

Working Paper No. 2016/1

**Eurasian Economic Union: Russia's New Foreign
Policy in the South Caucasus**

Samir Balakishi¹

August 2016

© The authors, 2016

¹ School of Sociology, Politics and International Studies (SPAIS), University of Bristol

MSM

The Maastricht School of Management is a leading provider of management education with worldwide presence. Our mission is to enhance the management capacity of professionals and organizations in and for emerging economies and developing countries with the objective to substantially contribute to the development of these societies.

www.msm.nl

The views expressed in this publication are those of the author(s). Publication does not imply endorsement by the School or its sponsors, of any of the views expressed.

Eurasian Economic Union: Russia's New Foreign Policy in the South Caucasus

SAMIR BALAKISHI

School of Sociology, Politics and International Studies (SPAIS), University of Bristol,

11 Priory road, Bristol, United Kingdom

samir.balakishi@bristol.ac.uk

ABSTRACT

Russian President Putin is seeking political and especially economic alliances to reduce and counterbalance the influence of the European Union and the United States in the post-Soviet space. He is therefore determined to cement Moscow's hegemonic status in the near abroad, particularly in the South Caucasus. In order to achieve that strategic purpose, he has created the Eurasian Economic Union, as an alternative to the EU, since the EEU is under Russia's domination. As a result of this initiative, Russia, Belarus and Kazakhstan signed an agreement to create the EEU in 2011. Then, on 29 May 2014, they assembled again in Moscow and signed a new treaty to form the EEU. This agreement became fully operational on 1 January 2015. Moscow has been pressurising Armenia, Georgia and Azerbaijan, as well as other CIS members, to join the EEU. Russia's main interests in the South Caucasus are to control the region strategically and to inhibit or dominate the export of oil and gas from the Caspian Sea basin to the West along the Transcaucasian energy corridor to counteract the increase in recent years in relations between the South Caucasus countries and the West. Therefore, this new alliance is progressively playing an important role in Russian foreign economic policy towards Armenia, Georgia and Azerbaijan. Whilst Armenia – which has been extremely dependent economically on Russia – joined the EEU, Azerbaijan declined to do so once in the past. In Georgia, especially during Saakashvili's period since he was a keen proponent of NATO enlargement and EU membership, the EEU has declined in popularity. Moreover, joining the EEU would undermine economic independence and prosperity in the South Caucasian countries and could also prevent the West from having access to the region.

Keywords: *Eurasian Economic Union; Hegemonic Stability Theory; Armenia; Azerbaijan; Georgia; Energy.*

Eurasian Economic Union: Russia's New Foreign Policy in the South Caucasus

1. Introduction

This paper explores each of the three South Caucasus republics individually by applying the hegemonic stability theory in the context of the EEU, Russia's latest foreign economic policy initiative towards the region. Indeed, this policy demonstrates the growing importance of this alliance to Moscow's foreign policy because Putin realizes the apparent impossibility of Russia controlling the South Caucasus republics by formulating foreign economic policy for each state individually. Firstly, what kind of policies and strategies Russia has pursued so far towards the three South Caucasus states. The second purpose of this paper is to illustrate each state's attitude towards the Russian-dominated EEU. It needs to say that, this paper investigates the period prior to the EEU which became fully operational on 1 January 2015. Accordingly, the paper examines the importance of the South Caucasus for Moscow's foreign economic policy in terms of the EEU.

Hegemonic stability theory, or HST, which was founded by the realist school, analyzes the nature of Russia's hegemonic behaviour. According to Robert Keohane, a hegemon state is one which is strong enough to ensure the necessary rules governing interstate relations and which intends to do more (Keohane, 1984, p.44). Moreover, hegemony often promotes stability, because "cooperation may be fostered by hegemony, and hegemons require cooperation to make and enforce rules" (Keohane, 1984, p.46). In the Russian case, Russia is the dominant power in the CIS in terms of its military, economic, energy and GDP capabilities in comparison with other countries. Russia's historic heritage and capability impress the political elites and leaders of most CIS members. Thus, according to Roy Allison, the presence or legacy of Russian regional hegemonic impression has also led to sustaining its hegemony (Allison, 2004, p.481). The HST hypothesises hegemonic capacity, and this largely failed, in other words, Russia failed to maintain its hegemonic role in the first decade of Russian independence. During that decade, Russia faced financial crisis, indebtedness to EU states, poor control over governmental institutions and structural corruption (MacFarlane, 2001, p.84). In these circumstances, it would be difficult to define Russia using definitions of hegemony in the international literature. Nevertheless, since the CIS from the beginning has benefited from 'relative autonomy'

from the international system, it has facilitated Russia to ensure its hegemony. In other words, Russia's great power and hegemonic status is solely linked to this region, particularly to the South Caucasus region (Abushov, 2010, p.66). This paper largely analyzes Russia's foreign policy from the realist perspective in terms of its economic and energy relations with Azerbaijan, Armenia and Georgia in the context of the Eurasian Economic Union.

2. Russian Economic and Energy Policies towards Armenia

In the South Caucasus region, Russia takes the foremost role in the economy of Armenia in comparison with Azerbaijan and Georgia because Russia is the biggest main foreign investor in Armenia and controls approximately one quarter of Armenian trade turnover. Armenia ceded some of its strategic assets to Russia in settlement of its remaining debts after facing cut-offs in gas supplies. As a result, Armenia's biggest cement factory was devolved to Itera, which is the Russian natural gas company, in payment for the state's \$10 million debt for previous gas deliveries (Danielyan, 2003). On 4 December 2002, the Armenian Parliament approved the Assets-for-Debt Deal which had been signed on 17 July 2002. In the terms of the agreement, approximately \$100 million of Armenia's unpaid debt to Russia would be resolved by Armenia renouncing control of five national enterprises to the Russian Federation: the Hrazdan thermal power plant which produced almost 40% of the country's power, three research institutes that engaged in Soviet military-industrial development, and the Mars Electronic Company which produced signalling appliances (Chepurin, 2004, p.117; Tsygankov, 2006, p.1091). In February 2003, Russia's Industry and Science Minister Ilya Klebanov and Armenia's Minister of Defence Serzh Sargsyan agreed that in return for paying off Armenia's \$40 million debt to Russia for nuclear fuel supplies, financial management of the Armenian Metsamor nuclear plan would be handed over to the Russian UES, and also, in August of the same year, Armenia signed another new agreement with the UES for the purpose of paying all debts of the Sevan-Hrazdanský hydropower plant, and also 75% of shares in the Armenian insurance company Efes were purchased by a Russian company (Ogan, 2005, p.110; Secieru, 2006, p.299).

In fact, therefore, many Armenian primary assets either belong to Russia or have been purchased by Russian corporations. Because the Armenian airline Armavia belonged to Russia's Sibir Airlines, a 90% stake in the ATC was purchased by the Russian mobile operator VimpelCom and this purchase was ratified by the Armenian government's Public

Service Regulatory Commission. In addition, during Kocharian's period in power, Russia's Comstar Telesystems announced in 2006 that it had taken possession of 75% of the shares in Armenia's second biggest telecommunications group Callnet and the internet service provider Cornet, and in the following year, MTS, a Russian telecommunications operator, also acquired VivaCell, which is Armenia's largest mobile phone network (Socor, 2006; Danielyan, 2007). In February 2008, the President of Russian Railways Vladimir Yakunin and the Armenian Minister of Transport and Communication Andranik Manukyan signed a thirty-year concession agreement by which Russia obtained management of Armenian Railways (RZD, 2008). All of these facts demonstrate Armenia's growing dependence on the Russian Federation and that the most significant sectors of the Armenian economy are now controlled by Russia (Grigoryan, 2014). On 3 December 2013, Vladimir Putin announced in a speech that "Interregional cooperation is becoming a major factor in the strengthening of bilateral trade and economic relations" at the 3rd Armenian-Russian Interregional Conference. Putin added that bilateral trade volume had expanded more than 20% and reached \$1.2 billion in 2012 (Panorama, 2013). In this case, Russia's accumulated investment in Armenia surpassed \$3 billion, which was more than 40% of its total foreign investment (Voice of Russia, 2013).

Since 1989, the Armenian-Azerbaijan conflict over Azerbaijan's Nagorno-Karabakh region has led to Azerbaijan and Turkey closing their borders with Armenia. These obstructions have had a deleterious influence on the Armenian economy since it has become increasingly dependent on oil and gas resources which are mainly imported from Russia (Nichol, 2008, p.20). Hence Russia is the main energy supplier in Armenia. A major energy policy of Russia has been the manipulation of gas prices charged to Armenia. Russia raised the gas price in 2006 and this led to Armenia agreeing to hand over many energy assets to Russian firms in partial payment for the price increment. Some commentators have emphasized that Russia thus obtained essential control over the Armenian energy supply (Nichol, 2014, p.13).

In a second free trade and cooperation agreement with the EU, in April 2013, Russia imposed an extremely high price increase on the energy sold to Armenia. Subsequently, in August 2013, Russia proposed a partial subsidy, and an Armenian-Russian treaty on energy security was signed during the Armenian President Sargsyan's visit to Moscow in September 2013, when he declared his country's intention to join the Customs Union (Nichol, 2014, p.14). During Putin's visit to Armenia in December 2013, the circumstances

under which subsidies for the Armenian Republic would be given were concluded. Russia decided to reduce the price of gas to be supplied to the Republic of Armenia over the following five years – from \$270 per 35.3 million cu ft to nearly \$189 – for up to 88.3 billion cu ft of gas per annum. In exchange, Armenia agreed to cede its other shares in the ArmRosGazprom gas firm to the Russian giant firm Gazprom and to allow Gazprom unique privileges in Armenia until 2043 (Gevorgyan, 2014). Gazprom paid \$150 million for the shares, which were directly returned to repay a proportion of a \$300 million gas debt (Oil & Gas Eurasia, 2014).

3. Armenia's Choice

Armenia has become the first of the South Caucasus states on track to join the EEU. On 3 September 2013, the Armenian President Serzh Sargsyan announced that Armenia will enter the EEU, which is under Russia's domination (Jozwiak, 2013). This is a significant first major step that has implications for all the South Caucasus republics because pressure will now grow on Georgia, and then on Azerbaijan, to enter the EEU. Unlike Azerbaijan and Georgia, however, ironically, Armenia does not have a border with Russia, but as it is politically and economically dependent on Russia, Moscow forced Armenia to enter the EEU (PanArmenian, 2013). Armenia's increasing dependence on Russia is obvious in almost every Armenian sector; for example, as already discussed, in return for cancelling Armenian debts, Russia acquired Armenia's hydroelectric and nuclear power stations. Russia also owns 80% of the Armenian energy infrastructure, thereby precluding Armenia from independently transferring Iranian gas to European markets. In addition, Russia controls 70% of the Armenian Savings bank as well as the majority of Armenian mining operations (Nixey, 2012, p.5).

According to the director of the Armenian RSC, Richard Giragosian, Armenia is "in grave danger of becoming little more than a Russian garrison state, marked by significant dependence on Russia and, at times, political submission to Russia's interests" (Coalson, 2013). Armenian PM Tigran Sargsyan observed that Armenia's disinclination to enter the EEU was based on the absence of common collective borders with members, and the fact that the Armenian economic structure is quite different compared with other countries which possess substantial energy deposits. He added that joining the EEU could be complicated for Armenia (Giragosian, 2013, pp.11-12). Seemingly, the Armenian president did not heed these warnings, and the PM recently commended the EEU, saying that it

demonstrates perspective and continues to move with the times (Abrahamyan, 2011). In July 2012, the pro-Russian Tigran Urikhianian, a member of the Armenian parliament, argued that Armenia's membership of the CSTO, which is a Russia-dominated military alliance, serves as a foundation for Armenia to join the EEU (ArmInfo, 2012).

Maia Kocijancic, a spokeswoman for EU foreign policy chief Catherine Ashton, has announced that if Armenia joins the EEU, it cannot sign a wide-ranging Agreement of Association with the EU (Asbarez, 2012). Arthur Ghazinyan, the head of the Centre for European Studies, has stated that Armenia should choose who it seeks to be with in future years – the EU or EEU (Safaryan, 2013). Under pressure from Moscow, Armenia has made its decision, impelled by Gazprom's announcement that it was increasing the price of Russian natural gas exports to Armenia by 50%. The government of Armenia was actually negotiating with Moscow to decrease the price of its gas imports by 30%, which would thus increase Yerevan's dependence on Moscow even more (Tamrazian, 2013). On 5 March 2014, Putin announced that Armenia was ready to enter the EEU (Voice of Russia, 2014). Consequently, Armenia joined the EEU on 1 January 2015 as the first South Caucasian state.

4. Russian-Georgian Economic and Energy Relations

In contrast to relations between Russia and Armenia, after the collapse of the Soviet Union, bilateral economic activities between Georgia and Russia became problematic; even at present relations are contentious as a result of the 2008 Georgia-Russian war, and there is less likelihood of Russia gaining economic influence and involvement in the Georgian economy than in the Armenian economy. After the dissolution of the Soviet Union, the CIS was established with substantial support from Russia, and all post-Soviet countries joined this alliance except for the Baltic States (Nuriyev, 2007, pp.2-3). After the Russian military attack on Georgia and recognition of South Ossetia's and Abkhazia's independence by Moscow, Saakashvili and the Georgian Parliament declared that Georgia had left the CIS (Felgenhauer, 2008; Allison, 2008, p.1161; Civil.ge, 2008). However, in 2006, Russia had taken punitive action against Georgia's western orientation by blockading the Russian market for Georgian agricultural products (Anjaparidze, 2006; Parsons, 2006). Moscow explained that this was because of the inferior quality of Georgian products, but even high-quality Georgian products were not permitted to enter the Russian market. This forced Georgia to search for new markets (Macedonia, 2006). It has to be said

that Russia made a clear political act by using economic countermeasures to suppress Georgia.

In terms of energy and its transportation. Georgia has an important geostrategic position in the region. Itera, the Russian company, was between 1996 and 2003 the leading supplier of gas in Georgia. In the industrially active territories of Shida Kartli and Kvemo Kartli, partners of Itera in Georgia obtained ten distribution networks in 1998. Itera then required that Georgia should sell Rustavi Azoti, Tbilisi distribution, and the main pipelines in payment of existing debts. However, Tbilisi refused to sell any of these, apart from Rustavi Azoti (Transparency International Georgia, 2008, pp.1-2).

In 2003, Gazprom began its initial big move into the Georgian Republic by taking over the business of gas transportation from Itera (Indans, 2007, p.137). On 1 July 2003, in spite of strong protest from partners within the west-east corridors, Tbilisi signed a 25-year agreement on strategic partnership with the Russian giant energy firm Gazprom. This agreement ensured Gazprom's control of practically everything comprising the operation of Georgia's pipeline network (Jervalidze & Rosner, 2006, p.34). Moreover, Gazprom declared its interest in privatising the Georgian gas pipeline system which distributes gas in the various regions of Georgia and is used for shipping gas from Russia to Armenia (Indans, 2007, p.137). During President Shevardnadze's period in office, Georgia's economic deals with Moscow and Russia's participation and investment in Georgian privatization efforts were criticized by Saakashvili and his alliance party (Scott, 2006, p.220). Jervalidze and Rosner maintained that Russian energy policy consisted of undermining or obtaining control of local gas markets and establishing impediments to a competitive transit route for Azerbaijani and Turkmeni gas through Turkey and Georgia (Jervalidze & Rosner, 2006, p.17). According to Western experts, Gazprom's primary agenda is to form a united gas infrastructure by interconnecting the Russian, Armenian, Georgian and Iranian pipelines. This would facilitate the Russian company's domination of the prospective gas stream from Iran to the EU and would consequently cement the geopolitical role of Russia in the South Caucasus (Transparency International Georgia, 2008, p.4).

In 2006, the Russian economic embargo towards Georgia worsened relations between the two countries (Cornell *et al.*, 2008, p.6). At the same time, Gazprom doubled the price of gas for Georgia to \$110 tcm and announced a further increase to \$230 tcm at the beginning of 2007, which was the highest rate among all the post-Soviet countries (Kjaernet, 2009,

p.3). By December 2006, this doubling of natural gas prices had pushed Tbilisi to find new energy supplies and to hold relevant discussions with Iran, Turkey and Azerbaijan (Scott, 2007, p.4).

In August 2008, the conflict between Russia and Georgia disrupted railway transportation of Azerbaijani oil to the Black Sea ports, and during the Russian-Georgian crisis Azerbaijan diverted its oil supplies to Russia via the Novorossiysk pipeline when the BTC was frozen, but after the crisis Azerbaijan resumed its oil supplies using the previous route (Mikhelidze, 2009, p.9). Russia's activities in Georgia proved that Moscow was prepared to stop energy supplies from reaching their intended markets. These activities have helped Russia to strengthen its hegemony over the region's oil and gas transit routes (Jaffe, 2009, p.18). Currently, Georgia receives most of its oil and gas requirements from Azerbaijan. Moreover, SOCAR, the Azerbaijani energy giant, has major investments in Georgia and also provides energy to all regions of Georgia (Corso, 2013).

5. Georgia's Choice

Georgia has been a territorial leader on the route to economic independence and development in the South Caucasus since achieving its sovereignty from the former Soviet Empire. Currently, Russia wants to weaken Georgia's role as an oil and gas transit route which connects its neighbouring countries from Azerbaijan to Turkey and the EU, thus breaking Moscow's energy monopoly in the Eurasian region, and has been pressuring Georgia to join the EEU. After Russia's occupation of Georgia in August 2008, Moscow recognized the independence of the South Ossetia and Abkhazia republics, which are provinces of Georgia, and around 10,000 Russian troops still remain in these two provinces (Coffey, 2012). Moscow is determined to create a situation whereby Tbilisi can never again utilize its power as a security lever for Europe against Russia. The Kremlin's policy is to divide and conquer Georgia, and it therefore supports South Ossetia and Abkhazia's reluctance to remain as part of Georgia. By using its hard power in this way, Russia is seeking to ensure that Georgia becomes a member of the EEU.

Georgia sees the EEU as a rebuilding of the Soviet Empire. Economic integration would be created by Russia utilizing its pressure to enhance its power. Results of the August 2008 conflict, such as the imposition of trade embargos and suspension of diplomatic relations with Moscow, made the EEU a non-starter for Tbilisi. The Georgian ex-PM Bidzina Ivanishvili stated that Tbilisi wanted to normalize bilateral relations with Moscow, but the

cornerstone of Georgian foreign policy is still Euro-Atlantic integration, not Eurasian integration (RFR/RL, 2013). By cooperating economically with the US and the EU as well as militarily with NATO, anti-Kremlin ex-president Saakashvili believes that the future EEU represents “the most savage idea of Russian nationalists” and has criticized Putin’s attempt to “resurrect the Soviet corpse” (Stratfor, 2011; Laruelle, 2012, p.10).

Between 2005 and 2008, Georgia’s pursuit of classic liberal policies led to growth in GDP rate of around 10% per annum. Moreover, during the same period the number of registered corporations increased dramatically from 36,000 to 51,000 (BBC News, 2013). However, in the aftermath of the August war of 2008, foreign investment and GDP growth slowed down. Georgia began to improve its foreign relations with the EU and US to recover its economy. As a result, Georgia reduced its economic dependence on Russia and its economic relations with Moscow. In spite of that, since 2012 Tbilisi has resumed economic and trade relations with Moscow and is negotiating opportunities for increasing cooperation in every sector from energy to transport, and also the Georgian ex-PM Ivanishvili has not completely ruled out Georgia’s membership of the EEU (Cohen, 2013, p.10). Currently, trade relations with Russia form an important part of Georgia’s small economy and Georgia is again falling directly under the control of Russia. This naturally raises worries for Georgia. If Georgia were to be a member of the EEU, which represents a return to Russia’s sphere of influence and economic systems, it would be a step backwards for its independence (Cohen, 2013, p.2). On 27 October 2013, a presidential election took place in Georgia. It was won by Giorgi Margvelashvili, and on 3 November, Irakli Gharibashvili was elected as the new PM of Georgia (BBC News, 2013; Civil.ge, 2013). In the month before the presidential election, in September 2013, presidential candidate Giorgi Margvelashvili made a speech about joining the EEU and declared that “if anything is acceptable to Georgia’s interests, they can think about membership of the EEU” (IPN, 2013). Consequently, the new Georgian government can pursue different policies from those of its predecessors.

6. Russia’s Economic and Energy Policies towards Azerbaijan

In comparison with Armenia and Georgia, Azerbaijan represents a large economic presence in the region. In 1992, during Elchibey’s period of office, anti-Russian propaganda was circulating in Azerbaijan and Russian companies were not allowed to establish any enterprises in Azerbaijan, which really disturbed Russia. When Heydar

Aliyev came to power, his relations with Moscow were more moderate and softer than Elchibey's had been (Jafersoy, 2000, p.23). In the first half of the 1990s, 20% of Azerbaijan's territory was occupied by Armenia with Russia's support (Aslanli, 2002, 49). Aliyev therefore wanted to re-establish good relations with Russia and in September 1993, he visited Russia to demonstrate his willingness to join the CIS (Nasibli, 2000, p.65). Also during his period of office, the Azerbaijani government restarted bilateral relations and trading agreements with countries in the western world. However, Russia did not approve of Azerbaijan's increasing relations with western countries and this has been one of the main issues of contention between the two countries. Another issue of contention is the 'Chechnya question', which aggravated relationships between Azerbaijan and Russia again during 1994-1996 (Aslanli, 2010, p.141) because Russia claimed that Chechen rebels were being supported by Azerbaijan, although Azerbaijan did not acknowledge this claim. Therefore Russia, in light of such issues and to maintain its power in the region, implemented an economic embargo on Azerbaijan for three years as it had done with Georgia. Russia's economic embargo was a heavy blow to Azerbaijan, as Russia accounted for 70% of its foreign trade (Guliyev, 1996, p.202). This economic embargo forced Azerbaijan to find new markets. However, in 1996, Russia overcame the Chechnya issue and lifted the economic embargo on Azerbaijan (Aslanli, 2010, p.141).

Nevertheless, there are currently nearly 570 Russian enterprises operating in Azerbaijan (Kremlin, 2013; Vestnik Kavkaza, 2014). In the last ten years, whilst Azerbaijan has invested approximately \$1 billion in Russia's economy, Russian investments in Azerbaijan's economy have increased by \$600 million and between these two countries the bilateral turnover amounted to \$2.6 billion in 2013 (Voice of Russia, 2014). In addition, there are over 160 agreements between Azerbaijan and Russia based on strategic partnerships (Lazarev, 2014).

Azerbaijan is the only republic in the South Caucasus which has large oil and gas reserves, and also its geographical location is a key to linking the transportation networks and markets of Asia, the Middle East, the Mediterranean and Europe, referred to as the Silk Road, in the South Caucasus (Ziyadov, 2007, p.304). Accordingly, in comparison with its activities in Armenia and Georgia, Russia has an increasing interest in Azerbaijan and applies different energy policies towards this state. In 1994, Azerbaijan made a decision to open its energy sector in the Caspian basin to international investors, including the BTC and BS oil pipelines as well as the BTE gas pipeline, a move which was intended to

consolidate its position in Europe, in close cooperation with the US and Turkey (Bilgin, 2009, p.4487). However, Russia actively objected to the building of these pipelines. Furthermore, in order to preserve the South Caucasian and Caspian countries' dependency on Russia, Moscow bolstered the export of oil and gas through Russian pipelines. Nevertheless, in late 1999, Moscow demonstrated a change in attitude by accepting the BTC project (Shaffer, 2005, p.345).

The majority of Azerbaijan's oil exports flow through the BTC pipeline which lies 1100 miles from the ACG areas in the Caspian Basin, through Georgia to the port of Ceyhan in Turkey. Baku oil is mainly shipped by tankers to the European markets. In addition, Kazakhstani oil is also exported via the BTC, which transports it by tankers across the Caspian Sea to the head of the pipeline at Sangachal Terminal, near Baku (EIA, 2013). To limit Russia's control over Caspian energy reserves, the US and the EU strongly support the BTC pipeline project. According to Russian critics, the BTC pipeline is contrary to Moscow's interest. This alternative way to export Azerbaijani oil to Europe and avoid transferring it across Russia's territory has diminished Moscow's ability to dominate extraction and transportation of Azerbaijani oil (Ismailov & Papava, 2008, p.291). Furthermore, in June 2006, the Kazakh President Nazarbayev and the Azerbaijani President Aliyev agreed to establish a Kazakhstan-Azerbaijan energy transportation system consisting of a network of crude oil tankers. As a result, 7m/t of Kazakh oil a year, which accounts for less than 10% of the BTC's maximum annual output, is transported through the BTC. On the other hand, Russia is extremely opposed to any oil and gas transportation system from the eastern shore of the Caspian Sea to the western shore using the existing BTE and BTC pipelines (Ismailov & Papava, 2008, p.292). However, Azerbaijan had been regularly importing around 4.5 bcm of gas each year from Russia until 2006 when Shah Deniz first started production. Initially, while Baku was starting to export its own gas to Turkey, Gazprom announced its intention to raise gas prices. In late 2006, on refusal by the Azerbaijani government to meet this price demand, Gazprom immediately cut off its gas exports, forcing Georgia and Azerbaijan to re-establish their own agreements (Roberts, 2009, p.3). Initially, Azerbaijan had accepted Russia's new gas price, which increased from \$60 to \$100/tcm, because it did not want to discourage Russia from progressing on the Nagorno-Karabakh issue (Larsson, 2006, p.236). Nevertheless, once Azerbaijan became a gas exporting country, Gazprom offered again to more than double the gas price, which increased from \$110 to \$235/tcm in 2007. This reaction to Azerbaijan was clearly a

move against Azerbaijan's energy independence. However, Aliyev rejected Russia's offer and stated that it was a commercial issue. Consequently, Aliyev decided not to ratify the Russian price hike, and gave up importing Russian gas (Pourchot, 2008, p.82).

In 2009, Gazprom signed an agreement with the SOCAR on the export of 500 mcm gas from Azerbaijan to Russia via the Baku-Novo-Filya pipeline (Mikhelidze, 2010, p.5). Russia has been allowed to have a larger role in Azerbaijan's energy export since the outset of 2010, consequently in September 2010, energy relations between Russia and Azerbaijan had improved sufficiently for the two sides to agree on doubling the quantity of the gas from 2011 and increasing it again in the ensuing years. The most recent agreement between Azerbaijan and Russia could undermine future European plans to ensure supplies for the Nabucco project. Russia was attempting to secure larger gas supplies through its planned pipeline, named South Stream, rather than the Nabucco project (The Peninsula, 2010). However, SOCAR initiated the TANAP natural gas project with Botash as a rival to South Stream, as a pipeline through which in the future Central Asian gas can be transported to the West (Varol, 2013, p.357).

7. Azerbaijan's Choice

Azerbaijan is the most developed republic in the South Caucasus and possesses an independent economy, energy deposits and geographical importance in the region. Putin therefore wants Azerbaijan to join the EEU. However, Azerbaijani critics also see the EEU as Russia's attempt to reconstruct the Soviet Union. Aydin Aliyev, the head of the State Customs Committee of Azerbaijan, attended the Georgian parliament to discuss joining the ECU and announced that Baku is in the process of executing its own tariff rules. Moreover, before that, Azerbaijan refused to sign the agreement on the FTA, one of the main steps to membership of the EEU, although the agreement was signed by eight presidents of CIS member states in October 2011 (Akhundov, 2012; Akimbekov, 2011).

Putin has tried to make a counterbalance to Ilham Aliyev's domestic economic and political power in Azerbaijan since Aliyev has indicated no interest in Azerbaijan joining the EEU. However, Putin's attempt has failed, so far. Moreover, the UAOR, which is also acknowledged as the Billionaires' Union, has recently been regarded as a tool which authorises the Kremlin to interfere in the internal affairs of Azerbaijan. The ex-Georgian President Mikheil Saakashvili believes that the UAOR was formed with the treacherous intention of toppling Aliyev's government, whilst Vafa Guluzade, who was the senior

foreign policy aide of Heydar Aliyev, sees its formation as the one of the forms of enforcement and intimidation against the Azerbaijani government which could be used whenever Putin requires it (Abbasov, 2013). Nevertheless, the UAOR failed to initiate a feasible political move in regard to Azerbaijan, and in August 2013 Putin made an amicable visit to Baku. The two leaders signed new agreements on energy, and this represented a cosier relationship with the Kremlin (Nechepurenko, 2013). But even so, Baku is still showing its unwillingness to join the EEU.

The existence of the EEU would indeed put pressure on Azerbaijan to move away from economic diversification and modernisation, as it is expected that energy policies of EEU members will be coordinated, which will necessitate a common energy policy both internally and externally (Bayramov, 2013, p.15). Moscow would be able to determine the levels of oil and gas incomes for the EEU states. The incapability of Azerbaijan to determine its own energy policy would then make it harder for the West to regard it as a reasonable partner. In addition, joining the EEU would not only diminish Azerbaijan's independence in setting its own economic policy, but also its control over its oil and gas reserves, which could damage its reputation with the EU and the US because the common energy policy of the EEU would put pressure on the members to share the incomes from their energy resources with the other member states (Bayramov, 2013, pp.15-16). Consequently, the imminent creation of an operational EEU would mean that the Union could use one state's wealth for the benefit of others.

According to Putin, the interests of Azerbaijan are not important for him, so Moscow might implement an array of all possible tactics to bring Azerbaijan into the EEU. Putin's standard pressures to force Azerbaijan to join the EEU include the "deportation of labour migrants, a border blockade based on accusations that Azerbaijan is aiding Islamist radicals in the North Caucasus, an escalation of tensions around Nagorno-Karabakh as well as military threats to Azerbaijan either on the Caspian Sea or along the land border" (Valiyev, 2013, p.19). Accession to the EEU does not serve Azerbaijan's interests because it will be largely formed by authoritative regimes more severe than its own regime. Alternatively, introducing further market-based economic reforms would enable many Azerbaijani people to gain prosperity and make Azerbaijan more attractive to western investors outside the EEU.

8. Conclusion

Moscow realized the apparent impossibility of reconstructing the power which Russia had over the region as the Soviet Union by implementing economic sanctions, embargos, and even military aggression towards the republics. So Putin created a counterbalance to the EU by establishing a Russian-dominated alliance, the EEU, to control the region. This is very much a current issue, and came into operation in 2015, the EEU will be an instrument of Russian power over the South Caucasus republics, whether or not they choose to join it. If the EU and the US do not assume a stronger position of transparency, market liberalisation and good governance with regard to Armenia, Georgia and Azerbaijan, the Kremlin will acquire strategic superiority over the West in a crucial geo-political space – the South Caucasus region. Therefore, in order to maximise economic growth beyond the government-managed sectors, the EU and the US should cooperate with the three republics of the South Caucasus in strengthening the rule of law and enacting licit reforms (Roberts *et al.*, 2013, p.17). The EEU is mainly an anti-Western civilizational project created by leaders whose world viewpoint was shaped in the Soviet period and who want to return the region to the past. Armenia is the only state in the South Caucasus to hold a pro-Russian stance. This is based on the fact that the Armenian economy is primarily dependent on Russia and Moscow has a dominant hold over Armenia economically and politically. Hence, under pressure from Moscow, Armenia joined the Russian-dominated EEU. Unlike Armenia, Georgia and Azerbaijan have increasing relations with the EU and the US, and also they do not wish to enter the EEU. Putin is therefore using Russia's power militarily, politically and economically to force both of these republics into joining the EEU. Despite this pressure, Georgia and Azerbaijan are still showing no willingness to accept membership of the future EEU. The new Russian foreign economic policies towards Georgia and Azerbaijan would be a backward step for these states if they were to accept them and join the EEU.

9. REFERENCES

- Abbasov, S. 'Azerbaijan: Is the Kremlin Up to Old Tricks?', Accessed on: 24.05.2016, Available at <<http://www.eurasianet.org/node/66677>> (2013).
- Abrahamyan, G. 'Armenia: Yerevan Mulls Pros and Cons of Putin's Eurasian Union Vision', Accessed on: 20.05.2016, Available at <<http://www.eurasianet.org/node/64422>> (2011).
- Abushov, K. *Regional level of conflict dynamics in the South Caucasus: Russia's policies towards the ethno-territorial conflicts (1991-2008)* (University of Münster, Germany, 2010).
- Akhundov, A. 'Azerbaijan Not to Join Eurasian Customs Union' Accessed on: 24.06.2014, Available at <<http://en.trend.az/capital/business/2046965.html>> (2012).
- Akimbekov, S. 'The Eurasian Response', *Azii Tsentri (Asia Centre)*, **19**, 56 Accessed on: 24.05.2016, Available at <<http://magazine.asiakz.com/rus/article/1022>> (2011).
- Allison, R. "Regionalism, regional structures and security management in Central Asia." *International Affairs*, **80**, 3 (2004), pp. 463-483.
- Allison, R. "Russia Resurgent? Moscow's Campaign to Coerce Georgia to Peace.", *International Affairs*, **84**, 6 (2008), pp. 1145-1171.
- Anjaparidze Z. 'Russia Continues to Press Georgian Wine Industry', *Eurasia Daily Monitor*, **3**, 77, Accessed on: 08.05.2016, Available at <http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=31602#.U-NwAvldXHX> (2006).
- ArmInfo News Agency, 'Prosperous Armenia Party Welcomes Formation of Eurasian Union amid Caution of Republican Party', Accessed on: 20.05.2016, Available at <<http://www.arminfo.info/index.cfm?objectid=925BAE10-D17B-11E1-92CEF6327207157C>> (2012).
- Asbarez, 'EU Warns Armenia about Russian Customs Union', Accessed on: 21.05.2016, Available at <<http://asbarez.com/107280/eu-warns-armenia-about-Russia-Customs-union/>> (2012).

- Aslanli, A. "Denge Politikasının Dogal Sonucu: Aliyev'in Moskova Ziyareti (The Natural Result of Balance Policy: Aliyev's Visit to Russia)", *Stratejik Analiz (Strategic Analysis)*, **2**, 23, (2002), pp. 45-53.
- Aslanli, A. "Azerbaijan - Russia Relations: Is the Foreign Policy Strategy of Azerbaijan Changing?", *Turkish Quarterly*, **9**, 3 (2010), pp. 137-145.
- Bayramov, V. 'Considering Accession to the Eurasian Economic Union: For Azerbaijan, Disadvantages Outweigh Advantages', in I. Kempe (ed.), *The South Caucasus between the EU And the Eurasian Union*, (Centre for Security Studies, Zurich, 2013 Centre for Security Studies), pp. 14-16.
- BBC News, 'Georgia PM Ally Giorgi Margvelashvili Wins Presidency', Accessed on: 23.05.2016, Available at <<http://www.bbc.co.uk/news/world-europe-24696261>> (2013).
- BBC News, 'Georgia's Open Doors Policy Begins to Tighten', Accessed on: 23.05.2016, Available at <<http://www.bbc.co.uk/news/world-europe-23198255>> (2013).
- Bilgin, M. "Geopolitics of European Natural Gas Demand: Supplies from Russia, Caspian and the Middle East", *Energy Policy*, **37**, 11 (2009), pp. 4482-4492.
- Chepurin, A. "On Yerevan's Foreign Policy", *International Affairs*, **50**, 2 (2004), pp. 112-122.
- Civil Georgia, 'Gruziya Vykhodit iz SNG – Zayavil Saakashvili (Georgia leaves the CIS – Saakashvili)', Accessed on: 08.05.2016, Available at <<http://www.civil.ge/rus/article.php?id=17276&search=%D0%A1%D0%9D%D0%93>> (2008).
- Civil Georgia, 'Parlament Gruzii Podderzhal Vykhod Strany iz SNG (Georgian Parliament Supported the Country's Withdrawal from CIS)', Accessed on: 08.05.2016, Available at <<http://www.civil.ge/rus/article.php?id=17327&search=%D0%A1%D0%9D%D0%93>> (2008).
- Civil Georgia, 'New PM Wins Confidence Vote', Accessed on: 23.05.2016, Available at <<http://civil.ge/eng/article.php?id=26705>> (2013).

- Coalson, R. 'Armenia Looks West, Tries to Loosen Moscow's Grip', Accessed on: 20.05.2016, Available at <<http://www.rferl.org/content/armenia-russia-relations-eu/25005446.html>>.
- Coffey, L. (2012) 'Georgia and Russia: The Occupation Too Many Have Forgotten', Accessed on: 22.05.2016, Available from: <http://dailysignal.com/2012/05/31/georgia-and-russia-the-occupation-too-many-have-forgotten/> (2013).
- Cohen, A. "Backgrounder: Russia's Eurasian Union Could Endanger the Neighbourhood and U.S. Interests", *The Heritage Foundation*, No. 2804, (2013), pp. 1-13.
- Cornell, S., Popjanevski, J., and Nilsson, N. *Russia's War in Georgia: Causes and Implications for Georgia and the World*, (Central Asia – Caucasus Institute & Silk Road Studies Program, Sweden, 2008).
- Corso, M. 'Georgia: No Plans to Import More Russian Gas', Accessed on: 15.05.2016, Available at <<http://www.naturalgaseurope.com/georgia-russian-gas-imports>> (2013).
- Danielyan, E. 'Russia Tightens Grip on Armenia with Debt Agreements', Accessed on: 03.05.2016, Available at <<http://www.eurasianet.org/departments/business/articles/eav050703.shtml>> (2003).
- Danielyan, E. 'Soaring Trade Boost Russian-Armenian Economic Ties', *Eurasia Daily Monitor*, 4, 201, Accessed on: 04.05.2016, Available at <http://www.jamestown.org/single/?tx_ttnews%5Btt_news%5D=33122&no_cache=1#.U-JE6_ldXHW> (2007).
- Energy Information Administration, 'Azerbaijan', Accessed on: 16.05.2016, Available at <<http://www.eia.gov/countries/analysisbriefs/Azerbaijan/azerbaijan.pdf>> (2013).
- Felgenhauer, P. 'Eto Byla Ne Spontannaya, A Splanirovannaya Voyna (It Was Not Spontaneous, But Planned War)', *Novaya Gazeta (New Newspaper)*, No. 59, Accessed on: 07.05.2016, Available at <<http://www.novayagazeta.ru/politics/39134.html>> (2008).

- Gevorgyan, T. 'Russian Energy Giant Captures Armenian Market', *Institute for War & Peace Reporting*, CRS Issue 720, Accessed on: 14.05.2016, Available at <<http://iwpr.net/report-news/russian-energy-giant-captures-armenian-market>> (2014).
- Giragosian, R. 'The Eurasian Union: A View from Armenia', I. Kempe (ed.), *The South Caucasus between the EU And the Eurasian Union*, (Centre for Security Studies, Zurich, 2013), pp. 11-13.
- Grigoryan, A. 'Russia Advances Its Position in the South Caucasus', *The Central Asia-Caucasus Analytical Articles*, the 13/11/2013 issue of the CACI Analyst, Accessed on: 06.05.2016, Available at <<http://www.cacianalyst.org/publications/analytical-articles/item/12856-russia-advances-its-position-in-the-south-caucasus.html>> (2013).
- Guliyev, H. "Rusya'nın Azerbaycan Stratejisi (Russia's Azerbaijan Strategy)", *Avrasya Dosyasi (Eurasian File)*, 3, 4 (1996), pp. 190-204.
- Indans, I. "Relations of Russia and Georgia: Developments of Future Prospects", *Baltic Security and Defence Review*, Vol.9, (2007), pp. 131-149.
- Inter Press News, 'Giorgi Margvelashvili – Nobody Said about Joining Eurasian Union', Accessed on: 23.05.2016, Available at <<http://www.interpressnews.ge/en/politicss/50456-giorgi-margvelashvili--nobody-said-about-joining-eurasian-union.html?ar=A>> (2013).
- Ismailov, E. and Papava, V. "A New Concept for Caucasus", *Southeast Europe and Black Sea Studies*, 8, 3 (2008), pp. 283-298.
- Jafersoy, N. *Eyalet-Merkez Duzeyinden Eshit Statuye; Azerbaycan-Rusya Iliskileri (From Provincial-Centre Level to Equal Status: Azerbaijan-Russia Relations)*, (ASAM Publishing Co, Ankara, 2000).
- Jaffe, A. 'Russia and the Caspian States in the Global Energy Balance', *The James A. Baker III Institute for Public Policy*, Accessed on: 15.05.2016, Available at <<http://www.rice.edu/nationalmedia/multimedia/2009-05-07-RussEnergyExecSum.pdf>> (2009).
- Jervalidze, L. and Rosner, K. *Georgia: Russian Foreign Energy Policy and Implications for Georgia's Energy Security*, (GMB Publishing Ltd, London, 2006).

- Jozwiak, R. 'Explainer: Can Armenia Square Its EU Goals with Joining Russia's Customs Union?', Accessed on: 18.05.2016, Available at <<http://www.rferl.org/content/armenia-eu-russia-explainer/25096959.html>> (2013).
- Keohane, R. *After hegemony: Cooperation and Discord in the World Political Economy*, (Princeton University Press, Princeton, 1984).
- Kjaernet, H. 'The Energy Dimension of Azerbaijani-Russian Relations: Manoeuvring for Nagorno-Karabakh', in Russian Analytical Digest (ed.), *Russia's Energy Relations with Its Caspian Neighbours*, (Centre for Security Studies, Zurich, 2009), pp. 2-5.
- Kremlin, 'President of Russia: Press Statement Following Russian-Azerbaijani Talks', Accessed on: 11.05.2016, Available at <<http://eng.kremlin.ru/transcripts/5840>> (2013).
- Larsson, R. *Russia's Energy Policy: Security Dimensions and Russia's Reliability as an Energy Power*, (Swedish Defence Research Agency, Stockholm, 2006).
- Laruelle, M. 'When the near Abroad Looks at Russia: the Eurasian Union Project as Seen from the Southern Republics', in Russian Analytical Digest (ed.), *the Eurasian Union Project*, (Centre for Security Studies, Zurich, 2012), pp. 8-11.
- Lazarev, N. 'Russia-Azerbaijan Trade Hits \$2.6 Billion', Accessed on: 11.05.2016, Available at <<http://en.itar-tass.com/economy/737361>> (2014).
- Macedonia, J. 'Rossiykoye Ekonomicheskoye Davleniye Privodit Gruziyu k Mysli o Vykhoe iz SNG (Russian Economic Pressure Leads Georgia to Think about Leaving the CIS)', Accessed on: 08.05.2016, Available at <<http://russian.eurasianet.org/departments/business/articles/eav051006ru.shtml>> (2006).
- MacFarlane, N. 'Factors constraining the success of the CIS', in International Peace Academy and Diplomatic Academy Vienna (eds.), *Promoting Institutional Responses to the Challenges in the Caucasus*, (International Peace Academy and Diplomatic Academy Vienna, Vienna, 2001), pp. 82-86.
- Mikhelidze, N. 'After the 2008 Russia-Georgia War: Implications for the Wider Caucasus and Prospects for Western Involvement in Conflict Resolution', *Istituto Affari*

Internazionali, Paper of the conference 'The Caucasus and Black Sea Region: European Neighbourhood Policy and Beyond', (2009), pp. 1-25.

Mikhelidze, N. 'The Azerbaijan-Russia-Turkey Energy Triangle and Its Impact on the Future of Nagorno-Karabakh', *Instituto Affai Internazionali*, Documenti IAI 10-18, (2010), pp. 1-9.

Nasibli, N. "Azerbaycan ve Moskova-Erivan-Tahran Ittifakının Jeopolitik Kushatmasi (The Geopolitical Siege of Azerbaijan and the Moscow-Yerevan-Tehran Alliance)", *Stratejik Analiz (Strategic Analysis)*, 1, 4 (2000), pp. 61-73.

Nechpurenko, I. 'Putin's Visit to Baku Highlights Russia's Clout', Accessed on: 25.05.2016, Available at <http://www.themoscowtimes.com/business/article/putin-to-bolster-ties-with-azerbaijan-during-one-day-visit/484464.html> (2013).

Nichol, J. 'Armenia, Azerbaijan, and Georgia: Political Developments and Implications for US Interests', *Congressional Research Service*, CRS Report for Congress: 1-39, Accessed on: 13.05.2016, Available at <http://fpc.state.gov/documents/organization/109516.pdf> (2008).

Nichol, J. 'Armenia, Azerbaijan, and Georgia: Political Developments and Implications for US Interests', *Congressional Research Service*, CRS Report for Congress: 1-66, Accessed on: 13.05.2016, Available at <http://fas.org/sgp/crs/row/RL33453.pdf> (2014).

Nixey, J. 'The Long Goodbye: Waning Russian Influence in the South Caucasus and Central Asia', *Chatham House*, Briefing paper: 1-16, Accessed on: 19.05.2016, Available at http://www.chathamhouse.org/sites/files/chathamhouse/public/Research/Russia%20and%20Eurasia/0612bp_nixey.pdf (2012).

Nuriyev, E. *The South Caucasus at the Crossroads: Conflicts, Caspian Oil and Great Power Politics*, (Lit Verlag, Berlin, 2007).

Ogan, S. 'Turkiye ile Rusya Arasinda Ermenistan ve 90. Yil Tartishmalari (Armenia and 90s year's discussions Between Turkey and Russia)', in O. Yeshilot (ed.), *Degishen Dunya Duzeninde Kafkasya (Caucasus in a Changing World Order)*, (Kitabevi, Istanbul, 2005), pp. 105-123.

- Oil and Gas Eurasia, 'Gazprom Increases Share in Armenian Gas Distributor to 100%', Accessed on: 14.05.2016, Available at <http://www.oilandgaseurasia.com/en/news/gazprom-increases-share-armenian-gas-distributor-100>> (2014).
- PanArmenian, 'Russia presses Armenia into joining Eurasian Union', Accessed on: 19.05.2016, Available at <http://www.panarmenian.net/eng/news/141504/>> (2013).
- Panorama, 'Putin: Rossiya Namerena Ukrepit Svoi Pozitsii v Regione Yuzhnogo Kavkaza (Putin: Russia Intends to Strengthen Its Position in the South Caucasus)', Accessed on: 07.05.2016, Available at <http://www.panorama.am/ru/politics/2013/12/02/putin-speech/?sw>> (2013).
- Parsons, R. 'Russia/Georgia: Russia Impounds Georgian Mineral Water', Accessed on: 08.05.2016, Available at <http://www.rferl.org/content/article/1067758.html>> (2006).
- Pourchot, G. *Eurasia Rising, Democracy and Independence in the Post-Soviet Space*, (Greenwood Publishing Group, England, 2008).
- Radio Free Europe/Radio Liberty, 'Georgian Leader Clarifies Eurasian Union Remarks', Accessed on: 22.05.2016, Available at <http://www.rferl.org/content/georgia-eurasia-union/25097530.html>> (2013).
- Roberts, J. 'The Role of Azerbaijan in European Gas Supply and the Greek Interest', *International Centre for Black Sea Studies*, Policy Brief No.15, (2009), pp. 1-8.
- Roberts, J, Cohen, A. and Blaisdell, J. 'The Eurasian Union: Undermining Economic Freedom and Prosperity in the South Caucasus', *The Centre For International Trade and Economics*, Special Report No. 148, (2013), pp. 1-21.
- Russian Railways, 'Russian Railways awarded concession to manage Armenian Railways', Accessed on: 05.05.2016, Available at http://eng.rzd.ru/newse/public/en?STRUCTURE_ID=15&refererLayerId=5074&layer_id=4839&id=100301> (2008).
- Safaryan, A. 'Eurasian Union May Become a Serious Threat to Rehabilitation of the Political and Economic System in Armenia: ArmInfo's interview with Arthur Ghazinyan, Head of the Centre for European Studies, Yerevan State

- University', Accessed on: 21.05.2016, Available at <http://www.arminfo.am/index.cfm?objectid=9673CBC0-F8F6-11E1-824DF6327207157C>> (2013).
- Scott, E. 'Uncharted Territory: Russian Business Activity in Abkhazia and South Ossetia', in A. Wenger, J. Perovic, and R. Orttung (eds.), *Russian Business Power: The Role of Russian Business in Foreign and Security Relations*, (Routledge, Abingdon, 2006), pp. 217-238.
- Scott, E. 'Russia and Georgia after Empire', in Russian Analytical Digest (ed.), *Russian-Georgian Relations*, (Centre for Security Studies, Zurich, 2007), pp. 2-5.
- Secrieru, S. "Russia's Foreign Policy under Putin: CIS Project Renewed", *UNISCI Discussion Papers*, **10**, 1 (2006), pp. 289-308.
- Shaffer, B. "From Pipedream to Pipeline: A Caspian Success Story", *Current History*, **104**, 684, (2005), pp. 343-346.
- Socor, V. 'Armenia Selling More Infrastructure Industry to Russia', *Eurasia Daily Monitor*, **3**, 206, Accessed on: 04.05.2016, Available at http://www.jamestown.org/single/?tx_ttnews%5Btt_news%5D=32210&no_cache=1#.U-JDQPldXHV> (2006).
- Stratfor, 'Eurasian Union Proposal Key Aspect of Putin's Expected Presidency', Accessed on: 22.05.2016, Available <http://www.eurasianet.org/node/64282>> (2011).
- Tamrazian, H. 'Yerevan Vague on Armenian Entry into Russian-Led Union', Accessed on: 21.05.2016, Available at <http://www.azatutyun.am/content/article/25019843.html>> (2013).
- The Peninsula, 'Azerbaijan, Russia Seal Major Gas Deal', Accessed on: 16.05.2016, Available at <http://thepeninsulaqatar.com/business/business-news/125348/azerbaijan-russia-seal-major-gas-deal>> (2010).
- Transparency International Georgia, 'Georgia's State Energy Policy in the Natural Gas Sector', Accessed on: 14.05.2016, Available at <http://transparency.ge/sites/default/files/Georgia's%20Policy%20in%20the%20Natural%20Gas%20Sector%20eng.pdf>> (2008).
- Tsygankov, A. "If Not by Tanks, then by Banks? The Role of Soft Power in Putin's Foreign Policy", *Europe-Asia Studies*, **58**, 7 (2006), pp. 1079-1099.

- Valiyev, A. 'Azerbaijan and the Eurasian Union: Costs and Benefits', in I. Kempe (ed.), *The South Caucasus between the EU And the Eurasian Union*, (Centre for Security Studies, Zurich, 2013), pp. 17-19.
- Varol, T. "Importance of TANAP in Competition between Russia and Central Asia", *International Journal of Energy Economics and Policy*, **3**, 4 (2013), pp. 352-359.
- Vestnikkavkaza, 'Russian-Azerbaijani Relations Reach New Level of Strategic Partnership', Accessed on: 11.05.2016, Available at <http://vestnikkavkaza.net/articles/politics/56156.html> (2014).
- Voice of Russia, 'Moscow to strengthen its position in South Caucasus-Putin', Accessed on: 07.05.2016, Available at http://voiceofrussia.com/news/2013_12_02/Moscow-to-strengthen-its-position-in-South-Caucasus-Putin-8832/ (2013).
- Voice of Russia, 'Armenia fit to join Eurasian Economic Union – Putin', Accessed on: 21.05.2016, Available at http://voiceofrussia.com/news/2014_03_05/Armenia-fit-to-join-Eurasian-Economic-Union-Putin-1944/ (2014).
- Voice of Russia, 'Trade Turnover between Russia and Azerbaijan on the Rise', Accessed on: 12.05.2016, Available at http://voiceofrussia.com/radio_broadcast/no_program/271333328/ (2014).
- Ziyadov, T. 'Azerbaijan', in F. Starr (ed.), *The New Silk Roads: Transport and Trade in Greater Central Asia*, (Central Asia-Caucasus Institute & Silk Road Studies Program, Sweden, 2007), pp. 303-334.