South Caucasus:

Dark Spots & Bright Spots in Peacebuilding – Civil Society's Role

A seminar hosted by the Swiss Peace Foundation swisspeace in cooperation with the Eurasia Partnership Foundation

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Twenty years after the end of the Soviet Union, the political and economic challenges faced by the South Caucasus countries are still reflected on the ground in a range of obstacles - from roadblocks and closed markets to polarized attitudes. Many commentators highlight shortcomings in democratization, unequal benefits from market reforms, and insufficient engagement of the civil society in policy-formation and decision-making processes. Unresolved territorial conflicts also have not only stalled or reversed democratization processes on Armenia, Azerbaijan, and Georgia, but have become a major issue of international politics, and there is growing awareness that the spill-over from these conflicts can have a serious impact on Europe's security.

Working towards greater capacity building in conflict transformation in order to provide solid foundations for sustainable peace in the South Caucasus poses numerous challenges for international development and peacebuilding actors. Efforts undertaken on the government level alone are insufficient, and a strong engagement by the civil society is urgently needed: unless there is a complementary effort by civilian actors', peacebuilding in the South Caucasus will never be sustainable.

The seminar will focus on current research data on people's attitudes and consider the perspectives of civil society within the peacebuilding landscape in Armenia, Azerbaijan and Georgia. It aims at taking stock of the institutional setting which civil society organizations are facing. This would serve as a basis to identify opportunities for confidence-building initiatives suitable to reduce mistrust, to hold governments accountable, and to support in particular the European conflict resolution activities. The seminar discussions shall contribute to the policy development processes.

Panel 1 Values & Attitudes in the South Caucasus

Is there any value system in the three South Caucasian states which plays a role for conflict resolution and peacebuilding?
Which are its relevant elements?
To what extent are cultural values consistent with democratic values?
To what extent do governments, civil society and/or media promote tolerance, diversity of opinion and inclusivity, protection of minority rights, confidence building?
What is the interconnection between democratic values and peacebuilding?

<u>**Peter Semneby, Former EU Special Representative to the South Caucasus**</u>

I was asked to focus my presentation on the values of people in the Caucasus, and particularly to answer the question why so many of those people do not get along with each other. The more I thought about it, the more intractable the question seemed to be.

- First, values are elusive. Observing values is like the Heisenberg uncertainty principle in quantum physics. The values cannot be observed directly. If you try to do it, you project your own values on the values of others, and the picture becomes distorted. It is more fruitful and relevant to look at indirect expressions of values, i.e., how they influence policy, interests and identities. I will try to look at each one of these parameters in a while.

- Second, it is very tricky to make generalisations about values, since each individual has his or her own set of values. In a region like the Caucasus the generalization becomes even more difficult, since one of the most prominent characteristics of this region is its heterogeneity.

So how do values affect reforms, identities and interests, and what do our observations about reforms, identities and interests tell us about the underlying values?

- First, about policy, in particular the reform agenda. The reform agenda is conditioned by historical circumstances which in turn influence values. What then do people in the Caucasus have in common? They do have a common history of interaction, but hardly ever of building a state or a regional framework together. They share the last 200 years of history under Russian domination. But these common experiences are not sufficient for providing a firm base of common values. Therefore, although the countries have a common need for reform, they do not necessarily a common reform agenda.

    The international partners of the South Caucasus countries, not least the EU, are offering a common frame for reform, but given the lack of a common value base these reforms are actually still taking place with various degrees of comprehensiveness and within a wide range of domestic frameworks or "models": liberal, technocratic, patriarchal, autocratic, etc. When we look at how the reforms are tweaked in the different countries, we are beginning to approach the elusive values.

- Second, about identities. The national identities are distorted because they have been suppressed throughout long periods of domination, not least the Russian and Soviet period. Since the identities have not been allowed to be expressed in a positive way, and since national identities have been under threat, there is also a strong element of identification against others.

  The collapse of the Soviet Union left the peoples of the region without a common identity. The Soviet identity was a thin veneer which disappeared quickly. The lack of common identity reflects a lack of common values. In a period of extreme uncertainty, this lack of values left ample room for nationalist overtones to develop on top of the already weak and flawed national identities. In addition, the values carried by the collective Soviet identity had become thoroughly discredited, and as a result the mere idea of a new collective identity became suspect.

  The obvious candidate for providing a new layer of common identity based on values is a European identity. But this will happen only gradually by inducing values through reforms, education, people-to-people contacts, development of the judicial practice including decisions in the European Court for Human Rights, etc.

- Third, about interests. All countries in the region strive for prosperity, security and state-building. The values may diverge, and have diverging influences on how these interests are being pursued. Let us look at how these interests are being pursued in practice.

  If the common values are weak, the state offers so little protection that it loses legitimacy. Interests are being pursued by smaller groups which can offer protection (families, clans, communities), often against each other. The result is corruption, and autocracy or anarchy within states, and conflict between states. As the common value base becomes stronger, there is more room for collective or patriarchal solutions, and a modus vivendi of coexistence between states. Finally, if the common values are strong, there is less need for protection or a heavy hand. Strong common values therefore create conditions for a market economy and a democratic political system, and integration between states.

  This can be expressed in a matrix:

Interests → ↓ Values	Prosperity	State-building	Security
Weak common values	Corruption	Autocratic *or* Anarchic	Conflict
	Collective solutions, Regulation	Patriarchal	Coexistence
Strong common values	Liberal economy	Democratic	Integration

  I would ask the audience to reflect on where in the matrix the different countries in the region (Armenia, Azerbaijan, and Georgia) find themselves, or how they have moved

within the matrix. I will not go into this here, because regardless of what I say in terms of comparisons, it is likely to be too sensitive for my own good.

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The conclusion is as obvious as it is banale. Common values matter. They cannot be observed by themselves, but the absence or presence of common values provide for very difference states of affairs in the countries of the region and between them.

If interests are pursued in an atomized way, with weak common values, the result is likely to be corruption, conflict and autocracy. By contrast, strong common values produce cooperative or liberal solutions, although the actual solutions may look different depending on the nature of the common values. The South Caucasus countries have come a long way, but diversity is still more apparent than commonalities, also regarding those variables that let us make conclusions about the value base.

The scheme is not perfect. It is not difficult to imagine cases where it breaks down. But it is another discussion altogether how to create safeguards against common values going awry.

Iago Kachkachishvili, Head of the Department of Sociology Tbilisi State University

Values and attitudes in the South Caucasus, Case of Georgia

One preliminary remark: while talking about existence of democratic values in Georgia, we should differentiate 3 dimensions: 1) assessment of citizens whether these values are present; 2) attitudes of citizens whether these values should be present (in other words, whether these values are important for them) and 3) Objective (measurable) criteria of the existence of democracy in different areas of social life.

I will briefly speak mainly about attitudes of the respondents, though their assessments will also be considered.

In the current political context Georgia has been characterized as a country of "Hybrid Regime" ('Economist Intelligence Unit'), meaning that Georgia is neither democratic nor authoritarian but something in between (or in transition).

The epithet 'Hybrid' could be also adequately used in the context of cooperation of different value orientations of Georgian Society. Namely, I would characterize Georgian society as mixture of traditional and modern (sometimes even postmodern) values, though with emphasis on traditionalism.

The situation in Georgia is often analyzed in the framework of paradigm 'Modernization versus Democratization' , which, to my opinion, is not a correct hint. Modernity implies democracy (democratic development) and those societies lacking democratic values should not be entitled as 'Modern'.

Which are the main actors of peacebuilding process and conflict resolutions in democratic society? These are court and police. The surveys show that police keeps high trust among citizens; as to the court, it has big problems concerning trustfulness, impartiality and independence. (For instance, only 29% of respondents have trust toward the court; also, 47% of the respondents consider court system as partial and only 21% of respondents consider it impartial)

In Georgian Society one of the major institutional actor for peacebuilding is Orthodox Church. Church nowadays (and since independence of Georgia in 1991) has enough power to deepen (expend) the conflict as well as to mitigate the conflict. We are lucky that we have patriarch, who keeps a good balance and does not promote a growth of tension and revolutionary attitudes in the society.

It is well known that in a democratic, i.e. secular societies church looses societal function and its influence is reduced only to a group of institutional believers. Georgia is an opposite case: absolute majority of respondents identify themselves to an orthodox religion and at the same time they trust the Orthodox Church. So, we are not 'Modern' in this sense.

One of the values of democratic societies in the context of peacebuilding is ***acceptance and institutionalization of diversity (or alternatives).*** Here different types of diversity are meant: ethnic, cultural, religious, sexual, etc. Meaning of the diversity has two dimensions: a) modern and b) postmodern. Within the modernity diversity is tolerated, though mainstreams and dominant standards are also recognized. Within the post-modernity the perception of mainstream does not function, all cultural or social entities are considered as self-assured, there is no center perceived as culturally dominant.

What is happening in Georgian society in terms of accepting and institutionalizing the diversity? Georgia is far away from postmodern discourse, it is mostly pre-modern, though reveals also features of modernity in some aspects.

For instance: as CRRC data show, vast majority of Georgians agrees to establish business relationship with different nationalities, though when it refers to a case that representative of different nations (non-Georgians) becomes the member of primary group through marriage, vast majority of respondents is reluctant. Surveys show as well that absolute majority is hostile towards homosexuals, etc.

Another democratic value is ***supporting egalitarianism or equal opportunities***. Here equality on different levels - gender, ethnic, religious, political, etc. - is meant: Georgia still has a serious problems in this regard: for instance, 64% of respondents consider that women should not have a sex before marriage, while only 33% hold this position in relation with man. On the other hand, respondents become less conservative (and more liberal) concerning women bearing a child without marriage (here the number of non-liberal respondents reduces on 50%).

All above mentioned show that Georgian society by its value orientations is still influenced by traditional values though slowly shifts to the side of modernity.

Nina Iskandaryan, Head of Curriculum at the Yerevan-based Caucasus Institute (CI)

The value systems in the three countries of the South Caucasus have very strong connection to the ongoing process of nation-building in Armenia, Georgia and Azerbaijan. When the USSR disintegrated, nation-building projects that sprung up were based on ethnic paradigms, and overlaps between those projects have resulted in ethno-political territorial conflicts. It is not possible to resolve existing conflicts merely by promoting values such as ethnic tolerance or respect for minority rights, if only because the original reason that they happened was not the absence of traditions for peaceful cohabitation (these traditions have existed in the region for centuries) but the fact that ethnicity was used as the foundation of nation-building projects, and some territories were claimed by two of the emerging nations.

20 years after independence, the nation-building projects are still ongoing, and distinction between ethnic and national identity is still blurred throughout the region. On a political level, the current conflicts do not lend themselves to resolution. The only thing that can lead to peace in the long term is the emergence of new value systems which do not prioritize territories or ethnicity, systems which are less archaic and more European.

When we speak of becoming Europeans, we usually think in terms of the results, i.e. a culture of diversity, respect for human rights, tolerance etc. I will speak about the ways in which these results can be achieved: the process that leads to the values. For example, our societies need to build a culture of independent thinking and civilized debate, of political activism and volunteerism etc. The process is rather complicated, and much of it lies in the sphere of education, starting from primary school.

Panel Two

South Caucasus today: challenges to peace-building
What are some main institutional challenges to peacebuilding? To what extent do entrenched positions, lack of political culture, corruption, and media freedoms prevent or hinder peacebuilding initiatives? Who are the key stakeholders who can address the barriers to peacebuilding in each country and the breakaway regions? Can the challenges be measured and be effectively addressed?

H.E. Konstantin Obolensky, Ambassador of Switzerland to Armenia

Armenia today: Challenges to peace-building

The conflict over Nagorno Karabakh is extremely complex and there are no easy solutions to it. The negotiations between Armenia and Azerbaijan on the settlement of the conflict are spearheaded by the Minsk Group of the OSCE. The presidents and the foreign ministers of the two countries meet under the auspices of the Co-Chairs of the Minsk Group Co-Chairs for 17 years now. This format has so far proven to be the most successful one to avoid the flaring up of full scale hostilities along the Line of Contact. While the two Governments should be given

credit for upholding their negotiations for such a long time, the international community would like the process to move faster towards a peace agreement or, at least, avoid deterioration. What is hindering peace building initiatives from the viewpoint of a Swiss diplomat living in Armenia?

1. War Atmosphere

Although there is a ceasefire in force since 1994, i.e. since 18 years, and there have been accomplishments in the building of civilian economy and institutions, Armenia finds itself to some extent still in what could be called a war atmosphere. There is consensus in the Armenian society (including the diasporas) that Nagorno Karabakh is Armenian land. The military threat from Azerbaijan is considered real. Yerevan observes the military spending on the other side of its border that reaches roughly the same amount than Armenian state budget. Also, the memories of the war, with all its atrocities inflicted on the civilian populations are still fresh. All this happened less than a generation ago. The casualties along the border and the Line of Contact affecting conscripts are keeping the memories of war fresh in the public perception.
Is the population prepared for peace and not war, as asked in the documents of the Minsk Group (for instance declaration Deauville May 2011)? Only to a limited extent. The facilitation of efforts to develop dialogue between their countries' intelligentsia, academic and public circles ("humanitarian contacts"), as declared again after the recent Sochi meeting is such an example. There are only very cautious steps in that direction.

2. Lack of contact between Armenians and Azerbaijanis

People from Armenia have virtually no personal interaction with Azeris, except in the diasporas (in Russia, for example). This lack of contact – coupled with an ethnically homogenous society (98% of Armenians living in the Republic) – fosters the image of Azeris being either "enemy" or at least hostile towards the interests of Armenia/Armenians. The recent announcement of the withdrawal of the Armenian group from the Eurovision Song Contest in Baku is another missed opportunity to establish peoples to people's contacts.

3. Looking forward: Reasons for peace

I believe that in the conflict between Armenia and Azerbaijan, there are plenty of reasons why Armenia should be interested in a peace agreement. This could result in less economic isolation of Armenia, and increase trade throughout the region. It could further mean a substantive reduction in military spending. And it would, and this is very important, result in the gradual decrease of war atmosphere: NK and the conflict with Azerbaijan would no longer be a unifying factor in Armenian politics. Therefore, the state would have to concentrate on constructive measures that result in social cohesion. It should not be forgotten that Armenia witnesses a drastic emigration because people often have no economic perspectives.

4. Changes ahead?

Among decision makers in Armenia, there are veterans of the war with Azerbaijan, and some have held high positions in the armed groups of the time. Whereas they have been strongly affected by the armed conflict, they must remember the life before, when Armenians and Azeris were living in the same cities and towns of the South Caucasus. The next generation of politicians, however, will have spent all their adult life as citizens of a republic that was in ceasefire with Azerbaijan. They don't really know their neighbouring country from first hand.

I believe that the negotiations in the framework of the Minsk Group need to be accelerated, and a solution to the conflict needs to be agreed upon by the leaders of the involved countries, with the help of the international community (security guarantees, etc.). In parallel to that, contacts between the peoples should be encouraged – again by the relevant administrations –, so as not to cultivate the image of enemies, but the one of neighbours.

H.E. Sabine Ulmann Shaban, Ambassador of Switzerland to Azerbaijan

Azerbaijan today: challenges to peace-building (corruption, media, etc.)

1. *Facts :*

- On this issue there are 4 UN Security Council Resolutions in 1993 (822, 853, 874, 884), 3 UN General Assembly Resolutions in 1993, 2006 and 2008 and one Council of Europe-Parliamentary Assembly Resolution in 2005.
- The negotiations between Armenia and Azerbaijan on the settlement of the conflict about NK are lead by the Co-Chairs of the Minsk Group of the OSCE.
- 2007 the Madrid principles were established by the Minsk Group but no agreement could be reached up to now;
- Since 2008 – Russia under the presidency of Medved is playing a more important role and 9 meetings with the 3 Presidents have taken place. The last one was in Sotchi on January 23, 2012.
- All the meetings either organised by the Minsk Group – or by Russia – in coordination with the Minsk Group – have not led to an agreement between the two parties.
- What is hindering peace building initiatives in my country of residence, in Azerbaijan?
- I would like to stress that it's the point of view of the representative of Switzerland in Azerbaijan on the basis of discussion with authorities, the civil society and Azeri people.

2. *Obstacles for peace- building*

    Emotional and social obstacles:

- Emotionally the NK conflict is for Azerbaijani a painful moment. It is mentioned in any meeting with the authorities of Azerbaijan.

- The atrocities of war are still very fresh in the mind of the people: The commemoration of Khodjali's atrocities brought more than 60'000 people in the streets in Baku in 2012 and the event was also commemorated in many other cities in the world, like Istanbul where 200'000 people attended commemoration ceremonies.

- IDP's situation: Around 600'000 IDP's waiting for going back to the villages they left in NK : a tool for pression in the negotiations' process ?.

- The territorial integrity of Azerbaijan should be restored at any price.

Institutional obstacles:

- Democratization's process is still on the way in Azerbaijan. There is a lack of political institutions with the aim of creating an exchange of opinions between the populations of both countries. The approach is to down and as a result there is no open discussion or even dissenting opinions on the NK issue.

- A strong civil society movement – which doesn't exist - may be important to take steps in the direction of confidence buildings measures.

- The press coverage is without any self-criticism. In the domestic Medias there is no room for critical or dissenting opinions on NK. There is one opinion the one of the authorities. It is also clear that the owners of media are influencing the editors when it comes to sensitive issues.

Lack of confidence in the negotiation process

- Authorities are critical on the activities of the Minsk Group: Speech by Ramiz Mehdiev in December 2011 or critics by the president I. Aliyev in many speeches in 2011 – especially on the slow process :in Lybia, there was a quick intervention; in Azerbaijan we are waiting since 18 years, despite UN SC resolutions;

- Lack of confidence by the population that the negotiations in the Minsk Group and the meetings of the three presidents organized by Russia will lead to a positive outcome; Apart from that France – Russia and USA have an important Armenian Diaspora.

- The opinion is also that these meetings are not well-balanced and on the disadvantage of Azerbaijan;

Lack of exchanges between the authorities and the civil society

- Lack of exchanges between high-level politicians (apart from the presidents and the Ministers of foreign affairs) and high ranking representatives of the armed forces; any time that a Minister or a high ranking personality is going to Ierevan for a conference, there is critic in the press;

- Younger generations haven't been - on the contrary to the older citizens - in contact with Armenians. The picture they have is more radical than the older generation.

- Is the population prepared for peace? A meeting of Armenian and Azerbaijani intellectuals took place in Moscow on 23 January 2012. The Moscow declaration – as a follow-up after Kazan's meeting in June 2011 – included joint projects, exchanges of journalists, common concerts and exhibitions and cultural cooperation. It's a first step in the sense of confidence building measures.

- Nevertheless there is a lack of exchanges between the civil societies of both countries – even if there are some rare contacts; even after Kazan and even if Azerbaijan expressed some interests in having more exchanges; The aim for AZ is the settlement of the dispute and in a second step the confidence building measures.

- Ordinary citizens have virtually no personal interaction with Armenians except abroad. The announcement of the withdrawal of the Armenian group from the Eurovision Song Contest in Baku is another missed opportunity to establish peoples to people's contacts.

- In the process in Az it is a Top down approach.

War atmosphere or Military rhetoric

- The military expenses have risen from 135 million dollar in 2003 to 3.12 billion in 2011.

- Ceasefire violations on the line of contact increased in 2010 and 2011.

- Besides the public opinion, there is also large consensus within the Az political sphere, ruling party and oppositions partys have the same aim : everything should be done to restore the integration of the territory of AZ.

- The war rhetoric was also more present in 2011, even if the president always stressed that the dispute should be settled by negotiations.

Role of the neighbouring countries

- The role of the neighboring countries is not to be neglected. How sovereign are Armenia and Azerbaijan in their decisions and steps towards peace?

- In Azerbaijan, a majority of people believe that the solution is not only depending on Armenia and on Azerbaijan but much more on Russia. This conflict as well as the problems in Georgia (Abkazia and South Ossetia) gives Russia an important role in the South Caucasus and a way of controlling the region- directly or indirectly. Medvedev played an important role in organizing the trilateral meetings. Will Putin do the same? In the past he had a rather strong position towards the ex- Soviets republics.

- What about the role of Turkey and the interrelation between the Turkey – Armenia rapprochement and the resolution of the NK ? For Azerbaijan there is a clear correlation

and both situations should be solved together and not separately. It explained the position of Azerbaijan after the signature of the protocols 2009 in Zurich.

Provocative conclusion:

Is the status quo the better option for Azerbaijan? A more dynamic process would force it to take hard decisions and make public compromises.

Irakli Alasania, Head of Georgian Free Democrats Party, former Ambassador to the United Nations

Georgia is now facing one of the most difficult periods of its recent history. The war with Russia in August 2008, with dramatic consequences for the country, has revealed fundamental weaknesses in the whole system of social and political organization of the Georgian State. First of all, it exposed the actual lack of an efficient system of undertaking the highest-level political decisions and the ineffective organization of the State administration. Moreover, the immediate post-war unfolding of events inside the country has proven the undeveloped character and extreme weakness of its civic and democratic institutions. The country has lost the reputation of a reliable political partner of Western governments and the image of the "beacon of democracy". Most importantly, the Georgian government itself has lost the trust of a substantial part of Georgian society. The war, leaving Georgia without a significant part of its territory, resulted also in economic depression, a dramatic raise of unemployment and poverty.

But the political consequences of the war are far more dangerous. Almost three years after completion of active war operations, Georgia still is in the state of war with Russia. The political confrontation between the two countries is rising steadily toward the extreme. Georgian government's hazardous politics in relation to Russia seems to leave only military alternatives for the country to restore its territorial integrity with a vague hope to shift the whole burden of all related political efforts on the shoulders of Western governments. Such politics precludes establishment of a healthy internal social-political atmosphere -- the fundamental precondition for substantial reduction of the aggressive stimulus in society and the only base for real national development.

At the same time, it is clear that the dominant part of the fundamental systemic problems which the country is facing are actually the long-term consequences of those same methodological deficiencies that shaped the political thinking rooted in the earliest phase of Georgian sovereign statehood. During the last two decades Georgia has reactively responded to emerging problems inside and outside the country, without exercising the requisite analytic efforts to recognize the tendencies of the world's economic and political development and their imperatives.

Under the strong pressure of internal political competition, territorial conflicts, and social unrest, the government is forced to pursue short-term policy objectives for both internal and foreign policies. Such an approach sacrifices the long-term goals of national development, and automatically supports the governmental efforts to follow the old policy course, which in fact is responsible for the actual state of affairs both inside and outside the country.

At the same time, the whole political system of the country has nothing to offer in terms of a new strategic vision formed by a clear understanding of how to move toward compatibility with the imperatives of a globalizing world and agreeable for Georgian society. Such clarity of national strategy could contribute substantially to restore trust in the capacity of the political system to lead the nation toward its goal: national integration recognized and respected inside and outside the country.

Three fundamental and general questions are to be addressed:

1. Where are we? – What kind of cultural, social, economic and political mechanisms sustain the current state of affairs of the country?
2. Where do we want to go? – Toward which desired future is society striving? What does it look like?
3. How do we get there? – What principles provide the methodological basis for the policy course to be pursued by the political system to provide for an efficient transition toward a liberal and democratic society, national security and well being?

David Lee, MartiCom Ltd, Georgia, EPF's Trustee

Whilst occupied territories are a shared problem in the region, collectively the number one problem is poverty, a lack of jobs and an urgent need for FDI. Indeed, if you add employment and the poverty this is arguably the number one issue in all the countries of the south Caucasus.

Economic equalization of North and South Ireland was surely a factor in the peace process.

Remember Communism was a political AND an economic system.

In the Caucasus, Democracy and Economic issues are inter-twinned. Political elites are business elites. Grass roots civil society was destroyed by the communist system as Nina Iskandaryan told us and Small Businesses are still massively underrepresented in the economy.

Let's look at the problem in more detail.

Georgia has not recovered it levels of FDI since 2008. Great progress with the eradication of Low level corruption, making it easier to set up a business and democratic improvements are not enough, indeed the BRIC economies suggest that these attributes are not strongly correlated to Worldwide FDI. China is communist, Russia is massively corrupt.

If Georgia is to use these attributes as the basis of their sales pitch they must avoid high profile PR disasters such as the Ron Fuchs case and the arrest without realistic bail of businessmen.

They must ensure that that key industries work on a level playing field and that the legal process is fully Transparent.

No potential investor to Georgia has ever told me that the relationship with Russia was a deciding factor. Rule of law, corruption and democratic transition of power is a factor for all investors and all existing investors.

As a small region there would be clear advantages to joint ventures and a regional play. The south Caucasus has 134 billion of GDP 16 million people or 7,800 GDP per pop. If investments in one country could be realistically considered as an investment in the region this would improve FDI. Individually the countries are smaller than a single Western European City.

This is not the case today, indeed Proctor and Gamble is the only global business example I can think of. In the NGO world the situation is better, with EPF being a good example and there are Amcham's on each country but there are no joint initiatives or projects.

I attended a global business forum at the state department in Washington last month to explore areas where the Amcham's can contribute to the US concept of economic diplomacy and this is worth developing.

Amcham has formed an AgroBusiness Committee which is very popular and offersa platform for working between the Amcham's in the region.

Small scale agricultural ventures, Azeris and Armenians and Georgians trade below the radar all the time.

Despite DCFTA negotiations in both Georgia and Armenia there EU Business Associations are not taking leadership roles. In Georgia this initiative is now underway.

Telecoms Internet and TV the triple play of the future.

Mobile Telephony is an example of high investment in the region, but even here investment is fragmented.

Azerbaijan has TeliaSoneria, Bakcel and NAG penetration is 97%
Armenia has Vimplecom, MTS and France telecom penetration is 120%
Georgia has Magticom, Teliasonera and Vimplecom penetration is 92%

Confidence in the Media in Georgia dropped from 61% in 1996 to 33% in 2009 and only 26% of the Georgian population think that journalists do a good job of reporting the news.

2009 and 2011 Media Landscape Survey 88% of the population get their news from Rustavi 2 and 85% from Imedi. Just 32% from the public broadcaster and only 6% from the opposition channel.

If one accepts that access to information would benefit the peace process, then business has an important part to play.

Let's look at old style media first. To counter government control of TV stations and terrestrial broadcast the region should encourage pay TV, through both satellite and cable.

Benchmark pay TV statistics are not freely available but it is clear the South Caucasus are falling behind.

Bulgaria 62%
Russia 48%
Georgia 10%
No data for Azerbaijan and Armenia

Yet in Georgia the most popular TV stations Rustavi 2 and Imedi are not available to the only TV Satellite operator Magticom and have recently been withdrawn from one of the leading pay TV operators. Likewise, the opposition channel Maestro is not available on either IP TV network.

Now let's consider new media. For every minute that passes in real time, 60 hours of video are uploaded to YouTube. That's 10 years of video every day.

Access to the Internet is much lower than mobile penetration in the Caucasus. Licenses need to be freed up and FDI encouraged. In Georgia Magticom has been unable to get permission to lay fiber optic cable despite having procured equipment 3 years ago.

Internet Penetration
Azerbaijan   36.5%
Armenia.   37%
Georgia.   24.9

The numbers of the population with Facebook account is instructive as a measure of freedom of the media.

As the benchmark:

USA 155 million 50% similar to UK
Turkey has 31.5 million 40%

The Caucasus lags behind badly:

Georgia 800960 17.4%
Azerbaijan782000 9.42
Armenia 282700 9.35%

China 447,460 0.03%

Russia 4% but they have Odnoklasnki.

There is really no excuse for any country to restrict investment in media, particularly when we see with the Arab spring that is practically impossible.

I would advocate that a free media and enabling commercial interests to provide the open access networks to distribute this media will greatly assist the peace process. Too many entrenched leaders in this region seek to restrict the argument, to present only one version of events.

I understand that as a businessman I should not seek to teach diplomats their trade. When I first made this argument at the Georgian Centre for strategic Studies one if the panelist reminded me of the Babel fish.

The Babel fish is small, yellow and leech-like, and probably the oddest thing in the Universe. It feeds on brainwave energy ...... the practical upshot of this is that if you stick a Babel fish in your ear you can instantly understand anything said to you in any language.

The Babel fish, by effectively removing all barriers to communication between different races and cultures, has caused more and bloodier wars than anything else in the history of creation.

Notwithstanding this:

I would advocate a strong push by the NGO community in trying to develop pan regional initiatives such as the Amcham and diverse EU business associations and to encourage investment into all available communication technologies without regulatory favoritism and restriction.

Panel 3 Bright Spots: Civil society's potential role in peacebuilding processes

What are the bright spots? What is the role of civil society in peacebuilding processes, today and in the past? When state to state negotiations are deadlocked, are there any strategies for civil society, media or businesses? What successes have been promoted by Track II diplomacy?

Gevorg Ter-Gabrielyan , Armenia Country Director, Eurasia Partnership Foundation

Over the 20 years since independence, civil society actors implemented numerous confidence-building, conflict transformation, and dialogue projects across the conflict divides in the South Caucasus. US, UK, EU and other major actors allocated several millions of dollars or euros for NGO confidence-building projects in South Caucasus. However, often these projects are summarily dismissed as ineffective. I disagree that they have been fully ineffective, though their effects have been limited. In the absence of the correct measurement mechanisms, it is easy to dismiss them all. Meanwhile, some of them have been highly effective and some less so, for a variety of reasons.

For any new actor which plans to enter the field of civil society peace-building in the Caucasus, it is crucial to learn what has been done, in order not to repeat others' work, and moreover not to repeat others' mistakes.

Unfortunately there is a limited knowledge about these projects, which of course affects their impact. The knowledge is limited primarily because there is no place where they are all being reflected. I recommend, for many years now, to build a web portal, a source for storage and presentation of all the peace-building projects in South Caucasus.

The professionals in the field as well as the public of the conflict sides are usually not sufficiently aware about these projects. Sometimes there are legitimate reasons for this, and sometimes less legitimate ones. Given the heightened enemy-building policies in the conflict sides, the majority of their elites as well as the populations regard the peace-building activities with suspicion; therefore the leaders and participants of such projects try to keep these activities low-key. This can be considered as a relatively legitimate reason for lack of information about them. Many NGOs for the reasons of competition do not let other stakeholders know about their projects; they do not aim at challenging their societies; donors do not require collaboration; do not require serious impact; these are similar reasons are less legitimate ones.

However, for any intervention to have chances for success, they should take into account that there exist several peace networks which span across the Caucasus. Project implementers should get in touch with these networks.

Other ways to increase the impact of the civil society peace work are the following:

a. Need in peace language: how to convey the peace projects to the general public of one side so that the language does not irritate it? Stepanakert versus Khankendi, Sukhum versus Sukhumi; from this to the maps, to the definitions such as IDP versus refugee; occupation versus liberation; etc. All these terms need theirpeace equivalents in order to make the dialogue and reconciliation work meaningful

b. Donors, NGOs and the enlightened individuals in the conflict sides should pay attention to the need in peace discourse inside societies. EPF does this a lot in Armenia, via talk shows, public discussions, etc letting know the elites and the general public about the peace work. We have to work against the tide, because the state propagandas are incessantly building the enemy images

c. The success also depends on the standing of civil society actors or NGOs in their communities: NGOs should be non-aligned, non-partisan, and their values should be based on tolerance. Those NGOs which do not correspond to these principles should not be entrusted public funds to lead peace building, though they can be beneficiaries of such projects

d. Neither side is a devil: this is the tenet that should guide such work. Georgians, Abkhaz, Russians, Ossetians, Armenians, Karabakhis, Azerbaijanis, Turks, Kurds, all of them, independently of their status and place of residence, have civil society actors and public figures who it is worth to engage. If we are able to communicate with the opposite side with respect but without sacrificing our principles (such as anti-corruption, no to Gongos, etc), we will be able to contribute to peace

e. Help build deep democracy: the peace-builders' assumptional framework is that we don't need any peace: we need sustainable peace. This may come into being only if the societies are deeply democratic, functional, and enlightened. Therefore any advance in genuine democracy is also a contribution to peace in the region. Don't believe those who say that deep democracy is impossible in the region because of its past culture

f. The last point: engage youth

Ketevan Vashakidze, Georgia Country Director, Eurasia Partnership Foundation

Eurasia Partnership Foundation's perspective

Context:

Following the armed conflict of early 90s, there has been virtually no progress in either the political dialogue or in transforming the community-level grievances and hostilities underpinning the conflict.

Diametrically opposed political views of what "conflict resolution" entails has effectively muted efforts to properly address the causes of the conflict, as well as attempts at reconciliation and peace building.

The conflict is comprised of at least six interconnected conflicts at different levels:

i)   between Moscow and the Western international community over Russia's regional role and the appropriate model of development in the region;
ii)   between Moscow and Tbilisi over the nature of the relationship between the two countries and how their respective interests are best served;
iii)   between ruling elites in Tbilisi, Sukhumi, and Tskhinvali over the very nature of the conflict, the status of Abkhazia and SO, and how to ensure security;
iv)   between ethnic Georgian, Abkhaz and Ossetia societies over responsibility for the conflict, and hence what constitutes "justice;"
v)   Between different parts of ethnic Abkhaz society over Abkhazia's political and cultural orientation (towards Western/European or Russian values and systems), and what role ethnic Georgians should have in modern Abkhazia.
vi)   Non-existence of public debate on what role Abkhazia and Tskinvali region should have in the future of Georgia

Though these levels of conflict are deeply interconnected, the parties refuse to acknowledge this and adhere to different and selective interpretations of what "conflict resolution" means, and hence, the appropriate steps for achieving it.

At the same time, civil society on both sides of the conflict divide is weak, engagement is constricted, lacks representativeness, does not make it into news except during elections. Space for participation and public debate is very narrow.

Comprehensive Peace building via a P2P Approach

A key lesson from previous projects focused on peace building through economic development is that "leaving confidence building measures as a by-product of economic development will not do."1 Programs and projects should be designed in a manner that brings opposing communities together in shared activities that generate benefits, and subsequent enrichment, for both parties. As such, new projects should include efforts to promote cross-divide contact, on the basis of confidence built through the initial intra-community work.

Another common peace building assumption is that personal contact between individuals will challenge preconceived ideas by confronting these with a contrasting experience. The reality is that this contact may transform the individual participants' perceptions of each other, but does not necessarily translate into the wider transformations necessary for peace writ large. Lederach's Comprehensive Peace building Framework provides a model for translating individual transformations into wider transformations, through the identification of 'middle-out' leaders who have the ability to influence both top level political processes and reach out to (bottom-level) wider society.

Theory of Change - Enabling the P2P Approach

Given the limited political space for overt peace building activities, the most effective process for building durable P2P relationships between ethnic Abkhaz and Georgians is through practical co-operation on basic, functional needs common to respective societies.

Problem 1: Competing understandings of the conflict limits space for overt peace building activities. The different understandings of the conflict and how it can best be resolved has squeezed P2P out of conflict resolution processes by reducing political and societal support and politicizing these initiatives. Various formats for dialogue at both political and civil society levels have been previously attempted, e.g. the Schlaining Process.2 However, such processes have been discredited by each party as not contributing towards their vision of "conflict resolution," as narratives on what the conflict is about – and hence what measures are needed for resolution – have become increasingly and diametrically opposed. As a result, the parties have increasingly politicized P2P. This has included the development of the GOG's State Strategy on the Occupied Territories, which sets the overall objective of P2P contacts as "de-occupation" of

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[1] See: erc.undp.org/evaluationadmin/downloaddocument.html?docid=1756
[2] Organized by the United Nations Volunteers, Conciliation Resources and the Berghof Research Centre for Constructive Conflict Management and supported by Austrian Government.

Abkhazia and its reintegration into Georgia, with a focus on programs developed unilaterally in Tbilisi.3 For its part, Sukhumi has gradually removed support from overt P2P processes, partly due to the belief that they are associated with the GOG's State Strategy, and partly due to internal political pressure – that support for such processes is seen as a betrayal of Abkhazia. Approach: Functional approach to peace building. Response: Build durable relationships between ethnic Abkhaz and Georgians through practical co-operation on uncontentious issues of interest to both sides, e.g. access to health, environmental issues, that would become a stepping stone towards future collaboration on more 'conflict-orientated' issues.

Problem 2: Limited interaction across divides reduces the opportunity for P2P contacts. Official social and economic interaction has been limited since 1999 – partly due to security concerns, partly due to policies of both sides to restrict interaction across the ABL – reducing the viability and scope of P2P contacts. At the same time, there is limited interaction within Abkhazia itself between ethnic Abkhaz and Georgians. This means the societies lack the necessary confidence and readiness for P2P contact, including internally. As such, activities must focus on fostering initial intra-community cohesion and then look to bridge the ABL by linking ethnic Abkhaz and Georgians around common interests or concerns. Indeed, given the present political environment and limited space for overt reconciliation processes, the largest potential for reconciliation resides in areas of common needs, such as economic activities and social welfare. Approach: Robert Putnam's theory of social capital. Response: Strengthen relationships between different communities of interest separately inside Abkhazia and across the ABL through the development of practical initiatives, and as a stepping stone to eventual cross-ABL activities.

Problem 3: Failure of past initiatives to translate the individual transformation of participants in P2P processes into wider socio-economic transformation. Other donors and implementers have undertaken a range of bi-communal and civic peace activities. International NGOs, such as International Alert, Conciliation Resources, Links, and the Berghof Centre, and academics from the University of California, Irvine, the Vrije Universities Brussels, and George Mason University have organized numerous meetings, workshops, and trainings in order to promote constructive dialogue between conflicting sides. These activities have focused on building democratic institutions and good governance, promoting international standards for the protection of human rights, and improving socio-economic conditions. This has bred a core group of "reconciliation advocates," but individual transformations in these processes have not spilled over into wider transformations. This is partly because of the political impediments outlined above, partly because these processes have tended to be conflict-oriented rather than imbedded in the practical interests of the parties (e.g. in the economic sphere), and partly because measures to achieve societal impact were not built into the planning process. As a result, P2P contacts did not result in the bottom-up linkages necessary to produce reconciliation. Approach: Lederach's Comprehensive Peace building Framework. Response: Strengthen the individual and collective ability of mid-level leaders to transform the capacity of (a) wider society and (b) political decision-makers to collaborate across the divide (initially on practical issues of joint interest and subsequently on 'conflict-oriented' issues.)

Gender Consideration – Women as Bright Spot

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[3] See: http://www.civil.ge/files/files/SMR-Strategy-en.pdf

Women make a significant contribution to socio-economic life, especially in terms of small-scale enterprise to generate household income. Among IDP populations, women are increasingly active in liaising with local authorities about specific needs. Although driven by conflict and depressed economic circumstances, this also presents a window of opportunity for women's empowerment in moving from the private to the public sphere. Indeed, there are groups in Abkhazia that focus specifically on engaging women in entrepreneurship. New projects should reinforce these trends on both sides of the ABL, including interventions that capitalize on the potential of both genders to contribute to conflict mitigation and peace building.

Natalia Mirimanova, Senior Advisor, International Alert, Brussels

In the theoretical twilight: promoting economic dimension in peacebuilding

The question on whether economic interest could be a driver in the transformation of conflicts that were not driven by economic factors does not have a definite answer. This is because empirical, evidence-based research is impeded due to the lack of cases where economic considerations dictated political dialogue between the conflict parties, which poses threat to external validity, and to the numerous other factors of the conflict system, from which the weight of the economic connectedness factor may not be easily derived, which poses threat to internal validity of the relationship inferred.

There is a lack of theoretical backing for the practical application of economic measures in view of their positive impact on peacebuilding.

While studies on the interplay between economy and conflict predominantly focus on a "war economy"4 aspect, "war economy" is not the only economic dimension of protracted violent conflicts. The shadow and "coping economies"5 are pertinent to conflicts that disrupt historical trade and transit routes or hamper economic development within the conflict areas so severely that smuggling of food and other basics and other illegal or paralegal activities that if not for the restriction imposed by the conflict would have been perfectly legal becomes the only possibility to survive. The difference between a shadow and a "coping" economy is the scale of profits made and the scale of involvement of the formal authorities through corruption; however, both are informal economies and persist where a formal economy cannot bridge conflict parties, or when authorized economic activities are inaccessible for the general population due to an "entrance fee", which in turn may be informal. Apart from the setbacks for the empirical study of the relationship between economies that do not sustain war, but merely adjust to the 'no-war-no-peace' phase of conflicts described above the practicalities of carrying out field research on the micro-scale and non-publicized economic activities are a challenge.

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[4] A "war economy" is usually defined by the arms trade, drug and human trafficking, and smuggling which sustain war and allow a small group to make extreme profits.

[5] N. Mirimanova (2006). 'Between pragmatism and idealism: businesses coping with conflict in the South Caucasus', in J. Banfield and C. Gündüz (eds) (2006). *Local Business, Local Peace: the Peacebuilding Potential of the Domestic Private Sector*. International Alert: London; J. Goodhand (2003). *From war economy to peace economy?* LSE: London. Available at http://eprints.lse.ac.uk/28364/1/Goodhand_LSERO_version.pdf

Introduction of the economic dimension into the conflict transformation equation when economy was not a dimension of conflict emergence and escalation does not present an option of 'undoing' the damage done through the particular economic policies, activities and practices. For instance, the once popular 'greed and grievance' theory links socio-economic variables of the pre-violent conflict context, such as high unemployment rate among young male population and dependence on natural resources, that point to the directions of preventive and post-war conflict resolution actions. However the scope of conflicts that this theory is applicable to is limited to civil wars6. Where there were no economic variables in the pre-conflict context the construction of an economic strategy for conflict transformation becomes an explorative exercise when practice precedes theory. The task of political persuasion of the sides and third parties is evr more difficult.

This should not preclude, but rather stimulate creative small N and qualitative research that would serve as a more solid foundation for pilot cross-conflict economic initiatives and policy measures to facilitate rather than hinder such cooperation compared to the 'hit or miss' approach.

The economic strand of peacebuilding should not be equated with development assistance. Albeit there are areas of overlap, the key difference between the two is the extent of agency of the conflict-affected economic actors. The second important difference is that peacebuilding through economic means implies also [economic] policy change within and across the conflict parties that enables relations between economic actors geared towards the openings in the public and political incentives to transform and resolve the conflict.

The type of the legal-economic makeup at the conflict interface is an important variable to be considered in the design of economy-focused conflict transformation measures. The legal-economic context of the conflict interface, in its turn is defined by the type of the conflict and the greater regional context.

South Caucasus is plagued with three state-formation conflicts7 (Georgia-Abkhazia, Georgia-South Ossetia and Azerbaijan-Nagorno-Karabakh), two inter-state conflicts (Armeina-Azerbaijan and Georgia-Russia) and the protracted diplomatic stand off between Armenia and Turkey. As a result every entity in the South Caucasus has at least one sealed and at least one open border8. On the one hand, this means that business has found ways to either 'ignore' or to profit from the

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6 Critics of this theory are even skeptical that it accurately describes civil wars as the sample in the original study was biased.

7 State formation conflicts put "an incumbent government against a regionally-based opposition demanding a radically different status for a particular territory. The demands concern autonomy, federalism, independence or joining a neighboring state" (Wallensteen, P. (2002), p.169). The term was coined by Peter Wallensteen and captures the essence of the conflicts that are otherwise called as 'separatist' or 'secessionist' because this term embraces both entities entangled in the struggle for their versions of the relationship between a state and a nation. State formation conflict is a conflict of two nationalisms.

8 The term 'border' here is used with no political implications, but rather signifies frontiers between the distinct legal-economic contexts.

sealed borders. New 'conflict reality' equilibrium of movement of goods and people has come into existence. This new 'conflict reality' has particularly affected business activities in the partially recognized and non-recognized entities since their capacity to attract any substantial legal external investments is limited. In the entities that are heavily dependent on transit, like South Ossetia, this situation is suffocating for business. In the entities that have relatively problem-free borders that open access to large markets, entrepreneurs re-orientated their economic activities towards these away from the sealed borders (Abkhazia, Armenia, Azerbaijan, Georgia), while in Nagorno-Karabakh that has only one immediate exit to the external world entrepreneurs concentrated on internal investment and self-sufficient development. The states seem to be less affected by the sealed borders because some, like Azerbaijan, build their economy around oil and gas, while others, like Georgia and Armenia, are still able to attract external investments and benefit from the privileged external assistance. This concerns macro-economies, though. Small and medium enterprises (SMEs), especially at the periphery and in the borderlands in Georgia, Armenia and Azerbaijan experience the existing border restrictions and can barely afford high transport and shipment fees because of the need to circumvent sealed conflict borders.

What are the peculiarities of state-formation conflicts that condition the participation of the domestic private sector in peacebuilding?

First and foremost, these conflicts increase a number of sealed borders hence limit access to markets and impair transit routes. The situation of curtailed or suspended freedom of movement of people and goods feeds into the isolation of the societies.

Second, in the case of state formation conflicts entities that are not recognized internationally as states are deprived of the possibility to do business directly with the external world, including with the private sector of the state they broke away from in any legal way. Likewise, any business activity by a third party in these entities is considered illegal by the mother state. The breakaway entities may also impose a regime of closed border and likewise declare economic contacts with the other side not only illegal, but traitorous.

Third, official or unofficial recognition by one or several UN member-states opens up some markets, but the cost for this recognition is high for the private sector. Economically, politically and socially insignificant private sector vis-à-vis the mighty public sector that is the utter supplier of jobs and benefits is the destiny of the aspiring states that are heavily dependent on the external aid and political support. The examples include the unrecognized Turkish Republic of Northern Cyprus (TRNC) and South Ossetia. Patronage politics resists the strengthening of the independent private sector that may be perceived as a threat to the patronage system altogether.
Even though economy-driven imperative for opening the borders is there, conformism as a survival mechanism dictates to the domestic small and medium private sector to either ignore the missed business opportunities or operate in the illicit cross-conflict schemes below the radar. As in any protracted conflict that is about perceptions of existential and non-negotiable needs the collective and political conscience tempers the economic and needs-based drive to endorse border opening. There are variations in the views entrepreneurs take on the appropriate timing for the opening of the currently sealed borders and boundaries for trade and movement: Some say that they would rally behind the opening once a just settlement of the conflict will have been

reached, while others are willing to start with incremental development of cross-conflict economic relationships, including proposals on the provisional recognition of the sides as economic entities, and believe that the settlement would follow. There is a third category that rejects any cooperation with the enemy side ever or puts forward the acceptance of their position by the opponent side as the condition for economic cooperation9.

Brightening the context: Caucasus Business and Development Network (CBDN)

The Economy and Conflict strand of the International Alert work in the conflict contexts of the South Caucasus embraces the two abovementioned aspects: domestic private sector's agency and policy change to enable cross-divide economic cooperation as a precursor of the future peace arrangements.

The regional business-for-peace initiative called Caucasus Business and Development Network was launched in 2005 by a group of entrepreneurs, economists, and civil society activists from all the entities in the South Caucasus and Turkey with support from the International Alert. This initiative was a spring off the pioneering research on the economy of war and peace in the South Caucasus that was carried out by the International Alert in 2002-2004. A new format of the business and peace analysis and project operation in the conflict-ridden South Caucasus was introduced and put into action. This was a new 3+3+1 format that included three states (Georgia, Armenia and Azerbaijan), three non-recognized de facto states (Abkhazia, South Ossetia and Nagrny-Karabakh) and Turkey. The above mentioned gaps between business incentives and strength/weakness constellations and peacemaking tasks were consciously addressed in the design of this network. It is institutionalized as a network of regional offices in Tbilisi, Kutaisi, Tskhinval/i, Sukhum/i, Yerevan, Gyumri, Baku, in Stepanakert/Khankendi and in Istanbul. All have their individual work plans based on the needs and realities of their regions. The scope of their work ranges from training, consultations for local entrepreneurs, sponsorship of business initiatives, research, to advocacy (Box 1). The network is an effective information exchange mechanism and ensures coordinated work of the individual centers, timely assistance and decision making. It empowers and contributes to the professional development of the domestic private sectors in the conflict regions, mainly small and medium enterprises, to become agents of peacebuilding.

Against the background of ruptured trade routes and disconnected private sectors CBDN models the economically interconnected post-conflict South Caucasus. The model is being crafted on the basis of research, inclusive dialogue with business communities across the region, advocacy and concrete activities on the ground that address the populations' needs, empower the private sector to put forward its agenda as a component of conflict resolution and create a precedent of cooperation.

CBDN found its inspiration in the few existing economic strategies for peacebuilding, most notably, Turkish-Armenian Business Development Council (TABDC) and Green Line regulations as a creative mechanism that enabled trade and services across the conflict frontier in Cyprus and placed the Chambers of Commerce of the two entities in the position to oversee

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[9] Research on the prospects of free movement of people, goods and capital in the South Caucasus carried out by International Alert and CBDN in September 2008, unpublished

economic relations between the two private sectors that used to be isolated from each other for several decades. The two examples reflect two main strands of the Economy and Conflict work of International Alert: institutionalization of the cooperation between private sectors across conflict divide and advocacy for regulatory frameworks that, on the one hand, enable businesses from the opposing sides engage in legally permitted economic activities with each other in the absence of the final political agreement, on the one hand, and stimulate the political peace process by means of setting an example of relationships renewed on the basis of pragmatism.
TABDC was established almost two decades before the initial hesitant rapprochement between Turkey and Armenia commenced. The idea to promote business links in view of the eventual opening of the border was a business idea because the re-opening of the railway and auto route from Eastern Turkey through Armenia diversifies Turkey's access to the markets to the east and to the north. For Armenian business the link with turkey is even more vital. Political and cultural projects that were interwoven into the business idea made this business initiative meaningful for politicians, civil society, artists and general public. TABDC found itself at the forefront of the Turkish-Armenian political rapprochement and in the vanguard of the renewed and bolder efforts to take Turkish-Armenian business relations onto the qualitatively different level through advocacy for the facilitation of economic interaction for mutual benefit.

Economic cooperation in the situation of unresolved conflicts: in search for regulatory frameworks

The experience of CBDN and TABDC demonstrated that the domestic private sector, particularly its SME segment that is inclusive and mass-orientated and where the environment is favorable makes substantial contribution to the GDP, is motivated and capable of business cooperation across conflict lines. Thus, we know where to search for the agents of cooperation. However it is important to keep in mind that private sector as an agent of peacebuilding can not be regarded through the lens of the as Track II diplomacy. In the original multi-track diplomacy model10 business was dispensed its special track. This is because private sector's decision to engage in peacebuilding ought to be a business decision. Doing business with the counterpart from the opposite side in the current circumstances in the South Caucasus is extremely risky.
Hence in order for the agency of the private sector to be actualized permissive regulatory frameworks ought to be advocated for.

International Alert's Economy and Conflict Program parallels its practical business-to-business cooperation projects with empirical research that informs proposals on the framework(-s) that would provide domestic private sector in the conflict regions with the opportunity to carry out cross-conflict business projects. The example of the Green Line regulations that enabled free movement of people and legalized certain types of economic transactions that connected the business communities from the two parts of the island encourages search for creative – even if provisional – arrangements that merge business incentives with the peacebuilding imperative.

A two-step research on the prospects for the regulation of trans-Ingur/i economic relations that was carried out in 2010-2011 presented the pros and cons of the opening of the currently officially sealed but practically selectively permeable boundary and the legalization of economic

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[10] J. McDonald and L. Diamond (1996). *Multi-track diplomacy: A systemic approach to peace*. Virginia, US: Kumarian Press.

transactions between the two private sectors. Stakeholder analysis showed that the facilitation of the economic relations is not a merely technical or even legal issue. Deep collective psychology, unhealed trauma, human security, as well as political stakes ought to be factored into the cost-benefit calculations11. If a regulatory framework is to be designed, the process of its inception should be inclusive, with both Georgian and Abkhaz private sector representatives as well as the institutions that have the expertise and responsibility in the matters should take part. The design process should explore the devolution of authority to manage the regulations, for example to local authorities or non-governmental organizations such as The Chambers of Commerce. The mandate of the selected regulatory body might need to be adjusted if necessary, for the new task. The capability of the potential arrangements to make a difference for the SME segment of the domestic private sector in terms of opening up new markets and access to transit shortcuts needs to be assessed. Regional implications of the hypothetical regulated transit needs to be explored as well as costs of the currently blocked transport connections with the markets in the region and outside the region.

Thus, analytical approach to the idea of regional cooperation and other economic frameworks that are being proposed to some or all South Caucasus states and the immediate neighbors of the region, namely, Russia, Iran and Turkey, should precede political lobbying in the view of getting the maximum benefits for peacebuilding and diminishing the risks of the aggravation of the conflicts.

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[11] Mirimanova N. (2012) Regulatingh trans-Ingur/i economic relations: stakeholder analysis. International Alert, in print

CBDN, business and peace

In the absence of political resolutions to the conflicts in the Caucasus, CBDN believes that **business offers a common interest** across the region for cooperation and an alternative way
to promote peacebuilding in the region

CBDN believes there is a strong economic case for **regional cooperation** and that regional challenges (e.g. interrupted markets, conflicts) need regional solutions. CBDN is the only institution actively promoting regional economic cooperation in an inclusive format across the South Caucasus.

CBDN supports business projects that are for **mutual benefit** and require **genuine partnership** and where neither conflict party dictates or unilaterally profits from the other help. This helps to restore trust and humanity in the relationships between the opposing sides

CBDN launches and supports business initiatives that are legal, **transparent** and beneficial for
people across conflict divides in the South Caucasus. This makes it a legitimate and respected
force in the economic sector and in peacebuilding

CBDN supports **creation of new platforms** to promote regional economic cooperation (Caucasian Tea Producers' Association, Women's Economic Forum, etc) and supports business initiatives that are for mutually beneficial and promote positive change

CBDN develops, advocates for and pilots **models of regional economic cooperation** such as
regional events (e.g. exhibitions, business fairs), information tours for entrepreneurs, cross-divide
production chains (e.g. production schemes, machinery lending schemes), economic zones and creation and promotion of regional brands (Caucasian cheese, Caucasian tea, Caucasian wine)

Box 1 Caucasus Business and Development Network