



Feature Article
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A Unique Strategic Opportunity for the South Caucasus

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Armenia's decision to refuse hosting of the military exercises of the Russian-led Collective Security Treaty Organization (CSTO), announced by Prime Minister Nikol Pashinyan on January 10, 2023, is an indicator of a trend of major geopolitical significance. Armenia is at an important junction in its recent history and needs greater Western and regional support to make a geopolitical turn away from Russian domination. A Comprehensive Peace Strategy, based on a balance of interests, and a package of security guarantees and economic incentives could bring lasting peace between Armenia and Azerbaijan and elevate the South Caucasus to the next level of development.

The war in Ukraine has exposed many systemic, military-security, and economic weaknesses of the Russian Federation. It irreparably damaged the reputation of Russia not only as a great power, but also as a partner and ally. Russia turned itself into a toxic and unreliable international actor that attracts no respect – only fear among the weakest. The unreliability of Russia as an 'ally' was known to Russia's neighbors for centuries, but now the rest of the world



Map of the South Caucasus. Courtesy of the U.S. Department of State

is learning it as well. The value, or lack thereof, of Russia's commitment to its allies and its treaty obligations was well demonstrated by Russia to Armenia during and after the 2020 Karabakh war.

The South Caucasus is a small but strategic region located between the Black and Caspian Seas, linking Central Asia, the Middle East, and Europe. The region is going through a very significant geopolitical transformation, reflecting the weakening position of Russia, and potentially the

end of its almost three centuries-long domination of the region. At the same time, the search for alternative supplies of energy has led to greater European interest in Caspian Sea resources and the energy transit options provided by the South Caucasus countries. These transit options include using the existing energy corridor between Azerbaijan and Georgia, as well as potential new routes engaging Armenia.

The unsettled political geography of the South Caucasus and the ethno-political separatism fueled by external actors since the early 1990s left bleeding wounds on the bodies of the newly re-emerged sovereign states of Armenia, Azerbaijan, and Georgia. Conflicts over Karabakh, Abkhazia, and South Ossetia (the Tskhinvali region of Georgia) had a major impact on the trajectory of the geopolitical developments of the region over the last 30 years, including on the foreign policy orientations of these states. Armenia's objective of keeping territorial gains after the first Karabakh war with Azerbaijan in 1988-1994 prevented Armenia from participating in major regional energy infrastructure projects, which brought significant economic and geopolitical benefits for Azerbaijan, as well as for Georgia and Turkey.

A lasting peace between the two South Caucasus neighbors may remove long-term Russian leverage over Armenia and provide the opportunity for successful regional cooperation, allowing all countries of the South Caucasus to benefit from energy resources, transit potential, and other regional assets. A peace agreement between Armenia and Azerbaijan will also facilitate the Turkish-Armenian normalization process, removing

another major barrier for building a peaceful and prosperous South Caucasus and creating very favorable conditions for economic development.

Geopolitical realities in the South Caucasus started to shift after the military success of Azerbaijan in the second Karabakh war in 2020, but a new status quo has not yet been reached, demonstrated by the fact of ongoing tensions between Armenia and Azerbaijan in border areas, and around the Lachin Corridor, connecting Armenia with Karabakh.

The new configuration of the balance of power in the region, and the new political geography of the South Caucasus, will be determined by several factors, including the outcome of the war in Ukraine and the post-war status of Russia, the final shape and essence of the potential peace agreement between Armenia and Azerbaijan, the pace of the growing power of the Turkey-Azerbaijani alliance, and the level of Western engagement in the South Caucasus. In this list of factors, some are beyond the control of the countries of the South Caucasus – most notably, the outcome of the war in Ukraine. But at the same time, new openings in regional cooperation are emerging and if utilized, they could dramatically transform the trajectory of regional development in the South Caucasus for decades to come.

After 1994, Armenian forces took control not only of the entire Karabakh region, but also over seven additional regions of Azerbaijan around Karabakh. In order to maintain control over those territories, Armenia voluntarily and willingly allowed Russian troops onto its territory and joined the CSTO, seeing this as a security guarantor and deterrent against Azerbaijan. Armenia gradually

became a hostage to Russia over Karabakh, narrowing its foreign policy and economic partnership options.

The military defeat in 2020 caused significant internal political tension in Armenia. It weakened the country's reform-minded leadership, headed by Prime Minister Nikol Pashinyan, who came to power in 2018 through the popular velvet revolutions. To the extent that an Armenian leader could be independent-minded vis-à-vis Russia under the existing conditions, Pashinyan was perceived as such, but also as being more Western-leaning compared to his Russian-controlled predecessors. Reminding Pashinyan about Russia's role in the security interests of Armenia seems to be one explanation for the limited and slow Russian response to the conflict in 2020. It is possible that Russians hoped that an Armenian military defeat would end Pashinyan's popular support and would restore almost full Russian control over Armenia, potentially leading to the creation of the Union state with Russia and Belarus, and *de facto* ending Armenian sovereignty – a project which Russia is unsuccessfully trying to push. .

Many in Armenia think that democratic development saved Armenian sovereignty after the military defeat of 2020, when elections in 2021 gave Nikol Pashinyan and his party a popular mandate to continue reforms and to consider a more independent and balanced foreign policy. This last point is very important, since it has become clear that Armenians cannot trust Russia as a security guarantor. Reflecting on this understanding, Pashinyan publicly refused to sign the CSTO statement after the organization's recent summit

in Yerevan in the presence of President Putin, stressing Armenia's strong discontent with way Russia and the CSTO approached their treaty obligations vis-a-vis Armenia. It appears that the role of Russian peacekeepers in disruptions of the functioning of the Lachin corridor may reflect Russian dissatisfaction with the decisions of Armenian leadership. Armenia responded by canceling planned military exercises of CSTO.

These new realities are creating momentum for all the relevant actors. The leadership of Prime Minister Pashinyan and the overall geopolitical context provide a unique window of opportunity to achieve multiple goals: to end Armenia's security dependency on Russia; to achieve a normalization of the Armenian-Azerbaijani and Armenian-Turkish relationships; to promote regional infrastructure projects that integrate Armenia into transit systems connecting the Caspian with Turkey, the Mediterranean, and Europe; and to provide Armenia greater access to Black Sea transit via Georgia, including an opportunity to export electricity to the EU via a planned under-sea power cable between Georgia and Romania.

This will require a serious mechanism for security guarantees, and a detailed incentive package from the U.S., EU and Turkey for Armenia to make dramatic decisions and free itself up from Russian manipulation. The U.S. and EU, in particular, will need to have a clear strategy and balanced approach to develop the trust of the conflicting sides in the process. Past experience of Western conflict resolution diplomacy in the region is not positive. The U.S., EU and the OSCE Minsk Group were totally absent in the diplomatic picture before, during and after the

escalation to war in 2020. The episodic, one-sided interventions of some Western leaders, like recent statements of French president Emmanuel Macron or the visit of former speaker of the House of Representatives Nancy Pelosi to Armenia serve domestic political constituencies in France and the U.S., but not the interests of the parties in the conflict. These types of incoherent interventions undermine the West's credibility and provide Russia with an opportunity to maintain a role in the conflict. A pro-active, balanced and even-handed approach will be critical for the success of plans to bring about lasting peace. This approach should be applied both to political settlements and to the process of infrastructure development.

In terms of engagement in regional transit and transportation projects, Azerbaijani and Armenian sides have already had several rounds of negotiations on opening rail and highway access for Azerbaijan to its exclave Nakhichevan via Armenian territory, with the potential further access to Turkey for cargos from Central Asia through Azerbaijan. One good sign is Turkey's recent decision to remove a ban on direct cargo flights from Turkey to Armenia, as a part of the process of normalization of relationships between the two countries.

But security guarantees and additional incentives for peace will not be reliable for Armenia without the strong engagement of the United States in the process, together with the EU. The long-standing good relationships with the U.S. and the new level of partnership with the EU should also make Azerbaijan comfortable with their engagement. The EU has a greater than ever need for

alternative sources of energy, including both fossil fuels and renewables. This makes Azerbaijan a very important partner. The visit of President of the European Commission Ursula von der Leyen to Baku on July 18, 2022 and the signing of Strategic Partnership in the area of energy between the EU and Azerbaijan elevated the EU-Azerbaijani bilateral partnership to its highest point ever. This leads to increasing mutual trust, and the potential for collaboration for the greater common interest, which definitely includes lasting peace in the Caucasus.

The U.S. also has many incentives to take a pro-active position to reach peace and stability in the Caucasus. Following the U.S. and Western fiasco in Afghanistan, the South Caucasus turned into the only provider of strategic access to wider Central Asia, thus increasing its strategic importance for the U.S.. After decades of U.S. support for the sovereignty, energy and economic independence of the Central Asian and the South Caucasus States, a peace agreement between Armenia and Azerbaijan would be a major breakthrough - allowing more stability and prosperity through regional trade and investments.

Neighbors and partners in Central Asia also have vital and growing interests in stability in the South Caucasus, due to geopolitical realities and the danger of isolation of this landlocked region: uncertainty in Iran and Afghanistan, and the cutting of transport corridors across Russia and Belarus from Kazakhstan increases the role of the South Caucasus as the only reliable connection between Central Asia and the West. For China as well, the South Caucasus transit corridor is the only functioning and reliable land corridor

between China and Europe. Reducing political risk in the South Caucasus is becoming an issue of global interest.

Georgia also has an interest, and the potential to play a proactive role for the facilitation of peace, as well as in the development of regional infrastructure projects. With the consent of both conflicting sides, Georgia already plays a convening role in the process. In fact, Georgia already facilitated communication between the parties, and played an active role in at least in one prisoner exchange after the war. Georgia is also playing a proactive role in the process of development of the submarine power cable linking Georgia and Romania, connecting the South Caucasus directly to the EU, thus elevating the potential for economic and energy integration with Europe.

All these developments will be possible if a peace agreement is reached between Armenia and

Azerbaijan, and between the Azerbaijani government and the Armenians from Karabakh, balancing the interests and reaching compromises between the parties. A settlement for Karabakh may become a model for peace deals for Georgia, leading to a more stable *status quo* in the South Caucasus. The leadership of, and coordination between, the United States, the EU and Turkey with the conflicting parties will be critical for achieving lasting peace in the South Caucasus. The alternative to a comprehensive peace agreement is lasting instability with the potential for further escalation of the conflict. This will be a lost opportunity for everyone.

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