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GEORGETOWN UNIVERSITY QATAR

Center for International and Regional Studies

THE GREAT GAME IN WEST ASIA

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THE GREAT GAME IN WEST ASIA
WORKING GROUP SUMMARY REPORT

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THE GREAT GAME IN WEST ASIA

WORKING GROUP SUMMARY REPORT

The term West Asia emerged towards the middle of the last century, partially in response to anti-imperial sentiments that considered “The Middle East” to have been coined during the colonial period. Broadly, West Asia refers to the Arab States of the Persian Gulf, the Levant, Iran, Turkey, and the Southern Caucasus states of Georgia, Armenia, and Azerbaijan. The logic of grouping together countries that at first glance appear so diverse and seem to share little in common can certainly be debated. Yet, the clustering of the states of West Asia is neither arbitrary nor irrational but a function of history, geography, politics, and culture. The countries of this region share a common historical legacy, including encounters with empires ranging from the Russian to the Ottoman, the spread of Islam, the impact of European colonialism, and the formation of modern nations with complicated territorial boundaries and multi-ethnic populations.

West Asia has been shaped by the political machinations of great powers, and the evolution of modern nation states has not served to erode the historical legacy of external actors. During the twentieth century, much of what is now considered West Asia was under the rule of the Ottomans, who were replaced by the British following WWI. Through the Mandate system and the Sykes-Picot Agreement Arab lands were partitioned into different spheres of French and British influence, and eventually by the colonial powers into problematic modern nation-states. Problematic, because external powers created the “new” Arab nation-states, while the people of the region had little say in determining their own borders on the basis of cultural, ethnic, or political affiliations. Internal power consolidation meant that those who rose to power within these nascent nation-states were either from notable tribes and families or else colonial-era military backgrounds. The repercussions of these arbitrary divisions have developed in later years to inform cross-border tensions, security threats, and regional rivalries.

Contemporary West Asia is typically portrayed as a region of fragility, plagued by lingering interstate conflict, ridden with the fallout from unresolved territorial disputes, and unsettled by the persistence of ethnic and religious identities that do not easily align with the creation of strong nation-states. In addition, persistent and debilitating authoritarian rule, the lack of political participation, and slow economic growth all cast their shadows on these states. One reason why the region has re-emerged as an area of geostrategic significance is because of complex circumstances evolving in the Caucasus. These have global implications. Within the context of the reinvigorated competition between Russia and the West occurring in the Ukraine, the three countries of the Southern Caucasus—Georgia, Azerbaijan and Armenia—suddenly matter a great deal to a variety of external actors, both in the neighborhood and farther afield. Bordering Turkey, south of Russia, and north of Iran, the Southern Caucasus has historically served as a locus of great power competition and, in the current climate of regional and international affairs, its geostrategic relevance is reinvigorated. In addition, the region draws extensive external attention due to its access to energy resources, and particularly to its crucial role in existing and planned pipelines that provide gas to Europe and elsewhere. Turkey has broad concerns in the region, ranging from hard security interests, to economic, energy, cultural, and social interests. In the stand-off between Europe and Russia, as well as the increasing European and US efforts to isolate Iran, Turkey may well be re-emerging as an important regional power.

CIRS launched this research initiative to provide further insight into the complex relationships and connections between the states of West Asia in geographic, political, and socio-cultural terms. The complete research chapters appear in an edited volume titled, *The Great Game in West Asia: Iran, Turkey and the South Caucasus* (Oxford University Press/Hurst, 2017).

THE GREAT GAME IN WEST ASIA

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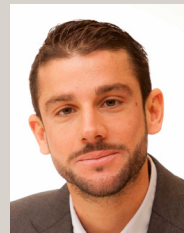
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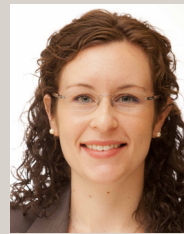
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1. *The Great Game in West Asia*

Mehran Kamrava

There is something funny about geography. The importance of certain locations can rise or decline depending on what may be found underneath it or the changing priorities and aspirations of those on or near it. It can shape the fate of empires by facilitating their rise or hastening their demise, and it can become a source of intense competition or neglect by powers near and distant. There is an intimate connection between geography and power, with the geographic dimensions of power being often defined as “geopolitics” and the strategic competition over or acquisition of that geographic power as “geostrategy.” These political and strategic competitions over valuable swathes of land may be less frequent now than they were in bygone eras, but they are just as salient in the first decades of the twenty-first century as they were in centuries past. The global powers of the nineteenth and early twentieth centuries played what came to be known as the “great game” over land, influence, and power—games perfected especially by Britain and Russia over what was once the Ottoman Empire.

The games never subsided, and as the decades of the twentieth century wore on the strategic stakes were raised, and the ensuing competition, which involved both the great powers and newer entrants, became more intense in both depth and scale. Almost no region of the world was spared, and the powers competed and fought one another and their proxies in both hot and cold wars in Europe, Asia, Latin America, Africa, and the Middle East. The Second World War and the Cold War were among the most sustained and systematic of the strategic competitions that the world witnessed across continents and regions.

Near the end of the century, once the Soviet Union collapsed, the apparent triumph of the West over the Communist Bloc led to a diminishing of strategic competitions over many familiar territories. Old competitions may have died down, but new ones quickly emerged to take their place. Old strategic rivalries gave way to new ones as formerly contested territories and regions ceased to be sites of contestation and competition and were instead replaced by new, emerging fault lines and sources of division. One of these new, emerging regions over which new actors began competing, and still compete, is the South Caucasus. In fact, a new great game has begun here, and the prime contenders, new entrants into the global power game, are Iran and Turkey.

These two neighboring Middle East powers have vied for supremacy and influence throughout the region and especially in their immediate vicinity, having in the process to contend with ethnic heterogeneity within their own territories and also across the border. Turkey has long conceived of itself as not just a land bridge between Asia and Europe, but in more substantive terms as a central player in regional and global affairs. Iran’s parallel ambitions for strategic centrality and influence have only been masked by its own inarticulate foreign policy agendas and the repeated missteps of its revolutionary leaders. But try they both have nonetheless, and in the South Caucasus each has achieved a modicum of success.

The three countries lumped together today as belonging to the South Caucasus—Armenia, Azerbaijan, and Georgia—share little in common in terms of ethnic, linguistic, or political affinities. They, like much of

the rest of the global south, were once forced into neighborly tranquility and cooperation by greater imperial forces. In their case, it was the overwhelming force of the Soviet Union that sought to forge among them a common identity and a shared polity. In the Middle East, starting at about the same time, it was the French and the British who tried to do the same thing in their own respective spheres of influence.

We know that Iran is part of the Middle East; and so is Turkey—although for the past several decades its leaders have sought consistently, though largely unsuccessfully, to identify themselves and their country as European. From a purely geographic perspective, both countries do lie in Asia—in Turkey’s case around 97 percent of the country’s landmass is in Asia and the rest in Europe—and both are located in Asia’s western half. They are West Asian powers.

Armenia, Azerbaijan, and Georgia have emerged as prime areas of competition between Iran and Turkey as the two countries seek to expand their spheres of influence economically, politically, and militarily. Iran and Turkey have not been the only countries competing over the South Caucasus. In the early years following the collapse of the Soviet Union, the South Caucasus, along with Central Asia, attracted increasing attention from the United States, the European Union, and Russia, as well as Iran and Turkey, becoming the focal point for what Uwe Halbach called a “New Great Game.” Before long, however, it became clear that none of the great powers had a unified strategic vision for the region. By the mid-1990s, the United States, Russia, and the European Union all had decided that the region was of little strategic value for any of them. The ensuing space enabled the two nearby regional middle powers, Turkey and Iran, actively to court the emerging republic to align with them and to try to expand the different dimensions of their influence over them.

A somewhat permissive regional context was one factor in creating opportunities for Iran and Turkey to compete for influence in the South Caucasus. Another was the predicament of the three young republics themselves. As brand new states, the South Caucasus republics had to constitute themselves from scratch. They had to create institutions of rule and instruments of power, forge national identities that sustained and reinforced their sovereignty and independence, establish economies that were networked internally and functioned without dependence on what were now other sovereign states, and they had to navigate their international relations in the ominous shadows of a giant former overlord and smaller but no less ambitious middle powers nearby.

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2. *West Asia since 1900: Living Through the Wreck of Empires* Anatol Lieven

The history of West Asia over the past century has been defined by the collapse of three great empires. The contemporary history of the region is being defined by the decay of a fourth, informal empire—that of the USA—and the appearance of a new local power, the Islamic State (IS) or Da'esh, which is radically hostile not just to US hegemony and to all local regimes but to the very existence of the states of the region. All of these ruins of empire have been preceded, accompanied, and to a considerable extent caused by the decay of the civilizational ideologies, which had legitimized imperial rule.

The ideological project under threat today is Western-led modernization in its broadest sense. At present, US-backed modernization is also paralyzed and in danger of destruction, while due to the rise of sectarian conflict the region itself is in some respects more bitterly divided than it has been since the Ottoman–Safavid wars of the seventeenth century.

This chapter argues that while internal cultural, social, and economic factors have been crucial barriers to modernization, so too has been the dependence of would-be modernizing Middle Eastern states on the US imperial hegemon. This dependency has stripped these states of the nationalist legitimacy which elsewhere has been vital to the introduction of necessary but highly painful and contested reforms. To understand the need for this legitimacy in order to carry out successful modernization, it is necessary to transcend the happy fairy tale of Western-led modernization and to understand fully not just how deeply painful this modernization has been for most societies that have undergone it, but also how closely it has been associated with state strength and state coercion.

Both domestic and international developments in West Asia (former Soviet Central Asia and the Greater Middle East) are therefore a product of the interaction of a range of local factors—cultural, historical, social, economic, and political—impacted by the outside great powers. Since the fall of the USSR, the US has in effect been the sole outside great power to play a truly important role in the region, aspiring to and even to some degree achieving a kind of imperial hegemony. Outside the Caucasus, Russia has been only a very limited challenger, Britain and France have been subordinate US allies, and China—as yet—has not sought to play a great power role in the Middle East.

One reason for China's reticence in this regard may be that despite the fact that the US has enjoyed a near-monopoly of outside geopolitical influence in the region since 1991, this has not allowed the US to stabilize the region, end local conflicts, develop local economies, or defeat local enemies. The greatest apparent US victory, that over Iraq in 2003, only led to a bloody civil war which eventually spawned the IS, or Da'esh—the greatest threat to successful modernization that the Middle East has ever seen.

Today, the limits on the power of a single political actor have been starkly revealed by US travails since 2003. However, the decay of the entire modernizing project in the region has produced a situation where homeostasis no longer exists, and the rise of Da'esh means that things are indeed just exactly as bad as they seem, or possibly even worse. The local conflicts and rivalries of the Middle East, both between and within states, are so deep that no stable outside hegemony is in fact possible, at least without the introduction of massive numbers of outside troops over several generations and the imposition of

direct empire. A close parallel will be made in this regard with the experience of Russia's attempt to create hegemony over the South Caucasus in the mid-1990s.

In the past, these outside powers included a range of actors, but since the fall of the USSR the only really important one has been the US, which has sought and to some extent achieved a kind of imperial hegemony (as opposed to direct empire) over the region. As a result of these tendencies, the territorial, political, and ideological orders of the region are all being stretched to the point of collapse. At the very least, we are witnessing a shift of equivalent importance to the wars and revolutions that accompanied the decline of the British Empire after 1945. We may even be in an era comparable to that of the decline of the Ottoman Empire, in which an entire moral and political world is shifted on its foundations.

Until the revolt of IS in 2014, with the exception of Israel, the states and their borders in the Middle East remained those created by the British and French empires after the defeat of the Ottoman Empire. In the Gulf and Jordan, the regimes in 2015 remain those created under British sponsorship. Elsewhere, until recently, the regimes in place remained essentially those that emerged from the collapse of the French and British empires from the mid-1940s to the mid-1950s.

In the former Soviet Caucasus, the state order remains the same as under the Soviet Union, though with modifications as a result of the wars that followed that empire's collapse. In Azerbaijan, a renamed faction of the local former Soviet Communist Party remains in power, under the son and heir of the old communist strongman. Other countries are ruled by a variety of different post-Soviet regimes. Internally, these post-Soviet countries have proved relatively stable, after the civil wars that accompanied the Soviet collapse ended or were suspended. However, neither the traditional regional hegemon, Russia, nor the would-be new hegemon, the US, have been able to suppress or resolve these conflicts and create a new regional order.

Among the most important reasons for these successive failures of empire in the region have been contradictions in the imperial ideology. These contradictions have been produced either by internal tensions, or by the impossibility of finding an ideology that could appeal to enough elements in an extremely varied and bitterly divided region, or provide a cultural and intellectual order through which to overcome those divisions.

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3. *Pipeline Politics in Iran, Turkey, and the South Caucasus*

Mahmood Monshipouri

The South Caucasus region—comprising Armenia, Azerbaijan, and Georgia—is a crucial region known for its vast hydrocarbon deposits and geopolitical position, largely as a crossing point between the Middle East, Europe, and Asia. In terms of energy security, the South Caucasus is a region where interests pursued by local, regional, and global actors are linked in complex and often contradictory ways. The region will continue to hold crucial geopolitical importance, where many countries' interests intersect—including the United States, the European Union, Russia, and some key regional players, such as Iran and Turkey.

While Armenia, Azerbaijan, and Georgia have been preoccupied with their political survival and viability, cooperation and competition in economic and energy areas have provided a major impetus for the relationships among large regional players such as Russia, Iran, and Turkey over the past decade. The relationships among these three countries are best described as difficult and volatile, and often their interests clash pointedly in the Caucasus. Turkey and Russia appear likely to manage their differences in the Caucasus and Caspian Basin in the near term, but competing and conflicting energy and political interests, as well as lingering cultural and religious suspicions, seem likely to rekindle historical rivalries, also involving Iran, over the longer term.

Iran and Russia hold differing positions on the boundary demarcation of the Caspian Sea. Russian support for a median-line solution would sharply limit Iran's share of Caspian energy resources. The two countries see themselves as long-term competitors in the European energy market. Despite these differences, both governments oppose the development of the trans-Caspian pipeline. Moreover, they have tacitly agreed to avoid confrontations in the Caucasus and to support mutual goals in regard to Caspian energy routes. For the South Caucasus region, seven decades of Soviet rule have proven an onerous legacy, worsened by fragile economies, interminable conflicts, and a lack of democratic legitimacy. It is a region where Russia, Turkey, and Iran have competed for influence over much of the past two centuries. Yet there can be no doubt that Russia is still the most important external player in the South Caucasus region.

The relationships between Iran, Turkey, and the South Caucasus states have arguably been influenced by a wide array of geopolitical, strategic, cultural, and economic factors. The competition between Iran and Turkey and their roles in the South Caucasus are best defined by traditional balance-of-power relations, as well as the broader context of the post-Soviet era. The multiple energy routes that connect these countries with the Caspian Sea energy supplies take on an added significance. It is very important to acknowledge that Russia's control of Caspian energy reserves has drastically diminished since the opening of the Southern Corridor's Baku–Tbilisi–Ceyhan (BTC) oil line in 2005; the South Caucasus Pipeline (SCP) gas line, also known as the Baku–Tbilisi–Erzurum (BTE) pipeline; and the Shah Deniz pipeline in 2006.

Competition between Iran and Turkey to get access to the South Caucasus energy routes has become increasingly impossible to avoid. Turkey has seen its role in Eurasia expand from that of a major transit country into a fully-fledged regional energy hub. Turkey and the Caucasus region can also develop a similarly entwined relationship by 2021. This, however, requires that various streams of natural gas be traded far more flexibly than is possible today. If Caspian gas, Iraqi gas, Egyptian gas, and Iranian gas (including in the form

of swaps with Iranian gas delivered in the Persian Gulf), and Turkey's off-shore gas could be traded, the South Caucasus would truly become an energy hub for Eurasia. This scenario requires a full normalization of the political and economic relations between all countries in the broader region, including Syria and Iran.

Iran's border with Azerbaijan and Armenia affords it a great advantage. However, Iran's close relationship with Armenia has entailed a geopolitically important cost, including further intensifying pan-Turkish contentions in neighboring Azerbaijan. Iran's position in the South Caucasus is not only challenged by Turkey, but also by Russia. The latter seeks to dominate the region's oil and gas pipeline politics to increase its geostrategic depth in times of crisis, and appears keen to keep an energy-hungry Europe dependent on its resources. While Iran and Russia are potentially the two great powers in the field of energy reserves in the world, they have yet to make successful joint investments in the fields of exploitation and transportation of energy and in the formation of a strong partnership in global energy markets.

Although Turkey has cultivated good relations with Azerbaijan and Georgia, its relations with Armenia continue to be problematic, in part because of Turkey's refusal to acknowledge that an Armenian genocide occurred between 1915 and 1923, and in part due to the fact that Turkey favors Azerbaijan in the Nagorno-Karabakh conflict. Azerbaijan has long viewed Turkey as an ally that could potentially serve as a balance to Armenia's ties with Russia and Iran. Georgia has an enduring interest in ties with the approximately one million Georgians residing in Turkey and the approximately 50,000 residing in Iran, and as a result they have signed multiple friendship treaties with both countries. Turkey is one of Georgia's primary trade partners. The existing east-west oil and gas pipeline (BTC) reflects the basis for most of the cooperation between Azerbaijan, Georgia, and Turkey.

This chapter seeks to unpack the complex dynamics of pipeline politics in the South Caucasus region by underlining the need to understand the "Great Power Game" involving geostrategic and geo-economic interests of local governments, regional actors, global powers, and international oil companies. The larger focus turns on underscoring the importance of the region's large oil and gas reserves; its land connection between the Caspian Sea, South Caucasus, and Europe; and its long-standing territorial conflicts in the post-Soviet era. Iran and Turkey have fought for influence in the South Caucasus while maintaining relatively good bilateral relationships in the region.

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4. *Turkey's Energy Policy in the Middle East and the South Caucasus*

Gareth Winrow

While much has been written on Turkey's energy policy and on Turkey's attempts to become a significant regional power, less attention has been focused on how Ankara has sought to combine foreign policy goals and energy policy objectives. This chapter addresses in detail how energy could be exploited to boost Turkey's credentials as a major regional actor, concentrating on Turkey's role in the Middle East and South Caucasus, where energy policy will be considered with reference to debates on regional hegemony.

The priority of Turkey's energy policy has been to meet the energy needs of a growing economy. Becoming an important energy transit state and leading energy hub were secondary objectives. The impact of these concerns and ambitions on Turkey's efforts to become a "regional geopolitical force" will be discussed. For example, could over dependence on gas imports from Russia hinder Turkey's regional policy? And how may officials in Ankara play the energy card in their foreign policy, given that Turkey is an insignificant producer of hydrocarbons?

This chapter discusses the linkages between energy policy and foreign policy with regard to Turkey, and its position as a major energy consumer especially dependent on crude oil and gas imports is examined. Turkey's ambitions are to become an energy transit state and hub with a particular focus on gas. Attention is given to Turkey's energy policy in the Middle East and South Caucasus. Possible complicating factors are considered, including the role of Russia. Although the importance of energy in Turkey's regional policy should not be overstated, it is evident that energy has been used to further foreign policy objectives.

In a landmark study, Correlje and Van der Linde explain how, in international politics and economics, energy and foreign policy could be considered within two storylines. In the "markets and institutions" storyline, a neo-liberal perspective prevails in which the global energy system is an integrated one with principal roles for markets and effective institutions, and where energy companies seek to secure profits. In the "empires and regions" storyline, a neo-realist outlook predominates in which geopolitics is at the fore, states are leading actors, and energy companies champion national interests. In this second storyline, there is more scope for energy to be used as an instrument of foreign policy.

The empires and regions storyline can accommodate the concepts of "securitization" and "politicization" as depicted by the Copenhagen School. The "securitization" of energy occurs when an energy issue is perceived as urgent, and extraordinary measures may be taken to tackle what is regarded as an existential threat. The "politicization" of energy involves an energy issue that is seen as important but not posing an existential threat, and so can be addressed through normal political procedures. In the case of Turkey, over dependence on Russian gas imports resulted in the securitization of energy in the Russo-Georgian War in August 2008, and in late 2014 before the announcement of the Turkish Stream project. Attempts by Ankara to exploit Turkey's location to control energy flows to bolster regional influence may be perceived by other states as the politicization of energy. The establishment of a genuine commercial energy hub in Turkey would be a feature of the markets and institutions storyline. Instead of threats and politics, the focus would be on matters of energy governance, transparency and the rule of law, and energy issues would be desecuritized and depoliticized.

Under the government of the Justice and Development Party (AKP), expectations were raised that Turkey could play an influential role in its neighborhood. Prime Minister Ahmet Davutoğlu referred to Turkey as a “central country” with multiple regional identities, where its location and common history with nearby states are utilized to further its foreign policy objectives. In the immediate aftermath of the Arab uprisings in 2011, there was much discussion about the relevance of the current Turkish model for the Arab world. This model, stressing the roles of Islam, democracy, and market forces, differed from the one promoted in the 1990s when secularism and Turkic identity, in addition to democracy and capitalism, were underlined to enhance Turkey’s presence in the Caucasus and Central Asia. However, Turkey’s potential role in its neighborhood must be re-assessed in the light of the deteriorating security situation in the Middle East, with civil war in Syria, growing sectarianism, and the rise of the Islamic State (IS).

Turkish commentators have contended that, as a rising regional actor, Turkey has made effective use of soft power through such instruments as trade, aid and investment, public and cultural diplomacy, and high-level political dialogue. Turkey has been depicted as a “trading state” in which foreign policy was increasingly shaped by commercial considerations. In line with the markets and institutions storyline, companies and business associations in Turkey apparently acted as autonomous actors, and their interest in making profits and striking trade deals molded foreign policy and bolstered regional cooperation. However, given the recent turmoil in the Middle East, in which Turkey’s access to markets has suffered following events in Egypt and Syria, the notion of Turkey as a trading state can be challenged.

The empires and regions storyline has had more bearing on Turkey’s foreign policy and energy policy. The Turkish Energy Ministry stated that, in addition to becoming a transit state and commercial hub, Turkey aimed to be a strong regional actor with multi-directional energy policies. Rather than acting autonomously, private Turkish energy companies tended to follow the policies laid down by the AKP government. It is argued that Turkey functions within a “corporatist setting,” where a powerful state bureaucracy exercises control over the business community. With regard to energy, only tentative steps have been taken toward the liberalization of the gas market in Turkey. A dominant role is still played by the State Pipeline Corporation, BOTAŞ, which controls most of the gas import contracts. Neither a member of the EU nor the Energy Community Treaty, Turkey is not bound by the rules and regulations of energy governance prescribed by Brussels. This provides opportunities for Turkey as an energy transit state to politicize the role of energy.

Gareth Winrow is an independent research analyst and consultant based in Oxford, England. His most recent publications include: *Realization of Turkey’s Energy Aspirations: Pipe Dreams or Real Projects?* (2014); *Turkey, Russia and the Caucasus: Common and Diverging Interests* (2009); and *Problems and Prospects for the Fourth Corridor: The Position and Role of Turkey in Gas Transit to Europe* (2009).

5. *The Clash of Nationalisms: Iranian Response to Baku's Irredentism*

Hamid Ahmadi

The ethnic factor has been the most salient one determining Iran–Azerbaijan Republic relations during the last century. While the ethnic dimension of Iranian studies is a relatively underdeveloped area, it also suffers general methodological and epistemological problems plaguing the whole sub-discipline of ethnic studies in social science. Specifically, the literature on ethnicity and ethnic nationalism tends to be the most overgeneralized arena in contemporary social science. While the post-positivist tradition of historical sociology has addressed most areas of social studies by differentiating among cases in a time–space spectrum, it has touched less upon ethnicity and ethnic politics. As such, it appears that the same general and universal concepts and theoretical–conceptual frameworks can overcome the historical specialties of all cases across time and space, and explain the bulk of problems with which they are confronted. Consequently, the general trend in the literature assumes that all countries composed of multiple religious, linguistic, or racial groups suffer the same problems.

Iranian studies, as far as the issue of ethnicity is considered, bears this tendency. Most works discussing ethnicity and ethnic groups in Iran, either those ideological works written by members of Iranian ethnic minorities or the more academic-oriented ones, disregard the importance of historical sociology, and are influenced by the generalist trend in ethnic theoretical studies. Such works tend to express the perspective that Iran is composed of different politically-oriented ethnic groups all struggling for independence or political autonomy, thus depicting Iran as an ethnic conflict-laden society lacking the elements of nationhood and national identity.

While it is true that Iran is composed of various religious–linguistic minority groups, making ethnicity an issue worth studying, Iran has specific features that differentiate it from other societies that have more recent experience in political heritage and the nation-state-building process. Bearing the characteristics of ancient nations, as some theorists of ethnicity and nationalism have elaborated, Iran represents a specific historical case in which the saliency of nationalism and an Iranian national identity is more remarkable than that of ethnicity and ethnic nationalism. The present study of Iranian Azeris and Iran–Azerbaijan Republic relations can shed more light on this fact.

Although some students of Iranian studies consider Iranian Azeris and Iran–Azerbaijan Republic relations a challenge for Iran and its future as a nation-state, these findings will show that Iranian national identity and nationalism have had the upper hand in the almost one century of ongoing clashes of nationalisms between Baku and Tehran over Azerbaijan. While the pan-Turkist-oriented political elites in the Azerbaijan Republic have relied on ethnic nationalism to invoke an anti-Iranian sense of ethnicity among Iranian Azeris since 1918, Iranian nationalism has successfully responded to the military, political, and discursive challenges targeting Iranian Azerbaijan. This study also explains how, in challenging Baku's claims to Iranian Azerbaijan and its former Soviet supporters' irredentist policies, two broad strategies have been used. Both Iranian Azeris and Iranian nationalists have used elements of Iranian national identity and nationalism to address Baku's claims. The Islamic Republic in Iran has used its own notion of Islamic and Shiite nationalism as a counter-strategy against Baku's strategy of promoting ethnic nationalism among Iranian Azeris.

This study is divided into three sections. The first covers the role of ethno-politics and ethnic nationalism in Azerbaijani foreign policy toward Iran. The second concentrates on the Iranian reaction to Azerbaijan's irredentist policies regarding Iranian Azerbaijan, and is divided into three sub-sections. The first examines Tehran's formal reaction to the Azerbaijani Republic's ethnic nationalist approach, which manifests itself in the form of a religious Islamic and Shiite nationalism. The next sub-section focuses on the role of Iranian non-state actors approaching the issue: the reaction of Iranian nationalists to irredentist policy of the state of Azerbaijan and its non- or semi-state circles; then, a reflection of Baku's ethnic nationalist policies and views on Iranian Azerbaijan. Following that is an analysis of the response of Iranian Azerbaijanis: both the Iranian nationalist-oriented Azeris and those affiliated with Tehran's Islamic ruling elites' Islamic nationalism.

The third section in this chapter specifically explains how Baku's irredentist idea of a "united Azerbaijan" and the concept of "southern Azerbaijan" have produced counter-claims from Iranian Azerbaijanis. I argue that Iranian Azeris have produced the most enduring and systematic response to the Azerbaijan Republic's pan-Turkist irredentist and ethnic nationalist claims, and that, ultimately, contemporary Iranian studies have underestimated and disregarded the salience of Iranian nationalism and the central role of Iranian Azeris in the promotion of contemporary Iranian national awakening.

Most literature on Iran's experience of ethnicity, particularly with respect to Iranian Azerbaijan, has relied on conventional readings of ethnic studies that consider the phenomenon to be universal. Most have used either secondary sources, or literature produced by the Iranian opposition. Few studies have tried to conduct field research based on primary and original sources in order to see the other side. Students of Iranian Azerbaijan studies have mostly relied on the over-exaggerated dichotomy of the Fars-Turk conflict that has deeper roots in abstract theoretical literature, or in pan-Turkist dogmas. The past experience of Iran-Azerbaijan Republic relations shows that the latter's elites have been under the influence of both sources, and that their ultimate hope is that the vision of a united Azerbaijan will be realized. For nearly a quarter of a century, the idea of Azerbaijani reunification has been raised in the Azerbaijan Republic, but without much success.

As Iran-Azerbaijan Republic relations continue, signs indicate that the ruling elites in both Tehran and Baku would prefer good neighborhood ties over continued tensions. This stance has been demonstrated on different occasions, where defense and security cooperation have been emphasized. Despite signs of goodwill, however, the factors behind these tensions persist and make the future of relations contentious.

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6. *“Un-Civil Society” and the Sources of Russian Influence in West Asia: The South Caucasus*

Jeffrey Mankoff

The conflict in Ukraine has focused attention on many post-Soviet states’ efforts to maintain a strategic balance between Moscow and the West at a time of deepening confrontation. Even before the conflict, the post-Soviet region—comprising Eastern Europe, the South Caucasus, and Central Asia—had emerged as one of the principal sources of estrangement between Russia and the West, as well as the chessboard on which the resulting competition has played out. Russia and the West are each seeking to influence the strategic orientation as well as the internal political and economic makeup of these post-Soviet states, but their approaches and the range of hard and soft power tools available to them diverge in several ways.

Compared to the United States or the European Union, the effectiveness of Russian soft power is enhanced by the enduring political, economic, and social linkages between Moscow and its former dependencies. Russian soft power in the region includes both the passive force of a shared culture, including the role of Russian as a post-Soviet lingua franca; similarities in the political and social makeup of all the post-Soviet countries including Russia; and large flows of migrants from the smaller states to Russia, as well as the active deployment of financial, informational, and mobilization tools to influence political outcomes in neighboring states.

Despite the extensive levels of control that Russia has available to it in its neighborhood, many officials believe that the West has outmaneuvered Russia in the employment of soft power, particularly through the proliferation of civil society and non-governmental organizations throughout the former Soviet Union over the past two decades. As corrupt regimes in Georgia, Ukraine, and Kyrgyzstan have fallen under rising pressure from civil society, Russia has grown increasingly alarmed. The Kremlin has come to see “colored revolutions,” as well as the activities of anti-government protesters in Russia itself, as the consequences of a deliberate Western campaign to promote regime change and the curtailment of Russian influence. Moscow has focused a wide range of civil society groups: anti-corruption campaigners, pro-democracy activists, journalists, human rights defenders, and others, as part of a Western-backed fifth column whose *raison d’être* is less the promotion of good governance and more the advancement of Western strategic interests at Russian expense.

In response, Moscow has increasingly cracked down on civil society groups at home—especially those that receive foreign funding—while seeking to match what it sees as the West’s cultivation of civil society as a tool of diplomatic influence. Partially in response to the West’s open support for civil society groups, Moscow now actively cultivates parallel groups that mirror such bodies, but which promote illiberal values, and actively support Russian foreign policy objectives.

Such organizations typically emphasize promotion of Russian culture, and collaboration with ethnic Russians and other groups (“compatriots”) that Moscow sees as maintaining a special tie to Russia. What distinguishes them from outwardly similar organizations backed by Western governments is the extent to which they are closely integrated with the state’s official diplomatic and political establishment, and how responsive they are to Kremlin direction, as well as the typically conservative and openly pro-Russian ideology they support. They generally seek to establish a narrative favorable to

Russian strategic objectives and, in times of crisis, to obfuscate and sow uncertainty. Long-established institutions like the Russian Orthodox Church, associations of Russian “compatriots,” as well as newly created activist groups (quasi non-governmental organizations, or QUANGOs) are all important components of Moscow’s influence operations.

Such organizations generally operate within the confines of host countries’ laws, but despite efforts to portray themselves as grassroots organizations operating on the basis of local considerations, they are primarily responsive to Russian direction, and often receive funding from official or semi-official Russian sources. As Moscow’s aim with these organizations is typically the opposite of what Western-funded civil society groups seek—that is, transparency, representative democratization, and a free press—they are in some sense a simulacrum of civil society rather than the genuine article, a kind of “uncivil society” whose principal aims are not the betterment of local inhabitants but support for Russian foreign policy objectives.

This Russian-backed “uncivil society” operates in the West through entities like the RT media group (not to mention the range of populist parties of the Left and Right that receive Russian funds), but its effects are greater in the post-Soviet region due to the inherited linkages tying these states to Russia. The operation of Russian soft power in the South Caucasus has received less attention compared to Ukraine or the Baltic states. In the South Caucasus, Russia faces less external scrutiny, but also a more complex regional environment, which includes serious fragmentation within and among the states of the South Caucasus, as well as the competing ambitions of other regional powers such as Turkey, Iran, and the EU.

Armenia faces comparatively limited pressure from Russian-sponsored uncivil society, since Moscow already exerts a high degree of control over Armenia’s economic and security environment through more direct means. Azerbaijan, with a highly centralized government and significant restrictions on the operations of civil society, faces pressure in particular via Russian involvement with its ethnic minority communities. It is Georgia, though, with a comparatively open political system and strong orientation towards Europe, that faces the widest range of challenges from such organizations, including Russian-backed QUANGOs, politicized religious institutions, and mobilization of ethnic minorities.

Various forms of Kremlin-backed uncivil society are perhaps the least understood and most pernicious form of non-military Russian power throughout the region. Such society groups are especially prominent in the South Caucasus, where many of Russia’s more traditional tools of influence are less effective and where Moscow faces a more complex and dynamic strategic environment. Nonetheless, hard power continues to lie behind Russian soft power in the South Caucasus, inasmuch as the Kremlin has significant military options in the region, as Georgia discovered to its cost in 2008, and all three South Caucasus states continue to fear today.

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7. *Turkey's Soft Power in a Comparative Context: The South Caucasus and the Middle East*

Meliha Benli Altunışık

Joseph Nye first developed the concept of “soft power” in order to understand a new aspect of the US power dynamic. Nye defined soft power as the ability to achieve desired outcomes through attraction rather than coercion and payments, and it has been a topic of debate since its introduction, both in its conceptual clarity and its policy implications. The concept has also started to be widely applied to other states’ policies, particularly to the middle powers.

In this chapter, I argue that the concept of soft power is also highly relevant to a parallel discussion that started in the post-Cold War era; namely, the increasing room for maneuvering and thus relevance of regional powers. Several scholars have argued that the end of bipolarity created a space for regional powers to extend their influence in their regions. This literature acknowledges that being a regional power is not only a factor of material power, but of acceptance in that particular region as well. Although soft power does not guarantee acceptance, it is intrinsically linked to it.

This chapter focuses on the soft power of a regional actor, Turkey, in a comparative context, comparing its engagements with the states of the South Caucasus (and Central Asia) to the countries of the Middle East. This is based on the argument that, for Turkey, the use of soft power was a tool to re-establish relations with, and acquire acceptance in, its neighborhood. In the case of the South Caucasus, Turkey attempted to reconnect with a region that it was cut off from for a long time due to the Soviet era and the Cold War. In the case of the Middle East, there was an effort to redefine its engagement after a decade of securitization of its foreign policy in the 1990s. Although the use of soft power increased Turkey’s visibility and presence, it is unclear if it changed the nature of Turkey’s influence, which remained highly limited when faced with the realities of hard power politics. Turkey was unable to develop a new set of policies that were accepted as legitimate and constructive by the regional actors it hoped to influence.

Focusing on Turkey’s soft power in the South Caucasus and the Middle East allows for spatial and temporal comparisons. In developing its relations with the South Caucasus in the post-Soviet era in the 1990s, Turkey used several tools that could be considered soft power instruments without officially recognizing them as such. In contrast, in the 2000s, soft power was explicitly articulated in the speeches of government officials in explaining Turkey’s foreign policy, particularly toward the Middle East. In both time periods, Turkey’s larger policy objectives were to consolidate its regional power status, to intensify its political and economic ties, and to achieve comparative advantage vis-a-vis its rivals. To achieve these objectives, relatively similar instruments were used, although the ideological content changed to some extent from the 1990s to the 2000s. Furthermore, Turkey’s soft power has been received differently in different contexts, as its content has been interpreted by various actors. In this respect, there are differences not only across these two regions, but also across countries in the same region and the various actors within them. Finally, in both cases, Turkey’s employment of soft power faced significant limitations, and failed completely in some instances. More importantly, Turkey’s soft power proved to be less sustainable in the face of a changing political and strategic context, particularly in the Middle East.

This chapter aims to compare Turkey's soft power in these two regions, its framing, narratives, and policies, as well as its evolution over time. The analysis draws on Nye's classification of soft power, and discusses the sources of Turkey's soft power in the South Caucasus and the Middle East with regard to three aspects: foreign policy, domestic political ideas and ideology, and culture. One particular aspect that remains vague about Nye's concept of soft power relates to economic influence. Although economic power—including trade, investment, and even aid—is considered in his analysis as part of hard power, Nye also argued that when economic resources create a positive, attractive environment, they also produce soft power. I argue that both Turkey's aid as well as its trade and investment have played a role in creating a positive image of the country in the South Caucasus (and Central Asia) and Middle East. As such, these economic tools will also be considered as instruments of Turkey's soft power.

Regarding the Middle East before the Arab uprisings, Turkey was able to transform its negative image in the region, and benefited politically, strategically, and economically from it. Yet, the major transformations that were unleashed by the Arab uprisings and the AKP (Adalet ve Kalkınma Partisi) government's subsequent responses to them eventually undermined Turkey's influence in the region. Turkey lost its political clout and economic benefits, and saw its popularity become more fragmented. The AKP government's anti-Assad regime stance continues to be popular with some, but it drags Turkey to sectarian faultiness that deepened after the Syrian crisis. That being said, Turkey's welcoming of millions of Syrian refugees has created a positive image. Hosting about two million refugees, Turkey was the third largest government donor of humanitarian assistance in the world in 2013. Yet, even among its supporters, Turkey's image as a regional power has been tarnished by appearing unable to implement effectively what it preached.

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8. *The Gülen Movement and Turkish Soft Power in the South Caucasus and the Middle East* Bayram Balci

This chapter focuses on a concrete case study in Turkey's close neighborhood. I examine the exceptional role played by a social and religious organization that is unique in the Muslim world, namely the movement of Fethullah Gülen. The following questions are addressed: To what extent did the Gülen movement contribute to the development of Turkey's soft power in both the South Caucasus and the Middle East? Reciprocally, how did the Gülen movement benefit from the government's support and prestige to develop its own influence? Finally, I question the durability of the bond between Gülen and Turkey's soft power through the lens of the clash between Gülen, the charismatic leader of the *bizmet* movement, and Recep Tayyip Erdoğan, the even more charismatic leader of the Turkish executive power since 2002.

Today's *bizmet* ("service") and yesterday's *cemaat* ("community" or "congregation") movements are rooted in movements dating back to the late 1960s. Born in 1938, Fethullah Gülen grew up in the eastern part of Turkey, where traditionally conservative and religious ideas are dominant. Like many of his contemporaries in the region living close to the Soviet border, Gülen also grew up with anti-communist sentiments. Significantly, he acquainted himself with the ideas of *naqshibendiyya*, a prestigious Sufi brotherhood of Central Asian origin that had become very influential in Turkey. Additionally, the ideas of Sait Nursi, a leading religious thinker and activist whose ideas and legacy are still very widespread in contemporary Turkey, deeply influenced Gülen's own beliefs. Gülen's career is strongly associated with the *Diyanet*, the official state body that manages religious issues in Turkey.

Religiously speaking, the movement subscribes to a moderate Turkish Sunni Islam with a significant Sufi dimension, a quality shared by most Turkish Islamic movements. The young Fethullah Gülen was an anti-communist nationalist, who displayed a clear admiration for a strong state, and was an early and authentic admirer of the Ottoman legacy. Different from other Turkish movements, the Gülen *cemaat* is very active in the social sphere, especially in education and the media. Its members manage strong media groups as well as an impressive network of private schools, prep schools, private dormitories, and other educational institutions across the country.

When the AKP (Adalet ve Kalkınma Partisi) came to power in 2002, things changed in Turkey. The AKP shifted the focus of its foreign policy from securitization to desecuritization of the state. The demands for democratization in the context of Turkish candidacy to the European Union justified the AKP reforms to limit the role of the army in Turkish politics. In the early 2000s, both the AKP and Gülen movement had converging interests. Both share the same social grass roots, i.e. the conservative Anatolian elites that had been excluded and marginalized by the more Westernized Kemalist elites for many years. Their interpretation of Islam shared commonalities, although the AKP was historically and relatively more influenced by the Muslim Brotherhood ideology, and Gülen by the more mystical Sufi Islam of Central Asian origin. Despite minor differences, the political Islam of the AKP and the more social Islam of the *cemaat* shared enough of a common ground to build an alliance. This common ground also shared a common rival in the powerful military and the Kemalist elites who were both very

suspicious of these two religious forces, believing the AKP and Gülen movement to be nurturing a hidden agenda to impair the secular character of the country. The alliance helped to shake the omnipotence and the omnipresence of the military.

Together, Erdoğan and Gülen put an end to the supremacy of the army in both domestic and foreign affairs. But, once the common enemy of the army and Kemalist establishment were drawn aside, personal and ideological discrepancies rose to the surface. Gradually, their alliance and friendship eroded into a more suspicious and competitive relationship. The ultimate break occurred in December 2013. The Gülen movement knew that the AKP was determined to eradicate the *hizmet* in Turkey, especially when, in October 2013, the government announced its decision to close its prep schools, leaving the *cemaat* no choice but to strike back. Thanks to sympathizers working in the police and the judiciary, the *hizmet* revealed via social media several cases of corruption among high-ranking officials, some of whom had close ties to the Erdoğan government, and some who were members of Erdoğan's own family. Vindictive and paranoid, the Turkish prime minister is now waging a war against the *hizmet*. Numerous members, or alleged members, of the Gülen movement were sacked or removed from the police and judiciary sector, and some were arrested. The repression expands outside national borders, as the *hizmet* draws much of its strength from its transnational network. Given Erdoğan's stance against the *hizmet*, what are his chances of eradicating the *hizmet*? And how will his actions impact on Turkish foreign policy?

While they were allies, the Turkish government and the Gülen movement helped to develop a powerful Turkish presence and influence in their immediate regional environment and beyond. Placing Turkey on the worldwide map was beneficial to both sides; but now the break will likely harm both sides, an outcome for which both share responsibility. The *hizmet* could not and would not approve the AKP's authoritarian turn, and the *hizmet's* politicization away from its initial mystic and apolitical identity challenged and threatened the government. The break leaves no winner, but one loser: Turkish soft power, not only in Western Asia but everywhere that it made a difference and made a promising opening for Turkish influence.

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9. *The Armenian Imperative: Confronting and Containing Oligarchs* Richard Giragosian

In the wake of the collapse of the Soviet Union, the three states of the South Caucasus region, Armenia, Azerbaijan, and Georgia, were ill-prepared and generally ill-equipped for the challenges of independence. For much of the past decade and a half, each of these three states has pursued a difficult course of economic and political reform, marked by a transition that varied in both consistency and commitment. And as occupying a region with a shared history, all three countries have also struggled to overcome a common legacy of seven decades of Soviet rule.

Historically, the region of the South Caucasus has long served as an arena for competition of interests among rival powers, including the Russian, Turkish, and Iranian empires. This historical legacy of external pressure has been further exacerbated by domestic institutional weakness and vulnerability. This internal fragility has only continued, with each of these three countries still hindered by the burden of several unresolved, low-intensity conflicts that have further contributed to a serious degree of regional instability and national insecurity.

More specifically, the region is also plagued by a set of fundamental internal challenges, ranging from incomplete democracy, and the related predominance of “strongmen over statesmen,” to economic mismanagement and widespread corruption. Each of these factors has significantly impeded the course of economic and political reforms in each country. But in terms of a steady erosion of political legitimacy, the most daunting challenge has been the emergence of a new commercial–political elite, commonly referred to as “oligarchs,” which has distorted and deformed both the reform effort and the process of state building in recent years.

As an informative case study, the oligarchic elite in Armenia pose an especially challenging test to institutional capacity and political will, given their inherent position as an entrenched obstacle to developing viable democratic institutions and building a sound market-based, rule-governed economy. Moreover, the emergence of so-called “oligarchs” in Armenia, or more accurately, through the formation of several commodity-based cartels, stands as a significant and pressing problem, as the power and influence of this oligarchic elite have become so entrenched that they now threaten the next stage of economic reform, and may seriously undermine the sustainable development of the country. And for Armenia, the country was hobbled by an especially unique post-Soviet experience, marked by the onset of independence during a state of war with neighboring Azerbaijan, and having to recover from a serious earthquake. Yet, there are several common traits and legacies among the former Soviet states in the South Caucasus that help to explain the emergence of oligarchs, or a business–political elite region-wide.

Given the shared challenge of overcoming the legacy of decades of Soviet economic mismanagement and central planning, one of the more fundamental challenges to economic reform in these post-Soviet transition states has been to adopt market-based economic structures, and to adapt to the demands of the free market. This shift to capitalism has been no easy task, however, and has been characterized by a long and painful transition. For many of the populations of these three countries, the economic stability and order of the old Soviet system was abruptly replaced by the insecurity and chaos of entrepreneurship and

unfamiliar market-driven economic demands in the post-Soviet era. For a small elite, however, the period ushered in a new opportunity, unfettered by rules or laws and endowed with as much reward as risk.

During this period of initial transition, the region quickly forged its own unique system for commerce and trade. What made commerce in these countries unique was the combination of distinct factors facing each country. While each country sought free trade with an added recognition of the need for competitiveness, for the emerging business class this also necessitated an open business environment. For the South Caucasus, this was no easy task in light of pressure from unresolved conflicts and the restraints from closed borders and limited trade routes.

For Armenia's new business elite, these structural challenges posed greater problems for Armenia than for its neighbors. One of the most obvious and immediate of these challenges was the blockade of Armenia imposed by Azerbaijan and Turkey. This blockade—which still continues—was especially significant, as it went well beyond a simple closure of borders to encompass a near-full disruption of trade, transport, and energy links. Its effects were further magnified by Armenia's landlocked status and never fully offset. The initial impact of the blockade imposed in the 1990s was an immediate and devastating shortage of foodstuffs and basic commodities, an abrupt and severe energy crisis, and a period of economic isolation. This forced Armenia to adapt quickly to the sanctions by concentrating on its sole remaining external trade link northward through Georgia. Although this led to a degree of dual dependence—on Georgia for trade access and on Russia as a major trading partner—the fact that Armenia was forced to adapt developed as a key competitive advantage. This adaptability was more than a mere weathering of adversity; it was sheer survival. And it was that adaptation in which Armenian business was able to excel, and, in relative terms, it far outpaced its neighbors.

It was this very set of restraints and obstacles that provided the opportunity for the rise of the “oligarchic” commercial elite, however. More specifically, a new business elite, many with either strong ties to political officials or endowed with criminal links, rose to power and wealth by exploiting and maximizing the lack of open borders which thereby impeded competition, by maximizing “conflict economics,” and by building monopolies over scarce consumer commodities. Within the war period of the 1990s, each of these three countries witnessed the rise of the so-called oligarchs. And through this first decade of reform, this new oligarchic elite was able to enhance their wealth and power in each country.

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10. *Understanding Variation in Corruption and White-Collar Crime: Georgia and Armenia* Alexander Kapatadze

This chapter examines the internal and external causes of variations in corruption and white-collar crime through a comparative case study of Georgia and Armenia. From the domestic perspective, different outcomes in relation to ethnic conflicts, as well as differences in terms of the political elite's stability (a radical changeover of political elites in Georgia versus a continuation of existing elite networks in Armenia), explain the varying degrees of corruption and white-collar crime rates between the two states. From the external dimension, this chapter states that the varying attitudes toward Russia and amenability to Western influence have provided different incentives for reform in Georgia and Armenia, and resulted in different outcomes in reference to corruption.

Given that Georgia and Armenia share similar histories, the variation in the levels of white-collar crime and corruption between these two countries has remained a puzzle. Both are small Caucasian countries that share a history of invasions, as well as the experience of having been part of the Tsarist Empire and subsequently the Soviet Union. Both states have also served as a battleground for expansionist empires from even earlier eras, including the Romans, the Persians, and the Ottomans. While their spoken and written languages are different, as are their alphabets, both cultures share an allegiance to Christianity, which has fueled some sense of an overarching religious identity. Both Armenia and Georgia are also small states that have learned to survive and adapt to difficult geopolitical and economic conditions. Additionally, in both countries, maintaining an ethnic identity persisted throughout the Soviet era despite Russian assimilation policies.

Although Armenia has not engaged in an active process of reform, its corruption rates were much less than those of Georgia in the 1990s. A key shift occurred when Georgia became the "anti-corruption achiever" after its Rose Revolution in 2003, which provided a window of opportunity for the incoming political elite. A group of young reformers, led by US-educated lawyer Mikheil Saakashvili, launched a radical break with the formerly corrupt past and was soon credited by the World Bank's "Doing Business" report as being among the world's top reformers. In contrast, Armenia experienced only superficial reforms and limited success in fighting corruption during this time period. However, as in countries such as Ukraine and Kyrgyzstan, where similar reform processes succeeded only partially, in Georgia there has also been limited success against corruption, despite the efforts of the young reformers. Hence, it is important to look at why and how the window of opportunity was used in Georgia, rather than taking it for granted.

Two sets of factors, internal and external, define diverging levels of corruption and white-collar crime. Internally, the Rose Revolution of 2003 provided a window of opportunity that was used by a young, structurally and ideologically cohesive group of reformers, willing and able to implement wide sweeping reforms in Georgia. These reforms eliminated corruption in areas where state officials and the public interact. In Armenia, conversely, the political elite have had a vested interest in keeping the status quo, which has undermined radical reforms and perpetuated corruption. The elite continuity in Armenia is partially an outcome of the Nagorno-Karabakh conflict that solidified the dominance of corrupt interest

groups in the state. Externally, the antagonism between Russia and the Georgian political elites for their deviation from “post-Sovietness” provided incentives for anti-corruption reforms. These incentives were further strengthened by the unanimity of Georgian political elites to develop closer ties with the EU and NATO. In the case of Armenia, their “strategic partnership” with Russia did not provide any of these same incentives. Moreover, political elites have been divided in their willingness to integrate with Euro-Atlantic blocs.

There are fundamental differences in terms of incentives for anti-corruption reform as Georgia has drifted closer to the EU while Armenia remains in the Russian orbit. For obvious reasons, it is rather difficult to argue that the close alliance with Russia causes corruption, but it is evident that this kind of alliance does not provide incentives for reform. Georgia has long been oriented toward the West, and it was widely understood among the Georgian political elite that the rule of law is a prerequisite for conforming to Western and European social and legal standards. The adoption of a democratic model of governance, practiced in different European countries, unified different factions of the political elite, current authorities, and political opposition. This attitude has promoted strong ties between the Georgian political elite and their counterparts in Europe. As the experience of central and southeastern Europe suggests, these ties provided means and motivations for the political systems to become more transparent.

There is no such unanimity for EU integration in Armenia. The existence of countervailing powers that provide alternative sources of support enhances the bargaining power of the countries to ward off external demands for reform. The foreign policy vectors of Georgia and Armenia went on two different trajectories.

This chapter focuses on the period from 2004 to 2012, the time of reform in Georgia when the radical divergence between the two countries occurred. This chapter is outlined as follows: I first discuss the issues of elite continuity/discontinuity in the two countries and provide evidence pertaining to how it led to diverging outcomes in corruption levels. I then focus on the ethnic conflicts that the two countries experienced in the 1990s, and elaborate on how the outcomes of these two conflicts have influenced corruption. Lastly, I discuss different trajectories in the foreign policies of the two countries, and explain how this divergence has also impacted on the variation in corruption rates between the two countries.

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11. *Baku: Creating a Persian Gulf Paradise on the Caspian Sea* Anar Valiyev

Baku is the capital of Azerbaijan, and the largest city in the Caucasus region. Located on the Absheron peninsula with a territory covering over 2,130 square kilometers, it is divided into twelve administrative districts. From a historical perspective, Baku has been an industrial city; oil having been the major commodity that turned the small fortress into a city. The birth of a new Baku as an industrial city can be dated to 1847, following the drilling of the first industrial oil well. The period from the 1870s until World War I has been called the “first oil boom,” or the golden age of the development. Until 1917, Baku witnessed the rise of magnificent buildings in Baroque style that was completely alien to the architecture of a Muslim city at that time. By 1913, Baku was producing almost ninety-five percent of all Russian oil and fifty-five percent of total global oil production.

Geographic location, as well as the presence of natural resource wealth, predetermined the course of urban planning in Baku. Located on a peninsula surrounded by the biggest lake in the world, the profile of Baku is defined by several natural factors, including: the sea, the landscape, climate, and limestone, a material that was used for construction of many of its historical buildings.

The Soviet period of Baku was marked by further expansion of the oil industry and a growing population that needed more accommodation. Between the late 1950s and mid-1980s, the government prioritized housing in order to solve the problem created by increased immigration of rural people into the city. The Soviet administration invested heavily in the construction of cheap five-story buildings. During this time, many micro-rayons (micro-districts) were also constructed in Baku, reflecting the central socialist urban planning concept of “Ideal Communist City Planning.”

Since the disintegration of the Soviet Union, Baku has undergone a tremendous transformation. In this context, demographic trends for the last decade have been quite favorable toward the development of Baku, with a constant increase in population due to the high net in-migration from the rural areas of Azerbaijan. Consequently, it is not surprising that Baku exerts a disproportionately significant influence on the national economy. The city continues to be the leading recipient of investment, most of which is funneled into the construction industry. Demographic pressures forced the city to invest heavily in construction. In addition, government investment favors Baku, directing major funds toward infrastructure projects, city gentrification, and renovation. The post-Soviet transition toward a market economy has enabled Baku to make tremendous progress in urban development and to become one of the fastest growing cities in the region. As in many other Central and Eastern European countries, the rate of post-socialist urban change in Baku has been striking. Meanwhile, the city was constantly looking for a model of development, and many experts, architects and tourists could not resist comparing Baku with Dubai. This chapter looks at the development pattern of Baku, and its attempts to emulate Gulf cities. It will try to answer the question of whether Baku will be able to copy the pattern of the “Pearl of UAE” successfully, or if it will fail because of indigenous and exogenous factors.

Post-Soviet urban transformation in Baku was characterized by many positive developments. Within two decades the city’s landscape had changed completely: most notably, new high-rise buildings, plazas,

and business centers were built. The logic of this development in Baku highlights how the government and urban elites were trying to turn the city into a main tourist destination in the region as well as an economic powerhouse similar to Dubai. Baku's development after 2004–05 resembled Dubai's rapid expansion. The first common characteristic between Baku and Dubai was the desire of the authorities to turn their respective cities into transportation hubs. For Baku, the desire to become the transportation hub for Central Eurasia stemmed from the success experienced by two other rising cities: Singapore and Dubai.

Today, the main projects undertaken by Baku resemble the path and plans implemented by these two cities. Rashid Port, the Jabal Ali Port and Free Economic Zone, Dubai International Airport, and many other state-of-the-art projects stand as vivid examples for Baku's development. Although Lee Kuan Yew, prime minister of Singapore, is referred to less frequently, nevertheless Singapore's strategies for becoming a transportation hub are actively copied by Baku.

Azerbaijan's development after 2004–05 resembles Dubai's rapid expansion; but Baku is trying within a decade to accomplish what Dubai accomplished over almost forty-five years. Additionally, just as the Dubai rulers tried to turn the city into a transportation hub, the government of Azerbaijan made a strategic decision to construct a new modern port sixty kilometers south of Baku. This remarkable project on the Caspian Sea, dubbed the "jewel of the Caspian," includes the construction of Alyat port, the Alyat International Logistics Center, and Alyat Free Economic Zone.

The current strategy of Baku could be considered as one of the elements of post-political urban propagation, or active promotion of a city. In Baku, the strategy has evolved into large-scale urban development schemes, including constructing iconic new buildings, revamping local infrastructure, and creating a new urban imagery. In this context, Dubai continues to be the most suitable model for the overall needs of Baku, even though the two cities do not have much more in common. However, the urban planners in Baku are increasingly seeking to create new images for their cities and states through grandiose urban development and hosting major international spectacles. The expansionist agenda in Baku, unlike in Dubai, therefore serves three purposes: 1) distributing financial and political patronage; 2) promoting a positive image of the state for both international and domestic consumption; and 3) creating a sense of unity in society.

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