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Introduction
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Since antiquity, the South Caucasus has been of interest to competing empires, including the Roman and Persian Empires, as well as the Arab/Islamic caliphates when they conquered the region following their defeat of the Persian Sassanid Empire in 642 C.E. In more recent centuries, Russian, Ottoman, and British Empires competed for control of the region. Various Iranian dynasties, such as the Safavid, Afshar, and Ghajar, also vied for influence—until Russia defeated Iran in two sets of wars (1803–1813 and 1824–1828). Russia’s victory in these wars established its control over the South Caucasus and excluded Iran from the region. After the Bolshevik revolution in October 1917 and the establishment of the Soviet Union in 1924, Russia incorporated the South Caucasus into the new union. In all Russia’s domination of the region lasted nearly two hundred years and only ended with the fall of the USSR in December 1991. The interest of key global and regional actors in the South Caucasus survived the passing of the empires, the last of which arguably was the Soviet Union.

GEOGRAPHY AS DESTINY

The South Caucasus’ geographical location largely explains its enduring significance and hence the interest of great powers. Close to the Middle East, the South Caucasus borders Turkey and Iran, and abuts both the Black Sea and the Caspian Sea. Through Iran, which has common borders with two of the South Caucasian states, Armenia and Azerbaijan, the region is connected to the Persian Gulf. This geography was a main reason for Russia’s interest in the region as early as the late eighteenth century; it saw it as a gateway to the Persian Gulf and beyond, including potentially India.1 Meanwhile, Britain,
which by the early nineteenth century had established its control over India, was determined to prevent Russia from reaching the subcontinent by denying it access to sea and land approaches to India through Iran and the Persian Gulf. The diverging ambitions of Britain and Russia led to “the Great Game,” a fierce competition between the two empires over the control of the lands lying between the Caspian Sea and the Indian Ocean, plus Afghanistan and Central Asia.\(^2\)

The advent of the Bolshevik revolution in Russia in 1917 and the establishment of the Soviet Union in 1924 did not end the great power competition over these lands. Even under the new system, a variant of the Great Game continued between the USSR and Western powers. The Soviet Union did not abandon Russia’s traditional impulse for southward expansion, but combined it with the propagation of its socialist ideology. The Western powers remained equally determined to bar any further expansion of Russia/USSR in the direction of the south either territorially or ideologically.\(^3\) During the Cold War that developed between the USSR and the West shortly after the end of World War Two, the Persian Gulf and the Middle East remained a major arena of East-West competition. In this context, the South Caucasus retained its significance as a staging post for a potential Soviet incursion into neighboring regions, especially Iran, as well as for beaming ideological propaganda. Radio Baku located in the Republic of Azerbaijan played a key role in spreading the Soviet Union’s ideological message southwards.

In the post-Cold War era, too, geography was a major reason for the international actors’ interest in the South Caucasus. Russia considers the region of great importance for its security, because it is close to the North Caucasus which is part of the Russian Federation. There is also a considerable degree of overlap between the South Caucasian ethnic groups and those of the Russian Federation. Through the Black Sea, the region is connected with Europe, especially to its southeastern corner, which helps explain European interest. For key regional actors such as Turkey and Iran, proximity plus ethnic, linguistic, religious, and cultural ties account for their interest in the South Caucasus. In the post-Soviet era, the region’s energy resources, which are concentrated in the Republic of Azerbaijan, and transit routes have been other sources of its attraction to international players thus ensuring their continued interest in its developments.

**CROSSROAD OF PEOPLES AND CULTURES**

The South Caucasus has also been a crossroad for large-scale human movements. Over the centuries, Indo-Iranians, Turkic peoples, Arabs, and much
later Russians have passed through or settled in the region, thus adding new layers to the region’s existing ethnic and cultural mix.⁴

These peoples and empires, which either controlled the region or competed over it, left their imprint on its ethnic, cultural, religious, and linguistic map, thus making for a complex and varied ethno-cultural mix. Turkic-speaking people concentrated in Azerbaijan form the largest group, although there are still pockets of people speaking Iranian languages such as Tati, Taleshi, and Ossetian. The rest speak various dialects connected with the original people of the Caucasus, such as those in Dagestan, who are not related either to Turkic or Indo-European peoples.⁵

The region also has a diverse religious map. During Persian rule, Zoroastrianism and Mithraism were present in the South Caucasus as evidenced by remnants of fire temples, Mithraic temples, and other sites.⁶ Christianity came to the region as early as the fourth century C.E., and both Armenia and Georgia are overwhelmingly Christian. Arabs brought Islam to the South Caucasus following their conquest of the Sassanid Persian Empire. Today, the two principal branches of Islam—Sunni and Shia—are present in the region and are largely concentrated in Azerbaijan.

Culturally, the Persian imprint is still significant and apparent in the region’s national cultures, including the Turkic, largely because for many centuries beginning in antiquity the Persians ruled the region.⁷ The celebration of the Iranian New Year, Now Rouz, in Turkic-speaking Azerbaijan is an indication of the long-lasting Persian influence. The legacy of Turco-Islamic culture is also quite important.

Overlaying these earlier influences is the impact of Russian and, more significantly, Soviet culture. The depth of the Soviet impact derives from the socialists attempt to create a new Soviet Man (*Homo Sovieticus*) transcending ethnic, religious, and cultural peculiarities and loyalties. The USSR failed in this ambition. Local identities and earlier cultural influences survived and resurfaced when Mikhail Gorbachev’s reforms of the late 1980s allowed more space for their expression. Nevertheless, the Soviet experience has deeply marked the region’s culture, especially in politics and modes of governance. This influence is unlikely to be completely eradicated until the last of the Soviet-era generation passes away.

By the late 1980s, Gorbachev’s reforms opened the region to Western cultural influence. After the USSR’s dissolution, Western presence in the region became more significant and interaction between the West and regional states and peoples increased, resulting in greater Western cultural impact in South Caucasus. However, the more superficial aspects of Western culture rather than such values as democracy and human rights have been more easily accepted and emulated.
The South Caucasus’ tumultuous history and its experience with various cultures and empires have left a legacy of ethnic, linguistic, and religious diversity. These differences have generated interethnic and interreligious rivalries; conflicting territorial and cultural claims; and a complex pattern of sympathies, animosities, and loyalties among the region’s people vis-à-vis their neighbors and other international players. Many of these rivalries and disputes have been on display since the late 1980s and show no sign of being resolved in the foreseeable future.

**Inadequate Experience with Statehood**

Because for most of its history, the region was part of various empires, its current states lack a sustained history of nationhood and statehood. Consequently, they are also lacking in many skills of statecraft, especially of a more modern and democratic variety. In this they are like many Middle Eastern states. However, most Middle Eastern states became independent by the end of World War Two or shortly thereafter, while the South Caucasian states were absorbed into the Soviet Union a mere three years after first establishing independent republics in 1918 and remained part of it until 1991. This lack of experience with statehood and self-governance has complicated their post-Soviet state-building and political development. Nevertheless, even the short experience of independence between 1918 and 1921 has served as an inspiration for their post-Soviet state-building efforts and as a point of reference for their future development toward modern and democratic states and societies.

**Resurfacing of Old Disputes**

During the nearly two centuries of Russian/Soviet rule, most of the region’s ethnic, religious, and territorial disputes had remained largely dormant, although they did occasionally flare up. After Gorbachev’s reforms eroded the suffocating stability of the Soviet era, these differences and disputes resurfaced. During the reform process, competing factions within the Soviet leadership both at the federal and republican levels manipulated these old grievances and claims in their power games. As a result, these long-dormant disputes were exacerbated and led to serious interethnic conflicts and the emergence of separatist movements throughout the USSR. In the South Caucasus, conflicts developed between Armenia and Azerbaijan over Nagorno-Karabakh and between Georgia and its South Ossetian and Abkhaz separatist
movements. Less significant separatist movements emerged in Azerbaijan, such as those of the country’s Talesh and Lezgin minorities.9

After the lapse of twenty-five years, these conflicts remain unresolved or “frozen.” However, the risk of flare-up is always present, as shown by the brief four-day war between Armenia and Azerbaijan in April 2016, as is the risk of external interference. In 2008, the eight-day war between Georgia and South Ossetian separatists also involved Russia, which intervened in support of South Ossetia.

These conflicts have complicated postindependence economic and political development of South Caucasian republics by intensifying their internal dichotomies and have made them more vulnerable to external manipulation and interference. They have contributed to regional tensions and even affected relations between key international actors. For example, the 2008 Russian-Georgian war, in addition to worsening Georgia’s relations with Russia, severely strained Western-Russian ties.

**Conflicting Perceptions of Neighbors and Outside Actors**

Because of the region’s historical experience and its complex ethnic, linguistic, religious, and cultural map, its peoples have different perceptions of their neighbors and outside actors. They also differ on the future orientation of their respective countries and on the ethnic and cultural foundations, especially their post-Soviet national identities. For example, Azerbaijan has chosen to build an excessively Turko-centric national identity and rejected some of the other components of its cultural and religious heritage. The region’s people are also divided over the West and Russia: some favor a Western orientation and the embrace of Western culture and values, while others are still attracted to Russia. In the present context, this difference is often framed in terms of competition between the Eurasianist and Euroatlanticist visions of the future.

They also have different estimation of Turkey and Iran, the two principal regional players, and are ambivalent about the kind of relations they should have with them. This ambivalence is especially strong in Azerbaijan, whose culture is deeply affected by Iran but which is linguistically Turkic. Armenia’s position, meanwhile, is colored by the memory of the Armenian Genocide by the Ottoman Turks in 1915, and Turkey’s support of Azerbaijan on the issue of Nagorno-Karabakh.

However, by and large, contemporary rather than historical considerations have shaped their attitudes toward neighboring states. Both Azerbaijan’s and Georgia’s positions regarding Turkey and Iran have been influenced by the character of their respective political systems and the nature of their relations with the West. Iran’s Islam-based political system and its strained relations with the West has made Azerbaijan less willing to have close relations with that country.
Aspiring to join Europe and NATO, Georgia, too, has favored closer relations with Turkey, which at the end of 2016 still had an essentially secular system of government and remained part of the NATO, although both its secular character and the future of its relations with the West were shifting. The West’s support for a prominent Turkish role in the post-Soviet space made it a more attractive partner to the South Caucasian states, while its strategy of containing and isolating Iran undermined these republics’ willingness to cooperate with that country, even if under normal circumstances they might have welcomed such cooperation.

These diverging opinions and attitudes are not constant and are liable to change under the impact of a range of factors, including the perception of the balance of international power and the shifting policies of major international actors and the regional states’ own experiences. In the 1990s, because of its many economic and political problems, including the war in Chechnya and the threat of Islamic extremism, Russian influence in the region was in decline. By contrast, having just won the Cold War, the Western world was ascendant. Therefore, many in the region saw the West as the model to be emulated and sought to join Western institutions.

By the beginning of the new millennium, the situation gradually started to change. Russia, under the presidency of Vladimir Putin ended the strife in Chechnya and embarked on strengthening the state and controlling centrifugal tendencies in the federation. Under Putin, Russia pursued a more activist policy toward the region, best exemplified by its war with Georgia in 2008, and thus, it became a more important factor in the regional states’ calculations, although not necessarily an ideal model to be emulated.

More or less at the same time, preoccupied by challenges in the Middle East and South Asia, best exemplified by the U.S.-led attacks on Afghanistan and Iraq in 2001 and 2003, respectively, the West shifted its focus away from the South Caucasus. The less than ideal outcome of the West’s military engagements in the Middle East and South Asia also somewhat tarnished its earlier image of invincibility. The combined effect of the diminishing Western interest in the region and its international setbacks made it easier for Russia to try to consolidate its position in the region. It tried to entice some of the regional states, notably Azerbaijan, to expand their policy options by improving their relations with Russia. In future, actual or perceived shifts in the respective power of the West and Russia would influence the positions of regional states toward them.

**THE LEGACY OF THE SOVIET ERA AND THE USSR’S MESSY DISINTEGRATION**

The postindependence development of the South Caucasian states was greatly influenced by the legacy of their Soviet past and the messy process of the
Soviet Union’s disintegration. Many aspects of the USSR’s nationalities policies, including the cultivation of small enclaves of disgruntled minorities in the newly established Union republics as a way of controlling them, contributed to the outbreak of ethnic conflicts and separatist movements when Moscow’s grip begun to loosen and after the Union was dissolved. 11

Because of the USSR’s command economy, these republics had no experience in market-oriented economies and lacked an adequate private sector. Their economies were not geared to meet their national needs and provide a basis for sustainable development. On the contrary, they were merely links in an economic chain designed to meet the needs of the entire Union. They also mainly traded with other Union members.

Consequently, when the USSR was dissolved and the Soviet-era economic system collapsed they experienced a serious economic shock. It took them nearly a decade before they could recover the economic position they had in 1989. The totalitarian character of the USSR left them with little or no experience in democratic politics, democratic institutions, or a political culture based on dialogue, give-and-take and respect for individual freedoms. Only informal mechanisms existed in the form of various networks of influence and connection with republican and federal power centers. As a result, building democratic societies, politics, and institutions has been an uphill struggle.

The USSR’s external relations were conducted from Moscow. Therefore, its constituent republics, including those in the South Caucasus, lacked experience in international and regional diplomacy. More important, two centuries of Russian/Soviet rule stunted the natural evolution and development of regional states’ national identities and cultures. Thus, the end of the USSR and the severe erosion of the credibility of its socialist ideology left them with an identity and ideological vacuum. This situation attracted the attention of international and regional actors, who tried according to their own preferences to shape these republics’ post-Soviet identities and value systems, their economic, social, and political structures, and their external behavior.

The Messy Process of USSR’s Gradual Dissolution

The USSR’s disintegration took only three years—1988 to 1991. However, the process was messy and greatly contributed to the discord and conflict that has afflicted the region in the last twenty-five years. The most damaging aspect of this process, as a consequence of Gorbachev’s reforms, was the emergence of intense power struggles within the leadership of the Soviet Union, which was also reflected at the level of republican political establishments. These rivalries caused many fissures within these republics, which played a significant role in aggravating interethic conflicts, largely because competing factions consciously manipulated these disputes in their
competition for power. Some of these disputes, such as the Armenian-Azerbaijani dispute over Nagorno-Karabakh, led to military confrontation and the loss of Azerbaijani territory. In Georgia, ethnic rivalries degenerated into separatist movements in South Ossetia and Abkhazia, which eventually led to their de facto separation from the republic.

Moreover, these divisions carried over to the post-Soviet era and caused significant polarization of politics in regional republics, thus complicating the task of building democratic institutions and viable economies.

**PERSISTENCE OF OLD RIVALRIES: CONTINUED RUSSO-WESTERN COMPETITION**

Hopes were soon dashed that the end of the Cold War and the Soviet Union’s disintegration would usher in a world free of interstate rivalry and lead to the establishment of a more cooperative world order. After victory in the Cold War, the United States and its Western allies pursued a policy of universalizing their values and bringing as many countries as possible directly or indirectly into the West’s orbit and institutions. The post-Soviet states and the former allies of the USSR in Central Europe were a special focus of such activities.

In time, most Central European states joined the European Union, and many of them also became members of NATO. Meanwhile, all South Caucasian and Central Asian states became members of the Organization for Security and Cooperation in Europe (OSCE) and NATO’s Partnership for Peace Program. The European Union also signed Cooperation Agreements with these states.

Russia at first was ambivalent about these Western activities, but as NATO and the EU took new members Russia came to see them as being against the spirit of Russo-Western cooperation in the post-Cold War era. Russia viewed the expansion of NATO to its borders as inexplicable, since it believed that it no longer posed any security threat to Western states. Moreover, Russia had always believed that, in the context of Russo-Western cooperation for the management of global affairs, Russia would have the primary role in the post-Soviet space closest to it, including the South Caucasus. As it transpired, the West’s understanding of the character of Russo-Western cooperation was quite different from that of Russia. It believed that in the post-Cold War era the concepts of “spheres of influence” and “buffer states” were obsolete. Therefore, it could not understand Russia’s unhappiness over the presence of Western states and Turkey in the post-Soviet space or its resentment of the West’s promotion of Turkey as a model to be emulated by the post-Soviet states. Consequently, by the late 1990s Russo-Western international
rivalry was resumed, not only in the post-Soviet space, but over determining the future character of the international political system. To counter what it judged to be an American effort to gain supremacy, Russia proposed the vision of a multipolar world order first expressed by Yevgeny Primakov and thus often referred to as the Primakov Doctrine.¹⁶

In the context of Eurasia, in response to Western activities, Russia developed Eurasian organizations under its leadership, notably the Commonwealth of Independent States (CIS), the Collective Security Treaty Organization (CSTO), and the Eurasian Economic Union (EAEU).¹⁷

Since then, despite periodic improvement, Russo-Western relations have been on a downward trend. They significantly worsened after the Russia-Georgia war in 2008. They reached a particularly low point after Russia annexed Crimea in 2014 and became involved in Ukraine’s crisis of 2014 and the ensuing civil war.¹⁸

**Turkish-Iranian Competition**

The old pattern of regional rivalries also resumed in the South Caucasus with Iran and Turkey as the main competitors. Historically, the two states competed for influence in the region. However, for the most part Iran succeeded in establishing control over the region, until losing its Transcaucasian possessions to Russia in 1813 and 1828. However, because of the depth of its involvement dating back to antiquity, Iran’s cultural influence remained strong in the region, especially in Shia Azerbaijan until the Soviet era. The Ottoman Turks coveted Iran’s province of Azerbaijan. Therefore following the Bolshevik revolution, in 1918 installed a pro-Turkish government in Baku and named it after the Iranian province of Azerbaijan. The Iranian government objected to this action by the Ottomans. However, after the Bolsheviks dismantled the Azerbaijani republic and eventually absorbed the entire region into the USSR there was nothing much Iran could do.¹⁹

After the Soviet Union’s dissolution, this old Turkish-Iranian rivalry reemerged. The West supported an active Turkish role in the region, while containing and isolating Iran and thus, giving Turkey the upper hand in this competition. The West, especially the United States, was determined to prevent Iran from establishing a presence in the region or in any way influencing the direction of the South Caucasian states’ domestic and foreign policies.²⁰ Consequently, Iran was excluded from Western-sponsored economic and political regional arrangements, including energy transport schemes and networks, even though its territory provided the shortest and the cheapest route for such schemes. Iran was also prevented from exporting its oil and natural gas to energy-poor Armenia and Georgia. Ironically, Iran’s exclusion
benefitted Russia, which has used its energy lever to pressure states such as Georgia by periodically reducing its gas supplies.\textsuperscript{21}

In their efforts to gain influence in Azerbaijan, Turkey relied on its linguistic ties with Azerbaijan, while Iran emphasized its long historical links, deep cultural ties, and shared Shia faith. However, seventy years of Soviet rule had secularized the Azerbaijani elite, so religion was not an effective instrument of influence, whereas the appeal of Turkic identity was quite strong.

Turkish-Iranian rivalry affected the domestic and foreign policies of some of the regional states, especially Azerbaijan. Its leaders—Abulfaz Elchibey and Haidar and Ilham Aliev—adopted a strong Turko-centric national identity, a pro-Turkish foreign policy, and a largely anti-Iran posture in regional and international affairs. Turkey also established good relations with Georgia.\textsuperscript{22} Georgia gravitated toward Turkey because it wanted to join Western institutions and saw Turkey as potentially helpful in its quest. Nevertheless, during Edward Shevardnadze’s presidency, Georgia explored the possibility of better relations with Iran. It even tried to mediate between Iran and the United States. However, because the United State discouraged close interaction between South Caucasian states and Iran, Georgia essentially abandoned these efforts. Nevertheless, by and large, Georgia has maintained tolerable relations with Iran.\textsuperscript{23}

However, Turkey was not able completely to exclude Iran from the region. On the contrary, Iran has developed fairly close relations with Armenia, partly because of their common fear of a potential Turkic bloc. It has retained workable relations with Azerbaijan, despite periods of tension, and has nonhostile though limited relations with Georgia. In fact, a sort of informal coalition has emerged in the region with Armenia, Iran, and Russia on the one side, and Turkey, Azerbaijan, and Georgia on the other, although Russia has also kept fairly good relations with Azerbaijan, and its approach toward Iran has been mostly instrumental and manipulative. Meanwhile, Russian-Georgian relations have been mostly tense, especially during the presidency of Mikheil Saakashvili, and even involved them in a short war in 2008.\textsuperscript{24}

These alignments are not very solid and are subject to change. They have been gradually evolving under the influence of the shifting internal conditions of key states and the changing character of regional and international politics. A shift in the pattern of regional coalitions therefore cannot be ruled out.

**Turkish-Russian Rivalry**

Another feature of the South Caucasus’ geopolitics that has had significant implications for regional states has been Turkish-Russian rivalry for influence in Eurasia which partly reflects the old Russian-Ottoman competition. After the Soviet Union’s fall, Russia continued to see itself as a Eurasian power that
should have a leadership role in the larger region’s economic and political evolution. The creation of Eurasia-wide institutions referred to before were partly aimed to demonstrate Russia’s belief in its Eurasian character and destiny.

Turkey had a similar vision of its role. It also saw itself as a Eurasian country and thus entitled to a leadership role in Central Asia and the South Caucasus. Turgut Özal, who served both as Turkey’s prime minister and president, envisioned it as the epicenter of the Eurasian World. In this ambition, Turkey had the support of Western countries. They believed that Turkey as a Western ally with linguistic and cultural ties to these regions could serve as good intermediary with the post-Soviet states and could help bring them into the West’s orbit.

Following the gradual deterioration of Russian-Western relations, beginning by the late 1990s, the West aimed to prevent the reassertion of Russian dominance in this area and the rebuilding of Soviet-era ties under new guises. In this context, too, Turkey appeared as an ideal partner. As a result, Turkish-Russian competition became another feature of regional politics. However, both Russia and Turkey have avoided linking their bilateral relations to their regional competition. Regional states, too, mostly have tried to maintain a balance in their relations with the two countries, except for Armenia, which has many unresolved historical problems with Turkey and largely relies on Russia for its security. Georgia, too, by opting for the Euro-Atlanticist option, has had difficult relations with Russia, especially after the 2008 war.

**NEW PLAYERS AND THE GROWING IMPACT OF MIDDLE EAST POLITICS**

Because of their proximity to key Middle East countries, the newly independent republics of the former USSR, including those of the South Caucasus, became the focus of attention of Middle East actors. They tried to influence the new republics’ political evolution and to shape the character of their foreign policies in ways more congenial to their own interests. In particular, they were keen to prevent their rivals from using these new states to their own ends and potentially even affecting the balance of power in the Middle East.

An important and highly influential new actor in the post-Soviet space, including the South Caucasus, has been Israel. Immediately after the USSR’s dissolution, Israel set about to establish political and economic relations with the Central Asian and South Caucasian states, partly to enhance its legitimacy in the Muslim World and partly for security and economic reasons. In many ways, Israel’s strategy toward the South Caucasus was a variation of its earlier policy of having good relations with non-Arab Muslim states. This is known as the periphery strategy.
Introduction

In the new phase of its periphery strategy, Israel’s main purpose was to counter potential Iranian influence in these republics and, if possible, to use them to pressure Iran. This factor was particularly important in Israel’s determination to forge close relations with Azerbaijan. Because of Azerbaijan’s proximity to Iran and its shared religious and cultural ties with that country, Israel was concerned that it might gravitate toward Iran and was therefore anxious to prevent such an eventuality. In addition, Israel was interested in Azerbaijan as a source of energy supply and a market for its products, especially its military hardware. Meanwhile, Israel’s close relations with America and the widespread perception in the region that good relations with Israel will open doors in Washington, made most regional states receptive to Israeli overtures. Moreover, the United States supported Israel’s regional activities since they fit very well with its own policy of containing Iranian influence both in the Middle East and in the former Soviet republics.

In this context, Azerbaijan became a special focus of Israeli policy and activity. The two countries now have close security, political, and economic relations. Azerbaijan has embraced good relations with Israel as part of its policy of expanding its strategic options and as protection against Western criticism of its human rights and democracy deficiencies. Israel has used this connection between Azerbaijan’s foreign policy and criticism of its human rights record every time the republic seemed to be moving closer to Iran. For example, in 2016, following a year of improving Iran-Azerbaijan relations coupled with increasing criticism of Azerbaijan in the West, Israeli prime minister Benjamin Netanyahu visited Baku that December. In this way, Azerbaijan indicated that improved relations with Iran will not come at the expense of Azerbaijan-Israel alliance.

Arab Influence and the Rise of Sunni Extremism

In modern times, Arab presence in the South Caucasus has not been significant. This situation reflected conditions of the Arab World itself, the sectarian map of the region’s Muslims—mostly Shia—and most importantly Russian-Soviet domination. Following the USSR’s collapse and the emergence of independent states in the region, Arab countries, especially those of the Persian Gulf, became interested in the post-Soviet Muslim states’ developments and thus became engaged in the game of influence in the South Caucasus.

Arab states’ policies toward the region were primarily shaped by their Middle-East-related concerns as well as their broader international ties. A main impetus to some Arab countries’ efforts to establish a presence in the South Caucasus, which has been mostly focused on Muslim-majority Azerbaijan, has been their determination to contain and limit Iran’s influence. However, unlike Turkey, which in its competition with Iran until the coming to power of the Islamist Justice and Development Party (İdalat ve Kalkınma) in 2003, focused on strengthening the spirit of Turkism and Turkic unity, Arab states
focused on the region’s Sunni minorities. Saudi Arabia, in particular, has tried to spread its own Wahhabi version of Islam among the region’s Sunni Muslims as an antidote to Iran’s influence among the Shias. In the 1990s, Saudi activities were mostly, although not entirely, focused on the North Caucasus, especially Chechnya, but they later expanded to the South Caucasus as well. The outcome of this Arab activity has been growing sectarian discord in the region, especially in Azerbaijan, which had never existed before, at least not to the extent that exists today. Extremist ideas have also emerged among the Muslims of Adjara, a province of Georgia as well as in its border areas with Chechnya.

The spread of radical ideas and the growth of sectarianism in societies facing ethnic divisions have further undermined their national cohesion. These tensions could even degenerate into new conflicts, with the potential to spread to neighboring countries. For example, should there be a Sunni-Shia conflict in Azerbaijan, it could potentially involve Iran and Turkey on different sides. Even some Arab states might become involved.

Despite the risks involved in the greater linkages between the Middle East and the South Caucasus, this connection has continued unabated and is most likely to continue in future. It has even acquired a popular dimension, in addition to state-level connections, as volunteers from South Caucasian states have gone to fight on different sides of the ongoing Syrian conflict. For example, Azerbaijani Shias fought with pro-Assad forces, while Sunnis sided with the opposition, thus reflecting the republic’s sectarian divide. Georgian volunteers fought mostly on the side of the Sunni Islamic State (IS) forces.

In general, the growing linkage between the Middle East and the post-Soviet space, especially the South Caucasus, has not benefitted the region. The American strategy of isolating Iran, helping Israel to increase its presence in the South Caucasus, and use the region to redress Middle East imbalances, among other linkages, has intensified regional polarization, added to regional rivalries and animosities, and created potentially new sources of conflict. Nor has it helped advance economic development or cooperation. Moreover, this policy at times has worked against America’s other interests, such as containing Russian power in the region. American insistence that regional states should not establish energy ties with Iran only led to their continued reliance on Russia for their energy supplies. This dependence increased Russia’s ability to pressure them to be more accommodating. In Armenia’s case, it helped tighten Russia’s control over the country.

NEW DEVELOPMENTS AND MORE VOLATILE PATTERN OF REGIONAL RELATIONS

Several developments in 2015 introduced new elements into the dynamics of the South Caucasus’ interaction with neighboring areas. These developments
offered both new possibilities for cooperation and potential risks of new conflicts.

**Iran Nuclear Deal**

The first important event took place in July 2015, when Iran, five permanent members of the United Nations Security Council, and Germany signed the Joint Comprehensive Program of Action (JCPOA) with Iran. This agreement settled Iran’s nuclear dossier and led to the lifting of some economic sanctions. The signing of the JCPOA also raised hopes that relations between Iran and the West could improve. Indeed, between the signing of the JCPOA and the end of 2016, Iran’s relations with European countries witnessed a degree of improvement with many visits by European leaders to Iran and visits by the Iranian president and foreign minister to European countries. Prospects for expanded economic relations between Iran and the European countries also improved.

From the perspective of the South Caucasian countries, the importance of the JCPOA lies in its elimination of at least some barriers to Iran’s engagement in the region’s economic life. The possibility of Iran’s greater engagement in the region was especially welcomed by Armenia, which has maintained good relations with the country. But it also positively affected Iran’s relations with Georgia and even to some extent Azerbaijan.35

However, opposition both in Iran and in the United States to improved bilateral relations dampened expectations of early and substantial Iranian engagement in regional economic schemes. Meanwhile, the earlier barriers to greater Iranian engagement in the region, notably American opposition, did not disappear. Nevertheless, the JCPOA somewhat moderated the American policy of containing Iran’s influence in the region, which in the past was a major barrier to Iranian involvement in the South Caucasus’ economic life.

The change in America’s political leadership following the election of Donald Trump to the presidency in November 2016 and his assumption of power on January 20, 2017 clouded the future of the JCPOA and the outlook for improved American-Iranian relations. In the past, Donald Trump had criticized the JCPOA, promising to renegotiate it. This uncertainty about the fate of JCPOA has cast a shadow over Iran’s future role in the region and the benefits that might be derived from a more pronounced Iranian participation in regional economic affairs and conflict resolution.

**Fluctuating Russian-Turkish Relations: From Tension to Possible Alliance?**

Another development with considerable and mostly negative impact on regional relations and politics was the rising tension between Russia and
Turkey over differences regarding the war in Syria, particularly the downing of a Russian airplane by the Turkish air force in November 2015 and the killing of the Russian pilot. In retaliation, Russia banned the import of Turkish agricultural products and prohibited the travel of Russian citizens to Turkey. The result was a serious crisis in Russo-Turkish relations.

Considering the large volume of Turkish exports to Russia as well as the large number of Russian tourists who travel to Turkey, these Russian actions inflicted considerable economic pain on Turkey. Consequently, by mid-2016, it was reported that Russia and Turkey were trying to mend their frayed relations. To this end, Turkish President Recep Tayyip Erdogan apologized to President Vladimir Putin for the death of the Russian pilot. By August 2016, the two sides had patched up their differences, and by the beginning of 2017 and, despite some ups and downs, Russian-Turkish rapprochement had reached the level of a potential entente.

The main impetus to better Russo-Turkish relations was the failed coup attempt in Turkey in July 2016. Following the coup, Russia supported the official government of President Erdogan, while the West’s response initially was hesitant. As a result, Turkey seemed to suspect the West, particularly the United States, of having been somehow involved in the coup attempt and resented the fact that Western support was not as strong and as quick as it could have been.

Russo-Turkish tensions posed a dilemma for some regional states, especially Azerbaijan. After the crisis broke out, Turkey expected Azerbaijan to side with it in its dispute with Russia, and Turkish officials visited Baku to gain Azerbaijan’s backing. Although Turkish and Azerbaijani leaders over the years have been fond of saying that they are “one nation two countries” or “one soul in two bodies,” Azerbaijani leaders proved reluctant to take sides in this dispute. Nor, was this surprising. Azerbaijan has significant economic stakes in its relations with Russia: close to one million Azerbaijanis work in Russia and send remittances to Baku. Azerbaijan also needs to at least keep Russia neutral on the Nagorno-Karabakh dispute. Moreover, Azerbaijan buys significant amounts of arms from Russia. In short, it did not make sense for Azerbaijan to jeopardize its relations with Russia to please Turkey.

Georgia, too, faced a similar dilemma, albeit to a lesser extent than Azerbaijan, because it lacks the kind of ethnic and linguistic ties that bind Azerbaijan to Turkey. Nevertheless, Georgia, too, wanted to retain its good relations with Turkey while trying not to excessively antagonize Russia. Unhappy about rising Russo-Turkish tensions, Georgia greeted the easing of tensions between the two countries with a sigh of relief. However, the legacy of this episode is likely to be felt for some time to come.

Too-close Russian-Turkish relations would reduce the regional states’ maneuverability. From their perspective, less conflictual Russo-Turkish
relations, short of actual partnership, would be the best option and could possibly help resolve some regional conflicts. Irrespective of the future direction of Russo-Turkish relations, the volatility of these ties has added to the complexity of regional politics.

Evolving Russian-Iranian Relations

From 2014 to 2016, Russian-Iranian relations underwent some changes and the two countries grew closer. Since the advent of the Islamic revolution, Iran has wanted close relations with Russia. It has been Russia that has been unwilling to fully embrace Iran. This was particularly true during the Yeltsin presidency (1992–2000). Under Putin, relations have been largely good, though not particularly close. This has partly been because of competition, especially in the energy field: Iran’s oil and gas sector is a major rival for Russia’s energy resources.

However, the civil war in Syria brought the two countries closer. Also, rising tensions with Turkey made Russia more willing to expand relations with Iran. Yet the competitive aspect of their relations, including in Syria, remain. Therefore, the future direction of Russian-Iranian relations is not quite clear. In addition to dynamics peculiar to their bilateral ties, Russo-Iranian relations will be influenced by the evolution of both Iranian-Western and Russian-Western relations.

The ultimate shape of Russian-Iranian relations, too, will affect regional dynamics and impact the prospects for greater regional economic and political cooperation and the resolution of existing conflicts.

LESSONS OF THE PAST AND OUTLOOK FOR THE FUTURE

Experience of the last twenty-five years has shown that a close interaction among several domestic factors, including the South Caucasian states’ ethno-sectarian make-up, their historical experience, and the legacy of the Soviet era and the process of the USSR’s disintegration has greatly influenced their postindependence evolution. Both their internal development and the direction of their external relations have been influenced by the characteristics of regional and international political systems and the policies of major international actors, notably the West and Russia, and to a lesser extent those of major regional actors. In the coming years, too, the same factors will influence their evolution, although the ultimate impact could be very different from what it has been in the past.

In the past quarter century, the South Caucasian states have experienced considerable changes, achieved some economic and political progress, and gained
more experience in conducting their external affairs. However, they still face significant challenges in all these areas plus some new ones. These new challenges could demand radically different policy choices. In the last decade, there have also been significant developments in relations among major international powers and other regional players. These developments are bound to affect political dynamics in the South Caucasus for good or ill, depending on how they evolve, and could pose new challenges and difficult choices for regional states.

The passage of twenty-five years since the independence of the South Caucasian states, plus shifts in regional and international relations, made it appropriate to take stock of the past and to try discerning the most likely future trends, with the ultimate goal of helping the South Caucasian countries’ economic and political progress, and finding more effective means of resolving outstanding conflicts and preventing the emergence of new ones. More broadly, an analysis of the South Caucasian states’ post-Soviet experience in nation-building will help in better understanding the impact of systemic factors on the evolution of small states in geopolitically sensitive regions subject to intense great power interest.

This study on “The New Geopolitics of the South Caucasus: Prospects for Regional Cooperation and Conflict Resolution” is designed to contribute to this stock-taking, drawing lessons for the future and insights into how systemic factors affect the internal evolution of small states in sensitive geopolitical zones. The study is divided into two parts: the first part consists of country studies of Armenia, Azerbaijan, and Georgia. The second part examines the policies of key regional and international actors, notably the United States, Russia, the European Union, Turkey, Iran, and the Middle East states toward the region and their impact on the South Caucasian states’ internal evolution and their external ties. The country analyses focus on the economic and political evolution of regional states, their foreign policies, and the factors and forces that have most contributed to their current situation. The analyses of the policies of international and regional actors examines their motivations, objectives, and the outcome of their approaches to the region. Based on these analysis and assessments, the authors offer some recommendations for future strategies that could best contribute to the economic, political, and social evolution of these countries in a positive direction, encourage regional cooperation, help resolve existing conflicts, and prevent new ones from emerging.

NOTES

1. The eighteenth century marked the beginning of Russia’s systematic efforts to gain control of the region. Its interaction with the region goes back to as early as late sixteenth century.

3. A good example is the USSR’s efforts to bring the Iranian Azerbaijan under its control by creating a puppet socialist government. The Soviet Union used the presence of its troops in Iranian Azerbaijan which had entered there as part of Iran’s occupation by Allied forces during World War Two. The USSR was forced to withdraw its troops under intense Western pressure and Iranian resistance in 1946. See: Louise L. ’estrange Fawcett, *Iran and the Cold War: The Azerbaijan Crisis of 1946* (Cambridge: Cambridge University Press, 1992).


5. However, the original people in Dagestan have been mixed with other ethnic groups. For example, when he built/expanded and fortified the city of Darband/Derbent, which in Persian means barred gate, as defense against nomadic people in fifth century C.E., the Persian Sassanid Emperor Khosrow Anoushirvan (of Immortal Soul) relocated close to one million Persians from the Iranian heartland there.


8. This action of the USSR was in clear violation of promises made by Lenin and Stalin to the Tsar’s subjects, especially Muslims. Lenin and Stalin in their message to “All Laboring Muslims” promised them all kinds of freedoms, including religious freedom. For the text of the message see: Richard Pipes, *The Formation of the Soviet Union: Communism and Nationalism* (Cambridge, Mass: Harvard University Press, 1997).


10. By the beginning of 2017, Turkey’s domestic politics and its foreign policy were in a state of flux and the country’s future orientation was unclear.


13. Initially, the United States and its European allies did try to involve Russia in their efforts to develop institutions in the former Soviet space. But by the late 1990s, the United States gradually began to exclude Russia.


20. On American policy of containing Iran see: Martin Indyk, “Watershed in the Middle East” Foreign Affairs, 72, 3 (Summer 1993) and Anthony Lake, “Confronting Backlash States,” Foreign Affairs, 73, 2 (1994).


22. On Turkish-Georgian relations see: Valeri Modebadze, Fatih Mehmet Sayin, and Reha Yılmaz, “Georgian-Turkish Relations since the Breakdown of the Soviet Union,” Journal of the Faculty of Economics and Administrative Sciences, Cankiri Karatchin University, 4, 1 (2014).

23. On Iran-Georgia relations see: Kornely Kakachia, Iran and Georgia: Genuine Partnership of Marriage of Convenience,” PONARS Eurasia Policy Memo, 186 (September 2011).


27. On Israeli-Central Asia Relations see: Marlene Laruelle, “Israel and Central Asia: Opportunities and Limits of Partnership in a Post-Arab Spring World,” German Marshal Fund of the United States, July 2012.


