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CHAPTER TWO

SOUTH CAUCASUS; REGIONAL & EXTERNAL PLAYERS

2.1. Introduction

To offer a more accurate picture of the opportunities and threats that Iran has been facing in the South Caucasus, it is important to be familiar with the main regional and external players, their goals, interests and policies in this region. Following a brief introduction about the South Caucasus and its general importance, this chapter will discuss the goals and policies of each major player together with a summarised history of their post Cold War involvement with the South Caucasus. Within this framework therefore, the relations and interactions of different players with individual countries of the South Caucasus has not been discussed in details, unless it has been part of a player's general policy which has regional consequences, i.e. Turkey's special relations with Azerbaijan. The chapter will argue that 'balance of power' and 'increased security' are two main goals of the players in the region. It will demonstrate the importance of energy resources and transit routes in exacerbating rivalry and bandwagoning between various players, and the way these players manipulate regional dynamics to achieve their goals.

2.2. Where is South Caucasus?

South Caucasus is a mountainous region, with an approximate area of 400,000 sq/km and a population of around 18 millions¹. It straddles between the Caspian Sea on the East and the Black Sea on the West. The southern side of the region is neighbouring with the north west of Iran and the south east of Turkey. On the north, it is limited by Russia's southern plains. (AmirAhmadian as quoted by Kazemi 2005: 33)

The great Caucasus mountains with 1500 km length, starting from Taman peninsula in the north of the Black Sea, stretching to Absheron peninsula on the west side of the Caspian Sea pass through the great Caucasus land, dividing it into two northern and southern parts. On the southern parts of the mountains, from east to west, there are three Republics of Azerbaijan, Armenia and Georgia. (ibid)

¹ The total population has been calculated based on CIA Factbook statistics of the South Cacasus countries' population.

Map 2.1: Map of South Caucasus¹



2.3. General Importance of the South Caucasus

South Caucasus; once a closed and forgotten area within the former Soviet Union, became “crowded with different kind of international actors, ranging from international organizations and states to multinational corporations” following the end of the Cold War. (Lynch 2003:15) Far from complementary, the motives behind the involvement of all these players in the region and their policies are varied and frequently contradictory. In order to have a better understanding and more informed analysis of the relations and policies of regional and external players, an overview of their goals and motives is necessary.

Georgia, Azerbaijan and Armenia; the three South Caucasus countries form the most

¹ Caucasus - Political. Available at: http://commons.wikimedia.org/wiki/File:Caucasus-political_en.svg (Accessed on 10.09.2012).

complex, combustible and unstable region of the former Soviet Union. Lying at the crossroads of Europe, Asia and the Middle East, the region has traditionally played an important role as a transit corridor and been the meeting point of ancient civilisations such as Persia, Russia, Europe, and China. “Yet as Alexander Rondeli has pointed out, the important geopolitical location of the South Caucasus has been as much, if not more, of a liability as it has an asset to regional states.” (Cornell 2004:126)

However, it is important to keep in mind that the application of the term ‘region’ to south Caucasus is defined by the actions of outside players. Regional cooperation initiatives are not generated internally among these three countries, but are promoted “by external actors seeking stability in the region”. (German 2012:1)

Russia’s reduced role and diminishing influence in the Caucasus and Central Asia in the early 1990s together with the determined efforts of regional states to diversify their relations with the outside world opened the doors for external actors to engage in the region. For various reasons the emerging new geopolitics became an arena of competition and rivalry between different regional and external players. While each of these players has different motives; some of the shared reasons for their interest in the region are as follows:

- **Energy Resources & Transport Routes**

As one of the eldest oil producing regions of the world, the Caspian Sea has increasingly become an important source of global energy and as such gained a particular importance in the global energy security. According to the US Department of Energy Information Administration (EIA), although territorial disputes and limited explorations have created obstacles for determining the exact amount of hydrocarbon resources, based on field level data, “EIA estimates 48 billion barrels of oil and 292 trillion cubic feet of natural gas in proved and probable reserves in the wider Caspian basins area, both from onshore and offshore fields. Because the reserve figures include both proved and probable reserves, the figures are closer to a high-end estimate.”¹ According to BP’s Statistical Review of World Energy²; the region holds

¹ Available at: <https://www.eia.gov/beta/international/regions-topics.cfm?RegionTopicID=CSR> (Accessed on 20.02.2016)

² Available at : <http://www.bp.com/en/global/corporate/energy-economics/statistical-review-of-world-energy.html> (Accessed on 20.02.2016)

about four percent of the world's gas and oil reserves, and that estimate has not even considered Iran and Russia's resources.

Although Caspian energy resources are not comparable to that of the Persian Gulf, still are considerable alternatives for different energy markets such as EU, and some South East Asian countries. In order to guarantee the security of energy supplies, consumer countries need to diversify their sources. Caspian's non OPEC hydrocarbon resources have attracted considerable investments from giant energy cartels, which could have otherwise be invested in the Middle Eastern countries. Hence, Caspian energy resources have become a vital factor both for economic development, as well "geopolitical configuration of the region". (Johnson 2001:12)

Within this energy rich but landlocked region, there is "no single means of exporting products without crossing another sovereign territory and no access to navigable waterways that are open to international shipping". (Burke 1999:1) While some scholars describe the general struggle "to define the region's future" as the "new Great Game"; others like Moradi (2006) believe that it is the power struggle over the control of hydrocarbon resources and transport routes that has created a post-Soviet "Great Game" with more players and greater rewards. However, "the belief that whoever secures the major share of oil pipeline transit will gain enhanced influence not only throughout the South Caucasus and Central Asia, but also on a global political scale, has highlighted the concerns over the future stability of the region." (Aydin 2012: 172)

Due to lack of infrastructure or necessary capital for exploration and exploitation of resources, or development of transport routes by regional countries; the winners of the game were those who could offer more to solve the production or export problems. Investment in the region's energy infrastructure has offered a prosperous perspective particularly for Western corporates.

- **Security**

Since the collapse of the Soviet Union, the stability of the newly independent countries and the region has always been of major concern. The significance of security threats from unstable neighboring countries for Iran, Turkey, and Russia has been greater due

to their shared minorities with South Caucasus countries.

The overwhelming transformation process that Caucasian countries faced in the post Cold War era encompassed “the building of new institutions, new states, new borders, new identities, new foreign policies and new military system”. (Lynch 2003:8) The scale of changes was so enormous that even without any conflicts; there was a great risk of instability in the area. However, there existed several other destabilizing factors as well. “The stability of the South Caucasus is threatened by its geopolitical significance, as well as numerous transnational security challenges including unresolved conflicts, organized crime, trafficking and migration.”(German 2012:1) Being “sandwiched between the two major routes used for smuggling heroin from Afghanistan to Europe”, as well as a “major supplier of arms and nuclear components, Russia, and the major markets for these commodities, the Middle East” (Cornell 2003:37) has exacerbated regional security challenges.

The political-military and security policies of involved players, as well as the smoldering conflicts of Abkhazia, South Ossetia and Nagorno-Karabakh, are other factors affecting the security in this region. While the leverage of regional powers, such as Turkey and Iran, and of global powers, such as the United States, Russia and China, is part of the power configuration in the region, several international organisations are also involved. “At the regional level, there is the Black Sea Economic Cooperation (B.S.E.C.), the Black Sea Force (BLACKSEAFOR) the Caspian Sea Force (CASFOR), the cooperation between Georgia, Ukraine, Azerbaijan and Moldova (G.U.A.M.) and the Collective Security Treaty Organization (C.S.T.O.) within the Commonwealth of Independent States (C.I.S.). At the global level, the North Atlantic Treaty Organization (N.A.T.O.) and the European Union also exercise political weight in the South Caucasus.”(de Hass 2006:2)

However, the importance of the security of energy resources and transport routes for both producer and consumer countries **have continuously been a major continuous concern**. “The consequence of destabilization in the Caucasus would be felt throughout Eurasia and would inevitably have a significant impact even on the remote powers of the North Atlantic.” (Aydin 2012:173)

- **Consumer Markets**

The independence of South Caucasus republics opened the markets of these countries to foreign trade. Different players were looking for trade opportunities in these new markets. As their economy developed, so did their trade with different countries.¹

While this small region with the population of just about 18 million may not be considered such a large market, but it plays the role of medium and transit for Europe and Eastern countries such as China through its transport systems, providing trade opportunities for both sides. The prospect of full integration into ‘the new Silk Road’ through advanced transport and technology infrastructure such as railroads, pipelines, fibre optic cables and power transmission grid locks enhances the region’s market value.

2.4. Important Players in the South Caucasus

With the collapse of the Soviet Union and the independence of the three republics of Armenia, Azerbaijan, and Georgia; the South Caucasus emerged out of isolation catching the attention of various international players both with horrors of violent conflicts as well as the promise of fostering democratic developments. It became an arena of rivalry between regional players, complemented later with the arrival of outside players.

This section will briefly review the goals, interests and policies of major regional and external players in the South Caucasus. Although an important regional player, Iran’s goals and policies would be discussed in chapter 4 while examining Iran’s regional policy.

¹ For example US- Azerbaijan trade in goods for July 1992 included \$0.1 million exports and \$0.2 million imports. By July 2012, it has increased to \$113.13 million exports and \$71.5 million imports. US-Armenia trade in July 1992 was \$3.2 million in exports and \$0.1 million in imports. This has increased to \$4.0 million export and 8.0 million imports. United States Census Bureau. *Trade in Goods with Armenia*. Available at: <http://www.census.gov/foreign-trade/balance/c4631.html> (Accessed on 03.10.2012)

2.4.1. The United States

Despite being among the first states to establish diplomatic relations with the South Caucasus countries and to support the sovereignty and independence of the newly independent states; the region did not bear much significance in the US foreign policy for a few years. **This insufficient attention has been attributed to the** “lack of knowledge and initiatives concerning the Caspian region, as well as a lack of realization of American interests there. The success of the Armenian lobby in convincing the American Congress to impose an embargo on Azerbaijan in the wake of the Nagorno-Karabakh conflict illustrates the lack of proactive American policy in the region.” (Allison & Acker 1997 as quoted by Oktav 2005:17)

However, as Brzezinski (1997:52) has advised; in order to secure its global hegemony and establish a favourable world order it was crucial for the US to prevent the rise of yet another Eurasian empire or strong adversary in the region. US regional policy during the first few years after the collapse of the Soviet Union included:

- Ensuring the independence and sovereignty of the former republics of the Soviet Union and preventing their subservience to Russia.
- Reducing Iran’s strategic influence in the region particularly among the Muslim population. In this context, the US public diplomacy apparatus made a great effort in portraying a violent and disturbing picture of Iran in contrast with an exaggerated ideal picture of Turkey.
- Making sure “that nuclear or other major weaponry previously under the control of the Soviet regime was destroyed or returned to Russia.” (Jaffe 2001:136)

Despite the US Department of Defense 1994 report describing the South Caucasus as a strategically important region due to its potential “to form an area of secular, independent, and Western friendly states between Russia and the Middle East” (Sherwood-Randall 1998 as quoted by Cornell 2005:111); it was not until the volume of Caspian energy resources came to the spotlight that more serious policy considerations were given to the region. In addition to US corporate interests; the Caspian oil boom has had other advantages for the US. One is the regional economic growth resulting from the production and transport of energy which could in turn improve the independence and sovereignty of South Caucasus countries and ensure

their move away from Russia's dominance or Iran's influence. It also offered an alternative option to the Middle East hydrocarbon resources. The 1999 US Silk Road Strategy Act clearly states that "the region of the South Caucasus and Central Asia could produce oil and gas in sufficient quantities to reduce the dependence of the United States on energy from the volatile Persian Gulf region."¹ Moreover, the politics of energy provided US with a perfect pretext for long term presence in the backyard of its rival, Russia and its adversary, Iran; as well as a defining role in regional politics. Consequently, since the second half of 1996, US started to take a proactive policy by announcing the Caucasus and Caspian basin important for its strategic interests; and appointing a 'special envoy' for this remote region.²

As Cohen (2005:3) has pointed out, drawing the entirety of Eurasian Convergence Zone into the American geostrategic orbit became a major US military, economic, and political policy objective, much of which has been undertaken unilaterally. In order to balance the power in its favour; US effectively undertook a double edged policy towards regional players which has consequently led to the polarisation of the region. With regard to Russia and Iran, US took a zero sum dynamic ensuing isolation to block Iran's influence in the area, and containment to prevent Russia from reasserting its hegemony over the region; while bringing Turkey, Israel, and Europe under the same umbrella of interest and general aims despite their differing goals and priorities.

- **Pipeline Diplomacy**

As Iseri (2009:34-35) has pointed out, "The political objective of the US government is to prevent energy transport unification among the industrial zones of Japan, Korea, Russia and the EU in the Eurasian landmass and ensure the flow of regional energy resources to US led international oil markets without any interruptions."

The Silk Road Strategy Act obliged the US government to "assist in the development

1 Silk Road Strategy Act of 1999. Available at: <https://www.eso.org/gen-fac/pubs/astclim/espas/maidanak/silkroad.html> (Accessed on 21.08.2015).

2 The Clinton Administration in 1994 established a special inter-agency working group to focus on Caspian policy. In May 1998, the US Trade and Development Agency, the US Export-Import Bank and the Overseas Private Investment Corp. announced the formation of the Caspian Finance Center in Ankara to facilitate the development of energy and other infrastructure projects in the Caspian region. Then in July 1998 President Clinton appointed Ambassador Richard Morningstar to the new position of Special Advisor to the President and Secretary of State for Caspian Basin Energy Diplomacy. For further detail see White House Fact Sheet, <http://www.usis.it/file9911/alja/99111705.htm> , (Accessed on 1.10.2012).

of the infrastructure necessary for communications, transportation, education, health, and energy and trade on an East-West axis".¹ However, prior to the Act, US was actively engaged in building alternative routes of energy export in partnership with several regional players. Despite compelling facts about the economic benefits of a north-south route from Russia to southern ports of Iran, US insisted on building east-west pipelines in order to avoid both Russia and Iran. **Despite serious doubts over the economic viability of such pipelines**, the political advantages were so significant that US Energy Secretary took it on himself to directly negotiate with different regional heads of states² to gain their support and commitment to the Baku-Tbilisi-Ceyhan (BTC) project. Washington extended support to four other major pipeline projects including the South Caspian Gas Pipeline "which leads Azerbaijani gas via Georgia into Turkey and further to Europe." (Baran 2005: 2)

The political advantages of multiple pipeline routes for the US include:

- Reducing Russia's monopoly over export routes and, therefore, its leverage over export/importing countries as well as its control over the market.³
- Excluding Iran from any major Caspian energy project.⁴
- Control over the final destination of petroleum to ensure it reaches US controlled energy markets.
- Sustaining US alliance with regional players through this economic bond.
- Providing an acceptable justification for long term official US presence in the region.

- **Financial Aids**

South Caucasus countries have been continuously the subject of US financial aid since

1 Silk Road Strategy Act of 1999. Available at: <https://www.eso.org/gen-fac/pubs/astclim/espas/maidanak/silkroad.html> (Accessed on 21.08.2015).

2 Remarks by Secretary of Energy Federico Peña at the Caspian Pipelines Conference. Washington, D.C. November 19, 1997. Available at: www.osti.gov/news/speeches97/caspian.htm (Accessed on 20.08.2011).

3 While Iran was completely excluded from such projects, Russia was encouraged in participation, as in the same speech Pena says: "Russia, as both an energy producer and transit country, will be an important player in developing the Caspian region. We would welcome Russian participation in the east-west energy corridor."

4 According to the Department of Energy press release, "In each meeting, Pena reinforced the U.S. government's opposition to investments in Iran's energy sector and any investment or transit of Caspian oil and gas through Iran." Pena said that the U.S. position "is clear -- we do not support conducting ordinary business with a country that funds, trains, and supports terrorists and seeks to acquire weapons of mass destruction." Available at: <http://www.usembassy-israel.org.il/publish/press/energy/archive/1998/june/de1602.htm> (Accessed on 02.10.2012)

their independence.¹ According to the US Department of State the goal of this assistance has been the promotion of regional security through increasing the capability of these countries to combat domestic and transnational criminal activities; development of key democratic institutions of government and civil society to promote public participation, combat corruption and strengthen the rule of law; and far-reaching economic reforms which promote stability and sustainable growth in the non-oil sectors of the economy.²

- **Integration into Western/Pro Western Structures**

Another strategy to help in moving the Soviet's ex- republics away from Moscow's sphere of influence was to integrate them into Euro Atlantic structures or draw them into pro-Western alliances. GUAM is an example of such US backed initiatives, "a political, economic and strategic alliance between the post-Soviet states..... The GUAM countries which Moscow saw as a Trojan horse inside the CIS, sought to deepen their partnership with Western institutions and organisations like the EU and NATO." (Baban & Shiriyev 2010:96) Russia's concerns proved right when in 1999, Georgia, Uzbekistan and Azerbaijan left the CIS and GUAM found a security and military dimension following Uzbekistan's membership.

¹ Cumulative US assistance budgeted for Azerbaijan from FY 1992 through FY 2010 was \$976 million (all agencies and programmes). Budgeted aid to Azerbaijan was \$26.4 million in FY2011 and an estimated \$20.9 million in FY2012, and the Administration requested \$16.3 million for FY2013 -the numbers for FY2011, FY2012, and FY2013 include "Function 150" foreign aid, and exclude Defense and Energy Department funds- (Nichols 2012: Summary). According to the US Department of State "The U.S. to date (March 2012) has provided Armenia with nearly \$2 billion in development and humanitarian assistance."¹Also between "2006 to 2011, a Millennium Challenge Corporation Compact helped promote Georgian enterprise and economic growth through investments in physical infrastructure. In 2013, the MCC awarded Georgia a second compact, focused on education."¹ US Department of State. (2012) *Armenia*. Available at: <http://m.state.gov/md197863.htm> (Accessed on 03.10.2012) AND US Department of State. (2012) *Azerbaijan*. Available at <http://m.state.gov/md5253.htm> (Accessed on 05.11.2014)

² US Department of State. (2009) *Foreign Operations Appropriated Assistance: Armenia*. Available at: <http://www.state.gov/p/eur/rls/fs/167286.htm> (Accessed on 10.10.2012) and US Department of State. (2009) *Foreign Operations Appropriated Assistance: Azerbaijan*. Available at: <http://www.state.gov/p/eur/rls/fs/106462.htm> (Accessed on 10.10.2012) AND

2.4.1.1. US Post Sep. 11th Involvement in the Caucasus

The Post Sep.11th developments and the war on terror increased the importance of the South Caucasus for the United States as its new global strategy required significant military presence in that region. “The South Caucasus and Central Asia appeared indispensable for the successful prosecution of war in the heart of Asia.” (Cornell 2005:113). Provision of landing and over flight rights as well as refueling facilities for US army by regional countries such as Azerbaijan and Georgia, not only facilitated the war on terror but also as Socor (quoted by Cornell 2005:113) has pointed out was a historical breakthrough; as it provided the opportunity for Western troops to set foot “in the heartland of Asia formerly the exclusive preserve of land empires.” Since transportation of troops and equipment was faced with various political and logistic challenges, these countries’ airspace proved to be “the only realistic route through which military aircraft could be deployed from NATO territory to Afghanistan. (ibid) Azerbaijan and Georgia, also, took part in the international Security Assistance Force (ISAF) operations in Afghanistan and “sent troops to the coalition stabilization force in Iraq.” (Baban & Shiriev 2010:97)

However, attention to South Caucasus gradually faded particularly during Obama’s initial years of administration not merely due to other pressing priorities, but also due to overall change of US foreign strategy. The failure of Bush’s ‘hard power’ strategy resulted in the new ‘smart power strategy’, which reduced the instrumental position of South Caucasus for US policies.

As the August 2008 five days war between Georgia and Russia proved to US and other Western countries that Moscow’s interest in the South Caucasus cannot be ignored; Obama’s ‘reset’ policy towards Russia resulted in US “Move away from a zero sum approach to its relations with Moscow in the region”. (Mankoff 2012:18) Consequently; the “US policy towards countries in the region essentially became a derivative of Russia’s policy” failing to forge substantial long term partnerships. (Charap & Peterson as quoted by Koushakjian 2011:79)

However, in pursuing improved relations with Russia and trying to help in the resolution of conflicts through the involvement of regional actors, US managed to dismay Azerbaijan so far as pushing it towards Russia. “It did not take long for Azerbaijan to react by taking a more pro-Russian turn by signing several key energy

deals with Moscow and joining the three party talks over Nagorno-Karabakh where Moscow had a dominant role.” (Suchkov 2011:144)

The failure of Obama’s ‘reset’ efforts to “develop enough momentum to move the bilateral ties forward” (Kitazume 2012); as well as Russia’s increasing influence in the region, along with Azerbaijan’s tilt towards Russia, and other regional developments; triggered a review of US policy towards the South Caucasus. Though the 2010’s US defense Secretary and Secretary of State’s tour of South Caucasus was interpreted as a ‘comeback’ signal from the US, many analysts believe that the United State’s South Caucasus policy would not change considerably.

2.4.2. The European Union

According to German, “the EU is the principal actor from outside of the wider Caucasus region engaged in efforts to promote cross border cooperation in the area” primarily as means of regional stabilisation. (2012:140)

Abundant energy deposits of the South Caucasus which can provide the answer for Europe’s quest for diversification of energy supplies is a reasonable justification in itself for EU’s involvement. However, “EU member states have increasing economic interests in the region- a potentially lucrative and attractive place for foreign direct investment (FDI) - specially for multinational oil companies.” (Nuriyev 2010:3)

On the other hand, as explained earlier in this chapter, “the region presents practically all security challenges that typify the post Cold War system.” (Gnesotto 2003:7) While the post Sep. 11th developments have increased the region’s security importance; following the EU’s 2007 enlargement the region has effectively become EU’s immediate neighbour, meaning regional security challenges are practically at the EU’s doorstep now. Hence, the development and stability of South Caucasus became a crucial imperative for EU’s security and economic relationships.

Nonetheless, it took several years before the EU moved towards a more active role and closer engagement with the region. The main reason might have been best described by Huseynov (2009:48) who argues that the reason was “not only geographical but also the mental distance separating the region from EU decision makers”. Helly (2001:2)

believes the cause to be “lack of clear analytical grid” in the EU, that unlike US does not have a ‘Silk Road Strategy’ to define priorities and draw a road map. As a result, despite the fact that “the European Union appeared on the South Caucasian scene from the early 1990s, when the process of transition towards market economy and democracy began in these countries and when conflict and petroleum loomed over the political landscape of the Caucasus” (Dekanozishvili 2003); the growing significance of the South Caucasus for EU has been gradual. The Union’s involvement in the region during the 1990s was mainly economic, based on short term regional developments and priorities of EU’s individual rotating presidents.

In December 1990, the EU launched TACIS (Technical Assistance to the Commonwealth of Independent States) programme “to sustain economic reform and development process in the CIS countries and to support their integration to the world economy”. (Demirag 2005:92) TRACECA and INOGATE are two important initiatives developed under TACIS.

TRACECA which is “the technical assistance program for the development of the transport corridor between Europe and Asia across the Black Sea, the countries of the South Caucasus, the Caspian Sea and the Central Asian countries was launched in May 1993.”¹The programme bears a strategic importance due to the provision of an alternative route to Europe which offers the opportunity to avoid the traditional Russian route.

“INOGATE (Interstate Network of Oil & Gas Transport to Europe) which “supports energy policy cooperation between the EU and the littoral states of the Black and Caspian Seas and their neighboring countries”, was launched in 1995.²

EU’s growing attention towards the South Caucasus was manifested in 1996 Partnership & Cooperation Agreement which came into force in 1999. The Agreement offered a legal framework for dialogue in main areas. Then in 2001, at its General Affairs Council, EU confirmed “its willingness to play a more active political role in the South Caucasus region and its intention to look for further ways of prevention and

1 European Commission Press Release Database. (2012) *EU support to the Europe-Caucasus-Asia Transport Corridor*. Available at: [http://europa.eu/rapid/press-release MEMO-12-141_en.htm](http://europa.eu/rapid/press-release_MEMO-12-141_en.htm) (Accessed on 05.11.2014)

2 International Cooperation and Development. Central Asia- Energy. Available at : http://ec.europa.eu/europeaid/regions/central-asia/eu-central-asia-energy-cooperation_en (Accessed on 05.11.2014)

resolution of conflicts in the region and to participate in the post conflict rehabilitation”. (Alieva 2006:10) The appointment of an EU Special Representative for the South Caucasus in July 2003 helped in the acceleration of the process of developing a coherent strategy for the region.

Three South Caucasus countries joined the European Neighbourhood Policy (ENP) in 2004. ENP “is an extension of EU governance regime- norms, standards and values- beyond the political borders of the Union.” (Propescu 2006: 2) In 2005, the South Caucasus countries started consultation on the provision of Action Plans with the European Union. The Action Plans which are in fact road maps to comprehensive reforms “provide a point of reference for the programming and assistance to these countries”. (Alieva 2006:11) Although the Plans are not legally binding; but the provision of enhanced strategic partnership “beyond cooperation and towards significant integration” (ibid) with the Union offers an attractive prospect and binding incentive for these countries.

The main rationale behind the ENP for the EU is “developing the zone of prosperity and a friendly neighborhood with which EU enjoys close, peaceful and cooperative relationship”. (ibid) However, as some scholars¹ have pointed out issues such as lack of a definite EU membership prospect for these three countries even after extensive reforms, and lack of any ‘conditionality factor’ that ties the progress of these countries in the execution of Action Plans to the amount of ENP aid they receive; play as hindrance to their real progress.

Following the 2007 EU accession of Romania and Bulgaria, the Union undertook the Black Sea Synergy (BSS) initiative which also includes the South Caucasus. Based on the Commission of European Countries communication with the Council and the European Parliament “There are significant opportunities and challenges in the Black Sea area that require coordinated action at regional level. These include key sectors such as energy, transport, environment, movement and security. Enhanced regional cooperation is not intended to deal directly with longstanding conflicts in the region but over the time could help remove some of the obstacles in the way.”

The above document further explains that since the broad EU policy for the region has

¹ See Alieva 2006: 32, Mkrtychyan 2009:27.

already been set in Turkey's pre accession strategy, the ENP and the Strategic Partnership with Russia; the BSS is supposed to play as a complementary strategy to the above policies. The primary task of this inclusive initiative is, therefore, the development of cooperation within the Black Sea region and also between the region and the European Union. The initiative covers different subject areas from democracy, Human Rights and good governance to energy, transport and environment.

In May 2009, EU launched yet another initiative called 'the Eastern Partnership Initiative' which aimed to enhance relations with EU's eastern neighbours including the three countries of the South Caucasus. According to the Commission's documents "This would imply new association agreements including deep and comprehensive free trade agreements with those countries willing and able to enter into a deeper engagement and gradual integration in the EU economy. It would also allow for easier travel to the EU through gradual visa liberalisation, accompanied by measures to tackle illegal immigration. The Partnership will also promote democracy and good governance, strengthen energy security, promote sector reform and environment protection, encourage people to people contacts, support economic and social development and offer additional funding for projects to reduce socio-economic imbalances and increase stability." (The European Union External Action Service)

As demonstrated by the above examples while EU appreciates the importance of development and cross border cooperation for ensuring regional stability and security; it has avoided direct involvement in mediating efforts to end regional conflicts which is one of the most serious security threats in the South Caucasus. The Union has left the sensitive task of mediation and negotiations for conflict resolution to other international organisations such as OSCE, and the Minsk Group.

2.4.3. NATO

As an organisation whose main mission is the provision of defence and security for its members (mainly EU & US), NATO's objectives changed after the end of the Cold War; requiring to reshape its activities and review its relations particularly with the former Soviet republics in order to both survive as a viable organisation and to pursue the security interests of its members.

Keeping in mind that the South Caucasus is “an integral part of the arc of instability stretching from North Africa to Southeast Asia, which the U.S. has identified as the most likely source of threats against U.S. and Western security interests in the foreseeable future” (Cornell 2004:128) will help in having a better understanding of NATO’s role and policies in the region.

In order to keep a reasonable degree of involvement in the region, the Alliance had to rebuild its own image for the South Caucasus countries while avoiding any tensions with Russia, who has been sensitive about any Western expansion in its sphere of influence. Therefore since 1990s NATO became involved with these countries through flexible programmes such as ‘Partnership for Peace’ (PfP), which “allows partners to build up an individual relationship with NATO, choosing their own priorities for cooperation”.¹

This initiative “was launched in January 1994 NATO summit to establish strong links between NATO, its new democratic partners in the former Soviet bloc, and some of Europe's traditionally neutral countries to enhance European security. It provides a framework for enhanced political and military cooperation for joint multilateral crisis management activities, such as humanitarian assistance and peacekeeping.”²

The three South Caucasus republics joined this programme and appointed liaison officers in April 1994. Since then they have been active participants of different PfP activities. “They also participate in the Euro-Atlantic Partnership Council (EAPC), which offers them the opportunity to hold political discussions and receive assistance on political and security issues. In addition all three participate in the Planning and Review Process (PARP) which aims to ensure interoperability between NATO members and partner countries.” (German 2012:153)

As already explained the war on terror increased the importance of the region and raised its profile for NATO. Examples of the crucial supporting role that these countries played in both Afghanistan and Iraq war have already been discussed. However, for exactly the same reason following the post September 11th developments the ‘security

1 North Atlantic Treaty Organization. (2014) *The Partnership for Peace Programme*. Available at: http://www.nato.int/cps/en/natolive/topics_50349.htm (Accessed on 13.02.2015)

2 U.S. DEPARTMENT OF STATE. (1995) *Fact Sheet: NATO Partnership for Peace*, Bureau of Public Affairs. Available at: http://www.fas.org/man/nato/offdocs/us_95/dos950519.htm (Accessed on 27.12.12)

deficit' of the region, was transformed to "a threat not only to regional security but also for Euro Atlantic interests". (Cornell, McDermott, O'Malley, et al. 2004:13) The Alliance, therefore, resorted to another cooperation project called Individual Partnership Action Plan (IPAP) to help in upgrading regional security.

The IPAP instrument was inaugurated at the 2002 Prague Summit as a mechanism to tailor relations with specific countries, which may include eventual membership. "The main spheres of cooperation under the IPAP are security, defense and military issues, public information, science, environment, and democratic reforms." (Poghosyan 2012:4). "In November 2002, Georgia and in April 2003 Azerbaijan officially became aspirants to NATO membership which entails working closely with NATO allies, particularly US and Turkey for reforming their security sector." (Cornell, McDermott, O'Malley, et al. 2004:26) Armenia was the last country who agreed on an IPAP and formally tied itself to NATO in 2005.

NATO's involvement in the South Caucasus is generally limited to broad projects, rather than regionally focused initiatives (German 2012:156). Moreover, as German (2012:155) argues NATO's very presence and its relationship with the three states led indirectly to 2008 Georgia- Russia conflict and, therefore, has undermined regional cooperation programmes.

As it was already mentioned major Euro-Atlantic players have left the task of mediation for conflict resolution to Organisation for Security and Cooperation in Europe (OSCE), and "limited their involvement to political support for the so called OSCE Minsk Group process." (ibid: 158) the OSCE's involvement in the Nagorno-Karabakh began in 1992 with the initiation of an international conference in Minsk aiming at the provision of a permanent forum for peace negotiations. Nuriyev (2007:314) considers this a major breakthrough in peacemaking operations. However, for various reasons such as lack of "expertise and interests of Western democracies in the region" or limitation of Western democracies' efforts to "mediating between the sides and producing joint proposals" (ibid: 315) or Russia's biased involvement; the OSCE has not been able to resolve the conflict completely and has only managed to establish a degree of containment which does not seem long lasting.

2.4.4. Russia

During the first few years after the collapse of the Soviet Union, for two main reasons, Russia did not have a clear policy towards the South Caucasus. First; Moscow was too busy dealing with the aftershocks of such sudden and total collapse of the empire in which Russia was the core state. Salvaging the economy from total collapse and preventing further disintegration was prior to other policies. Second was the Western orientation of statesmen such as the foreign minister Kozyrev who believed that Russia “should pay little attention to the former Soviet republics that were not inclined to cooperate with Moscow”. (Smolansky 1995:204)

However, a policy shift towards ‘Eurasianism’ became evident since 1992. This view rejected Russia’s subordinate approach towards the West and insisted that Moscow must pursue its interests “regardless of whether such course of action was acceptable to its Western partners or not.... This meant, in part, re-establishing and maintaining Russian influence over the former Soviet Republics.” (ibid: 205) As a result of that policy shift and following its economic revival, Russia became the most significant outside player in the Caucasus “given its ability to project power on both sides of the Caucasus mountains and the array of Soviet-era political, economic, and social links between Russia and the Big Caucasus as a whole.” (Mankoff 2012:8)

The discourse about the priority of Russia’s ‘near abroad’ which had emerged since 1992, became an official policy from 1993. (Quoted by Buzan & Waeber, 2003:404) Since then, Russia has taken an assertive approach towards its near abroad, including Transcaucasia, with repeated calls from Russian statesmen claiming those regions as part of Russia’s strategic sphere of influence.

According to Nixey (2012:15), “Russia’s 19th-century expansion into the South Caucasus and Central Asia remains an important legacy for its 21st-century foreign policy decision-makers. It sustains a belief that Russia has a natural right to pre-eminence in both regions: one ‘legitimized’ by tradition as well as present-day mutual interest.” There are, however, several reasons for the importance of the South Caucasus for Russia, including:

1. The region is playing the role of the buffer zone between Russia and the Middle East.

2. It is neighbouring two other important regional players; Turkey and Iran.
3. It is the house to a considerable share of the Caspian energy resources, which can affect Russia's share of Europe's energy market.
4. Competing energy routes throughout the region which have been launched or planned following the Western penetration of the South Caucasus have major geopolitical consequences for Russia's interests and policies.

Map 2.2: The South Caucasus and its Neighbours¹



Contrary to those scholars who believe that Russia still holds imperialistic tendencies; others like De Waal (2010) argue that “Russia is undertaking the painful transition to being a ‘post-imperial power’, which seeks to be the most powerful actor in its neighborhood but no longer wants to re-establish an empire, with all the colonial burdens accompanied by such status.”

One of Putin's first actions immediately after his rise to power was “to order the revision and reformulation of national security and foreign policy concepts as well as the military doctrine of the Russian Federation that dated from the Yeltsin era. All three

¹ Melikyan, R. (2011) The New Strategy of U.S policy in the South Caucasus: Priorities and Outlines. Available at: <http://romanmelikyan.livejournal.com/3442.html> . (Accessed on 10.09.2012)

revised documents accentuated the Russian determination to facilitate the achievement of a multi-polar system of international relations despite outside attempts to hinder Russia's efforts in this direction." (Kelikitli 2008:74) In this context, Russia has two main goals in the South Caucasus. The first is to make sure that regional countries stay under its own sphere of influence. The second is to contain the growing Western influence in the region. In order to achieve these goals, Russia has undertaken several policies which the followings are amongst the most important ones:

- **Pipeline Diplomacy**

Energy has been the arena for Russia's intense rivalry with other players. Since most energy infrastructures in the region were remaining from the Soviet era, the majority of the oil and gas transport routes used to pass through Russia. Securing Russia's monopoly or at least some degree of control over the pipeline networks has been at the core of the country's energy strategy, which is in the context of a rather grander strategy of keeping its dominance over Europe's energy market.

The new pipeline networks (Like Baku–Tbilisi–Ceyhan, Baku–Tbilisi–Erzurum and Turkmenistan–China pipelines or Nabucco) are a source of threat to Russia's interests as they have curbed Russia's monopoly over the energy transport routes and reduced its revenue from transit rights and limited Moscow's control over the routes and Europe's energy market.

To counter, or at least limit such threat, Russia has initiated competing pipeline projects such as Blue Stream and South Stream. "The main purpose of the South Stream is to prevent Nabucco to transport Caspian gas directly to European market bypassing Russia. Nabucco is the backbone of Europe's attempt for diversification of natural gas. If South Stream goes forward, Nabucco pipeline will lose its strategic as well as commercial importance and Russia will be able to maintain influence over the EU and continue using energy dependency as a political weapon against the West. At the same time, Russia will be able to increase its political control over the Caucasus and Central Asia as well." (Gogbrishvili 2010: 34)

It has been contemplated that casting doubts on the security of Western backed pipelines and, therefore, reducing the reliability of these routes has been one of Russia's

goals in its 2008 war with Georgia. ‘Security’ and ‘viability’ are key issues for partners of such large ventures. “If foreign investors and companies were to lose trust in Georgia as a safe transit nation, then the Nabucco project would be shelved.”

Map 2.3: South Caucasus Energy Transport Routs; Where Oil and Water Mix¹



- **Managing Conflicts**

Russia has been actively involved in regional ethno-territorial conflicts either as a mediator or an ally for one side. According to Hill & Taspinar (2006:17) “leading policy-makers,, have sought to apply a policy paradigm of controlled instability in the South Caucasus through ‘peacekeeping’ and mediation in ethnic conflicts and through military footholds in the region. This policy is based on perpetuating the conflicts within predictable and usable parameters, frustrating their settlement without allowing their escalation. The primary goal is political leverage over Georgia, Azerbaijan and Armenia, through Russian arbitration among the parties to those conflicts and through preservation of local protectorates in areas of Russian troop deployment.”

¹ Ivanova, N. (2009) *The Forgotten South Caucasus: Where Oil and Water Mix*. Available at: <http://www.circleofblue.org/waternews/2009/world/the-forgotten-south-caucasus-where-oil-and-water-mix/> (Accessed on 20.06.2012)

Nixey (2012:4-10) considers Moscow's objection to deployment of international peace keeping forces and adjustments in the make-up of the Minsk group as evidences which prove that Russia's interest to play a central role in the management of Nagorno-Kharabakh conflict is more the matter of gaining control rather than genuine interest in the resolution of the conflict. As a result, while there has not been considerable development in the resolution of the conflict, one of the most significant achievements of the process in the past few years has been the consequent rapprochement between Moscow and Baku, and the resulting growth of Russian influence over Azerbaijan.

- **Managing Alliances**

Moscow's top policy for countering Western sponsored regional alliances like GUAM and OSCE is to manage new regional alliances that would help Russia to keep the former Soviet republics under its own sphere of influence. This includes development of organisations such as Commonwealth of Independent States (CIS), and Collective Security Treaty Organisation (CSTO). Using different means, Moscow has managed to persuade all three South Caucasus countries to join CIS with Georgia being the last one to join in 1993. However, according to German (2012:104) since the former Soviet republics were not prepared for ceding any of their sovereignty into any central authority, the CIS has failed to develop into an effective regional organisation. As a result, while the CIS has been "useful as a forum for certain kinds of interaction and association", but it lacks dynamism. (Nation 2007: 20) Nevertheless, the CIS became the origin of Eurasian Economic Community in 2001 and is facilitating trade exchange and customs among the CIS countries.

Also in 2002 CSTO emerged from within the CIS and "since then it has striven to assert its legitimacy as a regional security forum." (ibid) However as Nation (2007:28) explains; "there is little evidence of any kind of effective security interaction relevant to the needs of the region as a whole. Polarization along a fault line defined by great power priorities not related intrinsically to the interests of the Caucasus itself defines patterns of association in the security realm."

According to Hill and Taspinar (2006:12) "insisting on special arrangements (like the NATO-Russian Council) ... or deliberately undermining institutions (through, for

example, its efforts to block the budget of the OSCE in 2005”); are among alternative methods that Russia has employed to achieve its goal of weakening Western sponsored alliances. So far it seems that despite incompetency of the Russian led organisations; Moscow has achieved this goal - at least partially, as the 2008 war diminished the Western leaning GUAM group. Moreover, “the Organization for Security and Cooperation in Europe, of which all three South Caucasus states plus Russia are also members, has been weakened by Russia because of disagreements over the institution’s democracy promotion agenda.”(Nixey 2012:7)

- **Using Economic Leverages**

One of the Soviet era legacies is the interwoven, asymmetric economic relation between Russia and South Caucasus countries. “Russia remains the principal economic power in the region and many key enterprises are in the hands of Russian investors, including critical infrastructure such as mobile telephone communications and energy.” (German 2012:98)

In an effort to gain further political leverage over its neighbours, Moscow has tried to find a strong foothold in their economies through major investments or ‘equity for debt’ deals. The latter is particularly true with regard to Armenia. During Kucharian’s presidency, many state owned strategic assets were transferred to Russia in return to writing off the country’s debt, creating concerns about Armenia’s sovereignty. Georgia is also over relying on Russian capital, not to the same degree but enough to cause concerns. “There are numerous examples of Georgian companies, particularly within strategic sectors, passing under Russian control.” (German 2012:100) This phenomenon has continued even after the 2008 war.

Owing to its natural resources which have brought economic prosperity, Baku is less tangled in Moscow’s grip than its two neighbours. Russia only controls the Baku–Novorossiysk oil pipeline and has some shares in electricity and aluminium industries. (Nixey 2012:5) However, Nixey (ibid: 6) believes that “Russia’s greatest economic lever with Azerbaijan and Armenia is in the form of migrant workers and their remittances. For example, Azerbaijan has approximately two million citizens working in Russia, sending \$2.5 billion back home – 10% of GDP. The Azeri population resident

in Russia constitutes a particularly strong form of leverage insofar as Russia has threatened to deport illegal workers and impose a visa regime.”

2.4.5. Turkey

One of the main advantages of the independence of the former Soviet republics for Turkey was to create a buffer zone between the Russian Federation and Turkey, relieving Ankara from the security challenges of sharing land borders with the Russian Federation.

Turkey’s initial calculation was that if these republics were empowered to a degree that they could “resist outside pressure and interventions, then Turkey’s historical, political, economic and strategic regional pull would gently push them towards Ankara’s orbit”. (Aydin 2012:174) The incentives were strong enough to encourage Ankara to officially recognise the independence of these republics even before US or other Western powers do so and to support these countries in their process towards gaining political stability.

The emergence of Turkey as NATO’s new front line state with obvious Westward orientation resulted in the assumption by both Turkey and the West particularly the US, that Ankara would be able to fill in the vacuum created by the collapse of the Soviet Union and play as the new regional superpower who will help in containing Russia to rise and spread its influence in the region, and will pave the way for the infiltration of the West in the region. It could also help in preventing Iran from drawing Muslim republics of the former Soviet Union under its own influence and promoting Islamic extremism. As a result, there was a widespread support and propaganda by the West towards the ‘Turkish model’ of governance as opposed to the Iranian model. Therefore at least for the first decade after the end of the Cold War, Turkey was trying to balance the challenging task of an influential regional player while proving its functionality to the West both as a NATO ally and as a prospective EU member.

While quite happy for the Turkey to play a role in containing Iran’s influence and development of Islamic extremism in the region; Russia has been otherwise very sensitive towards Turkey’s plans. Ankara became eventually aware that “it needs to accommodate Russian interests at least until it has consolidated its own influence.” (Goskel 2011:20)

Although the establishment of the Agency for Turkish Cooperation and Development in 1992 provided an instrument for economic cooperation between Turkey and Caucasus countries (Steinbach 2012: 155); since Turkey did not have the necessary capabilities required for replacing the Soviet Union, less than a decade after the end of the Cold War, while Ankara had failed to live up to its ambitious rhetorics and the expectations of the newly independent republics, Russia's leverage in the region had prevailed.

Faced with regional realities and international distaste, Turkey's initial fervours for fulfilling its pan Turkic aspirations within the post Soviet space faded away considerably and was replaced with more economic and security dimensions. Nonetheless, Ankara has never quitted playing the role of big brother for Azerbaijan. An obvious and ongoing example is Turkey's border closure with Armenia following the occupation of Azeri territories by Yerevan despite all diplomatic and economic restrictions that it has brought for Ankara to play the role of an influential regional power.

Turkey has been actively engaged with at least one other important regional geopolitical development, which is the pipeline diplomacy. Since the early 1990s when the policy of curtailing Russia's monopoly over the pipeline routes was undertaken by Western players, Turkey has continuously been one of the most active partners in various pipeline development projects. "The Baku-Tbilisi-Ceyhan (BTC) oil and the Baku-Tbilisi-Erzurum (BTE) gas pipeline, as well as the Blue Stream natural gas pipeline from Russia and all the other planned connections (Kazakh oil to BTC, Turkmen, Iranian and Iraqi gas, further Russian gas through Blue Stream II, and connecting all these to Europe through Nabucco) are aimed at making Turkey a regional energy player." (Aydin 2012:175) Turkey's involvement in pipeline diplomacy has evolved throughout the two decades after the end of the Cold War. While Ankara was initially happy to be a partner in these projects, and then content for the role of energy corridor; under the AKP government the aspiration for becoming a regional energy hub has become a pillar in Turkey's foreign policy.

The pipelines have further strengthened Ankara- Baku link and created a trilateral alliance involving these two as well as Tbilisi. The unresolved Nagorno-Karabakh conflict has resulted in the exclusion of Armenia from pipeline projects, despite the

potential to provide the shortest route from Azerbaijan to Mediterranean. With US's insistence on boycotting Iran from any pipeline route, the only left option is Georgia. The pipeline based cooperation has resulted in Turkey becoming both Azerbaijan and Georgia's biggest trade partner.

The rise of the AKP to power in 2002 offered an opportunity for Ankara to review its foreign policy. The articulation of priorities in this revised foreign policy included stability in the neighbourhood, zero-problems and increased economic ties with neighbours (trade and investment), becoming an energy hub between Eurasia and Europe, and bridging the global religious/civilisational divide. (Goskel 2011:17) Turkey's failed attempt for EU membership and the 2003 Iraq war provided the opportunity for Ankara to act more independent of the West, as it had fewer incentives for appeasing the West.

However, it was the 2008 Russian-Georgian conflict which convinced Turkey to assume a more proactive and constructive role in the region, due to concerns over exclusion from major regional geopolitical developments, which could in turn affect its economic interests particularly as a transport and energy hub. Hence, "Erdogan resurrected an idea – earlier proposed by his predecessor, Süleyman Demirel – of a Caucasus Peace and Stability Platform (CPSP)." (Oskanian 2011:24) "The CSCP maintained the channels of communication and dialogue open with Russia and has been a good tactical move to overcome tensions between Georgia and Russia." (Punsmann 2010:3)

An important characteristic of the CSCP initiative was to focus on regional players and exclude the EU and US. However, according to Gorgulu & Krikorian (2012:4) the exclusion of Western players "was of particular concern to Georgia, which has close relations with both parties." Moreover, Turkey was not seen as an objective player as it is closer to Azerbaijan than Armenia. "In the end, the platform was rejected by both Azerbaijan and Georgia, while Armenia did not directly oppose the initiative." (ibid)

Summing up Turkey's engagement with the South Caucasus it can be concluded that although Ankara has not yet succeeded in realising the ambition "for a leading role in a region extending from the Adriatic Sea to China, including the Central Asian republics, the Caucasus, the region around the Black Sea and the Balkans" (Goskel 2011:5 quoted from Freddy De Pauw) but has taken some [steps in this direction](#) by "endeavor to solve problems

with neighbors, including Armenia, to turn Turkey into an energy hub, to deepen collaboration with Russia, to increase the prominence of Islam as a soft power instrument, and to position itself as a leader in the Middle East defined Turkey's geopolitical priorities and caused realignments in the Caucasus.” (ibid)

2.5. Conclusions

The emergence of new geopolitical entities and realities in the area which used to be an integral part of the Soviet Union was one of the consequences of the collapse of that superpower and the end of the Cold War.

In addition to security challenges stemming from the geostrategic circumstances of the South Caucasus, the region became crowded by numerous regional and outside players each seeking their own interests and undertaking policies to ensure those interests. Rivalries and competition of various players for influence and power, which has been particularly evident with regard to the Caspian energy resources and transport routes resulted in a situation branded by some analysts as the ‘new Great Game’.

‘Balance of power’ and ‘Security’ are the two concepts which can summarise US goals generally in Eurasia and particularly in the South Caucasus. Securing the position of the ‘sole superpower’ by spreading its sphere of influence in the region and preventing the rise of any regional power or strong adversary who can challenge such status has been the primary objective of US regional policies since the end of the Cold War. Security of ‘energy resources’, routes and markets are another part of this goal.

Resorting to Pipeline diplomacy, initiatives for integrating the former Soviet republics in Western oriented organisations and financial aids have been among the most important instruments employed by the United States to achieve its goals and establish a comfortable influential position in the politics and economies of the region. However, the overall scope of US interest in the region will depend very much on future strategic significance of the region for US policies; including developments in Iran-US relations.

EU’s main goals in the region have been:

- 1- Diversification of energy supplies using Caspian energy resources as well as

diversification and increased security of transport routes both for energy and goods.

2- Development of security and stability in the region through political and economic development

To achieve these goals EU has gradually increased involvement in the region through joint ventures and multifaceted economic and political development programmes. However, while various initiatives have increased EU's involvement in the South Caucasus; they "do not yet constitute a coherent policy..... rather serve as building blocks of an emerging EU vision for the region." (Huseynov 2009:51)

The goal of NATO, as the security and foreign policy arm of the US and EU has been improvement of security and stability in the region to ensure the interests of its members. To achieve this goal, the organisation has executed various flexible initiatives aiming to develop security cooperation with regional countries with the prospect of NATO membership which has been particularly attractive for Georgia.

Russia has employed different means from competing organisations and pipeline networks, to manipulating conflicts and economies to balance its power against US by keeping regional countries under its own sphere of influence, and containing the increasing influence of the West. Where none of those means has achieved the expected result, Moscow has used its economic leverage or military might to get what it wants. The 2008 war with Georgia was a reminder for other players particularly the United States and NATO that Russia would not let any other player get the upper hand in its strategic sphere of influence and would not tolerate zero-sum games.

Despite its initial quest for filling the vacuum left by the Soviet's collapse, Turkey fell short of its ambitions and contented to being a major regional power. Nevertheless, through active participation in major pipeline network initiatives, Turkey has not only taken steps in becoming the regional energy hub but has also established close relations with both Azerbaijan and Georgia. Still, Ankara needs to have some degree of relations with all countries of the South Caucasus to be able to play the role of an influential regional player. The fact that Turkey's relations with Armenia have become the hostage of Nagorno- Karabakh conflict has reduced Ankara's influence and manoeuvring capacity.

Further polarisation of the region in the wake of rivalries for power and influence is one

of the important post Cold War developments in the South Caucasus, with Armenia continuing to be Russia's loyal ally and Georgia's considerable tilt towards the West and its enthusiasm for integration into Euro- Atlantic alliances which has further exacerbated Russia's sensitivities towards Western players. However, the 2008 Georgia-Russia war altered the geopolitical balance of the region and forced other players to recalculate their strategies.

With the exception of Iran, the goals and policies of major players in the South Caucasus was examined in this chapter. The next chapter will review Iran's foreign policy as an introduction for the consequent chapter which will examine Iran's regional policy in both the Middle East and South Caucasus.

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