

South Caucasus 2025: Scenarios for an Uncertain Future

By Sven Behrendt, Beirut and Iris Kempe, Tbilisi

The South Caucasus is a geo-strategically important region, located between Europe and the wider Central Asian space, between Russia and the inherently volatile Middle East. From a global perspective, the South Caucasus is perceived as a single geopolitical and economic space, though its distinct political composition and ethnic fragmentation suggests that the South Caucasus is little more than a geographic concept.

Recent developments in the South Caucasus, most notably the Russo–Georgian war of summer 2008, reemphasized the relevance of the region and its constituent parts for broader geopolitical stability. The war was yet another example of the extent to which great powers competed for influence in their immediate neighborhood, in the case of Russia, and more distant areas, in the case of the U.S.

The Caucasus will remain in the center of the global geopolitical space in the foreseeable future: its geographic location attracts energy infrastructure projects safeguarding Europe’s energy security. Elections in Georgia will also determine the fate of the regional democracy agenda. The region has become a test case for Turkey’s foreign policy, torn between its European aspirations and a more autonomous agenda, turning east. It has also become a test for the strength of Europe’s “soft-power”-based foreign policy approach, aiming at supporting a gradual transition towards more democratic governance, based on liberal civil society and a prosperous, regionally integrated market economy.

The South Caucasus’ increasing geostrategic and geo-economic relevance, paired with the uncertainties that the future holds for the region, requires policy-makers to base their policies on alternative scenarios. There is not one single, most likely future for the region. To the contrary, any reasonable policy approach must be based on the assumption that the future political, economic and social dynamics of the region are very volatile indeed. In other words, things can go wrong.

Accordingly, the Expert Group Caucasus 2025 has identified four scenarios for the future of the South Caucasus:

- A Stable and Prosperous South Caucasus
- The South Caucasus Implodes
- Backwater South Caucasus
- The South Caucasus Muddling Through

These scenarios have been developed taking into account international, domestic, and regional political, economic, and social dynamics.

- On the international level, the most important driver is the influence that the most relevant global and

regional powers can exert, i.e. the U.S., Russia, the EU, and Turkey, but also the specific relationships and potential alliances that they are going to develop amongst each other. Wild cards include developments in the Middle East and East Asia.

- On the domestic level, countries have the potential to transition into fully fledged democracies, but also risk falling back into political stagnation providing the backdrop for hardening authoritarian structures.
- On the regional level, scenarios oscillate between deep political and economic cooperation to regional disintegration.

Assessing the interdependencies and overlapping dynamics between these three simple analytical categories, we sketched out scenarios that are ideally mutually exclusive but in reality do overlap. These scenarios, however, should to a high degree cover most plausible and likely futures for the South Caucasus.

Scenario 1: A Stable and Prosperous South Caucasus

The most positive scenario anticipates that the region will turn into a prosperous, and partly democratic area that increasingly benefits from regional integration. The ability of Armenia and Georgia to establish robust democratic institutions, or at least head in that direction, depends on the overall commitment of their leaders as well as the development of healthy civil societies. Azerbaijan is somewhat lagging behind and is still governed by an authoritarian regime. However, the leadership has learned how to share power across various segments of Azeri society. Power is transitioning smoothly from one leader to the other. With time, the Azeri body politic will develop a distinct political consciousness which supports the development of democratic elements in the political decision-making process.

All countries engage in ever more intensive regional coordination mechanisms. Though short of substantial integration, regional collaboration has increased the collective bargaining power of the region. Local and regional actors resist the temptation to develop bilateral patron–client relationships outmaneuvering their

regional peers. A new sense of identity enables the region to pursue more autonomous regional policy making.

The new sense of shared destiny is also reinforced by economic considerations. All countries share an interest in developing the regional potential as a transport hub between Europe and Central Asia. Their economies are increasingly diversified, providing a solid base for increasing standards of living.

The positive developments in the region are supported by ever closer coordination between the EU and its member states and Russia. Europe, Russia and the U.S. develop tighter coordination mechanisms and understand that the South Caucasus is a region of common interests but also joint values. Based on the concept of an *overlapping integration space*, external powers contribute constructively to the positive development of the region.

In particular, the strategic consequences of the Russo–Georgian war of 2008 contributed to a heightened sense of dependency on Russia in Georgia, Russian–Georgian relations improve post-Saakashvili (2013), bearing the potential to replace open hostilities with trends of cooperation.

A Turkish–Armenian border deal offers an additional positive dimension for the region. With the border with Turkey and thereby a new window to the West opening, international investments in the region pick up as a new crossroad for transport and trade comes into being. As flag follows trade, national identities and cultures are constructed in a way that foster peaceful mutual coexistence. Since Turkish influence is acceptable to all interested outside powers including Russia, its presence in the region grows and it develops into a cohesive factor for the region over time.

Scenario 2: The South Caucasus Implodes

Lack of political progress creates an ever accelerating downward spiral of civil strife and violent conflict. Political entities disintegrate and economic development stalls.

The fragile democracy of Georgia gives way to a populist authoritarian regime that seeks internal legitimacy by cultivating its external conflicts. Civil society and the media are suppressed.

Azerbaijan, thanks to the economic mismanagement of its natural resource base and the increasing alienation between the regime and society, falls victim to the radical force of political Islam.

Minorities throughout the region seek to exploit a situation of political disorientation, and radical political entrepreneurs benefit from institutional weaknesses. The Middle Eastern theatre increasingly influences poli-

tics in the region, with Shi'a and Sunni forces being supported by Iran and Saudi Arabia, the two competitors for hegemony in the Gulf region, respectively.

Russia, most affected by possible spill-over and destabilizing effects and nearly unchecked, intervenes and subsequently expands its influence in its “Near Abroad”. Yet, Russia’s intervention is difficult to sustain over the long term. A long “war of attrition” demands extensive military resources and repeatedly tests the robustness of its relationship with Europe and the U.S. The West, focusing on the military hotspots of the broader Middle East and East Asia fails to engage in a constructive way.

Conflict and discontent also have a devastating demographic effect in the region. As confidence in a prosperous future declines, marriages and birthrates decrease substantially, while an ever growing part of the respective populations seek refuge in exile. The South Caucasus faces depopulation and subsequent national catastrophes.

Scenario 3: Backwater South Caucasus

Lack of political progress and ambition let the South Caucasus slide into a backwater of globalization. Azerbaijan and Armenia turn to a shaky form of authoritarianism. Georgia is increasingly disillusioned with its democratic experiments. Regional economic growth is sluggish. Commodity prices, a major driver of revenue for the government of Azerbaijan linger at lower levels than anticipated, and national diversification strategies have not taken off.

Accordingly, the outward-spinning forces in the region gain momentum. There is an increased awareness of the fractured nature of the region. National distinctiveness increasingly drives policies of local and regional actors. But small size matters and accordingly, their aspirations fail to be relevant and policies meaningful.

Europe is concerned about its own internal affairs, itself being threatened by political marginalization. The USA increasingly feels the realities of its military overstretch, with too many strategic battlegrounds in the Middle East and the Far East requiring its attention. Central Asia is turning eastwards to satisfy China’s tremendous demand for natural resources, which lessens the South Caucasus’ attractiveness as a significant transport hub. Russia has no intention to compromise its increasingly stable relations with the U.S. and Europe over the South Caucasus. Iran is preoccupied to fend off regional challenges for hegemony. Turkey, after making some overtures to the region, is reemphasizing its Western foreign policy outlook.

There is an increasing awareness of the artificial nature of the concept of the South Caucasus, grouping together three countries, which are indeed not to be treated as one entity. Especially the countries of the South Caucasus regard this concept with hesitation as they see the danger that it neglects, at least conceptually, the individual development paths and characteristics of each country. Countries of the South Caucasus will not fulfill the external expectations of regional integration, but fragment. Over time, individual countries might integrate with outside neighbours. It may well be possible that in 2025 Armenia will have undergone advanced integrated with Turkey, Azerbaijan will have become part of the Caspian region and Georgia will have oriented West and become an integral part of the Black Sea region.

Scenario 4: Muddling Through

The region continues to be based on balance of power concepts. The survival strategies of regional players are

based on opportunistic alliance building. Relationships between governments, outside forces, and domestic actors cease as quickly as they develop. Though giving an impression of political progress, the region as a whole stagnates socially and economically and leaves itself exposed to outside intervention. Peaceful coexistence and local escalation of conflict come and go.

While mild forms of authoritarianism assert themselves in the countries of the South Caucasus, the region remains a contested space. As Europe becomes less engaged, due to lack of progress and the political developments on the ground, Russia and Turkey realize mutual benefits from cooperating economically and politically in the region. Meanwhile, Russia is able to create a space of “sovereign democracies” including Moldova, Belarus and Ukraine. If this development coincides with the EU maintaining a closed door policy toward Turkey, a new East–West divide will be consolidated and the countries of the South Caucasus will face further isolation westward.

About the Authors

Sven Behrendt is a Visiting Scholar at the Carnegie Middle East Center. Iris Kempe is the Director of the Heinrich Boell Foundation South Caucasus.

The 2014 Winter Olympic Games in Sochi: Implications for the Caucasus

By Stanislav Secieru, Bucharest

Abstract

Predicting what will happen next in international politics is never an easy task. When it comes to the Caucasus, anticipating the region’s alternative futures is even more complicated. However, a high degree of volatility makes such an effort worthwhile. The Sochi Olympics is among the factors which should not be underestimated in scenario building for the Caucasus. Intensive preparations for 2014 already serve as a catalyst for economic development as well as a cause for environmental concerns. Looking beyond the immediate effects, the Sochi factor is also likely to affect politics and security in the entire Caucasus.

Future Scenarios and the Sochi Factor

Regional scenario building traditionally revolves around optimistic, hybrid (combining a mix of positive and negative trends) and skeptical projections. However, this classic approach is far from perfect. To reduce uncertainty about the region’s possible futures as much as possible, the foresight exercise needs to address the impact of local mega-events on regional developments too. As far future scenarios for the Caucasus are concerned, the Winter Olympic Games in Sochi, scheduled for 2014,

are a case in point. The Russian Black Sea resort city of Sochi is located in the immediate vicinity of Georgia’s breakaway region of Abkhazia (113 km separate Sochi from Sukhumi) and the politically fragile republic of Karachaevo-Cherkessia (part of Russia’s North Caucasus Federal District). The geographical location of the 2014 Olympic Games venue, coupled with the economic opportunities it offers (the event’s budget is estimated at \$30 billion) and a variety of ongoing political and security challenges transforms Sochi, for the next