumers have already been urged to move away from 100% of oil indexations price, i.e. a certain gas-indexed component in long term contracts, including at least 10–20% of spot prices into the contracts with Gazprom. The spot prices in the overall European market are increasing very fast –30–40% per annum. As this was unacceptable for Gazprom, the disputed cases were taken to arbitration by the European gas buyer

companies with positive outcomes for those companies in most of the cases. That resulted in some companies being granted discounts for gas price from Gazprom. According to Morgan Stanley Press, Italian Eni and Edison, German E.ON (RWE is still in arbitration process with Gazprom), French GdF Suez, Austrian Ecogas and a number of others were granted between 10% and 20% spot market price included into their contract in 2011.<sup>15</sup>

However, in a discussion paper entitled "Pricing the 'Invisible' Commodity", Sergey Komlev, Contract Structuring and Pricing Director of Gazprom Export, argued that the modified price model, which envisions long term contracts linked to gas indexes and hub pricing, is not reliable for buyers and workable for suppliers if they must maintain flexibility in uninterruptible contracts. This means that traders of spot gas, mainly LNG, at hubs have a certain volume of gas on a certain price trading, based on short term contracts signed for the period of no more than 1-3 months ahead and cannot guarantee additional volume of gas for mid-term if needed. This makes buyers uncertain and vulnerable for the decisions of suppliers in the future. For example, Qatar, that has been exporting to the European market 17.4% (37bcm) of LNG per annum, announced that it will decrease the export volume of LNG to the European direction by 40% and re-direct those volumes to the Japanese market due to the lucrative price for LNG in Asia.<sup>16</sup>

The growth dynamics of LNG supplies offers new opportunities, such as access to the global market. The advantage of exporting gas as LNG is receiving access to the world market. According to BP, LNG trade will gain a larger role in the long-term perspective. LNG production will grow by 4.3% per annum, accounting for 15.5% of global gas consumption by 2030, BP Energy Outlook 2030 says.<sup>17</sup> Also, according to the U.S. bank JP Morgan analysts, global LNG growth averaged approximately 15 percent in 2011. According to

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<sup>15</sup>"Pricing the 'Invisible' Commodity" Sergey Komlev, Gazprom Export, [http://www.gazpromexport.ru/files/Gas\\_Pricing\\_Discussion\\_Paper\\_Komlev\\_GPE\\_Jan\\_11\\_2013\\_FINAL127.pdf](http://www.gazpromexport.ru/files/Gas_Pricing_Discussion_Paper_Komlev_GPE_Jan_11_2013_FINAL127.pdf)

<sup>16</sup>LNG export destinations are being diversified, *Arab News*, <http://www.arabnews.com/lng-export-destinations-are-being-diversified-says-qnb>

<sup>17</sup>BP Energy Outlook 2030, January 2013, International Energy Agency, [http://www.bp.com/liveassets/bp\\_internet/globalbp/globalbp\\_uk\\_english/reports\\_and\\_publications/statistical\\_energy\\_review\\_2011/STAGING/local\\_assets/pdf/BP\\_World\\_Energy\\_Outlook\\_booklet\\_2013.pdf](http://www.bp.com/liveassets/bp_internet/globalbp/globalbp_uk_english/reports_and_publications/statistical_energy_review_2011/STAGING/local_assets/pdf/BP_World_Energy_Outlook_booklet_2013.pdf)

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some analysts, in a bull case scenario, LNG demand in Europe will grow from 68mln tons per annum in 2013 to 72mln tons in 2014, 78mln tons in 2015, 86mln tons in 2016, 94mln tons in 2017 and 99mln tons per annum in 2018.<sup>18</sup>

The strong pressure from the customer side will continue the further eclipse of the gas glut on the European gas market in the medium term, and narrow the gap between oil-indexed and spot prices. This will make Gazprom's position quite dire from a commercial view point, lowering the net back margin for gas. This would be even more painful for Gazprom from now on, as production from the newly developed fields such as Bovanenkovskoye, Far East F.D., Urals F.D, Siberian F.D etc. is forecasted to be growing in long term perspective and this gas will not be cheap.

For example, according to the Gazprom Export report for 2012, gas production from the Bovanenkovskoye field that will be transported to the European markets via the South Stream pipeline, will cost Gazprom \$150/1000cm.<sup>19</sup> Add to this the transportation cost of the gas from the Far East to the Black Sea coast with the distance of more than 3000km, the construction of and transportation it via South Stream further to the European inland, taxes etc. The most expensive gas for Gazprom will be the re-export of Central Asian gas that Gazprom buys for the price of \$260/1000cm.<sup>20</sup>

According to the Russian Central Dispatching Department of Fuel Energy Complex (CDU TEK), starting from 2009, Russia produced less gas than the U.S. for 3 years in a row. This is mainly because the U.S. has been increasing its shale gas production from year to year starting from 2000. One of the main options of diversification of supply sources for the European Union apart from the Southern Corridor is the import of relatively cheaper LNG from the U.S. Those countries that by virtue of geography have the opportunity to import greater volumes of LNG, will be better off in terms of assuring their supply and overall energy security and less vulnerable in terms of national security than the land-locked states. However, here the rules of commerciality and economics will be at work more than politics.

On the other hand, the "war between Asia and Europe for LNG"

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<sup>18</sup>OilCapital analytical daily news portal

<sup>19</sup>Gazprom Annual Report 2011, <http://www.gazprom.com/f/posts/55/477129/annual-report-2011-eng.pdf>

<sup>20</sup>Skolkovo Moscow School of Management

which started in 2011 is continuing, and results are not the best for Europe, as the most volume of LNG is actively flowing toward Asian markets. Just to compare: Japan - the biggest LNG importer in the world, has signed a LNG import contract for the volume of 11.5mln ton/a, other Asia-Pacific states have contracted 20mln ton, whereas the EU -just 3.1mln ton. The Asian energy market is the most lucrative LNG market in the world as it guarantees high netback margins to the suppliers. The average price for LNG at the European trading hubs is \$310-350/1000cm, whereas in Japan, Korea and China the price is \$500/1000cm.<sup>21</sup> The rapidly growing economies of the Asian countries and the nuclear disaster in Japan opened a new niche for the LNG imports. The more Europe is trying to decrease the price for energy in the internal market, the more the market is becoming less attractive to the LNG suppliers.

The situation with the U.S. LNG exports to Europe is no more consolatory. It is expected that the export of the U.S. LNG to Europe and elsewhere will start in 2016. Spanish NGFenosa and French Total have already signed sale and purchase agreements with the U.S. company ChaniereEnergy and will import 5bcm/a starting from 2016.<sup>22</sup> However, by mid-2013, among nearly 20 submitted proposals on LNG terminal construction to the Federal Energy regulatory Commission (FERC) regulator of the Energy Department, only the project of Sabine Pass of Chaniere Energy has received approval. And all its future capacity has been already contracted. The buyers are Korean Kogas, Indian Gail, Spanish NGFenosa, French Total and British BG Group. Given the price difference of LNG in the Asian and European market, U.S. profit for exporting LNG to Asia will be \$200, whereas to Europe -\$150. Furthermore, the most profitable export market for the U.S. would be Latin America, where net back margins for LNG would be \$280 because of short distances and high gas prices.

As such, given the price differences in the different regional markets, one can conclude that if even the Energy Department will approve other proposals for LNG export facility construction with the total capacity of 110mln ton per annum, this gas will flow to the Asian

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<sup>21</sup>*Platts LNG Daily Publication*. Available on subscription

<sup>22</sup>"Cheniere and Total Sign 20-Year LNG Sale and Purchase Agreement for LNG Exports from Sabine Pass", Press Release: Cheniere Energy Partners, <http://finance.yahoo.com/news/cheniere-total-sign-20-lng-133000762.html>

or neighboring South American direction rather than the European (with small amounts shipped to Europe). The rationale here is that the rules of economics would be prevailing rather than anything else.

Just to strengthen the argument above: According to the estimates of WoodMckenzie published in May 2012, the rapidly growing Asian LNG market is able to import not only all the non-contracted gas volumes but also can import all the U.S. LNG export potential.<sup>23</sup>

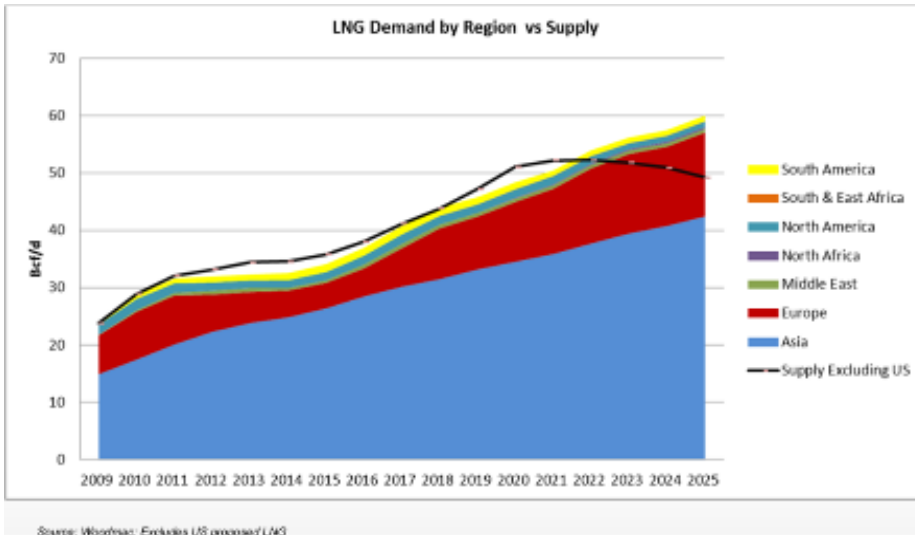


Figure 4.4: Source: Woodmac; Excludes US proposed LNG.

The European gas demand will not grow as rapidly as the Asian. According to the World Energy Outlook 2012 of the IEA, the compound average annual growth rate of the EU gas demand from 2010 to 2035 will be 0.7% from 569 to 669 bcm respectively. Moreover, according to estimates, the average annual natural gas demand growth rate in Europe will be declining for the period of 2010–2015 by 19 bcm, from 569 bcm to 550 bcm respectively.

The South East European gas markets and the Balkans, that both Nabucco West and South Stream were targeting, are not big enough

<sup>23</sup>Platts LNG Daily and Monthly Publication. Available on subscription.

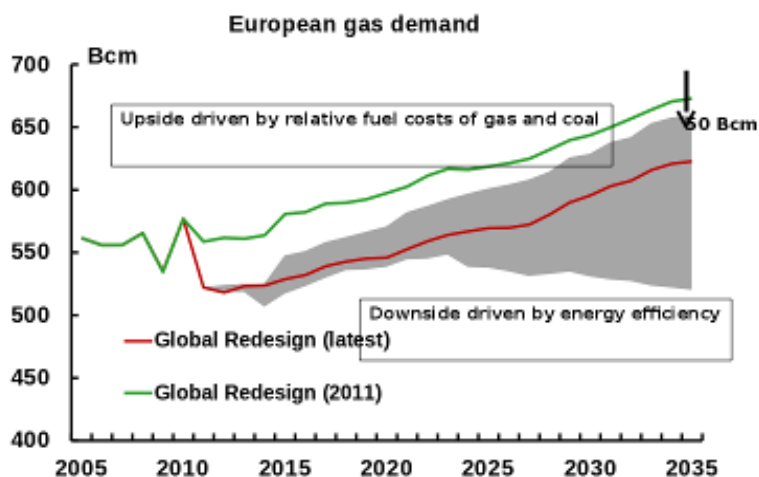


Figure 4.5: Source: CERA (Chart: The demand outlook has been reduced because of the weak economy, the European Union’s 2020 targets, and low coal prices)

and it is expected that the average annual gas demand growth rate will be very slow for the period of 2018–2035.

It is widely believed among experts that the South Stream will not increase the Russian gas import volume to the region, but re-route the same volume of gas flowing currently through Ukraine and partly via Belarus. At the summit in Brussels in December 2013, Moscow asked that Brussels grant the South Stream the Trans-European Network status and declare it as a “Project of Common Interest (PCI)”, which would have exempted it from key limitations imposed by the European Union’s Third Energy Package, which took effect in March 2013.<sup>24</sup> The EU legislative framework could require Russia to allow other producing nations, such as Azerbaijan, access to its pipeline network to export natural gas to European customers. It could also legally require Gazprom to divest itself of the majority share of the

<sup>24</sup>“EU readies ‘pragmatic’ answer to Putin’s energy agenda”, *Euractiv*, <http://www.euractiv.com/energy/eu-readies-pragmatic-answer-puti-news-516727>

pipelines.<sup>25</sup> The European Union refused to alter the legal status of the South Stream pipeline, and instead tried to spur the development of an alternative pipeline infrastructure - namely Nabucco - that would have allowed the continent to diversify away from Russian natural gas. However, both Nord Stream and South Stream combined will increase the Russian export capacity to Europe from approximately 140bcm/a to more than 300bcm/a, making Russia fill the capacity, as operating half empty pipelines is not commercially viable. The European gas market will not be able to absorb 40-60bcm/a.

Consequently, in order to keep the market and to safeguard existing gas sales and purchase contracts with potential transit countries in the Balkans, Russia offered gas price discounts and development aid in its effort to edge out the Nabucco West project. Bulgaria got a 11.1% discount for gas from Gazprom from April till December 2012 and a 22% discount for the year 2013. It is obvious that in return, Russia was expected to get a go-ahead with the Front End Engineering Design (FEED) in Bulgaria. Turkey first refused to sign an agreement to permit the South Stream to pass its territorial waters, however after Russia made a 15% discount (\$400/1000cm)<sup>26</sup> for the gas price for Turkey, permission was given the following day. Serbia signed a sale and purchase agreement for 5bcm with Gazprom for a period of 10 years (Gazprom delivered 1.4bcm to Serbia in 2011). However, according to the Serbian Energy Minister, the price was high and she requested the price to be reduced from the planned \$470/1000cm to \$420/1000cm in 2013.<sup>27</sup> In 2013, Serbia got a 12% discount from Gazprom.

Bulgaria, the prospective South Stream pipeline transit country that received the most significant incentives from Russia, was also one of the shareholders of the competing pipeline. However, during

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<sup>25</sup>Editorial note: The European Commission is demanding Gazprom to allow access for other producers to the South Stream pipeline, as the project would be potentially violating EU's "third energy package" as Gazprom would be both producer of the gas and would also at the same time be owning 50% of the shares of the pipeline. Russia has refused the demands to give access to other producers, and the European Union has been unwilling make an exemption for Gazprom and the South Stream project.

<sup>26</sup>"UPDATE 2-Turkey, Russia reach South Stream gas deal", *Reuters*, <http://www.reuters.com/article/2011/12/28/turkey-russia-southstream-idAFL6E7NS0LU20111228>

<sup>27</sup>"Srbijagas agrees 10-yr gas import deal with Gazprom", *Reuters*, <http://www.reuters.com/article/2011/12/21/serbia-gazprom-gas-idUSL6E7NL4H320111221>

the Nabucco Political Committee meeting in Bulgaria's capital Sofia, the executive director of Bulgarian Energy Holding stated that Bulgaria will set up a project company to build the first section of the Nabucco gas pipeline. The plan consisted of a pipeline that would connect Turkey's national gas grid with Bulgaria's: a 225km pipeline section to link Marmara in Turkey with Lozenets in Bulgaria.<sup>28</sup> The estimated cost of this pipeline section was €300mln, of which the EU pledged to pay €200mln.

Russia has reacted to concerns that it was using its natural gas leverage over Europe to further its political ambitions in the region - especially in Central Europe. Gazprom knew that diversification efforts in its main consumer markets could damage it, so it offered discounts and further cooperation throughout the gas value chain to consumer countries. The Gazprom management and Moscow perfectly understood the recent developments in the market, and had to adjust their energy strategy towards the European Union accordingly. Otherwise the monopoly's outdated energy policy towards the market could have been fraught with the threat of gradually losing market share to new suppliers. As mentioned above, as a part of such a strategy, Gazprom made a significant discount for almost all its customers in Europe from 5% (to Romania) to 27% (to Poland) for the year of 2013. This will cause a significant drop in prices for long term contracted gas with oil indexation in Europe that paradoxically can lead to the raise of spot hub price of LNG. In its effort to retain its market share in Europe, Gazprom also began to move away from its practice of indexing natural gas prices to the price of oil.

Gazprom understands that the South Stream project has weaknesses, such as the lack of political support of the EU, which is repeatedly saying that the project is not a "strategic priority" of the block, and Gazprom faces pressure from the European anti-monopoly policy of the third energy package. Furthermore, Gazprom's gas price in almost all its markets is the highest for those countries which pay for gas according to long term contracts fixed to oil indexation. This practice has become unacceptable for these gas consumer countries, especially after the financial crisis affected almost all the European economies.

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<sup>28</sup>"Srbijagas agrees 10-yr gas import deal with Gazprom", *Reuters*, <http://www.reuters.com/article/2011/12/21/serbia-gazprom-gas-idUSL6E7NL4H320111221>

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On the other hand, Gazprom absolutely understands that if it continues to sell gas based on the oil indexation long-term contracts, it would mean losing its dominant position in the South East and Central European markets in the competition with the gas coming from alternative sources, in this case the Caspian, i.e. Shah Deniz gas. The net cost of the Shah Deniz Phase II gas production and transportation is much lower than those of South Stream gas, due to the location of the field and transportation distance.<sup>29</sup>

The strength of Gazprom is that unlike the Shah Deniz consortium, it is already present on the market and has gas sale and purchase agreements in place with respective national majors on hand. Some of them have already agreed to prolong the expiring/expired contracts. If some European countries are reluctant to sign a supply contract with the South Stream consortium, or have an agreement but delay the go-ahead with feasibility studies and FEED of South Stream, they are getting good incentives from Russia to give the green light. Russia uses its traditional style of solving the issue, using gas price leverage.

Consequently, the strength of Azerbaijan and the Shah Deniz consortium was the political support of the EU which considered the Southern Corridor as its “strategic priority” and Nabucco West “a project of common interest”. Azerbaijan is doing its utmost best to implement that Corridor and is a real contributor to the diversification of gas sources providing the energy security of Europe. Additionally, the country is bearing in wider understanding the bill at an amount of \$40–45bln (up to \$30bln the upstream CAPEX and by further \$10–15bln for transport infrastructure) to implement the whole value chain from the wellhead up to the consumer.

However, as of summer 2013, the Shah Deniz consortium lacked signed gas sales and purchase agreements with potential customers.<sup>30</sup> Furthermore, the gas volume with which the Shah Deniz consortium is going to penetrate the market is just symbolic (10 bcm/a for Europe and another 6bcm/a committed for the Turkish market) in comparison with Gazprom gas (130bcm/a). Even by adding volumes of next generation gas fields in Azerbaijan,

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<sup>29</sup>The gas transportation costs vary depending on the gas pipeline diameter and transit capacity.

<sup>30</sup>Editorial note: By the end of September 2013, nine companies in Italy, Greece and Bulgaria had agreed to buy Shah Deniz gas.

SOCAR understands that it would be extremely difficult to penetrate the Eastern and Southeast European gas market due to Gazprom's strong presence there.

## 4.5 Conclusion

Each of the stakeholders in the Southern Corridor is acting according to their respective strategic interests in the project and what is most beneficial for them. For Brussels and Washington "to focus the Alliance to address energy security, that is most likely to spur conflict and threaten the well-being of alliance members"<sup>31</sup> is the priority issue in the project. This mega and multi-billion project gives both of them the historic opportunity to change the geopolitical map in Europe.

The position of the stakeholders on two major market destinations and the midstream projects that were set to transport the gas to the market was split, and commercial attractiveness and strategic value of the market was set to be the main criteria by the stakeholders. Both projects had to be commercially attractive to the Shah Deniz consortium to gain financing, and both projects could have certainly met this requirement. Some Shah Deniz partners were favoring more the Trans Adriatic Pipeline, mainly referring to the commerciality of the project. Other Shah Deniz partners were favoring Nabucco West, referring to the strategic value of the market.

The gas demand is expected to recover beyond Baumgarten, e.g. Germany and France. Also there are swap options for the Benelux countries and even to reach the fully liberalized UK market, where new gas could be absorbed. However, as RWE withdrew from the project, Azerbaijan missed the opportunity of physical delivery of its gas directly to the German market; with all kinds of advantages, including securing Germany's greater involvement and support in political matters. In mid-2013, none of the potential gas buyers, not only for Azerbaijani gas, but also for Caspian gas, was interested in bringing that new gas beyond Baumgarten. Furthermore, earlier another German company Bayerngas announced that it was ceas-

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<sup>31</sup>"Energy and Security from the Caspian to Europe", <http://www.foreign.senate.gov/publications/download/energy-and-security-from-the-caspian-to-europe>.

ing negotiations with Nabucco West in joining the consortium due to progress in its negotiations with Gazprom.

Taking into consideration the reasons mentioned above, the market that Nabucco West was targeting (i.e. the countries along the route of Nabucco) was considered to be the most reliable, as these countries were most eager for the diversification of the gas supply sources. However, the other similar project, the Russian South Stream, is targeting the same market and it remains to be seen whether it will be volume substitution or market share. In the country markets where gas demand is estimated to grow rapidly, a market share for Shah Deniz gas is possible by supplying additional gas volumes to meet the increasing demand. In the country markets where gas demand is estimated to have a little growth, such as the Italian gas market, volume substitution is possible, i.e. those countries will decrease their gas imports from Russia and substitute it with Shah Deniz gas.

The European Union, despite its concerns over Russia's dominance of its energy sector, has not implemented a meaningful diversification scheme to supply piped natural gas from the Caspian Sea to Southern and Central Europe. The Southern Gas Corridor and the development of multiple projects for the import of liquefied natural gas means that the European Union can still strengthen its negotiation position with Moscow.



## Chapter 5

# Azerbaijan, the EU and Migration Policy

*Sergey Rumyantsev and Tiina Sotkasiira*

### 5.1 Introduction

Two decades have passed since the independent Azerbaijani Republic appeared on the world map, and among other developments, this period has signified the establishment and expansion of Azerbaijan's relations with the European Union (EU).<sup>1</sup> Over the years, a range of questions and tasks have been addressed as part of the cooperation undertaken with the EU. In this article, focus is placed on the positions of the EU and Azerbaijan Republic in regard to migration policy.

Despite the number of major agreements concluded and the establishment of key institutions to manage and control migration, cooperation in the field of migration and mobility policy has been relatively modest. This becomes noticeable when the situation is com-

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<sup>1</sup>This paper was written in the project Borders, Migration and Regional Stability by University of Eastern Finland. The project belongs with the Security and Development Research' within the Wider Europe Initiative (WEI) Security Cluster. The project is carried out with the financial contribution of the Ministry for Foreign Affairs of Finland.

pared to the cooperation between the European Union and for example, Azerbaijan's South Caucasian neighbour Georgia. In our view, the reason for this can be found in the fact that although the respective goals of EU-Azerbaijan cooperation appear to be in line with each other, the two parties quite often attach different meanings and agendas to these objectives. As such, a number of issues of a more structural character need to be resolved before real development can be expected.

This article looks to review the development of EU-Azerbaijan cooperation in the field of migration policy in conjunction with the transformation of Azerbaijan's position towards migration in and out of the country and its 'diaspora' over the last two decades. This approach is taken in order to understand why such cooperation has advanced relatively slowly regardless of the striving by both parties towards an achievement of rapprochement on a host of commonly identified issues.

We suggest that the EU-Azerbaijan relations in the field of migration policy are to be considered as being determined by a number of political processes, not directly linked with the goals of migration policy. Political and economic developments in Azerbaijan, combined with the actualities of the conflict over Nagorno Karabakh and in the country's immediate neighbourhood are amongst the factors which influence the direction of the country's migration policy towards the EU. Azerbaijan's attempts to present its countrymen living overseas as a diaspora or a 'political arm' which can be used to convey its message internationally is examined in more detail as an example of such development. We will offer our view as to explain why the successful implementation of certain tasks and programmes has gone hand in hand with failures in the implementation of others.

## **5.2 Azerbaijan in the EU's eastern neighbourhood**

The enlargement of the European Union in 2004 and 2007 led to the incorporation of twelve new member states and the creation of a new borderland with resurgent flows of goods, people and capital (Wallace and Vincent 2009, 144). Until this time, the EU's institu-

tional involvement in the South Caucasus had been modest in comparison to other international, European and Euro-Atlantic organisations. However, in the early 21st Century the European Council (2003) recognised a need to take a stronger and more active interest in the region. To bring the new neighbours closer, in 2004 the European Union launched a European Neighbourhood Policy (ENP), which alongside the southern Mediterranean countries together with Belarus, Moldova and Ukraine, included the three states of the South Caucasus.

The role of Azerbaijan in the Caucasus is pivotal, not least because of its potential in bringing energy supplies to Europe. Its geographic location between the Russian Federation and Iran makes it one of the key actors in terms of security and stability in the region. On the other hand, the continuation of the conflict over Nagorno Karabakh between Armenia and Azerbaijan poses a threat to the over-all stability of the region. Azerbaijan is also a key economic player in the region. The European Union (DG ECFIN 2011, 88) estimates that even though the global crisis has negatively influenced Azerbaijan's economy, the country has fared better than many of its neighbours and managed to maintain a macroeconomic stability. According to the EU (European Commission 2012), Azerbaijan has managed to reduce poverty and advance towards the diversification of its economy, which makes it a lucrative partner for international cooperation. Furthermore, as a renowned researcher on EU-Azerbaijan relations, Leila Alieva (2006) argues, all three Caucasus states have strong European aspirations and identity, which could work towards Azerbaijan's increased integration into the EU.

The legal framework for EU-Azerbaijan bilateral relations was first outlined in the Partnership and Cooperation Agreement (PCA), which was signed in April 1996. It entered into force at the beginning of July 1999 and covered the areas of political dialogue, trade, investment, economic, legislative and cultural cooperation. As a first step in the direction of incorporating Azerbaijan into the framework of the ENP, a Country Report on Azerbaijan was published in 2005. The five-year ENP Action Plan (ENP AP) for Azerbaijan was adopted a year later and focused especially on democratisation, human rights, socio-economic reform, poverty

alleviation, energy, conflicts and certain sectorial issues.<sup>2</sup>

According to Elkhan Nuriyev (2008), there have been three key areas in which Azerbaijan has affected the EU's interests, which are cooperation in the energy sector, democratisation and conflict resolution. Nuriyev estimates that cooperation has advanced quite well in the field of the regional energy strategy, but less so on democratic reforms. He also argues that the EU's coordinated effort on conflict settlement is modest. The EU has mainly tried to influence the negotiations over Nagorno Karabakh by promoting regional co-operation and increasing its overall influence in political institution building and democratisation, however it has not acquired a strong independent role as a moderator in the conflict. From the EU's point of view, the current status quo is insupportable and reaching a resolution in this respect remains a top priority in EU-Azerbaijan relations. However, instead of taking an independent role in negotiations, the EU has supported the endeavours of the OSCE Minsk Group.

In the reports evaluating the overall progress made on the implementation of the EU-Azerbaijan ENP Action Plan, the European Commission seems to largely agree with Nuriyev's opinion. The evaluation report of 2011 (European Commission 2012) points out that the EU and Azerbaijan have made good progress in enhancing energy cooperation, including work to develop the Southern Gas Corridor, but the negotiations on the Nagorno Karabakh conflict within the Minsk Group have produced few tangible results. The EU also urges Azer-

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<sup>2</sup>The Action Plan identified ten priority areas for EU-Azerbaijan relations. These were: 1) Contribute to a peaceful solution of the Nagorno Karabakh conflict, 2) Strengthen democracy in the country, including a fair and transparent electoral process, in line with international requirements, 3) Strengthen the protection of human rights, fundamental freedoms and the rule of law, in compliance with the international commitments of Azerbaijan (PCA, CoE, OSCE, UN), 4) Improve the business and investment climate, particularly by strengthening the fight against corruption, 5) Improve the functioning of customs, 6) Support balanced and sustained economic development, with a particular focus on the diversification of economic activities, development of rural areas, poverty reduction and social/territorial cohesion; promote sustainable development including the protection of the environment, 7) Further convergence of economic legislation and administrative practices, 8) Strengthening EU-Azerbaijan energy and transport cooperation, in order to achieve the objectives of the November 2004 Baku Ministerial Conferences, in particular with a view to developing regional transport networks and energy markets in the region and integrating them with EU networks and markets, 9) Enhancement of cooperation in the field of Justice, Freedom and Security, including the field of border management and 10) Strengthen regional cooperation.

baijan to increase its efforts to meet the Action Plan commitments regarding democracy, including electoral processes, the protection of human rights and fundamental freedoms and the independence of the judicial system. Overall however, the development of the co-operation between the EU and Azerbaijan is evaluated as being a 'phased process', during which advancements have been followed by frequent set-backs and vice versa.

### **5.3 Co-operation on migration and border management**

In the early 1990's, the collapse of Soviet Union created a new environment of rather porous national borders in Eastern Europe. During the course of the 1990's, international migration rates for the Commonwealth of Independent States (CIS) countries demonstrated an increase which came to a peak in the middle of the decade, followed by a decline which continues to the present (Heleniak 2008, 41). Over the years, particular countries and regions belonging to the CIS have established a tradition of migration to the countries of European Union. The Russian Federation has clearly been the main target country for migrants from Azerbaijan, but there has been a growing concern in the EU about the role of Azerbaijan as a transit country for illegal and transit migrants, drug trafficking and the trafficking of human beings. Despite this however, the EU has showed interest in increasing the mobility between Azerbaijan and the EU. Economic relations have been a priority but the EU has also recognised a need to improve the education system of Azerbaijan by investing in international exchanges as well as by establishing contacts between public and civic actors for training and informational purposes. The key aim in this respect has been to support the development of civil society in Azerbaijan.

The objectives of the EU policy on borders and migration in relation to Azerbaijan were defined firstly in the jointly agreed EU-Azerbaijan ENP Action Plan adopted in 2006. The objectives, which related to border and migration management, were placed under the heading 'Cooperation in the Field of Justice, Freedom and Security'. They were divided into three sub-categories, which were: 1) Coop-

eration on border management 2) Migration issues (legal, illegal, readmission, visa, and asylum) and 3) Fight against organised crime, trafficking in human beings, drugs and money-laundering. The detailed objectives of the migration policy concerned the development of cooperation on migration issues, particularly in relation to the prevention and control of illegal migration, and the readmission and facilitation of the movement of persons, (for example by simplifying the visa procedure), and finally, an aim has been to further develop Azerbaijan's national asylum/protection system in line with international standards.

To begin with, efforts were put into the management of borders in the framework of the new Southern Caucasus Integrated Border Management Programme (SCIBM), which supports the governments of Armenia, Azerbaijan and Georgia in the production of 'open but controlled and secure borders'<sup>3</sup>. The model was adapted to the Caucasus from the EU's direct neighbourhood. The governments of the region participated in the programme with varying interest. In the South Caucasus, the regional aspect of the programme has advanced modestly, while more focus has been placed on bi-lateral efforts (between Armenia-Georgia and Azerbaijan-Georgia). Azerbaijan has refused to cooperate with Armenia on border management, but it has worked together with Georgia, participated in various training initiatives and in putting new technical equipment into operation.

Another significant project in the field of migration policy is the attempt by the EU to get Azerbaijan to sign a readmission agreement, which would compel Azerbaijan to readmit not only its own nationals expelled from the EU member states but the nationals of other countries who have passed through its territory on their way to the EU. In the long run, the objective of the European Partnership Program is the lifting of the EU visa requirement for the citizens of partner states travelling to the EU, but the practical objective has been to work towards visa facilitation and readmission agreements and will continue to remain so for the foreseeable future. The EU has already signed the agreements with Ukraine, Moldova and Georgia.

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<sup>3</sup>The concept of integrated border management was first introduced in the conclusions of the Tampere European Council in 1999, and later by the Laeken European Council of December 2001, the goal being more effective border control and better risk analysis and anticipation of personnel and resource needs (European Parliament 2005, 2).

Azerbaijan and the EU have not yet signed the visa facilitation and readmission agreement but the first round of official negotiations on the matter was held in March 2012. According to Ambassador Roland Kobio who headed the EU delegation to Azerbaijan following the negotiations, during the talks Azerbaijan demonstrated commitment towards reaching an agreement (Delegation of the European Union to Azerbaijan 2012). Yet, the negotiations between EU and Azerbaijan have in principle, advanced slower than those with, for example, Georgia. The EU's visa facilitation and readmission agreements with Georgia have already been concluded and they entered into force on the 1st March 2011 (Council of the European Union 2011). The negotiations on visa facilitation and readmission between EU and Armenia were launched in February 2012 (Delegation of the European Union to Armenia 2012).

According to critics, the readmission agreements place the responsibility on third countries to control movements of their own and other countries' nationals towards the EU, yet they are not granted sufficient means with which to conduct the work (for the debate on visa facilitation vs. tightened control see Boniface, Wesseling, O'Connell and Ripoll Servent 2008). In order to advance the negotiations on readmission, the EU has coupled them with the agreement on visa facilitation (Trauner and Kruse 2008). This makes the agreement more lucrative for many countries in the EU neighbourhood but this is not necessarily the case for Azerbaijan, whose migration policy, in our view, seems to be largely influenced by concerns relating to its domestic and regional politics.

## **5.4 From a donor-country to a country of immigration**

In the light of migration statistics, post-Soviet Azerbaijan is primarily a donor country as the number of emigrants from Azerbaijan has been many times higher than the number of immigrants. During the early post-independence years of economic hardship, a significant number of Azerbaijanis emigrated to other countries, mainly to the Russian Federation. There is no exact data on migration available but according to different estimates, the number of labour migrants

that have left the country varies between 500,000-600,000 and one million (IOM 2008, 17), and even reaching 1.3 million (World Bank 2011, 25).

The conflict in and around the Nagorno Karabakh region led to the emergence of approximately one million refugees and internally displaced persons (IDPs). In addition, the conflicts in the Russian Federation have increased the number of refugees and IDPs from Chechnya to Azerbaijan. Yunusov (2009, 221) refers to the estimates given by Chechen diaspora in Azerbaijan, which claim that more than 12,000 Chechen refugees have settled in Azerbaijan. According to the Internal Displacement Monitoring Centre (2011), almost 600,000 people were still internally displaced in Azerbaijan at the end of 2011. Recently however, Azerbaijan has started to become host to an increasing number of foreign citizens and stateless persons. Conflicts and instability in the neighbouring regions have increased the transit through Azerbaijan and the recent economic boom has started to attract immigrants to the country. According to official data, since 2007 the net migration of Azerbaijan has in fact been positive<sup>4</sup> (IOM 2008).

Although Azerbaijan has faced many challenges associated with international migration, managing this process has not been a key priority for the Azerbaijani authorities. The first steps towards the formation of an official migration policy were taken in the late 1990's. The programme 'Creation the potential to manage migration', which was developed in cooperation with the International Organization for Migration (IOM), was started in 1997. However, it was only in October 1999, a decade after an intensive emigration from the Republic, that Azerbaijan adopted the law 'On labour migration'. Under this law, every citizen of Azerbaijan, who is 18 years of age or over, has a right to work abroad. Within a month of arrival to their destination country, emigrants must register at a diplomatic mission of the Azerbaijan Republic which, in turn, must then notify the relevant body of

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<sup>4</sup>According to official data alone, which is very doubtful in terms of reliability, in the period from 1990 to 2007 net migration remained negative and was 183.3. This means that during those years, 183000 people more migrated from the country for permanent residence than arrived there. Starting from 2008, official statistics recorded a positive net migration. But in the period from 2008 to 2010, positive net was only 3.4 (that is, 3400 people). (The State Statistical Committee of the Republic of Azerbaijan 2010).

the executive authority in the country of origin. As for labour immigrants arriving in Azerbaijan, in order to work in the country they need to establish a contract with a local employer. All immigrants and emigrants failing to abide by these rules become classified as illegal work migrants.<sup>5</sup>

A more recent addition to the body of official migration documents is the 'Blueprint of the Azerbaijani Republic on Migration Management Policy', which was adopted in July 2004. It envisaged international cooperation to prevent illegal migration and discussed the implementation of an international agreement on readmission. In addition, the authorities confirmed their aspiration to conclude international agreements that would make it possible to render help, such as legal advice, to citizens of Azerbaijan who are living and working abroad. The 'Blueprint' also expressed the aim of the Azerbaijani authorities to get highly-qualified specialists to move back into the country. This said, until now only a limited number of these policies have been implemented effectively. As an example, no substantial efforts have been made to either prevent highly-qualified specialists from leaving the country and/or getting back those who have already emigrated. There are no programmes which have been effectively implemented that would, for example, provide highly-qualified specialists who emigrated from the country with temporary work in Azerbaijan.

Considering that Azerbaijan has a long history of migration to Russia and that even today the largest emigrant group from Azerbaijan heads to Russia both for a permanent place of residence and for seasonal and temporary employment (circular migration)<sup>6</sup>, it is not surprising that most efforts have focused on establishing closer cooperation with the Russian Federation. Since Heydar Aliyev came to

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<sup>5</sup>For details, see the Law of the Azerbaijani Republic on Labour Migration.

<sup>6</sup>In the middle of 1990s Russia was keeping land frontiers with Azerbaijan closed for a long period of time, which created obstacles for free movement of migrants. In 2007 Russia enacted migrations quota system, which stirred particular concern in Azerbaijan. As a rule, the Azerbaijan authorities have reacted swiftly to such actions by conducting negotiations, concluding new agreements with Russia etc. The first intergovernmental (Azerbaijani-Russian) agreement aiming to adjust work migration was signed in 1994. This agreement was confirmed by 'Friendship Agreement' (1997). The latest such agreement in 2012 was 'Agreement between the government of the Russian Federation and the government of the Azerbaijani Republic on cooperation in the field of work migration' (2012).

power in 1993, Azerbaijan has worked to simplify the mobility regime with the Russian Federation (Seyidbayli 2009, 103-111). From this perspective, the management of migration between Azerbaijan and the EU is not considered as highly topical either by the authorities or among academics in the Azerbaijan Republic.

The relative indifference towards the cooperation with the European Union is also reflected in the Azerbaijan's general position towards migration. In recent years, the image of Azerbaijan as a country of immigration has been strongly promoted by the country's leadership. They uphold the argument that Azerbaijan is no longer a country whose residents want to leave and travel overseas, but increasingly Azerbaijan is viewed as a target country of international immigration. Consequently, attention is directed away from the economic disparity that still prevails in the country and forces people to move, firstly to urban locations (mainly Baku), and then overseas. The current policy is therefore constructed around the needs of Azerbaijan to secure its borders and regulate the quotas of immigrants that are allowed to enter the capital and the country's labour market in general.

Although immigration into Azerbaijan is generally perceived as a positive sign of the attractiveness of the country, the leadership has also voiced concerns in this respect. In President Ilham Aliyev's words: 'The number of foreigners intending to visit the Republic of Azerbaijan will increase while Azerbaijan is developing. This can be considered as a positive factor for our country. However in any case we must prefer the interests of our state, people, citizens and this must be the priority direction of our migration policy.'<sup>7</sup>

This means that the majority of the existing cooperation with international partners, including the EU, has focused on developing special programmes and institutions to control and manage migration flows on Azerbaijan's borders. Along these lines, an area in which mutual cooperation between Azerbaijan and foreign law enforcement agencies has been working is the prevention of human trafficking. For example, the 'National Action Plan on Struggle against Human Trafficking in Azerbaijan Republic' was affirmed by the Decree of the President of the Azerbaijan Republic Ilham Aliyev

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<sup>7</sup>Available at: <http://www.migration.gov.az/index.php?section=000&subsection=000&lang=en>

in 2004. In February 2009 this Action Plan was extended until 2013.<sup>8</sup> The Action Plan is implemented in cooperation with the IOM and OSCE. All in all, Azerbaijan has recently stepped up and developed its structures for controlling migration. The State Migration Service, which is meant to forecast and monitor migration and regulate immigration into Azerbaijan, was established by presidential decree in March 2007. It was preceded by migration departments in several ministries, including the Ministry of Labour and Social Security, the Interior Ministry and the State Border Guard Service.

Arguably, the only initiatives to increase mobility between Azerbaijan and the EU that the Azerbaijan government has consistently worked for are the study abroad programs. Usually students are encouraged to study either in the EU countries (particularly in Great Britain), or in the USA, Japan, Russia or Turkey. The Azerbaijani authorities have publicly declared their adherence to developing these ties, especially with the EU. The government has, as an example, adopted an ambitious plan to send 5000 students to take part in education programmes in EU countries between 2007-15.<sup>9</sup> However, state-run programmes are only 'the tip of the iceberg' when it comes to student mobility. A considerable number of young people from Azerbaijan who study in EU countries, take advantage of the opportunities provided by different grants from foundations and European institutions.<sup>10</sup> On the other hand, many specialists, especially those who possess diplomas from European or US universities strive to stay in EU countries, in order to live and work there.

From the EU's perspective, intermingled with the aims of the EU to simultaneously control immigration from Azerbaijan and to promote student mobility, is the objective of implementing democratic reforms in the post-Soviet countries. The EU drives towards greater transparency and effective activities of the state-run institutions that

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<sup>8</sup>Downloaded from: <http://iaqmi.gov.az/?/en/> on 30.8.2012.

<sup>9</sup>According to the Azerbaijani Education Ministry, about 5,000 students are to study in EU countries, the UK, the USA, Japan, etc. under the 'State Programme on education of Azerbaijani youth in foreign countries in 2007-15'.

<sup>10</sup>According to the Education Ministry, the number of students studying under the state programme will be about 1,200 in 2013. A total of 10,700 Azerbaijani citizens are studying abroad (State Programme on education of Azerbaijani youth in foreign countries in 2007-15).

control the borders, migration and population mobility. Yet it would like to allow the mobility of individuals, especially young people, to contribute to the acquisition of intercultural and democratic competencies. In principle, the participation of Azerbaijan in the work of European Union agencies would imply the democratisation of the political regime in the country and the formation of a transparent management structure that complies with European standards.

The authorities in Azerbaijan have officially declared their adherence to democratisation and European values. They also demonstrate an aspiration to create modern management institutions, including institutions to better regulate the migration processes. However, the authoritarian management style of the country has not only remained throughout the post-soviet period but according to scholarly estimates it has even strengthened over the past few years.<sup>11</sup> Many of the initiatives of the government in the field of migration policy can also be considered as attempts to gain better control over Azerbaijani citizens and those country-men who currently live overseas. In practise, this has, for example, been indicated in putting emphasis on so called diaspora-building. The first structural development in this direction was the setting up of the 'State Committee on Work with Azeris Living Abroad' (a presidential decree dated 5 July 2002). In 2008, this agency was renamed 'The State Committee on Work with the Azerbaijani Diaspora.' This process is studied in more detail in the following discussion.

## **5.5 Azerbaijani politics of diaspora**

There is an aspect of Azerbaijan's migration policy that has been largely ignored on the EU's part, and that is the role of Azeri diaspora in Europe. During the last two decades, the ethnic Azeris living

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<sup>11</sup>Representatives of the expert community do not have one common opinion about specifics of political power in Azerbaijan. Marina Ottaway believes that hybrid management style has taken shape in Azerbaijan, which combines features of democracy and authoritarianism. She suggests describing these kinds of political systems as 'semi-authoritarian' (See: Ottaway 2003, 51-70). In the meantime, many domestic independent observers and experts describe the political regime that has taken shape in Azerbaijan in the post-soviet period as authoritarian or note serious shortcomings and errors in development of democratic institutions in the country (see: Yunusov 2007, 165-174; Abdulaev 2011, 9-18; Guliev 2011, 83-90; Abbasov 2011, 108).

in France, England, Germany and other EU countries have started to organize into a united ethno-national community, in other words a diaspora. To use Rogers Brubaker's (2000) terminology; from the perspective of the authorities, the ideal has been to strengthen the ties of émigrés with the Republic of Azerbaijan so that the state would become 'an external national homeland' for all ethnic Azeris living outside the country's geographic borders.

The process of diaspora construction has its roots in the political upheavals of the 1990's, such as the Karabakh conflict, the disintegration of the Soviet Block and the establishment of the independent Azerbaijani Republic. At that time, the position of émigré Azerbaijanis was politicized rapidly and the leadership of Azerbaijan started to look for ways to institutionalize the ethnic networks overseas.<sup>12</sup> As the number of emigrants from independent Azerbaijan grew, the authorities of the 'political homeland' began showing an ever-growing interest in the 'compatriots abroad'.

A major component of the diaspora construction has been the setting up of numerous new diaspora organisations by ethnic activists in various EU countries.<sup>13</sup> This development has become a major element of the diasporic discourse, which aims to construct the ethno-national 'Diaspora' as having the features of a real, homogeneous group and interests that expand across the world (on groupism and diaspora, see Brubaker 2002, 163-167). In the words of Nazim Ibrahimov, the chairman of the 'State Committee of Azerbaijan Republic on Work with Diaspora': 'more than 300 Azeri communities are operating in most of the countries of the world, and the process of establishment of diaspora organisations is continuing presently too'.<sup>14</sup> The current and ever-increasing number of diasporic organ-

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<sup>12</sup>This situation might be a good illustration of Valeri Tishkov's thesis: 'The so-called nation state and not the ethnic community is the key to the diaspora formation' (Tishkov 2003, 451). In the case of the Azerbaijani diaspora, the independent Azerbaijani Republic becomes a common symbolic nation state for Iranian, Turkish and 'Soviet' Azerbaijanis.

<sup>13</sup>For example: Association Azerbaijan House, (Paris); Strasburg Azerbaijan House (Strasbourg); Azeri - Turk Centre (Strasbourg), the Society Mainz - Azerbaijan, Azerbaijan Home in Berlin, etc. It should also be noted that the Congress of European Azeris (CEA) was founded in Berlin in April, 2004.

<sup>14</sup>Fifth anniversary of the establishment of the State Committee on Relations with Azeris Living Abroad. Available at: [http://www.azinba.az/news/\\_detail.php?news/\\_id=5397](http://www.azinba.az/news/_detail.php?news/_id=5397) [Accessed 05 July 2012]

isations is becoming a symbol of the strengthening of the position of an independent Azerbaijan in the wider world. The process of diaspora building was related not only to the European Union, and Iranian and Turkish Azerbaijanis were also considered as relevant groups of people in this respect.<sup>15</sup>

The diaspora policy attaches special importance to 'Azerbaijani diasporas' in those countries which, in the opinion of the Azerbaijan authorities, play a leading role in the world political arena. Among the EU countries, special significance is given to Germany and Great Britain, where the official statistic of the Azerbaijani authorities currently record a diaspora of hundreds of thousands of ethnic Azerbaijanis. These people are constructed as 'compatriots' or as 'the members of a single trans-border nation' (see Brubaker 1996, 5). The categories are understood to be comprised of all ethnic Azeris who either permanently or temporarily reside in EU countries, regardless of whether they were previously (or currently are) citizens of the Azerbaijani Republic itself, Georgia, Iran, or Turkey.<sup>16</sup>

The political regime of Azerbaijan pursues various goals in its aspiration to influence the activity of diaspora organisations and networks. For example, the regime tries to use the diaspora to promote the Azerbaijani version of the causes and effects of the Karabakh conflict. The conflict has also contributed to the mobilisation of many ethnic Azeris, who live in EU countries and who seek, as their own initiative, to support the efforts of their political homeland (Demmers 2005, 11-12; King & Melvin 1999-2000, 137). As an example, ethnic activists and diaspora organisations have been mobilized to inform the public as widely as possible about ethnic cleansings (and especially the Khodzjali massacre) that were carried out against Azerbaijani civilians during the course of the warfare. Various collective events, such as rallies, pickets and discussion forums have been held in Europe to this end. Particularly in France, the government of Azer-

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<sup>15</sup>These priorities are reflected for example, in the themes of academic monographs which are mainly devoted to issues related to the formation of the Azerbaijani diaspora (Aliyev (Əliyev) 2005; Aliyev (Əliyev) 2007; Aliyev (Əliyev) 2009; Həbiboglu 1999; Həbiboglu 2006; İsmayilov 1997; Arzumalı 2001; Məmmədov 2004; Seyidbayli 2009; Yunusov 2009; Abdullayev 2009).

<sup>16</sup>There are not precise data on ethnic Azeris in Turkey. Most of the ethnic Azeris of Iran ("approximately 20 million of Iran's population") are citizens of Iran (Shaffer 2002, p. 1-2). There is also a big enclave of ethnic Azeris in neighbouring Georgia - 288 400 in 2002 (Nodia 2003).

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baijan has tried to exert its influence over diaspora organisations in order to involve them in the movement against recognition by the governments of different countries of the events of the early 20th century in Ottoman Empire as the Armenian genocide. By doing this, the government supports the official position of the Turkish authorities, who are Azerbaijan's key political and military ally. To achieve these aims, the Azerbaijani authorities support the organisations in organising a range of events. They also provide direct, including financial, support to ethnic organisations of Azeris in France, Germany and other EU countries.

Special attention in the diaspora policy is given to the holding of collective events held on various memorable dates. In diaspora politics, these events are perceived as factors that confirm the unity of the large community of Azeris in the world. The events organized by the diaspora are those of interest to the Azerbaijani regime, and for example mark the events of the Armenian-Azerbaijani confrontation and celebrate the establishment of an independent Azerbaijan. Some events are also organized to propagate the activities of the former president, and the father of the incumbent, Heydar Aliyev.

The government of Azerbaijan also connects diaspora politics with foreign policy priorities, such as its orientation towards participation in European and Euro-Atlantic structures. The idea of reaching Azerbaijanis in Germany, the USA, Russia, or in any other country that has a weight in world politics has gained increasing popularity. Within this discourse, the diaspora is construed as a significant political resource which the authorities in the country of origin (homeland) can and should use to promote their political aspirations. At the level of declarations, this primarily means advertising the 'democratic transformations' carried out by the ruling regime in Azerbaijan and representing the 'young' Azerbaijani community abroad.

The representatives of the authority in the country of origin and the ethnic groups in host countries share the ideal, which represents Azerbaijanis abroad as a successful, developed, united and consolidated ethno-national diaspora. With both parties, much of the effort focuses on the resolving of the Karabakh conflict, which also assumes a 'struggle with world Armenians'. In the opinion of President Ilham Aliyev: 'we [i.e. the Azerbaijanis of the world] should oppose with

unity and force'.<sup>17</sup> The construction and success of the diasporic community is a core component of country's position and discourse on international migration.

Earlier it was argued that, at the level of political discourse, Azerbaijan's political regime shares many of the EU's interests regarding migration. It has also taken many steps in the direction envisaged by the European Union by reforming its migration legislation and restructuring the migration service. However, the implementation of programmes and the formation of modern institutions to control and manage migration have been impeded by the politicisation of certain migration-related phenomena. It also appears that the authoritarian style of rule in the country has played a role in the process. Considering the differences between the political regimes and administrative systems in Azerbaijan and the EU countries, divergences in the process of implementation of joint programmes are somewhat to be expected.

It appears that the EU's migration policy is conventionally based on the idea of attractive and rich European countries negotiating with poor neighbours, hinting that the EU is the ultimate destination of migrants across the region. As Wallace and Vincent (2009, 158) point out, not all or even the main migration of the Post-Soviet space is directed towards the European Union. In Azerbaijan for example, the main target countries are Russia and Turkey. This has meant that in the field of migration policy, the priority of cooperation has been given to negotiations with these two countries, and Russia in particular. Secondly, as was pointed out above, the official migration policy of Azerbaijan has been significantly modified over the years. The leaders of the country no longer perceive Azerbaijan as a country of origin for migrants but follow the argument that due to its blooming economy, Azerbaijan has now become an attractive target country for migrants. Although notoriously unreliable, the official migration statistics seem to support the conclusion of a moderate increase in immigration to Azerbaijan. This change of perception has

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<sup>17</sup>These words were said in the speech on the occasion of the opening of 'The XI Congress of Friendship and Brotherhood of Turkic States and Communities', which was held in Baku in November 2007. Concerning the official view of the Azerbaijani authorities on the need 'to form a Lobby' see, for example: The new historical opportunity. Downloaded from: <http://www.diaspora.az/qurultay/index-en.htm>, on 23.1.2009.

been accompanied with more nationalistic migration policies. This has meant that between the EU and Azerbaijan, common positions have been found when it comes to protecting the borders of Azerbaijan. Simultaneously, the initiative of readmission has been met with less enthusiasm by the Azerbaijani authorities.

Traditionally, visa facilitation has been understood as an instrument to convince otherwise reluctant countries to sign the readmission agreement (Trauner and Kruse 2008). The leadership of Azerbaijan holds on to the belief that Azerbaijan is no longer a country whose residents want to leave it and travel overseas, but rather that its problems are more related to the management of migration flows from neighbouring regions. Azerbaijan has oil money, which allows it more leverage in negotiations, however Azerbaijan also needs qualified people to work in the oil-related industry and is thus willing to support the education of young Azerbaijani citizens overseas. Equally important to the leadership however, is to ensure that these processes remain under the control of the state authority.

This also poses the question as to how effective the EU's attempts will be to get the Azerbaijan government to sign the readmission agreement by the promises of visa facilitation. Writing in 2006, Laila Aliyeva (2006) concluded that unlike the general public, the ruling elite in the South Caucasus did not feel the consequences of limited visa regimes and other disadvantages of being outside Europe. As such, they therefore had less incentive to risk their rule by reforming and drawing closer to the European Union. In our opinion, this largely applies to the current situation in Azerbaijan, too.

## **5.6 Conclusions**

In the EU's assessment (European 2007), Azerbaijan's reforms strategy to develop democracy and a market economy and to bring the country closer to the EU has been slow, not always coherent, yet 'evolutionary'. Development in the field of border and migration policy in comparison to Georgia has also been relatively slow, although significant steps have been taken in some fields. We claim that is partly due to the politicisation of migration policy in Azerbaijan and the fact that the Azerbaijani domestic and foreign policy agenda is dominated by the ongoing conflict with Armenia over Nagorno Karabakh.

As an example, the public debate on migration has been very much concerned with the situation of IDPs, and until recently little attention has been paid to the management of international migration and even then, the focus has been on cooperation with the Russian Federation.

This said, cooperation has advanced particularly in those areas where the two partners, the EU and Azerbaijan, have shared similar interests. This is the case, for example, in relation to improving Azerbaijan's border control. On Azerbaijan's part this is partly motivated by the geographic location of Azerbaijan in an unstable region with many potential sources of conflict in its neighbourhood, although the conflict over Nagorno Karabakh has a specific role here, too. All in all, Azerbaijan seeks to cooperate with actors who can further its aims with regard to the conflict. This general situation has influenced the development of the co-operation with regard to border management and among other things it is reflected in Azerbaijan's position on the South Caucasian Border Management Initiative. Azerbaijan has taken a positive stand on international cooperation under the South Caucasus Integrated Border Management Initiative, as long as such cooperation does not compromise its interests on the issue of Nagorno Karabakh. Especially, in relation to the cooperation on border management; Azerbaijan has consistently refused to cooperate with Armenia, which has meant for example, that the implementation of SCIBM has been delayed because Azerbaijan chose to pursue cooperation only through its bi-lateral component with Georgia, regardless of the programme's regional character.

Furthermore, the issue of diaspora construction has been at the top of Azerbaijan's agenda in relation to migration. However, despite the effort put into the construction of the ethno-national Azeri diaspora as a collective political entity, the results have been modest (Anderson 1998, 44-45). In the official diasporic discourse, the increase in the number of registered ethnic organisations (as an example) is praised as being a significant achievement but in reality, the work of these organisations is conducted by a limited circle of ethnic activists.

Often, the delegates of different congresses, forums and other collective events mainly represent themselves, their personal interests and/or the interests of closest people to them, and these are often connected with setting up transnational business

networks. However, as these people have an established partnership with the authorities of their political homeland, they are given the status and recognition to represent the ethno-national community of their particular places of residence. In this two-way process, simultaneously the president of the political homeland comes to represent the interests of all 'compatriots'. Since 2000, when the symbolic 1st Congress of Azerbaijanis of the World took place, the political project of diaspora-building has acquired the features of an institutionalized long-term arrangement. Therefore, it cannot be ruled out that in the years to come the process may succeed in constructing a transnational community of Azerbaijanis or an ethno-political lobby in one or another EU country.

We argue that in the field of migration policy, the single most important factor, which drives the interest of the Azerbaijani political regime, is the need for more international recognition. This has materialised, for example, in the form of diaspora building in the EU countries. The Azerbaijani political regime acutely needs international platforms and actors that work outside its borders to represent the Azerbaijani version of the Nagorno Karabakh conflict in EU countries. As such, the construction of diaspora is complemented by several other initiatives, such as attempts to publicize the history, culture and economic achievements of Azerbaijan to a world-wide audience. The discourse which concerns the strengthening of the position of post-Soviet Azerbaijan in the international community is inextricable from the concerted efforts to reinforce the position of the ruling regime inside the country. It is also a key factor influencing Azerbaijan's interests in cooperation with the EU in the field of migration policy.

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## Chapter 6

# The Situation of Young People in Armenia

*Arseniy Svynarenko*

### 6.1 Introduction

Armenia has had a troubled and often traumatic history and still faces significant social, political and economic challenges. This historical heritage is clearly visible in many policy papers issued by government, as well as in the programs of many political parties and youth organizations. Traumatic experience of military conflict with neighbouring Azerbaijan (and its long-term consequences such as closed borders and displaced people) and confrontation with Turkey regarding its acknowledgement of events in the early 20th century<sup>1</sup> are two topics that often appear in youth-related papers, discussions and political rallies. Understanding the circumstances of young people and making sense of youth policy requires special attention to the delicate and difficult circumstances faced by the country.

Young people are involved in transition between childhood and

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<sup>1</sup>The relations between Armenia and Turkey are also complicated because of long historical dispute regarding the recognition of the Genocide of Armenian people committed by the Ottoman Empire in 1915.

adulthood. This transition has both public and private trajectories. The public trajectory includes transitions from schooling to contingent work and later to permanent work. The private trajectory concerns the aspects of transition from living with parents to living alone and later living as a couple (see Galland 1991). The key life stage transitions in youth are those from education into employment, and from families of childhood to child-rearing families, and from living in dwellings headed by seniors to ones in which young adults are the seniors. Youth is a transition from dependant childhood to independent citizenship because all the transitions mentioned above are made vis-à-vis politics, the justice system and the state welfare system.

## 6.2 Young Armenians and the world

Armenia is situated between Georgia, Turkey, Iran and Azerbaijan. With two of them, Armenia is in the state of unresolved conflicts: one is a historical dispute with Turkey over the recognition of the Genocide of Armenian people in 1915 and another is a military confrontation with Azerbaijan over Nagorno Karabakh. Armenia has good relations with Russia which provides military support to Armenia. The border between Armenia and Turkey is guarded by Russian troops. At the end of 2012, intensified discussions were held about bringing the Russian army with a peacekeeping mission to the border region between Armenia and Azerbaijan.<sup>2</sup> Since declaring its independence in 1991, Armenia has been developing cooperation with international organizations and the European Union. In 2001 the country became a member of the Council of Europe and during the last five years it has actively been cooperating with the European Union in the framework of the European Neighbourhood Policy Initiative.

For seven long years between 1988 and 1994, Armenia was in the state of conflict with neighbouring Azerbaijan because of the dispute over the territories of Nagorno Karabakh. This conflict still awaits political resolution. In this conflict, Turkey provided the Azeri side with political support which eventually resulted in the interruption

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<sup>2</sup>Russia deploys peacekeepers in Nagorno Karabakh? (2013) *Azerbaijan News Network* <http://ann.az/en/?p=111740> [Accessed January 30, 2013]

of diplomatic relations between Armenia and Turkey.

During the ceasefire with Azerbaijan, the Armenian government started to work on the formulation of a youth policy program. As a reaction to these complicated political circumstances of unresolved conflicts, Armenian policy makers regard patriotic upbringing and military training as important elements of the national youth policy. The report by the Armenian government clearly articulates that prioritization of patriotic education and military training of young Armenians is done in response to the military propaganda produced by the Azerbaijani state (Council of Europe 2011, 34).

Armenia is one of a few countries where the population is very interested in international politics and in learning about the outside world. As many as 84 per cent of Armenians say that they are very interested in following the news about relations between Armenia and other countries. The World Public Opinion report by the Chicago Council on Global Affairs reveals that from the selected countries, Armenians demonstrate similarly high interest in international relations as for instance respondents in the US or Mexico. That is significantly higher compared to Russians (66 per cent follow news on international relations) or Ukrainians (74 per cent) (World Public Opinion 2007). Other studies demonstrate that only 15 per cent of young Armenians in Yerevan and 17 - in Vanadzor are interested in domestic politics. That is significantly lower in comparison to young people in Ukraine where 45 per cent of young residents of the western Ukrainian town of Lviv and 37 per cent in Khmelnytsky said that they were "very interested" or "quite interested" in politics (Roberts 2006). This peculiar fact that Armenia's population is more interested in following the international political situation rather than domestic politics can be explained by two major factors:

(a) Political factor - unresolved conflicts with foreign states (territorial conflict with Azerbaijan and historical dispute with Turkey) and search for international support for Armenia (currently Russia is closest ally);

(b) Diaspora factor - economic and cultural ties with other countries on grassroots level of Armenian diaspora population.

For a century, Armenia has had a very significant outflow of migration resulting in the formation of a large Armenian diaspora around the world. The first significant wave was at the end of the First World War as a result of the Armenian Genocide. The second wave was

after gaining independence in 1991. According to the publication by the International Labour Organization and the Ministry for Diaspora:<sup>3</sup> “There are about ten million Armenians all over the world: seven million of them live in the Diaspora and three million in Armenia. The Armenian Diaspora and Diaspora-related organisations are important factors for the country’s development and flow of migration.”(ILO 2012). The number of emigrants from Armenia between 1991 and 1998 is estimated at 760,000 and dropping to 460,000 between 2002 and 2007. The majority of recent labour migrants work in Russia.

A very large Armenian diaspora abroad defines both cultural links (maintaining national identity) and economic dependence (labour migrants who support their families in home country) for a large part of Armenia’s population. Therefore Armenians pay great attention to Armenia’s relations with other countries as well as to policies in other countries (for instance the political and economic situation in Russia). The situation in countries with large Armenian diasporas has important direct or indirect impact on the lives of many Armenians in Armenia.

The International Republican Institute (IRI) report published in 2008 shows that in Armenian public opinion, three most important problems are unemployment (40 per cent of respondents mentioned it as the most important problem), the socio-economic situation (32 per cent) and the problem of Nagorno Karabakh (20 per cent)(IRI 2008). According to the most recent opinion poll carried out by the Caucasus Research Resource Centers in 2011, as many as 62 per cent of young Armenians regard Azerbaijan as the greatest enemy for Armenia. Another enemy in the perceptions of Armenians is Turkey. It is important to note that there are some cross-generational shifts in Armenian’s perceptions of the nations’s main enemies. The older population is somewhat less likely to consider Azerbaijan as a threat (this opinion is shared by 62 percent of 18-35 year olds and 54 percent of respondents aged 56 and more years). At the same time, hos-

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<sup>3</sup>Ministry of Diaspora was established within the Armenian Government in 2008 for the purposes of regulating state policy on development of relations between Armenia and Armenian diaspora abroad for “strengthening of Armenian statehood and preservation of Armenian identity based on the pillars of human, cultural and social capital, as well as full social integration and competitiveness”. [http://www.mindiaspora.am/en/About\\_us](http://www.mindiaspora.am/en/About_us)

tility towards Turkey is more common among older generations than the young (Picture 1). In comparison, the most important friends for Armenia are the Russian Federation (84 per cent among 18-35 year olds), France (6 per cent), Georgia (4 per cent) (CRRC 2011). The IRI report published in 2008 covers a longer period of time and authors draw a conclusion that overall, Armenians' attitude towards Turkey is slowly improving. Between 2006 and 2008, there was gradual increase from 40 to 48 per cent of support to the idea of opening the border with Turkey even if the Turkish government does not recognize the Genocide (IRI 2008).

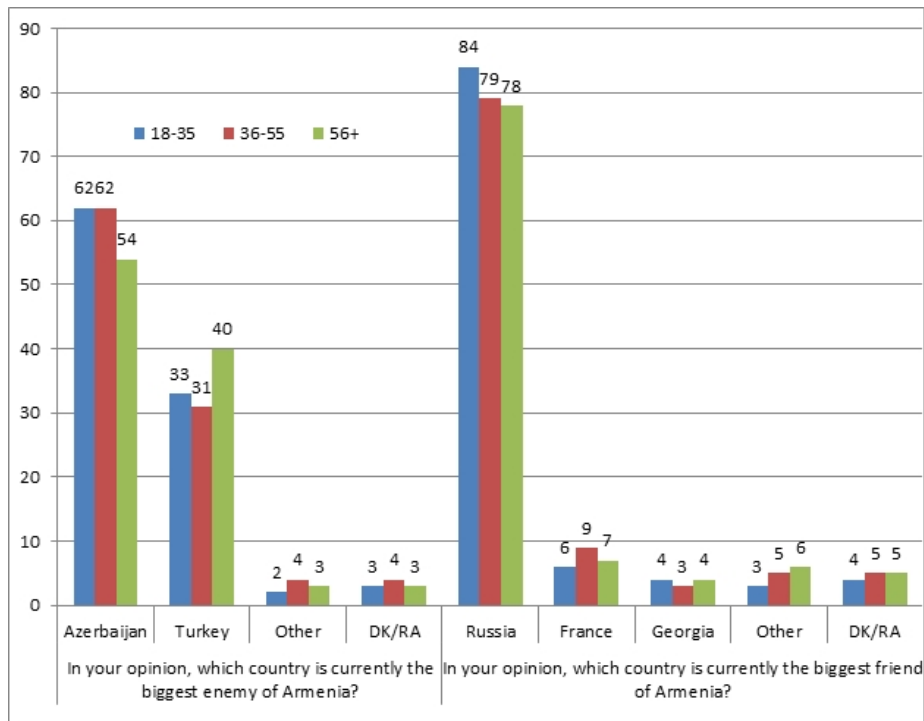


Figure 6.1: Perceived enemies and friends of Armenia (in per cent and across age cohorts). (CRRC 2011)

Young people in Armenia stand to gain a great deal from engage-

ment with the youth programs of the European Union and other international organizations. Participation in youth activities run by the Council of Europe and other international institutes may help to open up Armenia's intellectual and conceptual, if not (yet) its political and geographical borders. It will certainly encourage a positive experience of mobility and internationalism, which is currently often not the case for some young Armenians.

After the collapse of the Soviet Union (where travelling abroad meant travelling outside of the borders of Soviet Union and was not easy), Armenian young people just like youth of most post-soviet countries have a wider 'world' to practice international mobility in, yet they have very limited possibilities to do so. About 77 per cent of the respondents of the survey conducted for the purposes of the National Youth Report expressed their wish to travel abroad: while a decade earlier, very few of the respondents would have mentioned vacations and tourism as the purposes of such travel, 33 per cent of the respondents mentioned vacations and tourism, while 39 per cent cited economic motivations. The survey also showed that 71 per cent of the respondents had been unable to travel abroad since turning 16, despite their desire to do so (Council of Europe 2011, 34).

Young people willing to travel to other countries from Armenia are challenged with a closed border with one great gateway to the world - Turkey, which means crossing by land and reaching Turkey in 30 minutes now takes 2 full days going all the way through Georgia to reach Turkey. Going close to the border of Azerbaijan is also complicated because of the dispute around the Nagorno Karabakh region. An alternative to land travelling is travelling by air which is, first, quite expensive for Armenian youth because there are no direct flights from Yerevan to Istanbul or to Baku (all flights to these destinations are taken through third countries which makes tickets more expensive)<sup>4</sup> and second, it is often complicated due to the visa regimes with most of the countries where young people would be interested to travel to.

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<sup>4</sup>Direct flights between Istanbul and Yerevan were discontinued on 1 April 2013.

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## 6.3 Employment

The Armenian education system is not capable to respond to the changes in the situation on local and global labour markets. The ILO research shows that, in spite of plans to further develop and reform Armenia's professional education system in such a way as to align it as closely as possible with international standards, both public and private vocational and tertiary education institutions have still not adequately responded to the needs of not only the international, but even the local labor market in terms of quantitative criteria, structure, or qualitative features (including the teaching of foreign languages and the delivery of IT skills). A reform of the education system is stagnating because of the lack of financial resources, problems in the legal framework, faculty shortages and qualification issues (ILO 2009).

Young people are the most vulnerable to the economic crisis and unemployment risks, especially if they have poor education or their professions are not in demand and they have little opportunity to get new training. According to the national statistical bulletin of Armenia, young people aged between 15 and 30 years compose 32 per cent of all labour sources of Armenia (NSSA 2012). In the past years after the 2008-9 crises, the Armenian Government has had a hard time implementing its youth policy declarations: creating the conditions (socio-economic, legal, political, spiritual, cultural and organizational) under which young people may realise their potential and thereby contribute to their society.

Comparing to other Eastern Neighbourhood Policy countries (Moldova, Belarus, Ukraine, Azerbaijan and Georgia), Armenia has the highest unemployment rates of 20 per cent of total population (EC 2013) in 2010 and 18 per cent in 2011. Average youth unemployment in 2010 in Armenia was particularly high, staying at 39 per cent. Young women were hit harder by the crisis: the female unemployment rate for 16 to 24 years of age was 48 per cent, while unemployment among young men was 24 per cent (ILO 2012b). According to the Caucasus Barometer, some 58 percent of all surveyed 18-35 year-olds said that they are not employed (CRRC 2011). This tells about the scale of the problem of gender inequalities on the labour market.

Importantly, the economic crisis has had impact on the structure of employment and on labour emigration flows. Prior to the crisis, the construction and service sectors contributed most to economic growth, and as a consequence of the crisis employment declined in the construction and service sectors and increased substantially in agriculture. Subsequently there is a great likelihood that changes on the labour market have an impact on the quality of statistical information about youth employment in the sector where informal or grey economy plays a significant role (ILO 2013). The widespread and growing presence of informal employment in this region has a deteriorating impact on the quality of employment. In Armenia more than 49 per cent of total employment has been estimated to be informal in 2010 with large differences between rural and urban employment. The ILO report estimates that in rural areas of Armenia, informal employment constitutes 82 per cent of total rural employment and 99 per cent of agricultural employment. In contrast, in urban areas only 24 per cent of employees were in informal employment (ILO 2013). This means that there are thousands of young people employed with no formal contracts nor control over their working conditions and having to rely on informal networks and family support instead of state social security.

Lack of employment opportunities in Armenia, regardless of whether we speak about stable jobs, well-paid jobs or any jobs, deservedly takes the spotlight in the discussion about the reasons for labour migration. However, there are important cultural factors that have impact on the Armenian migration activity. One of them is the tradition of “khopan” (Armenian folk term for leaving to work abroad). The ILO surveys showed that in some villages, from which many men have been continuously leaving to work abroad over a long period of time, labour migration has become a traditional way of providing for families (ILO 2009). Many young men from these villages leave to work abroad after they have completed their military service. At this point in time, they have to think about how to earn money for their future family. These young men do not make serious efforts to find a job in Armenia; they just leave, as their fathers or uncles did before them.

Besides the tradition of “khopan,” there is also a cultural reason for labour migration, which is regarded as important predominantly by young men who wish to leave their home village and live in a more

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cultural and socially vibrant environment (such as a town). They often try to settle in provincial centers or Yerevan. There are many active people amongst them, who put their skills and abilities, in different fields, to the test. A number of them, at a later date, come to the conclusion that neither in Yerevan nor provincial centers will they be able to find a job that would enable them to make ends meet, and hence leaving for Russia becomes an alternative.

Another important factor influencing the decision to leave Armenia and work abroad is the need to cover additional expenses and thereby increase the quality of life of families in Armenia. These expenses are: repairing or improving family accommodation, educating children by hiring a tutor, supporting children who have moved to another town within Armenia, covering wedding expenses, the purchasing durable products such as furniture and household appliances.

Around 15% of Armenian households were involved in labour migration – one or more family members has left to work abroad. There is no reliable data about the absolute number of labour emigrants. According to a study of the International Labour Organisation, total labour emigration may be estimated as between 96,000 and 122,000 persons in 2006 (ILO 2009). According to Armenian official statistics, the registered number of emigrants is small and continues to decline from 9,500 in 2003 to 8,000 in 2006 and 2,600 in 2011 (Statistics Armenia 2008, 2012).

The State Migration Service of Armenia collects statistics on the number of border crossings and this data sheds more light on the migration flows (Figure 6.2). According to registered net migration, there were more people returning to Armenia in 2006 (983,000 persons arrived to the country and 962,000 persons left Armenia), and emigration significantly increased in 2010: 1,754,200 border crossings by people returning to the country and 1,800,900 times persons left the country (SMS 2013). Between 2000 and 2012, the overall number of persons who crossed Armenian border continued to grow with no interruptions.

Russia is a primary destination for labour emigration from Armenia. Over 90 per cent of all Armenian labour migrants go to Russia, only 2 per cent choose Ukraine. Perhaps the global economic crisis has had a moderate impact on those sectors of Russia's economy where Armenian emigrants find work: construction (two thirds

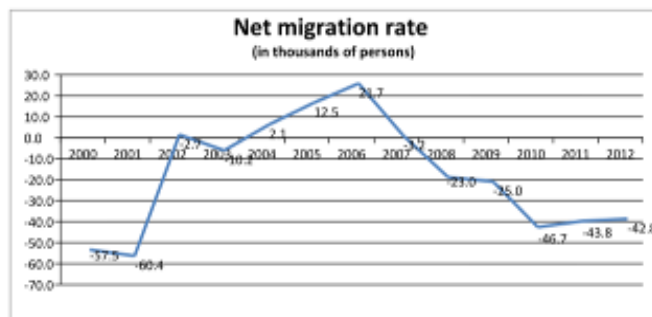


Figure 6.2: Net migration rate from 2000 to 2012 (in thousands of persons, difference between number of people coming to Armenia and leaving it). State migration service of Armenia

of migrants), trade and services (ILO 2008). Although these official statistics do not tell much specifics about labour emigrants, they demonstrate that during the recent crisis there was a significant decrease in the number of persons who moved out of country permanently (this is most likely a main category that official statistics registered). Uncertainty on the labour market in Russia is probably the main reason for the falling numbers of people who move and want to move their families to Russia permanently. The border crossings and passenger flow statistics demonstrate a more flexible response of the labour force to growing uncertainties on labour markets. Armenians travel to Russia and abroad more and more often. Large construction projects (in large cities and in Sochi ahead of Olympic Games in 2014) as well as services and the catering industry that employ many Armenian migrants have suffered less from the crisis compared to similar industries elsewhere in Europe.

## 6.4 Changing values

Globalisation brings changes to Armenian culture. Despite a weak social welfare system, problems in economy and high unemployment rates of Armenian youth strengthen the trend of extending the transition from education to employment and postponing the formation

of own families. But this tendency varies between urban and rural communities. The overall tendency is towards increasing the average age of first marriage (from 22 to 25 years for women and from 26 to 28 years for men in the period of time 1989 and 2010 correspondingly). After the collapse of the totalitarian system, a very significant increase of the share of non-marital births tells about a rapid cultural change caused by the weakening of social control over family life and sexuality.<sup>5</sup> The share of non-marital births to young mothers under age 20 increased from 18 per cent of total live births in 1989 to 55 per cent in 2010 (Picture 3), while the average age (23 years) of first childbirth for young mothers did not change at all during the same period of time. In a country comparison, Armenia follows Georgia in a similar trend of modernisation (post-modernisation) of young people's values, which differs from the situation in Azerbaijan (a country with Muslim traditions). These cross-country differences in modernisation (post-modernisation) of youth cultures is likely to have an impact on the cultural interactions between the young people of Armenia and Azerbaijan through increasing the cultural gap between the young people in both countries. Therefore it requires special programs for joint youth projects that address common problems (for instance community activism, employment and entrepreneurship) instead of cultural differences.

Over three quarters of Armenian young adults aged 25-29 live in the same household with their parents (Roberts 2006). It is likely that close interaction with older generations (parents and grandparents) contributes to the transmission of traditional values to succeeding generations. At the same time, it is important to take into consideration the fact that in many cases, extended families provide young people with certain security (sometimes partially replacing state social security) in the circumstances of economic downturn by providing housing (for co-habitation or succession), providing care for small children, etc. It is especially common for single parents (in Ken Roberts's study, single parents were exclusively young women with a child, see Roberts 2006).

There are very significant regional differences in youth transitions

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<sup>5</sup>The official statistics reflect the number of marriages registered by state officials and do not include marriages by the Armenian Apostolic Church tradition which were not registered by state officials.

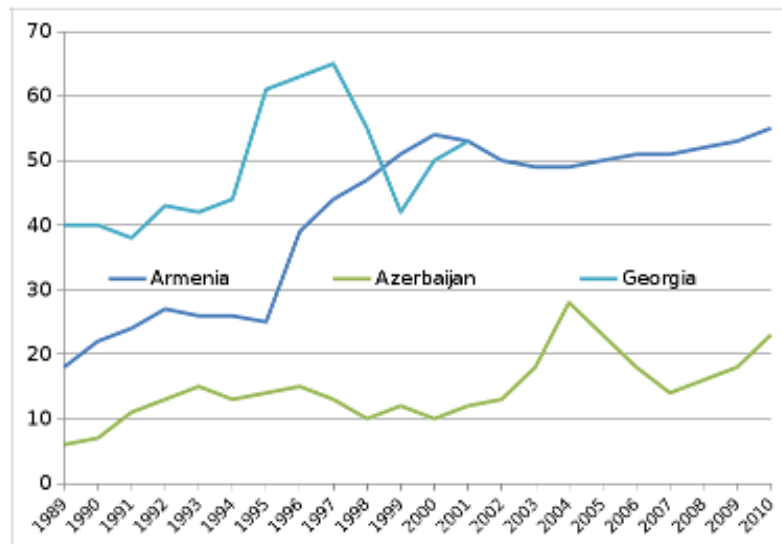


Figure 6.3: Non-marital births in per cent of live births to mothers under age 20 years. UNICEF. Database: Moneeinfo 2012\_r4.mdb, <http://www.transmonee.org/moneeinfo/en/>

between the urban centers and poor rural communities, but small difference in comparison to Azerbaidzhan and Georgia. This means that welfare and the economic situation have a great impact on youth transition and youth experiences of cultural change in their society. Harsh economic conditions force young people to live with their parents even if they already have their own families. This tendency is more common in rural areas of Armenia particularly heavily hit by the 2008 crisis.

## 6.5 Key players in the youth sector in Armenia

There are three major players that make the largest contribution to the development of youth policies and the youth situation in Armenia:

government, nongovernmental organizations (domestic and international), and youth organizations within political parties.

### **6.5.1 Government**

Youth policy in Armenia is formally defined as ‘serving the needs of young people aged between 16 and 30.’ The Ministry for Sport and Youth Affairs and its representations in regional administrations (office of a Youth Affairs Specialist in each regional government center – ‘Marzpetaran’) are governmental institutions that are responsible for youth policy in Armenia. The strongest structures for the delivery of youth policy and considerable activity are at the center of governance and in the capital city of Yerevan (Williamson and Brandtner 2010). Nonetheless, government regards establishing offices of Youth Affairs Specialists in regions as one of the major accomplishments in the sphere of regional youth policy in recent years (Council of Europe 2011, 8). Furthermore, the Armenian government provides modest support to youth organizations and joint youth programs on disputed territories of Artsakh region controlled by the Nagorno Karabakh Republic (Armenian youth 2013).

Armenian policy makers consider that the Armenian army is the largest youth organization in the country after the demise of the Komsomol and Young Pioneer organizations. Only men can serve in the Armenian Armed forces, meaning that women cannot belong to this largest organization. Unlike in some other former Soviet republics, the army is greatly respected by young people, opinion polls suggesting that 60 per cent of 18-35 year olds trust the army as an institute of the state (CRRC 2011). Any alternatives to military service for young men are only a recent development, and they are considered by external international commentators to be exceptionally punitive.<sup>6</sup> Concern has also been expressed about the ill-treatment of conscripts: consideration should be given to improving the conditions of young men in the army, including training for future occupations. Nevertheless, the overwhelming trust in the army can be seen as one component of the traditional values and belief structure of young Armenians, which also includes their attachment to the Ar-

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<sup>6</sup>Unlike in many Western countries where females are accepted in the army, only men can serve in the Armenian armed forces.

menian Apostolic Church (though the state is concerned about a possible weakening of these traditional values)(Council of Europe 2011, 34). On the other hand, despite considerable public rhetoric about youth participation, there remains a significant lack of trust in formal institutions, which has impeded the promotion of youth involvement. It is arguably a legacy of communism, an outcome of the spread of corruption and poverty.

The Armenian government finances a range of youth and youth-related projects. Perhaps one of the major problems is not only the lack of funding, which certainly is not sufficient. Instead it is outdated structures and principles of functioning of governmental agencies and weakness of consolidated national youth policy. Youth issues are mentioned in policy papers of various ministries. Since 2008 the main priorities for national youth policies in Armenia remain mostly unchanged and focused on education (including patriotic upbringing and learning traditional values), youth transitions from education to work, and supporting young families. In the Youth Policy Strategy for the years 2008-12, four priority spheres were set as follows; a) to provide quality education possibilities for young people according to their aspirations and abilities, b) to improve employment and assist the creation of new job possibilities, c) to improve the social-economic situation of young people, and d) to promote healthy lifestyles amongst youth and to promote their spiritual-cultural and patriotic education (Council of Europe 2011). These themes received further elaboration and concretization in the Youth Policy Strategy for the years 2013-2017. Now the aims of the National youth policy include the increase of the birthrate and creating a favorable business environment. Increasing the birth rate in Armenia is planned to be achieved through subsidizing young families and improving the social-economic situation of young people. The Government has declared plans for making housing programs more accessible and affordable for young families with several children, as well as plans for partial or complete compensation of tuition for mothers under the age of 20 or those who are getting ready to be mothers (Armenian youth 2013). It is expected that the program will be launched in 2014. Another part of the program is about creating a favorable environment for youth to do business in Armenia through the provision of affordable loans, particularly to youth in the provinces.

There are ongoing attempts of cross-sectoral dialogue which pre-

sumes planning and implementation of cooperation between different state and nongovernmental actors. For example a state program called 'Accessible Flats to Youth Families' was launched as a cooperation of multiple state agencies. There are other cross-sectoral programs as well with the Ministry of Science and Education, Ministry of Defense, Ministry of Health, Ministry of Labor and Social Issues etc (Council of Europe 2011).

The Armenian government's youth policy suffers from strong political influences particularly at the time of actualized political competition, for instance at the time of election campaigns, when raising youth issues becomes part of the ruling party's election campaign. The publication and broad public discussion of the main youth policy documents such as the Youth Policy Strategy for the years 2008-12 and 2013-2017 coincided with presidential election campaigns in 2008 and 2013. The first programme was developed by the government, chaired by the then-Prime Minister Serzh Sargsyan and the latest program was adopted when he was running for re-election as president in 2013. In Armenian mass media, these youth policy documents were presented as action plans for the government promising the improvement of young people's situation: cheap loans for young families, affordable education, more jobs for young people, and so forth.

### **6.5.2 Non-governmental youth organizations**

There is a broad range of activities run by nongovernmental youth organizations, branches of international organizations, also youth related projects by other NGOs. It is remarkable that foreign donors are the most active in financing youth-related projects in Armenia. The Armenian diaspora plays an important role contributing to the development of youth projects. Through providing funding for specific projects and themes, foreign governments and international organizations have some degree of influence on internal affairs in Armenia. It is important to note that the Ministry of Diaspora runs a number of projects particularly focused on diaspora youth or where youth activities make up a considerable part ("My Armenia" Festival, Program "Ari tun", "Armenians today", "Artsakh today" -project on the territory of the Nagorno Karabakh Republic). By prioritizing par-

ticular issues in the sector of human rights through educational and training campaigns, youth organizations have a great potential of influence on problematic issues in Armenia's relations with its neighbours. Perhaps the most important direction for further development of youth programs is people's diplomacy and grassroots activities on concrete non-political topics that are common for young people in Armenia, Turkey and Azerbaijan that can make a positive contribution to the resolution of existing tensions between these nations.

It is international organizations operating in Armenia that are making the most substantial contribution to the community development processes through a creation of youth centers and youth clubs which serve as empowering agents in regional youth work development. In particular the Council of Europe, World Bank, various UN Agencies, OSCE, Eurasia Foundation, World Vision and many other agencies are active in promoting community development in various regions of Armenia. Many international NGOs in Armenia with a focus on youth are US-based: Junior Achievement of Armenia, FHI 360 (former Family Health International and Academy for Educational Development), American Councils for International Education, Counterpart International. The main umbrella organization for the youth NGOs, student organizations and youth wings of political parties in Armenia is the National Youth Council of Armenia (NYCA). The NYCA cooperates with major European youth initiatives and organizations including the European Youth Forum, European Youth Fund, SALTO-YOUTH network of Resource Centers within the Youth in Action Programme. The main functions of this NYCA are (a) to serve as a mediator between the youth NGO sector and state bodies of Armenia, (b) to serve as a mediator between the youth sector and international youth structures and represent Armenian youth in those structures, and (c) to contribute to the empowerment of young people in Armenia (Council of Europe 2011). Despite functioning youth councils, there are persisting problems of coordination in youth policies and youth work between the ministries, between government and youth NGOs (predominantly international youth NGOs). Youth councils have high-level contacts in government, but the National Youth Council of Armenia is perceived as a closed 'club.' Therefore youth participation in decision-making processes varies very sharply (Williamson and Brandtner 2009).

### 6.5.3 Youth organizations in political parties

Many Armenian political parties have youth branches and moreover some political parties have been successful in attracting also student unions and other youth organizations on their side. The very well organized youth branches of the largest political parties, the Republican Party of Armenia and Prosperous Armenia Party, organize numerous youth-related activities across Armenia. One of the largest youth political organizations is the Armenian Youth Federation of the opposition Dashnaktsutiun party (see the next section). This youth organization has thousands of members, and many of them are Armenians in other countries (including countries outside the Caucasus region). On one hand, participation in these activities may provide young activists with opportunities of climbing upwards on the social and political ladder, they empower young people and pass the youth voices to the political elites. On the other hand, these political youth organizations are often used for the mobilization of voters and the organization of protest rallies. These protest actions are rather frequent in the capital city of Yerevan. Usually youth organizations at the protest rallies demand state support for young people and students (discounts for public transportation fares, lower tuition fees and higher scholarships) (ARF-D 2012). Often these youth protests also have political demands, for instance “Create equal circumstances for the political activism of the students” or the improvement of security of Armenians in Turkey. One of the recent actions was organized by Dashnaktsutiun party’s youth branch, ‘Nikol Aghbalyan’ Student Association along with the Young Diplomats Club and the Young Getashen Youth Charity Foundation whose members marched to the UN office in Yerevan with anti-Turkish banners demanding international organizations “to respond to the Turkish authorities’ inertia and take the appropriate measures for the suspension of nationalistic persecutions and for the protection of the innocent.” (Students protesting 2013). News about crimes committed against several Armenian women in Turkey served as a pretext for this rally.

This particular composition of the youth sector (affiliation of youth organizations with particular political parties) is not dissimilar from the situation in Russia and Ukraine. As in Armenia, also Russian political parties have their youth branches and these branches are most

often used as tools in the hands of the party leaders. One of the main dissimilarities is that Russia has many political youth organizations not formally related to any party. Another great dissimilarity is that for many years, the Russian government paid great attention to the youth sector and the development of youth policy. Investing in youth organizations of various kinds was accompanied with greater restrictions on foreign funding for NGOs. On the contrary, the lack of the government's attention towards the youth sector in Armenia partly coincides with the situation in Ukraine. For a long time similarly to Ukraine, the government of Armenia did not have a consolidated document on youth policy and paid little or limited attention to youth participation and movements. For the government, young people are either recipients of help (cheap loans for housing or business) or a source of social problems (delinquency, health risks and so forth). On the contrary, most funding for youth projects and youth NGOs came from foreign agencies, and many of these projects were empowering young people as active participants. In Ukraine this was combined with spread of moderate nationalism among many youth organizations and widespread activation of apolitical student unions. Well-developed networks of youth organizations in Ukraine created specific circumstances prior to the Orange revolution. In Armenia the main channels for youth empowerment are youth political organizations and youth projects sponsored by international organizations.

## **6.6 Political parties that have representation in Armenian National Assembly have their youth branches**

### **The Republican Party of Armenia (RPA)**

#### **Organization**

Youth branch: The Youth Organization of RPA. Established in 1991.

RPA Largest party of the centre-right in Armenia that declares its position as conservative. The party controls most government bodies in Armenia. It is somewhat similar to the United Russia party in the Russian Federation and the Party of Regions in Ukraine and it

consolidates both old nomenclature cadres and large business elites

The youth wing has influence in the party: impact is expressed in promotion of its leaders to government positions (see Armenia's 2012).

### **Party performance in elections**

Result in parliament elections in 2007: 33.91% of votes. Result in parliament elections in 2012: 44,05% of votes on party lists and 71% of votes in constituencies, 69 of 131 seats in parliament.

### **Declared aims of youth organization**

#### **International activity**

RPA Youth Organization cooperates with United Russia "Young Guards" (*Molodaja gvardiya*) youth organization, with the youth organization of the European Peoples Party, and with the Chinese Communist Party Youth Organization.

## **Prosperous Armenia Party (PAP)**

### **Organization**

Youth branch: PAP Youth Union.

PAP was established by wealthy Armenian entrepreneur Gagik Tsarukian. Party positions itself as center-right political party.

Member of coalition.

### **Party performance in elections**

in 2007: 15.13% of votes in 2012: 30,20% of votes on party lists and 22

### **Declared aims of youth organization**

PAP Youth Union attracts several NGOs and student unions. Organization has a broad network of regional representations.

**International activity**

PAP Youth Union co-operates with "Young Guard" (Molodaja gvardiya) the youth organization of "United Russia."

**Armenian Revolutionary Federation (Armenian Socialist party Hay Heghapokhakan Dashnaktsutiun)****Organization**

Youth branch: The Armenian Youth Federation (AYF).  
Opposition party.

**Party performance in elections**

Result in parliament elections in 2012: 5,73% of votes and 5 of 131 seats in parliament.

**Declared aims of youth organization**

The AYF Youth branch aims to:

1. develop interest among Armenian youth towards politics
2. struggle for the just resolution of the Armenian Cause (international recognition of the Armenian Genocide, Armenian rights and restitution claims)
3. develop socialist and democratic values among the youth
4. participate in the struggle against injustice and for the achievement of social justice
5. promotion of human rights
6. actively participate in the formation and promotion of civil society
7. struggle against all kinds of discrimination
8. participate in international movements working for justice and cooperate with international progressive youth organizations

9. participate in activities aimed at preserving the Armenian identity in the Diaspora
10. develop the consciousness and responsibility of the youth in serving the Armenian nation wherever they are and however possible (AYF 2012).

**International activity**

AYF has branches in Armenia, Lebanon, United States, Canada, Argentina, France, Greece, Russia, Cyprus, and other countries. AYF regions work as decentralized structures, and the AYF's membership exceeds 10,000 internationally.

The PanArmenian or regional activities of various ARF youth and student organizations are coordinated by the Youth Office of the ARF Bureau. It has been located in Yerevan, Armenia, since 2001.

ARF is one of oldest Armenian political youth organizations. During the Soviet period it functioned in exile.

**Rule of Law Orinats Erkir****Organization**

Centrist political party.

Member of coalition.

**Party performance in elections**

Result in parliament elections in 2012: 5,5% of votes on party lists and 2,4% of votes in constituencies, 6 of 131 seats in parliament

**Declared aims of youth organization**

No information about youth branch.

**Heritage****Organization**

Liberal and centrist political party. Opposition party.

**Party performance in elections**

Result in parliament elections in 2012: 5,79% of votes on party lists, 5 of 131 seats in parliament.

**Declared aims of youth organization**

No information about youth branch.

**Armenian National Congress****Organization**

Block of parties.

Opposition party.

**Party performance in elections**

Result in parliament elections in 2012: 7,1

**Declared aims of youth organization**

No information about youth branch. It is a block of 13 opposition parties.

## 6.7 Conclusions

Young people in Armenia are in a very difficult situation facing high unemployment and the grey economy. State policies towards youth are largely outdated which is a common situation for many post-soviet states. The state treats young people as recipients of aid and promotes formal programs on 'patriotic upbringing' and 'traditional values.' Official documents by governmental structures demonstrate that there are competing definitions of 'youth policy,' with different aspirations attached to each. Nevertheless, Armenia is moving towards the establishment of a youth law through a gradual refinement of the principles and framework of youth policy (Williamson and Brandtner 2009). Currently there is a ministry for Sport and

Youth Affairs responsible for the development of youth policy and co-operation between ministries in the youth sector. The government works on strengthening the structures for the delivery of youth policy despite of a lack of sufficient funds. The ministry for Diaspora plays an important role in engaging diaspora organizations in work with youth both in Armenia and abroad. The government has had some success in establishing regional and local offices for youth affairs. The National Youth Council of Armenia (an NGO and large umbrella organization) has high-level contacts in government and takes the role of mediator between the state and youth organizations. However, Government-sponsored youth councils are perceived as a closed 'club,' and therefore youth participation in decision-making processes varies very sharply.

Various foreign agencies, international and local NGOs are considerably more active in developing youth programs in the regions and across borders, which is especially important in the context of Armenia's complicated relations with its two large neighbours: Turkey and Azerbaijan. Cooperation between youth organizations across the region has significant potential for contributing to a normalisation of Armenia's relations with these neighbours. In contrast to governmental youth programs, the work of international organizations (sponsored for instance by the EU, UN, USAID, for instance through the Eurasia Foundation) in this field is mostly directed at empowering young people, developing active citizenship and tackling young people's problems.

A majority of over 90 per cent of young Armenians do not belong to any political party or, indeed, to any NGO. Nonetheless young people play an important role in Armenian politics through voting, participation in political protests and in youth and student organizations. Political parties have well-established youth branches. It is very common that organizers and main participants of mass political rallies in Yerevan or in regions are young people from various political and student or youth organizations affiliated with a particular political party. Youth unemployment and the great involvement of young people in the grey economy (in the form of informal employment) accompanied by very low incomes serve as additional stimulus for making youth more visible in mass protests and political campaigns.

There are very significant regional differences in youth transitions

between the urban centers and poor rural communities. Both the tradition of “khopan” (working abroad and supporting families at home in Armenia) and harsh economic conditions (low wages, problems in the state social protection system) are underlying reasons for many young people to continue living under the same roof with their parents even if they already have their own families. It makes the young dependent on older generations and on the security provided by family members.

There are several important issues that require further development in Armenian youth policy:

1. Bringing the education system closer to international standards and making it more responsive to the labour market situation. The Armenian diaspora may become an important resource for further educational reform and finding needed specialists.
2. Development of youth policy with orientation on the best European experiences, particularly from the northern European countries such as Finland, Sweden, Norway and Denmark. Accents should be shifted from patriotic upbringing (disguised nationalism) to the promotion of youth empowerment and participation (for instance to hear youth voices on important local issues, youth parliaments in regional and municipal administrations)
3. Government policies should support “people’s diplomacy,” youth NGO projects that work in both directions: Armenian-Azeri and Armenia-Turkey, and promote communication between young people, NGOs and government organizations in these countries.

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## Chapter 7

# The 2008 War in Georgia: Lessons from the Caucasus

*Heikki Talvitie*

War broke out in Georgia late at night on August 7, 2008.<sup>1</sup> The news did not reach Finland until the next morning, and even then the information was vague. The onset of the war was dramatic even for outsiders. We were enjoying our summer holiday thousands of kilometres away, when suddenly we had to form an opinion. Assessments were not always accurate, but the inaccurate ones are preferably forgotten. Therefore it is important to look back and examine what it was really all about. In order to understand the Georgia-Russia war of 2008 we must take a look at the historical context of the conflict. The Caucasus is a mosaic of languages, peoples, nations, states and separatist regions that seems quite confusing. External forces have also sought to intervene in the course of events in the region and to promote their own interests.

Azerbaijan and Armenia's shared problem is the situation in Nagorno Karabakh and the determination of its future status.

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<sup>1</sup>Translation Laura Kauppila.

South Ossetia and Abkhazia, in turn, have attempted to secede from Georgia. Russia recognised their independence in the autumn of 2008, which means that the definition of their legal status has been put on hold for the time being. On the other hand, Russia's North Caucasus is very turbulent. Chechnya may have been brought under control to some extent, but Ingushetia and Dagestan have increasingly been subject to unrest. The South Caucasus and Central Asia, in particular, have plentiful energy reserves, oil and gas, which draws these areas into the sphere of great power competition. Who ultimately controls the transfer of these energy resources to world markets? This is a fundamental question that determines oil and gas pipeline routes. The South Caucasus is of strategic importance in another way as well. It is bordered by the Black Sea, and it is a route to the Caspian Sea and Central Asia. This geographical location means that power relations of a much wider region are reflected in the situation in the South Caucasus.

The great powers have engaged in the so-called Great Game in the South Caucasus and Central Asia since the days of Peter the Great at least. It was in Russia's interest to gain access to the seas, so Peter was initially active in the Baltic Sea and the Sea of Azov. He also had the idea to reach the Indian border through the South Caucasus and Central Asia. This posed such a serious threat to the British that the "Great Game" was played out at the expense of local khanates. In addition to Imperial Russia and the British Empire, eventually the Ottomans, Napoleon's France, the Bolsheviks, Imperial Germany and Persia joined in the game. And neither China nor the United States were far behind.

I will first examine the historical background of the conflicts in Georgia and then the activities of the European Union relating to these conflicts as well as the recent history of the country after Saakashvili's rise to power. Next I will analyse the 2008 war and Finland's role as the OSCE Chairman-in-Office in more detail.<sup>2</sup> A primary purpose of this article is to analyse how Finland acted. What was done and what impact did that have on the developments on the ground? And what can be learned from all this? My

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<sup>2</sup>Terhi Hakala was a prominent member of the Finnish team. She later had significant influence on Finland's policy towards the Caucasus and during the difficult year of 2008 headed the OSCE mission in Georgia.

viewpoint is not only a Finnish one, but also very personal. I will describe situations primarily through experiences from my assignments in the Finnish Foreign Service and as the European Union Special Representative (EUSR) for the South Caucasus.

## **7.1 Georgia, South Ossetia and Abkhazia - a brief background to protracted conflicts**

When the break-up of the Soviet Union began, Georgia was quick to declare independence. This happened already in April 1991 when the Soviet Union still existed. In May, the nationalistic writer Zviad Gamsakhurdia was elected president with the more than 90% of the vote. However, he soon lost his popularity and resigned in January 1992. After a short military regime, the former Communist party leader of Georgia and Foreign Minister of the Soviet Union Eduard Shevardnadze became president. He also won over 90% of the vote. South Ossetia, in turn, tried to secede from Georgia as early as 1990 during Soviet rule. When Georgia became an independent country, relations with South Ossetia worsened and an armed conflict began. President Zviad Gamsakhurdia tried to prevent the secession of the break-away regions South Ossetia and Abkhazia with harsh measures. However, he was unable to control the internal situation of the country and fell soon from power.

During the year 1992 agreement was reached about a South Ossetian ceasefire, which was monitored by Russian, Georgian, South Ossetian and North Ossetian peacekeeping forces. As a consequence of military operations, the territory of South Ossetia had been divided into areas under Ossetian control and Georgian villages under Georgian control. South Ossetia arranged a referendum on independence the same year. More than half of those who visited the ballot box voted for independence, but this had no international ramifications. The four parties set to monitor the ceasefire established a Joint Control Commission, which was chaired by the Head of the OSCE Mission in Tbilisi. Later, the EU Commission, which had financial assistance programs in South Ossetia, was approved as an observer to the Joint Control Commission.

In Abkhazia independence aspirations came to the fore already in 1989. Violent riots broke out in July in Sukhumi, which were put down by Soviet troops. In July Abkhazia declared its independence. In Abkhazia too, the aspirations for independence led to armed clashes during 1992. Georgians attempted to block Abkhazia's secession, while the Abkhazians were supported by volunteers from the North Caucasus and Russia. The proportion of Chechens in these volunteer forces was considerable, and later Chechen separatists used Abkhazia as a base in their own independence struggle. The Georgian government had about 3,000 soldiers in Abkhazia, and these troops quickly took control over most of Abkhazia. The local parliament was abolished. Nevertheless, in September 1992, Abkhazians along with North Caucasian and Russian volunteers launched a counter-attack forcing the Georgians to abandon their positions. Sukhumi was still held by Georgians. In the summer of 1993 the Abkhazians attacked Sukhumi, which capitulated in September. President Shevardnadze was forced to flee from Sukhumi with the help of the Russian navy. The ethnic Georgians in Abkhazia were forced to leave, and the number of internally displaced persons was estimated at around 250,000. As a result of the war, relations between Shevardnadze and Russia became more tense: Shevardnadze blamed Russia for providing direct military assistance to Abkhazia. The United Nations established an office in Tbilisi for the Abkhaz conflict. UN representatives worked to promote reconciliation and to ensure that residents and refugees managed in their everyday life. In addition, an international group named the UN Secretary-General's Friends was set up for Abkhazia, which comprised of Russia and several Western countries active in the region. This group sought to organise various opportunities for Abkhazians to express their views to the outside world.

## **7.2 European Union Special Representative for the South Caucasus**

I had retired in October 2002 as Finland's Ambassador in Stockholm, but in the summer of 2003 I was appointed as the European Union

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Special Representative (EUSR) for the South Caucasus. Within the EU it was assumed that the task would be relatively “light”, in other words, I would visit the region only when the need arose, keeping my “headquarters” in Helsinki. Before my appointment, I had met the EU High Representative Javier Solana. He was the EU’s unofficial foreign minister and represented the Council of the European Union. The Commission had its Commissioner for External Relations, who shared the task with Solana. More recently this dichotomy has been removed with the launch of the European External Action Service. My discussions with Solana revealed that he valued my work as co-chair of the Minsk process<sup>3</sup> and my diplomatic experience in the Soviet Union and Russia. The idea was that I could represent the EU in the South Caucasus in such a way that would include successful cooperation with the Russians – at least to some extent. Harri Kämäräinen from the Ministry for Foreign Affairs of Finland joined me in my work as a very competent aide. He came to the task directly from the Mission of Finland to NATO in Brussels, and was well-informed about South Caucasian culture, language and history already since his school days. His strengths included an excellent command of Russian language. The third member of our group was William Boe, a Danish diplomat. In Finland, Terhi Hakala formed the bedrock of our activities. At first, she was the Head of Unit for the South Caucasus and Central Asia at the Ministry for Foreign Affairs and later Finland’s Roving Ambassador for the South Caucasus. The EU Commission had a big delegation in Tbilisi, which took care of affairs in the broader region. I got along well with Commission officials –helped by the Nordic factor: two Finns and two Danes.

The premise I built my work on was that the South Caucasus is a unique area where each country has its own particular political culture. On the other hand, all of the South Caucasus countries were interested in close relations with the European Union. A lot was expected of the EU, because European values and the stability of its societies were attractive. On the other hand, it was clear that the South Caucasian countries were not only in a state-building but also in a nation-building process. State institutions that would bring stability and the preconditions for well-being had to be created. At the same

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<sup>3</sup>The Minsk Group was set up by the OSCE to resolve the Nagorno Karabakh conflict.

time, national unity had to be generated among diverse segments of the population. Although Europe had a lot to offer, it was clear that my starting point for any activities had to be knowledge of the region's history and respect for prevailing values. In clan societies with a tradition of rather authoritarian governance, it was inconceivable that European values could be introduced overnight - if at all, in some respects. And one cannot claim that European countries have a single set of values either. Values have been put into practice in different EU countries in very different ways, depending on the history and traditions of each society. It was also important to ensure that the South Caucasus states would not view "Europeanism" as an export item, seeking to replace their own traditions and values. In the South Caucasus, the pivotal question is whether societies will be built on stable institutions. At the moment all the states in the region have developed strong presidential institutions, but other political actors remain rather weak.

Georgia was new to me, but it was in the hands of President Eduard Shevardnadze, whom I knew from my period in Moscow. At first he had been the Soviet Union's foreign minister, and later he headed an institute in Russia. I had gone to visit him a few times at the Moscow institute, and was left with the impression that he followed the events in Georgia closely. That is why I was not surprised when Shevardnadze decided to return to Georgia and was elected president soon after Gamsakhurdia. A bit of a surprise, however, was my first visit to Moscow. I met Russian officials dealing with the South Caucasus in the Russian Foreign Ministry. I was told that Russia has a long relationship with the South Caucasus and that this history should be known. The Russians, of course, were concerned about what the EU's aims in the South Caucasus were. Similarly, they had to consider whether the EU's stronger presence in the region would lead to a decline in Russia's influence. The rapid enlargement of the European Union and NATO up to Russia's borders had come as a surprise, and now Moscow was wary that the same might take place in the South Caucasus. Russia had historical, economic, political and cultural interests in the region. In short, the South Caucasus was an important strategic object for Russia. In Washington the reception was positive. I was told that the United States had no military power in the region nor had its use there been considered at any stage. The American side expressed a wish that the EU should

be the Western engine promoting stability in the South Caucasus. The US did have increasing economic interests to watch out for in the energy sector. US commitments in Iraq and Afghanistan also began to be reflected in an unwillingness to take on new duties in the field of security policy. Not to mention Iran, which remained an open question.

### **7.3 The role of the EU in regional conflicts**

When I began the mission as the EUSR for the South Caucasus, my first major question was how the EU might be able to contribute to crisis management in the region. Each of the regional conflicts had its own mechanism by 2003 and the EU Special Representative was regarded with great suspicion. France was perhaps the EU country that stood to win or lose the most in the game. In Paris, I was given to understand that visiting conflict regions in my role as the EUSR would not be very wise, because crisis management mechanisms were already established in each region. Similarly, Russia carefully guarded the existing mechanisms, and it was clear that the EUSR would not have the possibility for new policy initiatives without Russia's consent.

Crisis management relating to Nagorno Karabakh was familiar to me from the co-chairmanship of the Minsk Process in 1995-1996. The countries co-chairing it now were Russia, the United States and France. It was very easy for me to state that as the EUSR, I would support the Co-Chairs' efforts in reaching a settlement to the conflict. The EU required reporting on conflicts even though I did not directly participate in crisis management. France had a very active role in the Minsk Group. The French position was that one chairman could not substantially inform outsiders because negotiations were in progress. However, the French Co-chair began to visit the EU's Political and Security Committee and to give a general assessment of the Nagorno Karabakh crisis. This was a good development. It strengthened the French position as the EU representative in the co-chairmanship and brought the whole EU into the Minsk process, without hampering confidentiality. The situation between the military forces remained unchanged. Incidents occurred, some of them serious, but none were considered to breach the cease-fire, which

was therefore still in force.

## **7.4 From Shevardnadze to Saakashvili**

The most important political event in Georgia during my mission with the EU was the so-called Rose Revolution, which ousted President Shevardnadze and brought to power the troika of Mikheil Saakashvili, Zurab Zhvania and Nino Burjanadze. It has been said that Nino Burjanadze was the face, Zurab Zhvania the brain and Mikheil (Misha) Saakashvili the fiery soul of the revolution. It was clear from the very outset that Saakashvili was the real leader of the troika.

I met president Shevardnadze a few times during the autumn of 2003. He was very jovial towards me even though I had very few concrete proposals to present to him. The European Union was about to launch its neighbourhood policy for the South Caucasus states, but these ideas could not yet be discussed at a concrete level. The Commission's delegation was managing EU assistance programmes, and the European Union was Georgia's major supporter. President Shevardnadze, who like Gorbachev was greatly respected in the West, had drifted deep into corruption in his power politics. This decreased the confidence of the West in him. He wanted more support from the West in particular for his security policy, but this was not forthcoming from the EU and the US attitude was cooling off too. The president seemed tired and a kind of powerlessness could be sensed in his statements. Although the West was still politically supporting him, relations with Russia were developing in a bad direction. With the Abkhazia question Shevardnadze had run into opposition with Russia's interests, and he accused Russians of militarily supporting Abkhazia. Shevardnadze had been forced to conclude the so-called Sochi agreement regarding Abkhazia, which at the time had saved him from total military defeat.

Shevardnadze was stuck between a rock and a hard place. When I met him for the last time as president, he told me that former US Secretary of State James Baker had visited Tbilisi. Shevardnadze said that he thought Baker had come as a friend, but that was not the case. From other sources I found out that Americans were outraged at the corruption of Shevardnadze's regime. To my knowledge, Baker saw Shevardnadze's time as president as drawing to a close. In this situ-

ation, Shevardnadze's mood was a bit sarcastic and he played down the EU's ability to provide real assistance, by which he meant military support. Shevardnadze fell when parliamentary elections that were held in Georgia on November 2, 2003 were considered to have been anything but free and fair. The opposition forces and mainly Mikheil Saakashvili's United National Movement party claimed to have won the elections, only to lose them because of electoral fraud.

The next episode was shown by Georgian television to the whole world. Surrounded by his security guards, Shevardnadze left the parliament building by the back door, as the makers of the Rose revolution rushed in to take over the parliament and gather the shreds of power into their own hands. Shevardnadze resigned as president on November 23, 2003. Saakashvili's coup was bloodless, and it certainly attracted wide sympathy among the Georgians. Nonetheless, a coup can never be fundamentally legal. It also lacks democratic credentials, although it can be said that Saakashvili's party was popular and no doubt would have attained a better election result, had the elections been free and fair.

Georgia's change of power had external connections as well. The Great Game was underway regarding Georgia's future. The United States had rejected Shevardnadze, but not Georgia. Questions arose as to the extent to which the Americans were supporting the regime change. It is likely that the United States had already been shifting towards Saakashvili, but had not gotten that far, when the coup presented outsiders with a *fait accompli*. In the days of the coup, Saakashvili was on the phone to the White House in Washington several times a day. This contact was on the level of civil servants, and no wider conclusions can be drawn. A peaceful transfer of power was in the interests of the US. Western non-governmental organisations were active in Georgia, supporting and assisting Saakashvili and his team. This in turn caused Russians to draw the conclusion that Western intelligence agencies were present and operating. Russia also had a lot at stake. Russian Foreign Minister Igor Ivanov arrived in Tbilisi after the unrest began. He, too, was too late in the sense that regime change in Tbilisi took place while he was there, and the Russians had no alternative but to accept the facts. The new troika was there, and everyone else had to make the best of it. Ivanov held discussions with the new rulers, and gave a speech in Georgian language on the steps of the Parliament. This gesture was undoubt-

edly intended to build bridges with the new administration and also to affect public opinion.

The change of power was largely supported by Georgians, the United States seemed to accept it and even Russia appeared to bite the bullet. What about the European Union? Within the EU there had been dissatisfaction with Shevardnadze's corruption, but on the other hand, he had continued to enjoy ample recognition in the West. I proceeded from the premise that the EU accepted what had taken place as it had happened without bloodshed, and as the new leadership was willing to organise democratic elections to legitimise its power. The EU and Germany, in particular, were still concerned about Shevardnadze's security. In that sense the situation looked good - the new troika did not seem to threaten Shevardnadze's security. He was given a residence, as long as he remained outside politics.

I met Saakashvili with my delegation at the official dacha soon after the coup. He was dressed rather casually, seemed tired, but was positively bursting with energy. He was drinking coca-cola and sitting on a chair which suddenly broke underneath him. Saakashvili was not perturbed, just announced that even the furniture of the old regime was in a state of disintegration, and took a new chair. He was surrounded by a big group of armed men and security indeed seemed to be of primary importance in his life. His car had recently been attacked, and therefore there was good reason for security measures. Saakashvili seemed like a revolutionary, he was the soul of the troika, and preparing to step into presidential shoes.

The troika had decided that Burjanadze would act as interim President until presidential elections were held. Nino Burjanadze was well-groomed and dressed and did not improvise in official events. Burjanadze met with Vladimir Putin, Russian president at the time, and apparently the meeting had gone well, although nothing substantial could not have been achieved during the Georgian interregnum. The difficult task of Prime Minister was being fitted onto Zurab Zhvania's shoulders. He was the troika member best suited to dealing with daily operations. In addition, he was adept at establishing close relationships with other people - including opponents. He was a hard-core politician and lobbyist.

EU activity in the region was now justified, since the coup in Georgia was transforming the region's future. One idea was that the

EUSR would be permanently based in Tbilisi. I did not find this a particularly good idea. It would have meant, among other things, an emphasis on Georgia vis-à-vis Armenia and Azerbaijan. I continued my assignment still based in Helsinki, but my visits to the region were almost continuous. The South Caucasus states usually expected me to work as their spokesman vis-à-vis Brussels. While this was partly true, I wanted everyone to understand that my primary task was to represent the EU in the region and that therefore I was looking after the EU's interests. If I happened to promote the interests of the states in the region, then in my opinion those were in line with the interests of the EU.

## **7.5 Georgia's Presidential Elections 2004**

To the credit of the new government it must be said that they started a vigorous campaign to educate voters. Now there was freedom of choice. In the event, Saakashvili still won more than 90% of the vote, which was not a surprise. The same had happened when first Gamsakhurdia and then Shevardnadze were elected as president. Both gained a rating of more than 90% in their first election, but then quickly lost popular support. The provinces and Tbilisi voted quite traditionally, voting for the person who actually held the power. The big question was how Saakashvili would manage to maintain his popularity in Georgia's complex political game.

Saakashvili became the third president of independent Georgia. His inauguration was held in front of the Parliament building, and very closely followed the protocol of the US presidential inauguration ceremonies. People cheered, and flags were flying. The flag adopted by Saakashvili's party had a background dating from the Middle Ages. It was colourful and appealing with its cross of St. George. This flag had already been suggested as the state flag in 1991, but without success. I also spotted the EU flag, and began to ask the Georgian Chief of Protocol what was going on. It was well known that Saakashvili aimed at Georgia's EU and NATO membership. Protocol told me not to worry, because this was the flag of the Council of Europe, which, incidentally, is similar to the EU flag. After receiving this explanation I was no longer perturbed. Solana visited me once during my mission in Tbilisi and Saakashvili was going to

host him a dinner. However, Prime Minister Zurab Zhvania showed up as the host, informing us that Saakashvili was delayed. When Saakashvili arrived, he informed Solana that his party's flag had just been made the state flag. According to Saakashvili, Georgia's old flag was colourless, and not even created by Georgians: the colours had been influenced by imperial Germany, which had been powerful in the region at the time.

The new president launched an energetic campaign to have his program adopted. Saakashvili had three main aims: to create a solid foundation for the economy, get rid of the all-encompassing corruption, and to unite Georgia's state territory. These guiding principles were acceptable as such. They motivated Georgians to pursue a better future. Foreign powers had no objections at that stage. On the contrary, the fight against corruption was applauded in general and Georgia was promised support in those activities.

## **7.6 Plan to re-unite Georgia's state territories**

Restoring Georgia's territorial integrity was one of Saakashvili's main objectives. It was a demanding task, requiring a lot of determination but also diplomacy, patience and time. In addition, it would not have hurt if Saakashvili had had a realistic assessment of the relative strengths and weaknesses of the different actors. This calculation was undoubtedly complicated by the seemingly black-and-white perception of the world as "unipolar." The United States was the only superpower able to pursue its global interests also by military means. Diplomatic mediation was not in vogue, and resorting to it as the only alternative was considered a sign of weakness in the US. In addition to security policy, the US was able to help Georgia financially, train the Georgian army and supply it with weapons.

Saakashvili was not the only one who relied on US support for re-unifying Georgia's territories. According to Saakashvili, the European Union had no teeth. The EU was needed in strengthening the economy and for lending political support. Saakashvili seemed to overestimate the 'realpolitik' value of political support in the Great

Game. Even the EU itself harboured illusions in this respect. There was hot debate on what kind of great power the EU really was. The idea was to coordinate a common foreign and security policy and to expand at a blindingly rapid pace. From time to time, Saakashvili treated the EU arrogantly, without the EU having the unity or even the will to draw the line.

With Russia Saakashvili did not get along at all. It is difficult to say what were all the factors contributing to this. The legacy of the Soviet Union was, in part, a heavy burden in Georgia, and people wanted to get rid of the Russian troops still present in Georgia as soon as possible. The attempts via the CIS to control the former Soviet empire were rejected in Tbilisi. Moreover, Saakashvili calculated that when the chips were down, Russia would not react. He considered Moscow's threats a bluff. Saakashvili was a revolutionary by nature, and did not shy away from tough opposition. Finally, it should be noted that Saakashvili underestimated Russia's political and military power, and the will to use them when its interests were at stake. Nevertheless, he was not the only politician or public official involved with the South Caucasus who made the wrong assessment in this respect. Almost the entire West shared this dilemma with regard to Russia.

The world was changing from unipolarity towards multi-polarity. Several substitute players were needed on the playing field, because the old players often lacked the preconditions for making new estimates and for a new kind of realism that was now needed. The game was, however, still played with old cards in the middle of the first decade of the 21st Century. This was to have a decisive influence on where we now are with regard to South Ossetia and Abkhazia.

## **7.7 Adjara**

Saakashvili started the country's territorial unification from Adjara. It was incorporated into Georgia as an autonomous region when Lenin expanded Soviet Russia. This transfer from Turkish subordination to that of Soviet Russia was regulated by the 1921 Treaty of Kars. The treaty was signed by Lenin and Atatürk, among others, and it was required to ensure the autonomous status of the mainly Muslim Adjara. The population of the area was predominantly made

up of Georgians who had converted to Islam during the Ottoman era. Adjara had mostly been ruled by the strong Abashidze family since the Middle Ages. When seeking support for himself, Shevardnadze had corrupted regional leaders, and he had placed Aslan Abashidze in power – once again one of the Adjara Abashidzes. Aslan Abashidze had abused his position, ruling Adjara like an autocrat. He was deaf to calls from the new government in Tbilisi, refusing for example to pay revenues from the port of Batumi to the State Treasury, which had originally been agreed between him and the central government.

At this point is perhaps worth pointing out that Adjara is just one example of Georgia's ethnic diversity. Georgia is like a miniature version of the Caucasus. Different nationalities, languages, religions and cultures live side by side in a small area. Respecting ethnic minority rights is a huge challenge for the unity of the country and one of the pivotal questions in the creation of a new Georgia. Besides Ossetians, Abkhazians and Adzarians, also Georgia's Meshketian Turks, Armenians and Azeris are waiting for their rights. Saakashvili wanted a strong and united Georgia under the leadership of a powerful President. The only comment that needs to be made is that forcing national minorities into a certain political system always causes the emergence of some degree of resistance. It may be a latent or active, but in crisis situations it may trigger a conflict with dangerous repercussions for the integrity of the state.

In the beginning, Saakashvili calculated his power and the interests of external actors correctly. He wanted to oust Abashidze from Adjara and to channel the revenues from the port of Batumi to the central government. He also had active and talented supporters in Adjara. These were spearheaded by Zurab Nogaideli, who became a powerful and skilful minister of finance. He later became prime minister, after Zhvania's death, although in that role he left a somewhat weak impression. At that point in time, the Russian ambassador stated in a discussion that Adjara was part of Georgia. It seemed that Russia, the United States and the EU all agreed with Saakashvili that Adjara was part of Georgia and that it was best to get rid of Abashidze and his regime. While Saakashvili was concentrating around Adjara his military resources – which were still rather weak – the tense situation calmed down when Russia's Foreign Minister Igor Ivanov persuaded Abashidze to go with him to Moscow, thus resolving the Adjara question. Yuri Lushkov, mayor of Moscow

at the time, arrived in Georgia to discuss the major investments that the City of Moscow had in Adjara, but Saakashvili did not warm up to compensating them.

I asked the Russian and Turkish representatives whether they considered the Kars treaty still to be valid. Both regarded the treaty still binding for Georgia, but at the same time they stated that they would not actively demand compliance with the agreement. When I talked to Prime Minister Zurab Zhvania for the first time about the Kars treaty, he did not know of the existence of such an agreement. After the change of power in Georgia, information traditionally transmitted by civil servants was lost, and everything had to be started anew. The Turkish ambassador said that she was making a list of effective agreements that Turkey had with Georgia. It was clear to me that as the EU Special Representative I should, however, draw the attention of the new government to the fact that the situation in Adjara should be resolved as far as possible according to the existing agreements and in consultation with the region's population. I estimated that what now would be done in Adjara would be of the highest significance when Saakashvili's activities were directed towards South Ossetia and Abkhazia. We agreed with the new leadership that the Venice Commission of the Council of Europe would give recommendations to Georgia about what to include in Adjara's traditional status. Formally, Georgia's view was that Adjara had autonomy, but this autonomy had no content in practice. I asked Saakashvili whether some of the Venice Commission's recommendations could be taken into account for Adjara, but the response I got was negative. Thus the unity of the State prevailed at the expense of the content of Adjaran autonomy.

## **7.8 South Ossetia**

A Joint Control Commission had been established for the management of the conflict in South Ossetia. Its primary task was, of course, to monitor the implementation of the cease-fire, but to some extent also to encourage efforts at conflict resolution. The parties represented on the Commission were Georgia, Russia, South Ossetia, North Ossetia and the OSCE. The EU Commission had observer status. The OSCE Representative on the Commission was Roy Reeve,

with whom I had good cooperation. Reeve was an experienced diplomat and very fair towards the parties of the conflict. Russia, however, was not satisfied with his work, claiming that OSCE monitoring of the South Ossetian cease-fire was biased in favour of Georgia. In time, Reeve ran into problems with Saakashvili as well. Reeve did not see any point in ending the work of the Control Commission, and said so to Saakashvili. In crisis situations, the credibility of the heads of OSCE missions is often at stake in the eyes of other actors, consuming their diplomatic capital at a fast pace. This was happening to Roy Reeve, too.

My policy was to relatively often visit Tskhinvali, South Ossetia's capital city. This gave South Ossetians access to one more communication channel with the outside world. Georgia also supported these visits. This became clear once when I was about to cancel a visit to Tskhinvali because I was not satisfied with the program organised for me by the Ossetians. I had told the Georgian foreign minister that I was cancelling my trip. The minister led me to understand that they would appreciate if I could make the trip. I was often received in Tskhinvali by the leader of South Ossetia Eduard Kokoity. In the West, Kokoity is generally considered "Moscow's man." I would be surprised if it were otherwise, as the status of South Ossetia is fully reliant on Russia's support. I held formal talks in Tskhinvali with South Ossetia's representative on the Joint Control Commission Chochev and "foreign minister" Dzhioev.

The West had given priority to supporting Georgia in order to balance Russian influence. This had left South Ossetia mostly at a disadvantage. In Tskhinvali it was largely calculated that the West was supporting the return of Georgian administrative control to the whole of South Ossetia. Georgians and Ossetians had a lot of connections, so their dispute was not seen on the society level. Official South Ossetia was afraid of Georgia attacking its territory and merging it under Georgian administration. Such attempts had taken place earlier, so the fear was not misplaced. President Mikheil Saakashvili made some suggestions about granting South Ossetia autonomous status. It must be said, though, that the credibility of these proposals was extremely weak. First of all, Adjara was an example of what autonomy meant for Georgia. Secondly, when Saakashvili presented his proposals, he was simultaneously referring to the members of the Tskhinvali administration as a bunch of criminals, which could

not have increased the readiness in Tskhinvali to negotiate with him. Zurab Zhvania had direct links with Ossetians, but after his death, none of Georgia's prime ministers were able to establish relations with Tskhinvali. Georgia established a kind of integration minister's post. Again, Ossetians found this title inappropriate, and although it was modified in due course, it was too late. In my own work, of course, I tried to bring about direct contacts between Tbilisi and Tskhinvali, but negative factors tipped the scales.

In the spring of 2004, it was generally believed in the West that Georgia could get back most of the control over South Ossetia, if it could agree with the Ossetians about credible autonomy. As for Abkhazia, nothing but a federal arrangement could have been considered. At the same time, the Russian interests in South Ossetia and Abkhazia needed to somehow be taken into account. The situation did not look good on paper, let alone in practice. There was no prior indication that Georgians would be able or willing to live in a framework of autonomy. The same applies to federal solutions. Saakashvili's initiatives failed to meet any positive response from the breakaway regions and no negotiations were launched.

During a visit to Moscow right after Saakashvili's first proposal on autonomy, I said that the EU now wanted to give Saakashvili an opportunity, and I hoped Russia could do the same. Moscow's reaction was not negative, but guarded. In spring 2004, Saakashvili was not fully trusted in Moscow, but neither was there any categorical refusal to listen to him. After the successful conclusion of the Adjara conflict, Saakashvili thought that the situation should be exploited in South Ossetia as well. With Adjara, he had put pressure on all outside actors by amassing soldiers to the border region. This probably had some influence on the policies of Russia, the US and the EU. At least the West hoped for a solution without bloodshed. Saakashvili figured that, correspondingly, exerting pressure would work in the case of South Ossetia. What was becoming clear was that Saakashvili was attempting to reunite Georgia's state territories during his first term as president. His credibility in the eyes of the people would otherwise be endangered.

Saakashvili wanted to increase the pressure on Russia, the US and the EU to compel them to start seriously solving the South Ossetia problem. At this stage it must have become clear to him that Russian and US positions had to be taken into account to some ex-

tent. The Russian side made clear that South Ossetia was not Adjara and the solution to the South Ossetian question could not follow that example. The United States also warned Saakashvili that if he used military power in South Ossetia, he would face Russia, and the US would not participate in any way in this kind of military conflict. Based on this information Saakashvili saw best to continue political pressure but refrain from mobilising military force at the South Ossetian border.

Georgian, Russian, South Ossetian and North Ossetian peacekeepers were present in South Ossetia. Rules existed about how many could be stationed there and how often they could be replaced. These peacekeepers worked under Russian leadership. This became a crucial factor in the unstable situation up to 2008. Georgia doubted the sincerity of the other party and relocated its peacekeepers quite often, and during these exchanges their numbers on South Ossetian soil could double. In 2005 at the latest began a development, whereby both sides increased the proportion of combat troops as opposed to peacekeepers during these exchanges. This development then culminated in 2008, when peacekeeping was carried out by purely military organisations on both sides.

## **7.9 Abkhazia**

The United Nations had a mandate in Abkhazia. The UN office in Tbilisi was led by an energetic Swiss diplomat, Heidi Tagliavini, who sought to organise relief projects in the region and made regular visits with a view to promote the return of refugees to Abkhazia. The Abkhazia issue was also being tackled by a group of countries that called themselves the “UN Secretary-General’s friends.” The United Kingdom, France, Germany, the United States and Russia, among others, were involved, Germany acting as chairman of the Group. The EU countries in the group did not particularly encourage me to take steps to address the situation in Abkhazia. It seems there was a fear that the EUSR would take over something essential that the “friends” were doing. I did not consider myself a threat to them, I supported all activities which aimed at creating more contacts for Abkhazians with the outside world. The fact that the United Nations

was already taking care of these issues quite vigorously had more impact on me. I began to support Heidi Tagliavini's work by promoting the EU Commission Delegation's activities in reconstructing humanitarian contacts during the cease-fire. The Commission in Brussels was also interested in these projects, which included concrete measures and direct aid benefiting the local population. As chairman, Germany supported my work, and then in the spring of 2008 Germany took the initiative. However, at that point things were already at the stage that compromise proposals were no longer supported by any party to the conflict.

It is often said that South Ossetian leadership was more Moscow-oriented than Abkhaz leadership. This is true in some respects, but Abkhazians did not have much room for manoeuvre in relations with Russia either. When Abkhazia held presidential elections in October 2004, much to everyone's surprise, the candidate backed by Russia did not win. The winner, Sergei Bagapsh, discovered very quickly how dependent he was on Russia. Neither Abkhazia nor South Ossetia could rely on the support of the West. The West sided in the first place with Georgia, and value of Abkhazians in the eyes of the West was of secondary importance. This is also why Russia was the Abkhazians' only hope, if they did not want to return to Georgian control. For Abkhazia, a federal arrangement could have been considered, if it had taken into account Russia's interests. Georgia, however, was no model country in terms of implementing federalism and was not particularly willing or able to take into account Russia's interests in the Caucasus region –that is, not only in Georgia. Georgia's sincerity was not trusted in Abkhazia, any more than in South Ossetia. There was one younger politician in Georgia who was able to get along with the Abkhazians. This was Irakli Alasania, with whom Abkhazia agreed to discuss a federal model. Saakashvili, however, sent Alasania to New York as Georgia's Ambassador to the UN, ending this little glimmer of hope. In all likelihood Alasania acted too independently, and Saakashvili did not want competitors.

I made one trip with Heidi Tagliavini to Abkhazia. The purpose was to demonstrate the EU's interest in conflict resolution and at the same time to support projects initiated by the Commission in Abkhazia. These included road improvement and bridge construction, vital for rebuilding connections destroyed by the war.

## 7.10 Border monitoring

The OSCE had been monitoring Georgia's borders. During my mission, Russia announced that it would no longer support prolonging the OSCE's mandate in this question. The reason Russia gave was that the OSCE's monitoring was not fair and impartial. As a result, the OSCE stopped supervising the borders. Within the EU opinions differed. Some thought that the EU should take over the monitoring. The majority of member states, however, found no reason for the EU to take on functions which might lead to direct conflict with Russia. A compromise was found, and a "Border Support Team" established. Its mission was not monitoring, but primarily assisting Georgia in creating proper border troops, who would be able to supervise the borders. Russia's stance regarding this arrangement was wait-and-see, but there was no negative reaction from Moscow either. The United Kingdom and the Baltic States were still pushing for an arrangement in which voluntary EU countries would have taken responsibility for Georgia's border control. The weakness in this model was that while the EU countries involved would be volunteering, their presence at the borders would have meant that the EU as a whole would be held responsible. As the Border Support Team was set up under the umbrella of the EUSR, it was my task to present the setting up of this limited model of support to the Georgians. Georgia agreed to the EU's proposed model.

The border team was led by the second member of my group, the Danish William Boe. He was undoubtedly well-suited for the job, and Solana and his staff probably calculated that this way the operation would be kept more in their hands. This worked also in my favour, as we consulted with each other closely on issues relating to the team. The team did not get its own budget, because France in particular was sceptical about the operation. The budget was combined with the budget of the Special Representative. All this resulted in my working group losing a large part of the labour input of William Boe, who had been of great importance vis-à-vis Brussels. In addition, creating the border troops required quite a lot of improvisation and a careful monitoring of the budget which at times was impossible to do from Helsinki. Nevertheless, the border team's work turned out to be successful. The EU realised that Georgia really needed training

and organisational assistance to establish effective border troops. What's more, it was essential that this need was also recognised by the Georgian side, and that Georgia was ready to provide resources for this activity. It is also worth mentioning that the Finnish Border Guard was actively involved in this project. The value of the educational assistance that it provided was acknowledged by everyone.

## **7.11 European Neighbourhood Policy**

EU policy goals -real or imagined -in the South Caucasus, and the hopes South Caucasus countries harboured regarding the EU, naturally had a major impact on the situation in the South Caucasus. The same was true, of course, for NATO's presence in the region. Russia was not indifferent to what EU and NATO were aiming for in the region. With its new member states from Central and Eastern Europe, the EU's neighbourhood had been transformed. The EU was going through an intense period. There was a belief in European unity and shared values, and that the new members would be integrated into European structures -including financial ones. Although the enthusiasm for enlargement was beginning to show signs of waning, and the difficult question of Turkish membership had emerged, an active policy towards the new neighbourhood was being promoted. European security is affected by the stability or instability of its neighbourhood, so joint programs were sought to strengthen ties with the Mediterranean and Black Sea regions and Russia's neighbourhood. Less attention was paid to what kind of reactions the EU's activities might cause in other countries. Enlargement thus resulted in the development of a new European Neighbourhood Policy. Russia already had its so-called "near abroad"-policy pertaining to partially the same area, so some kind of competition was about to begin.

The European Neighbourhood Policy became an integral part of my work in developing relations between the EU and South Caucasus countries. I worked in close cooperation with the EU Commission. When Georgia and Armenia in particular, and Azerbaijan also - albeit with major reservations - expressed their wish to join the EU, the EU had to define its position regarding these aspirations. Saying that the neighbourhood policy did not include EU membership, but neither did it rule it out, became the agreed policy. This was thus

a compromise that did not actually say anything. Everyone could interpret it in a suitable or convenient way. Brussels, in any case, believed that such a formulation would motivate the South Caucasus states to reform their social structures according to the European model. Now, a few years along the line, there might be less optimism but more readiness to respect the values and traditions of the region.

During the Irish EU Presidency in 2004, I participated in Saakashvili's first inauguration in Tbilisi, when Russian Foreign Minister Igor Ivanov said to his Irish colleague that Russia was the South Caucasus countries' neighbour more than the EU. This certainly reflected competition, but it was even more than that. When I pointed out to the Russians that the South Caucasian states were not candidates for EU membership and were not going to become such for a long time, they replied "that's what you said regarding the Baltic countries too, and shortly thereafter they were members in both NATO and the EU."

If we think of the South Caucasus as a whole, the EU was attractive in comparison with Russia and the United States. The EU was not a military power, but it was generally thought to bring about stability and economic prosperity. From the EU's point of view it was essential that all actors be satisfied with having leverage in the region and refrain from seeking all-out dominance and control. Nevertheless, the EU itself had a problem in this regard. It was, namely, membership. EU membership excludes much of the influence of other countries in a given EU member state. This, of course, is the grounds for how Russians see the EU's objectives in the Caucasus region.

## **7.12 The South Caucasus and NATO**

The break-up of the Soviet Union created a security policy vacuum in Eastern Europe, the Middle East, the South Caucasus and Central Asia, which began to fill up, like a law of nature. The European Union and the Western military alliance NATO were filling this vacuum and there was a need for their security policy services. Filling up a vacuum creates short-term security, but in the long term the outcome depends on the kind of counter-forces it awakens.

Russia had watched all this from the side while Yeltsin was president and during Putin's first term. During Yeltsin, this was due to weakness and the fact that the Russians themselves wanted more partnership with the West. There were two main reasons for this. Firstly, Russia needed to discard security policy obligations for which it did not have the economic prerequisites. The second reason was that Russia had absolutely no means to resist the expansion of the West. During Putin's first term, the will to cooperate with the West remained, but no longer at all costs. All the same, Russia was not yet a real counterforce to Western enlargement policy, so the train rolled on towards the east without any obstacles.

Putin's second term was already different. His "enough is enough" speech in Munich in 2007 shocked the West. What was Russia aiming at? Did it seek great power status, a position that many Western observers felt it had lost? Closer to the truth were those who argued that Russia had achieved such wealth with its growing oil and gas assets, that it now had greater room for manoeuvre in security policy. Thus Russia re-entered international power politics, which in the period 1993-2004 had almost exclusively been Western privilege. In addition, Russia called for equal treatment as the price for cooperation with the West. Although Russia did not match the West in strength, it wanted to be treated as an equal. Putin's signals were yet to be taken seriously in the West. Russia was still weak and so were its armed forces in comparison with the West. Forms of cooperation with the European Union became more strained. Renewal of the Partnership and Cooperation Agreement has been blocked because of the Russian view that the EU treats Russia mainly as an object, whereas it wants to be an equal partner in the co-operation.

NATO and Russia began a certain degree of cooperation in the framework of the NATO-Russia Council. This Council has not examined any fundamental issues of NATO's own activities, but it has been a good forum for both parties to monitor the other's actions and to relate them to their own objectives. NATO expansion to Russia's borders was seen in Russia as a threat. This open statement began to be heard from top Russian leadership. NATO's intentions in Ukraine and the South Caucasus also posed sensitive questions. NATO's expansion to these areas would bring the Western military alliance to Russia's doorstep in its most unstable regions. The South Caucasus

countries had already been cooperating with NATO for a long time, and the intention was to develop their partnership with the alliance. This collaboration took place with Georgia and Azerbaijan as well as Armenia, which is, however, more dependent on Russia than its two neighbours.

During my EU mission, I had a good colleague as the NATO Special Representative for the South Caucasus, Robert F. Simmons. I had meetings with him in the region, and a few times in Brussels also. He was a man with both feet on the ground, and he promoted NATO's efforts in the South Caucasus with a high dose of realism. He had the same problem as I did: How to give the countries in the region hope for cooperation without promising too much, especially vis-à-vis membership.

After Saakashvili became president, Georgia had clearly stated that its goal was both EU and NATO membership. For the time being, Azerbaijan was happy to cooperate with both and kept its ultimate objective under wraps. This was also because it did not want the role of a beggar - after all, it was a country with substantial oil and gas revenues. In addition, Azerbaijan had considerably more leeway than Georgia and Armenia in relation to the players of the Great Game. Armenia's situation was the most difficult. It was fighting tooth and nail not to become internationally isolated due to the Nagorno Karabakh conflict. Therefore, Armenia has been involved in NATO co-operation while simultaneously trying to juggle this with Russia's interests.

### **7.13 The South Caucasus, Central Asia and Islam**

The clash of civilizations has been a topic of much discussion around the world in recent decades. Civilizations are not only in competition, they may also be hostile to each other. Even a bitter war between civilizations has been seen in the cards. In a way all of this is true already in this day and age. The battle for energy is intense, reflecting negatively on state sovereignty and self-determination. Once the oil-producing countries joined together, OPEC achieved a global market price for oil, reducing dependence on the decisions and politics of the

major consumers. The next stage is still in progress. Radical Islam wants the producing countries to control their energy resources also in the sense of not having foreign troops in their territories to secure energy access for the great powers. The whole Middle East policy revolves around this question. Radical Islam has also been interested in the energy resources of the Caspian Sea and, more broadly, in the energy produced by Russia, Azerbaijan, Kazakhstan and Turkmenistan. It wants these resources under Islamic control.

In its struggle against the dominance of the West, radical Islam has even resorted to terror. Terrorist attacks directed at airplanes, metros and trains have demonstrated the vulnerability of Western societies. The most powerful attack with its far-reaching consequences was made on September 11, 2001 against the World Trade Center's twin towers in New York and the Pentagon in Washington, throwing Americans off balance. Attacking such targets, whose vulnerability had not been doubted, was possible with hijacked planes. Western societies have been forced to compromise on a number of freedoms and rights, which earlier were taken for granted, in their attempt to protect themselves from terrorism. The war against terrorism is very much a war between civilizations. In the South Caucasus and Central Asia, all but Georgia and Armenia are Muslim countries. These Muslim states are afraid of radical Islam, and maintain an ongoing internal struggle in order to prevent radical Islam from getting an upper hand.

Russia's North Caucasus has been in a state of chaos throughout the post-Soviet period. Chechens have had their own quest for independence leading to two wars, in which the Chechens resorted to guerrilla war against an organised but poorly disciplined Russian army. Chechens have also resorted to terror, not only in the North Caucasus but in Russia more widely - even in Moscow. Chechens have received support from radical Islamists, whose aim has been to break the Russian oil and gas monopoly in the North Caucasus, South Caucasus and Central Asia. This development coincided with the spread of the West to the territory of the former Warsaw Pact and, in part, of the former Soviet Union also. To add insult to injury, this was in turn followed by the Rose and Orange revolutions in Georgia and Ukraine. Russia strongly perceived these events as operations to isolate the Russian Federation and even as attempts to break up the country. At the same time, regional organisations were created

with the articulated goal of reducing Russia's influence in the Black Sea and Caspian Sea. These development prospects can be seen in literature published in Russia that deals with the Caucasus and Central Asia. The Georgian war in 2008 is not seen in them as an isolated issue, but as part of a war, which has been going on in the Caucasus throughout the 2000s.

The United States and Russia have also had a lot of common interests regarding the fight against radical Islam and terrorism. NATO, through its Secretary-General Robertson, declared war on those responsible for the terrorist attacks in the US. The only problem was that NATO did not really know who the enemy was. The Americans discovered their own enemy rather quickly, ending up with al Qaeda, an Islamic terrorist organisation led by Osama bin Laden. It operates out of Afghanistan, and thus the Russians had a lot of information about its practices and the bases located there. It was in Russia's own interest to assist the Americans when the US was preparing its attack on al Qaeda and the Taliban. Initially, Russia also had no objection to the US establishing a few bases in Central Asia for the war in Afghanistan. Later, the Russian position changed regarding this issue, and US bases in Central Asia began to be seen as part of the policy to isolate Russia.

## **7.14 The Revolution eats its children**

During a visit to Tbilisi, the EU High Representative Javier Solana said to Saakashvili that the European Union supports evolution, stable development. I took heed of this message, and used it, especially in Armenia and Azerbaijan. In Tbilisi, I congratulated Georgia on the first anniversary of the revolution, and many people saw a paradox in this. In fact, my view was that I represented the EU in Georgia, and naturally congratulated the country on the day of the revolution. I added that after revolution, what was needed was evolution. Even if Georgia had taken many steps forward under Saakashvili, politics was monopolised by the troika. The opposition did not have any foothold, and during my mission I never met opposition leaders for the simple reason that they did not exist.

At the time, I considered Mikheil Saakashvili to be a genuine revolutionary leader. Authoritarian and action-oriented, but

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impatient with a short attention-span when it came to planning long-lasting change in Georgian society. Plans came and went without decisions being followed by solid implementation and monitoring activities that often require several years.. The same applied to the government. Ministers had no autonomy in reality, all the power remaining in the President's hands. The Constitution was amended so that Saakashvili ended up with more power than Shevardnadze. Ronald Asmus, who wrote an American version of the 2008 war in Georgia (*A Little War That Shook the World*, Palgrave Macmillan 2010), described Saakashvili as a person with big ambitions for the Caucasus, Black Sea and Caspian Sea regions to develop into Western democratic communities in the future. According to Asmus, one of Saakashvili's idols has been Marshal Mannerheim, who defended Finnish independence in the Winter War against the Soviet Union.

The only person who had any independent room for action was Prime Minister Zurab Zhvania. As Prime Minister, he also supported the third member of the troika, Nino Burjanadze. Burjanadze was an important figure but increasingly sidelined in her position as Speaker of Parliament, because she was not in government. Zurab Zhvania died under very suspicious circumstances on February 3, 2005 of carbon monoxide poisoning. Rumour has it that it was murder, but these rumours have never been confirmed and the issue remains unclear. In any case, Zhvania's death was fateful for Georgia's future and for Saakashvili. The only person who had been able to influence Saakashvili and create at least a degree of continuity in Georgian politics now departed from the scene.

Saakashvili did have success in the international arena. The United States was his strong supporter, and President George W. Bush visited Tbilisi. In public appearances, Bush praised Saakashvili to the heavens, but in confidential discussions warned him about measures that might lead to armed conflicts in the region, meaning South Ossetia and Abkhazia in particular. Saakashvili had a lot of support at the top level in Great Britain. The same applies to Sweden, Poland and the Baltic States. In addition, he was highly appreciated in Ukraine, where he had assisted Yushchenko in the Orange revolution. Saakashvili initially charmed everyone by speaking spontaneously, without papers. This was revolutionary also in the sense that when his speeches

stretched endlessly, he began to repeat himself, and the audience was left wondering what ultimately was the message. Within the European Union, Germany and France were a little more reserved towards Saakashvili. The EU was clearly a disappointment for Saakashvili. The EU was his big supporter, alongside the US, but in his eyes did not give Georgia enough political support. Saakashvili criticized the EU in very harsh terms, and began to gradually isolate himself from EU actors in Tbilisi. As I had kept a certain distance from Saakashvili and had also attempted to influence his decisions –in particular, ones concerning the presidential powers in the new Constitution and Adjara autonomy –I was not surprised when Saakashvili did not receive me nor the head of the Commission’s Delegation for a long time.

During my round in the South Caucasus that autumn, I asked for a meeting with each of the presidents. The others received me, but Saakashvili was unavailable. I decided to leave Tbilisi outside the travel program altogether. I described the situation to the Political and Security Committee in Brussels without it even causing any discussion. Saakashvili’s harsh criticism of the EU and his dismissive attitude towards EU representatives in Tbilisi came to light. In his book, Ronald D. Asmus took the view that Saakashvili got along better with Americans than Europeans. There could be several reasons for this, but it was only logical that Saakashvili was an important piece for the United States in the Great Game. The US trained him an army and fully endorsed Georgia’s integration into European structures, whereas Europe was much more reserved in these matters. At that time, the US ambassador in Tbilisi was Richard Miles, who was a Russia expert. Miles kept a certain distance from Saakashvili and was very careful about what commitments the Americans would make with him. When Miles left Tbilisi, it was a completely normal transfer but Saakashvili was pleased about it. In retrospect, however, Miles’s departure from Tbilisi may have been fateful from the American point of view.

I ended my mission as the EU Special Representative for the South Caucasus at the end of February 2006. The mission had been interesting albeit strenuous. As the Armenian Foreign Minister Vartan Oskanian said, I had initiated practical policies of the EUSR in the South Caucasus countries. This is how I experienced it myself. I had tried to avoid excesses that sometime in the future could result in a

setback for the relations between the EU and these countries. The time had also come for the EUSR to be seated in Brussels, where an office was set up, and support groups were created in the capital cities of the region. We had been only three people and, looking back, I can say that we were definitely not under-achieving. I greatly enjoyed my assignment with the EU and the South Caucasus. It was a wonderful opportunity to see and experience EU action from the inside. Similarly, I felt it was an interesting challenge to try to outline the EU's role in the South Caucasus: what it was according to the union's own interests, and what it could be in relation to the interests of the other big players. And, of course, what to do in order for Armenia, Azerbaijan and Georgia to be confident that we wanted to assist the development of their societies, without trying to dictate solutions which were ultimately within the countries' own decision-making power. I also wanted to act explicitly as the EU Special Representative for the region and thus did not join any attempts of the Caucasus countries to mislead the EU into obscure policy objectives or concrete actions. In a nutshell, I tried to define a role for the EU in the "Great Game".

### **7.15 Year 2008: Finland as OSCE Chairman and the War in Georgia**

Recent Western political literature regarding the South Caucasus and Central Asia takes the Great Game very well into account. One of the key books in this field is Lutz Kleveman's *The New Great Game. Blood and Oil in Central Asia*. The book was published in 2003, but its prophecies range to the 2008 war in Georgia and beyond. Kleveman demonstrated the links of the Great Game with the war in Chechnya. When the West began to plan an oil pipeline by-passing Russia, it became crucial for Russia to maintain the pipeline from Baku via Chechnya to Novorossiysk. In addition, the pipeline from Kazakhstan's Tengiz oil field runs very close to the Chechen border on its way to Novorossiysk. Kleveman also analyses US policy. Even before the war in Iraq, Russia, Iran and China considered the war against terrorism as a way for the Bush administration to seal its Cold War victory over Russia, to constrain the growth of China's

influence, and to tighten its grip on Iran. Kleveman also referred to Lord John Browne from British Petroleum warning Blair's government that British oil companies would lose markets to American competitors, if London did not become involved in the war in Iraq. Kleveman's rather bold assessment of the Caspian Sea oil boom is that it has been more a curse than a bringer of better living conditions for the people of the region. By this he means that great power competition in the region might not reduce tensions or the possibility of war. The facts do support his assessment.

In the autumn of 2006, Finland held the presidency of the European Union, and was very active vis-à-vis the South Caucasus. The leaders from the region visited Finland and President Tarja Halonen visited the South Caucasus. Similarly, the Finnish Roving Ambassador Terhi Hakala played a significant role in getting an action programme identifying areas of cooperation and guidelines signed between the EU and all three South Caucasian states. I was not involved in the Finnish EU Presidency in any way. Instead, I was approached in 2007 by both Minister Ilkka Kanerva's team and the foreign ministry's permanent staff. The question was whether I could be available for an OSCE crisis management assignment during the year 2008, when Finland would hold the OSCE presidency. I replied with positive interest, because the task would be based in Helsinki, and would last only one year. I knew Ilkka Kanerva from the years I spent at the Foreign Ministry and knew that I got along with him, especially as the task would be quite limited: election monitoring, and the crises in the South Caucasus and Transnistria.

The Finnish team for the OSCE Chairmanship was built meticulously. Aleksi Härkönen was the team manager. He had political savvy in addition to civil service experience. In Finland, Härkönen was assisted by Janne Taalas, who excelled in drafting, and Päivi Peltonen, adept at keeping things together. In Vienna, Antti Turunen headed the Permanent Mission of Finland to the OSCE, with Vesa Vasara and Mikko Kivikoski as his closest assistants, all competent, measured and energetic civil servants. Terhi Hakala had moved to lead the OSCE field mission in Georgia. She was once again in the key role when it came to acquiring information and interacting with the OSCE's headquarters in Vienna. Harri Kämäräinen, with whom I had worked during my EU mission, was now Head of the Caucasus unit at the OSCE Secretariat. Kämäräinen made sure that any

Vienna intrigues did not harm us. Jori Arvonen and Mikko Hautala, Ilkka Kanerva's closest men in the cabinet, also had a significant role. I learned to trust them as people who kept their word and coordinated skilfully.

Election issues fell into Finland's lap as soon as early 2008. ODIHR, the election monitoring unit of the OSCE, wanted comprehensive coverage in Russia's presidential elections. The Russian side restricted the number of observers it would accept. ODIHR considered that proper monitoring would not be possible with such a small number of observers. Finland tried to mediate, and the views of the two sides did move slightly closer to one another, but time ran out and the ODIHR stated that it would not send observers in those circumstances. This reflected, on a small scale, the way the Finnish OSCE Chairmanship would go. Russia wanted equality with the West and therefore rejected any Western control of Russian society through election monitoring.

## **7.16 Saakashvili's popularity wanes**

In October 2007, President Saakashvili experienced the greatest difficulties of his first term in office. His impulsive way of appointing and dismissing ministers and other high-ranking officials began to leave behind a trail of bitterness. This was not reflected in support for any other politician, but as opposition to Saakashvili himself. In fact, this is rather typical for Georgia. The same thing happened to Gamsakhurdia and Shevardnadze. When Saakashvili dismissed a long-term friend, Defence Minister Irakli Okruashvili, he created an implacable enemy. Okruashvili took advantage of critical opinions regarding the president, and particularly the media guru Badri Patarkatsvili began to play an important role. On November 7, the movement in front of the Parliament building reached such proportions that Saakashvili must have been reminded of the "Rose revolution" supporters' march to the Parliament four years earlier. The President ordered security forces to disperse the demonstrators, and brutal force was used towards them. Georgia declared a state of emergency, which lasted between November 7-16. After four years in power, Saakashvili faced a situation in which he could no longer rule with the spontaneous support of the people. Georgia's popular

revolution had run its course, and Saakashvili had turned into a president whose most important political goal was to remain in power.

US protest was conveyed through the American diplomat Matthew Bryza. He had been a close associate of Condoleezza Rice on South Caucasian and Central Asian issues when Rice was at the White House as National Security Advisor. When Rice became Secretary of State, Bryza followed her to the State Department. Bryza was a co-chairman of the OSCE Minsk Group and had good relations with the region's leaders. Bryza also enjoyed Saakashvili's confidence. Bryza arrived in Tbilisi and brought Saakashvili a clear message that Washington did not approve of his police assaulting the demonstrators. The United States believed that the situation needed to be rectified. It seems to me that initially Saakashvili did not realise what a severe crisis he was heading into in his relationship with the US. Saakashvili defended his measures sharply. The support for Georgia in the US Congress began to wane now, as Congress questioned Saakashvili's actions. At some point, this terrible situation seems to have etched into Saakashvili's consciousness. The President did not delay in making crucial decisions. Whatever view one may take of Saakashvili, he is a politician and a manipulator down to his fingertips, and when he takes action, he often leaves both opponents and supporters bewildered. This time around also, the decision was swift and in the right ball park. Presidential elections were brought forward to be held on January 5, 2008. Parliamentary elections were scheduled for spring 2008. The election law was corrected along the lines called for by the opposition. Saakashvili's United National Movement Party elected him as presidential candidate, and he resigned as president at the start of the election campaign. Georgia's internal situation was thus again in Saakashvili's hands and US criticism faded.

## **7.17 The presidential elections January 5, 2008**

Following Georgia's presidential election was my first real operational task in my role as special envoy. OSCE's ODIHR monitored

the election and the actual assessment was made by parliamentarians from OSCE countries as well as representatives of the EU Parliament and parliaments of NATO countries. At this point, the CIS countries were not involved, but appeared in the picture during the course of the year. The aim was to assess how free and fair the elections were. ODIHR undertook extensive field work during the preparation phase of the elections and during the election itself. All this was covered in a report produced by ODIHR, which was then put forward to the review of the parliamentarians. My job was not to take part in the assessment, but to see to it that we would get a joint statement by ODIHR and the parliamentarians.

The opposition was very scattered due to Georgia's political system, which concentrated all power in the hands of the president. Thus, the vote was going to be for or against Saakashvili. It was somewhat strange that Saakashvili had done quite a lot of work to rebuild the capital Tbilisi after the turbulent 1990s. Nevertheless, the capital was clearly in opposition to the President. In rural areas, on the contrary, his support was unmistakable. Initially, Saakashvili's position seemed quite strong, but the longer the counting of the votes progressed, the more evident it became that the result of the first round would be very close to the required 50% threshold. Either slightly over or a little below. The official election results indicated that Saakashvili had won the majority in the first round with 53% of the vote. We held a meeting with the election observers on the basis of their information. It was clear that abuses and electoral fraud had occurred in several constituencies. The parliamentarians came to the conclusion that the elections had, nonetheless, expressed the will of the voters. The parliamentarians' position is a political opinion and the ODIHR usually goes along with it, even if the technical evaluation might give rise to many observations.

Saakashvili and his entourage were, of course, subjected to criticism by the opposition. It was claimed that he won the election as a result of electoral fraud. At this point, the US Ambassador John Tefft, who had extensive experience in Russian affairs, found it necessary to support Saakashvili. The US embassy decided to prepare its own report on the election process. Within a few days, the Americans ended up with an assessment that the elections were free and fair. Thus Saakashvili's victory was backed up by the authority of the United States, but doubts increased about the extent of abuse.

The opposition strengthened, and demonstrations against the President gathered force. Saakashvili's position was at stake, and the parliamentary elections in the spring would be decisive.

## **7.18 Kosovo**

In early 2008, several Western countries were ready to recognise Kosovo's independence. Russians implied that recognising Kosovo's independence against Serbia's position would worsen the international atmosphere, and it would have a knock-on effect in other conflict zones. The Kosovo question had its own background. The Kosovo war in 1999 had caused the Serbian President Slobodan Milosevic to refrain from further resistance after the NATO bombing of Serbian cities and rural infrastructure. President Ahtisaari had presented Milosevic with the conditions under which the Americans would stop the bombing. The long-term Russian "energy-man" and Prime Minister Viktor Chernomyrdin took part in the discussions with Ahtisaari. His involvement was necessary in order for Milosevic to understand that help was no longer forthcoming from any quarter. Chernomyrdin subsequently defended his own conduct by saying that thanks to it, Russia saved the world from a third world war. Be that as it may, Chernomyrdin's position in Russia collapsed. His conclusions were not accepted in Russia, even if they were not repudiated either. Chernomyrdin was sent to Ukraine as Ambassador.

The Kosovo solution meant that Russia was in practice forced out of the Balkans. Kosovo Albanians were used to the support of the West and they were no longer content with anything other than full independence. President Ahtisaari began to seek a solution to the question. The time for compromise proposals had already passed. Many Western countries were ready to recognise Kosovo's independence. On the other hand, Russia and Serbia and a number of EU countries were against independence. These countries have their own minority problems, and for them the independence of Kosovo was a dangerous precedent. Kosovo's independence was an issue that badly divided the European Union.

The way in which Finland would proceed in this matter was not insignificant with respect to the OSCE chairmanship. In terms of con-

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flict mediation efforts it might have been advantageous if at least for the time being we would have refrained from recognising Kosovo's independence. But from Finland's own perspective this was not an option and, according to my knowledge, was not even discussed. Foreign Minister Kanerva was warming relations with the United States and as an EU country Finland wanted to be in the Western camp, in "all cores". It was therefore clear that we would recognise Kosovo's independence and that this needed be taken into account when opening contacts to the parties in the conflict area. The division of labour was such that the Minister undertook visits to all the conflict areas, the South Caucasus and Transnistria. This created the necessary political basis for my work, which began after Kanerva's round.

Whereas Russians had stated to the Finns in bilateral discussions that the recognition of Kosovo's independence would significantly deteriorate the international atmosphere, the Transnistrian conflict was at a peaceful stage. Negotiations could be started quickly. In Moscow I informed the Russians that Finland would recognise Kosovo's independence, and I assumed that Russia would show its discontent. I did not want to harm the negotiations on Transnistria by starting in a bad atmosphere, so I asked directly how long Moscow would be showing its discontent. The Russian side stated that they were ready to start negotiations immediately, but indicated, however, that they understood my point. We then met in Vienna on March 15, 2008 with all parties. Agreement was reached on the continuation of the negotiations, but difficulties were in store. In retrospect, of course, it is easy to see that in actual fact Russia did not want to open negotiations in a situation that was disadvantageous to itself. Recognition of Kosovo's independence, Ukraine's unstable political situation and plans of the West for Ukraine to join NATO, the fate of the Crimean Peninsula and the Sevastopol naval base, the difficulties in the negotiations on Treaty on Conventional Armed Forces in Europe and, finally, the instability in the South Caucasus effectively prevented political negotiations on Transnistria.

The situation in Transnistria was a lot like the South Caucasus. The United States and the EU tried to proceed as if the situation was still the same as in the 1990s. But Russia had decided that this time it would not give up. Russia's policy was to emphasise that the solutions found for Kosovo related significantly to other regional con-

flicts. For its part, the West saw that the conflicts had nothing to do with each other and should be treated separately. In the South Caucasus, the Kosovo issue was followed with great interest. Georgia feared that the recognition of Kosovo's independence by many Western countries would increase the possibility of Russia recognising South Ossetia's and Abkhazia's aspirations for independence. Azerbaijan had similar concerns because of Nagorno Karabakh. Armenia did not have these fears, since Nagorno Karabakh's independence or integration with Armenia was in Armenia's interest. Nonetheless, Armenia wisely remained silent and did not bring up a direct connection between the conflicts in Kosovo and Nagorno Karabakh.

## **7.19 Saakashvili raises the stakes in the Great Game**

Saakashvili's second inauguration largely reflected the same issues as the first. Only the characteristics of the army had changed. Now, marching was to the beat. There were more troops and motorised units than before. During the parade, fighter planes appeared above the President's head at exactly the right moment. Training seemed to have done the trick. Russian Foreign Minister Sergei Lavrov wondered to those seated close him whether all these soldiers and weapons were necessary for defending Georgia. The period after the presidential elections was critical for Saakashvili. He had lost the initiative and his dominant position faltered. Parliamentary elections in the spring had to show that the people really supported the president. This could not be attained just by sitting back and waiting for the elections. Neither were there any ways to reform Georgia which could have brought quick gains for his party.

At the same time there was a policy area in which Saakashvili had pledged an active role. His starting point had been that Georgia's state territories would be re-united during his first term of office. Now he considered that the time was ripe to return to this theme. After all, it might raise Georgians' patriotic feelings. By challenging Russia in Abkhazia, he would create tension in the region and also show the extent to which Russia was already in place in Abkhazia,

which Georgia and the West considered as belonging to the Georgian state. After this, the situation in Abkhazia worsened. Russia was repairing railways and other infrastructure in the event that it would have to defend Abkhazians against Georgia. Israel supplied Georgia with unmanned planes, which were capable of collecting intelligence deep in enemy territory. Georgia sent one of these planes to Abkhazia and a Russian fighter plane shot it down.

As OSCE Chairman, Finland had to come up with a forum where this controversy could be dealt with. Such a forum was found, although of course it was clear that the dispute could not be resolved. Georgia had the right to send a UAV, but it should have given prior notice, and it hadn't. Russian fighter planes did not have the right to fly in Georgian airspace, although there was disagreement on the matter. The international controversy continued. Russia organised military exercises in the area, clearly intending to show that it would not swallow everything from Georgia. Saakashvili, for his part, made very harsh accusations towards Russia. Russia then held a military parade on the Red Square in Moscow on May 1, something it had not done for a long time.

Parliamentary elections were held in Georgia in May 2008 in this international climate. Saakashvili's party won an overwhelming majority. There were electoral abuses, but they were predominantly unintentional - free and fair elections could now be afforded. The situation in Abkhazia allowed Saakashvili to re-gain a strong position in domestic politics. He also had to re-gain the initiative, and conflicts were a good tool, without necessarily getting into direct confrontation with Russia. After the parliamentary elections, tensions in Abkhazia decreased, but in South Ossetia they were clearly on the rise again. Georgia had made the decision to create a counterweight for the South Ossetian President Kokoity. This was the former South Ossetian leader Dimitry Sanakoyev whom Kokoity had replaced. Sanakoyev was now leader of the Georgian villages in South Ossetia controlled by the Georgians.<sup>4</sup> He was, of course, a provocation for Ossetians and Russia, and using him did not increase the hopes of reaching mutual understanding. I met Sanakoyev in Tbilisi myself, and he made a very favourable impression on me. If the situation worsened, he was in danger of losing the Georgian villages

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<sup>4</sup>Officially, the Head of South Ossetian Provisional Administrative Entity.

which his mandate was based on, and this was his evident concern. Besides, he had little room for manoeuvre. No sympathy was forthcoming from Russia, so in a way he was prisoner to Saakashvili's policy.

## **7.20 NATO meeting in Bucharest**

In the middle of Finland's OSCE chairmanship, Ilkka Kanerva had to leave the Foreign Ministry. He was replaced by Alexander Stubb, a member of the European Parliament. Stubb was a European politician to the core. He spoke several languages very well and had established good networks in Europe and in the West in general. His appointment heralded a new era with the Internet and mobile phone as smooth working tools. Stubb had also worked at the Foreign Ministry earlier in his career, so he had inside knowledge of the Ministry. What he lacked was experience of Finnish politics and of the Finnish parliament. Russia was a challenge for Stubb in many ways, because he had previously had relatively few contacts with Russians. From our OSCE team's perspective he nevertheless had very positive characteristics. He was an optimist, a quick thinker with an ability to motivate others. The fact that right from the outset he had to deal with Georgia and Russia whose relations were clearly deteriorating did not seem to be a problem for him. Stubb focused his work around a specific project, and as a sporty person, rose to the challenge. He was also able to create contacts with US and Russian Foreign Ministers before the "frozen conflict" in Georgia began to melt and show signs of overheating.

A NATO summit was to be held in April 2008 in Bucharest. A very significant decision was to be made there: whether to offer Georgia and Ukraine the next phase (i.e. the Membership Action Plan/MAP) on the road to real NATO membership. Washington had not been able to make a decision on the matter by springtime. Prior to Bucharest, however, it was possible that Washington would decide to endorse MAP status for Georgia and Ukraine.

And this is what happened. The United States pushed hard for Georgia's MAP-status, Germany was against it. In Bucharest a compromise was sought between the US and German positions. NATO countries were determined to show clear support for Georgia and

Ukraine, even though the MAP phase would not be launched. Compromise was reached: Georgia and Ukraine did not yet embark on an action plan leading to membership, but it was announced that both countries would be accepted into NATO. This was intended for some time in the future, but the interpretations began to have a life of their own. The decision proved to be very bad, as Georgia and Ukraine were disappointed but also Russia was left unsatisfied. NATO countries were now declaring in unison that NATO's doors were open for Georgia and Ukraine, albeit with a short time-out.

Kosovo, Abkhazia, Bucharest were all signposts towards the conflict in August. They were individual events, and their importance seemed quite limited in the West. But their combined weight in Russian calculations was totally different.

The fact that George W. Bush was in his last months in office began also to be reflected in US policy. His administration became weak, and several other contenders found eager ears in the South Caucasus and particularly in Georgia. To what extent Saakashvili received contradictory information about US policy from different sources in the United States is not in my knowledge, but this point cannot be ignored when analysing the events of August 2008.

## **7.21 Estonia joins the Great Game**

The world congress of Finno-Ugric peoples was held in Khanty-Mansiysk, Russia on June 26-30. These congresses take place every three years and rotate alternately in Russia, Finland, Estonia and Hungary. All four presidents were present in the 2008 ceremony. The Russian hosts emphasised Russia's support for the development of Finno-Ugric culture and linguistic preservation. This was, of course, policy statement in principle. In practice, a variety of problems surrounded these issues. All four presidents held their speeches and things were going according to plan until the Estonian president Toomas Hendrik Ilves in his speech said that Russia's Finno-Ugric peoples could not be free until they joined the European Union. President Medvedev did not react to this statement in any way, but the following day the State Duma Foreign Affairs Committee Chairman Konstantin Kosatsev expressed strong criticism against Ilves, who left the room.

I was personally present at the event. I found the statement to be damaging not only to future Finno-Ugric cooperation, but also in terms of the situation in the Caucasus. Former Estonian Prime Minister Mart Laar was an advisor of Saakashvili, and experts from Baltic countries were heavily involved in the reorganisation of Georgian ministries. Russia's strong reaction to Ilves's provocation should have sounded alarm bells with regard to Georgia. I was worried, but I did not draw sufficiently far-reaching conclusions. Russia showed now on several fronts that its patience was being put to the test.

## **7.22 Conflict in Georgia turns into war**

Some attempts were made during the late spring and early summer to create common ground for some kind of political dialogue on the Georgian question. Georgia pushed its own demands very strongly seeking Western support for them. Tbilisi was less concerned with Russia's interests in the region and how they could be taken into account. Georgia attempted to negotiate directly with the Abkhazians and South Ossetians, but formulated solutions which had no hope of being accepted in Moscow. Georgian-Russian relations had been poor throughout Saakashvili's presidency, and because of Kosovo and Bucharest they could not be remedied.

In June, Saakashvili met with President Dmitry Medvedev in St. Petersburg at the CIS summit and discussed Abkhazia. According to Asmus, Saakashvili proposed a solution for Abkhazia whereby Georgian and Russian sectors would be created. They agreed to continue the discussion, but later in Astana, Medvedev was no longer interested in the project. During the summer of 2008, the situation in South Ossetia began to escalate. Georgia's State Minister for Reintegration Temuri Yakobashvili toured Europe and preached war. Yakobashvili's purpose was to warn the West that Russia was preparing to consider military action in South Ossetia, but in actual fact his message had a counter-effect for Georgia. What was really expected of Yakobashvili was information about what steps Georgia would now take to reduce tensions in the region, particularly in South Ossetia. I was accustomed to Georgian political rhetoric and did not interpret the threats of war very seriously. I thought they were Georgian attempts to increase the pressure on the great pow-

ers in order to make progress in conflict prevention and crisis management in South Ossetia. Maybe I was wrong, but I do not believe that at that stage Georgians were thinking of resorting to military action. Georgia therefore increased the pressure at a time when the escalation of the conflict should have been prevented. Yakobashvili's European tour failed also in that EU leaders did not warm up to his war talk. Another kind of tactic would have brought better results. People well-acquainted with Georgian politics were already used to August being a "hot" month. In Tbilisi this meant that conflicts had the tendency to become worse in August. It had been so in the past, without leading to war. Things had become more or less routine, and it was thought that some show-off action was necessary in order to maintain credibility.

The Beijing Olympics were about to begin. I was visiting friends with my wife at Kymijoki on August 7, when I received several calls from Victor Dolidze, Georgia's OSCE Ambassador in Vienna. He seemed very nervous when he said that the war in South Ossetia was very close to beginning. I tried to calm him down, while at the same time considering what Finland as OSCE Chairman could do if the situation was so acute. Our conversation ended with my promise to raise the issue in our OSCE group the next morning.

On the morning news on August 8, I heard that military action in South Ossetia had started during the night. On the way to Helsinki I spoke with Prime Minister Matti Vanhanen on the phone. He was in Beijing, and was scheduled to meet Prime Minister Vladimir Putin later that day. The only thing I was able to convey to the Prime Minister was that as OSCE President, Finland should emphasise the importance of a quick cease-fire to Putin. I did not have details of war events. At midday, we gathered to discuss our own reaction, deciding that I would go to Tbilisi as quickly as possible. Foreign Minister Stubb had a lot of connections, especially to France, which held the EU Presidency. Finnish television news showed images of South Ossetia, where almost parade-worthy Georgian troops were moving toward Tskhinvali, the South Ossetian capital, in transport vehicles. Terhi Hakala, Head of the OSCE Mission to Georgia, was also in Finland. Together we decided to try to go to Tbilisi via Amsterdam. We had heard that the Tbilisi airport had been bombed, but there was no certainty. In Amsterdam, a Georgian airline's plane was waiting, and then embarked on its regular flight as if nothing

had happened.

## **7.23 The days of the war in Georgia**

We arrived in Tbilisi in the evening of August 9, and immediately met Yuri Popov, who was the Russian co-chairman on the Joint Control Commission for South Ossetia. He had stayed in Tbilisi after the beginning of military operations. We saw this as positive insofar as Popov might have an important role if some kind of contact were to be sought between the two sides. Terhi Hakala spoke to Popov about possible relief corridors in South Ossetia to evacuate civilians. The next day we met Georgian Foreign Minister Ekaterine Tkeshelashvili. She seemed very worried and strained. We managed to speak to her about relief corridors for civilian needs. Then the Finnish and French Foreign Ministers Alexander Stubb and Bernard Kouchner arrived in Tbilisi, representing the OSCE and the EU respectively. They had a meeting with President Saakashvili and Foreign Minister Tkeshelashvili with a view to determine what kind of cease-fire proposal Saakashvili would agree to.

The two foreign ministers were in talks in Georgia's Foreign Ministry on August 11, when Kouchner got a call from Paris. Later, we learned that President Sarkozy had been given a mission to mediate. Immediately after the beginning of military operations the US Secretary of State Condoleezza Rice had called for an immediate cease-fire, a withdrawal of both sides to their positions of August 6 as well as for setting up a new international peacekeeping force. Although the Russians did not respond to this proposal in the negative, they did not commit to anything either. Georgia had attacked and gotten the upper hand at first, and Russian counter-measures did not begin to bite straight away. In fact, the Russians suffered heavy casualties in the early stages of the war. Now, when Sarkozy called Kouchner, the situation was different, because Russia had started its counter-offensive. The Americans, naturally, wanted to avoid a situation in which the United States would be faced with Russia. The US did not have many candidates for a mediator who would be credible and welcomed in Moscow. This task was well suited for France, President Sarkozy and the European Union.

Foreign Ministers Stubb and Kouchner continued, however,

drafting a text for a cease-fire. Saakashvili approved the proposal where the central point was both parties withdrawing to their positions prior to the military operations. Saakashvili also proposed that the foreign ministers would visit the city of Gori, which had been bombed. At that time we did not know that the Georgian artillery had been placed outside Gori when late at night on August 7 it opened fire on Tskhinvali.

In Gori it became clear that Kouchner did not want to go to Moscow immediately to take the cease-fire text to Foreign Minister Lavrov, but wanted to visit Vladikavkaz, where the Russian and Ossetian wounded and dead had been transported. This was because Sarkozy was due to arrive in Moscow on August 12 bringing his own proposal for a cease-fire. Stubb left for Moscow via Yerevan. He met with Lavrov in the morning of August 12 and gave him the cease-fire proposal Saakashvili had agreed to. Lavrov was already aware that Sarkozy's plan was more favourable to the Russians, so there were no lengthy discussions on the matter. It is worth noting that Lavrov agreed to receive Stubb in his role as OSCE chairman. This was probably partly due to diplomatic courtesy, but on the other hand the situation on the ground had not yet been resolved on August 11 and thus all options were still under consideration. In actual fact, Stubb's and Kouchner's initiative died when the Russians broke the Georgian defence late in the evening on August 11 and when in the afternoon on August 12 Sarkozy presented his own plan, which was, of course, also supported by the United States.

It is only to be expected that Sarkozy went to Moscow and things were organised there in such a way that later when he went to Tbilisi, Saakashvili was to either accept or reject the cease-fire proposal, which had the support of the United States, Russia, France and the EU behind it. When Stubb and Kouchner arrived in Tbilisi on 11 August, they primarily sought to influence Saakashvili, and Saakashvili still was able to discuss with the Foreign Ministers. But on August 12 the situation was already that the West tried to rescue Saakashvili more or less on Moscow's terms. Another question is what really was agreed in Moscow, and how much space was left to interpretation.

I stayed in Tbilisi while Stubb and his staff travelled to Moscow. In the evening of August 11 the US representative Matthew Bryza arrived in Tbilisi. It was good that Bryza was present, as Georgians had

confidence in him, but he also had autonomy over them. I met Bryza and the Americans at the Marriott, where we were supposed to have dinner together with Terhi Hakala from the OSCE and EU Special Representative Peter Semneby. During the meeting the US Ambassador John Tefft received a phone call from the Georgian Minister of Defence. He informed that the Russians had broken the Georgian defence lines and that Tbilisi was also at risk. Georgians were planning to defend the capital. Bryza was in contact with Washington and it became clear that the United States would not intervene in the course of events in any way. This had, of course, been known for many years, but on the other hand Sarkozy's mission had already been kick-started and the West was counting on it.

Ambassador Tefft, whom I knew from before and with whom I had enjoyed good co-operation, returned to his embassy armed with this emergency information from the Georgian side. I relied on the Americans themselves having high-quality intelligence from the war zone and Tefft acting accordingly. Later, I discovered in Asmus's book that American intelligence satellites were directed to other war zones, and that thus also Washington was at first in the dark about what was happening in the field. The Georgians were able to steer Tefft, and at this stage Georgian information was mostly based on panic. The rest of us moved to the Marriott hotel bar, which might be compared to the Kämp hotel bar in Helsinki during the Winter War. All kind of information was circling there, including information aimed at confusing the adversary. There were ministers, diplomats, media representatives and intelligence service people. In the bar, one of Saakashvili's former ministers now in opposition to the president criticized Matt Bryza for having encouraged Saakashvili, and now Georgia had lost everything. This was not very impressive. In his book, Asmus describes the Georgian Minister of Defence displaying the same kind of attitude in relation to the Americans and Bryza. The Georgians had stepped into their own trap, and now in their moment of distress were accusing Americans for all their ills and woes.

The only impartial and expert eyes and ears which we had at our disposal for information on Georgian and Russian movements, was the OSCE's patrol, which was monitoring the situation as close as possible to the fighting. We waited for the observers' return at the Marriott's bar and noticed restlessness in the city. Several queues had formed on the main avenue. The hastier inhabitants were leav-

ing Tbilisi, which Georgians believed to be the next target of the Russian offensive. I was planning to transfer to the OSCE headquarters, which had good radio connections, should the mobile phone traffic be cut off. Late in the evening the OSCE observers returned to Tbilisi. According to them the situation was becoming clear, because the Russians had limited objectives. Tbilisi would not be in danger. I decided to stay in the Marriott. The OSCE observers told us that the Russians had advanced via Abkhazia to the coastal city of Poti, through which US arms shipments passed to the Georgian army. The city of Gori had also been isolated. It had been the base of the Georgian attack and the location of their artillery.

The next day, August 12, I attended the OSCE press conference for Swedish Foreign Minister Carl Bildt. He had arrived in Tbilisi in the capacity of the Chairman of the Committee of Ministers of the Council of Europe. He was also one of President Saakashvili's supporters. Nothing was mentioned that we did not already know. The situation review was based on Georgia having taken the initiative into its own hands, even though this was not said directly. Similarly, Russia's combat readiness cropped up, although there was no direct criticism of this OSCE country either. I myself was thinking that even Russia's limited aims were sufficient to restore its position in the South Caucasus. In addition, it was relevant to ask why Russia would have seen fit to aggravate the other players of the Great Game by taking over a part of the Baku-Tbilisi-Ceyhan oil pipeline. That would have marked an escalation into a real crisis between the great powers. I went from Tbilisi to Yerevan on August 12 by car. From there I continued to Helsinki via Riga. It was clear that as OSCE president, Finland would be involved in the aftermath of the crisis.

## **7.24 Cease-fire and follow-up**

Foreign Minister Stubb and our OSCE team had to work hard to ensure that the cease-fire would hold. The EU had to agree on a line of approach, and the United Nations had a central role, as it was responsible for Abkhazia, where the Russians had pushed out Georgian troops. The OSCE was also an important forum, because it had a well-functioning mission in Tbilisi, and its vehicles had access to South Ossetia. In Vienna, the OSCE negotiated on the number of mil-

itary observers that could be sent to the region. Finland's team was led by Aleksii Härkönen, and partial decisions were reached. Agreement was found on deploying 20 observers, and there was also talk about later sending one hundred more.

The next phase came at the end of October, when Russia decided to recognise Abkhazia and South Ossetia. This, naturally, changed the situation completely. If the West had still harboured hopes of later discussing Abkhazia's and South Ossetia's status, the time was now over, with Russia guaranteeing the changed agenda. I have to admit that Russia's recognition came as a surprise to me. I had thought that Serbia was important enough for Russia to refrain from recognising Abkhazia and South Ossetia, because by doing so the Russians pulled the carpet from underneath the Serbs on the Kosovo issue. Of course I was wrong in the sense that Kosovo had already been lost and Russia had been pushed out of the Balkans. Now the question was about Russia's interests in the South Caucasus, which borders Russia's very unstable North Caucasus. President Sarkozy's cease-fire proposal and the subsequent EU observers sent to monitor the region marked a change in the EU's status in the region. When I had previously sought to participate in the work of the Joint Control Commission as part of the EU Commission's observer group, the Russians had prevented it. Now Russia was accepting the EU in the region. It was just in very different circumstances. When it was no longer possible to discuss Abkhazia's and South Ossetia's status, the EU's role was in practice reduced to making sure that Georgia did not provoke the situation again.

The follow-up to Georgia's war was launched at a high level in Geneva on October 14, 2008 when the EU, UN and OSCE held a joint dinner. The UN Secretary General Ban Ki-Moon, Foreign Ministers Stubb and Kouchner, the EU High Representative Javier Solana and Commissioner for External Relations Benita Ferrero-Waldner were present. This group still had hopes that Abkhazian and South Ossetia's status could be negotiated. When the negotiations began in practice, they only focused on achieving an arrangement monitoring the cease-fire and establishing mechanisms in case the cease-fire was violated. The talks were not easy. They were conducted by the French diplomat Pierre Morel, who had extensive experience from Russia and Central Asia, where he was also the EU Special Representative. I represented the OSCE together with Terhi Hakala and Janne

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Taalas. The troika of the EU, UN and OSCE, therefore, led the talks. The actual parties were Russia, the United States, Georgia, Abkhazia and South Ossetia. There were a lot of arguments regarding formalities. This is normal. Especially the ID cards of Abkhazian and South Ossetian representatives were hot bargain chips. The main thing in these discussions, however, was that everyone understood how important it was to quickly bring about some kind of code of conduct to prevent further conflicts. The parties' contacts within the region in practice shaped what could be agreed in Geneva, and what not.

Finland held the OSCE presidency, and had to look at the situation from the organisation's point of view. Finland was also an EU member state and naturally supported EU policy. We were cautious as there seemed to be rivalry within the troika. Eventually, the EU accepted that their representatives used OSCE vehicles when needed. As it was already known that Russia probably would not continue the mandate of the OSCE mission to Georgia in the form that it now was, the OSCE's role was consciously reduced. I did not think this was wise policy. What happened in the end was that the OSCE was forced to retreat from Georgia and the United Nations from Abkhazia. The Russians had made their decision about that early on, and the only hope would have been paying more attention to Russia's considerations regarding these missions. All the same, no readiness existed for this. Russia was on its own when deciding the fate of Georgia's mission. However, it was enough, because all decisions within the OSCE are taken by consensus. In addition, in my opinion, this emphasised the fact that Russia fully dominated the situation.

OSCE foreign ministers met in Helsinki on December 4-5, 2008. The OSCE had not been able to organise a summit since December 1996 in Lisbon. It eventually managed to do so during Kazakhstan's presidency in 2010. At the foreign ministers' meeting adopting the final documents proved difficult. Foreign Minister Stubb worked to maintain optimism, even though we knew that we would probably fail. But Stubb's attitude was the right one, because the OSCE Chairman needs to be optimistic. At the end we had to resign ourselves to the fact that no final document was forthcoming. We were too close to the Georgian war and its consequences for any positive results. It is not far-fetched to say, like Foreign Minister Stubb, that the Finnish Presidency blew new life into OSCE mechanisms. Many issues were discussed in OSCE forums in which different parties met each other.

That, too, is already something in a world in which the use of military force has increasingly replaced diplomatic negotiation mechanisms. In the late 1990s and early 2000s the use of military force beyond one's own borders was the exclusive right of the United States and the West. Yugoslavia, the Middle East and Iraq and Afghanistan strengthen this trend. Russia returned to power politics with the war in Georgia. Much has been said about the Georgian war creating a new situation in relations between the West and Russia, and even in international politics as a whole. This is probably true. US attitudes had changed after Barak Obama became president. The US had to focus primarily on domestic issues rather than wasting all its energy on international armed conflicts. Obama wanted to approach Russia, and I think the Russians now gained an advantage in that the United States recognised Russia as an equal partner - even if one could not speak about any real parity. Alongside the US, also Germany, France, Italy and Spain opted for this line of cooperation. The European Union as a whole was not able to do so, because member states have such different perceptions of Russia.

If Finland in the early days of EU membership relied on the EU in its relations with Russia, nowadays the general understanding is that bilateral relations are needed and that they may be an effective way of promoting Finland's interests. This does not preclude the possibility of using the EU, if results can be achieved through that forum.

Signs of decreasing tensions can be detected in the international situation again. The US missile defence system in Europe has been changed to make it less intimidating for Russia. Ukraine has continued the lease of Sevastopol's naval base. Norway and Russia have agreed on the boundaries of the continental shelf in northern sea areas. The Nord Stream gas pipeline is being built through the Baltic Sea. The UN Security Council seems to be operational again. Russia and China did not prevent the West from using military force in Libya. On the other hand, limits were set for this use of military force and due to the developments in Libya the Security Council has not been able to reach effective resolution on Syria.

Regional conflicts in the South Caucasus, Afghanistan, the Middle East and elsewhere are still in a "unresolved" state. The "Great Game" between the great powers is being played out in the region. We are now in a tri-polar world dominated by energy scarcity. We

endured the bipolar world, we survived the unipolar world, so why would we not get along with a tri-polar world view. We do need to develop rules for the new game in order to facilitate a return to the negotiation tables and decrease the use of armed force. The solution to any conflict or crisis can never be permanent, if it does not take into consideration the balance of power in the area and beyond. If the solution is temporary, it probably will create new issues of disagreement for the future. Genuine crisis management is a process that anticipates threats and seeks solutions through forums which have proved to be functional and which are shared by all. The international community is not just some sort of clique or alliance that can be gathered around a specific strategic interest.

## **7.25 Interpretations of the war in Georgia**

I am not going to assess the variety of interpretations as to what really happened in the Georgian-Russian war in detail. Suffice it to mention but a few. There were differing views within the European Union as to why war broke out. The EU even commissioned a study, which ended up stating that Georgia started the war, but Russia overreacted. This kind of review is always politically motivated, and maybe it served to explain the situation to EU countries and especially to Finland. For a long time after the war, the Finnish media was of the opinion that Russia started it. When the *New York Times* then wrote that Georgia had begun the war, Finnish media began to present a more truthful version after all. Nevertheless, the EU believed that Russia did over-react. Russia was undoubtedly prepared for the possibility that Saakashvili would attack. It had tightened its grip in both Abkhazia and South Ossetia. It had also secured the Roki tunnel, which was the only way from North Ossetia to South Ossetia. This is the way great powers usually react when their interests are contested.

I consider Ronald D. Asmus's book to be a good source from among all the American books published on the war in Georgia. It is, of course, a fully American approach in the sense that US policy goals in the South Caucasus are accepted as such whereas the Russian attempts to retain its influence in the South Caucasus and the Caucasus in general are questioned. Asmus was also connected

to the Democratic Party, so his views on the Bush Administration are maybe biased. The book is, however, carefully written, and events are recorded in detail. Asmus criticises the West for not understanding that the Kosovo and Bucharest resolutions stirred up doubt in Russia that the US and NATO were stampeding on Russian positions on all fronts. He assumes that Saakashvili presented concrete initiatives, although they all eventually vanished into thin air, one after another. Asmus does not pay much attention to the way Saakashvili was able to lead the US along as much as he did. This has come to light from other government sources. Matti Vanhanen, who was the Finnish Prime Minister during the war in Georgia, has told the author that when he met President George W. Bush after the war, Bush had stated that the Georgians fell into the Russians' trap. This apparently was the interpretation the US administration of the time was able to live with.

Many books on the Caucasus have also been published in Russia. The history sections are always interesting, as they aim to demonstrate how Abkhazia and South Ossetia have been attempting to separate from Georgia from the late 1700s onwards. That is, before Georgia asked for Russian protection in 1799. Stalin is accused of the fact that Abkhazia and South Ossetia were merged into Georgia. Georgia's efforts to hold on to Abkhazia and South Ossetia in the early 1990s are presented as an example of these areas' continued attempt to separate from Georgia and how Georgia has been trying to subject these areas by force but without success. The rejection of the Soviet Constitution in Georgia in the early 1990s by the Military Council is also seen as an act that justified separation claims. In Russia, the Caucasus wars, including the war in Georgia, are seen as a whole: a 21st century war in the Caucasus. Russia is threatened by both militant Islam and the United States and NATO. Sometimes Georgia's history is described as cyclical. At times moving away from Russia, at other times approaching it. Cycles cover 30-year periods. Ten years have passed since the beginning of the current cycle, so the next change of course should be expected in some 20 years from now.

With all this I just want to point out how greatly perspectives differ. As the EUSR, I often wondered whether all the players of the Great Game could be satisfied with having influence in the region without seeking one-sided domination. However, in the South Cau-

casus this would require a better international climate and new rules for economic competition. In that way, the countries of this region riddled with tensions, and with its Christian churches dating back to the 4th Century, could better protect their own interests.

## **7.26 Finland's role**

In the Cold War world Finland was neutral and was able to offer good offices for the superpowers. Finland has probably never been as influential on the international scene as it was during its first term on the Security Council in 1969-70 and then during the CSCE process, which culminated in Helsinki in 1975. Non-aligned countries then gradually replaced neutral ones, but Finland's active approach as a mediator remained. After the break-up of the Soviet Union, Finland searched for its place in Europe and more widely in the world. In 1995 Finland became an EU member state. It is natural that Finland supports positions and policies which can be agreed on among the EU member states. On the other hand, it is clear that there is a wide range of foreign and security policy solutions within the EU that provide a variety of opportunities for member states to act in the international arena. As a militarily non-aligned country Finland is still able to operate in certain geographic areas thanks to its old reputation, supporting peace building and conflict prevention.

It goes without saying that in terms of disputes between the EU and Russia, Finland's ability to mediate has diminished. It is mainly due to the fact that Finland is an EU member and thus has solidarity with the Union. On the other hand, in 1995-2008 Finland has operated in a way that has decreased our ability to influence. We have seen consensus in the EU even when it did not exist. We indicated for example with the Kosovo question that Finland was following EU policy on the issue, when in fact there was no unified policy. Our desire to identify with the EU's "cores" and trans-Atlantic processes has brought about a role where we are one small actor in a large group. As for the war in Georgia, it can be said that we had no illusions with regard to President Saakashvili's intentions. It was good that we cooperated closely with France, which held the EU Presidency. France and the EU together had the capacity to adopt the role of a buffer between the Georgians and the Russians. I believe

we also watched out for the interests of the OSCE. Nevertheless, we were unable to prevent the trend whereby the OSCE has been ousted from some crisis areas in which the great powers have taken the initiative into their own hands.

I have been left with the impression that on the one hand, Russians saw positive features in the Finnish OSCE Chairmanship, but they undoubtedly had problems in pushing their policy through, because it meant objecting to Finland's policy line. They actually had a habit of saying to some of the Finns that there was nothing personal in the matter. They were only acting in accordance with their own interests. There have been voices in Finland calling for Finland to become a great power in crisis management. However, we should clarify our own position first. In Finland there is no consensus regarding foreign and security policy. How can others take us seriously, if we do not know what we stand for and how others should relate to us. In these circumstances, Finland's goals in the sphere of crisis management are largely left up to individual people and their political and professional capacity. There is nothing wrong in that, but it certainly limits us in crisis management and leaves us out of many tasks which we otherwise could be undertaking. Finland did not manage to organise an OSCE summit in December 2008. Kazakhstan, for its part, was successful and the OSCE Summit took place in Astana in December 2010. The world has become at least tri-polar, if not more. It is time for Finland, too, to wake up to a new era.

## Chapter 8

# Politics of Insecurity: Cross-Border Conflict Dynamics and Security Challenges in Georgia

*Kornely Kakachia*

### 8.1 Introduction

The proliferation, differentiation, and re-configuration of political borders are integral parts of the story of contemporary globalisation. Borders are not fixed lines on the ground but something rather more powerful and dynamic, representing a series of practices and perceptions which are diffused into the society as a whole.<sup>1</sup> Globalisation appears to make borders irrelevant in many ways -exemplified by our awareness that trade, migration, environmental and health issues cross over the borders of many states - and to include large

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<sup>1</sup>Lefteris Topaloglou. *The role and nature of borders*. COST Action IS0803. Working Paper. April 2009. [http://www.eastbordnet.org/working\\_papers/open/documents/Topaloglou\\_The\\_role\\_and\\_nature\\_of\\_borders\\_090414.pdf](http://www.eastbordnet.org/working_papers/open/documents/Topaloglou_The_role_and_nature_of_borders_090414.pdf)

regions of the world. While challenges resulting from globalisation are on the increase, security and terrorism seem to reassert the importance of the borders of each state (Brunet-Jailly 2007, 3). Across more than 100,000 miles of international boundaries neighbours face one another, some in a friendly, others in a suspicious or even a hostile manner.

At the same time, territorial disputes continue to be the most common source of conflict between states and have increasingly become the most frequent reason for violent conflict within states. It is probably proper to claim that territorial boundaries may be less important as a barrier to the movement of capital, people and goods, but the control of these borders and the territory that they encompass often remains a central goal for nation states and citizens. Monitoring borders raises important questions of cross-border cooperation for scholars and policy makers, which call for profound institutional changes and re-conceptualisation of our basic understanding of the symbolic and functional role of borders, borderlands and boundaries.

It is widely accepted that cross-border cooperation contributes to the creation of greater opportunities for people in the border regions. Enhanced regional cooperation can contribute to economic development and integration at the grass roots level as well as better mutual understanding and confidence building across the borders.<sup>2</sup> But this is not the case in the South Caucasus yet. The collapse of the Soviet Union and the opening of the Caucasian states' southern and western borders brought to an end a long period of relative stability and low intensity in international relations (Herzig 2000, 84). While the newly established states (Armenia, Azerbaijan, Georgia) have a similar past, their perceptions about their futures are divergent. Unresolved problems with the delimitation and demarcation of borders have been an important factor impeding the development of cross-border ties. It seems that instead of boosting cross-border cooperation, the region is becoming an area of apparent rivalry, with isolation policies and zero-sum game logic serving as guiding principles for the regional actors. Another weakness of failed cross-border cooperation is a lack of homogeneity (cultural, linguistic, ethnic, po-

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<sup>2</sup>Markus Perkmann and Ngai-Ling Sum. *Globalization, Regionalization and Cross-Border Regions: Scales, Discourses and Governance*. <http://magpie.lboro.ac.uk:8080/dspace-jspu/bitstream/2134/661/3/ch1Perkmann%2BSum.pdf>

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litical, religious, etc.) combined with high political insecurity and visa regimes holding back cross-border communication. This article seeks to examine attempts of cross-border and cross regional relations between Georgia and the Russian Federation in the aftermath of the 2008 conflict; outlines its weaknesses and explains the need for a paradigm change. This article also analyses recent regional developments within the South Caucasus and discusses current security challenges that impede successful cooperation in this field.

## **8.2 South Caucasus: Dynamics of Cross-Border Challenges and Regional Security**

The barrier effect of national borders – as everywhere else – has been created in the South Caucasus by historic developments in the last three centuries and has been reinforced by military, administrative and socio-economic policies. With natural borders, large neighbours and considerable cultural homogeneity at various points in its history, the region is a distinct and interconnected area with a total population of around 16 million.<sup>3</sup> Small in terms of its geographical size, the region is located in a geographical expanse – the region is surrounded by Russia (bordering on Azerbaijan and Georgia), Iran (sharing borders with Armenia and Azerbaijan) and Turkey (with Armenia and Georgia to its east). It is claimed to be both European and Asian, at the crossroads of major world cultures, religions, and economies.

As throughout most of the world, borders in the Caucasus were decided not through local mutual agreement by neighbouring state entities, but instead by external imperial powers. Similarly, territorial readjustments have often been the consequence of war, with territorial changes clustered after major wars more than any other event. As a result, in the age of empires, borders really served to mark military and political extent. The collapse of the Soviet Union gave South Caucasian states a unique opportunity for the first time in the complex history of the region to determine and codify their

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<sup>3</sup>For a detailed account on demographic trends in the region see: Goble 2010.

fate, including mutual border security arrangements.

Armenia, Azerbaijan, Georgia (and Russia) share a compact geographic area, many common cultural practices, and a long, interlinked history. Despite these deep ties, cross-border relations and collaborative efforts on a regional scale have diminished significantly since the dissolution of the Soviet Union.<sup>4</sup> One of the reasons for reduced cooperation is political, ideological and strategic differences among regional players. Ancient as nations, but new as self-governing states, they have each taken separate routes. While Armenia, Azerbaijan and Georgia all seek greater security, their vision of security concerns and perceptions of threats vastly differ. The three countries differ considerably, both internally and in their geopolitical orientations as well. Whereas Georgia grows more oriented toward the West, Armenia is seen as more tied to Russia. Azerbaijan, rich in oil and gas resources, has the luxury of straddling the fence, and even seeking an individual role on the regional level.

Cross-border cooperation was further complicated due to the emergence of ethnic conflicts. As Stephen Jones has observed, the South Caucasus has traditionally been characterised by “the internal conflict, fragmentation, and marginality tendencies encouraged and exploited by its larger neighbours” (Jones 1995 cited in Sabanadze 2002). Stalled and highly problematic relations between the Russian federation and Georgia, Azerbaijan and Armenia, Armenia and Turkey have been a major stumbling block on the way to normalisation. Much of this can be attributed to the lingering political impasse between Georgia and Russia over the separatist regions of Abkhazia and South Ossetia, but deep-rooted socioeconomic hardships and introspective attitudes have also contributed significantly to this state of affairs.

But a major factor undermining not only regional security but cross-border cooperation as well was Russia’s unilateral economic and political sanctions against Tbilisi and military buildup in Georgia’s separatist regions. While these military bases do not promise security, stability or cooperation to anyone in the region, they do not pave the way for the civil and diplomatic solution to the conflicts ei-

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<sup>4</sup>For best accounts on the topic see: Wright, Goldenberg & Schofield 2006 and Coppieters 1996.

ther. On the contrary, Russian heavy military presence turned some of these state administrative boundaries into “sealed” unbridgeable borders (Iron Curtains). As a result, the people in the border regions, who were most affected by the consequences of conflicts, developed mutual fears and animosities. These conditions, in turn, have negative effects on the willingness to cooperate and to establish closer contacts.

As such crises like the one between Russia and Georgia have shown, ethnic animosities, economic crises, refugees, environmental problems and disparities in military power make the area prone to instability. Despite numerous attempts to put the “frozen conflicts” into the framework of different integration projects, they are still far from being resolved.<sup>5</sup> Arguably, they are even further from resolution than ever before. As a result, the consequences of these unresolved conflicts have weighed like a millstone around the neck of the entire South Caucasus. Its costs can still be counted in terms of refugees and internally displaced persons – nearly a million altogether – provinces denuded of population, lost economic opportunities, and disrupted trade. The persistence of these conflicts hampers the concerned countries’ ability to tackle other significant challenges, such as rampant corruption, increasing poverty, unemployment, social unrest, a low level of democracy and religious radicalism.

Interestingly, in a region where religion is routinely seen as part of cultural –and national –identity, it does not seem to play a major role in shaping the foreign policies of the South Caucasian states. Muslim Azerbaijan cooperates closely with Christian Georgia and the two countries have successfully built a strategic partnership in the energy field. Christian Armenia has lucratively broadened its energy, trade and economic relations with the Islamic Republic of Iran and in recent years the two neighbours have developed mutually beneficial projects.<sup>6</sup> Thus, neither religious nor political factors but economic ones appear to be predominant in these ties. In short, twenty years on since independence the region is still searching for a security framework that will satisfy all three countries, as well as

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<sup>5</sup>See in detail: Cornell 2002.

<sup>6</sup>For geopolitical configuration of the main players in the region, see Gachchiladze 2002, 26, 113.

their larger neighbours.

### **8.3 Georgia: Geopolitical factors as determinant for Cross-Border Cooperation**

The problem of how cross-border cooperation can influence good neighbourly relations is multi-dimensional, all the more so if the subject of analysis includes complicated historical, psychological and geopolitical issues. Such is the case in Georgia - a country which has a long history and great potential for cross-border cooperation. The geographic location of Georgia is much more important than its size and economic importance for the rest of the world. It lies at the heart of the Caucasus region. Moreover, out of the nine administrative regions of Georgia only one is an internal region, and all others are located at international borders. Cross-border cooperation, i.e. activity in border regions on the level of communication of the local population as well as civil society, represents a certain foundation for its current and future development.<sup>7</sup>

For the last twenty years, Georgia has gained experience of different forms of cross-border relations. In geopolitical terms the country has played a key role for two competing allies in the Caucasus: on the one hand Turkey and Azerbaijan, and on the other hand Russia and Armenia. Both allies' land communications links cross the territory of Georgia. The role of Georgian borders was vital for these parties during the war in Nagorno Karabakh, especially for Armenia, which was in blockade and had its only link to Russia run through Georgia. Although Georgia maintained neutrality, the control of arms or fuel supply for each party was sometimes a tense question in Georgia's relations with both neighbours, which repeatedly raised questions of border management and smuggling.<sup>8</sup>

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<sup>7</sup>Olga Dorokhina. The international Program "Młokosiewicz-The pilot program of adapting the Polish experience in Cross-Border Cooperation in Georgia." Policy Paper. Polish Institute of Public Affairs and CIPDD. 2007. <http://www.isp.org.pl/files/2619712080548091001202129731.pdf>

<sup>8</sup>Alexander Kukhianidze. *Criminalization and cross-border Issues: The case of Georgia*. Geneva Center for the Democratic Control of Armed Forces (DCAF). Conference Paper.p.8

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Georgia has common land borders with four countries: Turkey, Armenia, Azerbaijan, and Russia. The Delimitation Commission was created in Georgia in 1992, but still today one-third of Georgian border demarcation has not been agreed upon with neighbouring countries.<sup>9</sup> The present Georgian-Turkish border runs along the former Soviet-Turkish border, which is well demarcated and does not incite any debate with Turkish authorities. As of today, the density of transportation and transit means and flows between the west-Georgian and east-northern Turkey border areas resemble the best examples of European cross-border cooperation.<sup>10</sup>

For Georgia there are no serious disagreements on demarcation with Armenia and Azerbaijan<sup>11</sup> where a free entry regime is maintained and inhabitants of the border regions closely cooperate in various spheres. Good examples include trade, health services, participation in religious holidays and cultural activities, and rendering assistance in extreme situations. But the most disputable border for Georgia is that with Russia, which runs mainly through the high mountainous chain of the Caucasus Mountains, and remains the longest Russian Federation external border in the Caucasus. As a matter of fact it had never been demarcated before, and in conditions of tense political and military relations between the two countries this creates even deeper problems, such as the problem of frozen conflicts and Russia's encouragement of separatism in Georgia.

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<sup>9</sup>For comprehensive analyses related to Georgia's challenges promoting border security see: Welt 2005.

<sup>10</sup>In January 2006, Turkey and Georgia reached an agreement on the abolition of the visa regime between the two countries, which allows Turkish and Georgian citizens to stay on the territory of other state for a period of 90 days without an entry visa permit.

<sup>11</sup>While Tbilisi and Baku do not officially regard the border issue as a dispute, some 35% of the 480-km border has still to be agreed. The dispute centres around a 6th-century monastery on the border of the two countries - the monument is known as the David Gareja Monastery in Georgia and Keshish Dag (Priest Mountain) or Keshikchi Dag (Guardian Mountain) in Azerbaijan.

## 8.4 Russo-Georgian Cross-border Relations: Case of Upper Larsi checkpoint

The Upper Larsi border crossing, (traditionally known as the “Georgian Military Highway”) is perched 1,700 metres high in the Caucasus Mountains between Georgia and the Russian republic of North Ossetia. It is the only direct land route left between Russia and Georgian-controlled territory. It is located at the very beginning of the strategically important road leading to the Georgian capital Tbilisi. The highway itself is usually closed in wintertime when heavy snow and frequent avalanches impede safe passage, but this road, which has historically been traveled by both invaders and merchants, is the only place where cargo trucks can cross through the high mountains that divide North Ossetia, Russia and north-east Georgia.

In 2006 Russia closed the border amid growing tensions with Western-leaning Tbilisi that spiraled into war two years later. Armenia, Moscow’s only ally in the South Caucasus, suffered most. Having the land route to Russia via Azerbaijan closed, Larsi was its only hope.<sup>12</sup> In addition, Georgian law-enforcers intensified control over the car routes coming from the Abkhazia and Tskhinvali regions, which almost excluded the chance of not only Armenian citizens but also persons from Russia from further crossing the Georgian-Armenian border. This was an unintended result of the Russian measures against Georgia and was interpreted as unfriendly in Yerevan.

The Russian-Georgian stand-off has reminded Armenians that their country’s economy is too dependent on Georgia as a transit country for its own good. Only in August of 2008, when the war interrupted Armenia’s export trade, the country lost over 600 million USD.<sup>13</sup> At the time, 70-80% of Armenian exports travelled

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<sup>12</sup>Alternative routes to Kazbegi previously traversed Georgia’s Abkhazia and South Ossetia. But those routes have been closed to through-traffic since the bloody separatist wars that wrestled the territories from Tbilisi’s direct control in the early 1990s.

<sup>13</sup>These figures were cited by Armenia’s foreign minister, Edward Nalbandian, during an interview with the French journal *Politique Internationale*, No. 122 (Winter 2009), [http://www.politiqueinternationale.com/revue/article.php?id\\_revue=122&id=789&content=synopsis](http://www.politiqueinternationale.com/revue/article.php?id_revue=122&id=789&content=synopsis)

to Russia, left the Georgian port of Poti for Bulgaria, and were then shipped to Novorossiysk on Russia's southern coast. The whole journey took up to eight or ten days, whereas the road through the mountains and Upper Larsi is relatively quick and cheap. The checkpoint has also been essential for channeling Russia's exports to Armenia.

Armenia continuously expressed its desire to see the border crossing at Upper Larsi opened,<sup>14</sup> Moscow, however, strictly opposed the move and the dramatic change in its attitude deserves attention. In late 2009, the countries unexpectedly reached a deal under Swiss and Armenian mediation to reopen the checkpoint. At first Georgia did not expect any special economic or political benefit from reopening this border crossing point, with two other border crossing points in breakaway South Ossetia and Abkhazia uncontrolled,<sup>15</sup> it considered the Kazbegi-Zemo Larsi border checkpoint as the only legally operating land crossing point between the two countries.<sup>16</sup>

Moreover, according to official information of the Georgian government,<sup>17</sup> the crossing was at first open to citizens of countries of the Commonwealth of Independent States (CIS), a grouping of ex-Soviet states, as long as they did not require visas for either Russia or Georgia. Foreign nationals of those countries which required the Georgian visa for entry into Georgia via this checkpoint had to first obtain a Georgian visa at the embassy of Georgia in their countries. In the beginning, also Georgian and Russian citizens needed visas

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<sup>14</sup>A new checkpoint was built on the Georgian side of the border in 2009 with 2.4 million USD in aid from the United States, involving adding of more traffic lanes to the border crossing station, installing modern search equipment, and constructing offices and barracks for the co-located Georgian Patrol Police and Revenue Service, as well as for installing of radiation equipment to detect radioactive materials. This facility is equipped with new modern equipment which enables Georgia to effectively ensure security on the border.

<sup>15</sup>Editorial note: In November 2011, Georgia and Russia reached a compromise where a Swiss company was assigned to monitor trade and movement of goods in so-called trade corridors on the Abkhazia-Russia and South Ossetia-Russia borders. See: Georgia-Russia WTO Deal in Details, *Civil Georgia*, 18 November 2014 <http://www.civil.ge/eng/article.php?id=24158>

<sup>16</sup>*Civil Georgia*. Georgia-Russia Border Crossing Point to Reopen on March 1. February 27. <http://www.civil.ge/eng/article.php?id=22031>

<sup>17</sup>*Rustavi2*. Foreign Ministry welcomes re-opening of Larsi customs. March 1. 2010 [http://www.rustavi2.com/news/news\\_text.php?id\\_news=35863&pg=1&im=main&ct=0&wth=](http://www.rustavi2.com/news/news_text.php?id_news=35863&pg=1&im=main&ct=0&wth=)

as they were unable to obtain them at the border.<sup>18</sup> At present the border crossing point is open again, bringing Georgia and Russia physically closer, but not politically. The Georgian government under Saakashvili articulated that the opening of the checkpoint did not signify a warming of ties between the two countries. Differences of opinion existed over how to handle residents of breakaway Abkhazia and South Ossetia who wished to cross the border. According to Russia, such residents –most of whom carry Russian passports –can cross into Russia without visas as Moscow recognises the two territories as “independent” entities. This type of discussion is a nonstarter for any government in Tbilisi.

## **8.5 Opening the crossing: Realpolitik or prudent economic approach?**

What incentive prompted the decision to reopen the crossing, also known as Dariali, remains unknown. In large part, the Olympic spirit of peace or at least Russia’s fervent desire to make the 2014 Winter Olympics in Sochi a trouble-free success. Kremlin wanted to do everything possible to ensure that there were no more flare-ups over Abkhazia, just 25 miles away from Sochi.<sup>19</sup> Making a quiet peace with Georgia was one important step toward that goal. Georgia previously opposed opening the crossing, located at a high altitude in the Caucasus Mountains, expressing fear that Russia might use it “for new provocations against Georgia.”<sup>20</sup>

While the negotiations were being conducted, some Georgian analysts hoped that Russia would lift its embargo on Georgian agricultural products if it was also prepared to open the checkpoint, but others stated that territory cannot be exchanged for the chance to

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<sup>18</sup>Georgia removed restrictions it had imposed earlier and starting from July 2, 2011 Russian citizens were able to obtain Georgian entry visas at the Zemo Larsi-Kazbegi border crossing point. See: Georgia Makes Available Visa for Russian Citizens at Larsi. *Civil Georgia* 4 July, 2011. <http://www.civil.ge/eng/article.php?id=23700>

<sup>19</sup>Owen Matthews. Peace Breaks Out in Georgia. Why Russia is extending an olive branch to Tbilisi and other restive regions. *Newsweek*, April 15 2010 <http://www.newsweek.com/2010/04/14/peace-breaks-out-in-georgia.html>

<sup>20</sup>*The Messenger*. Larsi checkpoint reopens: so what? March 3, 2010 [http://www.messenger.com.ge/issues/2056\\_march\\_3\\_2010/2056\\_edit.html](http://www.messenger.com.ge/issues/2056_march_3_2010/2056_edit.html)

sell wine and mineral water. The checkpoint is open; the Russian embargo was lifted only in 2013 and Russia still occupies the Georgia's breakaway regions. Nor were any special benefits given to the Georgians living near the border. At first Georgia received rather limited economic revenue from the reopened checkpoint.<sup>21</sup> Moreover, at the time Georgia insisted that the existence of two illegal checkpoints in breakaway South Ossetia and Abkhazia and illegal trade turnover between Russia and Georgia's separatist regions violated the bilateral agreements previously reached between the two countries. Georgia wanted a role in the customs administration in Abkhazia and South Ossetia as a legal-political sign of its continuing sovereignty over those regions, which Russia refused to recognise.

As a result, the Georgian government considered such actions as a violation of trade rules that contradicted the key principles of the World Trade Organization.<sup>22</sup> It argued that Russia's military presence in two breakaway regions disrupts its border customs arrangements. Like all WTO members, Georgia had an effective veto on new members.<sup>23</sup> However, on November 9, 2011 after several months of tough negotiations Russia and Georgia signed the Swiss-brokered bilateral deal unblocking Russia's bid to join the World Trade Organization (WTO). According to the deal, observers of a private company were stationed at both ends of so called "trade corridors", but not inside of these corridors, meaning that they were not stationed inside the breakaway Abkhazia and South Ossetia. Georgian officials stated that trade corridors, which were defined by their geographic coordinates and not by names, lie through breakaway Abkhazia and South Ossetia. The monitoring involved also the Zemo Larsi-Kazbegi border crossing point, which is on the undisputed section of the Georgian-Russian border, outside the breakaway regions.<sup>24</sup>

Another factor to explain this shift might have been the then nascent Turkish-Armenian rapprochement and Moscow's fear that

<sup>21</sup>Lizaveta Zhahanina. Opening at border Larsi-Kazbegi: a good beginning. *Investor.ge* Issue 2, 2010 [http://www.investor.ge/issues/2010\\_2/03.htm](http://www.investor.ge/issues/2010_2/03.htm)

<sup>22</sup>Georgian Economic Trends. Quarterly review. N4, March 2006. P.10 [http://www.geplac.ge/files/english\\_2006\\_4.pdf](http://www.geplac.ge/files/english_2006_4.pdf)

<sup>23</sup>Jonathan Lynn. Russian WTO bid picks up momentum. Reuters. September 21, 2010. <http://www.reuters.com/article/idUSTRE68K3EB20100921>

<sup>24</sup>Moscow, Tbilisi Hails WTO Deal. *Civil Georgia*. November 11, 2011 <http://www.civil.ge/eng/article.php?id=24129>

without meeting Armenian requests concerning the opening of the border between Georgia and Russia, it would have been difficult to convince Yerevan that its alliance with Russia had no alternative. Perhaps Moscow also wanted to demonstrate to the West that it was moving toward normalising its relations with Tbilisi and the occupation and de facto annexation of Georgian territories should not have been seen as an obstacle that the Georgians might not eventually accept. The Georgian government and pro-government media largely downplayed the re-opening, attributing Tbilisi's willingness to reestablish land communications with Russia to its desire to help its neighbour Armenia, which depends on exports to Russia for much of its revenue. Despite the Government's pessimistic view on Georgia's own economic benefits, the reopening was believed to benefit Georgian farmers living in the region, who for decades had traded with the people of the North Caucasus and were unable to do so while the border crossing point was closed. It seemed that Tbilisi also recognised some economic damage as its trade with Russia was reduced,<sup>25</sup> and the benefits from transit revenues for the use of Georgian territory were dramatically cut.<sup>26</sup>

As Georgia did not expect any special economic or political benefit from the border's reopening, it helped Russia's main Caucasian ally, Armenia, whose only road access to Russia is via Georgia and which found itself also blockaded by default.<sup>27</sup> Azerbaijan expressed concern about the opening of a direct land connection between Russia and Armenia via Georgia. Azerbaijani's concern was based on the fact that through this connection, Moscow could potentially have supplied Yerevan with military cargo designed for the 102nd Russian military base located in Gyumri, Armenia. It should also be noted that the Russian military base is a major element of Armenia's national security strategy, and the Russian-Armenian agreement that was signed August 2010 upgraded Russia's mission in Armenia and

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<sup>25</sup>For detailed analyses on the economic impact of Russian embargo on Georgia see: Livny & Ott & Torosyan 2007.

<sup>26</sup>For years Russia was the largest trading partner of Georgia. The foreign trade turnover between Georgia and Russia in 2006 was equal to 637.4 million USD. However, Russia moved down to the position of the fourth largest trading partner of Georgia with USD 73.3 million in 2010. Source: <http://www.geostat.ge>

<sup>27</sup>At present, landlocked Armenia can trade only with two of its four neighbours, Iran and Georgia, with the borders closed to Turkey and Azerbaijan since 1992.

extended Moscow's lease of its base by 34 years, until 2044.

In such circumstances, if Azerbaijan had received information that Armenia was being supplied with arms through this route, Baku would have immediately reacted and asked Tbilisi for explanations.<sup>28</sup> Under the conditions of almost a cold war with Russia, Georgia could not have been pleased by the intensification of Russia-Armenia military cooperation by use of the Upper Larsi as a transit corridor for military cargos. As a result, on April 19, 2011 Georgian Parliament unanimously endorsed the government's proposal to annul a five-year agreement with Russia which set out procedures for transit of Russian military personnel and cargo to Armenia via Georgia, a step which looked like it had been synchronised with the Armenian leadership.<sup>29</sup>

The Georgian public was divided over the border issue. Some feared that re-opening the border with a country that waged war against their homeland in August 2008 would create additional problems. As Tbilisi has no diplomatic relations with Moscow, Georgians who opposed the move wondered how their government would be able to solve problems stemming from the regulation of transit and border crossing. Others believed that any issue in relation to Russia should be solved within a complex framework aimed at the de-occupation of the two Georgian territories and the restoration of Georgia's full sovereignty (Kvelashvili 2009). While analysts and the general public discussed the advantages and disadvantages of reopening the Kazbegi-Upper Larsi border checkpoint, it seemed that everybody agreed that it is better than nothing. Georgian authorities believed that a closed border contains more threat than an opened one. The government claimed that opening Upper Larsi meant recognition from the Russian side that the economic embargo it had imposed on Georgia was a mistake. It was also assumed that by opening checkpoint, Russia recognised the state border at least on this part of the Georgian territory. However, it should be also noted that the reopening of Upper Larsi was not a sign of the warming of Russian-Georgian relations,<sup>30</sup> it was a merely first step towards the

<sup>28</sup>*The Messenger*. Baku concerned about opening Larsi checkpoint, March 5, 2010 [http://www.messenger.com.ge/issues/2058\\_march\\_5\\_2010/2058\\_econ\\_two.html](http://www.messenger.com.ge/issues/2058_march_5_2010/2058_econ_two.html)

<sup>29</sup>Georgia Annuls Military Transit Treaty with Russia, *Civil Georgia*. April 19, 2011. <http://www.civil.ge/eng/article.php?id=23362>

<sup>30</sup>Ghia Nodia. What Does 'Confederation' Mean In The South Caucasus? *RFE/RL*.

normalisation of Georgian-Russian cross-border relations.

Acute political problems still remain, but the positions of the sides in the humanitarian and economic fields have become softer especially after Ivanishvili ascended to power as a result of parliamentary elections in October 2012. Many regional analysts claimed that Ivanishvili's choice of a foreign policy team suggested he planned to tone down the heated rhetoric that previously had marked bilateral relations with Russia. Accordingly, he tried to adopt a more pragmatic, less ideologically driven and balanced line with Moscow and improve economic and cultural ties with northern neighbour. As a "pragmatic dreamer" he also realised the economic and other benefits of normalisation of relations with Russia and hoped to recover trade and transportation links with reopening the Russian market for Georgian wine and mineral water which took place in 2013. It looked like a small window was opened, through which some oxygen came in.

## **8.6 Introduction of Visa Free regime and Georgia's strategy in North Caucasus**

As the opening of the Upper Larsi checkpoint was a positive move in Russo-Georgian strained relations, Georgia's trans-boundary initiative aimed at embracing Russia's volatile North Caucasus region looked more controversial and politically motivated. On October 11, 2010 the Georgian government unilaterally announced the introduction of a visa-free travel regime for residents of the republics of Russia's North Caucasus region. The initiative is considered to be part of a broader Georgian strategy aimed to improve its image in the region and exercise its soft power against Russia. Visa regulation allowed a 90-day visa-free entry regime for residents of Chechnya, Ingushetia, Dagestan, North Ossetia, Kabardino-Balkaria, Karachay-Cherkessia and the Republic of Adygea, and henceforth the inhabitants from these regions no longer needed to go to Moscow to obtain a Georgian visa.

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September 17, 2010. [http://www.rferl.org/content/What\\_Does\\_Confederation\\_Mean\\_In\\_The\\_South\\_Caucasus/2160662.html](http://www.rferl.org/content/What_Does_Confederation_Mean_In_The_South_Caucasus/2160662.html)

Shortly before that, on September 23, 2010 Georgian President Mikheil Saakashvili described his vision of “a unified Caucasus” at the United Nation’s General Assembly.<sup>31</sup> According to him, the historical move towards Caucasian unity should start with projects in energy, education and cultural fields, and the civil society sphere. “We might belong to different states and live on different side of the Caucasus Mountains but in terms of human and cultural space, there is no North and South Caucasus, there is one Caucasus, that belongs to Europe and will one day join the European family of free nations, following the Georgian path.”<sup>32</sup> He outlined his rhetorical vision of “a united Caucasus” and said he wanted Russia as a partner, and not as an enemy.

Saakashvili also stated that this unity was not directed against anyone and that Georgia did not aspire to change any borders, and he called on the Russian authorities to be part of the process of transformation.

The Georgian Parliament also found its own niche in elaborating Tbilisi’s Caucasus policy. On December 15, 2010, the Georgian parliamentary committee for relations with compatriots residing abroad was renamed into the committee for Diaspora and Caucasus issues with the purpose of reflecting Tbilisi’s focus on Caucasian policy. According to the explanatory note, attached to the draft document, the necessity for amendment was triggered after “the issue of Caucasian solidarity became active”, as well as by the need “to develop unified Caucasian policy.”<sup>33</sup> Moreover, Georgian lawmakers launched on February 18, 2011 a discussion on the national security concept, which replaced the one adopted in July 2005. Georgia’s relations with Russia were discussed in a separate chapter on “Major Directions of Georgia’s National Security Policy.”

The document mentions relations with the North Caucasus in the portion where ties with Russia are discussed and says that establishment of “peaceful and cooperative environment in the North Caucasus region of the Russian Federation is of particular importance

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<sup>31</sup>Remarks of H. E. Mikhail Saakashvili, President of Georgia, The 56th Session of United Nations General Assembly, 23 September, 2010. [http://www.un.org/en/ga/65/meetings/generaldebate/Portals/1/statements/634209147655000000GE\\_en.pdf](http://www.un.org/en/ga/65/meetings/generaldebate/Portals/1/statements/634209147655000000GE_en.pdf)

<sup>32</sup>Ibid. Remarks of H. E. Mikhail Saakashvili, 2010.

<sup>33</sup>Parliamentary Committee Renamed to Focus on Caucasus Issues. *Civil Georgia*. December 10, 2010. <http://www.civil.ge/eng/article.php?id=22961>

to Georgia.” “Georgia realizes the need to deepen and develop relationships with the peoples of the North Caucasus,” the Security Concept reads.<sup>34</sup> The Georgian parliament also debated the possibility of recognising as genocide the 19th-century mass killings of Circassians by imperial Russian forces, and on May 20, 2011 finally made the decision to recognise it as genocide.<sup>35</sup> Thus Georgia became the first UN member state to recognize the 19th century massacre and deportations of Circassians. This garnered noticeable support around the globe among the numerous Circassian Diasporas. The declaration was expected to strengthen calls for a boycott of the 2014 Winter Olympics in Sochi, which the Circassians consider as part of their homeland.

It seems Tbilisi took a note in changing geopolitical trends in this explosive region that is often prone to violence and tried to exert influence on it as it could not ignore it due to historical as well as cultural and political ties with it. The focus on the north Caucasus was also the result of a predominant opinion in Georgia –as well as, increasingly, among liberal elements in Russian society –that one day, in the not too distant future, Russia will lose the north Caucasus, either through violent struggle or by realising the region is simply too expensive to hold on to.

Tbilisi’s trans-boundary policy with North Caucasus,<sup>36</sup> while it may have had a political undertext vis-à-vis Moscow, according to Georgian officials it was primarily dictated by the “humanitarian and commercial needs” of societies in both parts of the Caucasus. Moreover, by showing openness and transparency, Georgia also claimed to rebuild its image among the residents of the two breakaway regions Abkhazia and South Ossetia, and offered them alternative ways of development by turning Georgia into a cultural and economic center of the Caucasus. Besides, it was assumed that the eased travel regulations would divert North Caucasians from Moscow to Tbil-

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<sup>34</sup>National Security Concept of Georgia, [http://www.mfa.gov.ge/files/12\\_9052\\_136720\\_NationalSecurityConcept.doc](http://www.mfa.gov.ge/files/12_9052_136720_NationalSecurityConcept.doc)

<sup>35</sup>Giorgi Lomsadze. Georgia Recognizes Circassian Genocide. *Eurasianet.org*. <http://www.eurasianet.org/node/63530>

<sup>36</sup>For comprehensive report on developments in North Caucasus see: Andrew C. Kuchins, Sergey Markedonov, Matthew Malarkey, “The North Caucasus: Russia’s Volatile Frontier”, CSIS Report, March 2001 Available at: [http://csis.org/files/publication/110321\\_Kuchins\\_NorthCaucasus\\_WEB.pdf](http://csis.org/files/publication/110321_Kuchins_NorthCaucasus_WEB.pdf)

isi where education and medical treatment was more affordable for them.<sup>37</sup> Claiming that a polarised media environment and barriers to trade and transport had cultivated misunderstandings between Tbilisi and North Caucasian republics, the Georgian government also launched a Russian-language television channel, the “First Caucasus,” which was primarily designed for North Caucasus audiences. While the Government considered that Georgia’s popularity and attractiveness in the neighbourhood was on the rise, Tbilisi was experiencing difficulty in convincing the West of the usefulness of its North Caucasus engagement.

According to a western analyst,<sup>38</sup> with pursuing this new Caucasus policy Tbilisi, which needed stability on its northern border, was playing the irrational card.<sup>39</sup> Critics said that Georgia’s decision to introduce a visa-free policy for residents of the North Caucasus was provocative toward Russia and some of the Georgian government’s steps appeared to have nothing to do with engagement.<sup>40</sup> Some considered Georgia’s initiative as a calculated attempt to repay Russia for stationing troops in breakaway South Ossetia and Abkhazia, and recognising both regions as independent from Georgia.<sup>41</sup> Opponents warned that the new Georgian policy in Moscow’s eyes appeared as a strategy to divide the North Caucasus from the rest of Russia, promote separatism and possibly terrorism, thus reinforcing Russian paranoia and fuel Russian-Georgian tensions. Echoing this perception of certain western analysts, in an annual worldwide threat assessment hearing at the US Senate Select Committee on Intelligence, U.S. Director of National Intelligence stated that “Moscow’s continued military presence in and political-economic ties to Geor-

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<sup>37</sup>Eka Janashia, Georgia eases visa rules for residents of North Caucasus. *CACI Analyst*. September 27, 2010. <http://www.cacianalyst.org/?q=node/5438>

<sup>38</sup>Oliver Bullough, Letter From Tbilisi: Towards a United Caucasus. *Foreign Affairs*. December 23, 2010. <http://www.foreignaffairs.com/features/letters-from/letter-from-tbilisi-toward-a-united-caucasus>

<sup>39</sup>Thomas de Waal. North Caucasus of the Bizarre. *The National Interest*. November 1, 2010. <http://nationalinterest.org/commentary/caucasus-bizarre-4334>

<sup>40</sup>Samuel Charap and Cory Welt. A More Proactive U.S. Approach to the Georgia Conflicts. Center for American Progress. February 2011. P.47. Available at: [urlhttp://www.americanprogress.org/issues/2011/02/pdf/georgia-report.pdf](http://www.americanprogress.org/issues/2011/02/pdf/georgia-report.pdf)

<sup>41</sup>Giorgi Lomsadze. Georgia: Using the North Caucasus to Give Russia a Taste of Its Own Medicine? *Eurasianet.org*. November 24, 2010. <http://www.eurasianet.org/node/62440>

gia's separatist regions of South Ossetia and Abkhazia, combined with Georgia's dissatisfaction with the status quo, account for some of the tensions. Georgia's public efforts to engage with various ethnic groups in the Russian North Caucasus have also contributed to these tensions."<sup>42</sup>

While the initiative seemed somewhat risky and Moscow viewed the step as a "provocation", the Russian online tabloid Kavkaz-uzel.ru reported that interviewed residents of Chechnya and Adygeya mostly reacted positively to the Georgian initiative,<sup>43</sup> although some thought that visa free travel opportunities should have been provided for other citizens of the Russian Federation as well.<sup>44</sup> But at the same time, some were concerned that the Russian authorities, because of their anger at Tbilisi, would "toughen the rules" for border crossing into Georgia in order to prevent more people from visiting the country.<sup>45</sup> Among other things, it offers the citizens of the North Caucasus the shortest route for hajj<sup>46</sup> and Muslim pilgrims are taking advantage of an

<sup>42</sup>US Intelligence community. Worldwide Treat Assessment. Statement for the record. February 16, 2011. <http://intelligence.senate.gov/110216/dni.pdf>

<sup>43</sup>Жители Чечни приветствуют отмену визового режима с Грузией. окт. 17 2010. <http://www.kavkaz-uzel.ru/articles/175633/>

<sup>44</sup>Editorial note: Since February 2012, Georgia has granted visa free travel to all citizens of the Russian Federation for 90 days (Georgia Lifts Visa Rules for Russia, *Civil.ge*, 1 March 2012, <http://www.civil.ge/eng/article.php?id=24502>). However, Russia has not taken reciprocal steps to introduce a visa free regime for Georgian citizens, but only eased regulations in cases of cultural and youth exchanges or visiting relatives ('Russia is not prepared to switch to visa-free travel with Georgia' - Sergey Lavrov, *Georgia Journal*, 18 December 2013, <http://www.georgianjournal.ge/politics/25717-russia-is-not-prepared-to-switch-to-visa-free-travel-with-georgia-sergey-lavrov.html>). One of the stated reasons for Russia to maintain visa requirements for Georgian citizens is the Georgian law on occupied territories. In particular article 4. of that law which criminalises entry into South Ossetia or Abkhazia from territory other than Georgia (The Law of Georgia on Occupied Territories, Article 4. Limitation on Free Migration in the Occupied Territories, <http://www.smr.gov.ge/docs/doc216.pdf>). It is also noteworthy that Russian Federation was not among the thirteen countries with which Georgia tightened visa requirements in September 2014.

<sup>45</sup>Георгий Зедгенидзе. Грузия ведет борьбу за умы и сердца российских горцев. Slon.ru, September 10, 2010. <http://slon.ru/blogs/gzegidze/post/479724/>

<sup>46</sup>For more information on role of hajj in North Caucasus republics see: Mikhail Alexseev, The Impact of the Hajj Pilgrimage in the North Caucasus. PONARS Eurasia Policy Memo No. 74. September, 2009. [http://www.gwu.edu/~ieresgwu/assets/docs/pepm\\_074.pdf](http://www.gwu.edu/~ieresgwu/assets/docs/pepm_074.pdf)

overland route via Georgia. According to Georgian officials, the offer attracted more than 12,000 visitors in the first three months after the new visa regime was introduced.

Besides of Moscow's resentment and criticism in and outside of Georgia, there were mixed reactions to Georgia's policy towards the North Caucasus by Georgian civil society. Georgian public and opposition politicians pointed out many other risks that the initiative may generate. They argued that under the visa free regime, North Caucasian militants could penetrate into Georgia, which would constitute a security threat and might jeopardise the situation in Georgia. Others claimed that Georgia which itself suffered from Russia's unilateral attempt to revise borders<sup>47</sup> cannot craft a Caucasus policy on its own.

However, it seemed that, while being aware that the proposals put forward towards the North Caucasus increased pressure against Georgia from Russia, Georgian authorities didn't share any alarmist ideas, and asserted that the visa free regime has not created any threat to Georgia's national security. On the contrary, according to their estimations at the time, Russian threats towards Georgia may significantly decrease in the context of increasing solidarity towards the North Caucasian nations. The government claimed that amid sustained military tension with Russia, pursuing a North Caucasus policy was important as Russia's gradual strategic retreat from the Caucasus appeared irreversible. In Georgia's geostrategic calculation, Russia and the Caucasus mentally as well as emotionally have already separated from each other. According to this narrative, Georgia had no choice but to shore up relations with all their neighbours as previously Russian offensives against Georgia had sometimes included military detachments from the North Caucasus republics.<sup>48</sup>

While Georgia's unilateral trans-boundary initiatives might have

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<sup>47</sup>In December 2003, Russia unilaterally simplified visa rules only for residents of Georgia's Adjara Autonomous Republic, a move described by Moscow at the time as "a temporary measure," which triggered protest in Tbilisi. Before that Russia introduced visa rules with Georgia in December 2000; the decision, however, did not apply to residents of Abkhazia and South Ossetia, which at the time were formally recognised by Moscow as part of Georgia.

<sup>48</sup>When the Russian military poured into South Ossetia during the five-day war of 2008, for example, the most feared units came from a war-hardened Chechen battalion.

posed some danger for Tbilisi itself, it may also have overshadowed a process of genuine engagement in cross regional cooperation with Russia. Clearly, it is in Georgia's interest to have a stable northern frontier. However, remembering well what the neglect of this region caused in the 1990s, when in response to ethnic conflicts in Georgia, the North Caucasus became infused by anti-Georgian sentiments. Therefore developing good neighbourly relations with the North Caucasian republics is of paramount importance to Georgia. Georgia has historically had close relations with all ethnicities across the Caucasus and there is a pervasive, popular belief among Georgians that most of the North Caucasians are related to them ethnically and linguistically. Moreover, the notion that Georgia aspired to become the leading country for a "Caucasian federation" was not new and dated back at least to period of collapse of tsarist Russia in 1917, when newly independent Georgia tried with active assistance of imperial Germany to take a lead in forming a federation of Caucasian people. However, this attempt did not materialise due to the collapse of the Transcaucasian Democratic Federative Republic<sup>49</sup> and later the annexation of the Georgian Democratic republic by Soviet Russia.

Additionally, it seemed that Georgia sought to increase its economic interaction in the North Caucasus as a way to restore its territorial integrity in the long run. Put differently, Georgia intended to boost the economies surrounding South Ossetia and Abkhazia as a way to induce them to desire a future together with Georgia rather than survive in a fragile *status quo*. Questioning the attraction power of Georgia, it was hard to believe that Georgia had been able to attract many people from the republics of the North Caucasus since Russia had much more attraction power than Georgia.<sup>50</sup> Having said that, it is hard to imagine that Georgia's peaceful "soft power" initiatives have made matters worse in North Caucasus. But what is quite

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<sup>49</sup>The Transcaucasian Democratic Federative Republic, (Zakavkazskaya Demokraticheskaya Federativnaya Respublika (ZKDFR) also known as the Transcaucasian Federation was a short-lived state (February 1918 -May 1918), composed of the modern-day countries of Armenia, Azerbaijan, and Georgia in the South Caucasus.

<sup>50</sup>Agshin Umudov. Why Does Georgia's Visa-free Regime in the North Caucasus Concern Russia? *Journal of Turkish Weekly*. October 22, 2010. <http://www.turkishweekly.net/news/108867/-jtw-analysis-why-does-georgia-39-s-visa-free-regime-in-the-north-caucasus-concern-russia.html>

evident is that the entire Caucasus needs a comprehensive strategy that would transform the region from an area of confrontation into an open geo-economic system. Russia and Georgia should formulate a new agenda which would allow them transform their interest for mutual accommodation or even complementarity of those interests.

The new agenda should be based on the recognition that there is a time, albeit very limited, and resources to utilise existing competitive advantages of cross-border and cross regional cooperation. Economic cooperation, demilitarisation and decriminalisation should be parallel with confidence building measures, including the implementation of joint regional programs. These projects could have manifold effects, such as the restoration of the economy in conflict-torn areas and encouragement of human contacts via joint business activities, thus facilitating reconciliation. The stability based on cross-border and cross regional cooperation in the Caucasus may, over time, have a positive impact on Georgian-Russian relations. However, a legal vacuum is a risk giving rise to increasing conflict rhetoric. In general, the North Caucasus continues to play a decisive role in the future of the South Caucasus and the Caucasian security complex as a whole. The viability of independent states in the South Caucasus is inconceivable without minimal political stability in the North Caucasus.

However, after Ivanishvili's more cooperative policy towards Russia, things could be changing in relations with the North Caucasus. As a first step towards this direction, Ivanishvili placed Georgia's former ambassador to Moscow, Zurab Abashidze, in a new post as Special Representative for Relations with Russia who reported directly to the Georgian Prime Minister. Ivanishvili also expressed hope that Moscow would reciprocate. It seemed that with such steps Tbilisi tried to test whether or not Russia had changed its approach towards Georgia in the changed political reality. Overall, whatever the real outcome might be of political flirting with the Kremlin, finding a middle path between confrontation and capitulation was one of the toughest tasks for Ivanishvili's government.

## 8.7 Conclusion

The post-Cold War and post-9/11 periods have seen the rise of border walls, symbols of separation which seemed to be on the way out in the wake of decolonisation, and were believed to be entirely finished and done with the end of the Cold War. However, the fall of the Berlin Wall did not mean the end of security arrangements, and security infrastructures like fortified borders, even in a highly globalised world. Instead it signalled the beginning of a new era of security arrangements focusing on borders and borderlines. The Russo-Georgian conflict in 2008 was a reminder that a Europe that is whole, free, and at peace remains a goal still to be achieved – a project not yet accomplished, and a challenge, unmet.

The hard line positions taken by Moscow and Tbilisi on the regional conflicts resulted in a stalemate in their relations, heavy defence expenditures and ineffectiveness of regional cooperation. With no side in the mood to make concessions, the status quo grows ever more entrenched. As most of the South Caucasus conflicts have cross-border and cross regional dimensions, cross-boundary cooperation between countries should be an integral part of any strategy to reduce conflict. Cross-regional cooperation is also the most effective instrument to gradually reduce the effect of the conflict between Georgia and Russian Federation. It should be seen as a tool for conflict transformation and peace-building, as they promote confidence-building across ceasefire lines and increase engagement with separatist regions.

Problems and challenges in creating an alternate architecture for conflict resolution and cross-border cooperation between Georgia and Russia are numerous. First, the forces that have benefited from the decades of violence in conflict regions will create maximum obstacles to the process of reconciliation, peace and conflict resolution. So far, the vested interest groups have succeeded in subverting efforts for purposeful dialogue and settlement. Second, false egos and stubbornness of the parties involved in the conflict will also make things difficult for either establishing or strengthening an alternate architecture for conflict resolution process in Georgia. Until the time that there exists an element of maturity, prudence and sincerity among those who matter in the Russo-Georgian conflict, it will

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be difficult to change the paradigms of conflict and remodel these on pragmatic and realistic lines that are so much needed for cross-border cooperation to kick off.

Whereas for Russia, Abkhazia and South Ossetia may be a major issue negatively affecting Russo-Georgian relations, it is certainly not the core issue as repeatedly stated by Tbilisi. The holding of a composite dialogue between the new government of Georgia and Russia to discuss various critical issues, including Abkhazia and South Ossetia, has been a positive development as far as the process of conflict resolution in these troubled regions is concerned. The primary objective of cooperation (especially in conflict regions) should be to support the activities aiming at spatially unlimited development, naturally interconnecting these regions with neighbouring regions in all directions of geographical space. Such a development should aspire to minimise the influence of the boundaries and their barrier effects. The cardinal purpose of this kind of cross-regional engagement is building confidence, reducing the disadvantages of borders and improving living conditions of inhabitants. Fulfilling these goals is not simple and there were some signs that Ivanishvili's government understood this.

In the short and medium term it is hardly possible to expect any major improvements in the relationship between Tbilisi and Moscow even under a government formed by the Georgian Dream coalition, taking into account that Russia occupies 20% of Georgian territories which the international society considers to be integral parts of Georgia and hundreds of thousands of internally displaced persons and refugees are without proper shelter in Georgia. The Russian decision to move missiles into Georgia was believed to be a dangerous move that was clearly in violation of the ceasefire agreement between Presidents Medvedev and Sarkozy. But if Georgia and Russia will decide towards going forward, to kick off cross-border and cross-regional cooperation initiatives, which have so far been under-used, it could pave a way towards a normalisation of relations at least on the local level. The gradual softening of border control and administrative boundaries in Georgia's separatist regions controlled by Russia and the step-by-step management of separatist conflicts are good steps to follow. Therefore the opening of the Larsi-Kazbegi checkpoint could be considered as a first step towards the right di-

rection in countering the alienation among the people of different ethnic backgrounds across the borders.

Capitalising on the positive trends on cross-border contacts of recent years between Moscow and Tbilisi will require a cooperative, transparent and creative approach not only from Georgia and Russia, but also from the European Union and the United States. As the world remembers the violence that erupted six years ago in Georgia, it should not be forgotten that the frozen conflicts in this part of the world were neglected for years as hopelessly complex and unworthy of attention by Western leaders and governments. If attention is not focused on Russo-Georgian rapprochement and the resolution of ongoing conflicts in the near future, a valuable opportunity will be lost.<sup>51</sup>

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<sup>51</sup>Editorial note: However, at the end of 2014 prospects for cross-border cooperation between Georgia and Russia & separatist entities (Abkhazia & South Ossetia) appear weaker. Russia and Abkhazia are negotiating a new alliance and partnership treaty and if approved, it would be detrimental to many cross-border initiatives aimed at conflict transformation. For example closing all crossing points between Georgia and Abkhazia on the Enguri river except one; providing access to Russian health care system to those citizens with Russian passports; relocating border protection assets from the Abkhazia-Russia to the Abkhazia-Georgia "state border"; preparing conditions for free movement of people and goods between Russia and Abkhazia; harmonising customs and tax legislation of Abkhazia and Russia and preparing a way for Abkhazia's entry in one form or another to the Eurasian Union in the future. See: Russia-Proposed Treaty with Abkhazia on 'Alliance and Integration', *Civil.ge*, 13 October 2014 <http://www.civil.ge/eng/article.php?id=27714> Sokhumi Offers Its Draft of New Treaty with Russia, *Civil.ge*, 3 November 2014 <http://www.civil.ge/eng/article.php?id=27768>

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## Chapter 9

# The EEU, the EU and the New Spheres of Influence Game in the South Caucasus

*Suvi Kansikas and Mikko Palonkorpi*

The South Caucasus is a geographical region. It could even be regarded as a cultural region in the sense that there are certain typically Caucasian cultural traditions or dimensions to which all the region's ethnicities can in a varying degree relate. However, in the two decades following the collapse of the Soviet Union, the South Caucasus has not been politically or economically integrated.<sup>1</sup>

Given its strategic location, the South Caucasus is a region in which major external powers have competing energy-, security- and prestige-related interests. Compared to Russia, Turkey, Iran, and even the United States, the EU has been somewhat of a newcomer: its presence has been low-key and centred on the provision of assistance through various programmes. On the other hand, its member

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<sup>1</sup>For a more intensive historical analysis of the missed opportunities of the South Caucasus regional integration, see the article by Jeremy Smith in this book.

states, such as Germany and the UK, as well as Estonia, have been active there already before the 2000s. As a sign of increased interest of the EU in the South Caucasus region, Ambassador Heikki Talvitie was nominated as the first EU Special Representative for the South Caucasus in July 2003.<sup>2</sup> Today the EU is by far the largest donor in the region and the most important trade partner for all three Caucasus states.<sup>3</sup>

A new phase of EU engagement started in 2004 with the inclusion of the three Caucasus countries into the European Neighbourhood Policy (ENP). This was followed a few years later by the launch of the Eastern Partnership (EaP). The policy steps by the EU have been countered by Russia's reciprocal actions such as the launch of the Eurasian Customs Union in 2010 and the soon to be launched Eurasian Economic Union (EEU).

This new phase of Euro-Eurasian integration has created yet another layer of region-dividing, centrifugal forces in the South Caucasus. Already since the independence of the three countries in the early 1990s, the defining feature of the region has been a complete lack of attempts of comprehensive and region-wide political and economic integration.<sup>4</sup> Centrifugal forces of the protracted ethno-separatist conflicts in Nagorno Karabakh, Abkhazia and South Ossetia have driven the parent states and the aforementioned non-recognized separatist "states" apart.

As a consequence, first of all, all three countries of the region have become political entities with contested borders and boundaries. And secondly, they have chosen to integrate into and with mutually opposing formal and more informal alliances involving actors outside the South Caucasus region. These are for instance the NATO, the EU, the EEU, the CSTO (Collective Security Treaty Organisation), the CIS (Commonwealth of Independent States) and the GUAM, comprising of Georgia, Ukraine, Azerbaijan and Moldova.

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<sup>2</sup>COUNCIL JOINT ACTION 2003/496/CFSP.

<sup>3</sup>See: European Commission trade policy.

<sup>4</sup>At best, the economic cross-border cooperation between the conflicting sides has taken place on two grass-roots level markets, one in Ergneti in Georgia, where Ossetians and Georgians traded with each other. The other one is in Sadakhalo, Georgia, where Armenians and Azeris were previously able to conduct business together. Both markets were closed on the grounds of smuggling and other criminality charges by the mid-2000s (de Waal 2012, 1721).

Subsequently, the states and *de facto* states<sup>5</sup> in the South Caucasus are bound together not only by protracted conflicts, but also by competing and mutually exclusive sovereignty claims. These contribute to the disintegration of the existing states as well as to the lack of political cohesion of the region as a whole.

The lack of regional political and economic integration in the South Caucasus resembles the situation in Central Asia, where intra-regional integration has also been non-existent. There is, however, a distinction between the regions: due to the unresolved conflicts in the South Caucasus, in the near future, regional integration is much more unlikely to occur there than in Central Asia. Under such conditions, it is perhaps unrealistic to compare the South Caucasus with a politically and economically tightly integrated area like Western Europe.

Nevertheless, there is one seemingly weak, but important similarity. When the European Coal and Steel Community was established in 1952, the embryonic Western European integration was partly based on energy integration. The nascent European integration evolved around the idea that the integration of the coal and steel production capacity of the six participating European countries, most importantly the former enemies France and West Germany, needed to be brought to such a high degree that it would raise the bar for waging war between its members. Also in the South Caucasus, energy cooperation has been the most successful form of integration. The construction of the Baku-Tbilisi-Ceyhan oil export pipeline (BTC) and the South Caucasus gas pipeline (SCP) have so far been the most successful examples of integration and cross-border cooperation in the region.<sup>6</sup> The BTC and the SCP have integrated two out of three of the South Caucasus countries (namely Azerbaijan and Georgia) more closely together with each other and with Turkey.

These energy transit projects involve elements of voluntary economic integration between Azerbaijan, Georgia and Turkey. They seek to establish a trans-border energy transit infrastructure from the Caspian production region to the export hubs in the Mediterranean and North-Eastern Turkey. The idea is to in the future con-

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<sup>5</sup>Depending on the perspective, also the term “partially recognized states” has been used in this context.

<sup>6</sup>For more on the EU’s Southern Gas Corridor, see the article by Gulmira Rzayeva in this book.

nect gas pipelines from the Caspian even further to the European gas distribution networks.

However, when this South Caucasus energy-driven integration is compared with the also partly energy-driven embryonic stages of the West European integration of the early 1950s, one may notice that in the South Caucasus (energy) integration, the aspect of conflict potential reduction through integration is to a large degree missing. The lack of a de-securitizing element is due to the exclusive rather than inclusive nature of Caucasus energy integration: Armenia has been left out of it.<sup>7</sup> Therefore the South Caucasus (energy) integration has strengthened existing divisions and tensions rather than defusing them, as happened in Western Europe.

Another major difference between the processes is that while the US has been supportive of West European integration even when it has worked against some of its own national interests, Russia has been a less of an integrating power for the countries of the South Caucasus. In fact, Russia seems to be pursuing divide-and-rule policies, a tradition inherited from both the Russian empire and the Soviet Union. On the other hand, as Thomas de Waal has argued, the Soviet Union could be seen as the most successful case of the (Russian-led) integration in the South Caucasus: it left behind the legacy of integrated transport (and energy) networks and Russian as a common language that is spoken in all three countries (de Waal 2012, 1719; 1722).

As Georgia has recently deepened its ties with the European Union and Armenia has committed itself to the Eurasian Economic Union, the whole region will be affected. A new supranational layer and new institutions have been added into the power equation of the South Caucasus. The aim of this article is to investigate how the competition of the two seemingly incompatible integration processes will affect the South Caucasian states and especially Armenia.

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<sup>7</sup>However, it should be noted that the director of the state oil company of Azerbaijan, Sabit Baghirov, made offers already in 1993 for Armenia to receive substantial economic benefits from the then planned oil transit pipeline projects in exchange for compromises in the Nagorno Karabakh. The Armenian side rejected these so-called "peace pipeline" offers with the argument that Armenia would not trade Karabakh for oil. Alieva (2011), 201.

## 9.1 The new integration projects divide the region

Economic and political integration has proceeded at a quick pace on the Eurasian continent since the collapse of communism in the early 1990s. East European former socialist countries joined the European Union and NATO in the 2000s. Since 2004, the EU has been present in the South Caucasus through its European Neighbourhood Policy (ENP) – a wide-reaching foreign policy programme for the countries of the former Soviet Union (excluding the Baltic States that already joined the EU). The countries are offered the possibility to establish closer political, economic and cultural links with the EU. A new phase of EU engagement started in 2009 with the launch of the Eastern Partnership (EaP).

However, the stability and prosperity the EU is offering to the countries is being contested by another integrationist force: Russia is also seeking closer economic and political cooperation with the countries of the former Soviet Union (FSU). Russia wants to offer these countries an alternative integration model: its crown jewel is the Eurasian Economic Union (EEU), to be built on the already existing Customs Union of Belarus, Kazakhstan and Russia (ECU). It starts operating in January 2015 with Russia, Kazakhstan and Belarus as its founding member states. The prospects are that Armenia will follow shortly afterwards. On 14 November, the Armenian Constitutional Court gave a ruling on the constitutionality of the EEU treaty and the Parliament is intent on ratifying it later this year. Armenia is expected to join the Eurasian Economic Union once it starts operating.<sup>8</sup>

Seen from Moscow, the EaP is a direct challenge to Russia's influence in the FSU. And consequently, seen from Brussels, Russia's Eurasian Union project challenges both the partnership countries' sovereignty to choose whom to align with, as well as the legitimacy of the EU's presence in the South Caucasus.

The South Caucasus has thus recently become the target of two integration projects that are competing for partners and members. The effect of this competition has been that the South Caucasus re-

<sup>8</sup>Karlen Aslanian, Constitutional Court OKs Armenian Entry To Eurasian Union, *Azatutyun.am*, 14.11.2014, <http://www.azatutyun.am/content/article/26692504.html>.

gion is divided into two: each of the three countries has opted for a different integration option. Armenia has aligned with Russia, Georgia with the EU, whereas Azerbaijan considers limited cooperation with both.

Armenia decided to seek membership in the Eurasian Customs Union in the fall of 2013; the extent to which this was due to Russian pressure is a matter of debate. By its decision to seek alignment with the Customs Union, Armenia effectively ceased its negotiations on the EU Association Agreement (AA). Georgia, on the other hand, sealed its Western orientation by signing an AA in the summer of 2014. Azerbaijan, for its part, has a limited interest in cooperation with the EU, and none for the EEU. It does not seek closer association with the EU, although it has an agreed Action Plan with it. With an influx of substantial oil and gas windfalls, Azerbaijan considers that the EU needs its hydrocarbon resources more than it needs the EU. From Azerbaijan's side, there is a lack of interest in cooperation due to the EU's normative policies: closer and deeper cooperation implies more emphasis on sensitive human rights and democracy issues.

The external actors seem to play a zero-sum game in making the countries "choose sides". The EU's policy as such was compatible with the commitments already made by the EaP countries, for instance their membership in the CIS free trade area. On the other hand, the provisions of the Deep and Comprehensive Free Trade Agreements (DCFTAs) the EU offered to the partnership countries are not compatible with membership in the Russian-led Customs Union. The fact that both Russia and the EU wanted to see the Eastern European countries join their own integration projects – which are incompatible – polarised the situation.

It is very worrisome that the decision to join one group, or that one is made to join, clearly has unwanted outcomes, as the cases of Armenia and Ukraine demonstrate. What is even more crucial is that there seemed to be, mostly for political reasons, no real effort from either side to find complementary solutions that would allow alignment with both of them. The EU and Russia have been engaged in negotiations over the Ukrainian crisis. No such commitment was seen prior to the escalation of the conflict.

Membership in the Eurasian Customs Union as well as EU's AA/DCFTAs will have direct consequences on the trade relations of

the countries of the South Caucasus, particularly on the relationship between Georgia and Armenia, which are now part of different trade blocs. The crucial issue at the moment is whether the competing integration projects are able to come to a compromise with each other to ensure that the countries situated in the intersection of their spheres of influence are not more severely harmed.

## 9.2 Russia's Eurasian integration projects

Since the collapse of the Soviet Union, Russia has sought to establish economic and political alliances with the newly-independent countries of the former Soviet Union. The CMEA (1949–1991) and the Warsaw Pact (1955–1991) have been followed by various attempts at cooperation in the post-Soviet space, all of which have reflected both Russia's ability as well as its wish to stay/regain its position as a regional hegemon. The Commonwealth of Independent States was established immediately after the collapse of the Soviet empire.<sup>9</sup> In the 2000s, the economic integration process in the post-Soviet space has been rapid and, unlike previous initiatives, the latest phase has already had a significant effect on the member states and their economic actors (Dragneva & Wolczuk 2012, 5).

There are presently two institutions operating in the region, the Eurasian Economic Community (EurAsEC)<sup>10</sup> and the Customs Union of Russia, Belarus and Kazakhstan. A new body, the Eurasian Economic Commission,<sup>11</sup> established on 1 July 2012, took to oversee that these two organs will be able to see through the most ambitious plan yet: the Eurasian Economic Union.

On 29 May 2014, the presidents of Belarus, Kazakhstan and Russia signed the treaty establishing the EEU. As the parliaments of the three founding member states ratified the treaty in October, it will start operating on 1 January 2015.<sup>12</sup> The document establishes the

<sup>9</sup>In the South Caucasus, Armenia and Azerbaijan are still CIS member states, whereas Georgia denounced its membership right after the August war in 2008 and formally withdrew from the CIS on 18 August 2009. <http://www.cis.minsk.by/>.

<sup>10</sup><http://www.evrases.com>.

<sup>11</sup><http://www.eurasiancommission.org/ru/Pages/default.aspx>.

<sup>12</sup>*RFE/RL*, Nazarbaev Signs Law On Ratification Of 'Eurasian' Treaty, 14.10.2014,

international legal status, organisational framework, goals and operating mechanisms of the Union. The EEU will base its executive body in Moscow, the high court in Belarus and the top financial regulator in Kazakhstan.

The treaty provides for closer economic integration between the three countries who, signing it, undertook obligations to guarantee the free movement of goods, services, capitals, and labour. The member states will pursue a coordinated policy in key sectors of the economy: energy, industrial production, agriculture, and transport. However, the treaty stops short of introducing a single currency. It also delays the creation of a common energy market. In fact, based on the first press commentaries, Russian experts are cautioning against haste in establishing a single energy market. As a protective measure pursued particularly by Russia, there will be an 11-year-long transition period, during which the member states aim to set up a common oil and gas market. On the other hand, according to Kazakh officials, they see the EEU's immediate benefit as granting landlocked Kazakhstan better access to, and moreover, a say in the use of the transport and logistics and other pipeline systems of the Union's member states.

The EEU, which is the latest phase in the continuum of Russian-led cooperation, has been one of the major foreign policy goals of Vladimir Putin. Russia has regarded the European Union's Eastern Partnership as a challenge to its interests in the FSU area. With its own integration plans, it seeks to attract new members away from EU's orbit. It wants to offer an alternative integration model to the EU.

There has been one small victory and one major blow in the work towards the EEU: in the summer of 2013, Armenia discontinued its negotiations with the EU and announced that it would join the Eurasian Economic Union. In October 2014, it signed the founding treaty, which it plans to ratify by the end of the year. The new government of Ukraine, on the other hand, decided to integrate with the EU instead. On 21 March 2014, it initialled the political sections of its Association Agreement. The DCFTA was signed on 27 June 2014. By taking these steps, Ukraine *de jure*

discarded Putin's EEU option.

Up until the present, the Russian-led integration processes have been largely declarative, with little practical economic or political integration taking place. The ECU and the anticipated EEU are looking to change that situation. As analyses show, the latest integration phase in the form of the Customs Union, unlike previous initiatives, has already had an increasingly concrete effect on the member states and their economic actors (Dragneva & Wolczuk 2012, 5-7).

The planned EEU framework is explicitly modelled on the EU. EEU integration will take place in the form of harmonisation of legislation, regularisation of customs valuation, rules of origin, customs forms and procedures, and other key elements. In terms of the organisation's relations with the outside world and trade links to the global market, Russia's WTO membership has become an important regulatory element. During Russia's negotiations with the WTO on entry into the organisation, it was negotiating as a member of a customs union, the ECU. This has forced the non-members, Belarus and Kazakhstan, to adapt to the rules of the multilateral trade system. WTO membership has not only made Russia modernise its trade regime - with the Eurasian integration projects, Russia is exporting this rule-based modernisation into its neighbourhood. (Dragneva & Wolczuk 2012, 8.)

Customs unions eliminate barriers to trade between members, which is why they are assumed to provide a considerable increase in intra-bloc trade. And on the other hand, they reduce trade between members and non-members in two ways. This is because, firstly, the members of a trading bloc substitute their imports from third parties with imports from their own partners. This causes loss of export markets and accompanying revenues to third parties. Secondly, in order to protect the members' economies, a trading bloc establishes barriers to trade such as customs and duties, which might limit or hinder access to their markets, or make the access more costly (Hafel 2004, 123-125). However, in the case of the Eurasian Customs Union, its establishment has in fact brought mixed results. This is because Russia has higher levels of protectionism over its domestic market.

Customs unions often initially raise the average levels of the members' trade protection vis-à-vis the outside world. In the case of the ECU, the external tariffs were set by Russia's standards which were

much higher than the other members'. Kazakhstan, the economically most liberal among the three members, has had to nearly double its external tariffs from 6.5% to 12.1%. This has led to trade diversion, but to Russia's benefit. For instance, Kazakhstan and Belarus have not gained significant improvement in their access to Russian markets, and there has been no marked Customs Union-related trade growth as such. For Kazakhstan to start reaping benefits of its membership, the organisation would need to keep to its commitments to foster deeper integration (Carneiro 2013, 2-3).

The establishment of the common external tariff necessitates the reformulation of the members' trade structures. The countries that have so far accrued significant revenues from importing goods from the non-ECU market and re-exporting them to the countries belonging to the ECU will face negative consequences. One example is the diversion of Kazakh car imports of German, Japanese and Korean cars via Georgia to Russia, although Russian cars are less competitive. Similar scenarios will be facing Armenia as it joins, and Kyrgyzstan if it decides to join, the EEU. Kyrgyz imports from China, which until now have brought significant incomes, will decrease drastically due to the raising of the import tariff. They will be replaced by more expensive Russian products.

The effects will be felt by outsiders as well. Georgia, for instance, has established itself as a regional car re-export hub, achieved by a simplification of customs clearance procedures and lowering of tariffs. With the implementation of the ECU common tariff, it now faces duties four times higher for its imported second-hand cars. The Kazakh market has already been lost, and prospects are that the Armenian market will be too, as the latter joins the ECU. This car trade has been quite important for all of the countries concerned. For instance 70% of Armenia's car imports were from Georgia and only 5% from Russia. Moreover, car re-exports have accounted for almost 25% of Georgia's total exports and the industry employs around 20 000 people.<sup>13</sup>

Joining the ECU/EEU, Armenia will face several consequences. The first is the economic effect that membership will have on its

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<sup>13</sup>Nino Patsuria, Eurasian Union Dumps Georgian-Armenian car trade. 12 June 2014, *Georgian Journal*, <http://www.georgianjournal.ge/business/27489-eurasian-union-dumps-georgian-armenian-car-trade.html>.

trade relations. As a WTO member, Armenia might be faced with compensation claims for any beneficial treatment it gives its Customs Union partners. On the other hand, in case it stays out, it will be facing possible customs duties and tariffs when entering the ECU market. Currently, Russia is its biggest trade partner and by far the most important investor.

The second aspect is related to the prospects of establishing free movement of labour within the EEU. In case the organisation will move towards a common policy, the outsiders will face restrictions in access to the labour market. A significant amount of Armenian state revenue is in fact received from emigrant workers, and this policy would have severe repercussions. For example in 2007, remittances from the Armenian migrants working abroad amounted to about 1.5 billion dollars – around 18% of Armenia's GDP (ILO 2009, 1). According to Hrant Mikaelyan (2013, 60), in the period 2000-2012, approximately 320 000 people, or 11% of the population, migrated from Armenia. Russia is the main destination of Armenians working abroad; almost 1.2 million ethnic Armenians live in Russia, making Armenians the seventh largest ethnic group in the Russian Federation (Markedonov 2013, 30). Remittances from Russia have at times accounted to as much as 89% of the total remittances sent to Armenia (IMF 2012). The domestic labour market situation is already very strained, with an unemployment rate of 16,2% in 2013. The consequences of an end to labour migration to Russia would not only be economic, they would have huge destabilising effects for the whole of society.

Economic integration always entails a security aspect as well. Choosing to join an organisation is a show of allegiance. The commitment is made with an expectation of reciprocal actions on the part of other alliance members and particularly its leader. In the era of globalisation, the significance of economic integration has increased considerably. Economic turmoil has the power to shake governments and destabilise political systems. The members of an economic organisation are interdependent and thus very likely to support the smooth operation of all partners' economies. This is the insurance provided by economic alliances: membership reduces the threat of an outside destabilising force, be it economic or military warfare. From this viewpoint, Armenia's decision to enter the EEU can be seen as a security policy action. None of the other members of the

organisation wish to see Armenia's borders vulnerable, as that would threaten the functioning of the customs union borders.<sup>14</sup>

The EEU can be seen as an attempt to bring the Soviet Union to life in a more limited form,<sup>15</sup> a sort of a combined coalition of willing and forced partners of Russia. This process is the most difficult for Kazakhstan. The reasons for this are manifold. One of the most important is that Kazakhstan exports some of its energy via the Southern Energy corridor and in particular via the Baku-Tbilisi-Ceyhan pipeline. As a consequence, Kazakhstan and Azerbaijan have many common economic cooperation interests. Therefore Armenia's accession into the EEU is a problematic question for Kazakhstan.<sup>16</sup> This centres in particular on the delicate question of Karabakh and whether or not there needs to be a customs post between Armenia and the Nagorno Karabakh (NK). In May 2014, leaders of Kazakhstan and Belarus demanded that a customs post should be established on the Armenia-NK border.<sup>17</sup> On the other hand, the Russian Foreign Minister Sergei Lavrov has stated that the Nagorno Karabakh conflict does not impact Armenia's accession to the Eurasian Union.<sup>18</sup> In October 2014 President Sargsyan stated that "Armenia will join within the borders that it has itself recognised, just as it has followed this principle in joining and being a member of the rest of the inter-

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<sup>14</sup>Since Georgia is such a vital transit country for Armenia's trade with the three other members of the Eurasian Union, Armenia's trade with the EEU could become hostage to a major re-escalation of conflicts in Abkhazia and South Ossetia. This could cause trade disruptions similar to the negative impacts of the August 2008 war on Armenian trade. On the other hand, this same logic could also provide a new restraint for a re-escalation of Georgia's separatist conflicts, as Russia would not want to jeopardise the smooth functioning of the Economic Union. This could also indirectly slightly improve Georgia's security.

<sup>15</sup>President Putin himself has said that the Eurasian Union bloc would build upon the "best values of the Soviet Union." Andrew McChesney, Eurasian Economic Union Panned by WTO Chief, *The Moscow Times*, 21.6.2013, <http://www.themoscowtimes.com/business/article/eurasian-economic-union-panned-by-wto-chief/482014.html>.

<sup>16</sup>Naira Hayrumyan, SOS From Wrecked Ship, *Lragir.am*, 3.11.2014, <http://www.lragir.am/index/eng/0/comments/view/33166>.

<sup>17</sup>Armen Grigoryan, Armenia to be Admitted into Eurasian Union. *CACI Analyst*, 15.10.2014, <http://www.cacianalyst.org/publications/analytical-articles/item/13065-armenia-to-be-admitted-into-eurasian-union.html>.

<sup>18</sup>*Ria-Novosti*, Nagorno Karabakh Conflict Has No Impact on Armenia's Accession to Customs Union - Lavrov. 10.8.2014, <http://en.ria.ru/politics/20140810/191888353/Nagorno-Karabakh-Conflict-Has-No-Impact-on-Armenias-Accession-to.html>.

national organisations.”<sup>19</sup> This statement confirms that Armenia will not demand special treatment from its EEU partners on the NK issue. Lately it seems that the parties involved settled for a short term compromise of deciding nothing for now. The Russian customs authority has sent its representative to Armenia and apparently he will be in charge of managing the customs post issue.<sup>20</sup>

Since the customs post issue on the “border” between Armenia-Karabakh has been left on an undecided status, this creates further uncertainties for Armenia as it does not know exactly how the customs union will affect its trade relations with Karabakh in the future. However, Russia can be expected to understand Armenia’s position on this issue as Russia itself is deepening its political, military and economic integration with Georgia’s breakaway republic Abkhazia. According to the draft on the “Agreement Between the Russian Federation and the Republic of Abkhazia on Alliance and Integration,” Russia expects Abkhazia to harmonise its tax and customs legislation with the Eurasian Economic Union regulations in three years<sup>21</sup>, thereby paving the way for closer integration of Abkhazia to the Eurasian Union.

These are issues that have to be considered when assessing Armenia’s decision to join the EEU, a topic addressed later in the article. Finally, it needs to be noted that effective economic integration in the form of a customs union necessitates giving up some sovereignty in favour of a supranational organ that administers common policies.<sup>22</sup> What is received with this decision is a share in the decision-making process of the organisation. Most often the references made about Armenia losing its sovereignty in the EEU refer to Russia’s geopolitical and great power aspirations, which have never been well-hidden

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<sup>19</sup>Interfax.kz, Armenia membership in Eurasian Economic Union not to cover Nagorno-Karabakh - Nazarbayev, 14.10.2014, <http://azh.kz/en/news/view/4758>.

<sup>20</sup>Hakob Badalyan, Russia Has Appointed “Attendant” To Armenia, *Lragir.am*, 25.10.2014, <http://www.lragir.am/index/eng/0/comments/view/33138>.

<sup>21</sup>Civil Georgia, Russia-Proposed Treaty with Abkhazia on ‘Alliance and Integration’, *Civil.ge*, 13.10.2014, <http://www.civil.ge/eng/article.php?id=27714>.

<sup>22</sup>The sovereignty paradox in Armenia’s foreign policy is that as it is not willing to make concessions in the “sovereignty” of the Nagorno Karabakh (although even Armenia has not formally recognized Karabakh’s independence), Armenia is forced to make all kinds of concessions to Russia, which protects Armenia, including in the Eurasian Union membership process, which in the end compromises Armenia’s sovereignty as a whole.

in the EEU project. The discrepancy between what is decided and aspired to on paper and what is happening in the real political sphere inevitably needs to be taken into account when assessing the EEU project.

### **9.3 EU's Eastern Partnership programme**

The EU presence in the South Caucasus has been very limited. Since around the mid-1990s, the EU started providing humanitarian and technical assistance to the region with projects such as TACIS. The EU negotiated Partnership and Cooperation Agreements (PCAs, from 1999) with all three. The countries were included into the ENP only in 2004, in the aftermath of the Rose Revolution in Georgia. Through the Neighbourhood Policy, the EU strove to achieve the closest possible political association and the greatest possible degree of economic integration.

This policy of non-engagement has proved to be effective in the sense that the EU avoided confrontation with Russia over influence in the region. However, at the same time, the ENP has received a lot of criticism, from the partner countries as well as European policy-makers. From the EU's point of view, the organisation has not achieved its major goals in the region: democratisation, conflict resolution, regional cooperation and energy diversification.<sup>23</sup> From the partners' point of view, the problem was that the policy had too much rhetoric and too little concrete assistance.

Towards the turn of the 2010s, developments in the region posed new challenges to EU's foreign and security policy. The result was a new policy vis-à-vis the post-Soviet space. In 2009, the European Union inaugurated its Eastern Partnership (EaP), an initiative based on a Polish-Swedish proposal from the previous spring. It was suspended for over a year and launched only after the August 2008

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<sup>23</sup>There has been limited success in democratisation and the fight against corruption (Georgia) and in energy diversification (Georgia & Azerbaijan), however in the energy sector this has not necessarily been due to the EU efforts. For example the EBRD has been financing hydropower projects, which increase Georgia's energy self-sufficiency and energy security and further decrease dependency on Russian natural gas in electricity generation. See: Paravani Hydropower Plant Opens in Samtskhe-Javakheti. Civil.ge, 11.10.2014, <http://www.civil.ge/eng/article.php?id=27711>.

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Georgian-Russian war and the subsequent Russian recognition of independence of South Ossetia and Abkhazia.

The EaP includes six countries - the South Caucasus states together with Belarus, Moldova and Ukraine. It has several policy dimensions: bilateral and multilateral relations, governance and financial assistance. The focus of multilateral cooperation is on energy projects. The key objectives include the creation of a free trade area and gradual visa liberalisation. The initiative entailed annual meetings of Ministers of Foreign Affairs and meetings of Heads of State or Government of the partnership countries every two years.

In terms of bilateral relations, the main instrument of the EaP is the Association Agreement (AA) and its largest integral part, the Deep and Comprehensive Free Trade Agreement (DCFTA). These provide for enhanced trade relations and a political dialogue. The DCFTA provides better access to the EU market for goods and services. It also sets a path for further reforms in trade-related policies, such as hygiene standards for agricultural products and regulations for industrial products. The AAs are expected to boost the inflow of European direct investment into the region. The AA/DCFTA scheme aims at allowing the partner countries, with the support of the EU, to drive forward a programme of comprehensive modernisation and reform based upon shared values, political association and economic integration. However, the DCFTA is a demanding free trade agreement: it entails compliance with the *acquis communautaire*, the Community rules. The EaP countries are expected to meet the high requirements of the EU in areas of legislative and systemic reform.

The EaP opens new partnership perspectives, while none of the countries have been offered the possibility to become EU members. The EU endeavours to “deepen trade and economic relations” with the partnership countries. This is in fact the same term that the European Community used during the Cold War era to talk about its relations with the socialist countries of Eastern Europe. It was a means to maintain the division between “us and them”. The EC never prepared or never even thought of the socialist countries of Eastern Europe joining the Community. It is not inconsequential that the same wordings are now used to denote the distance between “Europe” and its “neighbourhood”. Political rhetoric is a means of making politics. The EU’s predicament at the moment is that it does not want to give false hope, but at the same time it wishes to remain

a pole of attraction for non-members.

Two of the EaP countries nonetheless have declined closer alignment with the EU. Belarus never started negotiations on an AA.<sup>24</sup> Armenia, on the other hand, withdrew from the finalised agreement. In July 2013, the EU and Armenia had concluded negotiations on the AA/DCFTA. Just a few months later, the process was withheld following Armenia's announcement to start negotiations on its membership in the Customs Union of Russia, Belarus and Kazakhstan. As mentioned above, the obligations resulting from the membership in the ECU are incompatible with the commitments EU was expecting from Armenia.

ECU membership is incompatible with an AA/DCFTA, because as a member Armenia agrees to give up sovereignty to decide nationally over policy areas it was to have an agreement on with the EU, such as technical and sanitary norms. The DCFTA's main aim is to reduce the customs tariff, whereas - as stated above - Customs Union membership in fact entails its increase. What is more, for DCFTA implementation, full autonomy in the areas covered by the agreement is required, while a CU member state loses sovereignty over its own trade policy. Last but not least, preferential relations remain exclusively within the Customs Union and are not meant to extend to the EU.

The DCFTAs with the EU would not prevent EaP countries from concluding free trade agreements with the Eurasian Customs Union. Furthermore, it should be underlined that the CIS free trade agreement already offers an almost fully liberalised market access for goods from most EaP countries. The countries could also, if they enter a DCFTA, cooperate with the ECU, perhaps as observers. What is on offer by the EU does not economically limit the EaP countries' relations with Russian-led integration schemes. Therefore it seems that Armenia's decision was more about politics.

## **9.4 Armenian motives for joining the EEU**

Regional economic integration is a global phenomenon. The main regulatory trade organisation in the world, the WTO, has currently

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<sup>24</sup>It does not meet the EU requirements for the DCFTA, which is WTO membership.

160 member states. Through the globalisation process, governments have started to see relative advantage in aligning with others, and negative consequences in staying outside preferential trade arrangements. This is true for countries all over the globe, the South Caucasus included. Many times a decision to integrate is made because staying outside will be with time more costly. It can be assumed that countries, which to a very high extent rely on special export sectors or export partners, are hit relatively harder when they are forced to stay outside a preferential trade arrangement. For the exporter, this is because it might be difficult to find alternative markets to sell to or to restructure the country's export composition. Such countries are also very vulnerable to economic blackmailing, because sanctions can be addressed to small but crucial sectors, as the case of Georgian wine exports to Russia shows.<sup>25</sup>

Therefore, ultimately the choice of staying outside EEU and EU integration would be the most hazardous scenario for Armenia. Azerbaijan is trying to stay outside economic integration projects, but it seems to be able to afford this policy due to the revenues from the exports of its natural resources. Armenia does not have this luxury. The better alternative for Armenia, of course, would have been to integrate with both the EU and Russian-led arrangements. This, however, was not an option due to the above explained incompatibility between the two projects.

Membership in regional economic organisations is understood to bring economic benefit. As a member, a country will benefit from protectionist policies and it also has the power to influence the

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<sup>25</sup>Georgian wines and mineral waters were banned from the Russian market in 2006 only to be reinstated in 2013 after the lifting of the embargo. As Russia was main export market for Georgian wines and mineral waters, the Russian ban forced Georgian wine producers to improve quality and find new markets in Ukraine, Azerbaijan, China, the Europe Union and the United States. As a result of opening the Russian market again for the Georgian products last year, the trade between Georgia and Russia increased by 35% in first half of 2014 compared to the previous year and Georgian exports to Russia grew almost four fold. This might have also contributed to the fact that wines were left out of the list of products on the Russian counter-sanctions for the EU in 2014, since banning the European wines from the Russian market would have benefitted the Georgian wine producers, which would not have been in Russia's interests. Yigal Schleifer, Georgia: Lifting of Russian Wine Embargo to Have Limited Economic Impact?, *eurasianet.org*, 14.8.2013, <http://www.eurasianet.org/node/67391>; Civil.ge, Georgian, Russian Diplomats Meet in Prague, 9.7.2014, <http://www.civil.ge/eng/article.php?id=27468>.

decision-making process. In the case of Armenia joining the EEU, its prospects have not been painted as very rosy. As the EEU voting power in the Inter-Parliamentary Assembly for the Eurasian Economic Union is based on the size of population, its weight in the organisation is miniscule. However, the Supreme Eurasian Economic Council, which determines the strategy, direction and prospects of cooperation and makes the final decisions on key goals and targets, is composed of the heads of state of the member states. Its decision making is based on the principle of unanimous voting. Thus, on the highest level of policy-making in the EEU, Armenia - on paper - has the same voting power as Russia and any other member. More importantly, the unanimity rule gives all members the veto right. This sovereign right has been many times referred to by Kazakhstan's president Nazarbayev as a sacred component of the decision-making rules: his country could even leave the union, if its independence is in any way restricted by the organisational rules.<sup>26</sup>

Belarus and Kazakhstan both have already showed their power in the EEU negotiations. Kazakhstan has brought up its scepticism about Armenia joining the organisation, referring to the unresolved NK conflict that would be a hazard on the customs union border. Nazarbayev has also given several statements which show that the many national differences observed during the years of negotiations, have remained unsettled. Belarus's President Alexander Lukashenko said before the signing of the EEU treaty in May 2014, that he was not fully happy with the deal, but saw it as a compromise. Nazarbayev said the new treaty was based on consensus. Moreover, Nazarbayev and other Kazakh officials have been eager to point out that as a result of their demands, all aspects of political integration have been removed from the EEU treaty. The efforts of Putin's Russia to use the organisation towards (geo)political goals will be adamantly objected by Kazakhstan.<sup>27</sup> This could well relieve some pressure that Russia could be thinking of putting on Armenia within or through the EEU.

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<sup>26</sup>*News.am*: Kazakhstan can leave Eurasian Union if opposing certain decision, 25.08.2014, <http://news.am/eng/news/225513.html>.

<sup>27</sup>Alex Vatanka, Kazakhstan's Crafty Eurasian Union Strategy, *National interest*, 20.6.2014, <http://nationalinterest.org/feature/kazakhstans-crafty-eurasian-union-strategy-10705?page=2>.

Armenia's incentives to opt for the Eurasian Union are manifold. If Armenia has to choose between security and economy, it always chooses security. Painful historical memories of genocide contribute to this sentiment, as well as a more recent sense of insecurity related to the Nagorno Karabakh conflict, as Armenia feels threatened from two sides by Azerbaijan and Turkey.

According to Armenian experts, Armenia can manage the economic losses caused by abandoning the Association Agreement with the EU, but it cannot bear the loss of security that could be caused by saying no to the EEU, which in Armenia's case equals to saying no to Armenia's strategic partner Russia - the ultimate guarantor of Armenia's security. For example Armenia is a member of the CSTO, Russian border guards patrol on Armenia's borders with Turkey and Iran, Armenia is included in the united air defence system of the CIS, and the lease of Russia's military base in Gyumri was recently extended until 2044. The two countries are also collaborating in creating joint military units (Markedonov 2013, 30).

However, on the economic level Armenia is also heavily dependent on Russia. Armenia is almost completely dependent on (cheap) Russian gas deliveries. After Armenia announced its decision to join the EEU, gas and oil prices from Russia were cut by 35%, and in the case of gas, the price was reduced to 189 dollars per thousand cubic meters. In exchange, Gazprom received 100% of the shares in Armenia's gas distribution company ArmRosGaz. Russia is also modernising the Metsamor nuclear plant - the only one in the South Caucasus - which is vitally important for Armenia's electricity production, as is the Hrazdan gas power plant constructed by the Russian company RAO. Russia is also the main source of investments to Armenia (accounting for 40% of investments).<sup>28</sup>

In military terms, Armenia is for Russia a strategic military outpost that has significance beyond the volatile South Caucasus region, since Armenia is bordering both Iran and Turkey - key geopolitical players not only in the South Caucasus, but also in the rapidly re-escalating conflicts in Iraq and Syria. For this reason, Russia can project its military power (mainly air power) potentially deep into Middle-Eastern theatres of wars. In this regard, Armenia's impor-

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<sup>28</sup>Vladimir Socor, Armenia's Economic Dependence on Russia Insurmountable by the European Union, *Eurasia Daily Monitor*, Vol. 10, Issue: 221, 10.12.2013.

tance to the Russian military could be compared to the role of Iceland as a permanent aircraft carrier for the United States and NATO at the height of the Cold War.

Membership in the Eurasian Union is bound to deepen Armenia's dependency on Russia, as the customs barrier creates less incentives to trade with non-EEU countries. Despite Armenia's policy of compliance, this has not always been rewarded by Russia. Instead, there has been pressure from Russia to establish Russian as an official language in Armenia in order to deepen integration also in the cultural sphere.<sup>29</sup> But from the Armenian perspective, even worse have been the Russian arms sales to Armenia's arch enemy Azerbaijan. According to the President of Azerbaijan, Ilham Aliiev, his country will buy four billion USD worth of military hardware from Russia, including modern battle tanks, multiple rocket launchers, attack helicopters and so on. Russia's arms deals with Azerbaijan not only question Russia's reliability as a strategic partner with whom Armenia has cast its lot in military security, but also indirectly the security argument for joining the Eurasian Union. As Armenian President Serzh Sargsyan formulated in a statement in July 2014: "Our nation is very concerned about the fact that our strategic partner is selling weapons to Azerbaijan."<sup>30</sup>

## **9.5 The EEU and the EU and the clash of the integration projects**

The EU's stated objective in the ENP was to share the EU's stability, security and prosperity with neighbouring countries. The policy was designed to prevent the emergence of new dividing lines in Europe by offering neighbouring countries closer political, security, economic and cultural cooperation. However, Russia has regarded the policy as a threat to its security: according to the Russian Foreign Minister Sergey Lavrov, the EU was trying to establish its own

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<sup>29</sup>Emil Danielyan, Kremlin-Linked Media Chief Warns Armenia, *RFE/RL*, 11.6.2014, <http://www.azatutyun.am/content/article/25418743.html>.

<sup>30</sup>Tigran Gevorgyan, Yerevan Angry at Russian Arms Sales to Baku, *Institute for War & Peace Reporting*, 22.7.2014, <https://iwpr.net/global-voices/yerevan-angry-russian-arms-sales-baku>.

sphere of influence through the European Neighbourhood Policy and then later the Eastern Partnership.

The EU did not want or pursue a zero-sum game in the South Caucasus, or Eastern Europe for that matter, but that is what it was dragged into by Russia's attempt to salvage its influence in the FSU. The AA/DCFTA's were not an attempt to lure the EaP countries from their prior commitments, for instance the free trade agreements within the CIS. A DCFTA is compatible with other free trade area arrangements. What the EU is trying to give the partners is a chance to participate in EU programmes and to have a stake in the EU's internal market. This is to the partners' own benefit, as the programme supports their own political and economic reforms.

However, the EU neglected to see that for Russia, the EaP was analysed in a very different context than what the EU had envisioned. Russia's own EEU project was never just about economics. In fact, it was perhaps not about economics at all. For Russia, and especially President Putin, who has been the primus motor of the project, it was about Eurasia as a geopolitical project.<sup>31</sup> Putin's statement about the dissolution of the Soviet Union as the most tragic geopolitical catastrophe of the 20th century needs to be understood in the light of his later policies and ambitions in the FSU. It needs to be understood that from the Kremlin's point of view, the EU's attempt to provide these countries with better possibilities to modernise, is seen as a geopolitical threat.

Russia's decision to use hard economic power in the midst of the escalating Ukrainian crisis can threaten its commitment to furthering the integration of the EEU. Sanctions against the three states that signed Association Agreements with the EU, Ukraine, Moldova and Georgia, and the ban on food imports from the EU were not followed by Russia's Customs Union partners Belarus and Kazakhstan.<sup>32</sup> Russia was left to act unilaterally. More importantly, Russia is acting in violation of its commitment in the customs union. These independent decisions go against the rules of the

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<sup>31</sup>Putin's grand strategy (2014).

<sup>32</sup>On the other hand, Georgia did not join the EU and other Western Countries on imposing sanctions on Russia after its occupation of the Crimea and involvement in the conflict in Eastern Ukraine. See: Civil.ge, FM 'Clarifies' Remarks on Tit-for-Tat Sanctions Between West and Russia, 8.8.2014, <http://www.civil.ge/eng/article.php?id=27567>.

organisation and are a serious blow to the credibility in the eyes of outside viewers, and perhaps even more importantly, by Russia's allies and hoped to be allies.

Why the countries chose to establish a customs union, which is a more constraining form of integration for its members than a common economic space with a deep free trade area, is from the economic perspective somewhat incomprehensible. The Eurasian Customs Union, which in effect has meant the imposition of the higher Russian external tariff regime on the other members, is judged to be contrary to the economic interests of both Belarus and Kazakhstan. This gives credence to the view that Russia considers its national interests and geopolitical goals more important than its commitments to economic integration with its neighbours, and furthermore that it sees the EEU as a political rather than a purely economic affair.

The AA/DCFTA's are not only about reforming and modernising the economy. They are also political agreements. This is why Russia has protested against them. And here is where the EU-Russia dialogue has gone astray: the EU continues to counter Russia's arguments with economic facts, whereas Russia in fact talks in hard security and political language. The point that Russia regards the EaP from a zero-sum point of view has not been fully understood in the EU. For Russia, the threat induced by the EaP is also not just economic, but deeply ideological. The EU integration is a threat as it promotes a different political system from what Russia is adhering to. This point is usually not verbalised in the Russian protests against EU policies in the region.

From the Kremlin's point of view, the main questions are: if the corrupt leaders in neighbouring countries are voted or thrown out, how long can similar leaders stay in power in Russia? And if the neighbours choose western liberal values, when will Russians start wanting the same?

This is not a new phenomenon: during the Cold War, the socialist bloc was penetrated by Western ideas and influences, such as the liberal market economy, consumer culture and competition, which helped to undermine the system's legitimacy and thus the Soviet role as the leader of its bloc. Today the Western imports are democracy, good governance, anti-corruption, human rights and freedom of speech. All are elements that Russia's authoritarian government tries to bloc from Russia.

## 9.6 Prospects and problems for the countries in-between

EU-Armenia relations are governed by the EU-Armenia Partnership and Cooperation Agreement (PCA), which was signed in 1996 and entered into force in 1999. The ENP Action Plan for Armenia, adopted in 2006, provides a comprehensive framework for closer cooperation. The Eastern Partnership (EaP) policy initiative launched in 2009, aimed to deepen and strengthen relations between the EU and its neighbours, is another framework for EU cooperation with Armenia. Within this framework, the EU and Armenia completed negotiations on an Association Agreement, including the DCFTA, in July 2013. However, the parties did not proceed with it following Armenia's declaration to join the Eurasian Customs Union. Currently, Visa Facilitation and Readmission Agreements between the EU and Armenia have entered into force in January 2014.

The EU and Armenia have scaled down their ambition levels following Armenia's volte-face. As concluded by Mårten Ehnberg from the Swedish Embassy in Yerevan, the AA/DCFTA negotiated between Armenia and the EU became outdated after Armenia chose to join the EEU. The EU is currently working out whether to start negotiations on a new agreement with Armenia. The EU is waiting to see how far Armenia - taking into account its commitments within the EEU - can go in its relationship with the EU. The EU is interested in deepening integration with Armenia within the EaP, and a new legal framework would help that process.<sup>33</sup>

In the side-lines of the EaP Vilnius Summit in November 2013, both parties made commitments to continue cooperation based upon common values. As a follow up, in the beginning of November 2014, Armenia and the EU signed a memorandum of understanding for the implementation of the Single Support Framework for EU aid to Armenia. For the time period of 2014-2017, the EU has budgeted 140-170 million euros for the support of private sector development, public administration and justice sector reforms, support for capacity development and institution building and for civil society organisations. Some of the specific aims of the framework include, for example, the

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<sup>33</sup>Correspondence with the author on November 6, 2014.

creation of job opportunities, facilitating the investment climate for small and medium size businesses, improving economic competitiveness of Armenia's regions, reduction of corruption in the public sector and support of the statistical capabilities on the municipal and regional levels. After signing the memorandum, the Armenian Economy Minister Karen Chshmaritian stated that Armenia appreciates the EU's understanding of its situation and expressed his wish to continue cooperation with the EU in investment and trade related issues. Also Commissioner for European Neighbourhood Policy and Enlargement Negotiations Johannes Hahn expressed his wish that there would continue to be close cooperation between the EU and Armenia also in the future.<sup>34</sup>

There are plenty of practical challenges for Armenia's entry into the Eurasian Economic Union. To start with, 90% of Armenia's foreign trade, and almost 100% with Russia, is conducted via routes through Georgia. Altogether, almost 100% of its trade with the other customs union members is conducted via a Georgia, which just signed the AA/DCFTA (Baghramyan 2012, 9). The first big open question is how Armenia's entry into the customs union will be effectively implemented, since it does not share a border with the ECU. Due to its geographical isolation, it is hard to envision free movement of goods and services between Armenia and other EEU member states, which is the core goal of the Eurasian integration project. Therefore Armenia appears not to be getting the full benefits of the Russia-led integration project. At the same time, it will suffer disadvantages of not being included into the EU free trade arrangements.

What remains unclear is how Georgia's accession into the EU's free trade area and Armenia's entry into the EEU will affect the countries' foreign trade. The effect deals with multiple issues: firstly, the bilateral Armenian-Georgian trade, secondly, the transit of goods between Armenia and Russia (and the ECU) via Georgia, and thirdly, Armenia's trade with its European partners. Georgia will continue to trade freely with Armenia because the DCFTA will not affect its trade policy. However, Armenia will need to raise its external tariff

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<sup>34</sup>Single Support Framework; Heghine Buniatian, EU to Provide Armenia with Fresh Aid, *RFE/RL*, 4.11.2014, <http://www.rferl.org/content/european-union-armenia/26673213.html>.

to the ECU levels. It might also need to place some quotas on imports from non-ECU countries. For Georgia this means that it will be facing higher duties, its exports might need to be diminished through ECU quotas, and Armenia might want to look for new partners on the ECU market. Georgia will surely be affected and so will Armenia. Armenia will also need to deal with another blow to its trade relations: it will be left outside the EU preferential arrangements as it had to decline the AA/DCFTA. The crucial question is: will Russia compensate Armenia for its losses?

The Nagorno Karabakh enclave as well as the seven Azerbaijani provinces outside NK-proper (comprising 20% of Azerbaijan's territory), which Armenia occupies, form a particular problem for Armenia's entry in to the EEU. How will this non-recognized entity be incorporated into the Eurasian Union if Armenia is accepted as a member? Azerbaijan has demanded, and Kazakhstan has supported the claim, that the customs post should be established between Nagorno Karabakh and Armenia proper, if Armenia becomes a member of the Customs Union. Should there be a real functioning customs post between NK and Armenia, it would create grave economic consequences for the already struggling economy of Nagorno Karabakh. A customs post between Karabakh and Armenia would add yet another obstacle and threshold also for Armenia, which already suffers from the closure of its borders with Azerbaijan and Turkey.

As a result of the war in Ukraine, Russia and the EU<sup>35</sup> have imposed sanctions on each other. The struggle over influence on the political and economic destinies of the states in the FSU has already caused considerable harm for their respective economies. Consequently, both Russia and the EU may find themselves in an awkward position since they might be less than capable of economically supporting their chosen allies in the grey area between them.

For example, is Russia able to support or take on another economic liability for Eastern Ukraine after it already has to support Abkhazia, South Ossetia, Transnistria and the newly annexed Crimea?<sup>36</sup> This is added to the cost that Russia bears for

<sup>35</sup>EU together with other countries such as Norway, Australia and the United States.

<sup>36</sup>The annexation of the Crimea has proven to be major economic drain for Russia, which among other things has to construct new transport, tourism and energy infrastructure to compensate now broken links with Ukraine-proper that used to provide in past almost 90% of electricity and 66% of natural gas. Russia has also

the continuing need for the Kremlin to support the North Caucasus republics and their infrastructure development. In the long run, as Russia's economic growth is slowing down due to the drop in oil prices, and lately because of EU sanctions, will Russia be able to support its ally Armenia?

A survey was conducted in October-November 2013 in Armenia to measure the citizens' support for the two integration schemes. Among the respondents, there was 15% more support and 10% less resistance among Armenians for their country's membership in the EEU than in the European Union (see the footnote for precise figures).<sup>37</sup> The same survey revealed both less support (34%) and less opposition (17%) for Azerbaijan's EU membership compared to results in Armenia. In Georgia, the study showed – perhaps expectedly – high levels of support (65%), and low levels of resistance (8%), for Georgia to join the EU.<sup>38</sup> Moreover, in Armenia there is an almost equal amount of trust and distrust towards the EU, 28% and 27% respectively, although the share of those who fully distrust (17%) the EU is much higher than those who fully trust it (7%).<sup>39</sup>

The effects of the EU's sanctions on Russia over the Crimea and supporting separatists in Eastern Ukraine, as well as the Russian response of placing harsh counter-measures, will affect the Armenian economy well before its accession into the Customs Union. As the

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made promises to meet Crimea's 1,5 billion dollar budget deficit that was previously paid by Kiev and to increase pensions and salaries of government civil servants in the Crimea to match those in Russia. In order to finance all this, Russia has been forced to allocate 7,2 billion dollars from its pension funds for Crimea-related expenses, including the construction of a bridge across the Kerch Strait. On the other hand, the Crimean annexation and the war in Eastern Ukraine has frightened foreign direct investments and international capital away from Russia, but also caused capital flight out of Russia, which IMF estimates to be 100 billion in 2014 alone. See: Larry Hanauer, Crimean Adventure Will Cost Russia Dearly, *The Moscow Times*, 7.9.2014, <http://www.themoscowtimes.com/opinion/article/crimean-adventure-will-cost-russia-dearly/506550.html>; Owen Matthews, Putin Annexed Crimea, but He's About to Pay the Price, 15 July 2014, <http://www.themoscowtimes.com/opinion/article/crimean-adventure-will-cost-russia-dearly/506550.html>.

<sup>37</sup>Support of Armenia's membership in Eurasian Economic Community: rather support 24%, fully support 31%, rather not support 5% and don't support at all 8%. Support of the Armenia's membership in EU: rather support 25%, fully support 15%, rather not support 10% and don't support at all 13%. Source: Caucasus Barometer 2013 Armenia.

<sup>38</sup>Caucasus Barometer 2013 Azerbaijan; Caucasus Barometer 2013 Georgia.

<sup>39</sup>Caucasus Barometer 2013 Armenia.

crisis in Ukraine has been escalating after the first quarter of 2014, money transfers home from Armenians working in Russia diminished by several million dollars compared to the same period in 2013. As mentioned earlier, remittances and money transfers from Armenian immigrant workers are an important source of revenue for Armenia's economy and one could expect that the low paid, (often) poorly educated, immigrant workers in Russia would be the first ones hit by the economic downturn. Out of the two billion dollars transferred by Armenians abroad, 1.7 billion came from Russia. This is four times more than the total foreign investment into Armenia. Armenia's dependency on Russia (trade share 25%), illustrated by the impacts of the sanctions, has reduced previous and expected growth rates of the Armenian economy much more than those of its neighbouring Georgia and Azerbaijan, which have recovered more rapidly from the 2008 economic crisis.<sup>40</sup>

## **9.7 The new competition and the existing regional alliances**

The Turkey-Georgia-Azerbaijan -axis represents an ever-increasing form of integration between these three countries. This is not solely in the field of East-West energy transit demonstrated by the Baku-Tbilisi-Ceyhan oil pipeline and the Southern Gas Corridor, but also in the transportation of cargo from the Caspian Sea and Central Asia to the Black and Mediterranean Seas and further on to Europe via the Baku-Tbilisi-Kars -railway (BKT)<sup>41</sup> and similar infrastructure ventures.

Georgia has not shown any interest towards the Eurasian Economic Union and most likely will never join it. Thus Armenia will continue not to have a border with the ECU. To be able to fully benefit from the EEU and the free trade and movement of people and goods, Armenia would need to have firstly, a settlement of the

<sup>40</sup>Armen Karapetyan, Armenian Economy Hit by Knock-on Effects of Russia Sanctions, 16.6.2014, Institute for War & Peace Reporting, <http://iwpr.net/report-news/armenian-economy-hit-knock-effects-russia-sanctions>.

<sup>41</sup>Azerbaijan Railways LTD, Baku-Tbilisi-Kars, <http://railway.gov.az/index/en/2nd-column-3/baku-tbilisi-kars>.

Nagorno Karabakh conflict, secondly, the opening of the Armenia-Azerbaijan border and thirdly, Azerbaijan joining the Eurasian Union. This would allow Armenia to have a direct geographical link to the EEU area. None of these factors, however, are expected to happen in the short or medium term future.

Iran and Armenia have held talks on a possible Free Economic Zone on their common border and they are planning to construct a railway link that would connect the two countries. These two efforts could be combined; if possibly a new Iran-Armenia railroad could connect the Aras free trade area with Armenia. However Iran has been signalling to Armenia that it should show more commitment to joint plans and sign a free trade agreement also with Iran similar to the one it has with Georgia.<sup>42</sup> Such a new railroad connection could also form a linkage between the Persian Gulf and the Black Sea, thereby creating an alternative transportation route for the BKT project. The end result would be an increase in the importance of Georgia as a transport hub. Iran could also have a bigger role to play in Russia's plans for the EEU in this regard. Since Armenia's borders with both Azerbaijan and Turkey are closed, and Russia does not want to further increase the importance of Georgia as a transit country for Armenia's trade, Russia and Iran might do well to negotiate new logistical connections for Armenia via Iran to the Caspian Sea to establish alternative connections with Russia and Kazakhstan.

On his visit to Baku in June 2014, Russian Foreign Minister Sergei Lavrov stated that Azerbaijan will not receive a formal invitation either to the Eurasian Customs Union or to the Eurasian Union, but he indicated the wish that Azerbaijan deepen its cooperation with both organisations. Lavrov did not see Nagorno Karabakh as an obstacle for Armenia's accession since it would be joining in its internationally recognized borders, excluding Nagorno Karabakh. However, the Foreign Minister did not have a comment on the customs post requirements on the border between Armenia and Nagorno Karabakh.<sup>43</sup>

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<sup>42</sup>Paul Goble, Iranian Rail Links and the Geopolitics of the South Caucasus, *Eurasia Daily Monitor*, Vol. 11, No. 169, [http://www.jamestown.org/programs/edm/single/?tx\\_ttnews\[tt\\_news\]=42873&cHash=20916fc6f2c5d3d46bb1f2538b31f562#.VGN\\_gGPER8E](http://www.jamestown.org/programs/edm/single/?tx_ttnews[tt_news]=42873&cHash=20916fc6f2c5d3d46bb1f2538b31f562#.VGN_gGPER8E); INRA, Railway network to be extended by 10000 km, 10.11.2014, <http://www.irna.ir/en/News/81381459>.

<sup>43</sup>*Voice of Russia*, Azerbaijan receives no formal invitation to Customs, Eurasian

## 9.8 Conclusions and recommendations

The competition between the European Union and the Eurasian Economic Union has added a new layer on top of the already existing political struggles that affect the resolution of the protracted conflicts in the South Caucasus region. For example, on the first layer there is the conflict between parent states and separatist enclaves (Azerbaijan–Nagorno Karabakh, Georgia–South Ossetia and Georgia–Abkhazia). On the second layer, there are the conflicts between the states (Armenia–Azerbaijan and Georgia–Russia). The third, additional layer is the competition between the EU and EEU integration projects. This new layer tends to reinforce the existing divisions and freeze the prospects for solution of the conflicts further. One of the major knockdown effects of this process is the increase of importance of borders and boundaries in the South Caucasus. This is in striking contrast to Western Europe, where borders are losing their importance and the free movement of people and goods is the norm.

In the South Caucasus, there are three types of boundaries. Firstly, contested administrative boundary lines or borders as between Georgia and Abkhazia, between Georgia and South Ossetia and between Nagorno Karabakh and Azerbaijan (including seven provinces around Karabakh that Armenia is occupying). Secondly, the non-contested (including closed Armenia–Turkey and Armenia–Azerbaijan) state borders within the South Caucasus and with the surrounding countries Iran, Turkey and Russia. Thirdly, the integration projects, in the form of a customs union (EEU) and a free trade area (DFCTA) have included some countries in their preferential arrangements but at the same time left others out, and thereby have added another type of dividing line in the South Caucasus. Not only do these new, mutually exclusive integration layers impede conflict transformation and resolution, but they will also hinder possible cooperation within the South Caucasus, should one or all of the protracted conflicts be resolved.

It can be argued that Armenia has been the biggest loser in the recent developments in the South Caucasus. There is a threat that

Armenia will suffer triple isolation. There is already the geographical isolation due to the fact that Armenia is a landlocked state. This situation has been made worse by the closure of two out of four of Armenia's external borders (with Azerbaijan and Turkey) as a result of the unresolved conflict in Nagorno Karabakh. With Armenia's accession into the Eurasian Economic Union, there will be a third layer of isolation, namely higher customs barriers towards third countries (including EU member states) which remain outside the EEU.

Since increased trade between Armenia and Turkey could be regarded as one of the possible drivers of conflict transformation and confidence building measures in the frozen rapprochement process between the two countries, higher tax barriers of the EEU could create further disincentives for Turkish investments in the Armenian economy in the future. On the other hand, the closed Armenia-Turkish border effectively blocks any prospective for Turkey's membership in the EEU, because that would have to be preceded with progress in the Armenia-Turkey rapprochement.

One should also see the European Union and the Eurasian Economic Union as two very different projects to build peace, stability and prosperity for their member states. The first one is liberal, democratic with decentralized political power. The latter is composed of authoritarian regimes of different degree and one dominant political and military power. However, the countries which are on the border or between the two Unions and have been left out of the European Union or NATO for the time being (or are waiting for more concrete steps in their accession process) are ridden with protracted conflicts and various levels of instability (Georgia, Ukraine, Moldova and Azerbaijan). One of the differences between the Eurasian Union and the European Union is that due to the Nagorno Karabakh conflict, Armenia also belongs to the grey zone of conflict and instability, despite being a member candidate for the EEU. From this perspective, Armenian membership could prove to be problematic for the Eurasian Union, if one assumes that economic integration is about bringing more stability for the member states.

Differences between the EU and the Eurasian Union are striking. The strength of the EU has been its pull factor, i.e. its ability to attract member candidates voluntarily to join the Union, but as the example of Armenia (and attempted in Ukraine) shows, the Eurasian Union is put together partly by threat and coercion. The EU is a mul-

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tipolar institution whereas the Eurasian Union appears to be much more of a unipolar system with Russia as an uncontested dominant power.<sup>44</sup> The same is true for dependency structures. In the EU, the driving logic is interdependency, whereas in the Eurasian Union dependency (on Russia) plays the main role. Obviously within the Eurasian Union, the degree of dependency varies: Kazakhstan is the least and Armenia the most dependent on Russia. If the formation or adoption of a European identity within the EU for the citizens of its member states has been a very slow progress, it is to be expected that the creation of a distinctive Eurasian Union identity is an even much more difficult task.

The problems for the countries in the grey zone are caused by the difficult relationship between the EU and Russia and their unwillingness, or at least incapability, to understand one another. The history of Russia's opposition to and criticism of EU integration dates all the way back to the beginning of West European integration in the 1950s. The principles of Moscow's objections to the EEC/EU have remained constant from the Cold War decades to the present. First of all, Russia is reluctant to deal with a supranational institution. It will counter the EU with a policy of differentiation, opting for bilateral relations instead of negotiating with the organisation as a whole. Secondly, it aspires to limit cooperation to economic affairs only, avoiding sensitive issues such as human rights or other European core values. Thirdly, it pursues to ratify the *status quo* in the relations, but also accepts a *modus vivendi*, even if this means the continuation of mutual neglect and antagonism. And lastly, it is willing to resort to revisionist methods to achieve its goals.

The principles of Russian foreign policy need to be understood, because they inform Russia's policies. This does not mean that they should be accepted or considered legitimate.

### 9.8.1 Recommendations

1. Armenia should continue on its path of reforms that were the core of its negotiations with the EU. The crucial question is whether the Armenian government and its people want democ-

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<sup>44</sup>The volume of Belarus-Kazakhstan trade is minimal compared to the share of Russia in the two's trade.

racy and whether they share the same Western values as the EU is promoting.

2. Armenia should continue a dialogue with both the EU and Russia in an effort to find an acceptable balance between its EU-aspirations and the commitments through its EEU membership. This would consolidate the complementary element in its foreign policy. Ultimately, Armenia could, being the only EEU country that is interested in deeper cooperation and integration with the European Union, become a bridge between the two organisations.
3. To help Armenia in its precarious situation, the EU should continue its dialogue with Russia. This would, first of all, require a peaceful settlement of the crisis in Ukraine and the lifting of the economic sanctions and embargos currently in force. Secondly, the EU should review its engagement in the region and the goals and results of the EaP. Although the EU sees itself as providing a complementary assistance programme to the eastern partners, Russia does not see the policy in this way. Russia has always viewed, and continues to view EU advances into its neighbourhood as a challenge and a threat.
4. The unresolved issue in Armenia's entry into the EEU remains the customs post settlement of Nagorno Karabakh. It could be organised in the same way as was done with regard to Abkhazia and South Ossetia when Russia joined the WTO. As a confidence building measure and compromise, Armenia should seek to establish a trade corridor that is monitored by an outside, neutral party, for instance by a private Swiss company as is done in Abkhazia. The company would provide details of trade between Armenia and Nagorno Karabakh. The information would be provided to both the Eurasian Customs Union members and, in the best case scenario, also to Azerbaijan.

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## Chapter 10

# Policy Recommendations

*Mikko Palonkorpi*

### 10.1 Diminishing prospects for cross-border cooperation in Georgia

After the August 2008 war in Georgia and the declarations of independence by Abkhazia and South Ossetia, Georgia was left with a few alternatives to advance its agenda towards these two provinces, which the country still considers as integral parts of its sovereignty. By stationing thousands of troops in both breakaway republics, Russia has not made Georgia's task easier.

In the beginning of 2010, the Georgian government launched an ambitious new initiative entitled *State Strategy on Occupied Territories: Engagement through Cooperation*. The conflict resolution aspect of the State Strategy was argued as follows: "The Strategy is developed with the conviction that the remaining residents of Abkhazia and the Tskhinvali region/South Ossetia are an integral part of Georgia's society and future. The Government of Georgia believes that a policy of engagement that restores confidence and trust between the war-affected communities of Abkhazia and the Tskhinvali

region/South Ossetia, currently separated by dividing lines, will significantly contribute to the final settlement of the conflicts.”<sup>1</sup> There were many elements in the State Strategy that emphasized cross-border cooperation. However, the mere title of the State Strategy was enough to make Abkhazia and South Ossetia denounce it, since it labelled them as “Occupied Territories.” Moreover, the document made a reference to the resolution of the political status of South Ossetia and Abkhazia *within* the state boundaries of Georgia.

The Subsequent *Action Plan for Engagement*, published in August 2010, set out more specific and concrete objectives for cooperation. Initiatives outlined in the Action Plan included, among others, neutral identification cards and travel documents, access to healthcare in Georgia for residents of Abkhazia and South Ossetia, eliminating obstacles for trade across the division line, promoting youth and cultural exchanges, supporting radio broadcasting in Abkhaz and Ossetian languages and increasing capacity of radio transmissions near the ABL.<sup>2</sup>

The initiatives outlined in the Action Plan were implemented with varying degrees of success. For example neutral travel documents were introduced in 2011, but three years later only dozen countries<sup>3</sup> have recognized them as legal and not very many have been issued so far.<sup>4</sup> The idea behind a neutral travel document was to offer the inhabitants of South Ossetia and Abkhazia not only an alternative to Russian passports issued in these two regions already before the 2008 August war, but also alternative documents for traveling abroad.

After signing the Association Agreement with the EU in the summer of 2014, Georgian politicians started to express hope that the visa requirements would be eased and eventually abolished for Geor-

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<sup>1</sup>State Strategy on Occupied Territories: Engagement Through Cooperation, <http://www.civil.ge/files/files/SMR-Strategy-en.pdf>

<sup>2</sup>Government of Georgia - Action Plan for Engagement, August 2010, pp. 64-78.

<sup>3</sup>Hungary, Bulgaria, Estonia, Israel, Japan, Latvia, Lithuania, Poland, Slovakia, Romania, the Czech Republic and the United States.

<sup>4</sup>Hungary recognises Georgia's neutral travel documents, *Agenda.ge*, 15 January 2014. <http://agenda.ge/news/6203/eng>, See also: Antje Herrberg, Rainer Hofmann & John Packer, Comparative Study on Status Neutral Travel Documents, The European Forum for International Mediation and Dialogue (mediatEUR), July 2011 [http://www.themediateur.eu/resources/publications/item/download/1\\_d5ca8722620387e09afa7b980d03cace](http://www.themediateur.eu/resources/publications/item/download/1_d5ca8722620387e09afa7b980d03cace)

gian citizens who wish to travel to the EU. The former State Minister of Georgia on European and Euro-Atlantic Integration Alex Petriashvili advised the EU-member states to grant a visa-free regime for Georgian citizens.<sup>5</sup> According to him, such steps would be important for the Georgian citizens to realize concrete advantages of the EU integration. However, EU-Georgia visa free regime could have an impact on the conflict resolution and trust building process as well. Establishing a visa free regime with the EU would make the Georgian citizenship, or more precisely Georgian passports, more attractive for the inhabitants of South Ossetia and Abkhazia, as this would provide easier travel procedures to the European Union.<sup>6</sup>

An opportunity to access health care in Georgia has been perceived more positively by the inhabitants of Abkhazia, and it could be considered as a success. There have been hundreds of patients from Abkhazia who have traveled across the ABL to receive medical treatment in Georgia, especially in the hospitals of cities such as Zugdidi which are located nearby the “boundary line.” Treatment in Georgian hospitals has been appreciated especially in cases of emergency, when hospitals on the Georgian side of the ABL have been closer than those in Abkhazia (or in Russia); or in cases where the patients have required sophisticated treatment that has not been available in the local hospitals in Abkhazia, such as demanding heart disease treatments. However, in some instances, people residing in the occupied territories were denied social benefits in Georgia (for example when requiring medical care), because they did not have proper identification cards. This prompted the Georgian Ombudsman to take action to ensure that all Georgian citizens should have equal access to free health care, even if they reside in the conflict regions.<sup>7</sup>

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<sup>5</sup>European Parliament ready to ratify Georgia-EU AA deal in December, *Agenda.ge*, 8 October 2014. <http://agenda.ge/news/22289/eng>

<sup>6</sup>Remarks by the State Minister Alex Petriashvili in a “Georgia’s European Way” conference 11 July 2014.

<sup>7</sup>Interview with a Georgian expert in Tbilisi on 25 June 2014; Proposal for the Minister of Labour, Health and Social Affairs of Georgia, Public Defender of Georgia, 22 September 2014, <http://www.ombudsman.ge/en/recommendations-Proposal/winadadebebi/proposal-for-the-minister-of-labour-health-and-social-affairs-of-georgia.page>; Mari Nikuradze, Abkhazians go to Georgia for medical treatment, 19 April 2012 <http://dfwatch.net/abkhazians-go-to-georgia-for-medical-treatment-58267>

Unfortunately, by the end of 2014 the prospects for cross-border cooperation between Georgia and Abkhazia & South Ossetia appear much less promising. Russia and Abkhazia signed a treaty on alliance and strategic partnership in the end of November.<sup>8</sup> Not only does the treaty call for the creation of common security and defense space and coordinated foreign policy, but several points of the treaty can prove detrimental to many of Georgian cross-border initiatives aimed at conflict resolution and trust building. In fact, the new treaty seems to offer a Russian substitute for many initiatives introduced in Georgia's State Strategy and Action Plan. For example, Russia pledges commitment to introduce Russian citizens (i.e. Russian passport holders) residing in Abkhazia to its compulsory health insurance system, thereby allowing them access to health care in Southern Russia. Moreover, according to the treaty, Russia has promised to ease procedures for obtaining Russian citizenship for Abkhazians. The treaty also envisages joint protection of all land and maritime borders and jointly providing technical equipment to the border with Georgia; and also introducing free movement of goods and people across the Russia-Abkhaz "state border." Treaty also requires Abkhazia to harmonize its customs legislation in accordance with the regulations of the Eurasian Union. The first draft of the treaty proposed earlier by Russia also included a proposal to close all crossing points between Georgia and Abkhazia on the Enguri river except one and gradually relocating border control assets from the Russia-Abkhaz border to the Georgia-Abkhaz border.<sup>9</sup> Even if the text of the treaty does not mention the "checkpoints" directly, the assumption is that the treaty will entail the previously announced goal to reduce their numbers.<sup>10</sup> According to the White Paper by the Georgian MFA: "The document provides for the de-facto abolishment of the so called "Russia-Abkhazia border", whereas the occupation line between the

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<sup>8</sup>Президент России, Договор между Российской Федерацией и Республикой Абхазия о союзнничестве и стратегическом партнерстве, 24 ноября 2014 года.

<sup>9</sup>Moscow, Sokhumi Endorse Final Text of New Treaty, *Civil.ge*, 22 November 2014 [http://www.civil.ge/eng\\_old/article.php?id=27841](http://www.civil.ge/eng_old/article.php?id=27841) Russia-Proposed Treaty with Abkhazia on 'Alliance and Integration', *Civil.ge*, 13 October 2014 <http://www.civil.ge/eng/article.php?id=27714> Sokhumi Offers Its Draft of New Treaty with Russia, *Civil.ge*, 3 November 2014 <http://www.civil.ge/eng/article.php?id=27768>

<sup>10</sup>Президент России, Договор между Российской Федерацией и Республикой Абхазия о союзнничестве и стратегическом партнерстве, 24 ноября 2014 года.

Abkhazia region and the rest of Georgia will be further fortified.”<sup>11</sup>

The first draft of treaty was met with growing protest and resistance in Abkhazia. It was argued that the new treaty would undermine Abkhazia’s declared independence, statehood and sovereignty, and Abkhazian opposition parties organized rallies against the treaty in Sokhumi.<sup>12</sup> It seems that the annexation of Crimea by Russia has not gone unnoticed in Abkhazia and that surrendering large parts of its “independence” to Russia would call into question the sacrifices made in the wars in the beginning of the 1990’s.

From the point of view of cross-border cooperation, the current situation presents a paradox. On the one hand, the environment in which the CBC initiatives in Georgia’s conflict regions are to be implemented is becoming more difficult. But at a same time, these CBC initiatives are becoming more and more important as a means to keep people-to-people contacts and trust-building processes alive.

If Russia continues to pressure tighter integration of Abkhazia to the Russia Federation at the expense of Abkhazia’s declared independence, meaningful CBC programs can perhaps appear more attractive to Abkhazians as a way to balance out the increasing Russian pressure. Therefore alongside traditional distrust in Georgia in Abkhazia, there might also be nascent distrust in Russia in Abkhazia. Therefore successful cross-border cooperation initiatives should aim at alleviating both types of distrust. The EU and its member states are recommended to continue their support for the cross-border cooperation programs, even in circumstances where their implementation in Georgia’s conflict regions appears to be more challenging than ever.

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<sup>11</sup>Non-paper on signing of the so called “treaty on alliance and strategic partnership” initiated by the Russian Federation with the Sokhumi occupation regime, Ministry of Foreign Affairs of Georgia, 25 November 2014, p. 1.

<sup>12</sup>Jack Farthy, Vladimir Putin signs treaty with Abkhazia and puts Tbilisi on edge, *Financial Times*, 24 November 2014 <http://www.ft.com/intl/cms/s/0/24239f90-73e8-11e4-82a6-00144feabdc0.html#axzz3KGly8pN5> Abkhaz Reactions on Russia-Proposed New Treaty, *Civil.ge*, 15 October 2014 <http://www.civil.ge/eng/article.php?id=27718>



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Ambassador Heikki Talvitie was born in Vyborg (Finland) in 1939. He became a diplomat joining the Finnish Foreign Service in 1964 and had a long and prestigious career with a number of high level positions, including Ambassador to Moscow, Belgrade and Stockholm, Under-Secretary of State at the Finnish Ministry for Foreign Affairs and Co-Chairman of the Minsk Conference. He retired in 2002.

He acted as the EU Special Representative for the South Caucasus 2003-2006. During the Finnish OSCE Presidency in 2008, Ambassador Talvitie was appointed as Special Envoy for conflict resolution in South Caucasus and Moldova.

In the early steps of his "second career", Ambassador Talvitie has concentrated on both writing and lecturing on history and international politics, with a main focus on Russia and Sweden. Among his other duties, Ambassador Talvitie has acted as Chairman of the History Friends Association and Chairman of the Finnish-Russia Society. He was Chairman of the Museums Association 2003-2009. Furthermore, he has been the organiser of the Finnish History Days.