

A Strategic Conflict Analysis of the South Caucasus With a Focus on Georgia

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1. Introduction: General Security Situation in the South Caucasus

1.1. General Conflict Development Since Independence

Since before independence, the South Caucasus region has been plagued by conflict and instability. The ethnopolitical conflicts in the region that raged in the early 1990s led to the death of over 50,000 people, great material destruction, and contributed significantly to the political instability, economic hardships, and the increase in transnational organized crime that has characterized the region in its first decade of independence. In short, ethnopolitical conflict was the root of the problem of state weakness that has continued to plague the South Caucasus; and the failure to resolve the conflicts has forced the region into a deadlock impeding the building not only of durable peace but also of accountable and functioning state institutions.

The conflicts came on the heels of the weakening and subsequent break-up of the Soviet Union. These conflicts centered on the territorial status of three regions populated by ethnic minorities: the mainly Armenian-populated Mountainous Karabakh Autonomous Province of Azerbaijan; the Autonomous Socialist Soviet Republic of Abkhazia, and the South Ossetian Autonomous Province, both in Georgia. None of the conflicts in the South Caucasus has found a negotiated solution, and the conflicts are “frozen” along unsteady cease-fire lines. As negotiations have yielded no positive results, a relapse to warfare is a distinct possibility in all three conflict areas – indeed, as the Summer 2004 events in South Ossetia showed, it may be the processes of resolution and not the conflicts themselves that are “frozen”. At the side of these active conflicts, other minority regions in the three states have seen tensions between the central government and representatives of ethnic minority populations, demanding higher levels of autonomy. The Spring 2004 standoff between the Georgian Central Government and the leadership of the Ajarian Autonomous Republic was resolved peacefully, nevertheless it illustrates the conflict potential in the region outside the secessionist territories. Areas with conflict potential include, significantly, Georgia’s mainly Armenian-populated Javakheti region; but also its Azeri-populated regions. Meanwhile, conflict potential exists at a less acute level in Azerbaijan’s northern Lezgin and southern Talysh areas.

In addition to ethnopolitical tensions, which have been the region’s main conflict line, all three countries have been afflicted by conflict over government – the use of violent means to alter the

leadership of the respective states. Armed insurgencies managed to overthrow existing governments in Georgia in 1991, in Azerbaijan in 1993. Several unsuccessful violent attempts have been made to alter the political environment since then. Assassination attempts have also been made against leaders, including two failed attempts on the life of Georgia's President and the assassination of Armenia's Prime Minister and Speaker of Parliament in 1999. In a positive development, Georgia's regime change in 2003 took place in a peaceful, non-violent manner. To compound this unruly picture, the South Caucasus has in the last few years been increasingly affected by other security threats of a more transnational nature, including organized crime, specifically trafficking of narcotics, arms, and persons, and the rise of Islamic radical movements.

The complex and interlocking conflict lines of the region have had a significant impact on the lives of all sections of the population of the South Caucasus. Worst affected have been the refugees and internally displaced persons from the conflicts. Aside from this, the conflict has affected economic output, governance, and trade relations in the region, contributing to making the region one which experienced the steepest drop in economic production and income levels in the former soviet Union. Likewise, the conflicts have prevented the economic recovery of the region, dooming a generation to living standards far below the level in Soviet times.

1.2. The International Environment

The international environment surrounding the region compounds the intra-regional scene. The South Caucasus has gained importance through its strategic location and its energy resources. The region's strategic location between Russia and Iran and connecting Europe to Asia, as well as its oil and gas resources and the region's position as the chief route for the westward export of Caspian energy resources, has gradually led to an increased geopolitical attention to it. Especially after September 11, 2001, the South Caucasus is no longer a backwater of international politics. With U.S. and allied military presence in Central Asia, Afghanistan and the Middle East, the South Caucasus is a crucial area enabling the connection between NATO territory and military operations in Afghanistan and staging areas in Central Asia. Yet the important geopolitical location of the South Caucasus has been as much, if not more, of a liability as an asset to the regional states.¹ International interest in the region has tended to increase the polarization of regional politics, entrench existing conflicts, and thereby make the region's road to stability more complicated. Having dramatically differing threat perceptions, including of an existential nature, the three South Caucasian states have developed diverging strategies to ensure their security. Armenia perceives threats from Turkey and Azerbaijan, and has sought security through ties with Russia; Azerbaijan perceives threats from Iran, Armenia, and Russia, and has sought western and Turkish support. Finally, Georgia mainly perceives threats from Russia and internal challenges

¹ Alexander Rondeli, *Foreign Policy of Georgia and Priorities of National Security*, Tbilisi: UNDP Discussion Paper Series, no. 3, 1999.

with links to Russia, seeking mainly Western, especially American protection. The alignments emerging out of these differing threat perceptions are contradictory and potentially devastating to regional security in the case of a renewed armed conflict.

1.3. The Lack of Regional Security Mechanisms

The intra-regional and international conflict lines around the South Caucasus generate an acute security deficit in the region. In spite of the manifold security challenges to the region, there are no functioning security mechanisms or institutions that help build regional stability or meaningful conflict management or resolution. The state of war that has persisted between Armenia and Azerbaijan has made any attempt to construct regional cooperation forums in the security, political, or economic fields a non-starter. Only in environmental matters and at the civil society level has some form of regional cooperation taken root. As a result, the stability of the South Caucasus is unregulated and depends on a precarious and ultimately untenable status quo. This status quo is built on the division the region into six territorial entities, three of which are unrecognized; on the freezing of the status of unresolved ethnopolitical conflicts; and on the continued mitigating role of an unpredictable international environment.

International security assistance to the regional states has had limited results, while their integration into Euro-Atlantic institutions has progressed slowly. Meanwhile, the increasing strategic value of the region and the actual and potential exacerbation with time of security threats there imply a prohibitive potential cost of inaction on the part of the international community, especially western powers with increasingly vital interests in the stability, openness and development of the region. The security deficit in the South Caucasus consists of four main components: First, the unresolved territorial conflicts, which form the single most dangerous threat to security in the region and whose peril, contrary to conventional wisdom, may be increasing rather than decreasing with time. Secondly, civil and political conflicts, which were up until 2003 believed to pose major threats to the stability primarily of Azerbaijan and Georgia. These countries both managed to conduct orderly if very different successions of power, which have not eliminated the risk of political conflict, but strongly decreased it. Thirdly, the transnational threats posed by terrorism, extremism, and organized crime are mounting rapidly, virtually unchecked. Finally, the potential of overt or covert external military intervention remains present, though decreasingly likely.

1.4. International Involvement in Conflict Management and Resolution

International efforts at conflict resolution, sponsored mainly by the OSCE and the UN, have so far brought little result.² In fact, conflict resolution and management mechanisms in the region

² Istvan Szönyi, "The False Promise of an Institution: Can Cooperation between OSCE and NATO be a Cure?", *Center for International Security and Arms Control*, January 1997. John J. Maresca, "Resolving the Conflict Over Nagorno-

have failed to provide pathways to solutions to the regional conflicts. These mechanisms all suffer from a common defect: created in the early 1990s, they continue to display the geopolitical realities of the time, although the situation in the region has undergone significant change. Hence Russia still retains a dominant role in peacekeeping and negotiation in the South Ossetian and Abkhazian conflicts, and a significant role as permanent co-chair in the OSCE Minsk Group tasked to resolve the Nagorno-Karabakh conflict. This in spite of the gradual integration of the three countries with Euro-Atlantic institutions and, in the case of the Abkhazian and South Ossetian conflicts, the explicit objection of the Georgian government to Russian dominance of these processes and Georgia's attempts to internationalize both peace processes and peacekeeping.

1.5. Major Recent Developments and Significance for Conflict

A number of significant developments during the 2002-2005 period have characterized the South Caucasus, which in turn are having considerable implications for the conflict patterns of the region. The first is the Georgian "Rose" revolution of late 2003, which brought about a significant change in the Georgian state's functioning and policies. Concretely, this meant a Government with significant popular support (at least initially), with a clear will to fight corruption and crime, and with the stated aim to invest significant resources in the restoration of the country's territorial integrity. In practice, this meant a lower level of tolerance of the territorial status quo in Georgia. This was first translated into the successful reintegration of Ajaria into Georgian rule, and the ousting of the criminalized autocratic power structures under the rule of Aslan Abashidze which had dominated the Ajarian region for over a decade. Subsequently, attempts to reintegrate South Ossetia in a similar fashion in Summer 2004 failed. Nevertheless, the development of a more efficient, self-confident, and militarily capable Georgian state with a clear agenda to restore its control over the secessionist territories is a significant factor in the development of the regional conflict lines, with potential positive as well as negative implications.

The second significant development is the worsening of the climate of negotiations in the Armenian-Azerbaijani conflict, which was already apparent in 2002. With the passing of Azerbaijani President Heydar Aliyev, both the Azerbaijani elite and population are increasingly discounting the possibility of achieving a negotiated solution to the conflict. Willingness to compromise on both sides has been decreasing rather than increasing, coupled with a rise in armed incidents along the cease-fire line. With the OSCE Minsk Group and other international

Karabakh: Lost Opportunities for International Conflict Resolution", in *Managing Global Chaos: Sources of and Responses to International Conflict*, eds. Pamela Aall, Chester A. Crocker, and Fen Osler Hampson, Washington DC: United States Institute of Peace Press, 1996; Rexane Dehdashti, *Gewaltminderung und Konfliktregelung in ethnosozialen Konflikten. Möglichkeiten und Grenzen internationaler Akteure in der Kaukasusregion*, unpublished dissertation, Frankfurt am Main 1997. Rexane Dehdashti, *Internationale Organisationen als Vermittler in Innerstaatlichen Konflikten: Die OSZE und der Berg Karabach-Konflikt*, Frankfurt: Studien der Hessischen Stiftung Friedens und Konfliktforschung, 2000.

actors taking on a primarily passive stance, the prospects for a re-ignition of this conflict have grown significantly.

A third element is the apparent entrenchment of organized criminal networks in the state and society of the region. In spite of the Georgian government's efforts to combat organized crime, corruption, and smuggling, it has proven unable to significantly affect the influence of organized crime on the lower level of bureaucracies, especially in outlying regions.³ The problem is equally severe in Armenia and Azerbaijan, with important implications for state legitimacy and efficiency as well as for democratic reform and human rights.

Finally, the geo-economic situation of the South Caucasus is undergoing a significant development in 2005 as the Baku-Tbilisi-Ceyhan pipeline has reached completion and will begin to pump Azerbaijani crude oil via Georgia to the Turkish Black Sea coast. In economic terms, this development is first of all likely to cement and exacerbate the divergence of the economic situation of Armenia and Azerbaijan, with important but unpredictable implications for the balance of power between the two countries. While this could increase Azerbaijan's military potential and therefore be destabilizing, it could also be used by wise leaders to improve Azerbaijan's hitherto negotiating position vis-à-vis Armenia with a view to achieving a peaceful solution. Likewise, economic interests in the continued flow of oil could function as a factor mitigating conflict.

2. Conflict Lines in the South Caucasus

As noted above, the leading conflict line in the South Caucasus is actual ethnopolitical conflicts that remain frozen along cease-fire lines. Secondly, potential ethnopolitical conflict areas are another conflict line. A third factor is the risk of conflict in the South Caucasus involving external powers. A fourth conflict line of particular relevance in the context of recent upheavals in the post-Soviet space is conflicts over control of government between ruling elites and oppositional forces; issues that are closely related to government repression, human rights, and socio-economic conditions among the population. Fifth, the issue of religion in society is relevant in the three countries of the region to varying degrees. A sixth issue is the development of organized crime and its potential role in conflict. The seventh and final category is natural resources, primarily energy.

2.1. Regional versus National

The South Caucasus displays most characteristics of an integrated region in terms of geography and security. This is not the case in terms of economics and politics, where no regional integration has taken place. But in terms of security, the South Caucasus – and indeed the

³ Kakha Jibladze, "Smuggling and Corruption Continue to Plague Georgia", *Central Asia-Caucasus Analyst*, 23 March 2005.

Caucasus as a whole – clearly constitutes a Security Complex, given the very high levels of interdependence between the three states of the region. The cornerstone of the South Caucasian security complex is the Armenian-Azerbaijani conflict. This conflict dictates the basic alignments and relationships between actors in the region and their relationship with non-regional actors. As such Georgia's security cannot be understood in isolation from either Armenia's or Azerbaijan's security. A second defining element of the security complex is on a regional level, and determined by the potential of 'overlay' by regional or external powers; primarily Russia, potentially the Euro-Atlantic community, as has happened in the Balkans, where regional security is subsumed under European security institutions. Yet so far, the South Caucasus is not securely connected to any larger security spheres. Nevertheless, this very insecurity implies that a form of structural instability plaguing the region, forcing ruling elites to divert scarce resources and attention to regional security concerns. At a societal level, the proliferation of small arms in the South Caucasus is a distinct problem. In most areas, arms exist in practically every house, implying a heightened risk of conflict eruption and escalation at a localized level.

2.2. Active Ethnopolitical Conflicts

Three unresolved conflicts are frozen along cease-fire lines in the South Caucasus: that between Armenia and Azerbaijan over Mountainous Karabakh, and those in Georgia between the central government on the one hand and the secessionist territories of Abkhazia and South Ossetia on the other. Of these, the South Ossetian conflict has seen an improvement at the grassroots level, with open communication occurring across the cease-fire line. Mountainous Karabakh and Abkhazia form considerably more acute security threats, given the larger size, tension, and potential for large-scale violence of these conflicts.

2.2.1. Parallels and Similarities

The three conflicts share a number of similarities. The first similarity concerns the incompatibility of the conflicts. In all three areas, the incompatibility arose during the process of dissolution of the Soviet Union as the territorial status of minority-populated autonomous areas were debated: leaders of minority populations sought to secede from the union republic in the Soviet Union to which they belonged, while central governments staunchly resisted such demands. In addition to Abkhazia, Mountainous Karabakh and South Ossetia, this process also was replicated in neighboring Chechnya. It is notable that ethnic minorities without autonomous status did not form equally strong secessionist movements.⁴

The second similarity between the conflicts is the size differential between the minority population and the population of the state. The titular population of the minority regions in

⁴ See Svante E. Cornell, "Autonomy and Conflict: Caucasian Conflicts in Theoretical Perspective", *World Politics*, vol. 54 no. 2, 2002.

question in the three cases ranged between 1,4% of the state's population (South Ossetia) to 1.8% (Mountainous Karabakh) and 2% (Abkhazia). Chechnya was even lower at 0.6%. In international perspective, these conflicts involve very small populations in both relative and absolute numbers.

The third similarity concerns the parties to the conflicts, and here the three South Caucasian conflicts differ from Chechnya. If in Chechnya the minority stood virtually alone against the central government, the three South Caucasian conflicts share elements of both intra-state and inter-state conflicts. In other words, they involve a central government and a minority group; but also significant roles of other, external actors. This is most obvious in the Nagorno-Karabakh conflict. The conflict arose as the leadership of the Nagorno-Karabakh Autonomous Province sought to declare itself independent from Azerbaijan and unify with Armenia. This indicates an intra-state conflict, an element which is important in this conflict. But increasingly, the conflict in both legal, political and military terms has come to approximate an inter-state conflict involving the two independent states of Armenia and Azerbaijan: Armenia involved directly in the conflict in military terms; the negotiation process in the conflict is between the Governments of Armenia and Azerbaijan; and the President and Defense Minister of Armenia are former leading officials in the unrecognized Nagorno-Karabakh Republic. Hence the conflict shares obvious elements of both an intra-state conflict and an inter-state conflict. Similarly in South Ossetia and Abkhazia, the insurgent minorities received substantial overt military support from North Caucasian volunteers; and covert military support from the Russian military forces in the region.⁵ While Russia's involvement has not been as one-sided as Armenia's, it has nevertheless been a determining factor for the outcome of the conflicts and the preservation of the status quo.

Stemming directly from this factor, the fourth similarity is the outcome of the conflicts: the victory of small, externally supported minority groups and their achievement of a de facto independence with strong ties to external patrons that facilitated the victory in the first place. As a corollary of this outcome, several hundred thousand people were ethnically cleansed, primarily from the Azeri-populated territories outside Mountainous Karabakh that are under Armenian control but also from the southern Georgian-populated areas of Abkhazia.

The fifth similarity between these conflicts is the failure of peaceful methods to resolve the differences between the parties on the issues of territorial status of a minority area. In all cases, efforts to achieve compromise were limited; a spiral of conflict escalation took place as nationalist leaders in the minority areas as well as in the central state managed to arouse public sentiment and hostility; and international efforts to mitigate the development of conflict were non-existent,

⁵ Svante Cornell, *Small Nations and Great Powers: A Study of Ethnopolitical Conflict in the Caucasus*, Richmond: Curzon, pp. xxx-xxx.

partly because the conflicts emerged during the dissolution of the Soviet Union, when no international presence in the South Caucasus was present.

The sixth similarity is that these conflicts have failed to move toward a resolution and remain frozen along cease-fire lines. Concomitantly, the international community's efforts to facilitate the resolution of the conflicts have been relatively weak and half-hearted.

The seventh similarity is the effect the conflicts have had on the economic and political development of the states involved. In all three states, the conflicts contributed to weakening or reversing democratic movements and reform, instead increasing the authoritarian character of government in the name of stability. Likewise, by cutting important trade links, the conflicts led to the worsening of the economic disruption that the collapse of the Soviet Union had implied. Indeed, by the mid-1990s, the three Caucasian states had seen an economic collapse compared to their 1990 levels that was only paralleled by equally war-plagued Tajikistan among former Soviet republics.

The eighth and final similarity is the systematic gender violence experienced during conflict in male-dominated societies. Particularly in the Armenian-Azerbaijani and Abkhazian conflict, both parties in ethnic cleansing used a rape of women as a tool of war to dishonor adversary communities. In the Caucasus a strong cultural stigma of sexual abuse prevented women to apply for help and to reveal the scale of gender violence. In male-dominated societies ethnic hostility affected women to a greater extent than men. If a wounded man was viewed as a hero, whole communities condemned abused women. Anecdotal evidence proves that a number of women were raped or forced to offer sexual services in exchange of money, aid or documentation.

2.2.2. *Mountainous Karabakh*

The conflicts in Abkhazia and South Ossetia will be examined in further detail below under the specific conflict analysis of Georgia. Due to the importance of the Armenian-Azerbaijani conflict for the South Caucasus as a whole including for Georgia's future and security, it is studied in some detail in this section.

In fact, the unresolved conflict between Armenia and Azerbaijan is the largest threat to peace and security in the South Caucasus and perhaps in the wider region.⁶ With every year that the deadlocked conflict continues without a solution, the risk of a resumption of hostilities looms larger, with ever larger implications. Until the past two years, the political elites in both Armenia and Azerbaijan have seemed inclined to find a solution by peaceful means. However, the

⁶ Background to the conflict is found in Cornell, *Small Nations and Great Powers*; Thomas de Waal, *Black Garden: Armenia and Azerbaijan through Peace and War*, New York: New York University Press, 2003; and Michael P. Croissant, *The Armenian-Azerbaijani Conflict: Causes and Implications*, New York: Praeger, 1998.

experience of the past two years indicate a hardening of negotiating positions on both sides, while the activity of international mediation is low.

While Armenia has suffered considerably in both economic and demographic terms (due to out-migration) as a result of the conflict, its current leadership refuses to compromise on Mountainous Karabakh's independence. This is partly due to the dominance of a Karabakh elite in Armenian politics: President Robert Kocharian is the former President of the unrecognized republic, and defense minister Serzh Sarkisian is its former defense minister. This elite seems to give at least equal emphasis to Karabakh's distinct interests compared to those of Armenia proper, unlike former President Ter-Petrossian, who concluded by 1997 that Armenia's interests required a compromise on the status of Karabakh. The influence of the Karabakh lobby is growing, as indicated by a public declaration in June 2004 by Garnik Isagulian, an advisor to President Kocharyan, stating that Armenia's next President should also be from Nagorno-Karabakh, as that area is crucial to Armenia's national interests.⁷ The Armenian leadership currently controls the territory of Mountainous Karabakh and seven adjacent Azerbaijani regions, hence feeling less urgency in a solution. Armenia is clearly interested in preserving the military *status quo* until it can get a favorable deal.

Meanwhile, Azerbaijan's society and leadership is deeply disturbed by the humiliation of losing around a sixth of the country's territory, and the massive refugee and internally displaced population is both an economic drain and a political concern. Popular frustration in the country is rising with what is perceived as Armenian intransigence and international disregard to the aggression committed against their country. Concomitantly, the political elite is increasingly seeing the deadlock in Nagorno-Karabakh as the key and crucial issue preventing the full realization of Azerbaijan's political and economic development and potential. As a result, Azerbaijan views Karabakh as having a higher priority than any other foreign policy concern. The result is an increasingly strong conviction among Azerbaijan's population, intellectual and political elite that Karabakh can only be recovered through the use of force and that Azerbaijan should therefore prepare for the use of force. The defining moment in the development of Azerbaijan's perception of the problem seems to have occurred in August 2002, as President Heydar Aliyev offered the restoration of economic relations in return for Armenian withdrawal from the four occupied territories along the Iranian border. President Robert Kocharyan's refusal to discuss this offer led to a widespread sentiment in Azerbaijan that Armenia's leadership was not interested in a negotiated solution, and that as a result a military solution is the only remaining option to restore the country's territorial integrity and enable refugees to return to their homes.⁸

⁷ Radio Free Europe/Radio Liberty Caucasus Report, vol. 7 no. 23, 10 June 2004.

⁸ Fariz Ismailzade, "Latest Efforts to Solve Nagorno-Karabakh Dispute Fails, Killing Talk of Economic Cooperation", *Central Asia-Caucasus Analyst*, 9 October 2002.

Ilham Aliyev's government, which has always kept the military option as a last resort, is now increasingly stressing that the Azerbaijani army is ready to liberate its territory if negotiations fail. If the present deadlock continues, as seems likely, the public and elite mood in Azerbaijan will continue to gradually tilt towards war. A new war between Armenia and Azerbaijan, should it take place, is unlikely to remain as limited as the previous one was. In 1992-94, the two states had only rudimentary weaponry, and the military forces involved were far from professional. But in the last eight years, both states have acquired more sophisticated and therefore more deadly arms, meaning that a new war would almost certainly cause much larger human and material destruction. Perhaps even more alarming is the network of alliances that both states have built, with Russia and Turkey respectively, that are unlikely to be able to remain neutral in the case of a new confrontation. Fighting would also be likely to take place close to the Iranian border, therefore possibly drawing Iran into the conflict as well. Pakistan is also providing Azerbaijan with military assistance and training, while the United States has crucial interests in the region's stability. As will be viewed below, great power involvement may help prevent a new war, but would give it regional implications of a massive scale if it were to occur.

2.3. Potential Ethnopolitical Conflict Zones

At the side of the actual conflicts in the South Caucasus, the prevalence of ethnic nationalism in the region is being felt in other parts of the region than the actual conflict zones. Areas of concern include Georgia's Armenian-populated Javakheti and Azeri-populated Kvemo Kartli regions; as well as Azerbaijan's Lezgin- and Talysh-populated regions.

In general terms, the fervor of ethnic nationalism in minority regions has receded in the past several years. This is especially the case in Azerbaijan, where the integration of minority representatives in government, administration and business is relatively advanced – such as the Talysh dominance over the state's religious bodies, and the strong representation of Lezgins and other northern populations in the military forces. As a result, minority stakes in Azerbaijani society are relatively well developed. State policy toward the minority areas nevertheless remains an issue that may affect interethnic peace, considering that some opposition forces in the country are increasingly using Turkic nationalist rhetoric in their propaganda. Should such forces come to power, as was the case in 1992-93, the situation could change rapidly, but it should be noted that this is not a policy that is characteristic of the entire opposition.

In Georgia, the general situation in the Armenian and Azeri minority areas is heavily dependent on the inter-state relations between Georgia and those minorities' mother states, i.e. Armenia and Azerbaijan. During the heyday of the Georgian nationalist movement in the early 1990s, the influence of Armenian and Azerbaijani elites on their diaspora populations in Georgia were an

important factor in keeping ethnic tensions limited and managed in those areas.⁹ Indeed, especially in the case of Javakheti, the role of the Armenian government in calming separatist forces in Javakheti was crucial in the prevention of conflict there – and was undertaken primarily in order to prevent the emergence of yet another armed conflict that would have dire consequences for an already heavily strained Armenia. Likewise, during the entire 1990s, the strong personal relationship between Presidents Heydar Aliyev and Eduard Shevardnadze ensured that politically, the Azeri minority in Georgia was a non-issue. In principle, neither Armenia nor Azerbaijan could afford a disintegrating Georgia on their borders and were therefore intent on playing a constructive role in keeping their diaspora populations calm. Yet this did not imply the actual resolution of any of the problems that were at the basis of the discontent among Georgia's Armenians and Azeris. Indeed, with the departure of Shevardnadze from power and the advent of a new government, disgruntlement among the minority populations have been voiced. This may be an entirely normal phenomenon given the inherent insecurity coupled with a change of government, and fears that the incoming Saakashvili administration would be influenced by Georgian nationalism. But it may also be a sign of real needs for change and reform and further inclusion into Georgian society that Shevardnadze's government never tried to deliver to these minorities, and which they therefore expect from a new Government that aspires to build a new, reformed, and functioning Georgian state.

2.4. External Factors: Spillover and Intervention

At the side of ethnopolitical conflict within the states of the South Caucasus, the region also faces the risk of being affected by external actors – i.e. either by the actions of a neighboring state, or by the diffusion or spillover of a conflict in a neighboring area into the South Caucasus.

2.4.1. Regional Powers

The foreign policy priorities of the three South Caucasian states are distinctively different, based to a significant degree on their respective threat perceptions. These center on patterns of enmity and amity with regional powers, that form the basis for the geopolitical ramifications of the conflicts in the South Caucasus.

Armenia's main extra-regional threat perception is the possibility of a conflict with Turkey. This is based on several factors. The first, a historical factor, is the painful history of the first world events, understood in Armenia as a Genocide of Armenians that Turkey continuously refuses to recognize. This has generated a fear in Armenia based on the belief that Turkey may once again seek to commit aggression on Armenia. While Turkey's post-1945 foreign policy, its NATO alliance and EU aspiration make such a prospect heavily unlikely, the perception in Armenia

⁹ Svante E. Cornell, *Autonomy and Conflict: Ethnoterritoriality and Separatism in the South Caucasus*, Uppsala: Department of Peace and Conflict Research, 2002, pp. 196-213.

nevertheless guides Armenian foreign policy. Turkey's siding with Azerbaijan in the conflict and its refusal to open diplomatic relations with Armenia and the closure of the common border are interpreted in Yerevan as further signs of Turkish hostility. In turn, this is part of the explanation for Armenia's very strong security relations with Russia and its close ties to Iran. A conflict between Turkey and Armenia is nevertheless very unlikely, the only exception being the possibility of a Turkish intervention in a possible renewed conflict between Armenia and Azerbaijan. Even then, many factors mitigate against a Turkish intervention, including the strong reaction that would likely come from Moscow to such a development.

Azerbaijan's main extra-regional threat perception was in the 1990s a fear of Moscow's aspirations to restore its control over the South Caucasus and for all practical purposes seek to invalidate Azerbaijan's sovereignty and independence. Yet as relations between Baku and Moscow have continuously improved since the late 1990s, this does not appear to be a prevalent threat perception today. Conversely, the difficult relations between Iran and Azerbaijan have remained a problem, with the only military incident in the Caspian sea involving an Iranian threat to use force in Summer 2001 to prevent Azerbaijani-based international companies from conducting exploration activities in disputed sectors of the Caspian sea that Iran had begun to claim. Relations between Iran and Azerbaijan have improved since then, but Iran remains Baku's primary external concern. Here too, a military conflict is not likely in the foreseeable future.

Georgia's perception of external threat is well-defined: since independence, Russia has been the main source of concern for the Georgian state, partly through direct pressure such as refusal to withdraw military bases from Georgian soil, threats of direct military action, and assassination attempts against the country's leadership, as well as through economic levers such as the severing of gas supplies at politically auspicious moments. Russia's role has been clear as a consistent supporter of the separatist minorities on Georgian territory. Georgia's western orientation and efforts to avoid entanglement in the Chechen War have been under severe Russian pressure, as Moscow has repeatedly cut off gas supplies, stalled negotiations on Abkhazia, delayed negotiations for the withdrawal of Russian military bases, complicated external debt rescheduling, imposed a discriminatory visa regime that exempts secessionist areas of Georgia from the requirement of a visa, and accorded Russian citizenship *en masse* to the populations of these areas. This pattern of relations has altered in form but not in principle since the change in government in Georgia in November 2003. The impasse over South Ossetia has clearly shown Russia's continuing support for the separatist statelets, as Russia pays pensions to residents of the regions and in some cases also the salaries of officials.

2.4.2. *Risk of Conflict Diffusion and Spillover*

Three major risks of diffusion of conflict into the South Caucasus are present. These are the ongoing war in Chechnya, which has actually affected the South Caucasus; the potential of a

conflict in Iran involving the northern Azerbaijani minority spilling over into Azerbaijan; and the possibility of a U.S.-Iranian confrontation coming to involve the South Caucasus.

Since the beginning of the second Chechen war in 1999, the conflict rapidly spilled into the South Caucasus as Chechen civilians as well as several hundred rebel fighters took refuge in the Pankisi Gorge in northern Georgia. This brought severe problems for the Georgian state in terms partly of the heavy Russian pressures resulting from this problem, but also from the growth of radicalism and organized crime in the gorge. In 2002, a cleanup of the gorge was successfully undertaken by the Georgian security services, but the potential for continued fallout of Chechnya into the South Caucasus remains.

Both domestic political developments in Iran and the larger environment surrounding the region are contributing to making the 20-million strong Azerbaijani community in Iran a potential hotspot. An increasing level of tensions has developed in northwestern Iran, with Azeri demonstrations with ethnic connotations growing larger by the year, in spite of the continued heavy repression of nationalist movements. With the Iranian regime becoming more intolerant of dissent and developing a siege mentality given a feeling of encirclement by American forces, the potential for an eventual regime transition leading to ethnic unrest or conflict can not be neglected. Given the close ethnic ties between Northern Iran and Azerbaijan, protracted unrest in Iranian Azerbaijan would make it very difficult for Azerbaijan to remain unaffected by such developments.

Finally, also concerning Iran, is the risk that a conflict between the United States and Iran affect the South Caucasus. Georgia and Azerbaijan have close security relations with the United States, and Georgia harbors American forces that Train and Equip the Georgian military. Meanwhile, the American interest in military bases in Azerbaijan is increasingly overt, as illustrated by Defense Secretary Rumsfeld's yearly visits to Baku including one in April 2005.¹⁰ Such a base is likely to worsen Iranian-Azerbaijani relations. Iran has stated that in case of an American attack from neighboring states' territories, Tehran would respond by military action against those states. While the prospects of an American invasion of Iran seem low at present, such a conflict would have a significant risk of implicating the South Caucasus either directly or indirectly.

Likewise, there is a clear risk of conflicts within the region spreading. Most notably, a renewed Armenian-Azerbaijani war would make it very difficult for Georgia to remain unaffected. Given its proximity to the conflict zone and its large Azeri and Armenian populations, it is very likely that such a conflict would have important implications for Georgia and could even be diffused onto Georgian territory.

¹⁰ R. Orudzhev, "Donald Rumsfeld vnov' letit v Baky", *Ekbh*, 9 April 2005.

2.4. Conflict over Governance and ‘Colored’ Revolutions

No change of government in the South Caucasus has taken place in a completely peaceful, constitutional, and orderly manner. President Elchibey came to power in a mainly bloodless revolution in Azerbaijan in 1992, as did President Saakashvili in Georgia in 2003. Armed coups unseated Presidents Gamsakhurdia of Georgia in 1991 and Elchibey in 1993, bringing former Communist-era leaders Eduard Shevardnadze and Heydar Aliyev to power in Georgia and Azerbaijan, respectively. A palace coup removed Armenian President Levon Ter-Petrosian and brought Robert Kocharyan to power, while limited violence surrounded the election of Ilham Aliyev in Azerbaijan 2003. Attempts to murder political leaders have also occurred, including 1994 and 1995 coups against Aliyev and two failed attempts to assassinate Shevardnadze in 1995 and 1998, as well as several minor attempts. In October 1999 in Armenia, armed gunmen killed the Prime Minister, Speaker of Parliament, and several cabinet members while addressing a plenary Parliamentary session, plunging Armenia into a severe political crisis. Finally, military insurgencies have plagued especially Georgia, whose army is in the worst material condition and suffers from poor discipline, including a revolt by a tank battalion in western Georgia in 1998 and a National Guard insurgency 15 miles East of Tbilisi in 2001.¹¹

That said, warnings of succession crises threatening civil war and state collapse in Azerbaijan and Georgia turned out, with the comfort of hindsight, to have been significantly exaggerated. A planned and relatively orderly succession took place in Azerbaijan in 2003. Opposition protests on Ilham Aliyev’s election briefly turned violent, but failed to generate mass support and were rapidly suppressed.¹² Georgia, on the other hand, went through a velvet revolution only weeks later, bringing about an unexpected change of government. The opposition led by Mikheil Saakashvili capitalized on mass support for protests against President Shevardnadze’s electoral fraud and succeeded in bringing about a revolution without bloodshed, very much thanks to U.S. and to some extent Russian efforts at mediating between the two sides.¹³

In the wave of upheavals that the Georgian revolution set off, Ukraine and Kyrgyzstan have seen, though in very different ways, the power of the masses translate into ousting unpopular governments. This development has invigorated opposition forces in both Armenia and Azerbaijan; countries that are still torn between equally strong forces toward democratization and authoritarianism. In Armenia, the opposition in Spring 2004 tried to replicate the Rose Revolution in Georgia, but failed to generate enough popular support. The division of the

¹¹ Mikha Gegeshidze, “The Mukhrovani Insurrection: An Attempted Military Coup Or A Mutiny Reflecting Social Discontent?”, *Central Asia-Caucasus Analyst*, 23 May 2001.

¹² Svante E. Cornell and Fariz Ismailzade, “Azerbaijan”, *Nations in Transit 2004*, eds. Amanda Schnetzer et.al., New York: Freedom House, 2004.

¹³ Charles Fairbanks, “Georgia’s Rose Revolution”, *Journal of Democracy*, vol. 15 no. 2, April 2004.

opposition, the lack of a charismatic leader, the emphasis on unity in the country given the conflict with Azerbaijan, and the strength of the state apparatus have all be cited as reasons for the Kocharyan government's ability to remain in power despite its apparent unpopularity.¹⁴ In the case of Azerbaijan, the opposition had been severely damaged by its own divisions in the run-up to the 2003 presidential election. The decision by the Musavat and Democratic parties to challenge the government by force led to a double loss: it undermined the public support of the two parties but also to government repression directed at them. Only in 2005, following the Ukrainian "orange" revolution, has the Azerbaijani opposition begun to coalesce. With parliamentary elections taking place in Fall 2005, there is reason to fear a showdown unless the government implements reforms rapidly. President Ilham Aliyev is widely believed to support reforms, but his ability to do so is not comparable to that of his father's, as strong forces in the ruling elite challenge the reform programs proposed by Aliyev, leading to an excruciatingly slow pace of reforms that have mostly been in the right direction but too often too little too late. The Azerbaijani government, thanks to its functioning state structures, its resource richness, and its ability to redistribute oil wealth to the wider population, does retain a level of public legitimacy the is substantially higher than either Georgia's Shevardnadze regime, Ukraine's Kuchma regime, or Kyrgyzstan's Akayev regime did. As such, the regime's strength is likely to enable it to remain in power, the question being at what cost.

2.4. Religion as a Conflict Factor

A religious revival has taken place across the post-Soviet space, and the South Caucasus is no exception. Religion has in fact become an increasingly important element of life in all three countries. This process has generally been benign, although there are exceptions. In Georgia, despite a general tolerance toward minority religious groups traditional to the country such as Catholics, Armenian Apostolic Christians, Jews, and Muslims, citizens remain very apprehensive about Protestants and other nontraditional religions, including Baptists, Seventh-Day Adventists, and especially Jehovah's Witnesses, which are seen as taking advantage of the population's economic hardships by gaining membership through the distribution of economic assistance to converts. Some members of the Georgian Orthodox Church and the public view non-Orthodox religious groups, especially nontraditional groups or so-called "sects", as a threat to the national Church and Georgian cultural values. A defrocked Georgian Orthodox Priest, Vasili Mkalavishvili, has led numerous violent attacks against nontraditional sects, but has nevertheless received a generally understanding attitude from media and law enforcement agencies.

Radical Islamic groups also exist in the South Caucasus, though not on a significant scale. However, dire socio-economic conditions and the continued deficit of democratic governance are

¹⁴ Arman Grigorian, "Expectations of Rose Revolution Prove Premature in Armenia", *Central Asia-Caucasus Analyst*, 16 June 2004.

factors that could spur the rising influence of radical and militant Islamic movements. Being the only overwhelmingly Muslim country in the region, Azerbaijan is more affected by this problem than its neighbors, though Georgia also experienced its fair share of the problem. While the overall risk is low in the region, the proximity of the war in Chechnya and disillusionment with the ideologies of democracy and market economy are risk factors. The second war in Chechnya, raging since 1999, has led to a marked increase of Islamic radicalism not only among the Chechens but among neighboring republics of the North Caucasus, including Dagestan. Arab missionaries preach the *Salafi* version of Islam and are gaining a growing popularity among people whose lives have been ravaged by war and economic despair. The Sunni north of Azerbaijan has become an area of *Salafi* influence, whereas both the Pankisi gorge of Georgia and other, not traditionally Muslim parts of mountainous northern Georgia are also affected. The modest but noticeable rise of Islamic radicalism in Azerbaijan developed partly due to the support it has received from Iran, but also because of disappointment among the general public with political, economic, and social conditions. Loss of faith in both communism and market economy increases the appeal of Islam, with its notions of equality, brotherhood and fairness. In early 2005, the FAR center in Azerbaijan released a survey on religious freedom in the country. This survey showed a strong level of religious tolerance: over 40% of the surveyed would not mind if a family member married a non-Muslim. However, 96% classified themselves as 'believers', showing the weak effect of Soviet atheism. Finally and surprisingly, almost a fourth (23.2%) of Azeris stated support for the "governance of the country by Shariat laws".¹⁵ While this figure could be explained by the willingness of few believing Muslims to state opposition to Shariat laws or by lack of knowledge of their implications, it nevertheless shows a growing religiosity in the country, at a time when external Islamic groups from Iran, Turkey and the Gulf are all active in the country. Extremist movements like the JeYshullah group have already developed, although they have remained manageable by the state. Depending on the development of Azerbaijan's socio-economic and political conditions, and especially the conflict with Armenia which could potentially be a factor used to mobilize people on religious grounds, the potential growth of radical Islam in Azerbaijan should not be discounted.

2.5. Organized Crime, Conflict, and State Infiltration

The trafficking of narcotics, arms and persons in the South Caucasus has gradually increased since the demise of the Soviet Union. The Caucasus has been affected by the drug trade primarily due to the weakness of these states, and the fact that they are co-located along both the "Balkan" and "Northern" routes. While none of the major arteries of either route passes through the South Caucasus, its location on the periphery of both routes has turned the region into a necessary

¹⁵ Fariz Ismailzade, "New Survey in Azerbaijan Shows Rising Influence of Islam", *Eurasia Daily Monitor*, vol. 2 no. 37, 23 February 2005.

component of both. As a result, the criminal networks of different drug routes are believed to be present in the region. In fact, the Caucasus is where the two main routes meet, and the chief area where smuggling on these two routes intersect. While transnational crime does not yet pose a danger of the magnitude that is the case in parts of Central Asia, the location of the South Caucasus on the major trafficking routes from Afghanistan to western Europe imply that growing drug trafficking could become a serious threat to statehood and breed instability, especially as Afghanistan's production of opium in 2004 grew by 17% over the levels of 2003 to 4,200 tons. The trafficking of WMD materials is a serious issue, particularly in Georgia.¹⁶ Most worryingly, transnational organized crime is rampant in secessionist territories, sustaining the deadlocked conflicts there, while criminal organizations are infiltrating government and bureaucracy at central, provincial and local levels.¹⁷

With persistent economic and political instability in the region, combined with the inability of South Caucasian governments to gain control over all their territory, transnational crime seems set to remain a palpable challenge to the region. Criminal networks have successfully infiltrated state institutions, thus impeding the state's efforts to crack down on criminality. Neither of the three states have shown a capability or political will to control the illicit drugs trade and other forms of transnational crime, given the risks of potential reprisals associated with targeting relatively powerful actors. The new Georgian government has done some inroads into the power of organized crime networks, particularly with the closing of the Ergneti market in South Ossetia, but it remains to be seen whether its anti-corruption momentum will succeed in rooting out deep-seated organized criminal structures with strong financial power, international contacts, and influence that reach far into government bureaucracies. As far as the arms trade is concerned, there will remain great demand for weapons until the secessionist conflicts are resolved and the influence of criminal actors is meaningfully reduced.¹⁸ The threat of transnational crime capturing state organs is evident by Georgia's Pankisi Gorge experience, where reliable indications suggest that transnational criminal groups were practically renting the area from former high officials in exchange for large sums of money.¹⁹ While the cadre changes in the ministries of interior and state security in 2001, the Pankisi clean-up operation in 2002, and the change of government in

¹⁶ Douglas Frantz, "Nuclear Booty: More Smugglers Use Asia Route", *The New York Times*, 11 September 2001, p. A1.

¹⁷ Alexandre Kukhianidze, Aleko Kupatadze, Roman Gotsiridze, *Smuggling through Abkhazia and Tskhinvali Region/South Ossetia*, Tbilisi: American University Transnational Crime and Corruption Center, 2003; Svante Cornell, "The Growing Role of Transnational Crime in the South Caucasus", *The South Caucasus: A Challenge for the EU*, ed. Dov Lynch, Paris: EU Institute of Security Studies, Chaillot Papers, 2003; Tamara Makarenko, "Smuggling Operations Degrade Security in the Caucasus", *Jane's Intelligence Review*, November 2003.

¹⁸ Anna Matveeva and Duncan Hiscock, *The Caucasus: Armed and Divided*, London: SaferWorld, April 2003.

¹⁹ On the Interior Ministry's corruption, see David Darchiashvili, "Georgia: A Hostage to Arms", in Matveeva and Hiscock, *The Caucasus: Armed and Divided*.

2003 have considerably improved the situation, the implications of state penetration by transnational crime are apparent. International influence may prove capable of preventing this type of collusion in the future. However, during periods of instability, for example in the event of a protracted succession struggle or revival of ethnic conflicts, it is conceivable that criminal or terrorist networks in search for a base of operations will seek to find a haven in the South Caucasus – especially given the strategic location of the region.

Hundreds of women from the South Caucasus have been involved in survival prostitution and trafficking in persons. Georgia, Armenia and Azerbaijan are the source and transit countries for women and men trafficked for sexual exploitation in Russia, Greece, Israel, Turkey, United Arab Emirates (U.A.E.), Pakistan and Western European countries. In addition, part of the women from Russia and Ukraine trafficked to Turkey have transited Georgia. In Azerbaijan, women and girls, some of them orphans, have been trafficked internally from outlying villages to Baku for sexual exploitation.²⁰

2.6. Natural Resources and Energy as a Conflict Factor

Energy and natural resources in themselves are not an issue of inter-state conflict in the South Caucasus. The only major exception is the dispute over territorial waters in the Caspian sea, in which Azerbaijan finds itself in conflict with both Iran and Turkmenistan over the ownership of several potentially lucrative hydrocarbon fields. The potential for conflict in this dispute has had a tendency to increase with the gradual militarization of the Caspian sea, as the above-mentioned Summer 2001 incident showed. This has in practice led to the impossibility of developing oil and gas resources in disputed areas of the Caspian. If these disputes are not resolved, the potential for conflict is likely to increase as oil prices remain high, increasing the value of the fields, and as additional production may become necessary to compensate for prospective declines in production of older fields.

A potential source of conflict is the transportation of energy resources. Given the strategic and economic implications of the Baku-Tbilisi-Ceyhan pipeline – specifically the increasing integration of Georgia and Azerbaijan with western energy security and the revenues Azerbaijan will draw from the pipeline – there are forces both within and outside the region that may seek to damage the pipeline's operation. These could potentially include Armenian groups with or without state support that find the pipeline a factor changing the balance of power in the region to Azerbaijan's favor; groups supported by hardliner circles in Russia or Iran, again with or without state support; and ideologically based extremist and terrorist groups in the region that seek to harm Azerbaijan's government. A combination of above factors is clearly possible as well. Aside from organized sabotage and terrorism, community issues along the route of the pipeline

²⁰US State Department, *Trafficking in Persons Report*, June 14, 2004, <http://gvnet.com/humantrafficking/index.html>

could become a source of conflict in case the local population do not feel that the advent of a multi-billion dollar pipeline has brought improvement to their own lives. Indeed, should the pipeline lead to increased income gaps in society, the possibility of conflict cannot be neglected. The possibility of environmental issues arising out of the pipeline, such as a major oil spill in an environmentally sensitive area, could also provoke conflict. It should be noted that the role of international energy companies has been relatively positive in encouraging and sponsoring community development.

2.7. Interaction Between Categories of Conflict

The numerous conflict lines in the South Caucasus are clearly closely related. As noted above, the ethnopolitical conflicts of the early 1990s were important factors in the failure of initial democratic reforms and in the building of semi-authoritarian rule in the region. Conversely, the solution to these conflicts would play an important role in building civic nationhood, a compromise culture, and strengthening democratic forces. Furthermore, semi-authoritarian rule and the socio-economic debacle caused by the ethnopolitical conflicts are spurring the growth of religious radicalism.

On another note, the energy politics in the region will in all likelihood sharply deepen the differences in economic development between Armenia and Azerbaijan. As a result, energy will affect the balance of forces in the region, which could have a destabilizing potential. Finally, ethnopolitical tensions are coupled with organized crime. Especially in the Georgian case, crackdowns on smuggling and crime are understood as targeting minority populations, which due to their language skills, ethnic kinship ties, and geographic location along state borders are involved in cross-border activities to a large extent.

3. Conflict Analysis of Georgia

3.1. Abkhazia

The conflict in Abkhazia has the same symbolic importance for Georgia as Mountainous Karabakh has for Azerbaijan. Similarities abound, including a humiliating defeat against a numerically much smaller enemy with external support; ethnic cleansing and the creation of a large IDP population; a mutiny during the war that threatened the collapse of the state; and protracted negotiations that seem to yield no results. But unlike in Nagorno-Karabakh, unrest has returned to Abkhazia several times since the end of large-scale hostilities. Georgian paramilitary forces stemming from the IDP population have been carrying on a low-intensity conflict along the border regions of Abkhazia and Samegrelo for several years. But more importantly, a brief return to warfare occurred in May 1998, which forced ca. 30,000 ethnic Georgians that had returned to their homes in Abkhazia's Gali region to flee again.²¹ Then as now, the Abkhazian

²¹ Dodge Billingsley, "The Georgian Security Dilemma and Military Failure in Abkhazia", *The Harriman Review*, Vol. 10 no. 4, 1998.

side relied heavily on Russian peacekeeping troops that have been considerably closer to the Abkhaz *de facto* authorities than to the Georgian side. The United Nations Observer Mission in Georgia (UNOMIG), which is responsible for monitoring the situation in the region and the demilitarization of the border, has practically no influence over the Russian peacekeepers, who, together with Georgian Paramilitaries and Abkhaz forces, are heavily involved in the smuggling business going through Abkhazia. Participation in the illegal economy used to extend high into the state hierarchy during the Shevardnadze era and should be expected to survive. It knows no ethnic limits, and remains one of the few areas where quick enrichment and interethnic cooperation is possible. Strong elements on both sides have economic interests in delaying a resolution to the conflict, although the same forces have no desire in a resumption of hostilities. In short, strong forces have a stake in the status quo. Clashes between peacekeepers and guerrillas in Gali region are known to be occurring on economic rather than political grounds, involving the redistribution of spheres of influence.²² There are no guarantees for the safety and dignity of the 40,000 IDPs, who returned to the Gali region after hostilities in May 1998. Russian peacekeepers deployed along the Inguri have assisted Abkhaz *de facto* authorities to build up a state border with Georgia, and to advance towards the Kodori gorge in eastern Abkhazia, which is out of Sukhumi's control and remains a Georgian outpost in Abkhazia. Kodori became a haven for Georgian guerillas and Chechen irregulars, who launched abortive attack against Sukhumi in October 2001.²³

In the Fall of 2001, unrest returned to Abkhazia, when Georgian paramilitaries supported by Chechen irregulars under field commander Ruslan Gelayev entered Abkhazia from the Kodori gorge, breaking through Abkhaz defenses before Russian air force jets bombed their positions, forcing them to retreat. The Georgian government denied any knowledge of the events, however high echelons of power were undoubtedly informed. The episode spurred debate in Georgia on whether a re-conquest of Abkhazia was possible. The Georgian regular army is presently in no condition to stage a military operation in Abkhazia. However, the size differential is so large that even a small but reasonably well-trained and disciplined Georgian force could alter the balance heavily in Georgia's favor. The U.S. Train and Equip program for the Georgian military could create exactly that. Abkhazian concerns center around on the future potential of Georgian troops

²² See Alexandre Kukhianidze, Aleko Kupatadze, Roman Gotsiridze, *Smuggling through Abkhazia and Tskhinvali Region/South Ossetia*, Tbilisi: American University Transnational Crime and Corruption Center, 2003.

²³ Dodge Billingsley, "Security Deteriorates Along the Abkhazia-Georgia Ceasefire Line", *Jane's Intelligence Review*, 6 September 2001; Alexandr Iskandarian, Alan Parastaev, Gagik Avakian, *Sobytia v Kodorskom Ushelie. Oktiabr' 2001 goda*, Dzaujikau: UNHCR Working Group of the CIS Conference, 2001.

using their training and newly acquired equipment in renewed attempts to re-conquer separatist territories in Abkhazia and South Ossetia.²⁴

3.2. South Ossetia

While the conflict in South Ossetia was considerably less severe than the one in Abkhazia and a substantial grassroots reconciliation and return of refugees as well as economic links have occurred since the mid-1990s, the rose revolution in Georgia of November 2003 led to renewed attempts by the central government under newly elected President Mikheil Saakashvili to redouble efforts to reassert Georgia's territorial integrity. These efforts started with the successful reintegration of the autonomous province of Ajaria into Georgian central rule. Ajaria is populated by Georgians, many of whom are of Muslim descent. It had been ruled since 1991 by a regional strongman, Aslan Abashidze, who never sought independence from Georgia but *de facto* acted as an independent regional chieftain, whose main aim was to be left alone in control over Ajaria, and skillfully used his relationship with political and economic circles in Russia and Turkey as well as his financial capital to stay out of the weakened Georgian central government's orbit, among other by threatening to use his financial resources to mount political campaigns in Georgian national politics. This helped him reach consecutive deals with former President Shevardnadze, implying in principle that Abashidze left Shevardnadze alone in Tbilisi as long as Shevardnadze tolerated Abashidze's full control over Ajaria.²⁵ Newly elected President Saakashvili nevertheless saw it necessary to abrogate this deal, capitalizing on strong public support in Georgia including in Ajaria, and managed to force Abashidze to leave the country for Russia. An implicit deal seems to have been reached between the Georgian and Russian leaderships, whereby Russia's abstention from support for Abashidze was reciprocated by stronger Georgian efforts to rein in Chechen groupings on Georgian territory.

Saakashvili then tried to follow the same strategy in South Ossetia in Summer 2004. However, here the Ossetian leadership was able to play a much stronger ethnic card to prevent Georgian encroachments among the population. In addition, Russia's role was less forthcoming in helping Georgia resolve the conflict and reintegrate South Ossetia. The Georgian government seems to have concluded that a long-term strategy for the reintegration of South Ossetia would be necessary. This includes firstly controlling the smuggling across the separatist region, which functioned as a major artery for smuggled goods from Russia through Georgia, depriving the

²⁴ Raffi Khatchadourian, "Part Four: America Builds an Army for Industry", *The Village Voice*, March 26-April 1, 2003; Zeyno Baran, "Tensions increasing in Abkhazia", *CSIS Georgia Update*, April 1, 2002.

²⁵ See eg. Georgi M. Derluguian, "A Tale of Two Resorts: Abkhazia and Ajaria Before and Since the Soviet Collapse, in Beverly Crawford and Ronnie D. Lipschutz, *The Myth of Ethnic Conflict*, Berkeley: University of California, International and Area Studies Research Series, no. 98, 1998. also Judith Hin, "Ajaria: The Interests of a Local Potentate in Keeping Armed Conflict at Bay", Paper Presented at the Association for the Study of Nationalities Yearly Conference, New York, 13-15 April 2000.

Georgian government of billions in customs revenues, and providing substantial finances for the separatist South Ossetian leadership. Meanwhile, Georgia tried to wage a public relations campaign in South Ossetia, in order to mitigate the efforts of the Ossetian separatist leadership to keep ethnic tensions alive.²⁶ The South Ossetia conflict experiences renewed violence for the first time in many years, as Georgian and Ossetian forces exchanged fire in late July 2004. The outlook for a peaceful reintegration of South Ossetia into Georgian central control seems dim, as long as Russian support for South Ossetia continues.

3.3. Javakheti

Javakheti has been termed a potential secessionist region of Georgia since the early 1990s. Populated largely by Armenians (90%) and bordering with Armenia, this province has been largely separated, both culturally and economically, from the rest of Georgia. Poorly maintained communication infrastructure greatly contributed to the region's isolation. Throughout the 1990s, in the Akhalkalaki and Ninostminda regions, cross-border trade with Armenia developed more rapidly than economic relations with other parts of Georgia. Moreover, direct power supply from Armenia enhanced economic links between Armenia and Javakheti. The Russian military base in Akhalkalaki has played an enormous role in the social and economic life of the Javakheti region. The base is the main provider of jobs, money, health care, and revenues from smuggling in an economically devastated region. About 70% of the people employed on the base are local Armenians, often Russian passport holders, and the cash contribution of the Russian base to the region probably exceeds the local budget. There is a widespread belief among residents of the Akhalkalaki region that the Russian military base is the only factor that keeps the economy of this isolated region afloat. Moreover, the presence of the Russian military base in Akhalkalaki is viewed as a guarantee of the Armenian population from possible Turkish aggression. Therefore, talks over the withdrawal of the Russian military base following a decision taken at the 1999 OSCE Summit provoked civil unrest in the region. From the perspective of the local Armenians, the withdrawal of the Russian base will not only exacerbate the grave social and economic situation in Javakheti, but will also deprive the population of its main security guarantee.

The upcoming Kars-Akhalsikhe railroad project, with its plausible extension to Baku, is one more indicator for the local population of the Turkish economic and military intervention in the Javakheti region. Misperceptions of the Armenian population of Javakheti are largely attributed to information isolation. For more than a decade, the only information sources for the Javakheti Armenians have remained Armenian newspapers and the Russian military base in Akhalkalaki, and little was done on the part of the Government of Georgia to breach this vacuum.

Grievances are increased in the course of the reforms undertaken by the new government. Due to weak contacts between the center and the region, many Armenians of Javakheti are unaware of

²⁶ See Theresa Freese, "Yet Another Rose Revolution? Georgia's "Two Brothers" Campaign in South Ossetia", *Central Asia-Caucasus Analyst*, 2 June 2004.

the newly launched economic projects (e.g roads' reconstruction, power supply improvement, etc.); in certain cases they even perceive reforms as a threat to their national identity.

Javakheti's isolation from the rest of the country, combined with a sharp deterioration in living standards, symptomatic for all regions of Georgia, proved a fertile ground for separatist movements. Since 2000, demands for ethnic-based autonomy reappeared and have been supported by the radical nationalists group *Virk* and *Javakbk*. The same groups raised concerns about a Turkish threat to the local Armenian population, and strongly opposed a Russian military withdrawal. The movement for autonomy was calmed down after the Rose revolution. New organizations and parties, like *Nor Serund*, *United Javakbk*, and the youth and sports organization *Jemi*, developed in the political arena of the Javakheti region. Having abandoned slogans for regional autonomy, these forces have focused on the following issues: for the Russian military base to remain in Akhalkalaki; for the Georgian Parliament to term the massacres of Armenians in the Ottoman Empire in 1915 as Genocide; for equal status to Georgian and Armenian languages; for the formation of an independent diocese; for direct power import from Armenia; and for the restoration of communication infrastructure with other Armenian-dominated communities as well as Armenia itself.

These parties are backed by former clan leaders and in certain occasions seem to have direct links with the Russian military base. They do not operate in a vacuum, as a close association with the Armenian nationalist movement Dashnaktsutiun, which is a leading force in the Armenian Diaspora, can be discerned. The Dashnaktsutiun party, which is allied with Armenian President Kocharyan, has increasingly advocated autonomy for Javakheti and supports Javakheti's unification with Armenia.

Stability in this region depends primarily on the Georgian Government's balanced policy toward Javakheti. Accommodating socio-economic demands would help defuse the explosive political demands, including demands for retaining the Russian military base. Dialogue between the Georgian and Armenian Presidents, as well as other governmental bodies on the problem is another stabilizing factor. Several factors could conversely destabilize the region. These include a potential worsening of relations between Armenia and Georgia; continued under-representation of ethnic Armenians in Georgian state institutions; and a more nationalist turn (not necessarily ant-Armenian) in the general policies of the Georgian government.

3.4. Kvemo Kartli

The Azeri minority area is centered in the Bolnisi, Dmanisi, Marneuli and Gardabani districts of Georgia's southern Kvemo Kartli province. The Azeri minority areas suffer from a significant exclusion from Georgian political and social life. Educational issues are a primary concern. Instruction in both Russian and especially Georgian has waned since the Soviet Union collapsed, and the minority populations are therefore increasingly unable to communicate with Georgian authorities or the Georgian people at large. Although the state has pledged to send Georgian teachers to schools in minority areas, these efforts have not helped significantly. Plans to reform

the Georgian educational system to teach most subjects in Georgian have further exacerbated tensions over education, as is the case also in other minority areas.

In addition, land issues have become a primary concern. In Azeri areas, local farmers have been unable to gain ownership of land, which has instead often been acquired by Georgians that rent the land to the local peasants. Land distribution drives concerns in this regard. More than two thirds of local Azeris remain unable to privatize or rent plots of land. The feeling among locals is that Georgian authorities disproportionately favor Georgian farmers in land privatization, thus leaving ethnic Azerbaijanis without land or forcing them to rent it from Georgian farmers at high prices. Struggles over rights to land have acquired a particularly tense character in Kvemo Kartli. Clearly, this stems from an inability of local Azeris to safeguard their rights, of which they are often unaware.

This problem is exacerbated by the lack of political representation of minorities. Even at the local level, the heads of administration and staff are typically ethnic Georgians. At the central level, Azeris are heavily underrepresented in the parliament and the governmental bodies. In spite of constituting possibly over a tenth of Georgia's population, only a handful of parliamentarians are representatives of the community.

On the socio-economic level, the Shevardnadze government's neglect of these areas forced the local population largely into the informal economy. Contraband and smuggling became important sources of income. As the new Government came to power, it began to crack down on smuggling operations. This is only a normal and necessary part of the state-building process, but the consequence was that minority populations were deprived of sources of income, without any alternatives being provided. This has ensured that the crackdowns are interpreted to a great extent as a form of discrimination.

President Saakashvili has so far been fully preoccupied with the manifold problems that Georgia faces internally and externally. This, together with the instability produced by frequent changes of cabinet, has implied that the Government's attention to the minority issues has remained limited. If this situation continues and nothing is done to further integrate the minority populations in Georgian society and state, the emergence of tensions and potential conflict in the minority areas should not be discounted. The Javakheti area has been given considerable attention by the international community since the mid-1990s as a potential conflict zone. As a result, there are presently a number of international organizations and donors active in the area with various programs. On the other hand, the Azeri minority region has been almost completely neglected by the donor community. As noted above, the lack of overt tensions in the area has led most observers to conclude that the conflict risk there is low. Nevertheless, since late 2003, the situation in these areas has deteriorated considerably while both governmental and international attention to the problem is largely absent. As far as conflict prevention is concerned, the combination of rising tensions at a local level and the absence of mechanisms or efforts to address them make this area a priority concern in Georgia.

3.5. Regional Powers

Russia has played an important role in the conflicts in the South Caucasus. To the general conflict picture, Russia's role has mainly been negative. To begin with, Russia's intervention in conflicts of the region was a major factor exacerbating conflict development; lately, with the war in Chechnya and the destabilization of the North Caucasus, unrest in Russia has a detrimental effect on the stability of the states of the South Caucasus.

Moscow played a crucial role in the separatists wars in Georgia and in the Armenian-Azerbaijani conflict, effectively using these conflicts as levers to rein in independent-minded Georgia and Azerbaijan. Russian support was crucial in providing the breakaway republics with de facto independence; Russia forced both Georgia and Azerbaijan to join the CIS in 1993, and Georgia to recognize its military presence for the next 25 years. Military bases in Vaziani (close to Tbilisi), Gudauta (Abkhazia), Batumi (Ajaria), and Akhalkalaki (Javakheti) promoted Russian influence throughout the country. The bases then engaged in arms trading and strengthening of separatist forces in the minority areas. At the 1999 OSCE Istanbul Summit, Russia agreed to withdraw from the Vaziani and Gudauta bases and to reach an accord with Georgia on the status of bases in Akhalkalaki and Batumi by the end of 2001. Russia has consistently sought to avoid abiding by these commitments. Russia demands a multi-year time frame for withdrawal, while Georgia seeks a three-year time limit. Recently Georgia and Russia have come to a certain agreement about the base withdrawal. Russian officials expressed a readiness to leave Georgia sometime in 2008. However, the Georgian side insists on Russian military withdrawal before January 1, 2008.

Through the CIS Peacekeeping Force, Russia maintains a firm military presence in Abkhazia and South Ossetia. While Russia has not recognized the independence of the Abkhazian and Ossetian republics, Russia provides them with political and economic, and military support. Abkhaz and Ossetians residents were exempted from a visa requirement imposed on Georgia in December 2000, and from June 2002, Russian began granting citizenship to the residents of Abkhazia and South Ossetia. This situation in fact could be understood as a de facto annexation of these territories. Meanwhile, the Russian military continues to pursue a harder-line foreign policy towards Georgia; the repeated bombing of the Kodori and Pankisi gorges are evidence of this, as are the Russian military's military activities in South Ossetia in Summer 2004. Russia has also developed close military ties with Armenia, which has become an outpost of Russian influence in the South Caucasus.

Since President Putin came to power, Russia has adopted a more pragmatic position toward Azerbaijan, leading to an improvement in relations and a more constructive attitude in the Minsk Group negotiations; Russia has also been less vocal toward expanded American and Turkish influence in the region. However, continued strong-arm policies toward Georgia generate doubt as to what Moscow's intentions are. With respect to the stalemated conflicts of the region,

Moscow's policies have given abundant evidence to support that Russia finds the present status quo convenient, and does not desire a resolution to any conflict.

There is little prospect for an overt Russian military aggression, but the threat of cross-border hostilities from state and non-state actors is a distinct possibility. Russia repeatedly accused Georgia of sheltering terrorists, occasionally bombing Georgian territory in the Pankisi and Kodori gorges. Russian media reports in February 2002 that al Qaeda fighters, possibly including Osama bin Laden himself, found refuge in Georgia were stoking pressure for outside military intervention. The Russian Defense Minister declared that Moscow might feel compelled to intervene militarily to contain Islamic radicals in Georgia, and other Russian officials have asserted Russia's "moral right" to launch an antiterrorist operation in Pankisi. A Russian military move was real threat at the time, perhaps forestalled only by the launching of the U.S. Georgia Train-and-Equip Program in early 2002. Yet the continuation of the Chechen conflict indicates a risk that Russia may use the pretext of anti-terrorism to put pressure, including military action, against Georgia.

Moscow sharpened its stance after the Beslan tragedy in September 2004. The Russian media, political experts and even top politicians linked the terrorist attack to Georgia, and did not veil plans to carry out preventive strikes against the "shelters for terrorists", despite a total absence of evidence implicating Georgian territory in the tragedy. At the same time, Moscow tries to force the Government of Georgia to heavy economic concessions, and incorporate Georgia into its self-declared "liberal energy empire". Russia acquiesced to the demise of its former protégé Aslan Abashidze in Ajaria in May 2004. However, this in all likelihood took place as the result of an implicit or explicit understanding that Georgia would be considerably more cooperative on the Chechen issue, and as a result of strong American support for Georgia.²⁷

In Georgia's recently-adopted draft National Security Concept, Russia is described as a partner, while the U.S., Turkey, Ukraine and Azerbaijan are considered to be strategic partners. In reality, the United States is the only external power that provides security to Georgia. President Bush's visit to Tbilisi in May 2005 demonstrated that Washington views Georgia as a close partner. The U.S. has shown an increased interest in the Abkhaz and South Ossetian conflict resolution issues. Washington appears to have recognized that the conflicts not only hampered Georgia's development and regional stability, but also represents an indirect threat to the U.S. and Europe. In this context, the visit by U.S. special negotiator Steven Mann and Ambassador to Georgia Richard Miles visit to Sukhumi is highly remarkable. America has stated its readiness to help Georgia to resolve conflicts in a peaceful way. For the U.S., Georgia is an important corridor for the transportation of Caspian energy resources to the West through the BTC and Shah-Deniz pipelines, as well as in the future Kazakhstani oil. Therefore, Russia's energy monopoly in the

²⁷ Nino Tetelashvili, "Georgia's Revolution Takes a Dangerous Turn", *Central Asia-Caucasus Analyst*, 5 May 2004.

Caucasus is clearly unacceptable for Washington. The U.S. helps Georgia to strengthen its energy security and break its dependence on Russian resources.

For Washington Georgia is a beacon of liberty, which inspires democratic changes in the post-Soviet space, and supports the strategy of building up democratic belly around Russia. "Your courage is inspiring democratic reformers and sending a message that echoes across the world: Freedom will be the future of every nation and every people on Earth ... now, across the Caucasus, in Central Asia and the broader Middle East, we see the same desire for liberty burning in the hearts of young people. They are demanding their freedom – and they will have it".²⁸

Georgia is a member of the U.S.-led antiterrorist coalition. Georgian peace-keepers serve in Iraq, Afghanistan, and Kosovo. The U.S. helps Georgia in the enhancement of the capabilities of its troops. In 2002-2004, the U.S. provided training for 2,400 troops within the \$64-million Georgia Train-and-Equip Program. In 2005, the U.S. launched the Sustainment and Stability Operations Program (SSOP), which will focus on training Georgian soldiers for coalition support. \$60.5 million had been allocated for the SSOP. The U.S. supports Georgia's Euro-Atlantic integration and talks between Georgia and Russia to reach agreement on the status and duration of remaining Russian bases in Georgia.

The U.S. assists Georgia to intensify internal reforms to strengthen the economy and create incentives for the separatist regions to integrate into Georgia. Besides, through the Millennium Challenge Account, Georgia has an excellent opportunity to reconstruct its main gas pipeline, improve gas supply to the regions, and rehabilitate economically the conflict-prone Samtskhe-Javakheti region as well as the Kvemo Kartli area.

Turkey is another regional power. Turkey has been the most important regional ally of Georgia since its independence. Both aspire for integration into Western institutions, with Turkey working hard to join the European Union and Georgia trying to break free from Russian influence by pushing for closer ties with the West. Ankara and Tbilisi have had a long-standing cooperation in the field of defense. Turkey provides training to Georgian troops and supports integration in NATO. From Tbilisi's perspective, Turkey can help Georgian-Russian dialogue, and contribute to peace solution in South Ossetia.

Of especially importance is improvement of the Caspian-Black Sea trade corridor and the construction of the Kars-Akhalkalaki-Baku railroad. Azerbaijan is also interested in the project, since the prolongation of the railway through Tbilisi to Baku will also enable Azerbaijan to gain access to its strategic partner, Turkey, via Georgia. According to preliminary calculations, the project will cost US\$400 million, of which Ankara is allocating half. Per Turkey's proposal, a new custom station will be opened in the village of Kartsakhi, very close to the Armenian border. The railroad will improve economic conditions of Armenian-populated Javakheti and give opportunities to Armenia to establish closer links with Turkey. Recent declarations of Armenian

²⁸ President George W. Bush's address to Georgian nation, May 10, 2005. Author's notes.

officials reflect a solidifying pragmatism of the Armenian foreign policy, anticipating improved communication with Turkey and building close ties with Georgia.

3.6. Governance, reform, and military development

Sociological surveys conducted by NGOs in 2005 demonstrate that a year since the Rose revolution, President Saakashvili has gradually lost a significant part of his popularity. Partially, this is explained by the radical reforms, some of which are unpopular in the country. Amendments to the Constitution, the introduction of the post of Primer Minister, the concentration of significant power in the executive branch, and the weakening of the Parliament contributed to a split among the President's followers. Dissatisfaction has increased due to improper staffing of the government on both federal and local levels. Accusations against governmental bodies regarding drug use and trafficking, corruption, incompetence and abuse of power have been relatively frequent, and contributed to the decreasing popularity of the government.

Institutional, educational and economic reforms enhance the gap between the government and the civil society. A phrase often heard in Georgia is that "from roses, only thorns have remained". The Government is severely criticized for its military reforms. Georgia has to undertake a comprehensive modernization and democratization of its defense establishment, carried out under the Individual Partnership Action Plan with NATO. In the rush to reform, Irakli Okruashvili, serving as defense minister since December 2004, has already come under a barrage of criticism for his role in implementing changes. Okruashvili has been accused of reversing earlier progress in establishing civilian control over military institutions, of non-effective distribution of the funds, and of violations of human rights in the army. Nevertheless, reports indicate that the morale within the armed forces is rising gradually. Conscripts report being fed well, having new uniforms, and the presence of order where before there was none.²⁹

3.7. Human Rights and societal development

Although much reform has been undertaken in Georgia, the new Government is blamed for violations of human rights, non-tolerance towards opposition, and efforts at the closure of opposition TV channels and newspapers. Despite increasingly deep grievances, there is no single force that can mobilize people against the Government. Despite increasing disillusionment, people still pin their hopes for a better future on President Saakashvili and see no alternative to him.

The situation of returnees to Gali region are in the worst situation as far as protection of human rights are concerned. There is no guarantees for the protection of their security and dignity. Among the IDP population as well as among the general population, women pay a higher price for the problems of transition. Although women constitute half of the voters and the population,

²⁹ Kakha Jibladze, "In Spite of Criticism, Georgian Military Reforms Prove Successful", *Central Asia-Caucasus Analyst*,

they earn less than men, only 41 percent of earnings of men – 38.94 lari compared to 93.8 lari.³⁰ Gender stereotypes in society greatly affect the women's economic participation, their share of privatized businesses is estimated less than 25 percent compared to the 75 percent for men.³¹ Women's NGOs have nevertheless initiated debates on sensitive issues – domestic violence, reproductive rights, and the political and economic participation of women.

3.8. Organized Crime and corruption: Hard to Root Out

The drug trafficking issue has received considerable attention in Azerbaijan, where various government agencies are seeking to address it, though with little success. In Georgia, the situation is in all likelihood worse. As former Georgian Minister for State Security Valeri Khaburdzania noted in early 2002: 'Criminal groups involved in drug trafficking show strong interest in Georgia and regard it as a convenient transport corridor.'³² The Georgian security services are ill equipped to deal with the problem, and have apparently been infiltrated by trafficking networks to a higher extent than in Azerbaijan. Moreover, Georgia faces the additional problem of sharing a border with Chechnya; between 1999 and 2002, Tbilisi failed to exert control over the Pankisi Gorge close to the Chechen border following the influx of Chechen refugees from the Russian invasion of Chechnya in October 1999. The flow of refugees was accompanied by groups of fighters and transnational criminal networks that had been based in Chechnya during the cease-fire there between 1996 and 1999. During 2000 and 2001, a major drug route developed from Dagestan to Chechnya and the Pankisi Gorge, and from there to Telavi in the Kakheti district of Georgia and then westward toward the Black Sea coast.

The reshuffle in the Georgian government in late 2001, which featured the replacement of leading cadres in the ministries of the interior and state security, has improved the situation significantly. Previously, the leadership of these ministries had been accused of widespread corruption, involvement in drug trafficking, and permitting the Pankisi problem to spin out of control for their own personal gain. Amongst others, local NGOs accused the Head of the Interior Ministry's Drug Enforcement Department of being the country's number one drug dealer.³³ Eventually, popular protests led to their removal and a number of senior officials have been arrested for complicity in the drug trade. In July 2002, the head of the anti-drug department of the Marneuli police was arrested in possession of a large amount of heroin and in the company of a known criminal figure.³⁴ Likewise, the independent Rustavi-2 television channel caught the

³⁰ *USAID/Caucasus Gender Assessment. June 2003.* DevTech Systems, Inc. USAID.
http://www.usaid.gov/our_work/cross-cutting_programs/wid/pubs/ga_caucasus_fullreport.pdf

³¹ *USAID/Caucasus Gender Assessment. June 2003.* DevTech Systems, Inc. USAID.
http://www.usaid.gov/our_work/cross-cutting_programs/wid/pubs/ga_caucasus_fullreport.pdf

³² *BBC Monitoring FSU Political*, 9 February 2002, quoting Georgian Television, 1100 GMT, 9 February 2002.

³³ *BBC Monitoring*, quoting Iprinda News Agency, 26 October 2001.

³⁴ *BBC Monitoring*, quoting Rustavi-2 Television, Tbilisi, 11 July 2002.

head of the interior ministry's anti-drug department on camera selling drugs in his office in order to extort the buyers.³⁵

The new leadership of the state security and interior ministries that came to power in early 2002, even before the 'rose revolution', gained a measure of international and public confidence. This process got a further boost with the anti-corruption policies launched by the Georgian government after the 2003 change of power. This nevertheless only continued a trend that had existed since 2002. The cleanup of the Pankisi Gorge in 2002 and the reshuffle of the power ministries led to a change in drug routes in Georgia, but no decrease in trafficking is likely to have taken place. According to Avtandil Ioseliani, the head of Georgian intelligence, drugs which had previously entered Georgia mainly from Chechnya now arrive from Dagestan and Azerbaijan.³⁶ South Ossetia was also increasingly used as a new route of narcotics entering Georgia after the clampdown on the Pankisi gorge. However, the Georgian showdown with South Ossetia in Summer 2004 made the use of that territory for smuggling more complicated.

Georgia's anti-corruption drive has removed the worst corruption at the national and central level and eliminated or put pressure on criminalized separatist or provincial leaderships. However, there is no indication that the corruption of lower-level and provincial officials has been addressed.

3.9. Environment

Many environmental challenges contain a strong security dimension. Among those are the management of shared resources (not least in the Kura-Araks river basin which covers a large part of the region), pollution from ageing industries and irrigation network, and even uncontrolled growth of capital cities. Disagreements about real or perceived environmental threats, such as those related to lack of transparency about environmental conditions areas of 'frozen conflict', the Medzamor nuclear power plant and the Baku-Tbilisi-Ceyhan oil pipeline further complicate the picture. On the positive side, there are quite a few opportunities to foster cooperation between the countries in the environmental field.

International donor organizations helped the South Caucasian states raise awareness about the link between the environmental issues and security. Through the Environmental Security Initiative, the OSCE, the United Nations Environmental Programme (UNEP) and the UN Development Programme (UNDP) aim to identify cases in which environmental degradation may pose threats to human security and contribute to instability, and suggest action to deal with them.

³⁵ BBC Monitoring, quoting Rustavi-2 Television, Tbilisi, 23 June 2002.

³⁶ BBC Monitoring, quoting Rustavi-2 Television, Tbilisi, 30 August 2002.

3.10. Conclusions

The South Caucasus region has been plagued in the past two decades by a negative conflict spiral. Ethnic tensions and the political insecurity caused by the collapse of the Soviet Union contributed to generate ethnopolitical conflict, economic collapse and domestic political instability. The role of external actors in turn prevented speedy resolution of these conflicts. This cemented a no peace-no war situation, which prevented the development of trade relations; the more pronounced democratization of the political system of the regional countries; the building of civic national identities; and the economic recovery of the region. This situation produced widespread poverty and societal insecurity, which remains present to this day.

4. Actors in Conflict

4.1. The State

Non-flexible politics of the central government towards minorities and its militaristic rhetoric greatly contributed to the conflicts in Abkhazia and South Ossetia. Official Tbilisi's primary concern has since been to regain control over the breakaway republics, but the Shevardnadze Government failed to elaborate any single document for resolution of conflicts. The situation has changed with the coming of the new leadership. President Saakashvili announced a peaceful plan for conflict resolution at the General assembly of the UN, and later at PACE. According to these documents, Georgia would grant a wide autonomy to South Ossetia; as for Abkhazia, a federative, or even confederative agreement is envisaged.

4.2. Sub-state actors

Abkhazians and Ossetians demonstrate little trust to Tbilisi's initiatives. Any talks on political status are far from their mind. Their leaders are in a position of power and are not inclined to question their independence which was maintained in the course of war with Tbilisi. They are ready to cooperate with Georgia in humanitarian, economic and security spheres, but only as equal partners. Leadership of these two republics are afraid that political dialogue with Tbilisi might provoke clashes in Abkhazia and Ossetia, since memories of war casualties are still alive within the local populations

4.3. External actors

Russia is the main external actor that have had strong political and economic interests in the conflicts. Moscow sow the separatists movements within the Georgian republic as a mean to keep the latter in the orbit of its influence. Georgia, having suffered humiliating defeat in the Ossetian and Abkhaz wars, had to join the CIS. Russia deployed its peace-keepers both in South Ossetia and Abkhazia and frozen the conflicts. Moscow tried to keep the *status quo* and integrate these republics economically. However, Russia has recently announced that it agrees with the three-phase South Ossetian conflict resolution plan. According to Russia's foreign ministry, the leadership of South Ossetia 'almost' agrees with this plan. Russia's interests are more profound in

Abkhazia, which is an additional access to the Black Sea and is famous for its resorts, than in Ossetia.

4.4. Civil society

NGOs in Tbilisi have recently started active discussions on the conflict solving in Abkhazia. Besides discussions, pro-active steps are also done. The Studio Re has launched a project in Gali district to prepare TV journalist. The Studio works closely with the local administration, as well as women organizations. Other examples of civil dialogues are meetings of the mixed, Georgian-Abkhaz families, and meetings of the representatives of the *Caucasian house* with their Abkhazian counterparts in Sokhumi. These kind of activities promote build trust between the conflicting sides.

In conflict and post-conflict societies of the Caucasus, several groups of women are in vulnerable positions. Among them are single women, pregnant women, widows, refugees, displaced people and representatives of national minorities. Women and children from mixed marriages also face the constraints in integration in post-conflict societies.

According to government data, about 260,000 IDPs³⁷ emerged as a result of the conflicts in Samachablo (South Ossetia) and Abkhazia. Among refugees and IDPs, women and children prevail. A majority of IDPs confront many problems related to health, education, employment and housing. IDPs have to live in collective accommodation centers having poor sanitary and hygiene conditions that contribute to an increase of infectious and sexually transmitted infections.

Despite gender stereotypes, women in the Caucasus are well educated and active in the labor market. Female IDPs demonstrated surprising resilience in adaptation to a new unfavorable situation; many of them became breadwinners for their families.

In all conflict zones, women have been excluded from peace talks and negotiations. However, in recent years, women's increasing role in peace-building and post-conflict reconstruction in the Caucasus has been supported by the international community. Step by step, women were able to mobilize themselves and participate in civil society groups. UNIFEM, DFID and other international organizations encourage women to develop leadership skills and learn about lobbying, international practice of protection of women rights, peace building, and gender approaches to conflict. UNIFEM supports the regional project "Women for Conflict Prevention, Conflict Resolution and Peace-building in the Southern Caucasus" that strengthens women's participation to address gender, peace and security in Armenia, Azerbaijan and Georgia, including Abkhazia and South Ossetia. The Swedish foundation Kvinna till Kvinna (KtK) helps six local women's NGOs in Abkhazia. The UK Department of International Development (DFID) with the local Cultural-Humanitarian Foundation "Sukhumi" completed publication of the monthly bulletin, "Women's Voice." UNIFEM facilitated the establishment of a women-returnee IDP network – the Gali Women's Peace Council that engaged in a series of People -to-People

³⁷ UNDP. Millennium Development Goals in Georgia, Tbilisi, 2004, p. 25.

diplomacy activities between women leaders from Gali, Ochamchira and Tkvarcheli. The IDP Women Association, established in 1995 aimed at training of its members. Berghof Center for Constructive Conflict Management (Germany), Helsinki Citizens Assembly, Haella Foundation (Netherlands) offered training seminars for informal leaders of the IDP community.³⁸ In general, over 70 women's civil groups work in Georgia rebuild confidence among fragmented communities and engage them in joint agenda on development activities. Sixty women's NGOs operate across the country. In general, a greater part of them work in the capital and lack collaboration among themselves and with provincial NGOs.³⁹ Nevertheless, the print media seldom discusses women's issues. A study in 2001 revealed that the percentage of articles (primarily superficial) on women or women's issues in print media have been no more than 15%.⁴⁰

5. Conflict Management Mechanisms

5.1. Existing Conflict Resolution Mechanisms

5.1.1. Abkhazia

The change of leadership both in Tbilisi and Sukhumi in 2003-2004 brought new opportunities for the resumption of peace talks between the Georgians and Abkhazians. The UN-led "Geneva process" has identified three priority areas for the discussions: security and political issues; the return of refugees and internally displaced persons; and economic cooperation between the sides. Though the Abkhazian leadership still refuses to discuss the political status of the republic, it became more constructive in cooperation on security and economic issues. The Abkhaz side resumed in December 2004 its participation in the weekly Quadripartite Meetings and the important work of the Joint Fact Finding Group, which includes the Georgian and Abkhaz sides, UNOMIG and the CIS peacekeeping force. This activity had been stopped in mid-2004. The Abkhaz side also participated in the Geneva meeting in early April. As a result of the meeting, the UN and OSCE will set up a joint human rights office and the UN civil police component will be deployed in the Gali district. Additionally, UNHCR will carry out registration of refugees who have returned to the district.

The peace process in Abkhazia strongly depends on Russia's position. During the presidential elections in Abkhazia in October 2004, Moscow demonstrated obviously that the Russian leadership would not tolerate any changes in the political course of the separatist regime. Russia did not veil its support to the breakaway republic, and President Putin's meeting with the Abkhazian leadership before and after the elections is extremely remarkable.

³⁸ Iulia Kharashvili, IDP Women's Association, IDP Women today - victim or possible leader? War and women's social problems, Georgian union of wives of Invalids and Lost Warriors, http://www.osgf.ge/wie/8_4.html

³⁹ *USAID/Caucasus Gender Assessment. June 2003.* DevTech Systems, Inc. USAID.

http://www.usaid.gov/our_work/cross-cutting_programs/wid/pubs/ga_caucasus_fullreport.pdf

⁴⁰ *USAID/Caucasus Gender Assessment. June 2003.*

Russia is a member to the Group of Friends; nevertheless it has tried to elaborate its own conflict resolution strategy. This strategy was defined in Sochi in March 2003, and stipulated the reopening of the railway traffic between Sochi and Tbilisi in parallel with the return of refugees and internally displaced persons to the Gali district, as well as energy projects, which included the modernization of the Inguri hydropower station. In actual fact these proposals promote Abkhazia's economic integration onto Russia. That is why in Tbilisi the Russian initiatives are described as "*piece-keeping*".

5.1.2. South Ossetia

Russia's role in South Ossetian processes is dominant. In summer 2004 Russian diplomats successfully managed to avoid the internationalization of the Georgian-Ossetian conflict and expansion of the OSCE mandate in the conflict zone. Moscow even blocked the extension of the BMO on the Georgian-Russian border. Russian politicians backed Ossetian separatists politically and provided weapons to local paramilitary groups through the Roki tunnel.

However, the international community in the South Ossetia is more successful than in Abkhazia. In particular, the OSCE has an important role to play both in restoring confidence and increasing stability on the ground as well as in facilitating the political process aimed at a comprehensive settlement of the Georgian-Ossetian conflict.

Since 2002, the OSCE Mission to Georgia has supervised the Rapid Reaction programme, financed through the OSCE Voluntary Fund, of voluntary handover of arms within the zone of the Georgian-Ossetian conflict. This activity forms part of the joint efforts of the OSCE Mission and the JPKF Command to reduce the number of arms in the region. The program began with the distribution of computers for a secondary school in Tskhinvali in exchange for 36 anti-tank missiles. Later several vital irrigation channels were repaired; the projects helped improving the living and social conditions of communities within the zone of the Georgian-Ossetian conflict. Weapons and munitions collected under the Rapid Reaction programme were destroyed by the JPKF's Russian engineers. As the OSCE Mission head in Georgia, Roy Reeve, stated, this programme substantially diminishes the threats of accidental outbreak of violence caused by excessive amounts of munitions in general circulation in the zone of conflict.

Another recent OSCE step towards trust-building and peaceful conflict resolution is the Euro 2.5 million grant from the European Commission to rehabilitating the Georgian-Ossetian conflict zone. Some projects will focus on the rehabilitation of basic infrastructure to benefit both the resident population and returnees; others will support the voluntary return of refugees and internally displaced people to their previous places of residence. The parties to the Georgian-Ossetian conflict signed a Memorandum of Understanding on rehabilitation projects in the zone of conflict in Tskhinvali on 31 January.

5.2. Existing Conflict Prevention Mechanisms

A number of international agencies and NGOs together with local civil groups started and implemented numerous projects in Abkhazia that helped people in post-war transition. UN

agencies, local authorities and NGOs were able to restore peace and improve life in Abkhazia. For instance, UNDP, UNHCR, OCHA, the World Bank, USAID and SDC collaborated in support of IDPs in Abkhazia and Georgia through a “New Approach” based on the 1998 Guiding Principles on Internal Displacement.⁴¹ A number of organizations such as UNOMIG, Conciliation Resources (CR), The International Committee of the Red Cross (ICRC), the OSCE High Commissioner on National Minorities (HCNM), Oxfam,⁴² American Councils for International Education, The Norwegian Refugee Council (NRC), War Child Netherlands, etc. supported training and educational programs in Abkhazia.⁴³

The UNDP Samtskhe-Javakheti Integrated Development Programme (SJIDP) is aimed at: a) contribution to conflict prevention and the overall development of the region through a wide range of UNDP programme activities with a strong emphasis on socio-economic development, governance and capacity building components and b) facilitating coordination among implementing agencies, donors and stakeholders on various programme initiatives, as well as information and data sharing. The Regional Women's Centre (WRC) focusing on gender inequality, women's rights in Samtkhe-Javakheti region is supported by Swedish International Development Agency(SIDA).⁴⁴

UNIFEM supports the regional project, "Women for Conflict Prevention and Peace-Building in the Southern Caucasus," that building the skills and capacity of women and youth to be involved in the peace, security and development agendas.

6. Scenario Analysis

As discussed above, the South Caucasus simultaneously displays numerous challenges and threats to peace-building as well as significant positive factors. Flowing from these, a set of potential scenarios can be elaborated. The scenarios, and indeed the development of the South Caucasus as a whole, are dependent on several main factors. These include the economic and political development of the region; the development of Moscow's attitude to the region; and the Euro-Atlantic community's interest in the region.

6.1. Scenario One: Stability and Conflict Resolution

In Russian political circles, forces that see the benefits of a peaceful and stable Caucasus are strengthened. As a result, Russian policies toward Abkhazia and South Ossetia become more constructive and are implemented in cooperation with the Georgian government. President Saakashvili gains strong support for his policy of building a sense of civic national identity in

⁴¹ UNDP. Abkhazia Briefing Note. January 2005. www.undp.org/ge/news/UNDPBriefNoteAbkhaziaJan2005.pdf

⁴² See more http://www.oxfam.org.uk/what_we_do/issues/democracy_rights/downloads/bn_caucasus.pdf

⁴³ See more. UNDP. Abkhazia Briefing Note. January 2005. www.undp.org/ge/news/UNDPBriefNoteAbkhaziaJan2005.pdf

⁴⁴ Georgia: Humanitarian and development update, Feb-Mar 2005, <http://unjobs.org/news/1113226178.86>

Georgia. His initiatives for offering South Ossetia autonomy and Abkhazia a confederal status are taken as a sign of good faith and lead to improved dialogue between Georgia and its breakaway republics. Meanwhile, meetings between the Armenian and Azerbaijani Presidents become more frequent and constructive.

From the outside, following the re-election of President Bush, Defense Secretary Donald Rumsfeld's interest in arriving at a resolution to the Armenian-Azerbaijani conflict, originally formulated in Spring 2004, are gaining ground. Support for the initiative grows in the State Department, with Secretary Rice lending support and political capital to the idea. European actors take a greater interest in integrating the South Caucasus with NATO and the European Neighborhood Policy. After positive signs in Georgian-Abkhaz and Armenian-Azerbaijani meetings, a donor's conference sponsored by the EU establishes a Development Fund for the South Caucasus. This fund enables considerable reconstruction activities to begin as the conflicting parties establish a framework for economic and social relations as a step toward the full resolution of the conflicts. The parties agree to withdraw military forces, proceed with disarmament, and postpone the issue of territorial status until a specified time period. Russia, the U.S., and the EU provide security guarantees and significant peace-building efforts under NATO command. This includes substantial commitment to police personnel, emulating the example of Kosovo. Economic investment in the South Caucasus increases, while the EU, spurred by the completion of the Baku-Tbilisi-Ceyhan pipeline, takes up its earlier interest in the Transport Corridor Europe-Caucasus-Asia.

6.2. Scenario Two: Muddling Through

With the consolidation of President Putin's power in Moscow and centralization reforms, the situation in Chechnya continues to worsen, and the unrest slowly but gradually spreads in the North Caucasus. Russian non-cooperative policies in Abkhazia and South Ossetia continue, while Moscow, reacting to the Baku-Tbilisi-Ceyhan Pipeline, vigorously tries to pre-empt any further transportation of Caspian oil through the South Caucasus corridor.

The efforts to achieve political solutions to the conflicts seem to progress little. Abkhazia and South Ossetia rely on Russian support to prevent any discussion of the status issue, while President Saakashvili's popularity in Georgia gradually decreases. Georgian frustration with the unresolved conflicts mount, as happened in Azerbaijan. In both countries, the political leadership is keen not to be outflanked on the right, and adopt an ever more hardliner attitude to the conflicts. Smuggling and organized crime activities in the South Caucasus continue to increase and sustain a huge parallel economy. Corruption continues to plague the region, while political processes continue to display equally strong tendencies toward authoritarianism and democracy. The tensions between Tbilisi and the Azeri minority worsen, including the formation of nationalist and Pan-Turkic groups in Kvemo Kartli, seeking to form themselves as a bridge in a greater Turkic state encompassing parts of Georgia, Turkey and Azerbaijan.

Preoccupied by Iraq and the Middle East, the U.S. fails to take any substantial initiatives in the Caucasus. After the collapse of the EU Constitutional Treaty, the European powers have neither

capacity nor willingness to invest time and energy in the conflicts in the Caucasus. As a result, neither regional nor extra-regional forces grow enough interest in the region to be able to make a significant positive impact. The conflict remains unresolved, and the peace processes frozen. Consequently, the socio-economic situation in the South Caucasus fails to improve significantly, the popular moods remain affected by nationalism and frustration, and the political systems fail to democratize.

6.3. Scenario Three: Return to War

The deteriorating situation in the North Caucasus increases Moscow's pressure on the South Caucasian countries, in particular Georgia. The policies leading to the de facto Russian annexation of Abkhazia and South Ossetia become more blatant, resulting in strongly increased tensions between Moscow and Tbilisi. This in turn takes up increasing amounts of the Georgian government's time and energy. With support from the Russian military base, which Georgia has declared illegal, Armenian nationalist groups in Javakheti form paramilitary formations, greatly increasing tensions with the Georgian state. As Georgian military forces move into the area, radical nationalists in Javakheti begin to wage a low-intensity guerrilla war with Georgian forces.

Meanwhile, the Karabakh lobby's power over Armenian politics grows, as President Kocharyan makes it clear that his intended successor is Serzh Sarkissian, the equally Karabakh-born Defense Minister. Freedom of speech is curtailed and repression of opposition and media grows. In Baku, highly contested elections are held in November 2005, with post-election violence and a fierce government crackdown as a result. Weakened internationally, the incumbent government develops a stronger nationalist, belligerent rhetoric, promising to liberate the occupied territories.

Cease-fire violation along the Armenian-Azerbaijani cease-fire line increase, while skirmishes between Armenians and Azeris in Georgia also grow in number and magnitude.

In the midst of these developments, the United States is bogged down with the insurgency in Iraq and sees its relations with Iran deteriorate. Having sought a military base in Azerbaijan's Apsheron peninsula for several years, Secretary Rumsfeld is rebutted after the State Department expresses strong criticism of the 2005 elections. The Euro-Atlantic community's involvement in the South Caucasus peters out, with the peace processes such as the OSCE Minsk Group becoming completely devoid of content. The EU decidedly puts off any action to support peace-building in the South Caucasus. With lack of American interest, European powers effectively block NATO's ambitions to become an active force in the South Caucasus.

In a surprise move, Russia in 2006 moves in to support Azerbaijan's rights to develop the Araz-Sharq-Alov field, contested by Iran, where major oil reserves are found. Faced with this, Iran backs down. President Ilham Aliyev announces that the export of this oil, estimated at close to a million barrels per day by 2015, will be undertaken through a revamped pipeline through Russia in the name of multiple pipelines, given the existing BTC pipeline. Russian arms sales to Azerbaijan increase, while Russia's relations with Armenia become increasingly uneasy.

In early 2007, the tensions between Armenia and Georgia reach a boiling point as close links are discovered between Javakheti guerrillas and forces in the Armenian government. Georgia recalls

its ambassador to Armenia and seeks to block the border between the two countries. Guerrilla-type hostilities escalate, with guerrillas using territory on the Armenian side of the border to stage hit-and-run operations. Georgia mobilizes its elite, American-trained forces in Javakheti, leading to escalation of hostilities. Scores of volunteers from Karabakh and Armenia, including active duty soldiers and officers, flow across the border to support the Javakheti insurgency. Georgia and Armenia come close to a *de facto* war situation.

Taking advantage of Armenia's diverted attention, Azerbaijan launches a surprise attack on the southern front of the cease-fire line. Fizuli and Jebrail districts are liberated, but Armenian forces make a strong stand at the borders of the Nagorno-Karabakh region itself. Agdam is also reconquered by Azerbaijani forces. The fighting spills over the border into Iran, which mounts large military exercises on its side of the Araxes. In response, Turkey's general staff warns Tehran from interfering in Azerbaijan's efforts to reassert control over its territory. Azeris in Iran begin demonstrating against the regime, and ethnic Azeri deserters from the Iranian army join forces with Azerbaijani troops. Europe is preoccupied with a referendum of independence in Kosovo, and Washington dispatches Ambassador Richard Holbrooke to mediate in the conflict. But the South Caucasus is already caught in a region-wide conflagration.

6.4. Assessment

These three scenarios clearly present the best-case and worst-case scenarios, as well as a mid-way scenario consisting of an extrapolation of the present situation into the future. Of these, the first scenario is possibly the least likely at present. Very little suggests that the positions of Russia, Europe and the U.S. will align themselves and be backed by political will – even if trends in the region would develop in a positive direction. The last scenario is almost equally unlikely, since it suggests that most things that could go wrong will go wrong. The most likely is, then, a scenario that combines elements of the worst-case and best-case, mixing positive with negative tendencies, but not leading to an overall drastic change in the present status quo.

The role of external actors and specifically development cooperation in the region has the potential to influence events to closer approximate the first scenario. As will be discussed below, communication remains a significant problem for several minority areas; avenues for discussion are still limited and could be provided through the sponsorship of donors. More basically, development cooperation can influence the political development in the region by focusing on security sector reform. Only with the building of strong, legitimate and efficient state bodies can the current quagmire be resolved.

7. Recommendations

7.1. General observations: Dealing with the Problem

The guiding principle of western development cooperation in the South Caucasus since the mid-1990s has been to avoid the region's main problem: the regional ethnopolitical conflicts. Although these clearly pose the main threat to the development and stability of the South Caucasus, development cooperation has operated under the assumption that the conflicts cannot

be solved with the resources at hand. This assumption led to a two-pronged approach: firstly, to institute “processes” that have come to serve mainly as an excuse for inaction on the part of the international community, certainly in the past five years. Indeed, the OSCE Minsk Group and the Group of Friends of the Secretary-General on Abkhazia have developed few initiatives lately. The second leg of the implicit strategy has been to circumvent the conflicts. Development cooperation has worked on everything but the conflicts, seeking to build civil society, governance, transparency, agriculture, gender equality, education, etc. Yet the problem is that these efforts have failed to change the fact that the unresolved conflicts remain at the heart of the failure of reform and visible progress in all of these sectors. Ten years of experience has shown that the failure to work on the conflicts has been a recipe for the failure to build strong, democratic societies in the South Caucasus. It is therefore time for a significant percentage of the funds available for the South Caucasus to be invested in efforts to work, at different levels, toward the management and resolution of the overt conflicts and prevention of the latent or potential ones. Especially small countries with few if any own agendas in the region can function as ideal parties in this regard.

7.1.1. Civic National Identities

In the context of the conflicts of the South Caucasus, a major problem is the dominance of ethnic-based group identities in the region. One major factor that escalated the conflicts in the South Caucasus in the late 1980s was the predominance of ethnic as opposed to civic concepts of the nation. Ethnic and exclusive concepts of nation inhibited coexistence and strengthened demands for political control over territory by minorities, and of dominance by majorities. Ethnic nationalism can only be effectively counteracted if the national identities of the three states develop away from ethnic- and blood-based identities in the direction of civic- and citizenship-based criteria for membership in the national community.

This is true especially for Armenia and Georgia, but even in Azerbaijan, with a relatively civic concept of the nation, ethnicity has come to take on a gradually larger role in society. Obviously, the identity of the population of the separatist territories is totally dominated by ethnicity. The dominance of ethnic national identities is a leading impediment to long-term conflict resolution, as it breeds prejudice and hostility on an ethnic basis, while providing only limited possibilities for the peaceful coexistence and confidence building between ethnic communities. For this reason, a major concern for the donor community should be to seek ways to assist and support the regional states in leading the way toward an increasingly civic conception of the nation. In Georgia, this is a process that the government itself has been discussing lately, but the implementation of which is a long, complicated process. In the first place, the sector of education is crucial, as it is in schools, especially in language and history classes, that the conception of national identity is born. Finding ways to work with the Georgian government on developing the type of history writing occurring in textbooks and the form of identities transmitted to students will be a crucial component of any strategy in this sector. Equally importantly, the training of teachers in the very concept of nationalism and the various scholarly approaches to ethnic identities and nationalism will be needed to gradually help the South Caucasian countries move from a dominance of

exclusive and ethnic-based national identities to inclusive, civic nations that provide equal rights for all citizens. This aspect should be incorporated in the building of institutions and, wherever possible, the drafting of laws, a task in which development assistance can support its inclusion.

In this context, it is important to support Georgia's efforts to join the European conventions on Ethnic minorities and The Languages of Ethnic Minorities, and assist in the preparation of laws that protect minorities. In doing so, however, it is important that the international community refrain from policies that support ethnic segregation. For example, the support of the rights of ethnic minorities risks succumbing to a temptation to define from certain population groups as official minorities, to create territorial autonomy, or to use a quota system to ensure minority representation. However, while such measures would likely imply, on paper, an improved situation in the short term, they would also mean strengthening the role of ethnicity in politics and indeed in all aspects of societal life, precisely the trend that should be counteracted.

7.1.2. Unresolved Conflicts: Nagorno-Karabakh, Abkhazia and South Ossetia

In the overt and unresolved conflict situations, the feasibility of altering the present mediation and negotiation structures at the highest political level, while desirable, is not present. That said, there are several avenues for direct initiatives that have great promise. A major question is identifying conflicts and actors that will best ensure tangible results. Given the renewed tensions in the South Ossetian conflict zone in Summer 2004, this territory is perhaps not ideal in the short term, although in a longer view this remains highly relevant. The recent political developments in the Abkhazia conflict provide a window of opportunity for action in this conflict. Several factors contribute to the creation of this window of opportunity. Firstly, the new Georgian government has brought a level of seriousness to its dealing with the issue. The government has issued a set of constructive proposals toward resolving the conflict, and appointed compromise-oriented officials to lead the negotiating team in the Abkhazia conflict. Meanwhile, the recent presidential elections in Abkhazia ushered in a new political dynamic. Not only was a new leadership elected providing a new impetus for negotiations, but the Abkhazian reaction to heavy-handed Russian meddling in the election also indicated that Abkhazia's position may not be as strongly influenced by Moscow as is normally assumed. Put together, these factors provide a window of opportunity for external actors to move in and seize the moment to kick-start discussion fora on issues of the choice of the two parties.

On a political level, one clear missing element at present is the possibility for parties to conflicts to meet in secluded environments, without the presence of great power representatives or the media. Such meetings, for which political representatives at the highest levels expressly stated an interest, would enable representatives for the conflicting parties to discuss issues of common interest short of actual negotiations on status and other central elements in the conflict. These could include security issues for civilians, cease-fire monitoring, economic initiatives, environmental and energy concerns, and the like. Such initiatives could be organized with comparatively small resources, and locating such meetings in relative isolation and far from the South Caucasus only adds value to their prospect. The key contribution would be to provide avenues for the discussion of non-central issues to a conflict, under the supervision of

experienced negotiation specialists and experts with understanding of local specifics and sensitivities.

As for the Armenia-Azerbaijan conflict, the conditions for conducting such meetings at a high political level are presently low. That said, rekindling meetings of a track-two character to identify new approaches to the conflict and new opportunities to work toward a resolution is a possible way forward. It is important to deploy efforts to stall the deterioration of relations between the two societies. Indeed, although the leadership of the two states meet intermittently, the avenues for contact and discussion below the governmental level are becoming increasingly limited. Hence, aside from the political level, it is desirable to provide avenues for discussion for journalists, academics, cultural and business elites in the Armenian-Azerbaijani conflict as well as the Abkhazia and South Ossetian conflicts. Topical seminars or educational courses held in donor countries involving members of both sides in a conflict have proven to be important elements of long-term peace-building. Simply put, it is about creating constituencies for peace. Such events could be organized on a pan-Caucasian basis, where representatives of all communities of the South Caucasus could be eligible, including perhaps the North Caucasus as well.

Moreover, the idea of creating cooperative and pan-Caucasian television debate and discussion shows has been tried before with considerable interest, and deserves a second attempt. Indeed, in an atmosphere of increasing ethnic prejudice in unresolved conflicts, such programs could have an important role in changing attitudes at a political level and thereby increasing the potential for peaceful resolution of conflicts. This type of efforts need not be limited to television, but could involve radio programming and other media.

7.1.3. Conflict Prevention: Focus on Kvemo Kartli

As noted in the text above, the present potential for conflict prevention is greatest in the Armenian- and Azeri-populated areas of Georgia. While an international presence exists in Javakheti, it is practically absent in Kvemo Kartli. There is simply a considerable void in the region, which exacerbates the consequences of existing tensions. This void also means that small resources invested by a donor seeking to fill this gap could do a considerable difference. The main aim here, as concerns the Armenian areas of Javakheti, is to empower the minority population in its ability to function as full members of the national community. Projects need to be geared to address the most pressing problems, such as access to information, land ownership issues, education, and the representation of minorities in the local and central government. For this to take place, it is of crucial importance to conduct an assessment of existing structures and civil society organizations in the area that could function in this regard. In addition, an important specific contribution would be to support the training of minority representatives in the Georgian state's functioning, rules, and norms. This can clearly be conducted on a regular basis by the capable institutions existing in Georgia, such as the Georgian Foundation for Strategic and International Studies (GFSIS).

Economic cooperation across divided borders emphasizing equal partnership could be a very positive strategy, both as it strengthens the economic self-sustainability in both groups as well as improved confidence over conflict lines. Attention should be given to the danger of unilaterally strengthening one side or creating new cleavages through economic cooperation. Currently there are relatively few attempts to working over divided borders, such as between Abkhazia and Tbilisi.

7.2. Security Sector Reform

A second crucial element in a conflict-sensitive approach to the South Caucasus is focus on security sector reform. Indeed, the security sector – specifically the military, police, interior ministry, customs, as well as the judiciary – are the most unreformed, inefficient and corrupt institutions in the South Caucasian states. The dysfunctional character of these institutions constitutes a security risk in numerous ways. Firstly, it impedes the resolution of conflicts as the salience of private interests in the security forces creates narrow self-interest in sustaining the status quo. The lack of strict control over military forces, and weak hierarchy and discipline, increases the risk of military incidents, cease-fire violations, resummptions of hostilities. The combination of corruption and dysfunctional institutions is particularly deadly – recall the abortive use of Chechen guerrillas in Abkhazia by subsequently deposed Georgian Interior Minister Kakha Targamadze and Security Minister Vakhtang Kutateladze in 2002. In addition, the weakness of the security sector impedes the building of democratic and accountable states across the region. Indeed, their primitive practices have alienated many loyal citizens, exacerbating existing socio-economic frustration.

Seeing this, western aid programs and foundations long kept their distance, focusing their assistance instead on such sympathetic entities as unregistered political parties and NGOs, and treating local officialdom and the police as unredeemable pariahs. Not surprisingly, police behavior remained as bad as ever. Across the former Soviet Union, the police and the Ministries of Internal Affairs that control them are the most unreformed part of the governments, along with the military. In all three states of the South Caucasus, they represent a powerful and backward-looking faction, locked in struggle with reformist elements concentrated in other parts of the government. The strength of these forces imply that the Presidents cannot ignore or override this faction.

Western disengagement from the Ministries of Internal Affairs and police helped perpetuate the very practices that development cooperation has been intent on counteracting and rooting out. Against this background, it is clear that stable societies cannot be built in disregard for the security sector and legal system, indeed in dissonance with state institutions. Where 70% of the police force is corrupt, strengthening civil society will be futile. Instead, successful development cooperation strategies will need to focus more closely on the security sector, balancing support for civil society with efforts to build the state institutions that lie at the basis for, and are prerequisites for a functioning and influential civil society in the first place. In this context, the connection to general anti-corruption activities and to the building of a solid taxation system providing funds to the state is clear. The Georgian rose revolution showed the importance as well

as the possibility of conducting an anti-corruption struggle that restores, gradually, the tax base of a functioning state.

Conducting Security Sector Reform is no easy task. Indeed, there was a reason for western donors to stay away from this sector. But the work of the OSCE and USAID in several post-Soviet and numerous other states indicate that it is possible to work with reform of these institutions and indeed make a lasting difference. For a relatively small donor, it is important to focus activities on a manageable task or to seek to team up with other, like-minded donors. If a strategic decision to focus on security sector reform is undertaken, the first step is to conduct a discussion the host government and with other donors to determine the specific needs of the country and the present and planned activities of other actors. A second step is then to establish the comparative advantage of the specific donor for the task at hand. In the South Caucasian and especially Georgian context, two chief areas of primary concern seem to be the judiciary system and the police.

As far as the judiciary is concerned, there is significant reason to adopt a joint micro and macro perspective. At the macro-level, the judiciary system is in great need of training and education as far as judges and ombudsmen are concerned. This is clearly an area where small European donors have a competitive advantage. This work is crucial to improve the quality of the judiciary system. However, strengthening the judiciary system itself will not be sufficient unless steps are taken to simultaneously improve the population's access to justice. This includes, significantly, building the capacity of the advocates' corps, as well as judicial support structures in civil society that function as channels for the population to get into contact with and actually use the judicial system.

As far as the police is concerned, the needs are clearly very significant, both as resources and training are concerned. For a small donor, the most logical step is to focus on specific issues as far as the training of police officers is concerned, such as education in Human Rights issues. Given the growing importance of organized crime in the region, and the increasing evidence of political will on the part of governments, particularly in Georgia, to address the issue in a serious manner, focusing efforts on strengthening state capacity in the struggle against organized crime would also be very meaningful. In this context, experience from Central Asia is helpful: here, the international community focused on building specific Drug Control Agencies, with a well-paid and closely monitored staff, which have been successful in building what could be termed small islands of professionalism in a sea of large, inefficient and corrupt state structures. Given the broader scope of organized crime in the South Caucasus, it is not advisable to establish specific Drug Control Agencies, as other forms of organized crime such as human trafficking, arms trafficking, and other forms of smuggling are comparatively large problems. Instead, working with the governments to build specific task forces to fight organized crime would make sense. It is crucial that such efforts be conditioned on the creation of a separate and independent organizational structure for these task forces. Only in this manner is it possible to ensure the continued function and efficiency of these efforts, to set an example for other law enforcement bodies, and to gradually spread the mode of operations of these task forces to the wider law enforcement community. While the political conditions are most auspicious in Georgia at

present, it is crucial that this type of effort be conducted at a regional level, incorporating all three states of the region. Organized crime is by nature a transnational phenomenon, and operating in one country alone in this small region is unlikely to bring desired results. Establishing Organized Crime Task Forces in the three states of the South Caucasus will have the added benefit of creating bodies that can function as partners for European and American law enforcement bodies.

7.3. Trade

As the discussion above has indicated, a common underlying element of the conflict lines in the region is the poor socio-economic conditions that dominate the region. This suggests the need to revitalize the visionary initiative of the European Union in the early 1990s, TRACECA. The opening of the Baku-Tbilisi-Ceyhan pipeline in May 2005 provides a crucial opportunity to rekindle the vision of a Eurasian transport corridor running across the South Caucasus. Initiatives to modernize infrastructure – such as the current project to connect the Kars-Akhalkalaki railway to Baku and to connect Turkey and Azerbaijan by highway via Georgia - need to be redoubled and geared toward making the Caucasus a springboard for European contacts with Central Asia and beyond. This in turn will be able to lift up the region economically, generate employment opportunities, and tie the region closer to Europe.

7.4. Conflict sensitivity in activities unrelated to conflict

It is crucial to gear all development work in the Caucasus toward a conflict-sensitive approach. In so doing, the primary objective must be to ensure that no development work actually risks to exacerbate ethnic or other tensions. Two specific observations are worth noting. A first is that work in non-conflict minority areas, such as Javakheti, Kvemo Kartli and Tsalkha, should be geared toward integrating members of different ethnic groups to strengthen inter-ethnic cooperation and peace. Mechanisms should be found to encourage such activities, be it in civil society, business or agriculture. Aside from a conflict aspect, the gender aspect is equally important. A gender sensitive analysis and monitoring of the situation in the post-conflict zones of the region would be important for the risk assessment. For instance, the gendered statistics of abuse of women would be one indicator for early warning strategy. Lack of sex-disaggregated data in the societies nevertheless limits assessment of post-conflict reconstruction in the region.

Secondly, work in the secessionist areas of Abkhazia and South Ossetia, as well as Nagorno-Karabakh, poses the danger of involuntarily strengthening the unrecognized governments of these territories and thereby undermine the process of peaceful restoration of Azerbaijan's and Georgia's territorial integrity. Unrecognized government understandably see any contact with foreign governments as a step toward de facto recognition of their control over territory. In this context, it is important to recall that the legitimacy of the self-declared governments in question is not to be taken for granted. In all cases, the self-declared governments preside over a territory that is controlled only as a result of significant ethnic cleansing. This is most pronounced in Abkhazia, but relevant in the case of Nagorno-Karabakh and South Ossetia as well. Hence the

elections that are regularly held to uphold the legitimacy of the self-declared governments do not imply in and by themselves a legitimate government.

This reality, of course, does not mean that no work should be conducted there, nor that all contact with self-declared governments should be eschewed. Indeed, for any management or resolution of conflict, it is necessary to involve both parties to a conflict, including the unrecognized governments. This presents a particular dilemma for development cooperation: international organizations and foreign donors are, and correctly so, bound by their recognition of the sovereignty of Azerbaijan and Georgia. Yet in order to work for the management and eventual resolution of the conflicts in question, leaving the unrecognized territories outside of the development work that goes on in the remaining areas of the South Caucasus is unlikely to bring positive results. In fact, the total isolation of the unrecognized territories has not proved to produce a will to compromise on the part of their leaders, rather a siege mentality which in turn allows Moscow, in the cases of Abkhazia and South Ossetia, to sustain its influence and leverage in the two territories.

This implies that working in and with these areas should be undertaken with great caution, in consultation with the sovereign and recognized governments of Georgia and Azerbaijan, and that the activities should systematically be geared toward efforts to bridge gaps across cease-fire lines.

Firstly, considerable caution and analysis of implications should be undertaken for each planned activity in these territories. A detailed analysis of the potential implications for the conflict should be undertaken in each proposed project that would involve work in the unrecognized territories. Secondly, it is important to discuss these projects specifically with the recognized governments in the planning phase, seeking to involve the government in the project. Finally, initiatives involving the unrecognized territories should be systematically geared toward projects that involve cross-border communities across the cease-fire lines or in other ways involve contacts between the unrecognized territory and the society of the recognized state. In this sense, development cooperation in the unrecognized territories can be geared to ward confidence-building measures that help both societies and governments in the conflicting parties to see the advantages of cooperation.

A P P E N D I X 1

Initiative of the Government of Georgia with Respect to the Peaceful Resolution of the South Ossetian Conflict

The Authorities of Georgia herein declare that it is necessary to take timely and efficient steps aimed at comprehensive and peaceful settlement of the conflict. People of South Ossetia need to open a new stage of development, stability and dignified coexistence.

I. Basis of the Peace Agreement

- ? A long history of living together for centuries and successful coexistence of the Georgian and Ossetian peoples in the common cultural, territorial and economic space;
- ? Striving for peace, welfare and stable economic prosperity of the Georgian and Ossetian people. Ensuring new, firm and legal principles of development of tourism, trade, agriculture and industry;
- ? Providing the people living in South Ossetia with new broad possibilities of social protection, education, health protection, legal economic activity, job places and self-realization;
- ? Creation of common legal and law-enforcement space, improvement of criminal situation, elimination of organized crime, including illegal trade in weapons, traffic of narcotics and smuggling. Protection of population from the threat of terrorism and influence of uncontrolled criminal groups;
- ? Restoration and protection of norms, prescribed by the international law. Reintegration of South Ossetia with the legal system.

II. Terms of the Peace Agreement

- ? Both parties to the conflict shall unconditionally refuse to use force;
- ? The Authorities of Georgia shall completely assume social obligations to the population of South Ossetia;
- ? The Law on Property Restitution shall be put into effect with respect to the population, who suffered damages in the conflict of 1990-1992; all families, who suffered losses, shall be paid single financial compensation;
- ? The Government of Georgia expresses its readiness to provide the population of South Ossetia with a single payment of arrears of their pensions, accrued since 1991 and also guarantees all inhabitants that their current pensions and social privileges will remain at the least the same level;
- ? The basic term of the Peace Agreement consists in unconditional protection of principles of self-determination of nations, cultural identity, minority rights, human rights and freedoms and equality of citizens, stipulated by the Constitution of Georgia.

III. Territory

The territory of South Ossetia shall be restored within the same borders fixed before the commencement of the conflict and shall include the regions of Tskhinvali, Java, Znauri and Akhagori.

IV. Political Status

South Ossetia represents an autonomous entity within the territory of Georgia.

South Ossetia is governed by the Head of South Ossetia, elected in the territory of South Ossetia through

universal, equal and direct elections by secret ballot.

South Ossetia has its Parliament, elected through free and direct elections.

The Authorities of Georgia provide the population of South Ossetia with broad rights of local self-government. The population of South Ossetia shall elect the leadership and administration of Sakrebulo (self-governing bodies) of regions, towns and villages.

The representation of South Ossetia shall be ensured at all branches of the Georgian government that implies broad representation of Ossetian nationality citizens at the Georgian ministries, departments, committees and other offices of the state.

The representation of South Ossetia shall be ensured at the Parliament of Georgia that implies representation of definite number of deputies from the autonomous entity of South Ossetia.

Participation of representatives of South Ossetia in the administration of justice at the constitutional and other courts shall be also ensured.

V. Language and Education

In the territory of South Ossetia the Ossetian language, along with the state language, shall enjoy the status of an official language.

Education in the Ossetian language shall be guaranteed and the government of South Ossetia shall settle the issues pertaining to the education.

Financing of the Ossetian television, radio and mass media shall be ensured from the state budget of Georgia.

Financing of the measures for protection of Ossetian culture and history shall be ensured from the state budget of Georgia.

VI. Social and Economic Rehabilitation

The Authorities of Georgia shall ensure the economic rehabilitation of South Ossetia and shall allocate relevant sums from the state budget of Georgia for rehabilitation of vitally important infrastructure that implies restoration of motor roads, railways, power transmission lines, gas main, the means of communications (telephone lines, cellular communication), TV and radio broadcasting.

The Government of Georgia shall support the implementation of target programs of economic revival, the aim of which consists in development of small and middle-sized business and creation of sustainable local sources of employment and income.

The fund for economic support of South Ossetia shall be established. Its financing shall be carried out through the state budget of Georgia and donations from international donors as well. Management of the fund and establishment of the priorities shall be implemented jointly by the central and South Ossetian authorities, with the participation of representatives of the international organizations.

The Government of Georgia is ready to consider the issue of creation of special economic zone in the territory of South Ossetia.

VII. Legal Issues

A three-year transitional period in the process of conflict resolution shall be announced.

Supervision over the progress of the transitional period shall be exercised by international organizations.

Joint Georgian-Ossetian police/militia acting in the transitional stage under the aegis of international organizations shall be established.

The police/militia shall insure the security of citizens and freedom of their movement.

The joint committee shall be set up for the purpose of investigating the war crime cases. The joint committee shall make decisions on the fate of the criminals.

The Government of Georgia shall ensure the establishment of simplified border regime for the local population on the South Ossetian section of Georgian-Russian border which entails free movement of the South Ossetian population to and fro North Ossetia.

The Government of Georgia shall ensure repatriation of all inhabitants, who left Georgia during the conflict.

The Government of Georgia shall provide people, who decided to repatriate, with financial aid necessary for their settlement.