

“The fallout of Russia’s invasion of Georgia has yet to be seriously addressed; Armenia and Azerbaijan are edging toward a new war; and the situation in the North Caucasus is going from bad to worse.”

## The Caucasus in Limbo

SVANTE E. CORNELL

The Caucasus has been on a roller coaster for the past few years. Strategic because of its location at the intersection of Europe and Asia, and of Russia and the Middle East, and connecting the West with Central Asia across the Caspian Sea, the region has been the subject of growing great-power interest since the Soviet Union’s breakup. After being roiled in the 1990s by wars between Armenia and Azerbaijan, in Georgia, and in Chechnya, the region began to experience some stability and development. Azerbaijan’s oil boom brought it economic growth, while a reform-minded government that came to power in Georgia following the 2003 Rose Revolution showed that stagnant post-Soviet institutions could be changed for the better. In 2006, all three countries of the South Caucasus (Georgia, Azerbaijan, and Armenia) were among the top ten growth economies in the world.

The events of 2008 changed this modestly optimistic picture. The Russian invasion of Georgia threw the entire region into turmoil, altering all the assumptions on which local and foreign decision makers had based their policies. It showed that war on Europe’s outskirts was not a thing of the past, and specifically that Russia’s threshold for unilaterally using force against another state was considerably lower than previously thought. This, coupled with weak Western reaction to the war (the European Union normalized ties with Russia within weeks of suspending them), changed calculations in other regional capitals, notably in Western-aligned and oil-rich Azerbaijan. After all, if the West was not ready to intervene more

strongly to support its closest ally in the region (Georgia), what could Azerbaijan expect from the West in an hour of need? The war rather seemed to vindicate Armenia’s decision to place primacy on relations with Russia.

The global financial crisis—which soon turned out to be a deep economic crisis of the West—made matters worse. This was not so much because of direct economic impacts: The three states of the South Caucasus all weathered the storm relatively well. Rather, the crisis led to a steep and tangible loss of Western interest in Eastern Europe in general, and the South Caucasus in particular. Europe’s malaise caused it to look increasingly inward, and to shelve most plans for deepened integration with the EU’s eastern neighbors. The union’s Eastern Partnership initiative, launched immediately after the war in Georgia, remains not only woefully underfunded but also contested by important EU members. As for the United States, that country’s own economic difficulties reduced its interest in foreign affairs in general. More directly, America’s “reset” diplomacy with Russia led to the return of a Russia-first approach, reminiscent of President Bill Clinton’s first term in office, in which US ties with the other post-Soviet states were subordinated to the priorities of America’s relationship with Moscow.

None of this has changed the fundamental reasons that earlier US and European governments of all political colors invested considerable time and resources in developing ties with the South Caucasus, and in improving the region’s security and well-being. If anything, America’s difficulties with Pakistan have forced it to rely increasingly on northern transportation routes to Afghanistan, with the corridor through the South Caucasus being the most direct and the only one that does not leave the United States dependent on Russia’s whims. Today as before, the crucial location

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of the South Caucasus, and the positive approach that its three nations take toward cooperating with Western objectives, make neglecting the region a strategic mistake. Only adding to the importance of the South Caucasus is an increasing drift in US relations with Turkey, a country that has long been the bedrock of American policy in the region.

Western neglect risks undermining the very goals that have formed the basis for two decades of Western involvement: developing secure and prosperous independent states that are aligned with the West, and building communication routes to and across Central Asia. While no new disaster has struck the region since the Georgia war, dark clouds loom on the horizon. The fallout of Russia's invasion of Georgia has yet to be seriously addressed; Armenia and Azerbaijan are edging toward a new war; and the situation in the North Caucasus is going from bad to worse.

## GEORGIA LIVES

When the smoke cleared after the August 2008 war, many wrote off Georgia's prospects as a country, and especially the prospects of President Mikheil Saakashvili's administration. When Russia recognized as independent states Abkhazia and South Ossetia—the breakaway Georgian regions it had just invaded—it appeared to have killed Georgia's prospects ever to recover these territories. And many thought that a promising administration of young reformers, led by Saakashvili, had suffered a mortal blow—one that some Westerners considered self-inflicted, accepting as they did Russia's view that Georgia had started the conflict. Subsequent research has left no doubt that Russia had planned the invasion long in advance, and that any political miscalculations made by the Georgian leadership were merely a pretext for the conflict, rather than its cause.

Moscow appears to have calculated that Saakashvili's administration would collapse after the blow it had been dealt. And, predictably, the government's popularity took a severe hit, with the Georgian opposition exploiting the opportunity to call mass protests in the spring of 2009, demanding Saakashvili's resignation.

It is important to bear this in mind when assessing Georgia's problems today. Critics point out the country's slow pace of reform and the challenges outstanding in its democratic development. Yet what is most notable is that the country's democratically elected government has not only survived, but has seen its popularity recover. In the

summer of 2011, polls suggested that two-thirds of Georgians maintain a positive view of the president, up from less than half in November 2008; the curves were up for most leading members of the ruling party as well. By contrast, the most radical opposition leaders have seen their popularity ratings decrease.

Meanwhile, Georgia's politics have undergone considerable changes. Until 2009, the country's politics was plagued by sharp polarization, personalization, and a tendency toward radicalism and hyperbole. The main venue for politics was not the parliament, or meeting rooms, but the street: Street protests had caused every change of government in the country's modern history. Indeed, November 2007 protests against Saakashvili had been successful in forcing him to resign and call early elections, which he nevertheless won.

The year 2009 was a watershed for two reasons. First, large-scale street protests that paralyzed the capital for weeks failed to achieve any tangible result; and second, opposition leaders saw their poll numbers decline in proportion with their radicalism. All polls showed Georgians denouncing the extreme rhetoric of both government and opposition politicians, and endorsing those politicians who sought dialogue and compromise. The government, armed with data produced by Western pollsters, quickly understood this trend.

So did moderate opposition forces like the Christian Democratic Movement, run by Giorgi Targamadze, and the Our Georgia—Free Democrats, run by Georgia's former United Nations ambassador, Irakli Alasania. Together with several other groupings, they renounced street politics and committed themselves to seeking political change through elections and dialogue; they have been duly rewarded in subsequent polls.

Opposition leaders who failed to grasp the changing attitudes in Georgian society, by contrast, rapidly saw themselves marginalized. These included, most prominently, the former parliament speaker turned radical oppositionist Nino Burjanadze, who pushed herself and her movement to irrelevance through an overt alliance with the Kremlin, as well as by staging violent protests in May 2011.

As for the government, it has sought to continue on the reform path, though the pace has been considerably slower than was the case in the years soon after the revolution, when Georgia became the first post-Soviet country to effectively curtail corruption and organized crime's influence on

government. Georgia has shown increasing political will to implement reforms foreseen in the EU's Eastern Partnership initiative. In 2011, Georgia achieved a visa facilitation agreement with the EU, and was completing the groundwork to begin negotiating an Association Agreement. In addition, reforms were introduced to the nation's media laws, removing much-criticized loopholes that prevented transparency regarding the owners of the country's major media outlets.

Local elections in 2010 were widely lauded for reflecting significant progress over earlier rounds of voting, while constitutional amendments the same year reduced the powers of the presidency, providing for a more balanced separation of powers. The government also struck a deal with two opposition parties in 2011 on reforms to the electoral code, a deal that large sections of the moderate opposition nevertheless continue to oppose.

Much work remains, of course, before Georgia becomes a full-fledged Western democracy. Not least, parliamentary elections in 2012 and a presidential election in 2013 will be litmus tests for the country's development, and have already been identified as such by Georgia's Western partners. Similarly, much remains to be done in the areas of judicial reform and property rights, which are not yet adequately protected.

## COVERT SUBVERSION

While Georgia has continued to evolve internally following the shock of war, a cloud of uncertainty hangs over the country's security. The pattern of Moscow's policies toward Georgia remains hostile. Indeed, the 2008 war should not be seen as an isolated event: It was only the most violent, acute phase of a Russian-Georgian conflict that dates back at least to 1991. Moreover, since the war failed to accomplish Russia's stated aim of regime change in Tbilisi, the conflict is far from over.

Russia continues to violate the 2008 ceasefire agreement negotiated by the EU, according to which Moscow committed to withdrawing its military forces to pre-conflict positions. In fact, it has rapidly expanded its military presence in the territories that it effectively occupies. In both territories Moscow has built permanent military bases. These house sophisticated military hardware that appears designed to threaten the Geor-

gian capital, which is only 60 miles from South Ossetia's border.

Russia continues to block the unarmed EU monitoring mission in the area from gaining access either to Abkhazia or to South Ossetia, and also prevents from returning to their homes a quarter-million ethnic Georgians displaced by the conflict. At the same time, Russia continues to discourage local authorities in the two regions from developing contacts with Georgia. Moscow has hindered "Engagement Through Cooperation," a Georgian strategy and action plan that the government developed in conjunction with Western partners and international nongovernmental organizations, which calls for reaching out to the populations of the territories.

While there are no indications that Moscow is planning a new war against Georgia, it continues actively to undermine Georgia's stability and government. To begin with, Moscow funds and supports the most radical elements of the Georgian opposition. (The Georgian Interior Ministry recently released a recording in which Burjanadze and her son are overheard, while planning a May 2011 attempted coup d'état, openly discussing the possibility of assistance from Russian commandos. Burjanadze has not denied the authenticity of the recording.)

In addition, Moscow continues to publicly accuse Georgia of assisting Islamist terrorism in the North Caucasus, in spite of the total absence of evidence to that effect.

Meanwhile, Russia's hand is visible behind a dozen bombings that have rocked Georgia over the past year. These have targeted opposition party offices, railway bridges, and supermarkets, as well as the NATO liaison office in Tbilisi. Perhaps most alarmingly, a bomb went off in September 2010 outside the walls of the US embassy in Tbilisi. Thanks to investigative reporting by Eli Lake of *The Washington Times*, it is now known that the US intelligence community has endorsed the conclusions of the Georgian government's investigation, which identifies an Abkhazia-based Russian military intelligence officer as the mastermind of the bombings, including the one that targeted the US embassy.

These events all suggest that in its long-standing conflict with Georgia, Moscow currently emphasizes subversive and covert strategies rather than overt military action. But there should be little

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doubt that Russia desires to undermine Georgia's development and security. Moscow's subversive activities, at best, divert the Georgian government's attention and energies away from important reforms; at worst, they provoke a siege mentality that leads Georgians to focus their energies on building a strong state capable of withstanding Russia's asymmetric threats, rather than on developing the fundamentals of a free society.

## NOT SO FROZEN

Georgia has garnered the most attention in the past several years, but the region's deepest and most intractable conflict involves its two neighboring countries Armenia and Azerbaijan. In the early 1990s the two fought a war over the region of Nagorno-Karabakh, a majority-Armenian enclave of 180,000 people within Azerbaijan's borders. When a cease-fire was signed in May 1994, Armenian forces controlled not only the disputed enclave, but an additional seven Azerbaijani provinces, which before hostilities had all been Azerbaijani-populated and which were emptied of their population—over 600,000 people—during the course of the war. In the years since, the two countries have failed to reach a negotiated solution in spite of countless meetings and despite the facilitation of a trio of powers tasked with mediating—the United States, Russia, and France.

Armenia and Azerbaijan's is the quintessential "frozen conflict," and it often elicits comparisons to Cyprus. Except that the conflict is far from frozen and—unlike in Cyprus—the risk of renewed hostilities is very much present. Unlike in Cyprus or, say, Kashmir, the status quo here is untenable for one simple reason: The balance of power between the two antagonists is changing rapidly. Whereas Armenia won the war and occupies the land, its population has, due to emigration, shrunk considerably since independence. Meanwhile, oil and gas riches have made Azerbaijan the world's fastest-growing economy over the past five years. Its economy is now almost five times larger than Armenia's; its defense budget alone by far surpasses Armenia's entire state budget.

Several factors make matters worse. First, there are no peacekeeping forces separating the Armenian and Azerbaijani armies, which stare eyeball to eyeball across the cease-fire line. Second, lead-

ers on both sides have adopted increasingly fierce nationalistic rhetoric as the conflict has gone unresolved and, given the passage of time, most Armenians and Azerbaijanis under the age of 40 have never met a person from the enemy nation. Finally, strong forces on both sides believe time is their friend. In Azerbaijan, the thinking is that the discrepancy in power will only increase, to Baku's advantage; this decreases the incentive to agree to a deal today, when the possibility exists of imposing a better deal tomorrow.

In Armenia, by contrast, the feeling is that the world is increasingly receptive—given the independence of East Timor, Montenegro, and especially Kosovo—to the principle of self-determination, which the Armenians of Karabakh champion. After all, if there are two Albanian states in the Balkans, why not two Armenian ones in the Caucasus? Of course, especially because the ethnic cleansing that was carried out during the military conflict disproportionately affected Azerbaijanis, the prospect of the international community ever recognizing the independence of Nagorno-Karabakh is in reality very unlikely.

Western diplomats have generally considered the conflict frozen enough to concentrate, instead, on more urgent matters elsewhere. As such, attention to mediation efforts has been sporadic and erratic.

The administration of George W. Bush did host a summit in Key West in 2001. French President Jacques Chirac hosted another at Rambouillet in 2006. And Russian President Dmitri Medvedev organized a third in Kazan this year. But between such bursts of energy, little work has been done toward an agreement. No top-notch mediator has been deployed by Washington, Paris, or Moscow to continuously work on the conflict. Instead, mid-level ambassadors have chaired the talks, an approach that has failed to produce results.

The events of 2008–2009 illustrate this neglect. If anything, the war in Georgia should have served as a stark reminder that the conflicts of the South Caucasus are far from "frozen." It would have been logical for Western powers, having failed to prevent the escalation to war in Georgia, to redouble their efforts to resolve the Armenian-Azerbaijani conflict. Instead, no matter how absurd the idea appeared, Western leaders did not blink when Russia, fresh from having invaded Georgia, announced it would take the lead in seeking a negotiated solution.

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Unfortunately, a major initiative launched by the Barack Obama administration in the region did more to worsen the situation than to improve it. For rather than focusing on Armenia-Azerbaijan, Obama in 2009 threw his personal weight behind an effort to mend ties between Armenia and Turkey. The administration claimed that normalizing Turkish-Armenian ties had the most potential to build a positive dynamic in the region. If Armenia could be made to feel more secure, it might be more amenable to a compromise with Azerbaijan, thus improving the chances of resolving the Armenian-Azerbaijani conflict as well.

Of course, another factor behind the initiative was not stated overtly. Obama, more than any other presidential candidate in recent history, had committed to recognizing as genocide the 1915 massacres of Armenians in the Ottoman Empire. But once Obama became president, he could not offer such recognition without infuriating Turkey, a country that was to be a major focus of the administration's outreach to the Muslim world. For Obama, the only honorable way to back out of his commitment was to work toward progress on the ground—progress that could be endangered if the US president were to comment on historical events.

The main problem with the administration's initiative was its explicit ambition to de-link the Turkish-Armenian relationship from the Armenian-Azerbaijani conflict: The two situations are indeed linked. Turkey closed its border with Armenia in 1993 as a result of Armenia's occupation of Azerbaijani territories, and ever since has insisted that it would open the border only as part of a resolution to the Armenian-Azerbaijani conflict. For Azerbaijan, this has been a major lever in negotiations, so the administration's initiative carried important implications for Baku (whose entire foreign policy strategy had just been shaken by the war in Georgia). Yet the administration failed to consult with Baku on the matter, and even failed to keep it informed of developments.

Baku felt that Washington's approach endangered its national security—that Armenian-Turkish rapprochement resulting in the opening of the two countries' border would eliminate the possibility of Yerevan's offering domestically unpopular compromises to make peace with Azerbaijan. The signal from Washington, as Baku read it, was that Azerbaijan's major national priority, resolving the conflict with Armenia, had been de-

liberately moved to the back burners of American policy making.

Baku needed to ensure somehow that the conflict stayed on the international agenda. To accomplish this, it had only one option: escalation. Thus there was a marked escalation in the Armenian-Azerbaijani conflict, in terms of both rhetoric and actual exchanges of fire along the cease-fire line. This, coupled with the predictable failure of the Turkish-Armenian normalization process, did bring renewed attention to the conflict. And unfortunately, Moscow's stewardship of the mediation process was allowed to continue. A June 2011 summit in Kazan involving the Armenian and Azerbaijani presidents failed to yield results.

The question, at this point, is whether a new war can be avoided. To be sure, neither side appears to actually desire war at present. But with each passing year, the danger is expanding rather than receding that hostilities will resume, either by design or by accident (such as through an escalation of local shootouts). In the long term, the Armenian-Azerbaijani conflict may come to resemble Cyprus less than Kashmir. That is, resolution will likely remain elusive, and periods of un-

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easy coexistence will be interspersed with bouts of actual fighting.

## NORTH CAUCASUS, SLIPPING

The troubles in the independent states of the South Caucasus are compounded by continued unrest in the Russian North Caucasus. Since Moscow in 1999 launched a second war in Chechnya, the insurgency there has morphed rather than abated. In the past several years, Chechnya has been among the most stable areas in the North Caucasus—but low-level insurgency has been spreading to the republics to Chechnya's east and west.

This insurgency results from several factors. Most prominent is the growth across the region of radical Islamism, fueled by the Arab missionaries and fighters who joined the second Chechen war at the beginning of the past decade. And the spread of radical ideologies has found fertile ground because of local conditions: Deep, chronic socioeconomic problems in the region allow little hope for young people. All republics of the North Caucasus are heavily subsidized by Moscow, with between 60 and 90 percent of their budgets coming from that source. Unemployment is rampant across the region.

A large-scale out-migration of ethnic Russians has occurred in parallel with the growing Islamization. In fact, there is less and less that ties the North Caucasus to Russia, or that makes the region's residents feel they are part of Russia. The government's repressive policies, as well as Moscow's attempts to exert direct control over local governments instead of relying on leaders with local legitimacy, have further alienated much of the population.

Thus, the insurgency spread first to Chechnya's direct neighbors, Dagestan and Ingushetia; from there, in 2010, it moved west to the republic of Kabardino-Balkaria, traditionally a relatively calm area. This year insurgency-related violence has been seen for the first time in the mainly Christian republic of North Ossetia, suggesting that the insurgency now encompasses the entire North Caucasus.

Moscow appears at a loss to deal with the problem. Its strategy has habitually hinged on force and repression, though lately attempts have been made to address economic difficulties. At present, a mix

of repression and cash infusions appears to be the favored policy of the central government, though Moscow has little to show for this approach. Russia has been relatively successful at eliminating insurgent leaders, killing several in the past few years. But this has not helped, as the insurgents have proved remarkably resilient. Last year saw a 50 percent increase in insurgency-related attacks over 2009, itself a violent year. In 2011, violence in Kabardino-Balkaria escalated drastically, compelling security forces to undertake large antiterrorist operations. Meanwhile, violence continued in Dagestan and reemerged in Chechnya.

In 2014, Russia will host the Winter Olympic Games in Sochi, on the Black Sea coast of the North Caucasus. Eyebrows were raised in 2007 when the games were awarded to Sochi, given the region's insecurity. Now, with less than three years to go until the games, Moscow seems utterly unable to pacify the North Caucasus. This raises serious questions about the viability of holding a major sporting event that might present an irresistible target for terrorists. It also prompts fears

of a massive crackdown ahead of the games, as Russia might make a last-ditch effort to stabilize the situation. Russian officials' desperation is best illustrated by their increasing tendency to accuse Georgia and West-

ern powers of assisting the insurgency and seeking to undermine security.

The fact of the matter is that the North Caucasus increasingly resembles a failed state within the Russian Federation. Authorities appear unable to address the grievances of the population or to provide adequate conditions for economic development. With every passing year, the contrast between life in the North Caucasus and across the mountains in the South Caucasus is increasingly glaring. Although Armenia, Azerbaijan, and Georgia all have their problems—serious ones at that—the situation in the South Caucasus is incomparably better than in the North, a result not least of the benefits of sovereignty and integration with Europe.

Events in the North Caucasus are no isolated affair, however. They affect, most directly, the South Caucasus. On repeated occasions Moscow's wars have spilled over into the South Caucasus—through flows of refugees and fighters across the mountains, and through Moscow's frequent prac-

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tice of blaming its neighbors for the troubles in the North Caucasus. Georgia has been the most frequent target of such allegations, while Azerbaijan has received its share of accusations in the past. Moreover, the radicalization of the North Caucasus is itself now spreading across the mountains: Azerbaijan has officially listed Russia, alongside Iran and Saudi Arabia, as a source of Islamic radicalism.

More broadly, what could be called the “Afghanization” of the North Caucasus is problematic for European security, given the region’s proximity to the Black Sea and thus Europe. Unfortunately Moscow, while it is unable to address the region’s problems, is also determined not to allow an international presence to develop there.

### **FOLDED INTO PORTFOLIOS**

Until 2009, a bipartisan consensus seemed to exist in the United States that the newly independent states of the former Soviet Union should be seen as entities in their own right, and as places where America had important interests. These interests ranged from supporting the building of independent states, to developing commercial ties and Western investment, to security cooperation and the promotion of democracy and human rights. The intensity of the various interests shifted over time, with emphasis given to investment in the oil and gas sector in the late 1990s, and to security cooperation following 9/11. What did not change was an approach that viewed the South Caucasus and Central Asia as entities unto themselves.

This appears to have changed today. An apparent lack of policy goals and strategies has plagued relations with the region, as the US administration has accorded priority to relations with great powers over engagement with smaller allies. Armenia

seems to have been folded into the Turkey portfolio, Azerbaijan into the Afghanistan portfolio, and Georgia into the Russia portfolio. This absence of a regional strategy explains the failure of the administration’s initiatives: It was futile, for example, to seek to extract the Turkey-Armenia relationship from its regional context, and the policy only succeeded in dramatically worsening US relations with arguably the most important country of the South Caucasus, Azerbaijan.

The absence of strategy also helps explain the administration’s curious approach to Georgia, a major ally that provides a thousand troops—without caveats—to the operation in Afghanistan: Since 2009, the administration has refused to accede to any arms sales, even of defensive weapons or ammunition, to Georgia, effectively helping enforce Russia’s policy of an arms embargo on the country. Similarly, the administration has remained silent in the face of compelling evidence that Russian military intelligence was behind the bomb attack on the US embassy compound in Tbilisi.

The Caucasus will present the current and coming US administrations with new challenges and crises, while remaining for the foreseeable future—simply by virtue of its location—a region of considerable importance to American policy goals and national security interests. Strong policies will be required to manage the changes that in coming years are likely to shake the region and that inevitably will affect US and European interests. Yet America’s policies toward the region in the past few years have been either largely absent or counterproductive. It is time the administration developed a coherent policy, for which it should look to lessons available from the Clinton and Bush administrations. A starting point will be to see the South Caucasus as a region in its own right, rather than as peripheral to relations with other powers. ■