

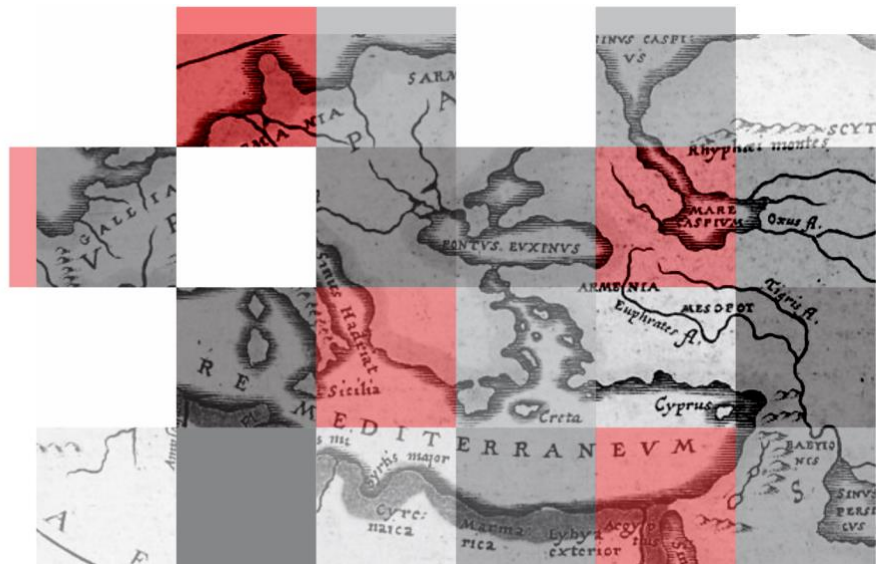


Policy Recommendation Series

US STRATEGIC INTERESTS IN THE SOUTH CAUCASUS AND ITS POST-2020 WAR POLICY TOWARDS ARMENIA

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ABSTRACT

In the wake of President Joe Biden's affirmation of America's renewed engagement on the global stage post-2020 elections, US foreign policy faces a complex landscape in the post-soviet space, underscored by the tension between democratic ideals and authoritarian forces. Historically, following the dissolution of the Soviet Union, the United States fostered warm relations with Russia and the nascent independent states, actively supporting nuclear disarmament and democratic transitions, albeit with varying degrees of involvement across regions. US policy has traditionally been cautious in the South Caucasus, balancing support for democratization with strategic interests, as evidenced by its tempered stance on the Armenia-Azerbaijan dispute. However, the limited response to the second Artsakh (Nagorno-Karabakh) war and the subsequent Russian-dominated ceasefire have highlighted the constraints of US influence and spurred a reevaluation of its role in regional dynamics.

Recent regional turmoil, from Russia's aggression in Ukraine to the fraught tensions in Artsakh, has catalyzed a strategic pivot in US policy towards the South Caucasus. The Biden administration's approach signals a readiness to engage more assertively, advocating for humanitarian support, acknowledging indigenous rights, and reinforcing self-determination for the people of Artsakh. The US rejects external territorial ambitions over Armenia, emphasizing the inviolability of established borders and promoting a recalibration of regional power dynamics to curb Russian influence. This potential renaissance in American diplomacy, underscored by a commitment to Armenia's security and regional stability, challenges the narrative of US ineffectiveness and seeks to shape a future grounded in democratic values and peaceable state relations.

INTRODUCTION

After his November 2020 victory in the US presidential elections, Joe Biden declared, “America is back.” The United States would once again take its involvement seriously in the world. President Biden’s vision of 21st-century geopolitics as a battle between democracy and authoritarianism implied more US involvement in the post-Soviet space to deter and counter Russia and its like-minded allies.

Upon the dissolution of the Soviet Union, the United States sought to establish warm relations with Russia and the newly independent Soviet states. President George H.W. Bush was solicitous of Russian concerns and coerced Ukraine, Kazakhstan, and Belarus to forfeit their legacy Soviet nuclear arsenals. At the same time, the United States supported democratization and eventually European Union membership and NATO accession for the three Baltic States.

Washington’s approach to the Caucasus was more restrained. It supported a diplomatic process to address the Azerbaijan-Armenia dispute and generally stated its support for democratization, albeit tempered by the desire to treat Azerbaijan as an energy resource, regardless of its governance. Successive US administrations also sought to minimize Russia’s influence when opportunities presented, such as with the November 2003 Rose Revolution in Georgia or the 2018 “Velvet Revolution” in Armenia.

US inaction against the backdrop of the Second Artsakh (Nagorno-Karabakh) War highlighted the limits of US influence. The cease-fire agreement imposed by Russian President Vladimir Putin sidelined the Organization for Security and Cooperation in Europe (OSCE) Minsk Group as an institution, as well as France and the United States that, alongside Russia, acted as its co-chairs.

Recent crises ranging from Russia’s invasion of Ukraine to Azerbaijan’s conquest of Artsakh and Azerbaijan’s military build-up along its borders with Armenia have refocused Washington’s attention on the region. The Biden administration has sought to facilitate a peace process between Baku and Yerevan as Russian influence declines due to Moscow’s inability or unwillingness to enforce the November 9, 2020, agreement.

The United States believes that the normalization and economic cooperation between regional states will de-escalate tensions and decrease Russian influence in Armenia. Analysts are right to recognize that Armenia has less reason to tie itself to Russia militarily if it no longer faces existential threats from its neighbors. For the first time since the dissolution of the Soviet Union, there is an opportunity for a fundamentally new and more proactive American strategy to preserve and develop its interests in the South Caucasus.

Is the US interested in Regional Stability and Peace?

Ask any American diplomat if the US is interested in regional stability and peace, and the answer would be, of course. There is little evidence, however, to suggest any

serious commitment. The National Security Council has yet to publish any official strategy on the South Caucasus in the way it has with Africa or the Indo-Pacific region. The 2022 US National Security Strategy mentioned the South Caucasus only once to report the US would back diplomatic efforts to resolve the conflict between Armenia and Azerbaijan.¹ Similarly, there were no mentions of Armenia, Azerbaijan, Georgia, or the South Caucasus in the 2022 National Defense Strategy.² The Director of National Intelligence's Annual Threat Assessments argued that relations between Armenia and Azerbaijan were likely to remain tense and occasionally volatile in the absence of a peace treaty. Against the backdrop of renewed fighting, the intelligence community's assessment reflected the continued downplaying and misanalysis of Azerbaijan and its anti-Armenia agenda.³ Anatol Lieven, director of the Eurasia program at the Quincy Institute, concurred that the United States had no clear and formal strategy for the South Caucasus.⁴

Since the 2022 Russian invasion of Ukraine, the United States has sought to contain and isolate Russia. Weakening Russian influence in the South Caucasus would conform to this strategy. Indeed, the United States continued to oppose the deployment of Russian peacekeepers in Artsakh, in the wake of Azerbaijan's September 2023 invasion of Artsakh, anywhere else in the region. While the United States does not call openly for the withdrawal of Russia's approximately 3,000 troops stationed at a military base in Gyumri, Acting Assistant Secretary of State for European Affairs Yuri Kim stated on September 14, 2023, that Washington had a strategic opportunity to reduce malign influence in the region from actors like Russia, China, and Iran. She argued for a durable peace that would expand the US bilateral economic and security cooperation and provide greater energy security for European partners and allies.⁵

The State Department hopes Armenia and Azerbaijan recognize each other's territorial integrity. While the United States supports Armenia's decision to recognize Artsakh as Azerbaijan's sovereign territory, it also long called for assuring the rights of Artsakh's indigenous Armenian community. However, the September 19, 2023, Azerbaijani offensive and the forced displacement of Armenians from Artsakh did not elicit any tangible American response, except for the Armenian Protection Act of 2023⁶, unanimously passed in the US Senate. There were neither sanctions nor symbolic gestures to express US frustration against Azerbaijan. US Agency for International Development Administrator Samantha Power and Kim visited Armenia after Artsakh's collapse but offered humanitarian assistance equivalent to less than \$100 per displaced person.

¹ US National Security Strategy, <https://www.whitehouse.gov/wp-content/uploads/2022/10/Biden-Harris-Administrations-National-Security-Strategy-10.2022.pdf>

² US National Security Strategy, <https://apps.dtic.mil/sti/trecms/pdf/AD1183514.pdf>

³ Annual threat assessment, <https://www.dni.gov/files/ODNI/documents/assessments/ATA-2023-Unclassified-Report.pdf>

⁴ Interview was conducted by Benyamin Poghosyan on September 13, 2023.

⁵ Statement of Yuri Kim, Acting Assistant Secretary of State for European Affairs Before the Senate Foreign Relations Committee, September 14, 2023, https://www.foreign.senate.gov/imo/media/doc/6667fb89-a975-4fab-d8b8-e8875312e37e/091423_Kim_Testimony.pdf

⁶ <https://www.govinfo.gov/app/details/BILLS-118s3000is/related>

Does Fear of Iran Shape US Policy in the South Caucasus?

From Iran's perspective, the countries' shared Shiite faith and close cultural ties reinforce mutual bonds with Azerbaijan. The region became more important to Iran after the Second Artsakh War upset Iran's decades-long cautious embrace of the *status quo* in which it could leverage influence over Armenia to preserve its northward trade routes. Additionally, Tehran had leverage over Baku as it was the only way Azerbaijan could access its Nakhichevan exclave by land without passing through Armenia.

The war's outcome upended the geopolitical landscape by allowing Turkish military and political penetration of the region. Baku, backed by Ankara, embraced a narrative of establishing an extraterritorial "Zangezur" corridor across southern Armenia from Azerbaijan proper to Nakhchivan, effectively cutting Armenia off from Iran. Aliyev even proposed populating southern Armenia with "Azerbaijani refugees who left Armenia in 1988."⁷

While some American officials may believe isolating Iran and increasing Turkish influence in the region might serve US interests in the short-term, Turkey's tilt toward Russia and China and President Recep Tayyip Erdogan's efforts to minimize Western influence suggests such a benefit to be illusionary. Nor does such an assessment accurately reflect the Turkish and Azerbaijani contradictions in the region. Azerbaijan's trade with Iran is equivalent to Armenia's, and Turkey's trade with Iran is an order of magnitude higher. Furthermore, the growing economic relations between Moscow and Ankara jeopardize the US interests in the Caspian region.

It is naïve to believe that, should Baku feel no threat from Yerevan, Azerbaijan would focus on countering Iran. Growing energy and trade relations between the two countries suggest that, rhetoric aside, both Aliyev and the Islamic Republic respect each other's redlines. While Azerbaijan has cooperated with both Israel and the United States with regard to monitoring Iran, Azerbaijan lobbyists often exaggerate its role. Most Israeli operatives infiltrate Iran not through Azerbaijan but rather from Iraqi Kurdistan. Additionally, as Turkey turns on Israel and because Turkey looks at Azerbaijan as a subordinate partner, it is doubtful Erdogan would tolerate continued tight Azerbaijan-Israel ties.

Does Energy Shape American Strategy?

On September 20, 1994, then-Azerbaijan President Heydar Aliyev and oil executives from several international companies gathered in Baku for the ceremonial signing of what the Azerbaijani president called the "deal of the century."⁸ A consortium

⁷ Azerbaijanis will return to Zangezur-Ilham Aliyev, https://www.turan.az/ext/news/2021/7/free/politics_news/en/5882.htm

⁸ The contract of the century – a national strategy for success , https://www.bp.com/en_az/azerbaijan/home/who-we-are/operationsprojects/acg2/the-contract-of-the-century---a-national-strategy-for-success.html

of 11 foreign oil companies signed a contract with the State Oil Company of Azerbaijan Republic (SOCAR) to develop three major oil fields in the Caspian Sea. As a result, American companies – Amoco, Exxon, Unocal, and Pennzoil – collectively took a 40 percent share, followed by BP (formerly British Petroleum) with 17 percent in developing Azerbaijan’s huge Caspian oil

To minimize Europe’s energy dependence on Russia, the Americans and the British initiated and financed the construction of the Baku-Tbilisi-Ceyhan pipeline, completed in 2005. The 1,768-kilometer [1100 mile] pipeline traverses Azerbaijan and Georgia before ending at the port of Ceyhan in Turkey. Today, it can transport 1.2 million barrels per day, and in total, it has transported more than 3.6 billion barrels of crude oil from the Caspian to the Mediterranean, bypassing Russia and Iran to decrease Europe’s energy dependence on either. In May 2006, Azerbaijan, Georgia, and Turkey launched a further Baku–Tbilisi–Erzurum gas pipeline to bring Azerbaijani gas to northern Turkey. Beginning in December 2020, the Trans-Anatolian gas pipeline and Trans Adriatic Pipeline supplemented these to provide up to 10 billion cubic meters of Azeri gas annually to Greece, Italy, and other European countries.

The Ukraine war pushed the Europeans to reduce gas imports from Russia further. On July 18, 2022, the European Commission, backed by the Americans, signed a Memorandum of Understanding with Azerbaijan to double imports of Azerbaijani natural gas to at least 20 billion cubic meters a year by 2027.⁹ “The EU and Azerbaijan are opening a new chapter in energy cooperation. Azerbaijan is a key partner in the EU’s efforts to move away from Russian fossil fuels,” said European Commission president Ursula von der Leyen.¹⁰ Meanwhile, Azerbaijan President Ilham Aliyev stressed that “issues of energy security today are more important than ever.” Azerbaijan started increasing natural gas deliveries to the EU from 8.1 billion cubic meters in 2021 to around 12 billion cubic meters in 2022 via the Southern Gas Corridor.¹¹ The Azerbaijani option is less than meets the eye, however. To meet Europe’s gas demands, Baku imports gas from Russia.¹²

Does the US Support the Zangezur Corridor?

The OSCE Minsk Group supported reopening trade links between Armenia and Azerbaijan during the two decades it led negotiations to resolve the Artsakh conflict. The subsequent November 2020 trilateral statement also called for the opening of economic and transport links to enable safe passage between Azerbaijan proper and its non-

⁹ EU, Azerbaijan to discuss prospects for the trade of renewable hydrogen , https://www.azernews.az/oil_and_gas/196907.html

¹⁰ EU signs deal with Azerbaijan to double gas imports by 2027, <https://www.reuters.com/business/energy/eu-signs-deal-with-azerbaijan-double-gas-imports-by-2027-2022-07-18/>

¹¹ EU signs deal with Azerbaijan to double gas imports by 2027, <https://www.reuters.com/business/energy/eu-signs-deal-with-azerbaijan-double-gas-imports-by-2027-2022-07-18/>

¹² David O'Byrne, Azerbaijan's Russian gas deal raises uncomfortable questions for Europe, <https://eurasianet.org/azerbajians-russian-gas-deal-raises-uncomfortable-questions-for-europe>

contiguous Nakhichevan Autonomous Republic. Russia's Federal Security Service was to secure the corridor.¹³ The Kremlin would not support any revision that would eliminate its role in the region.

Almost immediately, Azerbaijan sought to redefine the Zangezur corridor. Baku argued it was not meant simply to be a transport route but insisted Armenia had agreed to provide an extraterritorial corridor via Syunik, the Armenian province that falls between Azerbaijan and Nakhichevan. Azerbaijan took further steps to include the Zangezur corridor into the "Middle Corridor" which envisages the establishment of the new land route between China and Europe via Kazakhstan, Caspian Sea, South Caucasus, Black Sea and Turkey.¹⁴ While the "Middle Corridor" can operate without passing through Armenia, Azerbaijan's characterization of Zangezur distorts reality. Nor does the establishment of railway and highway connections between Azerbaijan, Nakhichevan and Turkey via Armenia have any direct linkage with the "Middle Corridor."

The United States has always supported the idea of restoration of economic ties, including transport communications between Armenia and Azerbaijan, to encourage post-conflict stability and security. In the context of the establishment of railways and highways connecting Azerbaijan with Nakhichevan and Turkey via Armenia, the United States believes that these routes should not be under Russian control. This would require Armenia change the modalities of Article 9 of the trilateral statement and reject Russian control over any transport communication. Armenia has grounds to reject Russian involvement given Moscow's failure to uphold its commitments under the trilateral statement. Encouraging Turkey's trade across Armenia absent Russian involvement could advance US interests by denying space to Russia.¹⁵ Such an outcome, however, would require a fundamental change in Turkey's attitude toward Armenia. Rather than demand Armenia accept an irredentist Turkey as is, the United States might better achieve its goals if it sought diplomatically to demand Turkey's acceptance of Armenia's rights and legitimacy.

Is Armenia-Turkey Normalization Possible?

Turkey blockades Armenia in contravention of the 1921 Treaty of Kars and rejects diplomatic relations with Armenia in solidarity with Azerbaijan. The State Department has pushed for Armenia–Turkey normalization since the early 1990s. The idea behind this approach is simple: If Armenia established normal relations with Turkey, it would no longer need to rely on Russia as a guarantor for its sovereignty nor Iran as an economic lifeline. The United States supported the "Football Diplomacy" of 2008-2009 and

¹³ Statement by the Prime Minister of the Republic of Armenia, the President of the Republic of Azerbaijan, and the President of the Russian Federation, <https://www.primeminister.am/en/press-release/item/2020/11/10/Announcement/>

¹⁴ President Aliyev: Azerbaijan actively promotes creation of Zangezur Corridor, which will be integral part of Middle Corridor, <https://www.news.az/news/president-aliyev-azerbaijan-actively-promotes-creation-of-zangezur-corridor-which-will-be-integral-part-of-middle-corridor>

¹⁵ C5+1 Diplomatic Platform, <https://www.state.gov/c51-diplomatic-platform/>, Blinken Debuts New U.S. Approach in Central Asia, <https://www.usip.org/publications/2023/03/blinken-debuts-new-us-approach-central-asia>

expressed readiness to contribute to the normalization of Armenia–Turkey relations after the end of the 2020 Artsakh war.¹⁶

RECOMMENDATIONS

Azerbaijan mocks the United States as ineffective and a paper tiger, unwanted and unneeded as a diplomatic intermediary. In this, Baku's rhetoric is similar to Tehran's and Moscow's. Washington does have a role, though. Proactive engagement in diplomacy toward Armenia and the broader South Caucasus can have a tremendous impact on outcomes. As such, the United States should undertake the following actions:

- First, the United States must address the immediate crisis. The State Department should increase humanitarian aid to Armenian refugees from Artsakh.
- Second, the United States immediately and openly should endorse the right of return for Armenian refugees from Artsakh. The State Department must acknowledge these refugees as the indigenous population of Artsakh.
- Third, the State Department should recognize that the indigenous population of Artsakh maintains its right of self-determination. This was the case legally under the Soviet Constitution—no action or statement by Armenian authorities in Yerevan strips Artsakh Armenians of their fundamental rights.
- Fourth, Artsakh was a democratic republic with regular one-person, one-vote elections to determine its representatives. In contrast, Azerbaijan is a dictatorship. The exercise of self-determination mandates Artsakh Armenians establish a government-in-exile to represent the interests of Artsakh Armenians in future negotiations.
- Fifth, the United States should reject Azerbaijan's conception of the Zangezur Corridor outright. Rationalizing Baku's position would only legitimize it and encourage Azerbaijan to take even more extreme positions. The United States, like France, should recognize the sanctity of Armenia's 1991 borders and reject any Azerbaijani attempts to revise or redraw them.
- Sixth, the United States is right to reduce Russian influence, but this requires ending the security threats Armenia faces from its neighbors. There are no shortcuts: The United States must first demand an end to Turkey's illegal blockade of Armenia and demand Azerbaijan recognize Armenia's borders and allow unrestricted Armenian trade.
- Seventh, the United States should recognize Armenia's legitimate security needs. Israel's military exports to Azerbaijan shifted the balance of power and convinced

¹⁶ USA supports the process of normalization of Armenia-Turkey relations. Deputy Assistant Secretary of State, <https://armenpress.am/eng/news/1108912.html>

Azerbaijan it could impose through military force what it could never achieve at the negotiating table. Security in the South Caucasus has suffered since. As such, the United States should seek to restore a regional balance of power to stabilize the region. The United States should enhance arms trade and military training with Armenia. The United States should also encourage like-minded countries like France and India to provide arms to Armenia while opposing sales of weaponry to Azerbaijan.

ABOUT THE AUTHORS

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Benyamin Poghosyan, Ph.D., is the chairman of the Center for Political and Economic Strategic Studies. He was Head of the Institute for National Strategic Studies at the National Defense Research University in Armenia from August 2016 to February 2019. He joined the Institute for National Strategic Studies in March 2009 as a Research Fellow and was appointed INSS Deputy Director for research in November 2010. During his tenure at the only Armenian state think tank dealing with Armenian foreign policy and regional and international security, Dr. Poghosyan prepared and supervised the elaboration of more than 100 policy papers that were presented to the political-military leadership of Armenia. Since 2009, Dr. Poghosyan has participated in more than 150 international conferences and workshops as a regional and global security dynamics speaker.

Michael Rubin, Ph.D., is a senior fellow at the American Enterprise Institute, specializing in Iran, Turkey, and the broader Middle East. A former Pentagon official, Dr. Rubin has lived in post-revolution Iran, Yemen, and pre- and post-war Iraq. He also spent time with the Taliban before 9/11. For over a decade, he taught classes at sea about the Horn of Africa and Middle East conflicts, culture, and terrorism to deployed US Navy and Marine units. Dr. Rubin is the author, coauthor, and coeditor of several books exploring diplomacy, Iranian history, Arab culture, Kurdish studies, and Shi'ite politics, including "Seven Pillars: What Really Causes Instability in the Middle East?" (AEI Press, 2019); "Kurdistan Rising" (AEI Press, 2016); "Dancing with the Devil: The Perils of Engaging Rogue Regimes" (Encounter Books, 2014); and "Eternal Iran: Continuity and Chaos" (Palgrave, 2005). Dr. Rubin has a Ph.D. and an MA in history from Yale University and obtained a BS in biology.

ABOUT THE INSTITUTE

The Aram Manoukian Institute for Strategic Planning has been formed to work with experts in various fields to develop plans for the future of the Armenian nation in Armenia, Artsakh, and the Diaspora. The overarching vision of the Institute is to work towards the creation of a prosperous and just society in Armenia, Artsakh, and the Armenian diaspora, where the rights and dignity of all individuals are respected and where peace, democracy, and sustainable development are achieved.

The Institute will identify appropriate target audiences, including government officials, civil society organizations, academia, businesses, and the public, to ensure its work reaches various stakeholders. It will also build a diverse team with expertise from various fields, including academics, practitioners, individuals from the Armenian diaspora, and youth, to provide a holistic perspective in addressing the nation's challenges. Additionally, it underscores the significance of developing partnerships and collaborations with government agencies, NGOs, research institutions, businesses, international organizations, and diaspora organizations to leverage resources and knowledge effectively. The Institute's agenda will focus on pressing issues such as national security, economic development, education, good governance, health care, diaspora engagement, and environmental sustainability. By addressing these challenges through research-based insights and policy recommendations, the Institute will contribute toward the betterment of the Armenian nation.

ABOUT THE INSTITUTE'S NAMESAKE

Aram Manoukian, born in 1879 in Karakilisa, was a prominent Armenian revolutionary who played a pivotal role in the formation of the First Armenian Republic in 1918. His educational journey began in local Armenian schools, followed by studies at the St. Petersburg Polytechnic Institute in Russia.

While still a student in St. Petersburg, Manoukian became deeply involved in the Armenian national liberation movement. In 1902, he formally joined the Armenian Revolutionary Federation (ARF) and actively participated in various ARF activities, including armed struggles against oppressive regimes in the Caucasus and the Middle East, notably the Ottoman Empire. He successfully led the self-defense of Van, saving the lives of tens of thousands of Armenian civilians from deportation massacre by the Turkish government.

In 1917, after the Russian Revolution, Manoukian returned to Armenia and assumed a central role in establishing the First Armenian Republic in 1918. He served as the commander-in-chief of Armenian forces during intense battles against Ottoman forces in the Caucasus, ultimately securing Armenia's independence.

Beyond his military leadership, Manoukian's contributions extended to politics and economics in the nascent republic. As the prime minister, he championed social justice,

equality, and progressive policies, focusing on land reform, education, and other measures to improve the lives of ordinary Armenians.

Today, Aram Manoukian's legacy endures, serving as a timeless source of inspiration for Armenians, commemorating his unwavering dedication to his nation and his role as a patriotic statesman.