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**STABILITY IN THE THREE SOUTH CAUCASIAN
REPUBLICS: TEN YEARS AFTER
INDEPENDENCE, PROGRESS AND NEW
CHALLENGES**

DRAFT GENERAL REPORT

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* Until this document has been approved by the Committee on the Civil Dimension of Security, it represents only the views of the Rapporteur.

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I. INTRODUCTION

1. With the collapse of the Soviet Union and the independence of the three republics (Armenia, Azerbaijan and Georgia), the region of the South Caucasus has rejoined the comity of nations. The return of what Sir Halford Mackinder, one of the founding fathers of geopolitics, called "the geographical pivot of history" – the South Caucasus and Central Asia – is certainly one of the major developments of the last decade of the 20th century.
2. On its way to becoming a major oil and energy centre and a bridge between Asia and Europe, "Eurasia" provides an interface in the Russian-Orthodox, European-Christian, Turkish and Persian-Moslem civilizations. As a result of NATO and EU enlargement, the region is now on the periphery of the European area. The proximity to Chechnya, Iran and Central Asia, and above all the rich energy resources, make the area an important geopolitical crossroads, and of major interest to regional and international powers. Divided by its Eastern and European callings, the South Caucasus is entirely a region of its own and part of none. According to MacKinder, Eurasia is the geopolitical heart or pivotal point of the world. While this may be a slight exaggeration, there is no doubt that the region is today at the centre of many important issues.
3. In Prague in October 2002, Lord Robertson said that renewed instability in the South Caucasian region and Central Asia and its consequences (migration, increased illegal trafficking); the rise of terrorism and religious fanaticism; the multiplication of failed states, which were perfect breeding grounds for violence and trafficking; and the proliferation of chemical, biological and nuclear weapons would be the main challenges confronting NATO in the future. Recent events in this region would seem to bear him out.
4. With its complex ethnic, linguistic and religious composition, the South Caucasian region has since independence been rent by often violent territorial conflicts and weakened by a taxing political, economic and social transition. The close of the first decade of independence in the South Caucasus opens up new prospects. A new era of economic and political reform has begun in Georgia since the "Revolution of Roses" in November 2003. In Azerbaijan, the prospects for a significant influx of earnings from oil sales promises to have major consequences on the country's economic development. Armenia, shaken last spring by a political crisis, is continuing with a series of in-depth reforms that could influence its strategic choices in the future.
5. At the dawn of a new millennium, these countries are facing major challenges in their efforts to emerge from this initial transition phase and promote lasting stability and prosperity. Western powers and institutions also have a challenge to meet. They have a duty to provide the attention and aid needed by these countries to ensure that they are not drawn to religious fundamentalism or political authoritarianism, tempted by violent solutions to conflicts or abandoned to the all-powerful traffickers and mafias. Furthermore, the establishment of democratic institutions and the liberalisation of society are not yet achieved. It is therefore essential to support the delicate process of democratisation in these republics.
6. Consequently, it is important to look into the risks of destabilisation which may originate in these countries and to consider the possible role and attitude of NATO in the region. For the purpose of summarising the current situation in the three republics, the first part of this report provides a "progress report" on the situation of and developments in these countries one decade after they achieved independence. The second part is given over to an analysis by your Rapporteur of the potential destabilising factors and the principal challenges arising from the new geopolitical configuration.
7. A visit by the Committee to Armenia and Georgia in September 2004 enabled it to meet a large number of high-level officials in both republics and to confirm the feeling that this region is currently going through a crucial period of transition. A Rose-Roth seminar, scheduled to be held in

Azerbaijan in November 2004, will make it possible for Committee members and your Rapporteur to hold similar discussions with the Azerbaijani authorities.

8. Your Rapporteur would also like to thank the delegations from Armenia, Azerbaijan, Turkey and the United Kingdom for the valuable comments they made after the first debate on this draft report in May 2004. Although sometimes putting forward contrary arguments, your Rapporteur wanted as much as possible to take account of the views and comments presented by these Delegations when preparing this new version of the report.

II. PROGRESS REPORT ON THE THREE REPUBLICS

A. POLITICAL STABILITY

1. The first decade of independence

a. *Political and Structural Options*

9. Unlike Central Asia which, at the fall of the Soviet Union had misgivings about the break-ups of the Soviet empire, the three South Caucasian republics immediately backed the movement for independence. All three had enjoyed a fleeting period of independence between 1917 and 1921 and were eager to seize this new historical opportunity. They opted for democratic political systems and a market economy.

10. Generally speaking there are three phases in the political history of Georgia and Azerbaijan. The period of national revival corresponded to the first hours of independence and the building of a national identity. It was also a period of political unrest with nationalist aspirations and the reappearance of territorial squabbles, some of which gave rise to serious armed conflict. The second period was characterised by disillusionment in countries worn out by the difficulties of the transition and the conflicts. The economic and social cost of the collapse of the Soviet Union paved the way for the return of former Soviet leaders in the mid-90s. More recently there would seem to be signs of change with the emergence of a new generation of leaders, as witnessed by the recent series of general and presidential elections in 2003 and 2004. These elections saw the victories in Azerbaijan of Ilham Aliyev (44 years of age, son of the former President) and in Georgia of Mikhail Saakashvili (36 years of age). Political developments in Armenia have been marked by two distinct phases. The first phase of national revival under the direction of Levon Ter-Petrossian was overshadowed by the conflict in Nagorno-Karabakh. This conflict weighed heavily in the replacement of the Armenian President, Ter-Petrossian by Robert Kocharian. On account of his position on the conflict and the scale of the economic crisis, Ter-Petrossian resigned in 1998. He was succeeded by Mr Kocharian, re-elected in March 2003.

11. Despite their differences, these countries have certain problems in common. Economic difficulties have brought about a high degree of poverty and favoured the development of corruption throughout the body politic and society. Political and economic power remains centralised and there has been scant progress in the promotion of local autonomy and decentralisation. To varying degrees, the development of civil society; the democratic operation of institutions and the judiciary; and the establishment of a genuine democratic system, leave much to be desired.

b. *The new political reality*

12. Major political developments have been observed in Azerbaijan and in Georgia in 2003 and 2004, and there are similar signs in Armenia. It remains difficult to pinpoint the nature of these changes, but the international community is hoping that the arrival in power in two out of the three

republics of politicians who represent the new generation, often trained abroad and perhaps more familiar with the Western world than their elders, will favour political dialogue and democratic reform.

13. However, there is a significant difference between the positions of the two recently elected Presidents. In Georgia, Mikhail Saakashvili came to power by means of a political consensus and an impressive majority of 96.3% of the votes, elected by a population which had taken to the streets to protest against the nepotism and incompetence of President Shevardnadze's corrupt regime. The voters chose to express their support for the "Revolution of Roses" and for political transition and radical change. As a result when he took office, Mikhail Saakashvili benefited from virtually unanimous popular support, as well as international goodwill. On the other hand Ilham Aliyev, a relative newcomer to politics, was elected by a 67% majority in an election criticised by the international community. A popular protest movement was organised by opposition parties during the election. Serious clashes took place as the police put down these demonstrations, leading to at least one death.

14. In Armenia, the re-election of Robert Kocharian in March 2003 by a vote (67.5% of the votes cast) challenged by the international community and marked by irregularities certainly cast a shadow over the parties in power. Recent developments have revealed that the coalition in power is experiencing serious internal dissensions and coming in for stiff criticism by the opposition over its ineffective anti-corruption measures and its far from transparent privatisation policy.¹ The opposition is very divided. It also lacks the seats in parliament to have a real impact on political life. United around the "Justice" political bloc, the opposition organised in March 2004 popular demonstrations calling for the president to step down. The main demand of the demonstrators was the organisation of a plebiscite or vote of confidence in the president. The demonstrations were broken up violently by the police and led to the temporary detention of some opposition figures, members of parliament and journalists. The political crisis was exacerbated by a debate over the modification of important legislative texts, including the electoral code and the Constitution. Having declared a partial boycott of their parliamentary duties, part of the opposition has not been associated with the process of revising these texts. The stability which Armenia seemed to be enjoying has been called into question by this recent disruption.

2. Transition and Democratisation

a. Separation of powers and pluralist Democracy

15. The establishment of democratic institutions was a priority for these new states at the dawn of independence. The conclusions adopted by the Parliamentary Assembly of the Council of Europe (PACE) illustrate this to differing degrees in the three republics. Be this as it may, the countries do not yet enjoy effective institutions based on a parliamentary system. There is very little parliamentary counterweight to the Executive. The political parties, which lack maturity, organisation and are labouring under serious financial restrictions, are often polarised by strong political personalities. Often sanctioned locally for turning to violence and defamation, the opposition political forces are marginalised and are often cut out of political life. They restrict themselves to being an opposition of principle and dispute the legitimacy of the ruling authorities. Often, the only way they have of expressing themselves is to call for public demonstrations, even turning to provocation or violence. In the three countries, they do not yet appear to be playing the role required of political parties in parliamentary democracies.

16. In actual fact there are many difficulties in the implementation of democratic principles. The acquisition of skills in democratic administration often comes up against old ingrained Soviet practices and the traditional political attitudes. The public at large and the political elites in

¹ Source RFE/RL Reports – March/April 2004

particular seem to have difficulties in integrating such notions as the idea of individual rights and freedoms, the place and role of civil society, opposition and political debate, recognition of the responsibilities of elected persons and the role of national parliaments in the political life of nations. The principle of separation of powers does not yet seem to have found an adequate expression within these political systems.

17. There is a lack of clarity in the relations between governments and parliaments. The role of the latter is often merely to rubber-stamp governmental decisions. The governments have few responsibilities and generally come under the authority of the all-powerful presidential administration, which also keeps a close watch on legislative activity. It often exceeds its powers to the detriment of Parliament's traditional role. Strong links exist between the Executive and the Judiciary in contradiction with the principle of independence of the Judiciary. The Executive exercises direct or indirect, but very powerful influence on the appointment and dismissal of magistrates.²

b. Democratic Elections

18. Except for the recent elections in Georgia, all the elections held so far in the South Caucasian republics were rigged and were very far from international standards. The type of rigging differs from country to country and depending on the voting system. It seems that in general the outcome reflected only partially the wishes of the electorate.

19. The OSCE-ODIHR (Organisation for Security and Co-operation in Europe – Office for Democratic Institutions and Human Rights) reports on elections point out problems common in varying degrees to the three countries. These are the difficulties encountered by the opposition parties in functioning and participating in political activities, the vulnerability of the independent media, the general public indifference to and contempt for political discussion, the lack of confidence in elected representatives and the difficulties of the latter to establish political dialogue with the governing powers. All this shows that these societies are far from having embraced the notion of political discussion and are still in a Soviet-type relationship of rulers and ruled.

20. According to the observations of the OSCE-ODIHR, this latest cycle of presidential and parliamentary elections in Georgia has been characterized by "notable" and "commendable progress" in comparison with the previous elections. Regarding the assessment of the presidential elections held recently in Armenia and Azerbaijan, the preliminary statements made by the OSCE-ODIHR noted progress, but also concluded that "these elections fell short of international standards for democratic elections".³ For both of these elections, even though the OSCE-ODIHR does not cast doubt on the overall results, it nevertheless remains true that the extent of both presidents' victories is questionable⁴.

c. Human Rights

21. All three countries have adopted the basic texts and conventions governing human rights. However, the protection of fundamental rights and the implementation of the conventions is not yet satisfactory. Freedom of expression, association and assembly is not always observed. The retention of political prisoners (see particularly the work of the Council of Europe in Azerbaijan), the

² Reports for the 3 countries on the "Functioning of Democratic institutions" of the Monitoring Committee of the PACE

³ Preliminary declarations of the OSCE-ODIHR. Second round of the presidential elections in Armenia on 5th March 2003 and the presidential election in Azerbaijan on 15th October 2003 and the presidential elections in Georgia on 4th January 2004.

⁴ 67.5% of the votes for president Kocharian and 71.5% of the votes for president Aliyev.

conditions of detention and the brutality and torture perpetrated by the security forces are regularly condemned by international bodies.

B. TERRITORIAL CONFLICTS

22. The international frontiers between the three republics are the old administrative borders inherited in 1991 from the former Soviet Union. The route of some of these borders has been called into question by territorial claims. Two of the South Caucasian countries are unable to exercise sovereignty over all their territory and have experienced violent conflicts entailing many casualties and the displacement of populations. Most of the conflicts have now abated without however having been settled. These so-called "frozen" conflicts are a serious threat to regional stability.

1. Abkhazia

23. The demands which set off this conflict called for secession from Georgia with no suggestion of autonomy. As from 1988 the Communist Party of Abkhazia had come out in favour of secession and the Abkhazian Popular Front espoused this concept. In 1992, Abkhazia made a unilateral Declaration of Independence, to which the Georgian government responded by attempting to retake the separatist province militarily. A successful counter-attack by the Abkhazians supported by the Confederation of Caucasian Peoples and with "friendly neutrality" on the part of the Russian Federation resulted in a ceasefire signed in Moscow in 1994. The agreement gives de facto recognition to a border line between Abkhazia and Georgia along the river Inguri. This conflict led to the departure from Abkhazia of some 250,000 Georgians, who became internally displaced persons. The population of this region is reported to have fallen from 500,000 to just 100,000 in a matter of years.

24. On several occasions – although to no effect – Abkhazia has declared that it wished to join the Russian Federation (where some 34,000 Abkhazian Moslems live). The Russian rouble is in circulation in the country and in practical terms, Abkhazia depends on Russian supplies. In addition to the fact that Abkhazians do not require Russian visas, it also emerges that a large majority of them have acquired Russian nationality and hold Russian Federation passports.⁵ Moreover, the presence of the Russian military base at Gudauta makes Russia a prime actor in the settlement of this conflict. This has been the status quo for about a decade despite the efforts at mediation conducted by the United Nations and the diplomatic consortium known as "the group of friends of the United Nations Secretary-General". We should point out here that the dual mandate of the United Nations in Abkhazia (to facilitate negotiations and monitor the ceasefire signed in 1994) is a temporary one. As a result, it is subject every six months to a formal extension procedure. The current mandate expires on 31 January 2005.

25. The Adjara crisis, then more recently the incidents in Abkhazia and South Ossetia, have had the effect of poisoning Russo-Georgian relations still further. This crisis reached a peak in August 2004 when the Georgian president threatened to sink any ship that approached the Abkhazian coast without formal permission from Tbilisi. Furthermore, the holding of "presidential elections" in Abkhazia on 3rd October 2004, has - obviously - been very poorly received in Tbilisi. All of the candidates to succeed the Abkhazian leader, Mr Ardzinba, have adopted a firm position on making any concessions to the Georgian side, which would jeopardize the "self-proclaimed independence of the republic". This doesn't show a positive evolution.

26. During its visit to Georgia, the Committee was able to hear the majority of national and international speakers express serious concerns about the current situation. The political positions

⁵ Source : OSCE, "Background information paper", prepared for the visit by the OSCE Heads of Delegation, 5-6 September 2004.

adopted on both sides appear to be hardening, which makes it even more difficult to envisage any normalisation of relations between Sukumi and Tbilisi and a return of the displaced populations. The recent proposals from Tbilisi to resolve the conflict appear to have been rejected by the Abkhazian side. Nevertheless, it is to be hoped that the reforms underway aimed at revamping the current structure of the state into a federal system may contribute some positive elements for future settlement and offer a satisfactory territorial status and autonomy to this region.

2. Ossetia

27. The Soviet Union had established a regional administrative border between North and South Ossetia which has been the international border since 1991, and now marks the division between Georgian and Russian territory. The Ossetians live on both sides of the border. In addition to this administrative division there is a religious difference: those in the North are Moslems and those in the South are Christian. In the first years of independence, the Southern Ossetians (some 100,000 people) were strongly opposed to the government of Tbilisi, which by limiting the specific status of Ossetians, put in place a policy perceived by the Ossetians as a policy of assimilation. The Ossetians declared an "Independent Republic" in 1990. Tbilisi sent troops to regain control and there was violent fighting. Some 40,000 internally displaced persons fled this conflict. Today, according to Georgian sources, between 10,000 and 15,000 Georgians remain in South Ossetia. At the referendum in 1992, Ossetia voted overwhelmingly for independence and integration with the Russian Federation. Peace was negotiated by Russia and the 1992 Sochi agreement recognised the territorial integrity as well as the inviolability of the borders of Georgia and Russia, but without solving the conflict. The agreement also provided for the implementation of a tripartite joint peace-keeping force (JPKF). This force, which was deployed in July 1992, includes 500 Russian peace-keepers, 500 from North Ossetia and 500 from Georgia. For the time being, negotiations have not led to a resolution of the conflict, nor allowed the return of the displaced persons.

28. During the final years of the Shevardnadze presidency, most of the Ossetians living in the conflict zone acquired Russian citizenship and now hold a Russian Federation passport, which also poses an obvious problem of sovereignty. During the Russian presidential elections of March 2004, these people were encouraged by local authorities to take part in the Russian vote. The tactic employed by the new Georgian leader aimed at restoring legitimate order to the region and pushing for a resolution to the conflict caused serious tensions to flare up again in August 2004. First of all attacking the flourishing traffic in illegal goods that transit through this border area, Tbilisi sent forces from the Interior ministry to the region. There were exchanges of fire in August 2004, leaving some thirty or so people dead. The Georgian population living in Ossetia is back in the centre of interest of the warring factions, trapped and isolated by the military operations. The events that took place in this area in August lead one to fear a hardening of the antagonistic positions adopted by the parties to the conflict, resulting in the paralysis of the negotiation process.

29. The deterioration in the security situation in the region has clearly affected Russo-Georgian relations. Russian authorities seek to secure peace in the region and protect their citizens. Strongly questioning the impartiality of the Russian contingent in the joint peace-keeping forces, the Georgian authorities are complaining that these forces do not abide by the principle of the country's territorial integrity. President Saakashvili, in denouncing the military assistance to South Ossetia from Moscow and the presence of mercenaries, Cossacks and paramilitary forces in his country assisting the Ossetian rebels, fears that "war with Russia is close".⁷

30. During the discussions held in Georgia, members of the NATO- PA Delegation were able to talk with the government and international authorities and visit the 113th Georgian battalion of

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Interview of President Saakashvili – 24 August 2004 - *Libération*

peace-keeping forces stationed close to the "conflict zone". The battalion monitors the area that has, in principle, been demilitarised since hostilities ended and negotiations resumed. The Georgian side is worried about what it considers to be the creation of a real South Ossetian army, made possible by outside aid. The Georgians are forcefully demanding the total demilitarisation of the zone, including the territory adjacent to the Russian border, as well as the convening of an international conference on resolving the conflict and the replacement of the JPKF peace-keeping forces by impartial peace-keeping forces under international authority. Finally, Georgia wants international assistance in monitoring the movement of people and goods to and from the Roki tunnel linking Russia and Georgia.

3. Nagorno-Karabakh

31. In this conflict, it is control of this enclave that is at the core of the long-standing tensions between Azerbaijan and Armenia. Clearly, the parties involved in the conflict put forward opposite versions of the story in an attempt to explain their nation's historical ownership of this territory. The situation is made more complex because of the numerous changes made to the frontier between Azerbaijan and Armenia and the corresponding movements of population under the Tsar and the Soviet Union⁸ which have upset the geopolitical and ethnic equilibrium of the region on several occasions.

32. The Khanate of Karabakh was first attached to Russia by the treaty of Gulistan in 1813. The province was formally attached to the Azerbaijan SSR (Soviet Socialist Republic) by Stalin in 1921 and in 1923 was converted into an Autonomous Republic inside Azerbaijan⁹. Before the conflict, this province was populated by 21% Azerbaijanis and 77% Armenians. In February 1988 the Karabakh Soviet declared its unilateral withdrawal from Azerbaijan SSR and its union with Armenia. This decision was ratified by a ruling of the Supreme Soviet of the Soviet Socialist Republic of Armenia adopted in June 1988. Demonstrations on both sides of the frontier gave way to violent ethnic clashes and finally to the conflict that broke out at the end of 1991. Karabakh declared independence on 18th July 1992. The conflict was halted by a ceasefire in April 1994. Since then, the ceasefire line has separated Azerbaijan from Armenia and from the province of Karabakh, thereby depriving Azerbaijan of some 20% of its territory (the province of Karabakh and seven occupied Azerbaijani districts) and causing a flow of refugees and internally displaced people in the two countries (280,000¹⁰ in Armenia and some 800,000¹¹ in Azerbaijan). Negotiations held since have still not resulted in a peace agreement nor settlement of the conflict in "Karabakh and the occupied territories".

33. De facto, settlement of the dispute involves at least three parties: Azerbaijan seeks to retain its territorial integrity, Karabakh invokes the principle of self-determination and Armenia aspires to protect the interests of the Armenian population and its historical limits. In addition, Russia which openly gave military and diplomatic support to Armenia as well as Iran and Turkey (the latter gave military support to Azerbaijan) all have an interest in the resolution to the dispute. Despite four United Nations resolutions reaffirming the principle of the inviolability of frontiers and condemning the use of force to gain territorial advantages [UN Security Council Resolutions N° 822 (1993), 853 (1993), 874 (1993), 884 (1993)], and efforts at mediation by the Russian, United States and French co-presidency under the aegis of the OSCE, there seems to be no solution to the conflict. For nearly ten years now, Karabakh and the occupied territories are officially Azerbaijani territory over which Baku is unable to exercise sovereignty.¹² Closing of the border to movements of good and

⁸ See the 1828 Turkmanchay treaty and the deportations of Azerbaijanis from Armenia in 1948-1954.

⁹ Council of Europe - Parliamentary Assembly, Report 7793, April 1997.

¹⁰ Source: UNHCR global report 2000, 360,000 according to official Armenian sources

¹¹ Source: UNHCR-UNDP Azerbaijan, one million according to official Azerbaijani sources.

¹² Principle of territorial integrity of Azerbaijan reaffirmed in the document of the OSCE Summit in Lisbon on 2nd-3rd December 1996.

persons¹³ by the Turkish nations (Azerbaijan and Turkey) isolates Armenia. Fighting regularly breaks out on the constantly changing ceasefire line, causing new casualties.

34. In Armenia, as in Azerbaijan, all governments are faced with the tricky question of negotiations about the conflict over Nagorno-Karabakh. The radical positions adopted by certain Armenian political parties, refusing any form of compromise, or the warlike statement of some Azerbaijani political parties offer only fragile hopes that a resolution to this conflict may be close. As a result, these countries remain paralysed by a conflict situation whose impact goes far beyond the borders of these two states and polarises politics in the Caucasus. Armenia is confined to a position as an enclave that the normalisation of relations with its Turkish and Azerbaijani neighbours would no doubt alleviate. The Turkish and Azerbaijani nations are perfectly aware of the economic, logistical and political benefits that settling relations with Armenia could generate. Your Rapporteur very much hopes that the prospects for political change in the region and the new political orientation of the European Union - especially the rapprochement with Turkey - may play a beneficial role in resolving this conflict.

4. Other principal potential threats

35. Other threats are mainly of a nationalist or separatist nature and could endanger the cohesion and stability of the South Caucasian republics.

a. Adjara

36. For quite some time now Adjara has enjoyed a high degree of autonomy. Led by the very authoritarian Aslan Abashidze for more than twelve years, this region had acquired a large degree of economic independence and some political autonomy. Situated alongside the route of the pipelines, which will carry oil for export from the Caspian in 2005, Adjara is a strategic region for Georgia. It controls trade from Turkey and some important ports of the Black Sea (among them Batumi), and had an armed militia and a near self-managing administrative system.

37. The new Georgian President, wanting to re-establish the authority of Tbilisi over all of the regions of the country began a power struggle in the spring of 2004 with the leader of this implacable region. The Adjarian population organised important demonstrations to express its opposition to the leader Abashidze's policy, contributing to the destabilisation of this regime. This ended with the departure of the former Adjarian strongman and a maiden victory for president Saakashvili's "strategy of reintegration". In addition, it is to be noted that the moderate position of the Russian Government contributed to the solution of the crisis.

b. Talish region

38. The Talish region is situated South of Azerbaijan on the frontier with Iran. It was incorporated into the Republic of Azerbaijan by Stalin in 1921. With a strong Shia religious tradition, the Talish community in Azerbaijan (officially 76,841¹⁴ people; Talish estimations are 500,000 to 600,000) has close economic, cultural and religious links with the adjoining Azerbaijani region in Iran and speaks an Indo-European dialect of the Farsi (Persian) group. There was a short-lived "Soviet Socialist Republic of Talish-Mugan" in 1919. In 1993 the Talish separatist movement attempted to re-establish an independent State. Baku repressed the movement with severity and sentenced most of the leaders for endangering the security and integrity of the

¹³ The Turkish Delegation mentioned in its comments that the notion of "Blockade" in international law implied the existence of a state of war between the two parties involved. In this context, consequently, the use of this term would be improper. Therefore the Rapporteur renounces to use this expression.

¹⁴ Most recent census in 1999.

country. The "president" of the very short-lived "Autonomous Talish Republic", Alikram Gumbatov, recently sought asylum in the Netherlands after many years in detention in Azerbaijan.

39. The Talish community has a marked identity, characterised both by its difference from the Turkish world of the Azerbaijani majority and its traditional cultural and religious affinity with Persian culture and Iran. While the firm approach of former President Heydar Aliyev to the fight against separatism has proved effective, the aspirations and national identity of the Talish community remain alive and well. A recurrence of separatist tendencies is not to be excluded in this economically prosperous and oil-rich territory.

c. *Lezghistan*

40. The Lezghin minority lives on either side of the Russo-Azerbaijani frontier. It differs from the other peoples of the region ethnically and linguistically. Estimated at 250,000 in Daguestan (Russian Federation) and officially 178,021¹⁵ in Azerbaijan, Lezghin sources estimate this same population at some 700,000. The community has several times manifested separatist tendencies. A Lezghin independence movement "Sadval" was established in Daguestan in 1990. In 1991 it called for the establishment of an "independent Lezghistan" comprising Lezhgins from Azerbaijan and Daguestan. The "Sadval" movement is suspected of terrorist activity including an outrage in Baku metro, which killed 19 people in 1994. It is also accused of participation in hostage-taking in Daguestan in 1996 and of involvement in the explosion, which damaged parts of the Baku-Novorossiysk pipeline in 1999. The movement was dismantled by Heydar Aliyev's administration in conjunction with the Russian authorities in 1996 and its most prominent activists arrested for endangering the security and integrity of the state. The movement has since adopted a more consensual and peaceful approach with the emphasis on the promotion of cultural autonomy in the two countries. However, it is probable that the hope of uniting the two communities in an independent State of their own has not completely vanished.

5. Transnational Minorities

41. Transnational minorities are those living beyond the borders of their countries of origin. As a result of efforts on the part of governments, such minorities have not - so far - expressed the wish to become part of the States from which they originate. Under bilateral agreements, the countries concerned recognise the inviolability of frontiers, allow the communities cultural autonomy and prevent nationalist movements from taking root. Be this as it may, this ethno-geographical complexity is a source of weakness for these countries.

a. *Armenian population in Georgia: Javakhetia*

42. Georgia has an Armenian population of some 420,000 (officially 8% of the total population), centred in the major towns and the territories of Samtskhe and Javakhetia. The latter territory, situated alongside the Armenian frontier, has a population of 95% Armenians. It is also on the route of the pipelines and has a Russian military base, which employs most of the population. Javakhetia was once part of Armenia and some Armenians call for its reunion with their country. Such demands seem marginal at present but they could poison Armenian-Georgian relations, especially if the Russian bases were to be closed down. The Armenian communities have stated their opposition to the removal of the Russian base.

¹⁵ Most recent census in 1999.

b. Azerbaijani minority in Georgia and Georgian minority in Azerbaijan

43. There is an estimated Azerbaijani population of 289 761¹⁶ on Georgian territory (6,5% of the overall population) and there are a few Georgian villages inside Azerbaijan. Thanks to the good relations and agreements concluded between the two countries (in particular the bilateral cooperation agreements signed in 1993 and 2004), both communities have satisfactory access to education and culture in their mother tongue.

c. Azerbaijani population in Iran

44. Since the beginning of the 19th century, the Azerbaijani nation has been divided between two countries, the Soviet Union - afterwards independent Azerbaijan - and Iran. According to CIA sources, the Azerbaijani population in Iran constitutes 24% of the Iranian population. According to Azerbaijani sources this population is three times more important. There are certain movements on both sides of the frontier with aspirations towards reunification, but they remain marginal and are closely monitored by the authorities in the two countries. Some political parties dream of national and territorial reunification and any weakening of Iran could encourage nationalists to relaunch such an idea.

III. NEW CHALLENGES AND THREATS

A. INTERNAL SOURCES OF DESTABILISATION

1. Consequences of the pauperisation and decay of the social and economic fabric on the demographics

45. The collapse of the USSR left large segments of the integrated economies of their republics high and dry. It is extremely difficult to produce reliable figures. Nevertheless, it is admitted that unemployment in reality stands at a minimum of between 15% and 20% of the population of these countries, even though official statistics do not always reflect this. The standard of living has fallen drastically compared with what it was during the Soviet era. This economic decline has been accompanied by a fall-off in the level of social services. Statistics supplied by international bodies indicate that 52% of Georgians, 57.3% of Armenians and 47% of Azerbaijanis live below the poverty level¹⁷ and the gap between rich and poor has widened hugely. There are, however, signs of slow improvement. In 2002, there was a real rise in GNP of 5.4% in Georgia, 12.9% in Armenia and 10.6% in Azerbaijan.

46. The cumbersome and ineffective administration, the lack of a proper public finance and the discrepancies between salaries and living standards encourage corruption and the growth of a large parallel economy. The organisation "Transparency International" rates Azerbaijan and Georgia 124th and Armenia 78th out of 133 countries listed in accordance with the corruption index for 2003.

47. The social consequences of this situation are worrying. A large part of the population, often the most educated people, has left home in search of a better life or to get away from conflicts and political instability. In all three countries, there is a major "brain drain" underway as well as the departure of the elite classes. Obviously, such migration movements have a particular impact on these small size states. As is the case with economic indicators, demographic statistics can not be totally reliable. A large proportion of people hold a second passport from another country or have the right of abode in Russia. Furthermore, statistics often only take account of permanent and

¹⁶ Figures issued by the Azerbaijani Delegation.

¹⁷ Country brief 2004, World Bank Brief and CIA Fact sheets, 2004 <http://www.worldbank.org/>

official emigration. These elements, as well as the presence of refugees and displaced persons add to the complexity of statistical calculations. This matter is clearly a delicate subject. Nonetheless, studies indicate that this region is undergoing significant migration, as well as an upheaval in the demographic balance. The effects of economic and political crises, as well as far-reaching social and economic changes, have an impact on the behaviour of society. There is an overall tendency towards a major reduction in the rate of marriages, fertility and births, plus an increase in the divorce rate and the average age of marriage, indicating a deep-seated change in these societies, as well as an overall ageing of populations¹⁸.

48. In Armenia, the latest census recorded 2.9 million inhabitants, but diplomatic sources encountered on the spot estimate that in reality only 2.2 million people live in the country, an opinion corroborated by local NGOs. The same thing applies to the two other republics, but on different scales. In Georgia, official sources state there is a migration rate of 2.3 per thousand and that some 218,000 people emigrated abroad between 1990 and 1997. By contrast, the non-government organisations state that for the same period at least a million people left the country. In Azerbaijan, on account of the size of its population, more than 8 million according to the 2001 census, the effects of these new tendencies are not yet really perceptible. Nevertheless, the fall in the birth rate and the index of population growth confirm this overall tendency.

49. The disengagement of the State from Education gives great cause for concern. The education and health care standards continue to decline. The new directions taken in teaching programmes and techniques, the shortage of textbooks, as well as linguistic innovations (from Cyrillic to Latin alphabet in Azerbaijan) all add to the problem. As a result, private establishments have started to come on the scene and are generally confined to a well-to-do urban elite. This puts the final seal on the gaps between town and country, rich and poor.

2. Popular Discontent and Extremist Political Temptations

50. The demonstrations, which took place in the wake of the latest elections in the three republics, denote growing discontent. There is uneven development and the rural areas are far more severely hit by the crisis. The despair of certain disadvantaged populations offers a promising breeding ground for extremist and nationalistic ideas. In Azerbaijan Islamic religious groups are active among the deprived and the refugees. There is an obvious danger of radicalisation, especially among the younger generations affected by conflict and by time spent in refugee camps.

51. In the three countries in question there has been a hardening of the attitude of the political parties, often along nationalistic, chauvinistic and aggressive lines. These parties are gaining popularity, especially among those most affected by the economic crisis and by those who pine after the Soviet era.

3. Appearance of "grey" or "no-go" areas

52. The direct result of the political and economic development of this past decade and the persistence of unresolved disputes, has been the emergence of areas beyond the control of the government. They also illustrate the acute crisis of the State and central authorities that many of

¹⁸ Georgian Centre of Population Research. UNFPA Second country cooperation framework for Armenia (2000-2004). UNFPA third regular session 1999, Assistance to the Government of Azerbaijan and data from The State Statistical Committee of Azerbaijan Republic, World development Indicators database, April 2004.

²⁰ Geopolitical dictionary of drugs, Alain Labrousse, 2003 and International Narcotic control Strategy Report – 2001-2004

the countries created by the collapse of the Soviet Union have had to deal with. Some of these entities put up with being integrated as part of a "host state", provided it does not interfere in their "self-management system". Others, claiming self-determination, cut off their links with the central umbrella state, creating *de facto* situations that are unlawful and in a judicial void. The main feature of these zones is their lack of compliance with national laws and the lack of any authority or recognised system of management. Some of them merely accommodate so-called "free" trading areas. Others, run by "governments or authorities" bound by no international commitments, have become alleged havens for mafia networks and all sorts of traffickers and terrorists as well as rear bases for paramilitary organisations. This worrying phenomenon could heavily weight on the stability of these states and security as a whole in the southern Caucasus.

53. This phenomenon gives rise to all sorts of speculation about the nature of the financial resources of these illegal entities. Some countries accuse their neighbours of either producing or encouraging the transit of drugs. Azerbaijan denounces the use of its occupied territories for growing and transshipping illegal drugs and Georgia suspects Abkhazia and South Ossetia of being involved in arms smuggling. Adjara has long used its control over the borders and its special status to develop trading networks considered in Tbilisi as Mafia networks. Checking out these allegations remains a delicate matter, but it is certain that the proximity of the Chechen conflict zone, the proximity of traditional routes for shipping drugs, the financial needs of certain movements, widespread corruption and the often unequal border checks all work in favour of the establishment of Mafia and international criminal networks. The region is a hub for the transshipment of drugs from Central Asia, Afghanistan, Pakistan and Iran (via the Caspian Sea and the land border with Azerbaijan and Armenia²⁰) destined for laboratories in Lebanon, Russia and Europe. Despite the lack of accurate statistics on the extent of this phenomenon, the three countries all have serious problems of drug addiction, especially among the younger generations.

4. Other Areas of Concern

a. The Pankisi Gorge

54. This zone has a population of some 7,000 Georgian Chechens (Kists). Since the beginning of the conflict it has sheltered between 5,000 and 7,000 Chechen refugees. This mountainous region, as well as the frontier with Chechnya is, by reason of geography, difficult to police. The Russians consider that this region has been and can be used as a rear and logistics base for Chechen separatists. It has also been suspected at one time of harbouring militant Islamics linked to al-Qaeda. It appears that financial resources and military supplies from supporting networks and Arab countries have reached Chechnya via the Pankisi Gorge, in particular during the first Chechen conflict. On several occasions the Russian authorities, on the grounds that the Georgians were unable to provide proper control, mounted police operations, sometimes without consulting Tbilisi. One such example was the attack on villages in August 2002.²¹ The new Georgian President has initiated a fresh co-operative attitude to Moscow. At their meeting in the Russian capital in February 2004, the two Presidents agreed to develop close co-operation for an effective control of their common frontier, exchanges of information and the composition of joint frontier patrols in order to eliminate all allegations and suspicions that Chechen rebels could obtain outside support via Georgia.

55. Also, since 1999, the OSCE's mission in Georgia has been staging increased surveillance of Georgia's eastern border. During their visit, the Committee members were informed that the OSCE has increased its number of observation posts since 2000 and today covers the entire border, including the border with the Russian province of Daghestan, Chechnya and Inguchia. The

²¹ Information confirmed by OSCE sources, RFE/RL; in a statement the White House spokesman said on 23 August 2002, "the US is deeply concerned about credible reports that Russian military aircraft indiscriminately bombed villages in northern Georgia".

observation system used provides night and day surveillance of the major crossing points with these borders and also provides effective and systematic monitoring of all crossings. It is obvious that this observation contributes greatly to reassuring the concerned Russian and Georgian authorities that this border is now practically hermetically sealed. This surveillance mission employs some 177 people made available by 32 OSCE member states as well as 135 Georgians, divided into teams. Its mandate expires in January 2005. The national and international parties encountered in Georgia virtually all supported the demand from the OSCE Chef de Mission to use this report to pass on how crucially important it is for this mandate to be renewed. Furthermore, it appears that the extension of this observation to the segment of the Georgian border with North Ossetia, including the Roki tunnel, would contribute greatly as a confidence building measure required to resolve the Ossetia conflict. This appears to be essential for strengthening security in this part of Georgia and calming suspicions on both sides of the border.

B. EXTERNAL CAUSES OF DESTABILISATION

1. Impact of the conflict in Chechnya

56. The region as a whole has suffered from the effects of the conflict. The conflict, which pits Orthodox Russia against a Moslem people, has reopened religious divides. Some Moslem solidarity with the Chechen cause has been used by governments and religious establishments. In Azerbaijan, there have been inflammatory speeches in certain independent mosques using the example of Chechen repression to call on the faithful to affirm their identity and their faith. These speeches have not been backed by the country's authorities. At the same time this development has given rise to a certain xenophobic feeling against Moslems, as well as against Caucasian peoples as a whole.

2. Regional religious issues

57. The opening of the former Soviet frontiers and the renewed interest in religion have favoured the establishment of proselytising influences. Furthermore the South Caucasian conflicts have attracted mercenaries, former Afghanistan fighters and members of extremist organisations which contribute towards disseminating extremist and politicised religious ideologies.

58. Azerbaijan, inhabited by people of Turkish origin, has a Shia majority but many Sunnis among the minorities in the North. This country is experiencing, especially in rural areas, a major religious renaissance and it remains, as a result of its position on the border between the Christian and Muslim worlds, an area of strategic interest for Muslim religious organisations.

59. Linguistic and cultural closeness to the Turkish world has facilitated the development of religious links and the installation of Turkish religious institutions in Azerbaijan. According to the State Committee on the work with religious entities, of the 150 mosques newly built in Azerbaijan in conjunction with foreign institutions, 36 have been sponsored by Turkish movements. Also, many Azerbaijani students have been sent to Turkey to study at the country's Koranic schools.

60. Statistics are not available regarding aid from Iran, which has taken a number of different forms on account of the proximity of this country. The religious tradition, the common frontier and language shared by the Southern (Talish) region and Iran have facilitated educational exchanges in the religious field, the importation of religious literature and the training of clergy in Iranian institutions.

61. Arab religious organisations have established themselves among the refugees by means of humanitarian projects. According to the State Committee, some 62 mosques (out of the 150 built recently) have been sponsored by the Kuwaiti organisation "Islamic Hereditary Development Society" alone. It is admitted that these communities established in Azerbaijan have links - mainly

natural - with religious movements in the northern Caucasus. It is not impossible that some have used their presence in the South Caucasus as a relay for their activities in the North Caucasus and Chechnya.

62. There are some very ancient Muslim communities in Georgia in districts populated by Azerbaijanis in the north of the country and in Adjara, Meskheta and Abkhazia. Approximately 12% of the Georgian population is Muslim, according to the last census in 1989. Sunni communities (Adjara, Meskheta and Abkhazia) live side by side with Shi'ite communities in the "Azerbaijani districts". The tradition of mutual religious tolerance appears - for the time being - to continue between the dominant Christian communities and Islamic minorities. It was possible to observe that a few isolated cases of religious communities (in Adjara or among the Kist populations in the Pankisi Gorge) have been tempted by Salafist extremism for the Sunnites and Wahhabist extremism for the Kists.

63. For the time being, religious tendencies remain moderate in the region. Nonetheless, religion is a clear-cut and essential factor of the regional geopolitical balance. The fact that Christian communities are located in Muslim territory (Nagorno Karabakh), or share most of their borders with Muslim nations (Armenia) or the other way round, that there are minority Muslim communities on Christian territory (Adjara, Abkhazia etc.) is the sign of a historical coexistence between religions in the Caucasus. Freedom of conscience and religion are fundamental rights necessary to maintain a peaceful life and coexistence in this region.

3. Sharing the Waters of the Caspian Sea

64. Some 13 years after the collapse of the Soviet Union and the emergence of the new South Caucasian and Central Asian states, the question of the sharing of water and consequently the fixing of the maritime limits of the countries bordering the Caspian Sea (Russian Federation, Azerbaijan, Iran, Turkmenistan, Kazakhstan) and their access to oil resources has still to be settled. Tripartite negotiations between three (Azerbaijan, Russian Federation and Kazakhstan) of the five countries sharing the coastline of the Caspian Sea reached a partial agreement in 2003 to define the line dividing their territorial waters. Nevertheless, there is still no agreement of all countries about the status of the Caspian Sea. In these circumstances, it is difficult to see how off-shore oil exploitation and the exploitation of the sea's resources can take place without a clash of interests. There have, in fact, been a number of incidents among the countries involved, which could be the prelude to more serious trouble. In 2001 the British Petroleum Oil Consortium had to cease its work in the disputed off-shore zone after armed intervention by Iran directed at halting all operations in what it considered its area of sovereignty. In this context, the Iranians have also raised a question that they see as being associated with the status of the sea: the non-militarisation of the Caspian Sea. This question will no doubt play an important role in future negotiations between the five coastal countries.

4. Russian Military Presence in the Region

65. Traditionally and by its geographic and historical proximity, Russia maintains close links with the Caucasus. Its geopolitical position and interests in the Caspian Sea basin explain the strategic policy conducted by Russia in this region. Important economic links tie it to these three republics. Russia - in its capacities of joint president of the Minsk Group (OSCE); member of the "group of friends of the Secretary-General of the United Nations" for the resolution of the conflict in Abkhazia; and principal provider of personnel for the CIS's peace-keeping missions in the Caucasus; as well as representing one of the four parts of the Control Commission for the tripartite peace-keeping force in South Ossetia and maintaining military structures and/or troops in each of the three countries - understands and naturally sees itself playing a special role in all regional negotiation forums, as well as taking part in all of the strategic decision-making processes in the region.

66. By virtue of a traditional alliance between the two countries, Russia keeps a major military base (3,500 men and equipment) in Armenia, with which it maintains close military co-operation.

67. On Georgian territory there are 3 Russian bases (4,000 men and equipment) which are run without the agreement of the national authorities. The bases are at Gudauta in Abkhazia, Batumi in Adjara, and Akhalkalaki in Javakhetia. Like the Russian installations in Moldova, these bases are subject to the provisions of the Conventional Forces in Europe (CFE) Treaty and like the Moldovan bases they should already have been removed. The Russian authorities are demanding a notice period of 10 years for removing these bases, while the Georgians are granting them three years. Progress is expected in this area. Ratification by the United States of the Treaty on Conventional Forces has been agreed by the American government on condition that Moscow withdraws its forces from Georgia and Moldova

68. In Gudauta, the Russian authorities consider that they have withdrawn their troops. Any troops maintained in Gudauta would be then in accordance with CIS agreements on Commonwealth of Independent States (CIS) peace-keeping forces authorised by the CFE Treaty. One of the main reasons given by the Russians for keeping them open is the instability in the region and its effects on the Russian sector of the Caucasus. Some local observers believe that the Russian military may have supported certain separatist movements with a view to giving Moscow a continuous security role in the region. According to some parties encountered by the NATO-PA delegation in Georgia, the recent crisis in South Ossetia is an example of this form of interference in Georgian affairs and an operation designed to strengthen Russia's security role.

69. The Putin government has decided to strengthen its military relations with Azerbaijan which until recently had been limited by the Russian engagement in Armenia. The rapprochement with Moscow was encapsulated in a preliminary agreement signed in 2002 allowing Russia to use the Gabala radar station for a ten-year period (in return for payment) and in a second in 2003 providing for close co-operation particularly in the field of armaments and the training of military cadres. This trend illustrates Moscow's wish to harmonise its relations with Georgia and Azerbaijan and so to cease being mainly a partner of Armenia. These recent developments confirm the loss of momentum of the GUUAM (Georgia, Ukraine, Uzbekistan, Azerbaijan and Moldova) Initiative. This alliance, parallel to the CIS's collective security agreements, is considered as a form of alternative response to Russian and CIS (Commonwealth of Independent States) initiatives concerning regional security. Today, having abandoned some of its political ambitions, it appears that this organisation has evolved towards a policy of complementarities with the CIS. In particular, GUUAM develops cooperation in the fight against terrorism and extremism, as well as agreements of a commercial nature.

5. The new regional order

70. Since independence Georgia and Armenia have enjoyed a significant American support. In Azerbaijan, this cooperation recently received new impetus since the annulment of section 907 of the "Freedom Support Act" which banned between 1992 and 2001 direct American aid for government structures. Despite significant American support, particularly thanks to the action of the Armenian diaspora, Armenia remains Russia's traditional ally in the region. The new world order created after 11 September 2001 and the recent military ventures in the name of the war against terrorism, favour the development of new forms of co-operation with these countries.

a. Russia-USA Understanding in the South Caucasus

71. The intervention of the international coalition in Afghanistan and the recent convergence of interest on the part of the international community and particularly of the United States and Russian security concerns in the war on terrorism, have somewhat modified the regional balance. There has clearly been a rethinking of United States priorities, as borne out by the increased

American presence in the region²². Shortly after the establishment of United States military bases in Central Asia, Washington sent military instructions to Georgia ("train and equip" programme – April 2002, some 200 experts and ten helicopters).

72. The renewed United States interest in the region, explained by a high level of investment in Caspian Sea Oil Operations, among others, is taking place alongside a forceful return by Russia in the field of military co-operation and a strengthening of its economic and energy policy.

73. A new Russian tendency could be illustrated by Anatoly Tshubaïs' ²³ "liberal Russian empire" concept, which seeks to maintain essential and priority links with the "near abroad" (bordering Republics of the ex-USSR) by means of Russia's position in the strategic sectors of the economy. Consequently, Russian strategy in the South Caucasus could henceforth focus on close economic links and military co-operation. Moscow takes commanding positions in the oil consortia and makes investments in the three republics which guarantee it a strategic position in major corporations (distribution of electric power in Georgia and Armenia, for example). The increasing number of co-operative agreements signed between Moscow and the republics for the security of common frontiers and the enhancement of anti-terrorist co-operation provide further evidence of this policy.

b. Development of alliances

74. One might ask oneself about the limits of this Russo-American cohabitation in the South Caucasus. The common desire of the two powers to contain the rise in terrorism and cut off illegal trafficking is nevertheless faced with a certain level of geo-strategic and economic rivalry. The new States of South Caucasus could find themselves in a delicate situation in the face of incompatible political options, especially in terms of the military. In addition, some voices in Russia are worried about what they perceive as American expansionism in Russia's natural zone of influence. To a certain extent, these strategic options remain linked to fluctuations in Russo-American relations.

c. Economic and Strategic Rivalry – a New Break?

75. The major international projects for the export of oil supplies through Georgia and Turkey replace Russian plans to have the oil transit through Russian territory to the port of Novorossiysk. Similarly, Russia seems extremely uncomfortable with the idea of a joint Turkish, Georgian and Azerbaijani military force with responsibility for protecting the oil pipelines from terrorist attack. Apparently, not only does Russia find it difficult to accept the eventuality of a Turkish or any other foreign military presence in the "near abroad", but in addition Armenia fears isolation and possible military encirclement. The project carries the risk of dividing the region into two blocs on either side of the Eurasian corridor. The first grouping comprises Georgia, Azerbaijan and Turkey in connection with the oil (Baku-Tbilisi-Ceyhan) and gas projects backed by the United States and Western oil companies. An oil pipeline some 1760 km long will cross Azerbaijan, Georgia and Turkey from spring 2005, carrying oil to the Turkish port of Ceyhan in the Mediterranean (35 million tons annually by 2010). A gas pipeline running mainly along the same route is due to be built in the near future to export Azerbaijani gas. Other projects are in the process of being examined to enable the export of the immense gas reserves of Turkmenistan. On the other side of the oil pipeline the countries, which would be economically, and politically disadvantaged by the project have come together. Armenia, with Russian support lines up with Greece to counter the "Turkish encirclement" and develops economic projects with Teheran. An agreement worth nearly 120 million dollars has been signed with Iran to build a pipeline that would supply Armenia with Iranian gas in the initial phase. This project could then be developed at a later stage to counterbalance the "Northern energy routes".

²²

This new strategy must not lead to a softening of Washington's stance on human rights.

²³

Anatoly Tshubaïs orchestrated the Privatisation Policy for Boris Yeltsin.

d. Relations with NATO

76. Since 2004, Azerbaijan and Georgia have been participating in a new form of cooperation with NATO through the "Individual Partnership Action Plan (IPAP)²⁴ programme." This programme offers the possibility of setting up an individual Membership Action Plan (MAP) suitable for implementing reforms and developing specific cooperation. Over time, these two countries are seeking to become full members of NATO. The Delegation heard President Saakashvili talk about this matter. Armenia, while maintaining its traditional attachment to its partnership with Russia, also appears to want to develop closer cooperation with NATO. President Kocharian explained his diversification policy and the complementarities of Armenia's alliances very precisely to the NATO-PA delegation. Justified by a difficult geopolitical position, this policy is illustrated by the recent move by Armenia to commit to the IPAP programme while keeping all of its traditional political options open. President Kocharian stated that - for the time being - Armenia's ambition was not to aspire to becoming a full member of NATO.

77. In this configuration, the regional division heralded by economic prospects could also see a political and military fracture, placing the cohesion of the region in danger. The possibility of strengthening military relations with NATO, in particular the stationing of military bases in these territories in the South Caucasus, although not yet current, is creating strong reactions in Moscow and Teheran.²⁵ This opposition in principle to the presence of foreign forces in Georgia and Azerbaijan could cast doubt on the "Russo-American entente cordiale" and force these countries to make an embarrassing choice of strategic partner.

78. The last NATO summit in Istanbul ratified the intensification of relations with the Caucasus and Central Asia. Not only will particular attention be paid to these regions, but the Alliance also believes it necessary to strengthen strategically important cooperation in the Caucasus. With this in mind, NATO Secretary-General, Jaap de Hoop Scheffer, appointed Robert Simmons as Special Representative for the Caucasus and Central Asia on 15th September 2004. Also, the appointment of two officers to liaise with these regions should facilitate contacts and the development of close working relations. The communiqué published after the Istanbul Summit also raises the importance of the Black Sea zone and commits the Alliance to supporting and participating in efforts to strengthen stability and security in that region.

79. The persistence of local and regional conflicts does not make regional cooperation straightforward. The recent cancellation of a NATO exercise in Azerbaijan "NATO Cooperative Best Effort - 2004" which was to have taken place from 14th to 23rd September 2004, casts a shadow over prospects of cooperation on a regional level. In fact, with the Azerbaijani authorities refusing to issue visas to Armenian officers, NATO was unable to sustain its project and cancelled the exercise. NATO's Parliamentary Assembly which plans to hold a Rose-Roth seminar in Baku in November 2004, hopes that this type of incident will not occur again this time around. NATO-PA seminars must be open to all member and associate countries.

e. European Union

80. The European Union (EU) has increased its attention on this region by appointing in June 2003 Mr. Heikki Talvitie Special Representative for the European Union for South Caucasus. In more practical terms, the EU Summit held in June 2004 decided to extend its "European neighbourhood policy" to the three republics in the South Caucasus, which are now included in the "Wider Europe" programmes. As the result of a gradual process, the governments of the three republics will be able to define a "national action plan" that will determine the extent of cooperation with the EU. The Union remains deeply attached to abiding by and implementing democratic

²⁴ Created at the Prague Summit in 2002

²⁵ RFE/RL "Transcaucasia and Central Asia" Reports

values and principles and the efforts being made to achieve a peaceful resolution to the conflicts. The European Parliament also wants the EU to increase its contribution and encourage the development of deeper relations with the states in this region, both commercially and politically. In February 2004, the Parliament relaunched the project to develop a "Stability Pact for the South Caucasus", drawing conclusions from the pact for South-Eastern Europe. Some of the leading figures in the Caucasus, particularly President Saakashvili, have already stated their wish to commit to close cooperation and examine the conditions for becoming - over the long term - a member of the Union.

f. The role of Turkey

81. This new configuration must also take account of the economic and political role which Turkey intends to play in the region. The Turkish government recently attempted to mediate in the Adjara crisis. Ankara's diplomatic efforts – certainly with an eye to European integration – wishes among other things to assist the negotiations process on the Karabakh conflict and keeps open the possibility of a normalisation of its relations with Armenia. On this topic, a series of recent actions is opening up new prospects. Turkey and Armenia have initiated a dialogue between their Ministers for Foreign Affairs. The Turkish Delegation has indicated to your Rapporteur that these consultations are designed to end in the implementation of a "road map" for normalising relations between Turkey and Armenia. In its statement, the Turkish Delegation reiterated that "it was not against the normalisation of relations with Armenia". Armenia's Deputy Minister for Foreign Affairs, as well as the President of the Republic similarly stated that their countries wanted a normalisation of relations with their Turkish neighbour and in particular the liberalisation of the situation on the border. Twice-weekly charter flights are already linking Erevan and Istanbul, and the citizens of both states can travel to the other country by obtaining a visa. These elements indicate new impetus in relations between these two countries.

IV. SUMMARY AND CONCLUSION

82. For more than a decade, the South Caucasus region has experienced numerous and profound transformations. Following their independence, the Republics of Armenia, Azerbaijan and Georgia were faced with many problems as a result of the disintegration of the Soviet Union and its consequences. Territorial secessions, armed conflicts, the displacement of populations, economic and social difficulties, the transition to democratic systems and the creation of new states are some of the challenges these republics have had to face.

83. Even though we cannot talk about real political stability yet, it is important to point out that within a decade these new republics have been able to create and consolidate their states and create institutions. This report not only highlights the tremendous achievements, but also takes note of the persisting problems. Real progress is expected for consolidation, the good functioning of democratic institutions and the respect of fundamental rights. It reiterates recommendations made by international institutions for serious effort to be made to firmly anchor these democratic values and continue the ongoing transformation of these post-soviet societies. It is necessary to strengthen the regional dialogue in order to promote the solution of conflicts.

84. Stability and security in the region are still potentially threatened by numerous factors of destabilisation. Besides the latent, frozen and open conflicts, this report identifies two types of threats that could potentially challenge the currently calm situation in the region. These are the internal factors of destabilisation (problems of state cohesion, economic, demographic and social problems, organised crime and corruption, extremist ideologies...) and the external factors (regional geopolitics, militarisation of the region, the impact of the Chechen conflict, terrorist threats...), both studied in detail in this report. In conclusion, this report underlines the fact that the

development of these three states as well as the overall evolution of the region is somehow hampered by the remaining territorial and transnational conflicts.

85. Finally, your Rapporteur has addressed more general regional geopolitical issues, taking into consideration the developing industries in the field of energy, which contribute to making this region an attractive zone for economic interest. The three South Caucasus republics are strategic partners for NATO, which is convinced of the importance of further developing its relations with a region and states crucial to stability at the periphery of the Euro-Atlantic area.

86. In line with the expected reinforcement of NATO projects in this region, confirmed by the decisions of the NATO Summit in Istanbul, the Parliamentary Assembly is in a very good position to reinvigorate dialogue and co-operation with parliamentarians from the countries in question on our common security interests.

87. Consequently, your Rapporteur recommends that:

The Assembly:

- pay particular attention to South Caucasus and Central Asia and promote special co-operation with these regions. It is essential to develop individual and regional knowledge of these countries and to encourage discussion on strategic issues;
- use the comparative advantage of the independent and flexible structure of the Assembly to increase the number of formal and informal contacts with the authorities in these countries and to promote the development of communication networks;
- develop a dialogue within the Assembly with NATO member and partner states and in particular with neighbours of this region and those which are linked to the area through history and geography – the Russian Federation and Turkey – dealing with the necessary conditions to consolidate regional stability, as well as the pre-conditions and possible consequences of strengthening NATO's relations with these states;

the Committee on the Civil Dimension of Security:

- continue its activities in relation to the region and develop a regional expertise on these countries;
- examine in a forthcoming report the possibility to solve the region's conflicts, taking into consideration the already existing international initiatives in that field and to study in that context the possible contribution of the Alliance.

APPENDIX

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