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**A CLASH OF STRATEGIC INTERESTS BETWEEN RUSSIA
AND THE EUROPEAN UNION OVER THE SOUTH
CAUCASUS**

Master's Thesis

Supervisor: Assoc. Prof. Holger Mölder

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I declare I have written the master's thesis independently.

All works and major viewpoints of the other authors, data from other sources of literature and elsewhere used for writing this paper have been referenced.

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LIST OF ABBREVIATIONS

AA	Association Agreement
BULGARGAZ	Bulgaria's Largest Natural Gas Distribution Company
BOTAS	State Owned crude Oil and natural Gas Company in Turkey
BTC	Baku Tbilisi Ceyhan Pipeline
bcm	Billion Cubic Meters
CIS	Commonwealth of Independent States
DCFTA	Deep and Comprehensive Free Trade Area
EU	The European Union
EEU	Eurasian Economic Union
ENP	European Neighborhood Policy
EaP	Eastern Partnership
GAZPROM	Russia's Largest Energy Company
GUAM	Organization for Democracy and Economic Development by Georgia, Ukraine, Azerbaijan and Moldova
INOGATE	Interstate Oil and Gas Transportation to Europe
ITERA	Russian Oil and Gas Company
MOL	Hungarian Oil and Gas Company
mcm	Million Cubic Meters
NABUCCO	Natural Gas Pipeline Project
NATO	North Atlantic Treaty Organization
OSCE	Organization for Security and Co-operation in Europe
OMV	Austrian Integrated Oil and Gas Company
PCA	Partnership and Cooperation Agreements
RWE	Rhenish Westphalian Power Plant
SOCAR	State Oil Company of Azerbaijan Republic
TRACECA	Transport Corridor Europe- Caucasus- Asia
TRANSGAZ	Natural Gas Company of Romania
TACIS	Technical Assistance to the Commonwealth of Independent States
TANAP	Trans Anatolian Natural Gas Pipeline
TAP	Trans Adriatic Pipeline

USSR

Union of Soviet Socialist Republics

UN

United Nations

ABSTRACT

Countries in the South Caucasus region represents crossroads of different civilisations between the Europe and the Asia. Geostrategic location of the region acquires unique transit function to Georgia, Armenia and Azerbaijan and gives opportunities for further economic development. Therefore, the South Caucasus became reason of a clash over strategic interests between the EU and the Russia. However, those players have different game rules and tactics for maximising their sphere of influence over the region.

The research paper emphasises to underline geostrategic function of the South Caucasus countries. Moreover, explains the key motives of the EU-Russia engagement into the region and clarifies different approaches of the policymaking issues. In this research paper, the qualitative method of data analysis implies to elaborate where the interests of the Russia and the EU are colliding with each other. On the one hand, for the EU, the South Caucasus represents an alternative of energy diversification and the way for Russia's energy substitution. Therefore, the EU enforces its foreign policy initiatives for the future goal realisation. On the other hand, Russia considers the South Caucasus as its own backyard and attempts to maintain control over the region.

Thus, the attention is paid on the issue of the security dilemma, how it reflects on the situation in the South Caucasus and describes further perspectives of the region's development. Hence, the research will argue about choices between Russia and the EU that should be done by the South Caucasus countries for the better future.

Keywords: interests and strategies, Russia and EU's instruments of influence, South Caucasus, frozen conflicts, energy projects.

INTRODUCTION

Today the European Union and Russia represent great powers in the international arena. They have different political culture and methods of spreading influence, in order to fulfil their vital interests. After the end of bloody world wars, Europe has remoulded values and reshaped its political priorities. Hence, the EU advocates liberal democratic values and foreign policy priorities concern for maintaining stability by spreading democracy around its vicinity (Haydar 2012). On the other hand, significant changes to the Russia's foreign policy established after the collapse of the Soviet Union, especially from the period of Putin's presidency. Russia became offensive oriented and intolerable toward the West (Novikova 2015). At the same time, the main concept of Putin's foreign policy became Eurasianism and urged to reestablish the right toward "near abroad" as a legacy from the Soviet Union (Makarychev 2014). In his book, M. Emerson (2001) compares two world powers as a bear- Russia versus an elephant- EU, which differ in terms of the capabilities and characters. Their strengths and weaknesses are quite dissimilar from each other. (Emerson 2001). On the one hand, Russia has enormous energy potential and military strength, while the EU has a better economic presence and political strength, together with the political image on the international arena (Makarychev 2014).

Despite characteristic differences and the conflict of strategic interests, they are interdependent as the energy consumer and the supplier. Therefore, the European Union attempts to diversify Russia's energy resources through the way of South Caucasus and find a reliable partner, while Russia strives to maintain control over the south Caucasus countries under its sphere of influence and avoid the EU's presence. Therefore, Russia has established significant military bases in Caucasus at Gyumri. Apart from this, the South Caucasus is volatile regional zone, where the number of the frozen conflicts are merged. Georgia, Armenia and Azerbaijan are historically, culturally or socio- economically different from each other. Despite prominent differences, they have the common geopolitical and security challenges, related to the EU-Russia competition. The EU's attempt to maintain the stability of the region will allow several energy projects to be realised, which directly contradicts Russia's economic interests. Hence, Russia intends to destabilise the South Caucasus in every way possible, where the frozen conflicts are the best means to impede the development and prevent the region's future Euro-Atlantic integration.

Through the history, the South Caucasus countries were under the rule of Russian Empire, which negatively reflected on the development of the region. Still now, Russia

maintains a dominant position in the region, where the Russia's military doctrine stipulates its 'legitimate role' and allows engagement in the different conflicts as a defender of the 'Near Abroad'. Thus, Russia will never allow the outbreak of Armenia, Azerbaijan and Georgia from its sphere of influence, which causes a domino effect and undermines the Russia's regional stability (Yergin and Gustafson 1994).

However, Russia's desire for the restoration of the legitimacy over the post-Soviet space and the EU's effort of using the region as the way for energy diversification deepens confrontation. The South Caucasus geopolitical significance and the competition over energy resources will push both players to engage in broader conflict, while neither party is willing to surrender. Therefore, competing parties should find a common point of conflict resolution and prevention. However, the EU is the best alternative, which is able to realise the region's potential and undermine Russia's domination (Nuriyev 2015). Nevertheless, Georgia, Armenia and Azerbaijan have different approaches and political orientations. Nowadays, Azerbaijan remains relatively neutral than Armenia, which is Russian-oriented and economically dependent, while Georgia maintains pro-Western orientation. Armenia is motivated to appease the Moscow and detain Russia's aggression (Bishku 2011). Actually, differences among their orientations are caused by several factors. One of them is the frozen conflicts, because each of the South Caucasus states differently perceiving who can assist in the process of conflict resolution.

Apart from this, the EU and Russia have status conflict over the South Caucasus that leads toward security dilemma. Their inclination towards obtaining the status forms highly competitive reality and creates a sense of uncertainty, which threatens regional development. However, they differ in term of performing its status-seeking function. The EU is the normative power, which uses soft power mechanism and represents status-consistent actor, while Russia is status-inconsistent, hard power seeker. However, all efforts resemble zero-sum game and lead to the security dilemma (Nitoiu 2016). Actually, offensive realists suggest that the best defensive act is a good strategy of offence (Mearsheimer 2014). Similarly, Russia acts as the offensive actor over the region in order to defend own interest toward the near abroad, while EU uses its defensive soft power measures to secure its neighbourhood. On the one hand, Russia benefits from the existing frozen conflicts in the region, while it allows controlling the ongoing situation and hampering region's path toward the Euro-Atlantic integration. On the other hand, existing instability threatens the security of the Northern Caucasus, Chechnya. The EU's

interests refer to maintain the security of its neighbourhood and feel secure. At the same time, motivated to use the region's transit and energy potentials, which avoids dependency on the Russia's energy resources. Hence, the clashes over the South Caucasus between Russia and the EU rises various security dilemmas, which may cause dysfunction of the region. War is natural and inevitable as Keohane (1986) argues, if actor intends to increase its own benefit and worries about self-survival. Thus, political and economic interests concern to increase self-benefit and maximally decrease the possibility of own lose. The main concern is the fate that the region may have in the future, also what will be the actual benefit or lose for those three Caucasus republics from this everlasting competition.

Hence, those players prefer to compete, rather cooperate and find the common solution to the common dilemma, which will allow them to achieve mutual recognition. Other obstacles are misunderstanding and misconnection between the regional countries. Armenia-Azerbaijan have conflict over the Nagorno-Karabakh, Georgia has a problem about Abkhazia and South Ossetia. Inexistence of the regional cooperation between them motivates outside power to interfere in the local affairs and benefit from the existing situation. However, there are the several factors that impede the ways of better communication. Firstly, Russia's negative role in the existing frozen conflicts and effort to make those states dependent, under its control. On the other hand, the weak socio-economic situation of the regional countries and lack of realisation of the region's potential makes them unable to find a solution to the existing dilemmas. Hence, the Russia-EU has enough motivation to take measures and interfere into the region only for own sake. For the EU to enhance European security borders and satisfy energy needs, while Russia not to lose the legacy over the near abroad and dominate.

Outline of the Study

The first chapter of this research paper is about the theoretical framework. Discussion involves opinions of the several Neorealist thinkers as well as an argumentative literature review of the different authors. However, there is explained how uncertainty and the security dilemma plays a significant role between states. The discussion involves different offensive and defensive strategies and the balance of the power perspectives. Moreover, concentrates on the issue of Status seeking approach between Russia and the EU.

The second chapter deals with the issue of Russia's influence over the South Caucasus, which will be examined through past and contemporary historical context. Thus, it will help to have a deep understanding of the existing situation in the region and investigate Russia's role during the frozen conflicts. Furthermore, in this chapter will be explained Russia's policy and approach toward the South Caucasus countries. The discussion also includes an overview of the methods used by Russia in order to stop the region's Euro-Atlantic integration.

The third chapter describes differences in approaches between Armenia, Georgia and Azerbaijan toward the EU and Russia. Further discussion involves the tools used by the EU in order to expand its power, which mostly based on the foreign policy initiatives. Furthermore, the attention is paid to the issue of interdependence between the EU and Russia. The chapter also highlights the importance of the region for the EU and for Russia separately and clarifies where the interests of both competitive international players are colliding. Thus, the case study on the Nabucco and the South Stream projects demonstrate different paths of their competition. The final discussion concerns the choice between the EU and Russia, which should be adopted by the South Caucasus countries for a better future.

The aim of the study

The purpose of the thesis is to analyse the influence and the interest of the EU and the Russia over the south Caucasus, which indeed defines future of the three republics. The South Caucasus region represents one of the volatile zone, where the number of frozen conflicts are merged. However, the South Caucasus became a new battlefield between the EU and Russia that causes security challenges. Consequently, all those conditions impede further regional development. Therefore, exploration of the topic is crucially important for considering future of the region. In the past years, little attention was paid to this issue. Researchers mostly focused on the interest of Russia particularly and the omitting competing role of the EU. Likewise, Kavus Abushov (2009) emphasised the importance of the region for Russia and explained the motives of Russia's support for separatist regimes. While, the clash of interests between two world powers might provoke addition constraint and threaten future regional potential.

Therefore, this issue should deserve to be actual and researched. The research with help of qualitative research method of data analysis and comparative case study answers to the research questions that need explanation. The research questions are following: *What kind of*

geopolitical and strategic importance does the South Caucasus have for the EU and for Russia?, How does Russia try to stop integration of the South Caucasus countries into the EU and why?, Between Russia and the EU, which one is more influential in the region? and what kind of choice between the EU and Russia will be the most favourable for the future of South Caucasus countries?

The Research implies to explore the key motives of Russia's and the EU's engagement in the region and how does it reflect on the perspectives of the region's development. Nevertheless, it is important to understand where the interests of the EU and Russia crosses each other. The paper explains the interest of both power engagement into the region and clarifies different approaches of policymaking issues. Nowadays, Russia's interest and influence are recently growing over the South Caucasus region. Besides, the EU enforces its foreign policy initiatives for sustainment of future goal realisation. However, future of this region is under the question, while it seems difficult to satisfy rival and the vital interests of both great powers. Finally, the thesis considers that the choice should be made on the EU in order to ensure better future and democratic development of the regional countries.

Methodology

In this Master's thesis is used the qualitative method of data analyses, which gives us a broader understanding of the issue and enable us to answer important research questions for drawing proper conclusion. The qualitative data analyses based on the primary and secondary sources, where some part of the material is collected through the way of the internet. Furthermore, in this research paper are used different kinds of credible literature sources: books, scholarly articles, the web pages or various researches. Furthermore, literature is taken from different origins of the authors for credibility and objectivity of the information. There are overview of the literature around the topic, which has been written before. Thus, with help of comparison and variety of the opinions, justifications, suggestions rises reliability of the Research. Indeed, it serves to the research purpose and findings relates to the previous studies and identifies areas of controversy, raises questions and identifies areas, which need further research.

Through using a comparative case study on the Nabucco versus the South Stream projects help to compare two different cases with each other and underline where the interests between

two powers are colliding. The case explores the topic and gives the way of proper investigation of the issue. Furthermore, comparative case study regarding of the interests of Russia and the European Union, will show us the ways of their behaviours, their strategies with defining similarities and differences of their action over the south Caucasus. Therefore, for a broader understanding of the topic, the paper will identify to what kind of politics they are urging to fulfil their desire. Besides, one of the important approaches is to find a correlation between Russia's behaviours, interests in the South Caucasus and the reaction of the EU and vice versa. Indeed, need to find what kind of dependent and independent variables exists between Russia-EU behaviours on the South Caucasus. Especially it is expressed on the policy changes from the both sides. Furthermore, in this research is used broader historical review and analyses in order to gather background information for understanding the historical influence of those powers over the region. It enables us to explore the interests, methods and go deeper into the problem. At the same time, review of some collection of evidences, documents helps to underline important facts around the topic. Indeed, qualitative research method is one of the best technique for deeply understand the topic essence. Therefore, all those abovementioned methods give the possibility to illustrate the real picture, clarify the main problems, accordingly avoid subjectivity and be more neutral.

Literature consists many different kinds of justifications and assumptions based on proper argumentation. However, literature review reveals areas of controversy and raises questions, which need further research. However, the theoretical framework based on the Neorealist assumptions. The main theoretical justification based on the offensive – defensive realism provided by Kenneth Waltz and John Mearsheimer.

During exploration of the issue, have been faced the research gap. Concerning of the topic, have not written many books, researches and scholarly articles. Especially about a clash of interests between Russia and the EU over the South Caucasus, which would enable us to expand a topic and review different ideas regarding the issue. Despite these limitations, qualitative research method will provide validity and reliability of the information, which enriches research results.

1. THEORETICAL FRAMEWORK

This Master's thesis will be analysed through International Relations Theory of Neorealism, which is the best in explaining dynamics of international security. Presented theory most appropriately explains situation in the South Caucasus. It fits to the research problem as it talks about an existence of the anarchy that arises security dilemma, where the power is the main determinant factor to maintain security. Hence, the topic is useful to analyse through offensive and defensive approaches provided by the theory of leading neorealist thinkers: Kenneth Waltz and John Mearsheimer, which is examined together with the concept of the soft and hard power politics defined by Robert Keohane and Joseph Nye. It helps to define differences between the politics pursued by the European Union and the Russian Federation. The suggestion is that the EU represents the soft power player, which uses soft tools of influence: persuasion, attraction, encouragement, while the Russia follows hard power line expressed by military-economic abilities and is competitive to the EU. Therefore, competition over the neighbourhood between the EU and Russia represents huge security dilemma.

1.1. Security Dilemma as a Main Factor of the Conflict

Over the centuries, states have changed awareness, ideologies, interests and purposes but the quality of international life have remained the same. A certain action committed by the state is motivated for the reason of security, which is pushed by the international structure. However, the outcome is not always the same as an actor intends to have (Keohane 1986).

Kenneth Waltz (1986, 98) assumes that the existence of the anarchy and absence of the central government are the decisive factors for the conflict. Thus causes security dilemmas between the states. Due to the uncertainty, the state should be violent at any time, while the use of force is the means of defending supreme interests. Hence, all states must be prepared for the war, especially expectant from the powerful neighbours. It happens because the state of nature is the states of war. It means that war constantly occurs, but it depends on the will of the state, when and where to use force. Inexistence of the central government is the primary reason why the violence is inevitable. Trough, this logic, EU's attempt of making security in its neighbourhood decreases the security of Russia. If uncertainty is the primary reason for use of force and the power is the means of defending supreme interest, it does not exclude direct

confrontation between the great powers over the South Caucasus. Hence, Georgia, Azerbaijan and Armenia should be frightened and expectant of the use of force from the stronger regional power like Russia, which has been already experienced. However, it is an arguable issue, how much all those small states are able to defend itself unilaterally, without the help of other international power or powers in order to balance capabilities.

Security dilemma plays a decisive role between the EU's and Russia's relation. Firstly, they prefer confrontation, rather cooperation due to the reason of uncertainty toward each other. The difference is inexistence of the direct military confrontation between those two powers (EU does not have its armed forces), but they prevail political and economic competition. Moreover, they concentrate on the issue of policy changes toward the South Caucasus, which highly depends on each other's manoeuvres. As an example, the EU's policies like ENP or EaP together with the ability of visa liberalisation to the Armenia, Azerbaijan and Georgia has followed Russia's visa facilitation for those states and creation of the Eurasian Economic Community. Despite this, when Russia's strategic interest is threatened by the EU or any other power, it engages with military means. Russia's involvement in the frozen conflicts or Russian-Georgia war of 2008 are the best examples of Russia's power demonstration and inclination toward regional supremacy.

Besides, security dilemma was the main factor between Russia-Georgia war on 2008, as well as between Armenia and Azerbaijan over the Nagorno-Karabakh. Mamuka Tsereteli (2009) overviews the case of Russia-Georgia war and assesses the number of consequences that had been brought by the conflict. The war seriously damaged importance of the region's transit function and negatively reflected on the socio-economic, political situation. Moreover, it revealed Russia's real intention toward regional domination and the goal to impede Georgia's Euro-Atlantic Integration.

However, Mearsheimer (2013, 85) believes that, the state is only able to maintain hegemony in its region. For example, Germany in the Europe, China as a potential hegemon in the East Asia. Following to the logic, Russia is the hegemon in its region, including the South Caucasus. Likewise, the EU as a separate unity wants to maintain influence over its regional vicinity. The crossing line comes to the South Caucasus. Does the location represents purely part of the Europe or the areas which should be perceived as a territory under Russian control?. The South Caucasus vicinity among Russia and EU, junction of the two different continents creates misunderstanding among the parties and generates conflict. Incompatible desires,

perceptions are hard to reconcile. In addition, Mearsheimer describes, that the Great powers always search the ways to excel their rivals. Hence, competition and struggling over the domination between national states will be inevitable in the international system. Conflict is inescapable, that is “The Tragedy of Great Power Politics”.

According to the John Mearsheimer (2014), political competition is much more dangerous than economic, which directly leads to the war. All states are each other’s potential threats and security should depend on yourself alone. Despite, it does not expel the significance of the alliances, but it is temporary and difficult to achieve. Today’s partner may become the enemy of tomorrow. Thus, power means safety, while weaker states are more victim of military defeat. There is the less opportunity for weaker states to attack stronger states, rather vice versa. The good example is the Russia-Georgia war in 2008, while aforementioned inhibits the cooperation between two superpowers and between regional countries as well. Thus, can be conclude that both types of conflict, economic and political between the EU and Russia are revealed.

Apart from the existence of the security dilemma, Kenneth Waltz (1986) considers that cooperation is reachable but difficult to sustain. International structure and uncertainty towards each other limits cooperation ability. However, self-sufficiency in this globalised world is so rare. Therefore, states are economically dependent on each other. As much state imports or exports, as much as they are dependent on others, i.e. high interdependence entails. Actually, states do not willingly increase dependency on others, while structure encourages them. The question arises about who will benefit the most?, it means that uncertainty and condition of insecurity cannot be overcome as an eternal fear of the future intentions. All parties pursue to increase own profit and worry about self-survival. Likewise, both political and economic interests concern to increase self-benefit and maximally decrease the possibility of losing.

Nowadays, the EU and Russia have cooperation over the sphere of economy, but limited political talks. As the theory suggests, the existence of the future uncertainty between the Russia-EU relations and economic dependency makes them under the risk.

Therefore, Russia tries to find benevolent partners in the Asia, in order to sell its energy resources and decrease dependency on the European consumers, while EU tries to diversify its energy supply routes and avoid troubles in the future (Strimbovschi 2014). When it comes to the issue of trade between Russia and the EU, economic gain is still relative. Russia possesses advantage and benefits more, due to the EU’s dependency on the Russia’s energy resources.

However, Kenneth Waltz (2014) differentiates domestic and international politics from each other in order to understand where the conflict arises. On the one hand, the domestic system is centralised and hierarchical, while international is decentralised and anarchic. Unlike domestic politics, the international system lacks order and central government, who will be able to control the behaviour of the states. Nevertheless, the existence of the world government would be the best alternative to the power politics. In the ideal case, world government would be able to determine performance of the state and would limit anarchy. However, it is unimaginable in the practical life, because all states pursue own interests and they simply lack common values or understandings. Even attempt of creation of the world government would bring the violence.

However, Waltz argues (1986, 99) that existence of the central government into the domestic affairs does not deny the fact of occurring violence. Nations only vary in terms of the level of domestic violence, which is impossible to eliminate. The number of cases proves the existence of misconducted use of force inside of the state. Hence, no human order is a guarantee against conflict. In addition, there is no final solution to the security dilemma in the national or the international level. The clear demonstration of the theory are the conflicts about Nagorno-Karabakh, Abkhazia and South Ossetia. Internal revolt, which supported by the stronger neighbour Russia, has been properly used for its own benefit. As the theory suggests, in national level the government have the legitimate power to use force inside the state and prevent misconduct, because the internal system is not self-help, while the international system is. Nevertheless, use of legitimate force from the side of Azerbaijan and Georgia was unable to prohibit Russian involvement into the conflicts. Instigation of the separatist regimes by Russia, gives the ability to them to manage de facto independence.

Russia's involvement in the region can be explained through security dilemma, which suggests that the best defensive act can be counted as a good strategy of offence. However, states need to calculate further responsive reaction from their opponents and measure actual gain against the price of the risk of aggression. Hence, the benefit should be higher than expenses. Nevertheless, according to the Mearsheimer (2014) great powers miscalculate the real outcome that is the tragedy of power politics. In this particular case, Russia has gained more than lost. On the one hand, Russia's offensive action has increased the influence over its backyard and estranged the regional countries from the Euro-Atlantic trajectory. On the other

hand, Russia has lost its status and image in the international arena by pursuing an aggressive policy in the South Caucasus.

1.2. Offensive and Defensive Realism

Characteristic distinctions between the offensive and defensive methods that the states pursue are adequate response to the security dilemma. It also helps to differentiate the soft and hard power tools as the main strategic tools used by the EU and Russia. Prominent differences between interests and strategies that they pursue cause misunderstanding and generate the conflict.

However, Neorealism argues that the structure of the international system determines behavior of the states. Hence, the structure of the international system is able to explain why states behave in the manner that they do. Mearsheimer (2014) as a follower of offensive realism considers that states are uncertain about each other's intentions. Therefore, they try to maximise their power and ensure survival. Accordingly, if the state will be strong, dominant and hegemon, it provides more security environment and ability to defend itself from an enemy. Moreover, he points that, the great powers have aggressive intentions toward each other; the even primary reason for survival makes them think offensively. Nevertheless, in reality no single state can be assured of its own absolute ability to feel secure, while it cannot accurately know the relative power of the opposition. Hence, in the condition of anarchy, states never be assured how much power is needed to feel secure, which makes them pursue everlasting competition.

Likewise, uncertainty plays the determinant role between Russia and the EU, which inhibits cooperation. Therefore, an action of the EU follows inverse reaction from the Russia, which is reflective action to feel secure. It has been expressed through policy initiatives and military action from the side of Russia. They differ in terms of capabilities, but how much power is needed to counter the opponent neither party is assured. The EU does not represent military power, while Russia possesses. Russia's offensive confrontation causes a defensive reaction by the EU with the use of its soft power.

According to the Kenneth Waltz (1986, 73-74) the basic feature of the international relations is the structure of anarchy between the states. The concept of structure is based on the fact that units differently behave and consequently, interaction produces a different outcome. The structure defines arrangement and order of the system. At the same time, the standing of

units changes with changes in their relative capabilities. Hence, during the performances of their function, agencies may gain or lose capabilities.

Irrespective of the differences among ideologies, cultures and histories, they all have the same basic tasks to perform. They only differ in terms of capabilities that distinguishes how much they are able to perform their basic tasks (making the foreign policy). Hence, distribution of capabilities across the system's unit occurs when the structure of the system changes. e. i. accordingly to the rise and fall of the great powers. Structural changes in the international system are determined by the great powers. However, Waltz (2013, 79-80) was convinced that the bipolarity, which existed during the Cold War period, was the most appropriate international system. Accordingly, the balance of the power is achievable in the anarchic international system and a better guarantee of the stability. Mearsheimer (2013, 82-83) agrees to the Kenneth Waltz about bipolarity by asserting that bipolarity reduces chance of conflict between the great power, while two dominant power can easily manage and control each other's behaviour. Furthermore, two-power domination avoids misadventure and miscalculation rather than multi-polarity of power. Accordingly, capabilities between the EU and Russia cannot be excluded to change and Russia's increasing role in the region is most likely to be diminished.

Besides, Georgia, Armenia and Azerbaijan as the weak states should attempt to deter powerful (Russia in this particular case) from attacking. Thus, they should choose among the strategies: balance or bandwagon. Armenia together with de facto republics is bandwagon of the Russian Federation, while Georgia attempts to balance Russia through integration into the European Union, while Azerbaijan keeps neutral. On the one hand, Russia uses hard power policy and offensively urges to dominate in the region. At the same time, eliminate the EU's presence. On the other hand, the EU's soft power over the South Caucasus aims to extrude Russia from the region and weaken its influence around the neighbourhood, that enable the EU to satisfy own needs.

1.3. Balance of the Power: Bandwagon versus Balancing

The balance of the power is the situation, when the distribution of capabilities and power resources between two states are roughly equal. It means that they can balance each other's capabilities and control behaviours at the same time. Apart from this, emerge as a great power balancer is not the only way for ensuring own security. The state can make an alternative option

decision and join the stronger party for the bandwagon. On the one side through bandwagon, the weaker state ensures its security with allying stronger state (Shimko 2014). According to the Waltz (2009, 37) “bandwagon” is an attempt by one state (especially weaker) increase its gain or decrease the possibility of losing by siding the stronger party. The actor, who prefers bandwagoning, is oriented to take the absolute gain, while balancing party prioritises relative gain and makes difficult to cooperate.

Following to the neorealist logic, the EU and Russia are balancing each other's behaviours and capabilities in the region, while Armenia or de facto republics are Russia's bandwagon and allowing its patronage. On the one hand, Armenia has limited choice, while it is not strong enough to keep itself neutral. At the same time, it is deadlocked between two rivalries: Azerbaijan and Turkey, the existing circumstances urges to be a bandwagon of the Russian Federation. On the other hand, Abkhazia and South Ossetia are a bandwagon of the Russian Federation against Georgia, in order to maintain de facto independence. However, due to the existence of uncertainty of the future intentions, bandwagoning is very hazardous. Thus, the perspective of the region stands under the question.

Besides, the theory assumes that the actors need to accumulate the means of achieving the desired goals. Those means are economic or military capabilities and acquire other kinds of strength, which help for establishing hegemony (Keohane 1986). However, distribution of capabilities varies over time, as the balance of the power is changeable (Mearsheimer 2014). Hence, can argue that nothing is eternal. The effort of gaining material or immaterial means will not last forever. The balance of power are shifting, superpowers are emerging and losing power. Thus, there is a high probability of losing Russia's influence over the South Caucasus and other regional power can take the dominant position, which should benefit the region.

According to the Vanda Amaro Dias (2013a) end of the Cold war changed the structure of the international system. For the importance of the EU' foreign and security policy, the relationship with regional countries in the Eastern Europe and the South Caucasus became vitally important. Therefore, the EU has engaged with the different projects and programs in order to strengthen its existence in the region. The EU's strategy resists Russia's concept of 'Near Abroad' and the Caucasus as defined traditional sphere of influence, Russia is not welcome of the new power appearance. Furthermore, Dias makes a parallel between two world powers, explains different security approaches used by them and discusses the reasons of conflicting interest over the region. Hence, due to the contemporary world order, Russia does

not feel comfortable. The emergence of the other dominant player in the region threatens Russia's superiority. Thus, Russia appears as a 'balancer' in this particular case and pursue power maximisation.

However, managing of the international system is not simply the duty of the great powers, while they have 'a big stake in their system'. Therefore, it is worthwhile at the same time. Moreover, Waltz (2013, 81-82) highlights the importance of the national interests. Thus, each state determines the own political course, which the best serves its national interests. While Mearsheimer (2013, 84) assumes that the political course can be offensive or defensive. States seek hegemony and power, as it is the ultimate goal to be assured that nobody will be able to threaten its security. Nevertheless, most of the time states are willing to maintain regional hegemony. Thus, the offensive political course of the Russia fits its national interests. It is expressed with the hard power politics over the South Caucasus, which is inclined to expand territorial borders and establish political influence, while the EU is the best example of defensive realism. Soft power tools are the means of achieving influence and maintain regional security.

However, hard power is determined by economic or military attributes and is used by the state to achieve its own desires, while soft power is the ability to attain the desired goal without use of force or aggression, rather attract and convince other to follow you. In this case, the state is able to make other's consent through use of different methods of persuasion like norms, laws, procedures, institutions. The outcome is what state wanted to achieve, legitimate own power in the eyes of others. Mostly, there are three most recent opportunities for soft power influence: cultural matter, where the state is able to attract others by cultural means and make them interested. Moreover, political value, a tactic that is used at home and abroad can gravitate others. The third way is the foreign policy making, which should be seen moral and legitimate (Keohane and Nye 1998, 86-89). The EU uses all of three criteria, in order to be attractive. The EU spreads its culture, also liberal values and the democracy as a means of justification. However, Russia strengthens its military bases in the region and is ready to counter an enemy.

According to the Vanda Mario Dias (2013a), Russia's political realm is different from the EU. Its regional initiatives aim to preserve supremacy in the post-Soviet sphere. For that, Russia manages to deploy its troops on the territory of Caucasus and seek to kindle separatism that encourages regional conflicts, rises instability and impedes the realisation of different regional projects.

Apart from this, the states can pursue non-security goals as well. They motivated to expand and enlarge its welfare for its citizen. In addition, they try to spread out own ideology or foster human rights and any other non-security goals (EU does in the South Caucasus). However, security goals are the greater than non-security. Despite all abovementioned opinions, cooperation is achievable but it is difficult to sustain. In that case they considering relative gains, but they still prefer absolute, in order to be assured. Cooperation is difficult to achieve when states concentrated on the relative than absolute gain. Because in the condition of relative gain, states have to be carefully observed if the portion of the gain is equally distributed. Hence, it causes much more obstacle for cooperation and causes misunderstanding. It happens, because they have fear of cheating (Mearsheimer 2014, 30-52).

Paolo Graziano and Maarten P.Vink (2008) in their article “Europeanization process with involvements of national and foreign policy paradigms” clarified three dimensions of foreign policy Europeanization. Moreover, authors highlighted foreign policy priorities and concentrated the ways that EU tries to promote democracy, rule of law, human rights and security cooperation across the Europe and around its neighbours. Likewise, Robert Ladrech (2010) makes interconnections between the foreign and national policy perspectives, priorities, goals or policy instruments done by the EU, which played a crucial role to modernise parliament and institutions in Azerbaijan, Armenia and Georgia. Moreover, initiatives aimed to transfer democratic values (minority right, freedom of media, freedom of speech, human rights), develop of regional government and civil society. Hence, the EU’s initiatives are vitally important for the regional development and for the EU as well. Oliver Schmidtke & Serhy Yekelchuk (2008) agree with the abovementioned arguments and highlight importance of partnership of the EU with South Caucasus countries. According to him, initiation of Neighbourhood policy and Eastern Partnership encouraged countries toward further development. Extended policy initiatives, offered those countries to take part in different EU’s activities.

Novikova Gayane (2015) argues how the NATO, the EU, Russian or regional organisations competing to make an influence in the South Caucasus. He highlights the importance of the region, especially Azerbaijan’s emerging role as an energy power. The author predicts that the never-ending rivalry between Russia and the West increases further tension between regional countries. Despite western sanctions and endeavours, Russia still stays as a main regional player in the space of the Eurasia. In contrary, Leila Alieva and Natalia

Shapovalova (2015) omitted the importance of the region for the multiple players, instead they mainly concentrated on the perspectives and risks of those three countries. Hence, the region needs to perform transit function and ensure the security of supply. Sustainability of energy resources from Azerbaijan will help EU to promote energy diversification and ensure Azerbaijan's economic prosperity.

However, as the neorealist are arguing, states have only two options, one is to surrender or pursue of gaining power for survival. It means that in reality there are no any other alternatives than power politics. Hence, competition is the eternal condition of the nations.

1.4. Status Conflict between the EU and Russia as a Dilemma for the South Caucasus

Russia and the EU perceived influence over the region as a crucial factor for the status and power maintenance that represents huge security dilemma. Competition over the region and the gaining superiority status leads uncertainty for the future perspective of the region. However, status conflict refers to the conflict between states, where are displayed soft or hard power tools and aims to make influence on the certain region, which guarantees the great power status. It help states to maintain self-esteem and give ability of influence on the behavior of other. The status rises an actual benefit and increases state's overall power. Actually, if the international actors need to gain power in the international arena should pursue two steps. Firstly, the actor should accumulate hard and soft power instruments as the material or immaterial means and gain self-confidence. Secondly, the actor should demonstrate its power and demand status recognition from the other great powers. Despite this, the state individually chooses a path, which they should pursue and determines how to display their power sources. There are two categories: status-consistent and status-inconsistent states. The EU represents status consistent power, while Russia refers to the status-inconsistent actor. However, status-seeking approach always leads to the conflict, especially when the collision of interest is expected to happen and the South Caucasus is the clear example of it. When the expectations do not match to the received recognition, it resembles zero-sum game and leads to the security dilemma. However, the colour revolutions in the post-Soviet space were the huge security dilemma for Russia and perceived as an attempt by the west to dismantled Russian factor over the region, while it was fertile ground for the EU to rise its presence. They differ in terms of

capabilities and resources that they employ in order to obtain the status. Russia relies on using hard power tools, which refers to the possession of the military and energy resources. Russia's military presence in the South Caucasus is a mechanism for controlling the region. Secondly, making the regional countries energy dependent, gives the ability for controlling the situation. In contrast, the EU represents normative power with using soft power techniques, which refers to the economic, cultural attractiveness, quality of life, ideological acceptance, diplomatic system and have different beneficial offers. Integration process and the EU's policies like ENP, EaP, DCFTA, Association Agreement or visa liberalisation availability attracts the South Caucasus states. Nevertheless, in comparison with Russia, the lack of military capability makes EU disadvantaged. Consequently, the EU fails to settle frozen conflicts in the region. On the other hand, Russia possesses advantage through shared experience of communism and an old cultural-economic tie with regional countries. Hence, Russia attempts to corrupt authoritarian regimes in the region and attract elites, while the EU provides incentives to the leaders in the region in order to promote democratic reforms and speed-up development (Nitoiu 2016).

However, in the region being a complicated power struggle and various kinds of dilemmas. The EU and Russia differ in perceiving the ways to increase own status, power and make benefit from it. All above-mentioned methods used by both players enhances the viability of the status and rises their global importance.

2. HISTORICAL OVERVIEW OF THE SOUTH CAUCASUS UNDER THE RUSSIAN INFLUENCE FROM THE 18th CENTURY

Countries in the South Caucasus region are crossroads of the different civilisation between the Orthodox and the Muslim world. The region has significant vicinity among stronger regional powers like Russia, Iran, and Turkey. Moreover, the region represents the Gateway between the Black, Caspian, Azov seas and has a connection with the Central Asia and the Middle East. Thus, the region obtains unique transit function and gives opportunities for further economic development. Therefore, the South Caucasus region have always been under the Russia's foreign and security policy priority lists (Nation 2015).

The chapter of this research paper deals with the issue of Russia's influence over the South Caucasus, which will be examined through past and contemporary historical context. Thus, help to have a deep understanding of the existing situation in the region and investigate Russia's role during the frozen conflicts. Furthermore, in this chapter will be explained Russia's policy and approach toward the South Caucasus countries. This discussion also includes an overview of the methods used by Russia to stop the Euro-Atlantic integration of the South Caucasus.

The South Caucasus region has always been subject of geopolitical competition between different regional powers: Russia, Iran and Turkey. Nevertheless, the influence of Russia over the South Caucasus countries has a long historical path. It mostly takes the pace since arrival of Ivan IV, when near the Caspian Sea initiated construction of the Tarki fortress. The culmination finally reached during the so-called Caucasian wars, which promoted the expansion of the power. (Mikaberidze 2007).

Georgia

More than two centuries Georgia has been under the Russian rule. Geographically, Georgia was located between powerful Russian and Ottoman empires. During the 18th century, Georgia had fought many wars in order to defend its territory. Mostly Ottomans and Persians were trying to conquer and dominate in the region. Therefore, in 1783 the Georgian King Erekle II was forced to form the friendship treaty of Georgievsk with Russia by allowing Russia's patronage toward Kartli and the Kakheti Kingdom. Practically, Georgia preferred to keep in touch with Orthodox Russia, who were bearing the same religion than to be part of the Muslim Ottoman or Persian Empires. Due to the numerous wars, Georgia was weakened and unable to

resist invaders independently. Therefore, Georgian kind aimed Russia's support against Muslim enemies. In 1795, Krtsanisi battle revealed Russia's real intention, who were not intended to safeguard Georgians against Persian invaders. Russia instantly refused its obligations and leave Georgians alone in front of the strongest enemy. Soon after the breaking of the Treaty of Georgievsk, in 1801 Alexander I has declared Kartli and Kakheti kingdom as a part of the Russian Empire (Mikaberidze 2007).

Georgia opposed Russian authority, but rebellions were successfully suppressed. In 1872 Russia, abolished the use of Georgian language into the schools as the language of instruction and Georgian literature were no longer in use. Those policies were directed to Russify the Georgian population. Therefore, enlightened young generation started a campaign to revitalise Georgian language and culture, which have been successfully accomplished. Apart from this, Russia succeeded to Russify Abkhazia's local population. Unambiguously, Russian order in Georgia has brought very negative social-economic or cultural impact. After collapse of the Czarist regime and revolution in Russia, Georgia successfully managed to declare independence. However, freedom did not continue for a long time. In 1921, the Red Army of Soviet Russia invaded in Georgia and established the communist rule. Following years, the regime brutally destroyed the hundreds of Orthodox Churches and prohibited preaching of the Christian religion. A large number of oppositionists against the soviet government were suppressed and many of them have been killed or exiled. Simultaneously, Georgia has been separated into the different autonomous regions and communist ideology was largely spread out. Despite many negative implications of the Soviet ruling system, it also brought some positive infrastructural and industrial developments. Furthermore, science and art started development, although individual thinking, media or art representatives were oppressed. During Stalin's repression, Georgia has sacrificed a huge number of the enlightened young generation, who were against communist dogmas and dictatorial ideology. Most of them have been brutally killed or have sent to the 'Gulag'. However, Gorbachev softened Soviet policy, which has led to the collapse of the system. As a result, restored sovereignty in Georgia, Armenia and Azerbaijan (Georgia under the Soviet Union, georgianamerica.com).

Azerbaijan

The first direct control of Russia over the Azerbaijan dates from 1813 by the treaty of Gulustan formed with Iran and in 1828 with the treaty of Turkmanchay. Consequently, Azerbaijan has been divided into two parts, from which southern territory became under the

leadership of Iran and northern part took by the Russian empire (The History of Azerbaijan General Information, azerbaijan.az).

Contrary from Georgia, Azerbaijan have never lived under the Rule of Ottoman Empire. Instead, Azerbaijan has shared the same fate under the period of Russian domination. After the collapse of the czarist regime and until the Soviet occupation, Azerbaijan has declared short-lived independence. The soviet regime started a policy of ‘nativization’- spreading out of the Russian language and the culture. Non-Russian speaking people were obliged to learn the Russian language, while opponents directly were sent into the camps. In 1936, the Soviet Union adopted a new constitution and has granted Union Republic status to the tree South Caucasus countries, which before were called Transcaucasian Federation. Besides atrocities, Azerbaijan has experienced significant economic transformation and became the military industrial centre of the Soviet. Azerbaijan has reached significant development in the sphere of Metallurgy, Petrochemical and Food industry (Soviet Azerbaijan, esiweb.org). Meantime, Azerbaijan legged behind other Socialist Republics in terms of the living, economic conditions or abundant natural resources. Nevertheless, under the Soviet regime Azerbaijan has deprived the right to the national dignity and independence (Cornell 2011).

Armenia

Neither Armenia has been an exception from the faith of Caucasian states. For a long time, vicinity among great powers brought devastation of the socio-economic situation. However, Armenia’s connection with Russia dates from the time of Peter the Great. Armenia was the main route between the Middle and the Near East. During the Caucasus war in 1805, the east part of the Armenian territory became under the rule of Russian Empire. Following years, Russia twice has invaded in Yerevan and unsuccessfully left the territory until stalemate reached in 1812. Forming out of the Peace treaty Gulistan between Persia and Imperial Russia gave legitimacy to Russia to control the Caucasia, while through Turkmenchai Treaty established Russian control over Yerevan and Nakhichevan. The power competition continued until the first independence of Armenia, while in 1920 ended up with the occupation of the Bolshevik forces. The Soviet policy over the Armenia was bought the similar consequences to the Armenian people. Nevertheless, among other South Caucasus countries, Armenia maintains a better relationship with Russia and have a special diplomatic relationship with the Kremlin (Bournoutian 2006).

In conclusion, as it was demonstrated through the cases of Georgia, Azerbaijan and Armenia, Russian atrocities and Russification process nothing positive have brought to the South Caucasian republics, rather terror, intimidation of the nations, deprivation of the rights and restriction of the political or cultural freedoms. Under the rule of Soviet Empire, Azerbaijan, Armenia and Georgia have lost innocent lives of the people, who were against the dictatorial regime. They spread vicious ideology and incepted corruption or nepotism. The Socialist Regime was directed to enslave the nations and abridge the national values. It was well realised that modernization and western ideological diffusion would undermine the unity of the Soviet republics.

After the resignation of Boris Yeltsin, Vladimir Putin came to power. He started redetermination of the national security and priorities for the state, which included South Caucasus as the main sphere of influence (Kelkitli 2012). However, for Russia the South Caucasus has economic and security significance. It borders north Caucasus, which threatens Russia's unity and integrity. Besides, countries are among other regional powers like Turkey and Iran, therefore Russia is not willing to concede the power. Moreover, Armenia, Azerbaijan and Georgia have different economic potential. The Caspian Sea possesses oil resources, while the Black Sea can play unique trade route. Herewith, Russia has significant military bases in Caucasus and strives to destabilise the region. Russia considers that those countries should be ruled, but not by the west, rather by the 'Northern Brother'. Hence, the West's engagement threatens Russia's dominant position in the region, but 'frozen conflicts' are the supportive factor in prolonging its influence (Naumkin 2002).

2.1. Frozen Conflicts in the South Caucasus Region

This chapter is dedicated to overview the past and existing situation regarding frozen conflicts in the South Caucasus. The discussion involves about the EU- Russia's role in the presenting conflicts and underlines the interests of involved parties. Hence, the broader analyses reveal positive or negative actors and disclose who is motivated to bring the peace and stability for the region. In addition, focusing on the negative aspects of the existing circumstances, give a broader picture for the further discussion.

2.1.1. Nagorno-Karabakh Conflict

South Caucasus is a multiethnic and multiconfessional region in the world and one of the hot spot of instability zone. The region experienced several separatist conflicts, which brought devastation of the socio-economic situation and impeded regional development. Besides, the existence of the frozen conflicts in the region impedes the process of the Euro-Atlantic integration.

For the centuries, Turkic Azeris and Christian Armenians were inhabited on the contemporary territory of the Nagorno-Karabakh and had numerous clashes. In the 19th century, Nagorno-Karabakh territory, which was mostly populated by ethnic Armenians have become under the patronage of the Russian Empire, while in 1920 receive status of an autonomous region within the Socialist Republic of Azerbaijan. The situation became uncontrolled after the regional parliament voted on the issue of joining into Armenia (Nagorno-Karabakh profile 2016, BBC News).

Dissolution of the Soviet Union gave birth of the independent countries. Azerbaijan, Armenia and Georgia have started to see the own path of statehood, which was a difficult process for self-examination. However, the Nagorno-Karabakh conflict was the first territorial conflict that has been erupted through the years of dissolution of the Soviet Union. On the one hand, Armenia was struggling for independence and self-determination by Armenian population of Nagorno-Karabakh, while Azerbaijan was defending its historical area. Consequently, 30.000 people have lost their lives and both sides witnessed around one million refugees. Temporary Cease-fire agreement was reached in 1994, but the conflict is not resolved yet. Nevertheless, more than 20 years already peace process was mediated by the Organisation for the Security and Cooperation in Europe (OSCE). Furthermore, since 1992 settlement of the conflict were discussed within the framework of Minsk Group, which produced five different peace proposals, but again failed to settle the conflict (Broers 2015). Moreover, since 2004 to 2006 the Minsk Group has initiated different meetings among two countries foreign ministers, so-called “Prague Process”, aimed to facilitate the further negotiation process, while it did not significantly change the outcome. Afterwards, Madrid Principles came out, that were designed gradual steps toward resolution of the conflict. The Minsk Group effort again failed to produce a legitimate treaty, which could be strong enough to settle the conflict. Interestingly, the majority population of the Nagorno-Karabakh are the ethnic Armenians. According to the statistical estimations, at the end of the Soviet period composition of the Nagorno-Karabakh

population were 74% Armenians and 24% Azeri, while today 98% of the population are ethnic Armenians (Berg and Mölder 2012). Nowadays, ineradicable past hostilities and misunderstandings impede any kind of positive efforts toward cooperation and the conflict resolution. Hence, already a decade nothing could create a peace and the final solution.

Actually, in this conflict, there are different impeding factors that should be revised. Foremost it is linked to the parties who are in the great game condition and have own interests toward the region. Besides, the existence of “image of enemy “between Azerbaijan and Armenia deteriorates relationship. In spite of the many efforts, neither international actor really played a decisive role in the conflict resolution process. On the other hand, neither contending parties going to make a compromise, rather prefer to play on the emotions. Armenia’s approach directed toward a military solution, because there are no other means to take control over the Nagorno-Karabakh. Armenians identify Azeri people as being Turks, while in 1915 under the rule of Ottoman Empire they have experienced the trauma of the Armenian Genocide. On the other hand, the Government of Azerbaijan systematically makes agitation against Armenians and pursue anti-propaganda. Hence, the involvement of the many international organisations during the peace process was always unsuccessful. At that time, Russia was motivated to play an active role as well. Otherwise, the western powers would have suddenly increased its role in the negotiation process (Güleç 2015).

2.1.2. Abkhazian Conflict

In the area of the Black Sea, Abkhazian people were ancient inhabitants peacefully lived together with old Georgian tribes. According to the history, those people had various socio-cultural interactions and had the common kings or the enemies. Abkhazians were part of the ancient Colchian Kingdom in the period of 6th century B.C, which was an oldest Georgian state (Chumburidze 2010).

Since the ancient times, despite the ethnic differences, Abkhazians and Georgians were peacefully lived together. The relationship significantly deteriorated after the Russian arrival in 18th -19th century. They spread around the region and settled on the Black Sea coastline. Russia’s arrival in the region directly influenced on the composition of the Abkhazian ethnicity, which stimulated assimilation process. People changed approach toward Georgians and took Russian orientation. Thereby, tsarist Russia slowly retained control over the territory (Petersen 2008). Moreover, tsarist Russia encouraged to kindle Abkhazian nationalism and even assisted

in creating its own alphabet, while before there were speaking in Georgian and using Georgian alphabet. Accordingly, Georgians lost its significance towards Abkhazians and successfully replaced by Russians. The Russification process was successfully continued even during the Soviet time. In 1921, Bolshevik forces occupied the territory of Georgia and deliberately created several autonomous units. The idea was the part of the policy of 'Divide and Rule', which would be the better mechanism of absolute control. Consequently, separated Abkhazia region was named as an independent Soviet Socialist republic. Later in 1931, the status of Abkhazia has changed and has become an Autonomous Soviet Socialist Republic within the territory of Georgia (Sayin and Modebadze 2015). The peaceful coexistence broke up during the Russian revolution and the last year of USSR. In 1988, during the war of independence, Abkhazia has demanded assistance from the Moscow against Georgia. Soon, 30.000 Abkhazian separatists signed a declaration regarding restoration of the 1925 Constitution. According to the constitution, Abkhazia was considered as a separate union republic, rather than part of Georgian territory. The Moscow encouraged separatist in order to fight against Georgia's central government, because it touched upon the Russia's interest. However, the most of the separatist who was fought against Georgia were the Russian citizens. Due to the support from Russia, Abkhazians were assured to fighting for their independence. In this response, Georgia has sent 3000 troops to establish the state control. Through the years, started a wave of Georgian protestants against Abkhazia's succession and followed mass demonstrations against the Soviet government. In 1989, 9 April the Soviet troops (with using tanks and toxic gas), brutally suppressed peaceful Georgian demonstrators. During the resistance, hundreds of people were injured and nineteen young people have lost their lives. In 1993, Russia's military force played a crucial role in order to expel the Georgian troops, which assisted separatist to capture Sokhumi. As a result of the war, around 200.000 Georgians have left the territory and 25.000 have been killed. Finally, the separatist regime refused any peace proposal from the Georgian government (Petersen 2008). At the end of the war, Georgia was forced to be part of the Commonwealth of Independent States (CIS), which legitimised Russia's military forces in Abkhazia and other parts of Georgian territory. Meanwhile, Georgia deemed that Russia's involvement should have a positive outcome toward assistance of reestablishing control over the breakaway region that would never be a case.

Nowadays, Russian troops are standing on the borderline. In such circumstances, repatriation process of the refugees and peaceful resolution of the conflicts seems impossible.

Above mentioned facts reinforce the arguments, that Abkhazians do not perceive Russia as a threat, rather they favour Russia's patronage. Russia provides to them security, economic and political support and the status quo largely depends on the willingness of Kremlin.

2.1.3. Russian-Georgian War on the South Ossetia in August 2008

The chapter briefly overviews South Ossetia's endeavors toward secession in 1990 and describes pre-condition of the Russian-Georgian war in 2008. Moreover, it underlines the main reasons of the conflict and highlights importance of the EU's involvement.

South Ossetia is populated by the ethnic Ossetians, which have been migrated many hundred years ago from the Asia (South Ossetia profile 2016, BBC News). After the Soviet occupation of Georgia, in 1922 South Ossetia proclaimed as an autonomous oblast within Georgia. In 1989 South Ossetia's popular front demanded change of the status from oblast to Republic, but Georgian government has rejected. From 1990 to 1992, South Ossetia have demanded secession and started anti-constitutional behaviors. In this response, Georgian leader Zviad Gamsakhurdia abolished South Ossetia's autonomy and declared state of emergency. Several stages of conflict escalation grown up to the armed confrontation, which have been regulated by the Agreement of Sochi. The treaty ensured cease-fire between Georgian and South Ossetian forces, while OSCE started monitoring mission. However, self-proclaimed independence have not been recognized by the international society, but after the August war in 2008 Russia recognized South Ossetia's and Abkhazia's independence (South Ossetia-Background, globalsecurity.org). Actually, it was the final break off the Russia-Georgia relationship, which followed Georgia's withdrawal from the CIS. However, different endeavours of provocations ended up with 5 days war and witnessed a large number of human casualties. Besides, both states cut off the diplomatic relationship and shift the blame on with each other (Trenin 2009).

Before the outbreak of war, Russia wanted to convince Georgian government to improve the relationship and resolve the long-standing problem over the breakaway region. It should be done only in case if Georgia would change its pro-western orientation, which seemed impossible. Hence, Russia has been expecting the right moment to take the retaliatory measures. The August war in 2008 started with the number of Russian provocations and Georgia's responsive action in order to restore constitutional order, which overgrown into the full-scale war. Russia has deployed its troops to South Ossetia to defend the right of Russian citizens.

However, Russia's military presence was not acceptable for the Georgian government, which was accusing Russia of arming South Ossetia's separatist. Following days, the Russian army was approached near the cities of Georgia at Gori, Poti, Senaki, while air jets bombed military targets. Attack also carried out near the Baku-Tbilisi-Ceyhan pipeline, which is the main route toward the Europe. Georgian government also claimed that Russia's air strikes targeted populated area and hit communication facilities. Finally with help of French president Nicolas Sarkozy, (also he was chair of EU presidency) the ceasefire was reached and prevented capture of the capital city Tbilisi. Certainly, the EU played a huge role to stop ongoing strikes, because it would be an additional security concern to the near of its neighbourhood. Afterwards, Russia officially recognised the independence of Abkhazia and the South Ossetia. Thus, constitutionally justified deployment of its troops on the breakaway territories (Coleman 2013).

As a result of the August war, Georgia had experienced huge civilian casualties and infrastructural, military devastation. Inexistence of the security negatively reflected on the foreign investment inflow, also created an import-export gap and consequently Georgia witnessed huge economic impediments (Sarıkaya 2011).

With help of the August war, the Moscow sent the clear message to the west and to Georgia as well, it reminded existence of the red lines - peace and war zones. According to the Dmitri Trenin (2009), the war was not only against Georgia but also against Georgia's western allies. On the one hand, Russia was not happy about the post-Cold War development and the NATO's enlargement process across the post-Soviet space. Thus, Russia was motivated to use the very last chance to sustain regional influence. On the other, Russia irritated the fact that the US have trained and equipped Georgian military through many years. Therefore, Russia would never endure the fact of US advantage on the territory of Russia's "sphere of privileged interests".

2.3. Further Discussion

During the all above motioned conflicts, Russia has its own mite. Russian gave a citizenship to the Abkhazian and South Ossetia people and consolidated its political influence. Besides, Russia kindled the separatist sentiments and constantly was selling weapons to the Azerbaijan and Armenia at the time of Nagorno-Karabakh conflict.

According to the Kornely Kakachya (2010), Russia has always used multiethnicity and its own strength to achieve political objectives. Russia pursued its policy of 'Divide and Rule', in order to weaken the South Caucasus states. In fact, without Russia's support, separatists would not be able to secede. In contrary, Alexander Orlov (2011) claims that the outbreak of Abkhazia and South Ossetia was the result of Georgia's inability to perform its function. Besides, non-recognition of their independence by the international society, Russia still continues and is able to maintain their status quo.

Nowadays situation regarding the frozen conflicts remains unresolved and the relationship between Russian and Georgian are still on the same level. After the war, Georgia suspended diplomatic relation and withdrawn from the CIS. Actually, Georgian Government realises that, any first attempt from the side of Tbilisi would be de facto recognition of Abkhazia and South Ossetia. Despite the fact, Russia considers that Georgia already learned the lesson from August war and understood the mining of the red line. Despite recognition of Abkhazia and South Ossetia, Russia will never assume their real independence. Both breakaway territories, economically or politically are under the Russia's patronage. The Moscow has control over the infrastructure, including airports and railways in Abkhazia. Since 2008, dependency in terms of security has increased. Russia has established military bases in Gudauta and planning to build up in Ochamchire as well. The military base in the region purposed to diminish the EU's and the USA's influence. Recent years, Russia has signed friendship and cooperation agreement with Abkhazia and South Ossetia and deployed 7.600 soldiers in the region across the formal borderlines drawn by themselves. Despite the fact that Georgia is not rich with the energy resources, it has a significant geostrategic location, which can play a unique transit function and acquire economic benefit as well. From Azerbaijan thought the Georgia 1.4% of world's oil production is flowing out by Baku-Tbilisi-Ceyhan, Baku-Supsa pipelines. Furthermore, another important Baku-Tbilisi-Erzurum gas field crosses Georgian territory. Russia considers South Caucasus as a transport corridor who can economically benefit (Sarikaya 2011).

There can be said that Russia has its own geopolitical aspirations, which includes re-establishment of the sphere of influence over the post-Soviet space. With the use of different methods, Russia attempts to suppress the motion among the South Caucasus republics and abdicate their aspiration towards the Euro-Atlantic integration. The frozen conflicts and instability of the region is the guarantee for Russia that the NATO will never grant membership

to those states. It is the preventive way not completely lose control over the post-Soviet space and maintain its regional strength. However, presence of the Russian troops in the conflict zone, construction of the military bases, cropping annexation and kindling separatism between people, makes another possibility of a break up latent peace condition.

However, all above-mentioned conflicts directly imply Russia's involvement into the process of conflict settlement, because it directly touches upon the Russia's interests and convinces Russia's national security. Hence, during negotiation process Russia could not be considered as a neutral arbiter. Therefore, Georgia wants to keep away Russia from the negotiation table and increase the number of western mediators (Shakov 2005). It can be argued that the existing conflicts are induced by Russian order, which destabilized and weakened the regional countries. Thus, Russia aims that Georgia, Armenia and Azerbaijan will be under its patronage.

According to the Tatia Dolidze (2015), Russia follows its policy of "Divide and Rule" and at any mean attempts coerce pro-western orientation of those republics. The political success of Russia was a rejection of signing the Association agreement by Armenia and Azerbaijan or in 2008 refusal to give Membership action Plan to Georgia by the NATO. Moreover, Russia significantly benefited from the economic embargos that imposed toward Georgia, which prohibited food and wine export in the Russian market. Furthermore, Russia used energy sanctions and cut off the gas supply to Georgia in the winter. Russia deported Georgian migrant workers with the inhuman way and blocked the UN Security Council resolution regarding mission extension in separatist region. Russia's "peacekeepers" in the breakaway regions do not serve for the real peace outcome, rather serves to reinforce own presence and maintain regional influence. However, the author condemns the NATO's and the EU's inability of proper reaction during the Russian-Georgian war, which encouraged Russia's further aggression toward Ukraine. Similarly, Alexander Orlov (2011) assesses involvement of the West in the Russian-Georgian conflict and condemns the West's inadequate reaction. Mostly, it was caused by the threat of confrontation between the super powers. Secondly, the West is full of the contemporary challenges related to the immigration, terrorism or refugees, which did not allow them to make much more attention to that particular case. However, unresolved conflicts over the Nagorno-Karabakh or Abkhazia and South Ossetia, undermines regional stability and hampers Euro-Atlantic integration. Besides, state leaders of those

countries are not willing to take unpopular decisions toward conflict resolution. While so-called unrecognised states are seeking to ensure the status quo (Orlov 2011).

However, past antagonism or ethnic conflicts between regional countries inhibits cooperation and hampers the region's future development. Moreover, inexistence of the regional cooperation push the outside powers to interfere and use existing circumstances for its own benefit. The frozen conflicts increase tensions, insecurity and serve to the Russia's interests. Hence, conflicting countries should realise the real intention of the international players and make reasonable choices that would bring them the common benefit. Positive changes require a reassessment of the past and contemporary situation, also a redefinition of the individual approaches and perceptions toward the existing problem or toward each other. Nevertheless, Russia's factor strongly influences on the existing environment in the region that need to overcome. Until, regional countries will be politically or economically dependent on the Russian Federation and the government pursue pro-Russian orientation nothing will peacefully settle. Armenia, Azerbaijan and Georgia need to strengthen democracy reforms, develop civil society, human rights and economic condition. Peaceful settlement of the existing frozen conflicts firstly lies to the people's awareness. They should destroy old stereotypes, make concessions, overcome the past negative experiences and strengthen ties between new generations. Public diplomacy together with inter-state diplomacy will inevitably bring a positive outcome.

3. INFLUENCE OF THE EU OVER THE SOUTH CAUCASUS- COMPETITION AND DIFFERENCES BETWEEN THE EU AND RUSSIA

The third chapter discusses importance of the region for the EU and Russia. It also underlines the existing differences and relationships between the great powers. Besides, the chapter explores differences in approaches between Armenia, Georgia and Azerbaijan toward the EU and Russia. Further discussion involves the tools used by the EU in order to expand its power over the region. Mostly it is related to the foreign policy initiatives that undermine the role of the Russia in the South Caucasus. Moreover, the attention is paid to the importance of the energy trade and dependency among parties. In addition, the case study on the rival energy projects, which passes through the South Caucasus, demonstrates existing competition between the EU and Russia.

3.1. Importance of the Region for the EU and Russia

The South Caucasus have passed the vulnerable period toward independence, bloody civil wars, ethnic secessionist clash, colour revolutions and remained insecure. Nevertheless, today the region represents the battleground of the EU-Russia competition. However, there can be the various reasons, which should generate the conflict and cause misunderstanding between parties. Firstly, political or ideological differences. Secondly, strategic or interest clash and gaining superiority over the energy resources may become the primary reason as well. All those components are playing a huge role between the EU- Russia relations. However, both players have its own contradictory interest over the region and seeking to reinforce its own power. The regional cooperation, partnership, assistance and even aggressive policy are the main tool toward reaching the desired target. First of all, the region has its own unique priority regarding energy resources, energy transit function and can play an economic role. Moreover, Armenia, Georgia and Azerbaijan are located at the junction of three regional powers: Russian Federation, Iran and Turkey. At the same time, it is the volatile zone, which can cause insecurity around the regional countries and generate conflict. Therefore, Russia and the EU consider South Caucasus as the priority for their security. Apart from the issue of energy resources that the region

possesses, it also represents a cultural-political bridge between the West and the East (Buda and Khvedelidze 2010).

On the one hand, Georgia acquires significance of the energy transit function, while Azerbaijan is rich with energy resources. The western powers like British Petroleum, Total Fina Elf and Statoil have already concluded partnership agreement, in order to ensure the reliability of the energy partner. All those efforts coincide Russia's geostrategic and economic intentions. The main reason that the Europe convinced to find the new stable energy provider became Russia-Ukraine (2009) and Russia-Georgia gas disrupt. The main target to the whole Europe became to avoid dependency on the Russia's energy sources. Therefore, the Caucasus region was seen as an alternative energy corridor. Consequently, the Nabucco project came to the agenda in 2009, which aimed to ensure delivery of natural energy resources to the Europe, bypass of the Russia. Fulfilment of the abovementioned energy project would be a strategic, economic or political loss for Russia. Likewise, INOGATE together with TRACECA project has acquired additional significance by aiming to enhance energy security and diversify energy supply routes. Nowadays, the Baku-Tbilisi-Ceyhan together with Baku-Tbilisi-Erzurum gas pipelines provides a significant amount of gas-oil volume from Caspian basin to the Europe (Haydar 2012). Thus, the region with help of the EU has a chance to realise its potential. Nevertheless, the existence of frozen conflicts threatens safety of the transit route and questions the region's future.

3.2. Relationships of the South Caucasus Countries with Russia and the EU

The region has additional difficulty in analysing the real risk factor related to the Russia-EU competition. Besides, countries in the region have numerous problems regarding democracy, rule of law, corruption, economic inefficiency and territorial conflicts. Therefore, each of those states perceiving differently who can assist in the process of development and have different political orientation (Buda and Khvedelidze 2010).

Armenia

Nowadays, in the region, Armenia is the most ally state of Russia. Two closed borders and a practical block of the country, leaves no more choice to prefer dependency on the Russian Federation. On the one hand, Armenia perceives the EU as creator of prosperity, while Moscow

is an immediate problem solver. Foremost, Armenia is motivated to appease the Moscow and avoid confrontation. Russia uses business and corporate activities in order to strengthen its position in the country. Also, promotes pro-Russian propaganda and offers an alternative of the liberal-democratic values (Haydar 2012). Furthermore, Russia is the military-security guarantor through the Collective Security Treaty Organisation (Novikova 2015). Besides, Russia possesses 80% of Armenian energy infrastructure and promotes economic support. Armenia's insurance company with 75% share were taken by Russian Ingosstrakh company and Russia's bank Vneshtorgbank have taken 70% of Armenian Saving Bank Armsberbank. Apart from this, Armenia is dependent by means of energy resources and have a large weaponry trade. For a while, from 2010 to 2024 Armenia has agreed to deploy Russian 102nd military base on the territory of Gyumri (Kelkitli 2012). The military presence in the South Caucasus directly strengthens Russia's position and demonstrates the will of controlling the area unilaterally. On the other hand, it is a manifestation of the ambition that Russia is fully able to ensure regional security as a nearest and strongest neighbour. Hence, Russia will never tolerate the existence of the NATO's troops in that particular territory.

Furthermore, Russia is the largest foreign investor for Armenia, which possesses one-quarter of Armenian trade turnover. At the same time, they have strong technological or military cooperation and the most important economic sectors are controlled by Russia. Especially in the sphere of telecommunication, transport sector: Railways and Armenian Airlines. Russia has managed to sign an agreement, which obtained the right with thirty years of management Armenian railways. Nevertheless, Armenian government seems very welcomed of Russian patronage. Therefore, Armenia preferred to join the Eurasian Economic Union led by Russia and in 2014 refused to sign the Association Agreement. Due to the political of economic submission, Armenia almost became Russia's garrison state (Balakish 2016). Nevertheless, during the Russian-Georgian war, Armenia maintained neutrality. In fact, Georgia acquires huge importance for Armenia, because Georgia's port is the main route for the foreign trade. Furthermore, Armenians are the second largest ethnic group on the Georgian territory (Broers 2015).

Georgia

Through the history Russia- Georgia relationship have never been warm, because it has deep roots of antagonism. Therefore, the Europe and the Western ideology became largely acceptable. People in Georgia identify themselves as a being part of the European society and

are hostile toward Russian politics. The period from 1800 to 1991 is perceived as the occupation of Georgia by the Russian forces. Besides, they conceiving the Russia's negative role into the secessionist wars (Novikova 2015).

Besides, Russia easily contrives to fulfil Political intentions with using economic toggles. Punitive measures toward Georgia: trade embargo and doubled gas price, enables Russia to attain its target. Catch of the main economic and energy sectors of the country should be the reasonable step toward domination. From 1996 to 2003 Itera was the main supplier of the gas resource to Georgia, which later have been replaced by Gazprom. During the presidency of Shevardnadze, Russia was easily catching significant sectors of the country, which largely were protested by anti-Russian politician (after president) Mikheil Saakashvili. Despite economic beneficence, the interest of Gazprom was mainly motivated to unite gas infrastructure by interconnecting Armenian, Georgian, Iranian and Russian pipelines, which would give the chance to the Russia to block up ways for the Europe and dominate over the prospective gas stream from Iran to the EU. At the same time, it would help to strengthen its own presence in the South Caucasus (Balakishi 2016).

However, the Russian- Georgian relationship was deteriorated even before the August war in 2008. Since 2005 started series of retaliatory measures: ban of several goods and accusation of Georgia with the use of improper standards and selling poor quality of goods. With the same reason, Russia prohibited all imported farming products and dispatched Georgian wines together with mineral waters: 'Borjomi', 'Nabeglavi' in 2006. Use of economic and energy leverage was an expression of the hard power policy. Apart from the series of penalties, started mass persecution of Georgian citizens in Russia (in Russia there is larger Georgian diaspora, which contributing money for the county). Thus, Russia deported more than 700 Georgians. Besides, eleven Georgian citizens and Russian military officers have accused espionage, regarding spreading of information concerning Georgia's defence capabilities. The conflict escalation reached in 2008. The war caused devastation of the socio-economic situation and suspension of the diplomatic relation. Respectively, Georgia immediately took a decision to leave CIS in order to boycott Russia's behaviour. The decision highlighted Georgia's resistance to be under the Russia's security umbrella (Kelkitli 2012). In contrary to the Armenia's position, Georgia views the EEU as an attempt of reestablishing post-Soviet influence by Russia, therefore admits the membership into the EU and the NATO as a survival importance. Hence, the cornerstone of Georgia's foreign policy based on the Euro-Atlantic

integration (Balakishi 2016). Nevertheless, Russia is not willing to accept the NATO's forces near its border, because it will destroy Russia's security sphere and political power. It is Russia's prestige to be the only regional power (Georgescu 2012).

Azerbaijan

Between three newly independent Caucasus states, Azerbaijan is more vulnerable to be better off without choosing Russia's or the EU's solitary support and assistance. While Georgia and Armenia cannot be self-sufficient without possession of the natural resources. For Azerbaijan, oil provides a huge benefit and acquires vulnerability to keep themselves more or less neutral (Novikova 2015). Nevertheless, latent peace situation in the Nagorno-Karabakh may cause disruption of oil safety and impede economic prosperity (Naumkin 2002).

During the time of Elchibe, Azerbaijan was strictly pursued anti-Russian propaganda. Therefore, Russian companies were not able to established enterprises in Azerbaijan. The existing circumstance was not favourable for Russia, but political agenda were changed and softened at the presidency of Heydar Aliev. The same approach toward Russia was continued during the time of Ilham Aliev. Nowadays, around 600 Russia enterprises are operating in Azerbaijan. Nevertheless, Azerbaijan is against the EEU membership, which would harm independence of Azerbaijan's energy policy. Firstly, the EEU member states would need to have a common energy policy, while Russia would be able to determine oil, gas level for the EEU states and indirectly control energy reserves. Hence, the inability of Azerbaijan to perform independent external energy policy would frighten western partners. However, the Baku-Tbilisi-Ceyhan as well as TANAP natural gas project (Nabucco as well) are rival projects of the South Stream, which diminishes the role of the Russia for the Europe (Balakishi 2016).

On the one hand, there are various regional projects and economic- technological assistance, offered by the EU. On the other hand, Russia urges to form bilateral and multilateral cooperation with the South Caucasus countries. Therefore, the EEU is seen as a tool for making a political-economic influence in competition to the EU's initiatives like AA/DCFTA. However, Armenia has already entered in the EEU, while Georgia in 2014 associated with the EU and have signed AA/DCFTA. Moreover, in February 2017, Georgia get visa liberalisation approval from the European Parliament. In the case of Azerbaijan, preferred opted out from those two projects and keep a balance between the EU's and the Russia's initiatives (Melvin and Oltramonti 2015). All those policy initiatives done by the EU are the 'soft' tools for making an influence and enhance the relationship.

However, in comparison to the EU's effort, Russia possesses the advantage. Firstly, Russia and Azerbaijan have weaponry trade since 2008. Secondly, Russia buys gas from Azerbaijan with the market price, which represents a significant contribution to the economy of Azerbaijan. Thirdly, a large number of Azeri's are living in Russia and providing a huge flow of remittances. In addition, Russia tries to reach an agreement to the Caspian Sea littoral states and prohibit any foreign presence of military around the water (Novikova 2015).

3.3. The EU - Russia Relations and the Major Differences in Political Approaches

Significant changes in the Russia's foreign policy has established in 1990 after the fall of the Soviet Empire. Nevertheless, the Soviet legacy strongly affected the ways of Russia's evolution. Nowadays, the government of Russia leads the state toward totalitarianism, rather pursues democratic reforms. However, democratic institutions and freedom of speech are fully restricted. All media networks: radio, TV channels and newspapers are under the control of Kremlin. Moreover, political competition is strongly restricted, because Putin personalised the regime and eliminated rival parties. Consequently, existing situation impedes the functioning of the political opposition (Haus and Hausman 2013, 227, 242). Therefore, the Western powers are unsatisfied by Russian democracy, while the Western-style democracy is not appropriate for Russians. The Moscow only verbally approves the idea of democracy, while does not guarantee the protection of minority rights to be interpreted. In fact, culturally or historically, Russia is inadmissible towards the Western model of liberal democracy and capitalism. However, the Russian people are not purely European and neither purely Asian, because they are mixed between two different civilizations. Putin defines Russia as a "managed democracy", while the management is in the hands of the Kremlin. Elections are held, but results are in favour of the government. Thus, Putin's democracy is a soft version of the communist system. However, today's Russia is even more fragile and offensive oriented than it was during the Soviet era. Apart from this, the Eurasianism became the main concept of Russia's foreign policy (Danks 2013, 96, 367, 435). As a legitimate successor from the USSR, Russia's foreign policy also includes the old elements from the Soviet Union and persistently defends rights toward "near abroad". The Kremlin perceives the fall of the Soviet Union as the huge geopolitical catastrophe, which changed world order from bipolarity into the multipolarity.

Therefore, Russia strives to maintain the old balance of the power system, while is unable to become only superpower state. In contrary to the Russian example, the EU is the model of democracy. They have normative gap and radically different ideology. Moreover, they differently perceive and interpret the idea of liberty, freedom, equality, justice human rights and essence of the democracy (Makarychev 2014). However, the Europe has remoulded values and reshaped its political priorities after the end of the Second World War. The painful experience softened the EU's foreign policy; thereby belligerence has never been an issue of foreign policy discussion (Haydar 2012). Creation of the union among European countries was seen as an outlet of the past hostilities. However, the transitional process from war to peace was not easy. Nevertheless, economic integration became the basis of political cooperation and ensured interconnection between European states. Nowadays, the EU represents political- economic union among 28 independent European states. Moreover, it has a mixture of intergovernmental and supranational systems of the decision-making (Hausman and Hausman 2013). However, liberal – democratic values became motion of the union, while foreign policy concerns for maintaining peace and stability around its vicinity. Interestingly, 67% of the EU's citizens perceives the EU's assistance toward its neighbourhood as a helpful factor for the European stability, while the rest of the people assumes that the closer relationship with neighbouring countries reduces the number of the illegal immigration (Haydar 2012).

Concerning on the South Caucasus region, the EU and Russia perceives each other as competitors than cooperators. Russia considers involvement in the post-Soviet space as a rightful action that will prevent the possible advantage of any other newcomers. Accordingly, after the Putin designation, Russia privileged to use hard power policy over the South Caucasus. Protracted conflicts around its neighbourhood are Russia's preference to maintain domination and control ongoing processes. In fact, the territorial proximity or historical remnants together with military, economic or political strength give leverage to preserve its interests in the region, while different kinds of the regional organisations led by Russia serve the same purpose. However, the EU is the forceful opponent, which is able to undermine Russia's leverage in the region (Dias 2013b). Hence, the EU's advantage in the region will be Russia's Geopolitical lose. Therefore, Russia supposes to enhance its attractiveness in Armenia, Georgia and Azerbaijan and use strategic corridor or the Caspian hydrocarbon potential. However, regional strategies as well as approaches of the Russia and the EU radically differs from each other. Russia's impetus is *realpolitik*. It assumes superiority in terms of the energy or nuclear weapon

and demonstrates whenever it is possible, also urges the Europeans to accept rules of the game (Nuriyev 2015). However, highly competitive reality and the mutually exclusive interests between two superpowers impedes the ways for negotiation. It is under the question who will win the competition and how it will reflect on the situation in the South Caucasus.

Despite prominent political differences between the EU and Russia, they have a tight relationship. Since 1991 with the launching of the TACIS program, the EU emerged Russia's largest economic and technical assistance provider. At the same time, the EU became the main trading partner for Russia. Meanwhile, 'Partnership for Cooperation Agreement' (PCA), reshaped the level of cooperation and promoted partnership in various spheres. However, the EU's support to the Russian civil society organisation was seen as a threat, which could undermine Russia's authority. The revolutionary waves already have reached near Russia's borders in Georgia and in Ukraine, which followed governmental changes. Hence, Russia saw the real threat of the Western 'soft' engagement into the post-Soviet space (Danks 2013, 96, 367, 435). Due to the EU's energy dependency on Russia, the region is seen as an alternative way for energy diversification, while the existence of the common sphere of interests rises importance of security concerns (Ditrych 2011). However, the most of the countries in the EU are dependent on the Russian energy resources. Russia possesses a monopoly on the Gas supply to the Europe. Especially the Central, East and the Southern Europe show almost 100% dependency on the Gazprom. Even Germany and France are increasingly dependent. Following years, it is suspected to increase the EU's overall consumption. Hence, Russia plans to fill the gap from Turkmenistan and Kazakhstan, which increases supply and make the EU much more dependent (Georgescu 2012).

3.3.1. The EU's Dependency on the Russian Energy Resources

As it was underlined before, the relationship between Russia and the EU have never been harmonious. Nevertheless, each other's market is the nearest and beneficial destination for the trade relations. Cooperation has founded according to the PCA, which aimed to ensure economic – political dialogue. The EU's interest regarding Russian energy sector admitted since 1960, which would be mutually favourable. Nowadays, Russia represents EU's the most important energy supplier. Hence, the Energy Charter is vitally important for further relationship, but Russia refuses to sign it. Russia considers Energy Charter as a threat, which can bring negative aspects to the country, because it mostly oriented on the benefit of the EU.

Despite mismanaging on the several issues, the Saint-Petersburg summit in 2003 ensured creation of the 'Common Space' regarding economic, environmental and external security spheres. During the Khan-Mansiysk summit started negotiation about the new agreement, which could aim to replace existing PAC and become the legal basis of their relationship. Due to inexistence of the common values and perspectives of their individual interests, the Moscow and the Brussels have failed to complete an agreement. Russia considers that the EU should use the document as a soft weapon in order to control Russia's behaviour. Hence, Russia will never agree to adopt the European political model and the order. However, after the gas supply disrupts from Russia to Ukraine, the EU started to find new partners that would be able to facilitate energy dependency on Russia. Competition on the energy market would also decrease gas price and avoid dependency on Russia's energy resources. In fact, EU-Russia trade became extremely politicalized, than economically motivated. Therefore, the EU has turned towards the Caspian region (in 2006 have signed with Azerbaijan the memorandum of understanding) in order to satisfy growing demand. Apart from this, the EU receives the important amount of energy resources from Norway, Algeria, Qatar and Nigeria. Except for Norway, supplier countries are not very stable energy providers. On the other hand, Russia aims to find new consumer in the Asia and decrease dependency on Europe. In 2008, the energy deal between China and Russia will enter into the force, but it will not completely replace the European consumer. Nevertheless, the EU member states have a different attitude toward Russia and many of them do not intend to jeopardise the relationship. At the same time, divergent national interests do not correspond the EU's settled frame of the relationship with Russia. In addition, dependency on the Russia's energy resources varies within countries and the EU lacks unity in this particular case. Example is Germany, which played an active role in building up the Russia's North Stream, that operates since 2011. On the other hand, Russia initiated the South Stream project, which designed to supply the Europe from the Black Sea to Austria. However, the South Stream was seen as a challenge of the Nabucco project. The EU's attempt of searching alternatives and initiating several energy projects, decreases significance of the Russia's the North and South Streams (Strimbovschi 2014). Thus, competition over the energy projects rises importance of the Caspian energy and the South Caucasus transit function.

Nevertheless, the Trans-Caspian pipeline between Azerbaijan and Turkmenistan can carry gas supply from Kazakhstan and Turkmenistan to the Central Europe. However, it remains unfinished due to the competing interest between the regional players. The Southern Corridor

(Southern Gas Corridor is seen as significant projects that aim to satisfy 20% of the EU's gas demand by 2020. Completion of TAP and TANAP will indeed benefit involved parties) will be after the Northern Corridor from Norway, Mediterranean Corridor from Africa, the Eastern corridor from Russia. However, diversification of energy supply will rise energy security, competition and reliability (Strimbovschi 2014).

As it was already underlined, the EU and Russia have a significant energy trade relation. Actually, EU largely depends on the Russia's energy resources. However, largest Russian energy company Gazprom provides 80% of Russia's natural gas and ensures gas supply to the EU. (Gas supplies to Europe, gazpromexport.ru).

Table 1. Gazprom's natural gas exports made to the EU countries outside the former Soviet Union (billion cubic meters)

Year	1995	2000	2005	2010	2015	2016
Total	117.4	130.3	154.3	138.6	158.6	178.3

Sources: (Gas supplies to Europe, gazpromexport.ru)

According to the table 1, since 1995 the exports made by the Gazprom were growing significantly. At the end of the year 2016, Gazprom's export to the EU, except former Soviet Union countries reached 178.3 billion cubic meters of gas supply. However, according to the same sources, in 2016 the Western European countries reached around 80% of the company's exports from Russia, but the Central European states accounted 20% (Gas supplies to Europe, gazpromexport.ru).

Table 2. The EU imports of the Petroleum Oils and Natural Gas from Russia in 2015 and 1st semester 2016

Energy products	2015 value (share %)	2016 value (share %)
Petroleum oils	28.6	32.6
Natural gas	38.5	38.9

Source: (EU imports of energy products...Eurostat).

According to the table 2, Russia remains the largest petroleum oil and natural gas supplier to the European Union. In 2016, Russia's share in the EU imports of petroleum oil reached at 32.6% (28.6 % in 2015), while the share of the natural gas in the 1st semester of 2016 reached 38.9% (38.5% in 2015) (EU imports of energy products...Eurostat).

However, the EU's demand on the gas and oil resources constantly grows. Actually, some countries in EU (Lithuania, Latvia, Estonia, Finland, Belarus, Bulgaria, Czech, Slovakia) are between 80% - 100% dependent on the Russia's energy resources especially in terms of the natural gas (Wile 2014).

3.3.2. Trade Relationships between the EU and Russia with the South Caucasus Countries

The subchapter highlights the importance of the trade relations between the South Caucasus countries with the EU and Russia. However, Table 3 demonstrates significant trade partnership between the EU and the South Caucasus countries.

Table 3. Total goods: Import/Export flows with the EU and the South Caucasus countries in 2015 (Mio EUR)

Year 2015	Georgia	Azerbaijan	Armenia
Imports	736	10,696	305
Exports	1,840	3,450	629
Total	2,576	14,146	934

Source: Prepared by the author on the basis of data provided in (European Union, Trade... European Commission)

According to the Table 3, the EU's trade relationship with Georgia, Azerbaijan and Armenia are significant. In 2015, the EU and Georgia's total export/import trade flow amounts 2,576 million euros, Azerbaijan- 14,146 and Armenia- 934. Thus, Azerbaijan and Georgia stand the first and second place in terms of the trade relationship, while Armenia is on the third place (European Union, Trade...European Commission).

Nevertheless, Russia is considered as the important trade partner of Georgia, Armenia and Azerbaijan. Especially, Russia is the largest trade partner for Armenia and Azerbaijan. In comparison to the presented table 3 with the table 4, the differences are conspicuous. Thus, Armenia is less dependent on the EU in terms of the trade, because economy largely depends on the Russia's export/import flows.

Table 4. Russia as an import/export trade partner of Georgia, Azerbaijan and Armenia (dollar) in the year of 2015

Year 2015	Georgia	Azerbaijan	Armenia
Export volume (\$) & (percentage)	159,440,353 (7.41%)	412,463,286 (3.65%)	225,870,677 (15.32%)
Import volume (\$) & (percentage)	515,754,718 (7.10%)	1,437,144,241 (15.66%)	991,144,368 (30.70%)

Source: Prepared by the author on the basis of data provided in (Trade Statistics...Globoledge).

As it is visible from the table 4, export volume between Russia – Georgia amounted 159,440,353 (7.41%), with Armenia- 225,870,677 (15.32%) and 412,463,286 (3.65%) with Azerbaijan, while import between Georgia-Russia amounts 515,754,718 (7.10%), with Azerbaijan- 1,437,144,241 (15.66%) and with Armenia- 991,144,368 (30.70%). Consequently, Armenia's dependency on Russia in terms of trade is stronger among three countries, while Georgia remains less dependent in comparison with Azerbaijan and Armenia. (Trade Statistics...Globoledge).

Despite the Russia' and the EU's economic role in the South Caucasus, there are significant economic connections between the regional countries. Georgia and Azerbaijan are

the closest allies, while Armenia has closed any kinds of connection with Azerbaijan. Several energy pipelines: The Baku-Supsa and Baku-Tbilisi-Ceyhan oil pipelines, Baku-Tbilisi-Erzurum gas pipeline and important Baku-Tbilisi-Kars railway project are situated between Georgia and Azerbaijan. Existing projects enhances energy security and improves the welfare. Besides, Azerbaijan is the main gas importer to Georgia, which facilitated energy dependency on Russia. The annual gas consumption in Georgia accounts 2.4 bcm. Around 800 mcm of the gas is supplied via Shah Deniz field, 1.4 bcm are provided by the SOCAR and Russia has the minor role with 200 mcm. However, since 2016 Azerbaijan's state company of the SOCAR has increased gas volume (463 mcm) to the Georgian consumers (Babayeva 2016).

Previously, since 1996 to 2003, Russian ITERA was the main gas provider to Georgia, but after Gazprom took natural gas sector from ITERA and started control over main gas pipelines. Georgian pro-western opposition was against Russian monopoly in Georgia's energy sector, which directly enabled Russia to use energy as a political weapon. Before 2008, Russian was selling gas to Georgia with the most expensive price in the CIS. The gradual change of price index significantly affected Georgia's economic condition. Thus, Georgia needed a reliable provider, which would be able to facilitate the Russia's monopoly. Therefore, since 2007 Georgia has formed the agreement with the SOCAR, which ensured 87% of gas supply. Nevertheless, the Gazprom still remained gas provider to the country. Another alternative for Georgia to diversify gas supply is Iran, which can ensure additional 300-500 mcm, but the agreement is not signed yet. Due to the inexistence of direct border between Iran and Georgia, the gas supply should be transferred via either Armenia or Azerbaijan, which will be costly. Hence, Azerbaijan-Georgia strategic partnership is the main bridge of regional development. The bilateral relationship between Azerbaijan as an energy abundant country and Georgia as an energy corridor would enable them to get the huge economic benefit (Gurbanov 2016).

3.4. The EU's Policies over the South Caucasus

The collapse of the Soviet Union gave birth of the nationalist and statehood claim among the post-Soviet countries. The difficult transition process was facilitated with help of the western powers.

After the independence of Georgia, Armenia and Azerbaijan, the EU immediately engaged into the South Caucasus region. A variety of the EU's projects and several aid

programs was demonstration of the strong will to take an active role in the region and assist those countries toward democratisation process (Kamarainen 2003). Spreading of the EU's norms, values and ideology were motivated to reinforce its security and stability around its neighbourhood. Moreover, the EU urged those states to harmonise their legal system and implement the EU's regulations (Dias 2013b). Obviously, this kind of tool of spreading influence is the EU's feature. Most of the times soft power policy has been the most appropriate and fruitful method than the use of hard power. Albeit it is a more long-term process, but the most beneficial. Despite the EU's effort to democratise Georgia, Armenia and Azerbaijan it could not reach an equal implementation of the European political orientation. Those countries have different approaches and the political realities. Among three South Caucasus states, only Georgia is a pro-European oriented, while Armenia has a pro-Russian hybrid regime and Azerbaijan keeps a balance (Aliyev 2016). Nevertheless, the EU's involvement in the region has brought many significant changes.

Since 1991, the EU established the formal relationship with the South Caucasus countries under the Partnership and Cooperation Agreements, which have been signed with Armenia, Azerbaijan and Georgia. The agreement ensured political dialogue among parties and promoted cooperation in various fields. Firstly, the PCA established precondition for further enhancement of the cooperation between the EU and South Caucasus countries. Secondly, it ensured EU's further engagement for reaching its final targets. At the same time, in 1991, the EU Commission launched TACIS program, which aimed to enhance democracy and economic promotion. It also rendered technical assistance and regional projects (Kamarainen 2003). However, the TACIS has covered 9 specific dimensions: energy, transport, development of private, agriculture sector, reinforcement of civil society, social sector, education, statistical reports and distribution of lands and property rights. Despite a huge effort, the TACIS have failed to achieve significant progress regarding democratic promotion or building up the civil society. Particularly in Azerbaijan, still face human rights violation and the systemic corruption. Due to the fact of rising consumption of the energy as an essential need, the EU have been interested in natural resources of the Caspian Sea and transit function of Georgia. Consequently, in 1996, INOGATE has launched and later in 2003, TRACECA project has started. The program, ensured assistance in the field of technology and covered the sector of aviation, railroad, and maritime transportation connection from the Central Asia to Europe. However, those projects will help the South Caucasus countries to realise energy and transit potential.

Moreover, it gives chance to them to reach the EU's and the world's market (Haydar 2012). Actually, serious attention from the EU was paid on the issue of energy, when Russia used energy leverage as a weapon of manipulation with Ukraine and Georgia. It was the clear signal to the rest of the European consumers, to what extent the Europe could feel independent. Thus, the EU's agenda radically has changed. Reinforcement of Russia –EU linkage regarding energy, no longer be an issue (Lussac 2010).

Indeed, major energy and transport projects initiated by the EU was motivated to avoid dependency on Russia. On the other hand, the best and soft way of influence over the Caucasus. Besides, the EU urged to prioritise European education among people. Accordingly, the European studies and languages became more attractive, the EU promoted training capacities and exchanging students, increased intercultural communication and financial sources to the people who were willing to study abroad. All those soft methods are the best way for spreading influence, while policy initiatives were seen by Russia as an anti-Russian propaganda, which could undermine the Russian influence.

Further, the EU established Special Representative, which aimed to implement policy objectives defined by Council of the EU. It concentrates on carrying out the political, economic reforms, government transparency, assist democratisation process and promote human rights development. Moreover, the Special Representative is obliged to encourage intra-regional cooperation between regional states on the issue of economy, transport and energy. Nevertheless, it designs to assist conflict resolution process and works closely together with the UN, the OSCE and the Council of Europe. The tangible result only made for Internally Displaced People, which received humanitarian aid. Besides, according to the decision of Commission, has built railroads, pipelines and promoted various reforms (Kamarainen 2003). Moreover, after the Russian-Georgian war (2008), the EU's direct involvement in the process of conflict resolution was crucially important. The EU has assigned Monitoring Mission and became co-chair of the Geneva International Discussions. Herewith, the ENP and the EaP have played crucial role for further regional development. (Jafarova 2011).

However, the introduction of the European Neighborhood Policy in 2003 was very advanced policy initiative, which ensured reasonable financial support to many sectors in Georgia, Armenia, and Azerbaijan. The ENP designed to eliminate the dividing lines between the EU members and its Eastern and Southern neighbours. Due to the security reasons, the initiative has huge importance in order to approximate the countries to the EU standards, as well

as strengthen security, stability and prosperity (European Neighborhood Policy, ec.europa.eu). Furthermore, the ENP aims to promote democratic institutions, good governance and fight against corruption, which is remnant from the Sevier Union. The contribution of the EU is huge, but the result is not equivalent to the spending. In comparison with the ENP, the EaP initiative broadened the EU's commitments. It emphasised on building up civil society by establishing Forum of the Civil Society, which facilitated dialogue and network among civil society organisations. It also ensured dual-track approach together with bilateral relations between the EU and its eastern neighbourhood (Aliyev 2016). Moreover, the EaP includes Association Agreement together with Deep and Comprehensive Free Trade Areas, which concluded with Georgia in 2014. In addition, the program includes political or economic integration together with visa liberalisation agreement, which is already accessible for the Georgian citizens. Overall, those agreements were intended to deepen economic integration and political cooperation process. On the other hand, recipient countries were responsible for making tangible reforms and implementing the EU's standard legislation. The EaP policy consists four main platforms: 1. Democracy, good governance and Stability, 2. Sustainable Economic Development, 3. Energy Security platform and 4. People-to-people contacts. Thus, the policy helps those countries to eliminate challenges regarding the rule of law, tackling corruption, reform public administration and ensure the independence of the judiciary branch. However, only in 2015, 146.7 million euros were spent for the regional programs. Besides, the EU has a different approach with Armenia and Azerbaijan due to their political orientations and other international commitments. (Eastern Partnership 2016, eeas.uropa.eu).

Moreover, in 2007, has introduced the Black Sea Synergy, which designed to boost regional economic and trade relationship between the Black Sea countries. However, the project has broader significance, while the existence of the conflicts hampers fulfilment of the EU's initiated programs. The unstable region is always fertile for terrorism, organised crime and different kinds of trafficking. Hence, within a small period of time the EU is not yet able to fully overcome existing challenges (Haydar 2012, 187-188).

On the one hand, Babayan (2015) accuses the EU's approach toward the South Caucasus region and considers "Simplistic uniformity"; while despite geographic proximity, all three countries are completely different in terms of economic, political or cultural realities. Despite many efforts, the EU still lacks involvement toward conflict resolution processes. On the other hand, Russia appears as a "Democracy Blocker", who aims to reshape the democratic evolution

and strongly resists the EU's effort toward democratisation. In fact, Russia has leverage in the area of energy, security and business (Babayan 2015). While existing conflicts undermines the EU's effort of promoting democracy and security in the region. It creates fertile conditions for terrorists, organised crime and various kinds of deviations. Moreover, the difficult socio-economic condition of those countries compels people to search better living condition into the EU border, mostly through the illegal way (Gahramanova 2014).

According to the Huseyn Aliyev's (2016) analyses, despite the EU's efforts toward building up civil society, it fails to perform defined agenda. Due to the fact that the EU lacks monitoring and enforcement mechanism. There is not proper evaluation system if money is properly spent or if assistance goes to the right organisation. Some of the NGO runs as a business and does not serve the real purpose. Obviously, despite the EU's effort, promotion of democracy only minor progress is noticeable. According to the Economist Intelligence Unit's Democracy Index (2016), Georgia democratic index is between 5.93, which makes in Hybrid regime classification, while Azerbaijan stands under an Authoritarian regime with 2.65 and the same result for Armenia with 3.88. Thus, Armenia and especially Azerbaijan did not show significant progress toward democratisation. Nevertheless, the EU continues finances. It means that the EU downplays its value-based policy (Boonstra 2013).

Despite the implemented policies, those states need broader support from the EU member countries, while some of them have failed to play an active role in the process of integration. When it comes to the issue toward the Caucasus, European countries does not share the common sense. The reason of polarisation might be the lack of clear vision or political agenda toward Armenia, Azerbaijan and Georgia. On the other hand, the Russia's offensive policy is the supportive factor to justify the EU's competitive involvement in the region. The competition is expressed by aiming to block each other's initiatives. Like the visa facilitation procedure was in the response of the EU's visa liberalisation policy. Moreover, Russia introduced Eurasian Economic Union in order to counter the EU's initiatives. It also has increased finances, business investments and the military arsenal near the borderline. However, it is under the question how long, the EU will endure Russia's pressure and if the EU will be strong enough to fulfil its desire. At the same time, hard to anticipate what kind of political changes will happen and what will be the region's final choice. However, competition between superpowers will not bring everlasting peace to the region (Nuriyev 2015). Nevertheless, the EU is the most active 'soft power' toward democracy promotion in the South Caucasus, but the

EU need much more effort to evaluate the strategy of the democracy promotion. Thus, the EU should set full conditionality for more effectiveness, credibility and tangible results (Vasilyan 2011).

3.5. Case Study: the Nabucco versus the South Stream Project

Presented case study about the Nabucco project versus the South Stream is one of the best examples, which demonstrates existing competition between Russia and the European Union. As it was discussed, the EU-Russian interest over the South Caucasus caused by the strategic function of the region. The both parties can use the region in order to satisfy own survival needs. However, the clash of strategic interests between two rivals are hard to equally satisfy.

The case study highlights the tools used by both powers in order to resist each other's initiatives. Moreover, the case reveals how the Russian factor hampers realisation of the economically beneficial project and overall development of the region. Lastly, a summary of the receiving results show us consequences that brought the EU-Russia competition.

3.5.1. Creation of the Nabucco

The first proposal of the Nabucco project was in 2002, but it was speeded up by the threat of Russian factor to use energy as political-economic leverage. In 2006 and 2009, Ukraine and Georgia have experienced the price of political resistance. The event revealed Russia that it was not a reliable partner for the Europe and was the time of searching new alternative. Hence, the Caspian Sea resources and the South Caucasus's transit route was a new possibility to overcome Russian gas import monopoly (Russia provides a quarter of the EU's needs), at the same time satisfy growing natural gas demand. Thus, the project was the top project among the EU's priority lists (Finon 2011). Nevertheless, the EU referred to the three most important factors that should be counted: Firstly, the supplier should be the reliable partner for the Europe and without relying on Russian intermediation. Secondly, the gas supply road should be secured and thirdly, production should be with the appropriate price (Dieckhöner 2012).

The Nabucco project should be the gas pipeline project connecting with the Caspian region, crossing the South Caucasus region to the Middle East and hence connecting to the

Europe. Project involved consortium of different transit countries and its companies: OMV (Austria), Bulgargaz (Bulgaria), Transgaz (Romania), MOL (Hungary), BOTAS (Turkey), RWE (Germany) and each partner should hold 16.7 % stake. The length of the pipeline route accounts 3,300 km, while pumping capacity of the pipeline amounts 31 bcm of natural gas per year. Moreover, the total cost of the project is 7.9 billion Euros. The pumping of the gas from Azerbaijan should be done through the connection of the Baku-Tbilisi-Erzurum, which should cross Georgia to Turkey in order to reach Austria as the final destination (Fernandez 2011). Hence, the main hub should be the South Caucasus, mainly Azerbaijan and Georgia.

3.5.2. The South Stream as a Russia's Rival Project against the Nabucco

Russia would attempt to weaken the Nabucco by initiating new rival the South Stream project. Actually, the South Stream is a purely political project, rather than calculated for economic benefit. However, underwater construction for accomplishing this project will be costly. Russia wants to maintain regional monopoly as a dominant gas supplier, which is able to absorb Caspian energy resources and resell to the Europe (Finon 2011).

The South Stream should be underwater pipeline via Bulgaria through the Black Sea and the final destination should be Austria. Natural gas pipeline capacity would be 63 bcm per year (Dieckhöner 2012). Nevertheless, construction of the South Stream was under the responsibility of Italian Company- National Hydrocarbon Authority (ENI) and Russian state-owned Energy Company of Gazprom. The project aimed to deter the EU's planned alternative initiative. However, Russia wants to use energy superpower ability and does not intend to lose the status over the 'Near Abroad' (Fernandez 2011). It can be admitted, that project is purely politically motivated than calculated on the economic profit. It intends to prevent the realisation of the Nabucco project, in order to make Europe dependent.

3.5.3. Case Study Analysis

It is the case, which demonstrates one issue among the other controversies between Russia and the EU over the South Caucasus.

Dominique Finon (2011) makes emphasis on the hard and soft power policies in terms of the energy issue and assesses the EU's dependency on the Russia's energy resources as a means of a political weapon. He argued that if the South Stream would be the main impediment

factor against the Nabucco construction, the EU has to build up to it anyway. Otherwise, the Europe will never have the better chance to diversify energy supply. At the same time, fail of the Nabucco project would be the EU's political loss and demonstration of the geopolitical powerlessness in foreign energy policy matter. Actually, the Nabucco project would be a cheaper project to realise than the South Stream as an underwater pipeline through the Black Sea (Finon 2011).

Geography matters for urging competition and cooperation on the energy business line. Hence, common border with Russia pushes Azerbaijan to consider the interest of the stronger northern neighbour. Nevertheless, it is inadvisable to fully cancel any connection between Azerbaijan and the EU, while it is incompatible to Russia. Furthermore, Azerbaijan is aware that Russia will decrease the chance of support to Azerbaijan on the issue of the Nagorno-Karabakh (Baev and Overland 2010). It should be admitted that, Russia many times attempted to entice Azerbaijan by purchasing its natural gas with expensive price. Moreover, tried to convince Azerbaijan that Russia was the most appropriate, convenient partner than the Europe could be. Existing circumstances pushed Azerbaijan to make some compromise between Russia and the EU. Thus, Azerbaijan offered an alternative project Trans Adriatic Pipeline (TAP), which should be more beneficial for Azerbaijan than the realisation of the expensive Nabucco project. The TAP project starts from Baku- Shah Deniz II gas field, passes Georgia to Turkey via the Trans-Anatolian Pipeline and continues with the Trans Adriatic Pipeline, which connects Italy, via Greece and Albania through the Adriatic Sea. The ability of the pipeline amounts 16 bcm, which will launch in 2019 (Thomas 2013).

Strategically, the TAP is the less irritative project for Russia than the Nabucco. Firstly, the Nabucco aimed to involve the central and east European countries, which are the most dependent on the Russia's energy resources; especially it would be alleviation for Bulgaria, Rumania and Hungary. (It could reach Poland and Slovakia as well). Realisation of the project would be a huge catastrophe for Russia, which directly would decline the role and power of the central and eastern European countries. While the TAP has a different trajectory toward the Europe's southern market: Greece, Albania and Italy (Dempsay 2013). However, Greece and Italy have already diversified natural gas resources, due to the operational liquefied natural gas imports (Thomas 2013).

Hence, can conclude that, diversification of the energy resources with the Nabucco project would be strategically profitable for both- political and economic means. It can be said

that, the war between Russia-Georgia in 2008 and cropping annexation of Georgian territories, together with recent waves of provocations on the Nagorno-Karabakh, would serve the best for the Russia's interest. At the same time, existing circumstances helps Russia to kindle the conflict and undermine the EU's effort in doing business over the South Caucasus. Russia is motivated to show to the Europe existing instability that threatens the security of supply and stop the EU's effort to carry out energy projects.

According to the Judy Dempsey (2013), Russia would never really intended to construct the Southern Stream, while it was trump to convince investors to question the necessity of the similar pipeline projects.

In conclusion, the establishment of the rival South Stream project was motivated due to the number of the reasons. Firstly, the Nabucco would aim to threaten Gazprom's monopoly in the European market. In fact, around 80% of Russian gas exports goes to the Europe, while the South Stream would be an additional source with the ability to import twice more than the Nabucco was capable and satisfy total demand (Dieckhöner 2012). Apart from this, the EU's energy dependency makes Russia stronger in economic or political terms, because it would be able to use energy as a weapon of manipulation. Secondly, the realisation of the Nabucco, would make Azerbaijan the most important, reliable partner to the EU. Moreover, Georgia would acquire signifies due to the ability to perform transit fiction. Hence, political- economic connection of both states to the EU probably would accelerate integration process and finally undermine Russia's interest over the Near Abroad. However, Russia would lose its significance for the EU as the main energy provider. Thirdly, despite political lapse and loss of status as a regional power, it would be economically disadvantageous as well. The final failure of the Nabucco project was Russia's strategic success. Nevertheless, the South Stream project failed to realise as well.

Despite the failure of the Nabucco project, Azerbaijan and Georgia remained among the important players through the TAP project. Thus, Georgia and Azerbaijan will acquire strategic significance for the EU and will get the solid economic benefit as well. Russia could not fully achieve the aim and could not make Azerbaijan willing to abjure connection in the European market. Neither achieved degradation of Georgia's geostrategic status.

3.6. Regional Security Prospects and the Ways to Deal with Existing Security Dilemmas

Realisation of the region's potential is strongly linked to the existing security dilemmas. There are various ways to improve the existing situation. Firstly, the regional states should enhance cooperation and find the ways for mutual benefit. For that, public diplomacy and inter-societal, inter-regional interactions should help to manage effective inter-state cooperation. There should be done cultural, educational exchanges among people, between regional countries. Thus, the new generation may overcome existing hostilities and make the case solved. They should allow the mediators to successfully mediate and resolve endless wars over the Nagorno-Karabakh, Abkhazia and the South Ossetia. Secondly, civil society and the Media should play an active role to promote dialogue between societies and enhance people's awareness regarding the common problem. However, should be admitted the Russian factor, which inhibits the effort of any positive cooperation. Armenia or breakaway republics are under the Russian patronage and most of the sectors highly depend on the Russia's control. Hence, Russia will resist any effort toward improvement of the relationship between Armenia-Azerbaijan or between Georgia-Abkhazia or the South Ossetia. The fragmented region, then united regional countries are much easier for Russia to control. Besides, in governmental level, Russia is able to make influence or entice any government. Nevertheless, public opinion matters on the behaviour of the central government. It means that, the strong wish of unity between people and the attempt of overcoming the existing gap may facilitate cooperation at the governmental level. Unfortunately, two closed borders between Armenia and Azerbaijan and propaganda against each other do not allow people to make proper connections. Likewise, inter-society level communication between Georgia and the de facto republics are needed. Georgia should promote socio-economic development and attract de facto republics. Moreover, public diplomacy among people will decrease tension and bring positive atmosphere for changes. Nevertheless, the dependency of Abkhazia or the South Ossetia on the Russian Federation and anti-Georgian propaganda may make all efforts unavailable. Thirdly, involvement from the west is survival important, then it was manifested before. The Euro-Atlantic trajectory is the way out from the current situation that will secure the region and promote the realisation of the region's potential. Despite the EU's effort, Russia still maintains dominant position in the region, due to the historical or geographic ties and economic-energy leverages.

However, those states have only limited choices, because the prospective future largely depends on the great international players. History shows brutal consequences of the Russia's dominating over the South Caucasus, which brought only devastation and dispersion. Russia needs the region for its own sake. Therefore, Russia's expansionist nature will not bring development to those states. In contrary, the EU's soft power will be much beneficial for the region, which will help to realise region's potential. Hence, the pro-European angle will bring huge benefit to Georgia, Armenia and Azerbaijan. However, only their political will does not define future perspectives, while northern neighbour does not allow them to pursue the own path. Actually, it might be achieved with three ways. Firstly, if the Russian government change, which will have the different ideology than Russia's predecessors. Secondly, if Russia economically degrades (as the Soviet Union) and will lose the force of controlling entire region. Thirdly, if the western powers will engage more actively and pursue strong resistance. Otherwise, the future of the region will stay under the question. However, it is up to justification, which one among three options seem more realistic.

CONCLUSIONS

The thesis examined the reasons of a clash of strategic interests between Russia and the European Union over the South Caucasus. The main objective of the study was to examine significance of the region and define the key motives of their engagement. Thus, to indicate where the geostrategic interests of the EU and Russia cross each other. Attention was paid to the issue of finding the main differences among approaches and policymaking issues between each regional players. At the same time to stress how the security dilemma matters.

The topic with help of the qualitative research method of data analysis, together with comparative case study have answered to the presented research questions. Furthermore, the research was analysed through international relations theory of the Neorealism, which properly suits the issue. The key concept of the theory based on the power politics as the only means for the states to feel secure. Hence, can be conclude that the security dilemma is the main factor of competition between the EU and Russia. Therefore, they try to balance each other's initiatives and do not cede regional influence. Nevertheless, three regional states have different approaches and political orientations. On the one hand, Armenia together with breakaway regions prefers to be a bandwagon of Russia, while Georgia has the pro-European political course and Azerbaijan attempts to keep balance.

However, the geostrategic location of the region gives abilities to perform important trade and transit function across the Central Asia, the Middle East and the Europe. Azerbaijan as the important regional power is abundant of the natural resources, while the Black Sea littoral state Georgia can play unique transit role and attracts international players. However, political priorities and interests between the Russia and the EU are significantly different, which affects their behaviour in the region. Actually, their political realm and initiatives over the South Caucasus contradicts with each other. The case study over the Nabucco versus the South Stream projects have demonstrated political- economic rivalry between the EU and Russia over the energy projects in the South Caucasus, at the same time underlined importance of the region for both powers.

Russia's historical influence over the South Caucasus counts more than two hundred years, which did not bring positive changes to the regional countries. The phase of direct domination over the South Caucasus countries has finished after the fall of the Soviet Empire, but it did not guarantee elimination of the Russia's interests in the post-Soviet sphere. The Soviet legacy and geostrategic significance of the region does not allow Russia to cede its

regional domination to the EU. As a result, Russia uses all possible tools, even the frozen conflicts to stop the region's Euro-Atlantic integration. Moreover, hard power policy is a supportive mechanism for maintaining its status.

The end of the Second World War motivated whole Europe to change its security dimensions. Soon after the creation of the EU, it set the goal to enlarge toward its neighbourhood, use soft power policy and spread the influence. The EU looks the region as an important option for the Russia's energy diversification. Energy dependency alleviation decreases the chance of manipulation, which Ukraine and Georgia have already experienced.

However, history of the EU's effort for spreading influence over the South Caucasus starts from 1991. The EU launched several important programs (ENP and EaP) that were a guarantee for strengthening its position. Accordingly, those states have prospective chance of receiving broader benefits regarding political-economic relations: Deep and Comprehensive free trade Agreement and Visa Liberalisation options. However, the EU assisted towards promoting the rule of law, good governance and the civil society. In spite of the EU's soft policy methods, not all the Caucasus states are willing to establish a broader relation with the EU. Like Armenia, which preferred membership of the Russian lead Eurasian Economic Union and refused to sign Association Agreement. Actually, Armenia is the bandwagon of the Russian Federation and powerless to resist Russia's will. Armenia's security and all economic sectors are under the Russian control. However, Armenia does not have any alternative option, because it is deadlocked between two 'enemies': Turkey and Azerbaijan. Thus, existing circumstances deprives ability of choices.

Contrary to Armenia, Azerbaijan maintains a balance between Russia and the EU. It attempts to keep equal relations with both parties. Besides, Azerbaijan is not willing to irritate stronger the northern neighbour, neither lose the EU as the stable and beneficial partner.

When it comes to the issue about Georgia, it is the only country in the South Caucasus region, which has strong position toward the Euro-Atlantic integration. Recent years, Georgia have received a number of benefits defined by Association Agreement and have gained visa liberalisation approval from the European Parliament. Foremost, it is the EU's success, which assisted and approximated the state system to the European standards.

However, the EU's engagement in the region is seen as a threat to the Russian Federation, which portends the loss of influence over the post-Soviet space and loss of status as the great regional power. Therefore, Russia created Eurasian Economic Union in order to

balance the EU's forces in the region and to have a mechanism of regional control. Nevertheless, all planned energy projects bypass of Russia are huge economic and political loss. Herewith, losing status as the main regional power and the main energy provider to the Europe will be Russia's huge political-economic failure.

Thus, Russia's hard power is used in order to defend its historical legacy over the South Caucasus and reaffirm its own status. The method is convenient to prevent the EU's soft power domination. Herewith, frozen conflicts are the best means to impede the realisation of the energy projects and stops Georgia's integration into the NATO. However, Russia will never admit the NATO's troops near its border. Recognition of the de-facto republics and installation of the Russian troops near the borderline demonstrates Russia's ambition for the regional decision-making power. Russia kindles separatism in the Abkhazia and the South Ossetia by forming several agreements that admit Russia's patronage. Thus, all Russian attempt is aiming to weaken the region rather than strengthen it. Therefore, following on the EU's initiatives will bring better results for the region.

In conclusion, the research has demonstrated many examples of the EU-Russia competition and collision over the space of external security dimension. It is obvious to determine how the security dilemma plays a decisive role. On the one hand, Russia wants to strengthen its position and maintain itself secure, while the EU attempts to satisfy energy needs and secure its neighbourhood. The way for domination lays imposition of the political initiatives, strategies and the different tools of persuasion. Consequently, both powers are very influential. Nevertheless, Russia in comparison to the EU possesses advantage, due to the existence of the historical tie, proximity and energy leverage. Existence of the common interests, which touches upon the South Caucasus energy transit function, makes the EU and Russia irreconcilable. At the same time, status-seeking approach impedes region's future development.

Recommendation for Further Research

In conclusion, the thesis has answered the important research questions. The paper concentrated on the importance of the region's transit function, which can bring huge economic benefit to the regional countries. Attention was paid to the issue of the energy resources that the Azerbaijan possess and the EU's effort to diversify energy transit route in order to avoid

dependency on the Russian Federation. On the other side, Russia aims to get rid of the EU in its sphere of influence and uses the existing frozen conflicts as the best tool for stopping the Euro-Atlantic integration. Moreover, make Armenia, Azerbaijan and Georgia dependent and maintain regional domination.

Through the history, Russia has been more influential in the region, but it only brought negative aspects. However, since 1991, the EU broadly engaged in the region and started policy initiatives that brought significant changes to the regional countries and positively reflected on the socio-economic situation. Hence, the EU's domination in the region should help Armenia, Azerbaijan and Georgia to realise existing potentials. Nevertheless, it is difficult to anticipate what consequences can bring the Russia-EU competition for the region.

Further research should be done with a combination of the qualitative and quantitative research methods that would enhance the abilities of proper justification of the issue. Due to the specificity of the topic, it involves the interests of the various regional players and many critical conflicts that need much deeper exploration. Further research should be made on the issue of public opinion among the three South Caucasus states, especially in the conflicting regions. It has crucial importance to explore the people's awareness of the problem and understanding of the real perceptions regarding the current situation. Independently from the government's opinion, the topic necessitates an understanding of the people's approach. It is interesting how they perceive the influence of the both players over the South Caucasus and which one should be favourable for the region's future development. It should be done through the ways of surveys or with focus groups that will help to answer further research questions. In addition, attention should be paid to the issue of the existing frozen conflicts in order to find precise ways for the conflict de-escalation and prevention. The focal point is the negative and positive roles of the great powers that they played in the process of negotiation and the conflict management. Besides, it is important to find out efforts, which have been disregarded by the parties in the negotiation process, in order to overcome shortcomings of the future conflict settlement process. However, it will be very interesting to make analysis related to the future threats that may cause the appearance of the new regional player. Nevertheless, it is difficult to predict future of the region, because the fate of the regional countries depends on the willingness of the great powers.

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