

Prospects for a Stability Pact for the Caucasus: Some Preliminary Speculations

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There are many similarities between the Caucasus and the Balkans, or South East Europe to be politically correct. The concept of the Stability Pact for South East Europe is certainly relevant for the Caucasus, as this author tried to suggest in a separate paper. Both are part of Europe, and most of the entities in each of the two subregions are politically committed to eventual integration in the European Union and the Euro-Atlantic security space. But relevance and similarity are not tantamount to identity. There are also differences of substance between the two subregions and, consequently, of approach to their specific problems.

When discussing the prospects of a possible stability arrangement for the Caucasus, it is very tempting to take the existing format of the Stability Pact for South East Europe and to adjust it to the actual conditions and requirements of the area at the other end of the Black Sea. A few things would have to be dropped, others would have to be added, but the basic concept could be preserved. Eventually that may well happen, but not just yet. To be realistic we have to go through a preliminary stage of conceptual footwork. In this we have the advantage of knowing, more or less, what was done right and what went wrong in the Balkans--and why.

This paper proposes to sketch out in general terms a few working assumptions for further discussion. It is definitely not as ambitious as to suggest a road map for action.

1. Which Caucasus?

Before embarking on a structured endeavour to produce an outline for a regional stability pact it is important to circumscribe exactly the region we have in mind in simple geographical terms. For the purpose of this paper it is assumed that the proposed pact should cover the three independent states of Southern Caucasus: Armenia, Azerbaijan and Georgia.

It ought to be noted that the term 'Transcaucasus' or 'Transcaucasia' (*Zakavkazie* in Russian) is not accepted as accurate by the three countries concerned because it evokes the old imperial concept (valid both under the czars and under the commissars) of the Caucasus as a single unit. In fact, 'the Caucasus' can be considered only from the point of view of physical geography since it never existed historically as a separate political entity. That is why any reference to a possible security arrangement in the Caucasus as a whole is a politically loaded question. It touches a very sensitive spot, and it is perceived as camouflage for a renewed attempt to rebuild the ex-Soviet political space under central control.

The three countries of the Southern Caucasus recognise the sovereignty of the Russian Federation over the various autonomous republics or regions situated north of the Caucasian range (Kabardino-Balkaria, North Ossetia, Ingushetia, Chechnya, Daghestan). Moreover, they have mixed feelings about the independence drive in some of those administrative units (most notably in Chechnya). Further destabilisation in the north Caucasian provinces may have a spillover effect particularly in Georgia and Azerbaijan. It may also induce Russia to undermine the young democracies of the Southern Caucasus by trying to make them responsible for a situation that Moscow itself is no longer able to control. A reasonably good relationship with Russia and stable, safe borders with Moscow-controlled nominally autonomous territories is therefore considered preferable to a *cordon sanitaire* formed of endemically unstable 'independent' entities with a proven tendency toward rogue behaviour.

Indeed, the basic ingredients for real sovereignty and independence from Moscow in the provinces north of the Caucasus are either very weak or conspicuously missing. In the event of further disintegration caused by

the internal political dynamics in the Russian Federation, it will take a lot of time and effort to establish functional institutional structures in those territories. Such a development is not likely at the present juncture, but one should not entirely discard the possibility. In any event, the emergence of new sovereign entities would immensely complicate the regional integration process. If and when it happens we shall have to rethink the whole concept of a regional stability pact.

Conversely, Armenia, Georgia and Azerbaijan have gone a long way these past eight years toward re-establishing the fundamentals of their statehood linking up to a tradition that goes back almost three thousand years. There are problems, serious ones in their bilateral relations, but their domestic political institutions are coming of age, they have established their credentials as serious international interlocutors, and they are becoming increasingly aware of the logic and potential benefits of a regional approach.

By way of consequence, there is little pay-off, at least in the medium run, in speculating about the eventual integration of northern Caucasus in a regional co-operation scheme. Russia was understandably resentful about letting the former Soviet republics, the so-called *Înear abroad*, go. Fiddling with federal territories is dynamite, as the forceful, even brutal reaction to Chechnya's bid for independence has already abundantly demonstrated. It is a lot more rational to have Russia as an out-of-area partner, alongside other partners with a stake in the stability, security and prosperity of the Southern Caucasus.

2. Hurdles along the Way

Moving ahead toward a conceptual design of the South Caucasus Stability Pact requires careful consideration of the problems that need to be overcome in order to get there. Some of those problems are difficult and complicated, some are endogenous and some are compounded by extraneous elements, some are pressing and some can wait, some have to be tackled one at a time and some have to be dealt with in a package, some are old and some are new. None of them is intractable.

Before starting to set priorities we have to acquire a reasonably clear representation of what do we want and what are we up against. Then we proceed with the mission statement and the action plan. An inventory of issues is therefore the obligatory first phase. Only on such a basis can we pick up those items that lend themselves to easier solutions thus creating a momentum for wrestling with the more complex ones.

(a) Active and latent conflicts.

The region of the Southern Caucasus is rife with conflict potential. Half of the time since independence all three countries were engaged in actual shooting war along or inside their borders. Outside interference, both overt and covert, only made the matters worse. The contribution of the international community (UN, OSCE, the Minsk Group), while helpful, has not been spectacularly successful in eliminating the sources of tension.

Venturing to suggest an hierarchy of importance may be a risky and controversial exercise. Still it appears that Nagorno-Karabakh should be listed as priority number one because it involves state actors and because it is about territories. The other conflicts in the region have to do with actual control by the central national authorities of territories the sovereignty over which is not in dispute. That is why a fair and realistic settlement of the Nagorno-Karabakh issue is a precondition for progress toward a regional Stability Pact. In fact, an Armenia-Azerbaijan Peace Treaty would be an indispensable component of such a Pact.

A pretty large number of local hotbeds of conflict, most of them simplistically labelled as ethnic or religious, were described and discussed in other learned studies. A complete inventory is necessary, with issue-specific options for viable and lasting solutions. Most of them will, hopefully, disappear or become more manageable in step with the progress of democratic institutions and the advent of market-driven prosperity. In the meantime, the Stability Pact process could become instrumental in singling out those issues which would profit most from a multilateral approach to their settlement.

(b) The weak state syndrome

The usual connotation attached to that phrase is a state's inability to collect taxes and to use its revenues sensibly. By inference it covers the whole gamut of indicators of good governance from the maturity of democratic institutions to the rule of law, and to the existence of functioning market mechanisms, civil society and independent media.

It is only apparently paradoxical that the three countries of the Southern Caucasus—some of which have an authoritarian form of government, to put it mildly—are believed to suffer from that syndrome. Significant progress has been made on the path of democracy, but there is still a long way to go before they reach the accepted European standards.

The inevitable change of political generations and the emergence of new political and business elites with little or no recollection of the Soviet past will bring in new values and new notions of leadership and social responsibility. But this is not an automatic process, and a positive outcome is by no means decided in advance. The instruments and the appetite for change have to be created from within the system as it exists now. Proper education and training are just part of the answer to that problem.

A regional Stability Pact can only be truly meaningful if it is concluded and further operates among members that share the same values, fundamental institutions and ways of doing things. Political developments inside each of the participating countries are highly relevant for the Pact's effectiveness and viability.

(c) Growing economic disparities and social polarisation.

This phenomenon has been common, though in varying degrees of intensity, to all the independent states that emerged from the ruins of the former Soviet empire and also to the other countries in transition. The nations of the Southern Caucasus are no exception.

Nevertheless, unlike most people in other parts of the ex-USSR (notably Russia, Ukraine, Belarus), the Georgians, Armenians and Azerbaijanis used to have a reputation of fierce individualism and mercantile *savoir-faire* even in the old communist days. It is fair to say that, at the grass roots, they may be better equipped to face the challenges of market capitalism in a competitive environment. The resentment about other people's property and wealth is much weaker in the Southern Caucasus.

The role the state has to play in the fair, but not egalitarian, distribution of wealth is another problem. The Stability Pact may become a valuable vehicle for the gradual implementation of fiscal reform and social cohesion policies which would make more obvious the direct benefits of co-operation in a regional framework.

(d) National and regional security and defence problems.

According to opinion surveys, most of the people in the countries of the Southern Caucasus, particularly in Georgia and Azerbaijan, perceive the Russian great-power imperial ambitions as the main threat to their national security and internal stability. Recent pronouncements by Russian political and military officials in the context of the Chechen war have done little to alleviate those apprehensions.

The record of observance by the Russian Federation of its specific commitments under the Conventional Forces Europe (CFE) Treaty, especially with regard to southern flank limitations, is not very encouraging either.

While the requests for a physical NATO presence in the region may have been a bit premature and therefore unrealistic, it has to be noted that security concerns in the Southern Caucasus are real and legitimate. Involvement in PfP and EAPC activities has been a useful learning exercise, but it is no substitute for even a soft security guarantees.

The Stability Pact will have to contain something more than a mutual obligation of the three member countries to recognise and respect each other's territorial integrity. Unlike the Balkan case, it will have to provide some sort of internationally sanctioned commitment about the inviolability of the region's external borders as well.

(e) Unconventional threats to security and stability.

Those threats are very real in a region wrecked by war and civil strife. Porous external frontiers traced through very rough terrain and long stretches of not properly guarded littoral on the Caspian and the Black seas make the problem even more complicated. There is justified fear in all three countries about the prospect of imported organised crime networks linking up with the local criminal elements.

The merits of a co-ordinated regional approach, with adequate international guidance and assistance in terms of training and equipment, are obvious but still have to be emphasised time and again. Urgent and decisive measures are required in order to prevent the penetration of illegal and corrupt practices in the higher decision-making echelons.

The Stability Pact will have to spell out specific targets in that domain, including the commitment to develop a joint system of legislative and regulatory instruments and to build up institutional capacity for their implementation.

(f) Geostrategic headaches

In addition to having to put up with a complicated neighbourhood, the countries of the Southern Caucasus also enjoy the dubious privilege of being the subject of global geopolitical games. The interests of powerful outside players often diverge, and the impact in the region is immediate and painful.

Ironic as it may sound, the greatest challenge for the Southern Caucasus Stability Pact will not be that of getting the three countries in the region to agree on a rational set of principles and practical steps regulating their mutual relationships. It will be to get the global and the neighbouring regional powers to achieve a balanced accommodation of their respective interests in the Southern Caucasus. Difficult÷yes, impossible÷no.

2. Economics versus Politics

The one capital difference between the Balkans and the Caucasus is that the latter is either the home of, or the preferred conduit for, huge hydrocarbon and other resources of strategic value (cotton, uranium, other precious minerals). The Caucasus is also the bottleneck of a landbridge, the strategic business route between Europe and Asia, the modern revival on the ancient Silk Road. Possible alternative links to parts of the Middle East and the Indian subcontinent are also being considered. It is going to be a two-way track creating a strong motivation for stability as a precondition for shared prosperity. Sizeable long-term economic, and therefore also political, interests are involved. Powerful states and multinational companies are planning ahead in terms of decades, not years. The countries of the region are learning fast how to take advantage of that set of favourable circumstances.

The nature of international involvement in the Caucasus is, consequently, different from the Balkan experiment. The reaction of the European Union countries and the United States to the 'Ugly wars' in South East Europe was triggered by a sense of moral outrage and an awareness of common responsibility for what was happening in Europe's own backyard. The incentives for action in the Caucasus originate in easily identifiable geo-economic interests. Those interests may differ considerably and need to be further elucidated, but at least we have a fairly clear picture of what is at stake. That is to say that, if there is a will, mutual accommodation based on rational payoffs resulting from hard bargaining is always possible.

For obvious reasons, the concerns about stability in the Caucasus were originally linked to the safety of planned pipelines and other transport routes. Long debates took place on the subject whether the

establishment of a secure environment should precede the decision to lay out a pipeline or whether the prospect of revenues from an existing pipeline is apt to encourage decisive action to provide for its security. The possibility that the coming oil and gas bonanza may lead to either a consolidation or a disruption of the existing political and social fabric (especially in Azerbaijan and in some Central Asian countries) was also discussed at length. The patterns set by Norway and Nigeria, respectively, were evoked.

The fact is that the Caucasus finds itself in a unique position of double dependence on supply and demand. On the supply side it has to rely on the projected production figures in the Caspian area. On the demand side it has to keep an eye on the expected consumption, and therefore price levels, in relation to its main customer: a larger Europe. The planned pipelines, trans-Caspian for both oil and gas, Baku to Ceyan for oil, added to the already operational Baku-Supsa oil pipeline and the potential development of the Batumi oil terminal greatly enhance the importance of Southern Caucasus as the transit link between the production areas and the markets. This also places in a novel perspective the key position of the region in a future relationship between the eastern shores of the Caspian and the western shores of the Black Sea, and the areas beyond them.

Besides oil and gas, which had the merit of putting the Southern Caucasus on the map, as it were, and the development of attending energy, transport and communications infrastructure, there are other attractive domains for profitable investment once a reasonable degree of political stability and institutional consolidation is achieved. The relatively high educational and academic standards offer interesting opportunities for high technology design and production activities. The potential for the tourist industry is enormous thanks to the natural conditions and an incredibly rich cultural heritage.

The future Southern Caucasus Stability Pact will have to include a substantial chapter on economic and human development. Some of the recipes prepared for South East Europe (prospect of EU membership, trade liberalisation, free trade area, gradual euroisation) may be relevant also for the Southern Caucasus, but they have to be proved in action and also to be further refined and adapted to local conditions. In any event, in the Southern Caucasus a political settlement has to come first, even if it has to be built into a more comprehensive package.

3. The Intellectual Input

The complexity of the issues in and around the region of the Southern Caucasus and the variety of options for possible solutions eventually to be filtered into a draft Stability Pact urgently require the establishment of a comprehensive base of relevant knowledge, not just information. In this respect proper networking with local think tanks and individual authors is essential. Adequate, if not necessarily pleasing, conclusions should be drawn from the mixed record of co-operation with local analysts in the preparation of the Stability Pact for South East Europe.

So far, analytical contributions from independent sources operating outside the government establishments have not been very substantial or impressive. There is a simple explanation for that. Most of the academic and research institutions in the region depend on government subsidies for their budgets and tend to express the views of the powers that be. Even the independently funded NGOs often take a partisan stance, either on behalf of the government or of the various segments of the opposition. In most cases they would present highly politicised patriotic statements which have little to do with objective analysis of hard issues and exploration of the middle ground for a realistic regional approach.

In concrete terms, the CEPS could take the lead in building up the necessary intellectual capital underlying the design of a Southern Caucasus Stability Pact by establishing a generously funded Caucasus Task Force. The projects to be pursued by such a Task Force could include:

- A learned quarterly review dedicated to the specific issues of the Caucasus, North and South, and the adjacent areas;
- A number of 6-12 (multiple of 3) visiting fellowships to be awarded on a competitive basis to scholars

from Armenia, Azerbaijan and Georgia, with a contract obligation to produce Adelphi or Chaillot-type papers;

- Field trips to the Caucasus by European scholars resulting in mission reports and working papers (parts of such materials can have a limited circulation, for the Task Force members only);
- Periodical seminars, brainstorming sessions and small group debates according to a coherent calendar to explore specific items of the Southern Caucasus Stability Pact agenda.

5. Some Final Remarks

A thorough examination of policy motivations, incentives, disincentives and possible leverage for positive action concerning the main regional and out-of-area players goes beyond the limited scope of this paper. A few general considerations of practical nature may still be in order.

While the Balkan crisis put the Transatlantic relationship to a test, this is so much more the case when it comes to the Caucasus. Both the European Union and the United States have an interest and a voice in what is going to happen there, but the balance may be different. Opening a new chapter of constructive dialogue is therefore imperative for close consultation and effective co-ordination. We have something to build upon. The special statement on the Caucasus and Central Asia adopted by the EU-US Summit on 18 May 1998 spells out a set of agreed policy goals which are still valid today. There are common assets available to support joint action, e.g. through the NATO's Partnership for Peace or Euro-Atlantic Partnership Council. Each of the two sides also has its own assets to bring to bear in this exercise.

The European Union can rely on some existing vehicles for closer ties with the countries of the Southern Caucasus, such as the Partnership and Co-operation Agreements, the TACIS programme and the on-going projects under the TRACECA and INOGATE schemes. Those are important instruments which can be put to good use in setting the groundwork for the Southern Caucasus Stability Pact.

The nature and substance of the relations entertained by the European Union and its member states with the immediate neighbours of the Southern Caucasus (Russia, Turkey and Iran) and those across the two seas (Kazakhstan, Uzbekistan, Turkmenistan to the east and Ukraine, Romania, Bulgaria to the west, respectively) can also become a significant contributing factor towards building a propitious external environment for the regional Stability Pact.

More specifically, the European Union is in a position to provide a most powerful incentive for a comprehensive regional stability and co-operation pact by making an unequivocal offer of eventual EU membership, with special transitional arrangements, to the three countries of the Southern Caucasus: Armenia, Azerbaijan and Georgia.

In this case, it would be advisable to have the principles of differentiation and conditionality applied in a slightly modified form, with an emphasis on regional unity. The condition of having good relations with the other two prospective members must rank higher, preferably the highest, on the list of priorities. The prospect of eventual membership, with all its rewards and obligations, must be clearly circumscribed: either all three or none.

Distinct from the Central and South East European experiences, a more flexible approach is needed in the Southern Caucasus to give clear signals about the advantages resulting from the pursuit of sensible policies. If the performance is right and targets are met the rewards should be prompt, substantial and visible.

In order to give the regional Stability Pact a reasonable chance of success it is advisable to devise a preparatory action plan with incremental objectives matched by adequately assured funding. The agreed commitments of the three regional participants should be more or less symmetrical in terms of priorities and pace of implementation. The same principle should apply to institution and capacity building so that an agency or a committee in one of the countries should easily identify its counterparts in the other two.

It may also be worthwhile to consider the possibility of recommending to the three countries to prepare national strategies for sustainable development (or comprehensive development frameworks) and subsequent implementation plans according to the same methodology, structure and timetable. The UNDP can help greatly in that respect because of its previous experience and accumulated expertise. If the Armenians, the Azerbaijanis and the Georgians learn early to do things in compliance with certain established procedures and standards, it will be much easier for them to work together at a later date.

Most of those things can be done bilaterally, well before the regional format is established as an entity. The realisation that all three countries have so much in common will come as a pleasant surprise.