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EU Security Policy in the South Caucasus

The Need to Move from Hydra to Hercules

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Problems and Recommendations

Following the transformative events of the Arab Spring and the current developments including the post-war stabilization of Libya and waves of political violence in Syria or Yemen, EU's eyes are fixed on its Southern neighbourhood. While understandable, it should not come at the expense of neglecting the neighbourhood's Eastern dimension. Instead of a much-needed reinvigoration that the Eastern Partnership so far failed to bring about and notwithstanding the *principle-not-geography* concept at the heart of the revised ENP,¹ political attention and resources are at risk of being redirected. This may not only imperil sustainability and further progress of political and economic reform aimed at creation of a ring of stability and prosperity „founded on the values of the Union“² in the region, particularly in view of the political development in Ukraine and the high stakes of Georgia's and Armenia's elections scheduled for 2012. It also means that the EU may continue to lack efficient mechanisms to prevent and mitigate crises in the South Caucasus, a region of strategic interest due to its geographical location and EU's current energy security concerns, where as a result of unstable security equilibrium a risk of conflict remains high.

It is high time that the EU security policy in the South Caucasus reinvented itself. To secure its interests, the many-headed *Hydra* that has been steadily growing in size but not consequence needs to turn into *Hercules* bringing peace to the region through his works. The period of reflection on Eastern Partnership's future roadmap, launched at its second summit held in Warsaw in September 2011, should be fully used to that end.

Germany shares the EU's interest in clear, coherent and effective policy towards the South Caucasus, not least because of its expected increase in gas demand and rising single source dependency. At the same time, Berlin is both uniquely positioned and indispensable in bringing about the reinvention of the EU as a security actor in the South Caucasus and redrawing the local security landscape that only can facilitate effective regional cooperation, EU's own pathway to security and prosperity.

Following an analysis of the current complex security environment and an overview of the tangled web of EU security policies in the region, several recommendations are put forward as contributions to Germany's policy debate on the issue. The EU should reinforce its policies of mediating between local actors by assuming a more active role in the Nagorno Karabakh conflict, a key regional security problem, including through expressed readiness to deploy a CSDP mission there. Russia should be engaged on friendly but firm terms. De-isolation of Armenia should be promoted, and relations with Azerbaijan placed in a broader context than is currently the case with the shortsighted focus on the external dimension of energy security policy. In terms of structuring the neighbourhood, the most effective measure is argued to be a more direct engagement by the EU of Abkhazia and South Ossetia. The Europeanization of these regions is a key precondition for the peaceful settlements on EU's terms. Finally, a strategic framework for EU's policy towards the region should be established. Its overarching aim should be functional regional cooperation producing progressive removal of obstacles to traffic flows and increasing dynamic density of interactions by emergence of regional regimes serving as sites of social learning, ultimately leading to an emergence of a South Caucasus security community. They could include development and management of transport networks regimes, trans-border regional development regimes, or free movement of goods and people regimes constituting de-territorialized shared jurisdictions.

Introduction

With the combined population smaller than the Netherlands, GDP that amounts to 4.5% of Germany's and 0.9% of the EU's total, and € 11 billion (0,5%) worth of trade with the EU³ the South Caucasus does not

1 Cf. European Commission and the High Representative, *Joint Communication: A New Response to a Changing Neighbourhood*, COM(2011) 303 (Brussels: European Commission, 2011).

2 TEU, Art. 8.

3 Based on World Bank and EU data, available at http://siteresources.worldbank.org/datastatistics/resources/gdp_ppp.pdf and <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/regions/south-caucasus/>.

seem to stand out as a region of particular strategic importance. Nonetheless, EU's strategic interest has been continuously expressed over the last decade. Two reasons account for this. First, it is the modern state formation conflict, which resurfaced as the Soviet empire was falling in pieces. It would be securitized by the EU under the broader narrative logic of the "neighbourhood", brought closer as a consequence of Eastern enlargement, as a place characterized by conflicts, deficient governance, organized crime and dysfunctional societies from where threats emanate to its own security, and in the problems of which a „stronger and more active interest“ should be taken.⁴ The 2008 Russia-Georgia War demonstrated how easily „frozen conflicts“ could defreeze and directly involve an external great power. Second, it is EU's energy security concerns regarding ensuring sufficient supplies for reasonable price (in foreseeable future) without significant risk of major disruptions.⁵ EU's increasing hunger for energy has been temporarily checked by the economic stagnation. But the dependency of EU's economy on oil and gas remains high and in the latter case (currently at 23% of EU's power production) increases (+7.4% in 2010),⁶ a trend most likely to be reinforced as a result of Germany's nuclear „turnaround“. Along with it increases the dependency on Russia's gas. While a number of alternatives to satiate EU's growing needs are on the table (efficiency, which promises to flatten the overall energy demand in long term; renewables; LNG market; or shale extraction), the Southern Corridor remains one of EU's „highest energy security priorities“⁷ because of reasonable expectations of additional gas delivery in short- to medium term and diversification of transit routes. BTC and SCP pipelines, cutting through the South Caucasus from Azerbaijan *via* Georgia to Turkey, bring Caspian oil and gas to the EU today (with Germany as one of the buyers), and a number of EU's companies are invested in the region, including BP, Total or RWE (the last through a stake in BTC, or an exploration contract with SOCAR for Azerbaijan's Nakhchivan field to be signed later this year). The most ambitious Southern Corridor project, the € 7.9 billion Nabucco (also with RWE share), promises to feed it with another 31 bcm of gas per year. Uncertainty remains regarding the capacity of its supply, whether from Shah Deniz upon launching its *Phase-2* exploration, which will significantly increase the amount of Azerbaijan's exportable gas and/or from Turkmenistan *via* the TCP (Trans-Caspian pipeline) laid on the Caspian seabed. The EU has to compete with other potential buyers including Russia and China over the Caspian fuels, and Azerbaijan has been particularly noncommittal in its dealing with Brussels. But the EU continues to take a keen interest in the Southern Corridor, manifested most recently by the Commission's more robust involvement in TCP negotiations between Azerbaijan and Turkmenistan. A deal on TCP, hampered by a disagreement over maritime boundaries between the two countries and generally the legal status of the Caspian Sea, would push the Nabucco ahead. Yet the strategic value of the South Caucasus will grow even if more modest Southern Corridor projects such as TAP (with E.ON's participation) or ITGI are carried out instead.

The paper is divided into three parts. First, a map of the complex security environment in the South Caucasus is drawn capturing the contemporary dynamic in the region. While sensitized to the complexity of relations among the variety of actors, it concludes that they continue to be underlined by a basic structural condition of constant (re)balancing of an unstable equilibrium. Second, EU security policies in the region, organized into a triad of *imposition*, *interposition* and *axis* are surveyed and their shortcomings pointed out. In the conclusion drawing synthetically on these two sections, a set of policy recommendations is articulated. It focuses on both immediate measures to break through the existing deadlock through interposition policies, and broader structural measures entailing creating a proper incentive structure for a genuine regional cooperation negating the prevailing logic of two axes (horizontal and vertical) along which cooperation obtains while conflict abides across.

4 European Council, *A Secure Europe in a Better World: European Security Strategy* (Brussels: European Council, 2003), p. 8.

5 This definition of energy security is drawn from Barry Barton et al., *Energy Security: Managing Risk in a Dynamic Legal and Regulatory Environment* (Oxford: Oxford University Press, 2005).

6 Depending on the data and forecasts in British Petroleum, *BP Statistical Review of World Energy 2011*, <http://www.bp.com/statisticalreview>; and ExxonMobil, *2010 - The Outlook for Energy: A View to 2030*, http://www.exxonmobil.com/corporate/files/news_pub_eo_2010.pdf.

7 European Commission, *Second Strategic Energy Review: An EU Energy Security and Solidarity Action Plan*, COM(2008) 781 Final (Brussels: European Commission, 2008). A more recent Commission's communication identifies Southern Corridor as „the fourth big axis for diversification of gas supplies in Europe.“ European Commission, *Energy Infrastructure Priorities for 2020 and Beyond: A Blueprint for an Integrated European Energy Network*, COM(2010) 677 Final (Brussels: European Commission, 2010).

Security Environment: Conflict and Cooperation

The South Caucasus tends to be metaphorically conceived as a security *vacuum* that ought to be *filled* with either traditional security alliances or, in the EU's point of view, strong states since it is the local deficit of governance (including „deep democracy“) which is the *prima causa* of threats to EU's own security.⁸ A more useful point of departure for capturing the existing complexity of interactions and interdependencies which moreover takes into account the growing importance of traffic (energy, capital and information flows) over territory is arguably a model of the South Caucasus as a security complex developed around one horizontal and one vertical axis and featuring both local and outside, and state, quasistate (separatist entities) and nonstate (transnationals) actors. The complex features patterns of both conflict and cooperation.⁹ The horizontal axis links Azerbaijan, Georgia, Turkey and the EU, with the United States in the background. Pipelines and railroads are the most tangible manifestations of the traffic along this axis. It also serves as reference to Western multinationals with interests in the region. The vertical axis links Iran, Armenia (with Nagorno Karabakh Republic as an offshoot), and Russia (with Abkhazia and South Ossetia as offshoots). Pipelines and railroads play a similarly important role. Moreover, Russia extends a security guarantee to Armenia; and Armenia, Abkhazia and South Ossetia host Russian military bases. It is estimated that 7,000-9,000 combat, security and border troops (including FSB units patrolling the administrative border lines, ABLs), are currently deployed in the two territories, while Russian offensive (*Smerch* multiple missile launchers) and defensive (S-300s) weapons systems have been stationed here since the war.¹⁰ Basic patterns of cooperation are found along these axes, whereas conflict dominates across. There are conflict relations „evergreens“ that pose significant impediments to flows and produce trench mentality – Georgia *versus* its separatist entities and Russia, and the Nagorno Karabakh. Combined they produced some 45,000 casualties in the early 1990s, while more than 1 ¼ million people were displaced by the time ceasefires were signed. A new eruption in Georgia in August 2008 resulted in another 850 casualties and ca. 38,000 IDPs, of which some 20,000 still cannot return to their homes.¹¹ Moreover, Russia recognized independence of the two separatist entities that extended their control to entire territories within the administrative boundaries, namely Upper Kodori and Akhagori (while Russia had until 2010 occupied small portion of Georgia's *main* around the village of Perevi). A new conflict escalation seems unlikely in the near term though a state of war effectively persists.

The Karabakh conflict has remained frozen since the ceasefire (1994), the dozens killed every year along the line of control by sniper attacks notwithstanding. The arms race has been spiralling, however. In absolute numbers Azerbaijan spends almost ten times more than Armenia (€ 2.2 billion have been earmarked this year)¹² and has been acquiring modern weaponry such as drones from Israel, a disproportion balanced by Russia's security guarantee and favourable price tags for Russia's equipment for Armenia, its human military capital, or Nagorno Karabakh Republic (NKR) army's tactical advantage in fighting along internal lines of the bridgehead created by occupation of most of seven Azerbaijani *raions* outside Karabakh should the conflict escalate. The risk of such escalation, while not likely in the imminent future, cannot be underestimated, threatening the security of traffic, including energy, along the Caucasus' horizontal axis, due to the proximity of BTC/SCP to the line of control (15 km at the narrowest point).

Prior to the last round of negotiations in Kazan (June 25, 2011), Armenia (which negotiates on behalf of NKR) seemed willing to begin implementation of the Basic Principles agreed in Madrid (2007) as a framework for the OSCE-facilitated peace process and pull out from five *raions* and parts of the sixth, Lachin, which together with Kelbajar connects Karabakh to Armenia – an indication of a rising perception on the part of Armenia's governing elite that the continuing stalemate is hurting the country's national interest and its own. With the final status to be decided in the future, the political costs of accommodation at this

8 European Council, 2003, op.cit.; cf. Catherine Ashton, *Speech on Main Aspects and Basic Choices of the Common Foreign and Security Policy and the Common Security and Defence Policy*, European Parliament (11 May 2011).

9 For the definition of security complex as „a set of units whose major processes of securitization, desecuritization, or both are so interlinked that their security problems cannot be reasonably analyzed or resolved apart from one another“ see Barry Buzan, Ole Wæver and Jaap de Wilde, *Security: A New Framework for Analysis* (Boulder: Lynne Rienner, 1998), p. 12.

10 Russia has also allegedly provided Abkhaz army with a sophisticated weaponry. International Crisis Group, *Georgia-Russia: Learn to Live like Neighbours*, Crisis Group Briefing No. 65 (Brussels: International Crisis Group, 2011), p. 3.

11 Thomas de Waal, *The Caucasus: An Introduction* (Oxford: Oxford University Press, 2010); International Crisis Group, op.cit.

12 Shahin Abbasov, „Azerbaijan: Baku Embarks on Military Spending Surge, Seeking Karabakh Peace“, *Eurasianet.org* (22 October 2010).

time seem to have been considered as lowered below the threshold of „prohibitive“. However, Azerbaijan blocked the agreement in Kazan. It did so formally because of the concern about the unclear form of the Lachin corridor connecting NKR and Armenia (and bearing it would have on the expected return of all seven *raions* in the future), and the possibility that NKR could join international organizations under the proposed interim status.¹³ Therefore, while Azerbaijan reasons that time is on its side and in a few years its military will be strong enough to make it impossible for Armenia to resist to Baku's threats or the actual use of force to reclaim Karabakh (a contentious assumption), the crisis looms on the horizon. The risk of unintended escalation in the meantime remains real as well.

The security map that the axes model conveys is necessarily simplified, and a more complex picture emerges from even a cursory review of geopolitical developments over the last few years across the axis divisions. Against the background of the U.S.-Russia attempted „reset“ and withering away of the grand narrative of global democratization, the U.S. has been withdrawing from the region, prompting Georgia to intensify relations with Turkey but also Iran. The U.S. has been tirelessly reiterating its interest in the region and concluded a strategic partnership with Georgia (2009). Yet this did not include a security guarantee; nor did the assistance provided in the wake of the war included armament, not even with defensive materiel such as early warning radars that Georgia was asking for. Energy, surveillance of Iran and the role in Northern Distributional Network (a traffic route to Afghanistan alternative to Pakistan) continue to define U.S. strategic relations with Azerbaijan, but even those cannot balance its global interest in normalization of relations with Russia. Turkey and Armenia lived through a period of *rapprochement* in the wake of the 2008 Russia-Georgia War, culminating in the signature of protocols on establishment and development of diplomatic relations (2009). It caused much chagrin in Azerbaijan, which in line with its declared multi-vector policy reacted by striking a gas export deal with Russia – initially 1 bcm / year, now doubled¹⁴ (additionally, Azerbaijan has recently renewed the lease to Russia of Daryal radar station in Gabala); and frustrated deliveries to Turkey by disputing their price (Memorandum of Understanding resolving the issue was signed in 2010). In contrast, the *rapprochement* was supported by both Russia, presumably because it alienated Turkey and Azerbaijan, and because of the potential of normalization between Turkey and Armenia to isolate Georgia; and by the United States.

The parliamentary ratification of protocols turned into a situation resembling a prisoner's dilemma, and the process stalled after Turkey's statement that Armenia must first pull out of the occupied Azerbaijani *raions*. However, in the wake of the AKP's recent decisive victory in the election the chances for ratification have risen, paving way to future normalization of these cross-axial relations. Yet the latest failure to effect a breakthrough in Kazan over Nagorno Karabakh and more pressing international issues in which Turkey is currently concerned with in the Middle East, particularly the upheaval in the neighbouring Syria, make this development in the near term unlikely.

Despite the last-minute cancellation of Mahmoud Ahmadinejad's visit to Armenia scheduled for the beginning of June, during which a contract for a new railroad that would ultimately connect Persian Gulf to the Black Sea was to be concluded, Armenia's relations with Iran to avoid isolation and balance Russia's influence have been an exemplary case of defiance, governed by pragmatic interest, of Samuel Huntington's clash of civilizations thesis.¹⁵ (It was speculated that Iran's concerns about the deployment of multinational peacekeeping force pursuing an agreement in Kazan were behind the cancellation.) In contrast, despite centuries of shared history, Iran's relations with Azerbaijan are poor. The former fears irredentist tendencies fuelled by Baku of its Azerbaijani-populated territory south of the border Araxes River (drawing on a historical experience of previous attempts in 1918 and 1945-6, in the latter case sponsored by Moscow) and its possible use as a base for U.S. invasion of the country. The latter alleges interference through funding of extremist groups undermining its secular regime or fuelling protests against recent measures such as banning *hijabs* in schools. But even here a pattern of cooperation can be found: Azerbaijan supplies Iran with gas in a swap deal for Tehran's servicing the demand of Azerbaijan's exclave of Nakhchivan (with increase of Azerbaijan's supply above this agreement up to 1 bcm annually foreseen this year).¹⁶

13 Thomas de Waal, „Can the ‚Medvedev Moment‘ be Saved for Karabakh?“, *RFE/RL* (28 July 2011).

14 Economist Intelligence Unit, *Energy Report: Azerbaijan* (London: The Economist Intelligence Unit, 2011); Lada Yevgrashina, „SOCAR to Sign Gas Deals with RWE, Russia and Iran“, *Reuters* (8 June 2011).

15 Samuel Huntington, *The Clash of Civilizations and the Remaking of the World Order* (London: Simon and Schuster, 1997).

16 Yevgrashina, *op.cit.*

Similarly, the flow of traffic along the vertical axis would be impossible if it were not for cooperation by Georgia, exacting fees for allowing shipments of goods from Russia through Georgia's Black Sea Ports and railroad to Armenia while remaining subject to embargo on its wine and mineral water imports to the former. Moreover, despite severed diplomatic relations, agreements have been reached between Russia and Georgia on energy (hydropower plants operating in the latter) and transport (relaunching of direct air services in 2010) since the war. On the other hand, Georgia did frustrate supplies of gas through a pipeline from Russia to South Ossetia *via* territory under its control until a direct Dzaurikau-Tskhinvali pipeline became operational in 2009. Moreover, since the war it has effectively blocked military transit from Russia on land to its military base in Armenian Gyumri. (Some supplies have been airlifted through Azerbaijani airspace, despite the fact that Baku sees Gyumri as an expression of Moscow's security guarantee to Armenia formalized in CSTO.) The mediated talks between Russia and Georgia on the former's WTO membership meanwhile remain unresolved, turning around the nature of surveillance of traffic between Russia and Georgia's separatist entities. Georgia has expressed a wish to have an EU mission (similar to EUBAM Moldova) deployed to monitor traffic passing through Gantiadi-Adleri and Roki-Zaramagi border crossing points. However, given the separatist entities and Russia's resistance to the operation of EUMM (see below) such proposal remains, at least for time being, beyond the pale of imaginable, and it seems more likely that private contractors will be engaged as part of the currently discussed "Swiss proposal".

Finally, Turkey has been attempting its own version of a multivector policy of „zero problems with neighbours“,¹⁷ cultivating links with Russia and Iran, and for domestic reasons also with Abkhazia (leading to periodical increase of tension with Georgia which has seized ferries operating the Trabzon-Sukhumi line), while relations with the U.S. have suffered over Iraq and more recently Israel. The latter is a „floating“ actor in the South Caucasus outside the axis structure, supplying modern military equipment to Azerbaijan (besides the immediate economic calculus presumably also to balance Iran politically) and until the war also Georgia, which it may have ceased to upon agreement with Russia that the latter would provide modern weapons to Syria or Iran and later in the context of Russia's own demand for Israel's UAVs. China is another such „floating“ actor interested in the Caspian natural riches, but one the increased traffic with whom may in future constitute a new horizontal axis of traffic to the east of Azerbaijan.

This outlined complexity however does not change the basic structural condition: constant (re)balancing of an unstable equilibrium where patterns of conflict present obstacles to regional cooperation, impede traffic (most notably in the case of Armenia, which despite its strategic location remains isolated from both of its neighbours along the horizontal axis), and sustain authoritarian tendencies of local governments legitimizing through narrative practices of external and internal enemies exceptional modes of governance – thus, among other, undermining EU's *stabilization-through-democratization* project.

EU Security Policy: A Tangled Web

A thick web of EU policies in the South Caucasus has grown over the last decade, paralleling the institutional development of common foreign and security policy, ENP and emergence of the latter's political superstructure, Eastern Partnership (2009). In more direct or structural ways, most of these policies have been framed in security terms. They also betray considerable ambition, manifested in claiming the region – after initial hesitation – as part of the „neighbourhood“ to which stability, security and welfare should be projected in ever more ambitious ways;¹⁸ EUSR South Caucasus' mandate to „prepare a return to peace to the region“;¹⁹ or EUMM's aim to bring about „long-term stability throughout Georgia after the war“.²⁰ The

17 Cf. Ahmet Davutoglu, „Turkey's Zero-Problems Foreign Policy,“ *Foreign Policy* (20 May 2010).

18 European Commission, *Wider Europe – Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours*, COM(2003) 104 (Brussels: European Commission, 2003); European Commission, *European Neighbourhood Policy: Strategy Paper*, COM(2004) 273 (Brussels: European Commission, 2004); European Commission, *A Strong European Neighbourhood Policy*, COM(2007) 774 (Brussels: European Commission, 2007); European Commission, *A New and Ambitious European Neighbourhood Policy*, MEMO/11/342 (Brussels: European Commission, 2011); European Commission and the High Representative, 2011, *op.cit.*

19 Council of the European Union, *Joint Action concerning an Appointment of EU Special Representative for the South Caucasus*, 2003/496/CFSP (Brussels: European Commission, 2003).

20 Council of the European Union, *Joint Action on the European Union Monitoring Mission in Georgia*, 2008/736/CFSP (Brussels: European Commission, 2008).

policy's rhetorical tenor and substantial complexity notwithstanding, since the EU entered the South Caucasus' perilous waters it has done little to resolve the regional dilemmas.

Three distinct types of EU's security policy can be identified: *interposition*, *imposition* and *axis*. The first include conflict management and mediation policies. The original agency to carry them out was EUSR South Caucasus, established in 2003. In the aftermath of the 2008 Russia-Georgia War, which produced „a sense of urgency among member states as to the need to enhance relations with our Eastern neighbours“,²¹ another EUSR for the crisis in Georgia (Pierre Morel) was appointed at the insistence of France, which on behalf of the EU had mediated the ceasefire, to (co)chair the Geneva peace talks. EUMM, the first real peacekeeping mission in the EU's Eastern Neighbourhood and, in words of the Tagliavini Report on the war the EU's first active intervention in a serious armed conflict,²² was deployed. It is currently tasked also with running Incident Prevention and Response Mechanisms for both Georgia's conflicts. In 2010, Catherine Ashton proposed abolishment of the EUSR for the South Caucasus, which was read by some observers as a manifestation of a lack of strategic interest by the EU (Moldova's EUSR was also to be scrapped, while others in more distant and arguably less strategically important areas such as Great Lakes of Central Asia were to remain).²³ While it was more likely to have to do with a strife over control within CFSP, the move was supported by some Member States; and vehemently objected to by others. Eventually, a single EUSR with a new mandate has been agreed upon after EUSR South Caucasus' mandate had not been renewed in February 2011, to be appointed upon the expiration of the other EUSR's mandate in August. The new position is currently held by a French diplomat (and former ambassador to Georgia) Philippe Lefort.

Imposition policies do not place the EU in between the conflict parties. Rather, they attempt to change the *cost/benefit* matrix by structuring the entire South Caucasus as part of the „neighbourhood“ by diffusion of norms, regimes and practices. Under the umbrella of ENP, they include broad security or security sector reform projects such as regional integrated border management (SCIBM), justice and law enforcement reforms or conflict resolution practices through community and NGOs projects in the conflict areas. The latter encompass projects under Confidence Building Early Response Mechanism (COBERM) contracted, like SCIBM, to UNDP. Peaceful resolution of conflicts is listed as a priority in ENP documents related to all three countries, though only in Georgia's case it constitutes a separate budget line (€ 9-18 million in the current indicative programme, a relative annual decrease by not less than 6% compared to 2007-2010).²⁴ Furthermore, the general security logic of the neighbourhood, admittedly abstract but trickling down to policy documents such as ENP action plans and ENPI strategy papers and national indicative programmes stressing stability, security and welfare, identifies it as dangerous outlying fields to which stability is to be projected by means of political and economic reform („harmonization“). Such reform includes Comprehensive Institution Building (CIB) under Eastern Partnership aimed at improving „administrative capacity“ or measures linked to (pre)negotiations of DCFTA agreements with Georgia and Armenia. It should be effected, in absence of membership perspective for the Partner States, by conditionality of *convergence for access* to EU's money, markets, and territory (mobility).²⁵ Besides ENPI, conflict resolution activities have also been funded in Georgia and Armenia from EU's Instrument for Stability. Finally, post-conflict assistance to Georgia (amounting to more than € 500 million earmarked for 2008-2010) initially focused on emergency relief, but later involved reintegration of IDPs and development as „necessary conditions for the [conflicts'] settlement“.²⁶

The *axis* policies are related to the assemblage of practices aimed at increasing EU's energy security. The EU signed a declaration on Southern Corridor during the Czech Presidency (2009) with Azerbaijan, Georgia and Turkey (and Egypt); it was also initially incorporated in Eastern Partnership as a flagship initiative, but

21 A draft Commission communication on Eastern Partnership, cited by *EUObserver* (24 November 2008). The final version does not include reference neither to the conflict nor its implications, though indirect references have been preserved. Cf. European Commission, *Eastern Partnership*, COM(2008) 823 (Brussels: European Commission, 2008). Eastern Partnership was also mentioned in the context of Georgia in the presidency conclusions of the extraordinary European Council on Sept. 1, and the following meeting of the Council on Oct. 16. European Council, *Presidency Conclusions*, 12594/2/08 CONCL 3 (Brussels: European Council, 2008); European Council, *Presidency Conclusions*, 14368/08 CONCL 4 (Brussels: European Council, 2008).

22 International Fact-Finding Mission on the Conflict in Georgia, *Report* (Geneva: Geneva Centre for Security Policy, 2009), p. 2.

23 Cf. Ahto Lobjakas, „EU Plans to Scrap South Caucasus, Moldova Envoys“, *RFE/RL* (31 May 2010).

24 All these documents are available at http://ec.europa.eu/world/enp/documents_en.htm.

25 Cf. Ashton, 2011, *op.cit.*

26 European Commission, *ENPI National Indicative Programme 2011-2013 – Georgia* (Brussels: European Commission, 2010), p. 9.

its launching has been effectively blocked by Armenia's resistance. Recent developments include establishment of a dedicated working group following Barroso and Oettinger's visit to Baku in January 2011 which led to a common declaration with Azerbaijan on the Southern Corridor²⁷ or the intent by the Commission to become more involved in TCP negotiations (see above).

All these policies have so far failed to live up to their ambition. Sixteen rounds of Geneva talks have been held with no substantial progress on the current *impasse* in Georgia beyond modest achievements such as Russia's withdrawal from Perevi or establishment of IPRMs. The model of two EUSRs, warranted by a French demand to retain ownership of the process, limited EU's diplomatic effectivity, and difficult negotiations about the new mandate sent confused signals throughout the region. The EU holds to its non-recognition policy towards Abkhazia and South Ossetia (with the European Parliament recently passing a resolution mentioning „occupied Georgian territories of South Ossetia and Abkhazia“ while previously speaking of „*de facto* Russian occupation“²⁸) and has been pointing to Russia's continuing failure to adhere to the ceasefire conditions and „implementing measures“ (a criticism which Russia deflects by arguing that conditions changed when it recognized South Ossetia and Abkhazia's independence and thus created “new realities”), but to little avail. While the EU representatives claim that „it is important to prevent the consolidation of the current *status quo* on the ground“,²⁹ due to the effective lack of access to the separatist side of administrative boundary EUMM effectively contributes to just that. IPRMs have so far served more to record past incidents than prevent future ones from occurring. In Karabakh, EU's presence is virtually nonexistent. Russia has been the main factor frustrating EU's *interposition* practices – through its intransigence in Geneva negotiations (pointing to their independence, Russia tends to relay all decisions regarding situation on the ground to the *de facto* governments); assistance it extends to the separatist entities in Abkhazia and South Ossetia (in the latter case channeling funds amounting to almost its entire budget); but mainly as an abstract object of calculus in bilateral relations of some Member States. Shortage of resources, incoherence, limited expected utility of political and economic reform on Tbilisi's part and ideological barriers (adherence to radical neoliberal *ethos*, seen as a means of increased competitiveness and at odds with Europe's failing „socialist“ model) have frustrated the success of *imposition* policies in Georgia. Due to Georgia's securitization of convergence (despite being embraced by the political elite merely as a pragmatic strategy to brave the current „bad weather“ in global politics,³⁰ following the advice by the United States to exercise „strategic patience“) and dependence on Western assistance, the *imposition* policies have however still been more successful than in Armenia or Azerbaijan. In the latter's case, conditionality has been undermined by EU's energy policy, fuelling Baku's self-perception as EU's indispensable partner in solving its supply and diversification dilemmas while at the same time failing to secure meaningful commitment on future deliveries.

The EU in the South Caucasus resembles a many-headed hydra with multiple actors („heads“) running sometimes shared, but often separate policy networks which meet and intersect at various sites and issue areas (e.g. border management, with EUSR South Caucasus's Border Support Team involved alongside SCIBM) create their own agencies (EUSRs, or CSDP missions EUMM and early small „rule of law“ mission EUJUST THEMIS) and include local actors in series of more or less hierarchical interactions. An area of shared competence, ENP is managed by Commissioner for Enlargement and European Neighbourhood Policy and High Representative assisted by EEAS. That is the case also of development policy, where the Commission (DG Development) deals with operational and EEAS with strategic issues. Trade is in the exclusive competence of the Commission, resulting in the nearly unchallenged power it holds over DCFTAs (as opposed to Association Agreements). Other Commission's DGs such as Relex, Justice, Liberty and Security, and Regio are involved in various aspects of the neighbourhood policy. In contrast, CFSP/CSDP remains the competence of Member States, with the ESDP structures incorporated in EEAS after Lisbon. Member States also run their individual developmental and conflict prevention projects, mainly in Georgia.

27 The Declaration is available at

http://ec.europa.eu/energy/infrastructure/strategy/doc/2011_01_13_joint_declaration_southern_corridor.pdf.

28 European Parliament, *Resolution on the EU-Russia Summit* (9 June 2011); European Parliament, *Resolution on the Need for an EU Strategy for the South Caucasus*, 2009/2216(INI) (20 May 2010). The mention of „occupied territories“ was removed from the latter resolution's draft.

29 Catherine Ashton, *Speech at the Launching of Association Agreement Negotiations*, Batumi (15 July 2010).

30 The expression was used independently by several policy-makers and think-tankers in Tbilisi in interviews with the author during his last visit to Georgia (May 2011).

Tensions and conflicts rise easily in such environment – between the Commission and some Member States (e.g. DCFTAs), among Member States themselves (position on Russia-Georgia War and later „normalization“ of relations with Russia), between Member States and High Representative / EEAS (latter’s proposal to abolish EUSR), or even among Commission’s DGs (immigration or competence in regional/cohesion policies). The pluralism originates in the structure of EU’s political system. The Lisbon Treat has so far left much to be desired, and in some cases (e.g. EUSRs) effectively has underlined existing institutional tensions. It is not realistic to expect that it can be done away with entirely. However, despite the fact that the evolution of EU’s security policy – from hasty inclusion in ENP to sudden expansion in 2008 driven by French audacity and prestige, to later plans to abolish EUSR South Caucasus – seems to have followed no strategic plan so far, better coordination and orchestration are certainly within the realm of possible.

Conclusions and Recommendations

The strategic importance of the South Caucasus should not be inflated. Nonetheless, it is a region where to have a clear and effective external policy would be to EU’s considerable advantage. The same can be argued for Germany, whose expected increase in gas demand may raise concern of a single source dependency and hence raise its interest in the region in which substantial German investment is already flowing.

In its turn, Germany is indispensable in bringing about the reinvention of the EU as a security actor in the region. It is in a unique position to forge the lacking consensus and shared strategic vision in the EU, possessing of a necessary leadership capacity and influence to generate and successfully upload ideas at the level of EU external policies. Its well-developed *Ostpolitik* can be useful in forging regional consensus (and should it choose to, it can build on solid historical and cultural grounds to rebuild trust with Georgia) and in the policy legitimization *vis-à-vis* Russia.

EU’s security policy has been far from mere „noise“. ³¹ Its power is better understood in terms of complexity than chessboards: it is one that flows and shapes rather than coerces and breaks. Different conception of what security means by the „postmodern“ EU and the other actors in the region is often pointed out to explain EU’s policy failure; yet while it may indeed account for a mismatch with local expectations, there exists no reason in theory why it should determine the policy’s outcomes.

Whatever its shortcomings, EU’s *interposition* policy (EUMM) is essential for the conflict management in Georgia; and even its *imposition* policies arguably leave their imprint in the region, problems limiting their efficiency notwithstanding. To achieve its stated aims related to the South Caucasus, i.e. to turn it into a zone of peace and stability founded on the EU’s values and ensure an increased flow of Caspian fuels – aims which are intrinsically tied together – it must however achieve no less than to restructure the local security landscape. That entails negating the axial logic of conflict of cooperation and establishing a power equilibrium stabilized through participation of all relevant actors in regional regimes removing obstacles to transaction flows and, in due time, in a security community where dependable expectations of peaceful change are the rule. ³²

It is a truly Herculaen task. But while many local actors indeed see the EU with mistrust, ³³ either because of its political preferences or doubted actorness, it is arguably the only actor capable of effecting such transformation in the South Caucasus, provided that Germany takes lead in bringing this change about together with other interested member states (France, ³⁴ CEE new members). The following recommendations may be a useful contribution to an invigorated policy debate on the issue. ³⁵

31 This metaphor has been conveyed to the author by a Tbilisi academic (10 May 2011).

32 Cf. Karl Deutsch et al., *Political Community and the North Atlantic Area* (Princeton: Princeton University Press, 1957); Emanuel Adler and Michael Barnett, *Security Communities* (Cambridge: Cambridge University Press, 1998).

33 Cf. Uwe Halbach, *Ungelöste Regionalkonflikte im Südkaukasus*, SWP-Studien 2010/S 8 (Berlin: Stiftung Wissenschaft und Politik, 2010).

34 Most recently, France successfully nominated its candidate as a new EUSR, and following President Sarkozy’s visit to Tbilisi (October 2011), French Development Agency (AFD) stepped up its presence in Georgia.

35 Some of these reflect earlier recommendations from recent *think-tank* production. Some (e.g. EU mandate for the French representative in *Troika*) appear in the European Parliament’s resolution on the need for South Caucasus’ strategy (op.cit., 2010). The main thrust of the argument in favour of genuine regional cooperation, its modalities and particularities regarding the necessary conditions to bring it about however results directly from the regional security environment analysis above, as well as a series of interviews with

Germany should make sure that the EU press for a stronger diplomatic role in the Karabakh peace process beyond the vaguely formulated intent to be included in the OSCE mechanism, e.g. through a EU mandate for the French member of *Troika*. The EU should also be prepared to deploy a CSDP mission *either* as a (civilian) monitoring conflict management operation or, in case of a new escalation and pursuant a UNSC mandate, (military) peace enforcement operation. The former is envisioned in Basic Principles, and since reviving OSCE peacekeeping mandate from Budapest Summit (1994) or deploying a NATO force is politically impractical, a CSDP framework is a natural choice. Russia and Turkey, the latter despite its sound record of cooperation with the EU in Balkan missions, must stay out because of concerns by Azerbaijan and Armenia, respectively. The 2008 Russia-Georgia War taught the EU that it is never too early to deploy such mission. In parallel, enhanced second track diplomacy should be supported, with Georgia as a natural site for the parties' interactions.

Russia must be engaged on friendly but firm terms. There is no reason either in normative or power calculus terms why the EU should consent to Russia's special rights here. Whether Moscow indeed enjoys incomparable advantages of geography, size and capabilities in the South Caucasus is disputable; and its relations with the EU are of mutual interdependence rather than dependence. It arguably frustrates EU's policy more in abstract than objective ways – at least as long as it does not take radical steps such as allowing South Ossetia to join the Federation since as long as it *only* recognizes the separatist territories' independence, it may arguably endorse a future agreement in which their *de facto* governments declare their will to form a political entity such as a federated Georgia. Russia does not seem to have a strategy to *either* stabilize or destabilize the region. It does, on the other hand, have legitimated strategic interests here which means it should be a stakeholder and benefit from any regional cooperation scheme (see below). From Germany's perspective, the special relations it cultivates with Russia could arguably only benefit from removing one sore point from the debate between Brussels and Moscow.

Germany should initiate and actively promote EU's policy of *de-isolation* of Armenia by means of opening its borders with Turkey (while Armenia should be asked to end its own blockade of Nakhchivan in exchange). Azerbaijan's rising strategic importance within the region is indisputable. Its hydrocarbon sales currently amount to 90% of the entire South Caucasus' exports,³⁶ and the production is rising. But sacrificing Armenia to EU's energy appetite and undermining of ENP reform policies while inadvertently raising unreasonable expectations of political support for whatever Azerbaijan's policy towards Karabakh increases the conflict potential instead of contributing to the region's pacification – a necessary condition for free energy flows to Europe.³⁷ Due to its location and natural riches, Azerbaijan appears a paradigmatic „second-world marketplace“³⁸ where the EU has to compete with other actors „who seek to extend their influence in a way that is not always compatible with EU values or the EU *acquis*“. ³⁹ Yet similarly to Russia, Azerbaijan is locked in a relation of interdependence with the EU, relying on its rising demand and existing or future infrastructure to transport its growing production to the West. Through the stronger diplomatic role in the peace process, the EU could help to address Azerbaijan's legitimate concerns regarding Lachin or the envisioned peacekeeping mission. At the same time it should discourage it from its *para bellum* (dis)course.⁴⁰ The revised ENP does not provide much new leverage for peaceful resolving the South Caucasus' conflicts (among a few envisioned innovations is the development of post-conflict scenarios as incentives demon-

policy-makers both in the EU and in the region. The recent think-tank publications include Uwe Halbach, *Ungelöste Regionalkonflikte im Südkaukasus*, SWP-Studien 2010/S 8 (Berlin: Stiftung Wissenschaft und Politik, 2010); Stefan Meister, *Recalibrating Germany's and EU's Policy in the South Caucasus*, DGAP Analyse No. 2/2010 (Berlin: DGAP, 2010); Jos Boonstra and Neil Melvin, *Challenging the South Caucasus Security Deficit* (Madrid: FRIDE, 2011); Ariella Huff, *The Role of EU Defence Policy in the Eastern Neighbourhood*, EUISS Occasional Paper No. 91 (Paris: EUISS, 2011); or Teemu Sinkkonen, *Getting Cold in the Caucasus: Can the EU Prevent the Freezing of the Georgian-Russian Conflict?* FIIA Briefing Paper No. 78 (Helsinki: FIIA, 2011).

³⁶ Based on EU official data, available at <http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/regions/south-caucasus/>.

³⁷ Without an explicit reference to Azerbaijan, a recent Commission's communication stressed the need of the external dimension of EU energy policy to be „consistent and mutually reinforcing with other external activities of the EU (development, trade, climate and biodiversity, enlargement, Common Foreign and Security Policy and others).“ European Commission, *Energy 2020: A Strategy for Competitive, Sustainable and Security Energy*, COM(2010) 639 Final (Brussels: European Commission, 2010).

³⁸ Cf. Parag Khanna, *The Second World: Empires and Influence in the New Global Order* (New York: Random House, 2008).

³⁹ Štefan Fülle, *Speech before the European Parliament, Foreign Affairs Committee* (26 October 2010).

⁴⁰ This point has recently been articulated also in Uwe Halbach and Kamran Musayev, *EU-Aserbaidžan: Nicht nur Energiepartner*, SWP Aktuell 2011/A 11 (Berlin: Stiftung Wissenschaft und Politik, 2011).

strating to the parties involved benefits of peaceful settlements).⁴¹ Whether simplified programming (selective priorities, more precise benchmarks and clearer sequencing) will improve effectivity of ENP policies as a whole is yet to be seen. EULEX and EUSEC missions mentioned in the review could be helpful too – not least as a chance to involve the U.S., building on EULEX Kosovo precedent and the recently signed CSDP framework participation agreement. The most effective immediate *imposition* measure, which Germany should press forward, would however be a more direct engagement by the EU of Abkhazia and South Ossetia (instead of e.g. relying on the increasing appeal of reformed and prospering Georgia to the separatist entities, a policy embraced by Georgia's government). It will require overcoming distrust on both their side and Georgia's. Yet Europeanization of these regions is a key precondition for eventual peaceful settlement on EU's terms. It can be contributed to by ENPI, but also Endowment for Democracy or Civil Society Facility projects, while the prospect of issuing Schengen visas to „passportized“ Russian citizens living there can serve as an additional leverage in longer term. ENP should also move beyond the vague promise of the current ENPI National Indicative Programmes to provide „specific assistance“ based on (unspecified) progress⁴² and invest more resources in conflict resolution measures related to Karabakh conflict. All these options should be considered in the current reflection on Eastern Partnership's future roadmap, conducted jointly by the High Representative and the European Commission. A new flagship initiative on South Caucasus regional cooperation should be contemplated *en lieu* of the now forlorn project of Southern Gas Corridor. Germany should insist on producing, by EEAS taking duly into account views of the member states and the Commission, as well as previously articulated positions of the European Parliament, a strategic framework for EU's policy towards the region as a whole to generate more coherence and effectivity to EU's restructuring the local security landscape. The overarching aim of such framework should be regional cooperation. Regional cooperation does feature in ENP and Eastern Partnership (under which more than ½ of the dedicated funds is allocated to multilateral projects),⁴³ but due to the complex patterns of conflict and cooperation little could be achieved so far in the South Caucasus. Indeed, the EU has historically treated the South Caucasus as a single bloc, as demonstrated e.g. in a synchronized signature of PCAs or inclusion to ENP after Georgia's Rose Revolution. However, this has not yet translated into a concerted effort at promoting regional cooperation, with the EU taking the existing obstacles as for the time being immutable and prohibitive.

A breakthrough in the Karabakh peace process followed by a stable progress towards final resolution is a *sine qua non* of such regional cooperation. Yet ultimately, the key to stability and prosperity is the removal of obstacles to traffic flows and increasing dynamic density across the axes sustained by emergence of regimes to manage the flows and function as sites of social learning, leading to emergence of a South Caucasus security community that will encompass all local and neighbouring actors. Evidence that cooperation can exist across the axial divides has been provided above, including in the case of Russia and Georgia, but much remains to be desired.

The idea of a security conference or stability pact has been floated by Turkey, Iran and recently also the European Parliament.⁴⁴ What is proposed here is different in that it is an inclusive project, and one driven by *function* rather than formal institutions. The functional cooperation could involve mechanisms enhancing the traffic flows: development and management of transport networks along the vertical and horizontal axes, transborder regional development regimes, or free movement of goods and people regimes constituting deterritorialized shared jurisdictions.

Being an external actor, the EU cannot serve as a magnetic core for such regional cooperation in the same way that Germany and France once were for European integration. It can, however, provide ideational leadership and an incentive structure for the other actors through clear and honest *convergence-access* conditionality for the local actors and issue linkage for the others. It could be facilitated by a modified (inter)institutional setting conducive to a more coherent policy, such as a task force under EEAS umbrella or another,⁴⁵ but the particulars would perhaps best be resolved by the involved institutions and actors them-

41 European Commission and the High Representative, 2011, op.cit., p. 6.

42 European Commission, *ENPI National Indicative Programme 2011-2013 – Armenia* (Brussels: European Commission, 2010); European Commission, *ENPI National Indicative Programme 2011-2013 – Azerbaijan* (Brussels: European Commission, 2010).

43 European Commission, *Vademecum on Financing in the Frame of the Eastern Partnership* (Brussels: European Commission, 2009), p. 3.

44 European Parliament, 2010, op.cit.

45 Boonstra and Melvin, op.cit., p. 16.

selves. A new flagship initiative on South Caucasus regional cooperation within Eastern Partnership, in which Germany should continue and step up its interest, could serve as a loose framework for bringing together (on clearly defined terms and in flexible and adjustable formats) all actors involved, including the separatist entities.

With more strategic thinking, policy coherence and sufficient resources allocated to Eastern Neighbourhood in the next financial perspective (which could be facilitated by a review of assistance provided to less strategically important regions of the world and investments to strategic partnerships whose value translated in terms of support for EU multilateral policies has been in dispute),⁴⁶ the EU can emulate in the South Caucasus what has been its own way to peace and prosperity. In place of unstable equilibrium where two of the region's countries define each other as existential threat while the third sees Russia as one, a security community can emerge in time. The investment in a secure South Caucasus is a relatively modest one; the value of the dividend for both the EU and the local societies far outweighs the cost.

⁴⁶ Annegret Bendiek and Heinz Kramer, „The EU as a ‚Strategic‘ International Actor: Substantial and Analytical Ambiguities,“ *European Foreign Affairs Review* 15(4) (2010).