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The Southern Caucasus is turning into a Russian playground

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Tension has been rising in the Southern Caucasus over the past few months. This is primarily an effect of the upcoming presidential elections in Georgia and Azerbaijan (October) and the fact that another stage bringing the region closer to the European Union is approaching finalisation. This move towards the EU is to be symbolised by the Eastern Partnership summit in Vilnius (November) and the initialling of the Association Agreements between the countries from this region and the EU. The process of determining the final shape of the Southern Gas Corridor, a strategic project for the EU, is also underway.
These processes have resulted, on the one hand, in increasing Russia's anxiety about the security of its interests in the region and, on the other, fears from the countries of the Caucasus about the intentions of the Russian policy and (due to their internal situation as mentioned) their increased vulnerability to Russian ploys. Over the past few months, Moscow has been taking action to strengthen this feeling: suggesting it could back the opposition in Azerbaijan, generating tension in the energy sector (the broken agreement on oil transit from Baku) and putting gas tension on Armenia (gas price rise). It should be expected that Russia will continue to undertake measures aimed at generating tension in the region and to thus impede bringing it closer to the West and may put a shadow over the Vilnius Eastern Partnership summit.

The states of the Caucasus vs. Russia

The actions taken by Russia are seen in Azerbaijan as hostile and posing a threat to the established system. Baku fears that Moscow is ready to provide support to opposition circles in Azerbaijan ahead of the presidential election. The formation of the so called Billionaires' Union is one sign of this. This is an Azerbaijani diaspora organisation in Russia, which was established as an alternative to that controlled by Baku, and has direct personal links with the Azerbaijani opposition. Azerbaijan's government also fears that ethnic minorities (Lezgians) and the opposition could be used in these games with the intention of destabilising the internal situation, especially given the rising tension among the public and the government elite ahead of the presidential election.

In this context, both Russia's termination of the agreement on the transit of Azerbaijani oil via the Baku–Novorossiysk pipeline on 5 May and the manner in which it was terminated (the Azerbaijani side found this out from the press) are being interpreted in Baku as an

element of pressure and criticism of Azerbaijan's energy policy, which is oriented at close co-operation with Turkey and the West. Additionally, the unresolved conflict over Nagorno-Karabakh remains Russia's traditional means to put pressure on Azerbaijan. It seems that Russia is not interested in any change in the Azerbaijani regime; its intention is rather to discredit the government elite on the occasion of the presidential election, and thus weaken the social legitimacy and the political position of President Ilham Aliyev. This would make the energy dialogue between Azerbaijan and the EU more difficult and thus adversely affect the implementation of the Southern Gas Corridor. Russia has had this aim since the emergence of this project.

In the case of Georgia, Russia has adopted a 'wait and see' stance, capitalising on the mistakes and the lack of a clear political vision from the new government team linked to Bidzina Ivanishvili. The relentless political struggle in Georgia between Prime Minister Ivanishvili and President Mikheil Saakashvili serves Moscow's interests (its most recent manifestation was the arrest of Vano Merabishvili, a key opposition politician, former prime minister and minister of internal affairs). One effect of this is that Georgia's pro-Western orientation is being challenged. The announcements that Russian gas imports via Georgia could be resumed are also in Moscow's interests, as is – in broader terms – calling into question the previous strategic political and economic co-operation between Tbilisi and Baku, which is of key significance for the transit of Azerbaijani oil and gas to the West. This also adversely affects the way Georgia is perceived in the West.

As regards Armenia, there is no risk that its strong political, economic and security bonds with Russia could be broken. Armenia is partly isolated in the region and has very limited room for manoeuvre in international politics. It furthermore has no other alternative but to maintain its alliance with Russia, and the present government has weak public legitimacy, as was laid bare during the presidential election this March. At the same time, from Moscow's point of view, Yerevan's search for alternative economic co-operation partners (including the promise to issue Eurobonds to pay off debt to Russia) and the fact that it is distancing itself from Russian integration projects (the Customs Union and the Common Economic Space) could put Russian interests at stake. Moscow has demonstrated its ability to influence Yerevan by announcing an extreme, almost 70 percent, gas price rise for individual recipientsconsumers, which had been threatened already before the election (Russia's Gazprom controls the Armenian gas company ArmRosGazprom). It cannot be ruled out that the intention behind Russia's pressure on Armenia is aimed at impeding its dialogue with the EU, including the initialling of the Association Agreement and the Deep and Comprehensive Free Trade Area (DCFTA) agreement with the EU during the Vilnius summit. Initialling the Association Agreement contradicts the plans of Armenia's accession to the Customs Union and Moscow has been seeking this for a long time now (Armenia signed a memorandum on co-operation with the Customs Union in April this year).

The outlook for the future

At present, all the countries of the Southern Caucasus are facing internal problems and regional tensions, which *per se* is a challenge for them. This is also making them increasingly susceptible to external pressure. At the same time, another stage of tightening co-operation between the Caucasus and the EU is coming to an end. This stage is to be capped with the Vilnius summit and the initialling of a package of documents which formalise the existing co-operation and define its further conditions. Further stages in the implementation of the Southern Gas Corridor concept are also approaching finalisation. From Moscow's perspective, impeding these processes – or, even better, slowing them down – is of key significance. To this end, it has been putting constant pressure on the government elite groups and making attempts to add fuel to the flames of the internal situation in the countries in this region.

In this context, it cannot be ruled out that Russia will take further action in the coming months to foment tension in the region. The upcoming elections in Georgia and Azerbaijan will offer a perfect opportunity for this.