

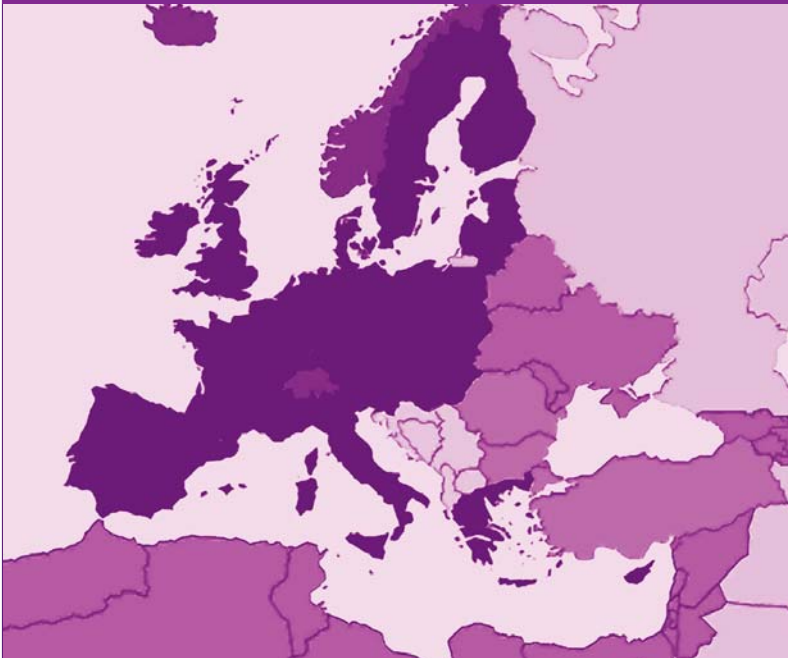
# EWI European Neighbourhood Digest

EastWest Institute (EWI) – Bridging Divides

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**Digest No. 4**

**June 2005**



After the Enlargement: Europe's New Eastern Neighbourhood

*This issue of the Digest focuses on the dormant conflicts in the newly-independent states. With years of fruitless mediation efforts, the governments of the newly-independent states which are party to these conflicts are increasingly looking beyond the existing framework for negotiations for new, more capable mediators. Will expansion or change of the mediation format bring the conflicting sides closer to settlement or are such changes doomed to fail given the lack of political will by the conflicting sides to settle?*

## Calendar

■ **June 10, Friday**

**UKRAINE** – Ukrainian Prime Minister Yulia Tymoshenko to visit Poland

■ **June 12, Sunday**

**UKRAINE** – Ukrainian Prime Minister Yulia Tymoshenko to visit France

■ **June 13, Monday**

**RUSSIA** – British Prime Minister Tony Blair to visit Russia to meet with Russian President Vladimir Putin



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*Bridging Divides*

*The European Neighbourhood Digest is a monthly publication that offers an insider view on developments in the countries of the Eastern Dimension of the EU's European Neighbourhood Policy – Belarus, Moldova, Ukraine, Armenia, Azerbaijan and Georgia. Due to its importance in the region, the Russian Federation and its relations to those countries are also covered by the Digest. The main focus of the European Neighbourhood Digest is intra-regional developments; the contributors are thus located in the region and report from their respective countries. To subscribe/unsubscribe, please send an email with subscribe/unsubscribe in the header to: [endigest@ewi.info](mailto:endigest@ewi.info)*

## Table of Contents

### Table of Contents

Page 2	Azerbaijan
Page 3	Analysis: BTC Pipeline
Page 5	Armenia
Page 6	Russia
Page 7	Ukraine
Page 8	Moldova
Page 10	Georgia

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## Nagorno Karabakh Conflict: Prospects of Peaceful Resolution Dim

*Years of fruitless negotiations over Nagorno Karabakh have proved that this conflict will not be resolved until Azerbaijan and Armenia display real interest and preparedness in making the sacrifices needed to reach a deal.*

By Shahin Abbasov, EWI's European Neighbourhood Initiative Correspondent in Baku

The conflict over this mountainous enclave flared up in 1987 in what some historians argue was the catalyst for the break-up of the Soviet empire.

As this empire was disintegrating, the war of words and resolutions escalated into an armed conflict in 1991. Azerbaijan's version of the history of that war states that troops from the Republic of Armenia occupied Azerbaijan's Nagorno Karabakh Autonomous District and seven neighbouring districts of Azerbaijan before the two sides finally agreed to a cease-fire in 1994. The Azeri version also claims that the war took the lives of some 30,000 civilians and fighters from both sides, and drove more than 1 million Azeris from their homes.

While succeeding in making the conflicting sides agree to a ceasefire and observe it, international mediators who have participated through the Organization for Security and Cooperation in Europe's (OSCE) Minsk group, have repeatedly tried and failed to broker a peace between the Azeris and the Armenians. Attempts by individual members of this group, which is co-chaired by the U.S., Russia, and France, have also produced no agreement.

In spite of these failures, the possibility that the conflicting sides will settle remains and the May 2005 meeting between the Armenian President Robert Kocharyan and the Azeri leader Ilham Aliyev in Warsaw has fuelled the hopes of those who think this conflict could eventually be resolved in a peaceful way.

Since that meeting in mid-May, both the negotiating parties and co-chairmen of the Minsk Group have vowed to intensify the negotiation process, which boils down to a discussion of the following issues (according to negotiators from the Azeri side): liberation of Armenian-occupied Azeri territories that surround Nagorno Karabakh, withdrawal of Armenian troops to the Republic of Armenia, determination of Nagorno Karabakh's future status, guaranteeing the security of the population of Nagorno Karabakh, and creating conditions for the return of the refugees.

However, hopes that the resolution of the conflict could be around the corner, which leaders of Azerbaijan and Armenia are trying to nurture among their constituents, may prove to be vain.

The history of these negotiations have seen the governments of Azerbaijan and Armenia publicly claim substantial progress in negotiations in hopes of winning support from the Western powers and rallying their own public ahead of elections. The reality has always remained the same and boils down to the axiom that a peaceful resolution requires painful sacrifices, which would be strongly opposed by certain members of the public.

Given the fact that the recent democratic revolutions in Georgia and Ukraine have emboldened the opposition in both republics to challenge their leaders, neither Aliyev nor Kocharyan would want to risk alienating the public

by agreeing to make unpopular concessions for the sake of a peaceful resolution of the conflict.

Hence, no breakthrough in the negotiations should be expected anytime soon, especially as Armenia and Azerbaijan prepare for a referendum and parliamentary elections respectively to be held this year. This reluctance of both Aliyev and Kocharyan to make substantial progress towards resolving the conflict is demonstrated by the fact that neither of the two leaders would make a decision to turn down the mediation services of the Minsk group even though they routinely criticize it for having failed to find a solution after more than ten years. Neither of the two leaders would either expand or narrow the format of international mediation while at least one of the co-chairs would oppose new mediators. This co-chair is Russia, which sees its involvement in the mediation as one of the levers it uses to preserve its influence in the South Caucasus. In fact, even if the two leaders did try to alter this format, they would have trouble finding a more able mediator. The UN has already proved incapable of compelling the sides to settle; the 1993 resolutions of its Security Council remain unimplemented.

Theoretically, the European Union could have played a role, given the fact that Romania gave up its claims to a Ukrainian island to ensure smooth access to the EU. However, the EU's leverage is far less obvious when it comes to Azerbaijan and Armenia given the fact

that neither stand a chance of joining the EU even in the medium-to-long term. In the case of the EU, Azerbaijan is even more sceptical, given the treatment of the fellow Moslem nation of Turkey by the Christian majorities in the EU countries. However, the EU could still play a key role acting as a guarantor of whatever peace deal the two sides reach and also providing financial and technical aid to the war-ravaged territories once the deal starts being implemented. In addition to the reluctance of the Azeri and Armenian leadership to expand the format of mediation, at least one of the three current mediators would also oppose it. Russia still controls important levers in the conflict resolution and can influence the parties, especially Armenia.

But, regardless of what individual country or group of countries will not succeed until the leaders of the two countries display the political will to settle and make concessions to do so.

Obviously, a leader who has won free and transparent elections by a wide margin could claim more popular support for whatever compromises are required to reach a solution than a ruler whose victory at the polls has been questioned. In that respect, the U.S. and the EU could have an indirect, but strong impact on prospects for resolving the conflict. Just as they pressed for fairness and transparency during elections in Georgia and Ukraine, the U.S. and the EU could create an atmosphere in which the current leadership of Azerbaijan and Armenia would find it hard to rig elections.

### **Solution When Seen from Baku**

The so-called “step-by-step” strategy taken to resolve the Nagorno Karabakh conflict seems to be the best possible solution when viewed from Baku. Azerbaijan is ready to embrace this formula so long as they get international guarantees. This strategy assumes the lib-

eration of occupied Azeri territories during the first stage, returning internally displaced persons, solving issues of security of the population (both Armenians and Azerbaijanis), and releasing the transport routes between Azerbaijan and Armenia. Immediately after Armenian troops are withdrawn from the occupied regions surrounding Nagorno Karabakh, official Baku will start direct talks with Karabakh’s ethnic Armenians about the status of the territory. Baku would be prepared to grant Nagorno Karabakh the highest possible degree of autonomy. The experience gained from EU member-countries could be used as a model. Azerbaijan would also agree to the deployment of international peacekeeping troops in the region to guarantee the security of both communities. The political and legal obligations of the parties to the conflict should be codified in special UN resolutions which would provide for sanctions on violators.

## **Baku-Tbilisi-Ceyhan (BTC) Pipeline: Billions of Dollars of Revenues and a Tool for Strengthening Democracy in the Region**

By Shahin Abbasov, EWI’s European Neighbourhood Initiative Correspondent in Baku

With the launch of the Baku-Tbilisi-Ceyhan (BTC) pipeline, Azerbaijan has reached a point of no return on what has become one of the biggest projects in the history of this newly-independent state. While proud to preside over the opening ceremony, Azeri president Ilham Aliyev was also careful to give credit to his country’s partners in the project, including the United States. Aliyev described the process of constructing the pipeline “a long and difficult way” along which “many obstacles, problems and foreign pressure” had to be overcome. The Azeri president was echoed by Georgian President Mikheil

Saakashvili who also attended the opening ceremony of the Azeri section of the main export pipeline in Baku on May 25.

The BTC pipeline is a geopolitical victory not only for Azerbaijan, but also for its allies, Saakashvili said.

Aliyev chose not to specify what foreign pressure the project has come under, and Saakashvili avoided naming the side over which this victory has been gained. But these two leaders and other attending dignitaries understand perfectly well that the BTC pipeline has ended Russia’s monopoly on the transit of Caspian oil to world markets

### **History of the Project**

The idea of a multi-billion USD pipeline project surfaced in the early 1990s when Azerbaijan emerged as an independent state. When the government of Abulfaz Elchibey first raised the idea in early 1993 of constructing a pipeline that would go from Azerbaijan via the Azeri-populated regions of Iran to Turkey, the idea won the instant support of British oil companies. However, American oil giants proved to be less receptive to this idea and protests in the Kurdish-populated areas of Turkey derailed Elchibey’s plan. Soon enough Elchibey

was ousted from his post in a coup and the subsequent five years saw Azeri government planners define that the pipeline's point of origin would be Baku while the point of destination would be the Ceyhan port in Turkey. During these years, several possible routes were discussed by Baku and Washington, including one that would take the Caspian oil via Azerbaijan and another one that would go through Armenia. The Armenian route suggested by U.S. businessman Roger Tamraz in 1996 was supported by Clinton administration, but rejected by Heydar Aliyev who became president of Azerbaijan later the same year

Meanwhile, the Azeri oil was being transported via the pipelines of Baku-Supsa and Baku-Novorossiysk. The low oil prices of the early 1990s cast doubt on the cost efficiency of building the Baku-Ceyhan port, but it remained on the radar of Western oil companies largely thanks to the political support of the U.S., the U.K. and other Western countries, much to the dismay of Russia.

## Economic Benefits and Challenges

Oil prices have rebounded since the late 1990s and now the Azeri government estimates that the BTC pipeline, which has cost USD 4 billion to build, will not only pay itself off, but will become a major source of revenue for the state budget. Should the oil price remain above USD 45 per barrel on the world market, then the cumulative oil revenues of Azerbaijan, including oil shipped via the BTC pipeline and other pipelines, would reach USD 160 billion by 2030, according to Ingalb Ahmadov, chairman of the Public Money Monitoring Institute, a Baku-based watchdog organisation. This figure is especially striking when compared to the current annual revenue projected at USD 2 billion in 2005.

As importantly, the BTC pipeline, which is designed to carry up to 50

million tons of oil year, is Azerbaijan's "one-way ticket" to the world economy. It enables Azeri oil to flow to the huge European market; consumers in southern Europe will become the prime consumers of BTC pipeline-shipped oil. Starting from 2006, Italy, Greece, Spain, and Israel will become the main customers. The pipeline also gives the opportunity to supply the "Azeri light" oil, which is used in the production of G3 gasoline and which meets EU environmental standards.

While offering all these benefits, the project also has its own costs, including public costs such as environmental concerns. Another obvious challenge is the "Dutch disease". The symptoms of this disease have become increasingly visible in Azerbaijan beginning in 2004. Not only has oil dominated Azerbaijan's exports, accounting for 82% percent in 2004, but the country also imports twice as much as it exports. The result is that the Azeri man-at is steadily appreciating against the U.S. dollar and the euro.

## Geopolitical Impact

In addition to the cash windfall, the pipeline also offers geopolitical benefits, as all stake-holders in this project, including the U.S. and the U.K., are interested in preventing the dormant conflicts in the region from flaring up. More importantly, in addition to enhancing the stability of the region, the BTC pipeline also helps Azerbaijan and Georgia become more independent of Russia as it has established a viable alternate to Russia's routes for transporting the Caspian oil. The BTC pipeline offers Azerbaijan and Georgia far more opportunities for political manoeuvring between the U.S. and the EU on one side and Russia on the other. Another country that stands to gain from the BTC pipeline as an alternative option to Russian routes is Kazakhstan. While initially pessimistic about the project, this oil-rich Central Asian country, which has been exporting most of its oil

through Russia, has finally committed itself to shipping some of its oil through the BTC pipeline.

## Challenges of Democracy

The expected flow of cash to Azerbaijan's state coffers should ease social, if not political tensions in the republic. However, given the history of the misuse of oil revenues in Azerbaijan, it is doubtful that the expected windfall will lead to higher employment while reducing poverty.

These social grievances will manifest themselves in the parliamentary elections planned for this fall, and the government of Ilham Aliyev has been warned by those countries with stakes in the BTC pipeline that the upcoming poll should be free and fair.

Even the letters sent by U.S. president George W. Bush and British premier Tony Blair to Aliyev to congratulate him on the pipeline's inauguration contained their specific wishes that Azerbaijan move further towards democracy. The letters identified the upcoming poll as a clear benchmark.

In line with this policy, both the U.S. and the European Union members have announced plans to send teams of observers to monitor the elections. Even David Woodward, the president of BP-Azerbaijan who has always avoided commenting on Azeri political issues, found it necessary in a recent interview with *The Times of London* to criticize the Azeri authorities' crackdown on an opposition rally in Baku four days before the BTC pipeline's opening ceremony.

Reacting to this pressure, President Aliyev has already vowed to ensure that the upcoming elections will be free and fair. The election returns will demonstrate if the BTC pipeline has indeed become "a tool for strengthening democratic norms in the country" as President Bush stated in his written congratulations on the occasion of the opening of the Baku-Tbilisi-Ceyhan pipeline.

## What are the Prospects for Solving the Nagorno Karabakh Conflict?

*Born as a dispute between the Armenian population in the Karabakh region and Baku over rights and liberties, the conflict escalated into violence and now is deadlocked. At stake is territorial integrity for Azerbaijan and the possibility of the creation of a separate state for Karabakh Armenians.*

By Aghasi Yenokian, EWI's European Neighbourhood Initiative Correspondent in Yerevan

Born as a dispute between the Armenian population in the Karabakh region and Baku over rights and liberties, the conflict escalated into violence and now is deadlocked. At stake is territorial integrity for Azerbaijan and the possibility of the creation of a separate state for Karabakh Armenians.

In the past eleven years, the leaders of Armenia and Azerbaijan have routinely used the conflict as a tool in domestic politics. The current Armenian leadership for example is using this issue to justify many unpopular measures, including a departure from democratic principles. The blockade of Armenia as a result of the Karabakh conflict has also allowed clans within the ruling elite to monopolise the Armenian economy. These monopolists have become integrated into Armenian politics. As long as they continue to benefit from this frozen conflict, there is little incentive to change.

Further, the parliamentary and presidential elections of 2003 demonstrated that the present leadership has no plans to honour the rules of transfer of power as outlined in the Constitution. Thus, the Armenian opposition increasingly views a velvet revolution as the only means for change. It may be that such a revolu-

tion would bring to power those that have new ideas about how to solve the conflict. Apart from Armenia and Azerbaijan, other players in the region have stakes in this conflict.

The conflicts that have flared up in former Soviet republics have given the United States and Europe the possibility to engage these republics. The European Union's interest in the South Caucasus has been clearly demonstrated by the decision to include this region in the EU's New Neighbourhood Policy.

However, in spite of the increasing role of the EU and the U.S. in the South Caucasus, Russia remains the most powerful player in the region.

Russia views the dormant conflicts in the region as a means by which it can continue to exercise influence on both the newly-independent states and separatist territories. Therefore, Russia, one of the three co-chairs of the OSCE's Minsk group tasked with mediating the Karabakh conflict, remains interested in drawing out rather than resolving this conflict.

However, such a divide-and-rule approach has proved to be predictably unpopular with its former subjects and Russia's weight in the region is bound to decrease further in the wake of the velvet revolutions in Georgia and Ukraine.

New mediators who could act outside the framework of the Minsk group and who would perhaps be more committed to resolving the conflict could replace Russia. But no new mediators would be able to solve the conflict until the conflicting sides themselves display a will to settle.

The current deadlock can be ended only if the conflicting parties move beyond the formalities, such as determining the status of the territory, to the essence of the human rights at stake. The promotion of democratic values in the post-Soviet neighbourhood could also become a very productive way for creating conditions to resolve this conflict.

Rather than remain bogged down in fruitless and endless talks on the status of Karabakh, the sides could start to discuss how the two ethnic groups could co-exist in future.

Such an issue may seem unimportant and trivial for those deadlocked in a dispute about whether territorial integrity should have supremacy over the right to self-determination or vice versa. However, only if the sides cast aside their dispute over the principles and unveil their real interest to start negotiating issues including the co-existence of the two communities, can a breakthrough be achieved.

## Russia's Influence Wanes as Newly Independent States Turn to the EU and U.S. to Mediate Their Conflicts

*For years, the Kremlin successfully used its leverage in mediating the conflicts between separatist groups and governments of newly-independent states to keep them anchored to Russia, but the effectiveness of such a policy has been steadily declining as other powerful players become increasingly involved in the affairs of the post-Soviet neighbourhood.*

By Simon Saradzhyan, EWI's European Neighbourhood Initiative Correspondent in Moscow

Even before the Soviet Union formally disintegrated, the Kremlin had learnt that it could take advantage of simmering tensions between increasingly independent-minded republican authorities and ethnic separatists.

The conflict in Nagorno Karabakh could, perhaps, serve as a case study of the Kremlin's tactics of using an ethnic conflict to make the conflicting side toe its line. After the break-up of the Soviet Union, post-Communist Russia subsequently expanded the use of such a policy from Azerbaijan and Armenia to other former 'sister' republics, such as Moldova and Georgia.

The governments of Georgia, Azerbaijan and Moldova have repeatedly accused Russia of supporting the separatists during the active stage of the conflicts in Karabakh, South Ossetia, Abkhazia and Transdnistria. These accusations continued even after the separatists in all four of these conflicts prevailed in the armed stage of the conflicts to win de-facto independence.

Russia has routinely dismissed the accusations, which have ranged from turning a blind eye on the smuggling of goods across its border into South Ossetia and Abkhazia to military assistance to the separatist regime in Transdnistria.

On one hand, Russia has repeatedly asserted that it recognizes Georgia's and Moldova's territorial integrity. On the

other hand, Russia insists that these republics refrain from using force to resolve their conflicts with the separatist regimes, but avoids putting pressure on the breakaway provinces even though Russia is the lead moderator in the negotiations under the aegis of the Organization for Security and Cooperation in Europe and as such, it should be Moscow's duty to encourage the sides to settle.

In addition to mediation, Russia also exercises serious leverage on the conflicting sides by keeping troops or observers deployed in the zone of the conflict. Also, Moscow keeps the regimes of South Ossetia and Abkhazia anchored by turning a blind eye to the smuggling of goods from Russia into these separatist provinces. Moscow has also granted Russian citizenship to thousands of residents of Abkhazia and South Ossetia in an effort to strengthen its influence over these breakaway provinces of Georgia and touts the need to protect its citizens whenever a threat of resumption of hostilities arises.

Such multi-pronged tactics allowed Russia to keep the conflicting sides loyal to Moscow. The separatist regimes relied on Russia economically while the newly-independent states conceded to Russia on a wide range of bilateral issues in the hope that Moscow would eventually mediate a solution to these conflicts.

However as time went by, the countries began to lose hope that Russia would eventually compel the separatists to settle, making Moscow's tactics fail time after time.

Georgia's new leadership has, perhaps, most vividly demonstrated what Russia stands to lose if it continues to drag its feet on the mediation of the negotiations with South Ossetia and Abkhazia. Not only has Georgian president Mikhail Saakashvili accused Russia of stalling the negotiation process and supporting the separatists as his predecessor did, but he has also set out to expand the mediation framework, bringing in powerful players including the European Union and the United States. As a result, the U.S. State Department's conflict resolution specialists have already made inroads in Abkhazia and it could be a matter of time before they engage the leadership of South Ossetia.

Similarly, Ukraine's new leadership and the European Union have been playing an increasingly active role in Moldova's negotiations with Transdnistria. Just as in Georgia's case, Moldova has turned its back on Russia after losing hope that Moscow would eventually compel the Transdnistrian regime to settle. The re-orientation of Chisinau gained speed after the unilateral effort by the Kremlin to solve the conflict was rejected by Chisinau on the grounds that

the proposed solution would pave the way for legitimising Transnistria's independence while keeping Russian troops in the republic.

Azerbaijan has also voiced frustration with the mediation efforts of the OSCE's Minsk group, which includes Russia, the U.S. and France, over the group's failure to make headway towards the resolution of the Nagorno Karabakh conflict. While Armenia has limited its criticism, Armenia did agree to have its foreign minister meet his Azeri counterpart recently to discuss the peace process outside this framework and with the mediation of the Turkish foreign minister.

Moreover, while faced with the possibility of being sidelined in mediating these frozen conflicts, Russia is also seeing its positions challenged in the wake of new conflicts, such as the clash between competing clans in Kyrgyzstan that triggered the ouster of this Central Asia republic's president Askar Akayev. China has already floated the possibility of sending its own troops to this republic under the aegis of the Shanghai Group.

However, while its dominance in mediation efforts is increasingly questioned by Georgia, Azerbaijan and Moldova, Russia still exercises considerable influence over the separatist regimes of South

Ossetia, Abkhazia and Transnistria and, to a lesser extent over Nagorno Karabakh.

Moscow can use this influence and its remaining leverage with Georgia, Azerbaijan, Moldova and Armenia to revive the stalled mediation efforts and eventually lead the conflicting sides to a lasting settlement and claim credit for it in the eyes of the international community. Or, Moscow can continue its current tactics only to be sidelined by other, increasingly assertive players who would reap the benefits of mediating a solution to these conflicts if, of course, the conflicting sides ever agree to make the sacrifices needed to settle.

## Can Lessons Learned from the Orange Revolution Help Ukraine Take a Lead Role in Mediating the Transnistria Conflict?

*Despite the fact that the new Ukrainian government is more committed to settling the Transnistria issue than has been the case in previous years, Ukraine's efficient mediation is hindered by inconsistencies and the lack of a clearly articulated vision from the Ukrainian side.*

By Olga Maksymenko, EWI's European Neighbourhood Initiative Correspondent in Kyiv

Expectations of breakthroughs in solving the dormant conflicts of South Ossetia, Abkhazia, Nagorno Karabakh and Transnistria are running higher than ever in the post-Soviet neighbourhood. Of the four conflicts, the conflict between the Republic of Moldova and the self-proclaimed Transnistria Republic probably has the best chance to be resolved due to the following factors:

Firstly, this conflict does not have a strong ethnic component; the same ethnic groups comprise the population of Transnistria and Moldova (40% Moldovan, 32% Ukrainian and 24-26% Romanian). Secondly, Transnistria borders only with Ukraine and, thus, the separatist regime cannot possibly hope to

join the Russian Federation as is the case with South Ossetia and Abkhazia. Thirdly, in a move that has helped to defuse tensions, both sides have observed the cease-fire of 1992.

Obviously, all these factors were in place before Ukraine's current leadership came into power. What is different, however, is that Ukraine's new leadership has developed the political will to make a real effort and mediate a solution to the conflict. Taking into account the location of Transnistria, the region's history, as well as the fact that a significant number of ethnic Ukrainians live in this region, Ukraine's potential for playing a significant mediating role in the conflict has always been great.

However, the past years have seen little effort on Ukraine's part to solve the conflict. The regime of Leonid Kuchma formally supported Moldova's territorial integrity, but did not make any attempt to put pressure on the authoritarian regime in Transnistria.

In comparison, the new Ukrainian leadership is determined to make a real effort to re-integrate Transnistria into the Republic of Moldova as demonstrated by Viktor Yushchenko at the GUUAM summit in Chisinau in April. (GUUAM has since become GUAM when Uzbekistan opted out of this alliance which currently unites Georgia, Azerbaijan, Ukraine and Moldova.)

In fact, a successful resolution of this conflict could spur resolution of other territorial conflicts which GUAM countries are party to, and will also increase Ukraine's political weight in this alliance.

The basis for Ukraine's renewed effort to resolve the conflict are the seven points contained in *Ukraine's Plan on settling the situation in Transdnistria*, which was unveiled by President Yushchenko during the April GUUAM summit.

Ukraine's initiative has drawn praise from the EU, but it has also caused concern, as the process of drawing up this plan was shrouded in unnecessary secrecy. The authors are yet to be identified and even Vladimir Voronin, the president of Moldova was kept in the dark ahead of the April summit.

More importantly, some of the seven points contradict the spirit of the declaration on Transdnistria which leaders of GUUAM signed in Chisinau. For example, the first two of the seven points provide for creating the necessary conditions for the development of democracy, civil society and a multi-party system as well as for organising democratic elections to the parliament of Transdnistria as a representative body of this region of the Republic of Moldova. However, while these are good intentions, they may further strengthen the separatist regime in Transdnistria as they give a certain legitimacy to the legislative branch of the local authorities and, thus, to the regime as a whole.

In addition, Ukraine's plan doesn't call for the withdrawal of Russian troops from Transdnistria, whereas the GUUAM summit declaration does refer to the commitments made by Russia at the OSCE Istanbul summit to withdraw troops and arms from the territories of Moldova and Georgia. These inadequacies, to name only a few, lead to the assumption that the leadership of Ukraine has not yet devised a consistent, coordinated approach of all government agencies towards solving the Transdnistria conflict. Under these circumstances, the absence of a transparent public policy on this issue in the short- to mid- term could also be detrimental both for the image and prestige of Ukraine and for the country's role as the regional leader.

## Transdnistrian Conflict: Hope for a Lasting but not Immediate Settlement

*A superficial glance at the current positions of Chisinau and Tiraspol towards the resolution of the Transdnistrian conflict would lead to the conclusion that prospects for resolving this conflict remain as far away as they were fifteen years ago.*

By Mihai Popov, EWI's European Neighbourhood Initiative Correspondent in Chisinau

Having briefly toyed with the idea of building a federal state with Transdnistria in 2002-2003, the Moldovan leadership now holds the position developed in the early 1990s, granting the breakaway province broad autonomy. Chisinau is currently striving to resolve this conflict strictly within the framework of its existing constitution which defines Moldova as a unitarian state rather than a divided state which has common economic, legal, military and customs spaces.

As for Tiraspol, it has come to reject the notion of conflict resolution alto-

gether, maintaining that the purpose of the negotiations is to merely "normalise relations between Moldova and Transdnistria".

The separatist regime's leaders pledge that Transdnistria will not settle for anything less than a union of two equal states formed on a contractual basis with the right to secede. They also insist on acquiring the power of veto in the affairs of this union and parity in representation in the common state's institutions.

Chisinau's best offer to Tiraspol is for status similar to Ukraine's Autonomous

Republic of Crimea while Transdnistria would only accept a common state that would be shaped in the manner of the Serbia-Montenegro Union.

### **Moscow – key but grudging player**

The poor state of Moldova's relations with Russia reinforces the impression that prospects for settling this conflict are bleak. These relations are currently at their lowest point since the end of the armed conflict in 1992 when the then-Russian 14th Army sided with the separatist forces.



After a decade of avoiding confrontation with Moscow, Chisinau is now openly labelling Russian troops in Transdnistria an occupying force. Chisinau has reiterated its call for their full withdrawal and accuses Moscow of backing the separatist regime.

The fact that President Voronin met his Russian counterpart Vladimir Putin only twice since rejecting the Kremlin's plan for resolving the conflict in Nov. 2003 – known as the Kozak Memorandum – speaks for itself. Voronin also became one of the few leaders to decline the Kremlin's invitation to attend the Red Square celebration of the 60th anniversary of the defeat of Nazi Germany.

The Russian side has responded in kind. The past few months have seen the lower chamber of the Russian parliament pass a resolution to call on the federal government to slap economic sanctions on Moldova. Russian officials at all levels have accused President Voronin of pursuing anti-Russian policies while Russian TV networks openly disparaged the Moldovan leader during the parliamentary elections in Moldova this spring.

More importantly, the Russian government has imposed a temporary ban on imports of Moldovan meat, fruits and vegetables in what has come to be a tangible blow for the Moldovan economy which relies heavily on trade with Russia. Russia has also announced plans to raise the price of gas exported to Moldova to the level of world prices starting from January 2006. Gas supplies are one of the policy tools that Russia has been using vis-à-vis both Moldova and Transdnistria. Transdnistria's debt to Russia's gas giant Gazprom totals USD 900 million and Moscow could have used this debt to compel the separatist regime to reach a deal with Moldova. Also, virtually all of the separatist region's leaders have Russian passports, giving Moscow more leverage over Tiraspol.

However, with an undeclared Cold War raging between Russia and Moldova, it is extremely unlikely that Moscow will use this leverage to force Tiraspol to settle.

While these and other factors cloud the future of the peace settlement process, there have also been several encouraging internal and external developments which could put the settlement process on a constructive track and set the stage for a lasting resolution in the medium term.

## Emerging consensus in Moldova

For many years, the Moldovan government and the opposition have had diverging views on ways to solve the conflict. The two sides have traded accusations with the government and the opposition, blasting each other for excessive nationalism and betrayal of national interests. However following the pro-Western U-turn in the Communists' policy since mid-2004, the Transdnistrian problem has elevated the issue out of the arena of political disputes, and a broad national consensus has emerged on the main principles of a settlement. The overarching idea on which this consensus is based is that the settlement should not undermine Moldova's European integration and should not be used as an excuse for lack of reforms. The focus should rather be on increasing democratic, economic and living standards in Moldova to make this country more attractive for the Transdnistrian population and stimulate its drive for reunification.

## Cracks in the Transdnistrian monolith

Though uncertainty of the current status quo remains convenient for the Tiraspol regime and organised crime groups benefiting from smuggling and illegal traffic, the province's public and business community show increasing signs of fatigue with the state of affairs and are longing for a normal life. This change of mood was reflected in the recent attempt of the Transdnistrian Supreme Soviet to significantly broaden its powers at the expense of the self-styled president Igor Smirnov. This move was apparently inspired by the local Ukrainian community and Sheriff, the largest of the province's private compa-

nies which is looking to legalise its business. The signs of real opposition are all the more significant as they are surfacing in spite of the efforts of the regime's powerful security services, which have so far successfully nipped all the threats to Smirnov in the bud.

The Moldovan authorities together with their Western partners could capitalise on this split and encourage the gathering of a critical mass of discontent to challenge the Transdnistrian regime from inside. Such a tactic could become an efficient tool in opening up Transdnistria and paving the way for the eventual democratisation of the province.

## EU favours engagement

Until last year the European Union had been reluctant to increase its direct involvement in the settlement efforts. The EU would diplomatically rebuff Moldova's appeals for a more active role by voicing the standard assurances of full support for the OSCE and the OSCE-led negotiation process.

The past few months have seen the EU change its position. Brussels has agreed to include a chapter on the Transdnistrian conflict in the EU-Moldova Action Plan, which the two sides signed in February 2005. The EU has also appointed a Special Representative for Moldova, and has pledged to open an office of the EU Commission's Delegation by fall, and finally voiced its readiness to become a full-fledged mediator.

These steps will help the EU to have a better understanding of the conflict, give it a bigger stake in the resolution, balance out the mediation process, and bring more internal and external legitimacy to any settlement.

## Kyiv – a more constructive neighbour

Ukraine's Orange revolution has generated high expectations in Moldova that the new democratic leadership in Kyiv will end this country's ambiguous stance on the conflict, curb its tacit support for the Transdnistrian regime and stop ignoring the smuggling across the portion

of the Ukrainian-Moldovan frontier controlled by the Transnistrian regime. Kyiv has indeed partially come up to Chisinau's expectations, vowing to close the Transnistrian "black hole", accept international monitors and set up joint customs posts with Moldova on the border's Transnistrian segment. In May, Ukraine put forward a new three-stage plan, which provides for holding democratic elections to the region's parliament by the end of 2005, approving a law on Transnistria's special status and working out arrangements for guarantees for the province.

The plan has received a lukewarm welcome in Chisinau as many local politicians and experts criticised the scheme for avoiding the subject of the withdrawal of Russian troops from Transnistria and securing the border with Ukraine. The plan has also been criticised for foreseeing no role for Moldova and Romania while giving the US and the EU the small role of "observer". Nearly everyone in Moldova agrees that the plan's call for democratic elections in Transnistria within the next six months will remain unheard as no free and fair poll would be possible in this province unless it is

preceded by a thorough democratisation of the region. Such democratisation, if carried out under the watchful eye of the international community, might build upon the recent positive developments.

However, this would be a long process, and with no quick-fix solution available, the Transnistrian issue will remain a major problem for Moldova, diverting resources which Chisinau could have otherwise committed to accelerate domestic reforms and bridge the gap between Moldova and the European Union.

## Economic Co-operation, Ethnic Reconciliation and Reform of Peace-keeping Institutions Key to Resolution of Conflicts in Georgia

*After years of mediation and peacekeeping by the OSCE, the UN, and Russia, the parties to the conflicts in the Tskhinvali region (South Ossetia) and Abkhazia still remain far from reaching an agreement. Only a change of the mediators coupled with tedious work on the part of the Georgian authorities towards economic engagement and ethnic reconciliation may help bridge the divides.*

By Giorgi Gogsadze, EWI's European Neighbourhood Initiative Correspondent in Tbilisi

Despite having been home to a number of ethnic groups Georgia rarely saw ethnic disputes in the course of its existence while an independent state and part of the Russian empire. However, the downfall of Communist regimes in Europe and the subsequent disintegration of their Soviet patron sent out shockwaves of destabilisation that turned the South Caucasus into one of the most volatile regions in the world. The destabilisation manifested itself in two bloody conflicts fought on the soil of the newly-independent Republic of Georgia.

Having emerged as an independent republic in the wake of the disintegration of the Soviet Union, Georgia lacked experience in modern statehood building and had no appropriate institutions to deal with separatism in the early 1990s.

Importantly, there were no international mechanisms in place in the South Caucasus at that time to peacefully reconcile the conflicting principles of "territorial integrity of the state" and "people's right to self-determination" as ethnic communities within newly-inde-

pendent states pondered whether they could follow suit and break away to set up their own independent states.

Georgia's lack of a meaningful political culture, which was marginalised during Soviet rule, also contributed to the difficulty. Thus, rather than begin a political dialogue, the parties to the conflicts in Abkhazia and the *Tskhinvali region* (South Ossetia) resorted to violence, leaving behind such traditional notions of the South Caucasian culture, including willingness to compromise and mutual respect.

Another important factor that led to the escalation of the conflict was an incompatibility in the political orientation of the conflicting parties. Georgia's pro-Western leanings ran counter to the pro-Russian aspirations of the Abkhazian and the South Ossetian leadership. In those circumstances, it was relatively easy to provoke an armed conflict.

The Russian political and military leadership not only disseminated inflammable misinformation among the conflicting parties, but also provided military assistance when the conflicts escalated into armed hostilities. At that time, there was no other outside actor who could have matched Russia in the South Caucasus, and thus Moscow found no resistance in its effort to instigate conflicts in the region. Theoretically, Western powers could have countered Russia in the South Caucasus, but in the early 1990s this region was below their radar screens.

Having lost hope for international assistance in quelling separatism, the population of Georgia voted to elect the leadership of the national-liberation movement to power. The Ossetians and Abkhazians followed, electing hawks to lead them too. As a result, not only did inter-ethnic tensions flared up, but ethnic Georgians became divided among themselves.

All these factors made the conflicts in Abkhazia and South Ossetia inevitable. Thousands were killed and some 400 000 people became refugees or internally displaced persons before hostilities finally subsided. Ever since the end of these hostilities, the United Nations and the Organization of Security and Cooperation in Europe (OSCE) have

been half-heartedly trying to resolve these conflicts, but to no avail. The UN's General Assembly and the Security Council passed more than a dozen resolutions on Abkhazia alone, including "Main Principles of Separation of Competencies between Tbilisi and Sukhumi".<sup>1</sup>

These and other resolutions have not brought the conflicting sides substantially closer to a solution; Abkhazian and Ossetian authorities continue to reject any proposal that would lead them towards reintegration of these regions into Georgia. And, with no silver bullet available, only tedious and delicate efforts could reconcile the Georgians on one side and Abkhazians and *Ossetians* on the other, creating conditions that would lead to resolution.

The following steps should be taken to facilitate the reconciliation of the Georgians, the Abkhazians and the Ossetians in a common state:

- Revival of the best traditions of inter-ethnic relations in the Georgian society, and establishment of new institutions to promote such relations. Georgia's tradition of ethnic, religious, and linguistic pluralism should be revived. The Georgian government should continue to finance all existing cultural and educational institutions that support minorities, and to strengthen the legal basis for minority protection and participation.
- Transformation of Georgia into a federal state even though it would require extensive efforts to convince those members of the Georgian public and policy-makers who are entrenched in their opposition to such a concept.

■ While committed to resolving the conflict, the Georgian authorities should not seek quick fix solutions as the time is not right – as demonstrated by the stand-off in the *Tskhinvali region* (South Ossetia) last summer. Thus, while continuing to engage the separatist authorities through channels of negotiations, the Georgian leadership should also create economic incentives for them to re-integrate into Georgia. Economic co-operation with break-away regions could prove very useful for bridging the divides between the conflicting sides.

■ Given the failure of international organisations, including the OSCE and the UN to resolve the conflict, the Georgian leadership should encourage other powerful players, for example the European Union, to join the team of mediators and eventually take the lead in resolving this conflict.

■ The peacekeeping operations should be expanded to include units from other countries; Russia should no longer serve as the only peace-keeper. The peacekeeping forces in the zones of conflict should become truly international, including perhaps Ukrainian forces, that would operate under the auspices of the UN or the EU. Such a force could prove more efficient and committed to facilitating the gradual repatriation of IDPs and refugees.

However, even if all these recommendations are implemented, the conflicts will still be not solved unless all of the conflicting sides, including both elites and general public, display a strong will to set aside groundless ambitions, make painful concessions, and learn to co-exist.

1) This document was drafted by Mr. Diter Boden, the Special Representative of UN Secretary General to Georgia in Co-operation with Group of Friends for Georgia of UN Secretary General in 2001. The Group of Friends includes France, Germany, Russia, United Kingdom and the United States.

## The European Neighbourhood Initiative – Eastern Dimension

The EastWest Institute's European Neighbourhood Initiative – Eastern Dimension draws on a range of EWI's programmatic competencies and experiences to bridge the new dividing lines that European Union (EU) enlargement threatens to create in Europe and to maximize the opportunities offered by EU integration processes. Our effort will focus on helping the countries of the European Union's new Eastern neighbourhood to take advantage of their EU proximity and to work towards creating a Pan-European Space of Security and Prosperity that will include the European Union and the Russian Federation. The "Eastern" dimension of EWI's European Neighbourhoods Initiative (ENI) will cover Belarus, Ukraine, Moldova and the Southern Caucasus (Armenia, Azerbaijan and Georgia) but will also address issues related to the Russian Federation, given its importance in the region. This new initiative, launched in October 2004, will focus on tackling specific

problems and divides that will become increasingly visible in the coming years, and which may pose a serious challenge to peace and stability on the European continent. EWI's European Neighbourhood Initiative will draw upon expertise and networks of EWI's programs and partner organisations, so as to address some of the key challenges posed by European Union's enlargement:

- Dealing with the danger of a new dividing line between the European Union's "ins" and "outs", in particular the widening socio-economic gap and challenges to free movement of people and goods on the European Union's outer borders;
- Creating a new quality of co-operation and partnership between the countries in the Eastern neighbourhood, European Union and the Russian Federation leading towards creating a Pan-European Space of Security and Prosperity.

- Utilising opportunities provided by EU's European Neighbourhood Policy for accelerating domestic reforms in the countries of the Eastern neighbourhood, as well as for their strengthened sub-regional co-operation.

We will address these challenges through a set of projects that draw on EWI's programmatic expertise in the areas of international security, economic development, regional and cross border co-operation and leadership training, providing both a policy-level and operational response.

### The projects include:

- the MP Networks Eastern Dimension
- Policy Forum – Eastern Dimension

For more information on ENI Eastern Dimension, contact Lejla Haveric at the EWI Brussels Centre, [lhaveric@ewi.info](mailto:lhaveric@ewi.info).



### The EastWest Institute

EWI is an independent, not-for-profit, European-American institution working to address the most dangerous fault lines of the 21st Century and to help build fair, prosperous and peaceful civil societies in those areas. Since 1981, we operate long-term projects that create trust and understanding and seek to reduce tensions from Eurasia to the trans-Atlantic region using our unique network of private and public sector leaders in more than 40 nations.

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