

POLICY RECOMMENDATIONS

Study Group Regional Stability in the South Caucasus (RSSC SG)

“Peacebuilding through Economic and Infrastructure Integration in the South Caucasus”

23rd RSSC SG Workshop
24 - 27 March 2022, Naples, Italy

PfP Consortium of Defense
Academies and Security
Studies Institutes



EXECUTIVE SUMMARY:

The Regional Stability in the South Caucasus Study Group (RSSC SG) met 24 - 27 March 2022 in Naples, Italy, discussed and subsequently agreed on a number of policy recommendations, such as:

1. To initiate discussions among interested participants to set the ground work for a handbook on building resilience to human security threats. This handbook would be based on the subject matter of the 23rd RSSC SG workshop, and focus on energy security/diversity, demographic security, and food security;
2. To transform the peacekeeping mission on the Line of Contact (LoC) between Armenian and Azerbaijani forces into a peacebuilding mission, ostensibly when the current mission comes to an end in 2025;
3. To have Armenia, Azerbaijan and Georgia take advantage of the zero tariff conditions of manufacture to export to the EU market in compliance with EU-Georgia Deep and Comprehensive Free Trade Area (DCFTA);
4. To leverage Georgia's position to create a certification centre with a view to facilitating exports to the EU from the South Caucasus, and;
5. To focus on the re-establishment of power lines to bring greater energy diversity to the region. In this view, some participants are urged to reach out to technical experts to generate more precise recommendations in upcoming workshops.

INTRODUCTION

The 23rd workshop, which was held in Naples from 24 to 27 March 2022, resumed with the topical program envisioned in March 2020.

This workshop revisited the prospects of economic and infrastructural integration as levers for peacebuilding across the South Caucasus. However, since March 2020, the world has had to reckon with Russia's foolhardy invasion of Ukraine, which throws doubt over the viability of the OSCE-based cooperative security system, as well as on the roles of multilateral organizations and mechanisms in conflict prevention, management, and resolution. In other words, this topic has emerged – two years later – as more pertinent than ever, especially in view of the RSSC SG's goal of helping the South Caucasus develop its own “strategic persona”.

What follows is a brief description of the debates that took place, capped by policy recommendations. The co-chairs thank all the participants – whose recommendations these are – and the organizers for making this workshop possible.

PANEL 1: The European versus Eurasian Integration Dilemma in 2022 (and Beyond)

Panelists here spoke of how the Armenians and Azerbaijanis “knew” each other, and how, although the relationship had been conflictual for more than a quarter of a century, the potential for economic integration was greater than the threat of further disintegration. Integration is possible, but each country has different political and economic interests, strategies and policies. The need to harmonize the varying models of economic integration in the region is paramount. In this respect, the fate of Russia may affect Armenia's integration model. Meanwhile, there is Georgian-Armenian free trade, and Azerbaijan's economy that would benefit from additional diversification opportunities. One way to harmonize these various models might be to revisit the potential of the GUAM (Georgia-Ukraine-Azerbaijan-Moldova) organization, particularly if Armenia eventually decided to join it. Others were skeptical about this option.

A few panelists anchored their argument on concrete infrastructure projects, across South Caucasus borders and towards Turkey (and hence, one assumes, towards the European



Union). Celebrating the active participation of the European Union in such projects, the EU also supports the twin normalization processes between Armenia and Turkey, as well as between Armenia and Azerbaijan. To some panelists the EU is keen on supporting with financial resources, but it is woefully short on vision. In other words, investment does not make integration. However, the presence of Russia in the equation (subsequent to its rapprochement with Turkey over the last decades) throws a complex variable into the equation. In some respects, the idea of South Caucasus integration hinges mostly on the peace between Armenia and Azerbaijan. In turn, this depends mostly on applying best international standards on guarantees for the protection of national minorities from Azerbaijan.

To others, there is a need to distinguish between pre- and post-44 days war over Nagorno-Karabakh. In any case, the diplomatic path is the correct one to take. Certain realities need to be taken into account; the Shusha Declaration emphasizes the Turkish key role in regional security, while the Moscow Declaration ensures that Russian concerns are acknowledged. GUAM discussions that took place in January 2022 in Kyiv point to Azerbaijan's increased influence and presence. But in addition to this, the region as a whole must reckon with the added Turkish strategic relevance in the region.

In addition to realities on the ground, the region must take into account the geopolitical processes at three levels; United States-Russia, EU-Russia and Iran-Turkey-Russia, in which Russia is the main player. In this respect, the Russian aggression of February 2022 has produced new realities and new opportunities. It has put a special onus on economic cooperation in the region, building upon the freedom of movement of goods, services, capital, and people. The key remains peace between Armenia and Azerbaijan, or at least normalization of their relations in the wake of signing a comprehensive Peace Agreement. In effect, the South Caucasus could possibly aim at creating a "Euro-region" where a common market between the three states, and a common security system, buttressed by a political statement on co-existence, and security guarantees would operate. These in turn would create other conditions for success, such as regional attractiveness and better living standards. However, there needs to be stronger financial and economic support from the international community (foremost from the EU); and solutions of a practical nature.

PANEL 2: Recent Developments in Regional Economic Integration and Infrastructure Building and Plans

This panel was more descriptive in nature and aimed at showing the realm of the possible, and stimulating the imagination by forcing the participants to consider the implications of infrastructural development on society.

Some panelists outlined the extensive security-economic (and therefore political) cross-pollination in Georgia. This cross-pollination is political because large commercial and financial projects are driven by or at the very least connected to personalities with strong interests in the region. The preservation of those interests involves securitization, which means that security links will likely dominate over economic links. In any case, a structurally-stable South Caucasus is the necessary pre-condition for sustainable peace. It is difficult to

get rid of the idea that infrastructure can serve war and peace simultaneously. A step in the right direction would be to have infrastructure connectivity help break the relative Armenian (and Iranian) isolation. Such a project would be the development of high-voltage lines that would bring energy diversification to the whole region.

Other panelists see the development of infrastructure as geopolitical game-changers. For instance, the railway communications projects of Azerbaijan, seeking to link Azerbaijan to its exclave Nakhichevan via Iran are of great logistical importance for they reduce the weight of the Zangezur Corridor, and the Armenian leverage over that corridor. Simultaneously, the Zangezur Corridor was seen as a "threat" of sorts to Armenia. As long as the projects will have a "South Caucasus" origin, it will be difficult, it seems, to not see them as attempts to gain a strategic regional advantage. Thus the need to attract outside investors can help the peacebuilding potential of infrastructure projects, which in turn can help bring the region closer to the EU, and thereby boost public diplomacy and economic cooperation.

Another panelist saw a worthy logistical and social development system of communications in such a scheme which avoided Russian dependence by emphasizing the East-West direction. However, this system might be perceived as a competitor to the North-South dimension of trade relations between Russia and the Middle-East (by way of Iran). Therefore, South Caucasus political and economic integration may benefit from the regional powers and other interested external actors (most notably, the EU and China) having agreed on their shared interests over regional lines of communication.

PANEL 3: Leveraging Economic Integration and Infrastructure Connectivity in the Service of Peace

One panelist presented briefly the outcomes of a research project on "Economic Incentives as Peace Building Tools in the context of the Nagorno-Karabakh Conflict" (2012-2015), which aimed to turn the economic dialogue between Armenia and Azerbaijan from an instrument of information warfare into an incentive for future peace. A few methodological options were considered for building up, and leveraging such a public debate. While both parties have acknowledged their historical, and socio-political differences, they also recognize that having a "Blueprint/Roadmap for Regional Economic Development and Infrastructure Integration in the South Caucasus" would be a worthwhile joint effort, in which Georgia might be also interested to join. In principle, although the findings of this project remain technically relevant and valid, the implications of the current great powers' competition need to be reviewed. In particular, the risks for the South Caucasus states being cut from the Western/European economic and infrastructure integration, and increasingly integrated with Eurasia and/or more closely linked to the Middle East should be assessed and mitigated.

Georgia remains a major beneficiary of East-West connectivity. The official strategic goal of the Georgian government is to expand this connectivity and establish Georgia as a hub between East and West. Economically and commercially speaking, Georgia, thanks to its numerous free trade agreements, is "non-aligned". This non-alignment is supported by the fact that

Georgia is close to the needs of other countries in the region. All compete for trade corridors and all need to modernize infrastructure. The logical conclusion would be to make the region as a whole more competitive. This competitiveness could be generated by the evidence that a commercial hub like Tbilisi could help connect suppliers in the Caspian and beyond to the West.

To other panellists, this is all well and fine, but a general precondition would be for regional actors to honour existing conventions faithfully, arrive at non-use-of-force agreements between all countries, open borders and guarantee respect for human rights. The promotion of contrary ideological notions must be stopped. Rather, it is the region itself which should develop its own strategic objectives with due consideration of human security threats (food, energy, demographic, financial, transportation, health, environmental, poverty) and regional hegemonic interests. In order to do this, actors should concentrate on commonalities, and address them frankly. When there are competitive advantages, these should be leveraged to the advantage of the whole region.

BREAKOUT GROUPS: Minerva – Operation of Strategic Peacebuilding and International Peace Support Groups in the South Caucasus

This interactive discussion was initially meant to start a more detailed discussion on how to make use of the innovative ideas for a new regional security initiative proposed in previous RSSC SG workshops to support Track 1 negotiations, as well as capacity building aiming to create a common strategic culture supportive of peace in the South Caucasus. The discussion started with an introduction by Dr. Elkhan Nuriyev⁴. While the generous ideas for “Eastern Peacefare” to be nurtured by multi-lateral dialogue within an “Eastern Table” were unanimously welcomed and agreed, the associated governance proposals of this initiative proved highly controversial among participants. That was most likely due to the ongoing Russian war in Ukraine largely highlighting the current irrelevance of the UN and OSCE collective security systems.

Eventually, since building consensus on this new security initiative proved unlikely, the moderators decided to shift the focus of this Break-out Group towards a more pragmatic approach which focused on what the three South Caucasus states could do together, thereby leaving aside the controversial role of external powers in leveraging such initiatives in line with their regional interests. This shift stimulated a much more productive trilateral economic dialogue on elements which might be included into a Joint “Blueprint/Roadmap for Regional Economic Development and Infrastructure Integration”: the diversification of regional trade; setting up a fund that would support joint trade, industrial, and other enterprise-based projects; setting up a Joint Economic Commission and sectorial regional associations; building up economic dialogue of businesses and civil societies; defining and coordinating the role of the media both in conflict management and resolution, and in supporting regional economic and infrastructure projects; supporting Public Private Partnerships (PPP’s) in particular in areas relevant to EU’s Green Deal, such as renewable energy joint ventures and EU partnerships; climate

⁴Elkhan Nuriyev- „How the EU could help re-energise peace processes in the Eastern partnership?“, New Eastern Europe, January 2020, <https://neweasterneurope.eu/2020/01/30/how-the-eu-could-help-re-energise-peace-processes-in-the-eastern-partnership/>

change and water management. Relevant new infrastructure projects could be also discussed.

BREAKOUT GROUPS: Mars – The Peacekeeping Mission in Nagorno-Karabakh

This initiative was put forward by the RSSC SG co-chairs in order to examine and warn regional actors of the risks of spoilers to the peacekeeping mission. It is acknowledged that the new situation on the ground, between Armenia and Azerbaijan, doesn’t make unanimity, but it is, in the estimation of the RSSC SG co-chairs, the best opportunity on which to build a stable peace in the region. Since there are agents who may be against the establishment of a peacekeeping mission, it was deemed necessary to attempt to foresee risks to this mission.

Discussions revealed that there was no clear (or formal) mandate for this peacekeeping mission, meaning that Russian troops there developed different roles as situations warrant at different points of the Line of Contact. Also, there are no clear Rules of Engagement (RoE). In many ways, the risks to the peacekeeping mission are aggravated by the fact that there is not the consent of all the belligerents – Azerbaijan prefers a bilateral mandate with Russian forces.

The five-year duration of the mandate – the end of which is arriving soon – forces events on actors. The centres of gravity of this peacekeeping mission are threefold; the protection of Azerbaijani sovereignty, the protection of Armenian rights within that sovereignty, and the geopolitical and other interests of the Russian Federation. Since there are many interests at play – full sovereignty, protection of minorities, withdrawal of foreign forces, and, for Russia, the liberation of its soldiers to sustain aggression in Ukraine – the risks to the fragile peace at local level increase exponentially.



GENERAL POLICY RECOMMENDATIONS

Workshop participants urged – based on recommendations made at the previous November 2021 Reichenau workshop – to not sit and wait, but agree on a common project. The main objective is to tentatively focus on building resilience across a broad range of human security threats. How to move from collecting and acknowledging best practices to writing effective strategies and policies? “Strategies and policies” here are understood as regional, national and sub-national, i.e. as seen from the civil society, local communities and businesses levels. Using the power of the PfPC and the EaP networks, the RSSC SG proposes undertaking a new project tentatively aiming to distillate current best practices on building resilience against common human security threats into effective strategies, policies and concrete measures. A common vision over the future should be translated into a comprehensive list of common regio-

nal goals and objectives to be pursued over the next five to ten years. This, in turn, should lead to a deeper common security threats assessment. The PfPC/RSSC SG experts' group in charge with developing this project should also look at the competitive advantages of each country, and should adjust their joint human security efforts to their individual political and security agenda. Ostensibly, this could be the second deliverable of the new handbook product by the PfP Consortium (PfPC). It is proposed to have a first online discussion in spring/summer 2022 that would have the following task:

The Mars Sub-Group Recommends the Following:

1. Use the remaining three years of the current mandate to formalize the peacekeeping mandate and to launch an international conference on the possible peacekeeping options and lay the ground work for a transformation of the mission towards peace-building past 2025.
2. Urgently call a high-level conference of all interested parties with the aim of drafting a peacebuilding agenda, plan for the return of internally-displaced persons (IDPs), training local officials, enhance civil society activity to stimulate foreign direct investment (FDI), election reforms, and measures to guarantee Armenian rights.
3. The current peacekeeping mission should be more transparent. An objective information assurance structure should be set up with the task to investigate cease-fire breaches and their consequences. This structure could take the form of a Georgian-Armenian-Azerbaijani civilian mission (a Caucasian house of sorts).
4. All participants of this breakout group agreed that respect for the statements and agreements reached on 14 December 2021 at the European Council-sponsored meeting between the Armenian and Azerbaijani leaders should be maintained.

The Minerva Sub-Group Recommends the Following:

1. Armenian and Azeri enterprises should cooperate with Georgian enterprises for production of Georgian goods which include (in accordance with the EU-Georgia DCFTA Rules of Origin) Armenia/Azerbaijan produced components and benefit from zero tariff duties while exporting to EU markets. In the future the same approach could be used for South Caucasus products selling to Eurasian Economic Union (EAEU) markets via Armenia.
2. When the war in Ukraine is over and the settlement in place and the sanctions lifted, EU and Russia should discuss further the approximation of their regulatory systems.
3. In the near future, Georgia will develop laboratories and certification bodies, recognized by the EU, which would make it easier for Armenian and Azeri producers to certify their export products for the EU in Georgia. Relevant authorities should carry out consultations on this.

4. Georgia and Armenia (since they are members of distinct regional integration arrangements) should develop a unified approach towards certification. Georgian goods destined to EAEU markets could be certified by a Georgian branch of the Armenian Certification body and vice-versa. Azerbaijan could discuss using certification bodies from both Georgia and Armenia to pursue its exports to EU and EAEU countries, respectively, after the conclusion of a Peace Agreement.
5. Regional states should initiate a 'South Caucasus Triangular Dialogue' that would consist of cooperative trilateral contact groups of government officials and civil society organizations. Those contact groups should interconnect their work so that dialogue is not just carried out between governments, but also between governments and civil so-ciety organizations, who could contribute important on-the-ground knowledge to inform policies.
6. Any external actor which aims to contribute to peacebuilding in the South Caucasus should either: deploy economic projects that support public diplomacy, or boost economic cooperation in the region through concrete business projects. Cooperation between entrepreneurs may enlarge possibilities in the political field.



These policy recommendations reflect the findings of the 23rd RSSC workshop on "Peacebuilding through Economic and Infrastructure Integration in the South Caucasus", convened by the PfP Consortium Study Group "Regional Stability in the South Caucasus" in Naples, Italy, 24 – 27 March 2022. They were prepared by Frederic Labarre (Royal Military College of Canada, Kingston) and by Dr. George Vlad Niculescu (European Geopolitical Forum, Brussels) on the basis of the proposals submitted by the participants. Valuable support in proofreading and layouting came from Mirjam Habisreutinger (Austrian National Defence Academy, Vienna).

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