



Backgroundunder

Executive Summary

No. 1222

September 25, 1998

ETHNIC CONFLICTS THREATEN U.S. INTERESTS IN THE CAUCASUS

ARIEL COHEN, PH.D.

The Caucasus has emerged as a pivotal geostrategic region within which the interests of the U.S., Europe, Russia, Iran, Turkey, and the broader Islamic world intersect. The region will be crucial to the economic development of the ancient Silk Road—the cross-continental trade route between the East and Central Asia, and Europe and the Middle East. Oil and gas reserves and future auxiliary investments are estimated in the hundreds of billions of dollars. Major oil and gas pipelines are planned to bring the abundant energy resources of the Caspian Sea and Kazakhstan to global markets.

U.S. interests in the Caucasus include ensuring the independence and territorial integrity of Georgia, Armenia, and Azerbaijan; keeping Iran and Islamic fundamentalism in check; ensuring access to energy resources; and preventing a re-emergence of Russian imperialism. However, lingering ethnic conflicts, weak central governments and institutions of civil society, and external tampering may endanger advantageous routes for oil pipelines and even destabilize this crucial region.

The United States must secure its priorities by strengthening civil societies and markets within the three caucasian states, and developing an East-West coalition of Georgia and Azerbaijan supported by Turkey and Israel. It must ensure that American energy companies are able to establish

oil and gas pipelines in a western direction to the Black Sea and the Mediterranean instead of north (to Russia) and south (to Iran). If Washington fails to achieve these policy goals, its own interests as well as those of key U.S. allies, such as Turkey and Israel, will be imperiled and anti-Western elements in Russia and Iran will reap the benefits.

Congress must set firm policy goals for this important region. To this end, the Silk Road Strategy Act (S. 1344), authored by Senator Sam Brownback (R-KS), is pending in the Senate Foreign Relations Committee, while a companion bill, H.R. 2867, introduced by Chairman Benjamin Gilman (R-NY), is before the House International Relations Committee. Both bills would support the independence, territorial integrity, and prosperity of post-communist states in the South Caucasus and Central Asia while fostering American business and strategic interests in the region.

Specifically, the United States should:

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- **Increase its political and security support for the proposed Baku (Azerbaijan)–Ceyhan (Turkey) pipeline.** It is in America's strategic interests to ensure the flow of oil and gas from the Caspian Sea basin via Georgia and Turkey rather than south to Iran or north to Russia. A north–south main route would allow Russia and Iran to control an even larger share of the world energy market than they do now. The United States should use its influence with the governments of Kazakhstan and Turkmenistan to ensure the construction of cross-Caspian pipelines that will link up to the Baku–Ceyhan route, thus making it economically viable.
- **Foster security cooperation with Georgia.** Georgia is a key U.S. ally in the region, but it lacks the military force necessary to defend its own borders. This weakness encourages already intense ethnic separatism, sometimes supported by Russia, to continue. The U.S. should strengthen Georgia's military by providing assistance in building its command-and-control, communications, and intelligence capabilities; training instructors for Georgian military schools; inviting Georgian officers to study at American military colleges; and educating officers on civilian control of the military, especially in such areas as budgeting and procurement.
- **Lift sanctions against Azerbaijan.** The sanctions imposed by Article 907 of the 1992 Freedom Support Act were enacted during Azerbaijan's war with Armenia over Karabakh. In 1994 the two nations signed a cease-fire, but the sanctions are still in place, undermining the U.S. role as an honest broker in the Karabakh conflict and blocking many types of U.S. assistance to the Azerbaijani government. Senior Clinton Administration representatives recently have admitted that the U.S. would be better off without these sanctions. The House Appropriations Committee voted on September 10, 1998, to repeal the sanctions, but the measure was defeated by the full House on September 17.
- **Make it clear to Moscow that continued support for separatism in the South Caucasus will ensure the end of U.S. assistance.** Because of Russia's poor economic performance, the Kremlin is interested in a broad range of business and financial assistance, both from the United States and from international financial organizations such as the International Monetary Fund and the World Bank. But Moscow has supported Abkhaz separatists against the central government in Georgia and Karabakh Armenians against Azerbaijan. Influential Moscow hard-liners believe that instability in the Caucasus enhances Russia's power in the region. Russia has supplied over \$1 billion worth of heavy weapons clandestinely to Armenia and is supporting Abkhaz separatists in Georgia. Washington should make it clear that U.S. assistance to Russia and U.S. support for Russia's requests to international financial institutions cannot continue as long as Moscow works to destabilize the Caucasus.
- **Begin a discussion with ethnic leaders of the Northern Caucasus.** The Northern Caucasus is a cauldron of ethnic hostilities on the verge of eruption. The United States must increase its information-gathering and analysis capabilities and initiate an open discussion with and among the leaders of autonomous regions in the Northern Caucasus. This should be a public effort aimed both at ensuring stability, mutual understanding, and peace in the region and at giving U.S. policymakers a better knowledge of this potentially explosive situation.

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Background

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ETHNIC CONFLICTS THREATEN U.S. INTERESTS IN THE CAUCASUS

ARIEL COHEN, PH.D.

The Caucasus, at the strategic geographic nexus of Russia, Turkey, and Iran, has grown in importance since the end of the Cold War. The Southern Caucasus is home to three post-communist states: Georgia, Armenia, and Azerbaijan. The Northern Caucasus harbors Chechnya and a hodgepodge of other autonomous republics and enclaves of ethnic tension reminiscent of the Balkans. The Northern Caucasus remains under Moscow's rule, although Russian control is evaporating as new players like Iran and Turkey assume more prominent roles and the specter of radical Islamic fundamentalism looms.

Once part of the Silk Road—the famous trade route between East and West—the region is now a potential engine of economic growth that will connect the Pacific Rim and Europe. But American jobs and investment opportunities¹ are threatened by a potential wave of bloody ethnic conflicts and the anti-Western policies of the region's two principal powers, Russia and Iran.

To secure its position in the Caucasus, the United States should:

- Promote and strengthen independence, sovereignty, and democratic governance in the three South Caucasus states;
- Increase its diplomatic involvement in the resolution of regional conflicts such as those in Nagorno-Karabakh and Abkhazia; and
- Promote market reforms and assist in the development of secure energy resources, communication, and transportation links to help create a viable East–West axis.

Such steps are outlined in the Silk Road Strategy Act (S. 1344 and H.R. 2867), spearheaded by Senators Sam Brownback (R–KS) and Gordon Smith (R–OR) and House International Relations Committee Chairman Benjamin Gilman (R–NY). This comprehensive policy would result in enhanced coopera-

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1. Currently, U.S. companies lead all foreign investors in the region, which has over \$2 trillion worth of oil reserves. Economic development of the Silk Road is capable of generating multibillion-dollar income flows and job opportunities in the U.S. oil and gas, heavy machinery, transportation, telecommunications, and other industries.



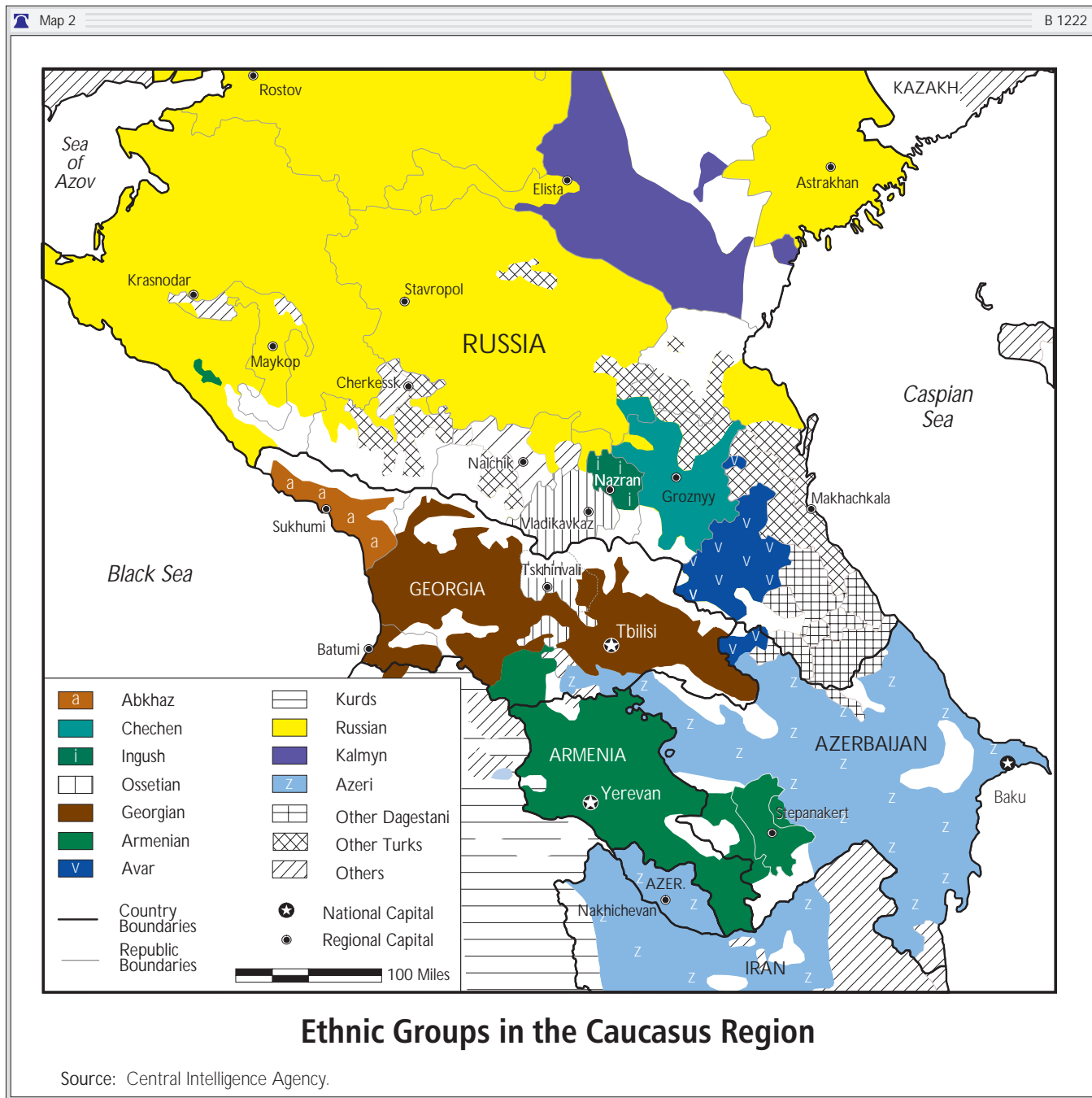
tion among the countries in the South Caucasus while fostering American investment and trade in the region.

Oil and gas reserves and future auxiliary investments in the region are estimated to be worth hundreds of billions of dollars. Major oil and gas pipelines are planned to cross the Caucasus, bringing the abundant energy resources of the Caspian Sea and Kazakhstan to global markets. The challenge for American decision makers is to ensure

that the most secure routes are selected in view of the instability plaguing the Russian Federation; that the interests of U.S. allies, such as Turkey, are ensured; and that America's foes, such as Iran, do not gain control of the flow of oil from the region.

STORM OVER THE CAUCASUS

The ten-year-old Armenia–Azerbaijani conflict over Nagorno–Karabakh remains unresolved. Armenia has stepped up the diplomatic pressure



against pro-American and secular Azerbaijan since hard-liners ousted moderate President Levon Ter-Petrossian in the spring of 1998 and replaced him with current President Robert Kocharian, former leader of the secessionist territory of Nagorno-Karabakh. Since Kocharian's takeover, the Armenian position regarding Karabakh's secession has hardened. Yerevan has refused to recognize the Lisbon Protocol, sponsored by the Organization for Security and Cooperation in Europe (OSCE).

The Protocol is a declaration of principles for the settlement of the conflict that was signed by OSCE members, including Azerbaijan, in 1995.

Armenia has made further peace negotiations extremely difficult. The Armenian government now demands that Azerbaijan recognize Karabakh's independence and deal with the Karabakh leadership directly as a full-fledged party to the conflict. Moreover, it refuses to promise that the

territorial integrity of Azerbaijan will be restored.² Meanwhile, the government in Baku, the Azeri capital, insists on preserving its territory.

In a worst-case scenario, Baku expects Armenia to renew hostilities against Azerbaijan, possibly in the region of the three borders (those of Azerbaijan, Armenia, and Georgia) near the cities of Yevlakh and Kazakh. Such a move would cut off the route for the East–West Caspian oil pipeline (from Baku to the Georgian port of Supsa on the Black Sea or from Baku to the port of Ceyhan on Turkey’s Mediterranean coast) and force Azerbaijan to export oil by way of Russia or Iran.

Baku accuses the Armenian government of coddling the Dashnak socialist–nationalist movement that is popular in the Armenian diaspora, including among Armenians who settled in the United States. Senior Azeri officials allege that the Dashnaks have provided assistance to radical Armenian anti-Turkish terrorist groups, which since the 1970s have maintained ties with the most radical Arab terrorist organizations.³

Russia and Iran are key supporters of Armenia. According to the late General Lev Rokhlin, former chairman of the Duma Defense Committee, Russia supplied Yerevan with over \$1 billion in weapons from 1996 to 1998, including T–80 tanks, large-caliber field artillery, possibly Scud–2 missiles, and other heavy equipment. Moscow tried to claim that the weapons pipeline was unauthorized.

Influential Moscow insiders of imperialist persuasion were also behind Ter-Petrossian’s ouster. For example, a member of Russian President Boris Yeltsin’s Presidential Council, Andranik Migranian, called repeatedly in the Armenian media for the ouster of President Ter-Petrossian. He castigated Ter-Petrossian as willing to compromise too much

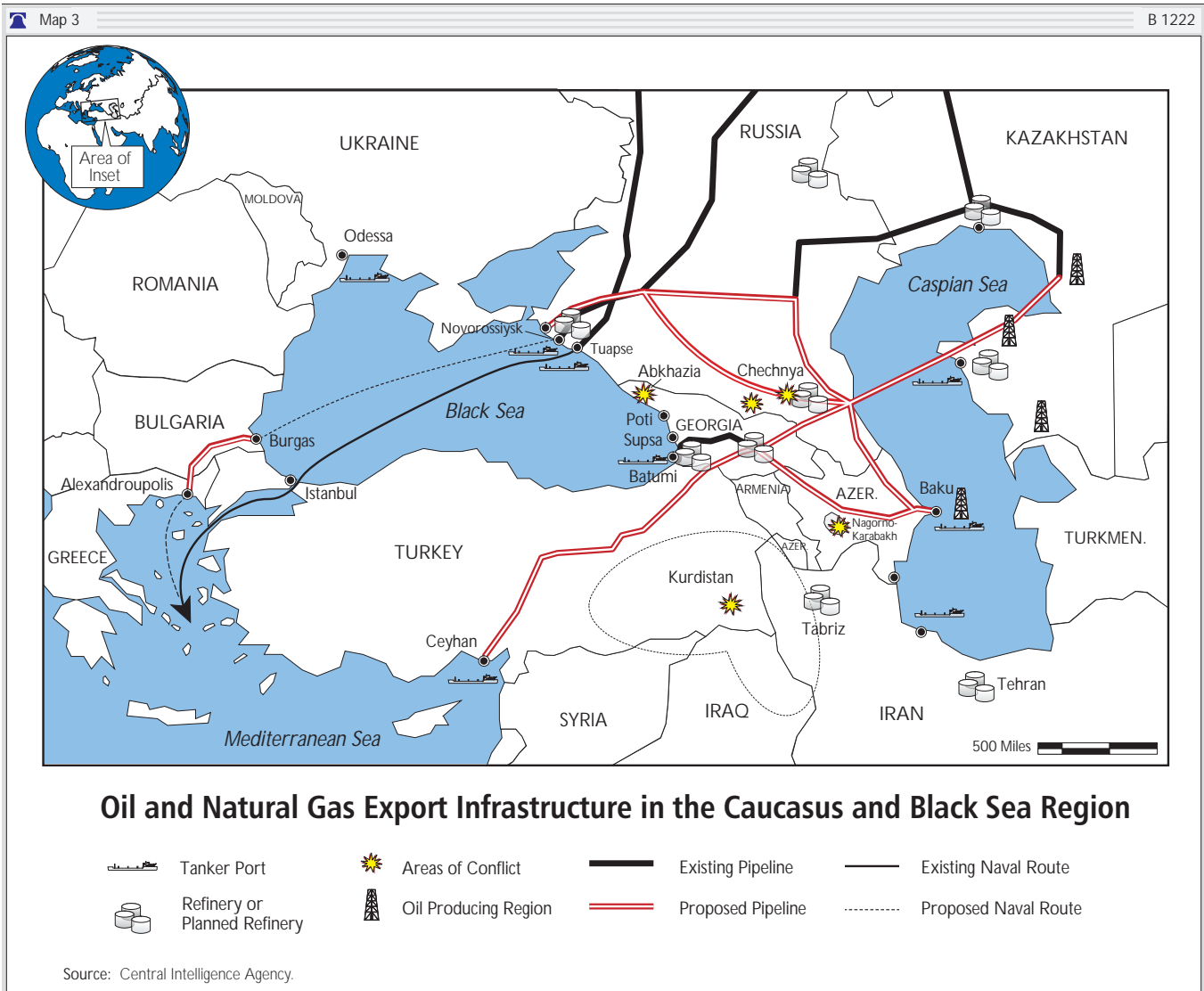
in order to achieve peace and called for ever-closer Russian–Armenian ties aimed against the United States and the West.

Members of the Azerbaijani foreign policy elite, on the other hand, see Azerbaijan as part of a pro-Western regional bloc. This bloc, which provides a strategic nexus between the Middle East and the Caucasus and further into Central Asia, includes Turkey, Israel, and Georgia. It is opposed by Russia, Iran, and Armenia. Iran is supplying part of Armenia’s fuel needs and, according to sources in Baku, pays for some Armenian arms purchases.⁴ This makes routing Azeri oil through Iran even more problematic, not only because of the ongoing hostility between Tehran and Washington, but also because of the ongoing atmosphere of suspicion between Baku and Tehran.

The Iranian regime has been severely criticized by policymakers in the region for its support of Armenia. One leader claimed that “the mullahs preach morality—but practice immorality. Repression at home undermines prestige abroad; the bad image [negatively] affects foreign investment.”⁵ Beyond the current criticism, many in Baku have expressed long-standing resentment toward Iran as one of Azerbaijan’s former imperial masters. The administration of Heydar Aliiev has to compete at home with the rhetoric of the National Front of Azerbaijan (NFA), the main opposition coalition led by Abulfaz Elchibey, who was ousted by Aliiev in 1993. The NFA promotes reunification with Southern Azerbaijan, an area in northwestern Iran populated by ethnic Azeris.

The Great Game Continues. Baku would prefer to export Caspian oil via Georgia to the Turkish Mediterranean port of Ceyhan. This is also the main oil route preferred by the U.S. government because it would benefit Georgia and afford the

2. Karabakh Armenians started an armed rebellion in 1988. Karabakh unilaterally declared its independence with full Armenian support. A war ensued in which Azerbaijan lost 20 percent of its territory to Armenia and the Karabakh forces, and one million of its citizens became refugees. The cease-fire was signed in 1994.
3. Interview with Tofik Zolfigarov, Foreign Minister of Azerbaijan, Baku, April 23, 1998.
4. Interviews with Azeri Foreign Ministry officials who requested anonymity, April 21–25, 1998. These sources also maintained that Armenian representatives in Russia assist Iran with its strategic technology acquisitions in Russia.
5. *Ibid.*



United States, Western Europe, Turkey, and Israel access to Caspian oil.

Some American officials believe, however, that the Azeri fields in the Caspian, although they show great promise, might not yet have the confirmed resources to justify a full commitment by the oil companies to develop the Baku–Ceyhan route. Azerbaijan now is attempting to persuade its neighbors, Kazakhstan and Turkmenistan, to commit to cross-Caspian pipelines that will join the Baku–Ceyhan pipeline, thus making it more economically efficient. If this takes place, Azerbaijan’s geostrategic importance will increase even further.

GEORGIA: STRATEGIC GATEWAY TO THE CAUCASUS

Georgia is located in the western part of the Southern Caucasus. Oil and gas pipelines from Azerbaijan, and perhaps eventually from Kazakhstan and Turkmenistan as well, are to cross Georgia from east to west, bringing at least 5 million—and possibly as much as 45 million—tons of oil per year to Georgian ports. Uzbek cotton and Kazakh metal ores also are being shipped by way of Georgia. Controlling a strategic part of the Black Sea coast, bordering Turkey, and landlocking Armenia from the west, Georgia is the gateway to the Cau-

casus and the Western bridgehead to the Caspian and the Silk Road.

Now staunchly pro-American, Georgia's leadership is under severe pressure from Moscow. As Senator Sam Brownback recently stated:

[Georgia] is a NATO borderland at the entry point to the emerging new Silk Road. It is a key ally of our partner Turkey and is important in many ways: strategically, militarily, commercially. If Georgia were to become unstable, the entire region would be put in jeopardy... An ambitious project, [the Silk Road] will eventually encompass pipelines, roads and railroads, airports, and communications networks that stretch from Central Europe to China. This corridor will completely alter the economics and the politics of Eurasia in ways that we cannot foresee, but which are certain to intersect U.S. strategic interests in Eurasia in many places... For the corridor to function, stability in these states is essential.⁶

Georgia is undergoing a difficult period of securing its national identity and sovereignty. The fallout from the February 1998 assassination attempt against President Eduard Shevardnadze and the May 1998 fighting in the breakaway republic of Abkhazia have led to increased instability in this strategic region. This benefits Russia and Iran, both of which are interested in undermining the Western route for Caspian oil.

Crisis in Abkhazia. In 1993, separatist Abkhaz, members of a small ethnic group of 90,000, fought a war of secession against Georgia. Russian, Chechen, Cossack, and Muslim fighters from the North Caucasus supported the Abkhaz against Georgia. In the aftermath of the war, over 300,000

Georgian refugees were exiled from their homes in areas controlled by Abkhaz allies.

Boris Yeltsin then offered Shevardnadze a deal: In return for allowing the placement of four Russian military bases in Georgian territory and 1,000 Commonwealth of Independent States (CIS) peacekeepers in Abkhazia, Moscow would ensure Georgia's reunification. Shevardnadze was forced to accept, but Russia has not kept its part of the bargain. Instead, Russia has provided continuous support to the separatist regime of Vladislav Ardzinba in Sukhumi, the Abkhaz capital.⁷

On May 19, 1998, after hostilities involving Georgian guerrillas, Abkhazia poured heavy artillery and tanks into the district of Gali, a Georgian-populated area of Abkhazia, and exiled another 30,000 Georgians from their villages, burning and looting their homes. Russian peacekeepers under the CIS flag stood by and did nothing. Moreover, widespread reports in the Georgian media suggested that these Russian peacekeepers actually supplied the Abkhaz with heavy weapons.⁸ The Georgian government, lacking a credible military force and anxious about possible Russian military support of the Abkhaz as well as the Russian bases on Georgian territory, did not intervene militarily.

In a recent letter to Shevardnadze, Senator Jesse Helms (R-NC) declared himself to be

appalled by the failure of the so-called Russian "peace-keepers" in Georgia to avert...the crisis in Abkhazia. Further, I am greatly concerned by indications of an active, ongoing Russian covert action aimed at using the recent crisis to erode public confidence and destabilize your government. This behavior must not be tolerated, and cannot go unchallenged... I also foresee, in the wake of the recent armed insurrection in Abkhazia, the need for further measures to provide additional

6. "Silk Road Revival Strong in Georgia?" *Intercon Daily Report*, June 9, 1998.

7. Ariel Cohen, "The New Great Game: Oil Politics in the Caucasus and Central Asia," Heritage Foundation *Backgrounder* No. 1065, January 25, 1996.

8. Liz Fuller, "The Blood-Dimmed Tide Is Loosed," *RFE-RL Caucasus Report*, Vol. 1, No. 13, p. 1.

types of United States assistance to strengthen Georgia's stability and security.⁹

The United Nations has proved to be of little assistance in Abkhazia, despite its ongoing involvement in the peace talks since 1994. The U.N. Mission for Georgia (UNOMIG), which is active in Abkhazia, has been unable to resolve the conflict and bring about the re-integration of Abkhazia into Georgia. Former U.N. Secretary General Boutros Boutros-Ghali, in a slip of the tongue, in 1993 actually informed the Georgian delegation that "the key to the Abkhaz problem lies in the USSR."¹⁰

Tbilisi has offered the widest possible autonomy to the Abkhaz, but so far they have rejected the overtures. Despite Russia's support, the Abkhaz nationalists no longer are satisfied with Moscow's position. They are now looking for allies among the Abkhaz residing in Turkey and would like to ignite a balance-of-power conflict between Russia and Turkey.

Without a credible military deterrent, all of Georgia's diplomatic efforts to resolve the situation may be fruitless. The Abkhaz are not interested in matters that concern a modern nation-state, like foreign investment or developing a market infrastructure; in fact, the nationalist leaders of Abkhazia would rather be poor, proud, and independent from Georgia. Thus, conventional economic and diplomatic incentives may not work, especially as long as support from Russia and revenues from cigarette smuggling and bootleg liquor continue to pour into the region.

Trouble in the Autonomous Regions. Friction continues between the central government in Tbilisi and the local pro-Russian leader, Aslan Abashidze, in the Georgian region of Ajara near

the Black Sea, encouraged by Russian military personnel based there. Tbilisi also questions the loyalty of the Armenian population in the region of Djavakheti near the Armenian border, where a Russian military base is located near the town of Akhalkalaki.¹¹

Meanwhile, terrorism continues in the autonomous Georgian province of South Ossetia. The Deputy Prime Minister of that province, Valerii Khubulov, was murdered on May 31, 1998, across the border in Northern Ossetia, which is a Russian autonomous territory.¹² Some of the Ossetians residing in Georgia are interested in reuniting with co-ethnics in Russia.

Moscow's Footprints. The common denominator of these secessionist movements—as in the case of Karabakh—is Moscow's support. Russia is still suffering "phantom pains" over the loss of territories it once controlled. Even as the Kremlin is undergoing an extreme fiscal crisis, the Russian government somehow manages to find the money to pay its troops stationed in the Caucasus.

According to Georgian Foreign Ministry sources, Moscow finances the local governments in Abkhazia and Ajara, while other subversive activities are funded by cigarette smuggling and drug trafficking.¹³ The president and senior officials in Georgia have accused hard-liners in Russia of masterminding the February 1998 assassination attempt against Shevardnadze, despite the fact that Chechen guerrilla leader Salman Raduev has claimed responsibility for the attack. Russia still hopes that a weak Georgia will scare off Western investors in oil and gas pipeline projects, forcing Tbilisi to capitulate and ask for Moscow's protection against separatism.

Civic and Economic Recovery. If not for Russian intervention, Georgia might well have recovered

9. "No Progress in Georgia-Abkhaz Relations," *Intercon Daily Report*, June 9, 1998.

10. Interview with Georgian Foreign Ministry source who requested anonymity, April 19, 1998.

11. Igor Rotar, "Tbilisi Has Only Partial Control Over Georgia's Armenian Regions," *Prism: A Bi-Weekly on the Post-Soviet States*, Jamestown Foundation, Washington, D.C., No. 10, Pt. 3 (May 15, 1998), p. 1.

12. Liz Fuller, "South Ossetian Deputy Premier Assassinated," *RFE-RL Newswire*, Vol. 2, No. 103 (June 1, 1998), p. 6.

13. Interview with Georgian Foreign Ministry official who requested anonymity, Tbilisi, April 1998.

much more rapidly from the post-communist crisis. As things stand today, however, most of the Georgian government's attention remains dedicated to fighting insurgency.

Nevertheless, even in these difficult conditions, the country is undergoing a promising economic transition. The privatization of most small enterprises has been accomplished, and large concerns are scheduled for privatization in 1998–1999. Market-oriented economic legislation has been adopted by the Parliament, although its implementation will be difficult. Corruption is so widespread that many Georgians, according to recent opinion polls, think it is the government's number-one problem.

Despite these challenges, President Shevardnadze and his government have made significant progress. The government has disbanded the armed militias headed by convicted criminals such as Djaba Yoseliani and former Defense Minister Tengiz Kitovani, and has jailed their leaders. The level of political stability is higher than at any time since 1991. Democratic parliamentary and presidential elections took place in 1995 and 1996 with far fewer electoral irregularities than in neighboring Armenia and Azerbaijan.

Eduard Shevardnadze presides over an unprecedented transfer of power to the Georgian "yuppie" generation: The chairman of the Parliament, Zurab Zhvania, a biologist by training and a free marketer, is 33. The architect of legal reform and the leader of the coalition in the Parliament, Misha Saakashvili, is a 30-year-old Columbia University and George Washington Law School graduate who worked for a New York law firm. The newly appointed Finance Minister, Michael Chkuaseli, is only 28 years old, and the chairman of the national bank, Iraklii Managadze, is 30. The new Prime Minister, Vazha Lortkipanidze, appointed by President Shevardnadze on July 27, 1998, will

focus the government's efforts on furthering economic reforms.

In addition to the peaceful and progressive changes in government, there is a small construction boom going on in Tbilisi. Subtropical Georgia boasts good wineries, citrus groves, and tea plantations. The absence of an agricultural bank credit system has prevented these enterprises from thriving, but economic reform and the famed entrepreneurship of the Georgian people hold great promise for these agricultural sectors.

A religious revival also is underway. Shevardnadze and Patriarch Ilya II of the Georgian Orthodox Church are personal friends and political allies. Culturally, Christian Georgia sees itself as part of the West; both European and American cultures are understood and deeply appreciated among the elite. Georgia shows real promise as a pivotal pro-American democracy in the Caucasus.

DAGHESTAN AND CHECHNYA: THE CLOCK IS TICKING

Over the past two years, Russia has been aggressively promoting the "northern" oil pipeline route from Baku to Novorossiysk on the Black Sea by way of Grozny (the capital of Chechnya). This route now presents problems for two reasons: because of the increasing instability in and around Chechnya,¹⁴ and because of the growing inter-ethnic and religious tensions in the Russian-controlled but Muslim-populated autonomous republic of Daghestan, located between the Caspian Sea and Chechnya. Ethnic groups in Daghestan are becoming increasingly anti-Russian. Both the likelihood of violence and the possibility of another large-scale Russian military operation in the Northern Caucasus are growing.¹⁵

Since the end of the war in Chechnya, a number of Russian and North Caucasian officers, govern-

14. According to the May 12, 1997, peace treaty, Russia currently recognizes the appellation "the Chechen Republic of Ichkeria."

15. Liz Fuller, "Is Russia Planning Another Caucasus War?" *RFE-RL Newswire*, July 10, 1998, p. 5, quoting an article in *Moskovskii Komsomolets*. See also Anna Matveeva, "The Impact of Instability in Chechnya on Daghestan," *Caspian Crossroads*, Vol. 3, Issue No. 3, p. 15.

ment officials, and civilians have been killed in Chechnya or close to its borders, and others have been kidnapped. Six Western Red Cross workers were brutally murdered in Chechnya in September 1997. General Viktor Prokopenko of the Russian General Staff and several officers and enlisted men were killed during an inspection in April 1998.¹⁶

Since the autumn of 1997, some Russian border guards in the area have been kidnapped. This spring, Russian government officials were taken hostage in and around Chechnya, apparently by forces not controlled by the government of President Aslan Maskhadov in Grozny. The victims included Yeltsin's personal special representative to Chechnya, Valentin Vlasov, kidnapped on May 1, 1998, by unidentified assailants,¹⁷ and the head of the security service of the neighboring Republic of Ingushetia. A helicopter carrying Russian Interior Minister Sergei Stepashin came under sniper fire during a flight near the Chechen border, and its fuel tanks were punctured.

These terrorist acts cannot be blamed on the government of President Maskhadov. Even Russians consider the president, a former Soviet army colonel and the hero of the Chechen independence war, to be a responsible leader and respect him, albeit grudgingly. But violent and uncontrollable gangs, as well as bandits in and outside Chechnya, have become a real threat to both Grozny and Moscow. President Maskhadov himself was almost killed in a car-bomb explosion on July 23. His would-be assassins are still at large.

Chechnya's future is also hampered by Moscow's reluctance to grant it full independence. Even after its bitter defeat in the Chechen war, Russia still cannot come to terms with Chechen independence. According to the Nazran agreements signed by Russian General Alexander Lebed and the Russo-Chechen peace treaty signed by Presidents Yeltsin and Maskhadov on May 12, 1997, the

question of the Chechen Republic's status must be resolved by the year 2001.

With Russian parliamentary elections due in 1999 and a presidential race scheduled for the year 2000, the Russian political elite will be reluctant to face the inevitable: Moscow should grant the Chechens their freedom. This course has been advocated by sources as diverse as the great Russian writer Alexander Solzhenitsyn and Moscow mayor Yurii Luzhkov (who is also a moderate-nationalist presidential aspirant). In a recent joint declaration, former Prime Minister Viktor Chernomyrdin, General Lebed, CIS Executive Secretary Boris Berezovsky, and President of Tatarstan Minitmer Shaimiev called for peace and warned against a new war in the Caucasus.

Russian observers are split regarding the future of Chechnya, some fearing further disintegration and some seeing the moral imperative of "letting the Chechens go."¹⁸ In the meantime, Russia is keeping Chechnya under a virtual blockade.

Besides its border with Russia, the only other border Chechnya shares is with Georgia. The Chechens apparently are interested in gaining access to the Georgian Black Sea port of Poti and the future terminal of the Baku-Supsa oil pipeline. Thus, Chechnya is building a road across the Caucasus mountain range into Georgia at a cost of over \$100 million in order to bypass the Russian railroad and highway network. While officially calm about the Chechen plans, at least some Georgian observers privately express fear that the Chechens will attempt to control not only the projected highway, but eventually the port of Poti and its trade.

Adding to these tensions is the fact that radical Islamic forces are spreading in the region. These include guerrillas under the command of Khattab, a Jordanian "field commander" who fought during

16. Alexander Akulov, Vitaly Mikhilov, and V. Assortimente, "S politicheskim banditizmom na Severnom Kavkaze borotsia nekomu," *Itogi*, May 12, 1998, p. 19.

17. Daur Zantaria, "Vygodnoye mifotvorchestvo," *Ekspert*, No. 17, May 11, 1998, p. 52.

18. See, for example, Sergei Blagovolin, "Priamaya i yavnaya ugroza Rossii," *Nezavisimaya Gazeta*, February 19, 1998, p. 5, and Vadim Belotserkovskii, "Dvoynoi standart," *Nezavisimaya Gazeta*, May 4, 1998, p. 3.

the Chechen war on the rebel side and reportedly is running three terrorist training camps inside Chechnya.¹⁹

Members of the Wahabbi (a Sunni Muslim fundamentalist sect based in Saudi Arabia) also are infiltrating into the area. They are accused of the murder of the Mufti Sayedmuhammed-haji Abubakarov, the supreme Islamic leader of Daghestan, on August 21. Friction is growing between the traditional North Caucasus Islamic establishment, which is comfortable with the Russian presence, and the Wahabbi, who espouse driving out the Russians.

Ethnically diverse (some 100 ethnic groups live in Daghestan) and abysmally poor (the rate of unemployment among the young is 70 percent), Daghestan is a time bomb waiting to explode. These tensions could lead to a massive conflict, similar to that in the Balkans, on the edge of the world's most important remaining oil reserves.

A political struggle among the largest local nations—Avars, Lezgins, and Laks as well as Chechens—could easily deteriorate into a full-scale war. If that happens, the Russians and Chechens will no doubt intervene, in which case the Baku–Novorossiysk pipeline might be shut down by bombing or other sabotage. Massive thefts of oil from the current pipeline for bootleg refining already have been reported.²⁰

If war breaks out, the Daghestanis can count at least on moral support south of the border in Azerbaijan: A senior Azeri policymaker has described the Russian presence in the Northern Caucasus as that of “an occupying power, which has nothing to offer the peoples of the region but its weapons,” adding that “Azerbaijan wants to see its neighbors in Daghestan free...”²¹

SECURING U.S. INTERESTS IN THE CAUCASUS

Recent foreign policy setbacks in the Indian subcontinent, combined with the failure to prevent Russia from selling strategic technology to Iran, have dealt a serious blow to U.S. credibility and authority as a superpower. Vital American interests and U.S. prestige in Eurasia are at stake. These vital interests include keeping Russia and Iran from expanding into the strategic Caucasus region, ensuring the transportation of energy resources to global markets, maintaining access to the Caspian Sea and Central Asia for American companies, and securing the independence and territorial integrity of Georgia, Armenia, and Azerbaijan.

A prudent policy toward the Caucasus also helps to ensure American influence in Central Asia, a crucial area in which China, Russia, Iran, Pakistan, and India already are competing.

Specifically, the United States should:

- **Increase its political and security support for the proposed Baku–Ceyhan pipeline.** The United States should use its influence with the governments of Kazakhstan and Turkmenistan to ensure construction of cross-Caspian oil and gas pipelines to follow the more secure Baku–Supsa–Ceyhan route.

Gaining access to growing Mediterranean markets also makes sense economically. In addition to reaching the quickly growing Turkish markets, the Caspian oil can easily be exported from Ceyhan to the United States and Western Europe. Oil from the Georgian port of Supsa can be shipped to Bulgarian, Romanian, and Ukrainian refineries on the Black Sea coast, and by barge up the Danube river to the heart of Europe.

19. “Ucheniki Khattaba nachinayut voynu,” *Kommersant*, April 25, 1998, p. 8.

20. Nikolai Gitchin, “Front Osvobozhdenia’ priblizilsia k Stavropolyu,” *Izvestia*, April 25, 1998, p. 3.

21. Personal interview with source who requested anonymity, Baku, April 1998.

- **Foster security cooperation with Georgia.** Georgia is the most pro-Western and pro-American country in the region, and has progressed much farther with democratic and economic reforms than its neighbors. But it also is under the greatest pressure, both from local separatists and from hard-line elements in the Russian military and political establishments.

To sustain its sovereignty, Georgia needs the ability to protect itself from Russia, enforce its territorial integrity, and defend its borders. The recent assassination attempt against President Shevardnadze and the outbreak of fighting in Abkhazia in May 1998 prove that Georgia needs more political and military support. Diplomacy, of course, is always preferable to military action, but as long as Tbilisi is viewed as powerless, the challenge of separatism and terrorism will continue.

Washington is offering Tbilisi important help in building border controls, and patrol boats for the Georgian Coast Guard have been donated by the United States, Ukraine, and Turkey. U.S. assistance totaling some \$20 million in 1998 is allowing Georgia to get rid of its Russian border guards and set up maritime and land border controls. But the real challenge lies elsewhere: Georgia needs to build a modern, mobile force capable of defending its territory in the forbidding mountainous terrain.

The nascent Georgian military forces need total restructuring, including officer training at home and abroad—preferably in the United States. Further help is needed in creating a corps of non-commissioned officers (NCOs) and building military education institutions for NCOs and officers. The Georgian Foreign Minister wants language training for the army, and Tbilisi could also benefit from the creation of command, control, communications, and intelligence (C³I) capabilities and special forces training. These programs are not prohibitively expensive and can be accomplished either within the current U.S. assistance and

Partnership for Peace budgets or with moderate increases in the level of aid.

- **Lift sanctions against Azerbaijan.** At the height of the war between Armenia and Azerbaijan, the U.S. Congress imposed sanctions on Azerbaijan as an incentive to stop the fighting. The sanctions were outlined in Article 907 of the 1992 Freedom Support Act. They remain in force—even though hostilities subsided in 1994 and a cease-fire is in place.

Thus, while Moscow is reinforcing Armenia and Armenia is reinforcing Karabakh, Washington is weakening Azerbaijan. One million Azeris became refugees as a result of the fighting, and 20 percent of Azeri soil is now occupied by Armenia and Karabakh. As co-chairman of the “Minsk Group,” a forum created by the OSCE to settle the Karabakh issue, the United States has a responsibility to function as an honest broker. Neither of the other two co-chairmen, France and Russia, imposes sanctions against Azerbaijan.

The Clinton Administration has stated repeatedly that Article 907 runs counter to U.S. national interests and has called for its repeal. Both Assistant Secretary of State for European and Canadian Affairs Marc Grossman and Special Advisor to the Secretary of State for the New Independent States Stephen Sestanovich, for example, stated this position recently in testimony before the Subcommittee on International Economic Policy, Export, and Trade Promotion of the Senate Foreign Relations Committee.

Lifting the sanctions is also endorsed strongly by Dr. Zbigniew Brzezinski, former U.S. National Security Advisor and an expert on the region. The House Appropriations Committee voted to repeal Section 907 on September 10, 1998, but the measure failed to win approval by the full House.

President Clinton could lift the sanctions by issuing a “finding” that the conditions stipulated in the sanctions no longer apply. It does not make sense to maintain sanctions on a

friendly country that desperately needs American assistance to preserve its independence, especially when U.S. companies are about to invest billions of dollars in its economy.

- **Make it clear to Moscow that continued support for ethnic separatism in the South Caucasus will ensure an end to U.S. assistance.**

Preservation of the independence and territorial integrity of the New Independent States is a proclaimed principle of the Clinton Administration, but more must be done to reconcile words with deeds. Moscow has supported the Abkhaz separatists and is encouraging the pro-Russian forces in Ajara against the central government in Georgia as well as the Karabakh Armenians against Azerbaijan.

The Kremlin is trying to undermine two statesmen it perceives as pro-Western and pro-American: Eduard Shevardnadze of Georgia and Heydar Aliiev of Azerbaijan. Washington's leverage with Moscow is the Kremlin's need for a broad range of business and financial assistance from the United States and international financial organizations. Washington should make it clear to Moscow that both Western economic assistance and Russia's membership in the G-8 organization of industrialized nations are incompatible with Russian policies of destabilization in the Caucasus.

- **Begin a dialogue with ethnic leaders of the Northern Caucasus.** The political situation in the North Caucasus remains tenuous. Russian control is waning; separatism and radical Islam are on the rise. A war in the North Caucasus could destabilize Russia as well as the countries of the Southern Caucasus. Massive conflict would create a wide-ranging refugee problem and increase ethnic strife and terrorist activity.

A new Caucasus war with religious overtones could also strengthen the influence of transnational radical Islamic organizations and master terrorists, such as Usama bin Ladin, a

Saudi Arabian living in Afghanistan who is a fiercely anti-American sponsor of international terrorism and is accused of masterminding the terrorist bombings of the U.S. embassies in Kenya and Tanzania.²² There are numerous reports that a new spiral of low-intensity conflict in the Caucasus is imminent.

The United States needs to get a clearer picture of the developments in the region and become better acquainted with the players. Without violating the sovereignty of the Russian Federation or in any way fostering separatism, secession, or rebellion, the United States must increase its information gathering and initiate a dialogue with the leaders of ethnic regions in the Northern Caucasus.

This can be effected through the U.S. Embassy and USIS (U.S. Information Service) in Moscow. For example, seminars and conferences can be conducted both in Moscow and in Washington, D.C., with participation of the North Caucasian and Russian leaders involved in ethnic politics and policy. Such activities are necessary to communicate the U.S. call for stability, ethnic and religious tolerance, and peace in the region, and to help Washington develop a better understanding of the situation, which is often filtered through the biased Moscow media.

CONCLUSION

The United States cannot afford to neglect its commitments in economically and strategically important regions of the world. The Caucasus has emerged as one such pivotal geopolitical region. Supporting its friends in the Caucasus will allow the United States to protect its future multibillion-dollar investments in energy resources, which will be vital for many years to come. It will allow American companies to participate in building the new Silk Road into Central Asia and the Far East, generating jobs at home and markets abroad for billions of dollars of American goods and services. Infrastructure projects in the region are especially

22. Bin Ladin has promoted religious rulings (fatwas) authorizing mass killing of Americans and Jews around the world.

lucrative for the U.S. heavy equipment, aircraft, transportation, petrochemical, and telecommunications industries.

Such U.S. involvement in the region's economy will deter Russia and Iran from dominating their smaller pro-Western neighbors. Congress is showing the way with the Silk Road Strategy Act. The Clinton Administration should follow suit by sup-

porting security, free-market reforms, and democracy in the Caucasus and by preventing Russia and Iran from dominating the region.

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