

# Geo-strategy in the South Caucasus

Power Play and Energy Security of States  
and Organisations

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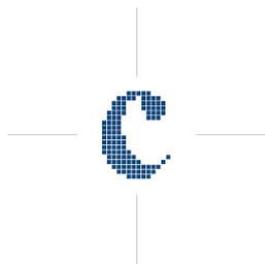
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## Abbreviations

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BLACKSEAFOR	Black Sea Force
BSEC	Black Sea Economic Cooperation
BTC	Baku-Tbilisi-Ceyhan oil pipeline
BTE	Baku-Tbilisi-Erzurum gas pipeline
CASFOR	Caspian Sea Force
CFSP	Common Foreign and Security Policy (EU)
CIS	Commonwealth of Independent States
CSTO	Collective Security Treaty Organisation (CIS)
EAPC	Euro-Atlantic Partnership Council (NATO)
ENP	European Neighbourhood Policy (EU)
ESDP	European Security and Defence Policy (EU)
EU	European Union
EUSR	EU Special Representative for the South Caucasus
GTEP	Georgian Train and Equip Program (US)
GUAM	Regional organisation of Georgia, Ukraine, Azerbaijan and Moldova
IDP	Internally Displaced Person
IPAP	Individual Partnership Action Plan (NATO)
MAP	Membership Action Plan (NATO)
MoD	Ministry of Defence
NATO	North Atlantic Treaty Organisation
OSCE	Organisation for Security and Cooperation in Europe
PfP	Partnership for Peace programme (NATO)
SACEUR	Supreme Allied Commander Europe (NATO)
SCO	Shanghai Cooperation Organisation
SOCAR	State Oil Company of Azerbaijan
SSOP	Sustainability and Stability Operations Program (US)
TACIS	Program of Technical Assistance to the Commonwealth of Independent States (EU)
UN	United Nations
UNOMIG	UN Observer Mission in Georgia



# 1. Introduction

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This paper addresses with political, military, energy, economic and social circumstances and problems in the Caucasus region. In itself, this topic is both vast and broad, making it impossible to discuss in detail in a short study such as this. Therefore we have set the following boundaries for this research.

*First*, the geographic span will not cover the Caucasus as a whole but will be reduced to the South Caucasus. The North Caucasus is a part of the Russian Federation, which implies that other actors outside the Russian authorities have neither substantial influence in regards to the security situation, nor on the energy politics in that area. Therefore, the South Caucasus – which is comprised of the sovereign states Georgia, Armenia, and Azerbaijan – is the area of investigation.

*Secondly*, the main purpose will be to provide insight into the current situation, i.e. not a (all encompassing) review of the past. The study thus provides policy makers and academics with up to date material to use for decision-making and further exploration.

*Thirdly*, the emphasis will be on two crucial factors: power play and energy security. By power play we mean the political-military security policy of actors. For instance, the policy of the local entities, i.e. the three states of the South Caucasus, towards internal – e.g. the so-called ‘frozen conflicts’<sup>1</sup> – and/or external conflict zones. Furthermore, the build-up of their states, as well as their external policy regarding allies and hegemonic powers will be explained. Also, the influence of regional powers, such as Turkey and Iran, and of global powers in the South Caucasus – such as the USA, Russia and China – will be dealt with.<sup>2</sup> Further, besides states, international organisations are also involved

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<sup>1</sup> A ‘frozen conflict’ is an area where an armed struggle has ceased but in which a lasting political solution is absent. Consequently, armed conflict might start again.

<sup>2</sup> Although, strictly speaking Russia is a regional power, bordering the South Caucasus, in this study it is considered as a global power, due to the size of its territory and population, nuclear capabilities and permanent seat in the United

in power play. At the regional level we find the Black Sea Economic Cooperation (BSEC), the Black Sea Force (BLACKSEAFOR) the Caspian Sea Force (CASFOR), the cooperation between Georgia, Ukraine, Azerbaijan and Moldova (GUAM) and the Collective Security Treaty Organisation (CSTO) within the Commonwealth of Independent States (CIS). And at the global level, the Shanghai Cooperation Organisation (SCO), the North Atlantic Treaty Organisation (NATO) and the European Union (EU) also exercise political weight on the South Caucasus. In addition to and strongly correlated with power play is the issue of *energy security*, which are matters concerning the guaranteed production and consumption of energy. States and organisations at all three levels are confronted with or involved in energy security.

Within the above-mentioned parameters, this study investigates the following research questions:

- What are the main geo-strategic, geopolitical and geo-economic issues in the South Caucasus?
- What is the current situation with regard to the frozen conflicts, i.e. Abkhazia and South Ossetia in Georgia and Nagorno-Karabakh between Armenia and Azerbaijan?
- Considering developments in security and energy politics, what lies ahead for the South Caucasus?

Before these questions are dealt with, however, we first focus on the South Caucasus itself; in particular its geographical location, history and the current situation in the region.

As a geographical object the Caucasus is a mountain range, which is 1,280 km long and 225 wide, spanning from the Black Sea coast to the Caspian Sea. Conceptualised as a region, it is split into the North Caucasus, a part of the Russian Federation comprising autonomous republics such as Chechnya, Ingushetia and North-Ossetia, and the South Caucasus, comprising the former Soviet republics Georgia, Armenia, and Azerbaijan, which became independent in 1991.

The Caucasus has historically been known to be a crossing point of trade roads from the Mediterranean to China and from the Baltic Sea to the Arab world. Because of its strategic position, moreover, the Caucasus was regularly the object of territorial conflicts between, *inter alia*, the Persian, Ottoman and Russian Empires. In addition to the large diversity in languages and ethnicity the area also includes a variety of Christian as well as Islamic beliefs. Furthermore, the Caucasus has many natural resources, such as metals, minerals and coal.

The current and increasing interest of local, regional and global actors in the region is related, in particular, to the possible reserves of oil and natural gas in

the Caspian Sea. After the collapse of the Soviet Union, slumbering ethnic sentiments were unleashed and developed into violent conflicts. Subsequently, weak state structures and tense relations between ethnic groups have caused instability, political disagreement, conflicts and economic decline. Furthermore, in addition to local reasons for conflict, the political-strategic and economic importance of the South Caucasus has been ground for (attempts at) involvement in this area by states and organisations, such as Iran, Turkey, Russia, the USA, NATO and the EU.



## 2. Geopolitics, energy security and the South Caucasus

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When dealing with politics and energy, the terms ‘geo-strategy’, ‘geopolitics’, ‘geo-economics’, ‘energy policy’ and ‘energy security’ are frequently used. These terms are often applied in a mixed up manner, which leads to confusion. Therefore, to avoid this problem, we will first formulate working definitions of these terms, prior to applying them to the South Caucasus.

### **Definitions**

#### ***Politics, strategy and economy linked to geography***

*Geopolitics* concerns the political and strategic significance of geography. More specifically, geopolitics is comprised of the distribution of political and military power. It analyses the links and causal relationships between political power and geographic space. In addition, it explains how factors such as the size of territory and population, geographic position, the availability of resources and a state's dependency on foreign trade determine the status of a state or region and its behaviour in the international arena.

*Geo-strategy* refers to various theories regarding foreign policy actions, as motivated by the desire (or claimed "need") for the control of foreign resources — i.e. to "match" material resources with large scale economic demands. National strength and dominance (economic and military) are intrinsic to any operable concepts of "strategy," and "geo-strategy" represents a bridge between the political and military goals of a particular nation. Geo-strategies are relevant principally to the context in which they were devised: the nationality of the strategist, the strength of his or her country's resources, the scope of the country's goals, the political geography of the time period, and the technological factors that affect military, political, economic, and cultural engagement. Geo-strategy merges strategic considerations with geopolitical ones. Geo-strategists — as distinct from geopoliticians — advocate proactive strategies. Geo-strategy involves comprehensive planning, assigning means for achieving national goals or securing assets of military or political significance.

*Geo-economics* studies the relationship between politics and economics, especially on an international scale. Geo-economics involves the distribution of wealth, for example by commercial competition, which can be converted into political clout. It comprises a combination of international economic and political factors relating to or influencing a nation or region.<sup>3</sup>

### ***Energy policy and security***

Before energy itself can be discussed, the meaning of the words ‘energy policy’ and ‘energy security’ need to be explained. *Energy policy* is the way in which actors address issues of energy production, distribution and consumption.<sup>4</sup> In an absolute sense, security means freedom from the threat of armed violence.<sup>5</sup> At the levels of analysis used in this research, security implies freedom from armed threats to the survival of the state, the unrecognised separatist regions in the South Caucasus or international actors that are active in the region. *Energy security* is related to the survival of the corresponding actors with regard to energy. Problems concerning energy supplies (on the consuming as well as on the producing side) might endanger the survival of the entity. One of the definitions of energy security is that it is policy which considers the risk of dependence on fuel sources located in remote and unstable regions of the world and the benefits of domestic and diverse fuel sources.<sup>6</sup> In this work the description of energy security entails an assurance for the producing side that gas and oil are produced, transported, delivered and paid for without hindrance. To the consuming side, energy security entails undisturbed receipt of resources at reasonable prices, which ensure that their states continue to stably function.

### ***Energy security, (inter)national security and geo-strategy***

In the 1980s and 1990s due to relatively low prices, – with the exception of the Gulf Wars – energy did not receive much attention from the international community. Around the millennium this low priority status began to change when oil and gas prices started to rise in 1999. Over the last three years global oil prices have doubled.<sup>7</sup> In addition, China and India’s growing economies demand more energy resources, which may drive up oil and gas prices even further, and potentially prove to be a source of tension with the West. Moreover, military planners and foreign policy specialists have taken a renewed interest in so-called oil politics, demonstrating a particular interest in the crossing point of geopolitics and geo-economics, which leads to geo-strategies.

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3 K. Koch, R.B. Soetendorp en A. van Staden (red.), *Internationale Betrekkingen: theorieën en benaderingen*, Utrecht: Het Spectrum B.V., 1994, pp. 58 en 60.

4 C.W. Kegley, and E.R. Wittkopf, *World politics: Trend and transformation*, New York, 1997, pp. 13-14; W. Nester, *International relations: geopolitical and geo-economic conflict and cooperation*, New York, 1995, pp. 3-5.

5 S.N. MacFarlane, ‘Security and development in the Caucasus’, *Conflict, Security & Development*, 4 (2), August 2004, pp. 134-135.

6 <http://www.neo.state.ne.us/statshtml/glossarye.htm>

7 J. van Gennip, *Energy Security*, Report 064 Esc 06 E, NATO Parliamentary Assembly, Spring 2006, <http://www.nato-pa.int/default.asp?shortcut=917>; Daniel Yergin, "Ensuring Energy Security," *Foreign Affairs*, vol. 85, no. 2, March/April 2006.

Concerning these geo-strategies, around the turn of the year 2005 it became even clearer that energy security was an essential part of Russia's external policy when it used energy as a power instrument to force Ukraine to pay a higher gas price (see further 'Russia' in Chapter 5. GLOBAL POWERS AND ORGANISATIONS ON SECURITY AND ENERGY). As a result of these developments, energy security is nowadays high on the international agenda. Recently, the US government, the EU and NATO have expressed their concern about threats to energy security and started to draft their geo-strategic replies. To deal with this, energy security interests and the means to defend them have to be defined, followed by a geo-strategy, aimed at securing their energy supplies.

### **The South Caucasus and energy**

#### ***Geopolitics and energy applied to the South Caucasus***

The South Caucasus is a vital region because of its geopolitical position, especially as a crossing point between the Middle East, Europe and Asia. Hegemonic powers have used this region as a base from which they could influence neighbouring areas. In the past such a geo-strategy had been conducted by the Ottoman and Persian empires. In the contemporary era, Russia and the US are engaged in performing such a strategy. Russia regards the South Caucasus as its traditional backyard of influence and counters increasing involvement in this region by the West. For the USA – with its heavy military involvement in Iraq and Afghanistan, particularly with the withdrawal of Uzbekistan to the Russian camp and the SCO adopting an anti-Western stance, both around summer 2006 – it is likely to seek strong points in the Caucasian area in support of its global geo-strategy (see further 'United States' in Chapter 5: GLOBAL POWERS AND ORGANISATIONS ON SECURITY AND ENERGY).<sup>8</sup>

The geopolitical importance of the South Caucasus area is also based on the presence of valuable energy resources, especially in Azerbaijan, the Caspian Sea and the Central Asian states of Kazakhstan and Turkmenistan. These resources have become more significant as a geo-strategic objective at a time of growing demand. The importance of the region has also grown as a result of energy policies by consumer states in the West that want to decrease their dependence on resources from Russia and the Middle East. Tensions and conflicts between local, regional and global powers, the leadership of separatist regions, and organised crime are causes for the continuation of instability in the South Caucasus and as a consequence influence the geopolitical status of local (Armenia, Azerbaijan, Georgia) and regional (Turkey, Iran) actors. One or more of these causes may result in armed conflict, which – because of the intertwining interests of different parties – can easily develop into instability on

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<sup>8</sup> M. de Haas, 'Russian-Chinese security cooperation', in *House of Commons Foreign Affairs Committee, East Asia, Seventh Report of Session 2005-06*, London: The Stationery Office Limited (13 August 2006), Volume II Evidence, pp. 237-242.

a larger scale. This would affect both the political and energy security situations of the actors involved. Moreover, other states not directly involved, may also be affected by it. Thus, the security and energy situation in the South Caucasus is of interest to many local, regional, and even global actors.

### ***Importance of the Caucasus in the field of energy***

Stability in the Caucasus is a vital requirement for the uninterrupted transport of Caspian oil and gas. The Caspian Sea region (South Caucasus and Central Asia) contains about 3-4 percent of the world's oil reserves (Middle East: 65 percent) and 4-6 percent of the world's gas reserves (Middle East: 34 percent).<sup>9</sup> In itself the Caucasian share of global oil and gas reserves is not considerable. However, in view of the uncertainty over the reliability of Persian Gulf supplies, as well as the possibility that Russia may use energy delivery as a power tool, the transport of Caspian and Central Asian (Kazakhstan and Turkmenistan) energy supplies to the West via the Caucasus has gained vital importance. This makes the South Caucasus a vital area for geo-strategy and energy security.

### ***Redirection of energy flows away from Russia***

A number of local (Georgia, Azerbaijan), regional (Turkey, Kazakhstan) and global (China, USA, EU) actors are making efforts to end Russia's near monopoly on the transport of energy supplies in the Eurasian region. They are attempting to create alternative routes to transport these supplies. After the energy dispute between Russia and Ukraine in the beginning of 2006, Europe and the US have taken a closer look at the energy map around the Caspian Sea, i.e. the South Caucasus and Central Asia.<sup>10</sup> Evidence of the reinforced US conviction of the geo-strategic and energy-related importance of this region have been demonstrated by the visits of Azeri President Ilham Aliyev to Washington and the visit of US Vice-President Dick Cheney to Kazakhstan, both in late Spring 2006, and the visit of the Kazakh President to the USA in autumn 2006. A major objective of this endeavour is the creation of pipelines from Central Asia via Azerbaijan, Georgia and Turkey to the West. However, there are other actors, most notably India and China with their rapidly growing economies, which are in competition with the West in gaining new energy resources.

### ***China and Kazakhstan: the Atasu-Alashankou oil pipeline***

At first sight, Russian-Chinese relations on energy are very close. In August 2005 during a visit to Beijing President Putin stressed bilateral economic ties, especially regarding the work of Russian energy companies in China, and bilateral projects that would distribute those supplies to third countries, along

<sup>9</sup> Z. Baran, 'The Caucasus: Ten Years after Independence', *Washington Quarterly*, 25(1), Winter 2002, p. 221; 'Fact box: Caspian Sea Hydrocarbons', *RFE/RL*, 25 October 2005; *Caspian Oil and Gas*, International Energy Agency, 1998, p. 32.

<sup>10</sup> P. Gallis, *NATO and Energy Security*, CRS Report for Congress, 21 March 2006; EU: Brussels mulls over its energy sources', *RFE/RL*, 2 June 2006; 'EU: Brussels targeting Central Asia's energy', *RFE/RL*, 7 June 2006.

with the delivery of Russian oil and gas to China.<sup>11</sup> Furthermore, in November 2005 Russia agreed to double oil exports to China, and considered joint construction of an oil pipeline between the two nations, along with a gas-transmission project from eastern Siberia to China's Far East.<sup>12</sup>

China has also focused on Kazakhstan for its need for energy. In December 2005 the Atasu-Alashankou oil pipeline between the two countries was opened, and in May 2006 oil pumped from Kazakhstan reached China, thus marking the first direct pipeline import of oil to China. In due course this Sino-Kazakh pipeline will be extended from 1,000 to 3,000 kilometres and will eventually provide China with about 15 percent of its crude oil needs.<sup>13</sup> Kazakhstan is also currently considering a Chinese proposal for a gas pipeline to China running parallel to the Atasu-Alashankou oil pipeline.<sup>14</sup> China's reason for approaching Kazakhstan may entail more than the simple avoidance energy dependency from Russia. Another argument is that through the redirection of Kazakh pipelines through China instead of Russia, China's influence over Kazakhstan and Central Asia will increase at the expense of Russia's position.<sup>15</sup>

*Georgia, Azerbaijan, Turkey and Kazakhstan: the Baku-Tbilisi-Ceyhan and Baku-Tbilisi-Erzurum pipelines*

In September 1994 a consortium of twelve, mostly Western oil companies with BP as operator, signed a contract with the Azerbaijani government to transport oil from three fields (Azeri, Gyuneshli, Chirag) to world markets.<sup>16</sup> In light of its difficult relations with Tehran, the US, ruled out from the very beginning the shortest and easiest route, running southward via Iran to the Persian Gulf. An alternative route to Turkey via Armenia was unacceptable to Baku due to the unresolved conflict with Armenia over Nagorno-Karabakh. And the third main possibility, northward from Baku to Novorossiysk on Russia's Black Sea coast was not chosen because the US wanted to bypass Russia rather than give Moscow the chance to control Azerbaijan's oil exports.

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<sup>11</sup> 'Putin stresses importance of Sino-Russian economic, military cooperation', *RFE/RL Newswire*, 10 August 2005.

<sup>12</sup> 'Russia agrees to nearly double oil exports to China', *RFE/RL Newswire*, Vol. 9, No. 209, Part I, 7 November 2005.

<sup>13</sup> 'Kazakh-China pipeline begins operations', *RFE/RL Newswire*, Vol. 9, No. 234, Part I, 16 December 2005; 'Kazakh oil reaches China' *RFE/RL Newswire* Vol. 10, No.96, Part I, 26 May 2006; 'Circumventing the bear', *Stratfor*, 16 December 2005.

<sup>14</sup> 'Kazakh minister outlines pipeline prospects, difficulties', *RFE/RL Newswire*, Vol. 10, No. 92, Part I, 22 May 2006.

<sup>15</sup> M. de Haas, 'Russian-Chinese security cooperation', in: *House of Commons Foreign Affairs Committee, East Asia, Seventh Report of Session 2005-06*, London: The Stationery Office Limited (13 August 2006), Volume I Report, pp. 80-82, Volume II Evidence, pp. 237-242, <http://www.publications.parliament.uk/pa/cm200506/cmselect/cmfaff/860/860we27.htm>.

<sup>16</sup> L. Fuller, 'Caucasus: The BTC, Settling On A Route', *RFE/RL*, 12 July 2006.

Other reasons for avoiding the northern route included the security threats posed by the war in Chechnya and because Turkey since early 1994 had repeatedly expressed its opposition to increasing the volume of oil-tanker traffic through the Bosphorus. Turkey and Georgia proposed in December 1994 routing the main export via Georgia rather than via Armenia, which found favour with Washington insofar as it would serve to anchor Azerbaijan, Georgia, and Turkey to the West and thereby undercut Russia's influence in the South Caucasus. The Baku-Tbilisi-Ceyhan (BTC) oil pipeline, although taking a longer and more expensive route than possible other ones, became an interesting option after many Kazakh producers decided to join this project in an attempt to avoid Russian dependency. The Kazakh government, which formally joined the BTC-project on 16 June 2006, stated that in 10 years it would like to supply the BTC with three-quarters of its total capacity.<sup>17</sup> These expectations were formulated a month before the formal opening of the pipeline, which took place on 13 July 2006 in the Turkish Mediterranean port of Ceyhan.

Similar to the BTC is the Baku-Tbilisi-Erzurum (BTE) gas pipeline, linking Baku to the eastern Turkish Anatolian city of Erzurum, through Tbilisi. It will run alongside the BTC and will be linked to the Turkish gas-distribution network. The BTE has earlier been referred to as the Shah Deniz pipeline or the South Caucasus pipeline. The BTE-pipeline is planned to go into operation in Autumn 2006.<sup>18</sup> It seems the US is trying to actively involve Kazakhstan into the project as well, as it is lobbying for a gas and oil pipeline connecting Kazakhstan, along the Caspian seabed, to the BTC and BTE.<sup>19</sup>

#### *EU: Nabucco pipeline*

In Vienna, on 26 June 2006, the EU, together with representatives from Turkey, Bulgaria, Romania, Hungary and Austria, signed a joint declaration supporting the Nabucco gas pipeline. This pipeline is set to deliver Azeri – and later to be followed by Kazakh and possibly Turkmen – gas from the Caspian region through Azerbaijan, Georgia, Turkey, Bulgaria, Romania and Hungary to the Baumgarten terminal in Austria, from where it will be distributed around Europe. The construction is expected to start in 2008 and to be completed in 2011.<sup>20</sup>

<sup>17</sup> 'Circumventing the Bear', *Strategic Forecasting Inc.*, 16 December 2005.

<sup>18</sup> 'BP Azerbaijan', *BP Azerbaijan Interests (presentation)*, May 2006; 'Fact box: Caspian Sea Hydrocarbons', *RFE/RL*, 25 October 2005; 'Eurasia: Kazakhstan Squeezes In On BTC Pipeline Project', *RFE/RL*, 16 July 2006; 'GUAM – a regional grouping comes of age', *RFE/RL*, 2 June 2006.

<sup>19</sup> S.J. Main, *The Bear, The Peacock, The Eagle, The Sturgeon and the Black, Black Oil: Contemporary Regional Power Politics in the Caspian Sea*, Caucasus Series 05/67, Swindon: Conflict Studies Research Center, UK Defence Academy, December 2005, p. 16-17; 'Cheney Runs Finger along the Caspian Seabed', *Kommersant*, 7 May 2006.

<sup>20</sup> 'EU signs deal to back Nabucco pipeline', *Radio Free Europe/Radio Liberty* *RFE/RL*, 27 June 2006; 'Caspian: EU invests in new pipeline', *Radio Free*

*Russia's reply to re-routing of energy supplies*

The trend to minimize Russian influence on energy flows, as exemplified in the BTC and the Chinese-Kazakh pipelines, seems to be successful. Of course, Moscow cannot be expected to remain passive to such attempts intended to bypass Russia. The BTC runs close to the two secessionist Georgian enclaves of Abkhazia and South Ossetia, whose leaders are aligned to Russia and on which territory Russian peacekeepers are deployed. In January 2006 explosions damaged pipelines to Georgia on Russian soil. Some sources blamed Russia's security service, the FSB, for this disruption. They believed it to be a show-of-force to warn Georgia against its efforts for Western integration and for reducing its dependence on Russian gas by securing alternative supplies from Azerbaijan, Turkey and Iran.<sup>21</sup>

Attacks or sabotage on the BTC from the secessionist enclaves could possibly have been an option for Russia to act against this undesirable development. Furthermore, Russia still has leverage on Kazakhstan, because all Kazakh gas export leads to Russia, but also because of the considerable Russian minority in Kazakhstan, which makes Kazakhstan hesitant to follow an anti-Russian political course. However, affecting the BTC and the Chinese-Kazakh pipelines would also have negative consequences for Russia's relations with China and the West and has encouraged Georgia to enhance its efforts to gain alternative energy supplies.

In November 2005, Another option to counter the attempts to decrease Russian influence on energy flows, was announced by President Putin. In a statement, he formulated his plans to expand a pipeline, which Gazprom was building across the Black Sea to Turkey so as to provide extra supplies to southern Europe. In addition to the previous options of (re)controlling Central Asian energy, Russia claims that Caspian sub-sea pipelines are environmentally unacceptable.<sup>22</sup> The different policy options used by Russia are aimed to convince Western and other actors that they should seriously consider the potential of Russian resistance to their endeavours to reroute energy from Central Asia. Based on these experiences, a continuation of rivalry between Russia and the mentioned actors on the control over Central Asian can be expected.

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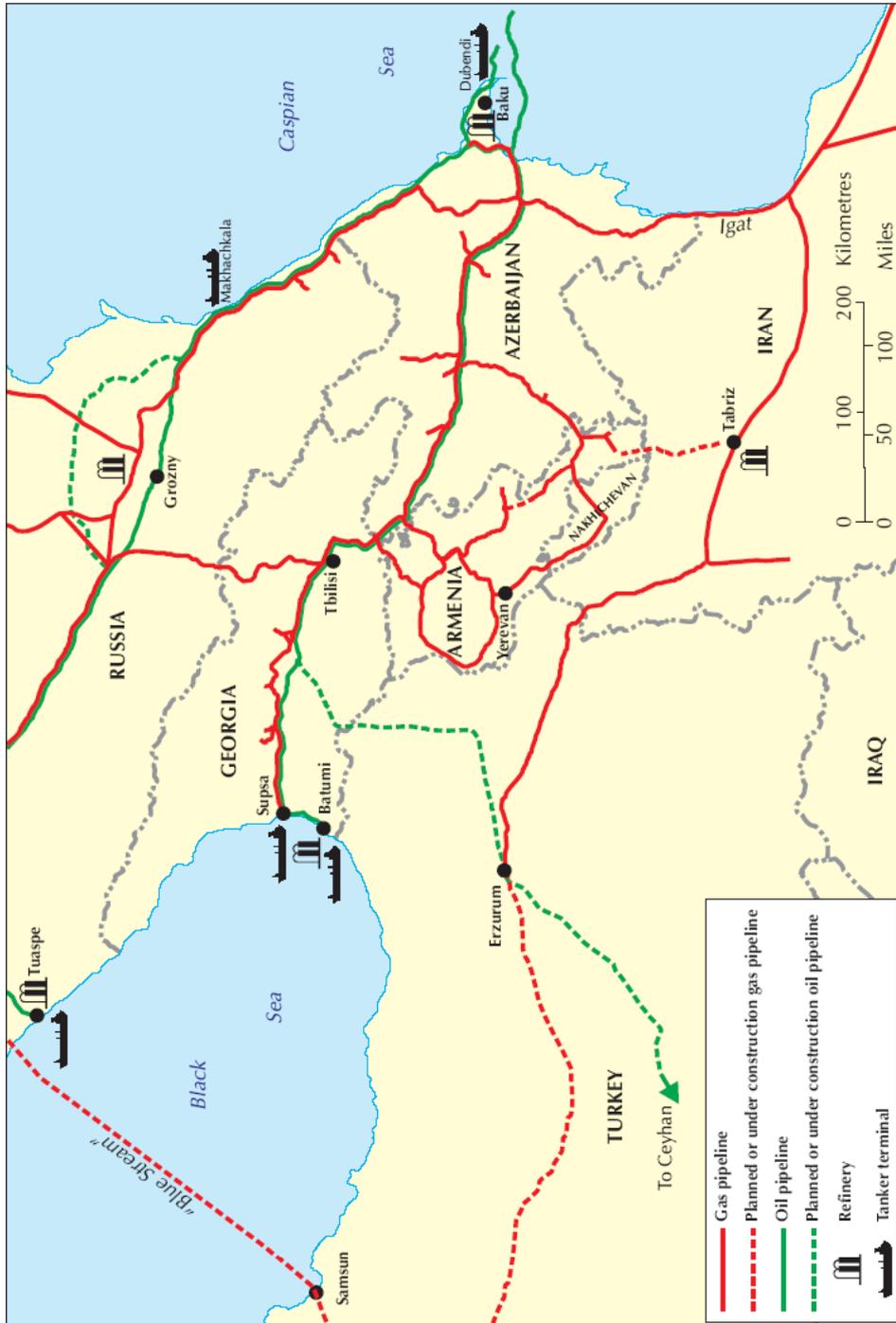
*Europe/Radio Liberty*, 27 June 2006;

<http://www.freshfields.com/news/dynamic/Pressrelease.asp?newsitem=602>.

<sup>21</sup> 'Sabotage in North Caucasus disrupts energy supplies to Georgia, Armenia', *RFE/RL Newslines vol. 10, No. 12, Part I*, 23 January 2006; A.E. Kramer, 'Blasts on gas pipeline send a message', *The New York Times*, p. 1, 8, 25 January 2006.

<sup>22</sup> Gorst, 'Scramble to grab central Asia's gas', *Financial Times*, 5 May 2006.

South Caucasus oil and gas pipelines<sup>23</sup>



<sup>23</sup> Black Sea Energy Survey © OECD/IEA, 2000, p. 242; The Baku-Tbilisi-Ceyhan oil pipeline has been finalised. The Baku-Tbilisi-Erzurum gas pipeline will be finished by the end of 2006.

### 3. Local actors on security and energy

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#### **Georgia**

After the fall of the Soviet Union in the 1990s the newly independent Georgia faced an internal power struggle as well as separatist uprisings in Abkhazia, South Ossetia and Ajaria. Since the West was not eager to get involved, Georgia had to agree to Russian conditions. Besides becoming a member of the CIS in 1993, Georgia had to accept the presence of Russian military bases on Georgian soil. In exchange for these concessions Moscow halted the further disintegration of Georgia (see further 'Frozen conflicts').<sup>24</sup> The internal armed conflicts, which destroyed much infrastructure (roads, railways, pipelines, industries), as well as the lack of energy sources and the absence of foreign support, resulted in a severe economic crisis in the first half of the 1990s. Since 1995, the political situation has stabilised, thereby encouraging foreign assistance and investments and effecting an improvement of the economic circumstances. Even so, corruption and organised crime are far from being ruled out and unemployment is still high.

#### ***Integration into the West as a priority***

Georgia is following a pro-Western course, aiming to enter Western institutions. For example, within the framework of the global war against terrorism, Georgia has entered a US Train & Equip program to strengthen its armed forces. Furthermore, Georgia has a clear intention to join NATO and the EU. In February 2006 president Saakashvili predicted that Georgia would receive an official invitation to join NATO by the end of 2006.<sup>25</sup> However, this outlook might have been too optimistic. In spite of possible negative consequences, especially regarding relations with Russia, President Saakashvili will remain determined to firmly attach Georgia to the West.

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<sup>24</sup> Coppieters, 'Federal Practice, Exploring alternatives for Georgia and Abkhazia', p. 25

<sup>25</sup> 'Georgian president outlines time frame for Nato membership', *RFE/RL*, Vol. 10, No. 29, Part I, 15 February 2006.

### ***Relations with Russia***

The Georgian endeavour to join Western structures, the support of Russia for the separatist movements in Abkhazia and South Ossetia, as well as the presence of Chechen resistance members, especially in Georgia's Pankisi Valley, have been cause for continuous tensions between Russia and Georgia (see also 'Russia' in Chapter 5 GLOBAL POWERS AND ORGANISATIONS ON SECURITY AND ENERGY). Several interrelated incidents and actions taken by the Russian and Georgian governments, moreover, have widened the gap between the two neighbouring countries. Georgia is striving for the replacement of Russian peacekeepers deployed in Abkhazia and South Ossetia by international contingents. At the same time Georgia is seriously considering quitting the CIS<sup>26</sup> -- a move that is directly related to Russian bans on the import of Georgian wine, mineral water and other agricultural products. Tensions raised high in July 2006 when the Georgian Parliament voted to expel Russian peacekeepers and demanded that they be replaced by alternative, international peacekeeping contingents. The Russians reacted by saying that the resolution of the Georgian Parliament was not legally binding. The reaction from the Abkhaz and South Ossetian Presidents was even harsher, disregarding the resolution as Georgian warmongering.<sup>27</sup> In August 2006 the situation worsened as Georgian security forces attempted to secure the Kodori Valley, to regain the separatist area of Abkhazia, where Russian peacekeepers were stationed. Moreover, in autumn 2006 the arrest of Russian officers by Georgia on charge of espionage resulted in Russia deciding to withdraw its diplomats and the implementation of transport and mail blockades.<sup>28</sup> Finally, in November 2006 Gazprom more than doubled the gas price for Georgia as of 2007.<sup>29</sup> As a consequence of these events, Russian-Georgian relations have become more strained than ever.

### ***Energy security***

When looking at Georgian energy security, the question could be raised whether the country has put its stakes too high. Explosions in Russia's North Caucasus region, which cut off Georgian energy supplies in January 2006, clearly demonstrated the country's dependence on Russian energy supplies. Already having doubled the price of gas, Russian consequences. in the case of a Georgian withdrawal from the CIS. could have proven most severe.<sup>30</sup>

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<sup>26</sup> 'Georgia to assess repercussions of quitting CIS', *RFE/RL*, Vol. 10, No. 83, Part I, 9 May 2006

<sup>27</sup> L. Fuller, 'Georgian Parliament votes to expel Russian peacekeepers', *FRE/RL Newslines* Vol. 10, No.130, Part I, 19 July 2006.

<sup>28</sup> 'Escalating tension between Georgia and Russia', *PINR*, 2 October 2006, [www.pinr.com](http://www.pinr.com).

<sup>29</sup> 'Georgian officials assess impact of new Russian gas price', *Radio Free Europe/Radio Liberty Newslines*, Vol. 10, No. 205, Part I, 6 November 2006.

<sup>30</sup> L. Fuller, 'Georgia to assess repercussions of quitting CIS', *RFE/RL Newslines*, Vol. 10, No, 83, Part 1, 9 May 2006.

In addition to energy dependence, Russia was Georgia's largest trading partner in 2005.<sup>31</sup> However, the re-routing of energy supplies from Azerbaijan, Iran and Turkey, makes it clear that Georgia is trying to reduce future energy dependency from Russia. Moreover, Georgia has recently become a main energy transport corridor for Europe because of the BTC oil-pipeline and the BTE gas-pipeline. Thus, the transit fees for energy transports paid to Georgia are a potentially substantial asset to the nation's economy.

### ***Frozen conflicts***

Following the November 2003 'Rose Revolution' in Georgia, President Mikhail Saakashvili declared the restoration of Georgia's territorial integrity to be one of his key priorities. So far this objective has only been achieved in the case of the region of Ajaria. The other separatist areas, Abkhazia and South Ossetia, still remain de facto independent. To diminish Russia's support of secessionist areas, and to hasten Georgian integration within the West, the Georgian Parliament has repeatedly called for the withdrawal of Russian peacekeeping forces from these regions.<sup>32</sup> However, Georgia lacks the ability to force Russia to stop its support for the separatist regions—an issue that is most problematic as a permanent settlement of the disputed areas cannot be reached without Russian consent. One thing is clear; Georgia's frozen conflicts are not only a local South Caucasian issue, as they are distinctly connected to powers (Russia, US) and organisations (CIS, NATO, EU) at the regional and global levels.

### ***Abkhazia***

During the Soviet era, Abkhazia was an autonomous region situated in the Northwest of Georgia with approximately 550,000 inhabitants prior to the outbreak of the conflict.<sup>33</sup> Following the Georgian declaration of independence in 1991 and the replacement of the 1978 constitution with the constitution of 1921, in which Abkhazia had no clear status, the Abkhaz Supreme Soviet reinstated the Abkhaz constitution of 1925 which gave Abkhazia an equal status to Georgia.<sup>34</sup> In the summer of 1992 this resulted in a violent conflict. The outcome of the subsequent armed struggle was that Abkhazian troops with Russian assistance compelled the Georgian forces to withdraw from Abkhazia in 1993. As a result, between 200,000 and 300,000 people were displaced.<sup>35</sup>

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<sup>31</sup> 'Georgia to assess repercussions of quitting CIS', *RFE/RL Newslines*.

<sup>32</sup> O. Antonenko,, 'Further conflict on the cards for troubled South Ossetia', *Jane's Intelligence Review*, November 2005, p. 29; 'Abkhaz President warns against withdrawal of Russian peacekeepers', *Radio Free Europe/Radio Liberty Newslines*, (Vol. 10), (No. 114), Part I, 22 June 2006.

<sup>33</sup> BBC News, 'Regions and territories: Abkhazia', 14 December 2005, <http://newsvote.bbc.co.uk>.

<sup>34</sup> J. Cohen (Ed.), 'A question of sovereignty, The Georgia-Abkhazia peace process', Conciliation Resources, London, 1999, p. 83; B. Coppieters, 'Federal Practice, Exploring alternatives for Georgia and Abkhazia', VUB University Press, 2000, p. 24.

<sup>35</sup> MacFarlane, 'Security and development in the Caucasus', p. 137.

Following the armed struggle, peacekeeping forces from Russia (CISPKF – CIS Peace Keeping Force) and of the UN (UNOMIG – UN Observer Mission in Georgia) were stationed in Abkhazia. Although a cease-fire was reached in May 1994, a structural solution has not come any closer to fruition. This was aggravated by the fact that Abkhazia headed for independence in November 1994 with the adoption of a new constitution. Furthermore, there have been repeated instances of renewed violence that blend organized crime with partisan activity directed at Abkhaz officials and Russian peacekeepers, as well as UN personnel.

In the decade that followed, ongoing negotiations have ensued between Abkhazia and Georgia under the supervision of Russia and the UN. In 2003, tensions in both Abkhazia and Georgia ran high again. Both countries found themselves in severe internal political crises and their Presidents, Ardzinba and Shevardnadze, were forced to abandon their posts. The power changes that took place, however, have not yet resulted in any structural changes regarding the manner in which Tbilisi and Sukhumi approach each other. The negotiation process between Abkhazia and Georgia remained deadlocked. The main subjects have not changed. There is no agreement about the future political status of Abkhazia and the (mainly Georgian) Internally Displaced Persons (IDP's) have not returned to Abkhazia. This separatist region remains *de facto* independent, but is not recognised by a single country. Russia in the meantime has been distributing Russian passports to Abkhazians on a massive scale, so as to increase the gap between Tbilisi and Sukhumi, while tying Abkhazia closer to Russia. From Abkhaz perspective, maintaining close ties with Moscow is the only option they have.<sup>36</sup>

### *South Ossetia*

In the thirteenth century, Ossetians arrived on the south side of the Caucasus Mountains – in Georgian territory – when the Mongols drove them from what is now the North Ossetian Autonomous Republic of Russia. In 1922 the South Ossetian Autonomous Region was formed within the new Transcaucasian republic of the Soviet Union. In December 1990, Georgia abolished the region's autonomous status within Georgia as a response to its long time efforts to gain independence. When the South Ossetian regional legislature took its first steps toward secession and union with the North Ossetian Autonomous Republic of Russia, Georgian forces invaded.<sup>37</sup> The conflict lasted until June 1992 when Russian mediation accomplished a cease-fire. The conflict had resulted in the displacement of some 25,000 ethnic Georgians and between 40-60,000 South Ossetians.<sup>38</sup> After the cease-fire a tripartite peacekeeping force of Georgian, South Ossetian and Russian troops has been installed to ensure that the cease-fire would be observed. However, since then clashes have regularly

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<sup>36</sup> V. Erofejev, 'A promising pariah on the Black Sea', International Herald Tribune, 29 June 2006.

<sup>37</sup> <http://www.globalsecurity.org/military/world/war/south-ossetia.htm>.

<sup>38</sup> MacFarlane, 'Security and development in the Caucasus', p. 136.

occurred and a more permanent settlement between parties has as yet not been reached.

The South Ossetian endeavour to become independent or to reunite with North Ossetia has continued and so have the disputes with Georgia, with Russia participating in more than just on the sideline. Russia has been providing, for instance, financial aid to South Ossetia, as well as granting Russian citizenship to an estimated 90 per cent of its population. Thus – according to Tbilisi – Russia has been making the attempt to annex this region through the back door. Such a policy allows Russia to argue that its peacekeepers are protecting its own citizens.<sup>39</sup> Furthermore, many ethnic Russians hold key positions in the South Ossetian government. Moreover, on 18 September 2005 the Russian constituent region of North Ossetia, together with the separatist South Ossetia, released a joint declaration stating their strive to preserve the unity of Ossetia.<sup>40</sup> Clearly, such a message could not have been published without the permission of President Vladimir Putin's centralised authority, which for Saakashvili was yet more proof that Russia will continue to support secessionist regions in Georgia as a deliberate strategy to prevent Georgia from further integration with the West.

On the Georgian side, the newly appointed President Saakashvili – after receiving control over Ajaria - placed South Ossetia as the next item on his agenda. In spring 2004 he hoped that the popularity of his revolutionary movement, together with economic pressure, would undermine the separatist leadership and create a spontaneous reunification. However, Georgia's economic pressure escalated into violence between Georgian and South Ossetian troops. Only after strong pressure by Russia, the US and the EU, were Georgian forces withdrawn from the conflict zone in August 2004. In January 2005 Saakashvili made another attempt by presenting a comprehensive peace plan to the Parliamentary Assembly of the Council of Europe. With this plan he aimed at receiving support from the international community. South Ossetia, however, was not prior informed about this initiative and rejected the proposal. Since then the Georgian president has made a third venture of regaining South Ossetia, this time by demanding Russian troops be replaced by Western troops, specifically from the USA, NATO or EU. The South Ossetians opposed the idea of a retreat of Russian peacekeepers, expecting a new outbreak of violence if this were to come to pass.<sup>41</sup>

#### *Ajaria and Javakheti*

The situation in the areas of Ajaria and Javakheti in the southern part of Georgia differs from the ones previously described, to the extent that they have

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<sup>39</sup> 'South Ossetia accord eludes Georgia and Russia', *Financial Times*, 10 March 2006.

<sup>40</sup> Antonenko, 'Further conflict on the cards for troubled South Ossetia', pp. 30, 28.

<sup>41</sup> C. de Vries, 'Georgië wil Russen weg uit Zuid-Ossetië', *Volkskrant*, 16 February 2006.

also sought to separate from Georgia proper but their struggle has so far yet to culminate in an armed struggle. Ajaria is situated in the southwestern corner of Georgia bordering the Black Sea in the west and Turkey in the south. It has a population of approximately 400,000 inhabitants. During Soviet times the region enjoyed an autonomous status within the Georgian Socialist Soviet Republic. The population of Ajaria consists primarily of ethnic Georgians but distinguishes itself by having a Sunni Muslim majority, though mass conversions to Christianity have occurred in recent years.<sup>42</sup>

It is important to note that religion has not been a significant factor in this dispute nor in any of the other conflicts in Georgia. After nationalist leaders took power in Georgia in 1991, Ajaria followed an autonomous course. Aslan Abashidze, the autocratic leader of the region, on the one hand kept close ties with Moscow and on the other was a (opportunistic) supporter of former Georgian President Shevardnadze. Internally, he ran the show by putting members of his family in important posts. However, in 2004, his power base turned out to be weak. Saakashvili replaced Shevardnadze and the new Georgian President was very decisive to get Ajaria back under central control. Abashidze's hopes of getting support from Moscow turned out to be false, and after the local population turned against him he left the country.<sup>43</sup>

These developments brought the economically and strategically important region of Ajaria back under the full control of the central authorities. The region is important as Batumi, the capital of Ajaria, is the location of an important transit harbour for oil. Additionally, much of the Armenian land trade passes through Ajaria.<sup>44</sup> And finally, the land border with Turkey forms a vital point for Georgia's trade with the West.

The fourth region with separatist tendencies is the predominantly Armenian region of Javakheti. It borders Turkey and Armenia, and approximately ninety percent of the population consists of Armenians.<sup>45</sup> Although the relationship between Tbilisi and this region cannot be denominated as a *frozen conflict*, tensions occasionally run high and a number of security related issues should be addressed. These issues are primarily related to the fact that the region has largely been ignored for the last fifteen years and is hardly incorporated in Georgian national policy. With the election of President Saakashvili, calls for autonomy have subsided. Moreover, the change of power raised hopes that

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<sup>42</sup> ICG Europe Briefing, 'Saakashvili's Ajara Succes: Repeatable elsewhere in Georgia?', Tbilisi/Brussels, 18 August 2004, p.2.

<sup>43</sup> BBC News, 'Regions and territories: Ajaria', 14 December 2005, <http://news.bbc.co.uk>.

<sup>44</sup> ICG Europe Briefing, 'Saakashvili's Ajara Succes: Repeatable elsewhere in Georgia?'

<sup>45</sup> G. Nodia, 'Ethnic-confessional groups and problems of civic integration in Georgia: Azeri, Javakheti Armenian and Muslim Meskhetian communities, Caucasus Institute for Peace, Democracy and Development, Tbilisi, 2002, p. 25.

socio-economic woes in the region and its isolation are to be given attention.<sup>46</sup> However, the main interest of the central government in the region so far has been the closure of the Russian military base in Akhalkalaki. An agreement has been signed and in May 2006 the first pieces of military equipment departed. By the end of 2007, the base should be shut down.<sup>47</sup> Although the Russian withdrawal is considered a great success by Tbilisi, the local Armenian population has always opposed this because the base has served as their primary source of income.<sup>48</sup>

#### *The future of Georgia's frozen conflicts*

The unresolved conflicts in Georgia and the conflict between Armenia and Azerbaijan have not only military and political, but also economic consequences. The absence of a permanent settlement has encouraged the growth of strong criminal interests in and around the disputed regions.<sup>49</sup> The Abkhaz and South Ossetian separatist governments are largely funded with revenues from smuggling alcohol and drugs. In return they receive smuggled petroleum. The same – though to a lesser extent – applies to Nagorno-Karabakh (see ‘Armenia versus Azerbaijan: the frozen conflict of Nagorno-Karabakh’). Obviously, conflict resolution would threaten these sources of income for the ruling elite in the secessionist areas. Consequently, they have a considerable incentive to obstruct a structural settlement of the conflicts.

When comparing Ajaria with South Ossetia, or even Abkhazia, there are some significant differences. The conflict between Ajaria and Tbilisi has never escalated to the level of violence that arose in Abkhazia and South Ossetia. Consequently, the number of IDP's has remained insubstantial, and consequently levels of distrust and hatred between the populations of Ajaria and Georgia proper have remained low. Secondly – partly because Ajaria does not border the Russian Federation – Moscow has relatively low interests in the area. Resultantly, Tbilisi could choose its own way of dealing with Ajaria.

Altogether, Ajaria was a very attractive first target for President Saakashvili notwithstanding the fact that tactics used to get Ajaria back under central control are not repeatable in the other two conflict areas. Additionally, the fact that Ajaria lost all of its autonomy is far from appealing to Abkhazia and South Ossetia, and could have a negative side effect on future negotiations. Even if some kind of cooperation is established with Tbilisi, the South Ossetians and Abkhazians will insist on a strong autonomous status for their regions. They will very unlikely agree with an ‘Ajarian’ solution.

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<sup>46</sup> J. Peuch, ‘Georgia: Samtskhe-Javakheti Armenians Step Up Demands Amid Base Talks’, *RFE/RL*, 5 May 2005.

<sup>47</sup> ‘Russia Moving Military Equipment Out Of Georgia’, *RFE/RL*, 15 May 2006.

<sup>48</sup> Peuch, ‘Georgia: Samtskhe-Javakheti Armenians Step Up Demands Amid Base Talks’.

<sup>49</sup> MacFarlane, ‘Security and development in the Caucasus’, p. 138.

Given the above-mentioned differences, the conflicts in Abkhazia and South Ossetia need a completely different approach. Russian peacekeeping forces are present and the current population has no desire to become an integral part of Georgia again. Additionally, large numbers of Georgian IDP's still want to return to Abkhazia. The fact that Russia neither took a neutral stance in these conflicts, nor was an impartial mediator, makes it clear that a change of the peacekeeping scenery is appropriate. However, it will not be possible to replace Russian peacekeepers overnight with peacekeepers from the EU or NATO, due to Russian resistance. The best thing to do for Georgia, in terms of EU and US support, is to demonstrate goodwill and cease threatening Abkhazia and South Ossetia with force. If Georgia will succeed in improving living conditions in Ajaria and Javakheti this might have a positive effect on public opinion in South Ossetia and Abkhazia. From a long term Abkhaz and South Ossetian perspective, having a Russian big brother might be even less attractive than cooperation with Tbilisi.

Map of Georgia<sup>50</sup>

## Armenia

### *External actors*

As a consequence of the disintegration of the USSR, Armenia gained independence in the early nineties. This young republic was heavily burdened by the war over Nagorno-Karabakh in neighbouring Azerbaijan, which started in 1989. Another important factor that limited its development was the two-way blockade with Turkey and Azerbaijan.<sup>51</sup> Nevertheless, Armenia is showing structural economic growth thanks to both Western and Russian economic support. The Armenian Diaspora, which according to some sources consists of 10 million persons, constitutes a source of powerful support for Armenia's interests and provides for considerable financial support.<sup>52</sup> Armenia maintains strong military and economic ties with Russia and is considered to be Russia's last loyal ally in the South-Caucasus. On the other hand Armenia's willingness to implement economic and democratic reforms has resulted in considerable development assistance from the West.<sup>53</sup> Concordantly, Armenia has participated in NATO exercises and has recently shown more interest in Euro-Atlantic integration.

### *Energy ties with Russia*

Armenia is Russia's only loyal ally in the South Caucasus. By announcing the year 2006 as 'the year of Russia', Armenia has demonstrated that it attaches

<sup>50</sup> <https://www.cia.gov/cia/publications/factbook/index.html>, CIA World Factbook.

<sup>51</sup> 'Nagorno-Karabakh: A Plan for Peace', *International Crisis Group*, Europe Report No. 167, 11 October 2005, p. 28.

<sup>52</sup> Kotanjian, 'Armenian Security and U.S. Foreign Policy in the South Caucasus', p. 17.

<sup>53</sup> K. Yalowitiz & S.E. Cornell, 'The critical but perilous Caucasus', *Orbis*, Winter 2004, p. 113; Baran, 'The Caucasus: Ten Years after Independence', p. 223.

great value to its relationship with Moscow. Nevertheless relations have suffered some pressure as of late when Russia's natural gas producing firm Gazprom announced prices would be raised.<sup>54</sup> This has led to severe criticism from the side of the opposition in Armenia. As the country is totally dependent on energy from Russia, there have been calls for investigating alternative energy sources to minimise dependency from Russian gas. In light of growing energy prices, Armenia is still receiving gas at a relatively low price. However, in return, Russia almost completely controls Armenia's gas supply network and is also supervising the construction of gas pipelines connecting Armenia to the gas reserves of Iran.

Iran disposes of the world's second largest gas reserves after Russia. A possible export route to the Western market could go from Iran through Armenia and onwards to Georgia and Europe. This would be against the interest of both the US and Russia. The latter fears competition on the European gas market and the US is concerned with an incursion into its boycott policy on Iran. It seems, however, unlikely that such a project will be realised in the near future.

Another factor that has recently been straining Russian-Armenian relations, is that of the ethnically motivated attacks on members of the Armenian community in Russia. This community consists of almost two million people. Russian authorities have been accused of being negligent in this matter.<sup>55</sup>

### ***Military cooperation with Russia***

Russia has a security pact with Armenia, which has provided Armenia with weapons worth millions of dollars. Furthermore, Russian has a military base in Armenia, where 3,500 troops are stationed. With tanks, armoured infantry vehicles, artillery, fighter aircraft and air defence units, this base forms an all-round military asset, capable of conducting comprehensive operations.<sup>56</sup> In addition to bilateral military cooperation, regional military cooperation is provided within the framework of the Russian-led CSTO. Within this framework Armenia regularly conducts joint military exercises with Russia. Russian First Deputy Defence Minister and Chief of the General Staff Colonel General Yuri Baluyevskiy stated last year that Armenia and Russia are "the closest allies" among the CIS member states of the CSTO. Baluyevskiy further added that the military hardware at the Russian base in Armenia will be upgraded.<sup>57</sup> Russia is allegedly set to reinforce its base in Armenia with

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<sup>54</sup> Sh. Chatlamadzhyan, 'Rossiya i Armeniya', 28 December 2005, <http://www.novopol.ru/article5324.html>.

<sup>55</sup> 'Armyano-rossiyskiy tandem na energorynke Yuzhnogo Kavkaza: Moskva берет под kontrol' gazoprovod Iran-Armeniya', *IA Regnum*, 6 April 2006, <http://www.regnum.ru/news/616229.html>.

<sup>56</sup> Langton, *The Military Balance 2005-2006*, p. 116; DeTemple, J., 'Military Engagement in South Caucasus – NATO', *Joint Force Quarterly*, Autumn-Winter, 2001.

<sup>57</sup> 'Armenia, Russia Review Military Cooperation', *RFE/RL Newslines*, Vol. 9, No. 200, Part I, 24 October 2005.

material, which is due to be withdrawn from Georgian territory, before the beginning of 2008.<sup>58</sup>

### ***Relations with the West***

Armenia does not maintain relations exclusively with Russia, but also with the West as well. Since 1994 it has participated in NATO's Partnership for Peace (PfP) programme.<sup>59</sup> Within that framework, in 2003 Armenia hosted a NATO PfP exercise with 400 troops from 19 NATO and PfP-Partner countries.<sup>60</sup> Armenia's closest partners within NATO are the United States and Greece. Diminishing ties with Greece are understandable in light of Turkish-Greek and Armenian-Turkish relations. Armenia also participates with the Coalition Forces in Iraq, although it contributes only with supporting units and not with combat units. Armenia's unhindered border crossing is – excluding Georgia – with Iran, with whom it maintains stable relations. Armenia has strongly condemned the '9/11' attacks on the US and offered its support and assistance. A recent call by the Armenian president for Euro-Atlantic integration can be regarded as a possible signal that Armenia is looking for ways to escape from Russian hegemony.<sup>61</sup> In June 2006, sources in Tbilisi close to the Government, have confirmed an intention of Armenia to join the West. They stated that Georgia's entrance into NATO will have a snowball effect on Azerbaijan and Armenia, with respect to their steps to integrate into Western structures.<sup>62</sup>

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<sup>58</sup> German, 'Untangling the Karabakh Knot', p. 7.

<sup>59</sup> The Partnership for Peace is a programme of practical bilateral cooperation between individual Partner countries and NATO. It allows Partner countries to build up an individual relationship with NATO, choosing their own priorities for cooperation. Based on a commitment to the democratic principles that underpin the Alliance itself, the purpose of the Partnership for Peace is to increase stability, diminish threats to peace and build strengthened security relationships between individual Partner countries and NATO, as well as among Partner countries. Source: <http://www.nato.int/issues/pfp/>

<sup>60</sup> Kotanjian, 'Armenian Security and U.S. Foreign Policy in the South Caucasus', p. 23.

<sup>61</sup> 'Armenian president wants to expedite European integration', *RFE/RL*, Vol. 10, No. 127, 14 July 2006.

<sup>62</sup> Statements made to Marcel de Haas by officials of the Georgian ministries of defence and foreign affairs and the Georgian Foundation for Strategic and International Studies (GFSIS) in Tbilisi, Georgia, 29-30 June, 2006.

Map of Armenia<sup>63</sup>



### Azerbaijan

Azerbaijan gained independence at almost the same time as the other South-Caucasus states. Just as Armenia, it suffered heavily from the war in Nagorno-Karabakh. In the mid nineties it attracted the attention of the West, especially the US, due to its considerable oil and gas reserves and its strategic location. It maintains strong military ties with the US. Turkey is considered Azerbaijan's strongest local ally, with whom it maintains strong cultural and ethnic ties. However, according to *Transparency International* it also ranks amongst the top thirty of most corrupt countries in the world.<sup>64</sup> Although the West criticises this situation, it also maintains good relations with Azerbaijan because of Western interests in its energy sector.

<sup>63</sup> <https://www.cia.gov/cia/publications/factbook/index.html>, CIA World Factbook.

<sup>64</sup> Transparency International, 'Corruption Perception Index 2005', <http://www.transparency.org/cpi/2005/cpi2005.sources.en.html>.

While Azerbaijan has benefited from its oil and gas revenues, one can still not speak of economic prosperity. This is especially the consequence of corruption and armed conflict with Armenia.<sup>65</sup> Azerbaijan has proven to be self-confident in its foreign policy, mainly because of its growing wealth from oil revenues and the BTC project, which has also resulted in a enormous increase in its defence budget. It is currently opting for a balanced foreign policy between Russia, Iran and the West.<sup>66</sup>

### ***Relations with the USA***

In addition to Azerbaijan's importance as an energy producing and transit country, it is also an important US ally in 'war against terrorism'. After Uzbekistan demanded the US to leave its military base at the end of 2005, Azerbaijan's role as regional ally enhanced. Earlier, in April 2005, an agreement had been reached regarding the stationing of US troops in Azerbaijan.<sup>67</sup> Azerbaijan-US relations had improved gradually, following the decision by the Bush administration in January 2002 to waive Section 907 of the Freedom Support Act that prohibits direct government assistance to Azerbaijan. Since then the BTC pipeline project gained momentum and military cooperation progressed.

Currently, the US is supporting Azerbaijan's military forces with the *Caspian Border Peace Initiative*. Its main goal is the protection of the BTC oil pipeline. US military instructors will train Azeri troops on two military bases in Azerbaijan. Rapid reaction forces made up of US-marines and Special Forces allegedly will be stationed at the Apsheron Peninsula near Baku.<sup>68</sup> The first US forces arrived in April 2005 to prepare the arrival of major US contingents. According to Azerbaijan government sources it is concerned with 'temporarily deployed mobile forces'.<sup>69</sup> The US will also improve and expand the Azeri navy. To this end, it has already allocated \$30 million to strengthen shore defences.<sup>70</sup>

### ***Relations with Russia***

After the disintegration of the Soviet Union, Azerbaijan was rediscovered by the West as an oil and gas rich country. As it traditionally belonged to the Russian

<sup>65</sup> Azerbaijan showed a GDP growth of more than 30% in the first half of 2006, mainly because of the oil boom.

<sup>66</sup> 'Azerbaijan: BTC Inauguration a sign of Azerbaijan's growing strength', *RFE/RL*, 12 July 2006.

<sup>67</sup> V. Ivanov & V. Mukhin, 'Kaspiyskiy strazh primeryayet amerikanskuyu formu', *Nezavisimoye Voyennoye Obozreniye*, Nr. 15 (424), 22 April 2005, [http://nvo.ng.ru/wars/2005-04-22/1\\_kaspiy.html](http://nvo.ng.ru/wars/2005-04-22/1_kaspiy.html).

<sup>68</sup> 'Azerbaijan: US forces already on the ground', *Strategic Forecasting inc.*, 15 April 2005.

<sup>69</sup> At the same time U.S. officials denied plans to send American forces to Azerbaijan.

<sup>70</sup> Main, *The Bear, The Peacock, The Eagle, The Sturgeon and the Black, Black Oil: Contemporary Regional Power Politics in the Caspian Sea*, p. 16.

sphere of influence, Russia was not easily prepared to give up on Azerbaijan. Russia is eager to transport Azeri oil through pipelines on Russian soil. Conversely, Azerbaijan follows a pro-Western course, independent from Russia, as is demonstrated by its membership of GUAM (for details on this organisation, see Chapter 4. REGIONAL POWERS AND ORGANISATIONS ON SECURITY AND ENERGY). Relations with Russia are also tense because of differing views on the legal status of (parts of) the Caspian Sea (i.e. territorial disputes) from which the oil is exploited.

When late President Haydar Aliyev was nearing his death, the West, especially the US, was interested in Haydar's son, Ilham, to replace him. Ilham has close ties with the Azerbaijan oil industry. In May 1994 he was appointed vice president of the State Oil Company of Azerbaijan (SOCAR) by his father. At the same time Russia and Iran tried to impose their own choice of candidates.<sup>71</sup> Eventually Ilham Aliyev became his father's successor after disputed elections.<sup>72</sup> However, despite different views on alignment, Russian–Azeri relations remain stable. Russia still has a radar station in Northern Azerbaijan and agreed on the future status of this station in 2004.<sup>73</sup> Further, the BTC – BTE pipelines have not completely excluded Russia from the South Caucasus. The Baku–Novorossiysk oil pipeline is still functioning and Russian oil companies, like Lukoil, are considering using the BTC as a possible export route for Russian oil.<sup>74</sup>

### ***Relations with Iran***

Another important factor determining Azeri–US relations is Iran. Recent developments regarding the possible security threat of Iran's nuclear programme illustrate that Azerbaijan is a valuable partner of the US in the South Caucasus. There is a US military presence in Azerbaijan. In addition to this, Azeri relations with Iran are tense. During the Nagorno-Karabakh war Iran supported Armenia and accused Azerbaijan of fomenting separatism among Iran's Azeri minority, which makes up of 20 percent of Iran's population. Iran fears a powerful Azerbaijan would try to interfere in Iran's domestic affairs through the considerable Azeri minority. Although Azerbaijan is allowing the US to use its territory for military purposes, Azerbaijan also acknowledges Iran's right to its own nuclear programme intended for peaceful purposes and strictly advocates a peaceful solution.<sup>75</sup>

<sup>71</sup> Rasizade, 'Azerbaijan in transition to the "new age of democracy"', p. 369.

<sup>72</sup> 'Blaming the victim in flawed elections', *RFE/RL Reports*, Vol. 4, No. 29, 29 October 2003, <http://www.rferl.rog/reports/ucs/2003/10/29-241003.asp>.

<sup>73</sup> J. C. Peuch, 'Azerbaijan: Aliyev's Moscow Visit Shows Son Picking Up Where Father Left Off', *RFE/RL*, 5 February 2004.

<sup>74</sup> S. Mamedov, 'Bakinskaya truba privekla vnimaniye rossiyskikh kompaniy', *Nezavisimaya Gazeta*, 29 June 2006, <http://www.ng.ru/printed/69015>.

<sup>75</sup> 'Fragen an den aserbeidschanischen Aussenminister Mammadjarow: Demokratie ist kein Apfel', *Frankfurter Allgemeine Zeitung*, 7 July 2006.

Map of Azerbaijan<sup>76</sup>

### Armenia versus Azerbaijan: the frozen conflict of Nagorno-Karabakh

Nagorno-Karabakh is an enclave within Azerbaijan that covers fifteen percent of its territory. Eighty percent of the total population (100,000) consists of Armenians. The Armenians of this region seek independence or want to join Armenia. In 1988 these ambitions resulted in an armed conflict, which also involved the (Soviet) republic of Armenia. Some 600,000 – 850,000 people of both sides became refugees as minorities fled to their kin state and some 15,000-25,000 people were killed during the conflict.<sup>77</sup> Although a cease-fire was agreed on in May 1994, sporadic violence has continued since then. Armenian troops are still in control of large areas of Azeri territory in addition

<sup>76</sup> <https://www.cia.gov/cia/publications/factbook/index.html>, CIA World Factbook.

<sup>77</sup> MacFarlane, 'Security and development in the Caucasus', p. 137; J. Goodhand and T. Vaux, 'War and peace in the Southern Caucasus', *Humanitarian Initiatives*, 2002, p.5.

to Nagorno-Karabakh itself. Mediation by the OSCE has not been successful yet. Its role has currently been downgraded to maintaining unarmed monitors in the zone. Azerbaijan refuses to grant independence to Nagorno-Karabakh or to accept it as part of Armenia. The population of Nagorno-Karabakh itself is divided on the future status of this region.

### ***External actors***

Besides Armenia, other states that are dealing with the conflict are Russia, Iran, Turkey and the US. Traditionally, Russia and Iran side with Armenia, known as the Moscow-Yerevan-Teheran triangle. Since its incorporation into the Russian Empire at the beginning of the nineteenth century, Armenia has maintained good relations with Russia. As a Christian country in a Muslim dominated region it was Russia's reliable ally.

During the Nagorno-Karabakh conflict, Iran supported Armenia. Reason for this support can be traced to the fact that Iran has a considerable Azeri minority of twenty percent and it fears a powerful Azerbaijan will try to interfere in its domestic affairs.

Azerbaijan is traditionally supported by Turkey, with whom it shares a close ethnic and cultural history. Recently, the US has joined the group of allies of Azerbaijan. Both Armenia and Azerbaijan are participants in the NATO sponsored Partnership for Peace programme (PfP). Yet Azerbaijan is in favour of a stronger relationship with NATO and has recently developed intensive military cooperation with the US, whilst Armenia is a member of the Russian-led CSTO and consequently possesses strong military ties with Russia. Problematically, the involvement of such a large group of actors could easily internationalise the conflict. Moreover, during the last decade none of the involved parties has had a direct interest in resolving the conflict. Lately, however, the US has been advocating a settlement of the conflict, both in Yerevan and Baku. The main reason for this is that the US wishes a stable environment for its geo-strategic and energy security interests in the region.<sup>78</sup>

### ***Comparison of military strength***

Currently, the military balance rests in favour of Armenia.<sup>79</sup> The Nagorno-Karabakh Defence Army is primarily a ground force and depends heavily on Armenian support. Azerbaijan views the presence of thousands of troops from Armenia as a threat to its security and believes there is no guarantee that these troops will not attempt further advances.<sup>80</sup> According to independent sources

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<sup>78</sup> N. Nassibli, 'Azerbaijan's geopolitics and oil pipeline issue', *Perceptions*, December 1999-February 2000. p. 101-102.

<sup>79</sup> Goodhand, and Vaux, 'War and peace in the southern Caucasus', p.6.

<sup>80</sup> 'Nagorno-Karabakh: viewing the conflict from the ground', *International Crisis Group*, Europe report no.166, 14 September 2005, p. 27.

the Nagorno-Karabakh society is one of the most militarised in the world.<sup>81</sup> However, Azerbaijan is gaining considerable financial means and could shift the balance in its own favour in the long term. In the past few years Azerbaijan's defence budget has increased drastically. At the end of 2005 Azerbaijan President Ilham Aliyev stated that defence spending would be raised, from \$300 million in 2005, to \$600 million in 2006.<sup>82</sup> Armenia's 2005 defence budget was considerably lower, around \$135 million. However, US Co-Chair Steven Mann of the OSCE Minsk Group has warned Azerbaijan that it may face undesirable consequences if it starts a new war.<sup>83</sup>

### ***Energy security***

In the mid-nineties Russia proposed to send Russian peacekeeping troops into the Nagorno-Karabakh conflict zone. The USA insisted that troops should be from different states and within the framework of the OSCE.<sup>84</sup> It seems that Russia is mostly interested in maintaining the status-quo of the conflict. The reason for this is that Azerbaijan, unlike Georgia and Armenia, is not dependent on Russia for its energy supplies, the Nagorno-Karabakh conflict is the last instrument left to place pressure on Azerbaijan.

During the nineties Russia has demonstrated its preference for a status-quo of the Nagorno-Karabakh conflict, thereby preventing the BTC oil pipeline from running through Armenia. Russia wished to keep its monopoly on the export of Caspian crude oil to the West through the already existing Baku – Novorossiysk pipeline from Azerbaijan to Russia. The initial route of the intended pipeline east-west – rerouting energy supplies from Russia – was across Armenia's territory. But Armenia was not willing to support any project that would bring benefit to Azerbaijan.<sup>85</sup> Although Russia regularly states that it wishes for the Nagorno-Karabakh conflict to be solved, it is clearly more interested in

<sup>81</sup> 'Nagorno-Karabakh: viewing the conflict from the ground', *International Crisis Group*, p. 9.

<sup>82</sup> C. Langton (ed.), *The Military Balance 2005-2006*, London, October 2005, p. 108, 110; A. van Gent, 'Im "Schwarzen Garten" des Kaukasus: Keine Lösung der Karabakhfrage in Sicht', *Neue Zürcher Zeitung: Internationale Ausgabe*, 12-13 November 2005; L. Fuller, 'Azerbaijan still lacks national-security, military doctrines', *RFE/RL Newslines*, Vol. 10, No.20, Part I, 2 February 2006.

<sup>83</sup> 'Armenian and Azeri presidents will do what the West tells them to': Nagorno Karabakh press digest, *Regnum News Agency*, 31 May 2006, <http://www.regnum.ru/english/613417.html>; The OSCE Minsk Group was created in 1992 by the [Conference on Security and Cooperation in Europe](#) (CSCE, now Organization for Security and Co-operation in Europe [OSCE]) to encourage a peaceful, negotiated resolution to the conflict between [Azerbaijan](#) and Armenia over [Nagorno-Karabakh](#).

<sup>84</sup> Nassibli, 'Azerbaijan's geopolitics and oil pipeline issue', p. 116-117.

<sup>85</sup> Nassibli, 'Azerbaijan's geopolitics and oil pipeline issue', *Perceptions*, December 1999-February 2000. p.112.

maintaining the status-quo, similar to the disputed areas of South-Ossetia and Abkhazia in Georgia.<sup>86</sup>

### ***EU involvement***

The EU's role in the conflict has been limited to the European Neighbourhood Policy (ENP), which covers the whole of the South Caucasus (see 'European Union' in Chapter 5 GLOBAL POWERS AND ORGANISATIONS ON SECURITY AND ENERGY). Within this framework no substantial programs or initiatives have been made so far.<sup>87</sup> The EU's argument is that Azerbaijan has refused an EU deployment of any projects on the territory of Nagorno-Karabakh. Often the EU has not seen a role as mediator in the settlement of the conflict and regularly has expressed its support for the OSCE Minsk Group negotiations process.<sup>88</sup> However more recently, the EU Special Representative for the South Caucasus has stated that the EU would like to play a more decisive role in the search for a solution to the conflict.<sup>89</sup>

In case of a settlement, many see the EU as the most appropriate actor to provide a peacekeeping force, as most parties consider the EU to be the most neutral candidate. According to the sources close to the OSCE, the size of such a peacekeeping force would have to consist of 1,500 to 2,000 troops. These troops should be sufficient to monitor the buffer zone and amongst others to provide security for returning IDPs.<sup>90</sup>

### ***US involvement***

Armenia has close ties with the US through the powerful lobby of approximately one million Armenians that live in the United States. After '9/11' Armenia, as well as Azerbaijan, offered its support and assistance in the 'war against terror'. Lending support for the war against terrorism especially benefited Azerbaijan.

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<sup>86</sup> 'Armenian and Azeri presidents will do what the West tells them to': Nagorno Karabakh press digest, *Regnum News Agency*, 31 May 2006, <http://www.regnum.ru/english/613417.html>.

<sup>87</sup> T. German, *Untangling the Karabakh Knot*, Caucasus Series 05/28, Swindon: Conflict Studies Research Centre, UK Defence Academy, June 2005, p. 5.

<sup>88</sup> 'Conflict Resolution in the South Caucasus: the EU's role', *International Crisis Group*, Europe report no. 173, 20 March 2006, p. 21.

<sup>89</sup> Fuller, L., 'Armenian, Russian Foreign Ministries Discuss Karabakh Conflict...', *RFE/RL*, Vol. 10, No. 66, Part I, 10 April 2006.

<sup>90</sup> 'Conflict Resolution in the South Caucasus: the EU's role', *International Crisis Group*, p. 25-26.

US President Bush in return waived the Section 907 of the Freedom Support Act that prohibited direct government assistance to Azerbaijan.<sup>91</sup> Though the US supports Azerbaijan militarily, it has clearly stated that this support is not to be used by Baku in the Nagorno-Karabakh conflict.

### ***The future of Nagorno-Karabakh***

The conflict is unlikely to reignite as this would be completely against the interests of the strongest foreign actor in Azerbaijan, the US. The existing regional security architecture in the South-Caucasus is creating a deadlock for all parties involved. Therefore, a speedy resolution to the conflict is not needed. However, some fear that the failure to reach a peace settlement would keep the peace process deadlocked for at least three more years, as neither side would want to make painful concessions to the other in the run-up to the Armenian and Azeri elections in 2007 and 2008.<sup>92</sup>

Nonetheless, at the beginning of 2006 a settlement of the conflict seemed near.<sup>93</sup> However, with the failure of the Rambouillet peace negotiations in February 2006 – between Armenian president Robert Kocharyan and Azeri president Ilham Aliyev – and later on in June 2006 in Bucharest, a solution has not moved closer.<sup>94</sup> The two main problems remain Nagorno-Karabakh's future status and the time frame for the withdrawal of Armenian forces. Besides that, Nagorno-Karabakh's president Arkady Ghukasiyan expressed that his exclusion from the negotiations has slowed down the peace process.<sup>95</sup> Another danger for tension or even conflict is Azerbaijan's growing oil income, which might be converted into arms to establish a military solution. Thus energy (revenues) is linked with conflict.

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<sup>91</sup> The Freedom Support Act had been enacted in 1992 as a consequence of Azerbaijan's blockade of Armenia. This Act also included a ban on defence cooperation with Armenia. H. Kotanjian, 'Armenian Security and U.S. Foreign Policy in the South Caucasus', *The Quarterly Journal*, Vol III, No.2, June 2004, p.16.

<sup>92</sup> E. Danielyan, 'Nagorno-Karabakh: U.S. Mediator Says Elections No Obstacle To Accord', *RFE/RL*, 31 July 2006, <http://www.rferl.org/featuresarticle/2006/07/dde3ab09-b959-40a6-a036-b27fe6ed6800.html>.

<sup>93</sup> H. Tamrazian & K. Aliyev, 'Minsk Group Co-Chair Says 2006 'Can be the year' for Breakthrough on Karabakh', *RFE/RL Newslines*, Vol. 10, No. 19, Part I, 1 February 2006.

<sup>94</sup> L. Fuller & Giragosian, 'What is the sticking point in the Karabakh talks?', *RFE/RL Newslines*, vol. 10, No.106, Part I, 12 June 2006.

<sup>95</sup> L. Fuller, 'Karabakh Leader Demands Inclusion in Settlement Talks', *RFE/RL*, Vol. 10, No. 33, Part I, 22 February 2006.



## 4. Regional powers and organisations on security and energy

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### Turkey

After the demise of the Soviet Union, Turkey launched a campaign to establish good contacts with former Soviet republics possessing an ethnic Turkic population: Azerbaijan, Kyrgyzstan, Turkmenistan, Uzbekistan and Kazakhstan. Relations with Armenia are tense for a number of reasons, including in particular the Turkish denial of the Armenian genocide of 1915. Furthermore, relations are tense because of the alleged claims of Armenia on Turkish territory where predominantly Armenians used to live. And finally, there are tensions over Turkey's support of Azerbaijan.<sup>96</sup>

Relations between Turkey and Georgia are rather good. Turkey supports the Georgian economy to strengthen its position in the region. Allegedly, military officers from Turkey, Azerbaijan and Georgia would regularly carry out command staff exercises to practise the protection of the BTC pipeline.<sup>97</sup> This pipeline adds to Turkey's relevance as an important geopolitical position. In a wider perspective Turkey forms both a bridge and a barrier between Europe and the Caucasus. Just like Russia and Iran, it plays a major role in becoming an important energy bridge for Caspian oil and gas with the difference that Turkey has no large gas or oil reserves of its own. As a result, Turkey has to take into account that it is dependent on energy imports.<sup>98</sup>

With the opening of the BTC oil-pipeline and the upcoming BTE gas-pipeline, Turkey will become an even more important country for energy transit, thereby strengthening its international position. Nevertheless, Turkey's security position will also depend on its skills to adapt to the increasing Western influence in the Black Sea area. International organisations that were organized by Turkey, like the BSEC and BLACKSEAFOR, have so far demonstrated limited success. The question is whether these organisations will gain momentum because of

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<sup>96</sup> MacFarlane, 'Security and development in the Caucasus', p. 144.

<sup>97</sup> I. Plugatarev, 'Karaul u truboprobodov mozhnet prinyat ODKB', *Nezavisimoye Voyennoye Obozreniye*, 9 June 2006, p. 2.

<sup>98</sup> G. M. Winrow, 'Pivotal State or Energy Supplicant? Domestic Structure, External Actors, and Turkish Policy in the Caucasus', *Middle East Journal*, Volume 57, NO.1, Winter 2003.

stronger commitments by their members, or whether they will be overshadowed by the EU and NATO. Momentarily, the latter possibility seems most probable.

### **Iran**

Just like Turkey, Iran has been seeking to gain influence in the Caucasus and Central Asia as well, especially in the former Soviet republics with Islam as the dominant religion. However, when geopolitical interests conflict with commitments of “Islamic solidarity”, Tehran almost always gives preference to its security and economic considerations.<sup>99</sup> An example of this is Iran’s pragmatic approach to the conflict over Nagorno-Karabakh. In this conflict Iran has taken on the role of mediator. If Iran has thus far been partial it surely did not choose the (Muslim) Azeri side. For this stance, a couple of reasons can be found. First, it has often been mentioned that Iran wants to prevent an Azeri nationalist uprising on its own territory. By keeping the status quo of the Nagorno-Karabakh conflict intact, Azerbaijan will not have the resources to give aid to the Azeri majority in northern Iran. The mediating role Iran has played suggests that Iran prefers neither a strong Azerbaijan, nor a strong Armenia.<sup>100</sup>

An important grounds by which Iran determines its foreign policy is the containment of Western and Turkish influence in the Caucasus. Iran shares this opinion with Russia, to which it is connected through nuclear energy cooperation, import of arms, CASFOR and the Shanghai Cooperation Organisation (SCO, see further Chapter 5 GLOBAL POWERS AND ORGANISATIONS ON SECURITY AND ENERGY). Iran and Russia have a policy of freezing conflicts in countries, like Georgia and Azerbaijan, which are under strong Western influence. By doing this, the region remains unpredictable and harder to control. At the same time Iran itself is not capable of making serious investments in the Caucasus.

Setting the Caucasian frozen conflicts in motion can only have negative impacts on Iran as well as Russia. In case the conflicts escalate this will result in large amounts of refugees and the risk of spill-over to other potential conflicts. If, on the other hand, the conflicts find a peaceful ending this will result in even more Western influence. The same line of reasoning is applicable to the longstanding dispute about the demarcation of the Caspian (see also ‘Azerbaijan’ in Chapter 3 Local actors and organisations on security and energy). By refusing to find a compromise on this issue, Iran again tries to create an obstacle to Azerbaijan’s

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<sup>99</sup> B. Shaffer, ‘Iran’s Role in the South Caucasus and Caspian Region: Diverging Views of the U.S. and Europe’, in *Iran and Its Neighbours*, SWP Berlin, July 2003, p. 18.

<sup>100</sup> T. Martirosyan, ‘Iran in the Caucasus: Keeping balance in volatility’, [www.caucasus.dk/publication14.htm](http://www.caucasus.dk/publication14.htm).

development.<sup>101</sup> In the meantime the BTC pipeline has broken the oil export monopoly of Russia and has bypassed Iran.

Concerning energy policy, Iran focuses at developing nuclear energy for domestic consumption in order to promote its energy production for foreign markets. Because of Iran's isolation it is looking for customers elsewhere. Emerging outside powers that are less influenced by anti-Iranian sentiments, such as China, provide the market that Iran so desperately needs. Today, Iran produces thirteen percent of the People Republic's demand for oil. In addition to an increasing quantity of oil, China also imports natural gas from Iran.<sup>102</sup>

By becoming a member of non-Western based organisations, such as the SCO, Iran might get access to political, security and economic cooperation that it needs to stabilise its position in the region.<sup>103</sup> In May 2006 Iran announced, whilst currently holding an observer status, it is ready to become a full-fledged member of the SCO.<sup>104</sup> An important remark that should be made here is the fact that the Asian energy market is less attractive for both Russia and Iran because the price they get is considerably lower than on the European market.<sup>105</sup> Additionally, the aim of the US is not to allow Iranian gas to get into China.<sup>106</sup> Further developments may prove whether Iran finds a way to evade further isolation by the West.

### **Maritime cooperation in the Caspian Sea: CASFOR**

During the Cold War there were only two regional actors in the Caspian; the Soviet Union and Iran. Since the collapse of the Soviet Union, new players have arrived on the scene: Azerbaijan, Turkmenistan and Kazakhstan. Traditionally, Russia enjoyed military hegemony over the Caspian basin, until the recently established US military presence in the region. However, as Russia inherited the majority of the Soviet Caspian Flotilla after the collapse of the USSR and subsequent division of its military, it is still by far the most dominant force. According to military experts the Caspian Flotilla is capable of establishing full control over naval activity in the Caspian Sea. Unlike other Russian fleets the Caspian Flotilla has not been reduced and is to be upgraded in the near

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<sup>101</sup> . Shaffer, 'Iran's Role in the South Caucasus and Caspian Region: Diverging Views of the U.S. and Europe', in *"Iran and Its Neighbours"*, p. 21.

<sup>102</sup> A. Bezlova, 'Politics-China: Ahmadinejad Invited to Shanghai Meet', *Inter Press Service News Agency*, 14 June 2006, <http://www.ipsnews.net/print.asp?idnews=33605>.

<sup>103</sup> A. Katen, 'Iran's Territorial Disputes with its Caspian Sea Neighbours', *Power and Interest News Report*, 31 May 2006.

<sup>104</sup> 'Iran envoy to Kazakhstan says ready to join SCO', *RFE/RL Newslines*, Vol. 10, No. 93, Part I, 23 May 2006.

<sup>105</sup> 'Russian legislator hails possible 'Gas alliance' with Iran', *RFE/RL Newslines*, Vol. 10, No.112, part1, 20 June 2006

<sup>106</sup> 'Perspectives of Iran gas – South Pars as global energy factor', *Regnum*, 31 May 2006.

future.<sup>107</sup> This can be interpreted as a clear sign that Russia takes its interest in the region seriously.

Russia has recognized encroachment by the US on its traditional sphere of influence and is searching for means to counteract US activity. Russia's reply to US involvement in the Caspian is the so-called Caspian Sea Force (CASFOR). The other largest Caspian Sea country, Iran, is also worried about the US presence and has shown interest in a joint security organisation in the Caspian.<sup>108</sup> Therefore, Moscow has invited Iran to join CASFOR.<sup>109</sup> In CASFOR, member states can obtain relatively new naval units and military instructions from Russia. The former Soviet command structures that are almost intact in Azerbaijan, Turkmenistan and Kazakhstan can easily be integrated into a Russia-dominated CASFOR. Allegedly, CASFOR can defend against terrorism, as well as (nuclear) arms and drug trafficking, which are current threats.

Since Summer 2005, Russia has been advocating the establishment of CASFOR, but currently it mainly only exists on paper.<sup>110</sup> In theory, this naval task force would include all five Caspian littoral states (Azerbaijan, Iran, Kazakhstan, Russia and Turkmenistan). Turkmenistan, which is trying to preserve its neutral position, will probably be reluctant to join CASFOR, as might Azerbaijan and Kazakhstan, because of their close military and energy relations with the West. It is clear that Russia is CASFOR's biggest advocate. In case of the establishment of CASFOR the Caspian Flotilla would form the backbone of CASFOR and give Russia greater dominance over the Caspian.<sup>111</sup> Russian analysts have doubts whether it ever will get off the ground. However, according to sources within the Russian Foreign Ministry the project has already gained momentum.<sup>112</sup>

### **Economic and maritime cooperation in the Black Sea: BSEC and BLACKSEAFOR**

The Black Sea has always been a bridge between Europe, Central Asia and the Far East. Historically Turkey and Russia were the main players in the area. However, with the break-up of the Soviet-Union the setting has radically

<sup>107</sup> Main, *The Bear, The Peacock, The Eagle, The Sturgeon and the Black, Black Oil: Contemporary Regional Power Politics in the Caspian Sea*, p. 7.

<sup>108</sup> 'The Caspian States: Cooperating Against Crime – And Against Washington', *Strategic Forecasting inc*, 18 July 2005.

<sup>109</sup> S. Blank, 'The great game goes to sea: naval rivalries in the Caspian', *Central Asia – Caucasus Analyst*, 11 January 2006, [http://www.cacianalyst.org/view\\_article.php?articleid=3930](http://www.cacianalyst.org/view_article.php?articleid=3930).

<sup>110</sup> 'Putin calls for international forces in Caspian Sea', *RFE/RL Newslines*, Vol. 9, No. 132, Part I, 15 July 2005.

<sup>111</sup> I. Plugatarev, 'Voyennym blokom – no brakonyeram it terroristam', *Nezavisimoye Voyennoye Obozreniye*, 27 January 2006, [http://nvo.ng.ru/wars/2006-01-27/1\\_blok.html](http://nvo.ng.ru/wars/2006-01-27/1_blok.html).

<sup>112</sup> Plugatarev, 'Voyennym blokom – no brakonyeram it terroristam'.

changed. Many of the Black Sea's littoral states have looked to the West, which has resulted in the eastward enlargement of the Euro-Atlantic community.<sup>113</sup> Bulgaria and Romania recently joined NATO and are slated to become members of the European Union.<sup>114</sup> Additionally, recent revolutions in Georgia (2003) and Ukraine (2004) have resulted in a strong Western orientation, with the aim of NATO membership in Georgia, and the division of Ukrainian government and public opinion into pro-Western and pro-Russia stances. Because of the new power configuration following the fall of the communist regimes, an inclusive, open and transparent framework of dialogue and interaction was needed.<sup>115</sup> Large interests have become at stake, and they have to be regulated. Two organisations were founded for this purpose: the Black Sea Economic Cooperation (BSEC) and the Black Sea Force (BLACKSEAFOR).

### ***Black Sea Economic Cooperation***

The BSEC was founded in 1992 and entered into force in 1999. Since 2004, with the accession of Serbia, the organisation numbers 12 member states: Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Turkey and Ukraine. Its initial objective was to provide a model as a 'multilateral political and economic initiative aimed at fostering interaction and harmony among Member States, as well as to ensure peace, stability and prosperity encouraging friendly and good-neighbourly relations in the Black Sea region'.<sup>116</sup> However, these intentions do not guarantee any success and so far the BSEC is but a shadow of its full potential, for the following reasons. First of all it is clear that even before the BSEC was founded, some member states were engaged in violent conflicts, on the brink of war or struggling ferociously for influence in the region (for example: Turkey vs. Greece, Russia vs. Georgia and not the least, Armenia vs. Azerbaijan).<sup>117</sup> As a result, the BSEC has been characterized by a lack of commitment, hesitation and nonbinding declarations. Moreover, a second reason undermining the success of the organisation is the fact that some member states already have a strong affiliation with the EU or, like Greece, Bulgaria and Romania, are (candidate) members of the EU.

### ***Black Sea Force***

The second international organisation in the Black Sea area is BLACKSEAFOR. Efforts to establish BLACKSEAFOR were started by

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<sup>113</sup> Black Sea littoral states are: Russia, Georgia, Turkey, Romania, Bulgaria and Ukraine

<sup>114</sup> M. R. Ungureanu, 'Black Sea region: a new vision, new possibilities', JDW, 14 December 2005, p.23

<sup>115</sup> Ungureanu, 'Black Sea region: a new vision, new possibilities', p.23

<sup>116</sup> 'About BSEC', [www.bsec-organization.org](http://www.bsec-organization.org)

<sup>117</sup> U. Buchsenshuetz, 'Black Sea Alliance Remains A Minor Force', *RFE/RL*, Vol. 8, No. 151, 10 August 2004.

Turkey in 1998.<sup>118</sup> Three years later, in April 2001, ‘The Black Sea Force Establishment Agreement’ was signed by six countries: Bulgaria, Georgia, Romania, the Russian Federation, Turkey and Ukraine.<sup>119</sup>

This organisation is, in comparison to the BSEC, militarily instead of economically oriented. The original idea was the establishment of a multinational on-call peace taskforce. Looking at the operational aspects, the tasks of BLACKSEAFOR are: Search and Rescue, humanitarian assistance, mine counter measures, environmental protection, goodwill visits and other tasks agreed upon by all parties. The BLACKSEAFOR, which is composed of naval elements only, is also available for operations of the UN and OSCE.<sup>120</sup> However, just like the BSEC, the potential of the BLACKSEAFOR is far from realised. The organisation has been fundamentally weak because it lacks resources (vessels) and commitment by its members, and because its units are only temporarily assigned to BLACKSEAFOR.<sup>121</sup> NATO could cooperate within the structures of BLACKSEAFOR, try to extend its ‘war against terrorism’ Operation Active Endeavour (OAE) in the Mediterranean to the Black Sea, or might follow both courses.<sup>122</sup>

### ***The future of Black Sea cooperation***

Coming to an overall conclusion on Black Sea cooperation is difficult because of rapidly changing circumstances and the diffuse constellation of alliances and conflicts between the numerous players. It has been indicated that the BSEC will never develop into a solid international political organisation. On the other hand it has been noted that ‘the most important aspect of the integration of the Black Sea area into Western structures is to decide how to link the efforts of the EU and NATO with regional cooperation schemes, and how to integrate regional demands into the agenda’.<sup>123</sup>

The EU and NATO have a different way of dealing with the Black Sea area. The EU has been accused by the US of lacking political decisiveness and a strategic dimension.<sup>124</sup> Indeed, the EU has been slow in adapting to the new configuration and – more importantly – its population is dissatisfied with

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<sup>118</sup> www.blackseafor.org

<sup>119</sup> NATO Defense College, ‘The Role of the Wider Black Sea Area in a Future European Security Space’, Volume 1, December 2005.

<sup>120</sup> www.blackseafor.org

<sup>121</sup> Center of South East European Studies, ‘Black Sea Security: Filling the Vacuum?’, Harvard Black Sea Security Program, 2 February 2005, <http://harvard-bssp.org/publications/?id=193>.

<sup>122</sup> ‘Black Sea Security: Filling the Vacuum?’, Harvard Black Sea Security Program. The Purpose of Operation Active Endeavour (OAE) has been to counter international terrorism in the Mediterranean. Its specific task is to monitor and deter terrorist-related activities. The methods include route surveillance and control of important sea passages, pipelines and harbours and provision of escorts.

<sup>123</sup> ‘The Role of the Wider Black Sea Area in a Future European Security Space’.

<sup>124</sup> ‘The Role of the Wider Black Sea Area in a Future European Security Space’.

further enlargements of the Union.<sup>125</sup> NATO, on the other hand, has an open door policy which makes it relatively easy to get access. And although this encourages countries to reform military as well as politically, in the longer term there is a need for further reforms that tackles democracy deficits and lack of good governance.<sup>126</sup>

Looking at BLACKSEAFOR it is apparent that it is also a rather powerless organisation. Its potential however should be accounted for. NATO-BLACKSEAFOR cooperation could improve Turkish-US relations that have been tense since the war in Iraq.<sup>127</sup> Furthermore, Turkey and the US have several common interests. The most important example of this is the provision of oil and gas to the West.

The other important player in the Black Sea is Russia. It has its own plans in the wider Black Sea area and, as a part of striving for more influence in the Middle East, aims at transforming the port of Tartus in Syria into a naval base for Russia's Black Sea Fleet.<sup>128</sup> It is already concerned with the growing Western influence in the Black Sea area and will most likely have a strong preference for an extended version of BLACKSEAFOR instead of another NATO take-over by, for example, Operation Active Endeavour.<sup>129</sup>

Ultimately, it is the East-West competition that exists within the BSEC and BLACKSEAFOR that makes them powerless. Instead of competition, both parties could make better use of the military cooperation in this region, by using their assets for counter-smuggling and tasking against poaching which is mutually beneficial.

### **GUAM - Organisation for Democracy and Economic Development**

GUAM is a regional organisation comprising of four CIS states: Georgia, Ukraine, Azerbaijan, and Moldova. The group was created in October 1997 as a way of countering the influence of Russia in the area, and it has received backing and encouragement from the US. Though at one point it was generally considered to have stagnated, recent developments have caused speculation about the possible revival of the organisation. After the arrival to power of pro-Western leaders in Georgia (2003) and Ukraine (2004) GUAM has undergone a recovery. In 1999, the organisation was renamed GUUAM due to the membership of Uzbekistan, which later withdrew from the organisation in May 2005. In May 2006 Ukraine and Azerbaijan announced plans to further

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<sup>125</sup> PINR Dispatch, 'Intelligence Brief: U.S. Military Bases in the Black Sea Region', 19 November 2005.

<sup>126</sup> 'The Role of the Wider Black Sea Area in a Future European Security Space'.  
<sup>127</sup> O. Babaoglu, 'The Black Sea Basin: A New Axis in Global Maritime Security', Policy Watch. No. 1027, The Washington Institute for Near East Policy, 24 August 2005.

<sup>128</sup> PINR Dispatch, 'Intelligence Brief: Russia's Moves in Syria', 30 June 2006.

<sup>129</sup> 'Black Sea Security: Filling the Vacuum?', Harvard Black Sea Security Program.

increase the GUAM member relations by renaming the organisation ‘GUAM Organisation for Democracy and Economic Development’ and establishing its headquarters in the Ukrainian capital Kiev.<sup>130</sup> Azerbaijani President Ilham Aliyev was elected the first secretary general of the organisation. On 30 May 2006 the Ukrainian Defence Ministry announced discussions on establishing GUAM peacekeeping forces.<sup>131</sup>

Two of GUAM’s members – Georgia and Moldova – have strained relationships with Russia, due to Russian orientated breakaway regions that are receiving indirect Russian support. Another important reason is their desire for Euro-Atlantic integration. Lately, relations have become further exacerbated between Russia and Moldova and Georgia, because of Russian boycotts of export products to these countries.

Together with its change of name, GUAM has also chosen a new economical and political course. The focus has moved to economic cooperation, especially concerning the construction of export pipelines for Caspian oil and gas to bypass Russian territory. All members of GUAM, except for Azerbaijan, are dependent on Russian gas and oil. Thus, with the creation of an energy alternative to Russia, GUAM would seriously enhance its political and economical independence.<sup>132</sup> Consequently, GUAM’s Yalta Summit in June 2001 it was agreed that energy security was one of its priorities.<sup>133</sup>

Although the BTC has definitely served to strengthen GUAM it is not the sole guarantee for the organisation’s energy security. Only Azeri gas can replace Russian gas for Georgia when it begins flowing through the BTE in the coming months.<sup>134</sup> As part of Georgia’s desire to diversify its energy supplies it has already made agreements with Azerbaijan on the delivery of this gas.<sup>135</sup> The only way the Ukraine could profit from the BTC and BTE is if Kazakhstan, with its enormous energy resources, is connected to the BTC and BTE pipelines. Recently, Kazakhstan has agreed to participate in the BTC by shipping oil across the Caspian.<sup>136</sup> It remains to be seen, however, if a future gas pipeline from Kazakhstan will be constructed on the Caspian seabed, as Russia, as one of the littoral states of the disputed Caspian Sea, might try to prevent this.

<sup>130</sup> L. Fuller, ‘GUAM comes of age’, *RFE/RL Newslines*, Vol. 10, No.94, Part I, 24 May 2006.

<sup>131</sup> <http://today.az/news/politics/26721.html>.

<sup>132</sup> A. Makarkin, ‘GUAM as an energy alternative to Russia’, *RIA Novosti*, 24 May 2006, <http://en.rian.ru/analysis/20060524/48563561-print.html>.

<sup>133</sup> ‘O GUAM’, GUAM, [www.guam.org.ua/about.phtml?print=yes](http://www.guam.org.ua/about.phtml?print=yes).

<sup>134</sup> L. Fuller & al., ‘GUAM – A Regional Grouping Comes of Age’, *RFE/RL Russian Political Weekly*, Vol. 6, No. 11, 25 May 2006.

<sup>135</sup> S. Mamedov, ‘Baku sbivayet tsenu na gaz’, 11 July 2006, [http://www.ng.ru/cis/2006-07-11/6\\_baku.html](http://www.ng.ru/cis/2006-07-11/6_baku.html).

<sup>136</sup> ‘Kazakhstan to Join BTC Pipeline’, *RFE/RL*, 8 June 2006, <http://www.rferl.org/featuresarticle/2006/6/0636D528-1C34-4AA7-B017-921CBC4EECA0.html>.

### Collective Security Treaty Organisation

In the framework of the Commonwealth of Independent States, the CIS Collective Security Treaty was signed in 1992. The treaty reaffirmed the desire of all participating states to abstain from the use or threat of force. Signatories would not be able to join other military alliances or other groups of states, while an aggression against one signatory would be perceived as an aggression against all. The CST was set to last for a 5-year period unless extended. In 1999 the Presidents of Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan, signed a protocol renewing the treaty for another five year period. However, Azerbaijan, Georgia and Uzbekistan refused to sign and withdrew from the treaty instead. At the same time Uzbekistan joined the GUAM group. In 2002 the six members of the CST signed a charter expanding it and renaming it as the Collective Security Treaty Organization (CSTO). Armenia's main motivation for being a member of the CSTO appears to be the acquisition of some protection against Azerbaijan in the case of increased violence over Nagorno-Karabakh.

According to Russian President Putin, the main responsibilities of the CSTO are cooperation in defence, the manufacturing of weapons, preparation of military personnel, and peacekeeping activities.<sup>137</sup> Other areas of cooperation are a common integrated air defence system, the fight against terrorism and against narcotics, which particularly concerns the CSTO in Central Asia.<sup>138</sup> In the near future the CSTO is planning to create a contingent of peacekeeping troops.<sup>139</sup> It is not unlikely that these peacekeeping forces could be used in regions of conflict such as Abkhazia, South-Ossetia or Nagorno-Karabakh. Recently the organization has expressed its intentions to develop relations with NATO, but has also criticized NATO and the US for causing instability in Central Asia.<sup>140</sup>

Russia is of course by far the most dominant member of the CSTO, which makes it a useful instrument for the pursuit of Russian policy. One such Russian interest is to enhance its Caucasian military group. This was confirmed by the Secretary-General of the CSTO, who stated that, amongst others, the formation and the improvement of the troops in the South Caucasus (specifically Russian-Armenian) falls under the CSTO's priorities.<sup>141</sup> On the other hand, recent CSTO documents and statements by officials put the emphasis on Central Asia and to a lesser extent on Europe or on the

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<sup>137</sup> M. Kaczmarek, 'Russia creates a New System to Replace the C.I.S.', *Power and Interest News Report*, 21 December 2005.

<sup>138</sup> 'Moscow reinforces military cooperation with CIS allies', *RFE/RL*, Vol. 9, No. 120, Part I, 24 June 2005.

<sup>139</sup> 'Korotko: Mirotvorsty ot ODKB', *Nezavisimoye Voyennoye Obozreniye*, 26 May 2006.

<sup>140</sup> 'Russian defense minister says CSTO could expand', *RFE/RL*, Vol. 9, No. 223, Part I, 1 December 2005.

<sup>141</sup> The CSTO consists of three military regions: the European (200,000 troops), Caucasian and Central Asian region. J.H. Saat, *The Collective Security Treaty Organization*, Central Asia Series 05/09, Swindon: Conflict Studies Research Center, UK Defence academy, February 2005, p. 8.

Caucasus.<sup>142</sup> In the first mentioned region, it seems the CSTO has gained some success. In 2005 former US ally Uzbekistan has demanded US forces to leave its territory in 2005. Subsequently, Uzbekistan withdrew from GUAM and was seeking closer ties with Russia. On 23 June 2006, Vladimir Putin announced that Uzbekistan was to become a full-member of the CSTO.<sup>143</sup> Russian analysts think Uzbekistan's President Karimov's main argument for joining the CSTO is his need for Russian protection against a regime change like the ones that took place in Georgia, Ukraine, and Kyrgyzstan.<sup>144</sup>

An important development is also noticeable in which military organisations tend to become involved in energy security. The security of oil and gas pipelines against terrorist attacks might as well become a task of the CSTO. Since 2004 the CSTO is already responsible for the protection of railway lines.<sup>145</sup> As to the guarding of energy plants, the Anti-Terrorist Centre of the CIS, although not directly related to the CSTO, has conducted an antiterrorist exercise at a nuclear energy station in Armenia in September 2006, in which units of the CSTO participated. Earlier, in August 2005, the Anti-Terrorist Centre of the CIS held an exercise around the Kazakh city of Aktau, while on the Caspian coast armed forces were to counteract terrorists that had seized an oil tanker.<sup>146</sup> Other events that support a supposed conceptual development towards energy security tasking were the CSTO's joint military exercises in June 2006 in Belarus, one of its objectives of which was the protection of gas and oil pipelines.<sup>147</sup>

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<sup>142</sup> Saat, *The Collective Security Treaty Organization*, p. 10; I. Plugatarev, 'Varshavskiy dogovor vozrozhdayetsa', *Nezavisimoye Voyennoye Obozreniye*, No. 24 (433), 1 July 2005, p.2.

<sup>143</sup> [http://www.jamestown.org/edm/article.php?article\\_id=2371223](http://www.jamestown.org/edm/article.php?article_id=2371223)

<sup>144</sup> 'Sozdayetsa Evraziyskaya Semerka', *Nezavisimoye Voyennoye Obozreniye*, 28 October 2005.

<sup>145</sup> Plugatarev, 'Karaul u trubopobodov mozhet prinyat ODKB'.

<sup>146</sup> Blank, 'The great game goes to sea: naval rivalries in the Caspian'.

<sup>147</sup> I. Plugatarev, I., 'ODKB budet zashchishat' truboprovody', *Nezavisimaya Gazeta*, 16 June 2006, [http://www.ng.ru/cis/2006-06-16/8\\_odkb.html](http://www.ng.ru/cis/2006-06-16/8_odkb.html).

## 5. Global powers and organisations on security and energy

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### United States

In the early 1990s the US did not have a coherent Caucasus policy, partly because of unfamiliarity of policy makers with the region. In these years the US policy was aimed at addressing the Central Europeans first, and then looking for the next series of alliances. By the time of 9/11 the wave of relationships suddenly expanded to Central Asia, but because of long neglect, the attempt largely failed, with Uzbekistan among others, returning to the Russian camp. Subsequently, the USA refocused the emphasis of its foreign and security policy to the Caucasus.

Initially the US policy towards the South Caucasus was to defer to Russia and avoid entering into security arrangements with the three states. However, in the mid-1990s, as American firms' interests in Caspian energy supplies grew Washington started to follow a more active policy. More recently, the US has started to regard the South Caucasus as part of a larger strategy of creating a zone of stability from the Balkans to Central Asia, and useful for undergirding NATO's enlargement into Central and Eastern Europe.

Over the years, US policy towards the South Caucasus has been vested in three priorities: energy, democracy and political stability.<sup>148</sup> These priorities can be diversified into energy, political, security and social-economic objectives. Regarding *energy objectives*: by 1998 the US had adopted a multiple pipeline strategy to carry Caspian energy to Western markets, intended at bypassing Russia and Iran. The focus was especially on the then planned BTC oil pipeline, but also on other east-west pipelines to transport Caspian oil and gas to Turkey. The US has repeatedly maintained that its policy is aimed at breaking the Russian monopoly over energy transportation routes, but that it is not anti-Russian in itself.

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<sup>148</sup> Baran, 'The Caucasus: Ten Years after Independence', p. 222.

As to *political objectives*, one is the containment of Iran to prevent influencing the Caucasus and Central Asia with radical Islam. Furthermore, the US has been actively promoting democracy and market principles. Since ‘9/11’, its political objectives have been supplemented with *security objectives*, comprising security cooperation programmes with all three South Caucasus states, of which the arrangement with Georgia is the most encompassing. These programmes are aimed at enhancing antiterrorism and border guard capabilities and to promote modernisation of the military. In addition to this, the US has also pursued endeavours to resolve regional conflicts, especially the one on Nagorno Karabakh. However, these attempts have met little success so far.

Finally, on *social-economic objectives*, the US Agency for International Development (USAID) has initially provided humanitarian aid but later on – with the changing needs of the region – also promoted the development of the economy and democracy. The aid levels of the US to Armenia and Georgia have been among the highest per capita in the world.<sup>149</sup>

### ***Military and political support for Georgia***

Against the background of ‘9/11’, in February 2002, the US and Georgia reached agreement to deploy American military advisors in this South Caucasian state. This agreement took the form of the so-called US Georgian Train and Equip Program (GTEP), which was a two-year program in which US Special Forces would provide support to the Georgian military in antiterrorism activities. The US argued that there were likely some Al Qaida elements in Georgia’s Pankisi Valley along with Chechen fighters, which connected the GTEP with the ‘9/11’ war on terrorism.<sup>150</sup> In addition to this, the US provided ten combat helicopters.<sup>151</sup> GTEP laid the foundation for reshaping Georgia’s armed forces into a better equipped and trained army. In 2004, the GTEP program was followed by a 16-month Sustainability and Stability Operations Program (SSOP). The SSOP was to train Georgian military battalions, preparing them for multinational peace stabilisation operations in Iraq and elsewhere. The US-Georgian military cooperation, however, has not been one-way. In return for, or as a result of US Assistance, Georgia has deployed military units in NATO and US-led operations in Kosovo, Iraq and Afghanistan.<sup>152</sup> In July 2006, the SSOP was prolonged for a further 12 months.<sup>153</sup>

<sup>149</sup> Yalowitz & Cornell, ‘The critical but perilous Caucasus’, p. 113-114.

<sup>150</sup> Yalowitz & Cornell, ‘The critical but perilous Caucasus’, p. 112.

<sup>151</sup> M. de Haas, *Russian Security and Air Power (1992-2002): The development of Russian security thinking under Yeltsin and Putin and its consequences for the air forces*, London, New York: Frank Cass Publishers, 2004, pp. 196-197.

<sup>152</sup> *Georgia since the Rose Revolution: A story of democratic transformation*, Georgian Government publication, November 2005, p. 36.

<sup>153</sup> ‘U.S. allocates further funding for Georgian military’, *RFE/RL Newslines*, Vol. 10, No. 129, Part I, 18 July 2006.

US support for Georgia does not consist of military cooperation alone, but also encompasses political and energy dimensions as well. In the political field, the US is in favour of integrating Georgia into Western (security) structures. In July 2006, when the presidents of the US and Georgia met in Washington, President Bush stressed the importance of admitting Georgia to NATO. Interestingly, during this visit the Turkish foreign minister was also present. The US, Georgian and Turkish delegations discussed energy cooperation, specifically the transportation of Caspian oil and gas to world markets via Georgia.<sup>154</sup> Thus, military, political and energy interests determine the intensive amount of US support to Georgia. For the US, Georgia unmistakably is the hub of bringing the South Caucasus into the Western hemisphere.

### ***Promoting energy security***

Earlier than Europe the US recognized the importance of the South Caucasus not only for geopolitical but also, or perhaps even more, for geo-economic reasons: energy security. Because of this the US has actively encouraged the building of the BTC and BTE pipelines, by which energy flows are diversified and Europe will become less dependent on Russia for its energy needs. Some US officials foresee a role for NATO in coordinating single countries' policies to share resources and to bring an end to a possible energy disruption. They also see a task for NATO, moreover, in providing security for infrastructure in energy-producing states facing unrest or (terrorist) attacks.<sup>155</sup>

### **Russia**

The primary objective of the Russian Federation is to regain and strengthen its position in the so-called 'near abroad', the CIS, Russia's back garden, of which the South Caucasus is a part of. Russia intends to deny Western leverage over the Caucasus for geo-strategic reasons due to the importance of the energy resources and pipeline infrastructure present in the area, of which the latter provides Russia with a power tool. This policy is carried out by means of diplomatic, military and energy security. Russian support of the unrecognized republics of Abkhazia and South Ossetia in Georgia and maintains peace-keeping troops in these areas, formally under the aegis of the CIS.

Russia has a strained relationship with Georgia, not only because of its support of the separatist republics, but also because of Georgia's wish to join NATO and for its membership of the 'anti-Russian' GUAM coalition. These conflicting matters have resulted in a Russian policy of political and economic pressure on Georgia (see below and 'Georgia' in Chapter 3. LOCAL ACTORS ON SECURITY AND ENERGY).<sup>156</sup> Russia's assertive attitude towards Georgia is a demonstration of the transforming geo-strategic relations in the CIS and of

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154 'Georgian President visits Washington', RFE/RL Newline, Vol. 10, No. 122, Part I, 7 July 2006.

155 Gallis, NATO and Energy Security, 21 March 2006, p. 4.

156 Baran, 'The Caucasus: Ten Years after Independence', p. 223-225.

Russia's corresponding efforts to strengthen its position in the CIS and in the international arena.

Elsewhere in the South Caucasus, Russia maintains good ties with Armenia, which is the only South Caucasian state that is militarily allied with Russia. Russia has a military base in Armenia, moreover, and Armenia is a member of the Russian-led military cooperation organisation CSTO. The reason for Armenia's (military) relationship with Russia is pragmatic: in Russia Armenia has found an ally against its opponents Turkey and Azerbaijan. Since the latter two are strategically more important to the US, Armenia has turned to Russia as a guarantor of its security, although at the same time it also maintains military ties with the West, as a member of NATO's PfP. The oil-rich Azerbaijan maintains good relations with the USA and Turkey, but though it favours the West, it refrains from alienating itself from Russia.

### ***Relations with Georgia***

An apt example of the strained relationship between Russia and Georgia is the case of the Pankisi Valley. In autumn 1999, around the start of the second Chechen conflict, a dispute started between Russia and Georgia regarding the Pankisi Valley, on the territory of the latter. The cause for the clash was Georgian refusal of Russian requests to use their bases in Georgia to attack into Chechnya. Russia replied by waging a propaganda campaign, alleging that the Pankisi Valley had become a major rear base for Chechen rebels.<sup>157</sup>

In the beginning of 2002, the disagreement deepened when President Putin as well as the ministers of Defence and Foreign Affairs repeatedly voiced their disturbance regarding the presence of Chechen fighters in Georgia's Pankisi Valley.<sup>158</sup> They accompanied their expressions of concern by warning that if Georgia did not refrain from neutralizing these rebels, then Russia reserved the right of pre-emptive military action into the Pankisi Valley to prevent attacks on Russian territory.

In September 2002 Putin allegedly instructed the General Staff to draft an operation plan to invade the Pankisi Valley. This threat aimed at Georgia was repeated in the following months. Moreover, 'Pankisi' was also involved in the second Chechen conflict, which in 2002 had already entered its fourth year. According to the highest levels of the Russian Armed Forces, an important cause for continuation of this conflict was found in the fact that Georgia was a free haven for Chechen fighters.<sup>159</sup> In late summer 2002, Tbilisi finally sent security forces into the Pankisi Valley to restore order. Since then 'Pankisi' has

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<sup>157</sup> Yalowitz & Cornell, 'The critical but perilous Caucasus', p. 112.

<sup>158</sup> De Haas, *Russian Security and Air Power (1992-2002)*, pp. 196-198.

<sup>159</sup> V. Solovyev, 'Doktrina uprezdayushchikh deystviy po-Moskovskiy', *Nezavisimoye Voyennoye Obozreniye*, (No. 33) 20 September 2002, pp. 1-2.

receded as an irritant in Georgian-Russian relations but remained to be a possible hotspot for a renewed dispute.<sup>160</sup>

On some occasions even Russian President Vladimir Putin threatened to use force against Georgia. However, Putin also pursued an opposite track in foreign policy, seeking international cooperation. He did not disapprove of US military presence in Georgia and in October 2002 reached an agreement with Shevardnadze, in which measures were announced to lower tensions between both countries.<sup>161</sup> Another instance of a (de-)conflicting problem between Russia and Georgia was apparent in May 2005, when both states reached an agreement on the withdrawal of two Russian military bases from Georgia, which is to be concluded before 2008.<sup>162</sup> However, as discussed earlier, in the course of 2006 relations between Russia and Georgia severely deteriorated (see 'Georgia' in Chapter 3. LOCAL ACTORS ON SECURITY AND ENERGY).

Considering Russian activities and statements, Georgia is the primary target of Russia's policy of influence over the South Caucasus. This prioritisation is likely based upon Russian expectations of a 'domino-effect' in this region. Georgia has a leading position among the three South Caucasian states in governmental and public support to join NATO (and the EU).<sup>163</sup> When Georgia receives NATO membership, Azerbaijan and even Armenia are likely to follow soon. Therefore Russia will continue to put a lot of effort in preventing Georgia from integrating with Western structures. The bilateral relations between Russia and Georgia are mostly characterised by negative developments. Certainly until Georgia has reached a steadfast position in Western structures will this edgy relationship likely continue.

### ***Energy as an instrument of power***

In the beginning of the 1990s Russia has tried to coerce other CIS-states – such as the Ukraine and the Baltic States – in to adhering to its demands of cutting energy supplies.<sup>164</sup> Since the end of the 1990s, due to the rising energy prices and an increasing demand – especially because of China and India –. Russia has re-discovered energy as a policy instrument. The most obvious example was provided in December 2005 when Russia stopped energy deliveries to Ukraine to force it to pay a higher gas price.<sup>165</sup> However, the renewed interest in the energy instrument comes now as part of a coordinated

<sup>160</sup> Yalowitz & Cornell, 'The critical but perilous Caucasus', p. 112.

<sup>161</sup> 'Putin, Shevardnadze soften Russia-Georgia discrepancies', *RFE/RL Security Watch*, Vol. 3, No. 35, 8 October 2002.

<sup>162</sup> *Georgia since the Rose Revolution: A story of democratic transformation*, Georgian Government publication, November 2005, p. 31.

<sup>163</sup> According to members of the Georgian Parliament and the Georgian Foundation for Strategic and International Studies, Tbilisi, 29-30 June, 2006.

<sup>164</sup> K.C. Smith, K.C. 'Current implications of Russian energy policies', *Center for Strategic and International Studies*, 12 January 2006; 'Defuse Russia's energy weapon', *International Herald Tribune*, 17 January 2006.

<sup>165</sup> <http://www.guardian.co.uk/russia/article/0,2763,1676556,00.html#articlecontinue>.

policy endeavour together with the military instrument. Russia's leadership does not hide this conviction, which was demonstrated in 2003, when Putin called Russia's gas firm Gazprom a powerful political and economic lever of influence over the rest of the world.<sup>166</sup> Furthermore, Defence Minister Ivanov has stated that Russia now needs to think not only about diplomatic, but also about forceful means to safeguard its economic interests.<sup>167</sup>

Another indication that the Kremlin is very much aware of the importance of synergy in combining military and energy tools of power, is the fact that in November 2005 President Putin appointed Minister of Defence, Sergey Ivanov, as well as the deputy head of Gazprom, Dmitri Medvedev, as vice-premiers. It is very likely that these representatives of military and energy power are Putin's 'crown princes' for his succession as President in 2008. The appointment of these two vice-premiers is proof of Russia's policy of well-concerted uses of military and energy tools for leverage in the international arena.

The (renewed) Russian interest in and alertness on the importance of energy sources is not limited to its value as an instrument of power. In recent years Russia's political and military leadership has also realised that protection of its energy resources is of vital interest to national security. Consequently, army general Yuriy Baluyevskiy, Russia's First Deputy Minister of Defence and Chief of the General Staff, added defence of Russia's mineral resources to the list of tasks for the military during an April 2006 press conference on the introduction of regional commands.

Moreover, the perceived need for protection of economic resources extends offshore. At a closed meeting of the Maritime Board in October 2005 Minister of Defence Sergey Ivanov reported that defence of offshore oil and gas resources, including extraction facilities, is already in place. Ivanov further stated that the Defence Ministry should be in charge of ensuring military security for offshore operations and supplying special services during the development and operation of offshore shelf deposits.<sup>168</sup>

### **Shanghai Cooperation Organisation**

Since a number of (energy-related) actors of the South Caucasus' region are also involved in the Shanghai Cooperation Organisation (SCO) – e.g. Russia, Iran, Kazakhstan – this organisation should also be taken into account. Formed in 1996 as the 'Shanghai Five', which comprised of Russia, China, Kazakhstan,

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<sup>166</sup> 'Russia's Power Play Has High Stakes', *The Wall Street Journal*, 2 May 2006; 'Gazprom acts as lever in Putin's power play', *Financial Times*, March 13, 2006.

<sup>167</sup> P. Gallis, NATO and Energy Security, CRS Report for Congress, 21 March 2006, p. 4; Meeting of Lavrov with journalists and Marcel de Haas, Moscow, 17 October 2005; K. Giles, *Russian Regional Commands*, Russian Series 06 / 19, Swindon: Conflict Studies Research Centre, UK Defence Academy, April 2006, p. 3.

<sup>168</sup> Giles, *Russian Regional Commands*, p. 3.

Tajikistan and Kyrgyzstan, was in 2001 enlarged to include Uzbekistan, the SCO was formalised as an international organisation. Until 2005 the SCO mainly dealt with regional security – in particular against the three ‘evils’ of terrorism, separatism and extremism – as well as with economic cooperation.

However, at its Summit in July 2005 at Astana, Kazakhstan, the SCO proclaimed a radical change of course. The last few years the governments of the Central Asian member states which were faced with Western backed regime changes in Ukraine and Georgia, as well as Western criticism of the Uzbek government’s suppression of unrest in Andijan in May of 2005, increasingly saw their existence threatened. This forced these states to choose an alliance with Russia and China, thereby diminishing the (economically favourable) relationship with the West. At the Summit this led to a final statement of the SCO members, in which (US) unipolar and dominating policies as well as foreign military deployment in Central Asia were condemned, along with the withdrawal of (Western) military troops being encouraged.<sup>169</sup> This Declaration of the Heads of Member States has revealed a watershed in the SCO’s range of policy from regional anti-terrorist activities to claiming an important position in the international arena in external security policy. Besides the SCO’s change of course, there was another significant development at this Summit. In addition to Mongolia, in July 2005 Iran, Pakistan and India have joined the SCO as observers. By admitting these three states as observers, the SCO now encompasses nearly half of the world’s population.<sup>170</sup> Furthermore, in addition to Russia and China, India and Pakistan bring together four nuclear powers, along with Iran, which arguably has the ambition to become one. Comprising a considerable territory in and around Central Asia, a large part of the world population and nuclear arms, the SCO has a formidable political and military potential which may very well make an impact on the West.

### ***Influence and importance of the organisation***

Russia and China will aim at developing the SCO – uniting important regional powers and China as a rising world power – into an organisation which the West must take into consideration in its international endeavours, and especially in regions such as Central Asia, the Far East and the Pacific.

However, in establishing the future position of the SCO, it is important to note that consensus of policy exists only in one direction, being to counter US/Western influence in their region. To a large extent other common targets are absent because individual interests of states prevail. For example, China is seeking markets and energy sources, while Russia is eager to regain its

<sup>169</sup> <http://www.sectsc.org>; M. de Haas, *Russian-Chinese military exercises and their wider perspective: Power play in Central Asia*, Russian Series 05 / 51, Swindon: Conflict Studies Research Centre, UK Defence Academy, October 2005, pp. 4, 6-8.

<sup>170</sup> The SCO members and observers account for some 2,7 billion people out of 6,4 billion of the world population (*Source*: 2005 World Population Data Sheet, [www.prb.org](http://www.prb.org)).

leadership status within the CIS as well as that of superpower in the international arena, and the Central Asian regimes consider the SCO as its guarantee for survival. Moreover, India and Pakistan likely to show the West that they follow their own, independent course and Iran's objective might be found in anti-Americanism. This mixture of divergent objectives – for instance Iran's support of some extreme Islamist groups (in the Middle East) in light of the fact that the Central Asian states consider similar fundamentalist groups as their biggest threat – demonstrates that they have little in common. Hence, it is not inconceivable that eventually the aforementioned and possibly other deviating objectives of SCO member states and observers will cause a split in this organisation, which would paralyze its activities.

### ***Energy security***

The SCO combines energy producers (Russia, Kazakhstan, Iran) as well as (large) consumers (China, India). Therefore, it is logical that energy is one of the areas in which the SCO operates, as was confirmed in the statements of the Shanghai Summit of 15 June 2006. Recent examples give evidence to the fact that the SCO is engaged in energy policy/security. China – the world's second largest oil importer – receives thirteen percent of its oil imports from SCO-observer Iran, which it intends to increase. In addition to this, since December 2005 China has maintained an operational oil pipeline with Kazakhstan.<sup>171</sup> At the SCO Summit of June 2006 a number of energy deals have been arranged. China, for instance, concluded a deal with Uzbekistan on oil and gas exploration on the eve of the Summit. At the Summit itself, Iran stated that it wanted to set gas prices jointly with Russia. At the same occasion Putin announced that Russia's Gazprom is prepared to help build a gas pipeline linking three SCO-observers: from Iran via Pakistan to India.<sup>172</sup> These examples show that energy cooperation within the SCO usually is based upon bilateral or multilateral agreements between member states / observers. However, the SCO itself clearly serves as a convenient platform for energy policies.

### **North Atlantic Treaty Organisation**

#### ***Policy towards the South Caucasus***

Only relative recently has NATO taken a deeper interest in the South Caucasus. Officially, in 2000 NATO's policy was still to limit influence in this region, and therefore the alliance was to stay on the sidelines and refrain from

<sup>171</sup> See 'Redirection of energy flows away from Russia: China and Kazakhstan: the Atasu-Alashankou oil pipeline'.

<sup>172</sup> [http://english.scosummit2006.org/en\\_zxbb/2006-06/15/content\\_756.htm](http://english.scosummit2006.org/en_zxbb/2006-06/15/content_756.htm); 'Iranian president wants to set gas prices jointly with Russia', *RFE/RL Security Newslines*, Vol. 10, No. 109, 15 June 2006; A. Bezlova, 'Politics-China: Ahmadinejad Invited to Shanghai Meeting', 14 June 2006, <http://www.ipsnews.net/print.asp?idnews=33605>; 'China makes further economic inroads into Central Asia', *RFE/RL Newslines*, Vol. 10, No. 114, Part I, 22 June 2006; 'Putin says Gazprom could help finance planned Iranian pipeline', *RFE/RL Newslines*, Vol. 10, No. 110, Part I, 16 June 2006.

direct involvement. NATO was then of the opinion that regional cooperation should be promoted, such as within GUAM and that NATO members individually could be active in the South Caucasus through bilateral measures, and through working with other organisations such as the OSCE and the UN. The only direct activity of this low-key approach which the alliance made was by creating an ad-hoc *Working group on Prospects for Regional Cooperation in the Caucasus* within its Euro-Atlantic Partnership Council (EAPC)--NATO's forum for security matters with cooperation partners.

The next step taken was a regional cooperation seminar on energy security in the Caucasus, which took place in Azerbaijan, in 2000, organised under the auspices of the EAPC.<sup>173</sup> Following this, the NATO Secretary-General, Lord Robertson, made visits to Georgia (September 2000) and to Armenia and Azerbaijan (January 2001). In October 2001, NATO's Parliamentary Assembly organised another seminar, this time on 'The role of NATO in the security of the Black Sea Region', in Bucharest, Romania.<sup>174</sup> Three years later, in November 2004, in Baku, Azerbaijan, the same institution organised a further seminar, this time on 'Security in the South Caucasus'.<sup>175</sup> Moreover, in September 2004 NATO appointed a dedicated Secretary General's Special Representative for the Caucasus and Central Asia, American Bob Simmons.<sup>176</sup>

In regards to actual military cooperation with the South Caucasian states, NATO has applied its Partnership for Peace programme (PfP), in which partner countries carry out defence policy and military reforms and can participate in NATO exercises and operations to adapt their military organisation to NATO standards, thereby promoting interoperability with the alliance. Armenia, Georgia and Azerbaijan joined the PfP in 1994, with the latter two receiving bilateral military assistance from the US and Turkey to complement the PfP. Georgia organised its first multilateral PfP exercise in 2001. Clearly, the PfP has been the primary means for the South Caucasian states to move closer to NATO.<sup>177</sup>

### ***Prospects of membership***

In 2004 Georgia concluded an *Individual Partnership Action Plan* (IPAP) with NATO.<sup>178</sup> The following step towards NATO entrance was to be the so-called *Intensified Dialogue* and subsequently the *Membership Action Plan* (MAP). In this

<sup>173</sup> J. Appathurai, 'NATO's evolving partnerships', *NATO Review*, (Vol. 49), (No. 3), Autumn 2001, pp. 13-15.

<sup>174</sup> 'The Role of NATO in the Security of the Black Sea Region', *NATO Parliamentary Assembly*, Rose-Roth Seminar, 25-27 October 2001.

<sup>175</sup> 'Security in the South Caucasus', *NATO Parliamentary Assembly*, Rose-Roth Seminar, 25 November 2004.

<sup>176</sup> <http://www.nato.int/cv/scr/simmons-e.htm>.

<sup>177</sup> J. DeTemple, 'Military Engagement in South Caucasus – NATO', *Joint Force Quarterly*, Autumn-Winter, 2001.

<sup>178</sup> *Georgia since the Rose Revolution: A story of democratic transformation*, Georgian Government publication, November 2005, pp. 32, 37.

roadmap Georgia envisaged MAP in 2006 and NATO membership in 2008. However, in spite of US efforts to proceed with this time schedule, in Summer 2006 consensus within NATO on Georgia's entrance to *Intensified Dialogue* could only be reached after several consultations.

Reluctance to proceed with *Intensified Dialogue* for Georgia allegedly was related to the (EU) enlargement fatigue of European member states and feelings of irritation towards the US for pushing its own foreign policy agenda on to NATO.<sup>179</sup> In the end, on 21 September 2006, Georgia did receive *Intensified Dialogue* from NATO.<sup>180</sup> However, earlier, in May 2006, NATO's regional Special Representative, Simmons, had already informed Georgia that it should not expect to receive a formal invitation to join NATO at the Riga Summit of November 2006.<sup>181</sup> Consequently, it is highly unlikely that Georgia's aim of NATO membership in 2008 will be met.

### ***Energy security***

Both the South Caucasus region and the topic of energy security have developed into a vital interest for NATO within recent years. Energy security is not an entirely new phenomenon within NATO. In the 1980s, during the Iran-Iraq War, a coalition of European NATO member states and the US conducted a maritime operation to secure the supply routes of oil, and during the Gulf War of 1991 European NATO members again joined the US in a coalition in the war against Iraq, which – due to the protection of oil production in Kuwait and Saudi-Arabia – was also related to energy security. In recent years, more than once, NATO's Supreme Allied Commander Europe (SACEUR) / Commander of the US European Command, General Jones, has more than once stressed the importance of the Caucasus and of energy security. In October 2005 at The Hague, on the occasion of the publication of the Netherlands Defence Doctrine, Jones asked: "What is NATO's role with regard to securing access and the flow of energy, upon which we all depend so much? Whether it is Europe's dependence upon Russian oil and gas pipelines coming from the Caucasus, Caspian and Russia....".<sup>182</sup> And more recently in May 2006 speaking in Washington, General Jones stated that at the next NATO Summit at Riga in November 2006, energy security and the security of critical infrastructures, would be one of the topics to be discussed. Furthermore, he asserted that NATO will talk more about the maritime domain in terms of

<sup>179</sup> Statements made to Marcel de Haas by officials of NATO HQ, Brussels, and of the Georgian ministries of Defence and Foreign Affairs in Tbilisi, Georgia, 26-30 June, 2006. At that moment France, Germany and the Netherlands were against granting *Intensive Dialogue* to Georgia; N. Wood, 'NATO hopefuls meet to speed process of joining alliance', *International Herald Tribune*, 12 July 2006.

<sup>180</sup> 'NATO offers Intensified Dialogue to Georgia', 21 September 2006, <http://www.nato.int/docu/update/2006/09-september/e0921c.htm>.

<sup>181</sup> 'NATO official assesses Georgian IPAP', *RFE/RL Newslines*, Vol. 10, No. 96, Part I, 26 May 2006.

<sup>182</sup> M. de Haas & N. Versteegen (Eds), *Seminar Report Netherlands Defence Doctrine*, Clingendael Institute, 12 October 2005, p. 10.

energy protection and that in this respect the alliance should be concerned about the Black Sea as well.<sup>183</sup>

The Parliamentary Assembly of NATO has also taken an interest in energy security and has recently published a report on it with NATO itself having formed a working group to look at energy security matters. Energy security also concerns military matters which call for NATO to be involved in the American and European dialogue on this subject. In regards to this matter – according to the NATO Parliamentary Assembly report – the EU should also be engaged, even though its related so-called ‘Green paper’ does not deal with military matters.<sup>184</sup>

The US has been following a pro-active course in energy security and US officials regularly advocate a (stronger) role for NATO in this respect, not only by its member states but also by energy producers within the PFP, such as Kazakhstan, Azerbaijan and Turkmenistan. In line with this, closer ties and action on energy security with the Gulf States (Bahrain, Qatar, Kuwait, United Arab Emirates) – which were invited to cooperate at NATO’s Istanbul Summit of 2004 – can be anticipated. The Bush administration, with the support of Britain and Germany, introduced a discussion on energy security at NATO in February 2006. During this meeting of NATO governments a range of potential actions in the event of future disruption of oil supplies caused by military action came to the fore. For example, options such as the protection of tanker traffic and oil platforms in conflicts and the use of satellites to monitor threatened areas of energy sources were raised.

### ***Pipeline protection***

In addition to statements by high officials of NATO and the USA on energy security, there are indications that the US and NATO are actively involved in the security of energy infrastructure in the South Caucasus. According to a Russian newspaper, NATO and American armed forces are conducting operations to protect energy transport facilities in the South Caucasus.<sup>185</sup> Allegedly, in 2005 an agreement was reached which arranged for the USA and NATO to secure the BTC-pipeline. In the future they supposedly would also safeguard the BTE gas pipeline. Apparently, NATO shares an interest in these two pipelines with the European Union (see the next paragraph ‘European Union’).

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<sup>183</sup> ‘National press club luncheon with General James Jones, NATO supreme allied commander Europe’, National Press Ballroom Washington D.C., 25 May 2006.

<sup>184</sup> J. van Gennip, *Energy Security*, Report 064 Esc 06 E, NATO Parliamentary Assembly, Spring 2006. The newest version of the EU’s Green Paper on energy, ‘A European Strategy for Sustainable, Competitive and Secure Energy’ was published on 8 March 2006, [http://ec.europa.eu/energy/green-paper-energy/doc/2006\\_03\\_08\\_gp\\_document\\_en.pdf](http://ec.europa.eu/energy/green-paper-energy/doc/2006_03_08_gp_document_en.pdf).

<sup>185</sup> I. Plugatarev, ‘Karaul u truboprobodov mozhet prinyat ODKB’, *Nezavisimoye Voyennoye Obozreniye*, 9 June 2006, p. 2.

In addition to assistance, military units of NATO and the USA would also support and/or train Azeri troops tasked with the protection of oil pipelines. Furthermore, the Russian source stated that in Georgia, US forces support local troops assigned to protect pipelines. The assumptions made by this Russian newspaper are supported by some Western sources, which assert that the US is building a force dedicated to protecting the BTC-pipeline. According to one of the Western sources the US project of training Azeri troops for the protection of pipelines is carried out within the ‘Caspian Border Peace Initiative’ (see ‘Azerbaijan’ in Chapter 3 LOCAL ACTORS AND ORGANISATIONS ON SECURITY AND ENERGY).<sup>186</sup> Another Russian source reports that as a result of the proposed US training of Azeri troops, Azeri forces should be able to guard the BTC themselves. A so-called Special State Security Service, consisting of 800 troops divided over 8 regions, would be responsible for guarding the BTC. Supposedly, the USA is to provide three cutters and small submarines, intended to guard the oil fields.<sup>187</sup> However, Georgian, NATO and US officials all deny any NATO or US involvement in pipeline security in Georgia and Azerbaijan and claim that these two states have their own dedicated units for pipeline protection. Only sources at the Georgian Ministry of Defence (MoD) stated that Turkey has supported Georgia in training its armed forces in pipeline protection.<sup>188</sup>

### ***Energy security around NATO’s Riga Summit of 28-29 November 2008***

#### *Policy plans before the Summit*

In the months leading towards NATO’s first Summit on former Soviet soil, in Latvia, the topic of energy security was frequently raised in the publication, *NATO Review*. Jamie Shea, Director of the NATO Secretary General’s Policy Planning ‘think tank’, was most explicit in stating that energy security will increasingly be a strategic concern for the Alliance. Shea distinguished four possible areas of NATO involvement in energy security. First, monitoring and assessment of the energy security situation, through the establishment of a permanent monitoring and assessment mechanism, by forming an Energy Security and Intelligence Analysis Cell, by maritime operations, which could monitor shipping lanes that are insufficiently covered by national assets, as well as by coordinating with relevant states, such as Russia, and other international organisations, such as the UN and the EU, on activities in the field of energy

<sup>186</sup> S.J. Main, *The Bear, The Peacock, The Eagle, The Sturgeon and the Black, Black Oil: Contemporary Regional Power Politics in the Caspian Sea*, Caucasus Series 05/67, Swindon: Conflict Studies Research Center, UK Defence Academy, December 2005, p. 14; ‘Azerbaijan: U.S. Forces already on the ground’, *Stratfor*, 15 April 2005.

<sup>187</sup> Mamedov, S., ‘Baku otvyazalsya ot rossiyskoy truby’, *Nezavisimaya Gazeta*, 30 May 2006, <http://www.ng.ru/printed68219>.

<sup>188</sup> Statements made to Marcel de Haas by officials of NATO HQ, Brussels, of the US embassy in Georgia and of the Georgian ministries of Defence and Foreign Affairs and the Georgian Foundation for Strategic and International Studies (GFSIS) in Tbilisi, Georgia, 26-30 June, 2006.

security. A second area of NATO contribution in energy security could be through providing security assistance to its Allies, involving flexible measures ranging from security assistance to one Ally or a group of Allies, or even a NATO operation to secure vulnerable energy-related infrastructure in a time of need. Thirdly, NATO could conduct maritime surveillance to deter attacks against important energy assets, such as tankers. And fourthly, NATO could carry out interdiction operations. These are military operations explicitly designed to secure the supply of oil or gas in an actual crisis or conflict situation.<sup>189</sup>

#### *Minor point of the Riga Summit*

At NATO's Riga Summit only modest reference was made to energy security. In his keynote speech, Secretary General Jaap de Hoop Scheffer, discussing the international pressure on NATO to go global, called energy security one of the new emerging challenges that should be dealt with.<sup>190</sup> And the Riga Summit Declaration mentioned that Alliance security interests can also be affected by the disruption of the flow of vital resources. The Declaration called for a coordinated, international effort to assess risks to energy infrastructures and to promote energy infrastructure security. The North Atlantic Council was directed to consult on the most immediate risks in the field of energy security, in order to define those areas where NATO may add value to safeguard the security interests of the Allies and, upon request, assist national and international efforts.<sup>191</sup> Some of the policy initiatives on energy security agreed upon in Riga were immediately put into practise. In the week following the Summit, NATO Secretary General De Hoop Scheffer received Kazakh President Nazerbayev. At this meeting De Hoop Scheffer announced NATO's desire to discuss with Kazakhstan and neighbouring states a possible role for the Alliance in the protection of energy flows.<sup>192</sup>

#### *Article 5 as a possible instrument*

Much more outspoken on the need and contents of NATO involvement in energy security was US Senator Lugar, Chair of the Senate Foreign Relations Committee, who addressed an expert meeting on the margins of the Riga Summit on 27 November 2006. The Senator asserted that in the coming decades, the most likely source of armed conflict in the European theatre and the surrounding regions would be energy scarcity and manipulation, and that for this reason the Atlantic alliance should, under its Article 5 mutual defence clause, assist any member whose energy supplies are threatened. Furthermore, Lugar mentioned that the use of energy as an overt weapon is not a theoretical

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<sup>189</sup> J. Shea, 'Energy security: NATO's potential role', in *NATO Review*, autumn 2006, <http://www.nato.int/docu/review/2006/issue3/english/special1.html>

<sup>190</sup> J. de Hoop Scheffer, Keynote speech, <http://www.nato.int/docu/speech/2006/s061128a.htm>

<sup>191</sup> Riga Summit Declaration, <http://www.nato.int/docu/pr/2006/p06-150e.htm>

<sup>192</sup> 'Brussel lonkt naar olierijk Kazachstan', *Reformatorisch Dagblad*, 5 december 2006.

threat of the future; but that this is happening now. He stressed that the alliance should determine what it will do if a member state is threatened as Ukraine was during its January 2006 gas crisis. Thus, in Lugar's view, an energy embargo against one member state could be considered an attack against the alliance. Moreover, he said that it is crucial to develop alternative energy supply routes and sources as soon as possible.

#### *NATO-Russia relations and energy security*

Analysts interpreted Lugar's proposed change as specifically designed to frustrate Russia's geopolitical bullying through its manipulation of its energy reserves and pipeline capacity. However, Russia was also approached in a constructive manner by the Senator. Lugar stated that beyond building strong alliance commitments related to energy, NATO must engage Russia and other energy rich nations by establishing regular high-level consultations on energy security. He believed that Russia has a long-term interest in achieving a more prosperous stability that comes with greater investment in its energy sector and the development of a reputation as a trusted supplier. But he also re-iterated that Russia's recent actions to temporarily reduce gas supplies to the West, confiscate some foreign energy investments, and create further barriers to new investment were undermining confidence in Moscow's reliability.<sup>193</sup> In response to discussions about energy security at the Riga Summit, Russian Foreign Minister Sergei Lavrov said that Russia must be included in any realistic planning in this sphere. He argued that Russia could not dictate to NATO what to do in Riga, but that energy security is a matter that concerns all and should be discussed by taking into account the interests and approaches of all the key players, including Russia itself.<sup>194</sup>

Publications and official statements before, during, around and after NATO's Riga Summit clearly give evidence to the fact that energy security – due to the increasing global demand for energy and the danger of an international crisis resulting from a decrease in supply levels – will gain further weight as one of the Alliance's top priorities.

### **European Union**

#### ***South Caucasus policy in the 1990s***

Developments in the South Caucasus influence the security of the EU because of its geographic proximity and energy interest. Considering that the EU wishes to avoid instability on its borders, any renewed outbreak of armed conflict in

<sup>193</sup> *International Herald Tribune*, 29 November 2006;  
<http://www.eurasianet.org/departments/insight/articles/eav112806a.shtml>;  
<http://lugar.senate.gov/energy/press/speech/riga.html>;

<sup>194</sup> Foreign Minister Says Energy Security Impossible Without Russia, November 30, 2006 Volume 10 Number 220,  
<http://www.rferl.org/newsline/2006/11/301106.asp>

the South Caucasus could spill over and thus undermine the security of the EU. Moreover, the EU has an interest to ensure access to Caspian oil and gas – through the BTC and the BTE pipelines – to develop transport and communications lines between Europe and Asia, and contain threats such as terrorism, smuggling, trafficking, illegal immigration and environmental disasters.<sup>195</sup> However, the EU only recently has begun to define specific policies and instruments for this region. For a long time EU member states have not been convinced of the strategic importance of this region. Only a few member states have any history of bilateral interests in the South Caucasus. Even though major European oil companies – such as BP, Shell and Elf – invested in the Caspian Sea's resources, politically the EU has kept a low profile, mainly because it has not desired to give up its 'Russia first' policy, but also due to the presence of another Western actor, the US, which was already actively involved in the Caucasus.<sup>196</sup>

Apart from the special relationship with Russia, in the 1990s, the EU's approach to the states of the South Caucasus was similar to that towards other former Soviet republics. The EU focused on assistance programmes for the South Caucasian states. In 1996 the EU signed Partnership and Cooperation Agreements with Georgia, Armenia and Azerbaijan and implemented Technical Assistance to the Commonwealth of Independent States (TACIS) programmes to support these agreements. In addition to TACIS, the EU set up two other programmes. Earlier, in 1993, the Transport Corridor Europe Caucasus Central Asia (TRACECA) programme was started, which aimed to develop an east-west transportation corridor from Central Asia, across the Caspian Sea, through the Caucasus, across the Black Sea, and finally to Europe. TRACECA funded both technical assistance and infrastructure rehabilitation projects. Furthermore, the Interstate Oil and Gas Transport to Europe (INOGATE) programme was begun, which was designed to rehabilitate and modernise regional oil and gas transportation systems.<sup>197</sup>

### ***Start of involvement in the frozen conflicts***

The unresolved conflicts in the South Caucasus were not dealt with by the EU until recently. By 2001 it had become clear to the EU that the frozen conflicts were an obstacle for further development of the region. Evidence of this change of mind was its declaration in February of that year in which the EU stated that it intended to play a more active political role in the South Caucasus, as well as in the fields of conflict prevention and resolution. Probable reasons for this change of course may be found in the ripening of the Common Foreign and Security Policy (CFSP), the rapid development of the European Security and

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<sup>195</sup> *Conflict resolution in the South Caucasus: the EU's role*, International Crisis Group, Europe Report 173, 20 March 2006, p. 1.

<sup>196</sup> Baran, 'The Caucasus: Ten Years after Independence', p. 227-228.

<sup>197</sup> Baran, 'The Caucasus: Ten Years after Independence', p. 228; *Conflict resolution in the South Caucasus: the EU's role*, p. 12.

Defence Policy (ESDP) since the end of the 20<sup>th</sup> century, the release of its own political or grand strategy – ‘A secure Europe in a better world: European Security Strategy’ in December 2003, and its enlargement eastwards. Since 2003, moreover, the EU has become more active in the South Caucasus, especially in Georgia. In July 2003 the EU appointed a Special Representative for the South Caucasus (EUSR). In 2004, when the EU enlarged with – among others – East-European states, the South Caucasus became closer and thus of greater importance. In the same year the EU launched an ESDP mission to Georgia – EUJUST Themis – on the rule of law.<sup>198</sup>

### ***EUJUST mission in Georgia as example of active policy***

In June 2004, the Georgian Prime Minister, Mr. Zhvania, invited the EU to assist the Georgian government by way of a EU Rule of Law Mission. The Joint Action 2004/523/CFSP creating *EUJUST Themis* was approved by the European Council, and on 16 July 2004, the mission was launched, for a one-year period, terminating on 14 July 2005.<sup>199</sup> The objectives of *EUJUST Themis* were to assist the Government of Georgia in its efforts to reform the criminal justice system and improve legislative procedures. These improvements sought to align Georgia fully with international and European human rights standards. Furthermore, the mission was to provide insight and direction to the criminal justice system reforms, and support the development of relative legislation such as the Criminal Procedure Code. These efforts were also intended to strengthen initiatives undertaken by the Council of Europe and OSCE in relevant areas. *EUJUST Themis* was the first rule of law mission carried out by an ESDP civilian mission and confirmed the development of new capabilities for the civilian dimension of ESDP. *EUJUST Themis* also reflected the EU commitment to support the efforts of its neighbours in the South Caucasus for the creation of a stable and secure region. However, opposition parties in Georgia have complained that the result of *EUJUST Themis* has been minimal since it has not affected the overall control of the President on executive, legislative and judicial powers.<sup>200</sup>

### ***European Neighbourhood Policy and further involvement***

Participation of Georgia, Armenia and Azerbaijan in the European Neighbourhood Policy (ENP) was offered in June 2004.<sup>201</sup> Since then the EU also has started economic development confidence building programs in

<sup>198</sup> The Feira European Council (2000) identified "strengthening the rule of law" as one of four priority areas in which the European Union decided to establish specific capabilities for use in EU-led autonomous missions or in operations conducted by lead agencies, such as the UN or the OSCE. The four priority areas are: policing, strengthening the rule of law, strengthening civilian administration and civil protection.  
<http://www.consilium.eu.int/uedocs/cmsUpload/Factsheet%20THEMIS%20041026.pdf>.

<sup>199</sup> G. Grevi, D. Lynch & A. Missiroli, *ESDP Operations*, <http://www.iss-eu.org/esdp/09-dvl-am.pdf>.

<sup>200</sup> Interviews with opposition party leaders, Tbilisi, Georgia, 30 June, 2005.

<sup>201</sup> Conflict resolution in the South Caucasus: the EU's role, p. 2.

Georgia. However, there is no reason for the EU to be satisfied with its current actions if it really intends to be a decisive security actor in this region. The emphasis of the policies of the EU have so far mainly been on legal and economic support. Much more can be done in the areas of conflict resolution and post-conflict reconstruction of governance and human rights.

In contrast with international organisations such as the United Nations (UN) and the Organisation for Security and Cooperation in Europe (OSCE), the EU has been absent in direct negotiations on the frozen conflicts of Abkhazia and South Ossetia in Georgia and Nagorno-Karabakh between Armenia and Azerbaijan. Moreover, EU actions have been directed for the most part towards Georgia, whereas Armenia and Azerbaijan have been somewhat neglected. The position of the EU in the South Caucasus could be reinforced by increasing its financial and political engagement. In comparison with other Western state and organisational actors, such as the US and NATO, the EU has two major advantages which it should use when strengthening its efforts. First, the EU is in a much better position to be considered an unbiased partner by local and regional actors. It cannot be blamed for seeking military influence, or for being closely aligned with the US. Secondly, it possesses a wide range of policy instruments for crisis management. In addition to military action in the framework of the ESDP, the EU also has social, economic, financial, legal and other capabilities available. This scope of instruments makes it possible to implement a comprehensive approach to address the problems of the South Caucasus, which will promote stability in this neighbourhood of the EU.

In April 2006 EUSR Semneby discussed the Nagorno-Karabakh conflict with the leaders of that separatist region, which indicated the intention of the EU to play a more decisive role in conflict resolution, not instead of, but in addition to similar efforts of the OSCE Minsk Group. In May 2006 Semneby explained that the more active interest in resolving conflicts is not a reorientation of the EU policy towards the South Caucasus, but because the EU now has the military means to support settlements.<sup>202</sup>

In addition to this, Semneby stated that not only the South Caucasus but the Black Sea area as a whole has become more important for the EU. The reasons for this are the following. First, the EU is expanding and moving closer to this region because of the upcoming membership of Bulgaria and Romania, as well as Turkey's negotiations for membership. Secondly, EU interest in issues such

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<sup>202</sup> Semneby probably meant the EU's Battle Groups: The European Union battlegroups is a project done in the context of the European Security and Defence Policy, its aim being the creation of several rapidly deployable units for international intervention and tasks reaching up to full-combat situations. A battlegroup is considered to be the smallest self-sufficient military unit that can be deployed and sustained in a theater of operation. Each battlegroup will be composed of 1500 combat soldiers plus support. It is desired that each battlegroup should be ready for launch in 10 days from command, and be in the theater of operations in 15 days. It must be sustainable for at least 30 days, which could be extended to 120 days with rotation. Source: <http://ue.eu.int/uedocs/cmsUpload/Battlegroups.pdf>

as energy security, energy supply and energy access is growing.<sup>203</sup> Consequently, these first steps in conflict resolution – at least partly driven by energy security – may signify the start of a further intensification of EU involvement in the unresolved conflicts of the South Caucasus.

### ***Energy security***

EU countries as a whole currently import 50 percent of their energy needs (US: 58 percent oil import), and will import 70 percent by 2030. Furthermore, EU countries import 25 percent of their energy needs from Russia, which may rise to 40 percent in 2030 (and 45 percent from the Middle East).<sup>204</sup> Concerning energy security, in addition to the dominating energy dependency on Russia, the EU is also confronted with growing prices and with the fact that most energy sources are located in unstable areas such as the Middle East.

For all these reasons the EU has become aware of the necessity to diversify its sources for the procurement of energy. So far to a large extent, energy policy has remained within the competence of EU member states foreign policies and a matter of national sovereignty. The EU's Green Paper of 29 November 2000 'Towards a European strategy for the security of energy supply' already showed a change in policy. This document mentioned EU objectives in the field of securing energy supplies and the diversification of energy resources in order to minimize external risk factors and dependence on one source.<sup>205</sup> Consequently, the realisation of energy dominance by Russia, the disclosure of new energy markets such as those found in the Caspian Sea area and the EU's exclusive competence on commercial relations with non-EU countries has put geopolitics of energy supply on the agenda of the Union. Another factor is the refusal of Russia to ratify the EU's Energy Charter Treaty, which would have given the EU access to oil and gas from Turkmenistan and Kazakhstan via the Russian pipeline network.

The rise of energy security on the agenda of the EU was further expressed in a June 2006 EU report, in which the Union's main energy objectives were identified. The key factor mentioned was to ensure that the EU has reliable alternative sources to substitute for Russian energy supplies. This change in policy and awareness of energy security has resulted in the EU seeking long-term supply contracts with Kazakhstan and Turkmenistan, as well as promoting a string of pipelines to take Central Asian and Caspian gas and oil via Azerbaijan and Turkey to Europe, thus circumventing Russia. The Nabucco pipeline project, which aims to deliver gas and oil from the Caspian to Europe, is an example of this pro-active energy policy of the EU. In doing so, the EU

<sup>203</sup> 'EU envoy continues Karabakh talks', *RFE/RL Newslines*, Vol. 10, No. 66, Part I, 10 April 2006; C. Chaffour, 'Peter Semneby: "A more active interest of the EU in resolving the conflicts"', *Today.Az*, 21 May 2006.

<sup>204</sup> Gallis, *NATO and Energy Security*, p. 2.

<sup>205</sup> M.S. Karayianni, 'The green paper on energy, European Commission, 2000, the importance of the Caspian region for the EU.' *Alexanders's Gas & Oil Connections*, 9 May 2006. The 2000 Green Paper of the EU is available at <http://europa.eu/scadplus/leg/en/lvb/l27037.htm>.

has recognized that it is a relative latecomer to the Caspian region and that not the Union but the US is in the lead to promote projects such as the BTC pipeline. Furthermore, the EU regards China as its biggest competitor when it comes to Central Asian energy supplies, since Russia is not an end consumer.<sup>206</sup>

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<sup>206</sup> 'Russia and Middle east to complicate EU energy foreign policy', *EUObserver.Com*, 20 March 2006; 'EU: Brussels mulls over its energy sources', *RFE/RL*, 2 June 2006; 'EU: Brussels targeting Central Asia's energy', *RFE/RL*, 7 June 2006.



## 6. Assessment and outlook

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The aim of this work was to provide a response to the following research questions:

- What are the main geo-strategic, geopolitical and geo-economic issues in the South Caucasus?
- What is the current situation with regard to the frozen conflicts, i.e. Abkhazia and South Ossetia in Georgia and Nagorno-Karabakh between Armenia and Azerbaijan?
- Considering developments in security and energy politics, what lies ahead for the South Caucasus?

At all levels – local, regional and global – state and organisational actors are actively pursuing their geo-strategic objectives in the South Caucasus. Because of the complexity and intertwining of military, political, economic and other policies by and against actors in this region, the conclusion of this research cannot provide an all-compassing assessment on and future projection of the South Caucasus. Instead of this, a choice has been made in addressing specific crucial developments, in which way the formulated research questions will be answered.

### **Defrosting the frozen conflicts**

With regard to the South Caucasus, obviously, it is apparent that the US wants a stable region for its investments in the oil sector, as well as for its geo-strategic interests in the region. According to US sources, investments in billions of dollars were required in 2003 for the region's energy sector.<sup>207</sup> In the beginning of 2005 US investments in the Central Asia and the Caspian had reached \$30 billion.<sup>208</sup>

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<sup>207</sup> E.C. Chow, 'United States Energy Security: Russia and the Caspian', Testimony before the U.S. Senate, Committee on foreign Affairs, April 30 2003, <http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=1260>.

<sup>208</sup> 'Caspian Basin and Central Asia', Johnson's Russia List, No. 19, JRL 9107, *RIA Novosti*, 29 March 2005, <http://www.cdi.org/russia/johnson/9107-19.cfm>.

The separatist regions in Georgia, Abkhazia and South Ossetia, have become areas of the major players' interests in the region.<sup>209</sup> Apart from the tensions and/or conflicts between them and Tbilisi, the external mediators, and especially Russia, have not played a very neutral role; the conflicts are used as political leverage. Their aims are clear; both the West and Russia have the aspiration of becoming the dominant player in the South Caucasus.

Russia, however, has been gradually forced to retreat from of this region. In countering this, one of Russia's tactics is slowing down Western advance by keeping the so called 'frozen conflicts' intact. This makes it harder for Georgia to attract Western investments and it is complicating NATO accession.<sup>210</sup> This development – the advancement of the West and the resistance of withdrawal by Russia – is likely to continue if these global powers, and their organisations, cannot find a consensus or 'peaceful coexistence.'. In these circumstances a resolution of the frozen conflicts is rather unthinkable. If this is indeed the case, disputes – harmful to the economic development of the South Caucasus – are likely to continue until the time that (some of) these countries are consolidated into Western structures.

Concerning the Nagorno-Karabakh conflict between Armenia and Azerbaijan, the outlook is similar to that of the Georgian regions. The main foreign actors in this conflict, being Russia, the US and the EU, will have to find a compromise. At the moment the US comprises the party most interested in resolving the conflict and is putting serious efforts in finding a settlement. As part of its attempt to revive the peace process the US has installed a new US Co-Chair to the OSCE Minsk Group, Matthew Bryza. He recently proposed a new peace plan, although both parties cannot yet agree on the terms.<sup>211</sup>

Solving the conflict seems a question of time. But political will and public support have to be created on both sides. To this end, it seems that political pressure is rising on Azerbaijan and Armenia. During the July 2006 G8 summit in St. Petersburg, the leaders of the G8 called upon Armenia and Azerbaijan to demonstrate political will, reach agreement and prepare their publics for peace and not war. The US – perhaps more than Europe – has both the military, political and economic capacities, and the will to force a break-through in the negotiations. Just like the Georgian separatist regions, the main condition for a solution is cooperation with and by Russia.

### **Military alliances as guardians of energy**

There is a development noticeable in which military organisations tend to become involved in energy security, for example regarding the security of oil

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<sup>209</sup> 'Brüchiger Friede auf dem Markt von Zchinwali', *Frankfurter Allgemeine Zeitung*, 18 June 2006.

<sup>210</sup> 'South Ossetia accord eludes Georgia and Russia', *Financial Times*, 10 March 2006

<sup>211</sup> S. Mamedov, 'Mirit' Alieva i Kocharyana budut po amerikanskiy', *Nezavisimaya Gazeta*, 26 June 2006, [http://www.ng.ru/cis/2006-06-26/7\\_armenia.html](http://www.ng.ru/cis/2006-06-26/7_armenia.html).

and gas pipelines against terrorist attacks. In GUAM, increasing tensions between Georgia and Moldova versus Russia has forced it to reconsider its energy security and find an alternative to dependency on Russian oil and gas. In such an alternative scenario Azerbaijan may play a crucial role both as energy supplier and transit country for oil and gas from Central Asia. The sustainability of such a scenario has yet to be seen.

In the case of a pro-Russian government in Ukraine, GUAM's energy security plans as well as the formation of GUAM peacekeeping forces to replace the Russians in Georgia, would become highly unlikely. Also for the CSTO, energy security seems to be recognized as a task of growing importance. Although the CSTO has just recently acknowledged this, it has considerable military resources available to secure its interests, which subsequently also pertains to energy matters.

The earlier mentioned exercise at a nuclear energy station in Armenia shows that the CIS Anti-Terrorist Centre is already involved in this. It is not unlikely that in the future the Caucasian military group of the CSTO will take over the energy security task and other responsibilities of the CIS Anti-Terrorist Centre, as its European military group is already doing. Therefore, the involvement of the CSTO in energy security, especially in the South Caucasus, i.e. Armenia, is likely to expand further. Although US and/or NATO involvement in pipeline protection in the South Caucasus officially is denied, activities indicate that NATO is increasingly interested in the South Caucasus and regional energy security.

Moreover, in view of the discussions on energy security during NATO's Riga Summit of November 2006, it is expectant that more open policy and action by NATO related to the protection of energy infrastructure will be seen. An example of this policy might be that in November 2006 – according to a British newspaper – a confidential NATO study stated that the alliance should guard against attempts by Russia to set up an 'OPEC for gas', which would strengthen Moscow's leverage over Europe'.<sup>212</sup> Considering that the USA and NATO might already be involved in energy security in this region, as is Russia along with its CSTO, this could lead to rivalry. In the worst case even a regional arms race between their subcontractors in the area should not be ruled out.

### **US-Russian competition in the Caucasus and the Caspian Sea**

The US is not a traditional actor in the Caspian basin and has only recently acknowledged the region's importance. However, the geo-strategic importance of the South Caucasus and the Caspian region as a corridor from Europe to Central Asia, as a bridgehead to control and pressure Iran, as a source for

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<sup>212</sup> 'NATO wary of Russian-led "Gas OPEC"', *RFE/RL Newsline*, Vol. 10, No. 211, Part I, 14 November 2006.

energy resources, as well as the war on terror, are the main reasons for the US presence in the region. Problematically, the recent involvement of the US might upset the precarious power balance in the region, which has emerged in the wake of the disintegration of the Soviet Union. This is especially the case with Iran and Russia, the greatest powers in the region, which feel threatened.

The US has chosen Azerbaijan as its most important ally in the Caspian basin and has developed a programme of intense military cooperation. Russian military analysts argue that the situation is reminiscent to the US-Georgian Train and Equip Program, which within a couple short years provided Georgia with a capable, well-trained and well-equipped army. Russian analysts fear that this soon will be the case with Azerbaijan as well, thus depriving Russia of all its means of influencing Azerbaijan.<sup>213</sup>

US military cooperation in the South Caucasus and the Caspian seems to be evolving smoothly. Although the US gives the impression of being reluctant to make its military presence and activities public, it is clear that it is effectively defending its interests in the region, including that of energy security. In addition to US military support, Azerbaijan's increasing defence budget will also considerably contribute to strengthen its military power. The question is whether the US will be able to convince other states, such as Kazakhstan, to join this military cooperation. Russia has shown it is seriously interested in preserving its regional authority with its Caspian Flotilla. But with growing US presence it will need to form alliances. A Russian-led CASFOR maritime force, including other littoral states in addition to Iran, still seems faraway.

A cause of potential conflict is the unclear legal status of the Caspian. So far the littoral states have not reached an agreement on dividing the Caspian Sea. Near armed clashes have already occurred between Azerbaijan and Iran over disputed oil fields. Tensions are likely to continue as long as the legal situation of the Caspian Sea is still in dispute.

Because of the geo-strategic and geo-economic interests at stake and an apparent inability to produce a consensus from both sides, the competition between Russia and the US in the Caucasus and the Caspian Sea can be expected to endure in the years ahead.

### **A comprehensive role for the EU in conflict resolution**

The separatist areas of Abkhazia and South Ossetia form a hindrance to further integration of Georgia into the Western architecture. Although Georgia is eager to see the Russian peacekeepers withdrawn, Russia is keen to continue its presence and maintain influence in Georgia. Nor will Russia accept

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<sup>213</sup> S. Mamedov & A. Gordiyenko, 'U "kaspiskogo strazha" poyavilsya khozyain', *Nezavisimoye Voyennoye Obozreniye*, Nr. 19 (428), p. 1-2., [http://nvo.ng.ru/wars/2005-05-27/1\\_kaspiy.html](http://nvo.ng.ru/wars/2005-05-27/1_kaspiy.html).

(replacement by) NATO forces in the separatist areas, which is another objective of the Georgian government.

So far the activities of the EU have been limited primarily to the ENP programme and the *EUJUST Themis* rule of law mission. However, statements by the EU point to a more active policy in the South Caucasus. The EU has a reputation of an 'honest broker', and a wide scope of instruments for achieving peace and stability. Conversion of statements into an active security policy could be established by forming an ESDP military mission to be deployed in Abkhazia and South Ossetia, with the purpose not to replace the Russian peacekeepers, but rather as an additional asset to promote stability and reconstruction. Such a mission would be beneficial for the stature of the ESDP, to prove that it is capable of conducting crisis management missions. Furthermore, this would adhere to the call of the Georgian government to introduce Western peacekeepers in the disputed areas. Although Russia may not like a rival peacekeeping force, it can hardly disapprove such an ESDP mission, since it wants to maintain good relations with the EU, and also because it has no grounds to feel threatened by EU peacekeepers.

A possible ESDP mission to the separatist areas should not be an activity in itself, but as part of a larger EU operation, utilizing social and economic instruments to effect stability and reconstruction. Such an approach would strengthen a normal economic build-up and thus be detrimental towards the largely illegal economic structures of the current leadership of Abkhazia and South Ossetia. With such an encompassing programme the separatist regions could gradually develop into stable societies which would also be beneficial to their position towards the Georgian government.

Similarly, taking into account the fact that the OSCE's long-time negotiations to reach a settlement on Nagorno-Karabakh have been in vain, the EU could also pursue an encompassing action programme on this conflict. Here the deployment of an ESDP-mission, together with social and economic measures to encourage development of state and society, could bring a political solution closer. Moreover, a stabilised South Caucasus would also be advantageous for structural energy supplies from Central Asia via the South Caucasus to Europe. Thus, political and economic objectives could be united. However, this all depends on whether the EU actually wants to take decisive steps of action.

### **A joint effort of NATO and EU in the South Caucasus**

Whilst in 2000 NATO followed a low-profile approach towards the South Caucasus, since then the Alliance has become more and more interested, and consequently involved, culminating in the appointment of a dedicated Special Representative for this region. The same chronological policy development applies to the EU, which also appointed a Special Representative. Reasons for the changing attitudes of NATO and the EU are found in a corresponding US

agenda, which even earlier started to follow a pro-active course in this region. For European countries the issue of energy security has resulted in more attention for the South Caucasus, due to rising prices, increasing scarcity and uncertainty of energy deliveries. Without doubt, the Russian-Ukrainian energy dispute has further enhanced the growing prioritisation of these topics on the agenda of both organisations. Although the entrance of Georgia into NATO – and subsequently Azerbaijan and perhaps Armenia as well – might still take some years, it can be expected that the relationship between NATO and the South Caucasian states will further deepen, with Georgia as the ‘crown jewel’ amongst the others.

Increasing ties between the South Caucasian states and the EU can also be expected, moreover, though membership of the EU for them seems further away than that of NATO, due to the enlargement fatigue within the EU. Although formally denied it can be expected that NATO has or will have a role in pipeline security in the South Caucasus, for obvious geo-strategic reasons. The EU, since recently preoccupied with building a pipeline east-west, is also likely to build up its activities in the South Caucasus, especially in energy infrastructure, economic development and probably also conflict solution, for which it has a more unbiased reputation than NATO. Consequently, NATO and the EU will share an upcoming long-standing involvement in the region, whereby a coordinated division of labour by the former covering military aspects. is paired with the latter accounting for diplomatic, social, legal and economic aspects, security and prosperity to the South Caucasus can be achieved.

### **Synergy of military and energy instruments in security policy**

In NATO, bearing in mind energy security, options such as the protection of tanker traffic and oil platforms were raised. Also, there are indications that the US and NATO are already involved in security of energy infrastructure in the South Caucasus. Furthermore, Russian armed forces will be tasked with the protection (and exploitation) of energy resources, such as off-shore platforms. The Russian-led CSTO is apparently already active in this domain. Moreover, there is a (future) potential of maritime task forces – CASFOR and BLACKSEAFOR – to be used for such tasking around the Caucasus.

Considering the military power of the US, NATO, Russia and the CSTO, and the regional maritime task forces which will foreseeably be assigned to energy security in this region, the conclusion seems valid that nowadays, more than in the past, the combination of military means and energy resources will constitute the major instruments of power. Because of the growing importance of energy resources, a further intertwining of these two policy tools can be expected, not only around the Caucasus, but elsewhere in the world as well. This is in contrast with the thinking that the military instrument has been replaced by the economic (energy) instrument. Therefore, countries and organisations will need

to have a well-considered build-up and coordination of their military and energy instruments – without neglecting one for the other – in order to conduct a successful security policy.



## Annex: Basic data on South Caucasus' states and other entities

Area	Source : <i>CIA World Factbook</i> <sup>214</sup>
Georgia	69,700 sq km
Armenia	29,800 sq km
Azerbaijan	86,600 sq km
Nagorno Karabakh	4,400 sq km <sup>215</sup>

Population	Source : <i>CIA World Factbook</i>
Georgia	4,661,473 (July 2006 est.)
Armenia	2,976,372 (July 2006 est.)
Azerbaijan	7,961,619 (July 2006 est.)
Nagorno Karabakh	NA (70,000 – 120,000 est. <sup>216</sup> )

Ethnic Groups	Source : <i>CIA World Factbook</i>
Georgia	Georgian 83.8%, Azeri 6.5%, Armenian 5.7% Russian 1.5%, other 2.5% (2002 census)
Armenia	Armenian 97.9%, Kurd 1.3%, Russian 0.5% Other 0.3% (2001 census)
Azerbaijan	Azeri 90.6%, Dagestani 2.2%, Russian 1.8% Armenian 1.5%, other 3.9% (1999 census)
Nagorno Karabakh	Predominantly Armenian <sup>217</sup>

<sup>214</sup> <https://www.cia.gov/cia/publications/factbook/index.html>, CIA World Factbook.

<sup>215</sup> [http://news.bbc.co.uk/1/hi/world/europe/country\\_profiles/3658938.stm](http://news.bbc.co.uk/1/hi/world/europe/country_profiles/3658938.stm) (1 August 2006).

<sup>216</sup> J. Peuch, 'Russia: Nagorno-Karabakh – Leadership Campaigning To Recruit Settlers Among Russia's Armenians', *Radio Free Europe / Radio Liberty*, 31 July 2003.

<sup>217</sup> [http://news.bbc.co.uk/1/hi/world/europe/country\\_profiles/3658938.stm](http://news.bbc.co.uk/1/hi/world/europe/country_profiles/3658938.stm) (1 August 2006).

Refugees / IDP's	Source : CIA World Factbook
Georgia	260,000 IDP's from Abkhazia, South-Ossetia
Armenia	235,101 refugees from Azerbaijan 50,000 IDP's Nagorno-Karabakh
Azerbaijan	8,367 refugees from Russia 528,000 IDP's Nagorno-Karabakh

GDP per capita	Source : CIA World Factbook
Georgia	\$3,300 (2005 est.)
Armenia	\$4,500 (2005 est.)
Azerbaijan	\$4,800 (2005 est.)

Oil Production	Source: Energy Information Administration <sup>218</sup>
Georgia	2,000 bbl/d <sup>219</sup>
Armenia	0 bbl/d
Azerbaijan	328,000 bbl/d

Defence Budget	Source: The Military Balance 2005-2006 <sup>220</sup>
Georgia	\$44 million (2005)
Armenia	\$135 million (2005)
Azerbaijan	\$310 million (2005)
Military / Paramilitary Number of troops	Source: The Military Balance 2005-2006
Georgia	7,042 Army 1,350 Navy 1,350 Air 1,578 National Guard 11,700 Paramilitary
Armenia	45,000 Army 3,160 Air 1,000 Paramilitary
Azerbaijan	56,840 Army 1,750 Navy 7,900 Air 15,000 Paramilitary
Nagorno Karabakh	20,000 - 25,000 <sup>221</sup>

<sup>218</sup> <http://www.eia.doe.gov>, Energy Information Administration.

<sup>219</sup> Bbl/d: billion barrels per day.

<sup>220</sup> 'The Military Balance 2005-2006', *The International Institute for Strategic Studies*, London, 2005.

<sup>221</sup> I. Plugatarev, 'Siloy ne odeleyem – voyennym budzhetom sokrushim', *Nezavisimoye Voyennoye Obozreniye*, 11 November 2005, [http://nvo.ng.ru/printed/2005-11-11/3\\_budget.html](http://nvo.ng.ru/printed/2005-11-11/3_budget.html).

Abkhazia	4,500 - 10,000 <sup>222</sup>
South Ossetia	3,000 <sup>223</sup>

Military Equipment <sup>224</sup>	
Georgia	Aircrafts 17 Helicopters 28 Tanks 80-100 Armoured Vehicles 190 Artillery 117
Armenia	Aircrafts 28 Helicopters 35 Tanks 102 Armoured Vehicles 228 Artillery 225
Azerbaijan	Aircrafts 33 Helicopters 16 Tanks 230 Armoured Vehicles 322 Artillery 305
Nagorno Karabakh	Aircrafts <i>none</i> Helicopters <i>none</i> Tanks 316 Armoured Vehicles 324 Artillery 215
Abkhazia	Aircrafts 9 Helicopters 2 Tanks 100 est. Armoured Vehicles 175 Artillery 237
South Ossetia	Aircrafts <i>none</i> Helicopters 3 Tanks 87 Armoured Vehicles 180 Artillery 95

<sup>222</sup> O. Yelenskiy, 'Novaya Voyna po Staromu Stsenariyu', *Nezavisimoye Voyennoye Obozreniye*, 28 July 2006, <http://nvo.ng.ru/printed/6707>.

<sup>223</sup> Yelenskiy, 'Novaya Voyna po Staromu Stsenariyu'.

<sup>224</sup> Plugatarev, 'Siloy ne odeleyem – voyennym budzhetom sokrushim'; Yelenskiy, 'Novaya Voyna po Staromu Stsenariyu'.



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## Author biographies

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**Dr Marcel de Haas** (1961) is a Lieutenant-Colonel (Royal Netherlands Army) and seconded to the Clingendael Security and Conflict Programme as Senior Research Fellow on military doctrine, strategy and security policy of the Netherlands, NATO, EU, Russia & CIS. As a Russian studies scholar he holds a PhD of the University of Amsterdam (2004) and a MA of Leiden University (1987). He regularly publishes on topics of international and Russian security policy and has lectured at Dutch, British, Danish, Baltic, Russian, Georgian and NATO defence colleges and universities. Dr De Haas is the author of *Russian Security and Air Power (1992-2002): The development of Russian security thinking under Yeltsin and Putin and its consequences for the air forces*, London, New York: Frank Cass, 2004; and of *Sovjetbeleid ten aanzien van Zuidelijk Afrika* (Soviet policy towards Southern Africa, in Dutch), Utrecht: De Banier, 1988. Marcel de Haas is grateful to Anne Aldis, Mark Smith and Keir Giles of the *Conflict Studies Research Centre*, UK Defence Academy, for their support in finding sources for this research.

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## Accountability

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Regarding this work Marcel de Haas was responsible for drafting its structure, for acquiring most of the sources as well as for the overall editing. Concerning the contents he has prepared Chapters One (Introduction), Two (Geopolitics, energy security and the South Caucasus), Five (Global powers and organisations on security and energy) and Six (Assessment and outlook). Andrej Tibold and Vincent Cillessen were in charge of the Chapters Three (Local actors on security and energy), Four (Regional powers and organisations on security and energy) and the annex (Basic data on South Caucasus' states and other entities).