After Georgia: conflict resolution in the EU’s Eastern Neighbourhood

EPC Issue Paper No. 57

April 2009

By Amanda Akçakoca, Thomas Vanhauwaert, Richard Whitman and Stefan Wolff

EPC Issue Papers reflect the views of the authors and not necessarily those of the EPC.
The EPC’s Programme on Europe in the World

The EPC’s Europe in the World Programme focuses on the EU’s growing role in international affairs and the broader challenges it faces, addressing issues ranging from security, justice, human rights and global governance to the EU’s relations with countries in its neighbourhood and with Asia.

Born as a primarily internal project, European integration has gradually become a reference model and point of comparison for other regions and continents. The EU has turned into a global player, both in trade and development aid matters as well as in foreign affairs and security policy ‘proper’. To a certain extent, the Union’s external policies (including the extensive ramifications of its internal policies) are its most dynamic ones today.

This programme, which is chaired by Dr Hans Blix and run in partnership with the Calouste Gulbenkian Foundation, focuses on these core themes and brings together all the strands of the debates on these key issues. It also works with other programmes on cross-cutting issues such as the possible creation of an EU Foreign Service and international migration.

For details of the EPC’s activities under this programme, please visit our website: www.epc.eu
# Table of Contents

Maps of conflict regions .................................................. 6

**Foreword**
by Antonio Missiroli .................................................... 8

**Introduction** ................................................................ 9

I. The geostrategic significance of the EU’s Eastern Neighbourhood .................. 11

II. The current state of play of the conflicts ................................................. 12

III. Status of negotiations ..................................................................... 19

IV. External actors ............................................................................... 23

V. The role of the EU ........................................................................... 34

**Conclusions** .............................................................................. 37

**Annexes** ..................................................................................... 40

**Endnotes** .................................................................................... 54

---

**About the authors**

Amanda Akçakoca is a Policy Analyst and Programme Executive at the European Policy Centre; Thomas Vanhauwaert is an independent researcher; Richard Whitman is a Professor of Politics at the University of Bath; and Stefan Wolff, Professor of Political Science and Director, Centre for International Crisis Management and Conflict Resolution, University of Nottingham.

The authors would like to thank all those who gave their time for interviews and exchanges of views for this paper.
Maps of conflict regions

Abkhazia and South Ossetia

Transnistria
Nagorno-Karabakh

Source for all three maps: International Crisis Group. www.crisisgroup.org
Foreword

By Antonio Missiroli

When the news of the war in Georgia broke, on 8 August 2008, the world was confronted with a rude wake-up call. What pundits used to call “frozen conflicts” were no longer in hibernation. Worse still, the ‘melting’ of one of those conflicts risked spilling over into others, triggering a lethal domino effect in regions that were already quite unstable in their own right.

The European Union found itself particularly exposed as the war unfolded in its vicinity and put into question its values, as well as its interests, in the region. But, for once, it proved capable of reacting quickly and effectively, making the most of Finland’s chairmanship of the Organization for Security and Co-operation in Europe (OSCE) and France’s Presidency of the EU.

President Nicolas Sarkozy, in particular, managed to play several roles, acting at the same time as leader of France – a country considered a credible interlocutor by both Moscow and Tbilisi, and a permanent member of the UN Security Council – and as President of the EU, thus bringing to bear the collective weight of the 27 Member States and steering a path that was eventually accepted by all Member States, despite their differences vis-à-vis Russia.

That kind of troubleshooting and crisis diplomacy may well remain a unique episode. The circumstances that made it possible in the first place – starting with the impotence of a ‘lame duck’ US President and the total absence of the UN – are not easily replicable. The challenge for the EU lies in drawing the right lessons from the experience of summer 2008 and putting in place the procedures, structures and know-how necessary to equip it to tackle (and hopefully prevent) similar events in the future.

There is no shortage of unresolved conflicts in today’s world, and in the proximity of the enlarged EU. This Issue Paper takes into consideration, analyses and compares four of them: South Ossetia, Abkhazia, Transnistria and Nagorno-Karabakh.

They are not the only ones, of course, even without considering the quintessential unresolved conflict in the Middle East: to a certain extent, Kosovo could also be considered one, Northern Cyprus another and Western Sahara a third, although there is a strong reluctance to acknowledge it as such.

What the four cases addressed here have in common is that they all constitute, albeit to various degrees, a legacy of the collapse of the Soviet Empire. Their roots often date further back in time, but their possible resolution today requires dealing with Russia – that is, the potentially most divisive foreign policy issue among the EU-27.

This Issue Paper, however, does not focus on EU-Russia relations. Its main goal is to endeavour to explain why these conflicts remain unresolved and highlight what needs to be done to try to actually solve them – as seen from an EU perspective and with a key role for the Union in mind.

The original idea of carrying out this research project came up in the EPC’s EU Neighbourhood Forum well before the war in Georgia, but became even more relevant in the wake of it. The authors have worked as a team for months, collecting data, comparing views, and converging on the final results. The EPC hopes that these will contribute to a deeper understanding of the requirements and features of conflict resolution as a distinctive dimension of crisis management and foreign policy, especially for the international actor that the EU is becoming.

Antonio Missiroli is Director of Studies at the European Policy Centre.
After Georgia: conflict resolution in the EU’s Eastern Neighbourhood

Introduction

The Georgia-Russia war in August 2008 vividly illustrated the potential of the ‘frozen conflicts’ in the post-Soviet periphery to threaten security and stability in the European Union’s Eastern Neighbourhood. It also sparked a further deterioration in relations between Moscow and major Western capitals from Warsaw to Washington.

The events of August 2008, in which several hundred people were killed and many more added to the already large numbers of Internally Displaced People (IDPs) and refugees created by the long-simmering conflicts over South Ossetia and Abkhazia, were a salutary reminder of the human and political cost of attempting to resolve conflicts through military force.

South Ossetia and Abkhazia are only two of four unresolved territorial conflicts which date from the dying days, and subsequent collapse, of the Soviet Union two decades ago. The other two – Transnistria (Moldova) and Nagorno-Karabakh (Azerbaijan/Armenia) – also fall within the region the EU has defined as its ‘Eastern Neighbourhood’.

For more than 15 years, the international community has allowed these conflicts to smoulder, underestimating the possibility of renewed, large-scale, cross-border violence. Over the same period, the Eastern Neighbourhood has assumed growing geostrategic importance and become a contested sphere of influence between Russia and the West.

In February 2008, these four secessionist conflicts took on a new dimension with the Kosovan Parliament’s Unilateral Declaration of Independence. This was subsequently recognised by more than 50 United Nations members, including the United States and many EU countries, but in the face of vehement opposition from Serbia and Russia and notable disquiet in China and a handful of EU Member States.

The case of Kosovo has reignited debates about the interaction between the fundamental international legal principles of self-determination, sovereignty and territorial integrity. Although those EU Member States which have recognised Kosovo have gone to great lengths to argue that it is a sui generis case, this is by no means a common position among all EU members, some of which fear that recognising Kosovo creates a much-feared precedent for secessionist conflicts in their own territories. This is also an argument now used by Russia to support its own recognition of South Ossetian and Abkhaz independence.

Within this complex web of local, regional and global security dynamics, the EU needs to clarify its own role based on a sharper definition of its interests vis-à-vis the Eastern Neighbourhood as a whole. It also needs to develop a coherent strategy that is shared between all the EU institutions and Member States towards its Eastern Neighbourhood.

The EU’s new Eastern Partnership and the recent review of the European Security Strategy are important foundations for an Eastern Neighbourhood Conflict Prevention and Resolution Strategy that the Union currently lacks. Such a strategy would enable the EU to increase its influence and role in the region, provided that all 27 Member States and the EU institutions can muster the necessary political will to support it, or at least do not actively seek to oppose or undermine it.

This is an urgent priority not just because of the recent events in Georgia, but also because of the new Partnership and Cooperation Agreement currently being negotiated between the EU and Russia.

This Agreement should focus on the ‘shared neighbourhood’, reaffirm the sovereign rights of all ex-Soviet states to seek closer integration with the EU, and set down some guidelines and pledges from each side to commit themselves to the UN Principle of the Non-use of Force against sovereign countries in this region.
This principle has special importance given the Russian leadership’s recent assertions of the Kremlin’s “privileged interests” in its neighbourhood, and President Dmitry Medvedev’s proposal for a new pan-European security architecture. This is to be discussed by EU, Russian and US leaders in June 2009 under the auspices of the Organization for Security and Co-operation in Europe (OSCE).

This Issue Paper starts with a brief analysis of why the Eastern Neighbourhood is of geostrategic significance to the EU. It then focuses on the four unresolved conflicts in the post-Soviet periphery, outlining the current state of the conflicts, examining the obstacles to resolving them and assessing the role of external actors in the settlement process. It then examines the EU’s position within the complex set of relationships around these four conflicts, and makes a series of recommendations for more effective EU policies and approaches to enable it to play a stronger role in resolving these decades-old disputes and thus contribute to security and stability in its Eastern Neighbourhood.
I. The geostrategic significance of the EU’s Eastern Neighbourhood

The EU’s Eastern Neighbourhood is increasingly the venue for a tug-of-war for influence between the West – most notably the EU, NATO and the US – and the Russian Federation. The clash between Russia and Georgia in August 2008 was only a symptom, albeit a significant one, of this broader strategic jostling for position in and around the region.

This phenomenon is particularly obvious in relation to the South Caucasus, a region populated by some 15 million people that links the Caspian Basin to the Black Sea which lies at the juncture between the greater Middle East, Turkey, Iran and Russia. This area is a vital crossroads from Central Asia to Europe, a bridgehead to control and pressure Iran, an alternative oil and gas transit route to European and global markets which avoids Russia, and a vital outpost for the war against terrorism.

Yet conflicts within and between the countries of, and neighbouring, the South Caucasus have divided the region and impeded its social, political and economic development and integration over the past two decades. This has contributed to a complex, yet volatile and constantly shifting, power configuration involving regional players like Turkey and Iran and global ones such as the US, Russia and China. It now features on the agenda of international and regional organisations, which have partially overlapping memberships and often disparate interest structures, like the United Nations the EU, NATO, the Organization for Security and Co-operation in Europe (OSCE) and the Shanghai Cooperation Organization (SCO).

The Transnistrian region may be of less geostrategic importance than the South Caucasus, but the stakes for those involved are nonetheless significant.

Moscow is seeking to keep both Moldova and Ukraine within its sphere of influence, and to prevent both countries from joining NATO, amid concerns that since Romania and Bulgaria became NATO members, Russia is losing its military preponderance in the Black Sea. If Moldova and Ukraine were also to join NATO, Russia would have to redeploy all its naval assets currently based in the Ukrainian town of Sevastopol on the Crimea Peninsula to its own, much smaller, facilities on its coastline adjoining the Black Sea.

In addition, as in Georgia, Russia is able to maintain a strong foothold in Ukraine through the country’s Russian minority population, with Moscow continuing to state it has a legitimate right to defend “its own citizens” if the need arises. However, at the same time under the Ukrainian Constitution is it illegal to have a second nationality. Nevertheless, the majority of the population in Ukraine’s Crimea Peninsula is Russian-speaking, numbering about 8.5 million – around 18% of the Ukrainian population and the largest Russian minority population outside the borders of Russia. Although the greater part of this minority population does not associate itself with the Russian Federation, the majority of those in Crimea do, as most of them, or their direct ancestors, (and retired military officers) were moved to the Crimea from Russia ‘proper’ in the second part of the 20th century and remain loyal to Russia.
II. The current state of play of the conflicts

There is currently a stalemate in all four conflicts in the Eastern Neighbourhood (see Annexes 1 and 3 for the history and timelines of each conflict). They are also similar in that break-away regimes have emerged within each of these territories. However, they have involved differing degrees of armed violence, their internal political processes and governance arrangements have distinctive characteristics, and their populations face different socio-economic circumstances.

South Ossetia and Abkhazia

Even before the Russia-Georgia war of August 2008, the situation in South Ossetia and Abkhazia was extremely unstable.

It is important to see the economic and political impact of the wars in South Ossetia and Abkhazia – and the subsequent sporadic flare-ups of violence throughout the decade-and-a-half after the ceasefire agreements – in the context of broader Georgian and regional developments. Within this, the weakness of the Georgian state and the turbulent transition of power during the Rose Revolution, the instability and violence in the Caucasus region as a whole, especially in relation to Chechnya, and the deterioration of Georgian-Russian relations, are particularly important.

The economic damage caused by the violence in Abkhazia is estimated at $11 billion, and economic recovery, if any, has been slow and initially almost entirely dependent on Russia. However, in January 1996, Moscow agreed to a Commonwealth of Independent States (CIS) military and economic aid embargo on Abkhazia in exchange for Georgian neutrality in the first Chechen war, which had a seriously detrimental impact on Abkhazia. But by 1999, Russian-Georgian relations worsened, and with the outbreak of the second Chechen war, the CIS embargo collapsed after Russia stopped enforcing it.

Over the last few years, the EU has made a more significant political and financial contribution to rebuilding the region’s economy. Moreover, Abkhazia is relatively self-sufficient in food and electricity. Revitalising tourism, especially after 1999 and in the context of improved Russian-Abkhaz relations, has also contributed to its economic recovery.

South Ossetia suffered similarly extensive war damage and has been far less able than Abkhazia to recover. It is an extremely poor region, even by Georgian standards, with hardly any investment in the economy until recently, and an OSCE-managed and EU-funded economic rehabilitation programme, together with direct Russian donations, have yet to have a significant impact. Moreover, Russia’s economic activities in the region, including energy supplies and construction of gas pipelines, have been deemed illegal by the International Crisis Group. South Ossetia’s dependence on water supplies from Georgia ‘proper’ has been a further source of tensions.

After a dangerous escalation of violence in the spring and summer of 2008, first in Abkhazia and then in South Ossetia, the Georgian invasion of South Ossetia – in clear violation of the existing ceasefire agreement – gave Russia an opportunity to assert full military control over both break-away entities and to officially recognise them as independent states in August 2008. Only one other country – Nicaragua – has recognised either of these territories so far, and Russia has failed to resolve either conflict.

As a result, the situation is essentially the same as it was before the outbreak of violence – but in a more complex negotiating environment which is even less conducive to conflict settlement, with an increased Russian military presence on the ground; a significantly larger displaced population; destroyed infrastructure; more difficult relations between Moscow and Tbilisi; and an equally entrenched Western position that insists on Georgia’s territorial integrity. Moreover, political instability in Georgia increased in the wake of demands for President Mikhail Saakashvili to resign and a government crack-down on opposition parties and the media.
Transnistria

Since the end of the short war of spring 1992, the region of Transnistria has been ruled by the leadership of the self-proclaimed ‘Transnistrian Moldovan Republic’ (Pridnestrovskaya Moldavskaya Respublika), under President Igor Smirnov.

It has established parallel institutions and managed to function as a state-like entity, independent from Moldova. Power is centralised and concentrated around President Smirnov, who is both the head of government and personally appoints other government ministers, who act more as his advisors rather than exercising any real power. Although elections are held on a regular basis, they are not considered to meet minimum international standards. Unsurprisingly, Mr Smirnov has been re-elected every time he has run for another term.

For the time being, all the political forces in Transnistria continue to orientate themselves politically towards Moscow. The Kremlin has also extended financial and political support to the Transnistrian authorities and kept its 14th army (currently around 1,200 troops) stationed in Transnistria.

Tensions between ethnic Moldovans, Russians and Ukrainians, who each make up a little less than one-third of Transnistria’s population, do not play a major role in the Transnistrian conflict. Members of all three groups, as well as other smaller minorities, co-exist peacefully despite an ongoing ‘Russification’ process which, for example, discriminates against schools which teach in the Moldovan language. Refugees and IDPs from the initial Transnistrian conflict in the early 1990s have, by and large, all been able to return to their pre-war homes – another indicator of the relative insignificance of the ethnic dimension in this conflict.

The Transnistrian independence agenda has been aided, at least indirectly, by the fact that the Moldovan state has been too fragile and paralysed by the painful reforms of the 1990s to formulate and implement a compelling reintegration policy for the region. Moldova’s weak economy failed to provide an attractive alternative to the population of the relatively more developed Transnistria.

However, the economic case for independence has gradually but significantly changed in recent years, primarily as a result of two EU initiatives.

The success of the EU Border Assistance Mission (EUBAM) launched in November 2005 to support the new Moldovan-Ukrainian customs regime and halt smuggling and trafficking along the Transnistrian borders has significantly reduced the revenue available to the Transnistrian authorities. This has left them with soaring budget deficits, rising debts and high inflation. This bleak financial situation has been aggravated by the global financial crisis and has brought Transnistria to the brink of financial collapse, forcing its leadership to ask for additional financial support from Russia.

The EU’s decision to grant Autonomous Trade Preferences (ATP) to Moldova, abolishing tariffs on about 12,000 Moldovan products and creating new incentives for economic cooperation and some degree of reintegration between Transnistria and Moldova, has also provided Transnistria with new incentives to cooperate with Moldova. Some 450 Transnistrian companies, accounting for 95% of all economic activity in the region, are now registered as Moldovan companies in order to benefit from the ATP concessions.

Moreover, President Smirnov’s control over Transnistria has been increasingly challenged in the Transnistrian parliament, which is now controlled by ‘opposition’ forces closely linked to the Transnistrian business community and is organised politically around Yevgeny Shevchuk, the parliamentary speaker. They are demanding more political openness and economic liberalisation, but have not (yet) seriously questioned President Smirnov’s political agenda of achieving independent statehood for Transnistria.

This relatively significant change in the balance of power opens up new opportunities for settling the conflict, as economic calculations remain the main driving force behind Transnistria’s secessionism.
With nearly all of Moldova’s industry located in Transnistria, the region generates significant GDP and depends on exports.

However, mounting financial and economic pressure on the Transnistrian leadership together with these new incentives to cooperate more closely with Moldova have not yet translated into policy changes. Recent post-election violence, however, has not done anything to increase the incentives for the Transnistrian leadership and people to seek any form of closer political ties with Chisinau.

President Smirnov remains wedded to an inflexible independence agenda for Transnistria as the number one priority and refuses to talk to the Moldovan government unless the latter recognises Transnistria as an equal partner in negotiations. Having identified himself personally with Transnistrian independence, President Smirnov’s ability to dictate terms of engagement with the Moldovan government depends crucially on continued support from Russia, so that he can resist growing internal and external pressure to settle the conflict and agree on a final status short of independence.

**Nagorno-Karabakh**


Of these, Lachin is particularly important as it forms the crucial land corridor between Nagorno-Karabakh and Armenia. The occupied area (some 17% of Azerbaijan’s total territory) around this corridor and the seven occupied districts remain a totally devastated, largely unoccupied wasteland full of demolished buildings and landmines.

The conflict itself also created a humanitarian crisis, including massive population displacements. According to the UN Refugee Agency (UNHCR), Azerbaijan had the fourth-largest number of displaced people in the world – 570,000 people (15% of its eight-million-strong population). The Azerbaijani government has resettled more than 90,000 people since 2001, and in 2008 the government closed the last of its emergency camps, transferring IDPs to settlements with improved living conditions, but it has been a slow process. Most IDPs also remain dependent on government assistance as there are few employment opportunities. Sadly, this problem has gone unnoticed – and more or less unattended to – by the international community.

Since it was created in 1994, the self-proclaimed ‘Nagorno-Karabakh Republic’ has been ruled by three different Presidents, with Bako Sahakyan, its former security chief, the current incumbent. This ‘Republic’ has established parallel institutions and functions as a state-like entity, yet remains dependent on Armenia, particularly for its economic survival. The current population is estimated to be around 130,000 (no official figures are given out) – a fall of about one-third compared to the figures in the last official Soviet census of 1989, when the territory had a population of 189,000 made up of 76% Armenians and 23% Azerbaijanis (although many had already been expelled), and Russian and Kurdish minorities.

The 1994 ceasefire has remained mostly intact, albeit punctuated by sniper fire on an almost daily basis across a 175-kilometre ‘line of contact’ with approximately 30,000 troops on each side. In 2008, more than 30 people were killed and March 2008 saw the worst violation in years claiming more than a dozen lives. There are no international peacekeepers – just a small group of six unarmed OSCE international observers led by Ambassador Andrzej Kaspryzk, who monitor the line of contact on an irregular basis. Their mandate is very weak as OSCE monitors must inform either side of plans to visit and cannot arrive unannounced, which makes it very easy for either side to conceal what they are doing. Furthermore, even this procedure does not guarantee the safety of officials given that on 26 February 2009 there was a violation of the ceasefire during a pre-arranged monitoring mission.

The international community knows little about the situation in the conflict zone and the occupied territories outside the capital, Stepankaert, as very few of those in official positions have visited these areas due to diplomatic difficulties. Furthermore, both the Azerbaijani and Armenian governments have
engaged in a serious arms race (see Annex 4), violating the Conventional Forces in Europe (CFE) Treaty, which is already on its last legs after Russia withdrew in July 2008.

Azerbaijan exceeds the treaty quotas and although Armenia stays within these within its borders, it is accused of breaking them because it maintains unknown quantities of unmonitored weaponry in Nagorno-Karabakh. Armenia is also able to buy weapons at reduced costs from Russia and draws on the CIS integrated air-defence system at the Russian base in Gyumri.

For the last 15 years, the OSCE Minsk Group – working predominantly through its co-chairs Russia, France and the US – has acted as the intermediary for peace talks, including the regular direct talks between both countries’ presidents and foreign ministers. The process is highly confidential, as the wider debate on proposals is extremely limited and involves only a handful of officials. The EU, for example, has no direct access to the process and has to rely on the French co-chair to keep it informed.

Overall progress has been very slow. Between 1994 and 2004, three ‘official’ plans were rejected principally because of a failure by both sides to seriously engage in the talks. There were also a number of missed opportunities, particularly during talks in the Florida Keys in 2001 when the then Azerbaijani President Heydar Aliyev and Armenian President Robert Kocharyan seemed to be moving towards accepting a deal based on a territorial exchange. This (almost) breakthrough quickly crumbled once the two presidents returned home, where they encountered fierce opposition.

At the same time, both Armenia and Azerbaijan seem to have preferred to maintain the status quo. Azerbaijan continues to assert that Armenia wants a de facto situation to become a de jure one. Armenians believe that Azerbaijan has continued to play for time in the hope that its rapid economic growth will allow it to ‘seduce’ the Nagorno-Karabakh Armenian population while further isolating Armenia and pushing it to make compromises. Armenia also continues to maintain that Azerbaijan’s military spending and threats of military action suggest that it is planning to reclaim Nagorno-Karabakh by force.

Furthermore, the lack of contact between Armenian and Azerbaijani citizens and intense hate propaganda on both sides has all but eradicated any public support for a compromise deal. While both governments may argue that they cannot justify the requested concessions to their people, they fail to make any meaningful efforts to prepare their respective populations for concessions. So while they may make progress on details in confidential talks, they revert to using negative language when they return home.

Civil society organisations are weak and those keen on working towards reconciliation are prevented from operating freely. Hate propaganda maintains and deepens simplistic and distorted images of the conflict. Unsurprisingly, this has contributed to popular radicalisation in Azerbaijan, Armenia and Nagorno-Karabakh, especially among the younger generations in each country or entity, who have grown up without ever having had any contact with each other.

No country – not even Armenia – has recognised Nagorno-Karabakh, and successive Armenian governments have resisted both internal pressure and pressure from its powerful diaspora community to unite with the territory, fearing international condemnation.

Three UN Security Council Resolutions (853, 874, and 884) and two UN General Assembly Resolutions (49/13 and 57/298) refer to Nagorno-Karabakh as a region of Azerbaijan. Azerbaijan maintains that Nagorno-Karabakh must remain part of its territory (while proposing to give it the highest degree of autonomy) and accuses Armenia of having an expansionist foreign policy agenda.

For its part, Armenia argues that Armenians in Nagorno-Karabakh should have the right to self-determination and insists that Yerevan’s role has been solely to protect Nagorno-Karabakh Armenians and to represent them in negotiations following the Azerbaijani refusal to allow delegates from Nagorno-Karabakh to participate in peace talks. Nagorno-Karabakh insists that the only way forward is full independence and does not view
autonomy as a desirable option, not least because of the current lack of democracy in Azerbaijan and its policy towards other minorities in its territory.16

**Functioning of the break-away regimes**

In all cases, the break-away regimes have made skilful use of the last 15 years to build parallel state structures. All four now have their own government institutions, legal systems and security forces, and have managed to function as state-like entities.

However, their survival depends on ongoing political and economic support from either Russia (Transnistria, South Ossetia and Abkhazia) or Armenia and its vast diaspora community (Nagorno-Karabakh). All the entities have significant external military contingents on their territories (see Annex 5), their populations carry the passports of the nations that support them and, according to the results of local referenda (see Annex 6), all strongly favour independence.

The average monthly salary in these break-away states is almost identical to that in the rest of the countries in the region (see Annex 7). This means that financial incentives for reintegration have little appeal and, particularly in the cases of Nagorno-Karabakh, South Ossetia and Abkhazia, there is no appetite for being part of a country with which they have had nothing in common since Soviet times. The blood-letting and large-scale displacement during the violent phases of each conflict in the early 1990s has also resulted in a massive lack of trust and understanding.

The combination of war-time economic devastation and political uncertainty and instability have also created opportunities for various local and transnational crime networks, and fostered an environment in which – without proper government control and with weak law enforcement – corruption can thrive. All four break-away states suffer from arms, drugs and human trafficking, money laundering and organised crime, which also have a direct impact on neighbouring countries and on the EU.

The region is also considered one of the most heavily landmined areas of the former Soviet Union. Nagorno-Karabakh, in particular, has the world’s highest per capita casualty rate from landmines and explosive remnants of war17 – surpassing even Afghanistan and Cambodia.18 According to the International Committee of the Red Cross, at least 50,000 antipersonnel mines were laid during the war, but in many cases, records of minefield locations were never created or were lost.

**South Ossetia and Abkhazia**

Even before the Georgian-Russian war of August 2008, South Ossetia and Abkhazia had developed into de facto states, albeit relatively weak ones. This process, stretched out over the past decade and a half, was driven as much by personal political aspirations as by organised criminal activity.

Above all, they remained politically, economically, and militarily entirely dependent on Russia, continuing to use the Russian rouble in almost all commercial and private transactions. Residents of Abkhazia and South Ossetia were allowed to acquire Russian citizenship and passports, which, at least in part, contributed to increased emigration to Russia, especially among South Ossetians. In turn, this provided Russia with the basis for its claims that its actions during the August war 2008 were in defence of its own citizens.

The regimes in Abkhazia and South Ossetia have always enjoyed at least a limited degree of political legitimacy in the eyes of the local population. However, neither they, nor the elections from which they emerged nor the referenda they conducted, were internationally recognised prior to August 2008, when Russia, after its military confrontation with Georgia, recognised the independence of both entities.

In both, power is concentrated in the hands of few politicians who have close links to security forces, business and organised crime, and easily dominate all branches of government. South Ossetia is under the control of Eduard Kokoity, a one-time wrestling champion who holds Russian citizenship and won in
the presidential elections of December 2001 and November 2006. Neither the elections, nor Mr Kokoity, enjoy any international legitimacy or recognition other than from Russia and other break-away regimes across the former Soviet Union which have long-established ‘diplomatic’ ties with one another.

Abkhazia has a chequered history of democracy. Its current President, Sergei Bagapsh, was elected in January 2005 after three months of turmoil following hotly-disputed elections the previous October when, after alleged widespread irregularities, a divided electoral commission declared him the winner over his Kremlin-backed rival, Raul Khadzhimba. The Abkhaz Supreme Court initially upheld the commission’s decision, but was intimidated by mobs supporting Mr Khadzhimba into changing its mind.

After further rioting and violence across Abkhazia, the former rivals agreed to stand on a joint ticket in the January 2005 re-run of the presidential elections. Both the current president and vice-president have previous government experience – Mr Bagapsh as Prime Minister from 1997 to 2001 and Mr Khadzhimba as his successor, who held the office until the October 2004 elections.

**Transnistria**

The Transnistrian political system is dominated by President Smirnov, who keeps parliament, judiciary and local political bodies under tight control.

He rose to power in the late 1980s as the defender of the interests of the Transnistrian business community and of the Slavic minorities living in Transnistria. The Smirnov-led executive uses its political power to control the industry located in Transnistria. This is primarily heavy steel, of which the Ribnitsa steel plant is the most important, accounting for roughly 60% of legal exports and around half Transnistria’s tax revenues. Considerable profits come from its exports, thanks to an extensive web of trade links across Russia, Ukraine and even Moldova. Moreover, the Transnistrian authorities deliberately turned the territory into a safe-haven for smugglers where human beings, drugs, weapons and other products are freely trafficked.

Despite its non-democratic character and its strong grip on the economy, the Transnistrian leadership has gained some legitimacy amongst the population. This stems from the belief that the overall situation in Transnistria is no worse than in the rest of Moldova, a country with fragile state structures, a weak economic performance and a young population, many of whom are emigrating.

A large proportion of the Transnistrian population appears to support the Transnistrian authorities’ fight for independence, with 97% of those who voted in the September 2006 referendum in Transnistria backing independence. Although the results were almost certainly falsified, they indicate that the authorities’ self-serving agenda is not necessarily at odds with the views of the population at large, and that the ‘opposition’ around Mr Shevchuk has failed to offer an alternative course of action.

**Nagorno-Karabakh**

Nagorno-Karabakh’s leadership has tried to imbue the territory with democratic values by seeking to match international standards for democracy and holding free and fair elections, in the belief that this may endear it to the international community and thereby enhance its chances of recognition.

Indeed, Nagorno-Karabakh could claim its elections are at least as democratic as those in both Armenia and Azerbaijan, were it not for the fact that its entire Azerbaijani community is unable to return home and remains excluded from taking part. While recent presidential elections in July 2007 were not recognised internationally, Freedom House assessed them as being “partly free”.

Nagorno-Karabakh also officially remains under martial law, which imposes restrictions on civil liberties, including media censorship and the banning of public demonstrations, although the authorities claim these provisions have not been enforced since 1995. The government controls many of the broadcast
media outlets and most journalists practice self-censorship, particularly on subjects related to Azerbaijan and the peace process. The print media is more vibrant, with publications such as the biweekly Demo openly criticising the government.23

Nagorno-Karabakh has established a number of overseas representation offices (usually extensions of Armenian Embassies), including in Paris, Berlin and Washington, where the Armenian diaspora community provides opportunities for the president of Nagorno-Karabakh and other officials to speak. In contrast, there is virtually no Azerbaijani diaspora.

Nagorno-Karabakh is more or less an extension of Armenia and its 130,000-strong population is almost completely ethnic Armenian. The current Armenian President, Serzh Sargsyan, is a Nagorno-Karabakh native and headed its military during the war. The territory is dependent on imports and exports from, and through, Armenia and uses the Armenian currency, the Dram. Nagorno-Karabakh’s $250 million budget is funded by government loans from Armenia, tax revenues, exports and the diaspora community, which is a big investor in the region.

Around half the annual budget is spent on the armed forces – although the precise number of soldiers on the ground is kept secret. The average monthly salary is $220 and, with considerable unemployment, many people depend on money sent home from abroad (almost all families have at least one family member working or studying overseas). A small civil society exists, but there is no organised group pressing for reunification with Azerbaijan, and Kosovo and Montenegro are frequently cited as possible models for the population’s independence aspirations.24
III. Status of negotiations

Since the initial ceasefires in the early 1990s, there have been separate formats for negotiations to settle the conflicts over Transnistria, Nagorno-Karabakh, Abkhazia and South Ossetia.

These conflict resolution processes have been intermittent and a range of different actors have been involved (see Annex 3 for the history of these initiatives). South Ossetia and Abkhazia underwent an abrupt change of status in August 2008, while Transnistria and Nagorno-Karabakh have ongoing conflict-resolution processes.

South Ossetia and Abkhazia

After two rounds of mediation, the French EU Presidency secured a ceasefire agreement between Tbilisi and Moscow on 12 August 2008. Then, on 8 September, as part of ongoing negotiations, it brokered an agreement that talks should be held in Geneva, chaired by an EU/UN/OSCE troika with support from the US. Subsequently, the parties involved agreed to establish two working groups, one focusing on security and stability and the other on IDPs and refugees.

The first session of these ‘Geneva Talks’ took place on 15 October amid controversy over the participation of delegates from Abkhazia and South Ossetia, and eventually broke down over procedural issues. The initial plan was to hold talks on a fortnightly basis, but a second meeting was postponed until 18 November 2008.

This was, however, more constructive and even though there was no breakthrough on substance, it was significant because it was the first time since the August war that Georgian and Russian officials had met and discussed the situation. Moreover, despite initial resistance from Georgia, the working groups included delegates from South Ossetia and Abkhazia.

A further meeting took place on 17-18 December, but did not result in any concrete agreements. However, on 17-18 February 2009 some progress was made, with the creation of an ‘incident prevention mechanism’ to keep the situation in the Georgian break-away regions of Abkhazia and South Ossetia under control and investigate ‘incidents’, especially in the regions close to the administrative borders with the separatist territories. The mechanism also includes agreements designed to ensure the delivery of humanitarian aid to the population.

It is doubtful whether this format will result in any settlement of the now-internationalised dispute over the status of Abkhazia and South Ossetia, or that it will deliver a negotiated agreement in the short term. Georgia and Russia remain far apart on the central issues of Georgia’s future sovereign status and borders, and the international community (and importantly the co-chairs of the talks) continue to insist on recognition of Georgia’s territorial integrity in its present borders.

Even though Georgia has dropped its objections to including Abkhaz and South Ossetian delegations in the working-group negotiations, all the indications are that the links between the separatist regions and Russia will only deepen and intensify as the Geneva Talks continue without measurable progress.

The very fact, however, that internationally mediated talks are being held, that they involve all the parties concerned (including delegates from the two break-away entities) and that both disputes are being discussed simultaneously and in the same format, must be considered progress compared to the situation before the Russia-Georgia war in August.

Moreover, Russia’s role in the negotiations is now unambiguously that of a conflict party, rather than that of mediator/peacekeeper, as it claimed previously. The strengthening of the EU’s role – from observer to co-chair of the settlement negotiations and with a more significant presence on the ground – as agreed by all parties, may well give the negotiations an important impetus. It will also demonstrate the international community’s serious commitment to achieving a negotiated settlement of these two conflicts.
Transnistria

Since Transnistria’s proclamation of independence on 2 September 1990, negotiations on a settlement have frequently been deadlocked. The parties themselves (Moldova and Transnistria) failed to reach a mutually-acceptable agreement and international efforts have not achieved a breakthrough either. All the proposals made so far, including the 2003 ‘Kozak Memorandum’ (and its various subsequent iterations) and the 2005 ‘Yushchenko Plan’, have been vetoed by one or other of the parties.

Relations between Moldova and Romania, its close neighbour, have also cooled in recent years, as the former accuses the latter of undermining the Moldovan state’s national identity by insisting that Moldova’s official language is Romanian, not Moldovan. This continuing language dispute is exacerbated by the passport issue, as Romania offers Romanian passports to Moldovan citizens seeking better economic opportunities. These two issues have raised concerns that Romania is trying to extend its influence in Moldova, although Bucharest insists it is only fostering ties with Moldova to assist the latter’s integration into the EU.25

Recently, Russia used its leverage over the Transnistrian regime to change the latter’s stubborn approach to the negotiations. After multiple pledges from Moldova to remain neutral and stay out of NATO, Russia sees a possibility to consolidate its interests in Moldova and the wider region by settling the conflict. It has been acting as the unofficial mediator between both parties, and has engaged with the EU’s Special Representative, who has also played a significant and positive mediating role in the conflict-settlement process.

These efforts have led to a rapprochement between the Moldovan government and Tiraspol (the Transnistrian ‘capital’, exemplified by the 11 April 2008 meeting between Moldovan President Vladimir Voronin and his Transnistrian counterpart, President Smirnov. During this meeting Mr Voronin hoped to discuss his confidence-building measures (CBMs) on socio-economic issues and demilitarisation and to continue the discussion in eight separate working groups. However, Mr Smirnov came with his own plan for a Friendship and Cooperation Agreement, stating that Transnistria was only prepared to initiate a discussion on the CBMs if Moldova recognised Transnistria as an “equal” partner; i.e. a sovereign entity. As Moldova refused to do this, bilateral negotiations again went into hibernation until the August War in Georgia.

After the war, Russia felt the need to demonstrate that it was able to solve the frozen conflicts in its “near abroad” in a peaceful manner. President Medvedev decided to put additional pressure on President Smirnov to resume negotiations, after having promised economic support to Transnistria. Nevertheless, a second Voronin-Smirnov meeting has not taken place to date, with Mr Smirnov insisting he will only continue talks if Moldova agrees to his proposed Friendship and Cooperation Agreement. A meeting proposed for 7-8 October 2008 never happened, as Transnistrian officials refused to attend.26

Despite enhanced international efforts, both sides still appear irreconcilable on the CBMs and the final status of Transnistria. As things stand now, Moldova is prepared to grant Transnistria wide autonomy within the current unitary state provided it respects Moldova’s sovereignty and territorial integrity. It is also demanding that Transnistria demilitarises and that foreign troops leave its territory in order to consolidate its neutrality; and that the Transnistrian leadership democratises, recognises property rights and protects its population’s human rights.27

On 5 April 2009, parliamentary elections were held in Moldova. Voter turnout was high, with 59.5%. The Communist Party of outgoing President Voronin received 49.95% of all votes. Another three parties passed the threshold of 6% and each gained between 9 and 12% of the votes. The tone of the joint OSCE and European Parliament preliminary findings was moderately positive, stating that the elections met many international standards and commitments, though further improvements had to be made in the area of equal media coverage and administrative interference. However, as protests grew in Chisinau and demonstrations turned violent, the Moldovan Constitutional Court decided to recount the votes on 15 April. This did not change the election results. These elections were also an important test case for future EU-Moldova relations, as the former repeatedly announced that Moldova’s conduct would be
considered a ‘benchmark’ for the development of a new and enhanced partnership. Given recent events this development could now be under threat.

Nagorno-Karabakh

2008 was a lost year for resolving the Nagorno-Karabakh conflict because of presidential elections in both Armenia and Azerbaijan. The latest round of discussions between the two presidents took place in Zurich on 28 January 2009, with the next meeting set to take place in Prague in early May on the fringes of the EU’s Eastern Partnership Summit.

The ‘Document of Basic Principles’, which was formally tabled by the mediators at the Madrid OSCE Summit in December 2007 and proposes a step-by-step approach to solving the conflict, remains on the table. It includes a number of points which the two parties have agreed over the last few years and others on which they are increasingly reaching consensus. Although the Basic Principles are supposed to be confidential, their content is now widely known.

### Basic Principles

The fundamental principle, as agreed by the Minsk Group on 19 March 2008, is that the territorial integrity of Azerbaijan must be upheld, while, at the same time, it acknowledges that the future status of Nagorno-Karabakh is a matter for negotiation between the two parties. The Basic Principles further suggested the following commitments by both parties:

- immediate withdrawal of Armenian troops from five of the seven occupied regions surrounding Nagorno-Karabakh; and immediate return of 85% of the Azerbaijani population displaced from these regions during the war;
- a phased withdrawal from Kelbajar, the sixth of the regions, at a later stage, with the subsequent return of the Azerbaijani population, conditional on progress in determining the future status of Nagorno-Karabakh;
- the entire, or part of the, Lachin region is to serve as a corridor to ensure a permanent land connection between Armenia and Nagorno-Karabakh;
- the deployment of up to 10,000 international peace keepers between Nagorno-Karabakh and the entire post-conflict zone, particularly in the strategically-important Kelbajar Province, to maintain stability along the border of the territories and prevent renewed conflict;
- Nagorno-Karabakh is to be provided with an “interim national status” which will allow its citizens some international status, but falls short of international recognition;
- a popular vote (details still to be determined) will be held at an unspecified future date to determine the final status of Nagorno-Karabakh.

This approach offers both parties some of what they want. For the Azerbaijanis, it means the return of the occupied territories. For the Nagorno-Karabakh Armenians, it means security guarantees, although the status of Lachin remains a problematic issue for Armenia, as it is regarded as a lifeline linking Armenia to Nagorno-Karabakh. The composition of the peacekeeping force is also important, and while this is something the EU could take on, Armenia will almost certainly insist that Russian troops be part of any such operation given that it currently considers Russia as vital to its security. Given Russia’s history and behaviour in other conflict zones, this may not be welcomed by Azerbaijan, so the inclusion of Russian forces would need to be carefully considered and balanced.

The biggest sticking point remains the eventual status of Nagorno-Karabakh and when this should be decided. The Basic Principles envisage that it will be determined by a referendum in Nagorno-Karabakh in 10-15 years’ time.
However, as the two parties want different outcomes from any plebiscite – with the Armenian side seeking Nagorno-Karabakh’s annexation, and the Azerbaijani side keen to achieve an affirmation of Azerbaijan’s territorial integrity and sovereignty within its internationally recognised borders – a vote itself raises a number of prior substantive issues. These include the legal force of the proposed referendum and the participation of ethnic Azerbaijanis who were expelled from Nagorno-Karabakh. Disagreement on the status issue has blocked the entire process, not only of conflict settlement but also all forms of reconciliation and CBMs.

Russia has also stepped up its role as a mediator in the conflict. On 2 November 2008, President Medvedev brought together the Armenian and Azerbaijani presidents at a special Nagorno-Karabakh summit in Moscow at which they pledged to intensify the search for a mutually acceptable compromise. Although the meeting in Moscow did not deliver a breakthrough in the peace process or bring anything new to the table, it did reiterate that dialogue would continue between Armenia and Azerbaijan with the two presidents, for the first time, signing the joint declaration. It also had some other important symbolic implications:

1. It demonstrated the ongoing commitment of all the signatories to solve the conflict based on Azerbaijan’s territorial integrity.
2. For Azerbaijan, agreement on the continuing non-participation of the ‘Nagorno-Karabakh Republic’ in the talks was positive, as was the agreement by the parties to a step-by-step approach (rather than a package deal) and international guarantees for all aspects and stages. Armenia had previously always insisted on a package deal, with status decided at the same time as liberalisation, etc. However, this concession by Armenia prompted deep anger in Nagorno-Karabakh, most visibly expressed during a visit by President Sargsyan to his homeland on 14-15 November 2008.
3. The ongoing commitment to the Minsk Group is positive for Armenia given that it has accused Azerbaijan of trying to do away with the Group as a framework for settlement. Armenia should also be reassured by Azerbaijan’s commitment to resolve the conflict through political means, which indicates that, for the time being at least, it has no intention of using military measures to resolve the conflict although in recent times Azerbaijani President Aliyev has reverted to talking about military action.
4. For Russia, it demonstrated that the Kremlin continues to play a key role in conflict resolution, while at the same time improving the country’s image, moving it away from being an ‘aggressor’ (in Georgia) to being a regional peace-maker.

However, despite these recent developments, the Nagorno-Karabakh conflict remains extremely volatile and fighting could resume at any time. It is therefore vital that the international community – particularly the EU – moves away from its somewhat complacent approach to the conflict; becomes more involved on the ground, including formulating a clear position (as it has done with the other regional conflicts); increases efforts to bring the two societies together; and insists on a greater role in the peace process (particularly in light of events in Georgia).
IV. External actors

In addition to the EU, there are a number of other external actors who have played a role in the four separate conflicts in the region since the early 1990s.

They include international organisations – such as the Organization for Security and Co-operation in Europe (OSCE) and the United Nations – and a number of states – for example, Russia, the US, Romania, Iran, and Turkey (see Annex 3), all of which are important players in the search for sustainable conflict settlements. While they may all have the power individually to block solutions perceived as contrary to their own interests, none can bring about a solution on their own.

The Organization for Security and Co-operation in Europe (OSCE) and the United Nations

For most of the period after the outbreak of violence in Transnistria, Nagorno-Karabakh, Abkhazia, and South Ossetia, the OSCE and the UN were the most significant external mediators involved in any of the conflicts.

They were guided by four objectives:

1. To deal with the humanitarian consequences of the conflicts.
2. To bring active hostilities to an end.
3. To prevent further conflicts.
4. To assist in efforts to reach durable political solutions to these conflicts.

At the same time, the UN and the OSCE have also attempted to further the political transition to open and democratic societies, but with little success. Furthermore, the underlying objective of (at least) the Western members of the two organisations has been to consolidate the independence of these former Soviet states and to effect their integration into European and transatlantic structures.

Given that Western and Russian ‘zones of vital interest’ overlap in the EU’s Eastern Neighbourhood, the area has become the scene of tug-of-war games: on a geo-political level, between Russia and the West (represented by organisations such as NATO and the EU, as well as individual states, such as the US); within regional organisations (such as the OSCE and the Commonwealth of Independent States: CIS); and locally between pro-Western and pro-Russian forces in countries in the neighbourhood themselves (Moldova, Armenia, Azerbaijan, Georgia) or indirectly affected by the conflicts (Ukraine).

These complex strategic configurations of power, and the opportunities they bring and constraints they impose on furthering the interests of each of the players, help to explain why the UN and the OSCE have been relatively ineffective in facilitating a durable political settlement. The parties immediately involved in the conflicts (the states and separatist entities) have been unwilling to make the necessary mutual concessions because of the support they continue to receive from some outsiders and because of the lack of leverage others have to impose a settlement.

The relative success of the UN and the OSCE in facilitating and maintaining ceasefires (both with significant Russian mediation and peacekeeperin), and in managing the humanitarian crises that each conflict created, has reduced the pressure on all sides to make the compromises required to reach a permanent settlement. Rather, the status quo has served many more interests and provided incentives for actors to block – or at least impede – progress towards a settlement.

Local parties (states and separatists) have found it domestically difficult to argue for concessions, as their political survival often depends on taking a hard line.

Russia (see below) has benefited from low-level, ‘managed’ instability in its neighbourhood which has prevented Georgia and Moldova, in particular, from forging closer ties with the West. The US and some of its allies in NATO and the EU have backed seemingly pro-Western forces, even at the price of re-escalating
conflicts (as in Georgia). In addition, transnational organised crime (which has strong interests in maintaining the status quo) has become deeply entrenched, especially in Georgia and its break-away regions, and in Moldova, Transnistria and Ukraine.

It would therefore be unfair to lay all the blame for the lack of sustainable settlements in any of these conflicts on the UN and OSCE. However, seeing them as victims of the intransigence of parties involved in the conflict and the self-interested agendas of external actors themselves does not tell the entire story either.

Both organisations have been extremely protective of ‘their’ conflict-settlement processes and have successfully prevented a more multi-track, multi-actor approach. In the same way that the OSCE has maintained its lead role in South Ossetia and Transnistria, the UN has been keen to keep other actors at bay in Abkhazia.

The way in which the co-chairs of the OSCE Minsk Group have monopolised the conflict-settlement process in Nagorno-Karabakh has, at times, been bizarre. For example, the latest proposal for a settlement has been kept so secret that not even the EU’s Special Representative for the South Caucasus was allowed to see a written version of the proposal – it had to be read to him.

Excluding third parties from the core conflict-settlement processes has limited their effectiveness in two ways. First, it has deprived those actors in the driving seat from benefiting from capacities that they do not have, or do not have enough of. For example, the EU’s proven experience in facilitating economic reconstruction and reintegration and assisting with civilian police and border management has been used very late. Second, despite UN and OSCE ‘protectionism’, the number of external actors on the ground who are keen to contribute to settling these conflicts has steadily increased.

Unfortunately, the efforts of the UN, OSCE and the respective key players have not always been sufficiently coordinated, and at times their objectives have been contradictory. For example, when it comes to refugees and IDPs, there are disagreements over whether efforts should be made to integrate them into their ‘host’ communities by helping them to rebuild their livelihoods and participate in the political process, or whether they should merely be provided with basic services in IDP camps in the hope that they will eventually be able to return home.

The way a growing group of concerned third parties have monopolised these conflict-settlement processes without sufficient coordination and cooperation has given local parties opportunities to play them off against each other. It has also contributed to stalemates in which only one format for settlement negotiations is ‘permitted’, regardless of whether it has borne any fruit or has any prospect of succeeding.

**Russia**

Russia is by far the most important player in all of these conflicts and securing peace deals will almost certainly depend to a large degree on acknowledging and respecting its interests. Indeed, Russia plays a very paradoxical role, given that it is both part of the problem and also part of the solution in each case.

Moscow is taking a two-pronged approach, working both within the multilateral framework as part of the relevant OSCE or UN instruments but also bilaterally, using the direct influence it has over the authorities in Transnistria, South Ossetia and Abkhazia, because they all depend on Russia for their economic and political survival. In the case of Nagorno-Karabakh, Russia has considerable influence over Armenia because of the two countries’ close political, economic and security ties.

Today’s Russia is in a self-confident and assertive mood, believing that the West sought to exploit its weaknesses after the collapse of the former Soviet Union, and it is determined to maintain a strong role and its influence across the EU’s entire Eastern Neighbourhood. Moscow has resisted increasing Western engagement, in particular by the US, both in its bilateral relationships with the successors to the Soviet states and through NATO.
Russia did not welcome the ‘Colour Revolutions’ that took place in Ukraine and Georgia; opposed (along with Iran) the development of the Baku-Tbilisi-Ceyhan pipeline; and is, at best, somewhat ambiguous about greater EU involvement in the region, with Russian Foreign Minister Sergei Lavrov recently citing the EU’s new Eastern Partnership as a tool to gain influence over the Eastern Neighbourhood. Furthermore, the Kremlin was furious about the recent Joint Declaration signed by the EU and Ukraine for the modernisation of Ukraine’s gas transit system which excluded Russia.30

It is also vehemently opposed to Eastern Neighbourhood countries building closer relations with NATO, as the Kremlin believes that the Alliance’s strong backing for the membership aspirations of Georgia and Ukraine, and its military presence in Central Asia, are evidence that it is pursuing a policy of Russian containment. Moscow has used the presence of ethnic Russian and Russian-speaking minorities and the increasing number of Russian passport-holders in the Eastern Neighbourhood’s break-away regions as leverage to insist on its special role vis-à-vis other ex-Soviet states, especially those engulfed in separatist conflicts.

This has also allowed the Kremlin to maintain a strong military presence across the entire region. Its aim is clearly to maintain as much direct influence and control over these countries as possible in order to keep them in a sort of Russian ‘grey zone’, away from Western influence.

The recent decision at the Collective Security Treaty Organisation (CSTO) Summit in Moscow on 4 February to create collective rapid reaction forces between these former Soviet republics for the first time is yet another sign of Moscow’s desire to keep a tight grip on the region.32 It is in this context that the Pan-European Security Initiative proposed by Russian President Dmitri Medvedev acquires its strategic significance.

**Medvedev Pan-European Security Initiative**

The proposal was first put forward by President Medvedev in a speech in Berlin on 5 June 2008, and elaborated in another speech in Evian, France in October.33 Although there are no concrete documents or blueprints, these speeches give us some insights into Russian thinking.

Firstly, the participating parties would commit to the principle of the “inadmissibility of the use of force or the threat of its use”. In what is obviously a clear reference to NATO, it specifies that any new treaty would guarantee equal security for all parties and would prevent the development of military alliances which could harm the security of other treaty signatories.

It states that ‘Atlanticism’ as the single basis for security has exhausted itself, and should be replaced by a single Euro-Atlantic space extending from Vancouver to Vladivostok. In addition, no state or individual international organisation can have exclusive rights to maintaining peace and stability in Europe.

The treaty would establish basic arms-control parameters and set reasonable limits on military construction, and would build cooperation in procedures and mechanisms in areas such as Weapons of Mass Destruction proliferation, terrorism and drug trafficking.

Lastly, President Medvedev talked of a commitment to fulfill obligations under international law in good faith and respect all states’ sovereignty, territorial integrity and political independence.

It is clear that Russia is attempting to push the US out of the European security structure. It also appears to be trying to renegotiate agreements in order to avoid some of its current commitments. For example, in the context of arms control in the Treaty on Conventional Armed Forces in Europe (CFE)
Russia still does not comply with the 1999 Istanbul commitments, nor with those under the 1990 OSCE Charter of Paris. It is also unlikely that existing structures and alliances will be abandoned.

Many of the newest NATO members do not share Russia's concerns about security. They do not perceive Russia as a great threat to security in the same way that Moscow regards the US as a global threat. Ironically, Russia also seems to be promoting principles that it does not itself adhere to.

Whether the views of the West and Russia on the terms and arrangements for such a pact will ever be compatible remains an open question, and much will depend on how the relationship between new US President Barack Obama and Moscow develops. Initial contacts between Obama and Moscow seem to have improved the frosty atmosphere that existed under the Bush administration. However, to date there has not been any fundamental shift in US-Russia relations. Nevertheless, Russian concerns about security are valid and there is nothing to be lost by openly discussing and debating all these issues. The US and Europe need to develop a coordinated strategy towards Russia to build friendly and cooperative relations with Moscow, and the West should be sensitive to Russia's long-standing security, political and economic interests in this region, while making it abundantly clear that these states must be allowed to decide their own futures, including their own foreign policy.

**South Ossetia and Abkhazia**

Georgian-Russian relations have, in almost equal measure, driven and been driven by developments in both conflict zones. After becoming President of Georgia in January 2004, Mikhail Saakashvili made the full and unconditional restoration of its sovereignty across its entire territory a policy priority.

While he succeeded in establishing Georgian control over Adjara, another separatist region, efforts to repeat this success in South Ossetia and Abkhazia failed. Offers of autonomy and federal status to South Ossetia in 2004 and Abkhazia in 2006 respectively were rejected and tensions gradually escalated. Several high-level international interventions were required to diffuse them, such as US President George Bush's public and private comments during his visit to Georgia in 2005.

The way in which President Saakashvili stepped up his rhetoric contrasted sharply with the more accommodating approach of Eduard Shevardnadse who, as Georgian President from 1995 to 2003, did not directly challenge the status quo established in the early 1990s. The deterioration in Georgian-Russian relations was a direct consequence of President Saakashvili's policy.34

As Georgia began to accuse Russia of a de facto annexation of its territory by distributing pensions and passports to Abkhaz residents, offering financial support and training to the Abkhaz military, and investing in and trading with Abkhazia,35 Moscow, in turn, used the Kosovo issue as a precedent for international recognition of Abkhazia as early as 2006.

In January 2006, Russian President Vladimir Putin called for universal principles to settle the frozen conflicts, insisting: "We need common principles to find a fair solution to these problems for the benefit of all people living in conflict-stricken territories... If people believe that Kosovo can be granted full independence, why then should we deny it to Abkhazia and South Ossetia?"36

This line of argument became official Russian policy, and gained legitimacy following Kosovo's Unilateral Declaration of Independence in February 2008, and its subsequent recognition by a large number of predominantly Western and pro-Western countries.

President Putin's policy on Abkhazia and South Ossetia, and by extension Georgia, marked a clear departure from the Yeltsin era, when a generally weak Russia found itself in a prolonged war with Chechnya for which it sought Georgian cooperation. Enabling Abkhaz and South Ossetians to gain Russian citizenship and passports, intensifying political, economic, and military cooperation with the two separatist regions, and increasingly tough rhetoric and action against
Georgia, were partly a reflection of Russia's renewed assertiveness in the CIS and in the international arena more broadly.

At the same time, however, Georgia's policy of isolating South Ossetia and Abkhazia made it easier for Russia to pursue its strategy, as the two regions were left with very few, if any, options other than to forge closer ties with Russia. Georgia's anti-Russian rhetoric was bound to evoke a response from Moscow, and President Saakashvili's rush to establish Georgia as a prospective NATO (and to a lesser extent EU) member could not but ring alarm bells in the Kremlin.

Moscow's policy vis-à-vis both conflict zones developed as a response to different groups who, while all lending support to local elites, did so for their own reasons. These varied from economic interests (especially in Abkhazia, related to tourism and port infrastructures) and security concerns (related to instability in the North Caucasus region and fears of further NATO and EU expansion and a growing US presence) to simple resentment of Georgian nationalists.

Russia's invasion of Georgia, triggered by the country's violation of the existing ceasefire agreement and its subsequent recognition of South Ossetian and Abkhaz independence, was an unprecedented step in Russian policy towards the 'frozen conflicts' in its neighbourhood. This escalation of the means to assert Russian interests in the CIS has been followed by its willingness to become part of the EU/UN/OSCE co-sponsored Geneva Talks – the new initiative on Nagorno-Karabakh – and moves to find a compromise over Transnistria.

**Transnistria**

Russia has significant leverage over both Moldova and Transnistria, where its main goal is to keep Moldova within its sphere and outside NATO's sphere of influence. Moreover, Moscow is demanding that Moldova leaves GUAM, an alliance with Georgia, Ukraine and Azerbaijan designed to counter Russia's influence in the region.

Transnistria and its Smirnov-led executive are useful tools for Russia to accomplish these goals. As long as the conflict over Transnistria remains unresolved, Moldova's sovereignty and territorial integrity are in question and it cannot fully integrate into Western structures. Consequently, maintaining the status quo in Transnistria serves Russia geo-political interests very well until Moldova fully and credibly commits to neutrality (i.e. does not seek NATO membership).

Neither Russia nor Transnistria want a quick settlement of the conflict. The outcome currently favoured by Moscow and Tiraspol is a confederation between Transnistria and the rest of Moldova, with both enjoying equal status and Tiraspol wielding far-reaching powers of veto. In such a scenario, Transnistria would keep its de facto independence and gain additional leverage in influencing the functioning of a reunified Moldovan state.

Russia put forward such a proposal in 2003 in the Kozak Memorandum, which also foresaw a long-term deployment of Russian peacekeeping troops in Moldova, but this was rejected by Moldova. In the meantime, Russia has kept its 14th Army in Transnistria, partly to deter attempts by Moldova to reintegrate Transnistria by military means; partly as a bargaining chip in status negotiations; partly to increase its leverage over Ukraine; and partly to counter perceived encirclement by NATO. Nonetheless, this is in clear contradiction of the 1999 OSCE Istanbul Summit commitments, which obliged Russia to withdraw its military personnel and equipment from Moldova by 2002.

Moldova has made it clear on several occasions that it is committed to its neutrality and does not wish to join any military alliance. This has broadened Russia's options. A reunified Moldova outside NATO would not pursue a policy of outright integration into the West and so would represent less of a challenge to Russian interests.

This also opens up new perspectives for a settlement on Transnistria, as Russia wants to demonstrate after the August 2008 events in Georgia that it also has ‘soft power’ tools and can contribute to
It appears that Russia now has an interest in reviving the negotiations on a final settlement, on two conditions: international recognition of Moldova's neutrality and a resumption of the Voronin-Smirnov talks which started in April 2008. The former would secure Moldova's non-accession to NATO, and the latter would guarantee a final solution which takes into account Russia's interests in Moldova, as Moscow could steer the negotiations via President Smirnov, whose position and stance it largely controls.

It is unclear if Russia will succeed in establishing these conditions as part of a final settlement. Technically, a settlement could include a commitment by Moldova to amend its constitution to incorporate the country's neutrality into the preamble. This could acquire a quasi-international guarantee and acceptance if the settlement was co-signed by the external actors involved in the current 5+2 format – Moldova/Transnistria/OSCE/Russia/Ukraine + EU/US – or any other future negotiation process, such as a 2+2 – EU/Russia + Moldova/Transnistria – framework.

If this were achieved, then Russia's opposition to Transnistria acquiring confederal status might also soften and it would be possible to envisage an institutional design based, for example, on the UK model of devolution. Furthermore, on 20 March a joint declaration was signed by Presidents Medvedev, Smirnov and Voronin which indicates that the peace process is further moving towards isolating the West.

**Nagorno-Karabakh**

Unlike in the other three conflicts, there are no Russian minorities in Nagorno-Karabakh. Moscow is, however, able to influence the peace process both through its role as a Minsk Group co-chair and also via its strong grip on Armenia, which allows Moscow to maintain a crucial hold on the region and the conflict.

For most of the last 15 years, the Kremlin's relationship with Baku has been rather strained, not least because of the support Russia has given to Armenia both during and since the war. Only after President Putin’s arrival in 2000 did the Kremlin launch a more coordinated approach to the region. Moscow strengthened relations with Azerbaijan when the two sides resolved differences over delineating maritime borders in the Caspian Sea, and watered down its accusations that Baku was aiding Chechen rebels.

In 2001, Moscow backed Azerbaijan in its stand-off with Iran over oil exploration in the Caspian and more recently has begun to take a new 'soft power' approach, with frequent visits to Baku and enhanced cooperation with Azerbaijan in many areas. This increased significantly after the war with Georgia, given Russia’s desire not to antagonise yet another South Caucasus state and its desire to strike a deal with Baku over the purchase of large quantities of natural gas from Azerbaijan's Shah Deniz II Caspian field.

However, Moscow’s position remains difficult. While its leverage over Armenia is quite strong through the political and military protection and economic assistance it provides, combined with a big stake in the Armenian economy, it still has less leverage over Azerbaijan. Azerbaijan and Armenia claim to carry out multi-faceted foreign policies, including cooperating with NATO through the Partnership for Peace programme (Azerbaijan sent troops to Iraq) and deepening their relations with the EU.

Azerbaijan’s relative oil and gas wealth also makes it less dependent on Russia, and has made it a coveted partner for alternative energy supplies and transit routes to diminish importing countries’ dependency on Russia. Armenia and Nagorno-Karabakh, meanwhile, can still rely on support from the Armenian diaspora in Western Europe and the US, but remain heavily dependent on Russia and Iran for supplies and import/export routes given the double blockade by Turkey and Azerbaijan, which severely limits Armenia’s land connections with the rest of the world.
Militarily, Russia’s position in Armenia is relatively secure. A 1995 treaty granted its military base in Armenia a 25-year lease and a 1997 friendship treaty provides for mutual assistance in the event of a military threat. Currently, there are 2,500 Russian military personnel stationed in Armenia.

Moscow’s more limited influence over Azerbaijan has been apparent since the Russian-brokered ceasefire in 1994. At the time, Moscow pushed hard to have Russian peace-keepers in Nagorno-Karabakh, believing that this would enable it to maintain a foothold in the region from which it could put pressure on the parties to the conflict and which could subsequently be used as a bargaining chip, as in the conflicts in Georgia and Moldova. While Armenia and Nagorno-Karabakh welcomed this, as they saw a Russian military presence as the best guarantor of their interests, Azerbaijan was vehemently opposed and prevented this deployment.

A de facto Russian military presence in Azerbaijan remains, however, in the form of the Gabala Radar Station, which Moscow is leasing from Baku until 2012.

Gabala is strategically located in the north-west of Azerbaijan and was constructed during the Soviet era. It has a significant place in Russia’s air defence and early warning systems, and is believed to be directly linked to the president’s ‘nuclear suitcase’. The need to negotiate a new lease further weakens Russia’s leverage over Azerbaijan, especially as the US has rejected Russian plans to share the use of the station with the US and NATO in exchange for the US abandoning its plans for a Missile Defence Shield on the Alliance’s eastern perimeter, given that the US would not want Russia looking over its shoulder and that it would be in short and direct range of known Iranian missiles. Had Moscow’s initiative succeeded, Russia would have secured a de facto military presence in Azerbaijan on the basis of a quasi-international agreement.

Maintenance of the status quo in Nagorno-Karabakh – and the international community’s lack of serious and proactive engagement – has suited Russia well, as it has prevented the region from moving too close to the West and made the creation of new energy-exporting and transport corridors to Europe more difficult (a situation which was exacerbated by the war in Georgia).

At the very least, Russia may insist on guarantees that neither Azerbaijan nor Armenia will pursue NATO membership, and may well want to link this with a deal on Caspian gas from Azerbaijan. This could be a very tempting offer for Azerbaijan, particularly as Moscow has already offered Baku an exceptional deal to buy all the gas from the Shah Deniz II field at above market rate. The infrastructure for this is already in place, while the West’s planned Nabucco pipeline, which would bring gas from the Caspian to the EU via Turkey, is still struggling to secure both financing and concrete gas sources.

President Medvedev’s ‘Karabakh’ Summit in the wake of the war in Georgia was a clear signal that Russia wants to be in the driving seat in resolving the Nagorno-Karabakh conflict. There is no doubt the Kremlin is seeking to capitalise on the political impact of its incursion into Georgia by underscoring its hegemonic position in the region and its military prowess. It wants to deter both sides from seeking a military (or any other) solution that might violate Russian interests. In the new post-August 2008 environment, Moscow clearly benefits from improved relations between Armenia and Azerbaijan, not least because it brings stability to the region.

United States

US engagement in the South Caucasus reflects American energy and security interests.

The Baku-Tbilisi-Ceyhan (BTC) pipeline serves major US (and Turkish) interests by providing alternative supply lines to world markets and thus diversifying supplies and limiting Russia’s (and potentially Iran’s) control over Caspian hydrocarbon resources. The security of the pipeline, however, remained crucially dependent on stability in Georgia, a country in which the US has now established an interest, although it was considered part of Russia’s ‘backyard’ throughout the first half of the 1990s.
**Georgia**

With the beginning of the global ‘war on terror’, the region’s strategic location in relation to Afghanistan, Iraq, and the Middle East pushed it up the US security agenda. The US needed to use the airspace of all three South Caucasus countries, and swiftly established two joint US-Turkish airbases in Georgia.

In 2002, as part of efforts to widen the coalition of countries supporting the US-led war on terror, Washington established the Georgia Train and Equip Program (GTEP), with funding worth $64 million. This was designed to increase the capabilities of Georgia’s armed forces by training and equipping four 600-strong battalions of the Georgian army, plus some additional troops and border guards, under the command of the ministry of the interior. This was followed by the Georgia Sustainment and Stability Operations Program (Georgia SSOP), tied more specifically to Georgian troop deployments in Iraq and with an additional $60 million in military US assistance in 2005/6.41

While Washington’s sustained commitment to Georgia has had a significant impact on the country’s economic performance, especially since 2004, and has arguably contributed to a number of social and political reforms, it has also exacerbated Georgia-Russia tensions, especially because of US support for – if not encouragement of – Georgia’s aspirations to join NATO.

While US policy in the early 1990s acknowledged Russia’s claims that Georgia (and other ex-Soviet republics) should be respected as part of its zone of influence, US military and energy security interests over the last decade have turned the South Caucasus into something of a battleground for regional influence.

In the context of generally worsening relations between Russia and the West (stalling cooperation with NATO, Western support for Kosovo’s independence, US plans to establish a missile defence shield in Eastern Europe, etc.), a perceived US agenda to press ahead with Georgia’s NATO membership bid at the Bucharest Summit in April 2008 contributed to the outbreak of violence in South Ossetia over the summer.

**Transnistria**

The United States has officially declared that it supports Moldova’s territorial integrity and sovereignty and will contribute to finding a credible and sustainable negotiated solution to the conflict.

To this end, the US, together with the EU, became an observer to the OSCE 5+2 negotiations’ framework in October 2005. While the US may not have played an overtly active role in attempts to resolve the conflict, the head of the OSCE mission in Chisinau, Moldova, has always been a seasoned American diplomat conscious of US geostrategic interests. The current mission head is Philip Remler, whose career spans two decades in the US State Department and who was previously a senior advisor to the US Ambassador to Moscow.

**Nagorno-Karabakh**

At the time of the conflict in Nagorno-Karabakh, Azerbaijan had no diplomatic representation in Washington and was an unknown country in an unknown part of the world. Armenia, in contrast, had a well-established and highly effective diaspora community in the US which significantly shaped American actions during and after the conflict.

Indeed, the US has the most damaged reputation of any country post the Nagorno-Karabakh conflict. First because of sanctions against Azerbaijan under Section 907a of the Freedom Support Act (see below) and second because many Azerbaijanis see US humanitarian assistance to Nagorno-Karabakh as political support for the break-away region.42

Section 907a of the Freedom of Support Act – which cited Azerbaijan as the aggressor in the conflict – was passed in US Congress in 1992 and prohibits any kind of direct US government assistance to the Azerbaijan government. Successive US Presidents (Bush I, Clinton & Bush II) denounced it, but none was able to get
Congress to repeal it. It was finally waived (but not repealed) on a year-by-year basis after the September 11 2001 terrorist attacks, when the US recognised Azerbaijan’s importance in the war against terrorism. This finally allowed Washington to extend assistance, including military aid, to Baku. Yet the need for an annual decision causes frustration in Azerbaijan, as Baku feels it needs to toe the US line in order to get it renewed every year.

Moreover, US efforts to mediate between both countries and facilitate a settlement in the early 1990s bore no fruit, primarily because the Armenian/Nagorno-Karabakh side rejected the proposed model of autonomy (used in the Åland Islands in Finland and the South Tyrol in Austria) for Nagorno-Karabakh within Azerbaijan.

As one of three co-chairs of the Minsk Group, the US has remained permanently, if similarly unsuccessfully, engaged in the conflict settlement process. The reason for continued US engagement lies in the geostrategic importance of the South Caucasus as a crucial land bridge between the Caspian Sea and the Black Sea. As such, it is an important transit corridor for oil and gas, as well as for illicit goods (drugs and arms) and human trafficking. Azerbaijan is also significant because of its hydrocarbon wealth (and thus a market for US investors) and its strategic location neighbouring both Russia and Iran.

Turkey

Turkey’s role as an external actor in these conflicts is primarily limited to Nagorno-Karabakh.

As a direct neighbour of the South Caucasus, Turkey has a long history in the region and has a significant role to play in ensuring its stability. However, until the Russia-Georgia conflict, Turkey had adopted a somewhat complacent policy, even contributing to the instability itself via its closed-border policy and frozen diplomacy with neighbouring Armenia. However, the August events acted as a wake-up call for Ankara, which realised that unless something was done quickly, the region could be ‘lost’ in a short time. Not only did Turkey lose financial revenues due to the Baku-Tbilisi-Ceyhan pipeline being briefly off-line, it also found itself, as a NATO ally, in the unenviable situation of having to act as the gatekeeper for the Black Sea during the conflict.

Given that the region is in Turkey’s ‘backyard’, Ankara does not want to see it spiralling into increased instability and chaos. Turkey also has big plans for itself as a regional player, including as an energy and transport hub – all of which require stability. Ankara quickly proposed a new diplomatic initiative, ‘The Platform of Stability and Cooperation in the Caucasus’, involving Azerbaijan, Russia, Georgia, Turkey and Armenia. One of its main goals is to prompt solutions to the dispute between Armenia and Turkey and to the territorial conflict between Armenia and Azerbaijan.

Relations between Ankara and Armenia have been difficult, at best, not only because of Nagorno-Karabakh and Turkish support for the Azerbaijani position but also because of a long-standing dispute over whether the mass violence against (and displacement of) Armenians in 1915 constitutes genocide. Moreover, Armenia has so far failed to officially recognise Turkey’s eastern border.

However, the climate has improved recently and, following the election of former Prime Minister Serzh Sargsyan as Armenian President in March 2008, new diplomatic initiatives have been launched.

The Georgian crisis triggered a rapid acceleration of these efforts, with Turkish President Abdullah Gül making a historic visit to Yerevan for a World Cup football qualifier in September. This visit created a new atmosphere and has resulted in both countries committing themselves to increase their efforts to normalise relations, including opening the border and repairing diplomatic ties, although Armenia in particular has faced opposition from its diaspora community which insists Turkey should recognise the 1915 events as genocide before the normalisation of relations.

As Russia now sees itself as having a stronger position in the region as well as increasingly close economic and political ties with Ankara (during a recent visit to Moscow on 12-15 February, agreement
was reached on a 15-year energy contract worth $60 billion), the Kremlin does not see a normalisation of Armenian-Turkish relations as a threat and has offered its support. The war in Georgia also underlined Armenia’s isolation and vulnerability due to its closed borders, as Armenia lost at least $500 million when cross-border trade was halted after the Grakali railway bridge in Georgia was blown up.

There has been further shuttle diplomacy since President Gül’s visit to Armenia, with Turkish Foreign Minister Ali Babacan meeting his Armenian counterpart Edward Nalbandian at least a dozen times culminating in the issuing of a joint statement by the two foreign ministers on 22 April 2009 announcing the launch of a comprehensive framework for the normalisation of bilateral relations.

Future developments both vis-à-vis Turkey’s rapprochement with Armenia and the Nagorno-Karabakh conflict will also be influenced, to some degree, by US policy, given that the powerful Armenian lobby in the US will continue to press President Barack Obama to follow through on his election promises to recognise the ‘Armenian genocide’. The effect of this would be catastrophic. However, during President Obama’s visit to Turkey on 6-7 April, he expressed belief that this was an issue for Turkey and Armenia to resolve bilaterally and, since being elected has refrained from using the word “genocide”. Rather on 24 April, the traditional Armenian remembrance day, he described the WWI events that occurred in Ottoman Anatolia as “one of the greatest atrocities of the 20th Century”. Such a rapprochement would not only be a crucial step towards changing the dynamic between Turkey and Armenia, including making Turkey the only regional power to have good relations with all three Southern Caucasus states, but would also have significant implications for the balance of power in the region.

President Obama is well aware that all of Washington’s key foreign policy challenges (Afghanistan, Iran, Iraq, and the Middle East) lie in Turkey’s backyard, so it is crucial to repair the damage done under George Bush’s Presidency – which saw support for the US in Turkey plunge to all-time lows. Relations need to re-emerge stronger than ever to allow Washington to take advantage of the increasingly powerful and influential role Turkey is carving out for itself in its direct neighbourhood and beyond.

For example, President Obama’s words of support for Turkey’s EU accession process as well as the crucial role he played in resolving the stand-off between Turkey and NATO over the candidature of Anders Fogh Rasmussen for Secretary General resulted in Turkey boosting its power in NATO. This reaffirmed that the country is becoming an increasingly powerful player and demonstrated to European nations that the US sees Turkey as an increasingly crucial partner. Therefore as long as Turkey and Armenia are seen to be making process Obama should be able to resist pressure from the Armenian lobby.

However, at the same time, Azerbaijan has recently signalled considerable discontent with Turkey’s apparent intention to restore relations with Armenia without obtaining concessions including on Nagorno-Karabakh, with public opinion in both Turkey and Azerbaijan strongly in favour of the Azerbaijani position and the Azerbaijani President paying a visit to Moscow as a reminder of Baku’s other foreign policy options (even though realistically Azerbaijan would probably be unwise to tie itself too closely to Moscow). The strong reaction from Baku came as something of a shock to Ankara which seemed to be under the impression that Azerbaijan was “on board” and has now created problems in the rapprochement strategy. On the one hand Turkey does not want to alienate its neighbour and “kin”, while on the other it would seem counter productive to revert to Turkey’s policy of the last 17 years of insisting on a solution to the Nagorno-Karabakh conflict before the normalisation of relations.

While it seems that Turkey is putting itself forward as a possible new interlocutor in the conflict, using its new ‘soft tools’ which have already begun to reap results in the Middle East, yet, as in the past, it was Armenia that denied Turkey a role in the peace process, with Armenian President Sargsyan insisting in October 2008 that the OSCE Minsk Group should remain the sole mediator in the peace process.44

Hence, despite the change in regional dynamics, Turkey has not gained any direct influence over the conflict-settlement process yet, even though the Minsk Group and its co-chairs have repeatedly committed themselves to Azerbaijan’s territorial integrity. This reflects an Armenian perception that its interests are better protected
within an OSCE-led process, perhaps precisely because this has been deadlocked for so long with little prospect of any immediate or even mid-term progress. In this sense, Armenia remains a status quo player, severely limiting Turkey’s ability to affect any movement towards a breakthrough in the settlement process.

While Turkish support for any settlement could make it significantly easier for the Azerbaijani leadership to ‘sell’ the necessary concessions to its own population, Azerbaijan does not currently feel under any pressure to reach a deal with Armenia. This, however, condemns the Minsk Process to continued deadlock. Even though it is unlikely that any of the parties in the conflict or its OSCE-institutionalised settlement process will abandon the existing format for negotiations, in the longer term a coalition of players including Turkey, Azerbaijan, Armenia, and Russia could emerge to negotiate a compromise that could then be officially implemented through the Minsk Process.

Turkey’s role, however limited, in relation to the Nagorno-Karabakh conflict is clearly more significant than its role in the conflicts in Georgia and Moldova. Turkey nonetheless has interests in these conflicts as well. Stability in Georgia is crucial for Turkish energy security and its current and future role as a major hub through which oil and gas from the Caspian reaches European and global markets. It is in this context that Turkey’s proposal for a Platform of Security and Stability in Caucasus needs to be seen, as it involves Georgia, Armenia and Azerbaijan – and Russia.

Turkish interests in the conflict over Transnistria are of an entirely different nature. Turkey considers the Gagauz minority in the south of Moldova as its ethnic kin and has been involved in various projects to help them to maintain their ethnic identity for more than a decade. Hence, it is likely to oppose any settlement of the conflict that negatively affects Gagauzia’s status (a significant level of autonomy since an OSCE-negotiated settlement in 1994), even though it is unlikely to be able to permanently block or undermine any such settlement.
V. The role of the EU

The EU has made considerable efforts to achieve a settlement of the conflicts in and over Transnistria, Nagorno-Karabakh, Abkhazia and South Ossetia (see Annex 3), although these have varied in length, intensity and in terms of the resources committed.

While it is clear that the EU alone cannot be blamed for the lack of progress in resolving these conflicts over the past 15 or more years, there are a number of issues relating to the role that the EU institutions and its conflict-resolution instruments have played.

The limitations of EU conflict-resolution bodies

Until the impasse over the Lisbon Treaty caused by Ireland’s ‘No’ vote is resolved, the following EU institutions play a role in conflict resolution: in the Council, the Presidency, the Political and Security Committee, and the High Representative; in the European Commission, the various Directorates-General responsible for foreign affairs – above all DG External Relations – and the EU Delegations on the ground.

The European Parliament has relatively limited impact as an institution, although a number of MEPs have taken an active interest in either particular conflicts or specific aspects of EU conflict resolution, and Commission and Council officials attend and contribute to parliamentary committee hearings and debates on foreign affairs.

However, the bulk of the EU’s conflict resolution work is done by the Council and Commission, and this is where the current institutional framework hampers progress.

Commission officials generally see their institution’s role as confined to providing aid and offering financial and technical assistance, aimed at creating conditions conducive to conflict settlement. While they generally acknowledge that Council bodies play a more political role (i.e. actively facilitate negotiations or mediate between the parties), there is no commonly-agreed conflict-resolution strategy in either general terms or for specific conflicts.

Council officials acknowledge their more political role, but also shy away from clearly defining exactly what this is and what concrete aims and outcomes are being pursued. Much therefore depends on the activism, skill, determination, and vision of particular individuals.

French President Nicolas Sarkozy acted as a highly visible representative of the EU Presidency in the summer of 2008 during the Russia-Georgia war and a key player in bringing about a ceasefire agreement between the warring parties. Clearly, the greater weight of France in international and European affairs was helpful, as it had considerable resources that it could bring to bear. Externally, Russia felt it was dealing with a non-hostile peer (as compared to, for example, one of the new EU members); and internally, it ensured that a consensus could be found among the Union’s 27 Member States, however minimal, to ensure swift EU action.

The EU’s rotating Presidency, however, often leads to a lack of consistency and coherence in EU priorities, as each Member State tends to focus on issues close to their domestic and geographical priorities.

The Union’s conflict resolution efforts have been further constrained by the complex relationship between the EU institutions and its Member States. Reaching common positions among 27 countries with diverging interests is difficult at the best of times, and close to impossible when it comes to a case like the Russia-Georgia war – where Member States start from very different perceptions of, and responses to, Russia.

Similarly, different Member States prioritise different countries in different ways, and this determines whether or not they put a premium on conflict settlement. In the case of Moldova, for example, this has meant that the EU has not been able to play a more active role beyond its current observer status in
the 5+2 talks on Transnistria, even though a 2+2 format (EU/Russia + Moldova/Transnistria) would be far more promising for reaching a durable settlement.

Another – often bemoaned – issue is the lack of coordination between officials in the EU institutions in Brussels, between them and their local representatives, and between different representatives on the ground. Moreover, most Member States normally have their own embassies in the countries concerned, with their own priorities and capabilities. Such problems, however, have been gradually overcome and, even in the case of Moldova (where they were a significant obstacle to the EU’s role in the Transnistrian conflict-settlement process), coordination has improved a great deal since autumn 2008.

The major problem remains the lack of an integrated EU foreign policy structure. In addition, EU representatives on the ground and staff in national embassies rarely, if ever, have any specialist training in conflict analysis, which further adds to the EU’s relatively under-developed early warning capacity.

The limitations of EU conflict-resolution tools

Since the creation of the Common Foreign and Security Policy (CFSP) and European Security and Defence Policy (ESDP), the EU has developed a range of instruments that it can deploy. These include Joint Statements, Joint Actions, Common Strategies, Common Positions, EU Special Representatives, economic sanctions, ESDP civilian, police and military operations, and support for civil society and other democratisation projects (under the framework of European Initiative for Defence and Human Rights – EIDHR).

Through instruments such as its European Neighbourhood Policy, the EU has also used contractual relationships, based on a reward system delivering financial and technical assistance and other economic and political benefits subject to the fulfilment of conditions, in a whole range of areas. These have included local conflict-resolution initiatives and the more general and longer-term process of ‘socialising’ conflict parties in line with the Union’s norms and values (e.g. democracy, human rights, and the rule of law). However, the use of conditionality in conflict management has, at best, a mixed track record.

Several problems also persist with the ENP Action Plans (APs) in the Union’s Eastern Neighbourhood. Even where these plans do make specific reference to conflict settlement, they are often vague and lack the kind of specificity necessary to tie them credibly to incentives that are only conditionally available to partner countries. Moreover, APs have to be based on a consensus between the EU and the partner country. Thus the AP with Azerbaijan mentions settling the Nagorno-Karabakh conflict as the number one priority, while the AP with Armenia lists this as the seventh out of a list of eight priority areas for action.

Despite the seemingly high ranking of conflict settlement in the Azerbaijan AP, Commission and Council officials alike say that conditionality simply does not work in this case, given Azerbaijan’s hydrocarbon wealth and its ability to play on the EU’s declared intention to diversify its energy supplies and decrease its dependency on Russia in terms of both supply and transit. Clearly, under these conditions, the incentives potentially offered by the ENP are hardly attractive to the Azerbaijan leadership.

EU Special Representatives are the other instrument widely used for conflict settlement. Here, too, the track record is mixed.

EU Special Representative for Moldova Kalman Mizsei has been very actively engaged in helping to resolve the Transnistrian conflict, but has never lost sight of the much broader picture of Moldovan politics. For example, he helped to broker a deal between rival factions in Gagauzia (a formerly separatist region of Moldova) and the wider region by constructively engaging with Ukrainian, Russian, and OSCE diplomats, and now commands respect on all sides.

In contrast, his South Caucasus counterpart Peter Semneby’s position was critically undermined by the French EU Presidency when President Sarkozy insisted on, and pushed through, the appointment of a
separate EU Special Representative for the crisis in Georgia – Ambassador Pierre Morel, who incidentally already holds the post of Special Representative for Central Asia. While this has allowed France to maintain some control over the Union’s engagement in Georgia since the end of its EU Presidency, it has created unnecessary overlaps of mandates and competences, stretched existing resources and complicated operations on the ground.
Conclusions

The Russia-Georgia war of August 2008 revealed the dangers inherent in futile international efforts to settle and prevent conflicts in the South Caucasus, and underscored the need for renewed efforts to resolve so-called ‘frozen’ conflicts.

Moreover, even where a settlement may not be feasible in the short- or even mid-term, ‘benign neglect’ is clearly not an option. These conflicts require constant and active management to prevent the kind of violent outbreaks and political escalation that occurred in the conflicts in South Ossetia and Abkhazia during summer 2008.

If the human tragedy of war alone is not enough to propel the international community into a more proactive approach, broader and more material considerations about stability and security in a region of great geostrategic significance should do so.

The ceasefire line in Georgia and the line of contact in Nagorno-Karabakh are a mere 15 kilometres from the Baku-Tbilisi-Ceyhan pipeline that connects Caspian oil fields (via the only non-Russian route) to European and global markets. Furthermore, in Azerbaijan, there are pumping stations along the length of the lines which are very exposed and vulnerable to attack.

If the West, and particularly the EU, plans to develop new energy corridors, diversify supply sources and decrease its dependence on Russia, the instability that has marked the South Caucasus over the past 15 years needs to be overcome. Serious, effective efforts to stabilise the region would ensure the security of investments in oil and gas infrastructure, and the supplies themselves. Greater stability would also alleviate the threats from illegal arms trading, drugs smuggling, human trafficking, money laundering, and other forms of transnational organised crime.

The EU has only gradually developed the appropriate tools and political will to play a greater role across the whole Eastern Neighbourhood, and this process is far from complete. Too often, the Union remains a fundamentally reactive player, without the political will, clear strategic vision and adequate capacity to engage in proactive and effective conflict prevention, management and settlement in this region.

What is needed is a coherent and comprehensive ‘Eastern Neighbourhood Conflict Prevention and Resolution Strategy’ that all the EU institutions and Member States embrace, which is integrated and mainstreamed into all aspects of external relations’ policy and is implemented effectively in bilateral relations with the countries concerned and in EU dealings with other players in each conflict.

The formulation and implementation of this strategy needs to be based on:

- a better definition of EU interests in its Eastern Neighbourhood;
- a coherent strategy common to all Member States and EU institutions for interacting with Russia to help resolve these conflicts;
- an assessment of EU strengths in furthering effective conflict prevention and settlement, and of how these strengths can best be leveraged.

On the basis of this strategy, a specific action plan or road map for each of the four conflicts in the Eastern Neighbourhood needs to be established. These should detail what the EU is willing to contribute to resolving each conflict, and what those involved and third parties need to (or must not) do for the EU to become involved in a particular way and level of intensity.

These four road maps should make it clear what the EU considers to be a just and equitable, as well as attainable, outcome in each case, to be presented to the parties as the basis for an EU-led or co-led settlement process. They should also provide information about the benefits that would accrue to the parties to the conflict (and, where applicable, third parties) if the EU takes particular steps to help settle the conflicts.
For such a sequence of individual actions to succeed in each conflict, the EU needs:

1. To determine the relevant players, make a detailed assessment of their interests and capabilities, and build as broad a coalition as possible to support the conflict settlement process.
2. To develop a strategy for each conflict that includes options for incentives (where appropriate) and sanctions (where necessary) to influence these actors in contributing to conflict settlement, and to make it clear under what conditions these become applicable or will cease to be applied; and
3. To define the EU’s potential exit points in the settlement process if progress towards success becomes impossible or the costs of succeeding outweigh the benefits.

Such road maps should be guided by a number of basic principles:

**The primacy of negotiated solutions over imposed settlements**

The outcome of negotiations should not be prejudged. The EU should not facilitate negotiations or mediate between different parties with a preconceived notion of the kind of settlement to be achieved. Instead, it should determine the space for compromise based on careful reflection, after consultation with the key parties, on what is feasible and attainable.

As part of the facilitation and mediation process, the EU needs to provide sufficient resources to sustain what might be a long-drawn-out negotiating process. It also needs to be ready to provide the leadership and necessary technical expertise to help the parties craft a settlement that addresses their concerns and wins sufficient popular support, and for which the countries have or will be given the resources required to implement it.

During the negotiating process, it should be left to the EU officials most closely involved to judge when it is opportune to present more concrete proposals to help the parties to the conflict overcome a momentary impasse or longer-term deadlock. Where the EU co-leads settlement efforts, such proposals should be developed and tabled jointly with its partners.

**Inclusiveness of negotiations**

A fundamental lesson of conflict-settlement processes around the world is that all relevant parties need to be included in negotiations leading to sustainable solutions. This does not imply that inclusion should be unconditional – rather, and at a minimum, that parties to the conflict should prove their sincerity of engagement in negotiations by committing permanently to non-violence.

At the same time, and in line with a non-prejudicial approach to negotiations, it may be counter-productive if conflict parties are made to accept certain parameters for a settlement in advance, as this is likely to undermine the crucial domestic support that is essential to deliver all the relevant constituencies in the settlement process.

**Comprehensiveness of agreements**

While the four conflicts in the Eastern Neighbourhood are, on the surface, about mutually-incompatible territorial claims, it will not be possible to reach durable settlements if they are merely based on a compromise between demands for secession and territorial integrity.

Rather, evidence from a wide range of other settlements suggests that as well as designing political institutions that can accommodate demands for self-governance, security, economic, and cultural concerns also need to be addressed as part of a comprehensive package that rewards trade-offs in one area with concessions in another.

Moreover, given the number of parties involved in each of the conflicts and their complex relationships with one another, it may prove necessary to strike a wider bargain that satisfies the interests of
external parties which would otherwise be able to prevent a settlement altogether or to undermine its long-term stability.

To achieve such comprehensive settlements requires a great deal of technical expertise in each of its individual component areas, as well as an overall vision – and leadership – of the package as a whole. This also necessitates helping the immediate local conflict parties with capacity-building, so they can develop a broader and longer-term vision that reaches beyond signing a particular agreement.

Need for long-term external assistance

Comprehensive settlements for each of the four current conflicts must be seen as long-term projects of state- and nation-building in situations in which sufficient necessary human and material resources are unlikely to be available. Under these circumstances, EU leadership in conflict-settlement processes will add value and increase the likelihood of success, if its assistance goes beyond just helping to conclude settlement agreements.

The EU has – or is developing – capabilities and the political will to contribute to providing post-agreement security guarantees, boosting economic development, and helping with institutional capacity-building and training. These capacities need to be made available, but should be tied to the local actors fulfilling concrete and clearly defined conditions. This will thus become a logical extension of the EU’s phased engagement strategy from day one of its involvement in a particular conflict-settlement process.

The EU also has to assist local parties in countering potential domestic ‘spoilers’ and take responsibility for preventing external spoilers from undermining the long-term stability of any settlements achieved.
Annex 1: Historical background

**Georgia**

The conflicts related to the two separatist regions in Georgia – Abkhazia and South Ossetia – have their origins in Soviet and pre-Soviet politics in the (South) Caucasus. In total, more than 80 ethnic groups live in Georgia, the largest, and politically most significant being Georgians, Armenians, Russians, Abkhaz and South Ossetians.45

Since 1988 and before August 2008, Georgia experienced two violent ethnic conflicts, as well as a short two-phase civil war.46 The former were essentially the result of increasingly aggressive Georgian nationalism during, and after, the dying days of the Soviet Union, while the latter took place between different political factions struggling to control the Georgian state.

Both Abkhazia and South Ossetia enjoyed substantial autonomy throughout the Soviet era. Even though the populations of both regions were ethnically mixed, it was not until Georgian nationalism intensified from the late-1980s onwards that tensions emerged. The nationalist movement in Georgia became further radicalised after Soviet troops crushed a demonstration in April 1989.

Calls for independence, the legal proclamation of Georgian as the only official language in August 1989, and the Georgian referendum on independence and subsequent election of nationalist leader Zviad Gamsakhurdia in May 1991, provided the background against which these tensions escalated into full-scale violent conflict.

Abkhaz and South Ossetians wanted to preserve, and remain within, the Soviet Union as they considered that their survival as ethno-cultural communities distinct from the Georgian majority was in acute danger in an independent Georgian state.47

**South Ossetia**

South Ossetians belong to the same ethnic group as the people of North Ossetia (now an autonomous republic of Russia which is considered to be the indigenous homeland of Ossetians). A (South) Ossetian presence in contemporary Georgia only dates back a few hundred years48 and is often used by Georgian nationalists to dispute South Ossetians’ rights to the territory in which they live.

In 1989, South Ossetians made up just over two-thirds of their autonomous region’s population – roughly 65,000 out of a population of 98,000. Yet, at that time, there were around another 100,000 Ossetians in other regions of Georgia. Tensions rose in the last years of the Soviet Union and first escalated into a full-scale conflict between November 1989 and January 1990. Prompted by the ‘March on Tskhinvali’ (the South Ossetian capital) by between 20,000 and 30,000 Georgian nationalists that August, supposedly to protect the city’s Georgian population, the ensuing violence left six people dead and 140 injured.

Subsequently, South Ossetians not only boycotted the political process in Georgia, including the September 1990 elections, but also declared their region’s independence. At the same time Georgians effectively abolished South Ossetia’s autonomy with the proclamation of Georgia as an independent, unitary state with no internal borders.

Tbilisi initially responded with an economic blockade, but 1991 saw a significant escalation of hostilities, leading to the Georgian occupation of South Ossetia’s capital. On several occasions in March, June and September that year, the nationalist leader Zviad Gamsakhurdia, who tried to use South Ossetia to strengthen his own grip on power in Georgia, failed to restore full Georgian control over South Ossetia in the face of well-organised, highly-motivated and Russian-backed resistance.

The conflict lingered on for another year, but with the fall of Mr Gamsakhurdia in December 1991 and former Soviet Foreign Minister Edvard Shevardnadse’s assent to the Georgian presidency in March 1992,49
it took only one final defeat of Georgian forces to pave the way for the OSCE-mediated Sochi Agreement of June 1992, which established a permanent ceasefire and a military exclusion zone. This was followed by the deployment of an OSCE Observer Mission and a Russia-led Commonwealth of Independent States’ peacekeeping force, as well as the creation of the so-called Joint Control Commission, intended to facilitate cooperation between the sides on a day-to-day basis.

This arrangement worked relatively well during Edvard Shevardnadse’s presidencies, driven primarily by pragmatic considerations that benefited all sides, as accepting the status quo resulted in relative stability. However Mikhail Saakashvili’s rise to power in 2003 changed this configuration significantly, as the new president had made restoring full sovereignty across the entire territory of Georgia a key campaign promise. Mr Saakashvili’s success in reining in the Georgian region of Adjara in April 2004 emboldened him to move on to South Ossetia that summer, under the pretext of abolishing the Ergneti market that spanned the Georgia and South Ossetian borders.

While there is little doubt that trading on this market was connected to smuggling, it also presented one of the few opportunities for direct interaction between Georgians and South Ossetians. The violence while this market operated and after it was closed destroyed much of the confidence built between both sides and threw the peace talks into jeopardy. In fact, violence was so bad in early August that a formal ceasefire was agreed between Georgian and South Ossetian authorities, only to be broken within days.

Violence continued through much of the summer, with Georgia making some strategic gains but eventually withdrawing its military forces and agreeing a further round of formal demilitarisation measures with South Ossetia in Sochi in November. Nonetheless, the 2004 events contributed to further polarising and radicalising all sides, which increased the frequency and intensity of clashes along the ceasefire line up until the full-scale war in August 2008.

Around 1,000 people were killed during the conflict in South Ossetia, with a further 100,000 forced to flee and extensive damage to homes and infrastructure. As well as the ethnic Georgians and South Ossetians who left the region for Georgia proper and North Ossetia, respectively, a very large number of South Ossetians were driven from their homes in Georgia proper. Within South Ossetia, segregation between the two communities increased significantly, with members of each ethnic group taking refuge in the areas controlled by ‘their’ side.

**Abkhazia**

The Stalinist era saw the persecution and destruction of the Abkhaz population in Georgia’s political and cultural elites. From the late 1930s to the early 1950s, there was a massive Georgian influx into Abkhazia, reducing the proportion of ethnic Abkhaz among the resident population to around one-third. By 1989, this had declined to below 18%. This ‘Georgianisation’ policy continued after the Stalin years, triggering several short spells of violence in 1957, 1967, 1978 and 1981. The resurgence of Georgian nationalism under Georgia’s first post-independence leader, Zviad Gamsakhurdia, could not but be seen as a precursor of worse things to come by the Abkhaz, leading them to conclude that establishing their own state was all the more necessary to ensure their ethnic survival.

Following Georgia’s declaration of independence in 1991, and the simultaneous abolition of Abkhazia’s autonomy, the Abkhaz immediately reinstated their 1925 Constitution, defining the territory as an independent state united with Georgia on the basis of a special union treaty. They then declared that they wanted to leave Georgia and remain part of the Soviet Union/Russian Federation. This situation quickly escalated into open violence, with Georgian forces taking over the Gali region in August 1992 and cutting Abkhazia off from Russia on the pretext of alleged abductions of Georgians by supporters of Zviad Gamsakhurdia. He was then ousted by three Georgian warlords in a coup in December 1991, and Edvard Shevardnadse, a Georgian native, was subsequently asked to lead the country through this difficult period.
As a result of Georgian advances, the Abkhaz leadership was forced to retreat from Sukhumi, but immediately regrouped and organised guerrilla-style resistance. Backed by North Caucasian (in particular Chechen) fighters, as well as Russian air support, the Abkhaz quickly recaptured most of the territory initially lost, and Georgian control was reduced to the Kodori Gorge (a Georgian-held area in Abkhazia) and Gali. Ceasefires were agreed and broken time and again until May 1994, when the Moscow Agreement established a permanent ceasefire line with military exclusion zones on either side.

In parallel, the UN Security Council passed Resolution 854 establishing the UN Observer Mission in Georgia (UNOMIG). The Russia-dominated CIS also dispatched a peacekeeping force to the region. Since then, violations have been rare, even though the general security situation, especially in the Kodori Gorge, deteriorated sharply in 1998, 2001, 2006, and 2008, bringing both sides to the brink of a new war. Around 10,000 people in total are believed to have been killed in the fighting, and around a quarter of a million Georgians have been displaced from Abkhazia.

Transnistria

The conflict between Moldova and Transnistria has its roots in territorial disputes between the Soviet Union and Romania. Following the disintegration of the Russian Empire in 1918, Moldova – which had been under Russian control since 1812 under the name Bessarabia – declared its independence and decided to merge with Romania. However, the Soviet Union opposed this and separated a narrow strip of land on the left bank of the river Nistru/Dniestr from the Ukrainian Soviet Socialist Republic. This small region, which now corresponds to Transnistria, was named the Moldovan Autonomous Soviet Socialist Republic by the Soviet authorities, which thereby claimed their right over the whole of Moldova.

The 1939 Molotov-Ribbentrop Pact brought Moldova back into Soviet control, and it was proclaimed the Moldavian Soviet Socialist Republic (SSR) after merging with Transnistria. During the Second World War, Romania reconquered Moldova, but lost the province again in 1944. In 1947, Romania was obliged to recognise the formal incorporation of Moldova into the Soviet Union.

The Moldovan SSR became the subject of a systematic policy of Russification. Part of this policy was to strictly isolate the country from the Romanian cultural sphere and to impose the use of the Cyrillic alphabet for the Romanian language. In the wake of Perestroika, a Popular Front began to emerge in Moldova, calling for the reintroduction of the Latin alphabet and the recognition of Romanian as the official language. Since 1990, some of this Front’s radical elements have demanded reunification with Romania.

Rising Moldovan nationalism has led to fears among Transnistria’s Slavic population, (some 60% of the total) that its formerly privileged status would diminish to that of second-class citizens in an independent Moldova, in which Moldovan would be the official language. Even worse, possible reunification of Moldova with Romania would turn this Slavic population into a nearly negligible minority of 3%.

Moreover, the communist elites of Transnistria (a heavily industrialised region compared to the rest of Moldova), feeling that their economic and political interests and privileges were in jeopardy, preferred to stay within the structures of a disintegrating Soviet Union. Believing that they had the support of the Slavic population, they proclaimed the Transnistrian Moldovan Republic on 2 September 1990.

As a result of Moldova’s Declaration of Independence, and its subsequent recognition by the international community in March 1992, an armed struggle erupted, as Transnistria was now determined to gain independence by military means and become a unit of the Russian Federation. However, this violence was quickly contained after Moldova and Russia signed an agreement in July 1992 establishing a tripartite peacekeeping force comprising Russian, Moldovan and Transnistrian troops. But this agreement also meant the withdrawal of Moldovan forces from Transnistria and left the territory under the effective control of the Transnistrian authorities, backed by the Russian 14th Army.
Shortly afterwards, the parties involved invited the Organization for Security and Cooperation in Europe (OSCE) to lead negotiations on a final status for Transnistria, and the OSCE established a five-sided format with Moldova and Transnistria as the two conflict parties and the OSCE, Russia and Ukraine as the mediators. Despite the many proposals that have been put forward for a final status settlement under this framework, the situation remains deadlocked as all of them have been vetoed by one party or another and so far none has even been accepted as a basis for further negotiations.

**Nagorno-Karabakh**

Since the 11th century, Nagorno-Karabakh – a mountainous region of South Western Azerbaijan – has been part of one empire or another: Georgian, Mongol, Turkish, Persian, Russian and finally Soviet, and the question of whose land it is has been argued over for the decades.

Armenia’s historical claim to Nagorno-Karabakh dates back to Armenian Orthodox churches in the 4th Century and to a unique Artsakh civilisation founded even earlier, while Azerbaijans claim to be the direct descendents of the Caucasian Albanians, who also inhabited Nagorno-Karabakh. National identity in both Armenia and Azerbaijan is thus based to a large extent on the notion that Nagorno-Karabakh is an essential and indivisible part of their own history and country.

After the collapse of the Russian Empire, Nagorno-Karabakh became the object of a bitter dispute and armed confrontation between the newly formed Republic of Armenia and the Azerbaijani Democratic Republic. In 1920, Soviet forces occupied the Southern Caucasus and established a military presence in the disputed territory, and in June 1921, Armenia declared Nagorno-Karabakh an inalienable part of its territory.

Throughout the Soviet era, Moscow always sided with Baku on the issue of Nagorno-Karabakh’s territorial status, and in 1923 the Soviet government made Nagorno-Karabakh an autonomous region within the Azerbaijan Soviet Socialist Republic. This ignored earlier assurances given to Armenia, based on the demographic argument that 90% of Nagorno-Karabakh’s population was ethnic Armenian, that it would receive the territory.

Consequently, Armenian resentment simmered until the beginning of the disintegration of the USSR, when Perestroika and Glasnost opened up greater opportunities for the expression and organisation of ethno-nationalist sentiment. In February 1988, Nagorno-Karabakh’s local assembly passed a resolution requesting that it be transferred from Azerbaijan to Armenia, thereby triggering a series of events that culminated in the first inter-ethnic war of the Gorbachev era.

As the collapse of the Soviet Union became ever more apparent and the country was finally formally dissolved in December 1991, Nagorno-Karabakh’s ethnic Armenian population organised a local referendum, boycotted by local Azerbaijanis, in which they voted for the establishment of an independent state – the Nagorno-Karabakh Republic. A Supreme Soviet of Nagorno-Karabakh was elected and, soon after Azerbaijan’s own independence from the Soviet Union in late 1991, Armenian separatists took control of Nagorno-Karabakh.

Full-scale war in Nagorno-Karabakh and between Armenia and Azerbaijan broke out in February 1992, and by June Nagorno-Karabakh Armenians had expelled virtually all ethnic Azerbaijanis from the area and opened a ‘land-bridge’ to Armenia through the region of Lachin. By the time a Russian-brokered ceasefire was signed in 1994, Armenian forces had captured and occupied seven Azerbaijan provinces – Aghdam, Fizuli, Djabrail, Zangelan, Gubadly, Lachin and Kelbajar – totalling around 15% of Azerbaijan’s territory and created a “buffer zone” around the Lachin corridor between Nagorno-Karabakh and Armenia.

It is estimated that more than 35,000 people were killed and more than one million, including 600,000 ethnic Azerbaijanis and 300,000 ethnic Armenians, were forced to flee their homes.
Both Armenia and Azerbaijan paid a high price. After the war, as a sign of its friendship with Baku, Turkey closed its border with Armenia and broke off diplomatic relations. This left Yerevan with closed eastern and western frontiers which had a big impact on the country, including excluding it from developing energy pipelines and transport networks. High unemployment led to mass emigration and Yerevan only managed to keep its economy afloat on the basis of large remittances from the diaspora, foreign aid and Russian investment.

Azerbaijan, on the other hand, continues to struggle to transform itself from a planned socialist economy to a market system, not least because Western aid and investment only slowly materialised because of the instability in the region, despite the country's vast energy resources. At the same time, Azerbaijan continues to suffer from the humiliation it felt after its crushing military defeat in the war over Nagorno-Karabakh and the loss and occupation of a significant part of its territory.
Annex 2a: The Georgian-Russian war of August 2008 in figures


<table>
<thead>
<tr>
<th>Warring sides</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Georgian army</td>
<td>Russian army and South Ossetian forces</td>
</tr>
<tr>
<td>22,000 troops</td>
<td>500 Russian troops already present in Tskhinvali</td>
</tr>
<tr>
<td></td>
<td>10,000 Russian troops deployed in South Ossetia</td>
</tr>
<tr>
<td></td>
<td>Nearly 10,000 Russian troops deployed in Abkhazia</td>
</tr>
<tr>
<td>171 T-72 Tanks</td>
<td>Several hundred South Ossetian paramilitaries</td>
</tr>
<tr>
<td></td>
<td>150 Russian Tanks deployed</td>
</tr>
<tr>
<td></td>
<td>Russian naval force deployed from Sevastopol</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Casualties</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Georgian side *</td>
<td>Russian army and South Ossetian side</td>
</tr>
<tr>
<td>130 people killed</td>
<td>74 Russian soldiers killed</td>
</tr>
<tr>
<td>1,165 people wounded</td>
<td>171 Russian soldiers wounded</td>
</tr>
<tr>
<td></td>
<td>19 Russian soldiers missing</td>
</tr>
<tr>
<td></td>
<td>44 South Ossetian civilians killed</td>
</tr>
<tr>
<td></td>
<td>273 South Ossetian civilians wounded</td>
</tr>
</tbody>
</table>

* The Georgian side did not distinguish between military and civilian casualties

Refugees and internally displaced persons

The Russian Ministry of Immigration declared that 33,000 inhabitants from South Ossetia have sought refuge in Russia since 7 August 2008.

Georgia has registered 89,000 internally displaced persons.
Annex 2b: Military capabilities of break-away entities in Georgia

<table>
<thead>
<tr>
<th></th>
<th>Abkhazia</th>
<th>South Ossetia</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Manpower</strong></td>
<td>4,000 regular soldiers, 2,000 armed police, 30,000 reserve troops</td>
<td>2,260 regular soldiers, 1,100 armed police, 100 State Security Service, 2,100 troops from militias, 5,000 reserve troops</td>
</tr>
<tr>
<td><strong>Training</strong></td>
<td>Compulsory military service</td>
<td>Compulsory military service</td>
</tr>
<tr>
<td><strong>Weaponry</strong></td>
<td>Entire adult male ethnic Abkhaz population issued with AK 47 rifles, 50 main battle tanks, 80 armoured infantry vehicles, 100 artillery pieces</td>
<td>Entire adult male ethnic Ossetian population issued with AK 47 rifles, 25 main battle tanks, 55 armoured infantry vehicles, 25 artillery pieces</td>
</tr>
<tr>
<td><strong>Naval force</strong></td>
<td>Converted pleasure vessels equipped with machine guns and mortars</td>
<td>Non-existent</td>
</tr>
<tr>
<td><strong>Air force</strong></td>
<td>Negligible</td>
<td>Negligible</td>
</tr>
<tr>
<td><strong>Land based air defence</strong></td>
<td>30 portable surface-to-air missiles, 20 anti-aircraft artillery systems</td>
<td>20 portable surface-to-air missiles, 20 anti-aircraft artillery systems</td>
</tr>
<tr>
<td><strong>Funding</strong></td>
<td>Around $6 million annually spent by <em>de facto</em> Abkhaz government. Many resources come from illegal customs, smuggling and other criminal activities</td>
<td>Military budget spent by <em>de facto</em> South Ossetian government unknown. Many resources come from illegal customs, smuggling and other criminal activities</td>
</tr>
<tr>
<td><strong>Military alliances</strong></td>
<td>Support from Russia, Support from other pro-Russian unrecognised states in CIS</td>
<td>Support from Russia, Support from North Ossetia, Support from other pro-Russian unrecognised states in CIS</td>
</tr>
</tbody>
</table>

Sources:
*Jane's World Insurgency and Terrorism, Abkhazia Separatists, 3 Sept 2008*
*Jane's World Insurgency and Terrorism, South Ossetian Separatists, 3 Sept 2008*
Annex 3: Chronology of events

### Abkhazia

<table>
<thead>
<tr>
<th>United Nations</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov 1992: UN Office opens in Tbilisi to assist UN Secretary-General’s peacemaking efforts</td>
<td></td>
</tr>
<tr>
<td>May 1993: UN Special Envoy to the conflict appointed</td>
<td></td>
</tr>
<tr>
<td>24 August 1993: UN Observer Mission in Georgia (UNOMIG) established to monitor ceasefire</td>
<td></td>
</tr>
<tr>
<td>Dec 1996: UN Human Rights Office established in Sukhumi</td>
<td></td>
</tr>
<tr>
<td>1997: UN Special Envoy becomes UN Secretary-General’s Special Representative</td>
<td></td>
</tr>
<tr>
<td>31 Jan 2002: UN Security Council endorses Boden plan, setting ‘Basic Principles for the Distribution of Competences’ between Tbilisi and Sukhumi</td>
<td></td>
</tr>
<tr>
<td>Feb 2003: Start of Geneva Process to revive peace process</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Russia</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>14 May 1994: Russia brokers a ceasefire between Tbilisi and Sukhumi</td>
<td></td>
</tr>
<tr>
<td>2000: Russia starts to issue passports to inhabitants from Abkhazia</td>
<td></td>
</tr>
<tr>
<td>Aug 2008: Six-day war between Russia and Georgia</td>
<td></td>
</tr>
<tr>
<td>26 Aug 2008: President Medvedev recognises independence of Abkhazia and South Ossetia</td>
<td></td>
</tr>
<tr>
<td>Sept 2008: Russia reinforces its troops in Abkhazia and South Ossetia with an additional 3,700 troops in each entity</td>
<td></td>
</tr>
<tr>
<td>10 Oct 2008: Russia withdraws its last troops from Georgian territories which lie outside Abkhazia and South Ossetia</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CIS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1994: After 14 May ceasefire agreement, CIS dispatches a peacekeeping force to oversee its implementation</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>United States</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>May 2002: US initiates the Georgia Train and Equip Program (GTEP) to increase Georgia’s military capabilities</td>
<td></td>
</tr>
<tr>
<td>Jan 2005: US launches the Georgia Sustainment and Stability Operations Program (Georgia SSOP) to follow up the previous GTEP</td>
<td></td>
</tr>
<tr>
<td>22 Oct 2008: US commits $1 billion for Georgia’s economic rehabilitation at Donor Conference</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NATO</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>April 2008: Georgia’s NATO membership bid postponed</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EU</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>July 2003: EU Special Representative to Southern Caucasus appointed</td>
<td></td>
</tr>
<tr>
<td>Dec 2003: EU Security Strategy stipulates that the EU should apply a more active approach to resolve ‘frozen conflicts’ in its neighbourhood</td>
<td></td>
</tr>
<tr>
<td>Nov 2006: EU-Georgia Action Plan finalised</td>
<td></td>
</tr>
<tr>
<td>Aug-Sept 2008: EU under French Presidency brokers six-point ceasefire agreement between Georgia and Russia on 12 August and 8 September</td>
<td></td>
</tr>
<tr>
<td>1 Oct 2008: Deployment of EU Monitoring Mission (EUMM)</td>
<td></td>
</tr>
<tr>
<td>22 Oct 2008: EU pledges €500 million at Donor Conference</td>
<td></td>
</tr>
</tbody>
</table>
## South Ossetia

| OSCE                          | 24 June 1992: OSCE mediates Sochi Peace Agreement, thereby formalising its involvement in the peace process  
|                              | Dec 1992: OSCE starts to observe working of Joint Peacekeeping Forces (Georgian, Russian and Ossetian forces)  
|                              | 1999-2004: OSCE Border Monitoring Operation observes traffic across Georgian-Russian border  
|                              | 2006-2007: OSCE runs Capacity Building and Training Programme for Georgian border guards  
| Russia                       | 24 June 1992: Russia mediates Sochi Peace Agreement  
|                              | 2000: Russia starts to issue passports to inhabitants from South Ossetia  
|                              | 7 Aug 2008: hostilities break out between Georgia and Russia after Georgia’s military actions against South Ossetian authorities  
|                              | 26 Aug 2008: President Medvedev recognises independence of Abkhazia and South Ossetia  
|                              | Sept 2008: Russia reinforces its troops in Abkhazia and South Ossetia with an additional 3,700 troops in each entity  
|                              | 10 Oct 2008: Russia withdraws its last troops from Georgian territories which lie outside Abkhazia and South Ossetia  
| United States                | May 2002: US initiates the Georgia Train and Equip Program (GTEP) to increase military capabilities of Georgia  
|                              | Jan 2005: US launches the Georgia Sustainment and Stability Operations Program (Georgia SSOP) to follow up the previous GTEP  
|                              | 22 Oct 2008: US commits $1 billion for Georgia’s economic rehabilitation at Donor Conference  
| NATO                         | April 2008: Georgia’s NATO membership bid postponed  
|                              | July 2003: Special Representative to Southern Caucasus appointed  
|                              | Dec 2003: EU Security Strategy stipulates that the EU should apply a more active approach to resolution of frozen conflicts in its neighbourhood  
|                              | Nov 2006: EU-Georgia Action Plan finalised  
|                              | Aug-Sept 2008: EU under French Presidency brokers six-point ceasefire agreement between Georgia and Russia on 12 August and 8 September  
|                              | 1 Oct 2008: Deployment of EU Monitoring Mission (EUMM)  
|                              | 22 Oct 2008: EU pledges €500 million at Donor Conference |
### Transnistria

<table>
<thead>
<tr>
<th>OSCE</th>
<th>July 1992: OSCE invited to lead negotiations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4 Feb 1993: Mission to Moldova established</td>
</tr>
<tr>
<td></td>
<td>18-19 Nov 1999: OSCE Istanbul Summit: Russia pledges to withdraw troops from Transnistria</td>
</tr>
<tr>
<td></td>
<td>27-28 Oct 2005: ‘5+2’ negotiations format established</td>
</tr>
<tr>
<td>Russia</td>
<td>21 July 1992: Moldova and Russia sign a ceasefire for the conflict in Transnistria and agree on principles of peaceful solution</td>
</tr>
<tr>
<td></td>
<td>19 Nov 2001: Putin-Voronin meeting: Russia confirms its support for Moldova’s territorial integrity</td>
</tr>
<tr>
<td></td>
<td>17 Nov 2003: Kozak Plan proposed</td>
</tr>
<tr>
<td></td>
<td>11 April 2008: Resumption of Voronin-Smirnov talks after lobbying from Russia</td>
</tr>
<tr>
<td>Ukraine</td>
<td>22 April 2005: Yushchenko Plan proposed for Transnistrian conflict at GUAM Summit in Chisinau</td>
</tr>
<tr>
<td>EU</td>
<td>28 Nov 1994: Partnership and Cooperation Agreement (PCA) with Moldova</td>
</tr>
<tr>
<td></td>
<td>1 July 1997: PCA comes into force</td>
</tr>
<tr>
<td></td>
<td>25 Feb 2005: EU-Moldova Action Plan signed and immediately adopted</td>
</tr>
<tr>
<td></td>
<td>23 March 2005: EU Special Representative for Moldova appointed</td>
</tr>
<tr>
<td></td>
<td>25 Oct 2005: EU becomes an observer in OSCE negotiations framework</td>
</tr>
<tr>
<td></td>
<td>30 Nov 2005: EUBAM launched</td>
</tr>
<tr>
<td></td>
<td>Feb 2008: EUMAP extended for one additional year</td>
</tr>
<tr>
<td></td>
<td>1 March 2008: Autonomous Trade Preferences regime enters into force for Moldova</td>
</tr>
</tbody>
</table>

### Nagorno-Karabakh

<table>
<thead>
<tr>
<th>OSCE</th>
<th>24 March 1992: OSCE takes decision to set up Minsk Group to mediate solution between warring parties</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 2004: Prague Process to reinvigorate dialogue between conflicting sides</td>
</tr>
<tr>
<td></td>
<td>December 2007: Madrid OSCE Summit formally tables Document of Basic Principles</td>
</tr>
<tr>
<td>Russia</td>
<td>May 1994: Russia brokers ceasefire</td>
</tr>
<tr>
<td></td>
<td>2 Nov 2008: Medvedev organises Karabakh Summit, bringing together Sargsyan and Aliyev</td>
</tr>
<tr>
<td>Turkey</td>
<td>6 Sept 2008: Turkey’s President makes historic visit to Yerevan for world cup qualifier between Armenia and Turkey</td>
</tr>
<tr>
<td></td>
<td>26 Sept 2008: Turkey launches new diplomatic initiative: Platform of Security and Stability in Caucasus</td>
</tr>
<tr>
<td>EU</td>
<td>14 Nov 2006: EU Azerbaijan Action Plan finalised</td>
</tr>
<tr>
<td></td>
<td>7 May 2009: Azer-Armen Presidents meet at EU Eastern Partnership Summit in Prague</td>
</tr>
</tbody>
</table>
Annex 4: Military statistics

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>194</td>
<td>2.87</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>667</td>
<td>3.6</td>
</tr>
<tr>
<td>Georgia</td>
<td>592</td>
<td>5.2</td>
</tr>
<tr>
<td>Moldova</td>
<td>14.4</td>
<td>0.5</td>
</tr>
</tbody>
</table>

Source: SIPRI Military Expenditure Database (figures only available up to 2007)

Quotas of Treaty on Conventional Armed Forces in Europe (CFE)

A. The Conventional Armed Forces in Europe (OFE) Treaty sets equal ceilings for each bloc (NATO and the Warsaw pact), from the Atlantic to the Urals, on key armaments essential for conducting surprise attacks and initiating large-scale offensive operations. Collectively, the Treaty participants have agreed that neither side may exceed the figures in the table below.58

B. To further limit the readiness of armed forces, the Treaty sets equal ceilings on equipment allowed for active units. Other ground equipment must be in designated permanent storage sites. The limits for equipment each side may have in active units are listed in table below.59

<table>
<thead>
<tr>
<th>Material</th>
<th>A</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Battle Tanks</td>
<td>20,000</td>
<td>16,500</td>
</tr>
<tr>
<td>Armoured Combat Vehicles</td>
<td>30,000</td>
<td>27,300</td>
</tr>
<tr>
<td>Pieces of Artillery</td>
<td>20,000</td>
<td>17,000</td>
</tr>
<tr>
<td>Combat Aircraft</td>
<td>6,800</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>Attack Helicopters</td>
<td>2,000</td>
<td>Not Applicable</td>
</tr>
</tbody>
</table>

The CFE II Treaty, which was signed in November 1999, amended the CFE Treaty and sets national ceilings for conventional armaments and equipment in Europe. However, the CFE II has not been ratified by NATO countries, as Russia has not kept its promise to withdraw its troops from Georgia and Moldova.60
Annex 5: External military contingents

<table>
<thead>
<tr>
<th>Country</th>
<th>External Military Contingents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abkhazia</td>
<td>3,800 Russian troops</td>
</tr>
<tr>
<td>South Ossetia</td>
<td>3,800 Russian troops</td>
</tr>
<tr>
<td>Transnistria</td>
<td>1,119 Russian troops</td>
</tr>
<tr>
<td>Nagorno-Karabakh</td>
<td>Undisclosed number of Armenian troops and volunteers</td>
</tr>
</tbody>
</table>

Sources:
Abkhazia and South Ossetia: Associated Press, 9 September 2008

Annex 6: Referenda results

In all the break-away entities, referenda have been held on the question of independence. All the numbers below come from the break-away entities’ authorities and are not verified by international observers.

<table>
<thead>
<tr>
<th>Country</th>
<th>Date of referendum</th>
<th>Voter turnout</th>
<th>Votes in favour of independence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abkhazia</td>
<td>3 October 1999</td>
<td>87.6%</td>
<td>97.7%</td>
</tr>
<tr>
<td>South Ossetia</td>
<td>12 November 2006</td>
<td>95.2%</td>
<td>99.0%</td>
</tr>
<tr>
<td>Transnistria</td>
<td>17 September 2006</td>
<td>78.6%</td>
<td>97.2%</td>
</tr>
<tr>
<td>Nagorno-Karabakh</td>
<td>10 December 2006</td>
<td>87.2%</td>
<td>98.6%</td>
</tr>
</tbody>
</table>
Annex 7: Economic data: break-away states

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>5,711</td>
<td>11.1 %</td>
<td>26.5%</td>
<td>1,273</td>
<td>10%</td>
<td>7.1%</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>7,477</td>
<td>25.1 %</td>
<td>21.1%</td>
<td>693</td>
<td>21.6%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Georgia</td>
<td>4,667</td>
<td>12.4 %</td>
<td>51.7%</td>
<td>346</td>
<td>11.3%</td>
<td>13.3%</td>
</tr>
<tr>
<td>Moldova</td>
<td>2,560</td>
<td>3 %</td>
<td>41.2%</td>
<td>1,180</td>
<td>13.8%</td>
<td>5.1%</td>
</tr>
</tbody>
</table>

Sources:
- Numbers of GDP per capita in PPP - World Development Indicators database, World Bank, 10 September 2008
- GDP growth rate - UN National Accounts Main Aggregates Database
- FDI as percentage of GDP - UNCTAD estimates
- Statistics of remittances - Country Profiles Database of the International Organisation for Migration
  www.iom.int/jahia/Jahia/activities/europe/south-caucasus (24 Feb 2009)
- Inflation rates - CIA factbook
- Unemployment rates – International Labour Office, (LABORSTA-database of labour statistics)

<table>
<thead>
<tr>
<th>Region</th>
<th>GDP per capita ($)</th>
<th>GDP growth rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nagorno-Karabakh</td>
<td>1,423</td>
<td>20.4</td>
</tr>
<tr>
<td>Abkhazia</td>
<td>350</td>
<td>NA</td>
</tr>
<tr>
<td>South Ossetia</td>
<td>250</td>
<td>NA</td>
</tr>
<tr>
<td>Transnistria</td>
<td>1,500</td>
<td>11.1</td>
</tr>
</tbody>
</table>

Note: much of the economy in these break-away entities is unofficial and therefore hard to measure

According to the Transnistrian Ministry of economy, the inflation rate rose by 25.1% in 2008

Sources:
- Figures for Nagorno-Karabakh come from the Office of the Nagorno-Karabakh Republic in Washington. Numbers are for 2006
- Numbers for Abkhazia are for 2001 and based on rough estimates, made by Roman Gotsiridse, “The economic situation in blockaded Abkhazia”, CA & CC Press, 2002
- Numbers for South Ossetia are for 2002 and based on research by Mamuka Areshidze: ‘Current economic causes of conflict in Georgia’, unpublished report for UK Department for International Development (DFID), 2002
- Numbers for Transnistria are for 2007 and come from the statistical service of PMR Ministry of economics
Annex 8: financial assistance from external actors to break-away entities

Transnistria

Financial assistance comes from Russia. Financial assistance is labelled as humanitarian assistance.

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>$77 million</td>
</tr>
<tr>
<td>2007-2008</td>
<td>$27.2 million</td>
</tr>
<tr>
<td>2009</td>
<td>$47 million (estimates)</td>
</tr>
</tbody>
</table>

These numbers do not include the payment arrears which Moscow allows for gas deliveries from Gazprom to Transnistria.

Annex 9: External military presence

<table>
<thead>
<tr>
<th>Country</th>
<th>Russian troops</th>
<th>US troops</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>5,000</td>
<td>None</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Georgia</td>
<td>3,800 in Abkhazia</td>
<td>Around 100 military trainers</td>
</tr>
<tr>
<td></td>
<td>3,800 in South Ossetia</td>
<td></td>
</tr>
<tr>
<td>Moldova</td>
<td>1,119 (in Transnistria)</td>
<td>None</td>
</tr>
</tbody>
</table>
Endnotes

1. See Annex 2: a blow by blow account of the War in Georgia.
2. Historical summaries of each conflict can be found in Annex 1.
10. Information given by Armenian Foreign Ministry.
13. Step-by-Step Plan; Package Proposal; Common State.
14. Three proposals – Package, Step-by-step and Common State were developed – and rejected.
16. Interview with Representatives of Nagorno-Karabakh Armenian community.
17. Highest per capita casualty rate from landmines are in the districts of Aghdam, Fizuli and Tertar.
22. Freedom House 2008 Surveys conclude Armenia to be partly free and Azerbaijan not free.
24. Interview with Representatives from Nagorno-Karabakh Armenian Community.
33. Speeches made by President Dmitri Medvedev, web-site of the President of the Russian Federation.
34. Information from awww.georgia.usembassy.gov
41. Information from awww.georgia.usembassy.gov
42. Svante Cornell, The Politicization of Islam in Azerbaijan, Central Asia-Caucasus Institute & Silk Road Studies Programme.
43. ‘Stability in the Caucasus on a Turkish Platform’, Georgia Times, 29 December 2008.
44. ‘Sarkisian denies asking Turkish mediation in peace talks’, Reliefweb, 29 October 2008.
49. OSCE, Transnistrian Conflict, Origins and main issues, the OSCE Conflict Prevention Centre, Vienna, 10 June 1994.
51. OSCE, Transnistrian Conflict, Origins and main issues, the OSCE Conflict Prevention Centre, Vienna, 10 June 1994.
52. OSCE, Ibid.
53. OSCE, Ibid.
54. Bureau for Interethnic Relations of the Republic of Moldova. In Transnistria, the exact number of inhabitants is 547,500, with the main ethnic groups Moldavians (31.9%), Russians (30.4%) and Ukrainians (28.8%).
55. OSCE, Ibid.
56. OSCE, Ibid.
57. Figures for Armenia do not include military pensions. If spending on military pensions is included it would be 15–20% higher.
58. Statement by White House Press Secretary Marlin Fitzwater, Helsinki, Finland, 10 July, 1992.
59. Statement by White House Press Secretary Marlin Fitzwater, Ibid.
61. In Nagorno-Karabakh the people were asked if they approved the new constitution, defining Nagorno-Karabakh as a sovereign state.