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THE CENTRAL ASIA-CAUCASUS ANALYST

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KEY ISSUE: A short 75-word statement of your conclusions about the issue or news event on which the article focuses.

BACKGROUND: 300-450 words of analysis about what has led up to the event or issue and why this issue is critical to the region. Include background information about the views and experiences of the local population.

IMPLICATIONS: 300-450 words of analysis of the ramifications of this event or issue, including where applicable, implications for the local people's future.

CONCLUSIONS: 100-200 words that strongly state your conclusions about the impact of the event or issue.

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Those interested in joining *The Analyst's* pool of authors to contribute articles, field reports, or contacts of potential writers, please send your CV to: <scornell@jhu.edu> and suggest some topics on which you would like to write.

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WHAT DOES IT MEAN FOR UZBEKISTAN AND CHINA TO BE STRATEGIC PARTNERS?

Farkhod Tolipov

New Chinese leader Xi Jinping visited Uzbekistan during his tour to Central Asia in September this year. The visit took place ahead of the September summit of the Shanghai Cooperation Organization (SCO) in Bishkek, and was initially perceived as an ordinary diplomatic good-will gesture towards the Central Asian states in connection with Jinping's first SCO summit. However, in the aftermath of that tour, China surprised many observers with its strategic bounty: China signed large contracts and agreements with the states of the region. Was this primarily a strategic breakthrough of China or the Central Asians'?

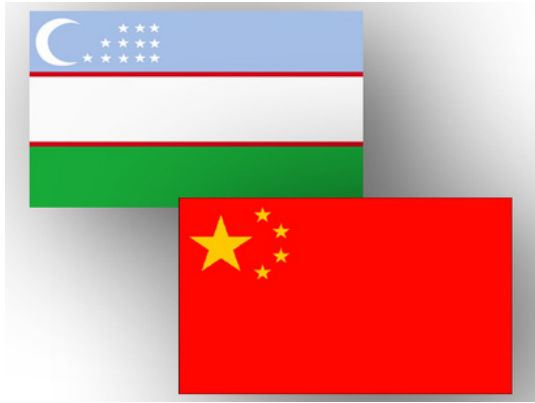
BACKGROUND: China established diplomatic relations with Uzbekistan and other Central Asian countries in 1992. Since then, China has steadily expanded its "Go West" policy aimed at consolidating its presence in Central Asia. The record of Uzbekistan-China relations illustrates an ambitious and comprehensive Chinese plan for engaging neighboring countries to its west. Relationships between these states have unavoidably affected the overall geopolitical transformation of the region since the demise of the Soviet superpower.

This record reflects China's rising profile in Uzbekistan's international and regional policy and vice versa. During Uzbekistan's President Islam Karimov's official visit to China in June 2012, the two states signed a Declaration on Strategic Partnership, thereby elevating their relations. In October 2011 in Beijing, Uzbekistan and China had established an

intergovernmental committee on cooperation in the trade-economic, investment, security, cultural-humanitarian, energy, transport, and scientific-technical spheres.

Uzbekistan supplies Chinese markets with cotton fiber, mineral fertilizers, natural gas, non-ferrous metals and other goods. One of the prioritized areas of cooperation is in the energy sphere; two gas pipelines are already operating and plans exist for constructing two more in the nearest future. China is one of the biggest investors in Uzbekistan's economy at US\$ 6.5 billion, and 488 Chinese companies currently function in Uzbekistan.

China is Uzbekistan's third trade partner after Russia and the European Union; about 13 percent of Uzbekistan's trade goes to China. But Uzbekistan is obviously a minor trade partner for China – less than 0.1 percent of China's foreign trade is with



Uzbekistan. Hence, the economic relationship between Uzbekistan and China is asymmetric. Moreover, only 9 percent of the total Chinese trade with Central Asia is with Uzbekistan, while Kazakhstan is China's main trade partner in the region at 70 percent. Still, the two states have interacted actively within multilateral fora such as the UN and the SCO. Interestingly, China and Uzbekistan have expressed their understanding of each other's sensitive problems such as Taiwan and Tibet and trans-border river waters in Central Asia. Uzbekistan has supported the PRC on issues of territorial integrity and fighting the "three evils" – terrorism, extremism and separatism. Beijing expressed support for Uzbekistan's position on the rational use of the water flow of regional rivers, in relation to hydro-energy projects that could damage the ecological balance.

Also interesting is that the SCO remains the only international/regional organization to which Uzbekistan has retained a steady commitment – it is a member since 2001. Tashkent has abandoned organizations such as the CSTO, EAEC (EurAsEC), GUUAM, and CACO, and has isolated itself from other

multilateral cooperation frameworks such as e.g. the Istanbul Process on Afghanistan and the SPECA project of the EU. However, Uzbekistan's membership in the SCO seems stable and the SCO's Regional Anti-Terrorist Structure (RATS) was set up in Tashkent.

China-Uzbekistan cooperation in the above mentioned areas is intended to be long-term and comprehensive. The question remains, however, what geopolitical implications this strategic partnership will have.

IMPLICATIONS:

Since independence, Uzbekistan has gotten involved in different strategic partnerships. It signed strategic partnership agreements with the U.S., Russia, China, India, Japan and the EU, documents whose contents differ in their main emphasis. The China-Uzbekistan strategic partnership, in particular, does not imply mutual security commitments as does Uzbekistan's agreements with the U.S. and Russia. Tashkent and Beijing indeed emphasize the developmental dimension of strategic partnership.

During Xi Jinping's visit to Tashkent in September this year, 31 documents were signed on the realization of projects amounting to a total of US\$ 15 billion, implying that the total size of agreements between the two countries has reached US\$ 20 billion. In addition, Uzbekistan and China signed 14 agreements on joint hi-tech production in an industrial area on Uzbekistan's territory, with direct investments from the PRC. The park was created at the initiative of the Chinese leadership in March this year

in the form of the Special Industrial Zone “Jizzakh” where the production of mobile telephones, construction materials and other products commenced in June this year.

In September, the sides recalled the special character and high level of their cooperation: among other things, they also signed a Treaty on Friendship and Cooperation and a Joint Declaration “On Further Development and Deepening Bilateral Relations of Strategic Partnership.” The declaration stresses the sides’ commitment to firmly support each other’s chosen path of development conducive with internal conditions, and support each other’s international cooperation initiatives. The declaration stated that they would not join any alliances or blocks which would damage the sovereignty, security and territorial integrity of the other side. Uzbekistan once again confirmed its support of the policy of a “single China” and that Taiwan is an inalienable part of China, and its opposition to any form of “independence of Taiwan”.

It is perhaps not accidental that China demonstrated such a generous policy at the peak of the international financial crisis. This “bounty” coincides with a rise in the political temperature in Uzbekistan, which is expected to hold transformative parliamentary elections in exactly one year and presidential elections three months later. Analysts argue that Xi Jinping symbolizes the so-called China 3.0 (China 2.0 being Deng Xiaoping’s ruling period and China 1.0 Mao Zedong’s). China 3.0 pushes a strategy

of “creative involvement,” which will lead to a Chinese breakthrough into Central Asia. Therefore, China seems to be securing stronger bonds in what could be termed an emerging “Uzbekistan 2.0.”

At the same time, it is symptomatic that while Tashkent has constantly and clearly expressed its support for Beijing in its foreign policy and especially in its internal affairs, including e.g. the Taiwan question, Beijing has not been as clear in its support for Uzbekistan’s interests in regional and international affairs. For China, the SCO provides it with geopolitical leverage in the region as well as a platform for sending certain messages to the West. For Uzbekistan the SCO is not so much a multilateral forum, but rather another platform for Uzbek-Chinese bilateral engagement. Tashkent seems to construct its strategic ties with Beijing, directly or within the SCO, largely in the context of explicit and implicit balancing between three great powers – the U.S., Russia and China.

CONCLUSIONS: During the Soviet time, the Central Asian republics were heavily dependent on Russia. After the breakup of the USSR, the newly independent states are concerned about recreating such dependence on China. In most of studies of post-Soviet Central Asia, Uzbekistan has been described as a state that does not border Russia and therefore is not as dependent on this great power as is, for example, Kazakhstan. However, Uzbekistan’s dependence on Russia has endured throughout the post-Soviet period. The same observation

can be made regarding Uzbekistan's increasing dependence on China, which it also does not border.

Tashkent has in recent years tended to isolate itself from multilateral and especially regional frameworks of cooperation and opted for bilateral relations. This option, however, carries the risk that Tashkent will not be able to isolate itself from the geopolitical influence of great powers, including that of China, and may end up in a new form of "multiple dependence" unless it looks to regional integration as the most viable option.

China's former President Hu Jintao once said that China should try to

establish a new type of foreign relations that can "satisfy the Chinese public and at the same time reassure people of all nations." It remains to be seen whether the Chinese public is satisfied, but the people of Central Asia is yet far from reassured, not only by China but by other great powers as well.

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TTP-PAKISTAN DIALOGUE: THE POST-HAKIMULLAH SCENARIO

Rizwan Zeb

After the death of Tehreek-e-Taliban Pakistan (TTP) leader Hakimullah Mehsud in a U.S. drone attack and the appointment of the hardliner and staunchly anti-Pakistan Mullah Fazlullah, prospects for Pakistan's dialogue process with the TTP seem bleak. Prime Minister Nawaz Sharif nevertheless pledged to continue the peace talks. At the heart of this decision is the confusion that after more than a decade, Pakistan's political leadership is still debating whether this is its war and whether they should talk to its own people. This position indicates a clear lack of understanding of the jihadist mindset, and of the realities and challenges that Pakistan is facing.

BACKGROUND: When President Musharraf abandoned the Taliban in Afghanistan and decided to side with the U.S. in the war on terror, he was expecting a domestic backlash especially from the religious parties and the madrassa network in Pakistan. The initial reaction was vocal yet limited. The Red Mosque clerics who had close links with Al-Qaida and the Taliban initiated a movement to convert Pakistan into an Islamic emirate and the state crushed the rebellion. This event was used by the militants based in the tribal areas under the leadership of Baitullah Mehsud to unite under the banner of the TTP in South Waziristan in December 2007.

It is widely believed that TTP was a branch of the Taliban of Afghanistan and Baitullah Mehsud on a number of occasions claimed that he has the full support of Mullah Omar, something the Afghan Taliban have repeatedly denied. TTP is mainly a Mehsud dominated militia. In August 2009,

Baitullah was killed in a drone attack and Hakimullah Mehsud, a confidant of Baitullah and TTP commander for Khyber, Kurram and Orakzai became the Amir (leader). Over the years, TTP conducted terrorist attacks in Pakistan resulting in more than 40,000 deaths. TTP finances its activities with ransom money, bank robberies, forced taxes and drug trade. It fights factional wars with other militants groups and has killed a number of militant leaders. Muslim Khan, alias Shah Khalid, and Haji Namdar are cases in point. A number of TTP members belong to mainland Pakistani groups and splinters or breakaway factions from Kashmiri groups and are known as the Punjabi Taliban. Islamabad has attempted to negotiate peace with the TTP in the past: peace agreements in Shakai 2004, Sararogha 2005, North Waziristan 2006, and Swat 2008 all failed.

The Muslim League under Sharif and Imran Khan's Tehreek-e-Insaf have been major critics of this war, claiming



that it is not Pakistan's war but that it has been imposed on it by the U.S.. Sharif called an All Parties conference in September in which the Pakistani political leadership unanimously decided to initiate a dialogue with the TTP. No concrete progress has yet been made in this regard, while Mehsud's death on November 1 and the appointment of Fazlullah as the TTP's new chief likely implies that the dialogue process has failed even before it started. The political leadership, including the government and opposition parties, stated that the drone attack was intentionally conducted at this time to sabotage the peace process.

IMPLICATIONS: Although Sharif's administration has publicized its dialogue with TTP extensively, there is hardly any indication that the process moved beyond statements. TTP responded guardedly and set a number of preconditions for talks: the release of all TTP prisoners, a withdrawal of Pakistan's Army from the tribal areas, and an end to drone attacks. At the same time, TTP refused to stop its own attacks. On September 15, TTP killed the Malakand division commander, Major General Sanaullah Niazi, followed by an attack on a

church during a Sunday service, which was among the deadliest attacks on Christians in the country's history.

A number of voices were raised about the viability of dialogue if the attacks did not stop. Khan, on the other hand, accused Islamabad of cold feet and announced that his party will start negotiations with TTP, if the center does not. The timing of the strike against Mehsud overshadowed the whole debate regarding his death, Pakistan-U.S. relations, and the possibility of a peace process between Islamabad and TTP.

Khan alleged that the U.S. had deliberately chosen this time for the attack in order to prevent peace in Pakistan. Pakistan's interior minister voiced a similar opinion during a speech in the parliament. He stated that the process between Islamabad and TTP was moving ahead and a delegation was about to leave to meet Mehsud and other TTP leaders when the strike took place. According to him, the Americans destroyed the whole peace process.

However, TTP sources denied any progress whatsoever and any knowledge of a delegation from Islamabad. After intense debate, TTP chose Fazalullah, aka Mullah Radio, who had been hiding in Afghanistan since the successful Swat operation and who was behind General Sanaullah's murder, as their new leader.

This development holds three important implications: First, TTP will take a tough stance in the days ahead as the Fazlullah faction was staunchly against any dialogue; second, TTP is

moving away from its Mehsud identity. However, whether this is an organizational reorientation or just a reaction to Mehsud's death is yet to be seen; third, TTP is experiencing internal divisions, reconfirming the previously known competition between the Sajna group and the Fazlullah group.

Fazlullah's appointment is a clear signal to Islamabad that no dialogue is possible. However, Islamabad still believes that it can engage in successful and meaningful dialogue with TTP and has indicated its intention to go ahead with the talks. The primary reason for this is the lack of understanding and consensus in Pakistan over its war on terror. After almost 12 years, Pakistanis are still not sure about their involvement in this war.

Sharif, Khan, and the great majority of Pakistan's opinion makers continue to believe that this is not their war and that it was imposed on them by the U.S. when it attacked and occupied Afghanistan. Regarding TTP, they believe it is a reaction against Pakistan's support for the U.S. against the Taliban in Afghanistan. As regards those elements in TTP and other groups who attack the state and its citizens, they are described as foreign agents on the payroll of Israel's Mossad, India's RAW, and the CIA. This belief indicates a complete lack of understanding of the jihadist mindset. While Islamabad's desire to engage in dialogue is not problematic per se, doing it without a clear understanding of the aims and objectives of the other side as well as its own desired

outcomes, how to achieve them, and how far it is willing to go is not a recipe for success.

At present, it seems that Islamabad has much homework to do before embarking on this path, although it remains highly uncertain whether a dialogue will actually happen. This policy will have domestic (sectarianism, influence of religious parties), regional (India, Afghanistan, Central Asia, Iran) and global (U.S., NATO) implications for Islamabad. How much of work has been done to address these implications remains unknown.

CONCLUSIONS: Although Islamabad still intends to go ahead with its policy of dialogue with TTP, the appointment of Mullah Fazlullah, who escaped to Afghanistan after the Swat operation, as the new TTP leader is a clear signal that TTP will take a tough position against Pakistan in the days ahead. Islamabad needs to understand that a dialogue process is a two-way street influenced by a number of factors, of which the timing of the dialogue and the ripeness of the issue for resolution is most important. Local, regional and international dynamics and environments also play an important role. Islamabad needs to have a clear understanding of the jihadist mindset and formulate a comprehensive antiterrorism policy before deciding the course. Without such preparations, there is no point in talking to TTP.

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RUSSIA ADVANCES ITS POSITIONS IN THE SOUTH CAUCASUS

Armen Grigoryan

Russia continues to limit Armenia's capability to make independent political decisions and is planning to increase its military presence in Armenia. Shortly, Azerbaijan and Georgia will face stronger pressure and Russia's efforts to create a new union of the former Soviet republics will intensify. As Russia is unable to advance its goals through "soft power," offering no attractive model of governance, democratic political culture, or serious economic benefits, it will increasingly rely on "hard power." Regional policies devised by the U.S. and EU are becoming insufficient as regional dynamics change and new threats emerge.

BACKGROUND: At the Eurasian Economic Council meeting in Minsk on October 24, Armenia's President Serzh Sargsyan signed a memorandum about further cooperation between Armenia and the EEC. The memorandum includes a clause obliging Armenia to abstain from any statement or action contrary to the interests of the Customs Union. At the same time, Customs Union members have not assumed any obligation to abstain from actions contrary to Armenia's interests, and Russia and Belarus are the main arms suppliers to Armenia's rival, Azerbaijan.

In addition, Belarus's President Alexander Lukashenka stated that Armenia must resolve its territorial dispute with Azerbaijan, and that CU members will take Azerbaijan's position into account. Azerbaijan strongly opposes the possibility of self-proclaimed Nagorno-Karabakh to benefit from a free trade agreement. After the summit in Minsk, Russian state television also mentioned that

Armenia would not be able to become a CU member unless the dispute with Azerbaijan is solved.

A few days before the summit, Russian sources indicated the intention to modernize eighteen MIG-29 fighters deployed at the Russian military base in Armenia. The planes have so far been used as part of the CIS joint air defense but, according to air force base commander Col. Alexander Petrov, they will become capable not only to intercept airborne targets but to attack targets on the ground as well. It is also planned to deploy battle helicopters and airborne troops, enabling the base personnel to engage not only in defensive but also in offensive operations.

In turn, commander of the Gyumri base Col. Andrey Ruzinsky stated that if Azerbaijan's leaders decide to restore jurisdiction over Nagorno-Karabakh by force, the Russian military may engage in accordance with Russia's obligations stipulated by the Collective Security Treaty



Organization agreements. Such a statement by a military commander is rather ambiguous, while Russia's political leaders abstain from openly stating whether Russia would engage in case of a large-scale fight between Armenia and Azerbaijan and usually claim that the military base's mission is to defend the "external borders of the CIS," i.e. the borders with Turkey and Iran.

As the co-chairs of the OSCE Minsk Group visited Baku on November 4, President Aliyev agreed to meet with Sargsyan for the first time since the extradition of Ramil Safarov from Hungary. Notably, Azerbaijani officials demanded an explanation concerning Col. Ruzinsky's statement from Russian co-chair Igor Popov. Meanwhile, in recent weeks one of main highways connecting Armenia with Georgia was closed on several occasions because of gunfire from the Azerbaijani side.

Skepticism concerning Russian security guarantees is steadily growing in Armenia, as Russia continues to supply large quantities of heavy weapons to Azerbaijan. Belarus's and potentially also Kazakhstan's reservations concerning Customs Union membership, and the unilateral

obligation towards the CU adopted by President Sargsyan, strengthen the perception that CU membership is just a pretext, and Russia is planning to annex Armenia de facto.

IMPLICATIONS: Since Russia considers the South Caucasus a zone of vital interest, another meeting between the presidents of Armenia and Azerbaijan should not be expected to bring a breakthrough in the negotiation process, unless Azerbaijan indicates readiness to consider joining the CU. Some Azerbaijani experts have noticed that Lukashenka's statements were an invitation to Baku. Col. Ruzinsky's statement may also perhaps be viewed in that context. At the same time, the statement supported Russia's apologists in Armenia whose main argument in favor of the patron-client relationship with Russia is security understood as keeping the status quo in the relationships with Azerbaijan and Turkey.

The growing potential of the Russian military base in Armenia can be considered a message to Azerbaijan as well. Previously, the Armenian government opposed the possibility of deploying peacekeeping troops in Nagorno-Karabakh and adjacent areas although Russian policymakers repeatedly suggested the desirability of such a mission. Now, after abandoning relations with the EU under Russian pressure, Sargsyan's administration may potentially yield to Russia's further demands, and ultimately continuing tension on the line of contact may serve as a pretext

for realizing one of Russia's long-term ambitions.

On the other hand, it should be remembered that the Russian base in Armenia, together with bases in the North Caucasus, Abkhazia, and South Ossetia, is subordinated to Russia's Yug (South) military district whose main target is Georgia. The increasing military presence in the region together with Russia's provocative behavior concerning the demarcation of South Ossetia's border and expelling Georgians from their homes suggests that Georgia remains under constant threat.

Considering Russia's strategic goal to reintegrate the former Soviet republics, as well as the vital significance of oil revenues for Russia's economy – profits from hydrocarbons trade constitute more than half of Russia's budget revenues and are expected to decline – different scenarios involving Azerbaijan or Georgia become more likely. These could include promises to weaken Armenia's position on the Nagorno-Karabakh issue if Azerbaijan agrees to participate in Russia's integration plans or, conversely, stronger pressure or even military provocations against Azerbaijan that would ultimately boost the oil price. Although such actions would be harmful to Russia's international image, the experience of 2004-2008, when the oil price was high, and current features of Moscow's behavior (strong anti-Western propaganda, "trade wars," oppressive actions against the opposition, Internet censorship, limitations of the freedom of speech, mock trials, neglect of the

verdicts of the European Court of Human Rights, etc.) suggest that a high oil price and internal stability are more important for Vladimir Putin than the international community's opinion.

The next few months could be critical for the stability and security of the South Caucasus. If Ukraine signs the Association Agreement with the European Union in November as planned and therefore reduces the chances for success of the Customs Union and the projected Eurasian Union, the Russian leadership may decide to use its tools in the South Caucasus as soon as possible.

It is probable that Putin will visit Yerevan in early December; although neither Armenian nor Russian authorities have confirmed that such a visit will be organized, a group of Russian Federal Security Service operatives is already in Yerevan, checking the conditions and supervising the available security measures. A decision about further actions in the region could be made during Putin's visit or soon afterwards. On the other hand, Ukraine might theoretically fail to sign the EU Association Agreement, making Russia's planning less urgent. Still, possible actions aimed at subjugating the South Caucasus would only be postponed by a few months.

Besides, public discontent in Armenia is growing concerning not only the loss of opportunity for a closer relationship with the EU but also poor economic conditions, a growing tax burden, a projected 50 percent increase of public transportation cost, and other economic and social factors. The

government may thus introduce more oppressive measures, such as bans on demonstrations, electronic surveillance, Internet censorship, etc.

CONCLUSIONS: It is becoming increasingly clear that Putin's regime does not consider former Soviet republics full-fledged sovereign states deserving respect but rather applies a modernized version of the Brezhnev doctrine. And although Armenia can be seen as the weakest link, most of the other post-Soviet countries also cannot withstand Russian pressure alone. However, only a few policymakers from the region have been able to assess the situation in the way Georgia's President Mikheil Saakashvili did in his address at the 68th session of the UN General Assembly.

So far, the situation in the South Caucasus has not been one of the main priorities for the U.S. and the EU. However, neglecting the existing and newly emerging threats may result in

conflict escalation and long-term dependence of the regional states on Russia, meaning instability, backwardness, social degradation, and increasing emigration. The deteriorating situation would also harm the U.S. and EU security and economic interests. The next few months may be critical and available policy options need to be considered carefully, requiring an accord between the U.S. and EU.

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MOSCOW'S APPOINTMENT OF GOVERNORS IN THE NORTH CAUCASUS

Valeriy Dzutsev

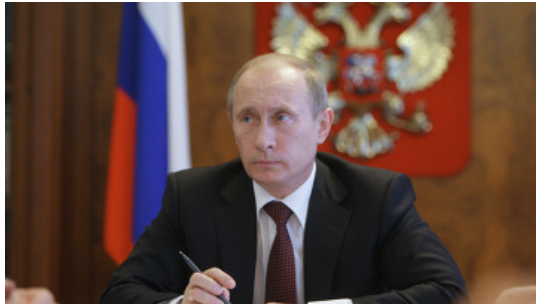
One by one, the North Caucasian republics are declining direct elections of governors, instead sticking to the appointment procedure by the President of Russia. Moscow appears to be orchestrating the process to ensure that completely loyal governors are in place in the restive region. Their loyalty, however, comes at the price of greater volatility and lower predictability in the region. Moscow's policies in the North Caucasus illuminate the crisis of the highly centralized system of governance in Russia. Ironically, regions of Russia that are most adversely affected by the lack of a participatory political system are further deprived of popular voting mechanisms.

BACKGROUND: On November 3, the parliament of North Ossetia passed a legislative package that replaced direct elections of the republic's governor with an appointment procedure by the Russian President. The republic joined the cohort of other North Caucasian republics, such as Ingushetia and Dagestan, that rejected direct elections of governors in favor of appointments. The governor of another North Caucasian republic, Karachai-Cherkessia, has also signaled the desirability of appointment in the region. Russian experts say that all North Caucasian republics will eventually have appointed governors. Direct elections of governors in Russia were abolished in 2004, following the hostage crisis in a Beslan school in North Ossetia. President Putin at the time explained the move by the dubious argument of enhancing the state's ability to combat terrorism. Following massive protests after alleged fraud in the December 2011 parliamentary elections in Russia, the

Kremlin reintroduced direct popular elections in 2012. Soon after Vladimir Putin was reelected president in the same year, a clause was added to the new law, allowing regional governments to replace a direct popular vote with appointment by the head of state.

So far, only North Caucasian republics have opted for the appointment procedure of the governor. Even though formally regions themselves choose their form of governance, there are strong signs that it is in fact the Kremlin that orders the North Caucasus regions to reject direct governor elections. During parliamentary hearings in North Ossetia in November, at least two deputies of the regional parliament made clear to the newspaper Kommersant that the decision to designate the appointment of governor was made in Moscow.

Russian leaders also confirmed their involvement in the decision-making process in the North Caucasian



republics on several occasions. At a youth forum in the North Caucasus in August, three weeks prior to the reappointment of the existing governors of Ingushetia and Dagestan, Prime Minister Dmitry Medvedev stated “I reckon that elections should be held everywhere [in all Russian regions]. However, when the political culture is still somewhat different, we can have a transition period for that.” Medvedev’s words outraged Ingushetia’s opposition that complained to Putin about the inappropriate division of Russian citizens into people with the “right” culture and the “wrong” culture.

In September, President Putin himself endorsed the decision of officials in Ingushetia and Dagestan to reject direct elections, explaining that the features of these regions, such as “multi-religious, multi-ethnic and special ethnic composition” prevented them from having effective democratic rule. While Dagestan may fit such a description, Ingushetia is a small region with a population of about half a million that is nearly 100 percent ethnic Ingush and Muslim, and North Ossetia is overwhelmingly ethnic Ossetian and Christian. Hence, Putin’s explanation was apparently a euphemism for something else. Some analysts cited Islamic extremism and separatism in the North Caucasus that

prompted Moscow to seek appointing regional governors, instead of allowing for popular elections. But again, North Ossetia is predominantly a non-Muslim region with little record of separatist aspirations.

IMPLICATIONS: The protest potential in North Ossetia was cited as one of the highest in the region. In the elections to the local parliament in October 2012, the ruling United Russia nearly suffered an electoral defeat as an alternative party of Patriots of Russia took 26 percent of the votes. The unpredictability of possible election results is one of the main causes for the government’s refusal to allow direct elections in the North Caucasus. Russian expert Viktor Chernous told Rosbalt news agency that the “federal government limited itself to the ‘social contract’ with those clans that are already in power in the North Caucasian Federal District.”

Reliance on existing clans is probably only part of the explanation for Moscow’s policies in the region. Dispatching Ramazan Abdulatipov, a Moscow politician of Dagestani origin, to Dagestan as the governor of the region in January 2013 was hailed as a decisive break with the previous tradition that allowed local clans to thrive and corrupt the system. Even though Abdulatipov seemed far removed from the Dagestani clans, Dagestani observers noticed that the new leader of the republic tended to favor his relatives. For example, Abdulatipov’s son Jamal received the position of the deputy mayor of the large Dagestani city of Kaspiysk.

Moscow's rationale for holding on to the appointment procedure in the North Caucasus appears tied to the lack of control over the region or fear of losing it. The leaders of Ingushetia, North Ossetia and Karachaevo-Cherkessia enjoy abysmal popularity among the local population. However, Moscow seems happy with all of them, so it allows the old political elites to reincarnate themselves.

In Dagestan, on the contrary, Moscow was not happy with the previous leaders and that is why Abdulatipov was dispatched to the republic in January 2013. The appointment procedure later in September ensured that Abdulatipov stayed in charge. Moscow's miscalculation is, however, that a higher level of control over the regional governor does not necessarily translate into higher control over the region itself. Abdulatipov's example was particularly telling as many analysts pointed out that he could not build his own working team and therefore had to rely on the veterans of Dagestani politics. Some of them, such as Deputy Prime Minister Gaji Makhachev have a quite controversial background. Makhachev was sentenced to prison terms several times and has a reputation of strong links to the criminal world.

In the period after the abolishment of regional governor elections in 2004, the situation in the majority of the North Caucasus regions has clearly deteriorated. While Chechnya has become much less volatile, Ingushetia, Dagestan and Kabardino-Balkaria have destabilized. Approximately 700 people die in the conflict in the region

each year. Participatory political processes would have mitigated the ongoing conflict, but Moscow seems to be unabated by the security risks, as fear of separatism trumps all other concerns of the Russian government.

The paranoia apparently is so high that anyone who is not handpicked by Moscow is considered to be a potentially unreliable leader who might steer the region away from Russia's influence. Ironically, while Moscow succeeds in appointing the leaders it wants in the North Caucasus, the situation in the region is still developing in a direction unfavorable to the central government. The best indicator of the failure of Moscow's policies is that more than a decade after the second Chechen war, the Russian government still fears separatism in the North Caucasus and now not only in Chechnya, but in all or nearly all republics of the region.

CONCLUSIONS: Moscow's intention to establish greater control over the North Caucasian republics resulted in a treatment of the region that is ostensibly differential from the rest of Russia. While trying to ensure its grip over the region with assumed separatist aspirations, Moscow itself instills boundaries between the North Caucasian periphery and Russia's mainland territory. As the Russian political class has recognized the harmfulness of excessive centralization and moved to reintroduce participatory politics at the regional level, the fear of separatism has kept the North Caucasus out of the wave of modest political liberalization. Lack of political

reforms is likely to have further detrimental impact on the restive region and result in its ever deeper differentiation from the rest of Russian Federation.

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GEORGIA TO HAVE NEW PRESIDENT, PM, AND INTERIOR MINISTER

Archil Zhorzholiani

On November 2, outgoing Prime Minister Bidzina Ivanishvili, upon his pre-term resignation decision, nominated incumbent Interior Minister Irakli Gharibashvili as his successor, shortly after Georgia elected a new president.

In the October 27 presidential elections, the candidate of the ruling Georgian Dream (GD) coalition Giorgi Margvelashvili achieved an outright win over David Bakradze – the nominee of the major opposition party United National Movement (UNM). Margvelashvili gained 62.12 percent against Bakradze's 21.72 percent while Nino Burjanadze, the former parliamentary speaker and the leader of democratic Movement - United Georgia party, secured a third place with 10.19 percent of the votes.

Observers from the OSCE's Office for Democratic Institutions and Human Rights (ODIHR), the OSCE Parliamentary Assembly (OSCE PA), the Parliamentary Assembly of the Council of Europe (PACE), the European Parliament and the NATO Parliamentary Assembly (NATO PA) claimed that recent elections demonstrated the obvious progress the country attained in terms of strengthening democracy and European standards as well as the image of Georgia as the most democratic country in the region.

Whereas the election result proved the public support for the coalition and its leader, Prime Minister Ivanishvili, it also revealed GD's overstated anticipation of the UNM's political bankruptcy. The former ruling party maintains the status of the country's major opposition force while pro-Russian radicals like Burjanadze and Koba Davitashvili – the head of the Party of the People who gained 0.6 percent of the votes – could mobilize little popular support. In addition, the recent presidential elections had an extremely low turnout at less than 47 percent, perhaps an illustration of public disillusionment and political apathy suggesting that a sizable share of the electorate may feel unable to influence the course of political events.

After the presidential elections, Georgia will to enact constitutional amendments, adopted in 2010. These will come into force after the new president is sworn in on November 17 and will shift the balance of power in favor of the parliament and the PM. Consequently, Georgia will become a parliamentary republic with expanded authority for the PM and diminished powers for the president. The president will no longer have the lead in domestic and foreign policy and can appoint or dismiss the chief of staff of the armed forces as well as key military commanders only with

agreement of the government. The same goes for signing international treaties, while most legal acts issued by the president will require authorization from the PM.

The post of PM thus obtains enormous political clout. In transitional democracies where personalities rather than parties are the main political actors, it is of utmost importance who will take the influential office.

31-year-old Gharibashvili is a long-time close associate of multi-billionaire PM Ivanishvili. Although his academic background is noteworthy – Gharibashvili studied international relations at Tbilisi State University and Political Science at Pantheon-Sorbonne University (“Paris 1”), his work experience has largely been limited to companies affiliated with Ivanishvili.

Since 2005, Gharibashvili has been Ivanishvili’s assistant at JSC “Cartu Group.” After a few years, he was promoted to director of Georgian Dream Ltd and later entered politics along with Ivanishvili. After the October 2012 parliamentary elections, Gharibashvili took the post of interior minister. PM Ivanishvili assessed him as a “very practical” and “honest” person” who “managed to do a miracle in one year,” transforming the previously untrustworthy police system into a European one.

The UNM sharply criticized Ivanishvili's decision, accusing Gharibashvili of nepotism and inability to deal with the challenges the country is facing in terms of the economy, unemployment and scarcity

of investments. The UNM also insisted that 28-year-old Alexandre Tchikaidze, named by Gharibashvili as a candidate to replace him as interior minister, is an associate of Garibashvili’s father in law, Tamaz Tamazashvili.

Tchikaidze, who is less known to the public, joined the Ministry in 2008 as an assistant detective. After Gharibashvili secured the post of the interior ministry, Tchikaidze initially was promoted to chief of police in Kakheti and later as chief of the Tbilisi police department.

What is really obvious in Georgia’s post-election environment is that key political positions are to be taken by non-political figures. Both Margvelashvili and Gharibashvili ascended to power thanks to Ivanishvili and would hardly be able to maintain either the unity of GD or influence over it without his patronage. Unsurprisingly, this situation triggers speculations that Ivanishvili plans to rule Georgia from behind the scenes, with all the levers of power in his hands – a majority in the legislative body and two loyal persons in the executive branch. Consequently, he will neither have to face public criticism, nor take political responsibility in the case of government failure.

AZERBAIJAN PREPARES FOR SHAH DENIZ 2

Mina Muradova

Azerbaijan is moving from words to action in delivering gas resources from the Caspian Sea to European markets. President Ilham Aliyev has taken the development of the Southern Gas Corridor under his own supervision. A State Commission chaired by First Vice-Premier Eyub Yagubov has been established by a presidential decree and will be responsible for coordinating all issues related to the Shah Deniz project on a government level, as well as the implementation of the South Caucasus Pipeline Expansion Project, the Trans-Anatolian gas pipeline (TANAP) and the Trans Adriatic pipeline (TAP).

The main objective of the commission is to protect Azerbaijan's interests in these projects and to provide a smooth implementation process. The "South Caucasus pipeline has political and economic importance for the country thanks to its capacity to deliver gas not only from Shah Deniz, but also from other gas fields of Azerbaijan," the decree reads.

Ilham Shaban, head of the Baku-based Center for Oil Studies, termed the Shah Deniz 2 project a first path leading Azerbaijan to Europe and opening for other projects in the future: "I see a new epoch, new technologies, new projects by 2025 ... and even Shah Deniz stage 3 is possible, when deeper fields will be developed ... Shah-Deniz

stage 2 is a unique project not only in the Caspian Sea region, its depth (up to 6.9 kilometers) is nearly double that of the Azeri-Chirag-Guneshli oil field, which produced 77 percent of the country's oil last year."

In October, the BP-led consortium developing the Shah Deniz field concluded 25-year agreements to supply European markets with gas, offering an alternative supply source to Russia's Gazprom. Nine companies will purchase over 10 billion cubic meters (bcm) a year of gas in Italy, Greece and Bulgaria. These contracts, worth more than US\$ 100 billion at today's prices, represent the most valuable set of gas sales agreements ever signed by BP. The buyers who have agreed to buy the gas are: Axpo Trading AG, Bulgargaz EAD, DEPA Public Gas Corporation of Greece S.A., Enel Trade SpA, E.ON Global Commodities SE, Gas Natural Aproveisionamientos SDG SA, GDF SUEZ S.A., Hera Trading Srl and Shell Energy Europe Limited.

"These agreements mark the biggest gas sales in the history of Azerbaijan. They also mark the beginning of direct links between Azerbaijan's huge gas resources and the European markets ... I am sure that this cooperation will bring benefits to consumers across Europe and will play an important role in strengthening European energy

security,” said Rovnag Abdullayev, President of Azerbaijan’s State Oil Company (SOCAR).

The Shah Deniz Stage 2 project will add another 16 bcm per year of gas production to the approximately 9 bcm annually from Shah Deniz Stage 1. Shah Deniz is expected to provide 10 bcm of gas per year for Europe and 6 bcm for Turkey. Shah Deniz Stage 2 gas will be delivered through more than 3,500 kilometers of pipelines through Azerbaijan, Georgia, Turkey, Greece, Bulgaria, Albania, and under the Adriatic Sea to Italy. The TANAP will transport gas across Turkey and then the TAP will transport gas from the Turkish-Greek border to Italy.

When Shah Deniz comes online, which is expected during 2019, TAP will be ready to ship the initial 10 bcm per year. “As additional resources come on-stream, the pipeline has been designed to be able to easily expand by just adding extra compression, to over 20 bcm – double the capacity, and all at an incremental cost. Of course the reserves in Azerbaijan alone, not to mention the wider Caspian, are very likely to be far greater and that is one of the reasons why TAP and the entire Southern Gas Corridor are so important. TAP is a project which will be the first to open up a new energy route in Europe,” TAP’s managing director Kjetil Tunland told the Report Company.

Tunland termed called TAP “a game-changer” on Europe’s energy market. In south-east Europe in particular, TAP will facilitate gas deliveries to various regional pipelines – both existing and planned – such as connections with

Bulgaria and the Ionian Adriatic Pipeline which will connect with key western Balkan countries. TAP is also likely to have an effect on Western Europe and may help reduce the gas prices more generally through increased competition, Tunland noted.

Once in Italy, TAP will plug into the Snam Rete gas network from where gas can then be supplied to Switzerland, France, Austria, Germany, Belgium and the UK through various pipeline systems – some of them operated by TAP’s new shareholder Fluxys.

“We firmly believe that TAP will be a game changer for the European energy industry. It will open up a new corridor from the south-east, creating a route for new and additional supplies to follow. In so doing, it will start the process of improving Europe’s diversity and security of supply and helping to secure a more liquid market for gas and support an increasingly competitive energy sector,” Tunland stated.

Shaban expects that Shah Deniz Stage 2 will demand a huge investment, as according to his estimation “nearly 30 billion U.S. dollars will be needed for gas production and construction of necessary infrastructure to deliver Azerbaijani gas to the European border.” However, Shaban still believes that all these projects will be profitable and beneficial. “The project will definitely bring good money, it is commercially justified. Three billion U.S. dollars have already been spent for the project’s development.”

The gas sales agreements will enter into force following the final investment decision on the Shah Deniz Stage 2 project which is targeted for late this year. Al Cook, Vice President

of BP in Azerbaijan, expressed his confidence that a final investment decision will be made by the end of the year.

ARMENIA'S ANM PARTY REVIVES

Haroutiun Khachatryan

The old Armenian National Movement party has been declared alive against the wishes of its leader, Armenia's first President Levon Ter-Petrosian, expressed another view. On October 26, the event "Founding Congress of Armenian National Movement party" took place in Yerevan. Some 200 delegates representing five provinces (marzes) of Armenia declared, despite earlier statements to the contrary, that the old ANM party (HSh in its Armenian abbreviation) has not been dissolved, and that their party is the only heir of the previous ANM. Members of the congress are now busy creating local party bodies, party registration, and other moves envisaged by the Armenian legislation. In contrast to most of the existing Armenian parties, the new party is said to have no leader.

The organization named ANM was originally created in 1988 and was reorganized into a party in the 1990s, when it constituted the ruling party during the early stages establishing Armenian independent statehood when the country lacked most of the

necessary institutions, and moreover fought a war over Nagorno-Karabakh. After President Ter-Petrosian's resignation in 1998, ANM became one of the forces of the weak and fragmented Armenian opposition but managed to survive. In 2012 and 2013, ANM was declared dissolved and a new party was created under Ter-Petrosian's leadership, named Armenian National Congress (ANC) and declared the heir of the ANM. ANC also has a 7-member faction in the National Assembly although most of its members are not members of the ANC party.

The revival of ANM can be considered another setback for Ter-Petrosian after his defeat against his main rival Serzh Sargsyan in the 2008 presidential elections, representing a failure of his plan to create a strong and united opposition bloc after the elections. The new party was created by a group of former ANM leaders, who are experienced politicians and do not share Ter-Petrosian's approaches. In particular, Ararat Zurabian (no relation to the ANC's current leader

Levon Zurabian) was the chairman of the ANM board for most of the period when the party was in opposition. Zurabian is famous due to the fact that as the only opposition candidate, he managed to be elected Mayor of a Yerevan district in the early 2000s (elections were at the time held in the in districts and not in the whole city). Zurabian and other members of the board, a 14-member body that was elected at the congress, of the new ANM believe that the ANM created in 1988 had right-wing ideology. The new party is said to be a real right-wing organization, whereas its leaders claim that ANC has shifted to a left-wing ideology.

As for the issue currently most actively discussed in Armenia, the new party strongly favors Armenia's integration with Europe and criticizes the Armenian leadership for its September 3 statement on Armenia's decision to join the Russia-led Custom Union, which endangers the country's perspective of signing an Association Agreement with the EU. Alexander Arzumanyan, also a Board member of the new ANM who has formerly served

as Armenia's foreign minister and representative at the United Nations, said he was not convinced that Russia would be successful in forming a real Custom Union and in creating a Eurasian Union.

Members of the new ANM believe that the Deep and Comprehensive Free Trade Agreement to be initialed in Vilnius in late November is a way for Armenia to move towards European standards. ANC has not yet clarified its position on this issue, but it seems to agree with the authorities, at least partially, that joining the Customs Union will enhance the country's security. Clashes between ANM and ANC are possible in the near future on these and other matters. It has previously been difficult to imagine a struggle between Ter-Petrosian and ANM, but the appearance of any new party in Armenia's political opposition inevitably leads to a struggle. It is also possible that ANM may choose to align with other right-wing parties.

GEORGIA BETTER POSITIONED THAN UKRAINE AHEAD OF VILNIUS EAP SUMMIT

Alexander Beck

On November 28-29, six post-Soviet republics will convene in Vilnius for the Eastern Partnership Summit. The "Vilnius Summit" will bring together leaders from Armenia, Azerbaijan, Belarus, Georgia, Moldova, and

Ukraine with the EU's high officials to discuss the current state and future objectives of these six potential EU states. Two countries in particular – Georgia and Ukraine – hope to sign trade agreements with the EU, which

they trust will further their ambitions to one day enter into the European Union. Both nations, however, enter the Vilnius Summit under significantly differing political situations, despite their similar recent political histories. The political trajectory of both nations, moreover, suggests that Georgia is more likely to sign an economic agreement with the EU than Ukraine this November.

Georgia has recently been celebrating free, fair, and peaceful democratic elections, held last month, which witnessed the Georgian Dream party's Giorgi Margvelashvili oust the former administration's United National Movement party from the presidential office. While some political tensions remain in the country – primarily surrounding the possible arrest of former president, Mikheil Saakashvili, over allegations regarding his involvement in the deaths of Prime Minister Zurab Zhvania and the deputy mayor of the Kvemo Kartli region in 2005 – international commentators and national governments alike have praised the election as recognition of the former Soviet republic's continued strides towards democracy since its Rose Revolution of 2003.

According to the Freedom House's democracy ratings, since its Rose Revolution in 2003 Georgia has rooted out much corruption throughout national government, continued its progress towards legitimate democratic governance, and pursued a consistently pro-EU, pro-NATO foreign policy. President Margvelashvili hopes to have his country's long-term democratic progress and European

ambitions realized at Vilnius, stating at a press conference on October 28 that “we assign paramount importance to the Vilnius summit because we expect a confirmation and recognition of our European choice by the partners there.” If the country continues on its Western-centric path, especially if the ruling administration refrains from jailing Saakashvili, it can approach the Vilnius Summit confident of signing a trade agreement with the EU.

Unlike Georgia, the Ukrainian Orange Revolution in 2004 has had little to no effect on the democratic legitimacy of the nation's current government, and it has come under increasing scrutiny, both domestically and internationally, for some of its policies and practices. While Ukraine initially witnessed improvements in a variety of democratic indicators, conditions in the nation have since declined: corruption has increased since 2004, the country's democratic legitimacy has deteriorated, and Freedom House downgraded Ukraine's freedom status from “free” to “partly free” in 2011.

One issue in particular which has drawn widespread criticism from Western observers is the continued imprisonment of one of the main Ukrainian opposition party's leaders, Yulia Tymoshenko. The EU, among numerous other international organizations, considers her imprisonment politically motivated, calling it “justice being applied selectively under political motivation.” Ukraine's capacity to sign the Association Agreement with the EU, by many accounts, hinges on Tymoshenko's release. President

Viktor Yanukovich, however, remains steadfast in his resolve to keep his opponent under his control – seen by many as a tactic to prevent Tymoshenko from running in Ukraine's 2015 presidential election – and his continued inability to reach an agreement to secure her release may ultimately cripple his nation's ability to integrate with the EU.

While the future of Georgia and Ukraine's relationship with the EU is as of yet unclear, the outcome of the Vilnius Summit will certainly bear significant implications for nations across Europe. Both Georgia and Ukraine currently sit at critical geopolitical positions between the Western European-led EU and the Russian-dominated "Customs Union" (CU). Each nation's decision to join one of these two economic unions will align the state with either Western Europe or the coalition of former Soviet states.

Russia's posturing ahead of the summit – banning the largest Ukrainian confectionary exporter and a variety of Moldovan liquors, threatening to ban exports of Belarusian and Lithuanian milk, making official visits to Azerbaijan and Armenia, and erecting barbed wire fences along the administrative boundary lines of South Ossetia in Georgia – suggests it is trying to intimidate its neighbors into reconsidering their flirtations with the EU. Georgian-Russian relations, however, have recovered somewhat of late, and the two nations remain important trading partners.

Ultimately, despite the imperfect political records of both Georgia and Ukraine, it is in the best interest of both these states and the EU to continue strengthening their bonds for the foreseeable future. For the states, stronger economic ties with the EU, as well as the possibility of reformation of political structures demanded in the EU's *acquis communautaire*, promise lasting prosperity and stability. Despite economic sanctions and possible hikes in energy prices from Russia, Georgians and Ukrainians alike would reap long-term benefits from association – and possible integration – with the EU.

For the EU, signing economic agreements with these two states would effectively wrest the transitional democracies from Russia's sphere of influence, and promote Western ideals throughout Eastern Europe. The Vilnius Summit, then, will prove a defining event for the future of key political alignments in the region. It is now up to the reigning administrations in Georgia and Ukraine to remain strident in their commitment to democracy, and avoid practicing selective justice for short-term political motives. Georgia remains politically well-situated to have its European ambitions realized at the Vilnius Summit. Ukraine, however, must find a solution to the imprisonment of Tymoshenko before it can sign the Association Agreement with the EU.