

# The Critical but Perilous Caucasus

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by Kenneth Yalowitz and Svante E. Cornell

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The war on terrorism has brought Afghanistan and the Central Asian states into the spotlight of world politics, but the nearby region of the Caucasus between the Black and Caspian Seas, made up of Armenia, Azerbaijan, and Georgia, is less well known. It is by no means less important to U.S. foreign policy. In the military operations in Afghanistan after 9/11, the three Caucasian states offered their support to the United States. All U.S. and coalition aircraft transiting from America and Western Europe to Central Asia flew in the South Caucasian states' airspace. These two states offered blanket overflight and basing rights, and their cooperation has been vital in the war on terror. But the importance of the Caucasus does not stop at this: the oil resources of the Caspian Sea, especially Azerbaijan and Kazakstan, are one potential alternative to Middle Eastern oil, and Caspian natural gas reserves are a possible future source of energy for Western Europe and Turkey. The Caucasus is again the "Silk Road" linking Central Asia and Europe. Its location, between Russia, Iran, and Turkey and near Iraq and the Middle East, gives it great strategic value.

But the South Caucasus is also a troubled region. In the 1990s it was a hotbed of ethnic conflicts, none of which have been resolved; just over the Caucasus mountains to the north, Chechnya's war for independence from Russia rages on. The entire region has become a center for the illegal drug trade, transnational crime, and trafficking in women and illegal migrants. Concerns are also rising regarding the availability in the region of fissile materials and other components useful for making "dirty bombs." All of this has led to "Caucasus fatigue" in the West—the sense that too much economic assistance and political support has been tendered with too little to show for it.

However, the strategic relevance of the Caucasus is growing, since terrorists could gain serious footholds there unless current political and

economic trends are reversed. This is a situation ripe for cooperation among the United States, the EU, and Russia to resolve the ethnic conflicts, promote needed reforms, and protect the sovereignty of the three independent states.

### **Deadlocked Conflicts**

In addition to the war in Chechnya that destabilizes the entire region, three other ethnic conflicts in the Caucasus—Georgia’s conflicts with its South Ossetian and Abkhazian minorities and Armenia’s war with Azerbaijan over the latter’s Nagorno-Karabakh region—remain deadlocked. The Armenian-Azerbaijani conflict is by far the most threatening, since it involves two independent states and could potentially have larger humanitarian and regional ramifications.

Close to 1 million Azeris became refugees in 1992–94 as Armenia occupied Nagorno-Karabakh and seven surrounding regions of Azerbaijan. The 1994 cease-fire has held, but a decade of negotiations has failed to lead to a solution, and the refugees remain in refugee camps. The negotiations have exhausted both Azeris and Armenians, and many in Baku are pressing for a military solution to restoring Azerbaijan’s territorial integrity. As Ilham Aliyev, who was since elected president of Azerbaijan, noted in an October 2002 speech in Washington, “Azerbaijan’s patience is running out.”<sup>1</sup>

While neither conflict has been resolved, the tensions over South Ossetia have abated somewhat, whereas Abkhazia is still a major issue in Georgian politics and a much more unstable situation. Tbilisi lost control there after a 1992–93 war in which Russia supported Abkhazia. The consequences of the conflict have been severe in human, material, and political terms. The 250,000 refugees from the Abkhazia conflict form an important pressure group. As in Azerbaijan, a cease-fire has been in place for close to a decade, but negotiations have failed to bring the parties closer to a solution. There have been returns to warfare in both 1998 and 2001, and low-intensity conflict is a constant in the border areas between Georgia proper and areas controlled by the self-styled Abkhaz government.

The loss of territory was a major humiliation for the people of both Azerbaijan and Georgia. At present, neither country has the military capability to take back the lost lands, yet tensions are increasing in both, and calls for a military solution are becoming ever more common. A political solution to either conflict, as discussed below, would require a substantially higher level of involvement on the part of the international community. Substantial compromises from both sides will be necessary, preceded by efforts to prepare public opinion on the respective sides of the conflict.

<sup>1</sup> Ilham Aliyev’s Address to the Central Asia-Caucasus Institute, Johns Hopkins University-SAIS, Oct. 22, 2002.

*The War in Chechnya.* Just north of the Caucasus mountains, an estimated 100,000 Chechens—one tenth of the population—have been killed in the ongoing war in Chechnya, and 300,000 to 400,000 have been forced to flee their homes. The conflict had already spilled over to the independent Caucasian states in 1999, when some 7,000 Chechen refugees and several hundred fighters sought refuge in the Pankisi Gorge in northern Georgia. This led to Russian threats of intervention against Georgia and Azerbaijan, where some Chechen networks had also established a presence.

The war has also shifted in character. If the first war, in 1994–96, was primarily an ethnic-based struggle for independence, many Chechen fighters now are motivated primarily by their Islamic faith. (Russia itself has cloaked the war in religious and civilizational terms ever since Chechnya declared independence in 1991.) While Chechnya's leadership is nationalist and secular, this religious trend has helped regionalize the conflict and bring in radical-minded fighters from other parts of the Islamic world, who challenge the less radical Chechen groups.

Russia is clearly unable to either win the war or resolve the Chechen problem politically. President Putin staged his 2000 presidential campaign on restoring law and order there. He has repeatedly asserted that the war is over: in his state of the union address in May 2003, referring to the war, he pointedly noted, "All that has finished." Yet this is far from the case. Chechen fighters have acquired weapons that have enabled them to shoot down a dozen Russian helicopters since fall 2002, challenging Russia's command of the skies. Russia has also been unable to prevent high-profile Chechen terrorist acts, such as the bombing of the Russian central administrative building in Chechnya in December 2002 and the hostage-taking in a Moscow theater in October 2002, in which 120 hostages died when Russian special services stormed the building.

These incidents staged by young Chechens (primarily women) illustrate the ways the collapse of the social fabric in Chechnya is radicalizing the country's youth. Growing up with no hope for the future, many young Chechens are drawn toward radical Islam. The state of war has drawn various radical Islamic groups to Chechnya, where they propagate extremist ideologies and jihad. The Middle Eastern funding sources of the radicals provides them with better weapons than other fighters. That capital, coupled with their high levels of motivation, enable them to perform daring raids on Russian forces. This aura of resistance, along with constant Russian abuse of civilians, pushes young Chechens to extremism.

A political solution to the Chechen conflict would require Moscow to negotiate with the separatist authorities. Yet so far, Moscow has instead pursued a policy of appointing the Chechen leadership, with which it then negotiates. If Moscow called for the October 5 presidential elections in Chechnya only to sideline the separatists and cement a loyal regime there, the situation is unlikely to improve.

*Weak States.* The struggling economies, debilitating ethnic conflict, and large refugee flows in the region's three nations have severely hindered the governments' ability to create viable state bureaucracies, control and police their territories, reform their economies, and establish the rule of law and democracy. Progress has clearly been made in the last ten years: all three countries have pluralist political systems with functioning opposition parties, a relatively free print media, and economies that have been liberalized to varying degrees. This progress has been recognized through their admission to membership in the Council of Europe (in 1999 for Georgia and in 2001 for Armenia and Azerbaijan). But on a political level, the governments have not managed to build stable, let alone democratic, state institutions.

In Georgia, the fragmented political system has produced no clear successor to President Eduard Shevardnadze, who returned to Georgia to lead the ruling State Council in early 1992 and was elected president in 1995 in flawed elections. [Editor's note: As this issue was going to press on Nov. 23 it was announced that President Shevardnadze had resigned.] Georgia is ill prepared to organize free and fair elections and handle the succession. Relationships among the multitude of parties and candidates are puzzling and fluctuating. Even leaving aside Abkhazia and South Ossetia, the government barely controls large tracts of the country, such as the Armenian-populated Javakheti region, the southwestern region of Adjara, or Svaneti and Mingrelia in the west. Georgia's very statehood is at risk. Should its current downward trend continue, it risks either losing its independence from Russia or simply state failure.

In Armenia and Azerbaijan, the situation is slightly better. While corruption is widespread in both countries, neither has a government as weak as Georgia's, and they do exercise writ over their territories.

Azerbaijan faced its own succession crisis in the run-up to the October 15 presidential election this fall, with President Heydar Aliyev's health in decline. Aliyev, one of the Soviet Union's most powerful men during the Brezhnev and Andropov eras, had returned to power in 1993 after a brief interlude of rule by the nationalist Popular Front in 1992–93. Aliyev effectively safeguarded some stability, which permitted Western companies to operate with reasonable security in the country's booming oil industry. But this came at the cost of the country's initially positive democratic development. In August 2003, 80-year-old Aliyev appointed his son, Ilham, prime minister, putting him in line for the October 15 presidential election. Ilham is an experienced politician who has held important positions in the state oil company, headed the national Olympic committee, and heads the Azerbaijani delegation to the Council of Europe. Aliyev Sr. withdrew from the race two weeks before the election. With opposition leaders failing to unite or offer an alternative strategy for the country, Ilham won by a large majority in an election marred by intimidation and allegations of fraud and followed by extensive rioting and reported police brutality.

Armenia's transfer of power came in the form of a palace coup in 1998 that ousted President Levon Ter-Petrossian. But President Robert Kocharyan, who moved to Armenia from Nagorno-Karabakh only in the late 1990s, has become alienated from the people. The murder of both the prime minister and the speaker of parliament during a parliamentary session in October 1999 shocked the country. Some Kocharyan aides were accused of conspiracy and even taken into custody, and five key witnesses have been murdered or died in mysterious circumstances. The case is ongoing, but few Armenians think it will ever be resolved. The war in Nagorno-Karabakh left Armenia with no economic links to either Azerbaijan or Turkey, which is Azerbaijan's key supporter and with which it shares strong cultural, linguistic, and economic links. Armenia's economy contracted in the early 1990s to less than 35 percent of its 1989 levels, forcing an estimated half of the country's population of 3 million to migrate to Russia, the United States, and Europe in search of work. Yerevan is working constructively with the IMF, but unless peace and economic stability are achieved soon, its statehood will be further weakened due to simple demographic factors and it will become ever more dependent on Russia for its economic survival and security.

*Transnational Crime.* One often-overlooked challenge to Caucasian security is the region's transnational crime. Situated along the Balkan and "northern" smuggling routes, the region is an important international center for narcotics and arms trafficking. Criminal organizations in the Caucasian states as well as in the north Caucasus within Russia—especially Dagestan and Chechnya—are active in these areas, in addition to their cigarette, fuel, and alcohol smuggling. The fact that approximately 30 percent of Georgia and 20 percent of Azerbaijan are outside effective government control creates propitious conditions for transnational crime, which has flourished in the Caucasus. With its proximity to Russia, Turkey, and the Arab world, the Caucasus is a natural channel for arms smuggling. A flood of weapons has poured into the region from Russia, Turkey, Iran, Greece and Western states since 1989–90, when separatist and civil conflicts began. Criminal organizations involved in the large-scale trafficking of arms and drugs tend to be highly organized entities with influential leaders and connections to key state institutions, and in some cases direct links to the upper levels of government.<sup>2</sup> Abkhazia, on the Black Sea coast, is a particular hub of the drug trade, as it offers easy access to Eastern and Central Europe and, due to its unrecognized status, does not participate in any international cooperation efforts that would provide oversight and assistance. The Caucasus is located between Russia, the main source of potential illegal WMD materials, and the Middle East, the main destination of such materials. Unsafeguarded radiological material has been

<sup>2</sup> See Preston Mendenhall, "Russian Crime Creeps Into Kremlin," *MSNBC*, Aug. 31, 2003; Louise Shelley, "Organized Crime and Corruption in Ukraine: Impediments to the Development of a Free Market Economy," *Demokratizatsiia*, Fall 1998; "Turkmen Drug Trafficking," *RFE/RL Crime and Corruption Watch*, Mar. 18, 2002.

found in or trafficked through Georgia, including in 2002 the then-largest seizure in the world of enriched uranium.<sup>3</sup> Moreover, Abkhazia was a storage point for enriched uranium and other radioactive materials during the Soviet period, and it has been alleged that such materials may have been sold to Iraq or terrorist groups.<sup>4</sup>

### **Economic Recession**

The regional economic recession that began with ethnic conflicts in the late 1980s was exacerbated by the 1991 collapse of the Soviet Union. Poverty and unemployment are rampant, and government officials' salaries are ridiculously low (a deputy minister makes \$200 a month), creating a black market economy and feeding corruption. The region's health and education systems, which functioned reasonably well in Soviet times, are decaying rapidly. Income gaps are widening as a small wealthy class emerges, whose income derives from both legitimate business and also from corruption and crime. Meanwhile, the great majority of the population is left in poverty. The major investments in the region have been in the oil and gas sector, and then primarily in Azerbaijan; Armenia has been kept going to a large degree by remittances from the Armenian diaspora in the West and in Russia, and Georgia mainly by Western (especially American) aid. Oil and gas investments have helped the macroeconomic stability of Azerbaijan, but this sector is capital, not labor, intensive. The cease-fire lines of the deadlocked conflicts keep investors wary and prevent legal trade across these lines, which only encourages smuggling, especially in South Ossetia and Abkhazia.<sup>5</sup>

### **Russia and Other Regional Players**

The international environment surrounding the Caucasus has made the region a focal point for post-Cold War geopolitical rivalry. For much of

<sup>3</sup> *United Press International*, Sept. 28, 2002; Charles J. Hanley, "The Traffickers Bits of Doomsday Changing Hands Raise Alarms in Post-September 11 World," *Associated Press*, June 30, 2002.

<sup>4</sup> "Uranium Stored in Abkhazia Might Have Been Sold to Terrorists," *Interfax*, June 29, 2002; "Large Quantity of Uranium Stolen in Abkhazia," *FBIS-SOV*, 1996-171, Sept. 1, 1996, quoting *Radio Tbilisi Network*, Sept. 1, 1996.

<sup>5</sup> On South Ossetia, see e.g., Daan van der Schriek, "Made in Russia, Smuggled in South Ossetia," *Transitions Online*, Aug. 28, 2003; Jeffrey Silverman, "Corruption in South Ossetia Complicates American Mission in Georgia," *Eurasianet Insight*, May 1, 2002; "Trouble Brewing in South Ossetia," *RFE/RL Caucasus Report*, Sept. 4, 2002. On Abkhazia, see e.g., Maia Mindorashvili, "Gangster Wars in Abkhazia," *Central Asia-Caucasus Analyst*, June 20, 2001; "Smugglers Prepared to Instigate More Regional Conflict Over Abkhazia-Georgia Border," *Janes.com*, Aug. 31, 2001. For a Georgian view, see Valeri Khaburdzania, "Pankisi, Abkhazia, and the Problem of International Terrorism," *In the National Interest*, Feb. 5, 2003.

their history before Russia's final conquest of the region in the early nineteenth century, the Caucasian countries formed a zone of competition and conflict among the Russian, Ottoman, and Persian empires, all of which, in their modern forms retain important interests in the region today. Turkey is primarily interested in trade, commerce, Caspian oil and gas, preventing Nagorno-Karabakh from flaring into a regional war, and ensuring the sovereignty and independence of Georgia and Azerbaijan, as a barrier to possible future Russian expansionism in the Caucasus. Iran's focus is primarily on breaking out of its U.S.-imposed isolation. Not wanting to see the region become an American bastion, Iran has maintained close ties to Russia, which shares this concern, to help it promote its own influence there. Iran, which has a substantial ethnic Azeri population in its north, sided with Armenia over Nagorno-Karabakh, while Turkey has been Azerbaijan's strongest supporter. All three powers keep a close watch on the activities of the others and are keenly interested in the outcome of debates over the direction of pipelines carrying Caspian energy; market, military, and security arrangements in the area; and any resolution of the ethnic-territorial conflicts.

For Russia, the Caucasus carries an especially significant geostrategic and historical weight. Expanding into the region was the first step in Russia's efforts to expand its territory and its influence with Iran and Turkey beginning in the eighteenth century. The region was later seen as a gateway to the Middle East. Georgia in particular was essential to Russia's conquest of the North Caucasus in the mid-nineteenth century, since it formed the link between the North Caucasian peoples and the Islamic world, especially Turkey. Control over Georgia allowed Moscow to isolate the North Caucasus from the Islamic world—and Moscow still sees Georgia as crucial to maintaining control of that restive region. The Caucasus is Russia's soft underbelly, through which unwelcome influences, ranging from radical Islamic groups to Turkey or the United States, could make inroads into Russia. As such, while Russia has accepted the placement of U.S. forces in Georgia in the struggle against terrorism, for the most part Moscow still views the Caucasus from the zero-sum game perspective and wishes to minimize U.S. influence. President Putin has increasingly used economic levers to maintain influence in the Caucasus. Russia's traditional approach was divide-and-conquer, exploiting ethnic-territorial conflicts and weak governments. It still has military bases in Armenia and seeks to keep the two bases it has left in Georgia until 2013, but Georgia is unwilling for these to remain for more than three years.<sup>6</sup>

The key issue for Russia in the Caucasus (and perhaps in general) is the war in Chechnya, which has made its already uneasy relations with

<sup>6</sup>Vladimir Socor, "Georgia: A Test Ground of Putin's International Conduct," *Wall Street Journal*, Oct. 20, 2002; Tengiz Pachkoria, "Experts to Discuss Closure of Russian Military Bases in Georgia," *Itar-Tass*, Sept. 2, 2003.

Azerbaijan even worse and almost brought it to war with bordering Georgia. The acrimony began in late 1999, when the Georgians refused Russian requests to use their bases in Georgia to attack into Chechnya. Russia countered with a harsh propaganda campaign against Georgia, alleging that Pankisi Gorge (home to the Kists, Georgians descended from Chechen refugees from earlier wars in the North Caucasus, and some 7,000 Chechen refugees from the current war) had become a major rear base of support and training for Chechen rebels. Russia continually sought but was refused permission to conduct either their own operations there or joint operations.

After 9/11, Moscow charged that terrorist elements had taken over the Chechen struggle and that the Pankisi Gorge was the last holdout of the Chechen fighters, making it the last barrier to a successful conclusion of the war. The United States later concluded that there were likely some Al Qaeda elements in Pankisi along with Chechen fighters, and in February 2002 agreed on a two-year program through which U.S. Special Forces would train and equip the Georgian military in antiterrorism activities. President Putin voiced no objections, but strong forces in the Russian military were and are adamantly opposed to the American military presence in the Caucasus.<sup>7</sup> When the United States announced its intentions to bring about regime change in Iraq, the Russians argued that the Pankisi threat was just as serious a threat to regional and international security.<sup>8</sup> On September 11, 2002, President Putin said preemptive action in Pankisi would be required if Georgia could not deal with the situation. When Russia renewed bombings of Georgian territory, the United States urged it to respect Georgia's borders and work cooperatively with Georgia in dealing with the problem.<sup>9</sup> In late summer 2002, Tbilisi finally sent security forces into the Gorge to restore order, with some degree of success. Since then, the Gorge has receded as an irritant in Georgian-Russian relations, but the concern remains that a spread of the Chechen war into Georgia could set off a conflict involving all of the Caucasus.

Russia is clearly a key player in the South Caucasus and has considerable ability to block or undermine agreements it does not like and destabilize governments if it chooses. A Russian policy supporting the sovereignty and territorial integrity of all the Caucasus states and recognizing the legitimate interests of all regional powers as well as the United States and EU would be a significant step forward in assuring peace and stability in this volatile region. Russia can be either part of the problem or part of the solution in the future.

<sup>7</sup> Stephen Blank, "The Prospects of Russian-American Partnership: The Georgian Litmus Test," *Central Asia-Caucasus Analyst*, Jan. 30, 2002.

<sup>8</sup> Stephen Blank, "Is Russia's War on Terrorism the Same as America's?" *Central Asia-Caucasus Analyst*, Mar. 13, 2002.

<sup>9</sup> "U.S. Warns Russia over Georgia Strike," *BBC News*, Sept. 13, 2002.

## The United States and the EU

The United States and the EU are relatively new actors on the scene, trying both to deal with the social and political complexities of these new countries and agree on their place in the Eurasian geopolitical framework. To date, the aim has mainly been to assure that the South Caucasus does not become the sphere of influence of a hostile power and to open it to trade and investment. Accordingly, both have provided significant amounts of economic, technical, and humanitarian assistance to the Caucasian countries and sought to promote democratization processes, especially via the Council of Europe.

EU aid programs have focused on the Caucasus' role as a link between Central Asia and Europe. The EU has funded transportation infrastructure improvements such as roads, bridges, and ports to improve the "new Silk Road." Individual European countries have also focused on economic and commercial links, but some have special political ties. For example, Berlin has a special relationship with Tbilisi dating back to when President Shevardnadze was the Soviet foreign minister during the peaceful reunification of Germany, and France with Armenia due to the large Armenian population in France. The EU, however, is constrained in its policy in the Caucasus by its members' frequent inability to reach consensus, which often results in the EU's taking no position at all on issues. The EU also tends to give priority to its relations with Russia, particularly in trade and energy matters, and to avoid confrontation in an area of Russia's strong interest.

The United States' initial disposition to the new countries was to defer to Russia and avoid entering into security arrangements with the new states. In the mid-1990s, as American firms' interest in Caspian energy supplies and U.S. concerns about Russia's intentions in the Caucasus grew, Washington began to play a more active role. Following its policy of containing Iran, it sought from the very independence of the CIS in 1991 to prevent Iran from making inroads for radical Islam in Central Asia and the Caucasus. By 1998, the United States was endorsing a multiple pipeline strategy to carry Caspian energy to markets, focusing on the planned Baku-Tbilisi-Ceyhan oil pipeline, which would bypass Russia and Iran. Security arrangements were initiated, mainly with Georgia, to build up the states' border guard capability and promote military modernization and downsizing. Georgia's military, like others in the region, was modeled on the manpower-heavy Soviet model and therefore ill-suited to the military realities of small nations like the Caucasian states.

Most recently, the United States has come to see the South Caucasus as part of a larger strategic effort to create a zone of stability stretching from the Balkans to Central Asia and buttressing NATO's expansion into Central and Eastern Europe. U.S. aid levels to Armenia and Georgia have been among the highest per capita in the world, thanks in part to the efforts of the influential

Armenian lobby in Washington. The Bush administration supports constructing east-west pipelines to carry Caspian oil and gas to Turkey;<sup>10</sup> and since 9/11 has entered into potentially significant security cooperation programs with all three Caucasus countries aimed at antiterrorism and building up border guard capabilities. The latter was made possible by the waiving of legislation prohibiting the provision of other than humanitarian aid to Azerbaijan and the enactment of legislation enabling increased security cooperation with Armenia. The key element of aid to the Caucasus is the two-year antiterrorism train-and-equip program in Georgia. It is not yet known what the longer term U.S. military presence in the region will be.

With its global view and international responsibilities, especially in Iraq, the United States' interest and focus could easily be diverted from the Caucasus to other regional hotspots. U.S. efforts on conflict resolution in the Caucasus have historically been episodic and lacked continuing high-level attention, and Western attention is questionable now given other priorities.

### **U.S.-EU Cooperation**

The United States and the EU share virtually identical goals and objectives in the Caucasus. With the many other issues threatening to weaken U.S.-European ties, cooperation between the two in the Caucasus could demonstrate the considerable scope for positive engagement as well. This cooperation could be built around four elements: more fully involving the Caucasus countries in the war on terror, given their location and Azerbaijan's being a moderate, secular Islamic country; encouraging the development and export of Azerbaijani oil and gas to improve world energy supplies; resolving deadlocked conflicts; and helping improve governance and development of the rule of law.

The United States and EU should be holding regular high-level meetings, in addition to the current discussions at the deputy assistant secretary level. They should agree to use the opportunities presented by America's new dialogue with Russia and the war on terror to firm up a common interest and approach to promote peace and stability in the Caucasus and respect for the independence and territorial integrity of each of the three southern states. This must include a significantly enhanced effort to look afresh at the unresolved conflicts in Georgia and Nagorno-Karabakh. The two could also agree to joint measures to help fight the corruption that saps popular confidence in governments and deters new investment in the Caucasus. Work needs to be done to ensure that revenues from new east-west pipelines are used in Georgia and Azerbaijan for the public good and

<sup>10</sup> See e.g., Aida Sultanova, "Bush Voices Support for Oil and Gas Pipelines Leading from Caspian to Turkey," *Turkish Daily News*, June 5, 2002. Also National Energy Policy Development Group, *National Energy Policy*, May 2001 (<http://www.whitehouse.gov/energy>)

not the corrupt few. And priority should be given to building legitimate state institutions and ensuring free and fair elections.

The EU and United States could jointly study what economic assistance to the Caucasus has worked and what constrains other efforts. Is more assistance justified, and if so, how much and where? This would avoid duplication of effort and the development of competing approaches for the same project, which often becomes an excuse for the aid recipient to do nothing.

Security cooperation in the Caucasus is problematic. Georgia and Azerbaijan aspire to NATO membership, but this is not on the immediate horizon given the current status of their militaries, as well as their incomplete democratic institutions. Membership for these countries is unlikely in the next five years, although this does not exclude bilateral security arrangements short of membership. Armenia, on the other hand, has a close military and security relationship with Russia. Russian efforts to expand military cooperation within the CIS have foundered, in part due to opposition from Georgia and Azerbaijan, which fear CIS cooperation as a Russian tool to regain control over the former Soviet Union. Proposals by Turkey and others for regional stability pacts can go nowhere as long as Armenia and Azerbaijan are deadlocked over Nagorno-Karabakh. Nonetheless, the United States and EU should also pursue a dialogue on security cooperation in the Caucasus, although a continued deadlock on Nagorno-Karabakh would make such steps harder. These could include building up border guard forces, as is already being done in Georgia and currently in Azerbaijan; assisting in anti-terrorist training for the new pipelines; encouraging greater participation in NATO Partnership for Peace activities; and helping the militaries in all three countries with downsizing and modernization.

Russia's involvement, or at least its tacit approval, will be crucial. This will not be easily won, given its historical proprietary views of the Caucasus, but there is no more propitious time than now to try to achieve it, in light of the common goals of fighting terrorism and providing stability. Russia's actions and attitudes in the South Caucasus will provide a good measure of the depth of its commitment to closer integration with the West. This dialogue with Russia could also become a vehicle for helping it reach a political settlement of the Chechen war. By the same token, a U.S.-EU dialogue with Turkey on the Caucasus aimed at enlisting Ankara in the same set of initiatives would underscore that the region must be open to all with legitimate interests and peaceful intentions. This could also have the collateral effect of improving the Turkey-EU relationship.

The year 2004 will be a turning point for this region. If the region is to be stabilized after the successions of 2003, the United States needs to take the lead in an effort to resolve the conflicts of the region, beginning with the most important one, which has the gravest potential regional implications: the Armenian-Azerbaijani conflict. In the past, direct American involvement has

brought the conflict close to a solution on two occasions. This effort should be coordinated with the EU and also with the Russian Federation to the extent possible. The South Caucasus constitutes a region where American and European interests converge and where some success is likely to come from a joint initiative.

