

The South Caucasus Security Platform

Strategy from the Perspective of the Civil Society

A project of the Norwegian Atlantic Committee

With the support of the Norwegian Ministry of Foreign Affairs

**Implemented by:
The Armenian Atlantic Association, The Youth Atlantic Treaty Association of
Azerbaijan, The Atlantic Council of Georgia**



**Oslo, Norway
September 2007**

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The South Caucasus Security Platform

Oslo, Norway, September 7, 2007

We believe that the creation and promotion of this Young Researcher' Network could serve as a facilitating factor for the reification of the South Caucasus Countries' Euro-Atlantic aspirations. The project "Security Platform of the South Caucasus Region: Strategy from the Perspective of the Civil Society" is initiated by the Atlantic Committee of Norway, supported by the Norwegian Ministry of Foreign Affairs, and implemented by three local organizations: the Armenian Atlantic Association, the Youth Euro-Atlantic Treaty Association of Azerbaijan, and the Atlantic Council of Georgia. The project serves two main goals: first, to strengthen the atmosphere of cooperation and collaboration among researchers in the region; and second, to prepare a multi-purpose policy document focusing on the possibility of common understanding of security of the region and developing a common vision on the existing challenges, problems, and opportunities.

The Balkan Mosaic project implemented by the researchers from the Balkan countries was a good framework for the South Caucasus research team to structure this document – the South Caucasus Security Platform. The team expresses deep gratitude to the Atlantic Committee of Norway for the kind advice and support, and to the Norwegian Ministry of Foreign Affairs for financial support.

The researchers from the South Caucasus countries elaborated a common framework for the common security platform, and the process of Euro-Atlantic integration served as the starting point. The meeting in Tbilisi in May 2007 and day-to-day communication was a helpful *modus operandi*.

The South Caucasus Security platform is a pilot project, with the wider aim to involve researchers from other Black Sea countries, thereby enlarging both the geographic and thematic scope of this endeavour.

- **INTRODUCTION**

The South Caucasus region is located on the strategic crossroads of East-West and North-South, with an access to important energy sources both to the south (Middle East) and to the east (the Caspian Basin). These factors plus adjacency of the region to the European Union, NATO, and Russia inextricably link the security and stability of the SC to that of the entire Eurasian continent.

Unfortunately, the current state of the regional security is far from desirable. The South Caucasus is the only region of former USSR which has experienced interstate war. The conflicts in Abkhazia and South Ossetia have further deteriorated the situation, contributing to the breakdown of infrastructure, insufficient realization of the huge transit potential, political instability, and overall underdevelopment of the region. Moreover, the unresolved issues of Nagorno-Karabakh, Abkhazia, and South Ossetia exacerbate the other threats to national and regional security: trafficking in arms, drugs, and human beings, terrorism – to name just a few.

The presence of these varied threats necessitates coherent, consistent, and coordinated efforts on the part of all actors that have stakes in the region, among them civil society. In our opinion, the desirability and viability of a regional approach is underpinned by the following two factors:

- a) a common regional identity, mission, vision, and strategy could have averted or at least mitigated the Nagano Karabakh conflict;
- b) the aforementioned threats are better tackled through concerted activities on the regional level.

We are fully aware of the multi-dimensional character of security, encompassing military, political, economic, energy, transportation, environmental, informational, and human security dimensions. Hence, we have constructed this platform upon a holistic approach to security.

1.

• EXISTING THREATS TO THE REGIONAL SECURITY

1. Political threats

- a) Weak system of checks and balances, including insufficient independence of the judiciary
- b) Corruption
- c) Poor governance
- d) Lack of democratic control over the military
- e) Weak civil society

The South Caucasus States are in the process of democratic transition. The main challenge for the region is to keep pace of democratic reforms. Major concerns in the process of democratization are unstable political systems with insufficient mechanisms to maintain political stability, continuity and unity.

Despite the separation of powers stipulated in the Constitutions of these countries, the Executive Branch practically controls all spheres of life. In most cases, individuals nominated by higher executive authorities and elected through flawed elections constitute the vast majority in the Parliament.

Central government authorities are very reluctant to transfer power to local self-governed bodies.

The executive branch in the SC states frequently encroach the judiciary; this undermines the principle of checks and balances.

Corruption is widespread in the region: in Armenia and Azerbaijan the problem reaches severe levels, while Georgia has managed to address corruption more successfully.

Despite the governments' commitment to the International Monetary Fund, the World Bank, Council of Europe, etc., the lack of transparency and effectiveness of governance (in planning, management, implementation and monitoring of policies) remains problematic. Tracking of national expenditure is difficult because of the weak link between expenditure choices and reform plans, which partially stems from poor cost evaluation of policies. This is of particular concern in relation to the military budget of the countries in the SC.

Low participation in political processes is an indicator of how weak the civil society

is in all the countries of the SC. The political and civic culture remains underdeveloped, and continuous fraud of elections in the region leads to further frustration and weak partisan consciousness.

1.1. Diverging threat perceptions

Due to the “diverging threat perceptions” the SC countries have different approaches to security strategy: Azerbaijan and Georgia gravitate towards NATO, albeit with different paces, while Armenia complements its CSTO (Common Security Treaty Organization) membership with closer cooperation with NATO initiatives. The absence of a common vision of the regional security increases the dependency of the South Caucasus countries on the leading regional and global powers. The latter often have competing interests in the region.

2. Military threats

- a) Unresolved conflicts
- b) Increasing militarization of the countries
- c) Violation of arms control regime mechanisms, e.g. CFE Treaty
- d) Possible spill-over of external conflicts (unstable North Caucasus, US-Iran confrontation, etc)
- e) Russian military presence in the region

The unresolved conflict in Nagorno-Karabakh threatens the security and stability of the region. The escalation of the conflict is likely to have an extremely negative impact not only on the belligerents but also on Georgia, which shares border with both. Georgia's substantial Armenian and Azeri population further increases the scale of this threat. The conflict obstructs the realization of regional economic projects and hinders the overall development of the region.

“Frozen conflicts” in Georgia represent another major threat to the regional security. The uncontrolled territories seriously hamper the transportation and communication potential of the region as Georgia's transit function is negatively affected. The conflicts drain resources of the host states, which could have been diverted to regional economic projects. The risk of renewed conflicts will also worsen the investment milieu. The militarization of the separatist regions increases the threat of trafficking in arms. There is a risk of an influx of illegal armed groups and terrorist activities, which is likely to

deteriorate the stability of the entire region. Finally, uncontrolled territories in Georgia provide for excellent havens for transnational organized crime.

The unresolved conflicts lead to the increased militarization of the countries, which, in turn, exacerbates the violation of arms control regimes, such as the CFE Treaty.

The South Caucasus is part of politically unstable wider region, where large-scale conflicts still remain a possibility. Adjacency to the explosive North Caucasus poses a threat of conflict spill-over into the south in the form of large refugee flows, various armed groups and open military interventions by some states.

The increasing influence of militant Islamist fundamentalism in the North Caucasus and the links of local armed groups with international terrorist networks will further aggravate the regional security and stability in case of conflict escalation in the North Caucasus.

Proximity to the conflict-ridden Middle East is another threat to the regional security.

The current diplomatic impasse over the nuclear build-up of Iran carries the potential of seriously endangering the regional security. The negative environmental consequences cannot be ruled out in case of an attack on Iran's nuclear installations; retaliatory attacks against western representations, company assets, pipelines, and citizens in the region could be carried out.

Russian military presence in the region is one of the major military threats. Since the dissolution of the USSR, certain Russian army units were allegedly involved in regional conflicts in Azerbaijan and Georgia taking one of the sides. It is not excluded that Russia can use its troops for fanning flames in regional conflicts in the future. Withdrawal of Russian troops from Azerbaijan in 1992, and more recently from Georgia, was a positive step towards building a region without foreign military presence. The recent "radar" controversy between USA and Russia may once again draw Russian military into the region

3. Threats to human and societal security

- a) Civil integration deficiencies
- b) Refugees and Internally Displaced Persons (IDPs)
- c) Social inequality and injustice
- d) Illegal migration and human trafficking
- e) Drug trafficking and drug consumption
- f) Accumulation of Small Arms and Light Weapons (SALW) and arms trafficking
- g) Landmines and unexploded ordnance
- h) Socially dangerous diseases

The process of integration of ethnic and religious minorities is underway in the region with active support from international organizations, but it still represents a serious problem for societal security. Lack of national integration policies along with overall economic and social problems in the SC states hinders the social cohesion.

The existence of large numbers of refugees and IDPs poses a threat to the societal security in the region. The integration policies have been underway but considerable problems remain unsolved.

Widespread poverty, high unemployment (and underemployment), breakdown of social security net and social frustration during the transition period greatly endanger the regional security as they risk social unrest, political extremism, and the creation of an "enemy image", either in the form of a particular group in a given country, or in the form of other state(s).

Poverty and high level of unemployment provide fertile grounds for illegal migration, often with the involvement of organized criminal groups. Human trafficking remains a major concern in the region.

The transit potential of the region is well employed by drug-trafficking networks. The wide-spread poverty and plethora of socially frustrated individuals dramatically increase the level of both drug-trafficking and drug-consumption.

The accumulation of Small Arms and Light Weapons (SALW) in the conflict zones and their channelling through criminal networks to the entire South Caucasus region further aggravates the already troublesome criminal situation.

Frozen conflicts and their periodic escalations have left large areas covered with

landmines and other explosives, which continue to claim human lives and incur material losses. These areas create a sense of insecurity and obstruct human contacts between the sides of the cease-fire lines.

Socially dangerous diseases (AIDS, tuberculosis, etc.) are major threats to the human security in the SC. The risk of AIDS proliferation is increased by the large number of drug-addicts. Tourism is another risk factor. The small size of the SC makes it susceptible to the rapid spread of pandemics (for example, Avian Influenza) too.

4. Economic threats

- a) Armenia's non-participation in the major regional infrastructure projects
- b) Uneven distribution of wealth
- c) "Dutch Disease"
- d) Underdeveloped manufacturing sectors, especially knowledge-intensive and high technology fields
- e) Monopolization and unfair competition
- f) Appreciation of national currencies
- g) Russia's policy of purchasing critical infrastructures, industries and financial institutions;
- h) Existence of unresolved conflicts
- i) Closed borders and economic sanctions
- j) Migrant workers

The weak economies of the regional states and Armenia's non-participation in the major regional infrastructure projects are among major economic threats.

Despite considerable GDP growth rates, unfair income distribution remains a main economic problem. Partly as result of this, considerably high percentage of population lives below poverty line.

Countries of the regions, especially energy-rich Azerbaijan, increasingly show symptoms of the Dutch Disease – economic dependence on export of one or few commodities. A vast part of Azerbaijan's FDI (foreign direct investment) is concentrated in the oil and gas sector. The hydrocarbon sector brings half of the tax revenue, with one third of the budget revenue coming from the State Oil Company of Azerbaijan (SOCAR). The oil sector's share in trade constitutes more than 85% of exports. More than 40% of GDP is concentrated in the hydrocarbon sector, which accounts for only 1% of employment.

Domestic agricultural production and other manufacturing/processing sectors of the economies of SC states are under significant risk. On the one hand this is caused by lack of an up-to-date technological know-how and investments; on the other hand, the governments' investment policy is not based on an analysis of the countries' comparative advantage.

Another serious problem is monopolization in nearly all sectors of the economy. Even those areas of production, services and trade that are open for private businesses have been monopolized by "private" entrepreneurs, who are patronized by high-ranking government officials. The existence of monopolies limits entry-exit possibilities of other private businesses, leads to unfair competition in many sectors of the economy, and thus, hinders overall development of the economies of the SC countries.

In all three countries, appreciation of national currencies may create economic problems, such as, lower competitiveness of domestic products and decrease in exports. Besides natural causes, such as large inflows of foreign currencies to these countries, there are also artificial reasons, such as, keeping the national currency at a "respectable" level.

Other threats include Russia's official policy of regaining influence in the post-Soviet space via economic means, exercised through purchasing critical infrastructures, industries, and financial institutions in Armenia and Georgia by the state-owned Russian companies.

The existence of conflict zones negatively affects regional economies by weakening the interest of foreign investors in the region. The state budget of Georgia suffers serious losses from large-scale smuggling through the separatist regions of Abkhazia and South Ossetia.

Unresolved issues between Armenia on the one hand, and Azerbaijan and Turkey on the other, resulting in the absence of trans-border cooperation significantly reduce full-fledged materialization of the region's economic potential.

The South Caucasus countries have a low capacity to accommodate possible return of migrant workers, especially those who live and work in Russia. Given the recent changes in Russian immigration rules, which tightened procedures for receiving residence and work permits, massive return of migrant workers is not excluded in the near future. This would not only negatively affect social stability, but also have a negative impact on economic welfare because of expected decrease in labour remittances.

5. Environmental threats

- a) Inefficient water use
- b) Water and soil contamination, air pollution
- c) Deforestation, desertification and erosion
- d) Wastes, hazardous chemicals and radioactive materials (Metzamor Power Plant security, Gabala RLS, radio-active materials in former Soviet military installations)
- e) Man-made or technological accidents (oil spills, pipeline leakages)

With the increasing capacity of the SC as an energy transit, transportation and communications hub, the threats to regional environment are likely to increase too.

The SC states suffer from continued inefficient water use. The practices of water recycling and reusing are not widely implemented. Outdated irrigation and water supply systems lead to large-scale losses of water.

Water contamination of rivers, especially Kura, Araks and Samur with industrial, mining, agricultural and domestic waste, including toxins, poses a growing threat to the regional ecosystem. Contamination of Caspian and Black Sea waters is of high concern as well.

Air pollution remains a serious threat to the environmental security even though the general economic decline led to less emission from industry. Transport, especially the obsolete car fleet, remains a major air polluter. Lead additives and poor quality of fuel aggravate the problem.

Deforestation represents another acute threat to the environmental security in the region, caused by a number of factors, including: illegal forest cutting, replacement of highly productive trees with less productive species, fuel shortages leading to extensive usage of firewood, forest fires, overgrazing, etc.

The desertification process has intensified lately and occurs in arid and semi-arid zones in plains and foothills of the East Caucasus as well as sub-alpine and alpine zones of high mountains. Semi-desert and desert elements are observed in unusual places, such as riparian forests.

Widespread soil erosion in the Caucasus is very dangerous for the region which is short in arable lands. Subsequent reduction of land fertility and degradation of vast land areas not only reduces crop production but also worsens the environmental condition.

The issue of radioactive wastes in the SC is mainly related to the Metzamor nuclear power plant in Armenia. Military bases, oil drilling and processing operations, and the Gabala RLS in Azerbaijan should be mentioned too. Aside from this, various research institutions, medical facilities and labs could potentially contain improperly conserved radioactive materials or wastes.

Oil spills from tankers, pipeline leakages, violation of quality standards during pipeline construction, man-made or technological accidents, etc., will endanger the regional eco-system.

6. Threats to energy security

- a) Insufficient development of local power generation and distribution systems
- b) Energy price hikes
- c) Overdependence on Russia's hydrocarbons
- d) Security of energy supply
- e) Incomplete upgrading and frequent malfunctioning of energy infrastructure
- f) Incomplete structural reforms in the national energy systems
- g) Underdeveloped renewable energy sector
- h) Underdeveloped infrastructure for application of energy efficiency and energy saving projects

SC states suffer from an insufficient power generation capacity, aging and overloaded transmission and distribution infrastructure. Moreover, obsolete protection and control equipment result in acute peak power shortages and poor quality of power supply (lower voltages, frequent blackouts). Planned and sudden power outages are common in rural areas.

Sharp rise of energy prices, either on the world market in general, or due to a single-sided decision by the major energy supplier of the region, Russia, poses a serious threat to the SC states. The policies of suspension and/or termination of supplies have already been applied, chiefly for political purposes, as was the case in the winter of 2006. Moreover, monopolization of the region's energy supply and distribution networks by an outside power is particularly dangerous, for this will automatically translate into economic and political dependence of the SC. This will also considerably decrease the

strategic importance of the region for the West, which actively seeks to diversify its energy import sources.

Armenia is severely dependent on Russia's hydrocarbons. Georgia's dependency has somehow been alleviated by rather successful efforts aimed at diversifying energy supply sources, first and foremost from Azerbaijan.

The incomplete up-grading and frequent malfunctioning of the energy infrastructure poses a threat in all three countries of the SC. The underdevelopment of regional infrastructure is also a major concern.

Absence of large-scale structural reforms in the national energy systems hinders the establishment of modern energy infrastructure. Among the many problems in the system one should mention corruption, under funding, improper management, weak application of energy efficiency measures, etc.

The countries of the SC have vast potential for developing the renewable energy sector. All the countries have the necessary climate for successful installation of solar power plants, hydropower plants (especially Georgia and Armenia) and wind power plants. However, due to the lack of financing and the high costs associated with the production of solar and wind power, this renewable energy sector remains largely dormant across the SC. Whilst the development of hydropower is associated with more technological problems and more investments are needed in this sector as well.

Energy efficiency is a critical indigenous energy resource for all the countries in the region. However, none of the governments have invested much time or effort in drafting energy efficiency policies or strategies, which could potentially be feasible in their respective states. This is due to many reasons, ranging from corruption to low awareness.

7. Terrorism threats

- a) Security of critical infrastructure (including oil and gas pipelines and Metzamor Nuclear Power Plant)
- b) Trafficking of nuclear materials through the region
- c) Security of resorts and recreation places
- d) Cyber-terrorism

Due to its location on the strategic hub of north-south and east-west transport corridors and proximity to the Middle East, the South Caucasus could be employed as a major transit route by westbound terrorists. The European and Euro-Atlantic aspiration of regional states will eventually come into conflict with certain terrorist networks who will try to capitalize on the de-stabilization in the region. Active participation in international peacekeeping operations will increase the risk of attacks by terrorists and other aggrieved groups. In this light, the security of pipelines and critical infrastructure is of utmost

importance. Particular attention should be paid to the security of the Metzamor nuclear power plant. Hospitals, labs and former Soviet military installations might be targeted by terrorists seeking to acquire materials for Weapons of Mass Destruction (WMD).

The cases of nuclear materials smuggling have been detected in the region: in 2006 Georgian Special Services intercepted an attempt of Uranium smuggling.

Considering the tourism potential of the region and concomitant increase of foreign tourists, the security of resorts and places of recreation is indispensable.

The recent hacker attacks on the Estonian government servers once again stressed the urgency to counter the rising threat of cyber-terrorism in the SC region as well.

8. Informational threats

- a) Protection of data storage and transmission systems
- b) State monopoly on the information
- c) Racist, xenophobic, homophobic calls via media

Proper protection of data storage and transmission systems from accidents or deliberate attacks is a must. Local, seemingly limited malfunctioning could lead to region-wide consequences; the damage of the Poti-Sochi section of a main fibre-optic cable, resulting in the disconnection of the bulk of Armenian internet communications in August 2006 has underlined the level of regional interdependence in the sphere of communications and hence the necessity of cooperation to manage the consequences of such accidents.

State monopoly on the information could threaten both the national and regional security. Hence, development of independent media is indispensable. At the same time, legal regulations should be put in place to prevent broadcasting of racist, xenophobic, homophobic callings via radio, TV, and the Internet.

2.

- **ADDRESSING COMMON THREATS WITHIN THE REGIONAL FRAMEWORK**

- 1. Organizations (regional, international)**

Several international and regional organizations are active in the South Caucasus region. They not only make a significant direct contribution to the stability of the region through their diverse initiatives, but also increase the overall stability by bringing the three SC states together in different formats.

European Union

The European Union is becoming one of the main stakeholders in the South Caucasus region. EU interests in the region increased considerably after the 2007 enlargement, after which the Union shares maritime border with the SC. The EU vision of the region is influenced by three main factors: democracy and stability in the Caucasus; Caspian energy resources; and the security discourse.

In 2004 the EU adopted the European Neighbourhood Policy (ENP) to the South Caucasus states. Although it conveys no guarantee of eventual membership, ENP is an important step towards democratization and harmonization with the EU.

The EU's new initiative on Black Sea Synergy deals with different aspects of cooperation from democracy and energy to fishery. Such a multi-sectoral approach underlines the EU's increasing interests in the region and recognition of the strategic importance of the latter.

NATO

Cooperation of the South Caucasus states with the North Atlantic Treaty Organization (NATO) demonstrates mutual interests in strategic partnership. NATO's cooperation with the South Caucasus states contributes to democratic transformation of the region. NATO actively supports strengthening of democratic institutions and, in particular, reforms in the defence and security sector.

Armenia, Azerbaijan, and Georgia cooperate with NATO member and aspirant states in the

scope of different NATO programs and formats (Partnership for Peace, Euro-Atlantic Partnership Council). From 2004 Georgia has become the first state in the region launching the Individual Partnership Action Plan (IPAP). Armenia and Azerbaijan are also implementing this program. Implementation of IPAP aims at a general transformation and creates grounds for deeper cooperation with the Alliance. In 2006 NATO started an Intensified Dialogue (ID) with Georgia.

BSEC

The Organization for Black Sea Economic Cooperation, BSEC, was founded in 1992. BSEC, which is comprised of eleven states (Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Republic of Moldova, Romania, Russia, Turkey, and Ukraine), was conceived as an economic organization, but from the very inception emphasized its commitment towards regional security and stability, as stated in the 1992 Istanbul Summit Declaration.

Due to its geopolitical importance, considerable economic potential, wide range of competences (energy, tourism, science and technology, health, transport, electricity, investments, industrial and trade cooperation, finances, economic statistics, agriculture, environment, and legislation), and its role as a useful forum to allay tensions between the participant states, BSEC could serve as an important "soft security" provider.

GUAM

GUAM Organization for Democracy and Economic Development (founded in 1997 as GUAM) comprises of Georgia, Ukraine, Azerbaijan, and Moldova. GUAM focuses on the following main directions: political transformation and coordination of efforts on the international level; economic cooperation; struggle against new threats.

Considering GUAM's declared commitment to democracy, prosperity and security, the diversity and urgency of issues falling under its competences, and specific projects to this end (e.g. Trade and Transport Facilitation, Virtual Law Enforcement Centre - under the US-GUAM framework program), transformation of GUAM into a full-fledged organization made significant contribution to the regional security and stability

CSTO

Collective Security Treaty Organization (CSTO) came into existence in 2002 following the signing of the new charter by six members of the Collective Security Treaty (CST), namely Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan. Other members of the CST, particularly Azerbaijan, Georgia and Uzbekistan withdrew from CST in 1999 on the grounds of the latter's ineffectiveness, though Uzbekistan joined CSTO in 2006.

The founding purposes of the organization are to strengthen international and regional security and stability and to ensure the collective defence of the member states. The main directions of cooperation include foreign policy, politico-military cooperation, exchange of military technology, coordination of efforts to counter new threats and challenges. Coordination and harmonization of the member states' efforts in combating international terrorism and extremism, the illicit traffic in narcotic drugs, psychotropic substances and arms, organized transnational crime, illegal migration and other threats represent priority areas of the CSTO. The member states have been conducting common military exercises since 2005.

2. Stakeholder States (Russia, United States, Turkey, Iran, China)

Russia

Russia has been active in the region ever since the 18th century, driven by a mixture of interests based on this historical experience, Russian political establishment still considers the region as Russia's rightful and legitimate sphere of influence.

Russia has been conducting an increasingly assertive foreign policy in the last few years to counter the surge of US influence in the region, to obstruct NATO's further enlargement to the East, to reverse the process of some former satellites falling out of Russia's orbit, and to secure its already firm position as a major energy supplier and transit country. All these processes take place against the background of Russia's rising economic might, from which stems its currently favourite and successful tool of coercion in the form of energy supply.

Russia has successfully utilized a whole flurry of instruments to advance its foreign policy goals in the region. Military incursions on some occasions (Pankisi bombing, for example), generous support to separatist regions (be it military, political, financial, diplomatic, or moral), price hikes, and harsh economic sanctions against the most defiant ones manifest its "sticks" serving to re-establish Russian supremacy in the SC. On the other hand, Russia's sheer size,

economic might and international influence could greatly contribute to the stability of the region, provided that constructive and cooperative approaches vis-à-vis smaller neighbours prevail in the Russian establishment.

United States

The United States has been increasingly active in the SC ever since the break-up of the USSR. After the September 11 terrorist attacks and the subsequent US-led military campaigns in Afghanistan and Iraq, the strategic importance of the region substantially increased.

Washington has diverse interests in the region: SC states could provide an excellent bridgehead to assist its military and stabilization activities in Afghanistan and Iraq. Being adjacent to the Middle East, from where the bulk of terrorist threats to the US originate, the South Caucasus is indispensable in the current war on terror. Security and stability, including effectively functioning local state institutions, could disrupt the westbound flow of illegal migrants (terrorists included), drugs and "dirty" money (source of terrorist financing), conventional weaponry, and WMD materials.

Interests in the energy security issues are equally important. Protection of the energy supply lines from the Caspian Basin through the SC becomes more urgent considering Western companies' growing interest in the gas-rich (and to a less extent, oil-rich) Caspian Basin. If the impasse over Iranian nuclear build-up deteriorates further, the importance of supply lines alternative to the Hormuz Straits will rise accordingly, in order to partially alleviate the possible disturbances on the oil market.

Turkey

Turkey is one of the key players in the South Caucasus. Its geo-strategic location on the east-west and north-south crossroads, NATO membership, and EU aspiration greatly influence the current Turkish foreign policy. Turkey supports democratic transformation and economic development in the SC. To have a stable, democratic, and prosperous South Caucasus is in long-term interests of Turkey.

Turkey's main interests in the region are the following: Security and stability: Due to the easily transmittable nature of threats like terrorism, organized crime, environment degradation, security of the SC is inextricably linked with that of Turkey; Energy and transportation: Turkey

attaches great importance to the transit potential of the SC, since a secure access to the Caspian Basin energy resources – for example, Baku-Tbilisi-Ceyhan oil and Baku-Tbilisi-Erzurum gas pipelines – allows Turkey both to meet domestic energy demands and to augment its own energy transit potential (which in turn increases its importance vis-à-vis EU). Transportation links, like the ongoing railway connecting Azerbaijan, Georgia, and Turkey – are equally important; Trade: Turkey is also a major trade partner and investor for Azerbaijan and Georgia. The tension and unresolved issues between Turkey and Armenia represent major obstacles for the regional cooperation and development in the SC.

China

China is perceived as a growing political and economic power in the world. China's role and involvement in the South Caucasus region is still modest, but the intention to spread economic activities is quite obvious. China is interested in the South Caucasus transportation corridor, since it is the shortest and easiest way for the import and export flows between China and European markets. Today China is already active in the Central Asia and Eastern Caspian area in terms of investments and commodity exchanges.

China has shown an interest in investing in the critical infrastructure of the South Caucasus. It is supportive of building the Kars-Akhalkhalaki railway. China was the first major investor in the Georgian energy sector, building and setting into motion Khadori Hydroelectric Power Plant.

Expanding trade and growing multi-sectoral cooperation with the South Caucasus countries, including the security sector, once again proves that China has vested interests in the South Caucasus.

Iran

Iran's policy in Central Asia and the Caucasus is based primarily on its own security and economic considerations. Iran's policy towards the South Caucasus could also be influenced by the relationship between the US and Iran. The fact that the region is strongly supported by the US is also considerable.

Iran shares borders with the conflicting parties – Armenia and Azerbaijan – and also has a large Azerbaijani minority.

Iran still remains in the centre of dispute over the Caspian Sea status.

3.

- **RECOMMENDATIONS**

1. Addressing political threats

Recommendations:

- The role of civil society should be enhanced in the peace process. Public diplomacy and other confidence-building measures should be realized to reduce fear and suspicion. Regional academic and NGO networks should create forums to further positive developments in conflict management. Civil society actors should also offer politicians possible solutions outside of the mainstream framework.

Deriving from the multi-ethnic nature of the Azerbaijani and Georgian states, empowerment of national minorities and their active participation in state affairs is of paramount importance for societal unity and civil accord.

- Empirical studies show a strong negative correlation between the rate of civil wages and corruption across the developing countries. Therefore, increasing salaries of civil servants may contribute to halting the corruption. It shall be acknowledged, however, that civil wages have an indirect effect on corruption, and are correlated with the rule of law. Anti-corruption measures shall stipulate establishing competitive system for selection of civil servants: central organization of recruitment; preparation of regulations and conditions for competitive examinations; publicizing vacant posts in state bodies; development of a centralized information centre for the management of recruitment to the civil service.

- Fostering further decentralization will contribute to the promotion of good governance. It will bring decision-makers closer to citizens and improve the quality of services provided at the local level. There is a claimed link between decentralization and improved effectiveness of services. Through decentralization more people obtain an access to government and thus become empowered either by getting elected to offices or gaining a greater access to those in the office.

1.1 Addressing diverging threat perceptions

Recommendations:

- Approximation of the diverging threat perceptions should be carried out, wherever possible. The regional states should be able to speak with one voice if an external threat endangers the security of one of them. Likewise, the regional states should combine their efforts to contribute to neutralizing new threats to the international security and stability.
- Joint economic and political projects and new formats of mutually beneficial cooperation with neighbours are likely to reduce external threats. The emphasis must be placed upon multi-sectoral cooperation, respect of each other's legitimate rights, and equal partnership irrespective of size differences.

2. Addressing military threats

Recommendations:

- Approximation of the diverging threat perceptions should be carried out, wherever possible.
- Monopolization of the peace processes by one power should end. The negotiation formats should be expanded in a way to include other actors that have important stakes in the regional security and stability, for example, the European Union. The EU's participation is likely to bring more political weight, substantial conflict-resolution expertise, and badly needed financial resources to alleviate the plight of the population living in the conflict zones. This will also help decimate gross violations of human rights.
- Concrete projects should be encouraged. Success in one sector will stimulate cooperation in other sectors too. The "functional" approach is promising because of several reasons: a) specific sectors of common interest are easier to find; b) it creates the sense of cooperation and stimulates confidence-building; c) it delivers tangible results.

- Since a conflict spill-over could endanger the security and stability of the whole region, information exchange between the border guard, intelligence, defence, internal affairs, customs agencies of the respective states, joint training, interoperability, and meetings under the aegis of NATO PfP, for example, are indispensable. This will also help confidence building and lay foundations for *esprit de corps*.
- Conflict transformation initiatives undertaken by civil society groups should be encouraged and supported by the governments and international organizations. Inter-group and inter-personal links and networks should be employed to a much greater degree.
- Efforts must be made by the UN, NATO, OSCE, and CoE to prevent the regional states from an arms race. Russian intentions to militarize the region should be checked too.
- Further integration of the SC states into European and Euro-Atlantic structures could greatly contribute to the regional security and also bring the much needed potential and experience of countering new threats to security, e.g. international terrorism, WMD proliferation, etc.

3. Addressing threats to human and societal security:

Recommendations

- Special legislation should be elaborated against broadcasting of discriminatory, racist, xenophobic, homophobic, and incendiary material via media.
- Educational institutions should avoid teaching biased and historically incorrect information.
- Special economic programs aimed at target groups should be carried out to narrow the gap between the rich and the poor. Development of strong middle class should be encouraged. Setting up of private pension funds and insurance companies are likely to bring about positive results as well.
- Cooperation between defence and border guard agencies is important to decrease the threat of explosives. Joint operations could be conducted to clear unexploded landmines, shells and other ordnance. Cooperation is also feasible between the customs, interior, and intelligence services over combating transnational organized

crime, including trafficking in arms, drugs, and human beings. Information sharing, joint operations and regular meetings will be beneficial for the regional security and stability. Ideally, a joint centre could be set up to prevent, monitor, and fight transnational crime.

- Due to the small size of the SC and the wide variety of transportation networks, cooperation between healthcare ministries of the SC states is of vital importance in order to timely detect and limit an outbreak of pandemics. Establishment of a joint centre for disease monitoring, vaccinations, and drug controlling is of paramount importance.

4. Addressing economic threats

Recommendations:

- Joint economic projects.
- Harmonization of economic legislation with the EU standards.
- Opening up of the national economies for each other's companies and establishment of fair rules of engagement.
- Investments in each other's economies.
- Feasibility studies and thorough economic analysis needed to inform investment decisions and thus, to channel investments to the areas of comparative advantage.
- Development of the region's production capabilities, especially in the knowledge intensive and high-technology fields.
- Creation of joint regional consortiums.
- Increased financing of Research and Development (R&D).
- Cooperation in destroying trans-border smuggling networks.
- Coordination of anti-corruption efforts.

5. Addressing environmental threats

Recommendations:

- Close coordination while conducting any major construction works, i.e. roads, dams, pipelines, etc. to avoid adverse effects on the regional ecosystem, with the potential of a local environmental degradation turning into a region-wide problem.
- Joining efforts in creating a common network for environmental monitoring in the South Caucasus (developing quality assurance and quality control systems).
- Developing integrated approach and including large-scale regional informational and educational campaigns aimed at increasing public awareness about the environmental security concerns.
- Information sharing, joint patrolling and regular meetings between the relevant stakeholders could bring about very positive results.
- The governments of the states concerned as well as international organizations and donors should continuously support and increase capacity and institution building in the sector.
- Trans-border cooperation between civil society members should be promoted.
- Ecological awareness should be incorporated in the curricula of school education systems of the SC states.

6. Addressing threats to energy security

Recommendations:

- Increased investment and monitoring of local power generation and distribution systems
- Attraction of modern technologies and large investments into the development of renewable energy sector, and cooperation and experience-sharing in this regard
- Increased investment and cooperation with foreign stakeholders on upgrading of energy infrastructure.
- Increased investments into the renewable energy resources
- Introduction of feasible energy efficiency projects and creation of the necessary infrastructure for their implementation

- Diversification of energy generation, supply and distribution markets.
- Regional cooperation in the field of electric energy.
- Promotion of energy demand management, including the implementation of energy efficiency and energy saving measures.
- Developing the legal, institutional and financial frameworks with the aim of implementing structural reforms and promoting energy efficiency and renewable energy policies; introduction of legal, administrative and economic measures for energy efficiency stimulation.
- Information campaigns supporting sustainable energy development, including dissemination of information, training and awareness raising on best practices.
- Creation of regional energy agencies fostering energy efficiency measures and the use of renewable energy sources.
- Creation of agencies on regional and local levels, which would carry out obligatory periodical energy auditing, permanent awareness campaigns, research and development activities in energy efficiency.
- Setting-up a regional grid of electric power with the capacity to exchange electricity between the SC states

7. Addressing terrorism threats

Recommendations

- A joint Regional Anti-Terrorist Centre should be established under the NATO's PfP (a branch of PfPT).
- A Rapid Reaction Force should be set up under the aforementioned centre.
- Information exchange between the border guard, intelligence, defence, internal affairs, customs agencies of the respective states, joint training, interoperability, and meetings under the aegis of NATO PfP, for example, are indispensable. This will also help confidence building and lay foundations for *esprit de corps*.

8. Addressing informational threats

Recommendations

- Deriving from the fact that cyber attacks are often carried out from abroad, close cooperation in this field is vital.
- Development and harmonization of the legislation, in line with the EU and US legislation, is equally important. Special legislation should be elaborated to exercise legal prosecution against broadcasting of discriminatory, racist, xenophobic, and incendiary material via radio, TV, and the Internet.
- Educational institutions should avoid teaching of historically incorrect and biased information. In this regard, consultations between the ministries of science and culture, the academies of science, research institutions and academia representatives could be very positive. Public and private media, freelancer journalists, and non-governmental organizations are also encouraged to jointly work out the Code of Conduct.