Russian view on South Caucasus: a teetering policy of pragmatism

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Abstract: The paper seeks to provide a comprehensive overview of the bilateral relations of Russia and the three South Caucasian states concerning intra-state security issues, trade relations and diplomatic ties in the post-Soviet period.

In this paper the author argues that in the last two decades Russian foreign policy principles towards the Transcaucasus have been formulated quite clearly and there are at least three core messages from the Kremlin. Relations differ based on pragmatic considerations. A strategic alliance of Yerevan and Moscow is linked in several aspects starting from security to economy, while Baku has no need to rely on Russia since its energy resource capacity is tremendous. Azeri-Russian relations are defined as strategic partnership, and this little distinction means a lot. Russia is trying to keep the balance between the two not choosing a side unequivocally, while the Nagorno-Karabakh issue is still the pivotal point in reconciliation initiatives. Partially recognised states are the main issue that harm the Georgian-Russian relations. Diplomatic ties have not been restored since the war in 2008, and both sides have lost a lot besides diplomatic aspects. It seems to be clear that Moscow is concerned about the European Union’s enlargement towards its former republics and will not stand idly if its messages (such as its interests) will not been heard.

Keywords: Russia, Russian foreign and security policy, South Caucasus, Azerbaijan, Armenia, Georgia, frozen conflicts

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Introduction

Plagued by insecurities along with uncertainties made the post-Soviet South Caucasus one of the most precarious regions in the world. All the three republics – Armenia, Azerbaijan and Georgia – had territorial claims towards adjacent states flowed into bloody wars, while Georgia even had a civil war in 1993 besides open conflicts. Four out of eight armed conflicts and three out of four are so called “frozen conflicts” of the post-Soviet space emerged in the Transcaucasia (as it was called in the Russian Empire and also in Soviet times) while its military potential and the proximity to the volatile North Caucasus also paved the way towards destabilization. Burgeoning hopes of Caucasian nations for a better life and brighter future was ephemeral; manifold challenges of currently shaping states brought to the surface medieval values as hierarchy, subordination, tradition and clans. Amidst both external and internal chaos, fixing internal politics proved to be highly important for countries located in the Southern Caucasus. Moreover, conflicts were seen in the eyes of its presidents as “magic wands” to seize power and retain popularity. In this sense, endeavour of revenge and inexorable animosity was more important than social welfare, poor governance, democracy or human rights. This mutual mistrust, suspicion and maze of incomprehension caused intra-regional challenges are the main characteristics of the post-Soviet Southern Caucasus. In addition, the unique geographical location determined the region to be a ground for great power competition, what made even more difficult to solidify the political environment.

At the same time, Russia did not have any strict concept dealing with “just-gone republics” in the early 1990s because its internal situation was also tumultuous. While one can argue that there was a huge inconsistency in its foreign policy course in the early years of the Russian Federation, it would be just a half-truth. Moscow all the while has had two clearly defined interests: to be the leading power on the post-Soviet space and to dominate the energy transit. Noteworthy, also the idea of Near Abroad (blizhneye zarubezhye) invented in 1992 became a flag of Russian foreign policy towards the ex-Soviet countries as Moscow’s right to have

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1 These prolonged conflicts arose mostly in newly independent states after the breakup of the Soviet Union, in those countries where the directly involved parties were not satisfied by the status quo. The resolution is postponed for a “better timing”. The escalation of the conflict is limited; however there is a high probability of an open conflict and a renewed war.
special interests, not to say reserving prerogatives. However, that was not simply about the resurrection of Soviet Union even if it conjured up images of Russia’s imperial past, but more about following security and economic interests, meanwhile squeezing out Turkish, American and Iranian influence.

Divergent strategic responses and Russian national interests

According to the fact that to date neither Georgia, nor Azerbaijan can be named fully sovereign states as approximately 20 percent of their territories are claimed to be occupied. Armenia – instead of being “the winner” in the battle for Nagorno-Karabakh – also has problems with legitimacy due to the fact that the economic blockade is still in place.\(^4\) Therefore, their threat perceptions and security concerns are immensely differing.\(^5\)

**Armenian** policy is for a long time has been determined by Yerevans’ struggle over Nagorno-Karabakh and hostility with Azerbaijan and Turkey. In addition to being a landlocked country, it also suffers from shortcomings in the economy since its borders with Turkey and Azerbaijan have remained closed. In order to meet its security needs, Armenia – of its vision that it could be attacked in any moment – subordinated almost all its economic and political interests to security and has no alternative but to rely on Russia. Moscow is the main guarantor of its security and Yerevan has a strong pro-Russian attitude which has been deepened in the recent years, even if it seems to have a desire to approach the European Union.

As regards to **Azerbaijan**, its post-Soviet policy was also driven from one hand by Nagorno-Karabakh issue, and by its energy resource capacity from the other. In contrast with Yerevan, Baku has tremendous income from oil reserves what allows to increase its military spending year in, year out without any need of great power penetration. It is also used to be a lever of clout towards Western countries seeking to decrease their dependence on Russian energy transit, Azerbaijan is holding all the right cards to play a multi-vectored game.

\(^4\) Markedonov (2007).

Since the Soviet breakup Georgia was determined by “gathering Georgian lands”, more precisely by uniting Abkhazia, South Ossetia and Adjaria under the Georgian flag. After the Rose Revolution in 2003, the Saakashvili government unequivocally turned its face to the West and started intensively to build strong ties with the US and NATO. Tbilisi’s aspirations have fomented its tense relations with Moscow, peaking in August 2008 when a five-day war emanated from years of mutual accusations and harassment. After the war, Russian influence diminished, there is huge expectations stick with the upcoming presidential elections as a wind of change in Russo-Georgian tough relations.

For Russia the Caucasus always counted and after the fall of the Soviet Union in 1991 it still has many interests, ranging from economic, (geo)political to security, what is not surprising. Enough to look at the map to understand why Russian foreign policy was focused on great power-rivalry to bag that region as a significantly important crossroad and buffer zone in the 19th century. Thus, it has had a considerable impact on security consideration. Although as long as for the Russian Empire the security was perceived as hindering Southern empires (Iran, Ottoman Empire) adjacent to Caucasus in their efforts to occupy territories, today it is more about fighting against the spread of radical Islam and international criminal networks, alongside with the strive to hamstring any military-political organisation such as NATO to acquire new allies in the region. Furthermore, the “Big Caucasus” term means that anything that happens in the South has its impact on the North part and vice versa, the North and the South Caucasus are inseparably interlinked. Even though Moscow has achieved a degree of pacification in the Chechen Republic especially under the rule of its head, Ramzan Kadyrov, but the stability in the North Caucasus is only an illusion when armed resistance forces successfully control many parts of the northern republics. In the 1990s economic interests transformed into a quite new form, the challenge was to keep the energy transit routes under control on the territories of its former republics what is now sovereign states. Noteworthy, large infrastructural projects had never been on Moscow’s “to-do list”. In case of political orientation of these countries, besides the obvious pro-Russian course the predictability is also

9 Ryabov (2011).
favourable for the Kremlin since obscure internal policy in the tumultuous Caucasus can only mean something ominous. In fact, all the above mentioned interests are closely related with each other, just to keep in mind how conflicts can jeopardize economic and political relations as it was the case in the worsening relations of Moscow and Tbilisi after August 2008 and even years earlier.

Russia and the three South Caucasian states: different countries, different approaches

Russian influence in the Transcaucasus vastly varies from commercial calculations to political influence. Needless to say, it is hardly measurable where it is a legitimate interest and where an insatiable hunger for leverage.\textsuperscript{10} Russia from the very beginning of the 2000s has applied a pragmatic approach dealing with CIS countries.\textsuperscript{11} Hence it supports the \textit{de facto} states and recognized South Ossetia and Abkhazia, while have easily withdrawn from the Azeri Gabala radar station and revived its Armavir station in Krasnodar region.

Armenia – no real alternative, but Moscow. A strategic alliance

Following the Soviet breakup Armenia has become the only military-political ally of Moscow. In addition to its landlocked location, the room for economic development was also little because the blockade by Azerbaijan and Turkey is still in place. The dispute over Nagorno-Karabakh region stems from events of the first half of the 20th century, nonetheless since the ceasefire agreement was signed in 1994 there was no real shift from the stalemate and the fickle “neither war, nor peace” situation can easily tilt to date. The prolonged conflict hitherto determines the political discourse of both Yerevan and Baku. In recent years conflicts intensified and alongside this both Azerbaijan and Georgia sharply increased their military spending. Georgian military spending exceed 1,000 million USD in 2006 while Azeri reached 2,700 million in 2012.\textsuperscript{12} Armenia finds threatening the defence spending of Baku, especially because it is not only the highest in the region, but also because it is several times higher than the Armenian national budget.

\begin{thebibliography}{9}
\bibitem{12} SIPRI Military Expenditure Database.
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First and foremost security considerations led Armenia to build up close relations with Russia; then it spilled over to other fields as well. It is the only South Caucasian member in CSTO, also has a common border force with Russia and among others, observer in the Eurasian Economic Community. The only Russian military base in the Caucasus is in Gyumri, Western Armenia, where their presence in the 102nd military base was renewed in August 2010 until 2044. Obviously, in this context Russia’s image as an honest broker is undermined however, it is the ultimate guarantor of Armenian security.

The Russian share in Armenian economy is impressive and encompasses almost its entire sphere. Even if Armenia’s main export partner is not Russia, but the EU27 and the same applies to the import, Moscow has no reason to worry because of its tremendous share in almost all fields of the Armenian economy. Armavia airlines (Armenian airline company), Armenian Saving Banks, Armenian Railways are all majority-owned by Russian companies. Russia’s state-owned Inter RAO-EUS is the ultimate supplier through Armenian Electric Networks, Gazprom has an 85 percent share in ArmRosGazprom. Besides that, Moscow is not only the main creditor of Yerevan as the amount of the Russian FDI is also the highest, but also the first in terms of the origin of remittances (with its 83 percent in 2012). Individual money transfers have a notable share in Armenian GDP (12.6 percent) and all above mentioned figures – with no claim to be exhaustive – demonstrates well enough the intertwine relations of Armenia and Russia.13

The events of recent weeks, such as the Russian 1 billion dollar arm export deal with Azerbaijan, the increasing of gas prices for Yerevan and the “case of Arutunian” (Grachia Arutunian, a 46-year-old truck driver in July 2013 crashed a truck into a bus killing eighteen people in Podolsk, near Moscow) led to the estrangement in Russo-Armenian relations. Although not at the top level, but Armenian press impeached the Kremlin’s allegiance to Yerevan blaming Russia for militarizing its unconcealed foe, Baku. Unpleasant events test the relationship between Yerevan and Moscow while at the same time Moscow intention to keep the balance between its long-time ally and the other country on the coasts of the Caspian Sea with huge oil and gas resources.14 Aforementioned pragmatic approach of the Russian foreign policy means in one hand that it is among Russian interests to have good-neighbour relations

14 Markedonov, S., 2013. Hrupkiy balans prodalzhatet sohraniatsa. 10 September 2013 [online] Available at: <http://www.ekhokavkaza.com/content/article/25025291.html>
with Baku. However, the “strategic alliance” of Moscow and Yerevan is more than market interests; an alliance that cannot be cloven so sharply, even if Russia does not like that Armenia is glancing towards the West for a long time. In sum, Armenia will face two major issues to deal with: to maintain reconciliation with Turkey (and Azerbaijan) and to keep the balance of its engagement with the EU and pro-Russian policy orientation.

Russian-Azeri relations: a strategic partnership

Likewise in the case of Armenia, security issues in Russo-Azerbaijani relations can be traced back to the Nagorno-Karabakh conflict, which territory Baku claims to be occupied. When contracts on military equipment reveal – or there are high-level official visits to Yerevan or Baku – it always causes emotional outburst in the other country, not to say jealousy. Furthermore, as it was mentioned earlier, relations with Russia vary and the Baku-Moscow relationship is defined as a strategic partnership, based on commercial, market interests. There is no Russian military base on the Azeri lands, it is not a member in CSTO and not even planned to be engaged in any of Russian regional organisations (whereas Armenia does), but counter to Armenia it shares a common border with Russia (Dagestan) that should not be underestimated in terms of security.

Regarding economy, Russia has no such influence in Azerbaijan – in contrast with the Soviet times – as in Armenia due to Baku’s high hydrocarbon reserves. After the BTC pipeline was opened in mid-2006 the Caspian country has become an oil exporter and also a gas exporter after the start-up of the Shah Deniz in 2007. Thus, it had the largest FDI inflow in the 1990s among the South Caucasian countries, but the fact that it mostly went to the oil sector foreshadows future sectorial problems. The country successfully avoided budget deficit and even was in surplus after the 2008 recession. Russia is third among its trade partners, what as a matter of fact can be accounted for energy import. Although securing energy routes were one of the major issues in the early years of the post-Soviet Russia, there was no official visit to Baku in the Yeltsin era. Since Putin came to power there have been several visits, the bilateral relations saw ups and downs, but the key strategic position of Azerbaijan has never changed. From the security perspective the Nagorno-Karabakh conflict cannot be solved in

15 Markedonov, S., 2013. Nikomu ne vigodnoye ohlazhdeniye. 10 September 2013 [online] Available at: <http://www.ekhokavkaza.com/content/article/25052310.html>

short or medium term, maintaining the status quo is the only scenario for Russia and Western stakeholders as well in order to avoid an open and long-lasting war.¹⁷

Neither Russia wants to take a side in this conflict, nor Azerbaijan wants to choose between unequivocal engagement with the West – what tries to decrease its energy dependence from the Kremlin by deepening relations with Baku – or Russia, one of the key powers in the region. The upcoming presidential elections in Azerbaijan have meaningful purport. Since Russia has security concerns towards the Middle East, a predictable president (Ilham Aliyev) means a lot, rather than the unpredictable (opposition). It seems that the Baku–Moscow–Yerevan triangle is a so to say “political roller-coaster” where tension depends on the degree of Russian engagement with one or with the other side. The forthcoming EaP-EU Vilnius Summit will be a milestone in Russo-Armenian relations and the finalising of the Association Agreement with Armenia (if there would be any) can prompt Russia to deepen its (first and foremost) business relations with Baku. One should not forget that Yerevan signed a memorandum on cooperation with the Russia-led Customs Union in April this year.

Russia-Georgia: agree on disagreement?

The five day war: “a kiss with a fist”

The war between Russia and Georgia in August 2008 broke many rules and changes led to the collapse of the South Caucasian security, established new rules for a new reality.¹⁸ For the first time the Kremlin has chosen to redraw border lines on the post-Soviet space by recognising Abkhazia and South Ossetia. The international community badly performed as the OSCE failed to prevent the conflict, the European Union did not have a clear strategy and was hesitant and even the US was unwilling (more than unable) to assist Georgia after the war broke out.¹⁹ The lever of influence of the main international stakeholders as the OSCE, the

UN or NATO is now in doubt, whereas Russia demonstrated that it would defend its national interests instead of standing idly.  

The game of provocations in years before the war generated tensions, the open conflict meant losses for Georgia and Russia as well. Georgia not only lost Abkhazia and South Ossetia for a long time, but also its international reputation was destroyed, the perspective of NATO membership was removed from the agenda and it damaged Georgia’s image of “beacon of democracy”. Moreover, the problem of hundred thousands of IDPs cause headache for Tbilisi to date, just as the harsh relationship with breakaway republics.

Albeit Russia was the winner of this war, losses were notable; Moscow lost its substantial amount of influence on Georgia. A full-scale armed response in the eyes of Russian leadership was the right way to teach Saakashvili (and the US) a lesson. Notwithstanding, Moscow’s reputation has been also damaged and from then on Russia will never again be seen as an honest broker. The recognition of Abkhazia and South Ossetia was a completely new phenomenon in Russian post-Soviet foreign policy, but that was an exception rather than a rule. The most important reason behind the decision was pragmatic. According to the Russian Constitution the recognition was the only way for Russian troops to stay. Russian influence on Abkhazia and South Ossetia is – one would simply say – total, although it is not clear what the future holds for them.

The Russian-Georgian economic relations were affected by political hostility between the Kremlin and president Saakashvili. Ban on Georgian wine and Borjomi in 2006 was a clear political message and the business started to recover only in the last couple of months and was back in Russian stores. As regards the export-import rate, Russia is not among Georgia’s top partners or FDI flow sources. Contrary to that, investments and the share of RAO UES in Georgian energy sphere – namely electricity system – are notable; remittances sent from Russia to Georgia also have been influencing the Georgian economy.

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23 In case of Abkhazia, it became clear that Sukhum wants to be independent both from Georgia and Russia. Tskhinvali at times want to reunite South with North Ossetia, but that would be a different story. The answer of a question if the partially recognized states can live without a continuous help of Russia and handle Tbilisi’s aspirations of reuniting the country is rather no.
Upcoming presidential elections in October could change the wroth relations, but today the Kremlin prefers a “wait and see” policy in order to make sure what policy orientation the new government would choose and the choice should be made. Among the internal problems, Tbilisi should have to deal with *de facto* states to find a strategy not to threaten Sukhum or Tskhinval with the aim of restoring Georgian sovereignty. The Special Representative for Relations with Russia, Zurab Abashidze argues, that restoring relations is desirable because they are mutually beneficial and because there are issues such as trade, cargo transportation, visa facilitation, restoration of regular flights or cultural ties (attending Sochi Winter Olympic games) where the two countries could work on well. Even though, Abashidze highlighted that the main course towards Russia remains the same. “…the restoration of trade ties does not at all mean that we are rejecting our principles or that we will alleviate our criticism towards Russia concerning those red lines [territorial integrity of Georgia and free choice in foreign affairs – K. A.]…” So, it seems to be clear that there is no illusion on both sides concerning positive developments and it is still unclear how economic incentives would or at least can in theory overcome confrontation.

**Conclusion**

Russian foreign policy principles towards the Transcaucasus have been formulated quite clear in the last two decades and there are three core messages from the Kremlin. First, Moscow is for the maintaining of the *status quo* in the region. The recognition of Abkhazia and South Ossetia was an exception under the rule and rather a necessary strategic step than a carefully planned concept. Based on its rich experience on the Southern borders of the Caucasus Russia knows well the price of instability. Redefining the borders of Nagorno-Karabakh is a double-edged sword and would lead to unforeseen consequences; the wrath and scorn on both sides hinder Moscow to choose a side. To date and in the foreseeable future there seems to be no draft or deal that both Baku and Yerevan would be satisfied with. Second, mind Russia’s interests. That was also the message of the August 2008 war and years earlier, since President Putin came to power and the country became stronger in economic terms and more confident in political. One of the biggest faults of the G. W. Bush administration was the ignorance of


the Russian will. Third principle concerns responsible stakeholders; the security of the South Caucasus first of all should be the business of adjacent states as Russia, Turkey, Iran and in lesser extent the European Union, but not the United States.26

In Armenia, the fear of breaking the fragile internal and external security diverts the public attention to conflict issues with Azerbaijan, while bilateral relations are also formed in that basis. Armenian relations with Russia formulated on a strict look on Russian-Azeri relations…

Moscow is teetering on the tightrope of the Yerevan-Baku-Tbilisi triangle lead by its (pragmatic) interests as it post-Soviet club (CIS) does not function well and the new Russian integration projects do not have clear concepts to date.

Armenia is in between of Russian offer and the EU’s DCFTA while Azerbaijan is building close ties with Moscow and interested in good ties with the West also. Georgia has a firmly pro-Western orientation even if the Ivanishvili administration works hard on normalizing its ties with the Kremlin. Even if the above mentioned “choices” exist at all, there is no willingness in the (almost whole) post-Soviet region to make an unequivocal step neither towards the West nor towards a full dependency on Russian will. However, developing economic relations cannot restore and guarantee the security of the South Caucasus if there is no clear government-backed, irreversible decision what holds lot of uncertainties that are not so remunerative for the responsible stakeholders in the region, especially for Russia.

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26 Ryabov (2011).


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