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GEOPOLITICAL BREAKTHROUGH AND EMERGING CHALLENGES: THE CASE OF THE SOUTH CAUCASUS

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INTRODUCTION

Since the break up of the Soviet Union, the South Caucasus has become vitally important to economic and security considerations, both regionally and globally. In fact, the world community's renewed attention has led to the region's reappearance on the international stage. Simultaneously, the contemporary fragile stability of three newly independent states of the South Caucasus - Armenia, Azerbaijan and Georgia - is arousing serious anxiety in the Western democracies. Post-communist leaders and their governments are acutely embroiled in a complex set of ethnic conflicts, which produce additional difficulties for developing a market economy, democratic institutions and an open society in the region. The three infant nations, grappling with the complexities of rapid economic and social transition are indeed searching for the keys to a new civilizational and national model of statehood.

At the same time, domestic developments are taking place under the growing interference of outside geopolitical forces, which demonstrate great interest towards the natural resources and geo-strategic potential of the Caspian basin region. Consequently, the foreign influences of the major geopolitical players create immediate barriers for the newly independent states in the South Caucasus. Perhaps most importantly, the region is historically prone to internal conflict between small nations and external conflict with outside powers competing to extend their influence in this part of the world.

**SMALL NATIONS IN THE SOUTH CAUCASUS:
NEW REALITIES AND OLD TENSIONS**

In the post-Cold War era, the geopolitical situation in the South Caucasus has developed under the influence of several circumstances. First, the infant states were not sufficiently prepared when they gained their independence immediately following the Soviet collapse. The three nations each attempt to solidify and further their struggle for independence, despite big difficulties. And the difficulties in the newly emerging states are colossal, complex and long lasting as these nations have been shocked by political, socio-economic and human problems, more frequently accompanied by hostility, conflict or war.

On the other hand, the transportation of Caspian energy resources, the development of new oil pipeline systems and the competition of major world power centres over oil and gas reserves have

created far-reaching consequences for Eurasian politics, economics and security. The region's massive energy reserves have caught the attention of many outside giants, which vie for influence in the oil-rich region. These powerful struggles force leaders and policy-makers in the South Caucasus to consider the positions of great powers while crafting their foreign policies. The modern-day competition for the energy resources and oil pipeline routes in the Caspian basin is therefore a complex of security, geopolitical and economic variables.

So far, the South Caucasian nations have been in historic transition, which has already given rise to armed conflicts in Nagorno-Karabakh, Abkhazia and South Ossetia. The newly independent states are no more than weak nations with a very fragile statehood. The post-colonial period of struggle in search of independence is still going on and is likely to continue for many years.

Today the actual situation in each of the newly independent states is completely different and, while generalisations have their utility, it is best to consider the individual characteristics of each of these three new geopolitical entities. The framework of this article does not allow a complete consideration of all possible factors that could influence foreign policy strategies in the South Caucasus. Instead, the below overview is no less important as a scholarly attempt to focus on the foreign policy orientation of three South Caucasian countries in the post-Soviet epoch.

Armenia

Already in the final years of the Soviet Union, during the perestroika, Armenia became the most homogenous former Soviet republic after the Azeri minority fled in 1988-1989. Following the disintegration of the USSR, Armenia rapidly turned to Russia and has been striving to gain control over Nagorno-Karabakh from Azerbaijan. In 1995, Armenia voluntarily signed a military agreement with Russia and it has allowed Moscow to deploy at least 20,000 Russian 4th Army troops on its territory, concentrated around two major bases.¹ Armenia's ties with Moscow have been among the best of the fourteen other ex-Soviet states and the new friendship pact, dubbed a declaration of joint co-operation in the twenty-first century, was aimed at cementing this strategic relationship.² From the very beginning of development of the tensions between Armenia and Azerbaijan, Yerevan strongly supported its community in Nagorno-Karabakh and actually started undeclared war against Azerbaijan in the early post-independence decolonisation period. Although a fragile cease-fire halted the fighting in 1994, the peace negotiations are deadlocked and the conflict remains unresolved.³ More precisely, the conflict is an international issue since the United Nations, OSCE, European Union and many other regional and global players are increasingly involved in the peace negotiation process between Armenia and Azerbaijan.⁴

In the meantime, since independence, Armenia's economy has undergone numerous serious disruptions mostly because of the war in Nagorno-Karabakh and partly because of the transition to a market economy. Armenia's economy remains critically flawed and the level of foreign investment is understandably very low in this country. Armenia is located too far from European, North American and East Asian markets. In addition to the long-lasting, painfully tense relations between Armenia and Turkey and Armenia and Azerbaijan that prevent Armenia's direct trade with its immediate neighbours, macroeconomic trends in recent years have suffered further because of the 1998-1999 Russian economic crisis, which caused renewed industrial decline, a further corrosion of external balances and accelerating inflation. Most notably, Armenia's isolationist policy toward its nearest pro-Western neighbours and the Western world in general has really made this landlocked country totally dependent on Russia for economic and military support. In point of fact, Armenia has become

the most obedient satellite of the Russian Federation, and more specifically, Yerevan has turned into the puppet of the Kremlin leadership's strategy in the South Caucasus. To what degree Moscow attempts to manipulate the conflict between the two post-Soviet states to expand Russian influence in the region, and the level at which such a very risky strategy could have been approved in the Kremlin, is certainly arguable, but the result is clear. Predictably, because of strategic and economic factors, Armenia will prefer to remain in the Russian sphere of influence. It is therefore obvious that Armenia will, as usual, always remain Russia's geo-strategic ally and the latter will benefit from using this puppet against pro-Western Azerbaijan and to a certain extent against Turkey, which is the only NATO country in this area of the world.

Azerbaijan

After gaining independence in 1991, Azerbaijan has collided with immediate internal and external challenges to its territorial integrity and sovereignty. Although the early years of the post-independence period were very difficult, Azerbaijan, under the one-year rule of the popularly elected pro-Turkish President, Ebulfez Elchibey, succeeded in getting all Russian forces and border troops withdrawn.⁵ Mr Elchibey promised democratic reforms within the country and a quick victory in Nagorno-Karabakh. However, he could not accomplish the major parts of his presidential programme and the country began to slip rapidly into political and economic chaos. As a result, Mr Elchibey, who Azerbaijani society perceived as a very naive and inexperienced politician, was overthrown in June 1993 and replaced by former Communist leader Haydar Aliyev. Mr Aliyev, in turn, tried to balance the interests of the major powers to secure Azerbaijan's independence. He began to pursue a more even-handed approach in foreign policy relations with neighbouring countries. Since the Aliyev presidency, Azerbaijan has come under severe pressure from Moscow to allow Russian military bases on its soil but, thus far, it has failed to bow to this. The Kremlin, using the Nagorno-Karabakh war as leverage, has heavily increased its influence in recent years with the purpose of re-establishing Russian control of the Azerbaijani-Iranian frontier by bringing back its border guards. Moscow very much hopes to benefit from the vast oil reserves of Azerbaijan and has been forcing the Azerbaijani leadership to grant Russian corporations a greater share in the oil rights.

Meanwhile, Azerbaijan remains very concerned about continuing Russian-Armenian military co-operation. Arms transfers played a crucial role in Armenia's seizure of large areas of Azerbaijan, resulting in a million refugees and internally displaced persons. Ethnic Azeris from the part of Azerbaijan under Armenian control are prevented from returning to their homes by a heavily militarised ruling structure. Such a deadlocked situation of no war, yet no peace in the area of conflict and a number of other destabilising factors have made Azerbaijan seek outside help from both the United States and Turkey to restore a seriously violated balance of power in the region. Azerbaijan in recent years has signed several defence treaties with Turkey and has started to consider the possibility of inviting NATO to establish bases on its territory.⁶

Accordingly, Russia and Iran have cited negative consequences of moving NATO bases to Azerbaijan. Both Moscow and Tehran view America's increasing engagement and NATO's rapidly growing interest in the South Caucasus with suspicion. Baku, in turn, is ready to co-operate more fully with NATO and believes that as the oil-exporting infrastructure is developed, security concerns will draw Azerbaijan closer in the pursuit of true regional stability.

Strikingly, despite the strains of the twelve-year old conflict with Armenia, which have severely disrupted national economy, Azerbaijan in recent years has made considerable economic progress due to the signing of numerous oil contracts and the development of foreign investment processes.

Particular attention should be given to the signing of the 'contract of the century' in September 1994, which enhanced Azerbaijan's role in the world and enabled the Azerbaijani leadership to provide the foundation for a Western presence in the Caspian Sea region. Correspondingly, Azerbaijan significantly contributed to the realisation of such major regional projects as TRASECA, the Great Silk Road, alternative oil pipelines and GUUAM.

However, the dynamics of the Nagorno-Karabakh conflict, domestic tensions and growing contradictions between the ruling élite and different oppositional political parties, as well as a lot of other geopolitical factors that have intensely affected the direction of Azerbaijani foreign policy, continue to remain crucial for long-term stability in Azerbaijan. All of the recent and current domestic processes in Azerbaijan, including the contemporary geo-strategic situation around the South Caucasus, have played a bigger role in shaping Azerbaijan's foreign policy since independence.

Georgia

From the early period of post-Soviet independence, Georgia took a very firm pro-Western stance. Georgia's foreign policy élite's excessively hard position gave rise to the fast development of destabilising factors within the country that, in turn, enormously helped Moscow manipulate the factions and ethnic minorities in different regions of Georgia to make them all dependent on Russian intervention. This geopolitical manoeuvre, clearly directed from Moscow, conclusively succeeded in pressurising the Georgian government under President Eduard Shevardnadze to agree to the presence of Russian troops.⁷

In the meantime, despite the existence of Russian peacekeepers in both Abkhazia and South Ossetia, including Georgian acquiescence on military basing rights, ethnic conflicts in these areas remain unresolved, and Russia has refused to effectively co-operate in restoring Georgia's territorial integrity. The Georgian government has no effective control over Abkhazia and much of South Ossetia. Georgia has long been distressed with Russia's unofficial support of the Abkhazian secessionist movement. Tbilisi has also urged replacement of Russian peacekeepers in Abkhazia with NATO troops.⁸

Notwithstanding a little change of the situation around Russian bases in Georgia, Moscow undertook to withdraw its military equipment and forces from Vaziani near Tbilisi, and Gudauta in Abkhazia by 1 July 2001.⁹ In parallel, since last year, Moscow and Tbilisi have started to discuss the issue of the closure of all Russian military bases in Georgia.¹⁰ Georgia, however, has experienced a lot of difficulties while negotiating with Russia on the question of withdrawal of Russian forces from Georgian soil. Tbilisi seems to be trying to get rid of all of the Russian bases but this task has become a very complicated issue since Moscow is hardening its policy in the region.

Simultaneously, several convoys of Russian armoured vehicles in recent months have moved from Russia's Akhalkalaki base in Georgia to Russia's base at Gyumri in Armenia for permanent deployment there. Much of the military equipment has been redeployed to Gyumri, which is located on the Turkish border, and other Russian-supplied hardware has been deployed with Armenian units in areas seized from Azerbaijan.¹¹ Azerbaijan welcomes the agreement to withdraw Russian military bases from neighbouring Georgia within the framework of the Conventional Forces in Europe Treaty. The transfer of Russian military equipment to Armenia, however, looks very strange and creates new security problems in the region. Seemingly, such deployments can only add to existing geopolitical tension in the region while complicating efforts to negotiate a peaceful solution

to the conflicts in the South Caucasus.

Nevertheless, Georgia's relationship with NATO is worth mentioning. Like Azerbaijan, Georgia continues to seek further ways to make its relations with NATO firmer. In addition, Georgia's significance has also grown in the light of the Trans-Eurasian transportation projects to restore the Great Silk Road.

Objectively, Georgia in recent years has joined Azerbaijan in creating a strategic alliance with Turkey in the region. In fact, a strategic partnership with neighbouring Azerbaijan holds an important place in Georgia's foreign policy, while military and technical co-operation with Turkey and the West has been substantially upgraded.

The Baku-Supsa oil pipeline, which is one of the most important links in the transit line, has become another strategic asset for Georgia. Many local commentators believe that this pipeline will turn into a guarantor of political stability in Georgia. Some Georgian analysts are confident that oil transit has political rather than economic importance for Georgia.¹²

Paradoxically, it is noteworthy that the process of disruption of the Georgian national economy during the post-communist transition to a market system was compounded by the conflicts in Abkhazia and South Ossetia, and potential instability in Adjara and Javakheti. Like Armenia, Georgia suffered in 1998-99 from the Russian financial crisis. Economic progress remains weak in this country and reforms go very slowly in part because of the volatile political situation and lack of a constitutional mechanism for solution of the Abkhazian problem.

Similarly, internal political instability and the ongoing tensions with Russia will further deteriorate the security environment in Georgia. The fact that relations between Russia and Georgia are still uncertain and controversial in the post-independence period may breed stronger mistrust between them. Most likely, there will be a new complicated situation in Georgia, which may face a number of security challenges coming from its northern neighbour. Much more serious trouble and a new cycle of instability will presumably await the Georgian ruling élite in Abkhazia, Adjara and Javakheti, which are mostly minority populated areas.

Obviously, this analysis of the situation in these three countries testifies to the existence of traditional tensions and emerging realities in the post-Soviet South Caucasus. What is more interesting, there is a clearly defined distinction in the foreign policy orientation of three South Caucasian states. Further, there is a certain inequality in the preparedness of these three small nations to co-operate with the Western democracies and, hence, integrate more fully into the international community. For instance, Armenia, forging an alliance with Russia and Iran, has been left on the sidelines of many international projects. This has isolated Yerevan from its nearest post-Soviet neighbours. Despite intensive trade and energy co-operation with Russia and Iran, Armenia's relations with these two powerful regional players has set some limits on the extent of its co-operation with NATO, the United States and the rest of the Western world. At the same time, the strategic and military alliance with Russia has hindered Armenia's already decreasing possibility of participating in various NATO programmes for the newly independent states.

In contrast, both Azerbaijan and Georgia seek a special partnership with NATO and are eager to promote co-operation with the Alliance. Azerbaijan and Georgia believe that the construction of the Baku-Ceyhan pipeline and development of the East-West corridor will provide another excellent

opportunity for them to launch more active co-operation with NATO. Baku and Tbilisi very much count on Turkish support in their regional policy, and Turkey, in turn, provides its strategic rear in relations with Russia. And finally, Azerbaijan and Georgia, ethnically diverse states, believe that political stability in the South Caucasus cannot be ensured without the ultimate and just resolution of the Nagorno-Karabakh and Abkhazian conflicts.

Thus, while Armenia has strongly aligned itself with Russia and Iran and views these two influential powers as a counterweight to Turkey and the West in the region, Azerbaijan and Georgia have taken some substantial steps toward developing their own geo-strategic alliance with Turkey and the United States, via promoting interaction with NATO countries. What is most unsurprising, over the last decade, the Nagorno-Karabakh conflict has distracted Armenia from joining Azerbaijani-Georgian co-operation within the region. This would have led landlocked Armenia to economic progress and quicker integration into the Western world. Yerevan, which relies mostly on its relationship with Moscow, simultaneously considers retaining good relations with Iran to be vital to its national security and favours a more active Iranian presence in the region. Meanwhile, Azerbaijan and Georgia, which have broadened geo-economic co-operation between them and expanded their strategic partnership with the Western democracies, especially via the NATO alliance, have been trying to move out of the Russian orbit for several years. In certain respects, the aforementioned course of developments might be a very risky enterprise. Since the early post-independence period, both the Azerbaijani and Georgian political leaderships, seeking to resolve their national security issues, have relied mainly on their own strategies vis-à-vis Russia. The post-Soviet life of all the three nations remains critically complex. Geopolitical strains create new challenges and options that indicate the seriousness of the upcoming crisis in the South Caucasus. The long-term security of all three nations continues to be threatened by the development of the geopolitical stalemate over Nagorno-Karabakh and Abkhazia. With the modern, increasingly problematical situation, three independent states are searching for the keys to overcome the cataclysmic upheavals of the transition period. This has become a very difficult task for the South Caucasian ruling élite since the emerging political order is still in flux and security issues are very crucial in the region. Whether these small nations will succeed as independence forces in the new millennium will depend considerably on the capabilities and ingenuity of their leaders. Success will also depend on the geopolitical role that many state and non-state actors as well as great and regional powers will play in this sensitive region, which is nowadays marked by violence and disorder, and restricted democratic and economic developments. What follows below is a discussion of the major players (Russia, Iran, Turkey and the United States) and their strategic interests in the South Caucasus region.

KEY GEOPOLITICAL PLAYERS ON THE SOUTH CAUCASIAN SCENE

In the new post-Cold War period, the South Caucasus has figured prominently in the foreign policies of many outside powers, which rigorously compete to extend their influence in the region. Major rival powers within the region are normally identified as Russia, Iran, Turkey and the United States, but these four are not equal and their roles and influences are completely different. Whereas Iran and Turkey are regional players, Russia, remains a global power and firmly sees the United States as a leading competitor in the region. More precisely, the present-day geopolitical situation explicitly illustrates the revival of the Great Game between Russia and Turkey, Iran and Turkey, and Russia and the United States. This has resulted in the creation of two conflicting military and political alliances in the region - Russia and Iran versus the United States and Turkey - and small nations of the South Caucasus are becoming increasingly involved in the geopolitical intrigues of the key

powerful players.¹³

Russia

Clearly, Russia claims the post-Soviet South Caucasus as her legitimate sphere of influence and has concerns about security on her southern border and the potential alliance of Turkey with new secular Islamic states in the region. Russia is naturally trying to restore its traditional geopolitical hegemony over the South Caucasus and is actively but subtly competing for influence over its neighbours. Regarding the economic claims of the Caspian Sea, Russia would like to see pipelines transport the energy resources to or through Russia. Finally, Russia is deeply suspicious and resentful of US and NATO 'encroachments' that promote democracy and development in its 'near abroad'. Much that happens today in Russia will have a significant impact on the South Caucasus and on the entire CIS region. The fate of Russia's new neighbouring countries will depend on the fate of Russia itself. Russia sees this oil-rich area as a geo-politically important region. Moscow believes that Russian oil corporations and business circles should more intensively participate in the competitive battle for Caspian resources. Over recent years, the Kremlin has heavily amplified its pressure on Azerbaijan and Georgia, the only true pro-Western countries in the CIS area. Ignoring Russian interests will therefore have dire consequences for such countries as Azerbaijan and Georgia, for Russia might easily manipulate ethnic factions within these two countries and use Nagorno-Karabakh and Abkhazia as leverage to restart wars in the conflict-torn areas. Nonetheless, given that the hot spots tend to generate a destabilising spillover within Russia itself, Moscow should have a more concentrated interest in economic revival in the South Caucasus. Conflict resolution, stability and peace should be in the Kremlin's interest, as Russia is nowadays facing new emerging threats on the southern borders with neighbouring states. The only question, which is very far from a clear answer, however, is whether Russia will be able to make a valuable contribution toward promoting security and long-lasting peace in this unfolding and complex region.

Since the last decade of the twentieth century the strategic importance of the region has strangely enough put the small nations under pressure from the eternally ambitious but so far economically weak post-imperial Russia. Certainly, Russia has played until now and will continue to play an active role to remain engaged in the region. Moreover, the Kremlin very much wishes to restore the former Soviet Union with a new content that would gratify not only Russia's interests, but also the entire 'near abroad.' What is most interesting in this context is that some American observers predict further development of the region under the domination of Russia.¹⁴ Russian military and political assertiveness in the former Soviet republics and even beyond is indeed growing.¹⁵ Despite Moscow's desire to be one of the leading European democracies in the twenty-first century, Russia, it seems, will long remain faithful to its traditional policies of divide and rule.

Iran

Iran is another significant geopolitical player in the Great Game, since it is located in the vicinity and has traditional historical, economic, cultural, and ideological interests throughout the South Caucasus. With the collapse of the Soviet Union, Iran, which is in a geo-strategically sensitive position in the Southern Tier, very much hoped to restore its former historical influence in the post-Soviet South Caucasus. Despite Tehran's well-known anti-American policy, the Iranian leadership is trying to affect the political and economic shape of the region. Iran has thus far been an important player in the geopolitical manoeuvrings in the South Caucasus and in the Caspian basin region. Although Tehran maintains its strong opposition to Western strategy in the region, Iranian

policy may change in the near future. Until then, Iranian policy toward the entire Caucasus reveals the difficult geopolitical situation in which the Islamic Republic finds itself.¹⁶ Presumably, Iran has become involved in extremely risky manoeuvres while developing its strategy in the South Caucasus. Iran sees Turkey as a big competitor and has therefore found an ally in Azerbaijan's powerful northern neighbour - Russia. In the post-communist period, the Iranian and Russian strategic partnership has covered trade and technical co-operation in the nuclear field, which in recent years has disturbed Russo-American relations. The official visit of Iranian President Mohammed Khatemi to Moscow in March 2001 is a strong acknowledgement of broadening strategic co-operation between Russia and Iran.

In the case of the South Caucasus, Iran has been very cautious, however, like Russia, Iran also has great concern about what happens in Azerbaijan and especially in the Caspian Sea region. Perhaps, a politically independent, secular and pro-Western Azerbaijan is not in Iran's interest. The Iranian political élite believes that Azerbaijan, which firmly retains its pro-Western policy, may emerge as a strong petroleum-producing country in the future. According to Iranian analysts, such a situation may lead Azerbaijan into competition with Iran. Tehran clearly realises that Azerbaijani ties with Turkey, NATO, the United States and Israel will decrease Iran's influence in the region. Nevertheless, Azerbaijan must make a concerted effort not to isolate Iran, lest Iran and Russia cultivate a strategic alliance that could threaten Azerbaijan's territorial integrity and its sovereignty. Isolation could also bring about the enhanced rapprochement between Iran and Armenia that has been developing over the last few years. Iranian-Armenian relationships are nowadays the most advanced. Armenia is the only part of the South Caucasus where Iran has had much influence. Of all the regions in the newly independent states, a small Christian Armenia was about the last place politicians and observers expected the Islamic Republic of Iran to be a big player. But economics, not politics or religion, seems to dominate this mutually beneficial relationship. Armenia and Iran share an interest in seeing a north-south pipeline running from Russia to Iran, which may play a greater part in determining Iran's regional role in the future. Because of the danger inherent in such a policy, Azerbaijan should therefore pursue co-operation with Iran just like Georgia started to do from the early years of its independence.

Turkey

Turkey is another important regional player, since much of the Caspian oil will have to go through Azerbaijan to the Mediterranean port of Ceyhan. Ankara considers the South Caucasus one of its priority regions. From an economic point of view, Turkey's vital interests include contributing to oil and gas deals and transporting strategic resources to international markets. In the political sphere, Turkey's foreign policy strategy is focused on expanding support for independence and democracy in the South Caucasian countries. Furthermore, Ankara, reviewing the unpredictable regional security situation, is attempting to involve the newly independent states in its sphere of influence. In this regard, the Turkish leadership relies mostly on its strategic alliance with the United States and NATO countries.

Objectively, Turkey, which has traditionally allied itself to the Western democracies, has become the most attractive partner for the newly independent states in the region. More precisely, Ankara sees Azerbaijan and Georgia as its natural allies in the South Caucasus. Baku and Tbilisi, in turn, seek to promote their military and political co-operation with Turkey. Turkey serves as an effective model for developing democratic institutions, including market economy reform efforts for the small nations of the South Caucasus. Turkey, as a member of NATO, played and continues to keenly play

an important role in encouraging the participation of these small geopolitical entities in such NATO programmes as Partnership for Peace and the Euro-Atlantic Partnership for Co-operation. Although Ankara has focused increasing attention on the volatile South Caucasus, Turkey's influence in the region is limited by its inability to provide significant support needed by the newly independent states. Further, the instability that frequently marks Turkish society has obstructed any serious Turkish influence in this troubled region. Even despite the strong linguistic and cultural ties to the Southern Tier, Turkey will have less impact in the region than any other geopolitical player. In addition, it is obvious that Turkey is in the process of wrestling with its own domestic problems. The recent economic crisis and internal political tensions in the top circles of the ruling élite are a case in point. On the other hand, its significant geopolitical position gives Turkey a momentous advantage over other powerful players in the region. Ankara will remain engaged in all future oil pipeline games around the Caspian basin. The historical connection and geographic proximity to the South Caucasus as well as many other factors have enabled Turkey to act as a strategic window for the small nations seeking more effective integration into the international community. The lure of the oil in the region and the need for transportation to Western markets therefore provides added incentive for further Turkish involvement.

The United States

The United States is the final and most important player in the South Caucasus, despite its remoteness. The United States has become more active in the Caspian basin over the past several years because Washington views the South Caucasus as a zone of strategic significance. Questions related to oil pipelines, gas reserves and the security of energy supplies are of vital national, economic and geo-strategic interest to the United States. The post-Soviet South Caucasus has therefore taken an important place in US foreign policy. Washington, nevertheless, also sees the region as a conduit for small arms and light weapons to conflict-torn areas, including strategic missile and nuclear technologies bound for Iran. And finally, the United States apparently realises that this troubled part of the world may become a battlefield of competing civilisations.

Notwithstanding the increasing involvement and emergence of geo-strategic objectives, American engagement is focused primarily on economic policy goals. The United States is attempting to play a more assertive role in resolving ethnic conflicts, however, it has become a very difficult task since Russia considers the region within its sphere of influence. While scrutinising the ongoing conflicts and political developments in the South Caucasus, the United States and Western democracies recognise Moscow's leading role in the region since the Russian Federation remains one of the world's nuclear superpowers. In parallel, Washington is seriously concerned about the growing intervention of Russia in the internal affairs of the former Soviet countries. Nevertheless, the United States and NATO countries more frequently react officially rather cautiously to the increasing pressure the Russian Federation puts upon the newly independent states.

American foreign policy strategy has thus far been grappling with some impediments arising from Russian-Iranian geopolitical manoeuvrings that hinder any serious US activity in the region. The current geopolitical tensions between Russia and the United States, and the United States and Islamic Republic of Iran are indeed forcing strategic alignments in the South Caucasus and even beyond. While Russia and Iran do not want to see the United States as a major arbitrator in the region, Azerbaijan and Georgia are trying to fully involve the United States in the geopolitical affairs of the South Caucasus. But Washington has left these infant nations in a very complicated situation that

merely results in leaving them face to face with Moscow.

So far, US officials and policy-makers have very little understanding of the true reasons for ethnic conflicts in the region. The United States is therefore quite uninformed concerning basic issues in the new societies of the South Caucasus. Although American policy-makers try to negotiate with the Kremlin top officials on various strategic issues, the United States, it seems, does not want to fatally aggravate relations with Russia. The new American administration headed by President George W. Bush, meanwhile, is inclined to keep building its influence in the Caspian basin and in the South Caucasus in general. Consequently, it will soon become clear whether the Bush administration will provide more comprehensive support for Azerbaijan and Georgia. Until then, US policy toward Russia in the region is quite vague, while the small South Caucasus nations are increasingly turning into obedient pawns in the contemporary geopolitical game initiated by world power centres in the post-Cold War epoch.

As can be seen from the foregoing discussion, the future of the external powers - Russia, Iran, Turkey and the United States - and relations among them will depend increasingly on the course of developments in the South Caucasus. The primary strategic question hinges on whether these external forces will alleviate or aggravate the security situation in the region, decreasing or increasing the potential for confrontation. Seemingly, the region's future is being decided right now. Truly, the regional security environment and character of the new century's international relations generally and, future geopolitics of the region, including independence of the small nations particularly, are at stake already early in the first decade of the new millennium.

THE OUTLOOK FOR THE FUTURE

The South Caucasus has made a geopolitical breakthrough in the early post-independence period. But small nations living in this region remain largely unknown to the Western world. Most likely, the international community has not focused enough attention on this dynamic part of the world. The United Nations and OSCE should, therefore, play a more assertive role in bringing about peace and stability in the region. Most significantly, these prestigious organisations should assist small countries with preserving their newly gained independence without dictation or geopolitical interference from external forces.

So far, it is uncertain which way the South Caucasus will develop in the near future. Ethnic tensions and conflict complexes as well as the ongoing insecurity and unpredictability of the unfolding geopolitical impasse have elevated many other security threats lurking on the horizon. Certainly, due to existing conflict and an absence of peace, the near future promises the emergence of new challenges that the three countries may soon face. Long-term stability in the South Caucasus is, hence, crucial not only to nation-building efforts, but also to regional and international security.

The transitional period in the region will probably continue for several years because the process of transition from former Soviet republics to independent statehood, far from nearing the end, has hardly commenced. Therefore, a long and a very difficult struggle seems to await the South Caucasus since all three of these small nations still seek to establish themselves as truly viable independent and sovereign states.

1 Although Russia and Armenia concluded a number of military agreements, the 1995 Russian-Armenian military pact was the first step toward broadening strategic cooperation between

two countries in the post-Soviet era. In November 1995 Armenia ratified the agreement on the establishment of a single CIS air defence system.

2 Reuters, 26 September 2000.

3 The twelve-year-old Armenia-Azerbaijani dispute over Nagorno-Karabakh is the first serious ethnic conflict on former Soviet territory. Tensions between Armenia and Azerbaijan escalated in 1988 and full-scale war broke out in 1992. The 1994 truce ended the war in which over 20,000 people were killed.

4 At the OSCE Summit in Lisbon in 1996, the fifty-three OSCE state-participants, except Armenia acknowledged the necessity of the conflict resolution based on the principle of territorial integrity and the highest degree of autonomy for Nagorno-Karabakh within Azerbaijan. Soon after the Lisbon Summit, then President of Armenia Levon Ter-Petrossian actually agreed with the decision of the international community to use the three major principles on the Armenia-Azerbaijani conflict over Nagorno-Karabakh, but he was unfortunately ousted from his office and the peace process was therefore stalled.

5 In Azerbaijan, it has been agreed that the early-warning "military facility" in Gebele, leased by Russia, will not qualify as an army base. Azerbaijan was, nevertheless, the first former Soviet-ruled republic, which freed its territory from the Soviet military bases. Also, Azerbaijan was the first to resist the allocation of Russian border troops and Russian peacekeeping forces.

6 Due to vast arms shipments from Russia to Armenia and because of broadening military cooperation between Moscow and Yerevan, Azerbaijan had to work on the possibility of creating a military alliance with Turkey. For more information, see RFE/RL Newline, Volume 1, No. 131, Part I, 3 October 1997; Moskovskii Komsomolets, 14 February 1997.

7 Russian military bases were established in the Georgian regions of Vaziani near Tbilisi; Akhalkalaki; Batumi; and Gudauta.

8 'Itogi', broadcast, NTV Russian television network, 16 January 2000.

9 RFE/RL Transcaucasia Report, 19 October 2000.

10 Ibid.

11 Armenia's President Robert Kocharyan and Defense Minister Serge Sarkisian consented to the redeployment during the meetings with their Russian counterparts, Vladimir Putin and Igor Sergeev, in Moscow in September 2000. See Monitor, Volume VI, Issue 198, 24 October 2000.

12 Georgia Profile, April 1996, Volume 1, No. 4, p. 17.

13 For a more detailed analysis of this issue, see Elkhan Nuriyev, "Conflicts, Caspian Oil, and NATO: Major Pieces of the Caucasus Puzzle," in *Crossroads and Conflict: Security and Foreign Policy in the Caucasus & Central Asia*, edited by Gary K. Bertsch, Cassidy B. Craft, Scott A. Jones & Michael Beck; Routledge, Inc., 2000, New York, NY, USA, pp. 140-151.

14 This point was made to the author by a high American official.

15 Adam Daniel Rotfeld, "Introduction: The International System in Transition," *SIPRI Yearbook 1995: Armaments, Disarmaments and International Security* (Oxford University Press: Oxford 1995), p. 10.

16 Svante Cornell, "Iran and the Caucasus," Volume V, Number 4, *Middle East Policy*, January 1998.
