

The New Geopolitics of the South Caucasus

Prospects for Regional Cooperation and Conflict Resolution



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Introduction

It has been exactly twenty-five years since the Soviet Union officially came to an end on December 31, 1991. Following the USSR's disintegration, all its constituent republics -- including the three located in the South Caucasus, Azerbaijan, Armenia, and Georgia -- became independent states. After gaining their independence, these new states faced daunting challenges of building new economic and political systems and developing frameworks for interacting with their neighbors and other international actors. Because the development of their sense of nationhood and statehood had been stunted as a result of Russian/Soviet domination for nearly two hundred years, they needed to forge new national identities. They also required new value systems to replace those of the Soviet era and underpin their post-Soviet economic, social, and political structures.

Given the magnitude of their challenges, during the last quarter of century, the South Caucasian states have made considerable progress in establishing functioning economic and political systems more in line with principles of open economies and democratic politics. They have become independent actors on the regional and international scenes, and their policies and choices have influenced the political dynamics of the South Caucasus and the neighboring regions. In turn, the South Caucasian states have become important factors in the political calculations and policies of key international and regional players. The approaches and policies of these external players towards the region have considerably impacted the shaping the political dynamics of the South Caucasus and the neighboring areas, and even the domestic evolution of South Caucasian republics.

Despite their achievements, the South Caucasian states have not yet developed efficient and self-sustaining economies capable of providing decent living conditions for their people. Nor have they established well-functioning and participatory political systems, capable of guaranteeing their people's basic rights. And they remain vulnerable to the actions and policies of key regional and international players, and often find it difficult to effectively navigate the treacherous waters of international politics.

Many factors have contributed to the South Caucasian states' shortcomings on these fronts. Some of them relate to those states' historical, cultural, geographic, and demographic characteristics, including their peculiar ethno-religious makeup, their resource bases, and the legacy of the Soviet era. Other factors include the character of regional and international environments and the policies and actions of key regional and international players. In other

words, they are related to the character of the international political system and its changing dynamics. The negative impact of the latter factors has not been equally felt by all states. Some of them have benefitted from systemic forces, at least temporarily and mostly in economic matters, while others' options have been severely limited by the shifting dynamics of international politics.

Time to Take Stock

The twenty-fifth anniversary of the South Caucasian states' independence seemed an appropriate juncture to consider the record of their success and failure, to analyze the causes behind this balance sheet, to explore ways for them to avoid past mistakes, to discern the most likely directions of their evolution, and to identify the most influential factors on their trajectory. Such a review of the past might also help key regional and international actors to devise less self-centered policies that could help regional states in their process of development, to contribute to the resolution of outstanding conflicts, prevent the emergence of new disputes, and eventually even encourage regional cooperation beneficial to all.

By 2015, because of the shifting geopolitical dynamics of the region following several significant international and regional developments, such an exercise had become especially necessary and timely. These developments included: the signing in 2015 of the Joint Comprehensive Plan of Action (JCPOA) between Iran and the five permanent members of the United Nations Security Council (plus Germany) about Iran's nuclear program; deteriorating Russian-Western relations; growing political uncertainties in Turkey following a failed coup attempt in July 2015; the fluctuating dynamics of Turkish-Russian and Turkish-Western relations.

The Project

To draw lessons from the past in order to improve future performance, Dr. Shireen Hunter, a Research Professor at Georgetown University's Edmund A. Walsh School of Foreign Service, undertook a project focused on the new geopolitics of the South Caucasus, supported by a grant from Carnegie Corporation of New York. The project had five main objectives: examine the record of the last quarter century; derive lessons learned from it; discern the future trajectory of the region's developments and the factors most likely to contribute to them; and explore ways in which the region could be nudged in more positive directions and towards less strife and more cooperation.

One component of this project was the holding of a one-day meeting on October 28, 2016, with the participation of experts from the regional states, Russia, the United States, Turkey, Iran, and the European Union. These experts presented papers on the current economic and political status of the three regional states and discussed the factors that have contributed to the present situation. Other experts from the United States, Russia, the EU, Iran, and Turkey discussed and explained the policies of neighbors and great powers towards the South Caucasus and their impact on both individual countries and on the broader political, economic, and cultural dynamics of that region. Other participants included experts from think tanks, former American

diplomats who had served in the region, former ambassadors from the region that had served in the United States, and other regional experts.

This report is a distillation and summary of these presentations and the general discussion as well as the findings and prognoses of the participants. Later an edited volume incorporating various papers and offering more detailed analysis will be published by early 2017.

I wish to express my thanks to Carnegie Corporation of New York, which enabled me to undertake this project. I hope that the report and the forthcoming book will contribute to better understanding of the South Caucasus and the factors that continue to affect its evolution.

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Post-Independence Economic Performance

Twenty -five years after their independence, the three South Caucasian countries have failed to develop sufficiently diversified economies – including a viable private sector with new industrial and other ventures – that could guarantee a sustainable economy and provide decent living conditions for most of their people. All three countries still suffer from high levels of poverty and large income disparities. The urban-rural divide remains stark.

In terms of improving living conditions, Azerbaijan has had the best record. The country has managed to increase substantially the size of its middle class and reduce sharply the number of those living at or below the poverty line. Azerbaijan’s success has been almost entirely due to its large energy resources. These energy revenues have financed nearly all its economic activities as well as its efforts to reduce poverty levels.

Azerbaijan’s over-reliance on energy resources has its drawbacks, including a vulnerability to fluctuations in the price of oil. In fact, because of a sharp fall in global oil prices, Azerbaijan’s economic growth had stalled by 2015-6, leading to a devaluation of the country’s currency, the manat. Azerbaijan always faced the long-term challenge of transiting to a post-oil boom economy. However, the sharp drop in the price of oil has brought this challenge forward by nearly a decade.

Additionally, the country suffers from a relatively high rate of real unemployment, as opposed to official statistics, especially in rural areas, which translates into more poverty in the countryside. Yet, despite contributing only 5% of Azerbaijan’s GDP, the agricultural sector still accounts for 37% of all employment. Because of high population growth, Azerbaijan’s unemployment problem is likely to worsen in the future, unless oil prices recover and lift the economy. However, even an oil-generated recovery will not be enough to correct the country’s structural unemployment and underemployment problems, such as those related to agriculture.

The situation in Armenia and Georgia is not much better. Nearly one-third of Armenia's population lives at or below the poverty line, and the situation is nearly the same in Georgia, especially in rural, mountainous, and isolated areas – even though both countries have experienced periods of high economic growth. Georgia is expected to register positive growth rates in the coming year. Both countries also have unemployment and underemployment problems. In Georgia, the agricultural sector is still the highest source of employment, at 53% of the working-age population. In Armenia, 39% of the workforce is engaged in agriculture. The economic problems of these two countries are partly due to their poor resource base, including their dependence on the import of energy.

All three countries register high income disparities, with Georgia having the highest rate. In Georgia's case, the large number of people still engaged in fairly primitive and almost subsistence-level agricultural activity is a primary cause of vast economic disparities, including between rural and urban centers, and among different regions. A small percentage of the population in all three states – indeed just a few individuals or families – dominate the economy and own most of the national wealth. The existence of these monopolistic and oligopolistic structures also acts as a major barrier to economic reform and the establishment of a strong private sector. Reforms often tend to clash with the parochial interests of such groups and individuals who in turn prevent their implementation.

Politics and Governance

Progress towards establishing functioning and at least relatively free and fair political systems and institutions capable of guaranteeing their people's basic human rights and liberties has also been quite disappointing, albeit to varying degrees in the three states.

In this respect, Azerbaijan has the worst record. The country's political system is similar to a hereditary dynasty under the guise of a republic, with power being vested in the Aliyev family. Haidar Aliyev ruled the country from 1993 to 2003 before passing on the presidency to his son Ilham, who has ruled ever since. A cult of personality has also developed around the Aliyev family, which attributes special virtues to Haidar Aliev and his descendants. Should Ilham's son succeed his father, as a constitutional revision now makes possible, the system could be turned into a *de facto* monarchy of the more authoritarian and absolutist rather than constitutional type.

Parliamentary elections in Azerbaijan are hardly ever fair or free, and allegations of rigged elections are rampant. Opposition parties, meanwhile, are weak and ineffective. Violations of human rights, including a disregard for freedom of speech and press and, at times, even religion, are frequent. In the last several years, the authorities have arrested journalists as well as human rights and political activists.

The situation in Armenia and Georgia is only marginally better. In Armenia, opposition parties routinely accuse the government in power of election rigging. In the past, mistrust about the fairness of elections has resulted in demonstrations and even violence. It has also contributed to the polarization of public opinion that is not conducive to a well-functioning democracy.

Human rights conditions in Armenia are also far from satisfactory. Many people complain of limits on freedom of press and expression, as well as the often-heavy-handed police treatment of protesters. However, Armenian civil society has grown quite mature, and the people's interest in various aspects of national life has intensified. As a result, they have scored some success in protecting the environment and historic and cultural heritage. The growth of civil society also indicates the political maturation of Armenian people, which is a good omen for the future strengthening of the country's political institutions and accelerated movement towards more democratic politics.

In Georgia, mistrust of the country's power structure and political leadership led to a popular revolution in 2003 – the Rose Revolution. Although implementing certain reforms, the party that formed the government following the uprising also tried to consolidate all power in its own hands. This development caused popular discontent and eventually led to a change of government in 2012. Since then, however, Georgia has made considerable advances in ensuring fair elections at local and national levels. Georgia's record on human rights is also relatively good, and there haven't been any high-profile cases of human rights abuses. However, many complain of politically motivated harassment and imprisonment, and police brutality.

Causes of Economic and Political Deficiencies

The following factors partly explain the largely poor record of the South Caucasian states' economic and political performance.

Historical/Cultural Factors and the Soviet Legacy

Despite their long history, the three South Caucasian states lack a sustained experience of independent statehood and even, to some degree, nationhood. During most of their history going back to antiquity, they had been part of various empires. Their efforts to establish independent republics following the end of World War One in 1918 was very short-lived. By 1921, they had been incorporated into the newly forming Soviet Union.

The various empires and kingdoms that dominated the South Caucasus left their cultural imprint on the region, creating diverse patterns of sympathy and enmity among the region's population towards neighboring states and peoples. Moreover, the location of the South Caucasus at the crossroad of major human movement, from the Indo-Iranians and Arabs to the Turks and Russians, has resulted in a very intricate ethnic, linguistic and sectarian map, with considerable potential for strife. These differences have already led to several conflicts that have drained the resources of these states and undermined their development prospects.

The legacy of the Soviet era has weighed most heavily on the South Caucasian republics and had the most influence on their post-independence evolution. After all, despite the fiction of its being a federation of independent republics, the USSR was run as a single country in terms of economic planning and rules of governance. For instance, the economies of various republics were not geared towards creating fairly self-sustaining and diverse systems. Rather, each republic

was merely a link in the long chain of agricultural and industrial production that met the needs and requirements of the entire Union, with each republic assigned a particular task. The largest part of trade was also within the Union. Because of this excessive interdependence, the USSR's disintegration entailed severe economic decline and pain for the new South Caucasian states. It took them nearly a decade to restore their economies to 1989 levels. Furthermore, because of the USSR's command economy these republics lacked a private sector and even the rudiments of a market economy.

In short, the economic legacy of the USSR and the economic shock produced by its disintegration handicapped the South Caucasian states post-independence economic development. Meanwhile, the various networks of economic influence at both the federal and republican levels survived the Soviet Union's collapse. In time, they morphed into corrupt local oligarchies or economic monopolies, which have slowed economic reforms and contributed to current economic difficulties and shortcomings. This factor also partly explains why a few families or individuals still dominate the economic life of the three states.

Armenia and Georgia were also held back by their lack of adequate natural resources, especially energy, and their small populations (hence their small domestic markets).

Political Development and Governance

History and culture have made the transition of the three South Caucasus states to law-based methods of governance and democratic practices with well-functioning political institutions very difficult. The political cultures of these societies have long been based on the veneration of powerful individuals, whether kings, emperors, or the secretary general of the Communist Party. This tendency to link national fate to strong and/or charismatic leaders, rather than to viable institutions, has survived into the post-independence period.

Moreover, because of the essentially dictatorial character of the political systems they had experienced, these republics lacked a culture of dialogue and give-and-take and respect for human rights and individual freedoms when they became independent. Because of their domination by Russian and Soviet empires, these states had not even experienced the rudimentary experiments with parliamentary politics of their neighbors Turkey and Iran. Their only experience was the short-lived republican period between 1918-1921. Therefore, upon independence, they had to learn the basics of establishing democratic political systems, even how to conduct an approximation of free and fair elections. Also challenging was the development of a culture of dialogue and respect for individual freedoms.

The Messy Process of the USSR's Disintegration and Its Consequences

The reforms initiated by Mikhail Gorbachev beginning in 1987 eventually led to the Soviet Union's dissolution and had several negative consequences on the South Caucasian states' post-independence development. One outcome of the reform process and the USSR's gradual disintegration was the outbreak of separatist and nationalist movements within the union,

including in the South Caucasus. In certain cases, the rise of these movements led to inter-ethnic disputes and even armed conflicts such as the Armenian-Azerbaijani dispute over Nagorno-Karabakh and the separatist movements in Georgia's South Ossetia and Abkhazia. These conflicts entailed significant material and human costs, and deepened existing cleavages both within regional countries and between neighbors, notably Armenia and Azerbaijan. For two decades now, these so-called frozen conflicts have posed a security threat to regional states and potentially to neighboring countries as well, including Russia. Minor incidents, intentional or otherwise, could unfreeze these conflicts, as happened in April 2016, when a four-day war—broke out between Armenia and Azerbaijan.

The conflicts and rivalries that Gorbachev's reforms generated within the top Soviet political leadership were also reflected at the republican level. Each republican group had its allies in Moscow and they were in fierce competition with one another. These conflicts carried over to the post-independence era. By manipulating actual and/or potential inter-ethnic conflicts and rivalries, these competing factions exacerbated these tensions. They might have even contributed to the outbreak of armed conflicts, as in Nagorno-Karabakh as well as South Ossetia and Abkhazia.

The Impact of Conflicts

The so-called frozen conflicts have had seriously negative consequences for the South Caucasian states' economic and political development. From an economic perspective, by diverting funds to military expenditures, they have deprived economic and social sectors of needed resources. This has dearly cost Armenia in particular, for it has been forced, despite limited financial resources, to maintain a rough military balance vis a vis Azerbaijan. Conflicts in Ossetia and Abkhazia have been an economic burden on Georgia. The only country with adequate resources so far to finance both military expenditures and investment in economy and social welfare has been Azerbaijan. But it, too, could face a dilemma in the not-too-distant future.

The impact of these frozen conflicts on the trajectory of South Caucasian states' political development has been even more negative. They have tended to foster excessively nationalist and ethno-centric mindsets. In turn, this trend has contributed to the extreme "*otherization*" of neighbors and even national minorities. In Azerbaijan, for example, the conflict with Armenia has strengthened an excessively Turko-centric national identity, which has alienated non-Turkic minorities and exacerbated disputes with Armenia. In Armenia, the conflict has strengthened extreme nationalist feelings, contributing to intra-elite rivalry and the polarization of domestic politics. The conflicts have pushed security matters to the top of national agendas, thus securitizing issues that normally should not be so. For example, ordinary dissent on political issues or anything related to these conflicts has been elevated to matters of national security. Moreover, the securitization of mundane issues has enabled political leaderships to justify repressive measures by arguing that open dissent could embolden the enemy. In this way, they have contributed to the growth of authoritarian tendencies. These conflicts have also made people more willing to accept limits on their freedoms for the sake of national security. Finally,

the frozen conflicts have presented opportunities for external actors, both regional and international, to manipulate these disputes and influence internal political dynamics to their own advantage.

The Impact of Policies of Regional and International Actors

The evolving character of post-Cold War international politics has not helped the South Caucasians states' economic and political advancement. Despite hopes for a more cooperative world order, the end of the Cold War did not stop either inter-state rivalries or states' desires to maximize their own economic and political gains. Because of its geopolitical location near both Russia and the Middle East, along with its considerable energy resources, the South Caucasus became a major arena of regional and international competition.

The Persistence of Russian Interest

The end of the USSR did not mean the loss of Russian interest in the South Caucasus and its political development. The region's proximity to the Russian Federation's southern provinces, including the North Caucasus, along with the overlapping of some of the region's peoples with those of the Russian Federation, made them of significant and enduring importance for Russia's own security. The continued significance of the region for Russia's security also meant that Russia would endeavor to prevent the establishment of actively anti-Russian governments in these states, while trying to consolidate its own position and influence.

Similarly, the USSR's demise did not mean the end of Russia's desire to remain an important international player. In particular, Russia saw the former Soviet space as a special arena for its activism. Therefore, as early as the early 1990s, Russia was keen to reassert its influence in the former Soviet republics. For this purpose, it initiated several cooperative ventures in the economic and security fields, such as those aimed at creating Eurasian integrative structures like the Commonwealth of Independent States (CIS), the Collective Security Treaty Organization (CSTO), and the Eurasian Economic Union (EAEU.)

Russia's policies towards the South Caucasus have had mixed and uneven results for the evolution of regional states. In Georgia's case, Russia's approach has tended to exacerbate the country's problems of separatism. Russia's support of Abkhazian and South Ossetian separatists has led to the *de facto* separation of these parts of Georgia from the state. Russia's treatment of the Nagorno-Karabakh conflict has also been ambiguous. By and large, Russia has preferred the frozen status quo, which has enabled it to retain control over Armenia while also exerting a considerable degree of influence over Azerbaijan, despite periods of cool relations with that state. So far, the conflict has proven lucrative for Russia's arms industry; it has been selling arms to both Azerbaijan and Armenia. When there has been a serious risk of the conflict turning hot, however, Russia has tried to stop it, as it did in 2016, and thus has helped prevent regional tensions from getting out of hand.

The remittances sent back home by immigrant workers in Russia has helped South Caucasus economies. However, this connection has made these states vulnerable to the fluctuation in Russia's economic conditions, which often has resulted in shortfalls in those remittances.

American and European Policies

Western states, especially the United States, became influential actors in the post-Soviet space. Because of its geopolitical proximity to Russia and the Middle East and the considerable energy resources located in Azerbaijan, the South Caucasus became of special interest to the West. Therefore, the West tried to bring South Caucasian states into Western institutions and reduce their dependence on Russia. They were also keen to see post-Soviet states adopt Western values, forms of government, and economic practices. In short, although Russia offered these states a Eurasian integration project, the West presented them with a Euro-Atlantic alternative in the form of cooperative arrangements such as the Partnership for Peace within NATO and association agreements with the EU.

These competing visions of the future of the region were eventually caught up in the Russian-Western rivalry that resumed in the late 1990s. The West's desire to keep these states outside Russian-sponsored structures overshadowed their interest in seeing the implementation of economic and political reforms. In particular, the West tended to ignore when these states engaged in non-democratic behavior and violations of human rights. For example, because of its economic interests there and the country's pro-Western positions in the region and the Middle East, the West ignored Azerbaijan's drift towards authoritarianism. This stance might also have contributed to the West's neglect of Armenia, making it more difficult for that country to escape excessive Russian influence.

The Middle East priorities of Western countries, especially the United States, affected their approach to the South Caucasian states. The U.S. policy of containing Iran, together with its determination to sharply limit its interaction with these, as well as other, post-Soviet states, foreclosed certain options for the South Caucasian countries. By discouraging cooperation with Iran, the United States deprived energy-poor Armenia and Georgia of alternative sources of energy, perpetuated their reliance on Russia, and thus ironically served Russian interests. Even after the Baku-Tbilisi-Ceyhan pipeline began to bring Azerbaijan's oil to Georgia, that country needed energy imports from Russia, especially natural gas. This energy dependency increased Moscow's leverage over Tbilisi.

Moreover, the United States often rewarded any anti-Iran positions these countries adopted. Certainly, it tended to be more indulgent regarding such issues as human rights violations. Therefore, some regional states, notably Azerbaijan, used their anti-Iran posture to win a pass from the West on human rights violations and other non-democratic behavior. The same trade-off applied for adopting pro-Israeli positions. Azerbaijan skillfully used this factor. However, Georgia's pro-West and pro-Israel posture did not mean hostile relations with Iran,

although bilateral ties remained limited. These factors, plus Georgia's troubled relations with Russia, contributed to its consideration for membership in NATO.

Although Armenia was not particularly harshly treated because of democratic deficiencies, it was nevertheless kept out of many regional economic and energy schemes, partly because of its close relations with Russia and relatively good ties with Iran. However, Russia has also been reluctant to allow Armenia's relations with Iran to go beyond a limited point so that Moscow could retain its excessive influence in that country. For example, Russia has not favored the expansion of energy and transportation links between Iran and Armenia. The lack of such connections has negatively impacted Armenia's development prospects.

Ironically, the West's objectives regarding Russia and Iran often conflicted with one another. For instance, discouraging cooperation with Iran on energy only helped perpetuate some of these states' dependence on Russia for their energy supplies. However, as noted at the conference by a former member of a major oil company, decisions on pipelines and other energy-related projects were based on considerations of security and economic viability and not political calculations. Therefore, he argued, if some countries were not included in energy and pipeline projects, it was because of these considerations, especially the security of prospective pipeline routes. However, others have disputed this view and maintain that decisions on pipelines were mostly influenced by political considerations such as isolating and containing Iran, promoting Turkey, and reducing Russian influence.

Europe's interests in the region have also been largely limited to the energy sector. Although European countries and the EU have promoted ideas of democratic reform and offered assistance for countries to adopt freer economic and more democratic political systems, they have never become deeply engaged in the region. The European Union has had to deal with the East European countries' problems and prepare the way for their eventual membership in the Union. It has also faced challenges emanating from its southern borders in the Mediterranean and beyond.

Neither the United States nor Europe have been particularly active in conflict resolution, although both the United States and France are members of the OSCE's Minsk Group set up to bring about a solution to the Nagorno-Karabakh dispute. The conference paper dealing with the EU's policy towards the region identified one reason for this failure: the lack of a united EU position on the conflict. As co-chair of the Minsk Group, France essentially followed its own parochial interests, responded to some domestic pressures, and hence had a basically ambivalent and opportunistic approach towards the conflict. For instance, in dealing with Armenia, France tended to favor the principle of national self-determination as the basis for the resolution of the Karabakh issue, a posture that appeared to favor Karabakh's separation from Azerbaijan. Meanwhile, in dealing with Azerbaijan it leaned towards the principle of territorial integrity, which meant that it favored the return of the region to Azerbaijan. These conflicting messages were not helpful in encouraging the two states to be more accommodating, which could have made a compromise solution possible.

Worsening Russian-Western Relations

The Russian-Western rapprochement began after Gorbachev's reforms and reached its peak during the first few years of Boris Yeltsin's presidency following the USSR's disintegration. This rapprochement lasted only a short time, and by the mid-1990s strains appeared in their relations. By the end of the 1990s, strategic competition was resumed, and in the following decade and beyond relations followed an essentially downward trend.

A major cause of Russo-Western tensions, especially regarding the South Caucasus, has been Russia's perception that the West does not adequately appreciate its security concerns in the region. Consequently, the West and especially the United States tend to view Russian efforts to protect its own security and even territorial integrity as proof of its neo-imperial ambitions in the South Caucasus and, indeed, in the rest of the post-Soviet space. Over time, Russia has also grown suspicious of the real purpose of Western promotion of democratic values, free economies, and respect for human rights in the former Soviet republics. It believes that through such policies the West has tried to put in power anti-Russian governments in South Caucasian and other post-Soviet republics. Thus, it has viewed the development of popular movements, such as various so-called color revolutions in places like Ukraine, Kyrgyzstan, and Georgia, as sponsored by the West to weaken Russia's position in these regions.

In general, Russia believes that the West wants to exclude it from the South Caucasus. Certain Western statements have reinforced this belief such as NATO's pledge in 2008, repeated in 2016, to make Georgia an eventual member of the Alliance. Russia interpreted this talk as indication that NATO intends to surround Russia not only in its European neighborhood but also on its southern borders.

This Russian perception led Moscow to support the South Ossetian separatists militarily, which led to an eight-day war with Georgia in 2008. Russia believed that the West had encouraged Georgia to attack South Ossetia in order to embroil it in a proxy war with the West. Much to Georgia's dismay, Western powers did not respond militarily to Russia's use of force. Nevertheless, Russo-Western relations severely deteriorated in the following years. They reached a particularly low point with Russia's annexation of Crimea in 2014 and its involvement that year in the civil war that erupted in Ukraine following the fall of the government of President Viktor Yanukovich, because of popular protests known as the Euro-Maidan revolution.

The West saw Russia's action in Georgia as proof of its neo-imperial policies in the post-Soviet space. By contrast, as noted by the expert from Russia at the meeting, Moscow saw its actions in Georgia as defensive. He added that the West did not believe that Russia would intervene in Georgia and therefore was shocked when it happened. But the West should have been neither surprised nor shocked. Russia had seen its position in Georgia weaken and was determined to stop any further erosion of its influence. Moreover, Russia was concerned about the spillover of ethnic conflicts in Georgia to its own ethnic minorities in the North Caucasus.

Regardless of the parties' real motivations, the Russian-Georgian war did not help either Russia or the West and least of all Georgia. Russia's relations with Georgia remain tense, complicated further by the problem of two unviable *de facto* independent states within Georgia. Meanwhile, because it did not respond to Russian actions, the West's credibility declined as a reliable ally and protector. Many Georgians resent the failure of the West to stand up to Russia. They believe that this Western passivity contributed to later Russian actions in Ukraine. However, had the West reacted militarily to Russia, the risk of a broader conflict would have been very real.

In general, Russo-Western tensions have not helped the cause of peace and stability in the region. The lack of cooperation by the two sides has only complicated the resolution of conflicts. These tensions have also led to the polarization of regional politics along the lines of pro-Western and pro-Russian states. This has made it more difficult for regional states to pursue a balanced foreign policy that allows for reasonably good relations with both parties. For example, Armenia has found it more difficult to follow such a strategy of "complementarity" in its foreign policy. Meanwhile, Georgia's pro-Western stand has made it vulnerable to Russian pressures. So far, only Azerbaijan seems to have been able to navigate reasonably well between these two poles. Finally, the polarization of the region along pro-Western and pro-Russian states has undermined prospects for regional economic and political cooperation.

Regional Actors

The geopolitical dynamics of the South Caucasus have also been influenced by the policies, ambitions, and rivalries of key neighboring and Middle Eastern actors.

Turkey: Its Policies and Their Impact

Following the independence of the South Caucasian states, Turkey became an influential actor in the region. Its historical links to the South Caucasus, its linguistic ties with Azerbaijanis among others, plus its religious affinities with the region's Sunni Muslims contributed to Turkish regional activism and influence. However, the most important factor behind Turkey's success was that it had the full support of the West for its regional role. The West promoted Turkey as a model to be emulated by post-Soviet republics and as its main intermediary for interaction with them.

However, some aspects of Turkey's ambitions in the South Caucasus and more broadly in the post-Soviet states complicated regional politics and made resolution of outstanding conflicts, especially that over Nagorno-Karabakh, more difficult. Turkey's ambition to simultaneously become the center of a new version of Eurasia and the leader of a global Turkic community, plus its efforts to limit any potential Iranian influence, led it to adopt a highly one-sided posture on the Nagorno-Karabakh conflict that favored Azerbaijan. Turkey went as far as closing its border with Armenia. This aspect of Turkish policy intensified Armenia's sense of isolation and exacerbated its internal polarization, making it more difficult for it to accept a compromise solution for the Nagorno-Karabakh dispute. Turkey's policy of linking an eventual normalization of relations with Armenia to the latter's withdrawal from Azerbaijani territories added to Armenia's sense of entrapment. It also made Turkish policy towards Armenia hostage to

Azerbaijani manipulations, as the latter tended to sabotage efforts at Armenian-Turkish reconciliation, as happened in 2009. This aspect of Turkish policy also enabled Russia to tighten its hold on Armenia. Meanwhile, the West either could not or would not insist that Turkey delink relations with Armenia from the question of Azerbaijani territories under Armenia's control.

Turkey's competition with Iran, its promotion of Turkic unity, and even, to some extent, Pan-Turkic sentiments, contributed to Azerbaijan's excessively Turko-centric identity-building. This posture exacerbated Azerbaijan-Iran tensions and increased Armenia's sense of being surrounded by a Turkic world larger than merely the Republic of Azerbaijan. In view of Armenia's historical experience with Turkey, in particular the issue of the Armenian Genocide, this close Azerbaijan-Turkey identification has not help promote conflict resolution and regional cooperation.

Iran

At the time of the USSR's disintegration and the emergence of independent states in the South Caucasus, Iran had barely emerged from a devastating eight-year war with Iraq and had just completed the process of transition to the post-Khomeini era, following Ayatollah Rouhollah Khomeini's death in June 1989. At the time, Iran was focused on domestic issues, especially its post-war reconstruction and political consolidation. Largely under the influence of its president, Akbar Hashemi Rafsanjani, Iran was trying to moderate its foreign policy and even reach out to the West, including the United States. Iran's other major concern was to keep its relations with Russia stable and avoid any behavior that could disturb or antagonize Russia.

Given its relatively long borders with Azerbaijan and Armenia, Iran was principally preoccupied with how to prevent disturbances in the South Caucasus from spilling over into its own territory. As a result, in contrast to its ideology-laced and activist policy in the Middle East, Iran adopted a low-profile, cautious, and pragmatic policy of maintaining non-hostile relations with all three republics and helping resolve the outstanding conflicts. In 1992, it tried to mediate the Nagorno-Karabakh conflict, but its efforts were scuttled by Turkey and the United States, some Armenian actions, and Azerbaijan's ultra-nationalist, Pan-Turkic, and anti-Iran elements. Iran subsequently tried to maintain a balance in its relations with Azerbaijan and Armenia, with possibly a preference for Armenia, largely because of the Republic of Azerbaijan's irredentist claims towards its province of Azerbaijan and its support—together with Turkey-- for separatists there.

Iran's policy towards the region has been free of any nostalgia for the past, even though parts of the region, notably the Republic of Azerbaijan, were until 1828 part of Iran. Nor has Iran pursued a Pan-Islamist or Pan-Shia approach towards the region, despite the existence of large Shia communities in Azerbaijan. It did not seriously try to leverage its religious links with the region's Shia population, notably in Shia-majority Azerbaijan, at least not openly or extensively, despite being periodically accused by Azerbaijan of doing so. Nevertheless, at times, its appeal to

the region's Shia populations, coupled with Azerbaijani government's anti-Shia positions, tended to exacerbate sectarian tensions there.

Despite this pragmatic approach, Iran's impact on regional developments has been quite limited, mainly because of the American policy of containing Iranian influence in the post-Soviet space. Iran was kept out of regional energy schemes and was prevented from establishing other connections with South Caucasian states. Yet, a stronger Iranian economic presence in the region could have acted as a counterweight to Russia, help ease Armenia's geographic isolation, and possibly help in conflict resolution, especially regarding Nagorno-Karabakh. Engaging Iran in regional schemes as an incentive might have even helped its domestic and foreign policies, including its approach to Middle East problems, evolve in a more moderate direction, and possibly even help improve its relations with the West.

In sum, Iran's policy towards the region has largely been defensive, non-ideological, realistic, free of romanticism, and pragmatic. However, because it was kept out of the region, the potentially positive impact of this approach was not felt in regional developments.

Middle East Actors and Politics: Increasing Interconnection

For more than two hundred years, Russian control over the South Caucasus, both under the Tsars and the communists, isolated it from neighboring areas, including the Middle East. Those Middle East ties were religious, cultural, and even ethnic and linguistic. Additionally, Moscow's control of the USSR's external relations deprived its constituent republics, including those in the South Caucasus, from having an independent foreign policy and maintaining diplomatic representations abroad. Their only role was on occasion to help advance the USSR's foreign policy goals, for example when Soviet Muslims served as ambassadors to Muslim states. In other words, the USSR's constituent republics were largely shielded from the influence of intellectual and political developments in their neighborhood and other parts of the world, including the Middle East. By the early 1980s, however, the Soviet-Afghan War had dented the protective wall surrounding these republics.

The collapse of the USSR ended the South Caucasian states' isolation from regional and global developments and influences. They became independent states and autonomous actors at the regional and international levels and thus of interest to other regional and international players. Because of their proximity to the Middle East, plus their religious links with Middle East states, the South Caucasus became a factor in the political calculations of neighboring regions. In turn, the countries of the South Caucasus sought to use Middle Eastern states to balance larger and more powerful neighbors and advance their own national, regional, and international goals.

For example, Israel has used Azerbaijan as part of its strategy of pressuring Iran, as well as a source of energy supply and export market for its military hardware. Meanwhile, Azerbaijan has used Iran's difficult relations with the West and Israel to enhance its own importance both regionally and internationally. Georgia, too, established good relations with Israel, partly to gain influence in the United States. Arab states, notably Saudi Arabia, also became engaged in the

region as they tried to enlist Azerbaijan in their competition with Iran. By contrast, caught in a war with Azerbaijan and facing a Turkey that has sided completely with Azerbaijan, Armenia tended to favor better relations with Iran.

The region, especially its Muslim-inhabited areas, also became vulnerable to political and religious ideologies emanating from the Middle East. The most potentially destructive of these influences has been Salafi-inspired Islamic militancy, particularly the so-called Islamic State (IS). However, such tendencies existed as early as the early 1990s and played a significant role in the Chechen wars and other conflicts and terrorist acts in the North Caucasus. Their activities even extended as far as Russia's major cities. By the late 1990s, pockets of Salafi militancy had developed in the South Caucasus, partly because of the Chechen war. Initially, states like Azerbaijan saw these groups as a counterweight to their Shia population and to Iran's influence, and therefore did not interfere with their activities. As the influence of such ideologies and groups has increased, Salafi-inspired extremism now poses serious threats to the security of regional states, especially those with Muslim populations. In the last decade, the Middle East region's rising sectarian tensions between the Sunnis, especially the Salafis, and the Shias have exacerbated similar tensions in the South Caucasus, notably in Azerbaijan. Volunteers from South Caucasus' Sunni and Shia populations have fought in the Syrian civil war on opposite sides.

Equally significant in terms of impact on the evolution of regional political dynamics has been the tendency of some key international actors, such as the United States and some European states, to see the region through the prism of Middle East politics and to shape their policies towards the region accordingly. For example, the West's desire to limit Iran's presence in the region led it to promote an excessively prominent Turkish role in the South Caucasus. Although welcomed by some regional states, this approach increased the anxieties of others. For the same reason, the West has by and large favored Azerbaijan, despite periodic disagreements over human rights.

Growing linkages with the Middle East have tended to complicate the region's politics. By exacerbating sectarian tensions, such linkages have had a divisive influence on domestic conditions in the South Caucasus states and caused dilemmas for their foreign policies.

Outlook: The Domestic Context

The short-term outlook for the direction of South Caucasian states' economic and political evolution is mixed. The chances of a significant economic uptick are not very strong, at least in the short term. Reduced oil prices and Russia's economic difficulties have dimmed prospects for economic growth. Moreover, all three states face significant structural problems and challenges that have proven difficult to correct. Even a resource-rich state such as Azerbaijan will face a difficult transition to a post-oil-boom period. However, if oil prices recover, its economic prospects might brighten, although its long-term challenges will remain significant.

Without noticeable economic improvement, the risk of social unrest will remain. Politically, those states that have even a rudimentary system of leadership change through

elections are likely to fare better. However, excessive polarization of public opinion could make the peaceful and legitimate transition of power more difficult. Election results might be contested and lead to confrontation. In places like Azerbaijan, where power is highly personalized and concentrated in one family, transition might prove difficult and thus increase the risk of further drift towards authoritarianism.

Regional and International Context

The evolution of regional and international politics will also impact the political dynamics of the South Caucasus. In this context, the following issues are especially important.

The Fate of the Iran Nuclear Deal

What happens to the Iran nuclear deal and US-Iran relations more generally will have a considerable impact on the evolution of the South Caucasus' political dynamics. A US decision to end the deal, coupled with a return to excessively hostile and confrontational relations between America and Iran, would complicate regional states' policy choices and adversely affect prospects for broader regional cooperation and conflict resolution.

Should the Donald Trump administration decide on a policy of increased pressure on Iran, possibly even resurrecting the so-called military option *vis-à-vis* that country, the security conditions of the South Caucasian states would deteriorate. A US-Iran confrontation would have negative consequences for the regional states, with some even pressured into helping the United States by allowing their territories to be used for launching military strikes against Iran. In such an eventuality, they would become vulnerable to the spillover of a US-Iran confrontation. Such a situation would be very damaging not only to Armenia, reinforcing its physical isolation, but also to Azerbaijan, which shares many religious and ethnic ties with Iran. The latter could face the difficult choice of either refusing to help the United States and thus incurring its wrath, or taking part in military action against Iran, which could harm Iranian Azerbaijanis and also pose the risk of internal turmoil or retaliation by Iran or both. However, if the JCPOA survives and Iran's relation with the US becomes less hostile over time, many opportunities for regional cooperation could emerge. A possible example could be transport and energy cooperation among Iran, Armenia, and Georgia, which could extend to Azerbaijan, provided the Karabakh issue is resolved. A more constructive engagement by Iran in the region would diminish the polarization of the South Caucasus by competing coalitions and create a better environment for more inclusive cooperation schemes.

Turkey's Domestic Evolution, and Its Shifting Foreign Policy

The evolution of Turkey's domestic and foreign policies will also have significant ramifications for the South Caucasian states. In the post-Soviet era, the West held up Turkey as a model for the post-Soviet states to emulate, fully supporting Turkey's regional role and its function as a conduit through which Western values could be transmitted to these states.

During the early years of these states' independence, this approach made sense, although Turkey's leadership claims contributed to a degree of regional polarization and the formation of rival informal groupings. Turkey was a secular country intent on modernization and with aspirations to join the European Union. However, by the mid-1990s, significant cultural and political changes had altered the cultural and political landscape in Turkey. The most important of these changes was the growing influence of Islam and the rise of a new political party with roots in Turkey's earlier Islamist political parties, namely the Justice and Development Party (*Adalat va Kalkinma Partisi-AKP*.)

Initially, the party, which gained power in 2003, portrayed itself as a modernist party committed to secularism, democracy, and Turkey's eventual integration in Europe. It implemented certain judicial and political reforms, including the severe curtailing of the power of the military. The EU in particular welcomed these reforms as indispensable for Turkey's eventual admission to the Union.

However, under the guise of democratic reforms, including greater freedom of choice regarding female attire, the AKP-led governments gradually diluted the country's Kemalist secular values and culture and helped to raise Islam's profile and role in Turkish society and politics. Islam's rising political influence also affected Turkey's foreign policy outlook. Ankara began to show more interest in Middle East developments and more willingness to intervene directly in Middle East conflicts and disputes, such as those in Syria, Iraq, and Egypt.

More seriously, AKP's leaders, especially the country's one-time prime minister and current president, Recep Tayyip Erdoğan, began to display authoritarian tendencies. This behavior led to divisions within the AKP as well as between the leadership and groups such as the Islamist movement headed by Fethullah Gülen, which had greatly contributed to AKP's political success. These growing divisions and disputes culminated in the failed military *coup d'état* of July 2016.

Since the failed coup attempt, Turkish politics have moved in an even more authoritarian direction. President Erdoğan seems intent on establishing his dictatorial powers in the country through widespread purges, curtailment of civil liberties and eventually changes in the constitution. Turkey's relations with its Kurdish minority have also suffered. Although by the end of 2016 conflict with Kurds had not reached the levels of the 1980s, prospects for reconciliation did not seem bright. A worsening of Turkey's domestic conditions and the resumption of armed conflict with the Kurds would be detrimental to South Caucasian states by destabilizing their neighborhood.

Meanwhile, Turkey's post-coup measures have outraged European countries and brought into serious question Turkey's consideration for EU membership let alone its eventual admission. This European attitude has led President Erdoğan to declare that Turkey has other choices and does not need the EU. Even Turkey's relations with the United States have suffered.

Turkey's drift towards authoritarianism and distance from Europe could harm the future evolution of regional countries, especially since Turkey has close relations with two of the regional states, Azerbaijan and Georgia. In particular, it could strengthen the already existing anti-democratic and authoritarian leadership and patterns of behavior of Azerbaijan which tends to emulate Turkey.

Should Turkey distance itself from the West and consider a Eurasian alternative the geopolitical dynamics of the region would change dramatically. In this context, the future state of Russian-Turkish relations would be of great significance. Tense Russian-Turkish relations would complicate the regional states' choices, forcing them to choose between the two key players. It would also make regional cooperation more problematic and would not help the cause of conflict resolution.

A closer relationship between Russia and Turkey, which by the end of 2016 did not seem out of the question, would also affect regional alignments. For instance, Turkish-Georgian ties could lose some of their warmth, and it could force Georgia to make its own deal with Russia. Closer Turkish-Russian relations would also reduce Iran's regional profile even further. It could even lead to a sort of Russian-Turkish condominium over the region. However, this alternative is unlikely to materialize. Turkey would not likely forgo all the benefits of its partnership with the West and put all its eggs in the Russian basket. Also, Russia and Turkey still have many disagreements regarding issues in the Middle East, notably over the Syrian Civil War. The best alternative from the perspective of regional states would be a Turkey that remains part of the West, has non-hostile relations with Russia, and is more willing to share influence in the region with other players.

Western Policies and the Future of Russian-Western Relations

The policies that Western powers, notably, the United States and the European Union, adopt *vis-à-vis* the region will significantly affect the future dynamics of the South Caucasus. Even their policies towards such Middle East players such as Iran will be consequential for the region.

Like many other aspects of its foreign policy, the direction of America's policy towards the South Caucasus under President Donald Trump, who assumed power on January 20, 2017, is not yet clear. A more introverted America focused on domestic issues would likely pay less attention to the region. Conference participants noted that the South Caucasus will not be a prime focus of American foreign policy and certainly will not receive the level of attention that it enjoyed during the presidency of George W. Bush (2001-2009). However, should the United States decide on a more hostile approach towards Iran, it might be forced to pay more attention to these states as part of its Iran strategy. Such an approach would revive some of the old dilemmas that these states faced before.

A lack of US attention, or a focus as a by-product of Iran strategy, also implies that America would not be very active in conflict resolution attempts, especially in the absence of any sudden flare-ups.

The character of US-Russian relations will also affect the geopolitical dynamics of the region. Less tense Russian-American relations would enlarge the regional states' choices. It could also help in conflict resolution by bringing combined Russian-American influence to bear upon the conflicting parties.

The European Union, meanwhile, is unlikely to pursue an activist policy in the South Caucasus in the coming years. Conference participants noted that the EU has decided on a more pragmatic and realist, rather than idealistic, approach towards the region. Therefore, it will avoid mega projects and will focus instead on more long-term projects aimed at capacity building, especially in the fields of governance and civil society development. Similarly, the EU will have a more differentiated approach towards the regional states. Thus, it would work for closer ties with Georgia, which is more interested in the European option. However, as was noted at the meeting, it is not clear how long Georgia can continue on the reform path and pursue its European aspirations since it doesn't now fit into the European conception of the continent's geography, culture, and identity. Also, because of its overall low profile, the EU is unlikely to become too active in conflict resolution efforts.

Russian Policy

Russia will likely continue its policy of retaining and enhancing its influence in the region and trying to integrate it within its Eurasian structures. However, it won't likely succeed in enticing Azerbaijan and Georgia to join its Eurasian Economic Union, at least not in the short-term. Georgia has opted for the European option, although membership in the EU is not in sight, at least in the foreseeable future, and Azerbaijan would not abandon its Western ties or its ability to pursue an independent foreign policy.

Under these circumstances, Armenia will remain Russia's main partner in the region, even as Russia tries to keep on good terms with Azerbaijan. However, there are indications that Armenia is growing disenchanted with Russia. Russia's arms sales to Azerbaijan, its lack of support for Armenia in the Karabakh dispute, and its rather cavalier treatment of the country is beginning to make Armenians question the value of their partnership with Russia. However, as long as the country does not have a viable Western option and its relations with Turkey remain strained, Armenia won't likely endanger its Russian ties, which give it some sense of security.

Meanwhile, Russia will continue to retain levers of influence in the South Caucasus by manipulating regional conflicts and by sponsoring breakaway entities such as South Ossetia and Abkhazia.

Turkish Policy

The evolution of Turkey's policy towards the region will depend to a great extent on its domestic political developments and on the direction of its broader foreign policy. Certain aspects of Turkey's basic approach towards the region are unlikely to change. For instance,

Turkey will do whatever is necessary to keep its ties with Azerbaijan strong. This is important for Turkey from an energy security perspective and also in the context of its rivalry with Iran.

Turkey will also retain its ties with Georgia, but without antagonizing Russia. A breakthrough in Turkish-Armenian relations is unlikely in the short term, as the issue of Karabakh and the legacy of the Armenian Genocide remain significant barriers. However, if Turkey continues to pursue a policy of mending rifts with neighbors and other players in the post-coup period, as it has done with Russia and Israel, it might resume informal contacts and even talks with Armenia.

The most consequential of Turkish foreign policy moves would be the evolution of its relations with Russia and the West. Turkey wants to restore economic relations with Russia and even increase their volume. The Syrian episode has also shown Turkey that a hostile relationship with Russia is not in its interests. However, there are limits to how far Turkey can go in developing better ties with Russia without risking its Western ties. After all, the future character of Russian-Western relations is not yet clear. Despite expectations of better US-Russian ties under President Trump, the possibility of their remaining tense or even worsening also exists. Should Russian-American relations remain cool or even worsen, Turkey's policy choices will become more difficult.

Unless President Recep Erdoğan stops the country's move towards authoritarianism and is more receptive to Western, especially European, concerns such as those regarding immigration, Turkey-West relations could grow colder. However, Turkey's economic well-being, its security, and even its regional prestige still very much depends on its Western ties, particularly through NATO. Russia can never supplant the EU in Turkey's economic life. Without NATO's security shield, Turkey would become vulnerable to Russian pressures. Therefore, Erdoğan will not likely go too far in antagonizing Turkey's Western allies. Nevertheless, relations, especially regarding the South Caucasus, are unlikely to return to where they were in the 1990s when Turkey was the West's primary partner.

Iran

Iran is likely to remain a minor player in the South Caucasus, largely because of its antagonistic relations with the United States and Russia's unwillingness to forge a real partnership with it, despite periodic rapprochement. Iran's limited financial resources and its own enormous needs will prevent it from playing an active role in the region. However, better Russian-Iranian relations could help raise Iran's regional profile. Since 2015, Iran-Russia relations have grown closer and the two sides have been talking of reviving the so-called North-South corridor. There have also been trilateral meetings among Russian, Azerbaijani, and Iranian leaders focused on such projects as linking the three countries by rail. Similar projects could be undertaken with Armenia. However, Russia sees Iran as a competitor, especially in the field of energy, which might limit the scope of their regional cooperation. What could fundamentally transform the geopolitical map of the region would be a tripartite entente among Russia, Turkey,

and Iran. Although not totally impossible, such an entente is quite unlikely for a variety of historical, cultural, and other reasons, especially as long as Turkey's President Recep Tayyip Erdoğan, who harbors anti-Iran feelings, is in power.

Middle East Actors

A worsening of Iranian-American relations could lead some Middle East actors, such as Saudi Arabia, some other Gulf states, and Israel to try again to enlist Azerbaijan in their anti-Iran plans. This will be detrimental to Azerbaijan, as it will sharpen its sectarian problems and damage its recently improving relations with Iran. The continuation and/or exacerbation of sectarian conflicts in the Middle East will also negatively affect Azerbaijan, perhaps even forcing it to make difficult choices. Similarly, the spread of extremist Islamist ideas and groups to the North Caucasus and even parts of Georgia, a majority Christian country with a substantial Muslim minority, would be detrimental to regional security. It would undermine chances of regional cooperation and could create new sources of conflict along sectarian lines.

The Future of the South Caucasian Sub-System

Recent developments, including changes in the EU's view of the region and its policies towards it, plus the growing impact of Middle East-related developments, could precipitate the fragmentation of the South Caucasus as a cohesive sub-system of the international political system.

The meeting discussed how the EU no longer has a holistic approach towards the region. Rather it is increasingly seeing individual states as having distinct characteristics and dynamics. Thus, the EU views Georgia more as part of a group of countries including Moldova and Ukraine. Meanwhile, Armenia is firmly within the Russian-sponsored Eurasian structures, as most likely will be the *de facto* republics of South Ossetia and Abkhazia, as either constituent parts of the Russian Federation or as independent republics under Russian protection. Azerbaijan, for its part, could be sucked into the Middle East-Persian Gulf sub-system – partly because of developments in the Middle East and the evolution of American policy towards Iran. However, it is still too early to determine how and when these systemic changes would occur.

However, it is already clear that South Caucasian states should not be lumped together and treated as though they were a single entity. They each have their own specific characteristics, dynamics, needs, goals, and objectives that determine their behavior. Furthermore, they are not passive spectators of regional and international political games. On the contrary, they are active players, especially on the regional scene, and their actions and policies affect the overall dynamics of regional politics and, at times, even have international repercussions.

The West's Policy Options

In view of the above observations, what policies should the West adopt towards the region?

First and foremost, Europe and America should not ignore the South Caucasus because they are preoccupied with other parts of the world, including the Middle East. They have already invested considerable financial, political, and intellectual resources in the region and should not allow those to go to waste.

Second, the West should be more active in resolving outstanding conflicts in view of their highly negative consequences on the economic and political evolution of states in the region.

Third, if possible, the West should not look at the region mainly through the Middle East prism. It should specifically not try to use the South Caucasian states to correct Middle East imbalances. This strategy has not worked in the past twenty-five years and is unlikely to work in the future. Excessive linkage between Middle Eastern and South Caucasian politics has only complicated the region's geopolitical map and created security dilemmas for regional states. It has also prevented regional cooperative measures, which could have contributed to South Caucasian states' economic development.

Fourth, the West should recognize the inevitability of continued Russian interest in the region. Thus, while countering Russian expansionism, the West should be receptive to Russia's security concerns, and if possible, work out mechanisms for reconciling mutual interests and preoccupations. It should also find ways of cooperating with Russia in resolving outstanding conflicts.

Fifth, the West should undertake more sustained efforts to help Turkey and Armenia resolve their differences, even though this might take a long time. It should also help Armenia economically and otherwise so that the country can become more autonomous and free of excessive Russian influence.

Lastly, if possible, the West should differentiate between Iran's policies in the South Caucasus and its behavior in the Middle East. Instead of punishing Iran for its Middle East policies by keeping it completely out of the South Caucasus, it should try to use its engagement in the South Caucasus as an inducement to transform its policies in the Middle East. Iran's isolation in the last twenty-five years has not been helpful to the cause of regional cooperation or conflict resolution. It has only tended to strengthen Russian presence and influence over Armenia and even Azerbaijan. Thus, allowing Iran a role in regional cooperative projects and conflict resolution efforts could balance Russian influence and offer regional states more options. It could also have the added benefit of potentially helping in the improvement of Western-Iranian relations.

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