
The South Caucasus: drama on three stages

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INTRODUCTION

The three countries of the South Caucasus (sometimes referred to as the Transcaucasus) – Georgia, Azerbaijan and Armenia – form the most complex, combustible and unstable region in the former Soviet Union. Lying at the crossroads of Europe, Asia and the Middle East, they share deeply ingrained historical trauma, Soviet-era bad practice, economic mismanagement, corruption, social problems, weak institutions, conflicting tendencies towards authoritarianism and reform, inter-ethnic disharmony, border disputes and several low-intensity (or ‘frozen’) conflicts. Georgia, often the most visible of the three countries to the West, has undergone a brief but dirty ‘hot’ war with the major regional power, Russia, after years of Russian threats and pressure. This was a pivotal event, which carried consequences for the capacity, scope, emphasis and effectiveness of engagement by the United States across the region.

With natural borders, large neighbours and considerable cultural homogeneity at various points in its history, the South Caucasus is a distinct and interconnected region with a total population of around 16 million. However, the three countries differ considerably, both internally and in their geopolitical orientations. Ancient as nations, but new as self-governing states, they have each taken separate routes since the break-up of the Soviet Union and independence in 1991.

Georgia is located strategically on the coast of the Black Sea; it was a ‘failed state’ for at least the first half of the 1990s and then underwent a peaceful and democratic ‘Rose’ Revolution in 2003. It has a staunchly pro-Western foreign policy orientation. It is predominantly Orthodox Christian and desires NATO and EU membership. There is no significant Georgian diaspora community. It suffers from unpredictable foreign policy decision-making and was defeated (and, for some, discredited) in the war with Russia.

Azerbaijan is located strategically on the coast of the Caspian Sea; Baku was the world’s first oil capital in the 1890s (and the world’s first oil pipeline was built there in 1906). It is overwhelmingly Muslim, though nominally secular, and has a dynastic presidency. It currently performs a delicate balancing act between Russia and the West.

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Landlocked Armenia has poor relations with – and is currently blockaded by – its neighbours Turkey and Azerbaijan. Its national assets are increasingly being bought up by Russia but it shares no border with that country. It has a large diaspora (more Armenians live outside Armenia than in it) and an influential (if diminishing) lobby in the United States. It was the world's first country to officially adopt Christianity as a state religion in 301 AD and it is developing an increasingly close relationship with Iran.

Of the six countries that lie within the South Caucasus or that directly border the region – Georgia, Azerbaijan, Armenia, Iran, Russia and Turkey – only Iran maintains embassies in each of the other five capitals.

Throughout the region, closed borders coexist with a relatively long history of federalism, while the interplay of geopolitical pressures and local politics at times creates a combustible mix. Although these are small countries, they can create big problems for great powers and, in consequence, could yet hinder the Obama administration in the conduct of its wider foreign policy.

US INTERESTS IN THE SOUTH CAUCASUS

With the demise of the Soviet Union, US policy in the Caucasus was essentially non-country-specific. The main aim during the 1990s was to manage a peaceful transition in the region as a whole, while other areas of the post-Communist world (the Balkans for example) took precedence. US policy broadly aimed to help construct market economies and promote democracy. Then, in the mid-1990s, the Caspian oil boom gave the region a new significance, mostly as an East–West conduit for energy supplies to Europe. The concept of a 'wider Black Sea region', incorporating the South Caucasus as well as Bulgaria, Romania, Moldova, Ukraine, Russia and Turkey, was envisioned by the United States in the 1990s to build regional cooperation and harness both strategic and democracy-building objectives.¹ All three countries joined NATO's Partnership for Peace (PfP) in 1994.

After the terrorist attacks of 11 September 2001, the American-led 'Global War on Terror' ensured that the South Caucasus became of military-strategic importance as a potential launch pad for US military forces en route to the Middle East or Afghanistan. It was also seen as a threat in terms of being a possible source of radicalized Islam (especially in parts of northern Georgia). These three states were among the first to support the United States in its 'new reality'² post-9/11 and they all offered it the use of their airspace for Operation Enduring Freedom in Afghanistan. As the first decade of the twenty-first century drew to a close, the historically influential regional powers of Turkey, Iran and particularly Russia grew more assertive with regard to the South Caucasus. They forged and broke bilateral allegiances with the three states, forcing American policy to become more tailored and differentiated.

American economic aid to the South Caucasus includes Freedom Support Act (FSA) initiatives, food donations, Peace Corps activities, assistance under the Millennium Challenge Corporation (MCC) and security assistance.³ The

major US security assistance programme to the region is known as the Clearing House – its purpose is to share security and some intelligence data among donor and beneficiary countries.

In September 2008, one month after hostilities in Georgia ceased, the then US Deputy Assistant Secretary of State for European and Eurasian Affairs, Matthew J. Bryza, articulated three objectives for the United States in the South Caucasus: supporting Georgia in particular, blunting Russia's strategic objective of undermining the southern East–West energy corridor, and shoring up friends and partners in the wider region.⁴ These objectives remain largely intact, though slightly weakened, under the Obama administration.

Georgia

Until August 2008, it could have been said with confidence that Georgia had become more pro-American in the previous five years than any other country in the world. In the 1990s, relations between former Presidents Bill Clinton and Eduard Shevardnadze had been warm, but not as close as the bond that developed between Presidents George W. Bush and Mikheil Saakashvili. In part, this was due to Georgia's cooperation over the war in Iraq, where it had the third largest contingent of troops per capita until they were pulled out (in American aircraft) to return to Georgia for the war with Russia on 9 August 2008.⁵ The relationship was further defined by the pipeline politics of Georgia's link position in the energy transit corridor to Europe and a shared increasing suspicion of Russia. Reflecting their hopes and appreciation of US political support, crowds waved American as well as Georgian flags during the Rose Revolution of 2003. Although the United States had supported Georgia through encouragement of its hopes of NATO membership and more generally as part of democracy-building, US policy nonetheless also initially encouraged post-Rose Revolution Georgia to work with Russia on peace settlements in the rebellious north Georgian provinces of Abkhazia and South Ossetia, not even objecting to Russian 'peacekeeping' operations there. This policy shifted to more overt support of Georgia as Russian provocations increased in 2008 and Georgia's territorial integrity was threatened.

It was a core US policy in the 1990s that aid to Georgia (and indeed to all the South Caucasus countries) was not military-related to ensure that it could not be misused in local ethnic conflicts.⁶ The focus was on transforming the military. That changed with the 'Global War on Terror'. A new \$64 million 'Train-and-Equip' programme in 2002–03 was designed to provide better capability for Georgia's border management (as a result of US concern about Islamic fundamentalist elements in the Pankisi gorge).⁷ With the benefit of hindsight, of course, one might speculate that the training provided by the Americans for counter-insurgency operations would have been better employed for Georgia's homeland defence and conventional military threats, given the country's future relationship and, ultimately, conflict with Russia. However, at the time, it was perceived as worthwhile. Other security assistance included the Sustainment

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and Stability Operations Program (SSOP) from the US European Command (EUCOM).

In spite of all this assistance, many Georgians felt that the United States betrayed them in August 2008. For some, this sense of betrayal can be traced to America's defence of President Saakashvili following his harsh reaction to protests in November 2007, and its silence after two flawed elections in 2007 and 2008. It appeared that the United States was supporting Saakashvili rather than Georgia itself as a nascent, troubled democracy. For others, the frustration lay in the lack of strong American vocal support for Georgia in the first few days of the conflict. After the August 2008 hostilities ceased, many politicians were open in their criticism of US policy and questioned what they were getting from the United States. President Saakashvili went on record to claim: 'Frankly, my people feel let down by the West',⁸ although this was not a line he then pursued in most of his interviews with the international media. Unsurprisingly, disillusionment with the United States is felt even more keenly in Abkhazia and South Ossetia. The Abkhaz 'foreign minister', Sergey Shamba, for example, has stated that, 'the US government and some EU countries should equally share responsibility for Saakashvili's military adventures'.⁹

The August 2008 conflict was devastating for Georgia. It lost lives, land, prestige and credibility with the West, including with the United States. It also seriously damaged what had been Georgia's top foreign policy priority since the Rose Revolution: NATO membership. Until then the country had made moves towards achieving that goal – turning the military over to civilian control and launching a successful fight against government corruption (largely by replacing Shevardnadze-era officials with younger personnel). These were impressive steps for a country that in Soviet times was essentially run by mafias. But this process has also led to a loss of institutional memory in ministries and subsequent immature decision-making, which has frustrated US and NATO officials.

Azerbaijan

Azerbaijan, 'a geopolitical pivot', as former US National Security Advisor Zbigniew Brzezinski has described it, is constantly performing a balancing act in its relations with the United States, Russia and Iran. The latter two share borders with Azerbaijan to its north and south respectively. There is significant competition between the United States and Russia over Azerbaijan, and President Ilham Aliyev is adept at accommodating the leadership of both countries, which is crucial for the country's sense of sovereignty. Relations with the United States have been classed as a 'strategic partnership'¹⁰ – a devalued term nowadays, reflecting that the alliance is now confined to common interests and that there are few common values. The Bush administration gave Azerbaijan \$3 million for the October 2008 elections, spent on NGOs, debates and monitoring¹¹ – steps that were not to the Azerbaijani leadership's liking. Yet Azerbaijan proved resistant to the Bush administration's 'democracy project', and the high levels of global anti-Americanism under President Bush – particularly in the Muslim

world – compounded the sense of ambivalence at both political and popular levels.

In 1991, Secretary of State James Baker set out the United States' 'five principles' of democracy and human rights, which were to severely limit US relations with Azerbaijan as it moved from near chaos and civil war in the early 1990s to an increasingly autocratic regime once Gaidar Aliyev became president in 1993. Nonetheless, close relations were developed in the wake of Azerbaijan's 'contract of the century' in September 1994 for the giant Azeri–Chirag–Guneshli oil field; American companies secured major stakes in projects to develop Azerbaijan's hydrocarbon reserves, currently (and conservatively) estimated at seven billion barrels (one million tonnes) and 42.3 trillion cubic feet (1.2 trillion cubic metres).¹² Energy issues provided the foundation of the relationship and continue to do so today. The United States played a crucial role in the construction of the BTC (Baku–Tbilisi–Ceyhan) and BTE (Baku–Tbilisi–Erzurum) oil and gas pipelines. These arteries link the hydrocarbon reserves of the Caspian with the West via Turkey, thus breaking Russia's previous monopoly on Caspian oil and gas export routes to major world markets. Azerbaijan and Georgia do not therefore as a rule provide energy transit to the West via Russia, but rather through Turkey.

These pipelines were major achievements of US (and European) policy and enhanced America's influence in the South Caucasus more broadly. As a large producer of natural gas (BTE: 6.6 bcm per year) and with close to one million barrels of oil flowing through the BTC pipeline every day,¹³ Azerbaijan has the potential to be a significant alternative to the monopoly transport systems of Russia. Despite initial fears that the Georgian war (which was accompanied by a brief cessation of Azerbaijani oil and gas exports through the BTC and BTE pipelines) would curtail development of transit pipelines through the South Caucasus, the expansion of BTC to a capacity of around 1.6–1.8 million barrels per day, to accommodate Kazakhstani as well as Azerbaijani oil exports to the West, is under active consideration. At the same time, Azerbaijan's gas exports through the BTE line are expected to climb to around 20 bcm per year in 2016–17.¹⁴ The importance of the South Caucasus energy corridor for other Caspian states is also demonstrated by the fact that Kazakhstan and Azerbaijan are jointly exploring the possibility of a new South Caucasus oil pipeline to the Georgian coast, and Turkmenistan is assessing prospects for exporting some of its own gas to Western markets via Azerbaijan and Georgia.

Azerbaijan's military relationship with the United States differs in both size and style from that of Georgia and Armenia. Baku's defence spending (\$2 billion in 2008, including some modest, targeted US assistance)¹⁵ is by far the largest in the South Caucasus, mostly paid for with the petrodollars it generates, and is larger than Armenia's entire national budget. The United States has long expressed an interest in establishing an airbase outside Baku,¹⁶ but progress has been sluggish. Azerbaijan has also been slow in implementing its military doctrine, essential for the country's Individual Partnership Action Plan (IPAP) with NATO.¹⁷

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The country may have little ambition to join NATO but there are continuing discussions on compatibility, training and equipment standards.¹⁸ The US State Department has attempted to link military assistance to democratic reform in Azerbaijan, but progress has been negligible. President Aliyev's visit to Washington in April 2006 drew widespread criticism, not least from Russia, which did not miss the opportunity to remark caustically that the Bush administration seemed to be putting energy before democracy. Meanwhile, the balancing act continues as President Aliyev stated in 2008 that the 'present standard of our cooperation with NATO suits us'.¹⁹ After American troops were forced to evacuate the Khanabad airbase in Uzbekistan in 2005, Azerbaijani territory was considered as an alternative airbase location. A US-financed modernization of an Azerbaijani aerodrome for possible stop-overs by American aircraft en route to Afghanistan has been completed. However, Azerbaijan has not been comfortable with a US presence on its territory. So-called 'Cooperative Security Locations' (where there is no *permanent* US presence) aid American forces in mobilizing 'counter-proliferation operations' along the Iranian, Georgian and Dagestani borders. The term is more expedient for the Azerbaijani leadership than the politically charged 'base'. Since 2003, the relatively uncontroversial, US-financed 'Caspian Guard' initiative for extra security in the Caspian Sea (not only in Azerbaijan) and, since 2004, a separate US State Department-funded \$20 million maritime border guard training programme (the SSOP) have escaped much internal criticism in Azerbaijan.

Nagorno-Karabakh

The so-called 'frozen conflict' in the disputed territory of Nagorno-Karabakh, involving the occupation of approximately 15 per cent of Azerbaijani territory by Armenia, has so far resulted in approximately 15,000 deaths and hundreds of thousands of refugees. It has entailed the largest build-up of military forces in the South Caucasus region. Successive US administrations have been assisting the efforts to find a settlement of the Nagorno-Karabakh dispute since 1992 in their capacity as a member of the Minsk Group. The Azerbaijani Foreign Ministry has warned that the country would 'reconsider' relations with anyone not supporting its position on Nagorno-Karabakh, namely that it should be returned to Azerbaijan.²⁰ Ultimately, though, Azerbaijanis believe that the process will be resolved not by legal rulings but by negotiation among the big powers. However, the high level of Azerbaijani defence spending is making Armenia nervous that Azerbaijan plans to retake Nagorno-Karabakh by force, and President Aliyev has consistently refused to rule out the option. As both Zeyno Baran and Svante Cornell have pointed out, the United States remains the only power in the region that both sides in the Nagorno-Karabakh conflict still trust.²¹ This trust remains – just about – in spite of the fact that the Armenian lobby in the US, via section 907 of the Freedom Support Act that has prevented financial and military assistance to Azerbaijan except for certain non-proliferation and disarmament activities, has limited America's ability to play the role of impartial mediator at times.

Armenia

Armenia's large and vocal diaspora in the United States²² and its unenviable position in the South Caucasus – possessed of neither hydrocarbons nor major transit pipelines, and sandwiched between Turkey and Azerbaijan, with which it has very poor relations – means that it values its relationship with the United States particularly highly. Armenia's greatest foreign policy problem is its lack of friendly neighbours. Reciprocal blockades with both Azerbaijan and Turkey have meant necessarily closer relationships with the geopolitically problematic alternatives of Russia to the north and Iran to the south.

An astonishing 69 per cent of Armenians believe that the 2008 Russo-Georgian war was ultimately in the interests of the US government – a far higher percentage than Armenia's South Caucasus neighbours.²³ But Armenia has a special resonance in the United States, which since 1991 has been principally concerned with encouraging Armenian independent statehood, partly through the FSA. Also, the US Millennium Challenge Corporation pledged \$235.65 million to Armenia in 2005, although some of these funds have been held back owing to concerns over backsliding on democracy (in particular, the violent repression of peaceful demonstrations in Yerevan over the March 2008 elections, when several protesters were killed by Armenian security forces). Other areas of cooperation, such as the US–Armenia Economic Task Force and the US–Armenia Strategic Dialogue, were institutionalized in the last few years.

In 2004, American financial aid to Azerbaijan was significantly larger than to Armenia in acknowledgment of its more frontline position in the war on terror. Funding parity was then restored by the US Congress in 2005 after pressure from the Armenian lobby. This underscores the influence of the lobby in the United States – but it is also seen by US hawks as contrary to American security interests.²⁴ If anything, the large and widespread international Armenian diaspora has greater influence than the Armenian lobby in the United States. The former's economic success has provided the Armenian economy with much-needed additional capital through the high level of remittances from Armenians working abroad. President Serzh Sargsyan's week-long, 30,000-km international 'diaspora tour' in October 2009 placed a notable emphasis on the United States.

It is not the United States, however, but Russia that is the main guarantor of Armenia's security as lead nation of the Collective Security Treaty Organization (CSTO), of which Armenia is a member. Armenia's more critical stance towards US policy on Iraq (though it still has 44 troops deployed there) reflects this reality.²⁵ But while also expressing no interest in joining NATO,²⁶ President Sargsyan has stated that relations with NATO are 'beneficial, instructive and necessary, and not only in the military sphere'.²⁷ Armenia has participated in the PfP programme alongside the other South Caucasus states and Armenia has troops deployed in Kosovo and Iraq, and in bilateral partnership plans with NATO since 2005, including 'Command-and-Staff' and field exercises. This, the President has argued, gives Armenia a more modern defence system.²⁸

Georgia

The war with Russia, the subsequent discrediting of the Saakashvili regime and the election of President Barack Obama have led to a cooling in US–Georgia relations. Even though President Obama singled out Georgia as a major point of difference between Russia and the United States, the ‘tough love’ delivered by Vice President Joe Biden in his speech to the Georgian parliament in July 2009 (including criticism of Georgia’s democratic deficiencies and warnings against further military engagement in South Ossetia and Abkhazia to reclaim these territories) has somewhat estranged the two countries. There is a notable concern in Tbilisi that, despite the continuing statements of support, Georgia has been downgraded in the list of US priorities and the Georgian leadership is struggling to discern where it fits in American policy in the light of the ‘reset’ of US relations with Russia.

Yet there have been elements of continuity with the George W. Bush era as well. The US–Georgia Charter on Strategic Partnership, which was signed by the Bush administration, has been taken up by the Obama administration. This allows for further US military training of the Georgian army and improvement of interoperability with NATO, as well as greater trade and economic assistance. An Enhanced Bilateral Investment Treaty, a Free Trade Agreement and access for Georgia to the General System of Preferences have also been pursued.²⁹ The United States is also training Georgian police officers, judges, prosecutors and defence lawyers. These bilateral agreements sit alongside multilateral groupings such as the NATO–Georgia Council and the Annual National Plan in which the United States takes the lead roles.³⁰ Although the US administration has been clear that the Charter does not provide security guarantees, its provisions have angered Russia as it sees them as directly infringing upon its sphere of influence. In the face of strong Russian opposition, Georgia also hosted two NATO PfP exercises in May 2009. But Georgia has had to face up to the reality that there are limits to US support. Although there have been negotiations for a new US base on Georgian soil,³¹ these have not yet produced any tangible results, and direct military assistance in the form of US troops on the ground will not happen under any circumstances.

Since August 2008, the United States has committed \$30 million in humanitarian aid in its annual assistance programmes to Georgia, as well as a \$1 billion multi-year package of economic aid for stabilizing the economy, helping refugees and democratic development.³² In addition, US-funded Radio Liberty began broadcasting news to South Ossetia and Abkhazia in November 2009 with the explicit aim of decreasing anti-Georgian sentiment and countering Russian propaganda.³³ But the Abkhazian government’s view is that this is ‘Georgian propaganda’ designed to promote Georgia as an attractive country for Abkhazia and South Ossetia; the breakaway republics have threatened to jam radio signals.³⁴ However, international aid is masking the serious effects of the economic crisis on Georgia. Foreign investment has fallen by just under 75 per cent since the

beginning of 2008. More helpfully for the long term, Georgia's income from trade with the United States is currently \$360 million a year.³⁵ In a sense, Georgia was lucky. The August war and subsequent aid promises came just before the global financial crisis. A few months later and the international community might not have felt so generous.

Azerbaijan

America's strategic commitment to Azerbaijan has diminished its ability to place the issue of human rights onto the bilateral agenda. Nonetheless, American policy-makers have stated that Azerbaijan will need to take democratic standards more seriously if it is to get what it wants from the partnership. If Georgia and Armenia have trouble running free elections, Azerbaijan has trouble in even understanding the concept – the country is almost totally depoliticized. Elections are held, but they are neither free nor fair. Azerbaijani officials are frustrated that there is little US recognition of the country's economic achievements (the increase in energy prices has made it the world's fastest-growing economy for the last three years) and political stability. Like Russia, Azerbaijan is quite happy to use historical precedent to accuse America of double standards. Slavery, gender barriers, racial discrimination and corruption in the United States have all been used by Azerbaijan to rebut criticism and soothe domestic irritation at the United States' 'interference in internal affairs'.³⁶ President Aliyev decided at the last moment not to join an energy summit in Batumi, Georgia in January 2010, partly in protest at the decision of the US Congress to provide \$8 million in humanitarian aid to Nagorno-Karabakh.

In spite of this current downturn, the US–Azerbaijan relationship is unlikely to be significantly harmed in the long term. For Azerbaijan, a good rapport with the United States is useful to exert leverage in dialogues with other powerful nations – principally Russia, as Gazprom attempts to maintain its near-monopoly on gas exports from the region and ensure that gas from Azerbaijan, or delivered from other Caspian producers to international markets via Azerbaijan, does not become a serious alternative gas supply for Europe. To keep the Americans happy, Azerbaijan has a contingent in Iraq, and doubled its troop numbers in Afghanistan in 2009 to 95.

Armenia

Armenia remains one of the highest per capita recipients of American economic aid under the Obama administration. In 2009, Armenia received \$48 million in assistance to Europe, Eurasia and Central Asia (AEECA) funds. The USAID–Armenia managed share was \$31.85 million. However, US investment in Armenia (\$21 million in 2007) is not as large as Armenian investment in the United States (\$31 million in 2007³⁷), despite the close cultural and business links described above. What little US investment exists is mainly in the hotel and IT industries.

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The United States has also signed an agreement with Armenia to build a nuclear power plant in the country.

The Obama administration has expressed concern over Armenia's increased economic links with Iran – not least in the form of a Russian-backed pipeline sending Iranian natural gas to Armenia. Armenia's response is that increased ties with Iran will reduce its energy dependence on Russia. Ninety per cent of Armenia's energy currently comes from Russia and its \$160 million of debt to Russia was cancelled in exchange for state assets. Much of the Armenian transport, energy and telecommunications industries are now controlled by Russia. Simply put, it is harder for the United States to play a role in Armenia because of the depth of Russian involvement there. Moreover, given the Turkish and Azerbaijani blockades, Armenia has little choice. The United States would still like the Armenian leadership to be a more active participant in dissuading Iran from acquiring nuclear weapons technology. Armenia's influence over Iran, like Russia's, is questionable, but Iran does enjoy closer relations with Armenia than with any of its other neighbours.

Finally, Armenia's relations with Turkey constitute the most positive progress that has been achieved in the region in 2009. The 2008 war in Georgia created the environment for the signing of protocols in October 2009 to establish diplomatic relations and open shared borders between Armenia and Turkey.³⁸ There was a major push on the US side to get the Turkish–Armenian protocols signed in April 2009 in time for President Obama's visit to Turkey later that month for the Alliance of Civilizations forum. This made Azerbaijani leaders angry with Istanbul and Washington, and the process was delayed until October. However, if all goes well with the necessary parliamentary ratifications – a big 'if' – Turkey will become an even more active player in the Caucasus region.³⁹ The Obama administration has welcomed this rapprochement, but has also learnt its lesson of the spring and kept its distance, preferring to let the bilateral dynamics take their own course. It should be noted also that, for fear of endangering any future agreement, President Obama did not use the word 'genocide' when referring to the events of 1915 in his address to the Turkish parliament in April 2009, as he had during his election campaign. Instead, he used the other term Armenians use, 'Mets Yeghern' – literally, the Great Calamity. As shown during Turkish Prime Minister Recep Tayyip Erdogan's visit to the United States in December 2009, Washington is now less able to influence Turkish foreign policy as Turkey has, at the time of writing, refused to de-link its own rapprochement with Armenia from the issue of a settlement between Armenia and Azerbaijan over Nagorno-Karabakh.

CAPACITY AND RECOMMENDATIONS FOR FUTURE US ENGAGEMENT

The Bush administration's policies towards the South Caucasus were contradictory and inconsistent. The desire to diversify energy supply routes around Russia meant that Azerbaijan was courted (Defense Secretary Donald Rumsfeld made

four visits there on return trips from Afghanistan, but ignored Georgia and Armenia). Georgia, for its part, received favoured treatment because of its Western orientation and the personal relationship between the two presidents. The pressure from the Armenian lobby in the United States and international diaspora meant that Armenia also received preferential US treatment in relation to Azerbaijan. As a result of these three parallel and disparate policies, none of the South Caucasus states were satisfied. The challenge for the Obama administration is to achieve greater consistency of policy while allowing for the specificities of each country. Regional integration should therefore be encouraged, but it should be voluntary and should be driven by the economic interests of the states concerned rather than American geopolitical ambition. If the United States were to help facilitate this process – which is unlikely to succeed without some external impetus – this would constitute the foundation of a more coherent US policy and the beginning of more strategic thinking about the region as a whole.

To realize its aims, the Obama administration needs, first, to understand the limits of US power and come to a better understanding of how to use that power. The small countries of the South Caucasus are unable to defend themselves alone against an attack or pressures from their large Russian neighbour to the north, so they look to other external great powers such as the United States for support to balance Russia's influence. The resulting 'great game' sometimes makes the situation in the region resemble the early years of the twentieth rather than the twenty-first century. But, in terms of playing the 'great game', Russia is the best placed in the South Caucasus. There is not only an asymmetry of power between the United States and Russia in the region, but one of interests too, imposing powerful constraints on American policy – as was made clear in August 2008. The biggest danger is that the interests of the three small Caucasus countries, especially Georgia, will be sacrificed in tacit geopolitical deals or simply by default as a consequence of a strategic retreat by the United States from its earlier ambitious plans for the region and a new focus on 'resetting' US relations with Russia. One must hope that the principle of consent will not be forgotten when the United States makes its geopolitical calculations.

Russia's desire for influence in the region far exceeds its desire for stability. Therefore, US policy must first demonstrate to the countries there as well as to Russia that the latter's tactic of 'controlled instability' damages itself just as much as the South Caucasus states. True, Russia has gained tangible benefits from the recent instability by gaining explicit influence over territory in the South Caucasus (Abkhazia and South Ossetia), but at a huge financial cost and by incurring international disapproval. A related US aim should be to convince the Russians that a zero-sum approach to security in the region will be self-defeating and that the conflicts there do not have a military solution. Following the Georgian war, these points will be extremely difficult to communicate, not least because the United States has long under-estimated Russian power (soft as well as hard) in the region, but also because Moscow claims that the United States has taught it the opposite lesson since 1991.

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To succeed in its objectives the Obama administration also needs allies in the wider region. And it must demand less from them and support them more. In this context, the situation in the South Caucasus underscores how important it is for the United States to consolidate its relationship with Turkey. The latter's Caucasus Stability and Cooperation Platform (CSCP)⁴⁰ is often criticized as being impractical at best and cosmetic at worst. But the Obama administration should not dismiss it out of hand, even though its launch was a surprise and does not involve the United States (which is why the Russians have given it attention, believing that it would help keep the United States out of its backyard and further isolate Georgia). Similarly, Turkey's possible reconciliation with Armenia will be an important part of this process and deserves US moral support at the very least.

In addition, the August 2008 crisis makes it imperative that the Obama administration reassess the security of Western-sponsored energy projects in the region. The Caspian produces about 4.1 per cent of the global trade in oil and around 9.3 per cent of the gas delivered across international borders.⁴¹ Although the Georgian war initially looked likely to scare off fresh investment, projects to expand both oil and gas transit through the Caucasus gathered pace in 2009. Supplier states – Kazakhstan and Turkmenistan as well as Azerbaijan – looked for fresh markets to diversify their export options and reduce their dependence on routes through Russia. And the European Union and leading European energy companies looked to the Southern Corridor through the Caucasus as a way of diversifying energy supplies, particularly in gas. It is clearly in US interests to promote both regional and global energy security by ensuring such diversification of both suppliers and export routes, which should also contribute to energy price moderation. Consequently, new pipelines such as the Interconnector Turkey–Greece–Italy (ITGI), Nabucco (Turkey to Austria via Romania, Bulgaria and Hungary) and even a trans-Caspian pipeline all make strategic sense for the United States. Clearly, it is not possible for America or the countries concerned to defend every kilometre of exposed pipeline, but there are particular critical points in the region's existing energy infrastructure that could be better protected, and where US financial assistance and technical expertise would make a significant difference.

Next, the Obama administration needs to work with the EU to develop a new transatlantic South Caucasus strategy. American and European goals in the region, after all, are broadly identical: preventing a new anti-Western orientation, opening markets and improving the rule of law, diversifying the extraction and transportation of hydrocarbons, and promoting regional stability and democracy. The wealth of US political appointees now in the Obama administration with strong knowledge of the region should support the development of a coordinated US–EU policy towards the region. A key component of this strategy, however, is to accept the importance of the EU in driving long-term regional economic integration. The United States should play a strong supporting role here. Better and more liberal visa policies by both US and EU authorities towards the three South Caucasus countries, for example, would be beneficial, as would

the completion of free trade agreements with the EU. The United States could also play a role in the EU's Monitoring Mission (EUMM) in Georgia, where it would add to stability and aid in the return of refugees. At a minimum, it is vital that there is no rift between the US and the EU on policies towards the region.

The starting point for future American engagement with Georgia must be recognition of what failed in recent US policy and why. The Bush administration relied too much on personal friendship between senior US officials and Georgian leaders, and too little on engagement with other factions in Georgia's policy elite or helping to build institutions. Although there is no political figure on the scene with President Saakashvili's charisma, popularity, experience and political muscle, there are many individuals who could form part of a national government and possibly help achieve greater consensus.

One of the other major American mistakes in the South Caucasus since 1991 has been its support for peace plans that have been deficient, not least because they did not tackle issues of final status on recognition of independence for disputed territories. But US backing for the plans made the governments believe they were sound when they were not. Territorial integrity, for example, is important, but not at the very outset of the process. Another past mistake lies closer to home. Contradictory American approaches towards the South Caucasus in the past can be attributed to the in-fighting between different arms of the US government – in particular, the executive versus the congressional branch. For example, the US Congress has allocated aid directly to Nagorno-Karabakh, which contradicts State Department policy in the region.⁴² Now is the time for a major American push on Nagorno-Karabakh through the Minsk Group and in collaboration with the EU.

Georgia's desire to join NATO presents one of the biggest challenges to US policy. The view that NATO membership for Georgia will bring greater security for the South Caucasus might prove correct in the long term. But in the near term, the risks and liabilities far outweigh the gains for the West. In the military and security sphere, support for Georgia is critical. The Georgian National Security Council wants new equipment and weapons for the Georgian army, and for it to be trained to a greater level of preparedness.⁴³ Further military assistance, if it is to be given, should not be tank-for-tank replacements of those destroyed in the war, but better defensive capabilities, such as sophisticated air defence and command, control, communications and computer intelligence systems.⁴⁴ However, as Steven Pifer of the Brookings Institution has pointed out, there is no conceivable military assistance the United States can provide to Georgia that will ensure that the Georgians can defend themselves from a Russian attack or forcibly retake South Ossetia and Abkhazia.⁴⁵ Meanwhile, political and institutional safeguards must be devised to ensure that Georgia's forces will not be deployed in offensive operations again. Nonetheless, there remains a strong argument for anti-tank and anti-aircraft missiles and for increasing the level of performance of the top Georgian military leadership.

At the same time, there must be no question of closing the door to NATO membership, as this would have a catastrophically demoralizing effect on elites

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and society at large in Georgia. It would also diminish US influence where it is most needed (in promoting the democratic accountability of the armed forces and security structures) and embolden Russia. Nor should the Obama administration 'recognize the recognition' of South Ossetia and Abkhazia – for the very same reasons. Admittedly, Georgia is potentially more stable without South Ossetia and Abkhazia than with them (although this is because the majority of ethnic Georgians there were thrown out and the displaced have no voice). The Obama administration can help emphasize this point by highlighting the link between Georgia's internal economic success and political stability and the erosion of the divide between 'Georgia proper' and the 'independent' secessionist entities. The United States should make clear its belief that Georgia's long-standing policy of wooing South Ossetia through the building of trading outlets was steadily increasing the central government's control in various parts of the territory before the war and that it was the Georgian government's impatience with this slow but successful policy that helped trigger the war. It will be harder now to revert to this pre-war policy. But it is a worthwhile long-term strategy. This would also help to make Georgia more attractive for Abkhazia too one day.

Given that Georgia's recovery has been largely dependent on American support, the United States retains enormous leverage in the country, despite its past failings. The Obama administration now needs to conduct a sustained discussion with the Georgian elite and help it think through its interests and challenges. Most importantly, the United States can use its influence to ensure that economic recovery is supported by a broader, more solid (and more responsible) political framework than that which effectively allowed one individual to commit the country to war. As honest broker and one of Georgia's principal paymasters, the US administration should leave President Saakashvili in no doubt that diplomatic support, much-needed financial loans and the rebuilding of Georgia's armed forces, including assistance in rewriting their failed military doctrine, are conditional on political reform. At the same time, US financial aid needs to be targeted as accurately as possible.

The United States should broaden its engagement with Abkhazia and South Ossetia by all means and on all dimensions short of recognition. The United States, in fact, has no current policy towards the separatist states (except in terms of providing aid). It should develop one to engage and to accomplish over the long term in order to prevent decades-long situations such as the one in divided Cyprus. Aid is no substitute for a policy that allows these entities to escape from the trap that Russia has put them in. The US challenge is to undermine Russia's ability to define Abkhazia's and South Ossetia's engagement with the outside world and force us to choose between recognition on the one hand and isolation (and *de facto* annexation) by Russia on the other.

In the immediate post-Rose Revolution period, Georgia quite successfully countered Russian actions and influence simply by being more democratic. But this is no longer the case. President Saakashvili or his successors must actually behave like democrats and carry through their promises to the UN

General Assembly on the protection of private property, greater independence to parliament and the judiciary, trials by jury, and increased funding and better access to the media for opposition parties. In other words, the presidency must be weakened. Perhaps more than anything else, Georgia needs American pressure to prevent backsliding on its own commitments to greater democracy and improved human rights.

CONCLUSION

While not as important as Iraq, Afghanistan, non-proliferation or fighting international terrorism, the South Caucasus has become a vital concern for US foreign policy as a result of the Georgia war. August 2008 was the first time since the fall of communism that Russia sent its forces across an international frontier in anger. This in itself has massive implications not only for the South Caucasus countries but also for other major American partners in the former USSR, such as Ukraine, as well as for NATO members themselves. The South Caucasus matters in itself but also in relation to other policy areas for the United States such as energy and the war on terror. The balance between them must be constantly reworked for the United States to avoid being caught up too closely with the region.

As many have now observed, August 2008 was a proxy war for Russia, not against Georgia, but against the West and particularly the United States. To counter this dynamic, the Obama administration may have to rethink its military capabilities to cope with a third simultaneous crisis or conflict situation in addition to Iraq and Afghanistan. However, regaining its influence in the region will give the United States the best chance of achieving durable solutions and ensuring that the South Caucasus countries are less vulnerable to internal and external forces of instability.

In contrast, retreat from this region by the Obama administration would have far-reaching, short- and long-term negative consequences for American interests, including an inevitable further rise in Russian (and Iranian) influence. The Caucasus lies on the fault line in Western attitudes on how to deal with Russia. But Russia will react, whatever the United States does in the South Caucasus. And the United States will not be able to constrain it any more than it was able to in August 2008. At the same time, Russia will be similarly incapable of blocking all US policy actions. The South Caucasus states have all banked their autonomy, their legitimacy and their increasingly pro-Western orientation on a continuing American presence in the region. For some in South Caucasus, the United States has been just as unreliable in its principles as Russia and has lost some of its credibility. And today, even though the United States is the indispensable country for the independence of the South Caucasus states, we are entering a period of less American engagement there, not more. This has been made clear by the Obama administration. In itself, that may not be a wholly bad thing for a sensitive region riven by ethnic and civil conflicts. Nonetheless, to the extent that the United States will remain involved in the affairs of the three

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countries of the South Caucasus, future American engagement and leadership must be thoughtful and not fail them – or itself – a second time.

NOTES

- 1 This concept was further developed by Ron Asmus and Bruce Jackson. See 'The Black Sea and the Frontiers of Freedom', *Policy Review* (June/July 2004).
- 2 Kenneth Yalowitz and Svante Cornell, 'The Critical but Perilous Caucasus', *Orbis* 48(2) (2004).
- 3 Sources: US State Department, Congressional Justification for Foreign Operations, FY2010, 12 May 2009.
- 4 Testimony before Congress on Security and Cooperation in Europe (US Helsinki Commission), Washington, DC, 10 September 2008. Interestingly, Georgian opposition leader Salomé Zourabishvili argues that Bryza should be punished for the role he played in the August 2008 offensive – urging on Georgian President Mikheil Saakashvili and never saying stop. (Conversation with the author.)
- 5 In June 2009, Georgia announced that after US training, a company and a battalion of 500 troops would join the International Security Assistance Force (ISAF) Afghanistan in 2010. Two thousand Georgian servicemen served in Iraq. Source: BBC Monitoring, Caucasus, 8 December 2009.
- 6 The Millennium Challenge Corporation gave Georgia \$295.3 million before the August war.
- 7 'Train' involved approximately 200 US military trainers teaching four Georgian battalions in infantry tactics for facing down *small*-scale security threats. 'Equip' included the provision of uniforms, small arms and light weaponry and communications equipment.
- 8 Interview with CNN, 13 August 2008.
- 9 Quoted in BBC Monitoring alert. Caucasus. 12 October 2009.
- 10 Azerbaijani parliament speaker Ogtay Asadov after meeting with US Ambassador to Baku Anne E. Derse, 8 January 2006.
- 11 Press conference with US Ambassador to Baku Anne E. Derse, Baku, 1 May 2008.
- 12 BP, *Statistical Review of World Energy*, June 2009.
- 13 BTC, <http://www.hydrocarbons-technology.com/projects/bp/>. <http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/07/368&format=HTML&aged=0&language=EN&guiLanguage=en>.
- 14 Ibid.
- 15 <http://www.eurasianet.org/departments/insight/articles/eav051308a.shtml> and <http://www.reuters.com/article/crisis/idUSL1597375>.
- 16 Alman Air Ismail, *A Base or not a Base?* Eurasianet.org, <http://www.eurasianet.org/departments/insight/articles/eav091205ru.shtml>.
- 17 Individual Partnership Action Plans (IPAPs), launched in 2002, are designed to deepen cooperation with NATO in terms of interoperability and reform. Georgia became the first country to agree an IPAP with NATO in October 2004. Azerbaijan agreed one on 27 May 2005, Armenia on 16 December 2005. They must be distinguished from the Membership Action Plans (MAPs). No Caucasus country has officially been offered a MAP. Only Georgia openly desires it at the present time and it is not likely to be offered in the immediate future.
- 18 'Azerbaijan, US Discuss Military Cooperation', *RFE/RL Newswire*, 24 November 2003.

- 19 Interview with Russian news agency Interfax, 21 March 2008.
- 20 Azerbaijani Ministry of Foreign Affairs press release, 19 March 2008.
- 21 Zeyno Baran, 'The Caucasus: Ten Years after Independence', *The Washington Quarterly* (Winter 2002), p. 223; Svante Cornell, 'US Engagement in the Caucasus: Changing Gears', *Helsinki Monitor* 2 (2005), p. 118.
- 22 By one estimate, there are 1.4 million Armenians in the United States: <http://www.armeniadiaspora.com/followup/index.html>.
- 23 Hans Gutbrod, The Caucasus Research Resource Center program (CRRC). Poll conducted in November 2008.
- 24 S. Frederick Starr, *Resolving Karabakh: Strategic Options for the US Government*, (Washington, DC: Central Asia and Caucasus Institute, 2004). This has led to the FSA being waived in every year of the Bush administration and in 2009. Jim Nicols, 'Armenia, Azerbaijan and Georgia: Political Developments and Implications for U.S. Interests', Congressional Research Service, 2009.
- 25 Jason Burke, 'Armenian agency analyses Yerevan's refusal to back Iraq campaign', <http://www.eurasianet.org/resource/armenia/hypermail/200303/0057.shtml>.
- 26 Interview with Russian *Kommersant* daily, 27 June 2008, <http://www.armradio.am/news/?part=pol&cid=13076>.
- 27 Quoted in BBC Monitoring, Caucasus, 16 November 2009.
- 28 Mission of the Republic of Armenia to NATO, <http://www.armenianatomission.com/index.php?cnt=3>.
- 29 US Department of State, *US-Georgia Charter on Strategic Partnership*, 9 January 2009.
- 30 The Annual National Plan (sometimes Programme) of Georgia deals with military reform, media freedom and anti-corruption measures. It is seen by some as a diluted version of the NATO Membership Action Plan.
- 31 BBC Monitoring alert, Caucasus, 6 October 2009.
- 32 Announcement by US President George W. Bush, 3 September 2008; and Philip H. Gordon, Assistant Secretary of State for European and Eurasian Affairs. Testimony before the Senate Relations Committee, Subcommittee for Europe, Washington, DC, 4 August 2009.
- 33 BBC Monitoring alert, Caucasus, 23 November 2009.
- 34 BBC Monitoring alert, Caucasus, 6 November 2009.
- 35 US Census Bureau, Foreign Trade Statistics, 2009.
- 36 Chief of the Azerbaijani Presidential Administration Ramiz Mehdiyev in remarks quoted on 6 May 2008 by the daily newspaper *Yeni Azerbaijan*.
- 37 National Statistical Service of the Republic of Armenia.
- 38 This is a central point in Gareth Winrow, *Turkey, Russia and the Caucasus: Common and Diverging Interests*, Chatham House Briefing Paper, November 2009.
- 39 At the time of writing, the situation appears more pessimistic. The leaders of Azerbaijan and Turkey have gone as far as internal political pressure will allow in terms of accommodation, and Azerbaijan, which has always desired a Turkish-Armenian settlement to be linked to a resolution on Nagorno-Karabakh, has also objected. Azerbaijan is fearful that Armenia will 'pocket' this agreement, and not budge on Nagorno-Karabakh. In short, the siege mentality and the East-West divide in the Caucasus may continue.
- 40 The CSCP requires a resolution of the Nagorno-Karabakh dispute, the Russia-Georgia dispute and the normalization of relations with Turkey and Armenia. Many view it as an ineffectual talking shop.
- 41 I am grateful to John Roberts for these data, which are derived from *BP Statistical Review of World Energy*, June 2009.

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- 42 Other examples of different arms of the US government working against each other in the South Caucasus can be found in B. Shaffer, 'US Policy', in Dov Lynch (ed.), *The South Caucasus: A Challenge for the EU*, Chaillot Papers No. 65 (Paris: Institute for Security Studies, December 2003).
- 43 Georgian National Security Council Head, interview with the author, 21 October 2008.
- 44 Jon E. Chickey, *The Russian-Georgian War: Political and Military Implications for US Policy*, Policy Paper, Central Asia-Caucasus Institute Silk Road Studies Programme February 2009.
- 45 Steven Pifer, 'Delivering Tough Love to Ukraine, Georgia', http://www.cfr.org/publication/19906/delivering_tough_love_to_ukraine_georgia.html.