



# Ambiguous Relations

RUSSIA'S POST-SOVIET NEIGHBORHOOD

PONARS Eurasia Policy Perspectives  
August 2013

**PONARS Eurasia**

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The statements made and views expressed are solely the responsibility of the authors.

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*Cover image:*

*Russian President Vladimir Putin before his meeting with Ukrainian President Viktor Yanukovich in the presidential residence in Zavidovo, about 90 miles (150 kilometers) north of Moscow, Russia, Monday, March 4, 2013. Putin and Yanukovich discussed prospects of Ukraine's cooperation with the Customs Union, an economic alliance of Russia, Belarus and Kazakhstan. (AP Photo/Andriy Mosienko)*

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# Foreword

Cory Welt and Henry E. Hale  
*The George Washington University*

This collection of policy memos is based on the proceedings of a May 2013 workshop of the Program on New Approaches to Research and Security in Eurasia (PONARS Eurasia), held in collaboration with the European University at St. Petersburg.

The workshop, “Russia’s Global Engagement,” brought together scholars and experts based in the United States and the Russian Federation, as well as Armenia, Azerbaijan, Canada, Estonia, Georgia, and Ukraine. Participants discussed Russia’s international position and U.S.-Russian relations; shifting Russian policies on energy, Asia, migration, and international economics; Syria, terrorism, and arms control; and military reform. We originally published the policy memos prepared for the workshop between April and August 2013, and we are republishing many of them in two collected volumes.

This volume, *Ambiguous Relations: Russia’s Post-Soviet Neighborhood*, includes eight memos on Russian and Western relations with Ukraine, the Baltic states, the South Caucasus, and Central Asia. *Arkady Moshes* and *Serhiy Kudelia* argue that Ukraine’s membership in the Russian-led Eurasian Customs Union is a bad deal for Ukraine and Russia both. *Olexiy Haran* examines how Ukraine’s politically weakened President Viktor Yanukovych is exploring more authoritarian methods of governance, thereby continuing to put at risk the unsigned EU-Ukraine agreement. *Mark Kramer* calls attention to the risk of heightened confrontation between NATO and Russia in the Baltic region, as NATO begins to take more seriously its commitment to protect the security of its smaller allies. *Kornely Kakachia*, *Sergey Minasyan*, and *Anar Valiyev* offer nuanced analyses of Russia’s relations with Georgia, Azerbaijan, and Armenia, explaining why in all three cases the future course of these relations remains highly uncertain. Finally, *Alexander Cooley* and *Marlene Laruelle* explain how in Central Asia Russia is abandoning a doctrine of exerting general regional influence in favor of more focused integration with Kazakhstan, Kyrgyzstan, and Tajikistan.

We know you will find these policy perspectives useful and thought-provoking. Many individuals were instrumental in the production of this volume, as well as the organization of the workshop that generated it. We would like especially to thank our colleagues and co-organizers at the European University at St. Petersburg, Vladimir Gelman, Oleg Kharkhordin, Vadim Volkov, and Maria Bratscheva; Managing Editor Alexander Schmemmann; Program Coordinator Olga Novikova; Research Assistant Julian Waller; IERES Executive Associate Caitlin Katsiaficas; and IERES Director Peter Rollberg.

PONARS Eurasia is a network of over 90 academics, mainly from North America and post-Soviet Eurasia, who advance new policy approaches to research and security in Russia and Eurasia. Its core missions are to connect scholarship to policy on and in Russia and Eurasia and to foster a community, especially of mid-career and rising scholars, committed to developing policy-relevant and collaborative research.

PONARS Eurasia, together with the George Washington University's Elliott School of International Affairs, expresses its deep appreciation to the International Program of Carnegie Corporation of New York and the John D. and Catherine T. MacArthur Foundation for their support.





# Will Ukraine Join (and Save) the Eurasian Customs Union?

PONARS Eurasia Policy Memo No. 247

Arkady Moshes

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Since Vladimir Putin's return as Russian president, Ukraine has been a target of Moscow's attempts to have it accede to the Eurasian Customs Union. The Ukrainian opposition and national-minded analysts have expressed concerns that President Viktor Yanukovich may cede to the pressure, whether to seek economic relief for the country or to obtain Moscow's political support, which he could exploit for his re-election bid in 2015. This, however, is unlikely. Gains for either the country or the regime are too uncertain and insufficient to persuade Ukraine's leadership to break away from its balancing act in foreign policy, a feat that Kyiv has performed since independence.

## **Clouds over Eurasian Integration**

The Customs Union and the Common Economic Space between Russia, Belarus, and Kazakhstan make up the most advanced and ambitious plan of post-Soviet regional integration to date. In 2010-2012, the three states created a common customs territory, removed internal border controls, and inaugurated the Eurasian Economic Commission, a regulatory body tasked with ensuring the functioning and development of the union. A full-fledged Eurasian Economic Union is officially supposed to emerge by January 2015. Drawing a parallel with the European integration project, some observers have noted that Russia and its partners plan to accomplish in a few years what the European Union took decades to achieve.

How economically significant the Customs Union is remains an open question. Russia's economy constitutes almost nine-tenths of the union's joint economic potential, making the accession of Kazakhstan not so significant in strictly economic terms (Belarus, for its part, has been closely integrated with Russia since the 1990s). But the political impact of Kazakhstan's accession is clear: a wealthy self-confident post-Soviet state voluntarily decided to harmonize its trade norms with Russia, underlining the attractiveness of a Russia-centered partnership. As a result, the Kremlin scored points via the Customs Union in its diplomatic game with China. Perhaps more importantly, Moscow was able to present Brussels with a *fait accompli*: from now on, the Kremlin expects the European Commission to discuss trade issues exclusively with its Eurasian analogue. Bilateral negotiations on a new framework agreement between Russia and the

EU are frozen, and respective competences have been transferred to the Eurasian Economic Commission.

However, the streak of Customs Union successes may well be over. The three member states do not share a common view of the future. Many European experts (like Rilka Dragneva, Kataryna Wolczuk, and Hannes Adomeit) believe that Russia is trying to create an economic regime to achieve geopolitical objectives. The interests of Kazakhstan and Belarus differ significantly from that vision. Kazakhstan is primarily interested in markets and access to Russia's pipeline system to export its hydrocarbons to Europe. Belarus wants to maximize the economic subsidies Russia provides to Belarus for its declared loyalty (and which Putin has euphemistically referred to as an "integration component" in their bilateral relations). But leaders in neither Minsk nor Astana are willing to lose even a fraction of the political power they enjoy domestically or their international freedom of maneuver.

Thus, in January 2013, Kazakhstan's president, Nursultan Nazarbaev, publicly ruled out the evolution of Eurasian integration to the point of political union (to say nothing about its potential reincarnation into the USSR). He said that existing bodies are sufficient to guarantee the success of economic integration. Several days later, Alexander Lukashenka of Belarus stated that "radical steps," which Russia might want, were not acceptable. He praised the bilateral Union State of Russia and Belarus as a more advanced form of integration compared with the Eurasian Economic Union, but only to conclude that Belarusian society is not "ripe" for another "breakthrough."

The deepening of Eurasian integration is thus up for question. The expansion of the Customs Union to Kyrgyzstan and Tajikistan is under discussion, but this is not a solution. Both countries are very small economically and unattractive as export markets. Their capacity to enforce new regulations or to protect the borders of the Customs Union (from smuggling) is weak. Most importantly, the prospect of granting these states, especially Tajikistan, freedom of labor mobility, which they would be entitled to if they joined the union, is politically very risky in Russia's current domestic political context, tainted as it is with anti-immigrant sentiment.

In other words, the stagnation of Eurasian integration is a realistic medium-term scenario. In this case, Ukraine's accession to the Customs Union may appear to the latter's architects to be more critical than ever. In addition to the oft-cited geopolitical rationale and the possibility for Moscow to declare victory in its contest with the EU over the common neighborhood, Ukraine's entry would bring a greater economic logic to the organization and help sustain the claim that the dynamism of the process could be reinstated after a logical slowdown, needed for Ukraine to catch up with the others.

No wonder Russian diplomacy is so focused on bringing Ukraine on board. Moscow promises colossal energy subsidies and other economic privileges in return for Ukraine's accession. At the same time, sanctions and the negative implications of the closure of Russian markets to Ukraine in case of its non-accession are openly discussed.

### **Any Rays for Ukraine?**

While agreeing to look for ways to cooperate with the Customs Union, Ukraine so far refuses to join. There are several reasons for this.

#### *The Custom Union's Controversial Economic Performance*

In the first two years of its existence, the Customs Union exhibited rather impressive growth in its internal trade. In 2011, intra-Customs Union trade grew by 34 percent, and in the first six months of 2012 it increased by 15 percent. This, however, was primarily due to the recovery from the crisis of 2009, when Russian GDP fell by eight percent. In the second half of 2012, the situation changed – internal trade grew by only 3 percent. As analysts from the Brussels-based Center for European Policy Studies concluded, the short-term effects of the introduction of the Customs Union are over.

Moreover, comparing Ukrainian and Belarusian trade with Russia demonstrates that membership in the Customs Union has not critically affected trends in bilateral trade. In 2011, Belarusian trade with Russia increased by 40.7 percent, while Ukraine's increased by 36.1; in 2012, both fell, by 9.4 and 10.8 percent respectively.

At the same time, Kazakhstan, which had to radically change its trade policy to align it with Russia's own, experienced an almost doubling of average tariffs in 2009-2011. (This is similar to what would happen to Ukraine if it joined.) Kazakhstan's negative balance in trade with Russia and Belarus increased from approximately \$8.5 billion in 2011 to almost \$11 billion in 2012, as more expensive goods from Russia replaced cheaper imports from other places, China in particular.

#### *Insufficient Credibility of the Russian Offer*

Lack of trust is a fundamental problem in relations between Moscow and Kyiv. One major source of this at present is the Kharkiv agreement of 2010, by which Ukraine provided a lease to the Russian Black Sea Fleet for use of the Sevastopol naval base (good until 2042) for a discount of \$100 dollars per one thousand cubic meters (tcm) of imported Russian gas. However, despite the discount and lower transit costs, Ukraine ended up paying more for its imports than Germany or Italy, which Kyiv understandably found unfair.

Today, Moscow is again offering Ukraine preferentially-priced energy. In December 2012, Sergei Glazyev, an economic advisor to Vladimir Putin, estimated that Ukraine's gain would amount to \$9 billion a year, a figure that apparently combines the pricing of gas at Belarus' level (\$165 per tcm, as compared with the \$425 that Ukraine was paying in 2012) with the Custom Union's tariff-free trade in oil. Whether such an offer could be sustained, however, is another matter. As a WTO member, Russia has an obligation to make its gas sector operate on "normal commercial considerations," which predicts a rise in Russian domestic gas prices. This rise can be quite steep, should there be a need to compensate for falling export revenues. It is also worth keeping in mind that Belarus enjoys low gas prices not only because it joined the Customs Union but because it sold its national gas transportation network to Russia, an outcome Kyiv would like to avoid.

*Negative Attitude of the EU*

Ideally, Kyiv would like to combine a privileged economic relationship with Russia with a free trade regime with the EU. Ukraine and the EU have negotiated a deep and comprehensive free trade agreement that could conceivably be signed in November 2013 during the EU Eastern Partnership summit in Vilnius – if, that is, Ukraine meets certain political conditions. Brussels, however, has made it clear that the agreement is incompatible with membership in the Customs Union. As a Customs Union member, Ukraine would have to partially transfer its economic sovereignty to an organization that does not have preferential relations with the EU. The Customs Union has little chance of establishing such relations in the near future, given that two of its member states (Belarus and Kazakhstan) are not members of the WTO and one (Belarus) has especially conflictual relations with the EU.

*Domestic Political Risks for Yanukovich*

Ukrainian public opinion is polarized between “European” and “Eurasian” options. Accession to the Customs Union would mobilize a range of supporters and opponents. In a December 2012 poll by the Kyiv-based Razumkov Center, 42 percent of respondents preferred to join the EU while 32 percent opted for the Customs Union (with 10.5 percent choosing neither). A poll the same month by the Social Monitoring Center found, on the contrary, that 46 percent of respondents were in favor of Customs Union accession while 35 percent preferred free trade with the EU and eventual membership. Either way, these results imply that as an electoral slogan the Customs Union is a double-edged sword. As well, parliamentary ratification of the accession agreement cannot be taken for granted. Resistance may come not only from pro-European opposition groups but also MPs representing Ukrainian businesses who lobbied for the country’s entry into the WTO in 2008 and who currently favor free trade policies with the EU. Meanwhile, the economic benefits of Customs Union membership, if any, would probably come too late to be felt by the wider population before the next round of elections in 2015.

**An Easier Alternative**

But a decisive factor may rest elsewhere. The Russian-Ukrainian energy relationship is currently undergoing a fundamental transformation. Since the collapse of the USSR, the two countries have been in a forced partnership: Ukraine has been totally dependent on Russia for gas while Russia has been almost totally dependent on Ukraine for gas transit. With the launch of the Nord Stream pipeline in 2011-12 and the start of construction of the South Stream line (to be operational in 2016), Moscow has appeared to many to be gaining the upper hand. Yet Ukraine’s administration has risen to the challenge and begun its own policy of diversification. It began purchasing gas on the spot market in Germany, expecting to obtain 5 billion cubic meters (bcm) in 2013. It signed an agreement with Shell to begin shale gas production in eastern Ukraine. Construction of a liquefied natural gas terminal is being seriously considered. Although it is too early to

predict the overall success of this strategy, Ukraine has already dramatically reduced its imports of Russian gas—from 57 bcm in pre-crisis 2007 to 33 bcm in 2012 and an expected 26 bcm in 2013. In January-February 2013, Ukraine's state energy company Naftogaz decreased imports of Russian gas by 44 percent as compared with the same period the year before.

Russia thus faces the risk of losing a major market. Ukraine may be violating the "take or pay" provision included in its contract, but it may not be so easy for Russia to enforce it through the Stockholm court of arbitration. Litigation could take a long time and reveal details of Russia's "gas diplomacy" which the Kremlin would prefer not to disclose. And gas cut-offs, as in 2006 and 2009, could finally ruin Russia's reputation among European consumers. Lower prices accompanied by stronger guarantees of purchase and a possible agreement on transit cooperation would be a realistic way out of the current stalemate. Associate or observer status of Ukraine in the Customs Union cannot be fully ruled out as a kind of diplomatic save, but in reality such a status would be meaningless and, therefore, unlikely.

### **Conclusion**

There is no urgency for Ukraine to join the Customs Union. It can obtain cheaper gas from alternative sources while preserving its sovereignty and the interests of its elites. The problem is that if a new Ukrainian-Russian gas (and transit) deal were to come to fruition, it would likely resemble previous arrangements by being short-term and non-transparent. Such an agreement would not make Ukraine genuinely independent, just enable the current leadership to continue its balancing act. Re-integration into Eurasia would be unlikely, but so would be further liberal reforms, postponed as Ukraine continued to delay adopting EU norms. Ukraine would thus consolidate its status as a "gray zone" of Europe, hardly a promising forecast.

# The Price of Brotherly Love

## WHAT WILL RUSSIA LOSE FROM INTEGRATING UKRAINE?

PONARS Eurasia Policy Memo No. 257

Serhiy Kudelia  
*Baylor University*

Russia's hard push for Ukraine's integration into the Customs Union (CU) has reached a watershed moment. During an April 2013 press conference, Russian President Vladimir Putin hinted that Moscow's sales pitch was complete and noted, "The ball is now in our partner's court." In reality, the integration ball is still in the hands of the European Union, which soon has to decide whether to ratify an Association Agreement (AA) and Deep and Comprehensive Free Trade Agreement (DCFTA) with Ukraine during the upcoming Eastern Partnership Summit in November 2013. As the Kremlin made clear, the signing of the AA and the creation of a Free Trade Area (FTA) with the EU will make it impossible for Ukraine to join the CU. However, if Ukrainian President Viktor Yanukovich refuses to make further concessions to the West on the issue of "selective prosecution of the opposition," the EU may postpone the signing of the AA until after Ukraine's next presidential election. This will give the Kremlin at least another year to lure Ukraine into its economic alliance. Russian Prime Minister Dmitry Medvedev interpreted Ukraine's signing of a Memorandum with the Eurasian Economic Commission on May 31 as the "first step" in its accession to the future Eurasian Economic Union.

There are good reasons, however, for the Russian authorities to be more circumspect in promoting Ukraine's integration into the CU. The political costs of this move might turn out to be much higher for Russia than any symbolic or material gains it can obtain. This memo analyzes the possible political implications of Ukraine's membership in the CU. It argues that Russia's strategy to regain regional dominance will be successful only if Ukraine remains outside of its integration arrangements.

### **What's In It for Russia?**

According to the newly adopted Foreign Policy Concept of the Russian Federation, Moscow views Ukraine as a "priority partner in the CIS" that should be further engaged in "deeper integration projects." Russia's economic gains from treating Ukraine as a priority country, however, are minimal. A 2012 report by the Center for Integration Studies, which is affiliated with the Eurasian Development Bank, and co-authored by economists of the Russian and Ukrainian Academies of Sciences, concluded that Ukraine's accession to the CU will have only a marginal positive effect on Russia's

economic growth, adding only about 2 percent to its GDP by 2030.\* Similarly, Russia will not suffer any economic losses if Ukraine enacts a FTA with the EU. This indicates that the Kremlin pursues largely symbolic goals in its drive for closer economic integration with Ukraine. If Ukraine opts for integration with the CU, it will bring Russia closer to regaining the coveted status of a major world power. The move would also give Russia additional levers of influence over political and economic processes inside Ukraine, which would ensure that its future leadership remains on good terms with Moscow. Finally, Putin may also view it through the prism of his personal political legacy and see it as an important part of his re-election platform in 2018. With Ukraine closely tied to Russia, he could claim the title of a new “gatherer of the Russian lands.”

Ukraine's membership in the CU, however, would come at a major price for Russia. The estimated financial loss to the Russian state budget from integrating Ukraine amounts to \$10-12 billion annually. This will result from offering Ukraine a subsidized gas price (~\$6 billion in losses), eliminating export duties on oil (~\$4 billion in losses), and compensating Ukraine for WTO sanctions (~\$1.9 billion in losses). The total cost amounts to more than half of Russia's current annual expenditures on education or two-thirds of its annual expenditures on health care. Immediate economic costs are only one type of negative externality that Russia needs to account for in case Ukraine joins the CU. In fact, political risks and foreign policy setbacks that may follow Ukraine's entrance into the CU could outweigh any potential benefits that Moscow would hope for.

### Political Risks

Political risks from Ukraine's membership in the CU stem from three factors. First, Ukrainian public opinion remains sharply divided about the direction of Ukraine's integration. According to a March 2013 poll, 38 percent of respondents favor joining the CU while 41 percent endorse an FTA with the EU.† Every fifth Ukrainian is still undecided on the direction of integration. At the same time, neither side feels any particular urgency regarding Ukraine's integration course, with two-thirds saying the top priority should be “to put the country in order” before joining any organization. Second, there is a long-standing and broad consensus among Ukraine's political elite that integration with the EU is in the country's vital national interests. The goal of EU membership has been a cornerstone of Ukrainian foreign policy since 1995 and remains irreconcilable with membership in the CU. Third, some of Yanukovich's earlier policies have strongly alienated many voters in Western and Central Ukraine, which, in turn, has resulted in the rising popularity of the radical nationalist party *Svoboda*. These three

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\* “Kompleksnaia otsenka makroekonomicheskogo efekta razlichnykh form glubokogo ekonomicheskogo sotrudnichestva Ukrainy so stranami Tamozhennogo Soyuza i Edinogoekonomicheskogo prostranstva v ramkakh EvrAzEs,” *Tsentr Integratsionnykh Issledovaniy* (St. Petersburg, 2012): <http://www.eabr.org/r/research/analytics/centre/projects/ukraine/> (last accessed: April 26, 2013).

† “Na rozdorizhzhzi abo intehratyjni rebusy,” *Sotsiologichna Grupa “Reityng,”* April 2013: [http://ratinggroup.com.ua/upload/files/RG\\_Ukraine\\_Vektor\\_042013\\_pres.pdf](http://ratinggroup.com.ua/upload/files/RG_Ukraine_Vektor_042013_pres.pdf) (last accessed: April 26, 2013).

factors substantially raise the political risks for Russia associated with Ukraine's CU membership.

*The Risk of Anti-Incumbent Nationalist Mobilization*

As political scientist Lucan Way has noted, by framing national identity in anti-incumbent terms the opposition in hybrid regimes may facilitate popular mobilization in the absence of civil society. Abrupt reversal of Ukraine's foreign policy priorities in favor of closer economic ties with Moscow would allow the opposition to portray the current authorities as Kremlin puppets and could fuel mass unrest to prevent Ukraine's drift to Russia. Ukrainian youth are likely to spearhead protests given that Ukrainians in the 18-29 age group prefer European integration to the CU by a 25 percent margin (53 percent against 28 percent). Broad public mobilization would seriously threaten the stability of Yanukovich's regime and his re-election prospects in 2015. He could also face a more cohesive opposition since resistance to "reunification with Russia" will serve as a focal point for the coordination of disparate opposition parties. The promise of a return to the European path is a specific and credible benefit that the opposition could offer to maintain mobilization. According to the latest poll, most Ukrainians associate European integration with personal and tangible benefits such as the ability to travel (55 percent) and access to new jobs (53 percent). By contrast, integration with Russia is viewed mainly through the prism of collective benefits, such as a lower gas price (63 percent) and closer people-to-people ties (50 percent). Hence, the strength of counter-mobilization is likely to be low. Furthermore, by contrasting their pro-European aspirations with the pro-Russian priorities of the incumbents, the opposition is likely to attract undecided voters with no political attachment. Thus, Ukraine's integration into the CU is likely to facilitate the political comeback of pro-Western forces by serving to undermine the regime, which, overall, remains friendly to Moscow.

*The Risk of Bilateral Instability*

Apart from protest mobilization, Ukraine's entrance into the CU is likely to generate an intense counteraction by nationalist groups targeting Russia's political and economic interests in Ukraine. This counteraction may range from peaceful subversive methods, like boycotting Russian goods and services, to potentially violent and costlier activities against Russian assets on Ukraine's territory. Apart from doing economic damage, the opposition may also threaten Russia's security interests. All opposition leaders already promised to annul the Kharkiv Accords, which extended Russia's lease of Sevastopol for stationing its Black Sea Fleet until 2042. Ukraine's integration into the CU will further strengthen the perception of a threat to the country's sovereignty emanating from Moscow and increase the likelihood that the accords will be rejected if the opposition comes to power in 2015. The reinstatement of the earlier treaty would require Russia to withdraw all of its troops from Ukrainian territory by 2017. Moscow's refusal to abide by this timeframe will produce a major bilateral confrontation that could destabilize the Crimean peninsula and raise serious security concerns among the countries of the Black Sea region.



*The Russian Ethnic Minority*

When choosing between the EU and the CU, Ukraine's public opinion is divided primarily along ethnic lines. Those who speak Ukrainian as their first language prefer joining the EU over the CU by a margin of 57 to 23 percent (a 34-point gap). By contrast, exclusively-Russian speakers (regardless of ethnicity) favor joining the CU by a margin of 61 to 19 percent (a 42-point gap). Ethnic Russians advocate economic integration with Russia by an even larger margin of 47 points (64 to 17 percent). Neither location nor education nor age shows such a strong influence as identity markers over the respondents' choice. A shift in foreign policy priorities from the EU to the CU is likely to generate major linguistic or ethnic polarization that could well turn violent. This would be particularly threatening to ethnic Russian minorities in predominantly ethnic Ukrainian regions where there is a history of military resistance to the Soviet occupation. Therefore, ironically, if it achieves its CU foreign policy goals, Russia could undermine one of its other key priorities—the protection of the Russian-speaking diaspora in neighboring states.

**Foreign Policy Setbacks**

Any short-term foreign policy gains that Russia may reap from luring Ukraine into the CU may be offset by more considerable losses that would undermine its dominance in the region and produce serious strategic setbacks. These losses include heightened political tensions with the West, a weakening of its regional integration plans, and further enlargement of NATO to its borders.

*Cold War Redux*

U.S. Secretary of State Hillary Clinton's departing remarks about Russia's attempts to "re-Sovietize the region" under the guise of economic integration summarized the Western view of Moscow's integration projects. Her warning that the United States was determined to thwart Russian actions indicated the seriousness with which Russia's actions are treated in Western capitals. Clearly, the matter of Ukraine's participation in the CU would be of major concern for Western leaders due to its economic size and geopolitical significance. Western strategic thinking on Ukraine has long been dominated by Zbigniew Brzezinski's maxim that "without Ukraine, Russia ceases to be an empire, but with Ukraine suborned and then subordinated, Russia automatically becomes an empire." Supplying Ukraine with natural gas at a major discount in exchange for CU membership will be seen in the West as the first stage of Ukraine's gradual reabsorption into Russia's political sphere of influence. It would also be viewed as a sign of a major progress toward the Kremlin's goal of reclaiming its superpower status. Encouraging Ukraine's withdrawal from the CU would then become a top priority for Western policy in the region. Western states would pursue this objective by taking a tougher political line against the current authorities who are already complicit in numerous democratic violations and by offering financial assistance to civil society and opposition groups in Ukraine. Given the high stakes for both sides, the intensity of a

renewed competition between Russia and the West for influence in the area would surpass the levels of their clashes prior to the Orange Revolution. Another East-West confrontation would seriously hinder Russia's goal of maintaining a cooperative relationship with the EU and hinder cooperation in the security realm with the United States.

#### *Weakening of Regional Integration*

Uncertainty about the strength and duration of Ukraine's commitment to the CU would have a negative impact both on dynamics within the CU and on Russia's long-term integration plans. Since the prospects of Ukraine's continued membership will depend on Yanukovich's survival in office, other CU members are unlikely to agree to any long-term cooperative economic projects with Ukraine. Doubts about the length of Ukraine's membership may also be used to justify maintaining temporary trade barriers or introducing certain trade restrictions. Ukraine's eventual withdrawal from the CU could weaken cohesion within the nascent trading bloc. It may have a particularly strong demonstration effect on Kazakhstan given the volatility of domestic support for the CU there and the growing attraction of China as an alternative trade partner to Russia. It will also expose the weakness of Russia's actual influence in the region and will become a blow to its aspirations for regional hegemony.

#### *NATO's Renewed Enlargement*

Ukraine's integration with the CU could also backfire in the security realm. Under the guise of neutralizing a threat from Moscow, opposition parties may put the goal of Ukrainian membership in NATO back onto their foreign policy platforms. Advocates of Euro-Atlantic integration will now present NATO as the only real institutional barrier to Russia's further push for political and military expansion. Yanukovich's election defeat by any of the current opposition leaders will, hence, inevitably result in the reversal of Ukraine's current bloc-free position. Meanwhile, Ukraine's return to an integration track with NATO will lead to a sharp deterioration in Russian-Ukrainian relations and create a major long-term strategic challenge to the Kremlin.

#### **What is Russia's Best Course?**

Given the totality of political risks associated with Ukraine's integration into the CU, Russia should pursue a more pragmatic and, ultimately, more advantageous strategy in dealing with Ukraine. Since Yanukovich remains more receptive to Russia's strategic interests in the region than any of his opponents, Moscow should prioritize the stability of his regime. It will greatly improve his re-election chances through indirect economic support, particularly in agreeing to renegotiate gas contracts without getting Kyiv's prior commitment to the CU. At the same time, the Kremlin should avoid repeating the mistakes of 2004 by drawing itself into the election campaign on someone's behalf. Also, it should not stake the future of Russian-Ukrainian relations on a single political figure. Rather, Moscow should maintain direct contact with two leading Ukrainian opposition parties (*Batkivshchyna* and UDAR) to plan for a possible leadership turnover in 2015. Its

objectives should be to neutralize the influence of radical nationalists on policymaking and to minimize reversals of prior bilateral agreements. The only way Russia could secure its current strategic gains—the extension of the Black Sea Fleet lease and Ukraine's bloc-free status—is by avoiding any action that would be interpreted as an indicator of expansionist plans. Even the recent signing of the Memorandum between Ukraine and the Eurasian Economic Commission, which did not impose any formal obligations on either party, produced harsh criticisms from the Ukrainian opposition. From Moscow's standpoint, the use of informal economic levers through private investments and state loans may eventually be more effective in maintaining long-term influence over Ukrainian elites than the signing of integration treaties with a short shelf-life and major blowback potential.

# President Yanukovich's Growing Authoritarianism

DOES UKRAINE STILL HAVE EUROPEAN PROSPECTS?

PONARS Eurasia Policy Memo No. 265

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The ambiguous results of Ukraine's October 2012 parliamentary elections suggested that President Viktor Yanukovich might find it difficult to control Ukraine's new legislature. Yanukovich has thus begun to rely on authoritarian methods involving direct pressure, falsifications, and legal manipulations to secure his reelection in 2015. At stake is the future of the EU-Ukraine Association Agreement, a document initialed but not yet signed, now an instrument hostage to Yanukovich's stratagems.

## **After Parliamentary Elections: A New Constellation on the Way to Presidential Elections**

The 2012 parliamentary elections were based on a new electoral law, which introduced a mixed proportional-majoritarian system (instead of a purely proportional one). The law banned electoral blocs and raised the electoral threshold from three to five percent. Blackmailed by the presidential majority, most deputies from *Batkivshchyna* (the party of the imprisoned Yulia Tymoshenko) and the Front for Change (led by Arseniy Yatseniuk) voted for this electoral law as a "lesser evil." They thus share, to a certain extent, responsibility for the law.

The new system increased the opportunities to use so-called "administrative resources" in single-mandate districts. As an example of manipulation, "parties" unknown even to experts (such as "Power for Youth" or "Ukraine-Rus United") received spots in all district election commissions while the Ukrainian Democratic Alliance for Reforms (UDAR, led by Vitaliy Klitschko) and the nationalist *Svoboda* party received none. Most international observers stressed that while elections remained competitive they were still a step back on Ukraine's democratic path.

Nonetheless, the banning of blocs stimulated the creation of a United Opposition under the banner of *Batkivshchyna* that also included the Front for Change and several small parties. UDAR and *Svoboda* campaigned separately, but the latter agreed to coordinate with *Batkivshchyna* to nominate candidates in single-mandate districts.

Because of competition between three opposition forces, the ruling Party of Regions (led by Prime Minister Mykola Azarov) managed to win first place in the party list. Combined, however, the opposition was victorious in the party list over the Party of Regions and the Communist Party of Ukraine (CPU) (see Table 1). The opposition also

heads 13 of 29 parliamentary committees. Although formally the Party of Regions, the Communists, and some aligned MPs from single-mandate districts (from smaller parties and so called "independents") have a simple majority, the work of the parliament has demonstrated that the Party of Regions does not have enough votes to adopt any decisions or openly violate parliamentary procedures and laws (as happened in the previous parliament).

**Table 1. Results of the October 28, 2012 Parliamentary Elections in Ukraine.**

<b>Party</b>	<b>Percent</b>	<b>Seats by proportional vote</b>	<b>Seats in single-mandate constituencies</b>	<b>Total</b>
Party of Regions	30.00	72	113	<b>185</b>
<i>Batkivshchyna</i> (Motherland)	25.54	62	40	<b>102</b>
UDAR	13.96	34	6	<b>40</b>
Communist Party	13.18	32	0	<b>32</b>
<i>Svoboda</i> (Freedom)	10.44	25	12	<b>37</b>
Other Parties			7	
Self-nominated (non-party)			42	
<b>Total</b>		<b>225</b>	<b>220</b>	<b>445</b>

As analysts predicted, despite their opposition rhetoric in the campaign, the Communists secured the re-appointment of Prime Minister Mykola Azarov (with 252 votes, 26 more than were needed). This was a tradeoff for the election of Communist Ihor Kaletnyk (former head of the customs service) as the first vice chairman of parliament. Three opposition factions were able to put forward Ruslan Koshulynsky from *Svoboda* as another vice chairman. While this was a success for *Svoboda*, it is clear that the presidential administration would like to provoke conflicts in parliament between it and the Communists, thus discrediting the opposition and the parliament in general, while presenting itself in contrast as a "guarantor of stability."

On the other hand, the polarization of Ukrainian society caused by Yanukovich's policies explains the sudden success of the right-wing *Svoboda* (10.5 percent against a forecasted five percent). *Svoboda* received many votes outside its core electorate: many "moderates" decided to vote for *Svoboda* at the last moment to ensure that it would overcome the five percent threshold and not have its votes wasted.

The dilemma for *Svoboda* is to identify which European party can best serve as its model: the radical and marginal British National Front or the Italian National Alliance, which evolved from the far right to later join Silvio Berlusconi's center-right People of Freedom Party. *Svoboda's* program contains provisions that attract many Ukrainians, such as sharp criticism of Yanukovich and, especially, opposition to Russification. Some of its proposals, however, are also polarizing, such as the restoration of the Soviet-era "line 5" in passports denoting "nationality" (ethnicity) and a referendum to cancel Crimea's autonomy.

Some analysts thus suggest that Oleh Tyahnybok, *Svoboda's* leader, is Yanukovich's ideal competitor in a second round of the 2015 presidential election. According to a March 2013 forecasting poll by the Kyiv International Institute of Sociology, Yanukovich would beat Tyahnybok 53 to 47 percent, while he would remain about even with the imprisoned Tymoshenko (49 to 51 percent) and lose considerably to either Yatseniuk (46 to 55 percent) or Klitschko (40 to 61 percent).

### **The Increasing Role of "The Family"**

Reshuffles in the cabinet Yanukovich created after parliamentary elections has demonstrated the increasing influence of the so-called "Family," which is associated with Yanukovich and his elder son Oleksandr. The latter's close associate, Serhiy Arbuzov, moved from his position as head of the national bank to become first deputy prime minister. According to analysts, Arbuzov has a chance at becoming prime minister when the "old-guard" Azarov is fired at a moment convenient for Yanukovich to demonstrate his commitment to government "modernization." All the main financial and law enforcement agencies are now headed by representatives of the "Family."

The "Family"'s influence has increased at the expense of other business groups, with the exception of the richest Ukrainian, oligarch Rinat Akhmetov, whose presence in the government remains strong. In this system, few Ukrainian oligarchs can feel safe. In early 2013, even Valeriy Khoroshkovsky, former head of the security service and former first deputy prime minister, had to sell his share of the most influential Ukrainian TV channel *Inter* to Serhiy Liovochkin, Yanukovich's chief of staff. He then left the country.

The system of corrupt power Yanukovich has created, however, faces increasing economic pressure from inside and outside the country. Relations between Russian President Vladimir Putin and Yanukovich remain tense. On the one hand, Putin has wanted to drag Ukraine into the Customs Union or at least gain control over Ukraine's gas pipeline infrastructure. Yanukovich has resisted full membership in the Customs Union, agreeing only to amorphous "observer" status. The negotiation process was not transparent, however, and it is not clear what Putin has gained (or expects to gain) in return.

### **Democratic Means to Authoritarian Ends?**

For about two years, former Ukrainian president Leonid Kuchma's chief of staff Viktor Medvedchuk (whose daughter is Putin's goddaughter) has been actively promoting the idea of the "direct voice of the people" via referendums. There are dangers associated

with this mechanism for issues like joining the Customs Union, the federalization of Ukraine, or the adoption of Russian as the second state language—all traditional Russian demands.

Nonetheless, Yanukovich has decided to prepare the ground for rule by referendum. The reason is that the Party of Regions does not have a clear majority in the new parliament. Moreover, Yanukovich has taken into account his experience with a fragmented parliament in 2004, an experience he does not want to repeat closer to the 2015 presidential elections. A process of disintegration among the majority coalition is likely to intensify as single-mandate deputies, not assured of Yanukovich's victory, put their eggs in different baskets. In November 2012, the law on referendum was adopted by the outgoing parliament and, despite many violations of parliamentary procedure, Yanukovich signed it.

This reform opens the way to bypass parliament when changing the constitution and adopting laws. According to independent legal experts, this contradicts the constitution. Nonetheless, in spring 2013, Mykhailo Chechetov, deputy head of the Party of Regions's parliamentary faction, clearly revealed such plans. He noted that referendums could be used to dissolve the present parliament, adopt constitutional changes to introduce a bicameral parliament, and change the electoral law to a purely majoritarian one.

### **The EU-Association Agreement is Under Question**

After the imprisonment of former prime minister Yulia Tymoshenko and former minister of internal affairs Yuri Lutsenko, the EU began to speak of "politically selective justice" in Ukraine. Combined with other factors, this complicated the future of the EU-Ukraine Association Agreement and its related "deep and comprehensive free trade agreement." In March 2012, the agreement was initialed but Brussels postponed its signing.

A year later, during the February 2013 EU-Ukraine summit, Brussels raised the possibility of signing an Association Agreement with Ukraine during the November 2013 Eastern Partnership summit in Vilnius. For this to happen, however, Kyiv has to meet several conditions. These include: judicial reform and resolution to the problem of political prisoners; reform of the electoral system (including the introduction of a new electoral code that would reduce falsifications); and real implementation of reforms necessary for approximating EU rules, first and foremost related to anti-corruption measures and business tender procedures.

While the summit kept the door open to Ukraine, Yanukovich subsequently made steps contrary to what Brussels expected by stepping up pressure against the opposition. The High Administrative Court of Ukraine unconstitutionally decided in March to deprive Serhiy Vlasenko, Tymoshenko's lawyer, of his status as member of parliament. Earlier, in February, the court made a similar decision against two independent deputies who refused to join the Party of Regions faction. At the start of April, the Court of Cassation refused to reverse the previous decision to imprison Lutsenko, even though it had the possibility to release him on grounds of bad health.

Nonetheless, Yanukovich's game with the EU is not over. Four days after the court's decision, Yanukovich pardoned Lutsenko, who after his release emerged as a moral leader and stressed his desire to help the opposition. The decision was well received in the West, although officials emphasized that it was insufficient, especially since Tymoshenko remains in prison.

### **Local Elections: A Symbol of Yanukovich's Manipulative Tactics**

Problems with the system of local elections in Kyiv, Ukraine's capital, have become a sign of how the Party of Regions wishes to rule the country: by manipulating laws and changing election rules. The term of Kyiv's city council expired at the start of June and the mayor's term expired last summer. Kyiv thus has no mayor at present, and real power is concentrated in the hands of the Kyiv state administration head, appointed by the president. Knowing that the Party of Regions does not enjoy support in Kyiv, Yanukovich prefers to postpone elections in the capital while trying to split the opposition. In April, the Party of Regions failed to vote in favor of scheduling elections in Kyiv, provoking the opposition to call for protests and block the work of parliament.

Using the blockade as a pretext, the Party of Regions left parliament, convened in the parliamentary committees building, and began adopting laws behind closed doors and without discussion. It was not even clear that there was a parliamentary majority present. The next day, the Party of Regions returned to parliament. Pro-presidential MPs stated that the majority wanted to demonstrate that it could (and would) make decisions without the opposition and, if necessary, proceed with a dubious constitutional referendum.

At the end of May, the Constitutional Court, which lost its role as an independent arbiter already in 2010, decided that the next elections for the Kyiv city council should be in 2015—using the pretext that this date is simultaneously the date for local elections nationwide. Since the Kyiv council was elected in 2008 (for five years), this means that its term will be extended by more than two years. As for the mayor, the decision of the Constitutional Court was vaguer, and the opposition declared its readiness to push for Kyiv mayoral elections in the fall of 2013. The presidential administration will likely reject such a demand, however, since there is a high chance that an opposition candidate would win.

### **Conclusion**

Yanukovich's domestic policy includes the concentration of power, neglect of the law, and manipulation of rules. However, he needs to take into account the relative strength of the opposition as well as his relations with the West. If the Association Agreement is not signed, this will be a personal defeat for Yanukovich in his relations with the West. This would be especially problematic on the eve of the 2015 presidential campaign.

Although it seems that the window of opportunity is narrowing, a final EU decision whether to sign the Association Agreement with Ukraine in November at the Vilnius summit has yet to be made. Yanukovich could thus conceivably still use Tymoshenko's release as a bargaining chip. One option being discussed privately with



EU officials is to send Tymoshenko to Germany for medical treatment. If this happened, the atmosphere surrounding the agreement would palpably change for the better, despite the numerous problems the Yanukovych regime is still creating domestically.

## Russia, the Baltic Region, and the Challenge for NATO

PONARS Eurasia Policy Memo No. 267

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The August 2008 Russia-Georgia war sparked great unease in the three Baltic states (Estonia, Latvia, Lithuania) and in Poland about the willingness of the United States and other key members of the North Atlantic Treaty Organization (NATO) to defend them against Russian military pressure or even a possible attack, unlikely though that might seem.

One of the consequences of this apprehension was an effort by NATO military planners in December 2009 and January 2010 to expand the alliance's Eagle Guardian "defense plan," which initially applied only to Poland, and have it cover the whole "Baltic region." Senior U.S. and German officials tried to keep the revised contingency planning secret, but some details began leaking out in early 2010, and then the posting of huge collections of secret documents on the Wikileaks website in 2010 and 2011 left little doubt about what was going on.\* Neither the United States nor especially Germany had initially wanted to produce contingency plans to defend the Baltic states, for fear that such an effort would damage relations with Russia if it became publicly known. But persistent pressure by the Baltic governments spurred U.S. and German officials to agree to a compromise whereby the already existing Eagle Guardian plan for Poland would be expanded, an approach that was not especially welcome in Warsaw. Polish officials were, however, willing to embrace the expanded contingency plan, provided that Poland was treated separately in it and that U.S.-Polish bilateral military cooperation would increase.

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\* In 2010 and 2011, the Wikileaks website posted more than 750,000 classified U.S. State Department and Defense documents. My policy memo draws on some of the documents posted there, but I do so with reservations. Even though I have long believed that the U.S. government classifies and over-classifies far too many documents and that the declassification process is often dysfunctional, I am dismayed by a venture like Wikileaks, which systematically disregards proper legal channels for declassification and arrogates to itself the task of deciding what information should be available. One of the results of every Wikileaks disclosure is that the United States and other governments become more secretive and less willing to share information – precisely the opposite of the result that Wikileaks claims to be promoting. Having said all that, I face the reality that hundreds of thousands of documents posted on Wikileaks in 2010 are readily available to anyone using a non-U.S. government computer. These documents have not been officially declassified, but it is difficult for researchers simply to ignore them. Scholars certainly did not ignore the Pentagon Papers during the forty years from the time they were released until they were officially declassified in 2011.

One of the risks is the intensification of a security dilemma in which the steps taken by large NATO states to protect the security of smaller allies are seen as threatening by the Russian authorities, who then take military steps to counter NATO preparations, which in turn could lead to even greater efforts by NATO. The initial cycles of the security dilemma, as shown below, have already been apparent. The different interests and outlooks of the NATO states involved in Baltic defense gave Russia possible avenues for trying to play the parties against each other and thereby undercut the military planning, but instead the Russian authorities responded in ways that hardened, rather than weakened, NATO's resolve. At a time when xenophobic anti-Westernism has pervaded Russia's political discourse and Russian political leaders have been playing up supposedly "threatening" actions by NATO, the security dilemma may heighten the risk of a crisis or confrontation.

### **Initial Arrangements**

Poland became a member of NATO in 1999, and the three Baltic states were brought into the alliance in 2004. Because Poland is a relatively large country and has a relatively strong army, and because it does not border on the main part of Russia, NATO governments led by the United States subsequently agreed to devise Eagle Guardian contingency plans for the reinforcement and defense of Poland against an unspecified enemy. That draft contingency plan was slated to be updated and revised (as all such plans are as they are being drafted) in the wake of the August 2008 war. Eagle Guardian is explicitly *not* directed against any specific adversary, but few observers doubt that the main contingency for which NATO military planners must be ready in the case of Poland is an incursion by Russian forces into Polish territory.

The status of the three Baltic states, from the time they were admitted into the alliance, has always been different from that of Poland. Given the tiny size of these three states and their geographic proximity to Russia, the Russian army could rapidly occupy them if Russian political leaders ordered it to do so. Before the NATO governments decided in November 2002 to invite the Baltic states to join the alliance, some analysts had questioned whether NATO would really be willing to protect its new Baltic allies against a possible military threat from Russia. To avoid inflaming the situation with Russia after the Baltic states were admitted, NATO deliberately excluded the three of them from allied contingency defense plans. Because the Baltic states were entitled to full protection under Article V of the North Atlantic Treaty (the "common defense" provision), the initial eschewal of contingency planning for them was abnormal, and the Baltic governments were never happy about it. Nonetheless, they had little reason to press the matter so long as the threat from Russia appeared purely hypothetical.

### **Impact of the August 2008 War**

In the wake of Russia's August 2008 war with Georgia, unease in Warsaw and all three Baltic capitals about potential threats from Russia over the longer term became palpable. Even though Polish and Baltic leaders at the time did not seriously expect that Russia would contemplate an armed attack against their states in the immediate future, they

worried that the grim fate of Georgia in August 2008 might befall them too if they failed to take steps to prevent it. The implied parallel was, of course, inexact at best. Georgia was (and is) not a member of NATO and has never been granted even a Membership Action Plan (MAP), which is a prerequisite for any new member state. At the April 2008 NATO summit in Bucharest, allied governments had discussed the possibility of extending a MAP to Georgia and Ukraine—a proposal championed by the United States—but French and German opposition to the idea (stemming mainly from their concerns about Russia’s reactions) prevented the necessary consensus. As a result, when the war with Russia began four months later, Georgia formally was just the same as any other non-member of NATO and lacked any guarantees of protection against attack. (One could argue that if NATO *had* granted a MAP to Georgia in April 2008, U.S. and West European officials might have had much greater influence in August 2008 when they urged President Mikheil Saakashvili to avoid giving any pretext to Russia for an armed conflict. In part because Georgia had no MAP, Saakashvili disregarded the NATO countries’ advice and responded to Moscow’s provocations with a clampdown in South Ossetia, affording a pretext to Russia to embark on a large-scale military incursion into Georgian territory.)

Although no one should have been surprised that NATO did not intervene on behalf of Georgia in August 2008, the televised images of Russian forces overrunning Georgian positions and pushing rapidly toward Tbilisi came as a jolt to many of the newer members of NATO, above all the Baltic states and Poland. After all, the Western alliance had been establishing increasingly close ties with Georgia over the previous four years. Even though Georgia did not receive a MAP in April 2008, NATO governments did unanimously approve a declaration at the Bucharest summit welcoming “Georgia’s Euro-Atlantic aspirations for membership in NATO” and pledging that Georgia and Ukraine “will become members of NATO.”\* This declaration amounted to nothing in formal terms, but informally it fostered a perception that Georgia had developed a special relationship with NATO that would soon be culminating in formal membership.

Thus, the stark outcome in August 2008, with Georgia left to Russia’s mercy, was bound to spark deep anxiety among smaller NATO governments that had long had uneasy relations with Russia. On August 15, 2008, right after the Russia-Georgia war ended and with Russian forces still occupying large swaths of Georgian territory, the U.S. embassy in Latvia reported to Washington that “events in Georgia have dominated the news and discussion here like few other events in recent memory.” The fighting had caused Latvian officials to “look at Georgia and think this could easily be them.” The embassy stressed that “key figures” in the Latvian government were expressing doubts about whether “the West is fully prepared to deal with a resurgent Russia,” and they worried that Baltic membership in NATO might not “provide them the assurances of their security that they had hoped for.” On a visit to Washington soon thereafter,

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\* “Bucharest Summit Declaration Issued by the Heads of State and Government participating in the meeting of the North Atlantic Council in Bucharest on 3 April 2008,” Point 23.

Latvian Foreign Minister Maris Riekstins emphasized the urgency of dealing with the "new threat" posed by Russia, especially because Russian armed forces had been conducting exercises along the borders with Latvia and Estonia, a reminder of the exercises that preceded Russia's invasion of Georgia.

In mid-October 2008, senior officials from the Lithuanian Ministry of Defense and Ministry of Foreign Affairs transmitted a series of papers to the U.S. mission at NATO headquarters specifying the sorts of concrete guarantees Lithuania and the other Baltic states were hoping to receive in light of what had happened in Georgia. The papers called for the permanent deployment of U.S. combat forces on all three countries' territory, the reinforcement of air defense and anti-tank systems, expanded sea defenses, and the staging of bilateral military exercises with U.S. troops each year on the territory of the Baltic states. Lithuanian officials also called for NATO military planners to draft contingency plans for the fulfillment of Article V obligations vis-à-vis the Baltic states, adding to the plans already in place for other NATO members.

Neither the German nor the U.S. government was initially ready to proceed with the last of these proposals. Barack Obama's incoming administration wanted a consensus within NATO before taking any action on the matter, but U.S. officials found that "Germany continues to regard proposed NATO contingency planning to defend the Balts against possible Russian aggression as counterproductive and unnecessary." Germany's reluctance to do anything that might erode NATO ties with Russia was shared by many in the Obama administration, which had come to office proclaiming a "reset" of relations with Russia.

Nonetheless, both Poland and the Baltic states continued to express deep misgivings about Russian intentions. In April 2009, the Polish prime minister's chief of staff informed the U.S. embassy that the Polish parliament had "expressed unanimous support for a large U.S. military footprint in Poland to bolster Article 5 guarantees." He left no doubt that, from Warsaw's perspective, "Russia, not Iran, poses the greater threat to Poland." Subsequently, when a group of U.S. senators met with a senior Polish national security official, Witold Waszczykowski, he warned them that "Moscow is trying to regain its sphere of influence." Waszczykowski "stressed the critical importance of an increased U.S. or NATO presence for Poland's security" and voiced dismay that U.S. leaders apparently did not share his view of the urgency of the threat: "How long will it take for you to realize that nothing will change . . . with Russia?" When the senators asked him "whether Warsaw felt assured that NATO would honor its Article 5 commitments to Poland," he replied: "we still have our doubts." He told the senators "that some European members—particularly France—prefer talk to action," and he added, "that's why we bought F-16s and not French Mirages, and why we went through with the Missile Defense deal" with the United States.

In subsequent communications with the U.S. government in 2009, Polish officials repeatedly affirmed that "Poland 'wants U.S. boots on the ground'—not necessarily as a tripwire, but as a deterrent." The national security adviser to the Polish president, Sławomir Nowak, similarly "stressed Poland's strong interest in 'deepening' military cooperation, ideally to include a large U.S. footprint in Poland." The Polish

government's concerns about Russia and its desire to host countervailing U.S. military deployments expedited the redrafting of NATO's Eagle Guardian plan in the wake of the August 2008 war.

All three Baltic governments also continued to express grave concerns about the long-term threat posed by Russia. They highlighted the provocative nature of Russia's "Zapad 2009" military exercises, which involved large-scale attacks by Russian forces against the Baltic countries' territory and nuclear strikes against Poland. In October 2009, Estonian officials urged NATO Secretary General Anders Fogh Rasmussen to support contingency planning for the Baltic states, akin to the arrangement in place for Poland. In conversations with U.S. officials in the fall of 2009, Baltic leaders raised this same issue over and over.

### **Contingency Planning for the Baltic Region**

The vigorous efforts by Poland and the Baltic states to gain closer military ties with NATO, especially with the United States, came to a head in October 2009, when the U.S. ambassador to NATO, Ivo Daalder, recommended endorsement of a German proposal to expand the Eagle Guardian plan to encompass the whole Baltic region. Daalder pointed out that "leaders in Estonia, Latvia, and Lithuania are pressing hard for NATO Article 5 contingency planning for the Baltic states," and he noted that President Barack Obama and Secretary of State Hillary Clinton had already spoken in support of the idea. But Daalder conceded that such a move would entail a potential tradeoff: "The Baltic states clearly believe that the Russian Federation represents a future security risk and desire a contingency plan to address that risk. And therein lies the problem. . . . [P]ost-Cold War NATO has consistently said that it no longer views Russia as a threat." Daalder emphasized that German officials were particularly wary of anything that might detract from NATO's efforts "to work cooperatively with Moscow."

To get around this problem, Daalder urged acceptance of Germany's suggested expansion of Eagle Guardian. The proposal was unanimously approved at a NATO meeting in mid-December 2009. When Daalder and his German counterpart met with the Polish and Baltic delegations to discuss the new initiative, they claimed it was just "a routine adjustment to ongoing contingency planning," and they emphasized that everything about the Eagle Guardian expansion "should remain in restricted NATO circles and was not for public consumption." Polish and Baltic officials readily agreed (as they had earlier) not to discuss the matter in public, but they voiced some reservations about the move itself. The Baltic governments indicated they "were grateful for this initiative," and the Estonian ambassador to NATO described it as "an early Christmas gift," but all three Baltic ambassadors "stressed the need to ensure this would be a real plan to defend their countries rather than a simple appendage to the Poland contingency plan." Polish officials' concerns were the opposite: namely, they worried that contingency plans for Poland would be delayed and might be diluted by the inclusion of the Baltic states in the same document.

The differing concerns of the four governments were allayed by U.S. assurances that the planning for Poland would not be delayed and would be in a separate chapter

of its own, and that the contingency plans for the three Baltic states would not be purely “cosmetic” and would deal with “realistic scenarios.” On this basis, the expansion of Eagle Guardian began in early January 2010 and was formally approved by NATO’s Military Council on January 22, 2010. The new plan designated a minimum of nine NATO divisions—from the United States, Great Britain, Germany, and Poland—for combat operations to repulse an attack against Poland or the Baltic states. Throughout the drafting, U.S. and German officials firmly stressed that “such planning should not be discussed publicly. These military plans are classified at the NATO SECRET level.” Subsequently, after sketchy information about the revised document began leaking to the press in the first half of 2010, U.S. Secretary of State Hillary Clinton advised U.S. diplomatic posts to evade questions from journalists by simply informing them that “NATO does not discuss specific plans.”

The goal of “complete secrecy” for the planning process was attenuated by the initial leaks and was then undermined altogether in late 2010 when Wikileaks released a large number of relevant State Department documents. Soon thereafter, leading Western newspapers reported on all the secret deliberations pertaining to the revised Eagle Guardian plan. The public disclosure of the Eagle Guardian materials evoked a harsh reaction in Moscow, where officials claimed to be “bewildered” and “dismayed” that NATO, after issuing countless “proclamations of friendship,” would be treating Russia as “the same old enemy in the Cold War.” The Russian ambassador to NATO at the time, Dmitri Rogozin, denounced the alliance for engaging in “warmongering,” “odious discrimination,” and “flagrant hypocrisy.”

### **Benefits and Risks**

The expansion of the Eagle Guardian plan helped to alleviate the Baltic governments’ anxiety about military threats from Russia, and in this sense it may have given the three states greater confidence about improving ties with Russia. The revised planning was less successful in addressing Polish leaders’ concerns because it was not accompanied by a sharp increase in U.S.-Polish bilateral military cooperation and U.S. troop deployments on Polish soil. These shortfalls resulted in a net deterioration of U.S.-Polish ties.

The disclosure of NATO’s deliberations and planning documents at an early stage in the Obama administration tarnished the administration’s much-ballyhooed “reset” of relations and eroded NATO’s credibility in its dealings with Russia, including its repeated statements insisting that “NATO does not view Russia as a threat.” Perhaps if Dmitri Medvedev had stayed on as Russian president, the damage from the disclosures would have abated relatively quickly and would not have hindered closer ties via the NATO-Russia Council. But with the return of Vladimir Putin and the Russian government’s growing invocation of flamboyant anti-Westernism, the adverse impact of the disclosures will not dissipate anytime soon.

Among other things, the Russian army since 2010 has stepped up its military exercises simulating attacks against the Baltic states and Poland. The Zapad 2013 exercises that are due to be held later this year will apparently be similar to Zapad 2009 and Zapad 2011, including preventive nuclear strikes against Poland. NATO can offset

such posturing by responding with its own Steadfast Jazz exercises of rapid-response forces, but Russia's shift toward belligerence and military competition is bound to take its toll.

All of this raises the question of what would happen in the unlikely event that Russia did attack the Baltic states. Presumably, the United States and other NATO member states would feel compelled to uphold Article V by embarking on military action to defend the Baltic states, as envisaged in the Eagle Guardian plan. In so doing they would in effect be going to war against Russia. At worst, such a step would risk escalation to a nuclear exchange; at best, it would require the NATO countries to fight in a region in which they would be at a severe geographic disadvantage. On the other hand, if the United States and its allies decided not to fulfill Article V in the Baltic region and to refrain from intervening against Russian forces, this would gravely damage the credibility of all of NATO's defense commitments. Why would any country want to belong to an alliance that refused to protect its members against external aggression?

The drafting of the expanded Eagle Guardian plan was a valuable and necessary process for NATO, but the public disclosure of it entailed significant costs. The dilemma that would face the alliance if the "unthinkable" were to happen in the Baltic region might be easier to manage now that contingency plans are in place to offer a range of options, which can be tested in command-staff and live exercises. In the end, however, the choices NATO governments will have to make will be onerous no matter how good the plans are. If proposals to integrate Russia fully into the West had made greater headway in the 1990s, the military dimension of NATO's ties with Russia might have steadily decreased. Instead, military aspects nowadays are more salient than ever. Under Putin the prospects of a NATO rapprochement with Russia are largely nonexistent, lending an even sharper edge to military jockeying in the Baltic region and elsewhere.



# Georgia and Russia: From Uneasy Rapprochement to Divorce?

PONARS Eurasia Policy Memo No. 264

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When Bidzina Ivanishvili became Georgia's prime minister following the victory of his Georgian Dream (GD) coalition in October 2012 parliamentary elections, he promised to dramatically improve Georgian-Russian relations. The announcement of this "reset" by the new Georgian government must have delighted the Kremlin. The new foreign policy approach also ignited a robust debate among Georgia pundits about how the new political situation in Georgia can affect Russian-Georgian relations, which had hit rock bottom due to the 2008 war.

Even as the new government is ready to establish a dialogue with Russia in order to discuss problems that persist in bilateral relations and improve relations with Moscow, Tbilisi has drawn certain red lines. As the new Georgian leadership seeks to engage Russia through reinvigorating trade, cultural, and humanitarian ties, distinct challenges in diplomatic relations will remain as long as Russia occupies internationally-recognized Georgian territory. Tbilisi also has another nonnegotiable red line: the freedom to choose its own alliances. Meanwhile, Moscow has drawn a red line of its own: Russian Foreign Minister Sergey Lavrov has confirmed several times that Russia does not intend to revoke its recognition of the independence of Abkhazia and South Ossetia. The new Russian-Georgian dialogue will tone down the heated rhetoric in bilateral relations, but it is unlikely to produce a wholesale change in the posturing of Tbilisi and Moscow.

## **First Modest Attempts to Improve Relations**

Georgia's 2012 parliamentary elections created a new domestic political environment that potentially has implications for the wider region. Tbilisi is trying to test whether or not Russia has changed its approach toward Georgia given this new political reality. While some skeptics in Georgia assert that Tbilisi has no concrete roadmap in its dealings with Russia, Ivanishvili's government claims it has a vision of how to improve relations with Moscow while not sacrificing vital Georgian interests. It is in this context that observers should understand Tbilisi's decision to not boycott the 2014 Winter Olympic Games in Sochi. The cessation of activity by Georgia's Russian-language PIK television channel, which was financed from the state budget, also fits this trend, as well as more muted discussion on the topic of the 19th-century Circassian genocide. Finally,

the Georgian government has appointed a Special Representative for Relations with Russia, in so doing further displaying its readiness for dialogue.

On the breakaway regions, Tbilisi is open to some flexibility short of status discussions. The government has voiced a new strategy toward Abkhazia and South Ossetia, entailing the establishment of direct dialogue and an overall softening of tone based on goodwill. The government hopes this will change the mood among the population in the separatist regions and encourage more positive sentiments about the role of the Georgian government.

One particularly striking signal concerns the operation of the Abkhazia section of the Georgian railroad. Tbilisi has traditionally opposed the reopening of this railroad. Unblocking the railroad would provide transit benefits to Abkhazia and allow a low-cost alternative ground link for Russia to connect to its military ally, Armenia, home of Russia's 102<sup>nd</sup> military base. If the rail plan is ever implemented, it will also ease conditions for semi-blockaded Armenia. For Georgia, it could provide a direct trade route to Russia once stable economic relations are established.

Surprisingly, opposition to Tbilisi's conciliatory proposal is not entirely domestic. While the opposition United National Movement lambasts the proposal as "anti-state" and in Russia's interest, a November 2012 public opinion survey commissioned by the U.S. National Democratic Institute (NDI) in Georgia revealed that 68 percent of respondents approved of the reestablishment of the railway link, while only 24 percent were neutral and 6 percent disapproved.\* Meanwhile, both Moscow and authorities in Sukhumi are not keen to consider Tbilisi's conciliatory proposal, viewing it as a thinly veiled attempt to force the breakaway region back under Tbilisi's rule. The recent installation of barbed wire by Russian forces along the administrative boundary line with South Ossetia demonstrates that the Kremlin is testing the limits of Georgia's commitment to mending its relationship with Russia.

In a signal that some substantial improvements are underway, Moscow recently announced that it was lifting the 2006 ban on Georgian mineral water, wine, and other products to the Russian market, putting an end to the "health concerns" that Russian officials originally cited as justification for the ban. While Georgia has a lot to gain economically by resuming exports to Russia, not all its wine companies are in a rush to enter the Russian market. Winemakers do not believe that Georgian wine will attain the level it achieved before the Russian embargo in 2006, since at this stage Georgian wine is considered a luxury good rather than a most demanded product. In recent years, Georgian wine exporters diversified their portfolios by reaching out to new destinations in European and Asian markets. They even managed to reach pre-embargo figures in terms of the value of exported wine. Some companies operating in Western markets fear that a drastic change in export destination could have negative effects, such as a decrease in quality or further shocks from the politically-dependent and unreliable Russian market. Georgian winemakers see Russia's state consumer protection agency

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\* Luis Navarro, Ian T. Woodward, and NDI Georgia, "Public attitudes in Georgia: Results of a November 2012 survey carried out for NDI by CRRC," National Democratic Institute, November 2012, [www.civil.ge/files/files/2012/NDI-PoliticalRating-Nov2012.pdf](http://www.civil.ge/files/files/2012/NDI-PoliticalRating-Nov2012.pdf).

“Rospotrebnadzor” as a political arm of Russian foreign policy that regularly blocks imports of foodstuffs ranging from American meat to Ukrainian cheese. As for Russian business interests in Georgia, Russian foreign investment has flowed into the country even when the political relationship between the two countries was at its lowest level.

### **Georgia's Western Course Reaffirmed in Bipartisan Consensus**

Despite signs of rapprochement between Moscow and Tbilisi in economic, cultural, and humanitarian affairs, Moscow does not appear to have any desire to improve relations in other key areas—such as the abolition of strict visa requirements or the return of Georgian internally displaced persons to the occupied breakaway regions—unless Georgia turns away from the West and toward Russian-led integration projects. According to Russia's new Foreign Policy Concept, the Eurasian Union defines the future of the post-Soviet space. Two components of the “Eurasianist” ideology that helps to underpin the project are Eastern Orthodoxy and the so-called “common historical heritage” of the region. While the Western world is against the use of such a term, it is a wording the Russian leadership are still clearly clinging to in relation to Georgia. In a June 2013 interview to Russia's state-owned English-language television channel Russia Today (RT), President Vladimir Putin already hinted that in order to reestablish relations, Georgia should restore close security ties with the Kremlin.

While Moscow awaits a shift in Georgia's foreign policy, Tbilisi insists this is not in the cards. The change of power in Georgia has not diminished popular support for Georgia's integration into the EU and NATO.\* Georgians still seek to enhance their security by incorporating their state into European structures and alliances. Despite a recent spate of insurgent attacks on its forces in Afghanistan, Georgia continues to be the largest non-NATO contributor to the International Security Assistance Force (ISAF) and clearly hopes this kind of participation will sell the West on its longstanding desire to join the NATO alliance.

In March, the Georgian parliament unanimously adopted a 14-point “Resolution on Basic Directions of Georgia's Foreign Policy,” drafted jointly by rival GD and United National Movement (UNM) factions, which confirms Georgia's desire to join NATO and the EU.† This consensus was a result of long discussion, parliamentary debate, and mutual insults and accusations, but the disputes were about tactics. The final decision confirmed that there exist few strategic disagreements between the GD and the UNM. Both sides agree on non-recognition of the Russian-sponsored “independence” of Abkhazia and South Ossetia, and they also agreed to indefinitely postpone resumption of diplomatic relations with the Russian Federation (the resolution states that “Georgia cannot have diplomatic relations with countries, which recognize the independence of

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\* “Georgian National Study,” International Republican Institute, Baltic Surveys Ltd./The Gallup organization, The Institute of Polling And Marketing, November 9 – 21, 2012, [http://www.iri.org/sites/default/files/2013\\_February\\_8\\_Survey\\_of\\_Georgian\\_Public\\_Opinion\\_November\\_9\\_21\\_2012.pdf](http://www.iri.org/sites/default/files/2013_February_8_Survey_of_Georgian_Public_Opinion_November_9_21_2012.pdf).

† “Resolution on Basic Directions of Georgia's Foreign Policy,” Parliament of Georgia, March 21, 2013, [http://www.parliament.ge/index.php?option=com\\_content&view=article&id=3136%3Aresolution&catid=54%3Astatements-appeals-and-resolutions&Itemid=88&lang=en](http://www.parliament.ge/index.php?option=com_content&view=article&id=3136%3Aresolution&catid=54%3Astatements-appeals-and-resolutions&Itemid=88&lang=en).

Abkhazia and the Tskhinvali region/South Ossetia"). The resolution also excludes Georgia from joining "military-political or customs unions" with such countries, which in simple terms means that Georgia will not join Moscow-dominated groupings like the Commonwealth of Independent States (CIS), the Collective Security Treaty Organization (CSTO), or the Customs Union. The adoption of this uncompromising 14-point resolution limits the likelihood of a dramatic turnaround in relations between Moscow and Tbilisi.

### **Conclusion**

Having created expectations of improved ties with Russia, Georgia's new government faces the stark reality that little tangible change can be expected in the near future. Finding a middle path between confrontation and capitulation will be one of the toughest tasks for Ivanishvili's government. Even though the new thaw between Georgia and Russia has triggered hopes that their troubled relations might be headed for substantial recovery, the dialogue that Tbilisi and Moscow have launched should not create an illusion that they will reach an across-the-board agreement anytime soon. Just like the Georgian government will not alter its pro-Western orientation or drive to join NATO and the EU, Russia should not be expected to change its core policy toward Georgia or fully respect its sovereignty. Consequently, it is too early to say whether Georgian-Russian ties will advance to a new qualitative level.

The most Ivanishvili's government can do is to follow the model of current Russian-Japanese relations: economic and cultural links in the absence of a full restoration of diplomatic relations. As the national interests of the two states do not really match, this potentially is the last government in Georgia well positioned to find a modus vivendi with Moscow in finalizing their "civilized divorce," a route previously trod by some left-leaning governments in the Baltics. Should this process commence, Georgia will need to focus its efforts and appeal for Western help more than ever in order to achieve a long-term, peaceful transformation of the ongoing conflicts in Georgia.

## *“Russia, Davay do Svidaniya”*

### ENTERING A NEW ERA IN AZERBAIJANI-RUSSIAN RELATIONS

PONARS Eurasia Policy Memo No. 270

July 2013

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The year 2013 may be a critical one for Azerbaijani-Russian relations. Last year's re-election of Russian President Vladimir Putin, the end of the lease of the Gabala Radar-Location Station (GRLS) to the Russian military, and the reluctance of Baku to join the Moscow-backed Eurasian Union are defining issues between the two states. Moreover, Azerbaijan's presidential election in October of this year makes the political situation in the country fluid and open to manipulation. The political establishment in Baku believes that Moscow will try to do everything possible to capitalize on Azerbaijan's vulnerability to secure concessions and so interpret most political events in the country through the prism of Russian intentions. Despite the fact that on the surface, the two states have friendly relations, Russian authorities view Azerbaijan as an unreliable partner and will exert efforts to check Baku's regional ambitions.

#### **An “Ivanishvili Scenario” for Azerbaijan?**

A flow of oil money and Azerbaijani President Ilham Aliyev's prudent policy not to irritate Russia have allowed Azerbaijan to largely neutralize Moscow's influence. The absence of any pro-Russian forces or parties in Azerbaijan and its energy independence from Russia have let Baku ignore Moscow's interests in the Caucasus. The Nagorno-Karabakh conflict is really the only tool the Russian establishment could use against Azerbaijan, but Moscow has abstained from overtly capitalizing on the issue, taking into consideration the high level of tension between Azerbaijan and Armenia. The fear that conflict would break out and both sides would engage in a full-scale war prevents Moscow from using the conflict to coerce Azerbaijan. Another tool for Russia is its considerable influence on the Azerbaijani diaspora in Russia, which numbers up to two million people. Baku has always worried about this soft power mechanism, and Azerbaijani diaspora organizations have been under tight watch by Baku.

It was thus a surprise to witness the establishment of a new diaspora organization in Russia that seemed to be beyond Azerbaijan's control. In September

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\* The views expressed here are solely those of the author and not those of the Azerbaijan Diplomatic Academy.

2012, former Vice Prime Minister Abbas Abbasov (a staunch ally of former president Heydar Aliyev) together with former KGB agent Soyun Sadigov helped establish the Union of Azerbaijani Organizations in Russia, becoming the union's informal chairs. A few prominent members of the Russian business establishment, such as Lukoil president Vagit Alekperov and businessmen Araz Agalarov, Telman Ismayilov, and Iskander Khalilov, became honorary members of the new organization. Intriguingly, even Ramazan Abdulatipov, president of Dagestan, also joined the Azerbaijani diaspora organization, even though he is not an ethnic Azerbaijani. So far, this newly established diaspora organization has not made any moves or actions that Baku could consider hostile. However, the fact that the organization does not take instructions from Baku makes the Azerbaijani political establishment nervous.

Baku believes that the Kremlin created this group to influence the presidential election. Events in neighboring Georgia reinforce this; the election of billionaire Bidzina Ivanishvili made Baku suspicious that the newly elected prime minister is a person "managed" by Moscow. Moreover, some diplomatically imprudent comments by Ivanishvili relating to the State Oil Company of Azerbaijan Republic's (SOCAR) interests in Georgia and the fate of the Baku-Tbilisi-Kars railroad increased Baku's concern.

Azerbaijani authorities view the new diaspora organization in Russia as an "Ivanishvili scenario" that seeks to bring a pro-Moscow coalition to power in Baku. However, they cannot openly blame Moscow for such an "unfriendly" act without spoiling relations. Thus, the long-standing ally of Azerbaijan, Georgian President Mikheil Saakashvili, took the role of "delivering" Baku's message to Russia. After an official two-day visit to Baku in late February 2013, Saakashvili made several noteworthy statements in Tbilisi, saying that during his visit to Azerbaijan he "clearly saw the danger Azerbaijan and Georgia are facing." Georgia faces disintegration, while Azerbaijan encounters Russia-sponsored regime change. According to Saakashvili, the threat is coming from the new Azerbaijani diaspora organization in Russia. Even more pointedly, the Georgian president argued that the major goal of this organization is to oppose Aliyev.

### **The End of Gabala**

In 2012, Azerbaijan made a move that shook Russian interests in Azerbaijan. The Gabala Radar-Location Station (GRLS) was Russia's last outpost in the country. Moscow had been leasing the site since 2002 for a period of 10 years and was urging Azerbaijan to extend it for another 25 years. Meanwhile, the Russian government wanted to substitute the old station with a new mobile modular station that would be Russian property. The GRLS was Azerbaijan's property, and Russia could not share the information it collected with any third party. If a new, entirely Russian-owned radar station were deployed in Azerbaijan, Moscow would not even need to share the information it collected with Baku. From a military perspective, Moscow does not really need the GRLS—it has already constructed a new radar station in the Krasnodar region able to provide security for Russia's southern regions. Nonetheless, Moscow was seeking to maintain its foothold in Azerbaijan with whatever means it could.

For Baku, the new Russian proposal was unacceptable for several reasons. First, according to Azerbaijan's 2010 military doctrine, as well as the constitution, Baku cannot host a foreign military base. Second, the Russian side did not guarantee that information from the second base would not be shared with its ally Armenia, which currently occupies Azerbaijani territory. Last but not least, the base would watch over Russia's potential rivals, Pakistan and Turkey, among Azerbaijan's most loyal and staunchest allies.

Azerbaijan's tactic was thus to increase the leasing fee over fortyfold, demanding \$300 million a year from Russia instead of the existing \$7 million. Azerbaijan saw the re-negotiation of the lease as a golden opportunity to put an end to the Russian presence. If in 2002 Azerbaijan's position was shaky and Baku needed Moscow's support, by 2012 Azerbaijan was strong enough to ask the Russians to leave. Baku knew perfectly well that Moscow would hardly pay such a price for the station, but it tried to leave some room for authorities to maneuver. Also, the Gabala region has become something of a tourist mecca, and the presence of a military facility there would have a negative impact on business. Finally, there is the Nagorno-Karabakh conflict, in which Moscow has hardly been a neutral broker. If initially Baku hoped that the leasing of the Gabala station would help the country secure Russian assistance, such hopes have long evaporated. Moscow sought to persuade Baku to accept its terms, but not even visits by high-ranking Russian authorities could get Baku to yield. Russia eventually gave up its efforts to extend the lease; it withdrew from Gabala in early May 2013.

### **The Ethnic Card**

Beginning in September 2012, certain developments led Baku to believe that Moscow had returned to a policy of using ethnic minorities against Azerbaijan. Armenians, Talysh, Avars, and Lezgins are the country's major ethnic minorities. For a long time, Moscow abstained from playing any ethnic card against Azerbaijan as it was preoccupied with Russia's own ethnic separatism in the North Caucasus. Nonetheless, several conferences were held in Moscow and Dagestan dedicated to rights violations among Lezgins and Avars. Minority organizations like the Federal Lezgin National-Cultural Autonomy, Talysh Diaspora Organization, and the Talysh Youth Organization were established. Although all these organizations are weak and do not have power to influence policy, they add to Baku's suspicion of Moscow. In June 2013, a Lezgin organization in the Dagestani town of Derbent protested against the naming of a city street after the late Heydar Aliyev. Baku does not believe Moscow would seriously use such organizations against it, but their existence provides Moscow with additional leverage against Baku. If these organizations were to join the Union of Azerbaijani Organizations, it would be an additional headache to Baku.

### **Eurasian Union: To Be or Not to Be**

Since independence, Azerbaijan has viewed all integration processes in post-Soviet Eurasia with skepticism. In most cases, Baku has interpreted these processes to be the product of Russian ambition to restore its dominance throughout the region. Azerbaijan

did not join the Customs Union, the Common Economic Space, or the Collective Security Treaty Organization (CSTO) (it refused to join the latter after the Collective Security Treaty expired in 1999).

Baku believes that all Russian policies toward Azerbaijan over the last year serve one purpose: to bring Baku into the fold of the Eurasian Union integration project or at least force Baku to emulate its policies. One of Baku's biggest fears is of losing its independence in energy policy. Recent Azerbaijani studies have emphasized that the Eurasian common energy policy would require the harmonization of member states' policies – uniform domestic energy policies among members and a common external policy toward nonmembers. Such a policy would throw Azerbaijan out of the European market completely while increasing Baku's dependence on Russian energy strategies and policies. Although there might be some financial benefit to be had in joining the union, Azerbaijan's political significance to Europe would greatly diminish. Another concern is that the Eurasian Union would turn into a political organization and require all its members to join the CSTO, thereby burying all prospects of Azerbaijan ever joining NATO. Last but not least, joining the Custom Union can negatively affect the Azerbaijani economy, specifically its emerging non-oil sector. Overall, membership in the Customs Union, let alone a full future Eurasian Union, appears to be of little benefit to Azerbaijan, while it would significantly strengthen Russia's regional energy and geopolitical standing.

### **Conclusion**

Russia is not that interested in Aliyev losing power or otherwise destabilizing the situation in Azerbaijan. Russia understands perfectly that stability within its southern neighbor is the key to stability in neighboring Dagestan, where Avar and Lezgin separatism could still flare up. Nonetheless, Russia tries to maximize Aliyev's vulnerabilities.

With Georgia's political uncertainty, Azerbaijan remains the only post-Soviet state (with the exception of the Baltics) that is conducting a policy clearly contradictory to Russian interests. Whether it is the intention of SOCAR, the state oil company, to build an oil refinery in Kyrgyzstan (thereby contributing to the latter's energy security) or its rush to save the Belarusian enterprise "Belaruskaliy" from privatization by a Kremlin-controlled oligarch, Baku has acted independently.

With upcoming elections in Azerbaijan, Moscow's use of several standard tools of manipulation cannot be ruled out. First, Russian authorities may use the Nagorno-Karabakh conflict and the fear of a resumption of war as leverage against Baku. Moscow could easily initiate military clashes on the contact line between Armenia and Azerbaijan, for example. Military clashes would not be allowed to turn into a full-scale war, since that would undermine Russian efforts to maintain the status quo, but fresh hostilities would put pressure on the Azerbaijani establishment. Second, as in the 1990s, Moscow might exert pressure on Azerbaijani migrant labor and create bureaucratic hurdles for workers at border crossings and checkpoints. The return of hundreds of thousands of Azerbaijani laborers from Russia would be a real nightmare for Baku.



Another lever could be the diasporic “club of billionaires” and its influence over domestic politics, which could be used against the Azerbaijani establishment. Also, Russia will continue to prolong negotiations over the Caspian Sea’s status, so long as a Transcaspian pipeline from Turkmenistan to Azerbaijan and on to Europe remains on the agenda. Meanwhile, Azerbaijani authorities fear that Georgia under Ivanishvili will slowly become more pro-Russian; they wonder if the strategies they believe were devised to bring Ivanishvili to power could be employed against Baku. In turn, bolstered by developments in Tbilisi, Moscow may make moves that endanger Azerbaijan’s energy and transportation projects. The range and intensity of such instruments could serve to bring Baku back under Russian influence, even as the Aliyev government has done its best to remain autonomous.

## Russian-Armenian Relations: Affection or Pragmatism?

PONARS Eurasia Policy Memo No. 269

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Russia holds a special place in Armenian foreign and security policy, just as Armenia plays a unique role in Moscow's regional Caucasus strategy. This memo analyzes the current state of Russian-Armenian relations, paying special attention to the regional context that affects them. It also contrasts the simplistic perceptions of Russian-Armenian relations that exist in both countries (and abroad) to the complex, multilevel political interaction that exists in reality.

### **Background**

Russian-Armenian relations have been fairly stable throughout the post-Soviet era. Security and economics are the main spheres of cooperation, but culture and humanitarian issues also form part of the relationship. Both sides place an emphasis on Russia's involvement in the process of negotiating a peaceful resolution to the Nagorno-Karabakh conflict as a co-chairman of the OSCE Minsk Group, which has been mediating the conflict since March 1992.

Armenia considers military-political cooperation with Russia to be an essential element of its security and defense policy. Russia has a military base in Armenia, and Russian border guards assist Armenia in protecting its borders with Turkey and Iran.\* Armenia is an active member of the Collective Security Treaty Organization (CSTO), a military-political bloc under Russian auspices, and is the only member of the CSTO in the South Caucasus.

Russia is also the main investor in Armenia. Total Russian investment exceeded \$3 billion through 2012, mainly in the energy and communications sectors. Armenia purchases natural gas from Russia at preferential rates—in post-Soviet Eurasia, only Belarus receives a better price. Cultural and person-to-person interactions are also

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\* The 102<sup>nd</sup> Russian military base has been located in Armenia since 1992, based on the former Soviet Army units on the territory of Armenia. In August 2010, the Additional Protocol to the Treaty of 1995 was signed on the functioning of Russian military bases on Armenian territory. According to the protocol, the geographical scope of responsibility for the 102<sup>nd</sup> base has expanded to include the entire territory of Armenia (not just along the perimeter of the former Soviet borders with Turkey and Iran) and prolongs the duration of its location. Armenia interprets this document as a guarantee of direct military assistance from Russia in case of war with Azerbaijan.

important factors influencing bilateral relations.\* The majority of Armenia's population has a good command of the Russian language, and a large and influential Armenian diaspora resides in Russia.† One could easily get the impression that Armenia and Russia are tied closely together in a relationship of mutual affection.

### **The Myth of "Tender Affection"**

Russia arms, invests, and politically supports Armenia. In turn, Armenia provides territory for a Russian military base deployment, contributing to the preservation of Russia's presence in the South Caucasus.‡

Many Armenians view their country's relationship with Russia to be a natural outgrowth of an inevitable historical dependence, particularly given the context of the 1915 Armenian genocide and the existential threat posed by that event. They perceive Russia to be the only guarantor of Armenia's security. In turn, many Russian elites tend to paternalistically take for granted Armenia's inclusion in Russia's post-Soviet sphere of influence or, even more extreme, Armenia's role as Russia's geopolitical outpost in the South Caucasus.

Such clichés do not hold up to careful analysis, however. First of all, there are a lot of dark pages in Armenian-Russian relations. During World War I, Russia was largely unable to prevent the implementation of the Armenian genocide by Ottoman authorities; Turks regarded the very existence of ethnic Armenians in senior command posts of the Russian army in the Caucasus as a convenient justification to destroy the Armenian population of western Armenia. Next, a 1921 agreement between Bolshevik Russia and the Kemalist government of Turkey partitioned the first Armenian republic, created in 1918 after the collapse of the Russian Empire. Later, Bolsheviks resolved to include both the disputed Nagorno-Karabakh and Nakhichevan regions in Soviet Azerbaijan. The position of the Soviet Union in the Karabakh conflict in the late 1980s was also largely anti-Armenian. Moscow regarded the Karabakh movement as anti-establishment and Western-backed and supported the authorities of Soviet Azerbaijan while opposing the non-Communist government of former dissidents that had come to power in Armenia. While the first post-Soviet Armenian government had a good relationship with Boris Yeltsin's administration in the first half of the 1990s, Russia still transferred significantly more military equipment to Azerbaijanis than to Armenians in the early stages of the Karabakh war.

Even in recent years, all has not been rosy. Significant Russian arms sales to Azerbaijan have resumed. In 2011-2013, these included S-300PMU-2 "Favorit" air-defense systems, "Smerch" multiple-launch rocket systems, T-90S main battle tanks,

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\* For more about the current dynamics in Russian-Armenian relations see Sergey Minasyan, "Russia and Armenia," *Russian Federation 2012: Short-term Prognosis*, Tartu University Press, 2012; Sergey Minasyan, "Russia and Armenia," *Russian Federation 2013: Short-term Prognosis*, Tartu University Press, 2013.

† According to the official 2010 census, around 1.2 million Armenians hold Russian citizenship. Hundreds of thousands of ethnic Armenians (citizens of Armenia or other countries) permanently reside in Russia.

‡ For more about Russian-Armenian relations in the military-security sphere, as well in the framework of the CSTO, see Sergei Minasyan, "Look Not a Gift Tank in the Muzzle: What Is CSTO Membership for Armenia?" *Russia in Global Affairs* (January – February 2013).

2S19 “Msta-S” self-propelled artillery systems, and Mi-35M attack helicopters, as well as other types of arms systems, weaponry, and military equipment. Such equipment is not only technically superior to the weapons Russia has delivered to Armenia, its CSTO ally, but more modern than even those Russian troops themselves use in the North and South Caucasus. While Moscow tries to balance its multimillion ruble arms sales to Azerbaijan with free (or almost free) weapons transfers to Armenia, Armenians meet each Russian-Azerbaijani arms contract with suspicion. Consistent with Russia’s traditional view of relations with partners in post-Soviet Eurasia, Moscow feels no pangs of guilt at “betraying” its ally and considers its arms transfers to Armenia as full compensation for its cynical commercialism.

For its part, Armenia has pursued a foreign policy of “complementarism” despite its security alliance with and economic dependence on Russia. This is an attempt to utilize, and maintain a balance between, the interests of all international and regional powers involved in the South Caucasus. While Armenia tries to minimize the risks of foreign policy diversification, the gradual intensification of its relations with the West leads to “fits of jealousy” in the Kremlin, even if these are not very visible. Moscow prefers to privately convey its displeasure to the Armenian leadership.\*

At the same time, public perceptions are modifying over time, especially through generational change. Soviet nostalgia is becoming less of a factor in Armenian-Russian relations. Presidents Vladimir Putin and Serzh Sargsyan may be the last leaders of Russia and Armenia who have something in common in their careers, political views, and outlook. The next Armenian leader may not even speak Russian. Among Armenia’s younger generation, Putin’s Russia is increasingly perceived to be hindering democratic processes within Armenia. Russians, in turn, are increasingly annoyed at the nostalgic appeals of authorities and others to post-Soviet community. Among Russians, the collapse of the USSR is no longer widely perceived to be a “great geopolitical catastrophe,” as Putin once described it. Finally, populist Russian calls to “stop feeding the Caucasus” apply at least as much to the South Caucasus as they do to the North.

### **Features of Pragmatism or Limits to “Finlandization”?**

More objectively, we can characterize relations between Armenia and Russia mainly in terms of hard pragmatism, enhanced by geography. Given Armenia’s substantially asymmetrical relationship with Russia, the absence of a shared land border provides a favorable context for pragmatic cooperation between Yerevan and Moscow. In this sense, Armenia is in a better position than either Georgia or Azerbaijan.

It is possible to speak about a certain “Finlandization” of Armenia in military-security and economic spheres. The Armenian foreign policy of complementarism, based on the need to balance local interests of the West, East, and “the Rest,” in some ways resembles Finland’s Cold War-era foreign policy. Like Finland, forced to take into account the geopolitical interests of the Soviet Union and the communist bloc on the one

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\* Sergey Minasyan, “Multi-vectorism in the Foreign Policy of Post-Soviet Eurasian States,” *Demokratizatsiya*, 20, 3 (Summer 2012), 269.

hand and the U.S.-led Western alliance on the other, Armenia is also trying to profitably combine the interests of Russia, the United States, the European Union, and Iran, which largely oppose each other on regional issues. For example, as one of the results of such foreign policy conduct, Armenia has no direct geographical or transportation links with Russia, but is still a beneficiary of major Russian investments, particularly in the transportation and infrastructure sectors. In this way, Moscow compensates Yerevan for its strategic cooperation in military-strategic and geopolitical spheres.

At the same time, the "Finlandization" of Armenia associated with dependence on the Russian "security umbrella" and economic aid also has its limits. For instance, it is almost invisible in the domestic political landscape of Armenia, where there exists a certain political consensus on the main framework of the country's foreign policy. As Alexander Iskandaryan has written,

"Despite popular perceptions to the contrary, this does not change much in the Armenian domestic perspective. The reasons are quite plain. Russia need not—and does not—particularly care what sort of domestic policies are in place in Armenia as long as [Armenia] stays under Russia's military wing and does not choose an openly pro-Western orientation."\*

Moscow has to consider the opinion of Yerevan in its regional policies as well, whether in its relations with Turkey and Azerbaijan or its efforts to prevent a resumption of hostilities in the Karabakh conflict. This can sometimes be likened to "the tail wagging the dog." Armenia has become increasingly important to Russia in recent years, especially taking into account the current low point in relations between Moscow and Baku, as reflected in the closure of the Russian Gabala radar station in December 2012 and the almost hopeless deadlock with Georgia after the August 2008 war (even after Bidzina Ivanishvili came to power after 2012 parliamentary elections). After all these negative dynamics in relations with Azerbaijan and Georgia, Moscow understands that if Russia also "loses" Armenia this would mean the end of Russia's military and political presence in the South Caucasus. That is why the Kremlin does not even try to conceal its jealousy as it watches Armenia's efforts to strengthen ties with the EU and sign an Association Agreement and Deep and Comprehensive Free Trade Agreement at the November 2013 Eastern Partnership summit in Vilnius.

The limits of Moscow's influence over Yerevan were evident in the development of Armenian-Georgian relations after the 2008 Russia-Georgia war. The war was a test for Armenia, which allowed it to once again demonstrate the effectiveness of complementarity as a conceptual basis for Armenian foreign policy. Indeed, during the war between Russia (its military-political ally) and Georgia (historically Armenia's closest neighbor and main transportation hub), Armenia was able to maintain an active

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\* Alexander Iskandaryan, "Armenia-Russia Relations: Geography Matters", *Spotlight on Armenia*, ed. Adam Hug (Foreign Policy Centre: London), February 2011, 55.

neutrality, despite pressure from Moscow to recognize the independence of Abkhazia and South Ossetia.

In the end, however, Armenian-Russian relations are likely to persevere over areas of difference. Due to geographical, political, and regional contexts, another kind of cooperation is likely impossible for now. The current format of cooperation will persist as long as Yerevan requires arms and investments and Moscow wants a strategic partner that can assure its military-political presence in the Caucasus.

## The Changing Logic of Russian Strategy in Central Asia FROM PRIVILEGED SPHERE TO DIVIDE AND RULE?

PONARS Eurasia Policy Memo No. 261

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Russian strategy toward Central Asia generates great interest in Western academic and policy circles, but few analytical nuances. Depending on the source, Russia is often characterized as wanting to dominate or control the region, to reconstitute the Soviet Union, or to obsessively counter the influence of the West and/or a rising China. Although many note the numerous links, soft power mechanisms, and levers Russia utilizes in its dealings with Central Asian states, few discuss the strategic trade-offs involved in Russia's Central Asian policy nor explicitly address the evolution of its strategic choices.

This memo is a short version of a longer project that applies the analytical insights of an emerging literature on the logics of hierarchy and clientelism in international relations theory to the case of Russian strategy of influence in Central Asia. Although several excellent studies of Russian foreign policy have analyzed Moscow's complicated relationship with its near neighbors, most do so under the assumption that the post-Soviet states are balancing or bandwagoning under anarchy, according to realist theories, or are developing a broader Eurasian security community, in line with constructivist or sociological approaches. Within both these frameworks, disagreements between the post-Soviet states and Moscow are taken as evidence of the "failure" of Russian policy or as examples of its declining regional influence.

In fact, we argue, recent Russian policy toward Central Asia marks not a decline but a distinct shift in strategic logic – from one that emphasizes regional mediation and maximizing influence across the whole region to a more focused logic of hierarchy that seeks to support selected states with more focused instruments, take sides in regional disputes, and push for deeper integration within regional security and economic organizations that have narrower memberships. As scholars have argued, the logic of hierarchy is not one of geopolitical balancing but of pursuing "divide and rule" – supporting a client state and backing its claims in local disputes or conflicts in exchange for securing its political loyalty. From this perspective, Russia seems to be abandoning its previous doctrine of exerting general regional influence in favor of pursuing more focused influence and integration with Kazakhstan, Kyrgyzstan, and Tajikistan.

### Sources of New Russian Strategic Thinking

Through the 2000s, Moscow pursued a policy of promoting the maximum influence possible across all of the Central Asian states, a policy we might term “unite and influence.” This policy attempted to integrate the maximum number of Central Asian states into Russian-led security and economic institutions but avoided taking sides in sensitive regional disputes (water rights, borders, and ethnic tensions) so that Moscow could preserve its role as a regional mediator. Crystallized in then-President Dmitry Medvedev’s 2008 declaration after the Russia-Georgia war, Russia considered the former Soviet space a “sphere of privileged interests” and would pursue policies to safeguard and balance its special role.

Debates among policy experts on the future of Russia’s strategy for Central Asia gathered more scope in the second half of the 2000s, including new angles of approach such as soft power (Russian language, culture, and the notion of the “Russian world,” or *Russkiy mir*). Russia’s economic boom prior to the 2008 crisis, buoyed by the prices of raw materials, also played its part in reevaluating the tools of economic integration, and it inspired more ambitious and more precisely designed projects like the Customs Union. Two trigger events changed the state of the situation. The toppling of Kurmanbek Bakiyev and the violence in Osh in Kyrgyzstan in 2010 both vividly showed that no collective security structure, whether the Collective Security Treaty Organization (CSTO) or the Shanghai Cooperation Organization (SCO), was in a position to react to the internal instabilities of Central Asia. Based on that failure, Russia led a charge to amend the CSTO charter to include points on the ability to “react to crisis situations threatening the security, stability, territorial integrity, and sovereignty of member states,” which were adopted in December 2010.\*

In 2011, the Institute for Contemporary Development (*Institut sovremennogo razvoitiia* (INSOR)), then led by Igor Yurgens, who was said to be close to Dmitry Medvedev, and considered the spearhead for the new Kremlin-led slogan about “modernization,” drew conclusions from the CSTO’s disavowed failure in Kyrgyzstan and published a critical report on the future of the organization. The authors identified three key problems: the dearth of mechanisms for reacting to crisis situations, in particular humanitarian ones, which require peacekeeping measures and troops; the vagueness of the CSTO’s aims; and above all, the lack of regional unity. Notably, the report soundly criticized Uzbekistan for its reluctance to sign agreements or implement those already signed.† The report proposed that CSTO decisions be made on a majority, not consensus, basis, in order to prevent Tashkent from blocking the functioning of the organization. It seems that there were even informal discussions about the possibility of excluding Tashkent, but the CSTO General Secretariat, which is keen on maintaining good relations with Islam Karimov, would have been formally opposed to it and was

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\* Evgeny Troitskiy, “Kyrgyzstan Turmoil. A Challenge to Russian Foreign Policy,” *Swedish Institute for International Affairs* 8 (2012): 31.

† I. Yurgens, ed., *ODKB: otvetstvennaia bezopasnost'* (Moscow: INSOR, August 2011), <http://www.insor-russia.ru/files/ODKB.pdf>



supposedly embarrassed by the frankness of the INSOR report.\* INSOR, which made headlines with its provocative discourse calling for Russia to join NATO, also noted astutely that neither NATO nor the European Union would try to cooperate with the CSTO when it had yet to demonstrate its effectiveness on the ground. It is therefore Russia's very legitimacy as a security provider that was at stake in CSTO reform, argued INSOR. In other words, the security bloc's lack of effectiveness internally was hindering its external legitimacy.

INSOR's proposals are often devalued by foreign experts, since they are deemed representative of a minority point of view, one that has become more marginal thanks to Vladimir Putin's return to power in May 2012 and the failure of Medvedev to push through his "modernization" agenda. This stance nonetheless shows a poor grasp of the mode of operation of Putin's inner circle, from which Medvedev has never dissented. INSOR's proposals must be understood to be experimental: they suggest new strategic lines of thinking within the Kremlin and open new official lines of debate.

The Arab Spring has also accelerated this rethinking of Russia's Central Asian strategy. Although the Kremlin provides unfailing support to the Central Asian regimes and claims to endorse non-interference, Kremlin officials could hardly fail to make the parallel between the fall of Zine el-Abidine Ben Ali and Hosni Mubarak and the situations in Central Asia, in particular the seemingly imminent succession to Islam Karimov. There is little information available on this topic, but the declaration of Russian Deputy Minister of Foreign Affairs Grigory Karasin, expressed during a hearing devoted to Central Asia in the Russian parliament in April 2011, was revealing: the region, he said, is threatened by a "cocktail" of political repression, social and economic depression, and the seizure of the country's riches by a small elite. Further high-level political tensions over the operations of MTS, a Russian telecom provider that was expropriated, also suggest that Russian officials are willing to publicly acknowledge that Moscow exerts little influence over domestic issues and the elites' management in Uzbekistan.

In a similar vein, the Russian Council for Foreign Affairs, which operates under the sway of Igor Ivanov as an umbrella for multiple projects on Russia's domestic evolution and foreign policy, and which mediates scholarly knowledge with the policy community in Russia and abroad, released a long report at the beginning of 2013 on Russia's strategy for Central Asia, with a specific focus on the post-2014 changes in regional security.† Reintegrating Afghanistan within Russia's Central Asian radar reveals a change underway, after more than two decades of denial following the "trauma" from the Soviet-Afghan war. The report notes the growing divergence of domestic situations in Central Asia and calls for this lack of regional unity to be addressed by designing Russian strategies on a country-by-country basis. It also

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\* Viktor Litovkin, "INSOR testiruet OKDB," *Nezavisimoe voennoe obozrenie*, September 16, 2011, [http://nvo.ng.ru/realty/2011-09-16/1\\_insor.html](http://nvo.ng.ru/realty/2011-09-16/1_insor.html)

† RIAC, *Interesy Rossii v Tsentral'noi Azii: sodержanie, perspektivy, ogranichiteli* (Moscow: Russian Council for Foreign Affairs, 2013), [http://russiancouncil.ru/common/upload/RIAC\\_Central\\_Asia.pdf](http://russiancouncil.ru/common/upload/RIAC_Central_Asia.pdf)

recognizes that Russia is now merely one player among others, thereby admitting the region is now multipolar in nature, a situation that has its advantages but also its disadvantages.

While recommending soft power tools (fostering language policy, cultural influence via the media, and renewed Russian expert knowledge on the region), the report also underlines social and political challenges (like labor migration, radicalization, and the elites' legitimacy question), elements that had hitherto not been part of Russia's narrative on the region, and raises difficult topics such as regional water disputes. It also calls for country-specific strategies and devotes a specific section of its recommendations on bilateral relations, including: a high level of security and economic integration with Kazakhstan, seen as the intermediary between Russia and the rest of Central Asia; security cooperation in exchange for economic aid for Kyrgyzstan and Tajikistan; and modest ambitions for Uzbekistan and Turkmenistan. In sum, Kazakhstan is to be Moscow's privileged partner, Kyrgyzstan and Tajikistan more classical clients, and Uzbekistan and Turkmenistan more independent states.

### **Russia's Shifting Relations with Uzbekistan and Kyrgyzstan**

Many of the trade-offs associated with Moscow's strategy can be seen in its swinging relationship with Uzbekistan over the last 15 years and its accompanying importance for Russia's relations with Kyrgyzstan. At the very start of his presidency, Vladimir Putin made strategic engagement with Uzbekistan a top priority. The Russian president symbolically visited Tashkent and proposed numerous steps to improve security cooperation on counterterrorism issues, especially in the wake of attacks by the Islamist Movement of Uzbekistan in 1999 and 2000. The onset of the U.S. campaign in Afghanistan brought Tashkent much closer to Washington, but the color revolutions of 2003-2005, coupled with Western criticism following the Andijon crackdown, brought Karimov closer to Moscow. In 2005, Uzbekistan evicted the U.S. military from its base in Karshi-Khanabad and signaled its intent to join the Russian-led CSTO. Internal security and intelligence cooperation also improved, as Moscow became more acquiescent to Tashkent's requests to turn over political opponents and accused extremists residing on Russian soil. Economically, Russian companies, including Gazprom, were granted a number of lucrative concessions and in 2006 Uzbekistan also joined the newly formed Eurasian Economic Community (Eurasec). In June 2010, when ethnic violence broke out in southern Kyrgyzstan and interim premier Roza Otunbayeva appealed to Moscow to intervene and restore order, Medvedev's refusal was, in part, attributed to Uzbekistan's objections and apprehensions about such a Russian intervention in a border region.

However, Uzbekistan's preference for bilateral deals and for concerns over its own sovereign autonomy would soon generate structural tensions within these organizations. In 2008, Uzbekistan suspended its participation in Eurasec, wary of the proposed integration of the economic space and the erosion of its voice in decision-making procedures. A number of seemingly contradictory statements made by new Russian president Dmitry Medvedev about Russia's position on the construction of Tajikistan's Rogun dam and other hydropower issues further heightened Uzbekistan's

anxiety. In 2009, Uzbekistan resumed security cooperation with the United States and NATO by becoming the hub for the opening of the Northern Distribution Network, a northern transportation network designed to supply NATO forces in Afghanistan. Tashkent saw the opening of NDN as an opportunity to renew its security and economic engagement with the United States.

Following Uzbekistan's departure from the CSTO in June 2012, a new Russian strategy of "divide and rule" seems to be accelerating. Rather than trying to maximize and balance relations with the Central Asian states, Russia is now aggressively entering into a classical client-state relationship with Kyrgyzstan and, to a lesser extent, Tajikistan, the region's smallest and poorest countries but also the ones where Russian influence has remained strong for twenty years. In exchange for supporting them materially and in their local rivalries, Moscow seeks closer ties and fealty to its foreign policy directives. Russia hosts millions of labor migrants from both countries, maintains close cooperation with security and intelligence services, has a number of economic interests, and projects its soft power by broadcasting Russian language media and supporting educational programs. Both Central Asian states also host Russian military facilities, are members of the CSTO, and have accumulated bilateral debts to Moscow.

Just in 2012, Moscow and Bishkek concluded a number of new bilateral agreements that not only bring the countries closer but cross a number of "red lines" that have long given Tashkent concern. In 2012, the sides announced that all Russian defense facilities within Kyrgyzstan would be integrated, including a new proposed base in Batken, and treated as whole legal entity, thereby denying Bishkek the right to renegotiate the terms of each individually. Russia also promised over \$1 billion in renewed security assistance, specifically designed for border security activities, reportedly to include armored vehicles, satellite equipment, and helicopters. In late 2012, Moscow also proposed a plan to reduce Kyrgyzstan's bilateral debt, sequenced and conditioned over a number of years, and promised to invest in its upstream Kambarata hydropower projects. The latter signaled a shift from acting as a prospective mediator in regional water disputes to an active investor and backer of the Kyrgyz upstream position. Finally, Kyrgyz and Russian officials confirmed that Kyrgyzstan will join the Russian-led Customs Union by the end of 2013, joining Kazakhstan and Belarus in what is the region's most tightly-knit economic organization.

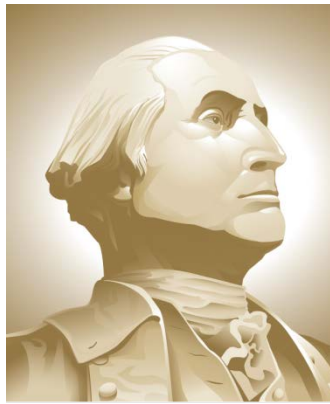
### **Conclusions and Implications for the Region**

Although it is still too early to tell whether the Kremlin's strategic shift in Central Asia will be permanent or even formalized, we see three potential consequences for the stability and political future of the region. First, it has the potential to alter the "multivector" equilibrium that has characterized the foreign policy orientation of all the Central Asian states over the last decade. Prior to 2012, all the Central Asian states sought to maintain a balance between their relations with Russia, China, and the United States. But just as Kyrgyzstan shows signs of becoming a Russian client, closer to Moscow's fold, so too Turkmenistan, in its debt and promises of gas exports, since 2010 has become dependent on China.

Second, it is likely to feed a growing regional security dilemma over border issues between Uzbekistan and its neighbors. Fears of possible U.S.-Uzbek security cooperation following NATO withdrawal from Afghanistan appear to be driving a regional security dilemma, with the upstream countries receiving backing from Russia in response to the perception that Uzbekistan is turning to the West. Uncertainty over the nature of the U.S. footprint, the credibility and scope of Russia's regional security guarantees, and possible regional changes of regimes in Uzbekistan and Kazakhstan are exacerbating regional insecurity and tensions about borders.

Third, a more focused attempt to maintain tight relations with Kazakhstan and to integrate Kyrgyzstan and Tajikistan within Russian-backed security and economic mechanisms may also magnify the sense of economic competition with China that, for the most part, has been kept mostly private for the last decade and focused primarily on securing Kazakh and Turkmen energy. From this perspective, recent calls for a Eurasian Union would take this changing Russian strategy to the next stage and suggest that the proposed organization is as much designed to counter growing Chinese regional influence as it is Western.

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