

**REGIONAL POLICY**

**THE GEOPOLITICAL SITUATION  
IN THE SOUTHERN CAUCASUS:  
RUSSIAN INTERESTS AND THE POLICY OF  
THE WESTERN COUNTRIES**

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## A B S T R A C T

**H**istorically, the Southern Caucasus has been the zone of Russia's special interests. Here passed the trade routes and economic interests intertwined. For centuries, Russia has been conducting an active policy in the region.

The disintegration of the U.S.S.R. led to a radical change in the geopolitical situation in the Southern Caucasus. The new independent states—Armenia, Azerbaijan and Georgia—began to formulate and implement their own independent foreign policies, based primarily on national interests. Consequently, having obtained independence, they had to rebuild relations with Russia for whom, in turn, the Southern Caucasus continued to have great geopolitical, economic, military and political importance. The affiliations between Russia, Armenia, Azerbaijan and Georgia, developed throughout history, continued to be a factor in their relationships.

At different stages in the recent past, Russian foreign policy in the Southern Caucasus employed a variety of approaches due to another factor: political fragmentation of the countries of the region, which does not constitute a singular, coherent geopolitical unit. The internal political processes in the South Caucasian countries developed differently. They faced complex economic and social problems, plagued by the inter-state and intra-state contradictions: the Armenian-Azerbaijani conflict over Nagorno-Karabakh, the Georgian-Ossetian and Georgian-Abkhaz conflicts. Russia was actively involved in conflict resolutions.

Russian policy has taken into account the complexity, faced by the countries of the region in the formation of their national statehood, ensuring sovereignty of their respective territories, and the development of for-

ign policy. Russia had no choice but to consider the region's complex commercial, economic and geopolitical interests, the expansion of cooperation in the energy field between the countries of the Southern Caucasus and the largest energy companies, and the increasing interest of the Western states in the region's resource potential. These factors have fueled a clash of competing geopolitical projects in the Southern Caucasus, which has manifested itself since the collapse of the Soviet Union.

The approaches of Russia to and its interaction with the countries of the Southern Caucasus were influenced to a great extent by the active policy of the United States, EU, and, in the last decade, China. They have consistently promoted their interests in the countries of the region, using available opportunities to strengthen their influence in the South Caucasian countries.

An important factor in determining Russian policy in the Southern Caucasus is the issue of energy: the questions of production and transportation of hydrocarbon resources of the Caspian region. Azerbaijan is one of the oil and gas producing states of the Caspian region, supplying Turkey and the European countries. Georgia acts as a key partner of Baku and the Western countries, delivering Azerbaijani hydrocarbons through its territory.

In recent years, the vectors of foreign policies of the South Caucasian countries vary more and more. Armenia's joining the Eurasian Economic Union took place during increased cooperation between Georgia and NATO. The conflict between Azerbaijan and Armenia remains unresolved. These and other factors should be taken into account if Russia is to realize its policy in the Southern Caucasus.

**KEYWORDS:** Southern Caucasus, Russia, Azerbaijan, Armenia, Georgia, conflicts, pipelines.

## *Introduction*

The modern Russian policy in the Southern Caucasus has evolved after the disintegration of the U.S.S.R. But the large impact, which affected the regional policy of Russia, was engendered by the political processes that took place in the former republics at the end of the 1980s. It so happened that the positions of the political forces that favored the secession from the U.S.S.R. and assumed the anti-Russian attitude have become more pronounced. Especially rigid was the position, adhered to by the Georgian elite, which favored the rapprochement of Georgia with the Western countries. The situation in Azerbaijan, which also favored the expansion of cooperation with the Western states, was complicated as well.

Russia had to take into account the balance of power, which developed in the countries of the Southern Caucasus. With respect to each of the states of the region, Russia worked out singular approaches, since after the dissolution of the Soviet Union, the region of the Southern Caucasus represented a geographical notion and did not constitute, either economically or politically, a cohesive, united entity.<sup>1</sup>

In Georgia and Azerbaijan, the political forces that came to power adopted particularly hard stances toward Russia, speaking for the severance of any relations with Russia and the expansion of cooperation with Turkey and the Western countries. The most problematic partner in the region was Georgia. Its President, Zviad Gamsakhurdia, adopted a course of severance of relations with Russia, which had to take into account Georgian nationalism, used by the elites of the country to solve domestic problems.<sup>2</sup>

## **Russian Policy: Formative Stage**

In the beginning of the 1990s, Russian policy was evolving amid conflicts in the Southern Caucasus and was aimed at ensuring regional security. Despite the deterioration of relations with Azerbaijan and Georgia, Russia was providing a key influence on the situation in the region. This was related to the participation of Russia in the settlement of Georgian-Abkhaz and Georgian-Ossetian conflicts. Russia played a crucial role in the resolution of conflicts in the Southern Caucasus (South Ossetia, Abkhazia and Nagorno-Karabakh). With the active participation of the Russian Federation, the Dagomys Agreements were signed on South Ossetia (1992) and Moscow Agreements on Abkhazia (1994). Russian involvement also helped to accomplish the creation of a regulatory negotiating protocol for the settlement of conflicts. In addition, Russia played a crucial role in ending the hostilities in Nagorno-Karabakh. The conflict around Nagorno-Karabakh became a major factor in the formulation and subsequent follow-up in the implementation of foreign and internal policies of Azerbaijan and Armenia and was used by the ruling elites of these countries for the consolidation of the electorate. However, the active participation of the Russian Federation did not change the position of Georgia and Azerbaijan, which sought political and economic support from the Western countries. It was during the presidency of Eduard Shevardnadze that the foreign policy and foreign economic inclination of Georgia became clearly discernible in its orientation toward the West.<sup>3</sup>

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<sup>1</sup> See: I. Menagaroshvili, "Tri osnovnye problemy regiona: vzgliad iz Gruzii," in: *Yuzhnyi Kavkaz-2006. Osnovnye tendentsii, ugrozy i riski*, ed. by G. Novikova, Amrots Group, Erevan, 2007, p. 62.

<sup>2</sup> See: M. Kirchanov, "Russia as a Subject of the Ideology of Georgian Nationalism," *Central Asia and the Caucasus*, Vol. 12, Issue 1, 2011, pp. 150-157.

<sup>3</sup> See: *Gruzia: problemy i perspektivy razvitiya*, in two vols., Vol. 1, ed. by E.M. Kozhokin, RISI, Moscow, 2001, p. 185.

Russia attempted to minimize the weakening of its economic positions in the region, which happened in consequence of the disintegrated economic ties after the collapse of the U.S.S.R., and also as a result of the reorientation in foreign economic relationships. Thus, Russia's relations with Azerbaijan after the proclamation of the latter's independence were being achieved in difficult circumstances. Similar situation was observed with respect to Georgia, where a significant drop in GDP occurred. This was due to the economic policy of the government of Georgia and the ongoing territorial conflict.<sup>4</sup>

In addition, there was the effect of the weakening economic and technological systems, payment links, and the reduction in production capacities in the countries of the region. The new independent states were looking for new partners with a view to changing the geography for the supplies of their products.<sup>5</sup> Even before his return to Georgia, Eduard Shevardnadze signed a protocol on the strategic concept of economic revival of Georgia with the Brock Group company. The document provided for the reconstruction of the ports of Poti and Batumi, increasing the throughput capacity of the international airport in Batumi, expansion of the network for oil storage, etc.

At the same time, Russia, despite the weakening of its positions, maintained close economic relations with all of the countries of the Southern Caucasus. In Azerbaijan, Lukoil, an oil company, was very active, participating in the development of oil and gas wells. Gas deliveries were being carried out, and there was cooperation in the banking industry. Russia was exporting automobiles, equipment and metal products, while Azerbaijan reciprocated with food products. However, Russia was conceding to the rapidly expanding cooperation between the countries of the region and the Western states, while Russian participation in investment projects was modest in scope.<sup>6</sup>

The attention of Russia to the countries of the Southern Caucasus did not focus on only economic factors. Russia sought to strengthen its political and military stature, including the keeping and maintenance of military bases in the countries of the Southern Caucasus. Furthermore, in the beginning of the 1990s, Russia and Azerbaijan participated in the sectioning of the Caspian flotilla. Of great importance were the oil and gas resources of the region, particularly in Azerbaijan, as well as the geographical location of the countries of the region, through which passed the pathways for linking the Black Sea and Caspian regions. The policy of Russia was aimed at slowing down the development of the Caspian fields of Azerbaijan, using negotiating tactics for determining the legal status of the Caspian Sea.

Russia had to take into account the policy of the Western countries and Turkey, which, after the disintegration of the U.S.S.R., have intensified their policies in the countries of the Southern Caucasus. Turkey's task was that of strengthening its positions in the region, relying primarily on the ethnically close Azerbaijan.<sup>7</sup> Ankara sought to employ new approaches to the countries of the Southern Caucasus, using elements of historical homogeneity, participating in the search for a compromise in the efforts to find a solution for regional conflicts.<sup>8</sup> The development of commercial, economic and investment activities were priorities of Turkish policy, to which were added additional interests in oil and gas, delivered from Azerbaijan via Georgia. However, the policy of Russia, which, after a short period once again drew attention to the region and its problems, prevented Ankara from establishing close ties with the countries of the Southern Caucasus.<sup>9</sup>

<sup>4</sup> See: L.M. Grigoriev, M.R. Salikhov, *GUAM—15 let spustia*, REGNUM, Moscow, 2007, 200 pp.

<sup>5</sup> See: E.M. Ivanov, "Ekonomicheskie otnosheniia Gruzii s Rossiei," in: *Gruzia: problemy i perspektivy razvitiia*, Vol. 1, pp. 175-200.

<sup>6</sup> See: *Rossia i Zakavkazie: realii nezavisimosti i novoe partnerstvo*, ed. by R.M. Avakov, A.G. Lisov, IMEMO RAS, Finstatinform, Moscow, 2000, p. 180.

<sup>7</sup> See: *Strany SNG v sisteme mezhdunarodnykh otnoshenii*, Institute of Oriental Studies, Moscow, 2008, p. 145.

<sup>8</sup> See: V.B. Belov, A.A. Yazkova, "Regionalnoe izmerenie Bolshoi Evropy," in: *Bolshaiia Evropa. Idei, realnost, perspektivy*, ed. by A.I.A. Gromyko, V.P. Fedorov, Ves mir, Moscow, 2014, pp. 619-637.

<sup>9</sup> See: Z. Chotoev, "On Turkey's Possible Involvement in Strengthening Central Asian Security," *Central Asia and the Caucasus*, No. 4 (28), 2004, pp. 135-139.

Great attention to the region was also paid by the EU. To advance its interests in the region, the EU had proposed a number of infrastructure projects. The most comprehensive program of concerted action by the European Union in the southern zone of the former U.S.S.R. was presented in the Program TRANsport Corridor Europe-Caucasus-Asia (TRACEKA), which was published in May 1993. It was developed by the EU Commission with the participation of the ministers of trade and transportation of the countries of the Southern Caucasus and Central Asia. The program was aimed at expanding economic and political influence in the region, the diversification of transportation routes for the hydrocarbon resources.<sup>10</sup>

The new independent states of the Southern Caucasus were the focus of the geopolitical interests of the United States. The American administration wanted to take advantage of the favorable extant circumstances to weaken Russia with its lack of coherent, comprehensive Transcaucasian policies in order to displace its main geopolitical competitor.<sup>11</sup> The U.S. policy was aimed at the expansion of, first of all, cooperation on the issues of energy with the countries of the Southern Caucasus and the strengthening of its political contacts with them.

In general, the United States and the majority of the member countries of the European Union attached greater importance to their political and not economic interests in the Southern Caucasus. And only after the signing of the “contract of the century” between the oil companies of the West and Azerbaijan in September 1994, the importance gradually shifted to energy interests.<sup>12</sup> The increasing attention to the hydrocarbon resources of Azerbaijan was linked to the increased competition between Russia and the Western countries for the selection of transportation routes for future deliveries of hydrocarbon resources from the Caspian region.<sup>13</sup> The more so that Azerbaijan had rich natural resources and occupied a vital geopolitical position. Russia was interested in the supply of hydrocarbon resources through its own territory. In turn, the EU and U.S. offered new projects with the pipelines going west. To implement this task the American administration proposed some key provisions of the United States’ policy in the region, which placed an emphasis on creating new energy corridors by-passing Russia.

The aggravation of relations with certain countries of the Southern Caucasus had a detrimental effect on Russian policy in the region.<sup>14</sup> In Georgia, there remained an anti-Russian sentiment. In the period of Eduard Shevardnadze’ leadership, the foreign policy of the country focused on increased cooperation with the Western countries. Azerbaijan, making the efforts to develop its own oil and gas sources, significantly expanded interaction with the Western countries, while at the same time limiting its cooperation with Russia.

Russia was opposed to the increasing influence of NATO in the region. After obtaining their independence, Azerbaijan and Georgia started on a course of enhancing cooperation with the Alliance. In 1992, Georgia joined the NATO-run North Atlantic Cooperation Council and, in 1994, joined the NATO Partnership for Peace program. Concurrently, Tbilisi strengthened its relations with the EU and U.S. Georgia occupied a special place in the policy of the U.S. in the Southern Caucasus.<sup>15</sup>

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<sup>10</sup> See: *Evropeiskie strany SNG: mesto v “Bolshoi Evrope”*, ed. by V. Grabovski, A.V. Malgin, M.M. Narinskiy, Mezhdunarodnye otnosheniya, Moscow, 2005, 308 pp.

<sup>11</sup> See: *Rossia i Zakavkazie: realii nezavisimosti i novoe partnerstvo*, p. 33.

<sup>12</sup> See: *Praktika federalizma. Poiski alternativ dlia Gruzii i Abkhazii*, ed. by B. Coppieters, B Dargiashvili, N. Akaba, Ves mir, Moscow, 1999, pp. 28-29.

<sup>13</sup> See: I. Guseinova, “Europe’s Enlargement and the Southern Caucasus,” *Central Asia and the Caucasus*, No. 4 (28), 2004, pp. 39-45.

<sup>14</sup> See: E.M. Ivanov, “Rol Rossii vo vneshnei torgovle Azerbaidzhana,” in: *Nezavisimy Azerbaidzhan: novye orientiry*, in two vols., Vol. 2, Moscow, 2000, pp. 7-20.

<sup>15</sup> See: *Evrazia v poiskakh identichnosti*, ed. by S.P. Glinkina, L.Z. Zevin, Nestor-Istoria, Moscow, St. Petersburg, 2011, p. 145.

Armenia, although having established relations with NATO, remained a member of the Collective Security Treaty Organization.

Domestic internal political processes in the countries of the Southern Caucasus and the strengthening of the positions of the Western states forced Russia to search for new mechanisms of interaction with the countries of the region. All the more so, since the Southern Caucasus is located directly at the southern borders of the Russian Federation, which had the effect of increased vigilance on the part of Russian leadership toward the region.

Russia tried to strengthen its regional influence through Armenia, which had remained a strategic partner of Moscow in the Southern Caucasus. In the meantime, Armenia pursued an ambiguous foreign policy course, maintaining close contacts with Russia, while at the same time, since the 1990s, increasing cooperation with NATO within the framework of the Partnership for Peace program. Such a course found support with the Western countries. The main task of the United States was the maintenance of pro-western sentiments among the Armenian ruling elite and the withdrawal of Armenia from the Russian sphere of influence.<sup>16</sup>

## Southern Caucasus and the Influence of the Western Countries

In the mid-1990s, the rivalry between Russia and the Western countries for the influence in the region increased. To a large extent, this factor provoked the struggle for the selection of routes for the export of hydrocarbon resources, which were expected to be obtained from the Caspian region. Azerbaijan was viewed by the U.S. and EU as an alternative source of hydrocarbon resources. Georgia was expected to become a conduit for future routes of the pipelines. These factors determined the direction of the external policy of these countries, which were under political and diplomatic pressure from the West.

The intensification of the policy of the Western countries was occurring against the background of reduced capacity of Russia to influence the external and internal policies of the countries of the Southern Caucasus. These changes were clearly grasped by the Western countries. In February 1997, the Secretary General of NATO, Javier Solana, visited the countries of the Southern Caucasus. The purpose of the visit was to promote the expansion of contacts with the countries of the region that have demonstrated readiness to amplify cooperation with the Western states. The essential partners for Georgia became Turkey and the U.S., with whom Tbilisi cultivated contacts in the fields of defense and security.<sup>17</sup>

Just as vigorous a policy was pursued by the United States, which gradually formulated the tasks of its foreign policy in the Southern Caucasus, paying increased attention to the region. In 1997, the U.S. administration announced that the Southern Caucasus was a region vitally important politically and economically for the United States, declaring its member states strategic partners of Washington.<sup>18</sup>

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<sup>16</sup> See: M.T. Laumulin, F.T. Kukeeva, *Vneshnopoliticheskaia strategii B. Obamy i politika SShA na postsovetском prostranstve*, KazNU, Almaty, 2012, 122 pp.

<sup>17</sup> See: K.P. Marabian, "Politika Gruzii po obespecheniiu natsionalnoi bezopasnosti," *Fundamentalnye i prikladnye issledovaniia v sovremennoy mire*, No. 11, 2015, pp. 91-97.

<sup>18</sup> See: M. Gusaev, "Russia and the U.S. in the Southern Caucasus: Future Partners or Future Rivals," *Central Asia and the Caucasus*, No. 1 (19), 2003, pp. 94-101.



The U.S. policy in the region was aimed at weakening its ties with Russia, the expansion of commercial opportunities for American companies, assisting, on the terms profitable for the American side, in resolving regional conflicts, further development of the new pipeline routes, designed to strengthen the involvement of the countries of the Southern Caucasus in the European energy security.

Russia was set against the expansion of military-political contacts of the Alliance with the countries of the region, deeming it a threat to its interests. But the real levers to influence the policies of the leadership of the countries of the Southern Caucasus were absent. These were effects of pronounced discrepancies between the positions of Russia, on the one hand, and Georgia and Azerbaijan, on the other, regarding the resolution of conflicts in the Southern Caucasus. It was evidenced by the increased interest on the part of Azerbaijan and Georgia both in developing a positive discourse at the regional level and enlisting the support of the U.S. and EU which, in the second half of the 1990s, intensified their policies in the Southern Caucasus. Especially since the Western states used a wide array of tools for the reorientation of foreign policies of the countries of the Southern Caucasus. One of the most ambitious projects can be considered the association, created in 1997, with the political support of the U.S., by Georgia, Ukraine, Azerbaijan and Moldova (GUAM). The intended purpose of the Organization was that it should become an alternative to Russian integration projects and the basis of the future route for the export of Azerbaijani resources to Europe and ensure multilateral cooperation of the countries of the post-Soviet space without the participation of the Russian Federation. This organization was aimed at weakening Russian influence in the Black Sea-Caspian region and the Southern Caucasus. However, the countries comprising GUAM practically did not have developed reciprocal economic relations. In the end, lacking economic support, the association was not able to mature.

In 1998, Azerbaijan and Georgia became members of the Organization of the Black Sea Economic Cooperation (BSEC). Increased attention to multilateral organizations, aimed at the development of economic and energy cooperation, was motivated by the interest of Azerbaijan and Georgia to attract additional attention of the Western countries in order to enlist their support in achieving further alienation from Russia' patronage. Although the Russian relations with the countries of the Southern Caucasus were carried out within the context of the BSEC,<sup>19</sup> it had, nevertheless, little impact on the position of the Russian Federation.

In the implementation of its policy, Russia did consider the current complex political and economic relations between the countries of the region. For Armenia, the role of Georgia was of paramount importance for the development of the economic relations of Yerevan with the outside world. At the same time, Tbilisi maintained close economic and political contacts with Azerbaijan, which strengthened in the 1990s. This has contributed to their joint participation in projects, having to do with export of Caspian hydrocarbon resources to external markets.

An active policy of the U.S. with respect to the states of the Southern Caucasus led Washington to de facto invade the scope of the vital Russian interests. Such a development was due to the weakening of the political affiliation and economic links between the countries of the region and Russia. These countries did not consider the Russian Federation to be a priority foreign partner. The reduction of the Russian influence found its reflection in the increased political dependence of the countries of the region on the Western states. The end result of the increased attention of the U.S., EU and Turkey to the region was the decline in cooperation between Russia and the countries of the Southern Caucasus.<sup>20</sup>

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<sup>19</sup> See: A.V. Vilovatykh, A.V. Rogovaia, "Bezopasnost Rossii i voenno-politicheskie protsessy v Kavkazskom regione," *Vestnik MGIMO-Universitet*, No. 3, 2015, pp. 85-93.

<sup>20</sup> See: A.R. Sitokhova, "Energeticheskaia politika Rossii na Yuzhnom Kavkaze," *Intellektualny potentsial XXI veka: stupeni poznania*, No. 19, 2013, p. 35.

## The Influence of Energy Flows on the Region

Since the end of the 1990s, Azerbaijan and Georgia have been amplifying cooperation with the Western countries and readjusting their policies in the post-Soviet space. In 1999, Georgia withdrew from the CIS Collective Security Treaty and in the same year entered the Council of Europe. Azerbaijan chose cooperation with Western gas companies on energy development. However, unlike Georgia, the leadership of Azerbaijan has sought to normalize relations with Russia. The positive trends in bilateral relations were invigorated in 2001, when, during the visit to Azerbaijan by the Russian President, Vladimir Putin, the Baku Declaration was signed.<sup>21</sup> And, although this document did not change the overall thrust of the Azerbaijani foreign policy, however, it enhanced the stature of Russia and positively affected regional security.

Azerbaijan and Georgia have been actively supporting the pipeline projects proposed by the Western countries. Of particular importance were the oil pipelines Baku-Tbilisi-Ceyhan and Baku-Tbilisi-Erzurum, which were regarded by the U.S. and EU as important tools in the strengthening of their positions in the region. Their planning and subsequent construction has become one of the main tasks of the U.S. and EU interests. In addition, starting in 2002, the EU has been proposing the implementation of the Nabucco project, aimed at the formation of a new energy corridor, bypassing Russia. One of the sources for its function had to be the hydrocarbon resources of Azerbaijan.

An important role the Western countries and companies had assigned to Georgia, whose authorities were consistently pursuing a course of widening cooperation with the U.S. and EU. The Western countries saw Georgia playing a key role in the conveyance of oil and gas to external markets. The country's role was defined by its transit capacity:<sup>22</sup> through Georgian territory passed the routes for transporting hydrocarbon resources from the Caspian region. The participation of Georgia enabled to realize a number of pipeline projects, aimed at reducing the impact of Russia's influence in the Caspian region and the Southern Caucasus. In the middle of the first decade of the twenty-first century, the Baku-Tbilisi-Ceyhan oil and the Baku-Tbilisi-Erzurum gas pipelines were built. These projects were aided by the active investment policy of Turkey and relied on the support of the Western countries.

The struggle for selection of transportation routes for hydrocarbon resources of the Caspian region has exacerbated the geopolitical competition in the region. This factor contributed to the strengthening of the dissociation of the countries of the region and led to the weakening of their relations with Russia. The Western countries' role had a strong impact on the positions of the countries of the Southern Caucasus on the issue of formulating their energy policies. One example was the pipeline coming from Azerbaijan in the western direction. The Southern Caucasus has become the hub of geopolitical interests for many countries of the world.<sup>23</sup>

The coming to power of Saakashvili in Georgia in 2003 has led to further deterioration of relations with Russia. It is worth mentioning that, prior to 2006, Russia was in fact the only supplier of natural gas and electricity to Georgia. Despite the economic dependence on Russia, Saakashvili initiated the revision of Georgian foreign policy. A new page was opened in relations between NATO and Georgia, which in 2003 adopted the first plan of individual partnership with NATO.

<sup>21</sup> See: O.V. Shabelnikova, "Osnovnye priority vneshnei politiki Azerbaidzhanskoj Respubliki: 1991-2015 gg.," in: *Vneshniaia politika novykh nezavisimyykh gosudarstv*, A collection, ed. by B.A. Shmelev, IE RAS, Moscow, 2015, p. 103.

<sup>22</sup> See: Z.Z. Bakhturidze, *Vneshniaia politika Gruzii (1991-2014): kliuchevye orientiry i partnery*, Avrora, St. Petersburg, 2015, p. 6.

<sup>23</sup> See: K.S. Gadzhiev, *Geopoliticheskie gorizonty Rossii: kontury novogo miroporiadka*, Ekonomika, Moscow, 2011, p. 415.



No less difficult were the relations between Russia and Azerbaijan, which still had a stake in the development of deposits of hydrocarbon resources, using foreign oil and gas companies, and in the building of infrastructure capable of exporting oil and gas to foreign markets. Projects have been developed for using international transport corridors, designed to facilitate the integration of the countries of the Southern Caucasus into the spheres of influence of the Western countries. As a consequence, the reorientation in the foreign policy of Georgia and Azerbaijan toward the Western countries brought with it a decline in the level of their economic cooperation with Russia. In 2004, the EU became the main trading partner of each South Caucasian country. In subsequent years, the trend continued. Thus, Georgia reduced dependence on the supply of hydrocarbon resources from Russia after 2006, when the oil pipeline Baku-Tbilisi-Ceyhan was launched. The reconstruction of the Inguri Hydroelectric Power Plant has allowed reducing the dependence on the supply of electricity from Russia during summer periods. As a result, in 2007, 32 percent of the trade turnover of Georgia, 41 percent of Armenia, 28.5 percent of Azerbaijan went to the EU.<sup>24</sup>

In the second decade of the twenty-first century, the Western countries and Turkey began to significantly influence the guidance of administering the directions for the development of the region and the elaboration and implementation of the external policy of Azerbaijan, Georgia and, to a lesser extent, Armenia. The countries of the Southern Caucasus played diverse roles in the promotion of the interests of the West. Azerbaijan was considered to be one of the alternative sources of hydrocarbon raw materials for the European countries. Georgia was given the role of a geopolitical resources' hub, since through its territory were routed oil and gas pipelines for the supply of hydrocarbons from the Caspian region. Armenia was kept out of many infrastructural projects due to the fact that its political elite played both ends against the middle, so to speak, by endeavoring to cooperate with the Western countries while preserving the status quo with Russia.

The armed conflict between Russia and Georgia in August 2008 had a negative impact on the situation in the Southern Caucasus in general and Russian policy in particular. It intensified the foreign policy of Georgia, reinforcing its pro-western orientation. Georgia and the United States signed the Charter on Strategic Partnership in January 2009, which expanded interaction among countries in the area of security. In addition, the major challenge, as announced by Georgia, was the pursuit of rapprochement with the West, which was described in the Concept for the Security of Georgia, adopted at the end of 2011. The document emphasized that the dominant priority is to achieve the European and Euro-Atlantic integration.<sup>25</sup>

In 2009, the EU initiated the Eastern Partnership program designed for Ukraine, Belarus, Moldova and the countries of the Southern Caucasus. By using financial assistance programs, European countries expected to have an impact on the post-Soviet countries, including the South Caucasian states.

Against the backdrop of a complex intertwining of the interests of the countries of the Southern Caucasus and the Western countries, Russia has sought to conduct a balanced foreign policy with all the states in the region. Russia was able to normalize the relations with Azerbaijan, improving trade indicators and developing humanitarian cooperation. After 2012, there was a change for the better in Russian relations with Georgia, when the political party, the Georgian Dream, won parliamentary elections and also after the presidential elections of 2013. But by then, the foreign orientation of Georgia had already been formed and focused on the expansion of cooperation with NATO and the Western countries. Nevertheless, the question of further normalization of relations with Georgia remains one of the major foreign policy issues for Russia in the Southern Caucasus.

<sup>24</sup> See: F. Huseinov, "Yuzhny Kavkaz vo vneshnei politike Evrosoiuza," *Analytic (Kazakhstan)*, No. 2, 2010, pp. 38-42.

<sup>25</sup> See: B.A. Shmelev, M.E. Simon, "Vliianie vnutripoliticheskikh protsessov na vneshniuyu politiku novykh nezavisimyykh gosudarstv," in: *Novye nezavisimye gosudarstva v sovremennykh mezhdunarodnykh otnosheniakh*, Institute of Economics, RAS, Part 1, No. 4, 2012, p. 83.

## The Southern Caucasus Remains in the Focus of Russian Policy

In the second decade of the twenty-first century, in the Southern Caucasus, a new geopolitical situation began to take shape. It was predicated on economic and political processes, taking place in the region: a complex economic situation, the absence of political stability, unfulfilled hopes for considerably increasing the output of hydrocarbon resources and finding a solution to socioeconomic problems. This increased the interest of the Southern Caucasus in the restoration of trade and economic relations with Russia. In turn, Russian efforts were aimed at the restoration of its influence in the Southern Caucasus and prevention of the countries of the region from joining NATO.

Russia was conducting an active foreign policy in the post-Soviet space, which relied on significant financial resources, accumulated in the period of high oil prices. This enabled Russia to initiate integration projects, which were aimed at consolidation of the countries of the post-Soviet space. First of all, it concerned the Customs Union and, later, the Eurasian Economic Union.

The integration projects, initiated by the Russian Federation, caused concern of the U.S. and EU, who did not weaken the efforts to expand their presence in the Southern Caucasus. The issues regarding energy cooperation, political consultations, cooperation mechanisms of NATO's policy began to be used by the Western countries with respect to Georgia and Azerbaijan more vigorously.

Russia continued to take into account the preservation of different foreign policy orientations of the countries of the Southern Caucasus. After obtaining their independence, Georgia and Azerbaijan started implementing foreign policy, which was aimed at increasing political and economic cooperation with the Western countries. The foreign policy course of Georgia was aimed at the expansion of cooperation with NATO and the strengthening of relations with the European countries. However, with the coming to power of President Margvelashvili, in November 2013, the foreign policy of Russia has intensified. This was facilitated by a more balanced policy of the new Georgian authorities, which, together with the Euro-Atlantic policy, began to advocate the normalization of relations with Russia.

In contrast to Georgia and Azerbaijan, which focused on the expansion of the cooperation with the EU and U.S., the foreign policy of Armenia remained controversial. On the one hand, Armenia was a member of the CSTO. On the other hand, it continued limited cooperation with NATO within the context of the program of individual partnership. The country has sought to develop relations with the European countries and the United States and at the same time to maintain the high level of interaction with Russia, considering the Russian state as a strategic partner. This situation remained the same until 2013, when in the course of the visit to Russia, in September 2013, the President of Armenia stated the readiness of the country to join the Customs Union. By this statement Armenia made a sharp foreign policy change and actually refused from the initialing of the Association Agreement with the EU.<sup>26</sup>

In 2014, the geopolitical situation in the Southern Caucasus underwent profound changes. Georgia signed an agreement of association and chose a course for the deepening of the relations with the EU, while Armenia, having rejected Euro-integration, began to exercise foreign policy that focused on developing cooperation with the republics of the former U.S.S.R. Russian relations with the Western countries were changing. This was caused by the events in Ukraine at the turn of 2014, which culminated in the coup d'état and the Crimean peninsula joining the Russian Federation. The position of Russia with respect to Crimea and the Ukrainian events, and the course of the Russian leadership to consolidate a number of post-Soviet countries by engaging the Eurasian Economic Union, were

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<sup>26</sup> See: K.A. Vardan, "Vneshnepoliticheskiy vybor Armenii: politika obespechenia maksimalnoi bezopasnosti," in: *Vneshniaia politika novykh nezavisimyykh gosudarstv*, pp. 149-150.

regarded by the Western countries negatively. At the same time, a new balance of power emerged in the region.

Despite the pressure from the U.S. and EU, Russia did not renounce plans for the consolidation of the post-Soviet countries and implementation of integration projects. In 2014, Russia, Kazakhstan and Belarus signed a Treaty on the establishment of the Eurasian Economic Union (EAEU), which, in 2015, was joined by Kyrgyzstan and Armenia.

Armenia views its joining the Eurasian Economic Union in the context of complex problems, which Erevan is unable to solve independently. First of all, the preservation of the complex relations with Azerbaijan provided Erevan with the impetus to continue its cooperation with Russia. Moreover, Armenia was having severe economic difficulties. The expansion of interaction within the framework of the Eurasian Economic Union allowed Armenia to count on help in solving its main problems. All the more so that Russia plays an important role in ensuring energy security and Russian companies are represented in almost all the sectors of the Armenian economy. In turn, the U.S. and EU are interested in weakening the Russian-Armenian relations, which would create a “sanitary” zone formed by the countries of the Southern Caucasus. Its formation is aimed at creating the conditions for smooth transportation of energy resources from the Caspian region and, on the other hand, should become the barrier to the proliferation of Russian interests.

### *Conclusion*

The policy of the Russian Federation to consolidate a number of post-Soviet countries, including those located in the Southern Caucasus, is feared by the countries outside the region. The efforts of the Western states focus on destabilizing the Eurasian Economic Union, weakening interaction between its members, the use of difficulties, faced by the members of the EAEU during the period of decline in world economy and fall in the prices of the hydrocarbon raw materials. However, Russia takes consistent steps to increase cooperation with the countries of the Southern Caucasus, bearing in mind the interests of Armenia and Azerbaijan in preserving its status as a mediator.

The problems of the Southern Caucasus and the goals of Russian policy are reflected in the concept of the Russian foreign policy, approved by the President of the Russian Federation on 30 November, 2016. It states that Russian priorities include “providing assistance in establishing the Republic of Abkhazia and Republic of South Ossetia as modern democratic states, strengthening their international positions, ensuring reliable security and socio-economic rehabilitation.” In addition, Russia “stands in favor of normalization of relations with Georgia in those areas, in which Georgia is ready to participate, taking into account political realities prevailing in Transcaucasia.”

The acute problems that exist in the region, contradictions between its member countries and the policies of the states outside of the region do not give reason to believe that Russia will increase its presence in the Southern Caucasus. The more so that the motivation of Russia in the Southern Caucasus is not a comprehensive geopolitical strategy but a response to changing circumstances.<sup>27</sup> To this end Russia is being impelled by maintaining the level of cooperation with the countries of the Southern Caucasus, defragmentation of the region, as well as the policies of the Western states, interested in reducing Russian influence in the area.

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<sup>27</sup> See: S.M. Markedonov, “Kavkaz—region povyshennogo riska,” in: *Konflikty na postsobetskom prostranstve: perspektivy uregulirovaniya i rol Rossii*, RSMD, Moscow, 2016, p. 31.