

DEMOCRATIZATION STUDIES

# Democratic Transformation and Obstruction

EU, US, and Russia in the South  
Caucasus

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ROUTLEDGE



### 3 The South Caucasus

#### The road to democracy or a blind alley?

Before the independence proclaimed in the early 1990s, Armenia, Azerbaijan, and Georgia had a brief independent period between the Bolshevik Revolution and annexation to the Soviet Union. Some argue that these years marked the first democratic period in the history of the South Caucasus region; however, these cannot be considered democratic in the modern sense of the concept. The *perestroika* period of Mikhail Gorbachev and the popular movements in Eastern Europe triggered looming intentions of Armenians to annex the enclave of 75-percent-Armenian-populated Nagorno-Karabakh (Derluguian 2005). At the same time, Azerbaijanis and Georgians joined to the chorus of communist countries intending to break away from the Soviet Union. The first decade of transition in all three South Caucasus countries was turbulent. Russian-style shock therapy and rapid privatization of the economy benefited a few and resulted in widespread oligarchic corruption (Stefes 2008). Armenia witnessed a war, years of economic blockade, the resignation of its first president, and the assassinations of the popular prime minister and the speaker of the parliament. Azerbaijan was involved in the war with Armenia over the Nagorno-Karabakh region and had seen an influx of refugees but also further development of its oil industry. Since the early days of its independence, Georgia has been involved in intrastate conflicts with some of its regions intending to break away, with these intentions exacerbated due to the initial nationalist politics of Georgian authorities. Despite diverging economic and political developments in the South Caucasus, Armenia, Azerbaijan, and Georgia have not ceased proclaiming their rhetorical adherence to democratic values. Nevertheless, not everywhere has their rhetorical democratic commitment transformed into a behavioral one.

Although several independent variables such as identification, resonance, and utility of adaptation are examined in this chapter, the main focus is on the democracy blocker variable. Russia's role as a democracy blocker is scrutinized and is considered as a domestic variable, since it is not in the power of promoters to control its existence. In addition, as the chapter further demonstrates, Russia's influence is inseparable from the position of some political elites and the developments within South Caucasus' protracted conflicts. In addition, this chapter sets the context for the discussion of the involvement of democracy promoters in the main pressing issues in Armenia, Azerbaijan, and

Georgia. This chapter demonstrates the importance of protracted conflicts on the internal and external politics of the South Caucasus countries, and outlines the differences between them and the negative influence that an unresolved conflict may have on democratization attempts. On the other hand, it is argued that, despite popular conviction, such actors as the Armenian diaspora are not as influential in political matters, and economic development is not necessarily accompanied by democratic progress. However, Russia's ubiquitous and controversial activities in the region, coupled with its dubious and often provocative promotion of conflict resolution, has kept Armenia from democratization despite the latter's identification with democracy promoters, while seemingly having an opposite effect on Georgia.

### **The haunting nightmares of protracted conflicts and international involvement**

#### *Nagorno-Karabakh*

The regional conflicts in the South Caucasus are unavoidable when analyzing political and economic aspects of the three countries. Nevertheless, this book does not venture to assess the validity of claims over any of the breakaway regions, neither does it propose a potential resolution to the conflicts. It rather aims to demonstrate the nature of the conflicts as an intervening negative factor for democratization and democracy promotion, as a possible influence on local politics, and as an area which needs active involvement by a democracy promoter. The inter-state conflict between Armenia and Azerbaijan over Nagorno-Karabakh (NK), and up until 2008 the intra-state conflict of Georgia with its regions of Abkhazia and South Ossetia (SO), have been initially regarded as of marginal threat to international and European security. However, frequent sniper fire and casualties on the Line of Contact (LoC) between Armenian and Azerbaijani forces, and the 2008 full-scale armed conflict between Georgia and Russia, have reminded that, even if nominally frozen, these conflicts have a dangerous potential to heat up.

The conflict between Armenia and Azerbaijan over the former's defense of the right to self-determination of the Nagorno-Karabakh population and the latter's claims over its territorial integrity had been active from 1988–1994. The conflict had resulted in thousands of deaths on both sides, had caused hundreds of thousands of Armenians and Azerbaijanis to become refugees, and fuelled several espionage cases (RFE/RL 2014a, 2014b). While the Armenian population of Azerbaijan had been forced to flee to Armenia, the Azerbaijani population of Nagorno-Karabakh had been forced to flee to Azerbaijan. Despite the international involvement, the Nagorno-Karabakh conflict has achieved "frozen" status with occasional skirmishes, with 2008's Mardakert skirmishes being one of the most publicized, with further escalation in early 2014. As some analysts argue, "Armenia's pro-democracy movement ... merged completely with the Karabakh issue" (Goldenberg 1994, p. 165).

The OSCE Minsk Group was created in 1992 and has since been holding peace talks over a resolution of the Nagorno-Karabakh conflict. Under the co-chairmanship of France, Russia, and the USA, the OSCE Minsk Group is comprised of the representatives of another six EU members (Germany, Italy, Portugal, the Netherlands, Sweden, and Finland), Belarus, and Turkey, as well as Armenia and Azerbaijan. However, the OSCE Minsk Group has so far failed to produce tangible results, subsequently undermining its potential with both Armenians and Azerbaijanis (Corwin 2006; Medzhid 2011; Babayan 2012b). The primarily Russia-negotiated ceasefire was signed in 1994, with Nagorno-Karabakh proclaiming its de facto independence.

Despite the ceasefire, the Nagorno-Karabakh conflict has dominated Armenian and Azerbaijani domestic and foreign politics and has caused almost 3000 lives from both sides since 1994 (International Crisis Group 2011). As of 2014 the independence of Nagorno-Karabakh has not been recognized by any state, including Armenia. Nevertheless, a large presence of Karabakh natives in Armenian politics demonstrates the extent of the interconnectedness and importance of the Nagorno-Karabakh issue to Armenia.<sup>1</sup> The former president Levon Ter-Petrosyan was more open to the option of Nagorno-Karabakh remaining on the territory of Azerbaijan. Among other points, the Minsk Group co-chairs proposed in 1997 that Armenia cedes all Azerbaijani territory outside of Karabakh and the Shusha province within Karabakh, with OSCE peacekeepers responsible for the security of returning Azeri refugees and the Karabakh population (Migdalovitz 2001; Zourabian 2006). Azerbaijan was proposed to allow Karabakh Armenians to maintain armed forces which, at the end of the Baku-Stepanakert talks, would have been reduced to a militarized police (Migdalovitz 2001). Arguing that neither Azerbaijan nor the international community would accept the independence of Nagorno-Karabakh, former president Ter-Petrosyan called the plan realistic. However, Ter-Petrosyan's position went in sharp contrast with the positions of his government members, especially then Prime Minister Robert Kocharyan and defense minister Serzh Sargsyan, and diaspora and local Armenians (Migdalovitz 2001, p. 9). Eventually he was forced to resign.

After 14 meetings within 1998–2001, the two sides expressed their dissatisfaction with the OSCE mediation and even voiced the possibility of a regionally grown solution (Peuch 2001). The meetings, however, continued, though with disruptions due to the inability of the presidents to prepare their publics for a settlement (Migdalovitz 2001). The 2001 Paris and Key West negotiations did not result in a settlement, prompting arguments that "all hopes for a possible agreement were demolished" (Ziyadov 2010, p. 119) after Heydar Aliyev died, passing the presidency of Azerbaijan to his son Ilham. The Prague process was a round of negotiations with "no agenda, no commitment, no negotiation, but a free discussion" (OSCE 2004a, p. 1). It proposed the concept of an interim status, which would have ensured Azerbaijan's legal recognition of Nagorno-Karabakh. However, both Armenian and Azerbaijani sides understood the concept differently, since Armenia has demanded an international status for

Nagorno-Karabakh in line with the one of Kosovo, while Azerbaijan would agree to a temporary status only (Ziyadov 2010). They agreed to the preamble of the Madrid principles presented by the mediators in 2007 and updated in 2009, however, while still negotiating on the other parts and generating further disagreements (Musayelian and Harutyunyan 2013). While Armenia and Nagorno-Karabakh support a referendum on independence among the current population of Nagorno-Karabakh, Azerbaijan does “not like the Madrid document” (US Embassy cable 2009b), insisting on a referendum after the return of Azeri internally displaced persons (IDPs). The inability to agree on the “basic principles” resulted in a freezing of negotiations for two years (Fuller and Giragosian 2011) with eventual resumption in late 2013 (RFE/RL 2013a), which was widely hailed by the US (Psaki 2013; RFE/RL 2013b) and the EU (RFE/RL 2013c). This round of negotiations not only did not result in a signed agreement, but was followed by accelerated condemnations of ceasefire violations and exchanges of fire (RFE/RL 2013d, 2013e; News.az 2014) and casualties on both sides (News.am 2014a; RFE/RL 2014c).

Sniper fire exchange and the regional “weapons spending spree” (Kucera 2010a) have made the Nagorno-Karabakh conflict “one of the most worrying” (European Parliament 2012, p. 1; Mohammed 2012) and complex “because it involves a number of regional actors” (Vasconcelos 2012: 101). The presence of Armenian and Azerbaijani snipers on the 220-km LoC cost 25 lives in 2007 (Orudzhev 2008), 30 in 2008 (OSCE 2009), and 19 in 2009 (Caucasian Knot 2010a). Armenia increased its military spending from US\$93 million in 1999 to US\$217 million in 2008, and Azerbaijan from US\$133 million in 1999 to US\$697 million in 2008 (SIPRI) and to US\$3.1 billion in 2011 (Caucasian Knot 2010b). Bellicose statements by the Azerbaijani government (Osborn 2009) that they “have to be ready to liberate [their] lands by military means, and [they] are ready” (RFE/RL 2008a; Interfax 2012) and promising to shoot down civilian planes if they fly to Stepanakert (Bulghadarian 2011) impede peaceful resolution. The presidential pardon and rank promotion for an Azerbaijani officer convicted of murdering with an axe his Armenian colleague at a NATO training exercise in Budapest has exacerbated an already tense atmosphere (OSCE 2012; RFE/RL 2012a). Being less combative, Armenia nevertheless opts for political pressure and expects military support from Russia. Armenia maintains close economic and political connections with Nagorno-Karabakh and sends recruits to the Nagorno-Karabakh army (Gradirovski and Esipova 2007). The urgency of need for a settlement cannot be undermined since “heightened rhetoric, distrust on both sides, and recurring violence along the LoC increase the risk of miscalculations that could escalate the situation with little warning” (Clapper 2012, p. 21). Mutual denunciation by Armenian and Azerbaijani leaders (United Nations News Service 2011) indicates little intention of cooperation between the conflicting parties, despite rhetorical commitment and occasional hopeful statements by the OSCE on the progress of negotiations (RFE/RL 2014d).

The importance of the Nagorno-Karabakh issue to Armenian politics is echoed by the population. According to a series of USAID-funded surveys

conducted by the International Republican Institute (IRI) in Armenia and the Armenian Sociological Association in 2006–2008, the Nagorno-Karabakh conflict has been a major source of problems and fears for the Armenian population. Thus, it is not surprising that over 70 percent of the respondents considered solution of the Nagorno-Karabakh problem a priority for the Armenian government. The positions on the ultimate solution to the conflict, however, may vary among the population, government officials, and international actors as demonstrated by the ousting of the former president Ter-Petrosyan in 1998. However, taking into consideration that the conflict hinders economic development, endorses an atmosphere of insecurity, and places democracy issues at the bottom of the priorities list<sup>2</sup>, this makes conflict resolution and regional cooperation an area to be given priority attention by democracy promoters. The conflict also reiterates the dominating position of Russia in Armenia and in the South Caucasus.

After the Cold War, the US launched developmental, democracy promotion, and reconstruction projects in the South Caucasus despite the lack of consensus between observers on whether the US should be involved in the region (Nichol 2010). The proponents of US engagement in the South Caucasus argue that conflict-resolution efforts help in restraining warfare, smuggling, and Islamic extremism, and may contain Russian and Iranian influences over the region. Azerbaijan as a supplier, with Armenia and Georgia as transit countries, are important actors for US counterterrorism actions and for the energy-supply diversification plans of US “European allies” (Gordon 2009). New transit routes depend on the resolution of frozen conflicts and opening the borders between Armenia and Azerbaijan. Otherwise, more time and financial resources would be spent, as in the case of the US-supported Baku–Tbilisi–Ceyhan crude oil pipeline, which connected Azerbaijan to Turkey through Georgia instead of directly through Armenia. Through Azerbaijan, the South Caucasus also provides the US with access to the Central Asia and Afghanistan, making the presence of conflicts undesirable for US security interests (Cornell 2005).

Given a substantial Armenian lobby in Congress and its own security interests in Azerbaijan, the US cannot openly support any of the sides. However, the status quo is not within its interests either, nor is conflict escalation. US officials have repeatedly stated that the conflict has to achieve an exclusively peaceful resolution and any skirmishes were met with condemnation. While Russia was pre-occupied with its own domestic issues in the 1990s, the US also pushed NK conflict mediation down its priorities list in the 2000s after engaging in the War on Terror. Before passing the mediating torch to Russia, the US organized five meetings between Armenian and Azerbaijani presidents over 2008. US–Russia relations worsened after the NATO attacks on Serbia in 1999, however, with slight improvement after the 11 September terrorist attacks and further worsening following Putin’s strengthening authoritarianism and the Russo–Georgian armed conflict of 2008. The “reset” in US–Russia relations agreed on by the presidents Medvedev and Barack Obama in 2009 underlined the change of US foreign policy and symbolically entrusted the resolution of the NK conflict to Russia, while claiming that the US “works inconspicuously” (Kerry in News.am 2014b).



The protracted Nagorno-Karabakh conflict damages the democratization prospects of Armenia by giving its authorities a reason to justify undemocratic measures during elections or censoring the media. In addition, it negatively affects the utility of adaptation of the incumbents to democracy promoted from outside if proffered rewards are conditioned by concessions in conflict resolution or friendly relations with neighbors, as it may endanger their position with hard-liners. On the other hand, the persistence of the conflict damages trade and energy plans of the promoters in the region, especially of the EU. Strained relations between Armenia and Azerbaijan force them to refrain from multilateral cooperation projects, making promotion of not only democracy but also regional cooperation an ordeal (Babayan 2012b). Constrained by their strategic interests in the region, the international actors will not openly take sides. However, ignoring the Nagorno-Karabakh problem and merely resorting to moral support of the peace process will not produce a peace settlement and may result in an unwanted war. As further elaborated, active involvement in conflict resolution is a necessary condition for successful democracy promotion in the South Caucasus, especially in light of Russia's self-appointed and meticulously guarded mediation plans. Moreover, positive involvement in the conflict may help the EU and the US to advance their other strategic interests, such as energy diversification for the EU and the fight against terrorism for the USA.

#### *Abkhazia and South Ossetia*

South Ossetia opposed Georgia's independence from the Soviet Union and decided on its own unification with North Ossetia in the Russian Soviet Federative Socialist Republic. This was followed by the South Ossetian autonomous region appealing to Moscow to recognize its independence within the Soviet Union. A number of mutually unrecognized elections in Georgia and South Ossetia led to an armed escalation in 1991 between ethnic Georgian forces and South Ossetia. A Russia-brokered ceasefire agreement of 1992 divided South Ossetia into areas controlled by the Georgian government and unrecognized South Ossetian government. However, the ceasefire did not result in a definitive settlement of the conflict, with major clashes and attacks occurring in 2004, 2006, and 2008.

As Nagorno-Karabakh has tried to leave Azerbaijan, Abkhazia has repeatedly attempted to leave Georgia. The collapse of the Soviet Union triggered stronger calls for expanded autonomy in Abkhazia, turning into a fully fledged war in August 1992. The war has been characterized by a lack of military control on both sides and a vast number of atrocities against civilians, which was arguably instigated by Russia providing arms to rebel groups (Human Rights Watch 1994). A Russia-brokered ceasefire in 1993 ended the armed conflict until 1998, with Abkhazians later demanding US\$13 billion in compensation from Tbilisi (RIA News 2007). The anti-Georgian policy of Abkhazia continued, officially demanding the departure of all ethnic Georgians from Abkhazia and declaring independence in 1994. A shorter armed conflict broke out in 1998, followed by

other two confrontations in Kodori Valley, involving Abkhaz and Georgian troops and Chechen insurgents. The secessionist conflicts have also negatively influenced Georgia's relations with Russia due to the latter's on-going covert involvement and mass-issuing of Russian passports to Abkhazians and South Ossetians, arguably for humanitarian purposes (International Crisis Group 2006).

As warned (Lavrov 2008), the independence of Kosovo set a precedent for Abkhazia and South Ossetia. Accusing Georgia of military build-up, the breakaway regions appealed to the international community to recognize their independence. The ceasefire brokered by then French president Sarkozy ended the armed conflict of 2008, which had also involved Russia. With no settlement achieved, Russia recognized Abkhazia and South Ossetia's independence. The complexity of the Georgian conflicts is emphasized by the mixed roles of the involved parties. While after 2008 Georgia regards Russia as a conflicting party resorting to sabotage (US Embassy cable 2008) that armed rebels shortly prior to the conflict (Guardian 2010c), Russia sees itself as merely a mediator (Economist 2011a). Despite the insistence of the breakaway regions on independence, president Mikheil Saakashvili emphasized their political belonging to Georgia and the readiness of Georgian missions abroad to serve them (Interfax 2009), also issuing "neutral passports" to allow travel outside of Georgia (Bigg 2012).

The 2008 conflict has been mediated within the format of Geneva talks co-chaired by the EU, the OSCE, and the UN. The commencement of the Geneva talks was "rocky" (Fuller 2008). Abkhazia and South Ossetia demanded participation in the talks on an equal basis with Georgia; however, the latter refused (Civil.Ge 2008a). To avoid a dead-end in negotiations, mediators would meet separately with the representatives of Georgia and the breakaway regions, adding to the confusion over the format of the talks (Civil.Ge 2008b). The Abkhaz delegation went as far as to request a change of the format (Civil.Ge 2012a). The Geneva talks provided a forum for negotiations and mediation, but the added value of this forum in changing the status quo is marginal. The participating parties either claim they are not involved—Russia—or they do not want to recognize others' involvement. Russia's dubious involvement was underlined by its accession deal to the World Trade Organization (WTO). The deal provided for an independent company to conduct customs checks on trade between Russia, South Ossetia, and Abkhazia (Civil.Ge 2011a) Though the two breakaway regions have perceived the deal as "stab in the back," that is apparently "the price for its [Russia's] continued financial support and military protection" (RFE/RL 2011a).

European and American (Robbins 2011) insistence on humanitarian issues have continued throughout the 22 rounds of negotiations. The 20th round was held against the background of the suspended Incident Prevention and Response Mechanism, which according to Georgia's chief negotiator in case of collapse may leave the participants without an information exchange mechanism (Civil. Ge 2012b). Even if Russia and Georgia seem to deduce different meanings out

of the same discussions, the UN representative noted positive developments at least within free movement of the local population. However, drafting of the document—‘Agreed Undertakings’—on rehabilitation of housing and damaged facilities, supply of water; the legal situation of refugees and IDPs, and facilitation of their voluntary and safe return has generated open opposition from Abkhazia and South Ossetia. They preferred to walk out from the discussions (Civil. Ge 2010a), while Abkhazia renounced its participation from the second working group (Abkhaz Government 2010).

Even if Russia and Georgia “can get along when they want to” (Economist 2011b), authorities of both countries instigate an atmosphere of mutual blame and personal insults (Telegraph 2008; Tsojniashvili 2011). While Georgia has detained and prosecuted over a dozen alleged spies (Civil.Ge 2010b; ICC 2011), Russia has considerably increased its military presence in Abkhazia and South Ossetia (Felgenhauer 2010; Socor 2010). The distrust was exacerbated in October 2010 when Georgia lifted visa requirements for residents of Russia’s North Caucasus republics “to deepen the relationship between the peoples” (BBC 2010a). Russia called the move a “political travesty” (Nikolski 2010) and “provocation” (Pesov 2010). In July 2011, Georgia alleviated the tensions by allowing all Russian citizens to be issued visas at the Zemo Larsi–Kazbegi border crossing point (Civil.Ge 2011a). The parliamentary victory of Bidzina Ivanishvili’s party in October 2012 and his appointment as prime minister may improve relations with Russia, despite him being portrayed as incompetent (Walker 2012). Putin, however, sees Ivanishvili sending “positive signals” (BBC 2012a; RIA 2012a), even if these will not change Russia’s decisions in regards to Abkhazia and South Ossetia (RIA 2012b).

### **The democracy blocker: Russia in the South Caucasus<sup>3</sup>**

Russia’s first decade after the break-up of the Soviet Union was highlighted by the armed conflicts in the Northern Caucasus, economic “shock therapy,” the financial crisis of 1998 with a further decline in GDP, the constant search for a prime minister, and its declining weight in international politics. Nevertheless, Russia maintained a democratizing image, emphasizing friendly relations with Western leaders with the “Bill and Boris” friendship (Rutland and Dubinsky 2008; Pushkov 2010) being the most notable. Nostalgia for the imperialistic past and undeniable political influence became even stronger after NATO’s bombing of Yugoslavia in 1999 despite strong Russian opposition, and the eventual disillusionment with the US “spinach treatment” (Talbot 2003). Russia’s second president, Vladimir Putin, opted for a “harder” approach towards foreign affairs and economic development. Admitting slim chances for Russia to liberalize to the extent of the US or the UK, Putin (1999), nevertheless stated that Russia had been and was a superpower. Putin’s further statements and actions spread concern among Western observers due to the “breaking away from the core democratic values of the Euro-Atlantic community” and “the return of rhetoric of militarism and empire” (Ahlin *et al.* 2004).

Underlining Russia’s awakening from hiatus, in 2000 president Putin approved a less-cautiously worded foreign-policy strategy. The strategy overtly called the US a threat to a multipolar world and Russia’s interests as a great power. It pointed to the dominance of the US, international terrorism, promotion of regional groupings, and globalization of the world economy as Russia’s main challenges. However, understanding that the forced allegiance of Eastern Europe was long lost to the EU, Russia gave the post-Soviet countries priority in its foreign policy. President Putin’s annual address to the Federal Assembly of 2002 underlined the importance of post-Soviet countries (Babayan and Braghiroli 2011). Asserting its great power status and regaining its traditional sphere of influence have become the primary task of Putin’s Russia (Secieru 2006). Through military cooperation and economic investments, Russia has taken direct action to stabilize authoritarian regimes in the post-Soviet space (Grävingsholt *et al.* 2011). Its own energy resources, the initial Western neglect, and the economic indebtedness of the former Soviet republics have together provided a rather fertile ground for Russia’s authoritarian maneuvering.

Russia aims to shape the domestic environments of neighboring countries according to its interests, at the same time resisting to the presence of other international actors (Babayan and Braghiroli 2011). Given Russia’s frequent usage of its energy resources as a powerful political tool and its frequent mediating efforts, it is argued that, in the South Caucasus, Russia mainly pursues two intertwined *modi operandi* or frameworks for influencing neighboring countries: business-energy and politics-security (Babayan 2013a). Due to its own authoritarian regime, Russia would be unlikely to target civil society, which is usually a partner for democracy promotion, no matter how weak. The frameworks are intertwined due to the merger of Russia’s own economic and political realms, where prominent businesspeople have close government ties and sometimes even occupy state positions.<sup>4</sup> However, the suggested frameworks should not be considered as governance models in the same manner as the EU’s efforts at exporting its “good governance” or US’s in exporting liberal democracy. These are rather *modi operandi* through which a democracy blocker, in the case of this chapter Russia, attempts to halt democratization and make its own policies or cooperation with them attractive for neighboring countries. Nevertheless, the attractiveness of such cooperation would largely be influenced by these countries’ internal developments and the degree of their bargaining powers, with higher bargaining power to be likely to lead to lower attractiveness of cooperation.

Within a business-energy *modus operandi*, Russia aims to dominate the local energy market by providing the consumed energy and by monopolizing delivery or export routes. Investing in other financial sectors without conditionality, which often accompanies democracy-promotion funding, or simply buying out the industry of the target country, gives the democracy blocker leverage that is often unattainable for democracy promoters. In addition, in the South Caucasus, where frozen and occasionally active armed conflicts have dominated the scene, Russia’s involvement within political and security issues can potentially

streamline the developments to Russia's benefit. To show how Russia may apply these frameworks, the chapter proceeds with outlining Russia's interests in the South Caucasus and its willingness to project authoritarianism and the role of a democracy blocker, even if not always overtly. Discussion of Russia's foreign-policy objectives and strategies is an important part of the analysis, since it allows for shaping the suggested frameworks and explains how cooperation with Russia may become more attractive than association with democracy promoters or further democratic progress. The analysis then proceeds with the discussion of the economic and political dynamics within the region and Russia's involvement, especially since the first presidency of Vladimir Putin, when Russia's authoritarianism started to consolidate.

Georgia's Rose Revolution of 2003 and Ukraine's Orange Revolution of 2004 were initially regarded as a challenge to Russia's dominance in the neighborhood. However, they rather provided Russia with a justification for more proactive and aggressive policies, putting its democracy-blocker potential and willingness to act as one beyond doubt. Subsequently, concerns have been raised about the increasing authoritarianism of Russia's regime and its authoritarian influence projected over the countries of the former Soviet Union (Abushov 2009; Ambrosio 2009; Tolstrup 2009; Grävingholt *et al.* 2011). Russia's growing authoritarianism has been masked by neologisms and euphemisms, such as *suverennaya demokratiya* (sovereign democracy) and *vertikal vlasti* (hierarchy of power),<sup>5</sup> increasing its attractiveness to the countries struggling with the consequences of their dubious transitions. In addition, following a "Machiavellian approach" of supporting whatever regime it deems profitable for its own purposes (Shapovalova and Zarembo 2010), Russia has also used democracy-promotion rhetoric. Stating that Russia "has a sphere of privileged interests" (Averre 2011, p. 13), president Medvedev (Medvedev 2008) claims Russia's commitment to "the development in all possible ways of rights and freedoms, the struggle with corruption." However, the swap of positions in 2012 between Putin and Medvedev and Putin's plans for building a Eurasian Union (BBC 2011; Blockmans *et al.* 2012) seem to further consolidate authoritarianism in Russia.

Given Russia's authoritarian tendencies and its growing regional ambitions, democracy promotion by other international actors, such as the EU's enlargement and various neighborhood policies, have been viewed by Russia as the "apple of discord" (Arbatova 2006). One of the major concerns of Russia has been the launching of the Eastern Partnership (EaP). Despite the reassurances from the former EU foreign policy chief Solana that the EaP had not been designed against Russia, Russia's foreign minister Lavrov interpreted the choice given to EaP partners as "either you are with Russia, or with the European Union" (EUobserver 2009). The first and second wars in Chechnya (Haukkala 2011), the conflict in Georgia in 2008 and the subsequent monitoring of the Russia-Georgia border (Grevi 2007), and a number of gas crises, added to the oft-voiced disapproval of Putin's policies. Although the "reset" in relations between the EaP advocate Poland and Russia has helped to overcome some

divisions, Russia has been indirectly trying to hinder smooth implementation of the EaP, *inter alia* promising Azerbaijan "serious consequences" (US Embassy cable 2009c) for its participation in the EaP and the Nabucco pipeline project. In addition, the EU's indecisive role in frozen conflicts has added to Russia's dominant role in its neighborhood. The tiptoeing politics of the EU over conflicts in the South Caucasus and its outright refusal to engage in Nagorno-Karabakh conflict mediation (Jozwiak 2012) have emphasized Russia's economic and military dominance.

Thus, Russian foreign policy after the USSR has been guided by the endeavor of regaining Russia's status of superpower, which *inter alia* included keeping its *blizhnee zarubezhy'e* (near abroad) under its direct influence. Thus, Russia initiated the creation of the Commonwealth of Independent States (CIS) in 1991, which has become one of its main tools for projecting influence. However, the appeal of the CIS in comparison with other regional organizations has been weak due to a lack of any financial aid (Rywkin 2003). Nevertheless, due to certain economic and security policies and despite certain local resistance, Russia's role in the South Caucasus has been more assertive in the 2000s than in the 1990s. Thus, through energy dependence, economic pressure, occasional military aid, and despite its allegedly weakening grip over the region, Russia tries to fuel "Putin's fantasy" (Nixey 2012, p. 7) of a Eurasian Union.

#### *Energy, security, and the Eurasian Customs Union*

While the US and European countries have provided unconditional aid, Russia has usually engaged in specific business development based on its own strategic interests. This strategy of "if not by tanks, then by banks" (Tsygankov 2006) underlined the recent employment of non-military instruments in reinforcing Russia's policies and obtaining dominant status in the economies of the South Caucasus. Russia forgave Armenia's post-Soviet debt of US\$98 million in exchange for five Armenian state-owned military-industrial enterprises (Migdalovitz 2004). Some arguments go as far as claiming that former president Kocharyan "effectively sold off Armenia ... to Russian commercial and political interests" (Nixey 2012, p. 5). Further economic integration has happened as Russia purchased large shares in Armenian telecommunications (RFE/RL 2012b), energy, electricity networks, and banking industries. The Russian Vneshtorgbank purchased a controlling 70 percent stake in the 1923-established Armenian Savings Bank in 2004 and, after renaming it to VTB Armenia in 2006, in 2007 purchased the remaining 30 percent from Mika Armenia Trading to become its sole shareholder. Then head of the Armenian side in the Armenia-Russia Economic Cooperation Commission and later president Serzh Sargsyan welcomed Russia's investments and did not see "any risk at all in the growth of Russian capital in our country" (Socor 2006), which has eventually resulted in 500 out of the 800 largest firms being Russian-owned (Elliott 2010). This positive opinion, however, has not been always shared by others in the South Caucasus (Tsereteli 2005; Saakashvili 2006).



Despite the disagreements between former presidents Yeltsin and Shevardnadze on placing Chechen refugees in the Pankisi Gorge in Georgia (Baran 2001), in the 1990s Russia–Georgia relations were rather pragmatic and without major disputes. The first economic entry of Russia happened in 2003 with the acquisition of an electricity-distribution company, Telasi, and the only working block of the Gardabani power station (Tsereteli 2005). In addition, Gazprom acquired the right to manage and upgrade gas pipelines running through Georgia; a move supposed to provide Russia with influence over Georgia’s economy, rather than Gazprom with profit (Baran 2003). Energy acquisitions were followed by purchases in the banking and commodities sectors.

The pragmatism was reversed by the new course of foreign policy adopted by succeeding president Saakashvili. He not only insisted on in-revolt Abkhazia and South Ossetia reconsidering their independence claims, but also called for closer integration with the EU and NATO at the expense of its bilateral relations with Russia. Using Georgia’s negative trading balance and dependence on Russian gas, Russia has employed its economic force to compensate for this Georgian “rebellion”. In March 2006 Russia imposed an embargo on Georgian wine (Corso 2006), justified by an unusually high number of pesticides in tested bottles (Regnum 2006). In May 2007 Russia banned imports of Georgian mineral water Borjomi, citing violations of water-purity standards (BBC 2006a), prompting accusations by Georgian authorities of a politically motivated economic embargo (BBC 2006b). Since 50 percent of annual Borjomi production was sold to Russia, and with another decade to wait until Georgian products become competitive in the EU (Patsuria 2010), Russian embargoes have substantially curtailed Georgian economy. The moderate bargaining power of Georgia had been its veto power in the WTO, blocking Russia’s entry since 2004. However, a Swiss-brokered bilateral deal on unblocking Russia’s bid was signed in November 2011 (RFE/RL 2011b), paving its entry into the WTO in August 2012. The deal provides for an independent company to conduct customs checks on trade between Russia, South Ossetia, and Abkhazia (Civil.Ge 2011a). The two breakaway regions have perceived the deal as a “stab in the back” that is apparently “the price for its [Russia’s] continued financial support and military protection” (RFE/RL 2011a).

Unlike Armenia and Georgia, Azerbaijan, rich with natural resources, has had better opportunities for economic maneuvering, thus increasing its bargaining power. Trade restrictions imposed by Russia at the beginning of the second Chechen War (Hunter *et al.* 2004) did not have a severely negative influence on Azerbaijan’s economic development. Nevertheless, to curtail Azerbaijan’s economic leverage, Russia sought to prevent Azerbaijan’s participation in the US-supported Baku–Tbilisi–Ceyhan pipeline project. However, the pipeline started operation in May 2006, giving Azerbaijan entry into the international energy market by bypassing Russia. One of Azerbaijan’s levers of influence over Russia’s decisions, even if not a significant one, might have been Gabala radar station—one of the nine radar stations built in the USSR to detect possible missile attacks—with a positive contribution to Azerbaijan’s budget due to an

annual US\$7 million lease to Russia (President of Russia 2002), which Azerbaijan has announced to raise starting from 2012. Despite Russia’s initial claims that a station in Armavir, Russia, has the same capacity as Gabala and that the lease would be pointless (Ghazinyan 2011), Russia was ready to sign the extension until 2025 (RIA 2011). However, the deal lost any attractiveness to Russia after Azerbaijan increased the rent from US\$7 million to US\$300 million per year. Russia even entertained the option of building another radar station in Armenia and closed down its operation in Gabala in December 2012 (Abbasov 2012; Fomitshev 2012; Shakaryants 2012).

Despite Azerbaijan’s comparative leverage, the energy relations between Russia and the South Caucasus countries have been characterized as “highly asymmetric” (Perovic 2005, p. 1) and potentially endangering the ability of small states to make independent decisions (Inbar and Sheffer 1997). Privatization of state-owned facilities, under the pressure of Russian energy companies but allegedly to increase the effectiveness of governance, have made Western companies reluctant to invest in the South Caucasus energy sector (Tsereteli 2005). However, Russian companies closely associated with Russian authorities use energy revenues to invest in other sectors of the economy (Tsereteli 2005), making their “partners” even more dependent.

Gas is procured to Armenia by the ArmRosGazprom (ARG) CJSC. ARG was founded jointly by Armenia and Russia in 1997, with Russian gas monopolist Gazprom and the Armenian Energy Ministry each owning 45 percent and the ITERA company 10 percent of stocks. However, Gazprom’s share has risen to 80 percent with the Armenian government holding 20 percent of shares. The dependence upon Russian gas was supposed to be ameliorated by the 2007 inauguration of the Armenia–Iran natural gas pipeline, meant to supply 400 million cubic meters towards the annual Armenian consumption of 1.5 billion cubic meters (Socor 2007). Russia did not meet the initiative of another pipeline with enthusiasm, and the latter’s construction and launch had been repeatedly postponed (Markarian 2005). However, the Iran–Armenia pipeline was put under the control of Russian-dominated ARG after Gazprom had threatened to substantially increase gas prices for the South Caucasus from January 2006 (Markarian 2005). Armenian officials replied with a rare criticism of Russia, calling the move politically motivated (Danielyan 2005a) and suggesting charging Russia for stationing its troops in Armenia (Bedevian 2005). Gazprom replied that Armenia would be charged a higher price unless it transferred the control over the Armenia–Iran pipeline to Russia (Kalantarian 2006). Consequently, regular Armenian concessions and Russian bullying secured gas prices to stay the same in 2011 (Harutyunyan 2011a), thus keeping it at US\$180 for 1000 cubic meters. Moreover, though subsidized by the Armenian government (Harutyunyan 2011a), the gas price for economically vulnerable Armenian households was lowered for at least one heating season (Avetisian 2011a). However, in July 2013 the price of gas was increased, prompting talks that it may be subsidized within the Customs Union (Stepanyan 2013a). Yet, as it was later revealed, the Armenian government had “secretly subsidized” gas prices prior to presidential



elections of 2013, as a result increasing its total debt to Russia even more which was then paid by ceding the remaining 20 percent of ARG to Gazprom (Stepanian 2013a). This was followed by further announcements that due to new agreements with Russia gas prices may not increase for the next five years (RIA News 2013).

Georgia's "disobedience" and the arrest of four Russian nationals suspected of espionage were classified by president Putin as "an act of state terrorism with hostage-taking" (BBC 2006c). Consequently, adding to the embargoes on wine and mineral water, Russia doubled gas prices for Georgia (BBC 2006d). The increase in gas prices could have been avoided by Russia's customers, including Georgia, by handing over to Russia the domestic pipeline systems (Sindelar 2006). Amid talks over gas prices, two explosions occurred in January 2006 on the Mozdok–Tbilisi pipeline in North Ossetia, which cut gas supplies to Georgia and to Armenia. While Russia blamed pro-Chechen insurgents, president Saakashvili claimed that "it was an attempt by Russia to force Georgia to surrender ownership of its domestic gas pipeline" (Sindelar 2006). Calling Saakashvili's statements "hysteria" (Sindelar 2006), in November 2006 Russia announced construction of a direct pipeline to the Georgian breakaway region of South Ossetia, and raised gas prices for Georgia in January 2007. Relations were further strained by the August 2008 armed conflict between Russia and Georgia, which forced Azerbaijani state energy company SOCAR to halt its oil exports to Georgia (Yevgrashina 2008). Despite views that the 2008 armed conflict might have been due to Russian energy interests (Martin 2008; Tsereteli 2009), Russia and Georgia have continued pragmatic business relations, with president Saakashvili encouraging more investment despite certain domestic fears that Russian companies are state controlled (Rozhnov 2010; Trend 2012). In an attempt to further boost economic ties with Russia and dubbed by Saakashvili as "a sign of strength" (Civil.Ge 2012c), even if still pursuing its territorial integrity by returning the breakaway regions, Georgia also lifted the visa requirement for Russian citizens (Civil.Ge 2012d). However, this action has not been reciprocated by Russia, which demanded restoration of diplomatic ties and a change of Georgian law on the breakaway regions (Civil.Ge 2012e).

In the case of the oil-rich Azerbaijan, which fully realizes its economic potential (Regnum 2010), energy-manipulation does not work similarly due to the initial unwillingness of Russia to invest in the Azerbaijani energy sector and further competition with European companies (Musabeyov 2010). Nevertheless, Gazprom has managed to pave its way into the Azerbaijani market. In 2000–2006, due to "severe weather conditions and shortages of electricity in Baku" (Kelkitli 2008), Russia sold natural gas to Azerbaijan. In 2006, when the BTC pipeline was inaugurated, Gazprom announced an increase in gas prices from US\$110 to US\$230 and a cut in gas supplies from 4.5 billion to 1.5 billion cubic meters (Ismayilov 2006). Calling Russia an "unreliable partner" who "did not act as a gentleman" (Blagov 2007), in 2007 Azerbaijan halted oil exports to Russia "to fuel Azerbaijani power stations that formerly ran on Russian natural gas" (RFE/RL 2007a). Despite the Azerbaijani "revolt," Russia has not imposed

an embargo or introduced a visa regime as in the case of Georgia, but preferred to offer a deal through Gazprom by buying Azerbaijani gas at market prices, and maintaining "positive dynamics in the trade turnover" (Popov 2010). The first deal signed by Russian Gazprom and Azerbaijani SOCAR in 2009 allowed for 500 million cubic meters of gas to be sold to Gazprom. In September 2010 Gazprom and SOCAR signed an addendum to the contract, increasing the sales volume to 2 billion cubic meters per year in 2011 and to above 2 billion cubic meters from 2012. The Russian strategy of buying large amounts of Azerbaijani gas is viewed as targeting the construction of the EU-backed Nabucco pipeline project to leave it empty, without the gas from one of its main suppliers (Zaynalov 2009). Selling large amounts of gas to Russia may endanger Azerbaijan's export diversification plans and decrease its bargaining power against Russia (Niftiyev 2010).

Russia's presence in political security matters is as vivid as in business and energy, especially in regard to Armenia. The Russian-promoted Collective Security Treaty Organization (CSTO) was signed by Armenia in 1992, with Azerbaijan and Georgia joining in 1993. Though involving all South Caucasus states, the organization has not contributed to the resolution of the regional conflicts (Saat 2005). In addition to the CSTO, Armenia and Russia signed a Treaty of Friendship and Cooperation in 1997, which was characterized as an "element of alliance" by former president Ter-Petrosyan (Migdalovitz 2004, p. 4). The treaty allowed Russian guards to patrol the borders of Armenia with Turkey and Iran. Accordingly, the Russian 102nd Military base is stationed in Gyumri, Armenia. After the withdrawal of two Russian military bases from Georgia in 2005–2007, a significant part of the military hardware was moved from Batumi and Akhalkalaki, Georgia, to Gyumri (Martirosyan and Mir Ismail 2005). According to Azerbaijan's president Aliyev the move induced an arms race in the region and forced Azerbaijan to increase its military spending (Martirosyan and Mir Ismail 2005). Thus, while reducing its military presence in Georgia due to the latter's NATO aspirations, Russia has not reduced its military presence in the South Caucasus but simply moved its troops from Georgia to Armenia. Moreover, the number of contract soldiers within the base in Gyumri will double by the end of 2012 (Harutyunyan 2012).

The confidence that the military pact with Russia protects it "against some of the vocal and demonstrated threats by . . . [the] neighbour to the West" (Oskanian 2002) increased, especially after the dissolution of the Soviet Union. In addition to strained Armenia–Turkey relations, Russia has used the Nagorno-Karabakh conflict to preserve Armenia as its closest ally and pressure both Armenia and Azerbaijan whenever needed (Nichol 2011). Closed borders with Azerbaijan and Turkey, and Turkey's financial and military assistance to Azerbaijan, have made Armenia turn to Russia for protection. As then minister of defense Sargsyan put it in 2002, such security cooperation makes Armenia feel protected in its "difficult region" (PanArmenian.Net 2002). Due to Georgia's efforts to lessen Russian influence and Azerbaijan's increasing leverage due to its natural resources, Armenia seems a natural partner for Russia in maintaining its influence over the

South Caucasus. With dozens of similar agreements, security protocols signed between Armenia and Russia cemented the latter's presence in the South Caucasus by extending the deployment of Russian troops in the region until 2044, underlining that Russia "is crafting its policy around Turkey–Armenia normalization and Nagorno-Karabakh" (Elliott 2010).

While the extension of the security agreement was viewed in Armenia as an assurance against possible aggression from Azerbaijan, the latter voiced concerns over Russia's increased and impartial presence in the region (Smbatian 2010). Russia's military presence in the region showed to be even more controversial and less loyal to its partnerships after reports in the Russian media (Kucera 2010b) that defense systems had been sold by Russia to Azerbaijan. Though considered a "bluff" by some (Aysor 2008), the possible purchase was considered as a "betrayal" (News.am 2010) and negative meddling in the region's affairs by others. Even if Russia's continued military support to Armenia seems to some extent to upset Azerbaijan (US Embassy cable 2009d), relations with the latter are rather balanced, as when dealing with the Nagorno-Karabakh issue it both supports the principles of territorial integrity (Azerbaijan) and self-determination (Nagorno-Karabakh/Armenia). Previously sympathetic to the Chechen cause, Azerbaijan not only cut its support to Chechen fighters in the 2000s but also has been less eloquent in its NATO ambitions than Georgia (Kelkitli 2008). Closure by Azerbaijan of a Chechen school and centers on its territory improved its political relations with Russia (Schriek 2002). Although for Azerbaijan's transport and energy plans a pro-Western government in Georgia would be more beneficial, in the aftermath of the 2008 conflict Azerbaijan "chose a strategy of soft support for Georgia while refraining from making harsh statements against Russia" (Valiyev 2009a).

While Russia's relations with Armenia are the friendliest and with Azerbaijan the most neutral, with Georgia they are the most strained. Officially concerned by Georgia's relaxed treatment of Chechen militants fleeing to its territory, in 2000 Russia imposed a visa regime on Georgia. The issue of the Pankisi Gorge being a safe haven for Chechen fighters has been a long-time dispute between Russia and Georgia. Accusing Georgia of giving shelter to terrorists and plotting against it, Russia bombed the valley in 2001 and in 2002 (Giorgadze 2002; Myers 2002). Following Russia's ultimatum to attack Georgia if it did not secure the Russia–Georgia border, Georgia arrested a number of Chechen fighters (Yalowitz and Cornell 2002). Despite Russia's successful diffusion of Adjara's uprising and removal of previously supported Aslan Abashidze in 2004 (Tsygankov and Tarver-Wahlquist 2009), relations were still tense after the 2003 Rose Revolution and Saakashvili's statements on Georgia's EU and NATO aspirations. The espionage scandal and the arrest of four Russian military officers in Georgia followed by a temporary recall of the Russian ambassador in 2006 strained political relations even more. Even though Georgia soon handed the alleged spies over to the OSCE, Russia suspended air, rail, road, sea, and postal links to Georgia, stopped issuing visas to Georgian citizens, raided Georgian businesses in Russia, and deported more than 100 Georgian citizens.

The apogees of Russia–Georgia strained relations became the five-day armed conflict in 2008 and Russia's further recognition of the independence of the two Georgian breakaway regions of Abkhazia and South Ossetia, which allegedly was done to prevent NATO enlargement due to the border dispute (US Embassy cable 2009a). Despite ceasefire agreements signed by Russia and Georgia and even if "they can get along when they want to" (Economist 2011b), authorities of both countries instigate an atmosphere of mutual blame and personal insults (Telegraph 2008; Tsofniasvili 2011). While Georgia has detained and prosecuted over a dozen alleged spies (Civil.Ge 2010b; ICC 2011) Russia has considerably increased its military presence in Abkhazia and South Ossetia (Felgenhauer 2010; Socor 2010), while proclaiming its role not as a party to the conflict but as a mediator (Economist 2011a). The distrust was exacerbated by Georgia's move in October 2010 to lift visa requirements for residents of Russia's North Caucasus republics, as detailed earlier in this book.

### *Local perceptions of Russia*

The Armenian population has shown mixed sentiments towards relations with Russia. Despite the threats of increasing the prices of commodities, the approval ranking of bilateral relations has increased over the course of three years. This may be explained by the increasing levels of fear towards the Nagorno-Karabakh conflict and the presence of the Russian military base in Armenia that provides the feeling of security. Thus, 65 percent of Armenian respondents were in favor of the Russian military base, 11 percent (in 2006) and 18 percent (in 2007) were indifferent, with only 2 percent (in 2006) and 1 percent (in 2007) against. Relations with Russia have continuously been considered as positive by more than 90 percent of respondents, while more than 80 percent of respondents qualified Russia as a trustworthy ally.<sup>6</sup> Given the low approval ranking of the authorities, the high level of popular support cannot be credited to the pro-Russian rhetoric of the government. It is rather a result of general apathy with the government and lackadaisical approach of the international actors. The combination of these factors in Armenia results in local support for Russia's actions, which potentially endorses Russia's anti-democracy actions, with a number of political party representatives considering Armenian politics to be "completely dominated by Moscow" (US Embassy cable 2009e).

The attitudes of the Georgian population towards Russia drastically diverge from the Armenian ones. Even before the 2008 conflict, 90 percent of respondents assessed relations with Russia as bad and 74 percent saw Russia as a threat as opposed to 32 percent seeing Russia as a partner. After the 2008 conflict, the picture became even gloomier for Russia's image as 97 percent of the respondents assessed the relations with Russia as bad and 90 percent saw Russia as a threat to Georgia. Local attitudes towards Russia have not changed since 2008, however, but the preference for providing a peacekeeping mission went from the EU to the USA and NATO in 2011 as compared to 2009 and 2010.<sup>7</sup> All political parties participating in the 2012 parliamentary elections, including the New

Rights Party sympathetic to the creation of a constitutional monarchy in Georgia, have advocated further democratization (de Waal 2012). While president Saakashvili's party has widely named the US as its main strategic partner, Ivanishvili's victorious Georgian Dream party's main difference seems to be a lack of open hostility towards Russia (Kucera 2012). However, despite Ivanishvili's efforts and a partial embargo lift on Georgian wine and mineral water, relations between Georgia and Russia have remained strained: while Russia extended its 2014 Winter Olympics security zone into the breakaway regions, Georgia contemplated boycotting the Games.

Azerbaijani analysts have argued that perceptions of Russia in Azerbaijan can be divided into three stages: Yeltsin's presidency, Putin's presidency, and the aftermath of the 2008 conflict with Georgia (Valiyev 2009a). Putin's presidency managed to dissolve Russia's biased and unpredictable image among the Azerbaijani public, instead making the image of a more reliable partner (Valiyev 2009b). However, the 2008 conflict re-instated the public fear of Russia and "had an effect on Aliyev's thinking" (US Embassy cable 2009e). Despite general support for Georgia, Azerbaijan's public preferred not to voice its NATO aspirations too loudly (Valiyev 2009b). The scarce opinion polls on Azerbaijan give mixed results, to some extent supporting the pragmatic vision on Russia of both Azerbaijani government and public. While Caucasus Barometer finds that the Azerbaijani public's support for friendship, doing business, or marriage with Russians has decreased, the BBC poll shows that the support for Russia's influence stood at 51 percent in 2010, with 41 percent of young respondents thinking that Azerbaijan would develop more if cooperating with Russia (ADAM 2010). Representatives of political parties in Azerbaijan agree on the importance of democracy but disagree on the level of Azerbaijan's democratization, stating that the country is now seen by Russia as an element of its zero-sum game in the region (US Embassy cable 2009f).

## Conclusions

The constitutional break-up of the South Caucasus countries from the Soviet Union, the high levels of literacy and education of their populations, the subsequent rapid economic growth, and a readiness to integrate into democratic structures seemed to be the required prerequisites for successful democratization. However, two decades after their independence, the outcomes of the democratization process are far from established democracy. While more in-depth research of elections, party politics, and media development will reveal the nuances of the regimes, it is clear that, since the break-up of the Soviet Union, Armenia has transformed into a competitive authoritarian regime, Azerbaijan has strengthened its authoritarianism, while Georgia has managed to turn the negative tide a few years after the Rose Revolution. Formally existing democratic institutions are "viewed as primary means of gaining power," especially in Armenia and Azerbaijan; however, "incumbents' abuse of the state" makes competition "real but unfair" (Levitsky and Way 2010, p. 5).

Even with varying degrees of intensity, the South Caucasus countries have highly identified with democracy promoters on the rhetorical level. Nevertheless, it seems the population has not always been aware of the principles or rights that accompany democracy, making governmental manipulation less complicated. Strong support and confidence in EU institutions has had the potential to overcome the confusion over the concept of democracy and the apathy towards democratic institutions. The receptiveness of the population to democratic ideas should have been further supported by democracy promoters, but without abandoning the efforts of democracy promotion through state and political society. Given the geopolitical situation of the South Caucasus countries, democracy promoters must primarily address the needs of the target levels and country overall.

However, low effectiveness of international mediation in the Nagorno-Karabakh conflict (Babayan 2012b) has provided the authorities both in Armenia and in Azerbaijan with a basis to justify their undemocratic behavior by invoking security concerns. In addition, the Nagorno-Karabakh conflict is one of the main sources of other maladies in Armenian politics, such as halted rapprochement with Turkey and economic and energy issues due to closed borders. The situation may be slightly different in the case of conflicts in Georgia. However, what all these conflicts have in common is the involvement of Russia in different capacities. Russia's role as a democracy blocker in the South Caucasus is beyond doubt and is largely fuelled by the protracted regional conflicts.

Russia's regime and foreign policy thrive on its natural resources, thus making adoption of its model of governance along with its foreign policy "not attractive" (US Embassy cable 2009a) and often not feasible. However, its natural resources make cooperation with Russia attractive and strategically important for neighboring countries, whose regimes are likely to have fallen into democratic stagnation as a result of Russia's more aggressive policies, not as a result of specific regime promotion. Russia has tried to keep the South Caucasus countries divided by using distinct *modi operandi*: business-energy and politics-security (Babayan 2013a). The military support to Armenia, the allegedly disguised selling of weaponry to Azerbaijan, and the recognition of independence of Georgia's breakaway regions, while flirting with the status of Nagorno-Karabakh, show that Russia's interest in regional cooperation or conflict resolution is merely oratorical. Such penetrating involvement does not contain Russian influence only to security matters, but also spreads it over political and economic issues. Georgia's resistance to Russia's political and military involvement does not spread to Russia's economic involvement in the country. However, the close ties of the main Russian investors to the state, successful relocation of Russian troops from Georgia to Armenia, and the predominantly hands-off approach to the region of the EU and the US, render Georgian efforts at keeping Russia at bay futile. Azerbaijan, the only country in the South Caucasus having considerable leverage over Russia due to its natural resources, neither resists nor supports Russian involvement but follows a pragmatic and rational approach of maximizing its own utilities.



Armenia's long-adopted complementary foreign policy of having good relations with every important actor possible stands for its government and public's understanding of its low bargaining power, due to its land-locked position and a scarcity of high-valued natural resources. The bargaining power of Georgia is limited to its being a transit route for Azerbaijani oil, and is to decrease even more with Russia's entry into the WTO. However, the chances of using its position as a transit route as a bargaining chip are low because of the dependence on Azerbaijan's own actions. Azerbaijan's energy resources provide it with high bargaining power not only in relations with Russia but also with the EU. Both the EU and Russia value Azerbaijani oil, and while Russia tries to build partner relations with Azerbaijan, the EU condones violations of democracy. While Azerbaijan has the greatest potential to shake off Russia's authoritarian grip, its authorities' utility of adaptation to democracy is low. Despite emerging arguments of its waning influence (Nixey 2012), operating within business-energy and politics-security *modi operandi* and staying involved in the region's affairs serve Russia's goals. In the case of the South Caucasus, Russia may achieve desired results in its authoritarian projection, not due to the appeal of its regime over democracy but mainly due to the geopolitical situation in the region.

## Notes

- 1 Both former president of Armenia Robert Kocharyan and the current president Serzh Sargsyan are from Nagorno-Karabakh. Kocharyan has also served as the president of Nagorno-Karabakh.
- 2 In 2008 democracy was ranked 12th in the list of issues that Armenians are concerned about. The importance of democracy in 2008 had decreased by seven percent in comparison with 2006.
- 3 Parts of this section have earlier appeared in Babayan 2013a.
- 4 Prime Minister Dmitry Medvedev served as the chairman of the Gazprom board of directors in 2000–2001 and 2002–2008, while Viktor Zubkov has simultaneously served as first deputy prime minister and chairman of the Gazprom board of directors.
- 5 For more details (in Russian), see [www.kommersant.ru/Doc/718419](http://www.kommersant.ru/Doc/718419), [www.russ.ru/Mirovaya-povestka/Suverennaya-demokratiya-ili-demokraticeskij-suverenitet](http://www.russ.ru/Mirovaya-povestka/Suverennaya-demokratiya-ili-demokraticeskij-suverenitet) and [www.inop.ru/publication/page78/](http://www.inop.ru/publication/page78/); <http://politike.ru/dictionary/472/word/%C2%C5%D0%D2%C8%CA%C0%CB%DC+%C2%CB%C0%D1%D2%C8>
- 6 Based on the Armenian National Voter Study by IRI, the Gallup Organization, and American Sociological Association, with funding from USAID, 2006, 2007, 2008.
- 7 For more information on the surveys, see [www.iri.org/news-events-press-center/news-iri/show\\_for\\_country/1690](http://www.iri.org/news-events-press-center/news-iri/show_for_country/1690)