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Editors

Dr. Hanna Shelest
Dr. Mykola Kapitonenko

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Contacts:

website: <http://ukraine-analytica.org/>
e-mail: Ukraine_analytica@ukr.net
Facebook: <https://www.facebook.com/ukraineanalytica>
Twitter: https://twitter.com/UA_Analytica

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FOREIGN POLICY IN SOUTH CAUCASUS: IS UKRAINE IN THE GAME?

Dr Olena Snigyr

*Center for International Studies,
Hennadii Udovenko Diplomatic Academy of Ukraine
under the Ministry of Foreign Affairs of Ukraine*

The role of the South Caucasus in Ukrainian foreign policy is growing. The new regional and global positioning of Azerbaijan and Georgia, as well as a new political reality in Ukraine countering the Russian aggression, have encouraged Baku, Tbilisi, and Kyiv towards mutual rapprochement in recent years. Another reason for the South Caucasus to become one of the priority dimensions for Ukrainian foreign policy is Ukraine's interest in new international markets and its inclusion in the system of global trade routes. The aim of this article is to give a complex assessment of the current foreign policy agenda of Azerbaijan, Georgia, and Armenia for a more effective elaboration of the Ukrainian foreign policy in the region.

The South Caucasus region can be taken as a test for efficiency of the Ukrainian foreign policy strategy. Friendliness towards Ukraine of Georgia and Azerbaijan, restrained Armenia, connections with Central Asian states – all these conditions could have been used by Ukrainian diplomacy. However, strategic cooperation has often been confined to political declarations.

The South Caucasus still stands as a promising and important direction for Ukrainian foreign policy considering the Ukrainian needs of new markets and incorporation in a system of international trade routes. The results of the Russian aggression against Ukraine include, inter alia, the loss of a substantial part of trade transit connections that are passing through Russia. In these conditions, the South Caucasus trade route has become more attractive for global actors. During the last 4-5 years, Georgia and Azerbaijan have managed to initiate and

implement a number of projects, which in the nearest future (around 2020-2022) will transform the region into a hub of trade and energy transit along the South-West and the North-South international routes.

Economic Cooperation as a Factor of Regional Connectivity and Political Influence

The states of the South Caucasus region consider their inclusion in global trade routes not only as an incentive for economic development but also as a factor in strengthening their own security. Through the development of large-scale projects, Georgia and Azerbaijan have created a system of strategic partnerships and interdependence with neighbouring countries (Turkey, Russia, and Iran) and are generating more interest in the stability of the region on the part of global actors – the USA, China, and the EU.

The transit routes of the South-West and the North-South transport corridors, which connect Europe and Asia, pass through the South Caucasus. The active policy of Georgia and Azerbaijan in infrastructure development encourages the international community to consider the territories of these countries as part of a large land route – a more rapid supplement to the maritime trade route through the Suez Canal. Turkey, Russia, and especially Iran are also very interested in the development of transit routes through the South Caucasus. Azerbaijan is a key transit country in the South Caucasus region, whose good relations with Russia, Iran, Turkey, and Georgia allowed it to become a logistics and communication centre for cooperation in the South Caucasus. For Iran, despite its common border with Turkey, Azerbaijan is today an especially promising transit route, which may contribute to the development of Iran's transit potential.



The South Caucasus region can be taken as a test for efficiency of the Ukrainian foreign policy strategy

Rail transport has the main role in this sphere. The Baku–Tbilisi–Kars (BTK; Azerbaijan–Georgia–Turkey) railway is a promising route as part of the Trans-Caspian International Transport Route (TITR) in the South-West corridor. Development of the transit potential is being considered by the countries of the region as the instrument of attraction of investments and stimulation of economic growth. Thus Georgia has been implementing three large-scale internal projects within its South-West route – the deep-water port in Anaklia, rail transport (part of the BTK railway), and the East-West motorway. In order to coordinate transit policy, Azerbaijan, Georgia, and Kazakhstan

established the International Trans-Caspian Transport Consortium in 2016. Ukraine and Moldova joined the Coordination Committee of the Consortium as well.

Within the North-South corridor, Astarasht–Qazvin (Azerbaijan–Iran) railway is a promising route. It will connect transport routes among Iran, Azerbaijan, and Russia. The communication between Iran and Azerbaijan has been in operation since April 2018. Iran has serious intentions to become the main transit route between the Indian Ocean and Europe. Thus, in March 2018, Turkey, Georgia, Azerbaijan, and Iran signed an agreement on the establishment of a transport corridor between the Indian Ocean and Europe. Tehran's main stated objective is to redirect, at least partially, transportation flows from the Persian Gulf to the land route through Iran.

Armenia finds itself isolated from the implementation of international infrastructure projects in the region. This is mostly due to the intentional policy of Azerbaijan, which insists in its relations with its partners in the region (especially with Turkey) that they should only allow the involvement of Armenia in any projects on condition that Armenia yields in resolving the Nagorno-Karabakh conflict.

Armenia's isolation is further deepened by Russia's de facto monopoly in the energy and transport sectors of Armenia and by a lack of interest on Russia's part in the development of alternative projects and the diversification of Yerevan's opportunities.

The Russian-Georgian conflict is another factor in Armenia's isolation. The railway connection between Georgia and Russia through the occupied territory of Abkhazia was cut off, and Tbilisi refuses to resume it. This not only deprives Yerevan of a direct connection to Russia but also significantly weakens the prospects for the development of Armenia's rail connections to Iran.

Since 2008, the Armenian railway is in a 30-year concession to the Russian South Caucasus railway. Today, Armenia possesses only one rail connection to Georgia. Armenia is very interested in two projects that could break this isolation: resumption of a direct connection to Russia through Georgia and Abkhazia, and the construction of the Yerevan–Tabriz (Armenia–Iran) railway as part of the Southern Armenian railway. However, both projects have uncertain prospects. Georgia blocks the first project despite pressure from Russia. The second project receives political support from Iran and Russia, and Moscow has even declared its readiness to partly finance the construction of the railway. Nevertheless, the lack of progress in the implementation of the Yerevan–Tabriz railway since 2008 (when the agreement between Armenia and Iran was signed) indicates that this route is now of minor interest for Iran and Russia. Moreover, there is an alternative route through Azerbaijan, which is already in operation. It is likely that in case of a change in Georgia’s attitude and the resumption of a direct rail connection between Armenia and Russia, the prospects of the Yerevan–Tabriz project will be substantially improved.

The South Caucasus is also important because of its energy projects. Azerbaijan, which not only is an exporter of fossil fuels but also seeks to strengthen its role as a transit country for energy resources, plays a very important role. Azerbaijan’s economy heavily depends on oil exports, which provides the bulk of Azerbaijan’s export revenues. Given the tendency of the reduction of oil reserves in explored

deposits, Baku is actively developing natural gas production.

Energy transit routes in the South Caucasus pass through the territories of Azerbaijan and Georgia, as do transport routes.¹ Given the decline in its own oil production, Azerbaijan is interested in establishing energy exports from Central Asian states to Turkey and to Europe through its own pipelines. However, Azerbaijani gas, even at its maximum explored production, does not provide sufficient quantity to fill the maximum capacities of the Southern Gas Corridor (in the long run – 32 billion m³). Accordingly, the EU is politically interested in actively promoting the connection of the Central Asian states (first of all – Turkmenistan) to the Southern Gas Corridor. To achieve this, the construction of the Trans-Caspian Gas Pipeline (from Turkmenistan to Azerbaijan under the Caspian Sea) is needed. It is clear that Russia is the main opponent to the project, and that Iran expresses some reservations. However, at the fourth meeting of the Southern Gas Corridor advisory council, it was stated that Turkmen and Iranian gas could be transported through the Trans-Caspian Gas Pipeline to Europe²; that is why Iran’s position may possibly change.

The signing on 12 August 2018 of the *Convention on the Legal Status of the Caspian Sea* and German Chancellor Angela Merkel’s visit to the South Caucasus, during which she negotiated with the leaders of Georgia and Azerbaijan, inter alia, on energy issues³, strengthened confidence that the Trans-Caspian Gas Pipeline will become a reality. An indication of the EU’s steady interest

- 1 Export routes for oil: Baku–Novorossiysk (since 1996), Baku–Supsa (since 1999), and the main one – Baku–Tbilisi–Ceyhan (BTC; since 2006). The Southern Gas Corridor, through which Central Asian gas will be supplied to Europe, now consists of three branches – the South Caucasus Pipeline (the Baku–Tbilisi–Erzurum Pipeline), TANAP (Trans-Anatolian Pipeline), and the future TAP (Trans Adriatic Pipeline).
- 2 *Sefcovic: EU Ready to Mull Possibility of Connecting Iran to SGC*, “AZNews.az”, 16 February 2018 [https://www.azernews.az/oil_and_gas/127308.html access: 28 August 2018].
- 3 G. Chazan, *Merkel Backs Efforts to Find Alternatives to Russian Gas*, “Financial Times”, 21 August 2018 [<https://www.ft.com/content/f1e8c7c2-a524-11e8-8ecf-a7ae1beff35b> access: 28 August 2018].

and persistence is that the latest agreement between the European Commission and Georgia on joint financing of commercial engineering of the project was signed in June 2018.

Armenia remains outside of the above-mentioned energy projects. In the energy realm, Yerevan's only partners are Russia and Iran. Armenia cooperates with Iran in offsetting mode – it supplies electricity to Iran, which is produced from gas supplied from Iran to Armenia. However, even such a mutual interest is not productive until the respective decision is made in Moscow.

Challenges and Obstacles for the Regional Cooperation

Despite big infrastructural projects and their growing role in global trade, the countries of the South Caucasus do not enjoy the full potential of regional cooperation due to the old challenges. The conflicts and territorial disputes in the region are of major importance for the foreign policy agenda in the South Caucasus.



In the South Caucasus, two security alliances are clearly visible – Russian-Armenian and Azerbaijani-Turkish

The Nagorno-Karabakh conflict between Azerbaijan and Armenia has a decisive influence on the region. The conflict is especially harmful and damaging for Armenia. It weakens Armenian positions in numerous dimensions: In internal politics, it is a sensitive issue for the society and a possible trigger for political crises; in foreign policy, it results in the political and economic isolation of Armenia in the region; its indirect consequence with regard to economics is the Russian control over the Armenian economy.

Azerbaijan is also not happy with the Nagorno-Karabakh conflict. Unlike Yerevan though, Baku possesses enough resources, internal stability and resilience (due to strong authoritarian institutions), and external support (due to its alliance with Turkey). All these factors enable Azerbaijan to pursue a quite assertive conflict resolution policy (not excluding use of force) and to develop close cooperation with Russia with two aims: 1) to influence Moscow's policy on the status of Nagorno-Karabakh; 2) to decrease Russia's interest in regional projects that may strengthen the Armenian position in the region.

Possibilities for change in the status quo of the Nagorno-Karabakh conflict and opportunities for its resolution can appear if there are shifts in the balance of power in the region. That would contain a high risk of war escalation.

Another conflict in the South Caucasus region – the Russia-Georgia one – cannot be resolved by military means. Hence, Georgia insists on a peaceful resolution based on the principles of international law with the active involvement of the international community.

Russia can hardly influence Georgian foreign and security policy through the occupied territories, unless Russia chooses the means of provocation aimed at another full-fledged military escalation. That would put the security of the whole region in danger. Therefore, Georgia considers the possibility of such an escalation as the main threat for its national and for regional security.

Tbilisi tries to use all possibilities for deepening its cooperation with the EU and NATO and considers integration into these structures as a prime strategic goal and a way to the restoration of Georgian territorial integrity.

In the South Caucasus, two security alliances are clearly visible – Russian-Armenian and Azerbaijani-Turkish. Now Georgia

is actively working to join the latter. In 2010, Azerbaijan and Turkey signed the *Agreement on Strategic Partnership and Mutual Support*, which provides, inter alia, mutual assistance in the event of aggression by third countries⁴. Azerbaijan's proactive regional policy and its successful cooperation with Georgia and Turkey in infrastructure projects contributed to the development of the tripartite alliance among Baku, Tbilisi, and Ankara in 2014, based on Azerbaijani-Turkish security cooperation. The tripartite security cooperation today is developing based on the common economic interests of protecting transport and energy infrastructure. For now, the trilateral security alliance of Georgia, Turkey, and Azerbaijan is developing in the form of political ministerial consultations and annual joint military exercises.

The Russian-Armenian military and economic alliance is arranged in the form of bilateral agreements and multilateral security and economic projects. Armenia is a military ally of Russia and a member of the Collective Security Treaty Organization (CSTO). The Armenian air defence is a part of the Joint CIS Air Defence System. The Russian 102nd Military Base is deployed on the territory of Armenia (in Gyumri). Russian border guards together with Armenian guards keep watch over the Armenian borders with Turkey and Iran. Since 2016, the Armed Forces of Armenia and the Russian 102nd Military Base are part of the Joint Group of Armed Forces of the Russian Federation and the Republic of Armenia. At the same time, Yerevan does not have enough confidence in the guarantees of military solidarity on the part of its CSTO allies, which is enshrined in the National

Security Strategy of Armenia. In addition, Armenia expresses constant concerns about the supply of weapons and spare parts from Russia and Belarus to Azerbaijan.

While significantly restricted in foreign policy activities, Yerevan is looking for additional opportunities to manoeuvre around Russian policy and it uses all the available instruments, including the influential Armenian diaspora. Iran is a valuable partner for Armenia regarding Armenia's partial regional blockade. Therefore, Yerevan considers the sanctions regime against Iran as a foreign policy threat to Armenia. As Armenia has signed the Comprehensive and Enhanced Partnership Agreement with the EU in 2017, its role as a mediator between Iran and the EU regarding the sanctions question may be an incentive for Armenian-Iranian cooperation. According to the recent expert assessment⁵ of Armenia's foreign policy's "window of opportunities", cooperation with the Middle Eastern countries, the countries of the Persian Gulf, and Egypt is considered a promising direction, which would not contradict Armenia's pro-Russian orientation.

Despite the resonance evoked by the recent domestic political changes in Armenia and actions of the government of Nikol Pashinyan, it would be hasty and mistaken to consider them as signs of a change in the foreign policy course of Armenia in the mid-term. Today's pro-government forces in Yerevan need Moscow's neutrality and the inviolability of Russian security guarantees at minimum, if not also Moscow's active support. Therefore, in the near future, we should not expect any major changes in Armenia's foreign policy.

4 *Azərbaycan Respublikası və Türkiyə Respublikası arasında strateji tərəfdaşlıq və qarşılıqlı yardım haqqında (Treaty on Strategic Partnership and Mutual Assistance between the Republic of Azerbaijan and the Republic of Turkey)*, "e-Qanun.az", 21 December 2010 [<http://www.e-qanun.az/framework/21158> access: 13 July 2018].

5 S. Melkonyan, *Новая Армения: новая внешняя политика на Ближнем Востоке (New Armenia: New Foreign Policy in the Middle East)*, "Mediamax.am", 10 May 2018 [<https://mediamax.am/ru/column/12847/> access: 10 August 2018].

While relations between Georgia and Russia remain in the current state of cold hostility, and Russia's relations with Armenia are based on a full dependency, the relations between Russia and Azerbaijan present an example of skilful manoeuvring, cooperation, and interdependence. Baku manages to maintain active cooperation with Russia in the strategically important areas of defence, energy, and infrastructure, while simultaneously avoiding involvement in Russian-controlled organizations – the CSTO and the Eurasian Union. However, mentions of the possibility of Azerbaijan joining the CSTO or at least becoming an observer have become more frequent in both Russian and Azerbaijani media. Obviously, gaining political control over Baku has always been a priority and this goal has transformed into the main aim of Russian foreign policy in the South Caucasus for now. Control over Baku would enable Moscow to control the critical trade and energy routes that pass through Azerbaijan, which are a matter of interest in Asian countries as well as in Turkey and the EU.



Ukraine's activity is focused mainly on the relations with Georgia and has modest impact on the relations with Armenia and Azerbaijan

Therefore, Moscow uses all available means of “soft power” toward Azerbaijan, aimed at both the present and long-term prospects. The main Russian tools to influence Azerbaijani authorities are: 1) the Russian role in the Nagorno-Karabakh conflict; 2) blackmail, considering the presence of the Azerbaijani diaspora in Russia; 3) the possibility of Russia imposing restrictions the importation of Azerbaijani agricultural products and/or on Russian exports of weapons to Azerbaijan.

Ukrainian Perspective

Although the South Caucasus is becoming more important for the world politics and attracts more attention of global players, it still stays quite a comfortable direction for Ukrainian foreign policy activity. Nevertheless, Ukraine's activity is focused mainly on the relations with Georgia and has modest impact on the relations with Armenia and Azerbaijan. This is partly due to Kyiv's passive position but mainly due to the settled strategic partnerships of Azerbaijan and Armenia with third powers. Thus, Ukraine's policy towards the South Caucasus shows less initiative and is avoiding thorny issues of regional political processes.

The Ukrainian South Caucasus foreign policy is mostly active in the sphere of supporting each other in the international tracks where there is full coincidence of interests. Today it is demonstrated with high-level Ukraine-Georgia relations, which is based on having a common enemy and common aspirations of European and Euro-Atlantic integration. Georgia considers Ukraine as an indispensable security partner. The practical results of the security partnership between the two countries are mutual political and diplomatic support in European and international institutions and organizations, synchronization of positions on the most sensitive issues, security cooperation within the frames of NATO, and interparliamentary cooperation.

Azerbaijan's and Georgia's interest in Ukraine is conceptually similar – both states want to have Ukraine as a strong ally that would be able to promote their European policy. Both countries are interested in strengthening the regional role of Ukraine to balance Russia's role and influence in the Black Sea region. Therefore, the interest and activity of Azerbaijan and Georgia with regard to Ukraine depends on the weight of Ukraine as a regional actor and on the

success of its foreign policy in the European and global dimensions.

Both Azerbaijan and Georgia point out the significance of the development of GUAM, as it unites the efforts and views of participating states on resolving territorial conflicts and in the fight against “aggressive separatism”⁶. For Baku and Tbilisi, GUAM has some significance also from the point of view of the development of transport and energy corridors and as a space for democratic and economic development.

Azerbaijan and Georgia support Ukraine in light of the Russian aggression against Ukraine and the Russian occupation of Ukrainian territories. At the same time, the policies of Baku and Tbilisi differ: While Georgia firmly supports Ukraine against Russian aggression in the international arena, Azerbaijan seeks to maintain a well-balanced approach and to avoid irritating Russia. Having had a part of its territory occupied, which is a similar problem to that of Ukraine, Azerbaijan adopted the policy of non-interference in the domestic affairs of states and adheres to inter-state relations that deny external interference as its key foreign policy principle. That is why, on the one hand, Baku supports resolutions on the territorial integrity of Ukraine (e.g. the UN GA Resolution in March 2014), and, on the other hand, Azerbaijan’s interest in closer cooperation with Moscow corresponds to the logic of voting in favour of pro-Russian positions in the OSCE and PACE (e.g. voting in PACE for the return of the Russian delegation in January 2015).

Georgia and Azerbaijan are interested in increasing the number of participants/users of the transport and energy infrastructure passing through their territory. Therefore,

they will fully support Ukraine’s interest in joining the One Belt One Road Initiative, expanding trade ties with Central Asia and the Asian region in general, and in stepping up energy cooperation among Ukraine, Azerbaijan, and Central Asian energy exporters.

Ukraine as well declares its ambitions to be an important link in the global transit routes. Needless to say, such intentions should be supported by the relevant internal policy of transforming transit potential into something solid.



While Georgia firmly supports Ukraine against Russian aggression in the international arena, Azerbaijan seeks to maintain a well-balanced approach and to avoid irritating Russia

Since Azerbaijan and Georgia are constantly upgrading and developing their armed forces, military and technical cooperation with Ukraine is important for both states.

In addition, in cooperation with Azerbaijan, Ukraine should take into account the particularly close alliance of the latter with Turkey and the interest of Baku in Ankara’s participation in all multilateral regional projects.

For Armenia, Ukraine can be a potentially significant partner, but only if the political situation in the South Caucasus changes and Russia’s influence on Armenia is reduced, since the latter factor is crucial for the low level of relations that exists between Ukraine and Armenia today.

6 National Security Concept of the Republic of Azerbaijan, [<https://www.files.ethz.ch/isn/154917/Azerbaijan2007.pdf> access: 09 July 2018].

Even in the current unfavourable situation in bilateral relations, Kyiv should support the preconditions for their future development. In particular, Armenia should be encouraged to participate more actively in the framework of multilateral initiatives of the European Union and to cooperate in humanitarian and cultural areas.

Olena Snigyr, PhD, is a leading specialist at the Center for International Studies in Hennadiy Udovenko Diplomatic Academy of Ukraine. Her sphere of interest and specialization is European security and Russian foreign policy. From 2001 to 2017, she worked at the National Institute for Strategic Studies under the President of Ukraine. Olena directed the Foreign Policy Department in NISS in 2008-2011 and the Sector of Europe at the Foreign Policy Department in 2011-2013. In 2015-2017, she was the chief consultant at the Research Center for Russian Federation Problems in NISS.



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