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ABSTRACT

South Caucasus, after decades of enforced isolation, is integrating into the international community and the global market. Global processes and trends are playing more and more significant role in developments in the region, which now needs to define its new role based on the realities of its comparative advantages and its geopolitical environment. One should take into consideration such global and regional processes as forthcoming technological innovations, EU and NATO expansion, insurgence of international terrorism, market forecasts and the prospects of available foreign investments, as well as the risks of new pandemics, global environmental threats and exhausting of natural resources. These global trends will certainly to great extent shape the future of the Caucasus. The turning point was September 11 events and the subsequent reshaping of the geopolitical disposition of forces. Caucasus, respectively, acquires rapidly increasing strategic importance due to its central position between Europe and potential zones of instability.

The essence of the problem dealt in the present policy paper is instability, insecurity and poor governance on all institutional levels of the states of South Caucasus as the consequence of regional tensions, conflicts and mistrust between nations. The paper intends to analyse how security-related policies are developed in transitional societies in their correlation to democratic processes and economic development, to explore the nature and dynamics of strategic preferences and perceptions of security threats among political élites and the population of Georgia and other parts of former Soviet periphery, South Caucasus. These developments and changes are studied as revealed through political statements, interviews, in public discourse and voting - resulting from changing geopolitical realities such as Kosovo crisis and NATO involvement, events in Macedonia, implications of the September 11 tragedy and war in Afganistan, the change by international community in reacting to regional crises from piecemeal approach to comprehensive regional solutions, implications of the war in Chechnya, new assertive Russian international policies and changing relations between Russia and the West. It is intended to investigate also the impact of international regimes and conflict prevention tools on local actors, and the impact of external policies and humanitarian/mediating interventions as geared to such arrangements, also the normative assumptions of actors both inside and outside of the specific region.

The study applies to analysing the feasibility of various models of comprehensive solutions for achieving regional security and co-operative development objectives, and in particular on investigating feasibility and implications of a "Stability Pact for South Caucasus", an analogue of the Stability Pact for Southeast Europe, that has been proposed, in different forms and wording by leading political figures in the region, including the presidents of Georgia, Azerbaijan, Armenia, and Turkey. These models are analysed against the background of understanding of the security issues for the Caucasus among the political élites in the countries that play the most significant role in current events – i.e. political actors such as the USA, Russia, Turkey, Iran, and the states of Southern Caucasus – Georgia, Armenia and Azerbaijan. An assessment is conducted to articulate perceived obstacles to the development of regional security/stability instruments and arrangements from both the intra-state and regional perspectives. The ultimate goal is supporting the development of long-term, strategic thinking and planing among top-level policy-makers in the region, empowering the society at large to follow, discuss, understand and participate in designing the country security related (and other important) regional policies.

The policy paper considers the conceptual basis for discussing various regional arrangement models, while the essential idea of the project is to seek for piecemeal solution to the process of regional cooperation through effective security arrangements, European integration and relevant international involvement. The stakeholders to such development are all local and foreign governments concerned with stability in the region, international organisations such as the OSCE, CoE, UNO, and others concerned with regional peace and development. The geographic area directly involved is the three countries of South Caucasus in the first place, but also broader region of Black Sea/Caspian/North Caucasus, Russia, Turkey, and Iran, and significant resources and technical assistance can be mobilised from various sources, but primarily from such international actors such as US and EU, for enforcing the effective cooperative model, which would imply the institutionalisation of regional arrangement process, change of attitudes among decision makers and the population, expert assessments.

Essential approach suggested in the policy paper is to seek a piecemeal process for regional cooperation through effective security arrangements, European integration and relevant international involvement, with US as a key actor

and mediator. Dealing with conflicts (third parties may serve as observers, as in Karabakh case the representatives of Karabakh may at initial stage), it also seems to be more effective to discuss first practical matters of transportation, repatriation or economic revival. It is suggested to declare a moratorium for discussing status issues apart of general procedures and willingness to proceed (so, all external players could make a joint declaration of unacceptability of unilateral secession, as well as the unjustified use of violence), although this would not be easy to achieve with the winning parties in conflict.

Step by step approach is a realistic alternative to overall resolution when dealing with each conflict separately, but keeping the regional dimension in mind should be preferable. External players could form a joint structure to deal with all regional matters from single perspective, and as a possible framework for this it is suggested to create a group provisionally called Friends of the UN Secretary General for the Caucasus. At the same time, the countries of the region at some stage could enter a joint commission for discussing issues of common interest, such as epidemics, trans-border crime and drugs trafficking, environment, etc. This may be of great importance as part of a confidence building process, as mistrust between countries and communities is the major obstacle to progress.

The paper supports the recent suggestion of defining a special status for the states of the South Caucasus on their way to integration to EU membership, that would be weaker than formal candidacy but require certain adjustment beyond OSCE and Council of Europe standards. The EU could sign an agreement with all three republics on the issue that they jointly <u>may</u> become candidates to EU accession if certain conditions are met within say 10 year limit. This will exclude any of the republics that violate some basic principles, i.e. democratic elections, human rights, non-violence, providing thus not only virtual stick in the form of sanctions but a carrot as well. Other measures include creating special (free) economic zones under international regimes along the border line of a conflict zone, or development triangles. Georgian territory in the neighborhood of the Red Bridge near Azeri and Armenian border, playing today an important role for informal economic exchanges between Azeri and Armenian businesses, bay acquire an official status and special regime in order to strengthen further the economic cooperation between parties. Special importance should be given to the search for various schemes of NATO/US/Russia cooperation, especially in Pankisi gorge, and maybe in the zone around Karabakh.

Summing up, the approach can be described as: piecemeal process with international mediation and guarantees at every stage; initiation broad public debate around the issue and much attention to public relations aspect, involvement of all interest groups and especially ethnic groups in the debate; gradual building on cooperational areas with special attention to economic and security aspects... while alternative implementation strategy in comparative time perspective may be preparing detailed plans on [inter]governmental level and only later informing the population, requesting the assistance of international actors in designing and implementing the security arrangement process

GENERAL BACKGROUND

Key geographical location on the crossroads of communications and transportation routes from Central Asia and oil-rich Caspian region to Europe ascribes special importance to South Caucasus for western investors and powers interested in acquiring access to this geo-strategic regions, and is one of the main sources of continuously increasing, if often disappointed, attention of western states and organizations. At the same time, Russia is preserving a number of military bases in Armenia and Georgia (and a radar station in Azerbaijan), all of them in sensitive locations of actual/potential conflict, and in latter case is exercising strong pressure for preserving most of them against the 1999 Istanbul agreements.

Unresolved conflicts in Karabakh, Abkhazia and South Ossetia and heavy burden of many hundred thousands of refugees and IDPs, while apart from purely humanitarian aspects highly damaging for stability and economy, at the same time played a crucial role in political reorientation of Georgia and Azerbaijan towards the West, cut off communications and trade with the North, and in certain sense benefited their sovereignty and independence, also attracting significant international attention and assistance.

Foreign policy orientation is important reference point for nation building, strongly favored or disfavored by the population and the élites. For the general population, foreign orientation may have important every-day connotation. So, among many changes that were brought by the new independence is the radical reorientation from Russian

language to English. Still, one of the signs of political immaturity of the Caucasian states and societies is the permanent referring to Russia as the main cause of problems or/and the clue to the solution of most of problems.

There is alarming inertia and passivity in both the Caucasian societies in general and in the troubled communities in particular. Still, long-held beliefs about the meaning of homeland, society, tradition and territory in one's life, relations between different subcultures, and expectations for the future, are undergoing a re-examination and re-appraisal. Many elements in traditional value orientation are gradually losing their authority or relevance, while other elements still retain their force. Interethnic tensions and ethno-territorial conflicts became the most noticeable part of new after-cold-war political reality, becoming a strong force of disintegration - ruining stability, prospects of development, and even elementary economic self-sufficiency in former Soviet South. Changing governments have appeared incapable or unwilling to maintain the forms of co-existence customary to the Soviet past and to formulate strategies facilitating co-existence and co-operation, while, opposite to it, some political élites have fully exploited attractiveness of nationalist or secessionist slogans for building their political careers and seizing power. Political support and commitment needed to formulate and follow sustainable peaceful strategy is not guaranteed today. It is essential but almost impossible to build partnerships between opposing parties, formulate flexible strategies and forming consensus around co-operation priorities in a situation in which political discourse is dominated by emotions, leaderships are concerned with short-term political interests and immediate benefits, while national and international institutions that would take the responsibility for co-ordinating regional peace-building process are either not working properly or are totally absent. Indeed, today some governments seem to be more open today to real compromises. The obstacles are however great.

Despite the demands posed by the change of political and economic structure and environment, cultural and political legacies hinder both élite and ordinary citizens in reorienting toward values of personal or corporate responsibility, transparency and accountability. Deeply rooted clientelism and corruption do not stimulate people in power to encourage public participation, on the other hand disillusioned ordinary citizens show apathy and accept the authority of those in power. An important corollary is that there is widespread perception of little control over decisions of government, little trust in others and low satisfaction with own life. The way out from this closed, self-reinforcing circle could be seen in the activation of politically conscious and active population and in the will of the ruling party to incorporate population in policy making. In the long run the political survival of today's élites depends on this will as further economic hardship, high rate of inequality and consequent popular discontent may swing the pendulum of public support to reform in opposite direction. Poor economic performance and continuous insecurity and humiliation may easily undermine the still embryonic democratic political culture.

Another alarming tendency is the great gap between political élites, actively involved in governance or directing opposition politics, and the population at large, emotionally concerned but lacking skills and levers for more political participation. Unwillingness of élites to take responsibility and initiatives needed for successful democratic transformation, lack of independent and creative thinking; are further aggravated by mutual suspicion and mistrust of political élites and masses, the center and the periphery. Élites have no confidence in masses, try to avoid where possible democratic structures and procedures of decision making under the pretext of democratic immaturity of population and its lack of political knowledge and skills, or putatively due to economic hardship or external security threats. Similar attitude can be observed in relation to regional authorities, and especially to ethnic or religious minorities. Only a robust civil society, with the capacity to generate political alternatives and to monitor government and state, can resist democratic reversal and is a remedy against such tendencies. There is urgent need for development of participatory approach at all levels of governance, and to empowering individuals and communities to self-organize on the issues of protecting their interests, to create effective trade unions, consumer societies or other non-governmental structures.

Today it is fashionable to speak about the failure of south Caucasian societies to build democratic states, free of corruption and of latent instability. Still, although the changes during last few years are hardly inspiring, they are far from catastrophic. Summing up one may say that while there are many obstacles to rapid positive change in civic culture and institutions in the direction of more mature, efficient and democratic ones, the process is nevertheless on move, with younger generation showing more active and positive stance. Orientations toward the western models and values, support of market oriented reform and of civic values is good reason for moderate optimism with regards to immediate future, and for much brighter hopes in the long run.

However, one of the common features that is among the major sources of instability is overall impoverishment of both the population and the state in all of the three countries of the region, and even more so in the secessionist territories of Karabakh, Abkhazia and South Ossetia. While the population's real income had started to increase during last few years, inequality stays remarkably high or grows. International organisations may have on agenda eradication of poverty as a general objective, but for the (good) governments in South Caucasus the priorities should be less formal characteristics such as satisfaction with life, confidence in the future, and maximum reduction of the numbers and improvement of conditions of marginalized, discriminated and vulnerable.

General economic crisis is an important, but not a single cause of widespread poverty and malfunctioning of the welfare system. Political, cultural and institutional factors are of no less importance. Lack of investment in industrial production is blamed but this is a corollary of other factors – low revenues (compared to trade), no confidence in future, corruption, no protection from racket or undue harassment by taxation and law enforcement officers, political instability, unfair competition and weak anti-monopolistic instruments, poor infrastructure, lack of qualified personnel, poor managerial skills and institutional culture, low morale of the workforce. It goes beyond saying that the poor are more easily radicalized around nationalistic, fundamentalist and militant slogans, and the massive unemployment among the young people is a dangerous feed ground for crime and unrest, and further gap between the new rich and the new poor may ultimately lead to a social explosion, or even worse – its diversion to a new round of interethnic hostility.

OBSTACLES TO STABILITY

Although regional stability and peaceful development are the declared goals of all influential political forces throughout South Caucasus, there are numerous obstacles to this, and the main such factors are underdeveloped participatory democracy, political infantility of élites, and the deeply rooted mutual mistrust between major actors. The Caucasus is a region with open conflicts and complicated security conditions. Three countries of the South Caucasus that emerged as independent sovereign states with the disintegration of the USSR are coping with various economic, social and political problems. However, the security issue remains to be one of the most central ones in this transition process, as geopolitical environment and the legacies of the past had made this region to be among the most explosive and unstable regions of the world.

There are two basic internal sources of instability in the region: sense of insecurity among ethnic groups, and struggle for benefits/resources. Three main types of issues are especially sensitive from this viewpoint: demography; status and governance; and access to/control of economic resources. Any strategy aiming at resolution of a conflict should deal with these issues to be successful. If a conflict can be resolved in a sustainable way, it should change the situation into a positive sum game from all internal players, including respective political élites that often have become hostages of their own victories, and myths that they have nourished. Sides in conflict live for long time in the illusion that time is working for them, however, realising now how much they lose from the frozen status of the conflicts, experiencing major economic, demographic and political losses. Various dimensions and approaches that may lead to such transformation of the format of conflicts and their subsequent resolution are of special importance, particularly from the perspective of regional co-operation. However, above-described internal sources of instability are supplemented by the projected interests of global and regional powers into the Caucasian-Caspian region that create additional potential for instability. Governments in the region have in such conditions to pursue an aim of creating strong military potential as a necessary component of the state-building process, and at the same time maintain civilian control over the military in order to avoid possible destabilisation caused by weak government vs. strengthening power of the military. Another conflict is between the desire to allocate scare resources to the economic development, while the fears for instability and nationalist agenda support further over-funding of the military development. Existing internal or interstate conflicts are additional argument for such tendency, and there is emerging arms contest between the local players in the region, aggravated by military support of some of them by destabilising Russian effort such as the military action in Chechnya, further aggravated by the presence of Russian military bases in Georgia and Armenia.

Most of populist rhetoric is exploiting ethnic myths about legitimate rights of one or another group violated by opponents, aiming strengthening/restoration of status, or legitimization of de facto situation. Even while lacking basic knowledge of ethnology, international law, history, or linguistics, people are readily operating with

argumentation, whatever biased, from these fields, in order to support popular myths interpreting situation in favor of their respective ethnic group. Conflicts with explicit winners and losers (Karabakh, Abkhazia), unlike cases with no definite winning party (Ossetia), are followed normally by massive ethnic cleansing and total reshuffling of ethno-demographic structure of the population. These conflicts are especially difficult to cope with, as the winners would by no means give up their gains (mainly in the sense of demographic balance or de facto status) and return to the status quo ante belli.

The key conflict in South Caucasus seems to be the one of Mountainous Karabakh, both due to greatest strategic stakes involved, and the internal difficulty of solving it after the sad history of atrocities and mutual hatred. The situation is aggravated by the lack of flexibility of political forces that invested in nationalism and ultimate victory, but also with the victims' complexes on both sides. Armenians deeply distrust any Turkic speaking group in their neighbourhood, never forgetting the genocide in Turkey, but also the first wave of extreme violence in Sumgait that triggered the conflict. Azeris in their turn dwell on their bitter memories of Gorbachov-time massacre in Baku (Armenians are considered as strategic forepost of the heir of the USSR – Russia, in the region, who provided huge amounts of armament to military training to Armenian army), even more bitter of their disastrous failure in the war and the atrocities committed by Armenians at Fizuli and elsewhere. Armenia, lacking freedom of strategic manoeuvre due to its landlocked location between Turkey and Azerbaijan, relies heavily on strategic partnership with Russia, trying to maintain good relations with neighbouring Iran and at the same time with the USA. However, it is more and more clear that no recovery and no stable development are possible with the solution of the conflict. However, the governments are hostages of their previous policies, and although certain steps forward were made, it is more and more clear, that neither Armenian president (himself from Karabakh), nor aged Aliev can afford radical decisions needed for the real progress in this direction, as different from export-oriented peaceful rhetoric. In the spring 2001, after a number of preliminary meetings in Paris arranged by Jacques Chirac, the hopes emerged once again when the presidents of Armenia and Azerbaijan made in Key West, Florida, significant progress toward achieving some conceptual convergence of viewpoints with respect to resolving the Karabakh conflict. However, soon after that it became only too clear that neither societies would accept compromise after so much hate-speeches and so many promises of final and uncompromising victory. Already three peace proposals prepared by the Minsk group of mediators had been rejected, and now the new proposal is going the same way.

Similar situation is in Abkhazia, where in spite of numerous negotiations and mediations lies the basic unwillingness of parties to conflict to find any mutually acceptable compromise. And indeed, on 5 February, Abkhaz representatives repeated their refusal to receive a framework document developed by representatives of the UN and the Friends UN Secretary General for Georgia group - "Basic Principles for the Distribution of Competences between Tbilisi and Sukhumi" as the basis of such talks, strongly supported by UN Security Council in its resolution 1393 of 31 January 2002. The reason is that this resolution, like previous resolutions on this topic, recognizes Abkhazia's status as within the state of Georgia, which is unacceptable for Abkhasian side, even though the two key demands of the Abkhaz leadership -- that Georgian refugees cease the protest action on the Inguri bridge and that Georgian armed forces pull back from the Kodori Gorge -- were being met. So, they is no easy way out of the deadlock, as Abkhazians would not agree to any limitation of their sovereignty, while Georgians will never recognise the latter. At the same time the Georgians will demand the unconditional return of refugees, which may actually reverse the demographic dominance of Abkhazians after the ethnic cleansing as a result of their military victory, and this will not be accepted, until the resolution of the status issue, which cannot be resolved. So, negotiations are rather a show, as there is no inclination to come to compromise with regards to two basic issues – return of the forced migrants, IDPs, and the status.

Most debates today revolve around the legal status of secessionist quasi-states within / vis-à-vis former metropolies. Absence of clearly formulated and widely supported strategy in resolution of the ethno-territorial conflicts is still a problem. There were unfortunately little signs until very recently that sides in conflict are actually looking for specific arrangements in a constructive way (contrary to all rhetoric about doing so). The issue of status used to be a pretext for blocking negotiations and by this preventing the return of the IDPs/refugees which may have endangered the demographic balance that emerged after the war. The negotiation process was often only means to demonstrate their good intentions and readiness to solve the conflict along the internationally favoured terms, while there was no real will to seek compromise. Despite their frequent statements, none of the sides wanted to go at the heart of the matter and to solve the legal status problem, as they preferred to wait until better bargaining positions are secured, if no explicit gain was possible immediately. However, the standstill in the negotiations becomes more and more damaging for parties. Postponing some decisions until the time when the sides have better basis for mutual

understanding while dealing with other more copable issues, designing a provisional status on the basis of the functional needs and approach, and in the meanwhile proceeding in other directions, is the viewpoint which seems to be reasonable.

Handling all these, and many other problems, is a formidable task for relatively young "democracies". However, there is no alternative, and it is rather the point of how quickly nations will mature. Indeed, today governments seem to be more open today to real compro-mises. The obstacles are however great. The most important is the unwillingness of winners (in conflicts) to risk the restoration of the status quo ante belli, i.e. to return to a situation in which they would become again a minority that cannot preserve the monopoly of power in a democratic scenario of development, independently from the legal status they would achieve within the framework of the bigger states. Now, governments are hostages to their declarations and promises, while the majority of differences are, contrary to a popular opinion, not mutually exclusive but rather symbolic or terminological by nature, and could be coped with if due effort is applied. Pressures on the conflicting parties, both from without and from within, are mounting, while the leaderships, until recently demonstrating the manifest lack of will to resolve the conflict, now seem to become more flexible and compromising. The present situation cannot survive in the longer run and "the illusion of time", i.e. belief that important decisions can be postponed to the distant future, is as dangerous an illusion as ever. Time is working against the interests of all sides, no party involved is to benefit from a further postponement of a peace settlement. While it is important to speculate on how and when the solution to Caucasian conflicts will be found, it may be of more immediate value to pose the question of where alternative ideas and influences that could shape the future solution will come from.

New geopolitical realities, such as expansion of NATO and EU to the East, Russian invasion and humanitarian catastrophe in Chechnya started to change the seemingly frozen situation. Not all aspects of political processes are easy to interpret, although their influence is great. One of the most important new developments was linked to the small territory in the neighbourhood to the zone of instability in Chechnia – Pankisi gorge, where about 8 thousand of refugees from Chechnya found asylum, mostly women and children. Russia's accusations that the place became a hideout for Chechen warriors, although not justified by OSCE observers, was substantiated by other indications. It seems that indeed Pankisi, apart from becoming the key focus for numerous kidnappings, drugs and arms trafficking, became indeed :an important political issue, and a lever of pressure on the Georgian government (including bombing of the Georgian territory by Russian aircraft). Russia demands of the presence of its military on the Georgian side of the border failed, an currently the demand is to repatriate Chechen refugees back to Chechnya, totally inadmissible for humanitarian reasons and contradicting the international agreements on refugee status (Geneva Convention, in the first place). However the most interesting developments are linked to recent announcement by Russian and American officials about the possibility of some Al Qaeda gunmen hiding in Pankisi. Although the statements of Russian officials are not taken today seriously, at some stage this leads to stronger American presence (in the initial form of military observers or advisors) and certain reshaping of security conditions.

In general, there are a number of factors restricting the movement toward regional stability, security and cooperation, both external and internal. Among the main external factors are:

- ? Unwillingness on the part of some international actors to establish stability in the region and contrary to that, attempts of manipulation in respective direction, for the sake of some political or group interests or benefits;
- ? Lack of commitment among international actors who support the peace/reconciliation process; Lack of resources to make a breakthrough; Lack of co-ordination between main actors.

However, following internal factors are by no means of less significance:

- ? Unwillingness of political élites/decision makers to change status quo and thus put their positions/careers under risk; having become hostages to their own previous policies and rhetoric, or lose career or economic benefits; Economy of conflict in general, linked to security/protection trade, drugs and arms trafficking, or control over resources, making status quo economically beneficial for some decision makers or population groups;

- ✍ Mental inertia among the élites and the population, deep roots of exclusive ethnic nationalism, intolerance and animosities; At the same time, weakness and impoverishment of the state and hence abundance of external levers of influence, political, military and economic;
- ✍ Poor governance: i.e. no conceptual thinking among governments, no team approach among them, dominance of personal/career/group interests in decision making, over-centralisation of power in capitals vs. poor control in regions or over institutions, lack of material and intellectual resources at the disposal of governments, underdeveloped state institutions such as the army or law enforcement or judiciary, poor institutional/structural organisation of governments;
- ✍ · Little participation of the population in decision-making and political process, weak legal consciousness and respect to the rule of law, lack of democratic experience, skills and attitudes, susceptibility to populist/nationalist propaganda, impoverishment of the population and hence dominance of short-term economic concerns,

PROSPECTS

As professor Ronald Suny put it, "Because of the interrelations of the economic, ecological and ethnic problems in the South Caucasus, regional solutions are essential…" South Caucasus is a small region, rich in history, culture, people and natural resources. Three states of South Caucasus, due to existing tensions either between them or to internal problems within their respective territories, are yet unable to create healthy, effective and stable framework for security and co-operation, but there is no alternative to doing this at the end.

In general, there are two types of problems related to difficulty in achieving regional security, stability and co-operation from the viewpoint of their predominant location in present time and in future: a) Immediate situation and short-term-trends that require urgent political, economic or military response; and b) Long and medium-term trends and difficulties that require strategic, step-by-step development-oriented approach.

Apart to general geopolitical changes discussed above, there are some regional developments that are of great importance, such as Russian invasion and humanitarian catastrophe in Chechnya, the struggle for Caspian oil transit routes, political violence in Armenia, rising unrest in Karachaevo-Cherkessia, increased American involvement in the search for settlement in Karabakh, decline of Russian state and resource potential, but also lessons of Afganistan, Bosnia, East Timor, Kosovo and Macedonia that are changing the map of political sympathies and perceived threats.

Gradual increase of perception of Russia as threat for stability and security, is now mixed with other perceptions - that of weakening power with more peaceful aspirations. While in previous years political élites in the countries of the region perceived Russia as a threat but also as a hope (e.g. for helping to solve ethno-territorial conflicts to the benefit of one or another party), revealing infantile attitude towards former metropolis, at the same time considering the West as more desirable but remote and indifferent potential supporter, now this attitude towards the West is also rapidly changing. Establishing closer links with the West becomes a reality, while Russia is losing its image of a paternal superpower, both due to demonstration of its weaknesses and its civil and moral degradation. Orientation to the West, paradoxically enough, increases at the same time the threat perception originating from Russia, which is supposed to punish renegades for orientation change.

Through globalization of media, events in even most remote regions of the world like Indonesia are forming the new understanding of internationally recognized code of behavior, but also changes the perception of threats and political options, both among the population and the élites. At the same time, all political actors are getting used to act keeping in mind how their actions will be presented by CNN and news agencies, and through them influence the international community. Nevertheless, many decisions of the policy-makers are based on vaguely formulated and understood state goals, enemy images and threat perceptions, as well as on often chaotic attempts to define possible implications of political decisions that may lead to perpetuating conflict and instability. The alternative is explicit formulation of policy priorities backed by feasibility assessments and multi-scenario planning. Correspondingly, stated goals for security-related policy are still more strongly correlated to historical mythical or irrational prejudices and beliefs, enemy images and traditional enmities, than realistic political analysis and calculation, although the slow and gradual change can be observed. Rationalization of one or another political decision often hides these

irrationalities under the disguise of pseudo-objective argumentation, but these deliberately or instinctively hidden roots and fears can be revealed through indirect methods of observation.

The governments are currently considering various possibilities for introducing territorial re-arrangement and decentralisation of power gradually and carefully over a number of years. Among the options discussed today, in particular in the case of Georgia and to less extent Azerbaijan, are the prospects of federal territorial arrangements, considered to be a remedy for the countries with recent experience of still unresolved ethno-territorial conflicts and complicated security conditions. Various approaches need to be applied in needed interdisciplinary study of such possibility: legal, economic and sociological. Although one should realise that today any development in the direction of federalism is in fact dependent upon the ability to resolve suspended conflicts in Karabakh, Abkhazia and South Ossetia, it is worth studying the possible benefits/problems related to democratic forms of territorial arrangement in multi-ethnic state. There is certain need to articulate the perceived obstacles to federal development — particularly the psychological and political obstacles — from both the country and the regional perspectives. Existing experience is that in such situations, it is essential to understand the psychological and historical issues that are intertwined with the more obvious economic, legal, and social issues. Once articulated and understood, these psychological and political issues can then be taken into consideration when developing ways to solve the economic, legal and other challenges involved. Apart from purely scientific importance, this issue will become relevant as a central point in resolving the conflicts, and besides it could be an important advocacy tool. It is important to publicly discuss the potential and prospects for federal territorial arrangement and its impact on the security situation, to design alternative formats for territorial organisation of the South Caucasian states in the direction of federal arrangement and decentralisation of governance in administrative, economic and social spheres, investigate basic principles and problems of establishing federalism from the viewpoint of its introduction under complex transitional conditions, such as federalism and financial decentralisation, financial and tax relationship between federal and regional government, federalism and national territories, reintegrating problems of Karabakh, Abkhazia and South Ossetia, liquidation of totalitarian heritage. On this path one may need to study various classical and modern (symmetrical and asymmetrical) federal systems, and in particular the time-tested Spanish and Belgian traditions of federalism and the British experience of transition, and look for appropriate profiles for the Caucasus that will be well fit for its circumstances and conditions.

As the Caucasus is integrating both into the international community, global processes and trends are playing a more significant role in the region. Nowadays, Stability Pact for the Caucasus (originating from analogy to the Stability Pact for Southeastern Europe) has become a mantra that is repeated over and over again by different leaders in and out of the region, while several task forces and research groups are studying various possible models and their implications. In theory, there is much talk about regionalization and regional security arrangements, but there are conflicting interests involved, there is long way until any universally acceptable model can be designed. During the last year, a number of regional and global developments took place that changed the perspective and the conditions for conducting the planned research. These were such events as creation of a new potential conflict zone in the Pankisi valley on the Chechenian border, the initiatives of the US government in the direction of solving the Karabakh conflict, the new clashes involving Chechenian fighters in the conflict zone in Abkhazia, the September 11 events in New York and Washington and the subsequent reshaping of the geopolitical disposition of forces.

While South Caucasus was considered to be a region in its own right since the Russian takeover in early 19th century, and Transcaucasian Federation existed as a territorial structure throughout early Soviet history, recent attempts to reconsider regional arrangements count several years since mid-90s. So, already back in 1996 Georgian President Shevardnadze (February 22, 1996) stated that the Caucasus was the zone of life interest for Georgia, and that stabilization of the political situation in the region, creation of strong, durable guarantees of peace is of utmost importance for safeguarding national security and prosperity. Azeri and Georgian Presidents demonstrated much willingness in promoting the idea of regional security and cooperation, hoping to exploit this idea for securing the territorial integrity in their respective countries troubled by unresolved conflicts, hoping as well from grand-scale international transit projects such as TRACECA of Baku-Ceyhan oil pipeline. So, on 6th February, 1996, they issued joint declaration "On Peace, Security and Co-Operation in the Caucasus Region", while their initiatives were also reflected in the Statement of the Participants of the Kislovodsk Summit of 31th May, 1997, "On Mutual Understanding, Peace and Inter-Ethnic Accord in the Caucasus", as well as in subsequent Declaration of the heads of states of Azerbaijan, Armenia, Georgia and Russia and the renown concept of the "Peaceful Caucasus". At the OSCE Istanbul Summit of 1999 both President Aliev of Azerbaijan and President Kocharian of Armenia declared their willingness to force the creation of regional security arrangements. President Aliev went even further and

stressed the necessity to design a "Security and Co-operation Pact for South Caucasus" similar to the "Stability Pact for South-Eastern Europe". However, while the statements by Aliev and Kocharian sound so similar in speaking about regional arrangements, the real content of their respective concepts is based on totally different vision with regards to the participation of third parties (Iran, Russia), as well as the prospects for resolving the Karabakh conflict. Still, they show the relevance and timeliness of the idea and the need for further elaboration and discussion of multilateral regional security mechanisms. Even more specific was President Demirel of Turkey when he spoke (in February 2000) of the necessity to develop the "Stability Pact for South Caucasus" as a favourable tool for resolving regional problems.

The concept of the Stability Pact for South Caucasus is closely inter-linked with other regional or international initiatives such as BSEC (Black Sea Economic Cooperation), GUUAM (Georgia-Ukraine-Uzbekistan-Azerbaijan-Moldova), NATO Partnership for Peace, and others that (the latter at least unlike the first two) play increasing role in regional politics. Recent political developments and trends make the idea of the Stability Pact gradually more and more attractive and even fashionable. It is studied and discussed by various think tanks and policy research institutes (e.g. a group of Center for European Policy Studies (CEPS) headed by Dr. M. Emerson works on this issue in Brussels), and whatever form it may take finally, we believe it to be one of the most promising and rich concepts that has emerged as a reaction to easily identifiable need to find general framework for resolving complicated bunch of interrelated problems characteristic for South Caucasus. However, the limited success of the Stability Pact for South-Eastern Europe, as well as theoretical deficiencies of the existing draft projects, make the attraction of such ideas less visible now than they used be a year ago. Still, the most serious obstacle to developing designs for regional security arrangements is the accelerating speed of geopolitical changes, starting after the accent to power of Putin and then Bush to presidency, but especially after the seismic reverberations of the September 11 attack on American cities have caused. It seems that some predictability in geopolitical environment is a necessary prerequisite for any effective regional arrangement, although developing various theoretical frameworks for integration models may be a very useful contribution for the future.

As "A Stability Pact for the Caucasus" prepared by the CEPS in May 2000 on the initiative of the OSCE High Commissioner for National Minorities Max van der Stoel, along with its supplements and modifications, is the only comprehensive document considering the model and procedures in establishing regional stability and cooperation, it is important to consider its basic ideas and general approach. The main idea is "to draw on modern European models of shared sovereignty, interdependence and multi-tier governing structures. Three actions were proposed in the framework of the model: "1) Conflict resolution in Nagorno-Karabakh, Abkhazia and South Ossetia; 2) regional security order under OSCE; 3) Initiation of a South Caucasus Community; as well as three more actions for wider regional cooperation: 4) EU and Russia to develop a Southern Dimension[1] cooperation; 5) Enhanced role for Black Sea Economic Cooperation; 6) Improved legal framework for oil and gas (Caspian Seabed, pipeline transit protocol); Plus, overarching mechanism for Stability Pact strategy, consultation and coordination."

Of course, these are very welcome actions provided they are feasible. However, the document suggests certain procedures and approaches in achieving these objectives that do not sound as fully realistic. In particular, it is stated that "[t]here would be priority given to resolution of the conflicts, but the international community should not be waiting for the conflicts to be settled before opening up such perspectives of a wider cooperative strategy for the whole region. On the contrary, elements of a new regional order would be built into political settlements of the conflicts." And, "[a] careful attempt should be made to find an optimal balance between solutions for the South Caucasus and a wider regional order inclusive of the interests of Russia…" Throughout the document a number of interesting European-style solutions, as well as scenarios for conflict resolution are discussed and advised, together with extensive explanations as to why Russia should desire to "cooperate fully in a Stability Pact for the Caucasus along the lines proposed". It is also with full justification stated that "[t]he status quo is highly unsatisfactory for the peoples of the South Caucasus, and sufficient time has elapsed since the wars for settlement now to be reached." However, although the logic of the document is clear and transparent, it is hardly plausible that any of these statements go far beyond wishful thinking, which is quite an unfortunate but hard fact.

It is hardly possible that any sides would agree to decide (although they may be quite happy to discuss) any comprehensive regional arrangement model with adversaries before the respective conflicts are resolved, which is still a distant perspective. Russia, although much more cooperative currently in Minsk Group negotiations, just recently bombed Georgian territory and its parliament and officials continuously issue threats and hostile statements in Georgia's address, so seemingly it is long way till she realizes its real interests, if only there is such thing as

Russia - politically homogeneous power center concerned with clearly defined and consistent state interests in South Caucasus (the same is true with regards to any of the governments of the region). And finally, it needs to be proved that the status quo is highly unsatisfactory for the peoples of the South Caucasus, as unfortunately the population and major political forces are not yet ready to accept significant compromises, as demonstrated by the fall of Armenian ex-president Levon Ter-Petrossian, or by the recent failure of the Key West agreements on Karabakh, when the two presidents appeared incapable to sell the positive results of their negotiations to their respective peoples and political élites. However, if, as a result of the efforts suggested by the document there is little progress toward establishing mechanisms for securing sustainable stability, which is highly plausible, outcomes are difficult to predict but rather status quo will be maintained against the background of high risk of instability. This means that different approaches should be considered as alternatives, in order to compare options.

While no parallel solution for the conflict and for regional cooperation seems to be feasible, there are certain general principles that have better prospects than seeking comprehensive regional model before the resolution of conflicts. It seems that although for each of the conflicts a comprehensive peace settlement can and should be a preferable option (as advocated by Ambassador Carey Cavanaugh, chief mediator in Key West), due to the scale of overall damage caused by the conflict, - open-end, incremental, piecemeal approach seems to be by far more effective in dealing with regional issues. At the same time, comprehensive models, but also and rather, the principles and frameworks for regional arrangements, should be openly discussed and developed through second-trek diplomacy, through unofficial meetings of experts, researchers and NGO activists of all interested parties, preparing conceptual raw material for future progress.

Thus, in contrast to the CEPS model, our essential approach is to seek a piecemeal process for regional cooperation through effective security arrangements, European integration and relevant international involvement, with US as a key actor and mediator. Dealing with conflicts (third parties may serve as observers, as in Karabakh case the representatives of Karabakh may at initial stage do), it also seems to be more effective to discuss first practical matters of transportation, repatriation or economic revival. It seems to be advantageous to declare a moratorium for discussing status issues apart of general procedures and willingness to proceed (so, all external players could make a joint declaration of unacceptability of unilateral secession, as well as the unjustified use of violence), although this would not be easy to achieve with the winning parties in conflict.

In case of repatriation to Abkhazia, as a compromise limited repatriation to southern Abkhazia (anyway taking place semi-informally) can be arranged with acquiring limited voting rights, while Georgian authorities will continue to maintain the viewpoint (justified by international law) that all IDPs have such rights independent from where they currently live. Likewise, in Karabakh, return of the IDPs to regions around Karabakh should be negotiated, in exchange for international guarantees of non-use of violence throughout the moratorium period, and protection of civil population at any time through international observers (OSCE) and peacekeeping. Step by step approach is a realistic alternative to overall resolution when dealing with each conflict separately, but keeping the regional dimension in mind should be preferable. External players could form a joint structure to deal with all regional matters from single perspective, and as a possible framework for this it is suggested to create a group provisionally called Friends of the UN Secretary General for the Caucasus, along the same line as Friends of the UN Secretary General for Georgia is now operating (informally called Friends of Georgia Group). At the same time, the countries of the region at some stage could enter a joint commission for discussing issues of common interest, such as epidemics, trans-border crime and drugs trafficking, environment, etc. This may be of great importance as part of a confidence building process, as mistrust between countries and communities is the major obstacle to progress.

Among the rich ideas found in the CEPS document is the suggestion of defining a special status for the states of the South Caucasus on their way to integration to EU membership, that would be weaker than formal candidacy but require certain adjustment beyond OSCE and Council of Europe standards. As there is strong attraction toward Europe throughout the region, such status could become a very useful instrument for strengthening democratic institutions and principles. The EU could sign an agreement with all three republics on the issue that they jointly may become candidates to EU accession if certain conditions are met within say 10 year limit. This will exclude any of the republics that violate some basic principles, i.e. democratic elections, human rights, non-violence, providing thus not only virtual stick in the form of sanctions but a carrot as well. Other measures as e.g. creating special (free) economic zones under international regimes along the border line of a conflict zone (Gali region could be a perfect training ground for such ideas), or development triangle. Georgian territory in the neighborhood of the Red Bridge near Azeri and Armenian border, playing today an important role for informal economic exchanges between Azeri

and Armenian businesses, bay acquire an official status and special regime in order to strengthen further the economic cooperation between parties. Special importance may be given to the search for various schemes of NATO/US/Russia cooperation, especially in Pankisi gorge, and maybe in the zone around Karabakh. US military presence in Georgia is a very important step in that direction.

As stated above, alternative scenarios include unsustainable status quo, i.e. maintaining unstable balance; and slowing down positive changes, or even more risky approach in getting into unilateral alliance with one of the major actors (e.g. Armenia-Russia) which is depriving the respective state of any flexibility in negotiations and freedom of maneuvre. At the same time, no explicit disadvantages of our approach are comprehended, as the idea is not to design any concrete solution but rather conceptual framework and direction, which is good for the societies to debate even if other solutions are sought and found. However, the argument may run that a comprehensive solution is still possible and preferable, although this is contradicted by the last decade of developments. Summing up, our approach can be described as: piecemeal process with international mediation and guarantees at every stage; initiation broad public debate around the issue and much attention to public relations aspect, involvement of all interest groups and especially ethnic groups in the debate; gradual building on cooperational areas with special attention to economic and security aspects... while alternative implementation strategy in comparative time perspective may be preparing detailed plans on [inter]governmental level and only later informing the population, requesting the assistance of international actors in designing and implementing the security arrangement process

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[1] In analogy to "Northern Dimension" in the Baltic and Barentz Sea area within the framework of EU-Russia Partnership and Cooperation Agreement.