THE SOUTH CAUCASUS CORRIDOR AFTER THE RUSSIAN-GEORGIAN WAR

PONARS Eurasia Policy Memo No. 49

Nikolai Sokov
Monterey Institute of International Studies
January 2009

The "five-day war" between Russia and Georgia in August 2008 has many dimensions. For those trying to discern its strategic implications, perhaps the most important is its impact on alternative oil and gas export routes said to alleviate Europe's energy dependence on Moscow. According to some, by recognizing South Ossetia and Abkhazia and deploying troops there, Russia has taken a giant step forward in controlling the alternative export routes running through Georgia and consolidating control over Europe's energy supply. Ironically, this argument has been made by both those who see it as a threat and hard-line nationalists in Russia who hail it as a "strategic advance." The discourse vividly recalls past suspicions that by invading Afghanistan in 1979, the Soviet Union was aiming to control the Persian Gulf and its oil deposits.

This memo develops a different assessment that argues:

1) Russia has always had the capacity to break the flow of oil through the South Caucasus from Azerbaijan and Kazakhstan;
2) The Russia-Georgia war has not altered the situation of energy transit in the region;
3) Alternative supply routes will remain reasonably safe from outside

interference despite Russian displeasure, provided there is no war in the region.

Simply put, Russia is unlikely to use its military preponderance in the region to disrupt or threaten energy supplies, but these can still become collateral damage. While Russia will not start a war to undermine alternative export routes, pipelines can fall victim to a conflict begun for different reasons. In this sense, the distance between Russian troops and the pipelines is of little consequence; oil and/or gas will continue to flow regardless of whether troops are 50 or 500 kilometers away. Russia will continue to use all political and economic instruments available to it to disrupt existing and planned alternative energy supply routes, but it will stop short of using, or even threatening to use, force.

Furthermore, as witnessed during the "five-day war," Russia will carefully avoid bombing pipelines in a limited conflict, not because it is indifferent to them but because Moscow wants to avoid a direct clash with the West (mainly the European Union) for as long as possible. Any action perceived as an attempt to strangle Europe will be regarded as one of utmost hostility, on par with an overt declaration of war. Moscow acknowledges that energy supply is an extremely sensitive issue and that, while Europe might be persuaded to ignore its actions in Abkhazia and South Ossetia, Russian-European relations would be irreparably damaged should Russia directly threaten Europe's energy supply. Indeed, for almost two decades now, Russia has struggled to build a reputation as a reliable supplier of energy, an image occasionally tarnished by gas disputes with neighboring Ukraine.

Geographic Challenges

A cursory look at the map reveals much about the challenges in accessing Azerbaijani and Central Asian hydrocarbons and transit of those fuels by circumventing Russia. The only feasible route for direct delivery of these resources to the international market is through the so-called South Caucasus corridor. To the north lies Russia and to the south Iran, in many ways even less reliable (or at least less predictable) than Russia. In normal circumstances, three major conflicts in the region since the breakup of the Soviet Union—one between Armenia and Azerbaijan and two between Georgia and its separatist regions—would have ruled out the South Caucasus route from the start. However, the alternatives are even more unfavorable, and thus the lesser hazard of the South Caucasus corridor remains the only choice for the foreseeable future.

Russian troops have never been far from this corridor. In this sense, the alternative Caucasus route has always been vulnerable. Russian forces were "busy" during the war in Chechnya, but after the situation in the breakaway republic calmed, they became highly relevant to the situation in Georgia and the pipelines that cross it.

The Russian military's presence in the region is substantial. The 58th Army has about 70,000 troops (according to some sources, more than 100,000), more than 600 tanks, about 2,000 armored vehicles, and is approximately twice the size of the entire Georgian army. The 58th Army is also one of the most combat-ready elements of the Russian armed forces.

However, this army is set to undergo major restructuring in the near future; according to public statements by the Russian Ministry of Defense, the number of officers will be reduced by about two-thirds and the army will be transformed into an "operational group" of eleven brigades. Despite these changes, it will still remain capable of shutting down all pipelines traversing the South Caucasus (if the Russian government ever decided to use force to do so).

There is also the 102nd military base in Armenia, home to approximately 4,000 Russian troops (3,000, according to some sources) equipped with 80 to 100 tanks as well as armored vehicles and combat aircraft. The military relevance of that base with regard to existing and projected pipelines is generally very limited (the level of combat readiness is low and it depends on transit through Georgia and/or Azerbaijan for supplies), yet it is not insignificant.

Another, less publicized, element of the Russian military presence in the region is the Caspian flotilla. According to public sources, the flotilla consists of 12 combat vessels, most of which are fairly old gunships—between 11 and 26 years old. Three ships, though, are new, including the flagship "Tatarstan" (*Gepard*, or *Cheetah*, class), which entered service in 2002, and two *Buyan*-class gunships, the latest of which joined the flotilla in 2006. A new *Cheetah*-class ship, "Dagestan," is expected to be commissioned soon. The flotilla also includes several diesel-powered submarines and a marine brigade.

There have been no public reports of possible missions for the Caspian flotilla beyond guarding borders and combating terrorism. All recent exercises in the Caspian have emphasized the interception of terrorist groups, including several landings of the Marines in the last few years. In principle, though, the fleet could threaten the extraction and transit of oil and gas in the Caspian Sea region.

The reinforcement of the Caspian flotilla began under former Russian president Boris Yeltsin in the late 1990s, before attention was paid to the rest of the Russian navy. The desire to strengthen Russia's hand in the continuing dispute between the Caspian Sea littoral states over the delineation of its waters and seabed seemed to drive this choice. That decision quickly resulted in the commissioning of "Tatarstan," originally intended for the Indian navy, and the construction of *Buyan*-class gunships. The Caspian flotilla remains a reasonably high priority for the navy; it is set to receive new ships in the coming years, and its bases and arsenals have either been reconstructed or built from scratch to replace those that remained outside Russia in 1991.

The longstanding dispute among the Caspian Sea states has not been resolved.

Only Azerbaijan, Kazakhstan, and Russia signed the 2003 agreement meant to divide the seabed. Iran and Turkmenistan continue to object to the principles adopted by the other three. At the moment, international regimes cover only 64 percent of the Caspian seabed and some of that (in the Azerbaijani sector) still remains contested by Iran and Turkmenistan.

The Russian armed presence in the region cannot be called overwhelming, but it is impressive and certainly capable of derailing any alternative pipeline projects. Yet in the last ten years, Russia has not attempted (or threatened) to use its armed forces to do so. Paradoxically, almost all scenarios of a Russian use of force for that purpose have originated either in the South Caucasus (especially in Georgia) or in the West, as an acknowledgment of the potential vulnerability of pipelines. Russian hardliners have been more modest; they mostly posit that significant military force in the Caucasus should give Russia *de facto* control over developments in the region, as well as specifically over the pipelines.

In spite of the Russian military presence, two pipelines – Baku-Tbilisi-Ceyhan (BTC) and Baku-Supsa – have operated quite peacefully. Not only has Russia abstained from threatening to use force to interrupt deliveries, it also refrained from bombing them during the "five-day war." However, Azerbaijan's decision to temporarily halt the pumping of oil through the Baku-Supsa line during the conflict demonstrates that the expectation of Russian military action can influence decisionmakers. The BTC was not operational at the time due to an explosion that had disrupted its Turkish leg.

One can conclude that the traditional propensity to equate power with influence simply does not apply in this region. The paradigm informing the analysis of the future of the South Caucasian corridor should be changed.

Pipelines: An Island of Calm in a Sea of Instability

Russia's rather delicate attitude toward pipelines, even those which it does not like and which could undermine its plans for economic development, demonstrates that other forces are at work and that the vulnerability of alternative energy routes has been seriously overestimated.

Instead of attempting to leverage military power, Russia strives to build and maintain an image as a reliable supplier and honest business partner (to the extent that the oil and gas business can be honest). Russian policy in the last decade seems to be informed by the logic of interdependence in its most straightforward, and perhaps primitive, form. Adherence to that logic is hardly surprising given that the formative years of the current generation of Russian leaders falls in the late 1970–80s, the time when the theory was developed and gained prominence. According to their view, mutual, if asymmetric, dependence creates stability, security, and influence. Given Russia's multifaceted dependence on the West (particularly the EU) for credits, consumer products, assembly plant

parts, and so forth, Europe's dependence on Russian oil and gas gives the relationship a necessary degree of balance. If Europe acquires independent access to oil and gas, the relationship becomes one of dependence, which is seen in Russia as a dangerous and even direct threat.

On the other hand, Russian leverage over alternative pipelines is severely limited, more than conventional wisdom would suggest. Central to Russian thinking about this dilemma (the desire to preserve European dependence against the fear of disrupting alternative routes) is the experience of Ukrainian-Russian gas crises. In January 2006, when Moscow cut gas deliveries to Ukraine because they could not agree on a new contract, Ukraine drew upon gas intended for Europe, which suffered a drop in deliveries as a result. Although the disruption was really Kyiv's fault (Ukraine did not admit to siphoning off gas until after the crisis had been resolved), Russia's reputation and relationship with Europe were damaged. An even more serious crisis, which disrupted deliveries to Europe for almost three weeks in January 2009, was more or less blamed equally on Moscow and Kyiv; nevertheless, it strengthened the EU's resolve to construct the Nabucco gas pipeline through the same South Caucasus corridor.

To Moscow, these events underscored two important lessons. First, security of energy supply is of primary importance to Europe, and any direct action affecting it will provoke serious reprisals. Effectively, this aspect of European politics and policy is non-negotiable. Second, Russia is likely to be blamed for any supply disruptions, regardless of their cause. No amount of damage containment efforts can fully rectify the situation.

This is not a matter of fairness, but rather the hard facts of life. In energy politics, some methods are acceptable while others are not. Moscow can use any "normal" instruments of competition in its attempts to undermine alternative oil and gas supply routes. It can develop new routes of its own, such as the North Stream and South Stream projects. It can argue that alternative routes through the South Caucasus are economically inefficient, or it can cut prices to undermine them. It can even engage in all kinds of political intrigues to deny transit (Serbia has recently emerged as a major battleground). However, Moscow will not use raw power to consolidate all transit in its hands because that kind of action would certainly be seen by the West as a hostile act, if not an outright declaration of war.

At a certain level, Russian policy toward alternative pipelines is inconsistent: it regards them as a threat, yet it does not dare touch them. This type of inconsistency is fairly common, however, and is likely to continue for the foreseeable future.

Thus, the old adage that "a bad peace is better than a good war" rings true. As long as the region does not erupt into armed conflict, the pipelines are reasonably safe. In this sense, one can disregard the presence of Russian troops in

the vicinity. Business can continue as usual even with the dramatic changes in landscape that followed the Russian-Georgian war.

The special status of pipelines has its limitations, however. Western thinking about the South Caucasus, which often concentrates on oil and gas pipelines at the expense of other variables, is myopic. The existing and potential conflicts in the region are highly complex and are not limited to energy pipeline security. Pipelines themselves may be immune to direct attack, but they can become collateral damage in a war caused by other factors. In the "five-day war" Russia refrained from damaging or taking control of the pipelines, but a larger-scale war could disrupt the delicate arrangement. When tanks begin rolling, oil and gas might have to stop.

Furthermore, relative immunity of pipelines does not offer serious protection to the host country. The presence of pipelines in Georgia and the risk that they might be damaged in a conflict did not stop Russia from interfering. The same situation could be repeated. Simply put, there can be real or perceived challenges to Moscow's interests that would be too serious to disregard. In the case of a larger-scale war, Russia might even see the situation as a pretext to damage pipelines in the South Caucasus "accidentally."

The existing situation has the potential to create a rift between U.S. and European interests. Washington would likely support democracies and states seeking to remain beyond Russia's sphere of influence, even if it results in an increased level of conflict in the region. Conversely, Europe, which depends on oil and gas deliveries through that corridor, might see more benefits from peace, no matter how unstable and precarious. Experience has shown that the South Caucasus can teeter for a long time without tipping into war.

A panacea for the numerous conflicts in the region is hardly realistic, but preventing a new conflagration is in itself a worthy goal. Given Russia's desire to avoid even the appearance of a threat to alternative pipelines, it seems possible to freeze the current situation, no matter how unpleasant. Paradoxically, the maintenance of an uneasy status quo opens doors to outside players; recently, France and the EU have emerged as key players in the region because they are mutually acceptable to the states of the South Caucasus and to Moscow. Unfortunately, the United States does not seem to have much of a chance to moderate. It may be a favorable, even desirable, player to Georgia and Azerbaijan (and perhaps also to Armenia), but not to Russia, Abkhazia, or South Ossetia (or perhaps Nagorno Karabakh).

If the situation in the South Caucasus is judged strictly from the perspective of energy security, the future looks positive. The overwhelming Russian presence in the region can be disregarded. Russia is likely to carefully avoid damaging alternative oil and gas routes through the overt use of force. The main threat to Europe's energy supplies instead comes from the possibility that lingering

conflicts might erupt once again, as the Russian-Georgian war has recently demonstrated, and then pipelines could become collateral damage. Policymakers would thus be advised to treat the situation with extreme caution; where energy security is at stake, "bad peace" will likely remain preferable to "good war."

PONARS Eurasia publications are funded through the International Program of Carnegie Corporation of New York. The views expressed in these publications are those of the author alone; publication does not imply endorsement by PONARS Eurasia, Georgetown University, or the Carnegie Corporation.