

South Caucasus Fault Lines: Security, Energy, and U.S. Interests

CSIS Conference, 23 February 2010

Introduction

Janusz Bugajski (*CSIS*) opened the conference by defining the South Caucasus as a contested region for three major reasons. First, the territorial integrity of independent states is contested with differing interpretations of international norms concerning state sovereignty and ethnic self-determination. Second, there is a contest over the region's position as an energy corridor linking the Caspian Basin with Europe. This competition is primarily between Russia and Europe although Moscow has endeavored to turn this into an intra-European contest from which it will benefit. And third, we are witnessing a contest over the sovereign right of the South Caucasus states to enter the international institutions for which they are able to qualify. In sum, the region forms part of a strategic zone of competition between a wider Europe and a wider Russia.

Panel 1: Unresolved Conflicts and Conflicting Interests.

Ariel Cohen (*Heritage Foundation*) underlined the importance of holding a conference on the South Caucasus in Washington, considering the current American engagement in Afghanistan and the Iranian nuclear program and the neglect of this strategic region. The South Caucasus is valuable for U.S. interests, for the future of democracy, and for security and energy reasons, but is not receiving the attention it deserves.

Mamuka Tsereteli (*American University*) highlighted the influence of the U.S.-Russian relationship on developments in the Caucasus and the need for strong U.S. leadership and cooperation with Russia to stabilize the region.

Tom de Waal (*Carnegie Endowment for International Peace*) focused on the unresolved conflicts and forecast a long-term dispute between the West and Russia regarding the recognitions of Abkhazia and South Ossetia. De Waal believes that "all politics are local" and outside powers have relatively little influence over the ongoing conflicts. Russia supports Turkish-Armenian rapprochement for various reasons, such as isolating Georgia and driving a wedge between Turkey and Azerbaijan.

Fariz Ismailzade (*Azerbaijan Diplomatic Academy*) welcomed Turkey's involvement in the region but regretted Turkish miscalculations in negotiating the Zurich protocols with Armenia. Azerbaijan supports Turkish-Armenian rapprochement but would like to see a broader comprehensive solution, including the resolution of the Nagorno-Karabakh (NK) conflict. Ismailzade regretted the Armenian constitutional court's decision regarding the Zurich protocols, which shows that Armenia is not willing to make concessions in reaching a broader comprehensive peace in the region. He argued that without international pressure,

Armenia, Turkey, and Azerbaijan are likely to remain in a status quo and adopt hard-line positions. Ismailzade encouraged the international community to push for the adoption of basic principles regarding the Nagorno-Karabakh conflict, which would include the liberation of occupied territories outside of NK, the return of refugees, and the organization of a vote on the status of the region.

Stephen Blank (*U.S. Army War College*) stated that it was essential to include Azerbaijan in the Turkish-Armenian rapprochement. Blank called for the U.S. to create a linkage between progress on the settlement of the Karabakh issue and Washington's support for Turkish-Armenian rapprochement. Blank blamed the absence of democratic accountability over Russia's armed forces for its military adventurism and doubted Russia's interest in bringing long-term stability to the region. He also urged Washington to end its benign neglect of the South Caucasus to prevent future crises. The U.S. should take a much stronger position on governance issues.

The panelists commented on each other's presentations. Mamuka Tsereteli argued that Russia was currently trying to split the region to isolate Azerbaijan and its gas resources. Tom de Waal said U.S. policies in the region need to be more comprehensive. He also blamed the European Union for its passivity in this neighborhood. He proposed small steps in the Turkey-Armenia-Azerbaijan triangle that could ease disputes, such as ending the Armenian blockade of Azerbaijan's Nakhchivan exclave. Ismailzade agreed that Russia does not have an interest in bringing peace and stability to the South Caucasus. He underlined that Turkey was ready to discuss its past while Armenia faced tough opposition to the rapprochement with Turkey from its diaspora. Stephen Blank reminded everyone about the opposition of the Turkish parliament to the ratification of the Zurich protocols.

Q&A Session: Ismailzade argued that Russia's support for Turkish-Armenian rapprochement was intended to isolate Georgia and undermine energy cooperation between Turkey and Azerbaijan. A comprehensive peace in the region would mean a loss of leverage for Russia. De Waal did not agree with that analysis by citing the various economic interests Russia has in the region. Blank stated that Turkey will remain a crippled power as long as suspicion is not lifted through the recognition of the Armenian genocide.

Vladimir Socor (*Jamestown Foundation*) remarked that U.S. policies had backfired in the South Caucasus and warned that events could spin out of control as the 24 April anniversary of the Armenian genocide approaches. He added that Azerbaijan had not been rewarded for its clear Western choice. De Waal argued that Azerbaijan had multivector foreign policy commitments. **Berkan Pazarci** (*Turkish Embassy*) agreed with Ismailzade by saying that the Armenian constitutional court's decision had poisoned negotiations with Ankara. **Varuzhan Nersessian** (*Armenian Embassy*) disagreed and argued that the constitutional court had in fact given a green light for the ratification of the Zurich protocols.

Panel 2: Energy Security and Regional Competition

Neil Brown (*U.S. Senate Foreign Relations Committee*) underscored the successes that the South Caucasus countries had achieved in terms of energy transportation. He explained that U.S. interests in the region include energy security both for the U.S. and its European allies, as well as the stability of the South Caucasus. These goals require better management of energy issues between the U.S. and Europe, and a reinforced U.S. commitment to the region.

Vladimir Socor (*Jamestown Foundation*) emphasized that energy security has become a political issue and a transatlantic concern in which natural gas plays a significant role. He described Russia's South Stream project as a "political bluff" while the EU-sponsored South Corridor project still needs to meet many requirements including the availability of Turkmen gas, the possibility of Georgian transit, and significant European consumer demand.

Koray Ertas (*Turkish Embassy*) stressed the importance of Turkey as an energy link, both East-West and North-South and emphasized the country's strategic interest in the Southern Corridor project. He praised what had already been achieved and reassured participants about the availability of natural gas resources in Central Asia. He, however, referred to the Azeri-Turkish talks and the lack of European unity as challenges that still need to be overcome.

Elin Suleymanov (*Consulate General of Azerbaijan*) confirmed that Azerbaijan aims to diversify its natural gas exports as much as possible and supports the Southern Corridor. He also stated that Baku was backing Turkey in its bid to become an important energy hub in the region. He regretted the lack of a clear American vision in the South Caucasus and urged the U.S. to expand its range of focus beyond energy issues.

Ariel Cohen (*Heritage Foundation*) stated that "great powers have great policy" and that the U.S. administration is neglecting a twenty-year bi-partisan policy that began under President George H.W. Bush and continued under presidents Clinton and George W. Bush. That policy focused on democracy, energy, and security. Cohen reaffirmed the need for a single European voice on Nabucco, aimed at making the pipeline happen. Europe needs a clear policy for the region and a major international energy company must take the lead role in investing in South Caucasus energy projects in general and Nabucco in particular.

During the Q&A session, Socor underlined the importance of the fact that the European Commission has an energy strategy despite disunion among EU member states. Regarding the Nabucco project, he noted that Croatia plays an underestimated role while underscoring that the availability of Turkmen gas was a crucial element in the viability of the project.

Lunch Discussion: Competing Interests in the South Caucasus: East-West Transportation Corridor, Energy and Geopolitics

Vitaliy Baylarbayov (*State Oil Company of Azerbaijan, SOCAR*) presented his company's role in gas exports. The company aims at developing new transportation options, such as the Nabucco gas pipeline, to meet European demands. Azerbaijan supports the Euro-Asian

pipeline project that would link the Caspian region to Western Europe through Georgia, the Black Sea, and the existing infrastructure in Ukraine. This project would allow the delivery of up to 14 million tons of crude oil to European refineries. Baylarbayov also underscored the need for developing transport projects across the Caspian Sea linking the South Caucasus with Central Asia. A Trans-Caspian system would enable Azerbaijan to limit Russia's monopolization of Central Asian gas and oil.

SOCAR is also developing other projects such as the delivery of gas to Greece and Italy. The company considers Nabucco to be a priority project that would provide a stable and reliable route if achieved. Baylarbayov noted the lack of progress on the Nabucco project and said that SOCAR had to find alternative ways to transport gas between Georgia and the Eastern Balkans until the pipeline starts operating. He evoked the possibility of building a trans-Black Sea pipeline or transporting compressed natural gas (CNG) to Bulgaria or Romania. SOCAR is also considering a Russian offer to transport gas through the North Caucasus.

[Click here to reach the conference's audio material.](#)