

BEYOND FROZEN CONFLICT

Scenarios for the Separatist Disputes of
Eastern Europe



THOMAS DE WAAL AND NIKOLAUS VON TWICKEL
EDITED BY MICHAEL EMERSON



Beyond Frozen Conflict

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**Thomas de Waal
Nikolaus von Twickel**

Edited by
Michael Emerson

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CEPS (Centre for European Policy Studies) is an independent and non-partisan think tank based in Brussels. Its mission is to produce sound policy research leading to constructive solutions to the challenges facing Europe.

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“For almost 30 years, Europe has been struggling to handle several territorial or separatist conflicts in its Eastern neighbourhood: Abkhazia, South Ossetia, Nagorny Karabakh, and Transdnistria. In the meantime, similar conflicts have also erupted over Crimea and Donbas. There are different mixes of geopolitics and local conflict in all these arenas. The affected countries have largely adjusted to an abnormal situation, but the conflicts still pose considerable dangers, and in Ukraine the war is still active. Russia is directly involved in almost all conflicts, and has a less overt role in Nagorny Karabakh. Russia’s role in the conflicts in Ukraine overshadow its relations with the European Union. While the European Union has developed a strong relationship with all countries of the Eastern neighbourhood, its approach to the conflicts has sometimes been hesitant.

“In this thorough and excellent study, the Thomas De Waal and Nikolaus von Twickel trace the development of the conflicts in order to make predictions for their further course together with policy recommendations for the European Union. The status quo continues to be the likeliest scenario, but it is a dangerous one and demands that the European Union use its political and economic leverage to engage and transform the conflicts.”

*Peter Semneby,
Former EU Special Representative for South Caucasus*

“This book provides a compelling and comprehensive account of the fluid conflicts and frozen peace processes in Eastern Europe. A must read for all those who wish to understand the region and prevent the Donbass from falling into the same ‘frozen’ trap which Abkhazia, South Ossetia, Nagorny Karabakh and Transdnistria have succumbed to.”

*Natalie Tocci,
Director, Istituto Affari Internazionali, Rome*

“This volume is the indispensable source for information and analysis on the conflicts and separatist entities on the post-Soviet periphery in Ukraine, Moldova, and the Caucasus. Co-authors Nikolaus von Twickel and Thomas De Waal bring on the ground experience, a journalist’s keen eye, and scholarly insight to this lucid, penetrating and comprehensive survey of the region. Whether you are a seasoned expert or unfamiliar with the region, for both historical understanding and policy insight, this is a must read.”

*William Hill, Global Fellow,
Kennan Institute, Woodrow Wilson International Center for Scholars.*

“Protracted conflicts permeate people’s collective identities, impact their views of the past and the future and define their present. They are difficult to resolve in the sense of the elimination of the root causes precisely because conflict sides regard the causes and solutions in diametrically opposite ways. Thinking scenarios is a useful exercise that helps look beyond the ‘right’ course of action and stimulates critical (re)assessment of one’s own position. This book invites the reader to embrace the complexity of the conflicts in the post-Soviet space and disentangle geopolitical manoeuvres from collective grievances.”

*Natalia Mirimanova,
Founder and Director of the Eurasia Peace Initiative*

“The negotiations over the secessionist conflicts in the eastern European borderlands may be at a standstill, but the conflict parties continue to make crucial choices to advance their interests. This book examines the options available to them and their consequences for the transformation of the conflicts. One of the book’s key achievements is to offer an in-depth analysis of the range of potential future scenarios.”

*Professor Bruno Coppieters,
Free University of Brussels*

“Thomas de Waal and Nikolaus von Twickel’s study is an honest, brave, comprehensive and timely analysis of the possible ways of mitigation of the geopolitical risks connected with five post-Soviet ‘frozen’ conflicts. As a Ukrainian I completely support their conclusions that evolutionary status-quo is the most likely scenario for Donbas’ future settlement and that the EU should stand for a lifting of Kyiv’s trade blockade of the non-government-controlled areas and should assist Ukraine in a project of national dialogue and reconciliation with the traditionally Russian-speaking regions of the country.”

*H. E. Oleksandr Chalyi,
former First Deputy Minister for Foreign Affairs of Ukraine*

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PREFACE

This book forms part of a wider project on the relations between the European Union and Georgia, Moldova and Ukraine, and in particular the Association Agreements and Deep and Comprehensive Free Trade Areas (DCFTAs) between these three states and the European Union.

The wider project was begun in 2015 in the aftermath of the Maidan uprising at the beginning of 2014, which had been provoked when President Yanukovich reneged over the signing of Ukraine's Association Agreement with the EU. Following Yanukovich's flight to Russia, the Association Agreement was duly signed later in 2014.

The agreements with Georgia, Moldova and Ukraine have a substantial common content, while differing in various details. Overall, they provide an association model of unprecedented extent and depth. Democratic political values are at the heart of the agreements, while the economic content goes far beyond classic free trade agreements to include a wholesale approximation of EU internal market regulatory law. The purpose of our wider project was first of all to explain the complex content of the Association Agreements and DCFTAs, which was achieved in a series of comprehensive handbooks published at www.3dcftas.eu.

However, the agreements contain only short and simple articles on conflict prevention and management, without meaningful operational content. This was notwithstanding the fact that the EU considers itself, for its own historical reasons, to have a special vocation in conflict prevention and resolution. In addition, Georgia and Moldova were already the sites of unresolved separatist conflicts originating around the collapse of the Soviet Union three decades ago, namely Abkhazia and South Ossetia in Georgia, and Transdniestria in Moldova, to which we have added the case of the Nagorny Karabakh between Armenia and Azerbaijan. On top of this

legacy, the Maidan uprising led to the Russian annexation of Crimea and its hybrid war in the Donetsk and Luhansk oblasts of the Donbas. The Donbas thus joined the old 'frozen conflicts'.

In the light of the above, CEPS took the initiative to examine all five unresolved conflicts, to assess where these disputes seem to be heading, and what different scenarios could be imagined for their future, including how the European Union might become more engaged. Indeed, while none of the conflicts are resolved, none are for that matter 'frozen'. Our first practical priority was to find an author to undertake a comprehensive study of the Donbas, since conditions there make it practically impossible for any analysts from the government-controlled part of Ukraine or from Europe to safely enter these territories for research purposes. We were therefore very fortunate to find Nikolaus von Twickel who had recently been travelling in the Donbas as part of the OSCE Mission there, and is now an independent analyst. For the other four 'old' conflicts we were also most fortunate to bring in Thomas de Waal, who has been a leading scholar of the region for some decades, and was willing to bring the stories of these conflicts up to date. The two authors were able to address the complete set of conflicts with a consistent analytical approach, as will be evident from reading the sets of scenarios.

We express our warm appreciation towards Sweden and the Swedish International Development Agency (Sida) for their support to the entire project.

Michael Emerson
CEPS, Brussels, February 2020

1. INTRODUCTION AND RECOMMENDATIONS

*THOMAS DE WAAL AND
NIKOLAUS VON TWICKEL*

This volume looks at future prospects for the string of unresolved conflicts that continue to plague the post-Soviet world. Four of them date back to the period when the USSR began to break up in the late 1980s. A new conflict, with many different elements and some similarities, was added to the list in 2014: the Donbas in eastern Ukraine. The open confrontation between Russia and Ukraine over the Donbas and Crimea not only destroyed relations between Moscow and Kyiv but changed politics across the region, shaking up the dynamics of the four existing protracted territorial conflicts over Abkhazia, Nagorny Karabakh, South Ossetia and Transdniestria.

The five post-Soviet conflicts are often called ‘frozen’, but this is a misnomer. Although the peace processes around them often look frozen, the situations themselves are anything but frozen and are constantly changing. Two of them, over the Donbas and Nagorny Karabakh, are either ongoing or close to violence. Each dispute has its own history, character and context, which has grown more distinctive over time and has been further shaped by the confrontation over Ukraine. Each continues to evolve. Here we chart scenarios for how these conflicts may develop further with the aim of focusing policymakers’ thinking on which tendencies are dangerous and which ones can be encouraged. There are many moving parts to these situations and complacency is not an option.

International fatigue is certainly a negative factor. The four post-Soviet conflicts of the 1990s have slipped down the international

agenda and the Donbas conflict risks suffering the same fate. The multilateral mechanisms entrusted with mediating them have struggled to deliver results. The Organization for Security and Cooperation in Europe (OSCE), which leads the mediation efforts for Karabakh and Transdniestria and is in charge of the monitoring mission for the Donbas, lacks the resources and executive structures of the United Nations, and its decision-making capacity is weakened by the use of vetoes by member states. This poses a challenge to the EU to be more creative in dealing with these conflicts in its eastern neighbourhood.

1.1 Scenarios

The oldest of the five conflicts considered here is the dispute between Armenians and Azerbaijanis over the territory of **Nagorny Karabakh**, dating back to 1988. This is also the conflict where the scenario of a return to full-scale violence is most likely. A four-day outbreak of violence in 2016 was a salutary lesson in this regard. Over the previous three decades, the conflict has expanded to be one of full rivalry between the two nation-states of Armenia and Azerbaijan. Geopolitical factors are secondary, and Russia is more detached, as it lacks a presence on the ground in the conflict region and seeks to maintain good relations with both sides. The profile of the EU is extremely low.

The long-running conflicts over **Abkhazia** and **South Ossetia**, which broke away from rule by Georgia in the early 1990s, not long after it had won independence from the Soviet Union, became yet more acrimonious in 2008, when Georgia and Russia fought a five-day war and Moscow unilaterally recognised the two territories as independent states. The geopolitical divide over the two conflicts deepened further still with the Ukraine crisis of 2014 and the regions are more isolated than ever from Georgia proper and consequently from the wider Europe.

At the same time the differences between these two regions have been magnified over the last decade. South Ossetia has been depopulated and may now be home to less than 40,000 people. It is almost completely reliant on Russian aid. Its small political elite openly advocates for full union with Russia but is politely rebuffed by Moscow when it does so. The region's main utility to Russia is as

a military base. A scenario of further stagnation and isolation that benefits neither Ossetians nor Georgians is the most likely one.

Since 2008, Abkhazia has also grown more isolated from the outside world and more reliant on Russia, but the dynamics of its development are more complex. Many in Abkhazia still aspire – however improbably – for independence from both Georgia and Russia, and wish to keep connections open to the world at large. The government in Tbilisi and the EU still have stakes in the future of Abkhazia, as well as the powerful patron in Moscow. This allows us to list different scenarios for the future, although a perpetuation of the current situation where Abkhazia becomes more isolated and dependent on Russia, currently looks the most plausible.

Transdnistria, the pro-Russian province which broke from Moldova in 1990-2, as the Soviet Union dissolved, is different again. This is the only dispute where positive incremental change is noticeable, thanks to a successful programme of confidence-building measures, initiated in 2016 and overseen by the OSCE. There is no ethnic factor in this conflict and the threat of renewed violence is almost zero. Politics and economics are predominant. The government in Transdnistria backed by the business conglomerate Sheriff has promoted trade links with the EU and outreach to right-bank Moldova, while maintaining political loyalty to Russia. This allows us to envisage a scenario in which a partial or even full resolution of the dispute is more likely than in the other cases, even though powerful forces still militate for the status quo.

The conflict in the **Donbas** is ongoing and still causing bloodshed. It has cost more than 13,000 lives in the five years since 2014. Here, geopolitics play a dominant role while regional dynamics have much less relevance. Ethnic identity is of little importance locally, although nationalistic rhetoric is common in Kyiv and Moscow. Local opposition to the Euromaidan revolution in 2014 escalated in the eastern Donetsk and Luhansk regions thanks to active Russian support, which was initially political and then military. The separatist ‘People’s Republics’ stabilised somewhat after the Minsk agreement of 2015, but they remain strongly subordinate to Moscow, which initially even provided some of its leaders.

While the ‘People’s Republics’ have been recognised by no one, the separatists openly talk about joining Russia at an unspecified future date. The Kremlin largely ignores these aspirations but continues to play a huge role in day to day political, economic and military affairs. While fighting has been confined to the Line of Contact since 2015, the ongoing violence is useful for the separatists to stay in power. A military solution of any kind is unlikely, but a fundamental rapprochement is also not in sight as long as Kyiv stays on its western-orientated path and Moscow believes that it needs to derail that aspiration. The most likely scenario is therefore stagnation, even though the growing economic cost of the conflict may cause Russia to make limited concessions. While the EU is a key backer for Kyiv’s reform agenda, it has taken a back seat in negotiations, leaving them to France and Germany in the ‘Normandy Four’ format and the OSCE.

Table 1.1 Scenarios for the future of the unresolved conflicts

The Donbas

1. Minsk scenarios for reintegration	Conceivable but problematic
2. Formal integration with Russia	Conceivable but unlikely
3. Military scenarios	Highly unlikely
4. Evolutionary status quo	Most likely

Transdniestria

1. Reintegration with Moldova	Possible long term
2. Status quo with Europeanisation	Ongoing for medium term
3. Political retrenchment, isolation	Unlikely

Abkhazia

1. Integration with Georgia	Remote prospect
2. Annexation by Russia	Unlikely
3. International recognition	Not credible
4. Softening of border	Desirable but political will needed
5. Status quo/isolation	Most likely

South Ossetia

- | | |
|-------------------------------|------------------------|
| 1. Integration with Georgia | Hardly conceivable |
| 2. Annexation by Russia | Unlikely |
| 3. Partial opening of border | Desirable but unlikely |
| 4. Status quo with stagnation | Most likely |

Nagorny-Karabakh

- | | |
|--------------------|---------------------------------|
| 1. Peace agreement | Only far into the future |
| 2. Return to war | Possible through miscalculation |
| 3. Status quo | Most likely for medium term |

1.2 Thinking in the long term

Commentators often express frustration at the non-resolution of these conflicts. This report makes the case that there is no substitute for a long-term approach, and that ‘quick fixes’ and cleverly devised peace plans with fast timetables will not deliver results. Strategic patience and work inside the societies affected by conflict is needed.

Russian intransigence is commonly cited as the main reason for the non-resolution of conflicts. If Moscow wanted to see these conflicts resolved, it could do so, the argument goes, but it prefers to keep them ‘frozen’ so as to maintain leverage.

This is undoubtedly true in one of the cases, the Donbas, and partly true in some of the others. But there are many reasons for their non-resolution, and it might be more useful to ask why these long-running conflicts should be resolved, given the strong vested interests in maintaining the status quo on many sides.

To a greater or lesser degree, all these disputes are marked by an estrangement of the societies on either side of the conflict divide and by isolation of the breakaway territories. Travel to and from the territories is usually highly restricted, and local communities re-orientate to the patron state (Russia for four of the territories, Armenia for Karabakh). Transdnistria and the Donbas are

somewhat different. In the former there is much traffic back and forth. In the Donbas there are up to one million monthly crossings of the 'Contact Line', which keeps up people-to-people connections, though this is a very one-sided phenomenon, driven mainly by pensioners from non-government-controlled areas collecting state benefit payments on the government-controlled side.

Isolation has had strong negative impacts over time, tending to entrench hardline attitudes, rather than create conditions for compromise. The longer communities exist with little or no access to their former parent states, the less they identify with them. The break is especially acute if large-scale displacement has occurred of the other ethnic community, as occurred in Abkhazia and Nagorny Karabakh, where Georgians and Azerbaijanis respectively were forced to flee. Isolation is also a strong factor in the Donbas, where the Russian-controlled 'People's Republics' have been able to wage a propaganda campaign against all things Ukrainian for the past five years.

A Russian role is a common factor in all these disputes, but this study seeks to look beyond stereotypical statements about how Moscow caused and directs these conflicts to explain how its role is different in each case. In each region Moscow employs different tools and different actors to project influence, with varying success. Often the approach has been inconsistent, and the results have decreased Russian influence rather than boosting it. In Georgia and Ukraine, for example, support for breakaway regions has undoubtedly undermined hopes of the much bigger goal of winning political influence in Tbilisi and Kyiv.

A variety of Russian interests are evident. Hard power, exerted by the military, is most obvious in the Donbas, where the two 'People's Republics' would be at risk of collapse without direct Russian military support. It is also strongly exerted in Abkhazia and South Ossetia, where around 7,000 troops are stationed in each of the territories.

In the Karabakh and Transdniestria disputes, Russian diplomacy is more prominent, with Moscow playing a leading role in the OSCE mediation processes for both conflicts and working alongside Western partners. In both of these cases, the conflict often takes a back seat in Russian policymaking as Moscow seeks to

exercise political influence and build bilateral relations with friendly partners in Baku, Yerevan and Chisinau.

An important and ongoing change is that, partly in reaction to zero-sum behaviour from Russia, the 'parent states', which included these autonomous regions in Soviet times, have also become stronger and developed bilateral relationships with the outside world. Three of them, Georgia, Moldova and Ukraine, have signed Association Agreements with the European Union. One result of this is that on an everyday level they prioritise domestic development and conflict resolution is no longer felt to be so urgent. All of them also reject compromise proposals which would see a high degree of autonomy granted to the breakaway regions, fearing that this would upset the political balance in the country and indirectly give influence to Russia.

1.3 Policy recommendations

When it comes to policy recommendations, it is somewhat unrealistic to give them to the actors who have been directly involved in these conflicts for years, or decades. The international mediators, most notably the OSCE, could benefit from stronger mandates that reflect new realities on the ground, such as the militarisation of the situation around Nagorny Karabakh, but the chances of them achieving this are very small.

It can be plausibly argued that Russia would benefit from a strategic rethink of its priorities with regard to these conflicts, having lost influence in Georgia, Moldova and Ukraine, as a result of the role it has played in four of these conflicts. However, this advice is likely to fall on deaf ears, given the geopolitical framing applied to most of these conflicts in Moscow and the strong investment in them by the military and security services.

The conflict parties themselves are often advised, with good reason, to rethink their priorities, to stop instrumentalising the conflicts in their domestic politics and to be bolder in their outreach to one another. This risks becoming a worthy but rather unrealistic recommendation for these societies, whose identities are deeply entwined with the conflicts they have fought, to rethink their entire national projects.

In the cases of Transdniestria and the Donbas and to a more limited degree in Abkhazia, there is more scope for incremental measures. A common denominator of all of these disputes is that where there has been more engagement and confidence building there has been more progress, if often painfully slow. Yet this kind of outreach to the other side in the conflict requires political capital and strong leadership which is often in short supply. In the light of this, the recommendations made here are mainly for one outside actor, which has more flexibility and capacity to do more, the European Union.

The European Union did not exist as a foreign policy actor when these conflicts broke out – with the exception of the one in the Donbas. As it has developed foreign policy capacity, the EU has struggled to find the strong role here that it played in the conflicts of the Balkans. The substantial domestic bilateral agenda it now has with Georgia, Moldova and Ukraine has also put conflict resolution in the shade.

Can the European Union do more? It certainly can, but the issue is not one of getting directly more involved in the negotiation formats or coming up with new formulas for conflict resolution. Clearly, policymakers need to be acutely aware of Russia's role. This is not an easy task, given the Kremlin's habit of non-transparent and irrational decision-making. And in order to be effective, Europe must retain a united stand versus Moscow.

Perhaps the strongest argument for greater European involvement is the highly positive image that the EU has in practically all the countries affected. The Union's image in Ukraine is significantly better than in a range of EU member countries.¹ Even in Russia, where state-controlled media have been waging anti-western campaigns since 2014, attitudes towards the EU have swung back to positive again in 2019.² Thus, West European policymakers should act collectively and forcefully, when it comes to projecting soft powers not only into Ukraine, Moldova and Georgia, but also into Armenia, Azerbaijan and Russia.

¹ <https://www.pewresearch.org/fact-tank/2019/10/21/attitudes-toward-eu-are-largely-positive-both-within-europe-and-outside-it/>

² <https://www.levada.ru/indikatory/otnoshenie-k-stranam/>

Policy recommendations for the European Union: regarding Georgia, Moldova and Ukraine

- Integrate conflict transformation strategies into the bilateral agenda; develop a strategy paper which sets out EU goals for improving security and resilience for parent states, supporting civil society, while enhancing engagement with the populations of breakaway territories.

Ukraine

- Continue support for Ukraine and its reform agenda, to ensure that the government wholeheartedly and sustainably implements measures for democratisation, decentralisation and fighting corruption.
- Sustain sanctions (personal and sectoral) against Russia in order to keep up international pressure on Moscow.
- Develop strategies to assist Ukraine in projecting soft power into both government-controlled and non-government-controlled Donbas to overcome the region's traditional isolation from Kyiv. Support schemes for better-quality media and culture and to facilitate access to Ukrainian civilian documentation and pensions. A civilian EU mission could reinforce the positive image of European partnership on the ground, even if it is unlikely to gain access to non-government-controlled areas.
- Develop aid programmes to foster economic stability in Ukrainian regions, first and foremost the Donbas, to assist its transformation from reliance on heavy industry to a more sustainable economic model. Support small and medium-sized business. Start in government-controlled areas, as model for what could follow in the non-government-controlled areas.
- There should be a push for a lifting of Kyiv's trade blockade of the non-government-controlled areas, which keeps driving them towards Russia.

- Assist Ukraine in a project of national dialogue and reconciliation with traditionally Russian-speaking regions of the country to integrate them into a more inclusive national discourse.

Moldova

- Provide diplomatic and political support to Moldova when faced with Russian subversion.
- Provide technical and intellectual assistance for Moldova's Ministry of Reintegration and Foreign Ministry.

Transdniestria

- Work to implement as fully as possible the limited DCFTA agreement between Chisnau and Tiraspol, and deepen the EU trade relationship. Develop the technical assistance programme for Transdniestrian business and professionals trying to implement the DCFTA.

Georgia

- Continue to give diplomatic and political support for Georgia, when it faces subversion by Russia.
- Reaffirm the non-recognition policy on Abkhazia and South Ossetia; condemn states that recognise the two territories.
- Through the European Union Monitoring Mission (EUMM), continue work to ensure stability on the ground, especially in border areas, in line with the mandate "to facilitate the resumption of a safe and normal life for the local communities living on both sides of the Administrative Boundary Lines (ABL) with Abkhazia and South Ossetia."
- Continue to support the domestic agenda of civic equality for minorities that makes Georgia a potentially attractive state for Abkhaz and Ossetians.

Abkhazia and South Ossetia

- Work to implement the Non-Recognition and Engagement Policy, specifically by offering enhanced support to: education sectors (e.g. offering English-language teaching,

exchange programmes, summer schools); health sector (training health professionals, offering vaccination programmes); environmental (offering EU advice and assistance on environmental issues).

- Develop a draft programme of economic assistance that would follow joining the Georgian DCFTA to a limited degree (as Transdniestria in Moldova).

Armenia, Azerbaijan and Nagorny Karabakh

- Support the OSCE Minsk Group with stronger public messages about the need for peace, and about the damage caused by bellicose rhetoric.
- Send stronger messages about conflict prevention; threaten punitive measures (sanctions, suspension of relations) in case of resumption of conflict.
- Draft a provisional technical assistance programme which informs governments on how the EU can assist a future Karabakh peace process.
- Continue to support civil society projects with both between Armenians and Azerbaijanis and inside societies.
- Give support and funding to independent experts seeking to fill the intellectual gap in the negotiations process.

2. SCENARIOS FOR THE FUTURE OF EASTERN EUROPE'S UNRESOLVED CONFLICTS

*THOMAS DE WAAL AND
NIKOLAUS VON TWICKEL*

2.1 Introduction - the Ukraine effect

The outbreak of conflict in the spring of 2014 between Russia and Ukraine changed politics across the post-Soviet space. The annexation of Crimea and the start of fighting in eastern Ukraine destroyed relations between Moscow and Kyiv, which had succeeded in managing their differences peacefully since 1991. It also shook up the dynamics of the four protracted territorial conflicts (Abkhazia, Nagorny Karabakh, South Ossetia and Transdnistria) that date back to the break-up of the Soviet Union and remain unresolved to this day.

The repercussions have not always been as predicted. In Ukraine, Russia lost most of its influence over domestic politics after President Petro Poroshenko's government embarked on a staunch pro-western course aimed at NATO and EU membership. Later, when Poroshenko ran on a nationalistic ticket for re-election in 2019, he lost spectacularly to television comedian Volodymyr Zelenskiy, who promised to end corruption and the war in the Donbas. The events of 2014 caused a deep rupture between the two countries that would not be mended easily. However, a rapprochement with Moscow looked more feasible after the two sides agreed on an exchange of prisoners and signed (albeit with reservations, on which see more below) the Steinmeier Formula in September/ October 2019.

In Georgia, the Ukraine crisis gave the disputes over Abkhazia and South Ossetia an even stronger geopolitical character. While the European Union and United States have strengthened their relationship with Tbilisi and regularly reaffirm their support for its territorial integrity, Moscow has reaffirmed its backing for the two territories, which it recognised as independent states in 2008. In the case of South Ossetia, Russia has continued a policy of economic and political integration, which means that the region has little autonomy in deciding its future.

There are striking differences between the evolution of the international conflict dynamics. Russia has kept up a very aggressive posture towards Tbilisi, reinforcing the boundary lines of Abkhazia and South Ossetia. In other respects, Moscow's heavy involvement in Ukraine has resulted in a reduction of interest in other regions. Even as it keeps up aggressive policies towards Ukraine, Russia adopts an approach in the Transdniestria and Nagorny Karabakh conflicts that is more reliant on diplomacy. Russia collaborates quite effectively with Western partners in the negotiating processes led by the OSCE for both conflicts, namely the 'Five Plus Two' process in Transdniestria and the Minsk process for the Karabakh conflict. The calculation in Moscow is evidently different in these two cases, where it has stakes on both sides, in Chisinau and Tiraspol and Baku and Yerevan respectively. In Transdniestria, contrary to many expectations, there has been progress since 2014. Moreover, the huge drain of resources that Crimea and the Donbas make on Moscow, is one reason why Russia has reduced financial support for both Abkhazia and Transdniestria in the last five years. Although the overall political support for these two territories looks set to continue, they are less of a strategic priority than they were a decade ago. At the same time, they have also fallen down the agenda of the EU.

This book considers what the future holds for the five post-Soviet territorial conflicts in eastern Ukraine, Abkhazia, South Ossetia, Nagorny Karabakh and Transdniestria. First it considers the various factors which will influence developments. Then it sketches out possible scenarios in each case.

2.2 Overarching conditions

2.2.1 *Frozen diplomacy?*

The post-Soviet conflicts (with the exception of Ukraine) are often described as 'frozen'. This is a misleading term, which can border on the dangerous. The political context of these disputes is always changing and in some there is a potential for a thaw into violence. In Karabakh up to 200 people lost their lives in the Four-Day War of 2016 and there are detentions and deaths on the boundaries of Abkhazia and South Ossetia.

It might be more accurate to describe the negotiating processes around these conflicts as frozen, despite the best efforts of the diplomats involved in them. The Transdniestria and Nagorny Karabakh conflicts have been the responsibility of the OSCE since 1992. Resources available remain modest, even though in the case of Transdniestria since 2016, they have successfully helped delivered a series of "small steps" that have improved the lives of ordinary people on the ground.

Hopes in the 1990s that the OSCE would emerge as a powerful European security organisation were not fulfilled. In 2014 in Ukraine it stepped in to provide a monitoring mission and mediation capacity, but one which consumes some €100 million per annum, almost as much as the organisation's separate unified budget, which was €138 million in 2019.¹

The organisation's overall budget has remained small, just 5% of the United Nations' €2.5 billion. It has only a small leadership structure in Vienna.² While the organisation can be effective in the peaceful context of the Transdniestria dispute, it lacks the proper resources to prevent potential outbreaks of fighting in the much more dangerous Karabakh conflict. The OSCE has not developed a peacekeeping capacity – even though it was mandated to do so for the Karabakh conflict at the Budapest summit in 1994.

¹ <https://www.osce.org/funding-and-budget>

² <https://www.auswaertiges-amt.de/en/aussenpolitik/internationale-organisationen/vereintenationen/-/281336>

Moreover, the organisation's consensus-based structure means that countries that are parties to the conflicts it deals with are able to veto new initiatives. Armenia and Azerbaijan – which contribute just 0.05% each to the budget each year³ – have blocked various efforts intended to strengthen the Minsk Process and the Karabakh ceasefire regime. Baku also ensured the closure of the OSCE office in Yerevan in 2017 on very controversial grounds. As a result, the OSCE still lives with the same rather limited format it adopted for the Karabakh conflict in 1994. There are still, for example, just six unarmed OSCE monitors observing the ceasefire between Armenian and Azerbaijani forces, despite the heavy militarisation of the ceasefire zone in the last decade, with up to 10,000 soldiers on each side of the Line of Contact.

In the case of Abkhazia and South Ossetia, the diplomatic challenges have been even greater since 2008 when the last structured international mediation process was suspended. In August of that year Georgia and Russia fought a five-day war over South Ossetia, Moscow recognised Abkhazia and South Ossetia as independent and the United Nations mission left Abkhazia and the OSCE withdrew from South Ossetia. Since then the only international forum has been the four-times-yearly Geneva International Discussions during which the parties meet but without formal labels and in which political and status issues are not properly debated.

2.2.2 *Russia*

The post-conflict formats of the 1990s gave a central place to Russia, at a time when relations with the West were far better under President Boris Yeltsin, with no role for the European Union. Russia's role has changed over the years.

Moscow's policy towards its neighbours has grown steadily more aggressive under Vladimir Putin's presidency. A pivotal moment was Putin's speech to parliamentarians on March 18, 2014 when he for the first time openly invoked a Russian nationalist narrative he had previously shied away from in justifying the capture of Crimea. In that speech, as well as raising the fear of Ukraine joining NATO and a Western base being established in Sevastopol, Putin spoke much more openly than before of his country's historical

³ <https://www.osce.org/permanent-council/417152>

destiny, invoking Sevastopol as “this city of Russia’s military glory” and referred to a mission to defend Russian-language speakers in neighbouring countries.⁴

Since 1991 Russia has tried to maintain its influence in its post-Soviet neighbourhood in various ways that reflect its complex history and multiple interests in that region. The term ‘Near Abroad’, which acquired currency in Russia in 1992 after the end of the USSR, in and of itself suggests the ambiguity of that relationship. In the light of modern history, countries such as Ukraine and Georgia are seen as both ‘abroad’ and ‘not abroad’. That in turn means that the neighbourhood is not a pure foreign policy issue, and the Foreign Ministry plays only a limited role there. Ukraine policy has always been directed out of the Kremlin. The military and security services have a powerful voice, as do economic actors, ranging from Gazprom to smaller companies. Ethnic diasporas from these countries resident in Russia also exert influence.

These contradictions have been reflected in policies towards the breakaway regions and conflict zones of Abkhazia, South Ossetia and Transdniestria – as well as, in different periods, Crimea and the Donbas. In the 1990s Yeltsin and his team believed in the project of the Commonwealth of Independent States, the CIS, a close club of post-Soviet nations, with Russia informally at its head. That meant a policy of cooperation with the neighbours – though combined with tougher measures if they were seen to act against Russian interests. Yeltsin’s government backed a sanctions regime against Abkhazia in the 1990s and pressed hard for its reintegration with Georgia in 1997-8. The Kremlin of that era was suspicious of the de facto regime in Transdniestria, with its close ties to the nationalist opposition in Russia and discouraged separatist tendencies in Crimea.

In parallel to the official Kremlin policy of that era, other actors, especially in the military and parliament, were working to undermine regimes in Baku, Chisinau or Tbilisi. Two assassination attempts on Georgian leader Eduard Shevardnadze in 1995 and 1998 were linked to Russia. The mayor of Moscow Yury Luzhkov took an openly nationalist stance on issues such as Crimea. These players saw the breakaway regions as natural allies loyal to Russia and also

⁴ <http://en.kremlin.ru/events/president/news/20603>

instruments that can subvert or break the Western trajectories of unfriendly governments. Many military officers, security personnel and parliamentarians actively supported the Abkhaz and Transdnistrians in the conflicts of the early 1990s. Some of them, such as Dmitry Rogozin and Konstantin Zatulin, were in opposition in the 1990s but are now in or close to the government.

From 2000, President Putin began to try to impose a 'power vertical' in which policy was more unified. He moved towards a more assertive posture in the neighbourhood – but not in all cases and at all times. In 2001 Putin allowed Abkhaz and South Ossetians to receive Russian passports. Russia tried to intimidate Georgia and Ukraine by cutting off gas supplies in 2006 and 2009. The policy towards Georgia became much more belligerent in 2004 when, after an initial positive start, relations deteriorated with Georgian president Mikheil Saakashvili, who began to advocate a strongly pro-Western line and prioritised NATO membership. In 2008, the two countries went to war over South Ossetia and Russia recognised Abkhazia and South Ossetia as independent countries. When in 2014 the Euromaidan revolution swept away Moscow-friendly Ukrainian President Viktor Yanukovich and Russia annexed Crimea and fomented conflict in eastern Ukraine, Putin crossed another Rubicon, by confronting and alienating Russia's biggest and most important post-Soviet neighbour.

This is not likely to be the end of the story, however. Despite the 2008 Georgia war and the conflict in Ukraine, the policy remains diversified. Perceptive Kremlin watchers such as Mikhail Zygar or Mark Galeotti portray an administration that is still very dysfunctional and lacks consensus or strategic vision.⁵ Putin himself appears to focus on only two or three major issues at a time (notably Ukraine, Syria, the United States). With regard to other issues, he can be likened to a lighthouse whose beam of bright light lands on an issue such as Georgia or Moldova only occasionally, prompting brief but strong bursts of policymaking from the centre – as happened with Georgia in the summer of 2019. The rest of the time the president

⁵ Mark Galeotti, *We Need to Talk About Putin*, Ebury Press, 2019; Mikhail Zygar, *All the Kremlin's Men*, Public Affairs, 2016.

delegates decision-making on the less topical issues to various officials, who often take contradictory positions.

The drain on financial, political and human resources coming from Crimea and the Donbas also means there is reduced money, time and interest than before for the other conflict regions. Financial aid for Abkhazia, South Ossetia and Transdniestria has been cut since 2014. Despite continued political support for these three regions, there is also disappointment in them for perceived disloyalty, corrupt misuse of Russian funds and insistence on the right of autonomous decision-making.

In Ukraine relations deteriorated rapidly from normal to warlike. Crimea was annexed on 18 March 2014, just two days after a hastily organised referendum that was widely criticised as being held under conditions of military occupation. In the course of the war in the Donbas, which broke out in April 2014, Moscow massively stepped up its political, military and financial help for the hitherto marginal pro-Russian separatists in eastern Ukraine, culminating in large-scale invasions by regular Russian troops in August 2014 (Ilovaisk) and February 2015 (Debaltseve).

While Russia and Ukraine shied away from declaring war or severing diplomatic relations, mutual ties remain severely strained despite the signing of the Minsk agreements of 2014/15, as elites and the media in both Moscow and Kyiv habitually depict the other country as an enemy.

Russia has had no diplomatic relations with Georgia since 2008. It has doubled down on political support for Abkhazia and South Ossetia, even as those two territories have developed diverging agendas. Yet after the Georgian Dream party took power in Tbilisi in 2012, a partial normalisation of relations with Tbilisi also began in other areas, such as trade and travel. Business actors and security actors have been pursuing very different policies. A diplomatic channel established between Russia's deputy foreign minister Grigory Karasin and Georgian envoy Zurab Abashidze yielded results in several areas. The majority of Georgian wine is now once again exported to Russia, for example. In 2019 shortly before Russia suspended commercial flights to Georgia over an incident with a Russian parliamentarian in Tbilisi, Moscow and Tbilisi were reported to be close to completing a deal which Karasin and Abashidze had

worked on, setting up transport corridors between their two countries across Abkhazia and South Ossetia. Switzerland had brokered the deal in 2011 so that Georgia would not veto Russia's accession to the World Trade Organization. A Swiss commercial company has been approved to monitor the cargoes.⁶ The impression was given that when it comes to Georgia policy the left hand in Moscow does not always know what the right hand is doing.

The policy is different towards Moldova. Seeing a country which has a much larger traditionally pro-Russian electorate, the Russian government explicitly seeks good relations with Chisinau and sees prospects in Moldova turning away from the EU and back towards Russia, if the Socialist Party led by President Igor Dodon can win power. In 2008 the Kremlin refused to recognise Transdniestria as independent, as it had done to Abkhazia and South Ossetia, and despite requests from the State Duma to do so. Russia backs the international consensus that Moldova should be unified as a single state, with Transdniestria being given special status – although it has its own views and terms on how this should be accomplished.

With Armenia and Azerbaijan, the picture is different again. As a co-chair of the OSCE Minsk Group, Russia is one of three mediators of the Karabakh conflict and has generally worked well with the other two, France and the United States. It has a military alliance and close economic relationship with Armenia, but also values a close relationship with the government in Azerbaijan. It therefore does not want to jeopardise those bilateral ties by being seen to take sides in the Karabakh conflict – or even proactively press one or other side to make a deal. In 2010 Putin stated, “Both Russia and other participants in this process are ready to help, but we cannot take Armenia or Azerbaijan's place. Russia will not take on any additional responsibility to press the countries to act, only to be viewed as guilty of some misdeed by one or both of the countries later on. Our relationship with Azerbaijan and Armenia spans centuries. We do not want to be seen as having pressured one side to accept an unfair

⁶ <https://dfwatch.net/moscow-approveds-abkhazia-south-ossetia-cargo-monitoring-scheme-swiss-company-sgs-50405>

outcome. I would like to stress that we can only guarantee any agreements that are reached.”⁷

What conclusions can we draw from this about the evolution of Russia's policy towards the conflict zones?

First, that Russian policy towards these neighbours and their conflict zones is likely to remain contradictory. On the one hand, there is a continued commitment to support client regimes in the breakaway regions in Abkhazia, South Ossetia, Transdniestria and the Donbas. Moreover, the Russian military and security services have established themselves in these regions and do not intend to withdraw from them. These places will not be abandoned.

At the same time, some Russian policymakers also understand that efforts to use these conflict zones as instruments to block the Euro-Atlantic ambitions of Chisinau, Kyiv and Tbilisi have not succeeded. So Moscow adopts a ‘hedging’ approach, supporting the breakaway regions, while also simultaneously seeking to keep doors open and economic links alive with these capitals. The most likely result will be inertia, but less as a strategy, more by default.

The second conclusion is that Moscow continues to view these conflicts in geopolitical terms, as proxy struggles with the West (with the exception of the Karabakh conflict, where neither of the conflict parties have a strong east-west orientation). Theoretically, Moscow might be interested in a ‘grand bargain’ in which it makes concessions on these conflicts in return for commitments from Western powers and Georgia or Ukraine to desist from seeking NATO membership or seek neutrality. The chances of this are extremely small, however, and are constrained by local dynamics. Russia's actions in Georgia in 2008 and in Ukraine since 2014 have only reinforced anti-Russian sentiments in these countries. Likewise, a majority of Moldovans are unlikely to support a trade-off in which they get the complex outcomes resulting from reintegration with Transdniestria in exchange for the benefits of integration with the EU. The European Union does not think or act in these 19th century terms and will not engage in bargaining of this kind.

⁷ From press conference between Putin and Turkish prime minister Recep Tayyip Erdoğan, June 8, 2010, <http://archive.premier.gov.ru/eng/events/news/10922/>

2.2.3 *Stronger nations*

The five post-Soviet countries still affected by conflict - Armenia, Azerbaijan, Georgia, Moldova and Ukraine - have grown and changed immensely since achieving independence in 1991-2, with the break-up from the Soviet Union. The chaos, violence and hyperinflation which they all experienced in the early 1990s are a thing of the past. Almost all displaced persons from the conflicts have been rehoused. Despite many problems - the chief one in all cases probably being large-scale emigration - all of them are relatively stable full-fledged states with functioning institutions and an established presence in global affairs. In most cases (Azerbaijan being the exception) free elections take place in which opposition candidates are able to prevail.

One consequence of this consolidation of statehood is the resolution of the conflicts is not so high up the political agenda, as it was in the 1990s. Opinion polls show that citizens of Georgia and Moldova consistently say issues such as the economy and the fight against corruption are more important to them than the conflicts. In Ukraine, Armenia and Azerbaijan, where the conflict is ongoing or threatens to resume, public interest is understandably higher. Here attitudes are tougher and there is greater resistance to the idea of compromise for peace. In polls published between January and March 2019, between 50% and 65% of respondents in Ukraine said that they believe that the war in the Donbas is the most pressing problem for their country.⁸

In all these cases, the parent state (Azerbaijan, Georgia, Moldova and Ukraine) has been offered a chance for conflict resolution that entails significant compromise but has rejected it. Azerbaijan has rejected peace deals for Nagorny Karabakh that would lead to high autonomy or the prospect of eventual secession for Karabakh in exchange for the return of six of the seven Azerbaijani territories around Karabakh held by Armenian forces. Georgian president Eduard Shevardnadze rejected a Russian plan for a

⁸ <https://www.ukrinform.ua/rubric-society/2623913-donbas-kercenska-krizata-cini-aki-problemi-najvazlivisi-dla-ukrainciv.html> and <https://delo.ua/economyandpoliticsinukraine/vysokie-tarify-nizkie-zarplaty-i-pensii-glavn-350954/>

confederation with Abkhazia in 1997-8, which the Abkhaz side had accepted. Moldova rejected Russia's "Kozak Memorandum" plan for reintegration of Transdniestria in 2003. Most of the Ukrainian establishment rejects the Minsk Accords for a resolution of the Donbas conflict.

All this suggests that both the political establishment and the public in these countries is reluctant to endorse any deal which they fear could weaken their country's statehood by granting a high degree of autonomy to a territory with a very different geopolitical ideology and, in some cases, a close relationship with Moscow. Faced with these choices, they prefer the status quo of an unresolved conflict.

2.2.4 *European Union*

The European Union was not a strong political actor in its eastern neighbourhood in the 1990s. Nowadays it is the most powerful player in post-Soviet Eastern Europe, alongside Russia, albeit with a very different *modus operandi*. The EU has strong bilateral relationships with Chisinau, Kyiv and Tbilisi, based around its Association Agreements, a growing relationship with the new Armenia, as well as a more limited agenda with Azerbaijan. All of this comes under the broader umbrella of the Eastern Partnership project, dating back to 2009. This makes for a very extensive agenda between Brussels and Georgia, Moldova and Ukraine, with a strong emphasis on domestic reform.

However, despite their enormous significance for the future of these countries, the conflicts do not sit formally within the Eastern Partnership (EaP) agenda. Progress in their resolution is not included as one of the EaP's "20 deliverables for 2020". There is only one reference to the conflicts in the European Neighbourhood Policy review, published in 2015, "Protracted conflicts continue to hamper development in the region", a statement which acknowledges the gravity of the issue but does not offer any new instrument for tackling it.⁹ Practically speaking, this means that the EU as a whole has

⁹ *Review of the European Neighbourhood Policy*, November 18, 2015, http://eeas.europa.eu/archives/docs/enp/documents/2015/151118_joint-communication_review-of-the-enp_en.pdf

downgraded conflict resolution as a priority and continues to deal with these disputes on an ad hoc basis.

In each of the conflicts, the EU has a specific but circumscribed role. In Ukraine, it has more or less abstained from mediating, not least because of its perceived role as a player in the Euromaidan revolution, which was triggered by the decision of the government of Viktor Yanukovich not to sign an Association Agreement with Brussels. Direct mediation has been left to Germany and France (who form the 'Normandy Four' with Ukraine and Russia) and the OSCE. The EU is a big humanitarian donor to the conflict region and has spent more than €1 billion in aid for eastern Ukraine since 2014, according to official figures from the European Commission.¹⁰

Otherwise it has prioritised domestic reform. The EU set up a European Advisory Mission (EUAM) in Ukraine, a 300-strong civilian mission under the Union's Common Security and Defence Policy (CSDP). However, that mission has a strategic brief, advising on long-term policy reform. It is flanked by the EU Support Group for Ukraine, a Brussels-based task force which reports to the President of the Commission.

For the South Caucasus the EU has had a Special Representative (EUSR) since 2003. In 2008 it also formed a Monitoring Mission (EUMM) on the de facto boundaries of Abkhazia and South Ossetia – but was denied access to the two territories themselves. The first officials to fill the role of EUSR, Heikki Talivitie and Peter Semneby, had a specific mandate to deal with the conflicts, and Abkhazia and South Ossetia in particular. In 2011, the holder of the position was also entrusted with being a co-chair in the Geneva International Discussions and therefore also became representative for “the South Caucasus and the crisis in Georgia”.

The EUSR position had greatest prominence when Peter Semneby had the role. In 2009, the European Council adopted a Non-Recognition and Engagement Policy (NREP) for Abkhazia and South Ossetia devised by Semneby which set out a framework in which the EU could engage with the two territories.

¹⁰ https://ec.europa.eu/echo/where/europe/ukraine_en

The NREP remains in place but the EUSR has less prominence than before, in large part due to the much thicker agenda between Brussels and Tbilisi on other issues. Since the Ukraine crisis broke out in 2014, the emphasis of the EU has been much more in supporting Tbilisi than in offering conflict mediation. In a speech to the European Parliament in 2018, EU High Representative Federica Mogherini did not mention the NREP but said, "All our actions within the two regions are fully coordinated – and I would like to underline this because it is a very important point – and approved by the government of Georgia, and fully in line with the Georgian engagement policy."¹¹

The EU has a very limited role in the Karabakh conflict. Since 1997 there have been three co-chairs of the OSCE's Minsk Group, France, Russia and the United States, with a mandate to mediate on the conflict. (Previously there had been two co-chairs). Their activity is kept highly confidential. France guards its co-chairmanship carefully and efforts to give the EU a greater role have been rebuffed. In June 2007, EUSR Semneby aborted a planned trip to Karabakh and did not receive public support from the Minsk Group for his plans to visit the territory. After these setbacks, the EU publicly lends its support to the OSCE mediators and plays a less formal role. The EUSR visits Baku and Yerevan occasionally. The EU is the largest donor of civil society programmes, through its support of the programme entitled 'The European Partnership for the Peaceful Settlement of the Conflict over Nagorno-Karabakh' or ENPK.

In Transdniestria the EU has acquired a greater role over the years, thanks to the willing engagement of both Chisinau and Tiraspol. It joined the OSCE's 'Five Plus Two' negotiations in 2005 as an observer, together with the United States.

The EU's biggest contribution has been on the economic front. Transdniestria has a much bigger concentration of light and heavy industry than right-bank Moldova and has an active interest in trading with the EU. This led to Transdniestria joining in part Moldova's DCFTA with the EU so as to keep up its trading

¹¹ https://eeas.europa.eu/headquarters/headquarters-homepage/46383/speech-high-representativevice-president-federica-mogherini-european-parliament-plenary_en

relationship with the EU in 2016. This is an important step in the de facto economic convergence of Transdniestria with the rest of Moldova.

2.2.5 *Potential for incremental change*

All these conflicts have both a bigger political and geopolitical context and local dynamics. In some conflicts, such as Northern Ireland, change from below and economic trends have played a significant role in bringing peace. How important are these factors in the post-Soviet conflicts described here? Can incremental change pushed by actors on the ground transform these protracted conflicts?

One source of gradual change could come from the negative factor of the hollowing out of the breakaway territories due to economic hardship. All of them suffer from emigration and economic depression even more strongly than do their parent states. Some in the parent states hope that harsh economic realities will make the breakaway territories more amenable to compromise.

All of the breakaway territories have patrons which provide economic support and can somewhat cushion the territories against sudden downturns: Armenia in the case of Nagorny Karabakh, Russia in the other cases. In the South Caucasus, the fact that the breakaway territories are all relatively small also protects them to a certain extent from the prospect of severe economic depression. The two territories most vulnerable to economic trends are Transdniestria and the Donbas. Transdniestria has a shrinking population, a high number of pensioners, no direct access to Russia and reduced financial support from Moscow. This may be one reason why its leadership has been more pragmatic since the Ukraine crisis broke out. However, reports of the imminent collapse of the territory seem exaggerated, especially as its economic condition is only a little worse than that of right-bank Moldova.

The Donbas has been hit by economic hardship since 2014, and the downturn was aggravated by Ukraine's 2017 trade blockade of the separatist regions, which severed the industrial region's remaining links to the Ukrainian economy. The absence of a new mass population exodus since 2017 can be explained by the fact that much of the working population had already left the region and by

the payment of sufficient compensation to workers in idling plants. Much of these payments as well as pensions and state sector wages are believed to come from Russia in the form of unofficial subsidies.

When it comes to positive change from below – public pressure to make peace – the answer is different in each case and to a large degree is determined by how entrenched are the differences over political status at the heart of each dispute. Where the status issue – independence against integration – is contested in black-and-white terms, compromise is difficult and gradual change is very hard to achieve. Where there is more room for consensus, change from below is more achievable.

In the case of Nagorny Karabakh, each side has taken diametrically opposite positions on the status dispute since the conflict began in 1988. The Armenian side insist on nothing less than either union of Nagorny Karabakh with Armenia (*miatsum* in Armenian) or independence – a position they have reaffirmed in multiple resolutions and votes. For Azerbaijan the only acceptable outcome is reintegration of Karabakh into their country, with some kind of autonomy, whose precise nature has not been specified. (The Azerbaijani parliament revoked the autonomy of the province in 1991 but the authorities now say they would offer it some degree of high autonomy, but have not clarified what this means).

These diametrically opposite positions are reinforced by facts on the ground. Since 1994, Armenian forces have occupied, wholly or partly, seven regions of Azerbaijan outside Nagorny Karabakh, which did not have an Armenian population in Soviet times and which constitute more than 8% of Azerbaijan's territory.¹² In the past decade both sides, and especially Azerbaijan, have undertaken a big military build-up in the area around the Line of Contact. The two sides fought a brief but bloody four-day conflict in 2016 which cost up to 200 lives and inflamed bellicose feelings on both sides.

In this context there is little space for bottom-up initiatives, with only a few brave individuals and NGOs pursuing dialogue with one another. In Abkhazia and South Ossetia, as in Crimea, there are more contacts across the conflict divide, even though actual travel can

¹² If Nagorny Karabakh is included, Armenian forces occupy 13.6% of the internationally recognised territory of Azerbaijan.

be difficult. But the political context is very difficult and allows little space for constructive dialogue. In all three cases Russia has altered the facts on the ground. It has unilaterally taken a position on status that is in defiance of most of the world, by recognising Abkhazia and South Ossetia in 2008 and annexing Crimea outright in 2014. It is hard to see how this will change even if and when Putin leaves office in 2024. Of these three territories, Crimea and South Ossetia are almost fully closed to international organisations. Abkhazia does still receive internationals via western Georgia and receives modest amounts of funding, including from the EU under its Non-Recognition and Engagement Policy. Civil society activists and students from Abkhazia still participate in international projects. Space for engagement is still open, but has narrowed over the past five years.

2.3 Scenarios

Four of these conflicts has defied resolution for a long time. The most likely scenario in each case is a continuation of the status quo and inertia. A whole generation has grown up with very little knowledge of life on the other side of the conflict divide. International attention is mostly diverted elsewhere and neither Brussels, Moscow nor Washington are likely to devote big resources for a push for resolution of these long-running conflicts.

Having said that, none of these conflicts experience a linear trajectory. In each case, years of seeming inertia are succeeded by sudden events which change the situation abruptly. A change of leadership or a political and economic crisis can have strong repercussions.

What follows are different potential scenarios for the five conflicts under consideration here:

2.3.1 *Donbas scenarios*

Reintegration

The conflict in the Donbas is today essentially a political, not a military one.

Even after five years of unsuccessfully trying to implement the Minsk Package of Measures, signed in February 2015, all governmental parties agree that Minsk is the only way forward.

While a political solution remained elusive because neither side was willing to implement the agreement's compromises, a military solution is even less likely because of the potentially devastating consequences.

Under Ukraine's new President Zelenskiy, who has vowed to end the war in the Donbas, significant political progress was made in 2019, notably the signing of the so-called Steinmeier Formula on October 1. That Formula, agreed back in 2016, solves an impasse over the Minsk agreement's key issue, by defining when exactly the non-government-controlled areas (NGCA) shall be given political autonomy ('special status'). While largely symbolic, the signing of the Steinmeier Formula for the first time opens the door for an eventual implementation of the Minsk agreement, i.e. political reintegration of the non-government-controlled areas into Ukraine.

The Steinmeier scenario proposes that local elections are held in the NGCA according to Ukrainian law. According to the Formula, the special status law comes into force preliminarily after polls close, and permanently after OSCE observers declare that the vote met the organisation's standards.

The fundamental difficulty with this scenario is how a country can hold democratic elections in what is basically a military dictatorship outside that country's control. Because of this, Ukraine demands the dissolution of the 'People's Republics' and control of the border with Russia, so that the elections can be organised by members of the Kyiv election commission and that Ukrainian politicians can participate and campaign.¹³ While the Minsk agreement does stipulate that the vote must be held under Ukrainian law and does not mention 'People's Republics', it clearly says that Kyiv may begin re-establishing control of the border with Russia one day after the elections.¹⁴ The separatists and Russia have duly

¹³ <https://journalist.today/en/ukraine-sets-conditions-for-implementation-of-political-block-of-minsk-agreements/>

¹⁴ <https://www.osce.org/cio/140156>

rejected the conditions and President Putin has warned against a revision of the Minsk agreement.¹⁵

Moreover, surrendering political and military control to Kyiv before elections amounts to capitulation in the eyes of many in Moscow. After the ‘Normandy Format’ summit in Paris in December 2019, Putin warned that this might prompt a massacre like in Srebrenica during the Bosnian war.¹⁶

But holding democratic elections inside the ‘People’s Republics’ also seems highly unlikely. The deeply undemocratic nature of their regimes was highlighted during the manifestly fraudulent elections in November 2018, making it hard to imagine how such a vote can be approved by the OSCE’s respected election watchdog, the Office for Democratic Institutions and Human Rights (ODIHR). Also, holding democratic elections requires relatively free media and open debate well before the vote, something that is completely lacking in both Donetsk and Luhansk.

The problems do not end here. Fundamentally, the nature of the ‘special status’ is meant to define the nature of the NGCA’s reintegration. Here the Minsk agreement is vague in that it does not talk about autonomy but of “decentralisation, which takes into account peculiarities of the Certain Areas of the Donetsk and Luhansk regions, which need to be agreed with the areas’ representatives”. Putin has clearly said several times that he wants Kyiv to negotiate that special status with the separatists – so far an anathema to the Ukrainian government.

Kyiv drafted a decentralisation law in December 2019, which was recalled amid criticism from western governments on 16 January 2020. The law did not directly address the Donbas status issue but would make it possible to grant special political status to certain

¹⁵ During his annual press conference in December 2019, Putin warned that if the Minsk Agreements are revised, “the settlement process will hit a dead end.” http://en.kremlin.ru/events/president/transcripts/press_conferences/62366

¹⁶ https://www.bloomberg.com/news/articles/2019-12-10/despite-talks-putin-takes-hard-line-over-ukraine-border-control?cmpid=socialflow-twitter-business&utm_campaign=socialflow-organic&utm_medium=social&utm_content=business&utm_source=twitter

regions by a simple parliamentary majority. The Kremlin has said that it wants special status to be written into the constitution.¹⁷

Moscow and the separatists have also made it clear that they want to preserve present power structures. Thus, while Kyiv demands the withdrawal of all foreign (i.e. Russian) troops, the separatists vowed to keep their armed formations and have aptly named them “people’s militias”. The footnote in the Minsk Package of Measures allows the “Certain Areas” to form “People’s Militias” to keep public order.

The Kremlin’s vision of the ‘special status’ was spelt out in the summer of 2019, when Kremlin adviser Alexei Chesnakov said that the Donbas should exist with Ukraine like Hong Kong with China – one people but two systems – and not for 50 years but forever.¹⁸

It is hard to see any Ukrainian government agreeing to such a scenario – even if here, unlike Hong Kong, the democracy is the bigger entity having to integrate a totalitarian enclave.

Furthermore, new hurdles to reintegration have arisen in the past few years:

- The issuing of Russian passports to inhabitants of the ‘People’s Republics’, which began in June 2019, is a clear attempt to boost pro-Russian sentiment. While only a small share of the local population (100,000 out of almost 3 million) had received citizenship by December, the number is bound to increase.
- The trade blockade between government-controlled- and non-government-controlled areas, imposed by the Ukrainian government in 2017, forced the separatists to build economic ties with Russia.
- Separatist leaders and Russian state-controlled media firmly stick to the narrative that the future of the Donbas is with Russia, meaning that any suggestion of a return to Ukraine will look like an unlikely about-face.

¹⁷ <https://atlanticcouncil.org/blogs/ukrainealert/ukraines-top-five-2020-reform-priorities/>

¹⁸ <http://actualcomment.ru/chesnakov-nelzya-igrat-s-ukrainoy-v-poddavki-1908210956.html>

Russia has ignored calls to end its passport-programme and Moscow-controlled media continue to demonise Ukraine (despite a pledge by President Putin in October 2019 to end this).¹⁹ And an attempt to lift the trade blockade was put aside after Zelenskiy's inauguration.²⁰

The fact that over time these hurdles deepen separation from Ukraine makes a strong argument for Kyiv to push for a political solution. An international peacekeeping force, which has been suggested multiple times, could become a crucial element by providing security before, during and after the local elections. However, agreeing on the modalities of such a force, its size and make-up, adds another set of profound challenges to reach a solution.

Lifting the blockade might see a scenario of very gradual change in the status quo in the direction of reintegration with Ukraine, bearing some resemblance to what has evolved in Transdnistria, which has been peaceful for many years, and supported more recently a package of "small steps" coupled to partial implementation of the EU's DCFTA agreement with Moldova (see below).

While time may be on Moscow's side, the strongest argument for Russia to implement Minsk is the significant cost of keeping the 'People's Republics' afloat. Russia's non-military subsidies for the 'People's Republics' are thought to amount to €2 billion per year, almost one percent of Russia's federal budget, which had expenditures of 16,713 billion roubles (€233 billion) in 2018.²¹

Recognition Scenarios

While more pragmatic elements in the Russian leadership may be eyeing a deal with Ukraine, others seem to favour the opposite – by arguing that recognising the 'People's Republics' and integrating them economically with Russia reduces the need for subsidies. This is certainly the line popular in Russian state media and among

¹⁹ <https://www.rbc.ru/rbcfreenews/5d9648d39a7947382809d586>

<https://www.civicmonitoring.org/developments-in-dnr-and-lnr-28-may-10-june-2019-newsletter-58/>

²¹ <https://www.minfin.ru/en/statistics/fedbud/>

separatist leaders. If they succeed, political scenarios that will destroy the Minsk agreement become increasingly likely.

Recognition and/or annexation would open the path to full-fledged economic integration with Russia. It could boost trade by enabling producers inside the 'People's Republics' to certify their products and legally sell them in Russia. Currently, large transactions are thought to be carried out via a secretive intermediary (Vneshtorgservis), registered in the breakaway territory of South Ossetia, which can be a convenient channel having been recognised as independent by Russia, while also having recognised the 'People's Republics', as Russia has not done. This scenario allows the Kremlin's separatist clients to save face after having regularly championed a union with Russia.²²

However, there are huge international downsides to this scenario, which make it unlikely that Moscow will pursue this option. Russia would have to foot the whole bill of supporting and transforming the local economy – which in the case of reintegration à la Minsk, would fall on Ukraine and her western donors. Furthermore, the standoff with Ukraine and the West would escalate and sanctions against Russia might well be stepped up, which in turn could offset the economic gain.

Military scenarios

The risk of new Western sanctions is also a restraining element for military scenarios. While the European Union's support for sanctions has been volatile lately, the fact that the EU sanctions regime has held until early 2020 is ample evidence of a broad consensus in Europe against Russian military adventurism.

While such scenarios cannot be ruled out altogether, the fact that no significant military formations crossed the Line of Contact since 2015 shows that neither side is currently seeking a solution by force.

²² DNR leader Denis Pushilin said on 11 September that "our main task is to achieve maximum integration with Russia" and that ideally Donbas should join the Russian Federation as another Federal District. <https://denis-pushilin.ru/news/denis-pushilin-pered-nami-stoit-odna-zadacha-maksimalnaya-integratsiya-v-rossijskoe-prostranstvo/>

The ongoing standoff between Ukrainian government troops and separatist armed formations along the Line of Contact in eastern Ukraine has little military purpose, because both sides have since 2015 largely abstained from crossing that line. While skirmishes intended to gain better military positions do occur occasionally, the main purpose of the ongoing hostilities is clearly political – to unite one’s people in the perceived struggle against a hostile neighbour (Ukraine or Russia) and to shore up support for deeply unjust, totalitarian regimes (in the case of the separatists).

Russia is restrained from attacking Ukraine not only by the threat of sanctions. Conquering more territory, like a land bridge with Crimea, would create huge challenges for political control and economic stability. The fact that numerous recalcitrant field commanders and separatist leaders were assassinated or removed between 2015 and 2018, show the difficulties that Moscow faced in securing control over the ‘People’s Republics’.

If the Kremlin’s aim is simply to prevent Ukraine from joining NATO and possibly the European Union, it is sufficient to keep the present conflict simmering. As the example of Georgia shows, this is enough to deter most European NATO allies from approving a Membership Action Plan. Similarly, there are no signs of willingness in Brussels to open an EU membership path for Ukraine, Georgia and Moldova.

For Ukraine, the case for a military offensive can rationally only be made if Russia for some reason decides not to intervene. Although the Ukrainian Armed Forces have made significant progress in battle readiness, efficiency and strength, it is clear that they can never match Russia’s military power. Moscow’s military expenditure was \$61.388 billion in 2018, almost 13 times bigger than Ukraine’s \$4.75 billion, according to the Stockholm-based SIPRI database.²³

Russia has no significant formal military presence inside the NGCAs, relying instead on a small number of regular officers who command the two separatist ‘army corps’ in Donetsk and Luhansk.

²³<https://www.sipri.org/sites/default/files/Data%20for%20all%20countries%20from%201988%E2%80%932018%20in%20constant%20%282017%29%20USD%20%28pdf%29.pdf>

According to Ukrainian estimates, these formations total some 32,000 men, of which one third are Russian citizens (mostly volunteers). While their military effectiveness is doubtful,²⁴ Moscow can clearly muster a force strong enough to repel any attack on the 'People's Republics' in short time.

Thus, the case for Ukraine to seek a forceful solution is very weak. It is highly unlikely that Russia would not intervene to oppose a Ukrainian offensive, not least because by regularly vowing to support 'the people of Donbas', President Putin and other Russian politicians have put themselves in a position in which they cannot tolerate a Ukrainian military offensive without losing serious credibility.

Status quo

Given the profound difficulties for a political settlement that would allow reintegration, the huge international cost of annexation for Moscow and the massive risks of renewed war, retaining the status quo may be the most likely outcome.

The Ukrainian government could profit by focusing on reforms and broad westernisation while avoiding the divisive and potentially destructive issue of rapprochement with Russia over the Donbas. Russia, in turn, could continue to use the 'People's Republics' as a potentially destabilising element without having to cede any control over their civilian administrations (and local military formations would remain under direct Russian control).

The downside of this scenario is evident every day. The biggest loser would be the civilian population, which would continue to suffer from military violence, an arbitrary division into two hostile camps and political repression in the 'People's Republics', while the prospects for economic recovery remain extremely bleak.

This scenario is also supported by the fact that much of the Ukrainian and/or European-orientated population of the NGCA have left for Ukraine or further west. Those who remain or went to Russia are much less likely to champion re-integrating the Donbas

²⁴ Russian veteran FSB agent and early separatist field commander Igor Girkin argued in August 2019 that the two corps would be quickly defeated if Ukraine attacked: http://nvo.ng.ru/realty/2019-08-23/16_1058_interview.html

with Ukraine. Furthermore, there is little evidence of any significant local opposition to the repressive political-military systems inside the 'People's Republics'.

2.3.2 *Transdnistria scenarios*

Reintegration

Integration between Transdnistria and right-bank Moldova within a single state is the only status option on the table in negotiations. Even though the de facto authorities in Tiraspol argue that the territory has voted for independence in two referendums, no international actors – and far from all Transdnistrians – believe this outcome is possible. Tiraspol's patron, Russia, openly favours reintegration with Moldova. No one would be likely to lay down their life to oppose such a plan in the future. This is thus by far the most likely long-term outcome.

In many everyday respects, Transdnistria is already part of Moldova. Crucially that includes its external economic activity. Transdnistrian businesses operate abroad with Moldovan registration and trade with the EU (mostly) under the terms of the DCFTA with Moldova. However, no one is in any rush to achieve full political integration in the near future. There is little urgency in political talks and no consensus on what kind of special status Transdnistria should be given. Russia evidently would like to see a deal which increased its influence in Moldova by having a friendly loyal territory inside the Moldovan state, not outside it, as at present.

The peace plan which came closest to fruition, the so-called Kozak Memorandum of 2003, was eventually rejected by Chisinau, with Western support. It gives some clues to how a deal designed by Moscow could enhance Russian influence. The draft plan for a "Federative Republic of Moldova" was seen at the time in Chisinau and Western capitals to be giving unacceptable veto powers to Transdnistria in an upper house of parliament, set to be created by the amended constitution of a reunified Moldova. Moreover, later

additions to the draft text provided for a Russian peacekeeping force in Transdniestria after the settlement and up until the year 2020.²⁵

Despite friendly interactions between the population on each side of the Dniester River, neither side currently sees union as an attractive proposition. Transdniestria would comprise around one eighth of the population of a reunited Moldova. Proportionally, this is a much higher figure than in any of the other conflict zones under discussion. Moldovan elections tend to be closely fought affairs, with voters opting fairly equally between parties which call themselves pro-European and those that support Russia. Introducing Transdniestria into this picture and giving voting rights to hundreds of thousands of residents from that territory would instantly tilt the balance back towards Moscow.

As a result, reintegration is viewed with suspicion by those Moldovans (estimated to be up to 20%) who favour union with Romania and have almost no interest in allowing Transdniestria to join a re-constituted Moldovan state. The historically minded point out that Transdniestria was first made part of Soviet Moldova in 1940 and has few ties with modern-day Romania.

In Transdniestria itself the public discourse remains firmly for independence and close ties with Russia, but there is almost certainly more support for reintegration than is visible. There is little agitation for recognition by Russia. In the last few years, tens of thousands of Transdniestrians have taken Moldovan passports, enabling them to travel visa-free to the European Union. However, this pro-settlement constituency is also the most mobile and most likely to 'vote with their feet' by emigrating. Transdniestria has a serious demographic problem in that around one third of its population are pensioners and the most active members of society are the ones most likely to leave.

Status quo with Europeanisation

As discussed above, the Transdniestria conflict is unusual in the post-Soviet space in being susceptible to incremental change. One benign medium-term scenario is that, despite the core political issues of the

²⁵ William H. Hill, *Russia, the Near Abroad and the West, Lessons from the Moldova-Transdniestria Conflict*, Woodrow Wilson Center Press, Washington D.C./The John Hopkins University Press, Baltimore, 2012, p. 139-148.

conflict remaining unresolved, the de facto authorities in Transdnistria pursue a gradual transition of their territory towards being a more respectable and predictable 'de facto state' with stronger links to the European Union.

A more pragmatic business-minded group headed by de facto president Vadim Krasnoselsky, supported by Sheriff, the main business conglomerate of Transdnistria, has been in office in Tiraspol since December 2016. Economic pressures, resulting from the Ukraine crisis, reduced Russian financial support and declining budget revenues, are compelling the de facto authorities in Transdnistria to rely more on trade with Moldova and the EU. Rhetoric on independence has been downplayed and the authorities are keen to distance themselves from the pro-Russian forces who have taken power in the Donbas. In theory this could lead to a stronger rapprochement with the EU in more than just trade issues.

In practice this Europeanisation trajectory is not yet a likely scenario for various reasons. The political culture of Transdnistria still anchors it firmly in the 'Russian World', even if geography and economics temper that considerably. As noted above, more Europeanised citizens are those most likely to emigrate. Perhaps most importantly, both Chisinau and Brussels (acting in coordination with Chisinau) are very cautious about direct engagement on domestic issues with the de facto authorities in Transdnistria. There is strong resistance in large parts of Moldovan society to any engagement that is seen to 'legitimise' the de facto authorities in Tiraspol, even if it leads to internal reforms that will align Transdnistria more closely with right-bank Moldova.

Political entrenchment, isolation

A third scenario for Transdnistria sees the territory doubling down on its status as a regional 'black hole', an unrecognised space which receives enough support to survive from the Russian nationalist and security establishment and continues to benefit from shadowy schemes involving smuggling and counterfeit goods in collusion with powerful figures in both Moldova and Ukraine.

This scenario would be most likely to derive from a situation of economic and political stagnation in both Moldova and Ukraine. It is more probable if the government in Moldova fails in its avowed

efforts to crack down on illicit trade with Transdniestria and if the administration of Volodymyr Zelenskiy in Ukraine does not exert power over the regional elites in Odessa that have enjoyed a mutually beneficial arrangement with Transdniestria in trading contraband goods.

A retreat by Transdniestria into full rogue status is not likely however, as few in the territory itself seem to want it. Ordinary people in Transdniestria are now connected to the Moldovan state, travelling and trading there, and by possessing a variety of basic documents, such as passports and driving licences. The Sheriff group which now dominates Transdniestria both economically and politically may have acquired much of its wealth in the past by exploiting the region's unrecognised status. Nowadays, however, it appears more focused on becoming a legitimate business actor with a good trading relationship with the EU. The door to the rest of the world, now half-open, is unlikely to close again fully.

2.3.3 *Abkhazia scenarios*

The Abkhazia conflict is highly complex and multi-layered. Despite the deepening of divisions in 2008, it still does not fit neatly within a geopolitical framework. We can therefore see several scenarios for its evolution, even though some are much more likely than others.

Integration with Georgia

As with South Ossetia, there is a theoretical possibility that Russia might change its policies and push for Abkhazia to be reintegrated into Georgia – the outcome that most of the international community still urges, albeit without much conviction. However, the prospects for this are even more remote than in the case of South Ossetia for several reasons: the Abkhazia conflict has deeper roots than the one in South Ossetia and there is much greater hostility to Georgia on a public level; Russia has a stronger intrinsic strategic interest in Abkhazia and in the potential of its Black Sea coastline; the price that Russia would seek to extract from Tbilisi for such a deal – the return of Georgia to a Russian sphere of influence in some form – would almost certainly be too high.

Annexation by Russia

Russia, which exercises control of several aspects of political and economic life in Abkhazia, could seek to formally annex the territory, as it has done to Crimea. Again, this seems highly unlikely. As discussed below in relation to South Ossetia, such a move would burn bridges with Georgia and the West for a questionable return of investment. The Abkhaz elite still aspires to independence rather than union with Russia and most of it would not welcome formal union with Russia. The Georgians of the Gali region would also strongly object to such a step. It seems far more likely that Russia will seek to continue to exercise informal rather than formal control in Abkhazia.

International recognition

The Abkhaz themselves continue to ask foreign interlocutors to recognise their bid for independence. Currently only Russia and a small group of countries unconnected to the region but loyal to Russia (Nauru, Nicaragua, Syria and Venezuela) recognise Abkhazia as independent. The unlikely scenario of wider recognition would only be possible if Georgia itself were to take the radical step of allowing Abkhazia to break away *de jure* – as Indonesia did with East Timor and Ethiopia did with Eritrea. A small number of voices in Georgia have raised the idea that their country would be better off without Abkhazia and that the best way to resolve the dispute would be to recognise it as independent and formalise a new relationship with a country which had won the protection of international sovereignty and was less dependent on Russia. This remains an extreme minority view in Georgia, however, although it might gain a little more currency with time. It is not a topic of discussion among Georgia's Western partners which are sensitive to Tbilisi's concerns and which moreover do not regard Abkhazia as a strategic priority (in contrast to the way they saw Kosovo in the 2000s). Even if this scenario were to be considered, it might also meet resistance in Abkhazia itself – as justice would require the right of return of more than 200,000 Georgian IDPs from Abkhazia who were displaced (or their parents were) in the conflict of 1992-3. There would also be the question of the Gali region, whose population is overwhelmingly Georgian, and which would almost certainly seek to remain part of Georgia in such a scenario. In short, this is more of an interesting

intellectual exercise than a credible scenario at the moment – even though discussion of it is undoubtedly helpful for all sides in clarifying what it is they actually seek as a beneficial outcome of this conflict.

Softening of border/internationalisation

Abkhazia's border with western Georgia has remained open to foreign visitors and international NGOs, as well as Georgian residents of the Gali region, since the conflict of 2008. It is now manned by Russian border guards and FSB officers as well as Abkhaz guards. In the summer of 2019, the border was closed for a long period after the escalation of a row between Moscow and Tbilisi. Abkhaz officials still say they seek international contacts and that they welcome international engagement, although their actions – such as sometimes insisting on putting Abkhaz stamps in visitors' passports – can tell a different story. Self-isolation is increasingly an issue for Abkhazia's future.

The EU, working in the framework of its 2009 Non-Recognition and Engagement Policy implements a number of programmes in Abkhazia, mainly through UNDP, in fields such as health and environmental protection. Officials from Brussels have travelled to Abkhazia to explore whether there is interest in the territory signing up to Georgia's DCFTA with the EU, as Transdniestria has. This seems unlikely – Abkhazia's economic links with Georgia are small and there are few incentives for it do so. However, given Abkhazia's economic malaise and the Russian economy's persistent problems, some more modest economic opening with Georgia could be an attractive option in the future.²⁶

A 'soft internationalisation' of Abkhazia would be popular with many circles in the territory. They include its civil society and professional class which wants to recover the traditionally cosmopolitan character of Abkhazia and avoid de facto absorption into Russia; businesspeople who would welcome chances to trade legally with both Georgia and Russia; the Georgians of Gali who face restrictions crossing the Administrative Boundary Line and visiting relatives in Zugdidi region. However, these groups do not have a

²⁶ <https://www.crisisgroup.org/europe-central-asia/caucasus/georgia/249-abkhazia-and-south-ossetia-time-talk-trade>

strong political voice in Abkhazia and operate in an environment of shrinking civic space and a media landscape dominated by Russia.

For this to happen there would also need to be a conceptual shift in Tbilisi. The Georgian Dream government has adopted a more open policy towards Abkhazia than its predecessor. It has pioneered a scheme, welcoming Abkhaz to cross the border to access free Georgian healthcare and unveiled an ambitious plan entitled *Step for a Better Future*, offering Abkhaz many benefits of Georgian citizenship. However, the Law on Occupied Territories, adopted by the previous government in 2008 remains in place and there is a reluctance to allow international engagement in Abkhazia if it does not specifically further the cause of 'reconciliation' with Georgia. Without a green light from Tbilisi, the EU is unlikely to pursue a more ambitious policy of this kind on its own.

Status quo with more stagnation/isolation

The most likely scenario in the medium term is a continuation of the current status quo, of Abkhazia being internationally isolated, despite a few small connections to the outside world, and of increased Russian influence. De facto president Raul Khajimba was forced from office in January 2020 only four months after his election, after protests from the opposition that he had been elected unfairly. His successor may try to assert a more autonomous line from Moscow, but the parameters for action are limited. In September 2019, the decision was made in Moscow to 'modernise' Abkhazia's armed forces, putting them even more strongly under Russia's control. Abkhazia will retain some autonomy from Russia in many areas of domestic policy but has all but lost its power to make decisions over its security and borders. A 'soft integration' with Russia is set to continue, as there is no concerted outside effort to balance it with strong engagement from other countries.

2.3.4 *South Ossetia scenarios*

Integration with Georgia

In the 1990s, South Ossetia was regarded as the least dangerous and most resolvable of the post-Soviet conflicts. Much as in Transnistria today, there was free traffic back and forth between South Ossetia and neighbouring Georgian regions, many Georgians

continued to live in the territory and there were still many mixed Georgian-Ossetian marriages. In terms of trade, South Ossetia was much more integrated with Georgia than with Russia – even though this trade was almost entirely untaxed.

This all began to change in 2004 after the government of Georgia's new president Mikheil Saakashvili closed the Ergneti market, where Georgians and Ossetians traded, breaking economic links between the two sides. A summer of violence followed and the security situation in the region deteriorated. In 2008, the Georgia-Russia war and Russian recognition of South Ossetia severed relations completely. Almost all the remaining Georgians in South Ossetia fled or were expelled and their villages were subsequently destroyed. The Georgian government, having attacked Tskhinvali, was declared to have committed 'genocide' against the Ossetian people by the de facto authorities. Since then, Russian 'borderisation' policies have reinforced the boundary around the territory, cutting it off. South Ossetia has been depopulated and its population may now be less than 40,000 people.

If it were merely up to ordinary South Ossetians, a close relationship with Georgia, possibly with a view to eventual reintegration in the future, would be a very plausible scenario. However, this looks almost impossible in the near future. Ordinary people have lost a voice in this conflict, even if that means that families are divided. Official South Ossetian ideology focuses on stronger relations and possible union with Russia.

For Russia, the main strategic utility of the territory is now as a base for at least 4,000 Russian soldiers. In the past – including, reportedly, at the first meeting between Putin and Saakashvili in 2004 – Russia has indicated that it might want to do a bargain over the future of South Ossetia in which it was returned to Georgian control in exchange for concessions from Tbilisi such as a commitment to no longer seek NATO membership. However, such a bargain now looks less attractive to both Moscow and Tbilisi. Russia has built up South Ossetia as a military base and is unlikely to relinquish it. Although it does not abandon its claims, Tbilisi has learned to live without South Ossetia and puts a much bigger priority on making its own foreign policy choices.

Union with Russia

In 2015, South Ossetian leaders raised the issue of a referendum on their territory joining North Ossetia, the much larger autonomous republic in the Russian Federation – and hence Russia. However, this initiative was politely rebuffed by the Kremlin, which still insists that it recognises South Ossetia as an independent country. Evidently Moscow does not see any advantage in what would amount to a formal annexation of South Ossetia, a move that would destroy any prospects of rapprochement with Georgia and further damage relations with Western countries. This could of course change but only if the confrontation between Russia and the West dramatically worsens and if this step were seen as an acceptable risk in Moscow.

Partial opening of border/international engagement

Ordinary Ossetians and Georgians would almost certainly welcome a relaxation of border controls, enabling families and neighbours to travel more freely back and forth and trade to be resumed. (Currently this is only possible in very limited fashion, mainly via the town of Akhalkgori). This would benefit the South Ossetian economy and that of neighbouring Georgian regions. The EU's 2009 Non-Recognition and Engagement Policy formally applies to South Ossetia as well as Abkhazia but in practice is not being implemented there, as access is so restricted. If there were a political opening, the EU would have a framework in which to engage, however.

The implementation of the 2011 Swiss-brokered deal opening a transit corridor across South Ossetia between Georgia and Russia would provide only modest economic benefits as freight traffic would only be in transit (one reason why the agreement is politically unpalatable to the local leadership), but it would also open up South Ossetia internationally. Such an opening-up would restore some of the contacts across the conflict divide which were lost in 2008 but would still leave the situation a long way from conflict resolution. It would move the dispute closer to the situation in Transdniestria, leaving more options open in the future. However, this would require a change in thinking in Moscow and amongst the Russian military, which looks unlikely as long as the current Putin administration remains in power.

Status quo with more stagnation

The most likely scenario thus remains a situation for South Ossetia defined by negatives: the region is not joined to Russia, not reintegrated into Georgia, the de facto border does not open, and South Ossetia does not develop into anything more than a large Russian military base. This means a perpetuation of the status quo, accompanied by deepening economic and political stagnation and very restricted opportunities for the residents of South Ossetia.

2.3.5 Nagorny Karabakh scenarios*Peace agreement*

There have been many attempts at a peace plan for the Karabakh conflict. The most serious initiative in recent times was the effort which culminated in a meeting in Kazan in June 2011, presided over by then Russian president Dmitry Medvedev.

Since 2007 peace plans have been based on the six so-called Madrid Principles, whose main points have been set out in three declarations by the presidents of the three co-chair countries, France, Russia and the United States, at three G8 summits at L'Aquila, Muskoka and Deauville in 2009-11.²⁷

The draft plan aims to get round the thorny issue at the heart of the conflict, the final status of Nagorny Karabakh by tackling other issues first in a phased approach. Azerbaijan gains the return of the territories outside Nagorny Karabakh currently held by Armenian forces (with the exception of the 'Lachin Corridor' connecting Karabakh and Armenia) and international peacekeepers are deployed. The status issue is determined by a "binding expression of will", some kind of referendum to be held at some point in the future, thus leaving the hope to the Armenian side that they could achieve an internationally sanctioned separation from Azerbaijan; in the meantime, the territory of Karabakh is granted "interim status" before a vote is held, a status that gives it greater international legitimacy than it has now but not independence.

In recent years Russian Foreign Minister Sergei Lavrov has taken the lead in pushing forward this initiative, reportedly with

²⁷ <https://www.osce.org/mg/51152>

certain new elements added, chiefly the idea that transport routes between Armenia and Azerbaijan, linking Russia and Turkey, could be opened at an early stage.

No one has yet devised a better way of overcoming the almost irreconcilable differences on status held by the sides than this plan. It artfully seeks to resolve the conflict by postponing for many years a decision on this issue and promising the Karabakh Armenians an improved version of their current status. That the plan has not worked derives first of all from the fact that the conflict parties lack the political will or resources to engage in an ambitious peace process, which will encounter fierce opposition in the region. Both Armenian and Azerbaijani leaders see that there is much more to lose than gain from embarking on a peace settlement. Their public rhetoric remains implacable.

A peace settlement is thus most likely only far in the future if either there is a big societal transformation and a new generation takes a different view on the issue or if, in a currently unforeseen way, there is a big international push to resolve the conflict. In the shorter term, the most likely prospect of an agreement comes from a risky and tragic scenario: that an outbreak of fighting even worse than that of 2016 reminds the world of the dangers of the conflict, compels the big powers to bring the warring parties together and force them to make a deal.

Return to war

Armenia and Azerbaijan are always one step from renewed war over Nagorny Karabakh. Around 10,000 men on each side are stationed along the so-called Line of Contact the 200km-long line that cuts through de jure Azerbaijani territory north and east of Nagorny Karabakh which was established after the ceasefire of May 1994.

More troops are deployed along two stretches of the Armenia-Azerbaijan international border in the north and adjoining the exclave of Nakhichevan. In each zone, the soldiers, mainly conscripts, are backed up by heavy weaponry which includes artillery, long-range missiles, aircraft, helicopters and military drones. The only international presence on the ground constraining these two armies is the mission headed by the Personal Representative of the Chairman in Office of the OSCE, consisting of six monitors. Set up in 1994 with

a very limited mandate, it has been headed since 1996 by Ambassador Andrzej Kasprzyk. His team monitors the ceasefire twice monthly in pre-arranged visits.

The two sides fought a limited war for four days in April 2016 that claimed about 200 lives (although estimates vary). After Russian high-level intervention, the two sides stopped fighting. This outbreak of fighting demonstrated that the only thing stopping a new full-scale war is the calculations of the parties themselves. To be more precise, only one side, Azerbaijan, the losing side in the war of the 1990s, has an incentive to initiate a new war, so as to reconquer the territory it lost. The Armenian side has an interest in the normalisation of the status quo on the ground and a permanent ceasefire that preserves its territorial gains.

A war could start for a number of reasons. A domestic crisis in Azerbaijan caused by political feuding or a fall in the oil-price could lead the president to decide that he needed to reaffirm his power by resorting to conflict with the enemy – the only national cause that can unify opposition and government in Azerbaijan. A domestic crisis in Armenia could lead to the recognition by Yerevan of Nagorny Karabakh as an independent state for similar reasons – a move that would tear up the current peace process and could provoke military action by Baku.

Military action is also possible through miscalculation. The armies are very close and if a bad incident happens, there can be little time to refer it upwards. A medium-ranking officer could thus theoretically escalate a situation which could get quickly out of hand. However, it is worth noting that ceasefire violations went down markedly in 2017 and 2018, when there were political messages from above. This suggests that military discipline is quite tight and that soldiers by themselves are unlikely to start a conflict.

Full-scale war is therefore only one step away but has so far been avoided. Three things can be said with certainty about any future military action: it would be far more destructive and extensive than the war of the 1990s, given the huge military power now accumulated on both sides, and the fact that the conflict has become a full inter-state dispute between Armenia and Azerbaijan; its outcome would be extremely hard to predict, as the two armed forces have changed considerably over the last two and a half decades,

meaning that either side could prevail militarily or there could be a bloody stalemate ; finally, war would not solve anything as the two sides would still be compelled to return to diplomacy.

Status Quo

As peace is elusive and war very dangerous and risky, continuation of the status quo is thus most likely in the medium term.

The status quo could continue to evolve in different ways. It could be relatively peaceful. This would only be the case if Azerbaijan saw the benefits of agreeing to a protracted ceasefire, in which its occupied territories remained under Armenian control. That is only conceivable if there was more dynamism in the negotiating process. It could also be violent, with the regular ceasefire violations and casualties which were characteristic of the years leading up to the fighting of 2016.

Unfortunately, the status quo, although mostly without violence, is not conducive to positive incremental change. Confidence-building measures are difficult to achieve when the two sides are so close to conflict on the ground and levels of aggressive rhetoric are so high. There is little contact between populations. In January 2019 the foreign ministers of Armenia and Azerbaijan issued a positive statement which mentioned the need for “concrete measures to prepare the populations for peace”. However, it has proved hard to find measures which can fulfil that intention.

Instead, the status quo entrenches positions. The Karabakh issue remains a central issue in the nation-building story of both peoples. Azerbaijanis will not be persuaded to ‘forget’ about the loss of large parts of their country and the displacement of hundreds of thousands of Azerbaijani citizens. On the other side, as the years pass, ordinary Armenians are less inclined to countenance the return even of the occupied territories surrounding Nagorny Karabakh. To give up Nagorny Karabakh itself is unthinkable to almost all of them. Even though the occupied territories outside Nagorno Karabakh remain mostly depopulated, some Armenians settlers now live there, some lands are used for agriculture, and many of the places have been given Armenian names. Maps routinely show these Azerbaijani territories to be part of a single Armenian territory, including the Republic of Armenia, and Nagorno-Karabakh (now renamed

Artsakh by the Armenians). The conflict remains both very damaging to both sides and extremely intractable.

2.4 Conclusions

It is not productive to apply a single template to all the conflicts in the former Soviet Union. The conflicts that began before and after the break-up of the USSR in 1991 had similar causes, but very specific characteristics, and all have diverged further in the last 25 years. The Ukraine conflict, beginning much later in 2014, provides a newer and still more different case. A common thread in all of them is Russian involvement, but again the role of Moscow is very different in each case – from being the prime conflict participant in Ukraine to a more detached international mediator in the Karabakh conflict.

The four conflicts dating from the 1990s are widely regarded as intractable – even the relatively peaceful Transdniestria dispute. Few involved in the mediation processes around them talk of ‘conflict resolution’. A geopolitical shift – meaning in several of these cases an end to Russia’s instrumentalisation of the unrecognised territories for its own strategic purposes – is needed before change can occur, but this could take years or decades to come. Change is also vital in the local and regional context. In the shorter term the emphasis is on ‘managing’ the situation – in the case of Karabakh seeking to prevent a return to war, while keeping up immediate diplomatic engagement with the conflict parties. In the longer term the goal is ‘transformation’, working to change attitudes and provide more options for resolution in the future.

Here the EU may find a role. The EU has not had a formal role in any of the mediation formats for these conflicts. Back in the 1990s, its foreign policy mandate was much more limited. The EU did acquire observer status in the ‘Five Plus Two’ OSCE process for Transdniestria in 2005 and became a co-chair of the Geneva discussions on Abkhazia and South Ossetia following the 2008 conflict. But in Ukraine in 2014 the EU was perceived as being too closely associated with Kyiv, so it again took a back seat on conflict issues, while the OSCE became the prime mediator. With regard to Nagorny Karabakh, the EU Special Representative has a modest supporting role to the OSCE process.

Lack of a strong mediating mandate should not preclude the EU from playing a stronger role, where it can, however. In some cases it can even be an advantage, as the EU is not tied to negotiating processes which are widely seen as dormant and have little interest for the wider population. There is most scope where the EU's normative economic power can be transformative, in the Transdnistria conflict. In Georgia and Ukraine, this is also possible in more limited fashion, as those countries pursue closer economic links with the EU under the umbrella of the DCFTA. If and when that economic convergence brings benefits to the local population, it can be an object of attraction for Abkhazia, South Ossetia and the eastern Ukraine territories.

Moreover, in Ukraine, Georgia and Moldova the EU has a much more positive image than in some of its member states. This gives it considerable soft power leverage vis-à-vis Russia, which is widely underused. In eastern Ukraine, the hitherto feeble attempts by the government in Kyiv to reach out to the local population, which traditionally prefers Russian media to Ukrainian, could well benefit from more proactive EU support.

More broadly, a key reason for the intractability of these conflicts is that societies on either side of the conflict divide are not ready for change or compromise. This requires a different approach in the recognised states on the one hand and the unrecognised breakaway territories on the other. In the sovereign nation-states, these territorial conflicts are still strongly tied to the national identity of the new countries forged after the end of the USSR. There is still a strong feeling of trauma from the conflicts and many contradictory attitudes. It may take a new generation to reassess strategic priorities on these conflicts and what Armenia, Azerbaijan, Georgia, Moldova and Ukraine are or are not prepared to offer the other side in the name of a conflict settlement. This kind of domestic debate and societal transformation can be assisted by friendly outside actors such as the EU.

The breakaway territories – two of which, Abkhazia and Transdnistria have good reason to be called 'de facto states' – are unlikely to disappear. They are entrenched, not only thanks to the support of their external patrons, Armenia and Russia, but also

thanks to the passage of time and consolidation of identity, in large part around the conflict fought with a parent state.

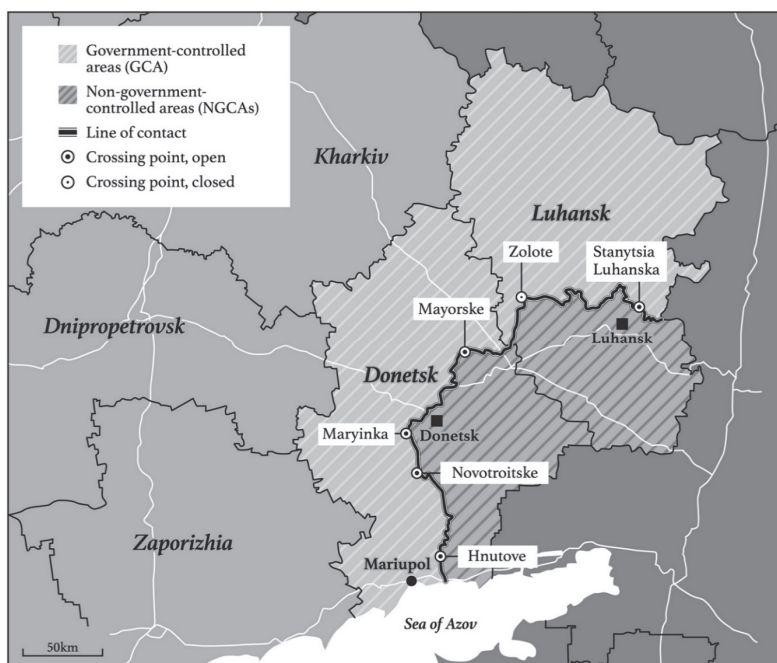
There is a consensus that international engagement with most of these territories (the Donetsk and Luhansk 'People's Republics' in eastern Ukraine being a more difficult case) is needed, partly to prevent the people who live there from being completely isolated from the rest of the world, partly so as to keep open channels of communication that are needed for eventual conflict resolution.

However, there is no consensus on what form that engagement can take. Some advocate more ambitious engagement, up to the level of the international community's dealings with Taiwan – with trade and transport links and direct contacts with *de facto* institutions. Others, especially in the parent states, are far more cautious. These Azerbaijanis, Georgians, Moldovans and Ukrainians see isolation of the territories as leverage and only support engagement on humanitarian grounds or if it can be seen to directly facilitate reunification of the territories. Concerns are raised that engagement with unrecognised territories can lead to 'creeping recognition'. These fears have no legal basis but are grounded in domestic political anxieties and societal concerns about giving legitimisation to an adversary in a conflict. EU policy tend to default towards the more cautious approach, respecting the sensitivities of the parent state. If the EU does regard the transformation of these conflicts as a priority, then a rethink of its engagement policy is required. Sectors such as education, the environment and healthcare are potential areas where international assistance would be helpful. This kind of assistance would also contribute to the de-isolation of these territories and indirectly further the cause of conflict resolution.

All of these recommendations speak to a longer-term approach in which transformation of the conflicts is made a strategic goal in tandem with initiatives to effect positive societal change and economic development of the Eastern Partnership countries, and also, where possible, of the unrecognised territories. The cause of conflict resolution and of socio-economic transformation should be seen more as parts of a single integrated policy, if change is to occur in the long run.

3. THE STATE OF THE DONBAS: A STUDY OF EASTERN UKRAINE'S SEPARATIST-HELD AREAS *NIKOLAUS VON TWICKEL*

Map of the conflict in the Donbas



The conflict in the Donbas, which enters its seventh year in 2020, is among Europe's biggest security challenges. This study offers a first comprehensive political, economic and societal assessment of the 'People's Republics' of eastern Ukraine, on which information is scarce since they cannot be safely visited by Western analysts. It looks at the nature of Russian control over the separatist regions and at the prospects of their further existence. It argues that reintegration with Ukraine is becoming more difficult as their dependence on Russia has deepened over time. The study also discusses possible scenarios for a non-military solution, including an international peacekeeping force.

3.1 Introduction

This report documents the state of the politics, economy and society of the separatist-held areas of Ukraine's eastern Donetsk and Luhansk regions. Its aim is to analyse the developments that have taken place in these regions since 2014 in order to better understand them in the future. The report also looks at Russia's role in the conflict and the implications for Ukraine's development in the framework of the Association Agreement with the European Union.

The areas covered by this report are legally part of Ukraine, but have not been controlled by its government since 2014 when the conflict broke out between armed groups (separatists) and government forces. Their territory was defined in September of that year and February 2015, when the 457km Line of Contact, that divides the areas under government control from those outside government control, was established in the framework of the Minsk agreements.

The non-government-controlled areas in the Donetsk region are also known as the "Donetsk People's Republic" (DNR) and those in the Luhansk region as the "Luhansk People's Republic" (LNR). Both separatist entities were proclaimed by activists in April 2014 and have been recognised by no other country save South Ossetia, itself a little-recognised separatist region. The Minsk agreements do not recognise them either, speaking instead of "Certain Areas" of the Donetsk and Luhansk regions.

These areas make up just a third of the two regions' territory,¹ but they include densely inhabited areas that were home to almost half of the combined population of 6.64 million and contain many of the big industrial assets that make up the Donbas mining region. Their exact current population is not known and the separatists' official figures of 2.29 million (Donetsk)² and 1.46 million (Luhansk)³ – which add up to 3.75 million – are most certainly exaggerated. Realistic estimates put the current number of inhabitants at between two and three million people – assuming that a large share of Ukraine's 1.5 million Internally Displaced Persons (IDPs) and 600,000 Ukrainian asylum seekers abroad are from the non-government-controlled areas.⁴

It is safe to say that the 'People's Republics' are almost fully dependent on Russia, which has been instrumental in their set-up and in the continued supply of money, know-how as well as arms and ammunition. This, and the fact that separatist leaders regularly state that they ultimately want to join Russia rather than being independent, elevates Moscow's role in Donetsk and Luhansk to more than hegemonial. However, Russia's control is far from complete. It has been challenged by insubordinate field commanders, separatist infighting and organised crime, as well as by conflict within Moscow – among the "curators" who oversee rival factions in the Donbas.

These challenges arguably escalated in November 2017, when Luhansk separatist leader Igor Plotnitsky was ousted in a coup backed by forces loyal to Donetsk separatist leader Alexander Zakharchenko. Power in Luhansk was transferred to Leonid

¹ A 2006 Radio Liberty report estimates the combined territory to be between 16,000-18,000 square km, less than three percent of Ukraine's territory: <https://www.svoboda.org/a/27797444.html>

² http://glavstat.govdnr.ru/pdf/naselenie/chisl_naselenie_1018.pdf

³ http://www.gkslnr.su/files/chisl_261018.pdf

⁴ The Ministry of Social Policies registered 1,520,531 IDPs nationwide in November 2018. In addition, some 600,000 Ukrainians had by 2015 sought asylum or other forms of legal stay in neighbouring countries, particularly the Russian Federation, but also Belarus, Moldova, Poland, Hungary and Romania, since February 2014. <https://www.msp.gov.ua/news/16197.html> and <http://www.unhcr.org/54d4a2889.html>

Pasechnik, a career intelligence officer said to be linked to Russia's Federal Security Service (FSB). In Donetsk, a more violent power change occurred in 31 August 2018, when Zakharchenko was killed by a bomb and the leadership was subsequently taken over by Denis Pushilin, who is widely seen having close ties to Vladislav Surkov, the Kremlin's point man for Ukraine.

The 'People's Republics' of the Donbas are by far the biggest of the separatist territories controlled by Russia in its neighbourhood – followed by the Moldovan region of Transdnistria, which has less than 500,000 inhabitants (see Chapter 4). They also differ significantly from the others in that ethnic or religious allegiances do not play identifying roles and that their boundaries have little historic relevance. Their strongest identity marker is probably economic – the common heritage of coal mines and steel mills. However, their heavy industry orientated economy makes the Donbas 'Republics' less self-sufficient, which in turn poses challenges for their survival without the Ukrainian economy, from which they remain severed by trade blockade since 2017. They present a significant financial burden to Russia, which is assumed to spend almost €1 billion per year in non-military subsidies for them.

Despite this, there are no signs that Russia will reduce its influence anytime soon. While Moscow remains unwilling to annex or even recognise them (despite recurring demands from nationalists), it took a significant step towards russification when it began handing out Russian passports to locals in 2019. And despite the political progress that culminated in the 'Normandy Format' summit of December 2019, the rhetoric inside the 'People's Republics' remains centred on their economic integration with Russia, pro-Russian orientation and the demonisation of Ukraine as a hostile aggressor.

3.2 Politics

3.2.1 *The People's Republics' creation*

The creation of the 'People's Republics' in April 2014 is often claimed to have been coordinated in Moscow. Russia denies this, but there are numerous and strong indications that the pro-Russian protests in Donetsk and Luhansk were not spontaneous and would have never

led to the collapse of central government control without targeted Russian intervention.

While the Kyiv Euromaidan was never popular in eastern Ukraine, no massive protests broke out immediately after President Viktor Yanukovich fled to Russia (via his native Donetsk) on February 22, 2014. It took a whole week until Donetsk saw its first pro-Russian rally on March 1. Notably, during that week Russian forces (the ‘green men’) appeared in Crimea, marking the beginning of the operation that led to the Black Sea peninsula’s annexation. The March 1 rally in Donetsk was actually organised by officials from Yanukovich’s Party of Regions – who opposed the new government in Kyiv but were not prepared to resist by unconstitutional means. However, it was hijacked by the more radical activist Pavel Gubarev, who had himself proclaimed “people’s governor” by a pro-Russian flag-waving crowd.⁵

In Luhansk, the first such rally was held on March 2. The pro-Russian protests continued in both cities throughout March, but remained relatively small: There were never more than 5,000 participants in Donetsk, a city of one million inhabitants. The protesters repeatedly failed to seize administration buildings in order to take political power. In a major setback, Gubarev was detained and imprisoned on March 6.

Ukrainian politicians and media very early on accused Russia of fuelling those protests. Serhiy Taruta, the newly-appointed governor of the Donetsk Region, demanded on March 3 to close the border with Russia in order to prevent “subversive acts” committed by Russian citizens.⁶ Such allegations were backed by Ukrainian media reports at the time, who also pointed out that Russian

⁵ Report on the local [ostro.org](http://www.ostro.org) website
<http://www.ostro.org/general/politics/articles/438957/> Video
<https://www.youtube.com/watch?v=rOTNZyCvOEs>

⁶ Taruta-interview with Zerkalo Nedely
https://zn.ua/columnists/podavlyayuschee-bolshinstvo-zhiteley-Donbasa-za-sohranenie-celostnosti-ukrainy-140268_.html

nationalists were actively campaigning on social media for volunteers to travel to eastern Ukraine and take part in the protests.⁷

3.2.2 *Operation Girkin*

The phase of a largely peaceful standoff ended in early April, when the protesters managed to seize some key administration buildings. On April 6 and 7, they captured the regional headquarters of the SBU State Security Service in Luhansk and Donetsk respectively, which both contained sizeable stocks of arms and ammunition. On April 7, for the first time, armed men were spotted outside the Donetsk regional administration building, which had been captured a day earlier.⁸

The situation dramatically escalated on the early morning of April 12, when a commando of more than 50 armed men suddenly appeared in Sloviansk, a city of 111,000 more than 100 kilometres north of Donetsk, and seized the headquarters of the police and the SBU. The next day, they seized more buildings in the neighbouring city of Kramatorsk. They also captured significant amounts of arms and ammunition, which proved decisive for turning the protests into an armed struggle.

The operation was led by Igor Girkin, a Russian citizen and former member of the Federal Security Service (FSB). Also known by his nom de guerre Igor Strelkov, Girkin later admitted that his commando contingent was made up of volunteers from Russia and Ukraine and had been put together in Crimea, where he had taken part in the Russian military intervention that prepared the peninsula's annexation on March 18.⁹ Ukrainian media have also

⁷ Reports by Obozrevatel on 3 March 2014

<https://www.obozrevatel.com/politics/45832-v-sotssetyah-verbuyut-dobrovoltsev-iz-rossii-dlya-poezdok-v-ukrainu.htm> and Novosti Donbasa, 21 March 2014 <http://novosti.dn.ua/article/4821-putevodytel-po-russkomu-buntu-v-donecke>

⁸ <https://www.ostro.org/general/politics/news/441967/>

⁹ Girkin-interview with Komsomolskaya Pravda, 26 April 2014 <https://www.kp.ru/daily/26225.7/3107725/> and Neuromir TV <https://www.youtube.com/watch?v=YWw15dIrhHQ>

pointed out that the attackers' language contained Russian idioms uncommon in Ukraine.¹⁰

It has been argued that by dispatching an armed commando to the Donbas, Moscow switched to a 'Plan B' scenario after its initial tactic to subvert and/or overthrow local Ukrainian authorities through unarmed protests failed to work.¹¹

The operation marked the beginning of the hottest phase so far of the war in the Donbas. On April 13, armed men thought to be from Girkin's group opened fire on Ukrainian paratroopers and SBU officers just outside Sloviansk. The ensuing gun battle left one Ukrainian officer dead and two more injured.¹² One day later, Ukrainian interim President Oleksandr Turchynov signed a decree starting the "Anti-terrorist Operation" in eastern Ukraine.¹³

In the following weeks, the conflict steadily escalated, as Ukrainian government troops advanced and the separatists improved their fighting capabilities – not only by capturing police and security services' stations but increasingly thanks to arms and ammunition brought across the border with Russia. The fighters' use of RPG-26 Rocket-Propelled-Grenades in Sloviansk and Kramatorsk has been quoted as early evidence of this.¹⁴

¹⁰ Ukrainskaya Pravda report about the storming of Kramatorsk police headquarters, 13 April 2014

<https://www.pravda.com.ua/rus/news/2014/04/13/7022247/> based on footage uploaded by YouTube user "Arlo Givens"

<https://www.youtube.com/watch?v=qmxBjsU2rig>

¹¹ What is the nature of the "Ukraine crisis"? Andreas Umland 15 November 2016 <https://www.opendemocracy.net/od-russia/andreas-umland/glazyevs-tapes>

¹² Interview with SBU-officer Andriy Dubovyk, 13 April 2016

https://censor.net.ua/resonance/384081/istoriya_pervogo_boysya_ato_13_aprel_2014go_pod_slavyanskom_glazami_podpolkovnika_alfy_andreya_dubovika

¹³ <https://www.president.gov.ua/documents/4052014-16886>

¹⁴ Remarks by Ukrainian military analyst Dmytro Tymchuk on 10. May 2014 <https://www.ostro.org/general/society/news/444361/>

3.2.3 *Russification and de-russification*

Soon, more ‘separatists’ of Russian origin appeared. The fighters in Kramatorsk were led by a man who went by the call sign of “Khmury”. That commander was later identified by the Bellingcat investigative group as Sergei Dubinsky, a senior officer of Russia’s GRU military intelligence service, who used the alias name Sergei Petrovsky.¹⁵

The ‘referendums’ on May 11 in Donetsk and Luhansk, in which supposedly large majorities (89% in Donetsk, 96% in Luhansk) voted for independence, were another sign of growing Russian influence.¹⁶ The referendums, which were condemned as illegal by Ukraine and the West, were the first in a series of votes that were held in parallel in both ‘Republics’ without official coordination, which points to a third power (Russia) orchestrating them.

On May 16, Alexander Borodai, a Moscow-based political consultant and Russian nationalist, was declared the ‘Prime Minister’ of the Donetsk ‘People’s Republic’, while Girkin (Strelkov) was made Defence ‘Minister’.¹⁷ Another Russian, Vladimir Antyufeyev, who had been an Intelligence Chief in Moldova’s unrecognised Moscow-backed Transdnistria region, became a deputy of Borodai in July.¹⁸ In Luhansk, local separatist strongman Valery Bolotov was joined by Marat Bashirov, a Russian political consultant and former spokesman of the governor of Nizhny Novgorod, as ‘Prime Minister’ on July 4.¹⁹

However, during August 2014, most Russians and the independent-minded Bolotov disappeared – as Moscow seemed

¹⁵ Identifying Khmuryi, the Major General Linked to the Downing of MH17 – Bellingcat 15 February 2017

<https://www.bellingcat.com/news/uk-and-europe/2017/02/15/identifying-khmuryi-the-major-general-linked-to-the-downing-of-mh17/>

¹⁶ Interfax report, 12 May 2014 <https://www.interfax.ru/world/375853>

¹⁷ <https://www.rbc.ua/rus/news/-premer-ministrom-samoprovozglashennoy-dnr-izbran-grazhdanin-16052014153100>

¹⁸ The EU in 2004 listed him as a Russian citizen under his alias name of Vadim Shevtsov (“Sevtov”) <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32004E0179&from=EN>

¹⁹ <https://russian.rt.com/article/39354>

eager to disassociate itself from the separatists while ensuring that local leaders cooperated with the Kremlin. Borodai resigned on August 7, claiming that he wanted “to make room” for Alexander Zakharchenko, a local businessman turned activist, who would lead the Donetsk ‘People’s Republic’ until his August 2018 assassination.²⁰

Girkin (Strelkov), who had fled to Donetsk after Sloviansk was recaptured by government troops on July 5, followed suit in resigning on August 12. He later openly admitted that he was forced to leave after the Kremlin cut off all his (military) supplies – thus acknowledging that Russia was supporting the separatists with arms and ammunition and blamed Kremlin aide Surkov for this.²¹

Next in line was Bolotov, who disappeared from Luhansk on August 14, officially because of non-specified injuries. He was replaced by Igor Plotnitsky, who hitherto had served as ‘Defence Minister’.²² Plotnitsky would remain in this post until November 2017, when he was overthrown in a putsch backed by forces from Donetsk. Bolotov suddenly died in January 2017, two months after he announced an initiative to unite the Donbas with Russia and criticised Plotnitsky for being too soft on Ukraine – after more than two years’ silence.²³

The exodus of the first generation of separatists also meant the weakening of their so-called ideological wing – basically hardline Russian nationalists. Their goal of joining Russia swiftly was spoilt by the Minsk agreements, signed between September 2014 and February 2015, which stipulate that the Donbas remains part of Ukraine.

²⁰ Borodai said that he had come as a “crisis manager” and that the DNR by now had become a real state: <https://ria.ru/world/20140807/1019193894.html>

²¹ Interview with Girkin in Serbian magazine Pecat, 5 December 2014
<http://www.pecat.co.rs/2014/12/igor-strelkov-primirje-u-novorussiji-je-bilovesna-sabotaza-2-deo/>

²² RIA Novosti report, 20 August 2014
<https://ria.ru/world/20140820/1020761533.html>

²³ Bolotov-interview with “Sovyetskaya Rossiya” 12 November 2016
<http://sovross.ru/articles/1479/28231>

3.2.4 *Agents rather than actors*

Russia's role in the creation of the 'People's Republics' should neither be underestimated nor overestimated. On the one hand, without it, local opposition to the Euromaidan revolution, despite being undeniably strong, would have never led to a separatist uprising of the proportions seen in 2014. Surveys conducted in the spring of 2014 showed that less than 30% of the local population favoured a break with Kyiv through "federalisation" or joining Russia.²⁴

On the other hand, Moscow did not send large numbers of troops – like in Crimea – to achieve its goals. Instead, it deployed a limited number of agents in order to "incite, support and protect local elites and paramilitaries".²⁵ Larger numbers of regular Russian forces were deployed only when Ukrainian government troops had become too strong – in Ilovaisk in August 2014 and in Debaltseve in February 2015. These tactics did not only save resources, they remain vital for Moscow's continued denial of its direct subversive and military aggressive role inside a neighbouring sovereign country. On the downside, the poorly organised influx of volunteers from Russia proved a challenge for political and military control – a problem that became especially acute in the Luhansk region.

Russia has stubbornly stuck to its affirmation that it has no military hardware or personnel in Ukraine, despite numerous media reports to the contrary.²⁶ Moreover, Dutch-led international

²⁴ Survey by the International Republican Institute, March 2014 <http://www.iri.org/sites/default/files/2014%20April%205%20IRI%20Public%20Opinion%20Survey%20of%20Ukraine%2C%20March%2014-26%2C%202014.pdf> and by the Kyiv International Institute of Sociology, April 2014 https://zn.ua/UKRAINE/mneniya-i-vzglyady-zhiteley-yugo-vostoka-ukrainy-aprel-2014-143598_.html

²⁵ Mark Galeotti: Are Russian troops in eastern Ukraine? <https://inmoscowshadows.wordpress.com/2014/04/13/are-russian-troops-in-eastern-ukraine-some-probably-but-i-dont-think-thats-really-the-point/>

²⁶ In August 2014, journalists from the Daily Telegraph <https://www.telegraph.co.uk/news/worldnews/europe/ukraine/11035401/Russian-armoured-vehicles-and-military-trucks-cross-border-into-Ukraine.html>, the Guardian <https://www.theguardian.com/world/2014/aug/14/russian-military->

investigators have concluded that the BUK missile system that downed Malaysia Airlines flight MH17 in July 2014, killing all 298 on board, had come from Russia, while the Bellingcat group has found that the BUK was operated by Russian soldiers.²⁷ And Russian journalists uncovered the identities of numerous Russian fighters, including a senior military commander who was later killed in Syria.²⁸

Following the signing of the Minsk Protocol and Memorandum in September 2014, the 'People's Republics' consolidated somewhat, culminating in elections in both Luhansk and Donetsk on November 2, which were duly won by the Moscow-backed leaders, Zakharchenko in Donetsk and Plotnitsky in Luhansk, by 79% and 63% respectively.²⁹ The elections were hardly democratic as the 'competing' candidates (two in Donetsk and three in Luhansk) were staunchly pro-Russian and no pro-Ukrainian parties were allowed to take part. Just like the referendums in May, Ukraine and the West condemned the vote on Ukraine's sovereign territory as illegal, while Russia said that it "respects the expression of the people's will".³⁰

The West's unambiguous position on this – no new state can be declared on the territory of an existing sovereign country without the explicit consent by the latter's legitimate government – is reflected in the Minsk agreements, which do not mention "People's Republics" and speak of "Certain Areas" of the Donetsk and Luhansk regions

vehicles-enter-ukraine-aid-convoy-stops-short-border and the FT witnessed regular Russian troops inside Ukraine

<https://www.unian.info/politics/1000366-russian-soldiers-ordered-to-go-to-luhansk-as-volunteers.html>

²⁷ Joint Investigation Team report of May 2018

[https://www.om.nl/onderwerpen/mh17-crash/@103196/update-criminal-0/Bellingcat investigations](https://www.om.nl/onderwerpen/mh17-crash/@103196/update-criminal-0/Bellingcat%20investigations) <https://www.bellingcat.com/tag/mh17/>

²⁸ Report about Russian General Valery Asapov

<https://www.reuters.com/article/us-russia-ukraine-syria-insight/fog-of-ukraines-war-russians-death-in-syria-sheds-light-on-secret-mission-idUSKBN1FI12I>

²⁹ RIA Novosti report on the results <https://ria.ru/20141103/1031547731.html>

³⁰ Statement by EU High Representative Federica Mogherini

http://europa.eu/rapid/press-release_STATEMENT-14-348_en.htm Russian Foreign Ministry statement http://www.mid.ru/foreign_policy/news/-/asset_publisher/cKNonkJE02Bw/content/id/792207

respectively (sometimes referred to by the English acronyms CADR and CALR). Zakharchenko and Plotnitsky signed the agreements without any mention of their respective functions.

3.2.5 *Parties and parliaments*

The separatists and their Russian backers continued to build their 'People's Republics', ignoring calls from Ukraine and the US for their dissolution.³¹ On paper, they set up state-like institutions that resemble a Russian federal region with republican status - led by a president (called "Leader" - Russian глава) and oversees a government with a 'Prime Minister' (in Donetsk until 2018 this position was called "Chairman of the Cabinet of Ministers" and was held by Zakharchenko as an additional office). In reality, such democratic institutions are mere window-dressing and the 'People's Republics' are characterised by the nearly complete absence of political pluralism and rule of law.

Each 'Republic' has a unicameral parliament with a tightly managed two-party system. The parties are called "movements", apparently to mark a break from the "discredited" Ukrainian party system.³² However, those movements differ only in nuances from each other and no other political force has been allowed to participate in the politics of the 'People's Republics' since November 2014.³³ Each 'ruling' movement has a huge (75%) majority in either parliament, while the smaller movement acts as a 'systemic' opposition, occasionally criticising the government. Pavel Gubarev, the founder of the Free Donbas party and one-time Donetsk "People's Governor"

³¹ The Ukrainian delegation to the Minsk talks demanded this in October 2019 <https://www.facebook.com/darka.olifer/posts/2459621057491315>, US Special Representative Kurt Volker did so in 2018

<https://twitter.com/SpecRepUkraine/status/1061606971239948289>

³² Oleg Akimov: Political parties completely discredited themselves in Ukraine - LIC, 22 September 2016 <http://lug-info.com/news/one/lnr-otkazalas-ot-partii-tak-kak-imenno-oni-razvalili-ukrainu-predsedatel-fp-17435>

³³ Local Communist Party leader Boris Litvinov was forced to join Donetsk Republic in order to stand in the 2014 election. He was elected, but expelled from parliament in 2016

https://www.gazeta.ru/politics/2016/05/19_a_8254373.shtml

said in December 2018 that “there is no opposition in wartime”, only alternative views.³⁴

In the November 2018 elections, the Donetsk Republic party won 74 of 100 parliamentary seats, while Free Donbas got the remaining 26 seats. In Luhansk, the Peace for Luhansk party took 37 of 50 seats, while the Luhansk Economic Union got 13. The ruling movements are invariably chaired by the leaders of the ‘Republics’ (both Pasechnik and Pushilin took the chair from their predecessors), while their efforts to recruit new members show similarities to the Soviet Communist Party.³⁵ In 2018, Donetsk Republic claimed to have more than 200,000 ‘participants’, Peace for Luhansk more than 100,000.³⁶

Peace for Luhansk says in its programme that its aim is to “peacefully build an independent democratic Luhansk ‘People’s Republic’”. Donetsk Republic has not published a programme but has the same sentence with Donetsk instead of Luhansk prominently on its website. All four movements stress that they want to achieve maximum integration with Russia.³⁷

3.2.6 *Large bureaucracies with little control*

From early on, both ‘People’s Republics’ claimed large government bureaucracies. A list of ‘Cabinet’ members circulated in Donetsk in May 2014 contained 28 names. The number of ministries in both ‘Republics’ has not decreased since: As of January 2020, the Donetsk ‘People’s Republic’ had 20 ministries and 18 agencies, excluding the

³⁴ Interview by the DNR-live portal <http://dnr-live.ru/intervyu-gubareva/>

³⁵ November 2018 report about workers of the Komtel state enterprise joining “Donetsk Republic” <https://dan-news.info/bez-rubriki/desyat-sotrudnikov-gosudarstvennogo-predpriyatiya-komtel-popolnili-ryady-od-doneckaya-respublika.html> August 2017 report about Krasnodon miners joining “Peace for Luhansk” <http://lug-info.com/news/one/bole-200-gornyakov-krasnodonuglya-za-mesyats-prisoedinilis-k-od-mir-luganshine-27739>

³⁶ Donetsk Republic has a counter on its website <http://oddr.info/> Peace for Luhansk numbers <http://lug-info.com/rubric/32>

³⁷ “Наша главная цель – мирное строительство самостоятельной демократической Донецкой/Луганской Народной Республики.” <http://oddr.info/> and <https://mir-lug.info/programma-od-mir-luganshine/>

sizeable military. The Luhansk ‘People’s Republic’ had 18 ministries and 16 agencies.³⁸

Unsurprisingly, size does not reflect government efficiency. Especially in their early months, both ‘People’s Republics’ had considerable trouble to project authority over their whole territory. During the spring and summer of 2014, the Donetsk separatists had little control outside their ‘capital’. Horlivka, the second-biggest city claimed by them, was firmly controlled by local field commander Igor Bezler until his sudden departure in October. And Girkin, despite calling himself Defence Minister, was really just the field commander of Sloviansk, while the neighbouring city of Kramatorsk was controlled by GRU operative Dubinsky, aka “Khmury”.

While Zakharchenko had centralised power in Donetsk by late 2014, Luhansk separatist leader Plotnitsky faced formidable opposition from recalcitrant field commanders. Outside Luhansk, much of his ‘People’s Republic’ is believed to have been controlled by Russian Cossacks until late 2015. Their senior leader, Nikolai Kozitsyn, did leave his stronghold of Antratsyt and returned to his base in the neighbouring Russian Rostov region in late 2014.³⁹ Other commanders, however, continued to openly criticise Plotnitsky as corrupt and too compromising towards Ukraine.

In consequence, by 2017 at least seven prominent Plotnitsky opponents died under suspicious circumstances, four alone during 2015: field commanders Alexander Bednov, Yevgeni Ishchenko and Alexander Mozgovoi were killed in ambush attacks on their cars. On 12 December, Cossack leader Pavel Dryomov died when a bomb exploded in his Range Rover.

Nikolai Minin, a close associate of Dryomov, was reportedly killed in August 2016. And in September of that year, Gennady Tsytkalov, a former Prime Minister, died in a prison cell after being

³⁸ DNR list of May 2014 <https://photos.app.goo.gl/P1Vb5S1hJJ2Yr9Yc6>, current DNR list (the Defence Ministry was dissolved in September 2018) <https://dnronline.su/soviet-ministrov/#1521114467247-717373a7-c568> current LNR list <https://sovminlnr.ru/ministerstva.html>

³⁹ <https://lenta.ru/articles/2014/12/01/cossacks/>

arrested in connection with an attempted coup against Plotnitsky.⁴⁰ The death of Valery Bolotov, Plotnitsky's predecessor as LNR leader, in January 2017 – officially of heart failure – has also raised suspicion.⁴¹

The Donetsk 'People's Republic' also saw the assassination of two prominent field commanders. Arseny Pavlov, nicknamed "Motorola", died when a bomb exploded in the elevator of his house in October 2016. And Mikhail Tolstykh, better known as "Givi", was killed in a brazen attack with a rocket propelled grenade fired into his office in Makiivka in February 2017. The separatists blamed Ukrainian agents for both killings, although neither Pavlov nor Tolstykh had significant political or military influence, raising the question why Ukraine would risk attacking lesser field commanders. And unlike their peers in the Luhansk region, the two had not openly criticised the separatist leadership and were duly elevated to 'cult' status after their deaths, making acts of political revenge unlikely.

While the series of assassinations in the LNR most probably served to stabilise Plotnitsky's authority (although ultimately insufficiently), the killings in Donetsk must have had other motives – like conflicts over profits from illicit businesses, e.g. smuggling, or the urge to remove hardline commanders accused of war crimes in order to reach a possible peace agreement.⁴²

⁴⁰ Kyiv Post report on the killings <https://www.kyivpost.com/ukraine-politics/list-separatist-leaders-killed-donbas-motorola.html> Report about Minin's death https://www.dialog.ua/news/94304_1471018715 After Plotnitsky's ouster, Tsytkalov's death was officially explained with torture ordered by the former separatist leader <https://lenta.ru/news/2017/11/22/premier/>

⁴¹ Bolotov's widow expressed suspicion that he drank poisoned coffee https://life.ru/t/%D0%BD%D0%BE%D0%B2%D0%BE%D1%81%D1%82%D0%B8/966853/zhiena_piervogho_ghlavy_lnr_bolotova_podozrievaiet_chno_iegho_otravili_chashkoi_kofie

⁴² Novaya Gazeta, 15 December 2015 <https://www.novayagazeta.ru/articles/2015/12/15/66803-zachistka-voshlav-finalnuyu-stadiyu>, RBC, 8 February 2017 <https://www.rbc.ru/politics/08/02/2017/589ac2229a7947bada2e35d2>

3.2.7 *Leadership changes – the Luhansk putsch*

However, these killings fade in comparison with the subsequent shakeups in the ‘People’s Republics’ – Plotnitsky’s ousting in November 2017 and the assassination of Zakharchenko in August 2018. Both events proved the presence of serious conflicts among separatists and triggered purges among their elites, but they were not necessarily inspired by Moscow. While the Luhansk putsch showed the Kremlin’s lack of control over its proxies in the Donbas, the Donetsk killing was followed by a re-establishment of Kremlin dominance.

On 24 November 2017, Luhansk intelligence chief Leonid Pasechnik declared himself the new leader of the ‘People’s Republic’, explaining that Igor Plotnitsky had resigned for “health reasons”.⁴³ Four days earlier Plotnitsky tried to fire ‘Interior Minister’ Igor Kornet. But instead of resigning, Kornet declared the next day that high-ranking republican officials had been arrested for being part of a Ukraine-inspired conspiracy.⁴⁴

More importantly, masked soldiers without insignia appeared on the streets of Luhansk on 21 November and apparently prevented Plotnitsky’s people from taking over Kornet’s ministry. Plotnitsky made one last public appearance on the next day, in which he accused Kornet of an armed overthrow and promised that the minister would be prosecuted. However, the unmarked soldiers stormed the Prosecutor-General’s office and arrested senior staff loyal to Plotnitsky.⁴⁵ The Luhansk separatist leader has not been seen since and is believed to be hiding in Russia.⁴⁶

The soldiers who supported the putsch were soon confirmed to be from Donetsk, most likely from formations loyal to separatist

⁴³ <http://lug-info.com/news/one/zayavlenie-pasechnika-li-30162>

⁴⁴ Report on [ostro.org](https://www.ostro.org/general/society/news/536784/) <https://www.ostro.org/general/society/news/536784/>

⁴⁵ Report by Realnaya Gazeta <https://realgazeta.com.ua/prokuratura-zakhvachena-22-11/>

⁴⁶ A Russian journalist claimed to have seen him in a Moscow café in late 2018 https://www.facebook.com/kristina.melnikova.7739/posts/1961325187295303?__tn__=-R

leader Alexander Zakharchenko.⁴⁷ While it seemed at the time that Moscow was using troops from Donetsk to disguise its own role, Russian journalist Pavel Kanygin, who has covered the conflict for the *Novaya Gazeta* newspaper, has suggested that both the putschists and Zakharchenko acted without Kremlin approval.⁴⁸

This supports the theory that the conflict in Luhansk reflected another one in Moscow. The “war of the curators” scenario suggests that the FSB and the Kremlin – namely Putin’s aide Surkov – were backing rival factions in the Donbas. The FSB is believed to control the ‘State Security Ministries’ and Interior ‘Ministries’ in both Donetsk and Luhansk. Pasechnik, a career intelligence officer who served in the Ukrainian SBU before switching sides in 2014, clearly fits into this group, while Plotnitsky was believed to be backed by Surkov, who at least until January 2020 was in charge of the Kremlin’s overall policy vis-à-vis the Donbas.

To be sure, there was serious infighting in Luhansk. Plotnitsky, who regularly humiliated his ‘ministers’ in front of TV cameras, had clearly fallen out with many in the separatist leadership.⁴⁹ His conflict with the security services dates back to October 2015, when Pasechnik’s State Security ‘Ministry’ (known by its Russian acronym MGB) arrested Energy ‘Minister’ Dmitry Lyamin, a Plotnitsky ally accused of corruption and of having links to Ukrainian oligarchs. Plotnitsky then tried to sack Pasechnik but backed down after apparently being summoned to Moscow for talks.⁵⁰

Plotnitsky’s swift and non-violent ouster demonstrated that the former artillery officer had no support among the Luhansk security

⁴⁷ Inscriptions on the armoured vehicles point to the “DNR Special Forces Brigade” (Polk Spetsialnogo Naznachenia)

https://twitter.com/666_mancer/status/932994937662078977

⁴⁸ Kanygin interview with meduza.io, 4 September 2018

<https://meduza.io/feature/2018/09/04/pochemu-ubili-zaharchenko-konflikt-dnr-s-Kyivom-snova-obostritsya?>

⁴⁹ In November 2015 Plotnitsky got into a bitter argument with Health ‘Minister’ Larisa Airapetyan

https://www.youtube.com/watch?v=_YHWWSHkff0

⁵⁰ Chronology in *Realnaya Gazeta* <https://realgazeta.com.ua/perevorot-lnr/>

forces, let alone the separatist armed forces, the “People’s Militia”.⁵¹ Thus, it is entirely likely that the Kremlin decided to back the putschists when Plotnitsky’s lack of authority became clear.

3.2.8 *The killing of Alexander Zakharchenko*

While the Luhansk power change resulted in a weak leader being replaced with one with more authority, the assassination of Donetsk leader Zakharchenko on 31 August 2018 had the opposite result.

Under Zakharchenko, the Donetsk separatists had retained significant military and economic autonomy vis-à-vis Moscow. The Donetsk leader, who liked to wear fatigues, had several armed formations under his personal command – among them a Special Forces Brigade, the “Republican Guard” and a formation of – apparently homemade – multiple rocket launchers.⁵² In addition, some ministries had their own armed formations. Notably the Revenue Ministry, led by Zakharchenko’s close ally and powerful deputy Alexander Timofeyev, was infamous for sending armed emissaries to demand taxes and even ownership from companies.

Zakharchenko’s Donetsk ‘People’s Republic’ also controlled dozens of industrial enterprises, the bulk of which was seized (put under “external administration”) in March 2017, following the economic blockade imposed by Ukraine.

Last but not least, Zakharchenko was politically erratic. Thus, in July 2017 he suddenly announced the formation of a new state called “Malorossiya” (the name for Ukraine in Tsarist Russia) made up of the Donetsk and Luhansk ‘People’s Republics’ plus the rest of Ukraine. However, it quickly turned out that neither Luhansk nor Moscow and not even Pushilin, nominally Zakharchenko’s closest

⁵¹ Nikolaus von Twickel: Explaining the coup in Luhansk, OpenDemocracy Russia, 24 November 2017
<https://www.opendemocracy.net/od-russia/nikolaus-von-twickel/explaining-coup-in-luhansk>

⁵² KP report about the launch of the MRLS formation, 11 May 2018
<https://www.donetsk.kp.ru/online/news/3111655/>

ally, were aware of this idea, which was quietly dropped weeks later.⁵³

All this changed after Zakharchenko's death.

In a quiet military overhaul, all hitherto independent formations were forcibly integrated into the "First Army Corps", thought to be under the command of Russian military officers, or into the Interior or State Security Ministries, believed to be controlled by the FSB (Chapter 4). Control over the economy was handed to a new and powerful 'Prime Minister': Alexander Ananchenko, an obscure industrialist with apparently close links to Vneshtorgservis, a secretive holding company thought to act as a financial and legal intermediary between Russia and the 'People's Republics'.

Initial attempts by Zakharchenko's entourage to install his deputy Dmitry Trapeznikov as his successor were thwarted when Moscow publicly endorsed Denis Pushilin, the chief Minsk negotiator and parliamentary Speaker, who was duly installed interim leader by a parliamentary vote on September 7. In a sign that the Kremlin was taking back control, all major political decisions following Zakharchenko's death – the choice of Pushilin as interim leader and the holding of elections on 11 November – were first announced by Alexei Chesnakov, a Moscow-based political scientist with close ties to Surkov.

The decision to hold elections was somewhat surprising, because separatist media had in August campaigned for postponing the vote, apparently in order not to derail negotiations with the West.⁵⁴ The about-face was likely motivated by the necessity to boost Pushilin's political authority: Unlike Zakharchenko, Pushilin has never taken part in fighting, as the long-time chief negotiator he is closely associated with the Minsk agreement, which many separatists see as unnecessary compromise with Ukraine. He has no experience in economic policymaking and his political authority is tarnished by the fact that until 2014 he worked as a senior representative for the

⁵³ The "Malorossiia" affair: <http://www.civicmonitoring.org/developments-in-dnr-and-lnr-24-may-22-august-2017-newsletter-23/>

⁵⁴ *No elections in Donetsk and Luhansk this year?*

<http://www.civicmonitoring.org/developments-in-dnr-and-lnr-04-28-august-2018-newsletter-40/>

Ukrainian branch of “MMM”, a Russian Ponzi scheme under which millions of people lost their savings.

Pushilin’s 60.8% ‘win’ in the November 11 election cannot be explained by the absence of credible competitors alone (the most promising opposition candidates, Pavel Gubarev and Alexander Khodakovsky were prevented from participating). An analysis of the official turnout revealed that if the 408 polling stations worked at normal capacity, they could have serviced no more than 59,000 voters – less than 5% of the official figure of 1.3 million.⁵⁵

The widespread purges of Zakharchenko loyalists following Pushilin’s accession to power are consistent with the suspicion that the Kremlin ordered the separatist leader’s assassination because it felt that he was overstepping his competences. However, there is no immediate evidence to prove this and the motive may well have been connected with shady business practices that are said to have flourished under Timofeyev, whom Zakharchenko more or less entrusted running the economy. Timofeyev was also seriously injured in the explosion, which went off when Zakharchenko entered the “Café Separ” – a popular place for the separatist elite in central Donetsk.

Moreover, Pushilin’s links to the café’s owner have never been subject to public debate. The bomb was hidden in the ceiling above the entrance and must have been installed by people with privileged access and/or the proprietors’ knowledge. The reported owner, senior separatist MP and former Zakharchenko bodyguard Alexander Kostenko said afterwards that he was giving evidence to investigators. As head of the Donetsk Republic faction in parliament, Kostenko worked closely with Pushilin, who was both parliamentary Speaker and Donetsk Republic’s executive officer. Kostenko resigned from his job as faction head without any explanation and disappeared from public view later in September. He was not re-elected to parliament in November.⁵⁶

⁵⁵ <http://novosti.dn.ua/article/7183-skolko-chelovek-progolosovalo-na-vyborakh-dnr-spyoler-menshe-chem-utverzhdает-dnr>

⁵⁶ <http://www.civicmonitoring.org/developments-in-dnr-and-lnr-11-20-september-2018-newsletter-43/> The Donetsk deputies were chosen from party lists which were kept secret from voters.

3.2.9 *External Relations*

The separatists' professed goal of achieving international recognition has proven elusive. The only country to formally recognise them has been South Ossetia – itself a little-recognised separatist region in Georgia. Notably, South Ossetia's June 2014 decision to recognise first the Luhansk then the Donetsk 'People's Republic', was not even matched by Abkhazia and Transdniestria, the other Russia-backed separatist entities in Georgia and Moldova.⁵⁷

Instead, the separatists celebrated the opening of "representative offices" in European countries, typically run by local activists from the far right or the far left, as steps toward recognition. By early 2020, the Donetsk 'People's Republic' claimed to have representations in seven countries, including Greece, Finland and France. However, an office in Olomouc, Czechia, was closed by local authorities in April 2018.⁵⁸ The Luhansk 'People's Republic', which only created a 'Foreign Ministry' in late 2017, claims an office in the Italian city Messina and one in Congo.⁵⁹

South Ossetia's recognition later turned out to be based on more than political sympathy. Because Russia recognises South Ossetia this opens the road for Moscow to transfer money and do business with the 'People's Republics' without violating the letter of Russian laws that ban trade with non-recognised countries (see section 3.3.7).

3.2.10 *Relations with Russia*

The separatists' relations with Russia, on the other hand, are crucial, but are distorted by the fact that Moscow, having signed the Minsk

⁵⁷ Abkhaz MP Batal Tabagua has suggested that Sukhumi won't recognise Donetsk and Luhansk as long as Russia has not done so
<https://www.ekhokavkaza.com/a/29519837.html>

⁵⁸ <https://korrespondent.net/world/3965385-v-chekhyy-lykvydyrovaly-konsulstvo-dnr>

⁵⁹ <http://lug-info.com/news/one/otkrytie-predstavitelstva-lnr-v-italii-staloshagom-k-priznaniyu-respubliki-deinego-36530> The opening of a centre in Kolwezi, southern Congo, announced in February 2019, has not been confirmed
<https://civicmonitoring.org/newsletter52/>

agreement, refuses to recognise the ‘People’s Republics’ and denies having any direct links to them. While some Russian parliamentarians are regular visitors, no federal government official has openly visited Donetsk or Luhansk since 2014. Separatist leaders show up in Moscow, but not officially for high-level talks. This rule was broken for the first time in October 2018, when the Tass state news agency reported that Surkov promised Pushilin during talks in Moscow that wages in Donetsk would rise.⁶⁰

Russia’s role is so hegemonic that referring to the ‘People’s Republics’ as puppet states is not inappropriate. While the killings and power changes in Luhansk and Donetsk strongly suggest that relations between the puppets and their masters are far from smooth, Moscow will always prevail, not just because of sheer size and power but also as it provides the financial and military backing essential for the existence of the ‘People’s Republics’.

Over the years, the Kremlin has either initiated, aided or tolerated the ruthless suppression of separatist dissenters, many of whom were either killed or forced into exile in Russia. The victims were mostly members of the separatist ‘ideological wing’ like Igor Girkin and former Donetsk parliamentary Speaker Andrei Purgin, who champion immediate unification with Russia and condemn the Minsk agreement. The ouster of Luhansk leader Plotnitsky looks more like an aberration or accident, because it brought to power a group of separatists with strong links to the ‘ideologues’.⁶¹

This does not, however, mean a softening of the dominant narratives inside the ‘People’s Republics’. Both separatist leaders and their official media tirelessly promote the idea that integration and eventual union with Russia is the only way forward. The Minsk agreement is honoured only in passing, usually with the caveat that a return to Ukraine only makes sense after a pro-Russian government comes to power in Kyiv.

⁶⁰ “Wages in Donetsk being raised in Moscow”

<http://www.civicmonitoring.org/developments-in-dnr-and-lnr-3-16-october-2018-newsletter-46/>

⁶¹ “Pasechnik wins the war of the Igors” <http://www.civicmonitoring.org/developments-in-dnr-and-lnr-21-october-28-november-2017-newsletter-25/>

3.2.11 *Relations with the rest of Ukraine*

Under these circumstances, Ukraine's policy options are limited. Direct contacts with separatist leaders are widely seen as unacceptable. When Nadya Savchenko, a former member of Ukraine's Aidar volunteer battalion who was elected to the Ukrainian parliament while being imprisoned in Russia, met Zakharchenko and Plotnitsky in December 2016 for talks over releasing more prisoners, she was widely ostracised by the political establishment in Kyiv.⁶² The only accepted platform for such contacts remains the Minsk Trilateral Contact Group, which meets under OSCE mediation once every two weeks in the Belarusian capital. However, Ukraine does not send government members to these talks, but emissaries appointed by the President.

The administration of President Volodymyr Zelenskiy, which took office in 2019, has signalled that it is ready to engage with the civilian population more directly. However, the projects announced, such as a new Russian-language TV channel, had not been implemented by publication. Previous initiatives, like long-distance tuition and examination of pupils in separatist-held areas have had little impact.⁶³

A special aspect of the conflict in the Donbas that might present positive potential in this respect is the very high number of civilian crossings of the Line of Contact. According to the United Nations, one million people on average crossed every month between January and May 2018 – a 31% increase over the same period of 2017.⁶⁴

While these figures are high, they do not genuinely represent the level of civil interaction and people-to-people contacts. Rather, they are to a large extent the product of Ukraine's social policies, especially regarding pensions: residents of the separatist-controlled

⁶² Savchenko was arrested in March 2018 and accused of plotting to overthrow the government <https://www.bbc.com/news/world-europe-43504396>

⁶³ The rules for sitting exams distantly ("eksternat") were eased in April 2017 https://censor.net.ua/news/435888/minobrazovaniya_uprostito_pravila_zachisleniya_na_eksternat_dlya_jiteleyi_okkupirovannogo_kryma_i_zony

⁶⁴ UN Briefing Note, July 2018 <https://www.unhcr.org/ua/wp-content/uploads/sites/38/2018/09/Freedom-of-movement-across-the-line-of-contact-in-eastern-Ukraine-2.pdf>

areas risk the suspension of payments when they do not register on government-controlled territory at least every 60 days.

Thus, most people crossing the Line are elderly residents of the separatist-controlled areas. A UNHCR survey in November 2018 found that 90% of the people crossing permanently reside in the 'People's Republics' and that 63% of them were over 60 years old.⁶⁵ Crossing the Line of Contact is dangerous and time-consuming, involving waiting for many hours and sometimes days on roads that lead through heavily mined areas and are frequently subject to shelling. It is safe to say that without the current rules for collecting pensions many fewer people would make the tedious journey.

Other ways in which Ukraine could project cultural, political and economic soft power into the areas outside its control will be discussed in the conclusions of this report.

3.3 Economy

3.3.1 *Decline set in long before 2014*

The importance of the economy for the Donbas is hard to underestimate, because it is essential for regional identity. The discovery of coal resources, the subsequent development of industry and the settlement of workers transformed the little populated "wild lands" in the 19th century into one of the world's largest coal producing regions and became one the Soviet Union's major industrial centres.

However, after 1991 the Donbas suffered heavily from the collapse of state support for the coal industry following the dissolution of the Soviet Union. Ukraine was among the hardest-hit former Soviet economies transiting to a free-market system in the 1990s, when falling prices and falling demand for coal put thousands out of work. In 1995, the Donbas produced 83 million tonnes of coal, less than half of the 200 million tonnes produced annually in the

⁶⁵ https://www.unhcr.org/ua/wp-content/uploads/sites/38/2018/12/Report_EECP_November-2018_ENG.pdf

1970s. In 1996, deep economic crisis provoked a massive strike in which some 800,000 miners protested unpaid wages and benefits.⁶⁶

Almost 20 years later, in 2013, the Donbas was still home to 15% of Ukraine's industry and accounted for 8.4% of the country's GDP, according to the German Advisory Group to Ukraine.⁶⁷ Coal production stood at 83.7 million tonnes, making Ukraine Europe's third biggest coal producer after Poland and Russia. But the number of coalmines eroded further from approximately 250 in the mid-1990s to between 150 and 100 in 2013.

The reason for the industrial decline was lack of competitiveness. Coal production in the Donbas, where 90% of Ukraine's reserves lie, has been largely loss-making and dependent on state subsidies. Between 2013 and 2016, those subsidies amounted to 11 billion hryvnia, while the recipient mines accumulated losses of 17.6 billion hryvnia (€630 million).⁶⁸ The subsidies, in turn, were often pilfered by corrupt mine executives. Relatives and associates of then-President Viktor Yanukovich have been accused of transferring hundreds of millions of dollars supposed to be spent on mining equipment and refining services to offshore companies between 2010 and 2013.⁶⁹

Coal and coke were used to keep the steel and metal industry running, which became a major source of the region's wealth between the recession of the 1990s and the financial crisis of 2008/2009. However, the industry suffered massive layoffs from its huge Soviet-era plants. Thus, Mariupol's gigantic Ilyich steel mill reduced staff from 57,240 in 2007 to 16,285 in 2017. The Yenakieve Iron and Steel Works shrunk from 7,872 to 6,699 workers in the same period.⁷⁰

Ownership in the local industry was concentrated in the hands of a few businessmen with vested political interests and typically a

⁶⁶ <http://old.themoscowtimes.com/news/article/coal-miners-stage-nationwide-strike/329029.html>

⁶⁷ https://www.beratergruppe-ukraine.de/wordpress/wp-content/uploads/2017/06/PB_06_2017_en.pdf

⁶⁸ <https://www.epravda.com.ua/rus/publications/2018/01/10/632715/>

⁶⁹ https://biz.censor.net.ua/resonance/3007858/direktor_gosoperatora_rynka_uglya_34ne_operatory_doljny_shahtam_a_shahty_operatoram34

⁷⁰ Figures from the government SMIDA database <https://smida.gov.ua/>

criminal past. By far the most powerful of them, Rinat Akhmetov, controlled much of the coal and metals industry in 2013 and was accused of supporting the separatists in 2014 before siding with the government in Kyiv. Akhmetov's role in the conflict has not been investigated in full, but he is believed to have lost whatever influence he retained after the seizure of his assets by the separatists in 2017.

The war in the Donbas dealt a serious blow to the region's huge but crumbling economy. Not only did infrastructure like roads and bridges suffer destruction and damages during the conflict's initial phase, when the frontline was moving back and forth. Following the Minsk agreement and the settling of the Line of Contact, the Luhansk and Donetsk regions were artificially divided into two halves, severing long-established supply chains.

While the first blows resulted from the breakout of armed conflict and the subsequent severance of banking links in 2014, the worst-case scenario unfolded in early 2017, when a road and rail blockade initiated by Ukrainian activists stopped all trade between the government-controlled and non-government-controlled areas (GCA and NGCA respectively) and prompted the seizure of Ukrainian-run plants by the separatists.

The demarcation line of February 2015, which remains in place today, leaves the bulk of Donbas coalmines and a large share of heavy industry plants located in the NGCA. According to the Ukrainian Energy Ministry, 60 of the region's 95 mines are outside the GCA. Moreover, not one of the 35 mines that remain in government-controlled areas produces anthracite coal – the type that is needed to fuel many of the country's power stations.⁷¹

However, most of the industrial plants located in the NGCA were owned by Ukrainian conglomerates (the biggest being Metinvest and DTEK, which both belong to Akhmetov's System Capital Management Group). These were re-registered in government-controlled areas where they also paid taxes. In 2016, the Ukrainian treasury received 6.27 billion hryvnia in taxes and other payments – more than 2 billion alone from DTEK's eleven

⁷¹ <https://korrespondent.net/business/economics/3505737-nazvano-chyloslo-shakht-na-Donbase-kontrolyruemykh-ukraynoi>

companies.⁷² This enabled the firms to receive Ukrainian certificates in order to export goods produced in the NGCA. Thus, 2015 and 2016 saw the return of industrial production in the People's Republics, albeit at levels far lower than before the war.

The economic dependency of the 'People's Republics' on Ukraine reflects the fact that the Donbas had become even more integrated with the rest of the Ukrainian economy since independence in 1991. However, both the separatists and the government in Kyiv have since taken decisive steps to change that.

Notably, in November 2014, the National Bank of Ukraine ordered the severance of all banking links with the NGCA.⁷³ As a consequence, the separatists gradually switched from the Ukrainian hryvnia to the Russian rouble – which was first introduced in Donetsk on 1 April 2015, and in Luhansk in September of that year.⁷⁴

Trade, however, continued. In 2016, sales of coal, coke, iron and metals from non-government-controlled areas to government-controlled areas amounted to \$1.6 billion, according to the German Advisory Group. Ukraine, which needs anthracite coal to fuel some of its biggest power plants, bought about 8 million tonnes, or 79% of its annual anthracite consumption, from the NGCA in 2016.⁷⁵ Sales from GCA to NGCA, mostly also coal, coke and metals, were much

⁷² <http://novosti.dn.ua/news/270441-predpryatyya-rabotayushhyye-na-terytoryy-ordlo-zaplatyly-bolee-6-mlrd-gryven-nalogov> and <https://dtek.com/en/media-center/press/dtek-zayavlyayet-o-potere-upravleniya-predpriyatiyami-raspolozhennymi-na-vremennonekontroliruemoy-territorii-donetskoy-i-luganskoy-oblasti/>

⁷³ Interfax Ukraine report, 26 November 2014

<https://interfax.com.ua/news/economic/236330.html>

⁷⁴ DAN report on the rouble's introduction, 26 March 2015 <https://dan-news.info/ekonomika/perexodnyj-period-vvedeniya-rublya-v-dnr-prodlitsyado-1-maya-mer.html> LIC report about the rouble's introduction, 31 August 2015 <http://lug-info.com/news/one/plavayuschii-kurs-grivny-k-rublyu-s-1-sentyabrya-budet-vveden-tolko-v-obmennykh-punktakh-minfin-lnr-6241>

⁷⁵ Slide 10 http://www.beratergruppe-ukraine.de/wordpress/wp-content/uploads/2017/06/PB_06_2017_en.pdf

lower at \$584 million, resulting in a significant trade surplus for the NGCA.⁷⁶

3.3.2 *The trade blockade of 2017*

As the figures suggest, the separatists depended disproportionately on trade with Ukraine. Consequently, they suffered more from the blockade that was imposed in 2017. However, the Ukrainian government certainly did not welcome the blockade, while the separatists eagerly used it as a pretext to seize much of the industry in the NGCA.

Leading separatists had expressed dislike at the fact that goods produced inside their ‘Republics’ were shipped to and taxed by Ukraine, whom they saw as a military aggressor and not as a business partner. Donetsk leader Zakharchenko repeatedly threatened to nationalise Ukrainian-owned enterprises if they did not pay taxes.⁷⁷ There are, however, indications that these companies, in addition to paying Ukrainian taxes, actually did pay the separatists, if only in order to be allowed to carry on their operations.⁷⁸

Similarly, Ukrainian activists and nationalist politicians criticised the fact that their country was trading with the separatists. The first suggestion to impose a blockade against this trade was made by National Security and Defence Council Secretary Oleksandr Turchynov, who argued in December 2016 that Ukraine should follow Croatia’s experience of defeating separatists by cutting their trade links.⁷⁹ Turchynov later backpedalled by saying that no blockade should be imposed without the president’s approval, but

⁷⁶ Slide 11 <https://berlin-economics.com/wp-content/uploads/Connectivity-and-Co-operation.pdf>

⁷⁷ In a June 2016 call-in-show he claimed that nationalisation was happening “step by step” <https://dan-news.info/politics/onlajn-konferenciya-aleksandra-zaxarchenko-s-zhitelyami-zaporozhya-obnovlyaetsya.html>

⁷⁸ Comments from revenue ‘Minister’ Alexander Timofeyev rendered by Ukrainian journalist Serhiy Garmash in November 2016 <https://www.ostro.org/general/politics/articles/512859/>

⁷⁹ Turchynov was referring to the conflict with the Serb-populated Krajina region of Croatia, which ended by military defeat in 1995 <http://project.liga.net/projects/pastor/>

his idea was eagerly picked up by groups of war veterans and nationalists, who began blocking rail and road links in January and February 2017.⁸⁰

This prompted the separatists to announce that all Ukrainian-registered enterprises in the ‘Republics’ would be put under “external control” i.e. seized. In a typical sign of Moscow-based decision-making, the move was carefully orchestrated and ‘parliaments’ in Donetsk and Luhansk passed similar laws on the same day, February 10. On February 27, Zakharchenko and Plotnitsky issued a rare joint statement, in which they suddenly pulled forward the deadline to comply from March 31 to March 1, leaving next to no time for the companies affected.⁸¹ Ukraine’s SBU intelligence service released one day later a wiretapped phone conversation between Zakharchenko and his aide Dmitry Trapeznikov, which strongly suggests that the Kremlin was eager to use the blockade as a pretext for company seizures.⁸²

The Ukrainian government condemned the blockade, arguing that it damages the economy and divides society.⁸³ However, after the separatists carried out their seizures and after increasingly violent clashes between police and the blockade organisers, President Petro Poroshenko made a U-turn on March 16, converting the trade ban into government policy.⁸⁴

While the consequences were serious, it soon became clear that the blockade hurt the ‘People’s Republics’ more than the rest of Ukraine. The damage to the country as a whole turned out less than expected. While economists initially predicted a 1.3% reduction for GDP growth in 2017 from the combined effects of plant seizures and

⁸⁰ The railway blockade began on January 25

<https://www.ostro.org/general/politics/news/517751/> the first roadblocks in February <https://www.ostro.org/general/society/news/519421/>

⁸¹ <http://www.civicmonitoring.org/developments-in-dnr-and-lnr-7-february-14-march-2017-newsletter-nr-19/>

⁸² <https://ssu.gov.ua/ua/news/1/category/21/view/2839#.uhqiQfWw.dpbs>

⁸³ Cabinet declaration of 15 March 2015

<https://www.pravda.com.ua/rus/news/2017/03/15/7138223/>

⁸⁴ <https://www.president.gov.ua/ru/news/prezident-uviv-u-diyu-rishennya-rnbo-shodo-nevidkladnih-zaho-40422>

trade ban, the real figure turned out to be 0.9%.⁸⁵ According to the World Bank, Ukraine's GDP grew by 2.5% in 2017, 3.3% in 2018 and 2.7% in 2019.⁸⁶ While these figures are below potential and do not compensate for the massive GDP contractions of 2014 and 2015 (by 6.5% and 9.7%), they do signal that economic recovery is possible without the Donbas. The Zelenskiy administration attempted to lift the blockade in June 2019, but the topic was shelved when it became clear that the separatists were not ready to meet Kyiv's conditions by handing back seized plants and replacing the rouble with the hryvnia.

The blockade's effects on the NGCA were much harsher. Russian media reports said in early March that factories were forced to halt production because no raw materials reached them and/or production could not be delivered to buyers.⁸⁷ Not only was industry cut off from long-established supply chains, it also lost its key staff after the Ukrainian mother companies stopped wage payments and withdrew the middle management teams, which had been running the businesses after senior managers had left in 2014.

At DTEK alone, this affected some 36,000 employees. The group's CEO Maxim Timchenko said that the companies' further operations in the NGCA was impossible and warned that income levels would dramatically fall while unemployment would rise.⁸⁸ Yuriy Hrymchak, a deputy minister in the Ukrainian Ministry for the Temporarily Occupied Territories, said in April 2017 that as many as 140,000 people had lost their jobs and their former links with Ukraine.⁸⁹

⁸⁵ NBU figures from early 2018 https://www.beratergruppe-ukraine.de/wordpress/wp-content/uploads/2018/02/Newsletter_112_2018_Deutsche-Beratergruppe.pdf

⁸⁶ <https://data.worldbank.org/country/ukraine>

⁸⁷ Kommersant newspaper, 9 March 2017

<https://www.kommersant.ru/doc/3236732>

⁸⁸ <https://dtek.com/en/media-center/press/dtek-zayavlyayet-o-potere-upravleniya-predpriyatiyami-raspolozhennymi-na-vremenno-nekontroliruemoy-territorii-donetskoy-i-luganskoy-oblasti/>

⁸⁹ <https://novosti.dn.ua/news/280564-v-kabmyne-uvydely-otryv-naselenyya-donecka-ot-ostalnoy-ukrayny>

Meanwhile, separatist leaders were adamant that the problems were temporary and would be solved soon. Zakharchenko claimed – contrary to the facts – that the effects would be catastrophic for Ukraine. “Let (Ukraine) learn to live without electricity, heat and soon without food, wages and pensions,” he said on 3 March 2017 in Donetsk.⁹⁰ Two months later he predicted that the Ukrainian economy would soon fall apart.⁹¹

But all available figures show that the economy on the NGCA side suffered massively. The Donetsk Industry and Trade ‘Minister’ Alexei Granovsky claimed in February 2018 that production in the metallurgy sector was “building up”. As proof, he said that 1.53 million tonnes of iron, 1.2 million tonnes of coke and 1.1 million tonnes of steel were produced in the ‘People’s Republic’ in 2017.⁹² However, according to the numbers for 2016, published on the website of Granovsky’s ‘Ministry’, there really was a sharp drop – from 2.7 million tonnes of iron, 2.4 million tonnes coke and 2.1 million tonnes of steel.⁹³ Thus, the blockade almost halved metals production, a sector which according to Granovsky employed more than 24,000 people in 2017.

The fact that the local metals industry has traditionally been export-orientated makes matters worse. The only recipient countries mentioned by the Industry ‘Ministry’ are the Luhansk ‘People’s Republic’ and Russia. While the former does not possess much purchasing power, sales to Russia face legal, political and economic hurdles. Russian companies, who trade with the unrecognised Donbas ‘Republics’ risk falling under sanctions from the European Union and the United States. And the ‘Republics’ cannot legally export production to Russia, because as long as Moscow does not recognise them, they cannot get the necessary certificates. Thirdly,

⁹⁰ <https://dan-news.info/politics/zaxarchenko-rekomendoval-ukraine-nauchitsya-zhit-bez-sveta-i-nalogovyx-postuplenij-iz-dnr.html>

⁹¹ <http://av-zakharchenko.su/inner-article/Zayavleniya/Aleksandr-Zaharchenko-Skoro-my-budem-svidetelyami-ekonomicheskogo/>

⁹² <http://mptdnr.ru/news/775-aleksei-granovskii-promyshlennyyi-kompleks-respubliki-naraschivaet-obemy-proizvodstva.html>

⁹³ <http://mptdnr.ru/news/251-i-o-ministra-promyshlennosti-i-torgovli-podvel-itogi-raboty-za-2016-god.html>

Russia itself is a large producer of coal and steel and has little interest in importing these products from the Donbas, with which there is a low degree of complementarity.

It is of little surprise then that major NCGA enterprises quickly found themselves struggling. The huge Yenakiieve Metallurgy Plant near Donetsk first halted production in February 2017.⁹⁴ After being put under “external management”, workers were told that production could not be resumed before August. The Donetsk Industry ‘Ministry’ said at the time that restarting the plant with more than 5,300 workers would cost 584 million Russian roubles (then about \$10 million) per day, according to a report that was apparently published accidentally.⁹⁵ Similarly, the Donetsk Metallurgy Plant (known by its Russian acronym DMZ) reportedly halted production in October 2018.⁹⁶

In Luhansk, the huge Alchevsk Metallurgy Plant (known by its Russian acronym AMK) reported a workforce of more than 13,000 and an output of 1.5 million tonnes between December 2017 and December 2018.⁹⁷ This is almost half of the 2.8 million tonnes annual production before the blockade.⁹⁸ In November 2018, Ukrainian authorities said that they detained a ship with 3,000 tonnes of steel from the AMK in Mariupol. The Liberian-registered freighter had apparently been sailing from Russia to Belgium.⁹⁹

3.3.3 *The coal industry*

Figures for the NGCA coal industry show stagnating production numbers at only a fraction of pre-war production. The Donetsk ‘People’s Republic’ said that it produced 8 million tonnes of coal in

⁹⁴ <https://www.minprom.ua/news/225770.html>

⁹⁵ <http://www.civicmonitoring.org/developments-in-dnr-and-lnr-15-march-4-april-2017-newsletter-nr-20/>

⁹⁶ <http://sprotiv.info/ru/news/Kyiv/v-or-do-ostanovilsya-ocherednoy-metallurgicheskoy-zavod-sokratyat-600-chelovek>

⁹⁷ <http://lug-info.com/news/one/alchevskii-metallurgicheskii-kombinat-zagod-vypustil-okolo-15-mln-tonn-produktsii-41327>

⁹⁸ <https://www.rbc.ru/business/29/11/2017/5a1eec849a79471427956b44>

⁹⁹ <http://novosti.dn.ua/news/286180-lucenko-v-maryupole-arestovany-tonny-produktsii-alchevskogo-metkombynata-kotorye-perepravlyaly-yz-rossyy>

2019, probably similar to the figure for 2018, when no full production numbers were published. The DNR had said in February 2018 that it wanted to produce 8.2 million tonnes in that year and that it produced slightly more than 6 million tonnes of coal in 2017, the year the blockade began.¹⁰⁰ The Luhansk 'People's Republic' said in August 2018 that the 22 mines on its territory had produced more than 5 million tonnes of coal between January and July 2018 – almost one million more than in the same period of 2017.¹⁰¹

These numbers cannot hide that the coal mining industry is in decline overall. Added together, NGCA coal extraction in 2018 amounts to less than 20 million tonnes per annum. The GCA produced some 11.5 million tonnes.¹⁰² For comparison, in 2013, the whole Donbas produced 55 million tonnes of coal. Less than 30 of originally more than 90 mines in the NCGA are still working. The Donetsk 'People's Republic' alone had earmarked 63 mines for closure in 2017 and placed them in a special restructuring company.¹⁰³ In addition, a number of illegal mines, so-called Kopanki, continue to work, despite attempts by the separatists to close them down.¹⁰⁴

Another serious problem for the NGCA coal industry is posed by ecological hazards. Many of the mines have been kept dry by elaborate pumping schemes that keep underground water away. Since the beginning of the war in 2014, the separatists have ended pumping at some mines, which promptly flooded. A survey released

¹⁰⁰ http://mintek-dnr.ru/news/v_proshlom_godu_shakhtery_doneckoj_respubliki_dobyli_svyshe_8 mln_tonn_uglja/2020-01-13-2243 and <https://dan-news.info/ekonomika/ugledobyvayushhie-predpriyatiya-dnr-s-nachala-goda-dobyli-svyshe-73-mln-tonn-uglya-minugleenergo.html> and <http://smdnr.ru/s-nachala-goda-gospredpriyatiya-respubliki-dobyli-odin-million-tonn-uglya/>

¹⁰¹ <http://lug-info.com/news/one/predstaviteli-vlastei-lnr-pozdravili-shakhterov-respubliki-s-professionalnym-prazdnikom-foto-37828>

¹⁰² <https://uaenergy.com.ua/post/31942/dobycha-uglya-v-ukraine-v-2018-g-snizilas>

¹⁰³ <http://smdnr.ru/v-respublike-otkryto-okolo-tysyachi-vakansij-dlya-trudoustrojstva-rabotnikov-zakryvayushhixsya-shaxt/>

¹⁰⁴ Luhansk Prosecutor-General Sergei Gorenko said in December 2018, that 187 tons coal were confiscated from an illegal mine in the Slavyanoserbsk district <http://lug-info.com/comments/one/io-generalnogo-prokurora-lnr-sergei-gorenko-my-staraemsya-maksimalno-opravdat-doverie-zhitelei-respubliki-685>

by the OSCE in late 2017 said that 36 mines cannot be used because of flooding.¹⁰⁵ This in turn creates serious environmental and health risks, because flooded mines can contaminate drinking water. One of the mines, Yunkom, even poses the risk of nuclear contamination because it was the scene of a Soviet atomic test in 1979.¹⁰⁶

The main problem for the coal industry in the NGCA is to sell its production outside the 'People's Republics', where demand is insufficient. The largest coal consumers, the Starobeshivska and Zuivska power plants, together burned 4.8 million tonnes of coal in 2014, and current figures are thought to be much lower, because both plants operate at half capacity or less.¹⁰⁷ Thus, the bulk of the coal needs to be exported. Since 2017, this is only possible via Russia, with the caveat that companies risk being hit by western sanctions.

Russia should also be reluctant to import Ukrainian coal, because it is itself a net exporter of coal. In August 2018, it exported 17.2 million tonnes of its domestic coal production of 36.3 million tonnes per month.¹⁰⁸ Furthermore, the Russian ports of Taganrog and Azov, which lie closest to the Donbas, have only limited capacity and cannot quickly begin exporting extra coal from neighbouring Ukraine.

However, significant amounts of coal from the NGCA is thought to be shipped to Russia. Denis Didenko of Ukraine's DTEK Energo said in November 2018 that the current amount was between 400,000 and 500,000 tonnes per month, which means as much as 6 million tonnes per year.¹⁰⁹ Official Ukrainian statistics suggest that coal imports from Russia are even bigger, implying that not all coal shipped from Russia to Ukraine is originally from the NGCA.

¹⁰⁵ <https://www.osce.org/project-coordinator-in-ukraine/362566>

¹⁰⁶ <https://www.osce.org/special-monitoring-mission-to-ukraine/377719>

¹⁰⁷ Analysis of the Donetsk Institute of Information, August 2017
<http://dii.dn.ua/analytics/127-pivroku-pislya-zakhoplennya-yak-pracyuye-promyslovisht-v-dnr-analitychnyy-zvit>

¹⁰⁸ <https://www.spglobal.com/platts/en/market-insights/latest-news/coal/090418-russian-coal-exports-rise-to-172-mil-mt-in-aug-production-also-stronger-ministry>

¹⁰⁹ These figures are based on Russian rail and customs statistics
<https://www.radiosvoboda.org/a/video-Donbasrealiyi/29607262.html>

According to Energy Ministry figures, the country imported some 19 million tonnes of coal between January and November 2018, almost 10% more than in the same period of 2017. The imports were worth \$2.7 billion and 62% of this (\$1.66 billion) was made up by coal imported from Russia.¹¹⁰

While importing coal from Russia and/or from the NGCA is politically sensitive in Ukraine, the coal is needed, because there are no anthracite reserves in the GCA. According to the Energy Ministry, in 2017 Ukraine was projected to consume 9.5 million tonnes of anthracite, of which 4.2 million tonnes had to be imported.¹¹¹ Anthracite can be imported from other countries, including the United States and South Africa, albeit at a higher price. In the long run, Ukraine could convert its anthracite-fuelled thermal power stations so that they can operate with lower-quality bituminous coal, or better still phase out coal-burning power stations entirely. Plans to phase out the use of anthracite were announced by the Cabinet of Ministers in Kyiv as early as November 2017.¹¹²

3.3.4 *Brain drain – demographic catastrophe?*

The outlook for the traditional industries in the NGCA is bleak. Trade with the GCA is officially suspended, supply chains remain severed, while trade with Russia and other countries faces structural and legal hurdles. And factories are struggling with a severe deficit in capable staff, both when replacing middle management positions and when hiring graduates. The problem was highlighted in the summer of 2018, when Donetsk Industry and Trade ‘Minister’ Granovsky publicly admitted that the restart of industrial production was hampered by the fact that most able and talented staff had left.¹¹³

In 2014, the Donetsk and Luhansk regions had a combined population of 6.6 million people, 2.24 million in the Luhansk region

¹¹⁰ <https://interfax.com.ua/news/economic/551609.html>

¹¹¹ <https://economics.unian.net/energetics/1931006-minenergouglya-prizyvayet-konfiskovyivat-ugol-s-okkupirovannogo-Donbasa.html>

¹¹² http://old.kmu.gov.ua/kmu/control/en/publish/article?art_id=250432256&cat_id=244314975

¹¹³ <http://mptdnr.ru/news/927-v-minpromtorge-sostojalsja-kruglyi-stol-povoprosam-podgotovki-kadrov-dlja-gp-stirol.html>

and 4.34 million in the Donetsk region, making the latter Ukraine's most populated region. However, the number of inhabitants had been falling well before the present conflict. Official statistical data show that both regions lost inhabitants every single year since 2002. In Donetsk, the losses ranged on a scale between 67,000 in 2002-03 and 28,000 between 2012 and 2013.¹¹⁴

The exact number of inhabitants of the NGCA is not clear because no censuses or proper surveys have been carried out there since 2014. The DNR is thought to contain a third of the territory and half of the pre-war population of the Donetsk Oblast, while the LNR, which controls just one third of the Oblast's territory, is believed to comprise more than two thirds of the region's pre-war population - because it includes the more densely populated southern areas.¹¹⁵

The only officially available figures are those of the separatist-controlled statistics offices. As of December 2019, the DNR claimed 2.26 million inhabitants, while the LNR claimed 1.44 million - together 3.7 million.¹¹⁶ These figures, however, omit the large number of people who have fled their homes since 2014. Their number is thought to be at least 1.5 million, combining Internally Displaced Persons (IDPs) and refugees outside Ukraine, first and foremost in Russia.¹¹⁷

While early estimates put the population remaining in the NGCA at between 2 and 2.5 million, present numbers may well be below 2 million.¹¹⁸ Thus, the DNR officially recorded 9,577 births in 2019. If the 'republican' annual birth rate is 10 babies born per 1,000

¹¹⁴ http://donetskstat.gov.ua/statinform1/dem_migrac4.php and http://www.lg.ukrstat.gov.ua/sinf/demograf/demogr0712_04.php.htm

¹¹⁵ According to the Luhansk Region Administration, 692,400 people lived in the government-controlled parts as of January 2018, 32% of a total population of 2.17 million http://loga.gov.ua/sites/default/files/pasport_luganskoyi_oblasti.pdf

¹¹⁶ http://glavstat.govdnr.ru/pdf/naselenie/chisl_naselenie_1219.pdf and glavstat.govdnr.ru/pdf/naselenie/chisl_naselenie_1218.pdf; "LNR": https://gkslnr.su/stat_info/kratkie-itogi/paschetnay-chislenost-naseleniya/

¹¹⁷ <https://www.unhcr.org/54d4a2889.html>

¹¹⁸ This figure was quoted by the RBC.ru outlet in 2015, quoting an unnamed separatist official <https://www.rbc.ru/investigation/politics/15/06/2015/5579b4b99a7947b063440210>

inhabitants as in Ukraine, the overall population would be just under 1 million.¹¹⁹ No birth figures were available for the LNR, but given that the socio-economic situation there tends to be worse than in Donetsk, it is likely that the population there is also well below half the official 1.44 million.

Despite the lack of objective data, the official numbers over time clearly show a shrinking population. Thus, the DNR lost 19,460 inhabitants throughout 2019, 21,836 in 2017 and 23,062 in 2016 – in both years not a single district recorded population growth.¹²⁰ Figures from Luhansk show that the ‘People’s Republic’ there is losing officially some 15,000 inhabitants per year and that the population shrank from 1.474 million in December 2017 to 1.444 million in January 2020.¹²¹

The separatists seemingly reacted to this demographic decline by preventing key people from leaving the ‘People’s Republics’. In a decree published in January 2018, Donetsk leader Alexander Zakharchenko banned a list of professions from entering Ukraine.¹²² Apart from senior government figures and persons with access to state secrets, the ban also affects leaders of enterprises, state and municipal companies, as well as senior staff in hospitals, universities, schools and even kindergartens, according to a clarification issued by the State Security ‘Ministry’ (MGB).¹²³ The separatists justified this by claiming that Ukrainian intelligence agencies were massively hiring agents among visiting people from the ‘Republics’.

A similar ban is in force in the Luhansk ‘People’s Republic’, where state employees even need written permission when travelling

¹¹⁹ <https://dan-news.info/obschestvo/svyshe-9500-svidetelstv-o-rozhdenii-sostavleno-v-dnr-v-2019-m-bolshaya-chast-o-rozhdenii-malchikov.html>

¹²⁰ http://glavstat.govdnr.ru/pdf/naselenie/e_dvij_naselenie_1217.pdf

¹²¹ <https://gkslnr.su/chislennost-postoyannogo-naseleniya-respubliki/546-raschetnaya-chislennost-naseleniya-respubliki-na-1-dekabrya-2017g.html> and <https://gkslnr.su/chislennost-postoyannogo-naseleniya-respubliki/1168-raschetnaya-chislennost-naseleniya-respubliki-na-1-yanvarya-2020g.html>

¹²² http://doc.dnr-online.ru/wp-content/uploads/2018/02/Ukaz_N363_15122017.pdf

¹²³ http://mgb-dnr.ru/news.php?id=20180120_00&img_num=0

to Russia, according to a Russian media report from March 2018.¹²⁴ A Radio Liberty report in May 2018 said that the Donetsk 'People's Republic' slapped exit bans on miners who were on unpaid leave because of their pits' financial troubles. Experts speculated that the unemployed miners are being pressured to join the separatists' armed formations.¹²⁵ In what seemed a measure to suppress information about dwindling population numbers, Ukrainian media pointed out that the DNR statistics office suddenly stopped publishing detailed demographic figures in October 2018.¹²⁶

3.3.5 *Is Moscow subsidising a black hole?*

The Donetsk 'People's Republic' also tried to distract attention from economic shortcomings by presenting humble industrial assembly operations as huge progress towards economic autarky. In August 2018, Zakharchenko and his deputy Alexander Timofeyev celebrated the first tram built in the DNR. However, Ukrainian media quickly pointed out that the tram looked exactly like Czechoslovak models redesigned in Izhevsk, Russia.¹²⁷

Earlier, Zakharchenko had announced that production of passenger buses will begin in Donetsk. However, the buses were really produced in the Pavlovo Bus Factory¹²⁸ in Russia's Nizhny Novgorod region and only fitted with chairs and some interior parts in Donetsk.¹²⁹

While the 'People's Republics' carefully keep their budgets secret, most independent observers agree that Russia is subsidising them to a large extent. Moscow has not published any figures for this aid, which is believed to be contained in the 17% of the Russian state budget that is labelled secret, and whose total is believed to be more

¹²⁴ <http://www.rosbalt.ru/world/2018/03/08/1686788.html>

¹²⁵ <https://www.radiosvoboda.org/a/Donbas-realii/29251293.html>

¹²⁶ <http://novosti.dn.ua/news/285593-dnr-ubrala-demograficheskuyu-statystyku-so-svoego-sayta-tam-ukazyvalos-sokrashhenye-naselenyya>

¹²⁷ <https://www.ostro.org/general/society/news/552334/>

¹²⁸ http://gazgroup.ru/company/structure/pavlovskiy_avtobusnyy_zavod/

¹²⁹ <https://dan-news.info/obschestvo/doneckij-elektrozavod-peredal-novoazovsku-desyat-avtobusov-otechestvennoj-sborki.html>

than 3 trillion roubles (€38 billion) in 2019.¹³⁰ During his annual press conference in December 2018, President Vladimir Putin evaded answering a question from a Ukrainian reporter about how much Russia is spending on occupied Donbas.¹³¹

The size and the relative share of the Russian subsidies for the NGCA have been the subject of much speculation, ranging all the way up to €5.6 billion per year.¹³² The most recent figures were made in January 2020 by Ukraine's Intelligence Service SBU, who said that Russia bankrolls the Luhansk 'People's Republic' with 30 billion roubles (€440 million) per year, paid through a bank in South Ossetia.¹³³

Two years earlier, George Tuka, then a deputy Minister for the Temporarily Occupied Territories and a former governor of the Luhansk region, claimed that Moscow's non-military subsidies amount to 35 billion roubles per year for each 'Republic' – which adds up to almost €1 billion. According to Tuka, the budget of the DNR was 68 billion roubles in 2017, while the LNR had a budget of 42 billion roubles. The numbers suggest that the Donetsk separatists managed to bankroll almost half their budget, while those in Luhansk could just cover 22%.¹³⁴

Also, part of Russia's expenses are electricity supplies to the LNR, which was cut off from the Ukrainian power grid in April 2017 following a payment dispute with the Ukrenergo state energy provider. According to estimates cited in Russian media, this costs Moscow another 3 billion roubles (€40 million) per year.¹³⁵

While there is practically no public debate about this in Russia, considerable divisions inside the leadership were revealed in 2019 and 2020. In August 2019, Moscow political scientist and Surkov-

¹³⁰ <https://p.dw.com/p/36jQu>

¹³¹ Question from Roman Tsymbalyuk <http://en.kremlin.ru/events/president/news/59455>

¹³² Security Council Secretary Oleksandr Turchynov in an interview November 2016: <https://interfax.com.ua/news/interview/387483.html>

¹³³ <https://ssu.gov.ua/ua/news/1/category/2/view/6996#.XcN5ihBG.dpbs>

¹³⁴ <https://glavred.info/economics/484073-dermo-ne-tonet-tuka-rasskazal-kak-kreml-finansiruet-ldnr-a-bogateet-kurchenko.html>

¹³⁵ <https://www.rbc.ru/business/27/04/2017/5901add89a79474d60e4814b>

confidant Alexei Chesnakov openly accused Russian deputy Prime Minister Dmitry Kozak – who oversaw the ‘People’s Republics’ economies – of planning to “hand over Donbas” to anyone willing pay for their rebuilding in exchange for lifting sanctions against Russia. Chesnakov refuted this view by arguing that an end to the sanctions was unlikely because the US would not lift theirs even if the EU did so. He argued that the sanctions were a price worth paying for the “blood spilled in Ukraine”, for which he blamed the United States.¹³⁶

The conflict between Kozak and Surkov escalated on 25 January 2020, when Chesnakov announced that Surkov was leaving the state service because of a change in policies vis-à-vis Ukraine. While no policy change was discernible at the time, the move was clearly a reaction to Kozak’s promotion to a deputy head of the Kremlin administration one day earlier, making him more senior in the Kremlin hierarchy than Surkov, who is merely a presidential aide.

No solution to this intra-elite conflict over the Donbas had been found before publication as Surkov remained in his position “*de jure*”, as Kremlin spokesman Dmitry Peskov put it.¹³⁷

The first time that Moscow’s direct financial role was openly acknowledged was in October 2018, when the Tass state news agency quoted Donetsk separatist leader Denis Pushilin as saying after talks with Surkov in the Kremlin that the presidential aide had given guarantees that would allow increases in wages in the ‘People’s Republic’.¹³⁸ Pushilin again indirectly acknowledged the existence of subsidies when he said in November that the ‘Republic’ should strive to live without them.¹³⁹

The ‘People’s Republics’ finances suffer both from weak revenues and high spending. Their former income base remains

¹³⁶ <http://actualcomment.ru/chesnakov-nelzya-igrat-s-ukrainoy-v-poddavki-1908210956.html>

¹³⁷ <https://tass.ru/politika/7623859>

¹³⁸ <https://tass.ru/politika/5657257> Pushilin announced a 10% rise in public sector wages one week later <https://dnr-online.ru/s-1-noyabrya-realno-uvlichit-zarplaty-byudzhetnikam-na-10-eto-reshenie-uzhe-prinyato-denis-pushilin/>

¹³⁹ <https://dan-news.info/politics/pushilin-otmetil-tri-klyuchevyx-napravleniya-raboty-na-postu-glavy-dnr.html>

shaken by the blockade. And while the nationalisations were supposed to redirect company taxes to the separatists, the widespread production standstill that ensued probably thwarts any such effects. Their spending is thought to be disproportionately high because of ageing populations and large bureaucracies (see 1.6).

3.3.6 *Low wages and humble pensions*

According to its leader Leonid Pasechnik, the Luhansk 'People's Republic' had more than 437,000 pensioners in 2017.¹⁴⁰ Assuming that the LNR's real population is below 1 million, that means that maybe half of the local population depends on government handouts. Pasechnik also said that more than 21.7 billion roubles were spent on pensions in 2017. If Tuka's budget figures are correct, more than 50% of state expenditure (save for the military) goes to pensioners.

The Donetsk 'People's Republic' claimed to spend on average 3.17 billion roubles per month for its more than 670,000 pensioners between January and October 2018.¹⁴¹ Projected over the whole year, this would amount to 38.1 billion roubles, again more than half of the annual budget (2017) according to Tuka.

To be sure, pensions and wages in the NGCA are extremely low compared to both the GCA and Russia. An average pension in the DNR was officially 4,380 roubles (€57) in December 2017. An average pension in the Donetsk region's GCA was 3,268 hryvnia (€105) in 2018, almost similar to an average pension in the neighbouring Russian Rostov-on-Don, which was 8,488 roubles (€110).¹⁴²

¹⁴⁰ Pasechnik quoted this number in a speech in May 2018 <http://lug-info.com/news/one/io-glavy-lnr-predstavil-pyatiletnyuyu-programmu-razvitiya-respubliki-nash-vybor-foto-35133>

¹⁴¹ <https://dan-news.info/obschestvo/pensionnyj-fond-dnr-s-nachala-goda-vyplatil-zhitelyam-respubliki-pochti-32-milliarda-rublej.html>

¹⁴² <https://dan-news.info/ekonomika/razmer-srednej-pensionnoj-vyplaty-v-dnr-prevysil-4380-rublej-matyushhenko.html> and http://donetskstat.gov.ua/statinform1/soc_zah1.php and <https://www.rostov.kp.ru/daily/26775/3809660/>

Wage differences are even bigger. In mid-2019, an average wage in the DNR was just 11,877 roubles (€167).¹⁴³ By contrast, an average wage in the Russian region of Rostov-on-Don is three times as large – 36,800 roubles, while in government-controlled Donetsk region it is almost three times higher – 11,769 hryvnia (€427).¹⁴⁴ Figures from the Luhansk ‘People’s Republic’ are even lower. Separatist leader Pasechnik said in 2018 that doctors on average get 7,300 roubles (€94), nurses 5,700 roubles (€74).¹⁴⁵

3.3.7 *The rise of Vneshtorgservois and Serhiy Kurchenko*

Derelict industries with broken supply chains and little market access, low incomes and large social payment obligations are part of the toxic mix that the NCGA economy is facing. This extremely difficult situation is the most likely explanation for the sweeping changes in the sphere of economic policymaking that have characterised the Donetsk separatist leadership since Zakharchenko’s assassination.

After the removal of Zakharchenko’s allies from the ‘government’ – first and foremost his influential lieutenant Alexander Timofeyev, who was sacked as Revenue Minister and deputy head of cabinet, the ‘People’s Republic’ got a powerful ‘Prime Minister’ with rumoured links to the secretive Vneshtorgservois holding.

Alexander Ananchenko was appointed deputy head of cabinet on 7 September 2018, acting head of cabinet on October 18 and was confirmed ‘Prime Minister’ on December 1.¹⁴⁶ Donetsk separatist leader Denis Pushilin is believed to have surrendered control of the economy to Ananchenko, who in the newly created position of ‘Prime Minister’ received the right to introduce bills to ‘parliament’ and is guaranteed to govern unhindered by the “Leader” thanks to an

¹⁴³ <https://ukraina.ru/news/20190802/1024495764.html>

¹⁴⁴ <https://index.minfin.com.ua/labour/salary/average/doneckaya/> and <https://www.kommersant.ru/doc/4117614>

¹⁴⁵ <http://lug-info.com/news/one/vlasti-lnr-planiruyut-povysit-minimalnuyu-zarplatu-medrabotnikov-do-11-163-rub-pasechnik-35106>

¹⁴⁶ <https://dan-news.info/politics/vrio-glavy-dnr-pushilin-naznachil-trex-ispolnyayushhix-obyazannosti-vice-premerov-respubliki.html>

amendment banning one person from holding both offices.¹⁴⁷ These changes are a clear break from the Zakharchenko era, who was both “Leader” and “Chairman of the Cabinet” and had entrusted running the economy to Timofeyev.

Little is known about Ananchenko’s biography, who has worked as a businessman in large firms both in Donetsk and Russia. He did not appear in public for one year, until he took part in a televised debate in November 2019 among members of the Donetsk Republic ‘movement’.¹⁴⁸

Multiple reports have linked Ananchenko to Vneshtorgservis, saying that he worked as an adviser to company CEO Vladimir Pashkov, himself a former deputy governor of the Siberian Irkutsk region.¹⁴⁹ When Pashkov was appointed Ananchenko’s deputy overseeing the economy in April 2019, the lines between Vneshtorgservis and the DNR government were further blurred.¹⁵⁰

The obscure holding company, which has no public records, first appeared in the spring of 2017 as the managing vehicle for seized factories and coalmines in the NGCA. Vneshtorgservis has in turn been linked to Serhiy Kurchenko, a Ukrainian businessman who rose to prominence under former President Viktor Yanukovich and is believed to be living in Russia since the 2014 Euromaidan Revolution. Unconfirmed reports suggest that Kurchenko set up an office in Donetsk after Zakharchenko’s death and that he was in the city for Ananchenko’s confirmation as ‘Prime Minister’ on 1 December 2018.¹⁵¹

Believed to be registered in South Ossetia, Vneshtorgservis serves as a vehicle allowing the trade of goods between Russia and the ‘People’s Republics’ without breaking Russian law or provoking

¹⁴⁷ Signs of growing influence of secretive Oligarch holding in Donetsk: <http://www.civicmonitoring.org/developments-in-dnr-and-lnr-15-november-14-december-2018-newsletter-49/>

¹⁴⁸ <https://civicmonitoring.org/newsletter51/> and <https://civicmonitoring.org/newsletter68/>

¹⁴⁹ <http://antifashist.com/item/semya-na-gorizonte-premer-ministrom-dnr-stal-chelovek-kurchenko.html>

¹⁵⁰ <https://civicmonitoring.org/newsletter55/> and <https://civicmonitoring.org/newsletter57/>

¹⁵¹ <http://novosti.dn.ua/news/286975-v-doneck-pryekhal-sergey-kurchenko>

new sanctions. To this end South Ossetia serves as a hub – the separatist region of Georgia is the only territory to have recognised the ‘People’s Republics’ – and it has been recognised by Russia. However, from a Ukrainian legal point of view, any shipment of goods from the NGCA to Russia is smuggling.

The enclave in the Caucasus also provides a banking link: The South Ossetian Mezhdunarodny Rashchyotny Bank (MRB, or International Settlements Bank) has been the official correspondent bank for the state banks of the Donetsk and Luhansk ‘People’s Republics’ since 2015, when it opened an office in Luhansk (it opened another one in Donetsk in October 2018).¹⁵² South Ossetia’s role in allowing financial transactions between Moscow and Donetsk and Luhansk was also confirmed in a Washington Post investigation in November 2018.¹⁵³

However, during the seizures in 2017, Vneshtorgservis took control of only nine enterprises in the DNR. The remaining 34 were administered by the separatists, with the ‘ministries’ of revenue, industry and energy taking the biggest. A Radio Liberty report said in September that the 34 separatist-administrated plants will be taken over by Vneshtorgservis, but by time of publication, only one more enterprise had been handed to the holding. In the LNR, Vneshtorgservis controls four plants with more than 45,000 workers (see Box 3.1).

¹⁵² <https://crb-dnr.ru/about/history> and <https://gosbank.su/novosti-gosbank/vneshnejekonomicheskaja-dejatelnost/> and <https://dan-news.info/world/centralnyj-respublikanskij-bank-dnr-vydal-pervuyu-bankovskuyu-licenziyu-filialu-inostrannogo-banka.html>

¹⁵³ <https://www.washingtonpost.com/news/world/wp/2018/11/21/feature/how-russia-avoids-sanctions-and-supports-rebels-in-eastern-ukraine-using-a-financial-system/>

Box 3.1 Plants in the NGCA administered by VNESHORGSERVIS

Donetsk region – according to a decree by separatist leader Alexander Zakharchenko published in April 2017.¹⁵⁴ Most plants were owned by Rinat Akhmetov’s DTEK or Metinvest.

Name	Assets	Owner
Branch 1	Donetskstal Iron and Steel Works (DMZ, 4,500 workers)	V. Nusenkis
Branch 2	Yenakiiieve Iron and Steel Works (EMZ, 5,394 workers)	Metinvest
Branch 3	Makeevka (Makiivka) Metallurgical Plant	Metinvest
Branch 4	Yenakiiieve Coke and Chemicals Plant (Koksokhimprom)	Metinvest (50%) ¹⁵⁵
Branch 5	Khartsyzk pipe plant	Metinvest
Branch 6	Yasinovsky Coke & Chemical Factory, Makiivka	Donetskstal/DMZ
Branch 7	Makiivka Coking & Chemical Plant (Makeevkoks)	Donetskstal/DMZ
Branch 8	Komsomolske Flux Plant (Komsomolskoe Rudoupravlenie)	Metinvest

- Air Liquide Yenakiiieve. This plant is owned by French industrial gas company Air Liquide, which said in March 2017 that it lost control over its operations. While it appears on Zakharchenko’s decree, it was not given a Vneshtorgservis branch number nor has it appeared in news reports since.
- Dokuchayevsk Flux and Dolomite Plant (DFDK). This plant was transferred from the Donetsk Industry ‘Ministry’ to Vneshtorgservis in October 2018. Separatist leader Pushilin has announced that it will merge with the Komsomolske Flux Plant (Branch 8).

¹⁵⁴ http://doc.dnr-online.ru/wp-content/uploads/2017/03/PerchenPrdpr_SovMin.pdf

¹⁵⁵ Operationally part of Metinvest, 50% of this plant is owned by three companies linked to the business group of Yuriy Ivanyushchenko and Ivan Avramov.

Luhansk region - a total of four plants with 45,000 workers are controlled by Vneshtorgservis in the Luhansk 'People's Republic' according to official comments made in August 2018.¹⁵⁶ It is not clear why the branches are numbered 2 and 12.

Name	Assets	Owner
Branch 2	KrasnodonVugillya ¹⁵⁷ Five coalmines	Metinvest
Branch 2	RovenkiAntratsit, SverdlovAntratsit: 11 coalmines ¹⁵⁸	DTEK
Branch12	Alchevsk Metallurgy Plant (AMK): More than 13,000 workers	ISD

3.3.8 *Return of the oligarchs?*

Serhiy Kurchenko has been named in the past as a beneficiary of non-public trade deals between the NGCA and Russia. In 2015, the separatists accused him of making illicit profits from the gas trade with Russia and Donetsk MPs demanded an investigation into Kurchenko's "shady business deals".¹⁵⁹ Two senior separatist officials said to be connected to Kurchenko and the oil and gas trade were actually killed - Donetsk Energy 'Minister' Eduard Fainitsky in May 2015 and Dmitry Kargayev, an adviser to Luhansk leader Igor Plotnitsky, in March 2016.¹⁶⁰

¹⁵⁶ <http://lug-info.com/news/one/bolee-45-tys-chelovek-rabotayut-na-pereshedshikh-pod-vneshnee-upravlenie-predpriyatiyakh-lnr-37806>

¹⁵⁷ Known as KrasnodonUgol in Russian <https://coal.metinvestholding.com/ru>

¹⁵⁸ Apparently these mines are run by the same management as KrasnodonUgol.

¹⁵⁹ <http://lug-info.com/news/one/vlasti-lnr-vychistili-vse-strukturny-kurchenko-iz-skhemy-postavok-gaza-v-respubliku-ministr-7697> and <https://dan-news.info/politics/deputaty-narodnogo-soveta-i-od-dr-prizvali-glavu-dnr-razoblachit-sgovor-kurchenko-s-drugimi-oligarxami.html>

¹⁶⁰ https://lb.ua/news/2015/11/10/320543_dnr_ubili_stavlenika_kurchenko.html Moskowsky Komsomolets on Kargayev's killing www.mk.ru/politics/water-2016/04/23/ekonomicheskie-makhinacii-v-lnr-kto-stoit-za-ubiystvom-kargaeva.html

In March 2018, a Russian media report said that Kurchenko's trading firm Gaz Alyans had been awarded a monopoly for exporting coal from the NGCA to Russia. The decision by the Economic Development Ministry in Moscow prompted other Russian coal traders to file a complaint with the government.¹⁶¹ In September that year, another Russian media report said that Gaz Alyans had taken over two Russian metals plants that had previously belonged to the Ukrainian group Industrialny Soyuz Donbasa (ISD). The group's co-founder Oleg Mkrtychan was arrested earlier in 2018 by Russian police on embezzlement charges. One of the plants, the Revyakinsky Metals Combine near Tula, was operating with iron from the Donetsk 'People's Republic', according to the report in the Kommersant newspaper.¹⁶²

However, Kurchenko was never seen as a businessman in his own right. Dubbed *Mladooligarch* (junior oligarch) because of his youthful age (he was a self-declared billionaire aged 29 in 2014), he is widely seen as a placeholder for Yanukovych and his family. Media reports in 2013 and 2014 found that he amassed wealth with dubious gas deals and worked closely with Yanukovych's oldest son Oleksandr.¹⁶³

The fact that a close associate of Yanukovych has been able to make such a comeback in Donetsk is an anathema to the separatists' anti-oligarch ideology - which might explain the secrecy surrounding his activities in the 'People's Republics'. In 2016, Zakharchenko claimed that all Ukrainian oligarchs, including Kurchenko were officially banned from entering the DNR.¹⁶⁴ His adviser Alexander Kazakov said after his death that Zakharchenko "was building a socialist model with significant market elements - much to the anger of oligarchs of all kinds."¹⁶⁵ And when

¹⁶¹ https://www.rbc.ru/business/22/03/2018/5ab240569a7947e39a8159bc?from=center_6

¹⁶² <https://www.kommersant.ru/doc/3737337>

¹⁶³ <http://old.themoscowtimes.com/business/article/how-a-29-year-old-ukrainian-made-a-killer-fortune-on-russian-gas/513190.html>

¹⁶⁴ <https://dan-news.info/politics/dnr-ne-otmenit-zapret-na-vezd-dlya-ukrainskix-oligarxov-zaxarchenko.html>

¹⁶⁵ <https://regnum.ru/news/polit/2493527.html>

Zakharchenko's successor Pushilin was asked in November 2018 about a possible return of oligarchs, he retorted "there will be no oligarchs" in the Donetsk 'People's Republic'.¹⁶⁶

And it raises questions about Moscow's economic strategy. Kurchenko's biography and his close links to the former Ukrainian leadership do not make him a likely candidate to promote the NGCA's economic integration with Russia. If this ought to happen, as separatist leaders like to claim, Russian businesses, say from the metals sector, should be testing the grounds. Instead, corporations have been eager to deny business links with the Donbas - like in March 2017, when a Russian media report said that the Kremlin had asked metals producers to supply raw materials to eastern Ukraine.¹⁶⁷ Kurchenko's return to the Donbas suggests that Russia's globalised business is so susceptible to Western sanctions that the Kremlin saw no other choice but to resort to former corrupt elites.

3.3.9 *The Luhansk 'People's Republic' - a different case?*

While the Donetsk 'People's Republic' underwent massive transformation in its economic policymaking, there was little discernible change in Luhansk. In fact, separatist leader Pasechnik largely kept his cabinet when he confirmed it in office one month after the November 2018 elections.¹⁶⁸

The only discernable 'new' economic activity was when Janus Putkonen, a Finnish pro-Russian activist, appeared in Luhansk in September, announcing the founding of an investment company to attract foreign businesses to the Donbas.¹⁶⁹ Putkonen, who is not known to have worked as a businessman before, had previously been

¹⁶⁶ Interview with the dnr-live portal <http://dnr-live.ru/o-vts-arestah-i-vozvrate-v-ukrainu/>

¹⁶⁷ <http://novosti.dn.ua/news/267985-v-rossyy-otrycayut-namerenyya-postavlyat-syre-na-predpryyatyya-v-ordlo>

¹⁶⁸ "Pasechnik keeps his cabinet" in <http://www.civicmonitoring.org/developments-in-dnr-and-lnr-15-november-14-december-2018-newsletter-49/>

¹⁶⁹ <http://lug-info.com/news/one/investkorporatsiya-Donbasa-planiruet-podpisat-s-investorami-chetyre-biznes-proekta-38287>

leading the separatists' media efforts in Donetsk, where he ran a news website in English and other languages. His investment project in Luhansk does not seem to have been successful and as of spring 2019, Putkonen was back in Finland as editor of the alternative media site *mv-lehti*.¹⁷⁰ The separatist-appointed mayor of Luhansk, Manolis Pilavov, admitted on local TV in December 2018 that investors were currently not interested in the city.¹⁷¹

In 2019, the Donetsk 'People's Republic' began actively looking for foreign investors – in June separatist leader Pushilin appeared at the St Petersburg economic forum, and in October he hosted an international investment forum in Donetsk, pledging a tax-free offshore zone and boasting agreements worth 135.6 billion Russian roubles (€1.9 billion). However, the forum's foreign attendants were either little-known or unwilling to appear in public, while no investments materialised in the following months.

Pasechnik claimed during the forum that his 'Republic' managed to sign seven contracts with foreign investors during the Donetsk forum.¹⁷²

3.4 Society

3.4.1 *No ethnic conflict*

The war in the Donbas differs from other separatist conflicts in Europe and the Caucasus because it lacks an ethnic, linguistic or religious dimension. While the Donetsk and Luhansk regions are both predominantly Russian-speaking, ethnic identity does not necessarily play a role when it comes to taking sides in the conflict.¹⁷³

¹⁷⁰ <https://www.facebook.com/janus.putkonen>

¹⁷¹ Pilavov suggested investors need more "stability and tax breaks" <http://novosti.dn.ua/news/287699-v-luganske-zayavyly-ob-otsutstvyy-predlozhenyy-ob-yinvestytsyakh->

¹⁷² <https://twitter.com/glavalnr/status/1189202262855475200>

¹⁷³ In fact, in the last census 2001, almost 57% in Donetsk Oblast identified as ethnic Ukrainians and just 38% as ethnic Russians <http://2001.ukrcensus.gov.ua/results/general/nationality/donetsk/> In Luhansk Oblast, the figures were 58% Ukrainians to 39% Russians <http://2001.ukrcensus.gov.ua/results/general/nationality/lugansk/>

As mentioned before, identity in the Donbas has traditionally been linked to the economy. The Soviet legacy of being a region of special importance led locals to support Ukrainian independence in 1991 because this offered a better chance to dominate the national economy than within a much bigger Russia. However, the economic crisis of the 1990s led to a certain marginalisation and isolation of the Donbas, while regional elites took control of politics, the economy and the media.¹⁷⁴

In 2004, more people in Donetsk identified themselves as “a person from Donetsk” (68%) than as Ukrainian (barely 40%). But the relative weakness of Ukrainian identity alone was not sufficient for separatist movements to be successful anywhere in Ukraine. Apart from Russian interference and geographical location along the border with Russia, a key factor was probably the tentative support from influential local businessmen (‘oligarchs’) for the separatists – Rinat Akhmetov in Donetsk and Oleksandr Yefremov in Luhansk. This may also explain why ‘People’s Republics’ failed in other Russian-speaking regions. A recent study on why a Russian-backed separatist movement in the neighbouring Kharkiv region did not last concludes that local elites’ siding with Kyiv was decisive.¹⁷⁵

The conflict’s political ‘manufacturing’ was highlighted by ideological shifts emanating from Moscow. In 2014, President Vladimir Putin and Kremlin-controlled media galvanised Russian nationalists in Ukraine and Russia by using the term “Novorossiia”, suggesting the secession of the entire south of Ukraine all the way to the border with Moldova, in accordance with the eponymous Tsarist-era province. However, the Kremlin abandoned this terminology one year later, replacing it with the non-territorial “Russki Mir” (Russian

¹⁷⁴ Yulia Abibok: *Identity policy in the self-proclaimed republics in east Ukraine*
https://www.osw.waw.pl/en/publikacje/osw-commentary/2018-06-06/identity-policy-self-proclaimed-republics-east-ukraine-0#_ftn1

¹⁷⁵ *How Eastern Ukraine Is Adapting and Surviving: The Case of Kharkiv*
<https://carnegieeurope.eu/2018/09/12/how-eastern-ukraine-is-adapting-and-surviving-case-of-kharkiv-pub-77216>

World), a civilisational term uniting all those inside and outside Russia who value Russian language and culture.¹⁷⁶

The end of the Novorossiia project dashed nationalist hopes of uniting wide parts of Ukraine with Russia and reduced Russian influence to much smaller pockets along the border with Russia, the 'People's Republics', which make up less than three percent of Ukraine's territory.¹⁷⁷ The alienation between nationalist separatists and the Kremlin deepened after the signing of the Minsk agreements and the ensuing Russian non-recognition of the 'People's Republics'. While the ouster of Luhansk separatist leader Plotnitsky in November 2017 swept a nationalist separatist faction to local power, the killing of Zakharchenko resulted in pragmatist, Kremlin-loyal people running the bigger 'Republic'.

3.4.2 *Social cohesion*

The 'People's Republics' are artificial in the sense that their populations do not differ from the rest of the Donbas and other (Russian-speaking) Ukrainian regions nearby. Apart from the Ukrainian border with Russia and the administrative boundary between the Donetsk and Luhansk regions, their territories are defined by the Line of Contact, a purely military line that cuts through the centre of both regions.

The vexing question is how opinions and public sentiment have changed in these areas since 2014, as opposed to the neighbouring government-controlled areas. The answer to this should have important consequences for the government's reintegration strategies. Should pro-Russian sentiment be dominant there, reintegration becomes more difficult.

While the local population is subjected to relentless anti-Ukrainian propaganda from Russian and local media, the ideological turbulences within the 'People's Republics' must have weakened their appeal. Early separatist leaders like Pavel Gubarev, Andrei Purgin and Alexander Khodakovsky in Donetsk and Valery Bolotov

¹⁷⁶ Putin's 'Greater Russia': misunderstanding or mission?

<https://www.raamoprusland.nl/dossiers/roesski-mir/878-putin-s-greater-russia-misunderstanding-or-mission>

¹⁷⁷ <https://www.svoboda.org/a/27797444.html>

in Luhansk were professed Russian nationalists who advocated unification with Russia – preferably with all of “Novorossiia”. However, they soon were sidelined (Gubarev and Purgin), exiled (Khodakovsky) or dead (Bolotov).

While the present leaders appear more pragmatic, they have taken nationalist strides when this suits Moscow. Thus, Pushilin suddenly advocated abolishing Ukrainian as a state language in the Donetsk ‘People’s Republic’ and laid claim to government-controlled areas by signing a law that defines the DNR’s borders as identical with those of the Donetsk region (Pasechnik followed suit two weeks later).¹⁷⁸

However, calling the government-controlled parts of the Donetsk and Luhansk regions “temporarily occupied by the Ukrainian Armed Forces” fades in comparison to former Donetsk leader Zakharchenko’s July 2017 initiative, when he declared a new state called “Malorossiia” that would include large parts of Ukraine (the idea, which was seemingly not coordinated with Luhansk or Moscow, was quietly dropped weeks later).¹⁷⁹

3.4.3 *How popular are the ‘People’s Republics’?*

The ideological fluctuations, political turbulences and the uncertain status, combined with economic depression all suggest that the ‘People’s Republics’ must be facing a massive popularity problem. However, there is too little satisfactory data to prove this. Sociological research in the NGCA is difficult, potentially disputed and outright dangerous.

A Ukrainian survey released in November 2019 suggested that 64% of local inhabitants want the areas to become part of Russia, while just 18.5% wanted to remain in Ukraine and another 16% wanted independence. However, the survey’s methods and results were strongly criticised by experts, who argued, among other things, that it is impossible to carry out proper polling inside the ‘People’s Republics’.⁶² Indeed, open polling has apparently been declared

¹⁷⁸ <https://civicmonitoring.org/newsletter69/>

¹⁷⁹ The Malorossiia Affair <http://www.civicmonitoring.org/developments-in-dnr-and-lnr-24-may-22-august-2017-newsletter-23/>

illegal by the separatists. Alexander Kazakov, a former adviser to slain separatist leader Zakharchenko, said in September 2018 that surveys were banned in the Donetsk 'People's Republic' and that people caught breaking the ban would be detained.¹⁸⁰

A less controversial survey conducted by telephone released in August by the Berlin-based ZOiS-think tank found that a majority of almost 55% want the 'People's Republics' to be part of Ukraine, while 45.5% opted for Russia. However, telephone interviews inside the NGCA are also controversial, because respondents may well give wrong answers for fear of reprisals from eavesdropping intelligence agencies.

Because of these shortcomings, researchers have resorted to so-called focus group studies. This methodology, developed in the US for market research, is conducted by interviewing small groups of people and studying their conversation patterns. In the context of the Donbas, this means groups of IDPs or recently arrived visitors from the NGCA. Because these visitors overwhelmingly tend to be pensioners and because of the travel restrictions for officials and other professions in the 'People's Republics', it is clear that focus group studies have similar deficits.

Under these circumstances, the results of available surveys must be treated with caution. On the other hand, published surveys are shaping the debate in Ukraine and beyond.

Another useful indicator of loyalty are the separatists' figures about passports. Both 'People's Republics' have been issuing their own documents long before Russia began handing out its passports to locals in 2019. Their practical value significantly increased after February 2017, when President Putin ordered Russian authorities to recognise them and other documents issued by the 'People's Republics' - including number plates on cars.

The Donetsk separatists claimed in November 2018 that they had issued 247,000 passports - almost 100,000 more than in

¹⁸⁰ <http://novosti.dn.ua/news/284807-v-dnr-govoryat-chto-tekh-kto-provodyt-oprosy-v-donecke-zaderzhyvayut>

January.¹⁸¹ Assuming that the DNR has no more than 1.8 million inhabitants (as opposed to the official 2.28 million), its passports were issued to no more than 15% of the local population. The last figures available from Luhansk are from December 2017, when Interior ‘Minister’ Igor Kornet claimed to have issued 100,000 passports – less than 10% of an assumed population of a little more than 1 million.¹⁸²

Carrying such a passport might be helpful in Donetsk and Luhansk and to a certain extent in Russia. In Ukraine, their possession – if apprehended – usually results in criminal procedures.

The ‘republican’ passports have been eclipsed by Russia’s citizenship campaign, which began in June 2019. However, the fact that possession of a DNR and/or LNR passport is a mandatory requirement for getting a Russian one has led to a significant increase in demand for them.

3.4.4 *The Media*

The media landscape in the ‘People’s Republics’ fully mirrors the political landscape in that dissent or opposition to separatist rule is non-existent and practically all outlets are under separatist control. In 2014, media in Donetsk and Luhansk were forced to support the separatists or to move their offices to the GCA. Visits by armed men were common, as shown in this example from a Donetsk local news site:

“Today, April 25, the newsroom of 62.ua was attacked by supporters of the Donetsk People’s Republic. Eight people with balaclavas, masks and baseball bats entered the newsroom and demanded to publish this notice ... in which they ask for medicine, humanitarian aid, protection gear and uniform pieces. They also ask the

¹⁸¹ <https://dan-news.info/obschestvo/pasporta-dnr-s-nachala-ix-vydachi-poluchili-pochti-chetvert-milliona-zhitelej-migracionnaya-sluzhba.html>

¹⁸² <http://lug-info.com/news/one/migratsionnaya-sluzhba-mvd-vydala-zhitelyam-respubliki-100000-pasportov-lnr-31035>

local population for financial assistance and left bank card details.”¹⁸³

One month later, armed men occupied the Donetsk TV channel “Union”. The station was subsequently turned into a main propaganda tool for the separatists.¹⁸⁴

Despite their subservience, separatist media have in the past been drawn into disputes among their leaders. In Donetsk, the state-run Donetsk News Agency (dan-news.info) sided with Pushilin, while the official site dnr-online.ru supported Zakharchenko before the latter’s death.¹⁸⁵ In Luhansk, the official news site “Lugansk Information Centre” (lug-info.com) has at times openly quarrelled with Plotnitsky, who in turn was supported by the “Lugansk 24” TV channel.¹⁸⁶

In Donetsk, two outlets controlled by Pavel Gubarev – dnr-live.ru and novorossia-tv.ru – sometimes publish dissenting opinions. However, during the height of Gubarev’s conflict with the election commission which prevented him from participating in the November 2018 vote, all his sites were offline.

Overall, there is evidence that separatist-run media has little impact on local audiences. This was indirectly acknowledged by Donetsk separatist leader Pushilin, when he told a meeting with editors-in-chief in December 2019 that ‘republican’ outlets need to fundamentally change in order to win the “information war” with Ukraine. Pushilin said that the media’s content needs to be more “interesting, lively and controversial”, suggesting that he finds it dull and uniform.⁶¹

¹⁸³ The staff of this site managed to leave Donetsk and set up operations in the GCA <https://www.62.ua/news/523650/storonniki-doneckoj-narodnoj-respubliki-prisli-trebovat-ot-sajta-62ua-izmenit-redakcionnuu-politiku>

¹⁸⁴ <https://www.62.ua/news/541599/vooruzennye-storonniki-dnr-potrebovali-ot-telekanala-union-izmenit-redakcionnuu-politiku>

¹⁸⁵ Unlike DAN, dnr-online.ru did not publish any calls to postpone the November elections during August 2018, suggesting that Zakharchenko was against this idea

¹⁸⁶ <http://lug-info.com/news/one/glava-lnr-sobstvennoruchnoi-podpisyu-podtverdil-podderzhku-predsedatelyu-sovmina-20630>

Interviews with locals by this study's author and a recent focus group survey by the Ukrainian Institute for the Future suggest that Russian TV is the dominant source for information.¹⁸⁷ This was already the case before 2014, not least because the much bigger Russian channels were felt to offer the better entertainment programme.

The historical dominance of Russian media makes it harder for Ukraine to win the locals' hearts and minds. Kyiv's efforts to roll back Kremlin and separatist propaganda have so far concentrated on improving the reception of Ukrainian television in the NGCA. While this was overdue because Ukrainian national media have been underrepresented in the Donbas long before 2014, there is no evidence that this effective. The opening of new broadcasting masts in Karachun and Hirnyk (Donetsk region) and in Bakhmutovka (Luhansk region) were met with reports that the separatists were planning to jam the Ukrainian TV signals.¹⁸⁸ Ukraine responded by jamming Russian TV signals in the GCA.¹⁸⁹

It remains to be seen if plans by the administration of President Zelenskyy to launch a new Russian-language TV channel will be more successful.¹⁹⁰ In April 2018, Emine Dzhaparova, then Ukraine's First Deputy Information Minister, admitted that Ukrainian media had practically been erased from the 'People's Republics'. In order to bring them back, Ukraine's control needs to be re-established, Dzhaparova said.¹⁹¹

¹⁸⁷ "Local ones are just propaganda, imitation of media. We are dancing, we are doing something else, and so on" <https://www.uifuture.org/en/publications/reports/24339-dumky/ta/nastroi/jyteliv/okupovanych/terytoriy>

¹⁸⁸ <http://sprotyv.info/ru/news/Kyiv/vlasti-dnr-v-donecke-hotyat-demontirovat-peredatchik-ukrainskogo-tesignala>

¹⁸⁹ https://censor.net.ua/news/3062242/rossiyiskiyi_tesignal_nachali_glushit_v_zone_ato_syumar

¹⁹⁰ <http://novosti.dn.ua/news/297097-na-baze-uatv-zapustyat-kanal-dlya-nepodkontrolnogo-donbassa>

¹⁹¹ <https://www.ukrinform.ru/rubric-presshall/2446006-osobennosti-soznania-i-identichnosti-zitelej-podkontrolnyh-i-okkupirovannyh-territorij-doneckoj-oblasti.html>

3.4.5 *Human rights: The MGBs and dissent*

Those who express dissenting opinions inside the ‘People’s Republics’, including pro-Ukrainian ones, face repression and physical abuse. A prominent example is blogger and journalist Stanislav Asieiev (Russian transliteration Aseyev), who had worked for Radio Liberty in Donetsk under pseudonym before he was abducted and imprisoned in 2017. In 2018, he was paraded on Russian state TV, where he confessed to working for Ukrainian intelligence. After his release in the December 2019 prisoner exchange, Asieiev revealed that he and other prisoners had been tortured with electrical shocks. Previously, a separatist court had sentenced him 15 years in prison, essentially for publishing critical reports about the Donetsk ‘People’s Republic’.¹⁹²

Other cases include Luhansk blogger Eduard Nedelyayev, who was arrested and paraded as a Ukrainian spy in a video in November 2016.¹⁹³ A few months earlier, he was quoted by German tabloid Bild as saying that the Luhansk ‘People’s Republic’ resembles North Korea.¹⁹⁴ Nedelyayev was released in a January 2017 prisoner exchange.

Repressions have also hit religious communities other than the Orthodox Church of the Moscow Patriarchate. While all denominations have been forced to register with separatist authorities, the most prominent victims are Jehovah’s Witnesses, who were banned completely in both ‘People’s Republics’ in 2018 and lost more than a dozen premises in seizures.¹⁹⁵ Russia banned Jehovah’s

¹⁹² <https://civicmonitoring.org/newsletter66/>

¹⁹³ <http://lug-info.com/news/one/soznavshiisya-v-shpionazhe-bloger-nedelyaev-planiroval-stat-proKyivskim-partizanom-19429>

¹⁹⁴ Nedelyayev blogged under the pseudonym “Edward Ned” <https://www.bild.de/politik/ausland/ukraine-konflikt/was-wir-haben-ist-kein-leben-mehr-2-46579068.bild.html>

¹⁹⁵ The 2018 bans were justified with “extremist activities” in Donetsk <https://dan-news.info/obschestvo/deyatelnost-svidetelej-iegovy-na-territorii-dnr-priznana-ekstremistskoj-i-zapreshhena-verxovnyj-sud.html> and with not being a traditional confession in Luhansk <http://lug-info.com/news/one/prinyatyi-narodnym-sovetom-zakon-o-religii-zapretit-deyatelnost-religioznykh-grupp-v-lnr-32220>

Witnesses in 2017 on grounds that they are an “extremist organisation”. In July 2018, the Luhansk State Security ‘Ministry’ raided a Baptist service and accused church members of forming an “extremist religious organisation”.¹⁹⁶

Both the Donetsk and Luhansk Security ‘Ministries’ (MGB) continue to detain people and publish video interviews of “confessions” on their websites. The YouTube channel of the Donetsk MGB is a particularly disturbing example.¹⁹⁷ Among others, it still contains interviews from September 2016, in which five teenagers confess planning sabotage acts.¹⁹⁸ Donetsk separatist leader Pushilin pardoned three of the men in December 2019. Nothing is known about the fate of the other two.¹⁹⁹ In March 2018, it published a video confession of a botanist and cactus grower, claiming that he had released “destabilising information” on Twitter.²⁰⁰

Apparently random detentions continued in the run-up to the December 2019 prisoner swap, which resulted the release of 101 Ukrainians detained inside of the ‘People’s Republics’ (Ukraine released 127). The detentions signal that this was less a prisoner than a hostage swap and Ukrainian negotiator Valeria Lutkovska said afterwards that up to 300 persons remain in detention in the NGCA.

Thus, the ‘People’s Republics’ remain black spots with regard to human rights, where the international community can only look on while security services act with impunity.

3.4.6 *International isolation*

A contributing factor to the NGCA’s growing isolation is the fact that the separatists have expelled international aid organisations. In autumn 2015, the French group Doctors Without Borders had its accreditation withdrawn from both the Donetsk and Luhansk ‘People’s Republics’. Separatist media at the time published reports

¹⁹⁶ <http://mgblnr.org/media/c300a2c3-98eb-4a7d-b302-ebf89b06bf26>

¹⁹⁷ https://www.youtube.com/channel/UCmOf-vjTAq90H_j74rAPihQ/videos

¹⁹⁸ http://mgb-dnr.ru/news.php?id=20160912_00&img_num=1

¹⁹⁹ <https://dnronline.su/2019/12/30/glava-dnr-denis-pushilin-pomiloval-podrostkov-osuzhdennyh-za-diversii-v-yasinovatoj/>

²⁰⁰ http://mgb-dnr.ru/news.php?id=20180307_00&img_num=0

alleging that the organisation was smuggling drugs and spying for Ukraine²⁰¹ – which Doctors Without Borders vehemently denied.²⁰² One year later, the separatists kicked out Czech aid organisation People in Need amid similarly unfounded allegations conveyed in local and Russian media.²⁰³

The only international humanitarian organisations with a permanent presence in the NGCA are currently the International Committee of the Red Cross (ICRC) and the United Nation’s Office for the Coordination of Humanitarian Affairs. Apart from the ICRC, the main source of aid deliveries are the convoys from the Russian Federation, which have been arriving on average every month, although in 2019 the convoys stopped without explanation between January and July, resuming on a weekly basis in October.²⁰⁴ Russia’s refusal to allow OSCE officials and Ukrainian customs to properly inspect them has led to allegations that the convoys contain non-humanitarian aid. A former separatist official confirmed in 2019 that the convoys are used (at least) to bring Russian cash to Donetsk and Luhansk.²⁰⁵

From the Ukrainian side, Rinat Akhmetov’s “Pomozhemo” foundation sent aid convoys to Donetsk and Luhansk between 2014 and 28 February 2017. On that day, the eve of the seizure of Ukrainian-run factories (most of which belonged to Akhmetov), the separatists refused entry to a convoy and subsequently imposed a complete ban.²⁰⁶

²⁰¹ <https://dan-news.info/obschestvo/dnr-lishila-vrachej-bez-granic-akkreditacii-za-shpionazh-i-nezakonnuyu-postavku-psixotropnyx-preparatov.html>

²⁰² <https://www.msf.org/ukraine-msf-strongly-refutes-false-allegations-levelled-media-humanitarian-committee-donetsk>

²⁰³ A Russian TV report accused the aid workers of weapons storage <https://www.clovekvtisni.cz/en/people-in-need-helped-hundreds-of-thousands-of-people-in-donetsk-and-was-always-transparent-in-its-work-3748gp>

²⁰⁴ The 12th and last convoy in 2019 arrived on 19 December, according to the OSCE observer Mission, stationed in Russia: <https://www.osce.org/observer-mission-at-russian-checkpoints-gukovo-and-donetsk/442579>

²⁰⁵ Comments by Eduard Matyukha, who served as a mayor of Horlivka in 2014 https://lb.ua/news/2019/11/24/443111_bivshiy_narodniy_mer_gorlovki.html

²⁰⁶ https://www.fdu.org.ua/files/docs/513_ru_pomojem_russ_2.pdf

3.5 Security

Introduction

The military dimension of the conflict in the Donbas is characterised by the absence of a declaration of war and Russia's persistent denial of involvement. Irregular formations have been fighting on both sides, resulting in challenges for command and control.

Two instances of military defeat (Ilovaisk and Debaltseve) catalysed Ukraine's signing of armistices (Minsk Protocol/Memorandum and the Package of Measures) but the Ukrainian military was left overall intact. Both battles were won thanks to the temporary and local intervention of regular Russian troops.

The Line of Contact has been respected by both sides since it was agreed in Minsk. Despite ceasefire violations occurring on a daily basis and government troops conducting a "creeping offensive" in the so-called grey zone, both sides adamantly maintain that their troops won't cross this line permanently. And despite political declarations about "ending the occupation" on the other side, neither side currently seeks a military solution. There is also no basis to speak of a war of attrition, because material losses and casualties are not so high that they cannot be compensated.

The Minsk agreement's political solution – to grant the NGCA special political status inside Ukraine – has over the past four years become increasingly unacceptable to both sides. The agreement's condition of a lasting ceasefire makes it attractive for both sides to avoid implementing the political parts simply by firing shots. Other possible motives for ceasefire violations are international attention seeking (in the case of Kyiv) and shoring up domestic support despite oppressive and unjust regimes (in the case of the separatists).

Box 3.2. The Minsk Agreements

Three agreements between Ukraine and Russia were negotiated and signed in the Belarussian capital, mediated by the OSCE. They all suffer from a lack of clarity and the lack of political will to implement them.

The non-implementation of the original Protocol of 5 September 2014 led to the signing of the Memorandum on September 19, whose continued non-implementation led to the Package of Measures of 12 February 2015. When no implementation had been reached by 2016, the 'Normandy Four' group (France, Germany, Ukraine and Russia) decided to work on a road map on how to implement the Package of Measures. This, too, proved elusive because the Ukrainian and Russian visions of a road map differ profoundly. Ukraine insists that Russian forces must be withdrawn first and control of its border with Russia needs to be re-established, while Moscow wants direct dialogue and local elections to take place first.

The documents are legally not treaties but agreements (*soglashenie* in Russian) without parliamentary ratification, which lowers their degree of formally binding the parties. Although Presidents Vladimir Putin and Petro Poroshenko took part in the negotiations for the Package of Measures, all agreements were signed by their representatives²⁰⁷ plus separatist leaders Alexander Zakharchenko and Igor Plotnitsky (without titles).

²⁰⁷ Russian Ambassador Mikhail Zurabov and former Ukrainian President Leonid Kuchma.

The Package of Measures of 12 February 2015 contains 13 points,²⁰⁸ the most important being:

- 1) A strict ceasefire is to begin on 15 February 2014
- 2) Two days after the ceasefire, both sides begin withdrawing their heavy weapons to form a 50km-wide security zone and complete this within 14 days.²⁰⁹
- 3) On the first day after the withdrawal's completion, Kyiv must begin a direct dialogue with separatist representatives about holding local elections according to Ukrainian law and about the future political status of the NGCA. Ukraine needs to pass a law delineating the areas.²¹⁰
- 4) Ukraine must adopt a general amnesty for all people involved in the conflict.
- 5) All prisoners must be released within 5 days after the withdrawal.
- 6) Intra-Ukrainian economic ties must be re-established, including the banking system.
- 7) The process of returning control of the border with Russia to the government of Ukraine begins on the first day after local elections are held and ends after a political solution is reached.
- 8) Foreign armed formations, mercenaries and their weapons must be withdrawn under OSCE monitoring, illegal formations must be disarmed.
- 9) A decentralisation that takes into account the certain areas' peculiarities (as agreed with their leaders) must be enshrined in a constitutional amendment by the end of 2015. The special status law needs to include the following measures:
 - a. Amnesty
 - b. Language self-determination

²⁰⁸ <https://www.osce.org/cio/140156>

²⁰⁹ An addendum signed on 29 September 2015 included large weapons with calibres of less than 100 millimetres in the withdrawal
<http://www.osce.org/ukraine-smm/190821?download=true>

²¹⁰ The Rada passed this law on 17 March 2015
http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=54394

- c. Participation in the appointment of judges and prosecutors
- d. Ability to make agreements with Kyiv on economic, social cultural rebuilding
- e. State support for economy, social cultural rebuilding
- f. Kyiv must assist the certain areas' cooperation with neighbouring Russian regions.
- g. Set up people's militias to maintain public order inside the certain areas.
- h. The certain areas' elected lawmakers shall not be removed from office before their term ends.
- i. All questions regarding local elections shall be discussed with NGCA representatives on the basis of the Law "On Temporary Order" (the special status law).²¹¹

3.5.1 *The armed formations' formation*

During its early stages, the war in the Donbas was characterised by organisational shortcomings and the presence of irregular formations on both sides. On the government side, volunteer battalions were hastily set up and trained, most of them by the Dnipropetrovsk regional administration, which was then headed by controversial businessman Ihor Kolomoisky. The integration of the volunteer formations into the regular army later proved challenging.

The conduct of the "Anti-Terrorist Operation" also posed organisational challenges as it had to be coordinated between three government agencies – the Defence Ministry, the intelligence service SBU and the Interior Ministry. Many of these issues were addressed by the "reintegration law" implemented on 1 May 2018, which handed over command from the SBU to the Armed Forces and changed the name to Joint Forces Operation (known in Russian and Ukrainian by the acronym OOS).

²¹¹ President Poroshenko signed the special status law on 16 October 2014 <https://www.president.gov.ua/en/news/glava-derzhavi-pidpisav-zakon-quotpro-osoblivij-poryadok-mis-33881> It was last prolonged for another year in October 2018.

The same can be said about the military formations on the other side. From the onset, it was not the regular Russian army fighting in eastern Ukraine, but small armed formations led by field commanders, some, but not all of whom were Russian citizens. Perhaps the most prominent of them was Igor Girkin, whose role is discussed in Chapter 1.

Command and Control was centralised in the Donetsk ‘People’s Republic’ by late 2014, when powerful independent field commander, Igor Bezler of Horlivka, had left for exile in Crimea in October 2014.²¹² Another independent commander, Alexander Khodakovsky, was appointed “National Security Council” Secretary in November 2014 and became an opposition figure after his dismissal in 2015.²¹³ A violent conflict with commanders of a Russian volunteer formation called “Troy” in early 2016 remained an isolated incident.²¹⁴

In the Luhansk ‘People’s Republic’, military consolidation took considerably more time because numerous field commanders refused to accept the leadership of Igor Plotnitsky. In the end, Plotnitsky was overthrown in November 2017 in a coup that was backed by his own security forces.

Most of the armed formations in the NGCA have since late 2014 been commanded by an Army Corps – the First Corps in Donetsk and the Second Corps in Luhansk.²¹⁵ Both are believed to be commanded by professional Russian officers. According to Ukrainian military leaders, the corps are subordinated to Russia’s Eighth Combined Arms Army – a relatively new formation in Russia’s Southern

²¹² <https://www.rbc.ru/rbcfreenews/5455558bcbb20f3ac9f20244>

²¹³ Khodakovsky was apparently sacked in March 2015, but this was only made public one year later <https://dan-news.info/politics/parlament-dnr-sozdal-komissiyu-po-rassledovaniyu-deyatelnosti-aleksandra-xodakovskogo.html>

²¹⁴ <https://vlada.io/articles/prinyato-reshenie-srazu-obnulyat-v-dnr-sereznyiy-vnutrenniy-konflikt-ubit-polevoy-komandir/>

²¹⁵ The Corps were apparently renamed Operative Command in 2016, but they are still mostly referred to by their old names <https://svbr.livejournal.com/26334.html>

Military District, apparently set up especially for the war in the Donbas.²¹⁶

However, Donetsk ‘People’s Republic’ leader Alexander Zakharchenko kept some formations under his personal commando, among them the Republican Guard and a Special Forces Brigade. After Zakharchenko’s death on 31 August 2018, they all were subordinated to the First Army Corps – sometimes forcefully. Donetsk had also retained a Defence ‘Ministry’ under Zakharchenko which was duly dissolved in September 2018. However, both ‘Ministry’ and ‘Minister’ Vladimir Kononov were said to have had practically no command and control over the armed formations.²¹⁷

After Zakharchenko’s assassination the Donetsk separatists’ military structures were remodelled according to those in Luhansk – there is no Defence ‘Ministry’, the armed forces are named “People’s Militia” and are under the exclusive command of the Army Corps. While former Luhansk leader Igor Plotnitsky once said that “People’s Militia” was the right term for an “army of the people” in which miners, teachers and others become fighters, others argued that the term was chosen because the Minsk Package of Measures allows the “Certain Areas” of Donetsk and Luhansk to form “People’s Militias” for maintaining public order.²¹⁸

3.5.2 *Asymmetric mutual deterrence*

While the separatists keep their troop numbers secret, Ukrainian officials have voiced their own estimates. Ukraine’s Joint Forces Operation said in December 2018 that the combined troops of both

²¹⁶ Comments by Serhiy Nayev, the commander of Ukraine’s Joint Forces Operation <https://www.ukrinform.ru/rubric-ato/2452327-naev-armejskie-korpusa-dnr-i-lnr-eto-klassiceskie-podrazdelenia-vs-rf.html> and <https://topwar.ru/111200-v-vs-rf-formiruetsya-8-ya-obschevoyskovaya-armiya.html>

²¹⁷ <https://vz.ru/news/2018/9/9/941039.html>

²¹⁸ <https://web.archive.org/web/20171121101755/http://mil-lnr.info/pres-sluzhba/reportazhi-intervyu/item/1658-my-ne-vsegda-afishiruem-nashu-siluno-my-tochno-znaem-cto-nasha-armiya-nas-zashchitit-igor-plotnitskij> The People’s Militia is mentioned in the footnote to the Agreement’s point 11 <https://www.osce.org/ru/cio/140221?download=true>

separatist Army Corps number 32,000, that 11,000 of them are Russian citizens and that regular Russian officers hold the key command positions.²¹⁹ President Poroshenko said weeks earlier that Russian troops “in and around” Ukraine numbered 80,000.²²⁰ By comparison, Ukraine had 64,000 troops in the Donbas in 2015 according to Poroshenko.²²¹

The overall number of Russian servicemen in Crimea, the Donbas and southern Russia is relevant because they are central to the ongoing military confrontation: Ukraine is deterred from entering the NGCA by force because of the threat of a large Russian military invasion, as happened in Ilovaik 2014 and in Debaltseve 2015.

Russia’s Armed Forces consist of about 1 million professional soldiers, about four times as many as Ukraine’s 255,000 men and women.²²² Russia also outspent Ukraine by almost 20 times in 2017, when its military expenditure reached \$66.3 million, while Ukraine just spent \$3.6 million, according to the Stockholm International Peace Research Institute (SIPRI).²²³ Thus, Moscow is unlikely to feel constrained by military deterrence – but probably by political considerations.

While it cannot be proven that the sanctions imposed by the European Union and the United States in 2014 after the annexation of Crimea and the shooting down of the Malaysian Boeing MH17 in late July caused the Kremlin to change its behaviour, it is true that in August, Russian citizens were withdrawn from the separatist leadership and Russia and Ukraine sat down for the first round of Minsk negotiations in September. To be sure, Russian regular troops entered Ukraine and defeated government forces in Ilovaik in August 2014 and in Debaltseve in February 2015, but both battles resulted in consolidation rather than significant expansions of separatist-held territory.

²¹⁹ <https://interfax.com.ua/news/general/555933.html>

²²⁰ <https://www.aljazeera.com/news/2018/12/poroshenko-80000-russian-troops-ukraine-181201164222788.html>

²²¹ <https://web.archive.org/web/20170228171239/http://24today.net/open/484721>

²²² <https://ua.korrespondent.net/ukraine/3947234-chyselnist-zsu-dosiahla-255-000-osib>

²²³ <http://visuals.sipri.org/>

The EU's resolve to use sanctions against Russia has receded – the bloc has kept prolonging the ones from 2014 but found no majority for imposing new ones following the Kerch Strait incident in November 2018, when the Russian Coast Guard attacked and seized three Ukrainian navy boats.²²⁴ However, the US imposed new sanctions under the Countering America's Adversaries Through Sanctions Act and the EU's stance may harden again if Russia launches a military attack in eastern Ukraine, e.g. to achieve a land corridor with Crimea.

On the other hand, Moscow may not be interested in seizing more territory at all. An important point is that while it may be relatively easy to conquer more of Ukraine militarily, keeping and running new territories poses far greater problems – similar to those encountered in the NGCA today.²²⁵ Moscow's main motivation to hold on to the 'People's Republics' may well be to maintain a spoiler for Ukraine's ambitions to join NATO and the EU (see Chapter 2).

3.5.3 *The fighting along the Contact Line*

All this does not mean that there is no violence. By 2019, more than 13,000 people have been killed in the conflict according to the United Nations. And between January and mid-December of that year, the Ukrainian Armed Forces had lost 97 servicemen and -women, according to Defence Ministry figures reported by the BBC – only slightly fewer than 2018, when that figure was 110. The Donetsk 'People's Republic' said that 149 of its fighters were killed in the course of 2019.²²⁶

²²⁴ Only ten of 28 EU countries advocated new sanctions for the Kerch Incident <https://twitter.com/RikardJozwiak/status/1072130653490216960>

²²⁵ *Is a Russian military operation against Ukraine likely in the near future?* <https://russianmilitaryanalysis.wordpress.com/2018/12/26/is-a-russian-military-operation-against-ukraine-likely-in-the-near-future/>

²²⁶ <https://www.bbc.com/ukrainian/news-50843934> and <http://ombudsmandnr.ru/obzor-soczialno-gumanitarnoj-situaczii-slozhivshejsya-na-territorii-doneczkoj-narodnoj-respubliki-vsledstvie-voennyh-dejstvij-v-period-s-21-po-27-dekabrya-2019-goda/> No reliable figures were available from the LNR.

On a – relatively speaking – more positive note, the number of civilian deaths has been going down steadily. In 2019, the OSCE Special Monitoring Mission recorded 19 civilian deaths and 128 injuries, the lowest figures since the conflict began in 2014. In 2018, 43 civilians were killed and another 192 injured.²²⁷

Of course, lower casualty figures do not mean that tensions have fundamentally subsided. Rather, they reflect the fact that no dramatic escalations happened in 2018. By contrast, intense fighting in the area of Avdiivka in late January 2017 cost more than 30 soldiers' and seven civilians' lives. That outbreak of violence has been explained with political posturing, because it occurred between the first telephone calls of the then newly-elected US President Donald Trump with his Russian counterpart Vladimir Putin (January 28) and Ukraine's Petro Poroshenko (February 4). The situation calmed down after Trump assured Poroshenko of continued US support.²²⁸

The separatists also have clear political motives to keep the violence simmering. As the 'People's Republics' fail to live up to their promises of replacing Ukraine's corrupt oligarchy with a fairer "rule of the people" – plus (eventual) unification with Russia, they focus on demonising Ukraine and the West as hostile aggressors. The dominance of reports in separatist media about Ukrainian Armed Forces attacking, often supposedly with the help of "NATO instructors", strongly suggests that the purpose of the armed conflict is to shore up public support.

The reasons for violence do not always have to be political though. One persistent aspect of the conflict between 2015 and 2018 has been Ukraine's tactic of gradually moving troops into frontline settlements that had hitherto been in the so-called grey zone between the sides' frontline positions.

These advances were often of little military value, while they increase the risk of escalation as both sides move closer to each

²²⁷ <https://www.osce.org/special-monitoring-mission-to-ukraine/444073>
and [https://www.osce.org/special-monitoring-mission-to-ukraine/407795?
download=true](https://www.osce.org/special-monitoring-mission-to-ukraine/407795?download=true)

²²⁸ [https://www.ferl.org/a/trump-poroshenko-phone-call-russia-
putin/28279111.html](https://www.ferl.org/a/trump-poroshenko-phone-call-russia-putin/28279111.html)

other.²²⁹ The “creeping offensive” can be explained by the desire to report successes and the retaking of lost territory. Each instance is usually followed by buoyant reports in Ukrainian media.²³⁰ More importantly, the limited offensives kept up military pressure and allow Kyiv to claim that there is a hot war rather than a frozen conflict.

The tactic more or less ended in December 2018, when Ukrainian military adviser Yuriy Biryukov said that government troops had “liberated” practically the whole “grey zone”.²³¹

3.5.4 *Disengagement*

In 2019, President Zelenskiy’s administration made a range of concessions in order to get the Kremlin to agree to hold another ‘Normandy Format’ summit. While the signing of the Steinmeier Formula is purely theoretical (see Chapter 2), the implementation of the disengagement agreement directly affected the security situation because it resulted in mutual troops withdrawals on three locations – most importantly Stanytsia Luhanska, the only crossing point in the entire Luhansk region, where civilians have been forced to climb over a badly damaged footbridge over the river Donets, which divides the sides.

In June and July 2019, the sides retreated two kilometres each from Stanytsia, allowing for the rebuilding of the bridge, which was opened in November in Zelenskiy’s presence.²³²

The disengagement agreement, signed back in 2016, is supposed to increase security by making both sides retreat two

²²⁹ See eg this report on Chyhari (Chyhyri) – a hamlet in a depression next to slag heaps occupied by separatist fighters <https://medium.com/dfrlab/minsk-monitor-ukraine-takes-control-of-village-near-horlivka-54f29260b5c0>

²³⁰ Report about Katerynivka <https://inforesist.org/vsu-otvoevali-poselok-novoaleksandrovka-v-luganskoy-oblasti/> and about Zolote 4 <https://www.uaportal.com/news/osvobozhdenie-Donbasa-poyavilos-video-kak-zhiteli-hutora-volnyij-vstrechali-bojtsov-oos.htm>

²³¹ <https://gordonua.com/news/war/seraya-zona-Donbasa-osvobozhdena-i-vzyata-pod-kontrol-biryukov-611978.html>

²³² <https://www.ukrinform.net/rubric-defense/2822171-zelensky-says-bridge-in-stanytsia-luhanska-opened.html>

kilometres each from the Line of Contact – initially at three locations. The agreement does not solve the conflict, but Russia demanded its implementation as a precondition for a ‘Normandy Format’ summit, probably to test President Zelenskiy’s capability as commander-in-chief, knowing that the Ukrainian military opposed it.

The ‘Normandy Format’ summit held on December 9 in Paris decided to add another three locations, which should be negotiated before the next summit planned in April.

3.5.5 *International Presence: The OSCE Mission*

The biggest and most lasting international effort to contain the conflict is the OSCE Monitoring Mission, which was first deployed to all of Ukraine in April 2014 and was subsequently enlarged from 100 to about 800 monitors from OSCE member states, 600 of whom are stationed in the Donbas.²³³ The unarmed and civilian Mission is by far the largest international presence in the NGCA, where it maintains regional headquarters in Donetsk and Luhansk and its patrols cross the Line of Contact multiple times per day. Its mandate, which is subject to prolongation each spring, allows the monitors to report not just about the security situation but more broadly about human rights and fundamental freedoms and to engage in dialogue facilitation.²³⁴

The Mission has proven to be a unique source of neutral information about ceasefire violations, e.g. in 2018, when it recorded multiple night-time military movements across the Russian-Ukrainian border in the NGCA, proving direct Russian involvement.²³⁵ It also plays a vital function in facilitating local ceasefires that enable urgent infrastructure repairs.²³⁶ Recently, Mission members have helped to sustain freshwater supplies by

²³³ <https://www.osce.org/special-monitoring-mission-to-ukraine/411437?download=true>

²³⁴ <https://www.osce.org/pc/116747?download=true>

²³⁵ One of the Mission’s long-range drones was subsequently shot down over separatist-held territory <https://www.osce.org/special-monitoring-mission-to-ukraine/401342>

²³⁶ <https://www.osce.org/stories/osce-mirror-patrols-windows-of-hope-eastern-ukraine>

handing over cash payments from the separatists to Ukrainian electricity providers who pump the water across the Line of Contact (for Ukrainian entities, any business relationship with the NGCA is illegal).²³⁷

On the downside, the mission has been dogged by mutual accusations of bias. Ukrainian politicians and activists routinely decry the presence of Russian citizens in the Mission, whom they accuse of passing military secrets to their government.²³⁸ The separatists, on the other hand, regularly complain about the Mission's alleged ineffectiveness and pro-Ukrainian bias.²³⁹ On several occasions they organised protests outside OSCE locations in Donetsk and Luhansk.²⁴⁰

The OSCE Mission also suffers from expectations that it will solve the conflict – which unarmed civilian monitors clearly cannot. While these limitations directly reflect the international community's divisions on Ukraine, actors in Kyiv and the West are actively promoting a peacekeeping mission to change this.

3.5.6 *Prospects for a peacekeeping mission*

The fact that the Line of Contact has been respected by both sides is the single biggest achievement of the Minsk agreement, but the ensuing military stalemate represents a growing source of frustration, especially for the Ukrainian side. While a military solution can be ruled out as long as it is likely that Russia will repel it with massive superiority, Ukraine has repeatedly promoted the

²³⁷ <https://www.svoboda.org/a/29695308.html>

²³⁸ In October 2017 Ukrainian deputy parliamentary speaker Iryna Herashchenko wrongly complained that the number of Russians in the Mission had doubled within one year <https://ru.tsn.ua/ato/za-posledniy-god-v-missii-obse-na-Donbase-vdvoe-vozroslo-kolichestvo-rossiyan-geraschenko-1001815.html>

²³⁹ Video produced by the Donetsk Information 'Ministry' in June 2018 https://www.youtube.com/watch?v=CcUN-s_BrRw

²⁴⁰ In February 2017, a well-organised protest was held outside the Park Inn hotel in Donetsk <https://dan-news.info/obschestvo/donchane-schitayut-chtobnablyudateli-obse-v-Donbase-ne-obektivny-i-skryvayut-prestupleniya-Kyiva.html>

deployment of an international peacekeeping force – with a United Nations or even an OSCE mandate. However, such suggestions were roundly rejected by Russia and the separatists even staged protests against an armed foreign mission.²⁴¹

The idea only gained momentum in September 2017, when Russian President Putin suddenly proposed the deployment of UN peacekeepers. However, he attached conditions which have been deemed unacceptable by Ukraine and most other countries.

Putin's suggestion is as follows:²⁴²

- The peacekeepers should provide protection for the OSCE Mission
- The peacekeepers should be stationed only along the Line of Contact
- Their deployment can only happen after the sides' disengagement, the withdrawal of heavy weapons and direct talks between Ukraine and the separatists

In essence, Putin's proposal would create a demilitarised buffer zone between the GCA and the NGCA, patrolled by unarmed OSCE observers and armed UN peacekeepers. Ukraine's reservations against this scenario are easy to understand – it seems only too likely that it will entrench the alienation of the 'People's Republics' from the rest of Ukraine, while Moscow can continue to treat them as de facto parts of Russia through an open border that is not controlled by Kyiv. Ukrainian Foreign Minister Pavlo Klimkin spelt out a red line for his government in this respect when he said in June 2018 that a Russian-controlled Donbas can never be part of Ukraine.²⁴³

The separatists, unsurprisingly, have refused to endorse anything but Putin's proposal and accused Ukraine of using peacekeeping scenarios as a lobbying tool for foreign military assistance to retake the Donbas by force. Donetsk separatist leader

²⁴¹ In June 2016, the Donetsk separatists claimed tens of thousands participated in a protest against an armed OSCE Mission <https://dan-news.info/world/desyatki-tysyach-zhitelej-dnr-na-mitinge-v-stolice-vyraziliprotest-vvedeniyu-vooruzhennoj-missii-obse.html>

²⁴² <http://en.kremlin.ru/events/president/news/55535>

²⁴³ <https://interfax.com.ua/news/interview/512774.html>

Pushilin argued in September 2017 that Ukrainian President Poroshenko was seeking to “cleanse” the territory of the ‘People’s Republics’ with the help of Blue Helmets.²⁴⁴ Ukraine’s Interior Minister Arsen Avakov in April 2018 actually fuelled such fears, when he proposed a “Step by Step” plan, according to which Ukraine retakes the Donbas city by city with the help of international peacekeepers.²⁴⁵

Despite the shortcomings of Putin’s proposal, Ukraine’s western allies jumped on the opportunity to create a momentum and push negotiations for a more useful mission. The peacekeeping discussions opened a new theatre to engage Russia and to test its will to solve the conflict.

Experts have proposed various models for a peacekeeping force. Most of them foresee the initial deployment of an armed mission, followed by a civilian transitional administration for the NGCA. The consensus is that a “robust” force, that can defend itself against a range of attacks, needs up to 50,000 members, including a civilian and police component.

Oleksandr Levchenko, a Ukrainian diplomat and adviser to the Ministry for Temporarily Occupied Territories, said in October 2018 that a mission should consist of between 25,000 and 50,000 members, including 15% policemen and 15% civilians. He added that the Mission should try to build on experience in Croatia, notably the UN Transitional Administration in Eastern Slavonia in 1996-1998.²⁴⁶

Because such large numbers are unrealistic, proposals for a mid-sized mission with 20,000 members have been put forward, plus a police component of 2,000 to 4,000. However, this scenario only works if Russia genuinely commits itself “to stopping its proxies in the Donbas causing serious trouble for the peacekeepers”.²⁴⁷

²⁴⁴ <https://dan-news.info/politics/silami-mirotvorcev-oon-poroshenko-nameren-zachistit-territorii-respublik-pushilin.html>

²⁴⁵ <https://www.pravda.com.ua/articles/2018/04/16/7177768/>

²⁴⁶ <https://www.unian.info/politics/10309443-croatian-peacekeeping-model-best-for-donbas-ukraine-s-ministry-for-occupied-areas.html>

²⁴⁷ Study by Richard Gowan, January 2018 <https://www.hudson.org/research/14128-can-the-united-nations-unite-ukraine>

An even more downsized force has been proposed by the UPEACE Centre in The Hague, which calls for a UN-mandated “peace support operation” using Quick Reaction Forces to assist the OSCE in strengthening the ceasefire along the Line of Contact and, subsequently, ensure protection and freedom of movement for the OSCE throughout the conflict zone, including the border with Russia. This proposal sees the deployment of no more than 3,000 special forces initially and up to 10,000 plus 3,000 police officers for maintaining law and order for an interim administration.²⁴⁸

The challenges of getting an international peacekeeping force together are clearly enormous. First, Russia and Ukraine need to agree on contributing countries. Clearly, Kyiv won’t accept Russian citizens being part of a mission, which has proven a permanent source of trouble for the present OSCE Mission. Similarly, Russia will presumably try to minimise the presence of NATO member states and oppose US, British or French troops, while German troops are unlikely for historical reasons.

Because a force made up primarily from Asian and/or Latin American countries is unlikely to have much political and operational credibility, the contributors’ burden is likely to fall on a relatively small number of European non-NATO states like Sweden, Finland and Austria. While a strong mandate from the UN Security Council seems mandatory, Western countries might oppose direct UN command, likely leading to a potentially cumbersome mix of a stand-alone Multinational Force with UN police and OSCE observers in parallel.²⁴⁹

3.5.7 *Limits for a peacekeeping mission*

Such technical issues should not shroud the fundamental point, namely that a peacekeeping mission cannot create a solution – as the Russian term *mirotoortsy* (peacemakers) misleadingly suggests. In

²⁴⁸ http://www.upeace.nl/index.php?page=news-news-recent-planning_for_peace_in_eastern_ukraine:_report_by_upeace_centre_the_hague_presents_scenario_for_un_blue_helmets_in_donbas&pid=138&id=196

²⁴⁹ Richard Gowan: Nordic Peacekeepers for Ukraine: Back in Blue? <https://www.nupi.no/en/News/Analysis-Nordic-Peacekeepers-for-Ukraine-Back-in-Blue>

order to be effective, a mission must be deployed only after political leaders have agreed on the terms of a political solution. It should be abundantly clear that the current military presence in the NGCA, which includes probably more than 40,000 men under arms plus heavy weapons that can be mobilised relatively quickly, cannot be matched by any conventional international peacekeeping force.

This argument was already made in 2016, when Germany rejected a Ukrainian proposal to arm the existent OSCE Mission. Apart from the fact that there is no precedent for such a mission, the German Foreign Ministry pointed out that the Mission's present civilian (and unarmed) nature is an advantage, because it ensures the conflict parties' consent. "When you take the idea of an armed mission to its logical conclusion, it raises a whole range of difficult legal, political, practical and military issues," the Ministry said at the time.²⁵⁰

Bringing Russia to withdraw arms and personnel that it denies having deployed in the first place is only the beginning of a tough negotiation scenario. A recent Chatham House paper asks: How will Russian military personnel be distinguished from the local "people's militias"? Which weapons may remain?²⁵¹ Another daunting task will be to make Moscow give up political control of the 'People's Republics' and to reach their dissolution. This demand has been made more than once by US envoy Kurt Volker, who argued that the 'Republics' have no place in Ukraine's constitutional order.²⁵²

Here, time is not on Ukraine's side. No matter how illegal and illegitimate they are, the longer the 'People's Republics' exist, the harder will it be to erase them from history. Their so-called state building activities are already in full swing. New school curriculums focus on patriotic education and revise historical assessments established during the years of Ukrainian independence. As a recent

²⁵⁰ <https://www.auswaertiges-amt.de/en/newsroom/news/160427-ostukraine/280216>

²⁵¹ <https://www.chathamhouse.org/expert/comment/donbas-peacekeepers-proposal-classic-putin-gambit>

²⁵² <https://www.kyivpost.com/ukraine-politics/volker-says-self-proclaimed-republics-disbanded-ukraine.html>

study argues, “their intended effect is the creation of a new Donbas community which is hostile towards ‘nationalist’ Ukraine.”²⁵³

The current military stalemate reflects the absence of political will to reach a solution. A peacekeeping force can only come to Ukraine as an implementation assistance after such political will materialises.

3.6 Outlook

This study has found that the ‘People’s Republics’ are politically unstable, economically not viable and fraught with military risks. The strong presence of violence and military adventurism creates an atmosphere of corruption, impunity and widespread injustice. While major corruption excesses may have been terminated with the assassination of Alexander Zakharchenko and the removal of his deputy Alexander Timofeyev, the establishment of a flourishing market economy seems unlikely anytime soon.

The difficulties are exacerbated by the fact that infighting in the Donbas translates into infighting in Moscow and vice versa. Thus, while the 2017 putsch in Luhansk resulted in the removal from power of Kremlin ally Igor Plotnitsky, the killing of Zakharchenko in 2018 brought Kremlin loyalist Denis Pushilin to power.

A recurring theme has been uncertainty about the role of Vladislav Surkov, the Kremlin’s point man for Donbas. In 2018, President Putin waited almost three months between his re-election in March and Surkov’s reappointment in June, prompting widespread speculation that Surkov would lose his job. The situation escalated again in 2020, when Surkov announced his resignation after Putin appointed his rival Dmitry Kozak to deputy head of the presidential administration. However, Surkov had not been relieved of his duties and no solution to this conflict was visible by the time of publication.

Finally, it is becoming harder to obtain reliable information from the Donbas, as levels of secrecy were stepped up. The colossal

²⁵³ <https://www.osw.waw.pl/en/publikacje/osw-commentary/2018-06-06/identity-policy-self-proclaimed-republics-east-ukraine-0>

lack of transparency is highlighted by Donetsk 'Prime Minister' Alexander Ananchenko, of whom there was no official photograph more than one year after he joined the 'Government' in September 2018.²⁵⁴ The NGCA's isolation is growing, as business and trade ties remain blocked, young and talented people are leaving and even the telephone breaks down, as in early 2018 when the Vodafone network was cut off for three months in the Donetsk region NGCA.

With this complex situation, there are not many policy options for Ukraine and the West.

It should be abundantly clear that there is no military solution. As long as Russia has tens of thousands of troops stationed along the border with Ukraine and does not clearly signal a political and military withdrawal from the Donbas, this cannot possibly be an option.

But a political solution, as agreed in Minsk, remains out of reach. While President Zelenskiy's administration seems willing to try its implementation, the conditions set by Kyiv-Ukrainian control of the NGCA before local elections – are unlikely to be approved by Moscow.

More fundamentally, Russia wants a Ukrainian government that is pro-Moscow. But the violence in Donbas, which was unleashed and is fuelled by Moscow, has shattered the chances of such political forces coming into power. Even in the unlikely event of an end to the war, it remains unthinkable today that a majority of Ukrainians will elect a pro-Russian government.

Thus, Ukraine's biggest chance is winning the conflict with soft powers, given the disastrous economic conditions in the NGCA. The conditions for this are not that bad – wages in the Donbas GCA are almost three times as high as in the NGCA. However, wages in the neighbouring Russian Rostov region are already three times as high.

While Ukraine may have a long way to go before becoming a western-style democracy with strong political institutions, low levels of corruption and a functioning welfare state, it already holds a trump card in that its citizens are eligible for visa-free entry to the European Union. In a clear sign that Ukraine is perceived as a

²⁵⁴ Despite Ananchenko's televised speech in November, there was no photo of him on the government website <https://pravdnr.ru/sostav-pravitelstva/>

favourable destination, the separatists have imposed travel bans on people they cannot afford to lose.

If conditions develop favourably, Ukraine could offer targeted benefits for those willing to resettle from the NGCA to the GCA. It could also lift its blockade, potentially offering significant economic returns. This might resemble the German 'Magnet Theory' of the late 1940s and 50s, according to which West Germany would 'win over' East Germans by projecting a more prosperous economy and freer society after the partition following World War II.²⁵⁵

While that theory was proven only 40 years later than their proponents Kurt Schumacher and Konrad Adenauer hoped, such a long wait need not necessarily be the case for eastern Ukraine. The Donbas is certainly nowhere near becoming a model economy in a Moscow-led economic bloc, like the GDR did in the 1970s. If it becomes too expensive for Russia and if Kyiv is willing to lift the blockade, Ukraine is clearly the natural economic anchor for the NCGA.

However, the soft power equation is greatly complicated by the presence of hard military power. Ukraine can hardly carry out an effective soft power strategy while the fighting in the Donbas continues. For the violence makes it easy for Russia to vilify Ukraine as a cruel regime, which may in turn explain why Moscow is not interested in a real ceasefire.

Another question is if Ukraine wants to bridge the culture gap with Russia.

Ukraine's current language and education policies are not well suited to attract an alienated Russian-speaking working-class population living in relative poverty along the border with the Russian Federation. According to Ukraine's new education law, state schools must phase out Russian as a language of instruction. Over the past four years, the government has enacted bans on Russian cinema films, independent TV stations as well as Russian social networks and internet search engines. If, and this is a big if, Ukraine adopts a more

²⁵⁵ <http://www.bpb.de/izpb/7892/grundzuege-deutscher-aussenpolitik-1949-1990?p=all>

conciliatory policy towards the Russian language, it could project its message into the Donbas more easily.

Time is not on Ukraine's side. Despite the Minsk agreements, the 'People's Republics' keep pushing their agenda of integration with Russia. For example, in 2018 more and more Donetsk University students were receiving degrees that are valid in Russia.²⁵⁶ Schools are changing curriculums in history and other subjects and focus on patriotic education. Moscow may even sit back and do very little: the longer the 'People's Republics' exist in their current isolation from Ukraine, the more Russia's sphere of influence will create anti-Ukrainian identity. The experience of other separatist entities shows that with each year of their existence, a return to the parent state becomes less likely.

And should relations with the West deteriorate further, the Kremlin might heed calls from inside the Russian political establishment and recognise the 'People's Republics' as independent, just as it did with South Ossetia and Abkhazia in 2008. This is a worst-case scenario Ukraine and its allies should avoid at all costs because it opens the road to the next annexation of Ukrainian territory.

²⁵⁶ <https://dan-news.info/obschestvo/chetyre-s-polovinoyu-tysyachi-vypusnikov-respubliki-poluchili-diplomy-uf-sovet-rektorov-dnr.html>

4. TRANSDNIESTRIA TODAY

THOMAS DE WAAL

Map of Transnistria



A final political solution of the conflict over Transdniestria remains elusive and dependent on wider geopolitical trends. However, in contrast to other conflicts, it is peaceful, there are substantial people-to-people contacts and also economic convergence as the region participates in Moldova's Deep and Comprehensive Free Trade Area (DCFTA) with the EU. A series of confidence-building measures, overseen by the OSCE, have been agreed by the two sides since 2016. Transdniestria's current de facto authorities, close to the powerful Sheriff conglomerate are pragmatic. An economic squeeze, large-scale emigration and reduced Russian aid has made the government more ready for compromise. With the coming to power of a government in Chisinau committed to cracking down on the black economy and smuggling schemes, a key question will be how a change in the status of Transdniestria as a 'grey zone', exploited by a wide range of players, will affect its long-term future.

4.1 Introduction

The Transdniestria conflict is in many ways less a conflict than a bitter political and territorial dispute. There has been virtually no violence since the armed phase of the conflict ended in 1992. There are high levels of daily contact between people in Transdniestria and in right-bank Moldova and the economies of the two sides are connected at many levels. A spirit of pragmatism prevails in the conflict, which contrasts it with the conflicts in Ukraine and the South Caucasus. The dispute is perpetuated by the rival geopolitical orientations of decision-makers on both sides. Many in the region also view the status quo as benefiting elite business groups on either side of the Dniester River, who have agreed to divide up assets and profit from Transdniestria's unrecognised status.¹

There has been modest progress since 2016, with the implementation of most of a "package of eight" confidence-building and integration measures, drawn up by both sides and mediated by the Organization for Security and Cooperation in Europe (OSCE). This has benefited ordinary people in practical ways and given momentum to bottom-up processes of de facto integration. A final

¹ I am grateful to Lyndon Allin and William Hill, both of whom know the history of this conflict far better than I, for guidance on this issue over the last few years. Many thanks also to Dionis Cenusă, Michael Emerson and Nikolaus von Twickel for useful comments on the first draft of this report.

political resolution of the conflict is still elusive, however. This is partly due to a reluctance by powerful figures on both sides to surrender the political control and economic monopolies they currently hold and form a common state. It also is a reflection of the fact that, although everyday relations are good, there is no burning desire amongst the populations on either side of the Dniester River to live in a shared state.

Opinion polls in right-bank Moldova consistently show that the Transdnistria issue ranks very low down a long list of public priorities, behind corruption, low levels of income and emigration.² Large parts of the public are wary about a reintegration project that would tilt the balance of Moldovan politics more towards pro-Russian forces and potentially slow down the country's progress towards Europe. For many Transdnistrians, by contrast, integration with Moldova does not look like an attractive prospect – at least at the moment. Many people in Transdnistria have taken advantage of the possibility of obtaining Moldovan passports, which gives them the right of visa-free travel to the EU's Schengen zone, or even Romanian passports. However, Moldova remains Europe's poorest (sometimes second poorest) country with a GDP per capita of only around \$3,000, and with exceptionally high rates of emigration. The fraud scandal in which one billion dollars was reported 'missing' from three Moldovan banks in 2014 confirmed the reputation of the country as state crippled by endemic corruption in which ordinary citizens' rights are not defended. One de facto official in Tiraspol disparaged efforts to re-integrate his region into Moldova, saying, "Attempts to attach us to a broken car that is not moving won't work."³

The ongoing conflict is also a matter of geopolitical contestation between Russia and Western powers – albeit in a milder form than that over Georgia and Ukraine. In contrast to the conflicts in Abkhazia and South Ossetia, Russia and the European Union and

² See for example the International Republic Institute poll of May-June 2018, where the conflict is not mentioned at all as an important issue. https://www.iri.org/sites/default/files/2018-7-16_moldova_poll_presentation.pdf

³ Interview in Tiraspol, February 2018.

United States agree that the final status of Transdniestria should be within a reintegrated Moldova. However, there is disagreement on what that status should look like, and also on the security issue. According to informed sources, there are three battalions of Russians in Transdniestria, each consisting of about 1,500 men. Around one third of them are peacekeepers. The other two thirds form the OGRF troop contingent, a remnant of the Soviet 14th Army, which was formerly stationed in the region, but which is there illegally, without host-country consent.

Two mitigating factors make the security issue somewhat less intractable than in Abkhazia, South Ossetia or Ukraine. One is that, unlike Georgia and Ukraine, the NATO issue is currently off the agenda, as Moldova has committed itself to “permanent neutrality” in its constitution. The second one is that the majority of the ‘Russian’ troops in the OGRF are almost certainly not ethnic Russians, but local Transdniestrian residents wearing Russian uniforms. The Russian military has been unable to rotate and replace men from Russia there for several years, meaning that under an informal agreement, Russian peacekeepers rotate with OGRF men. There may be as few as 100 ethnic Russians, almost all officers, remaining.

The rather comfortable status quo was shaken up for a while by the events in Moldova of June 2019, when an unconventional alliance of the pro-European ACUM party and the Socialists came together to force the ruling PDM out of office, and its leader, Vladimir Plahotniuc, widely described as Moldova’s chief ‘oligarch’, out of the country. This peaceful change of regime unsettled the elite in Tiraspol – in particular the heads of the Sheriff conglomerate – which had reached a *modus vivendi* with Plahotniuc. The coalition fell in December to be replaced by a Communist-led government with the PDM (minus Plahotniuc) as the junior partner.

Transdniestria policy has mostly been put on hold in Chisinau while Moldova sorts out its domestic politics ahead of a crucial election in 2020. Two experienced negotiators took the brief: first Vasile Şova, a well-known interlocutor in Tiraspol, who held the same post between 2002 and 2009, then Alexandru Flenchea, who had worked intensively on the issue for the OSCE office. That means that the policy of “small steps” is set to continue. Should the Russia-friendly Socialist Party keep power in 2020, it is likely to pursue plans

for reintegration, albeit cautiously. The party published a plan for the future “federalisation” of Moldova, which is still on their website, although their leaders do not make the case for it in public⁴ This idea is anathema to ACUM, which is more focused on cutting down contraband trade and illegal smuggling from the territory.

4.2 Background

The Transdnistria conflict was not fought on an ethnic basis. Allegiance is defined more in terms of geography, politics, culture and history. People who identify themselves as Moldovan, Russian and Ukrainian live on both sides of the River Dniester (Nistru) and the unrecognised entity on the eastern side calls itself the Transdnistrian Moldovan Republic. A narrow curling strip of land 400km long mostly adjoining the broad river, the region is known as Transnistria in Moldovan, to denote territory on its far (eastern and left) bank. Transdnistria is the internationalised version used by international mediators, while the local Russian version, Pridnestrov’ye, means just “the place next to the Dniester”.

Over the last century, there have been several different entities in the wider region named “Moldova” or “Moldavia” and “Transdnistria” or “Transnistria,” with very different borders. In 1924, a first Moldovan Soviet Republic, the MASSR, was established on land exclusively on the eastern side of the Dniester, covering not only present-day Transdnistria but also much of what is now the Balta region of Ukraine. In that republic, Ukrainians outnumbered Moldovans, who comprised only around 30% of the population.

In 1940, having agreed the infamous “Secret Protocols” with Nazi Germany in the Molotov-Ribbentrop Pact agreed, the Soviet Union seized the lands of Bessarabia and northern Bukovina west of the Dniester from Romania, apportioning the part of Bessarabia adjoining the Black Sea to Ukraine and creating a new Moldovan Soviet Republic which had no access to the sea to the north and west. After Germany invaded the Soviet Union in 1941, Nazi-allied Romania reconquered these territories and held them for three years. They were recaptured by the Red Army in 1944 and the Soviet

⁴ See <http://socialistii.md/ru/federalizare/>

republic of Moldova was re-established, comprising territories on both sides of the Dniester River.

The legacy of World War II and its aftermath still hangs heavily over the wider region and defines the identities of Transdnestria and right-bank Moldova. For right-bank Moldova, the end of the war was a time of conquest by Stalin, followed by mass deportations of Moldovans to Siberia and a devastating famine. Subsequently in the 1940s and 50s, as it did in the Baltic Republics, Moscow sought to Russify the republic and imposed Russian leaders on it (including Leonid Brezhnev from 1950 to 1952). A large segment of people on this side look west and keep strong cultural and historical affinities with Romania, of which Moldova was a part for much of modern history. The Moldovan language is basically the same as Romanian, the two having been divided by the imposition of a Cyrillic script on Moldovan in Soviet times. A steady minority of around 20% of Moldovans support union with Romania, according to opinion polls.⁵

People in Transdnestria still look east. The inhabitants of the territory say that it suffered under Romanian military rule in 1941-44 and their descendants see the years 1944-45 as a moment of liberation by the Soviet Union. In the post-war years the population was swelled by thousands of labour migrants from other parts of the USSR, who came to work in the region's factories. So Transdnestrians mostly still belong firmly to the "Russki Mir" (Russian World) whose centre is Moscow and looks back fondly on the Soviet Union as a great power. (They tend to share this outlook with Moldova's main minority population, the ethnically Turkic Gagauz, who also predominantly speak Russian). Transdnestria has preserved many symbols and monuments from the Soviet era, including a hammer and sickle in its flag (which was devised before the USSR ended), statues of Lenin, Soviet-era street-names and a security agency named the KGB.

In Soviet times, Transdnestria was developed into being the industrial powerhouse of what was otherwise a poor agricultural

⁵ A BOP opinion poll of May 2018 found 24% of Moldovans in favour of union with Romania. <https://deschide.md/ro/stiri/politic/30828/SONDAJ-BOP--C%C3%A2%C8%9Bi-moldoveni-sunt-gata-s-%C4%83-voteze-pentru-Unirea-cu-Rom%C3%A2nia.htm?Cdate=May>

republic. Up until the 1980s the region's leaders exercised disproportionate political influence over the rest of Moldova. As Charles King writes, "In demographic and economic terms, the MSSR gradually developed as two republics in one: a largely rural, Moldovan, and indigenous population in Bessarabia employed primarily in agriculture and light agro-industry; and a more urban, Slavic, and generally immigrant population in Transnistria working in Soviet-style heavy industry."⁶ This made for a republic with two competing elites on each side of the river, even as the wider population still had much in common.

In 1989-91, in the crisis years of the perestroika era, in parallel to protests in the Baltic states and the South Caucasus, a new nationalist movement in Chisinau defied Soviet power, re-asserted a Romanian identity for Moldova and sought independence from Moscow. The smaller pro-Moscow elite in Transdnistria made countermoves, declaring its own autonomy and re-affirming loyalty to the Soviet centre. On August 31, 1989 the newly empowered Supreme Soviet of Moldova adopted three language laws, which prioritised Moldovan as the "state language" of the republic. This was strongly resisted in Transdnistria as an attack on its people's rights, which would also render Russophone cadres ineligible for top jobs. Tiraspol doubled down on its support for existing Soviet structures and policies. The two sides began to separate from one another. The dissolution of the Soviet Union at the end of 1991 raised the stakes by making Moldova an independent state and the Transdnistrians separatists by default.

The Transdnistriian conflict was brief but traumatic. It lasted two months in 1992, and around one thousand people lost their lives. Neither side had a proper military force, but both acted aggressively. A Moldovan government offensive on the town of Bendery was pushed back by armed Transdnistriians, receiving both formal and informal support from the Russian military. The intervention of the Russian 14th Army and its commander General Alexander Lebed on behalf of the Transdnistriian side was decisive. A Russian-brokered

⁶ Charles King, *The Moldovans: Romania, Russia, and the Politics of Culture* (Stanford, CA:

Hoover Institution Press, 1999), 100.

ceasefire agreement in July 1992 cemented the status quo and introduced a joint Moldovan, Russian and Transdniestrian peacekeeping force to police the new de facto boundary.

The Russian government has supported Transdniestria financially and politically, but within certain limits. In the 1990s Moscow partially demilitarised the region. The 14th Army, numbered almost 10,000 in 1992, was later reclassified as the Organizational Group of Russian Forces or OGRF in 1995. Its new commander Valery Yevnevich arrived with a mandate to drastically reduce the stocks of equipment and fuel held at Russian bases in Transdniestria. The number of Russian troops in the territory was progressively reduced.

In the 1990s, Transdniestria was a ‘pet project’ for left-wing and nationalist forces opposed to Boris Yeltsin’s government. They worked with a group headed by Transdniestria’s first de facto president Igor Smirnov, a “Red Director” industrialist, and men like security boss Vladimir Antyufeyev, formerly a Soviet-era police chief in Latvia. This political alliance received more blessing under President Putin and in 2014 Antyufeyev briefly re-surfaced as a serving official in the Russian-created Donetsk ‘People’s Republic’ in eastern Ukraine. However, Transdniestria has always been given a lower priority by the Kremlin than other conflict territories. The Russian authorities pushed for the ‘Kozak plan’ for reunification of Moldova in 2003. They declined to honour a referendum of 2006 in which people in Transdniestria voted for independence and future union with Russia. Most notably, they withheld the international recognition Moscow granted Abkhazia and South Ossetia in 2008

4.3 Negotiations – one step forward one step back

Talks over the Transdniestrian dispute run on both formal and informal tracks. There is both an international negotiation format and frequent direct contact between leaders in Chisinau and Tiraspol. In contrast to other post-Soviet separatist conflicts, the de facto authorities in Tiraspol are accepted as a direct party to the conflict. There is a substantial record of bilateral agreements, dating back to the mid-1990s. One Transdniestrian official asserts that since the

1990s the two sides have signed 187 agreements and that the first step must be to implement them properly.⁷

Moscow unilaterally negotiated the ceasefire of 1992, but the political talks became internationalised in 1993 when the OSCE (initially the CSCE) first set up an office in Moldova. Ukraine joined the talks in 1995. By 2005 this format had become formalised as the 'Five Plus Two' format, convened by the OSCE and comprising the five parties of Moldova, Transnistria, OSCE, Russia and Ukraine, as well as the European Union and the United States.

There is a broad international consensus on what a future political agreement should look like. It is set out in "Report Number 13" of November 1993 in which the Chisinau mission of the (then) CSCE summed up its understanding of the nature of the conflict. The report stated that "the present division of Moldova threatens not only the territorial integrity of the country but stability in Europe as a whole" but also noted "a distinct Transnistrian feeling of identity and an apparent aversion of most Transnistrians against being governed directly from the centre". The report therefore made the case for an eventual solution in which Transnistria should have an autonomous status with special rights but which would not undermine Moldova as a viable national state.⁸

Twelve years later, a law, passed in 2005 almost unanimously by the Moldovan parliament, fleshed out what this constitutional arrangement could mean in practice. It declared Moldova to be a single state, adhering to democratic principles and that the dispute with Transnistria would be solved only by peaceful means. "The negotiation process with Transnistria is conducted so as to achieve the goals of democratisation and demilitarisation of Transnistria." Transnistria was declared to be a "autonomous-territorial formation with special legal status," with its own parliament (Supreme Soviet), symbols and three languages of Moldova, Russian and Ukrainian.⁹

⁷ Interview in Tiraspol, February 2018.

⁸ Document is at <https://www.osce.org/moldova/42307?download=true>

⁹ Text of law is at <http://lex.justice.md/viewdoc.php?action=view&view=doc&id=313004&lang=2>

Both these documents basically set out a basically federal arrangement for Moldova. However, there is widespread scepticism on both sides as to whether this can be made to work in practice. In Transnistria, many say that the Moldovan state, as currently configured, is not a project they want to be part of. They point to the example of Gagauzia as proof that Moldova has not honoured an autonomy arrangement for their territory. Gagauzia is a small non-contiguous region which is home to the Gagauz minority, who are Turkic in origin and language but Orthodox by religion and mostly pro-Russian by allegiance. The region was given special status under a 1994 law, but most observers, including the OSCE, say that most provisions of the law remain on paper and have not been properly implemented.

In what are in many ways mirror-image concerns in right-bank Moldova, the concept of “federalisation” is anathema to much of society. This reflects in particular fears of a solution to the conflict along the lines of the Kozak Memorandum of 2003. This was an initiative pushed by Moscow and its envoy Dmitry Kozak, accepted by Tiraspol and initially agreed to but rejected at the last minute in Chisinau, after the intervention of its Western partners. The draft plan for a “Federative Republic of Moldova” was seen at the time in Chisinau and Western capitals to give unacceptable veto powers to Transnistria in an upper house of parliament created by the amended constitution of a reunified Moldova. Moreover, later additions to the draft text provided for a Russian peacekeeping force in Transnistria after the settlement and up until the year 2020.¹⁰

Why the hostility to a federal solution? This issue shows up deep divisions within Moldova over its future constitutional structure. Many of the more strongly Romanophone parts of it have strong doubts about reintegration of Transnistria into anything less than a unitary state; many of the minority who advocate union with Romania would probably be prepared to live entirely without Transnistria, a territory that was only joined to them in the 1940s. For these people, reintegration could be a proxy for allowing Russia

¹⁰ William H. Hill, *Russia, the Near Abroad and the West, Lessons from the Moldova-Transnistria Conflict*, Woodrow Wilson Center Press, Washington D.C./The John Hopkins University Press, Baltimore, 2012, p.139-148.

to influence their country again by the back door. As William Hill writes,

“Almost all of civil society in Chisinau had severe misgivings about granting nearly equal political status within the Moldovan polity to an entity that was widely perceived as an agent of Moscow, from whose fifty-year rule Moldova had just freed itself. Whether right or wrong, for a substantial portion of Moldova’s educated elite, and perhaps the population as a whole, the issue of federalisation was not just a question of adopting a particular political system. It also involved Moldova’s independence from Russia and very survival.”¹¹

Despite the many differences between Moldova and Ukraine, this point of view has been strengthened since the outbreak of the conflict in eastern Ukraine in 2014, where there are fears that Moscow could try to use the two ‘People’s Republics’ as a Trojan Horse to weaken a new federated Ukrainian state (see Chapter 3).

Since the rejection of the Kozak plan, there has been deadlock in negotiations on the issue of final political status. However, there has been progress on *de facto* integration in other areas. Transdniestria, whose businesses rely heavily on exports to the European Union, quietly signed up to Moldova’s Deep and Comprehensive Free Trade Area (DCFTA) with the EU in 2016 (see below). Many Transdnistrians have taken Moldovan foreign passports, allowing them to travel more freely to the EU.

Since 2016, the OSCE has successfully promoted an “output-based” policy of “small steps” which benefit ordinary people and facilitate *de facto* integration of the two territories. Eleven working groups focus on a range of practical issues. In 2016, under the German presidency of the OSCE, a “package of eight” issues associated with the conflict was identified. They were small but significant for those affected. The eight were: 1) the issue of the recognition (apostolisation) of diplomas from Transdniestria in Moldova, allowing Transdnistriean students to use them to continue their studies abroad; 2) the issue of giving Transdnistriean vehicles registered international licence plates that would allow them to travel

¹¹ Hill, *Russia, the Near Abroad*, p. 61.

beyond the borders of Moldova; 3) the integration of the telecommunications market; 4) the regulation of environmental standards in the Dniester River basin; 5) a review of criminal cases involving citizens from the other side of the river; 6) the operation of schools teaching the Moldovan language in the Latin script in Transdnistria; 7) ensuring access of farmers in Chisinau-controlled territory to farmland in Dubasari in Transdnistria; 8) the re-opening of the Gura-Bicului Bridge across the river, closed since 1992 and other issues of freedom of movement.

The re-opening of the Gura-Bicului bridge in November 2017 was a catalyst for resolution of the other issues. Six of the eight issues had been resolved by the end of 2018. Latin-script Moldovan schools were free to operate in Transdnistria. By March 2019, 240 diplomas from the Taras Shevchenko University in Tiraspol had been apostolised in Chisinau, allowing their holders to study abroad.¹² Several thousand Transdnistrian drivers had taken advantage of the chance to travel outside Moldova in their own cars. The numbers of people affected may have been only in the thousands, but the measures also had a wider symbolic significance. The success of these measures also raised the question of what are the next priorities, if momentum in the talks is to be maintained.

4.4 Politics and society in Transdnistria

In the last few years, Transdnistria has suffered a financial and demographic squeeze, which has changed its social profile and economic outlook. Even more dramatically than Moldova, Transdnistria is a shrinking territory in human terms, hollowed out by large-scale emigration of the working-age population. According to the last Soviet census of 1989, the territory had a population of 679,000. According to the locally organised census of 2004 this had dropped to 555,000. The population was estimated to be 469,000 in

¹² See “One year after the first apostolisation of the diplomas awarded by the Taras Shevchenko University in Tiraspol” <https://gov.md/ro/content/un-de-la-primele-apostilari-ale-diplomelor-de-studii-eliberate-de-catre-universitateataras>

2017, of whom 159,000 were ethnic Russians, 154,000 Moldovans and 125,000 Ukrainians.¹³

Many locals estimate the real population level to be even lower. Similar calculations to the ones used in 3DCFTA reports in Abkhazia and South Ossetia by this author would confirm this. In 2018, 4,500 births were recorded in Transdniestria. If the birth rate is assumed to be the same as in Moldova, with 12 births per year per 1,000 people, this would suggest a population of 375,000.¹⁴

Likewise, 45,086 pupils in primary and secondary education were recorded as being in school education. If, as in Moldova, around 11.5% of the population is in school education, that would indicate a population of 392,000 people.

Of the remaining population, around one third are pensioners. This is a heavy drain on the local budget, around 20% of which goes on supporting pensions (which are also topped up by Russia), and reinforces a public ideology which is conservative and sceptical of reunification with Moldova.

Under its first de facto president Igor Smirnov, Transdniestria was a semi-authoritarian entity, with heavy government control of the media and limited freedom of assembly. There were a high number of arbitrary detentions – an issue that is still a major human rights concern for Transdniestria today.¹⁵ However, Transdniestria has never closed its borders, and its people have always travelled freely back and forth to Ukraine and right-bank Moldova. Moreover, like Abkhazia, the region has developed a habit of competitive politics. To the surprise of many, Smirnov was not only defeated in his third presidential election of 2011, but finished in third place. The man who had been the dominant leader of the region was abandoned not only by his patron, the Russian government, but by the population as a whole. Russia's preferred candidate, Anatoly

¹³ See "Statistical Yearbook of PMR 2018" <http://mer.gospmr.org/gosudarstvennaya-sluzhba-statistiki/informacziya/ezhegodnik-gosudarstvennoj-sluzhby-statistiki/statisticheskij-ezhegodnik-2018.html>

¹⁴ "Statistical Yearbook of PMR."

¹⁵ Thomas Hammarberg, Follow-up Report on Human Rights in the Transnistrian Region, UNDP, 2018 https://www.undp.org/content/dam/unct/moldova/docs/Follow-up_Report_TH_2018.pdf

Kaminsky, polled second and the next leader was the relatively inexperienced parliamentarian, Yevgeny Shevchuk.

Shevchuk's term in office did not usher in greater democracy but was marked by political turmoil and a series of corruption scandals. He lost the presidency in the election of 2016 and the following year fled abroad, together with his wife Nina Shtanski, who had served as the region's de facto foreign minister.

Vadim Krasnoselsky became Transdniestria's third de facto president in 2016. He was backed by the business conglomerate Sheriff which had long been the most powerful economic player in the region and his coming to power formally confirmed their political domination of the territory as well.

Sheriff was founded by Ilya Kazmali and Viktor Gushan in 1993 as a retailing business. Gushan remains, in the eyes of many, the powerful behind-the-scenes 'oligarch' who controls much of what goes in the region. Sheriff is by far the biggest private-sector employer in Transdniestria. It owns a large chain of supermarkets, the well-known Kvint winery and distillery, a chain of petrol stations, a mobile phone provider, the region's Mercedes car-dealership and a television station. It founded Moldova's most successful football club and built a stadium, in which the Moldovan national team plays international matches. Sheriff's status was such that in 2016 the government took out a loan from the company in order to pay off pension arrears.¹⁶

Former leader Shevchuk, who fell foul of Sheriff in 2016, alleged in 2019 that the group had captured Transdniestria. In an interview from exile he said, "At the present moment, there is no competition in Transdniestria, neither in the media, in politics or in the economy. Everything has been privatised by one oligarchic structure. Transdniestria is a caliphate whose religion is money." Needless to say, Shevchuk's critics say that these were the comments

¹⁶ "Правительство Возьмёт Займ на Погашение Долгов по Ежемесячной Надбавке к Пенсиям" ["The Government will take a loan to cover debt for the monthly pension top-up"], *Novosti Pridnestrov'ya*, April 14, 2016. <https://novostipmr.com/ru/news/16-04-14/pravitelstvo-vozmyot-zaym-na-pogashenie-dolgov-po-ezhemesyachnoy>

of a man who had sought to work with Sheriff but failed and had fled with serious corruption allegations levelled against him.¹⁷

4.5 The economy

Transdniestria has suffered an economic downturn over the past few years, due to emigration, reduced direct Russian support, ageing industry and other factors. Its GDP per capita, at just under \$3,000, is lower even than that of Moldova. Sectors that rely on government support such as education (including Transdniestria's main university TSU) suffer from a lack of domestic funding, as well as a lack of access to foreign assistance programmes.

The population has been cushioned from some of the worst effects of this as the unrecognised territory has its own currency, the Transdniestrian rouble, which has not been devalued in parallel with other currencies such as the Moldovan lei or the Russian rouble. But this looks to be unsustainable over the longer run.

In 2018, region's the total GDP was estimated at 13.7 billion Transdniestrian roubles (€812 million at official exchange rates).¹⁸ The official economy relies on four main sources: remittances; direct Russian aid; indirect Russian aid in the form of free gas; and exports from its factories, now connected to the Moldovan Deep and Comprehensive Free Trade Area (DCFTA) with the EU.

Remittances were reported to be worth around \$8 million a month in 2018, 65% of the sum coming from Russia and 14% from EU countries.¹⁹ Russian direct aid comes in two main forms. There is assistance for pension top-ups (known informally as a "Putinka"),

¹⁷ "Беглый президент назвал Приднестровье захваченным государством" ["The fugitive President called Transdniestria a captured state"], EurAsia Daily, June 25, 2019. <https://easaily.com/ru/news/2019/06/25/beglyy-prezident-nazval-pridnestrovo-zahvachennym-gosudarstvom>

¹⁸ Chamber of Commerce and Industry of Pridnestrovie, "2018 Год в Цифрах" ["2018 in figures"] <http://tiraspol.ru/confirmed/2017-goda-v-tsifrah-okonchatelnyie-dannye/>

¹⁹ Pridnestrov'ye, "Динамика денежных переводов" ["The Dynamics of Remittances"], December 5, 2018. <http://newspmr.com/novosti-pmr/ekonomika/17609>

handed out twice-yearly since 2008, which means that pensioners in Transdnistria receive more than their counterparts in right-bank Moldova. The number of pensioners still receiving it was reported to be 146,000 in 2019.²⁰ Originally the top-up was worth around \$15 a month. The amount fell due to devaluation of the Russian rouble and has sometimes been delayed. By 2015 it had dropped to \$9.²¹ Notably, the Russian government did not offer to make up the difference.

For several years, from 2012 to 2017, Russian development assistance also arrived through an organisation named Eurasian Integration, which was reported to have invested 4.5 billion roubles (\$70 million) in Transdnistria, in the construction of schools, kindergartens and medical clinics. There was controversy over this, with allegations that buildings had not been finished and money misappropriated.²²

All of this is dwarfed however by what is essentially a free gas subsidy for Transdnistria provided by the Russian gas giant Gazprom. Moldova receives almost all its gas from Russia via Moldovagaz, a company in which Gazprom has a 50% stake. Moldovagaz then supplies gas both to right-bank Moldova and to Transdnistria. Gazprom sends the bill to Moldovagaz, which does not pay for the gas that goes to Transdnistria – but nor do the authorities there. Over the past decade, the unpaid gas debt for

²⁰ “Александр Мартынов: В Этом Году Существенных Задержек С Российскими Надбавками К Пенсии Быть Не Должно” [“Alexander Martynov: This year there Should not be Significant Delays with Pension Top-Ups,” *Novosti Pridnestrov'ya*, February 13, 2019, <https://novostipmr.com/ru/news/19-02-13/aleksandr-martynov-v-etom-godu-sushchestvennyh-zaderzhek-s>.

²¹ “Российская надбавка для приднестровской пенсии уменьшится” [“The Russian Top-Up for Transdnistrian Pensions will be reduced”], *Bel'tsy Siti*, September 9, 2015, <https://beltsynd.ru/2015/09/09/economy/rossijskaya-nadbavka-dlya-pridnestrovskoj-pensii-umenshitsya>

²² “Приднестровье попросит у России поддержки,” Transdnistria will Ask for Support from Russia, *Sputnik Moldova*, January 16, 2019, <https://ru.sputnik.md/society/20190116/24129424/Pridnestrove-poprosit-u-Rossii-podderzhki.html>

Transdnestria that has accrued with Moldovagaz is estimated at between \$6 billion and \$7.5 billion.

In Transdnestria, the government uses this effectively free gas to charge its customers low prices and also to supply the Kuchugan (Moldova GRES) power plant located in Transdnestria. Owned by Russian energy company RAO-UES, this plant supplies two thirds of right-bank Moldova's electricity.²³

The last source of income for the territory comes from its heavy industrial plants and light industry, which continue to operate and to export products, mainly to Moldova and the European Union. Around two thirds of exports from Transdnestria go west. The largest and biggest employer is the Moldovan Metallurgical Plant (MMZ), located in the town of Rybnitsa and founded in 1985. The plant also benefits from subsidised gas. It produces steel and laminated metal. Up until 2015 the biggest shareholder was the big Russian businessman Alisher Usmanov, but in that year its ownership passed to the de facto authorities in Tiraspol. In recent years, the factory has been running at reduced capacity.

Other factories have prospered since 2006, thanks to agreements allowing them to register as Moldovan companies for the purposes of export. They include the drinks and distillery business Kvint, and textile and shoe companies such as Tirotext and Softshoes.

All these companies have benefited from Transdnestria participating in Moldova's DCFTA with the EU. This happened quietly. The DCFTA with Moldova began operating in 2014. Transdnestria, which was even more reliant on trade with the EU than right-bank Moldova, still traded under Autonomous Trade Preferences until the end of 2015. When that arrangement expired, an agreement was reached by the EU-Republic of Moldova Association Council "to extend the geographic scope of application of the DCFTA

²³ Expert Group, "War by Other Means Kremlin's Energy Policy as a Channel of Influence," April 2019, https://www.expert-grup.org/media/k2/attachments/War_by_other_means.pdf; Victor Parlicov Tudor Șoitu Sergiu Tofilat "Energy and Politics, The Price for Impunity in Moldova," *IDIS Viitorul*, April 2017. <http://www.viitorul.org/files/Policy%20Paper%202017%20-%20Impunitate%20si%20%20intelegeri%20rentiere%20sectorul%20energetic%20ENG%20II.pdf>

to cover the entire territory of Moldova,” including Transdniestria, enabling the region to keep up its trade with EU countries.²⁴ The scheme is another important component in the economic alignment of the two territories, but probably more as a potential than current reality, as implementation has been patchy thus far.²⁵

The details of Transdniestria’s participation in the DCFTA are set out in an unpublished ‘non-paper’. Officials in Brussels admit fairly openly that the DCFTA has political benefits, and have been prepared thus far to overlook lack of implementation by the Transdniestrian side. Tiraspol pledged to drop 50% of customs duties on EU imported goods by 2018, provide “certificates of origin” for its own goods, and comply with EU sanitary standards. To make up for lost revenue, it should then introduce a VAT on sales (a tax which both Moldova and Russia have).

Many businesses in right-bank Moldova have concerns about the deal. One business leader, while welcoming the deal overall, said, “I wouldn’t call it economic integration of two banks, I would call it a parallel integration with EU.” The perception is that Transdniestrian businessmen reap the benefit of the DCFTA without having to undergo the difficult regulatory approximation. A Transdniestrian businessman in the town of Bendery who exports shoes marked MD (for Moldova) to 80 countries, gives a different perspective. He had no complaints about his contacts in EU countries who invited him to trade fairs and were reliable customers. But he said that Moldovan customs behaved in an arbitrary manner and also complained that right-bank businesses received technical assistance from the EU which he was unable to access.²⁶

Legitimate businesses in Transdniestria also suffer from blanket international restrictions on banking services introduced to

²⁴ See Parliamentary Questions, European Parliament, April 4, 2016, http://www.europarl.europa.eu/doceo/document/E-8-2016-001168-ASW_EN.html

²⁵ Vadim Gumene, “DCFTA’s Implications for Foreign Trade of the Transnistrian Region,” 20 March 2019, 3DCFTAs, http://www.3dcftas.eu/system/tdf/Transnistria_trade_Gumene.pdf?file=1&type=node&id=564&force=

²⁶ Interviews in Chisinau and Bendery, February 2018.

crack down on organised crime. In April 2011, the Financial Crimes Enforcement Network, a bureau of the US Treasury, issued an advisory note, recommending that US companies avoid dealings with eight banks in Transdniestria, citing lack of oversight and criminality there.²⁷ As a result of this and other international sanctions, Transdniestrian companies exporting to European countries and further afield must route payments and receipts through as many as three intermediary banks.

4.6 The grey zone

One major reality of the Transdniestrian situation is known to all observers but hard to describe accurately. This is the fact that ever since it came into being as a non-recognised entity in the 1990s, the territory's 'grey' unrecognised status has been useful to a variety of actors, not just in Transdniestria itself but in Moldova, Ukraine and further afield.

The cross-border cooperation has not only had negative effects. Many attribute the success of some of the confidence-building measures in recent years to what could be called 'backroom deals' by powerful players. In the opinion of one Foreign Ministry official in Chisinau in 2018, "I ought to say openly that we were able to achieve a breakthrough thanks to our informal leaders, Plahotniuc and Gushan." Former OSCE ambassador to Moldova, William Hill, a renowned international expert on the conflict, added a Ukrainian element to the picture, calling the progress since 2016 "the result of improved relations between oligarchs: Plahotniuc, the Transdniestrian Sheriff conglomerate head Viktor Gushan, and former Ukrainian President Petro Poroshenko."²⁸

²⁷ See https://www.fincen.gov/sites/default/files/shared/annual_report_fy2011.pdf

²⁸ William H. Hill and David J. Kramer, "The Fight for the Poorest Country in Europe," *The American Interest*, July 2, 2019, <https://www.the-american-interest.com/2019/07/02/the-fight-for-the-poorest-country-in-europe/>; Vladimir Thoric, Margarita Tuzlova, Metin Dzhumagulov, "Poroshenko-Sheriff Business Connections," *Rise Moldova*, March 20, 2018, <https://www.rise.md/english/poroshenko-sheriff-business-connections/>. Poroshenko has family ties to the region. He grew up in the town of Bendery and his parents lived there until the war of 1992.

In the case of Chisinau the reflected aura of progress on Transdnistria was undoubtedly useful for Plahotniuc in his dealings with international partners, as he was criticised for corruption and backsliding on democracy. In the bigger scheme of things, of course, lack of transparency and illegality do not contribute to a sustainable peace. In many respects the two sides are cooperating on smaller issues so as not to do a deal on the bigger issues, while the strength of the grey economy undermines legitimate business development.

Many of the more lurid accusations about Transdnistria have not been substantiated. There is little evidence for example of major smuggling of weapons or nuclear materials through the territory, as sometimes been alleged. However, the territory is a centre for dubious businesses, such as bitcoin mining. The mining of bitcoin crypto currency is not illegal but it is unregulated and consumes large volumes of electricity, conveniently supplied in Transdnistria. Bitcoin transactions are hard to track and have been used for the purposes of money laundering or other illicit activities.²⁹

Some of the shadowy schemes centred in Transdnistria involve Moldova, some Ukraine, some have a wider international scope. One that appears to have illegally profited actors in both Transdnistria and right-bank Moldova stems from the non-transparent gas trade, described above. It was revealed that a shadowy intermediary energy company named Energokapital had enriched people on both sides of the river. Official data shows that in 2015 Chisinau paid Energokapital some \$222 million for electricity, while the intermediary company paid \$129 million to Transdnistria's local gas company.³⁰

Major business interests in Ukraine have also exploited Transdnistria's status for years. The territory has been and remains a major transit route for contraband goods from Ukraine's major port, Odessa – which has always acted as the main metropolis for

²⁹ On bitcoin mining in Transdnistria, see “War by Other Means.”

³⁰ See Virginia Nica, “Moldova Pays High Price for Power Games,” *Balkan Insight*, March 8, 2017, <https://balkaninsight.com/2017/03/08/moldova-pays-high-price-for-power-games-03-07-2017/>; Michael Bird and Andrei Cotrut, “Moldovan energy intermediary company linked to ‘billion-dollar bank theft’ scandal”, *Black Sea*, March 14, 2016, <https://theblacksea.eu/stories/moldovan-energy-intermediary-company-linked-to-billion-dollar-bank-theft-scandal/>

Transdnistria. According to one European official, “Odessa made Transdnistria possible.” In the most lucrative scheme, goods would arrive in Odessa’s port marked for import to Moldova (Transdnistria) thereby escaping Ukrainian customs duties. They would then either bypass Transdnistria altogether or go there and re-enter Ukraine. In the mid-2000s, so much chicken was technically being imported to Transdnistria that it was estimated that on paper each resident of Transdnistria was eating more than 100kg of chicken legs a year.

In response to this, the EU’s border monitoring mission EUBAM was deployed to the region in 2005, with centres in both Odessa and Chisinau. The mission represents the most major contribution by the EU to resolution of the conflict and its associated problems and has expanded to have a staff of 135. EUBAM’s mandate is to monitor and register rather than enforce, but by being an international team with ‘eyes and ears’ on the ground, the mission has undoubtedly curtailed the worst excesses of this contraband trade. In recent years, cigarette smuggling has been the main contraband scheme. In 2012, Moldovan prime minister Vladimir Filat and Transdnistrian leader Yevgeny Shevchuk signed an agreement which facilitated freight rail traffic between the two sides of the river and the establishment of Moldovan customs posts on Transdnistrian territory.³¹

The deal was signed and executed with remarkable speed, illustrating the fact that when mutual interests were at stake, agreement could be reached very quickly. However, there was widespread speculation that the deal also enabled the easy transit of duty-free cigarettes by train between the two territories.

Unverified estimates put the number of cigarettes passing through Transdnistria every year in the billions. When the flow was disrupted, officials on both sides of the river developed another scheme, whereby contraband cigarettes were sold in ‘duty-free shops’ on the territory of Transdnistria. These shops were authorised by a law passed by the Moldovan parliament in 2015. In 2018, an estimated 2.5 million packets of cigarettes passed through Transdnistria, or five times more than the population could

³¹ Text is available at <http://mfa-pmr.org/ru/xDk>

consume. Prime Minister Sandu estimated in July 2019 that between 2015 and 2019, the value of goods imported by the duty-free entities amounted to 2.8 billion MDL (€139 million) and about 75% of the volume of goods sold in these shops was illegal. Many of the duty-free shops were owned by the businessman Ilan Șor, the man at the centre of the major banking fraud scandal.³²

Since the Euromaidan of 2014 Ukraine has tried to restrict illegal cross-border trade with Transdnistria, with mixed results. Border controls have been tightened for individuals. A new border control mechanism was set up provisionally in July 2017, and made fully operational in April 2018, with both Ukrainian and Moldovan customs officers deployed there. This was heralded as the start of serious Kyiv-Chisinau collaboration on the issue of the Transdnistrian border, something many Moldovans had advocated for years, and there are plans for the same controls to be established all along the border with Ukraine.

However, big question marks remain as to whether the activities of EUBAM, the new crossing point, or the installation of new governments in Chisinau and Kyiv will change things fundamentally. There is a strong vested interest in contraband trade not just in powerful business groups across the region but for ordinary people who thereby get access to cheaper goods. Ukraine continues to be a country with multiple centres of power and the old local elite is still in charge of the city and port of Odessa. Profound reforms of governance are needed in both Moldova and Ukraine to change the dynamics that keep Transdnistria as a regional grey zone.

Many challenges now face those dealing with the Transdnistria issue: how to maintain the positive momentum created over the past few years thanks to progress on the “package of eight” measures; how to crack down on the black economy and the region’s status as a smuggling route in a way that focuses on the

³² See for instance Facebook post by Moldovan expert Vladislav Kulminski, since June 2019 foreign affairs adviser to the prime minister, <https://www.facebook.com/vladislav.kulminski/posts/10157491134402905> “Moldova seeks to wipe out cigarette smuggling on eastern border,” *bne IntelliNews*, July 15, 2019, <https://www.intellinews.com/moldova-seeks-to-wipe-out-cigarette-smuggling-on-eastern-border-164372/?source=moldova>

higher-up figures responsible and not the ordinary people associated with it; how to keep sight of the pursuit of a final political settlement while creating better conditions for ordinary people on both sides of the Dniester in the interim; how to improve implementation of the DCFTA in Transdnistria in a way that satisfies businesses in both territories. The good news from this region is that the pragmatic spirit of relations allows for incremental progress and opportunities for economic development, even as a final settlement remains elusive.

5. ABKHAZIA TODAY

THOMAS DE WAAL

Map of Abkhazia



Abkhazia has grown more internationally isolated and dependent on Russia over the last decade. The big political issues about Abkhazia's future remain unresolved, as the Geneva International Discussions are unable to tackle issues of status or security. Isolation has deepened as relations with the patron in Moscow are often strained, Russian aid has been reduced and only a few links with the outside world remain open. The main avenue of cooperation with Tbilisi remains the Inguri Hydro-Electric Power Station, where shared interests may result in stronger cooperation over energy issues. Abkhazia's politics are competitive but within a mono-ethnic framework in which other communities do not have a role and the Georgians of Gali face discrimination. With the local budget strained, the territory's public services are suffering and health and education sectors in particular in need of investment.

5.1 Introduction

Abkhazia today is in the peculiar state of having both entrenched its de facto separation from Georgia but also finding itself in almost complete international isolation. Recognition as an independent state in 2008 by Russia, (followed by Nauru, Nicaragua, Syria and Venezuela, four other countries with no close connections to the region), coincided with the closure of UNOMIG, the United Nations mission in the region, a reduced presence of international NGOs and humanitarian organisations there and a policy of unequivocal support for Georgia by its Western friends. Since then Abkhazia has become more secure and better off but also even more dependent on Russia, financially, militarily and politically. Yet the patron-client relationship is often strained. The two sides argue over several issues and Russian direct assistance has fallen in the last few years.

The reference point for both Georgians and Abkhaz remains the deeply traumatic war of 1992-3, in which Abkhazia suffered widespread destruction, around five percent of the ethnic Abkhaz population perished and almost all the 240,000 ethnic Georgians living in the republic fled or were expelled. Most of Abkhazia still lives with the narrative that Georgia represents a threat and that therefore it cannot allow Georgian IDPs to return and must rely on Russia to provide security. Although attitudes have undoubtedly softened over time, years of mutual isolation mean that the two sides of the conflict now inhabit very different worlds. Most Abkhaz and

Georgians do not share a common language, as Russian-language usage in Georgia has declined and few residents of Abkhazia speak Georgian. Younger Georgians tend to choose English as a foreign language, while Abkhaz have much more limited opportunities to learn English.

There are no reliable census figures but Abkhazia's population is less than half that of the last Soviet census of 1989, when the autonomous republic had 525,000 people. Officially the Abkhaz authorities now put the population numbers at 244,000. The actual figure may be even lower, judging by numbers of schoolchildren and the birth rate, which has fallen since 2012. Almost all the ethnic Georgian population were displaced at the end of the conflict, with around 30,000 of them now living in Abkhazia's southern Gali district. The remainder of the population is comprised of ethnic Abkhaz and Armenians, as well as a small Russian community and other even smaller ethnic groups.¹

Conflict resolution efforts have faltered since 2008 and have become even more difficult in the worsening geopolitical climate between Russia and the West. In the mid-2000s many Abkhaz officials gave visiting European diplomats a friendly reception and in 2006 former Abkhaz leader Sergei Bagapsh published a strategy document entitled "Key to the Future" which expressed a (rather incoherent) aspiration for Abkhazia to be part of Europe, while remaining independent of Georgia. Russian recognition in 2008 and Abkhazia's support for Russia's military intervention in Ukraine in 2014 put the region squarely in the Russian geopolitical camp. This was reinforced by Syria's recognition of Abkhazia's independence in 2018.

¹ The birth rate has fallen from 2,258 in 2012 to 1,768 in 2016. According to official statistics there are just over 28,000 children studying in school. If Abkhazia is assumed to have a comparable population breakdown to Russia and Georgia, then that would put the overall population of the republic at between 150,000 and 200,000. Seasonal migration and dual residence in Gali and Zugdidi regions by many ethnic Georgians further complicate the picture. Population figures for 2017 can be found at http://ugsra.org/ofitsialnaya-statistika.php?ELEMENT_ID=287. Figures on school children and birth rate for 2016 are at <http://ugsra.org/abkhaziya-v-tsifrakh/2016-god.php>

De facto, Abkhaz and Georgian officials present two mutually contradictory positions on the conflict. Georgia's starting point is its territorial integrity and it expends a lot of diplomatic effort at the United Nations to win backing for its territorial rights and the right of return of displaced persons. Since 2008 Tbilisi has also defined Abkhazia and South Ossetia as being "occupied" by Russia and framed the conflict over the two territories as being primarily one with Russia and affording less agency to the Abkhaz and Ossetians. The United States, some European governments and the European Parliament – but not the EU – have adopted the "occupied" term.

In 2019 Georgia's deputy foreign minister Lasha Darsalia asserted that the conflict in Abkhazia was a "deliberately created situation by Russian occupying forces" and "these people [residents of Abkhazia] are literally held as hostages."² With regard to Abkhaz and South Ossetians themselves, the stated policy is one of "reconciliation between divided communities" within the integral state of Georgia. Within this framework the government in Tbilisi makes offers of free healthcare, education and other services.³

The official Abkhaz (and South Ossetian) position – from which there is no public dissent – declares that the status issue is closed, and that Georgia and the rest of the world must "acknowledge reality" and recognise the independence of the two regions. For example, in a statement rejecting the new Georgian plan of 2018 Abkhazia's de facto foreign minister Daur Kove said, "The only step in a better future is Georgia's recognition of the independence of the Republic of Abkhazia and the construction of a full-fledged inter-state dialogue between our countries in order to stability and prosperity for future generations."⁴

² Lasha Darsalia, Presentation at Chatham House, London, March 1, 2019.

³ "Ketevan Tsikhelashvili: 'We are making open and determined peace statement'," Democracy and Freedom Watch, April 4, 2018. <https://dfwatch.net/ketevan-tsikhelashvili-making-open-determined-peace-statement-50197>

⁴ "The commentary of Daur Kove on the new peace initiative of the Georgian government 'A Step to a Better Future'", Ministry of Foreign Affairs of the Republic of Abkhazia, April 5, 2018, http://mfaapsny.org/en/allnews/news/statements_speeches/kommentariy-daura-kove-o-novoy-mirnoy-

5.2 Deadlocked negotiations

Negotiations on the conflict are deadlocked. There have been no bilateral Georgian-Abkhaz talks on the conflict since 2006, which was the last time a Georgian envoy (Irakli Alasania) travelled to Abkhazia. The UN gave up its mediating mission in 2008. Some Track II dialogue initiatives continue in third countries, but are very much under the radar – they were easier to hold prior to the war of 2008.

The parties to the conflict, as well as to the South Ossetia conflict, meet once a quarter at the Geneva International Discussions (GID), which were launched in October 2008 following the Five-Day War of August 2008. The 47th round took place in April 2019. These are “discussions” of current issues of concern rather than proper political talks. Herbert Salber, former European Union Special Representative for the South Caucasus and the crisis in Georgia, said of the GID in June 2016, “The major ambiguity of our Geneva process is that we are tasked to address a dispute, but are not mandated to discuss the core of this dispute, which is the political status of Abkhazia and South Ossetia. We are mandated to deal with the ‘security and stability modalities in/of Abkhazia and South Ossetia’. As a result, we are not exactly in a conflict resolution rational.”⁵

The GID is co-chaired by three diplomats from the European Union, OSCE and United Nations. The United States has observer status. Officials from Abkhazia, Georgia, Russia and South Ossetia attend the talks but without official labels, so as not to occasion arguments about status. There is no discussion of substantive political issues and proceedings are often interrupted by walk-outs. Working Group I is mandated to discuss security issues and Working Group II discusses humanitarian issues. On a couple of occasions, the co-chairs have come close to negotiating a “non-use of force” agreement that Georgians, Abkhaz, South Ossetians and Russians could all accept, but they failed to agree the required language – primarily because each cannot agree who constitutes a “party to the

initiative-pravitelstva-gruzii-shag-k-luchshemu-budushchemu-
/?sphrase_id=1521%20

⁵ Address to the ASRC by Ambassador Herbert Salber European Union Special Representative for the South Caucasus and the crisis in Georgia Vienna, 28 June 2016, <https://www.osce.org/whoweare/248976?download=true>

conflict.” One official who regularly attends the meeting complains that “everything is politicised” and it is hard to get agreement on even small issues, such as environmental cooperation. Small achievements, such as a programme to spray plants at risk of the box-tree moth in Abkhazia, are given outsized attention in the absence of progress on bigger issues.

On the ground the main mediating mechanism takes the form of the meetings of the Incident Prevention and Response Mechanism (IPRM) on the boundary lines of Abkhazia (Gali) and South Ossetia (Ergneti) at which the sides discuss specific security issues and the status of detainees. This mechanism also works in fits and starts. In 2018 meetings were halted as the two sides rowed over the investigation of the killing of two Georgians, Giga Otkhozhoria and Archil Tatumashvili, who died on the boundary lines with Abkhazia and South Ossetia respectively. In June 2018, the Georgian authorities drew up what was called the “Otkhozhoria-Tatumashvili List,” a list of 33 individuals in Abkhazia and South Ossetia who it said should be internationally blacklisted for “murder, kidnapping, torture” and for concealing those crimes since 1991. Both Abkhaz and South Ossetians walked out of IPRM meetings complaining that this list “politicised” the issue.⁶

5.3 Domestic politics and Russian influence

Abkhazia is a multi-ethnic republic which is de facto an ethnocracy. The constitution stipulates that the president must be an ethnic Abkhaz (in Russian “litso abkhazskoi natsional’nosti”, Article 49.) 31 of 35 members of parliament elected in 2017 are also ethnic Abkhaz. The large Armenian community is barely represented in public life. There are sometimes complaints that Abkhaz are “more equal in front of the law than others.”⁷

⁶ Georgia to Blacklist 33 Persons for Grave Human Rights Violations in Abkhazia, S. Ossetia, *Civil Georgia*, June 26, 2018, <https://civil.ge/archives/245041>

⁷ Thomas Hammarberg and Magdalena Grono, “Human Rights in Abkhazia Today,” *Olof Palme International Centre*, July 2018, p 51 <https://www.palmecenter.se/wp-content/uploads/2017/07/Human-Rights-in-Abkhazia-Today-report-by-Thomas-Hammarberg-and-Magdalena-Grono.pdf>

Within that context, there is lively and competitive politics, and elections are mainly free and fair. There was a fiercely contested presidential election in 2004, in which Sergei Bagapsh ultimately prevailed over Raul Khajimba, who was Moscow's preferred candidate. A decade later, in 2014, there were street protests which resulted in the resignation of then leader Alexander Ankvab and Khajimba coming to power. Political debate in Abkhazia is free, and there are independent media outlets such as the *Chegemskaya Pravda* newspaper and the *Abkhazia Inform* news agency. Several NGOs continue to operate freely. One veteran of the civil society sector Asida Shakryl has become Abkhazia's ombudswoman and dares to speak up for the issue of the rights of the republic's Georgian minority.

Khajimba proved to be a fairly weak president and lacked the stature of his three predecessors. His authority was undermined when he controversially pardoned a Georgia militia fighter named Giorgi Lukava who had been imprisoned in Abkhazia – an episode which underlines how strong the political legacy of the conflict with Georgia still is.⁸

Khajimba was re-elected for another term in September 2019. However, the vote was questioned by the opposition and Khajimba was forced from office after street protests in January 2020. The strongest contender to be the next leader is probably parliamentary deputy Aslan Bzhanias, who was the runner-up in the 2014 election, having served as head of the security service under Ankvab. Bzhanias is a strong critic of the current political elite and promises to deliver security and a crackdown on corruption. He did not take part in the 2019 vote when he was taken ill, with evidence emerging that he was the victim of a deliberate act of poisoning.⁹ The political turmoil of the last few years, with the politics of the street determining who leads the republics, has made Abkhazia increasingly weak and

⁸ "The Pardoning of a Georgian Convict could Cost the Abkhaz President his Job," *Jam News*, January 7, 2018 <https://jam-news.net/the-pardoning-of-a-georgian-convict-could-cost-the-abkhaz-president-his-job/>

⁹ <https://jam-news.net/abkhaz-opposition-says-leader-may-have-been-poisoned/>

ungovernable, raising questions as to whether any domestic leader can command proper legitimacy.

Russia does not loom large in everyday politics but is a very powerful behind-the-scenes actor. It was alleged that the ousting of Ankvab in 2014 followed meetings between the opposition and Moscow's main "curator" for Abkhazia, Vladislav Surkov.¹⁰

In the 1990s Russia did not have a coordinated policy on Abkhazia. Some elements in the Russian military and security establishment provided the vital support for the Abkhaz side in the conflict of 1992-3, which helped them to recapture the city of Sukhumi and defeat the Georgian side. At the same time the government of Boris Yeltsin officially cultivated a good relationship with Georgia and supported a sanctions regime against Abkhazia in 1996. Russia worked with the United Nations mission in Abkhazia and officially supported the territorial integrity of Georgia.

In 2002, with Vladimir Putin now president, the policy began to change. In that year residents of Abkhazia were still using Soviet passports as travel documents, but they were set to lose their validity on July 1. The Russian government gave permission for Abkhaz to receive Russian passports in the city of Sochi and 150,000 of them took the opportunity to do so.

Despite Russia's policy of more overt patronage for Abkhazia, patron-client relations remained complicated. In 2004, the Russian authorities were so enraged at the rejection of Moscow's preferred candidate in the presidential election, Raul Khajimba, that at one point the governor of neighbouring Krasnodar region threatened to close the border.¹¹ A compromise was eventually brokered whereby Bagapsh became president and Khajimba vice-president.

In 2008, Russia officially recognised Abkhazia as independent and initiated a policy closer to de facto integration, with heavy financial support. The Russian military is a key actor. Russia has more

¹⁰ "Putin's Aides Meet Abkhaz Leader, Opposition Over Crisis," *RFE/RL*, May 28, 2014 <https://www.rferl.org/a/russian-officials-meet-abkhazian-leader-opposition-over-crisis/25402324.html>

¹¹ Theresa Freese, "Abkhazia: At War with Itself," *Eurasianet*, December 3, 2004. <https://eurasianet.org/abkhazia-at-war-with-itself>

or less absorbed Abkhazia's own military into a "Joint Group of Forces." It keeps a contingent of 3,500 troops in Abkhazia (and a greater number in South Ossetia), as well as around 1,500 FSB security officers and border guards.¹² Under a military agreement signed in 2009, Russia maintains a large base of the 49th Army from Russia's Southern Military District on the Bombora airfield in the city of Gudauta. In 2013 it was reported to have least 41 T-90 battle tanks and 130 outdated APCs. In 2012 it was reported that Russia had deployed long-range S-300 missiles in the territory.¹³

Russia has a de facto veto on many aspects of Abkhazia's political life. Despite (or because of) that, tensions have persisted between Moscow and Sukhumi. On the Abkhaz side there was resentment when Abkhazia was not permitted by Moscow to derive economic benefits from the Sochi Winter Olympic Games of 2014. The Abkhaz leadership has also resisted plans for a new road across the mountains linking Abkhazia with the North Caucasus.¹⁴

Differences were laid bare in 2014 when Moscow unveiled two draft "integration" treaties with Abkhazia and South Ossetia which formalised its role in running the security forces and giving it full control of the borders of the two territories. South Ossetia accepted its treaty, but there was resistance to the first draft of the treaty with Abkhazia. A second version of a re-titled "Union Relations and Strategic Partnership" left many competences with Abkhazia's de

¹² These figures are from 2013. See, Abkhazia: The Long Road to Reconciliation, *International Crisis Group*, April 10, 2013, 3. <https://www.crisisgroup.org/europe-central-asia/caucasus/abkhazia-georgia/abkhazia-long-road-reconciliation>

¹³ "Russian Troops in Abkhazia to Get Air-Conditioned APCs," *Ria Novosti*, April 19, 2013. https://web.archive.org/web/20130420070644/http://en.rian.ru/military_news/20130419/180735302.html; "Russia 'Deploys Missiles' in Breakaway Region of Abkhazia, *BBC News*, March 12, 2013, <https://www.bbc.co.uk/news/world-asia-pacific-10940297>

¹⁴ Sergei Markedonov, "The 2014 Sochi Olympics: A Patchwork of Challenges," CSIS, January 14, 18 https://csis-prod.s3.amazonaws.com/s3fs-public/legacy_files/files/publication/140113_Markedonov_2014SochiOlympics_WEB.pdf

facto authorities, on paper at least, while still provoking criticism from Abkhaz who feared absorption into Russia.¹⁵

One important point that Moscow wanted was removed from the remodelled treaty: a provision for Russians to have a fast track to acquire Abkhaz citizenship. That would give them the right to acquire property – a right all non-citizens of Abkhazia are currently denied. The fear in Abkhazia is that if Russians are allowed to buy property, then all its prime real estate will quickly be snapped up and Russia will very quickly become the legal owner of Abkhazia. A leaked cache of emails by and to Surkov, the author of the 2014 treaty, reveals that the property issue was a key concern in Moscow. It also shows that Moscow was frustrated that it could not control the Abkhaz elite and was speculating about how to buy or win their favours.¹⁶

Russia pursues policies towards Abkhazia that suggest it sees it more as a strategic asset than as a place it genuinely seeks to see develop and prosper. The emphasis is on keeping a military presence at Gudauta, which gives Russia de facto control of 200km of Black Sea coastline and of sending a warning to Georgia about the dangers of aspiring to NATO membership. Diplomatic relations with Tbilisi; have been suspended since 2008. At the same time since 2012 Russia has been pursuing a normalisation policy with the post-Saakashvili government in Georgia in other areas, resulting in the restoration of trade, tourism and communication links.

In several areas Moscow – or to be more precise some Russian political actors – seeks accommodation with Tbilisi in ways that have disquieted Abkhazia. For example, Moscow is still formally committed to fulfil the terms of the Swiss-brokered 2011 agreement whereby Georgia lifted its veto on Russian joining the World Trade Organization and let three “trade corridors” open up between Georgia and Russia, two of them across Abkhazia and South Ossetia, for freight traffic. These corridors are unpopular in Abkhazia and

¹⁵ Thomas de Waal, “Abkhazia: Deeper with Russia,” *Carnegie Moscow Center*, November 20, 2014, <https://carnegie.ru/commentary/57274>

¹⁶ David Batashvili, “‘Surkov leaks’: Glimpse into Russia’s Management of Georgia’s Occupied Regions,” *Clarion Brief*, October 2016.

South Ossetia as cargoes are supposed to be sealed as they pass through, and there is no acknowledgement by Russia that the two territories are supposedly independent countries.¹⁷

Also, the Russian Orthodox Church still values relations with the Georgian Orthodox Church to the extent that it has ruled out the idea of the churches in Abkhazia being allowed to join the Moscow Patriarchate. Orthodox parishes in Abkhazia are still formally – if not in practice – affiliated to the Georgian church.

5.4 Economy and society

Abkhazia is materially better off than a decade ago, but its modest economy has not grown for several years and is heavily reliant on Russian subsidies.

Moscow's recognition in 2008 facilitated a big Russian-funded reconstruction programme, which finally cleared ruined buildings and repaired roads that had been left untouched since the end of the war in 1993. The city of Sukhumi and resort towns close to Russia were greatly improved. Abkhazia acquired a small retail and service sector in the form of shops, cafes and hotels that it had not had since the late Soviet period. Other innovations include an Abkhaz-wide debit-card named Apra that is accepted in most shops.

However, there is now widespread discontent at what is widely termed an “economic crisis”. The government budget for 2019 marked a reduction on previous years. Income was estimated at 9.735 billion roubles (€133 million) and expenditure at 9.841 billion roubles (€135 million), a cut of around 4% from two years previously. This led to Abkhaz parliamentarian, Raul Lolua, calling it “a budget not of development but of stagnation.”¹⁸ The average monthly salary is only 10,000 roubles (around €140).

¹⁷ Thomas de Waal, “Georgia and Russia Inch Towards a Business Deal,” *Strategic Europe*, November 27, 2017. <https://carnegieeurope.eu/strategieurope/74826>

¹⁸ «Парламент принял спорный бюджет Абхазии в первом чтении» [“Parliament adopted the controversial budget of Abkhazia in the first reading,” *EurAsia Daily*, December 6, 2018 <https://eadaily.com/ru/news/2018/12/06/parlament-prinyal-sporny-byudzhet-abhazii-v-pervom-chtenii>

Domestically generated income is modest. Two sectors of the economy generate revenue: agriculture and tourism. Both have experienced problems in recent years. The republic's main agricultural products, citrus fruits and hazelnuts, have been ravaged by the brown marmorated stink bug which hurt the livelihoods of farmers in both Abkhazia and the Samegrelo region of Georgia. By one estimate, more than 80% of Abkhazia was affected by the bug in 2017.¹⁹

Tourism provides income both for large hotels and the 'private sector' of rented rooms. In Soviet times, the beach-resorts of Abkhazia, such as Gagra and Pitsunda, were a premier holiday destination for tourists from across the USSR. In the 1990s these resorts were closed down by the war and its aftermath, while Russians could travel to Turkey and other foreign destinations for the first time. Following Russia's recognition of Abkhazia, tourist numbers climbed sharply. However, over the last three years they have declined again. This may be because of bad publicity about conditions of service and crime in Abkhazia. In 2017, for example, Russian travel agencies warned about a number of robberies committed against Russian visitors.²⁰

At the same time, the Russian government had less interest in advertising Abkhazia as it was heavily promoted tourism in an alternative Black Sea destination, Crimea, after annexing the peninsula from Ukraine in 2015. An Abkhaz journalist reported in September 2018 that 360 medium and large-scale hotels in Abkhazia registered 103,000 guests in 2017, but had only registered 67,000 at the end of the summer season in 2018.²¹

¹⁹ "Stink bug devastates hazelnut crops in Samegrelo and Abkhazia," *OC Media*, September 20, 2017 <https://oc-media.org/stink-bug-devastates-hazelnut-crops-in-samegrelo-abkhazia/>

²⁰ "Абхазский союз туризма" заявил о массовом отказе туристов от поездов," ["The Abkhaz Union of Tourism' reported on a mass refusal of tourists to travel"], *Kavkazsky Uzel*, August 6, 2017, <https://www.kavkaz-uzel.eu/articles/307278/>

²¹ Marianna Kotovo, "Abkhazia's Informal Business Sector," *Jam News*, September 18, 2018. <https://jam-news.net/tourism-abkhazias-informal-business-sector/>

Around half of the government budget is funded through direct assistance from Russia. That does not include two other significant financial contributions from Russia: its military assistance and payment of pensions. The Russian government pays the pensions of some but not all of Abkhazia's 50,000 pensioners and has increased levels to make them closer to those in Russia's neighbouring Southern Federal District.²²

Russia transfers funds to the budgets of Abkhazia and South Ossetia in two ways, through an investment programme and also as socio-economic development aid. Both types of assistance are coordinated with the de facto authorities through an inter-governmental commission. The investment programme mainly funds the building of infrastructure. The development aid covers costs in sectors such as education, healthcare and the police.²³ The level of Russian assistance has declined sharply since 2012 in real terms, partly as a result of the devaluation of the rouble and partly (it can be surmised) due to new and heavy spending commitments in Crimea, Donbas and elsewhere. In 2019 it was projected to be less than \$150 million.²⁴

Abkhazia has an over-sized government and under-funded public services. The republic's de facto state structures absorb a huge

²² "Time to Talk Trade," International Crisis Group, May 24, 2018, 34. <https://www.crisisgroup.org/europe-central-asia/caucasus/georgia/249-abkhazia-and-south-ossetia-time-talk-trade> Deputy Prime Minister Dmitry Serikov said that only 30,000 pensioners received Russian pensions (In this article he is also quoted as saying there are 70,000 pensioners in Abkhazia, but this higher figure include may include other social welfare categories). See "Часть Депутатов Недовольна Проектом Республиканского Бюджета На 2018 Г," [Some Deputies are Unhappy with the Draft Republican Budget for 2018"] Abkhazia-Inform, December 11, 2017, <http://abkhazinform.com/item/6808-chast-deputatov-nedovolna-proektom-respublikanskogo-byudzheta-na-2018-g> Many Abkhaz of younger pension age have been told that they are not eligible for Russian pensions on ground that they are too young or for other reasons. See Yelena Zavodskaya, "Российские граждане, но без пенсии" ["Russian citizens but without a Pension"], Ekho Kavkaza, March 19, 2018. <https://www.ekhokavkaza.com/a/29109735.html>

²³ "Time to Talk Trade," 33.

²⁴ "Time to Talk Trade," 31.

amount of the budget, something that draws criticism from independent analysts. One of them, the economist Khatuna Shat-Ila noted in November 2018 that Abkhazia had 15 ministries (not mentioning various “state committees”) which required financing. She calculated that it cost 1.4 million roubles a year to maintain each parliamentary deputy while only 700,000 roubles annually were spent on each village in Abkhazia. She wrote, “From the example of the budget it is obvious that the actions of our authorities create something that resembles a corporate enterprise. That is why both business and criminal organisations want to join this corporate enterprise.”²⁵

Successive Abkhaz leaders have pledged to crack down on organised crime, with only limited success. The situation is acknowledged to be better than the lawless days of the 1990s, but de facto law enforcement bodies are weak and criminals (mainly local ones) use the shadowy international status of Abkhazia to avoid justice.²⁶ High-level corruption is a persistent issue. Former leader Alexander Ankvab made tackling this problem his chief slogan – only to be accused himself in 2019 of having done a deal with an obscure Cyprus-based company for an oil-exploration contract.²⁷

Public services, such as education and health, are poorly funded. The education sector was allocated 354.1 million roubles (€4.5 million) in the 2019 budget. Russian aid has funded physical infrastructure but much less money has gone into teacher training and there are universal complaints about the quality of teaching at all levels of education. Abkhazia’s only university, AGU (Abkhaz State

²⁵ «Абхазия: Кризис и Пути Выхода из Него,” [“Abkhazia: the Crisis and Ways out of it”], *Abkhazia-Info*, November 29, 2018 <http://abkhazinform.com/tochka-zreniya/item/8139-abkhaziya-krizis-i-puti-vykhoda-iz-nego>

²⁶ «Рауль Хаджимба: В Работе МВД не все так Гладко, как Представляется в Отчетах,” [“Raul Khajimba: in the work of the MIA it’s not as Smooth as Presented in Reports,” *Abkhazia-Info*, June 20, 2016, <http://abkhazinform.com/item/4000-raul-khadzhimba-v-rabote-mvd-ne-vse-tak-gladko-kak-predstavlyaetsya-v-otchetakh>

²⁷ “Former Abkhaz president Ankvab accused of corruption deal in oil contracts,” *Jam News*, February 22, 2019. <https://jam-news.net/former-abkhaz-president-ankvab-accused-of-corruption-deal-in-oil-contracts/>

University) has a well-respected but elderly leadership, lecturers earning only a few hundred euros a month and hundreds of students keen to learn but cut off from global trends in education. Better-off students go to Russia. There were reported to be 1,691 students in Russian higher education in 2018.²⁸

Lack of funding in the health system means that diseases such as HIV, Hepatitis C and tuberculosis are unusually prevalent in Abkhazia. According to the authoritative 2017 human rights report on Abkhazia by Thomas Hammarberg and Magdalena Grono, “The health system has not been reformed and doctors often struggle to make ends meet both in terms of the resources at hand, and their remuneration. The doctors – educated in the Soviet times or in Russia – cite a high demand for professional update training, and say their lack of access to new methodologies and health protocols is a serious problem. Several doctors cited ad hoc specialised training provided by the Russian Federation as very useful, and would be very keen on more professional qualification opportunities and exchanges, also beyond Russia. Health authorities cite blood-borne infectious diseases, cancer, cardio-vascular diseases and diabetes as the greatest public health concerns.”²⁹

Citizens with money seek good-quality healthcare in Georgia or Russia. In 2017, the Georgian government reported that 1,137 residents of Abkhazia crossed the boundary line and received free medical treatment in Georgia proper. The Georgian authorities have also constructed a new hospital just outside Zugdidi near the border-line.

Abkhazia also suffers from serious environmental problems, which are not being addressed in the budget or by Russian funding and which are exacerbated by the absence of international expertise in the republic. In addition to the brown marmorated stink bug, the box-tree moth caterpillar, mistakenly imported into the region from

²⁸ “Абитуриентам из Абхазии будет Проще Поступить в Российские Вузы”, [“It will be Easier for Applicants from Abkhazia to Apply to Russian Universities,”] *Abkhazia-Inform*, December 13, 2018. <http://abkhazinform.com/item/8200-abiturientam-iz-abkhazii-budet-proshche-postupit-v-rossijskie-vuzy>

²⁹ Hammarberg and Grono, 43.

Italy in 2012, has devastated trees and vegetation. Other problems include: water contamination, in the sea, rivers and the Jvari reservoir; declining fish-stocks; urban pollution due to untreated sewage in Sukhumi and other towns; the threat of eutrophication (an influx of nutrients reducing the oxygen in the Black Sea.).

In 2017, an explosion at an unmonitored ammunition dump in the village of Primorsky exploded. Three people were killed and 64 were injured. Twelve houses were completely destroyed and over 100 damaged. The fallout from the blast littered the village and surrounding land with thousands of explosives including huge aircraft bombs. For months there was no proper clear-up. The site was eventually cleared by the British de-mining NGO, the Halo Trust.³⁰

Road safety is a big issue of public concern. Abkhazia's roads are perhaps the most dangerous in Europe. In the ten months from January-October 2018 there were 120 road accidents, causing 42 deaths and 174 people serious injuries. The highest-profile casualty was former prime minister Gennady Gagulia, who was killed in September 2018 in a collision with a 22-year-old driver who was arrested. The problem is attributed to a toxic combination of under-funding, weak law enforcement and a Caucasian macho culture of dangerous driving.³¹

Within Abkhazia there is some debate about how to strengthen the domestic economy to give the republic a development strategy and deal with these problems. There is currently little prospect of vastly increased trade with Russia. Trade with Turkey, almost all carried out in a circuitous manner by sea through Russian waters, is hard to quantify - even though it is probably worth tens of million dollars a year. Being irregular, it is also not subject to quality inspection. Abkhaz food products go to Turkey unlabelled. This raises the question of whether Abkhazia could follow the example of Transnistria and get the trade preferences available under

³⁰ "The Road to Recovery: Primorsky One Year on," *The Halo Trust*, July 29, 2018. <https://www.halotrust.org/media-centre/impact-stories/primorsky-one-year-on/>

³¹ Eleonora Giloyan, "Alcohol, speeding and corruption - Abkhazia's terrifying road safety statistics," *Jam News*, February 20, 2019. <https://jam-news.net/alcohol-speeding-and-corruption-abkhazias-terrifying-road-safety-statistics/>

Georgia's DCFTA agreement with the European Union. Emissaries from the European Commission made this proposition to Abkhaz officials in 2017 and 2018 but without much positive response.

Circumstances are less favourable for this arrangement than they are with Transdnistria. Transdnistria has no common border with Russia but is sandwiched between right-bank Moldova and Ukraine, both of which have agreed a DCFTA with the EU. It has a developed industrial base and produces goods, such as textiles and shoes, which are attractive on the European market. The dispute is less toxic and it is more politically acceptable for Transdnistrians to take Moldovan passports and register as Moldovan companies. Unlike in Moldova, economic ties with Abkhazia were cut after the war when transport communications (the railway line, airport and sea-port) were shut or remained closed and then a Commonwealth of Independent States sanctions regime was imposed on the republic in 1996, with the partial support of Russia. Economic activity began to resume only in the 2000s, when Russia changed its policy but connections with Georgia had been sharply curtailed and are not the resource for people-to-people contacts and confidence-building measures that they are in Moldova.

Independent analyst Rustam Anshba argues, "Abkhazia is different. It has no such incentive to maintain trade links with Georgia. Its economy was built around tourism, niche agriculture (like wines and tangerines) and the production of raw materials primarily used in local construction work. The Georgian peace initiative only offers the possibility of selling goods originated in Abkhazia in Georgian and European markets. This means that Abkhaz products would have to comply with the regulations and standards of the European Single Market, which is not realistic for Abkhaz producers. Abkhaz production is very limited in quantity and variety and has never been exposed to the regulated business culture of the EU. But it does have well-established trade links with Russia."³²

³² Rustam Anshba, "Georgia's Overtures to Abkhazia and South Ossetia Are Flawed," *Chatham House*, 26 November, 2018, Chatham House <https://www.chathamhouse.org/expert/comment/georgia-s-overtures-abkhazia-and-south-ossetia-are-flawed>

Others say that Abkhazia should be looking to legalise its trade with Georgia. There is plenty of informal trade across the River Inguri and the market in Gali is full of household goods from Georgia. However, the trade is not regulated and under the 2008 Law on Occupied Territories, Georgian companies are prohibited from engaging in economic activity without receiving official permission from the government. (Thus far only the Inguri Hydro-Electric Power Station receives this permission). There are also restrictions from the Abkhaz side, although not so rigorously enforced. In a commentary of May 2018, Abkhaz newspaper editor and commentator Inal Khashig made the case that formalising trade with Georgia was a “patriotic” policy. He noted that there was a “missing billion” roubles in Abkhazia’s budget for 2017 which could be filled this way: “[I]n my deep conviction, the real patriotism is to provide our citizens with a decent standard of living. You want to know where to get the billion? It lies right under your feet.”³³

This would be a prelude to more formal trade with the European Union coordinated with Georgia. Any agreement would have to come up with a “status-neutral” formula for a certificate of origin that would be acceptable to Tbilisi and also a mechanism for ensuring that goods can be inspected to ensure they meet European quality standards, requiring inspection.

5.5 Inguri power division

The two sides in the conflict work together to manage one project, the Inguri-GES, the hydro-electric power station on the Inguri River which runs between Abkhazia and the Samegrelo region. The power station dates back to the 1970s and is the biggest in the South Caucasus. Its dam is 271 metres high and the sixth tallest in the world. It has its reservoir in government-controlled Georgia, but a concrete tunnel (bored 500 feet deep in a mountain ridge) channels water to a series of generators on the Abkhaz side. The station is managed and run by a Georgian company and more than 400 Georgian workers, all of whom are permitted to work on the Abkhaz side.

³³ Inal Khashig, “Commentary: Where is Abkhazia’s missing billion?”, *Jam News*, May 11, 2018. <https://jam-news.net/commentary-where-is-abkhazias-missing-billion/>

Under an informal agreement struck in 1996, 60% of the electricity generated by the power station goes to the Georgian side (covering just under half of Georgia's energy needs) and 40% to the Abkhaz side, an amount which usually covers all the republic's power needs and is sometimes re-exported to Russia. The outcome is that Tbilisi is effectively funding Abkhazia with free electricity in order to keep the station running. Abkhazia uses the power very wastefully, according to the head of the station, "In Tbilisi, the price of electricity is 20 tetri [per kw/h, about 7 cents], but in Abkhazia – 1.6 tetri, this is just impossible."³⁴

The station needs modernising and constant repairs, much of which is funded by foreign donors, chiefly the European Bank for Reconstruction and Development. In February 2019, due to low water levels on the river, electricity was rationed in Abkhazia and there were power cuts. The Georgian government paid the Russian company Inter RAO to supply Abkhazia with extra power, receiving criticism from the opposition for doing so.³⁵

Georgian expert Valeri Basaria calls the Inguri power station "an example of cooperation out of necessity" and cautions that believing it is a model for other joint projects is a "case of wishful thinking".³⁶ Rather, thus far the two sides have learned to work together due to a rather opaque top-level agreement that has not been replicated elsewhere and which also has had the negative result of feeding chronic energy inefficiency in Abkhazia.

However, there are now tentative plans by the de facto government in Abkhazia, initiated by Aslan Basaria, director of the

³⁴ Marina Kobakhia, "Abkhazia: life without electricity," *Jam News*, February 26, 2019. <https://jam-news.net/abkhazia-life-without-electricity/>

³⁵ "Грузинская оппозиция потребовала расследовать закупку электричества для Абхазии," ["The Georgian opposition has demanded an investigation into the purchase of electricity for Abkhazia,"] *Ekho Kavkaza*, March 5, 2019. <https://www.ekhokavkaza.com/a/29803980.html>

³⁶ Valeri Basaria, "The Inguri hydropower station: why this model of trans-Inguri economic cooperation remains the only one," in "Regulating trans-Ingur/i economic relations Views from two banks," *International Alert*, July 2011, 20. https://www.international-alert.org/sites/default/files/Caucasus_TransInguri_EconRelationsViews_EN_2012_0.pdf

energy company, Chernomorenergo, to put Abkhazia's energy market on a more secure footing, by charging businesses more systematically and metering homes. Basaria has said he has closed down much of the shadowy bitcoin mining industry in Abkhazia, which relies on cheap electricity. These moves would make Abkhazia a more reliable energy partner for Tbilisi and perhaps pave the way for cooperation in other areas.³⁷

5.6 Tbilisi's policy

Tbilisi's policies have evolved since the 1990s. In 2014 there were still officially 259,000 people (86,000 families) registered as IDPs in Georgia, the majority of them from the Abkhazia conflict of 1992-3. Around a third of them were living in Samegrelo region (Mingrelia) adjoining Abkhazia.³⁸ More than two decades after the conflict, most IDPs have left behind poor living conditions and have integrated into Georgian society, while the conflict of 2008 has further dimmed hopes of return.

Georgians from Abkhazia also have less political influence than before. There is still a "government in exile", headed until the spring of 2019 by a former parliamentarian from Abkhazia, Vakhtang Kolbaia. Article 37 of Georgia's constitution states that, "Following the full restoration of Georgia's jurisdiction throughout the entire territory of Georgia," a second chamber of parliament will be established comprising members from the autonomous republics of Abkhazia and Ajaria as well as "other territorial units of Georgia." (South Ossetia has no formal autonomous status and is not named.)³⁹ Abkhaz is also named as the official language of Abkhazia.

Since 2012 there has been a retreat from policies aimed at isolation and more sustained effort to offer Abkhaz-Georgian government services – if residents of Abkhazia choose to cross into Georgian government-controlled territory. Paata Zakareishvili,

³⁷ Author interview; Giorgi Lomsadze, "Could cryptocurrency leave Abkhazia in the dark?" *Eurasianet*, December 12, 2018. <https://eurasianet.org/could-cryptocurrency-leave-abkhazia-in-the-dark>

³⁸ Figures are at <http://www.mra.gov.ge/eng/static/55>

³⁹ Constitution of Georgia can be found at <https://matsne.gov.ge/en/document/view/30346?publication=35>

chosen by the Georgian Dream government to be in charge of the file on Abkhazia and South Ossetia, changed the name of his ministry from “Ministry of Reintegration” to “Ministry of Reconciliation and Civic Equality”. Zakareishvili stepped down in 2016.

In 2018, an initiative was unveiled by prime minister Giorgi Kvirikashvili and minister of reconciliation Ketevan Tsikhelashvili, entitled “A Step Towards a Better Future”, offering Abkhaz and South Ossetians chances to trade with Georgia and some innovative ways of receiving Georgian healthcare, education and other services. Primarily, Abkhaz and South Ossetians would be eligible, without obtaining official Georgian ID, to register for a “personal number” giving them a right to these services. A number of service centres would be established in the village of Rukhi, near the boundary line with Abkhazia.⁴⁰

These initiatives were rebuffed by Abkhaz officials as offers of reintegration, albeit soft ones. Some other activities have been more successful. The two sides have exchanged archival materials, enabling the Abkhaz archive to get copies of some of the documents which were burned by Georgian militiamen in 1992. Perhaps the most successful project has tackled the painful issue of missing persons buried in unmarked graves during the conflict of 1992-93. A total of 2,258 people are still reported as missing. The International Committee of the Red Cross (ICRC), with funding from the EU, began work in 2013 to exhume bodies for reburial. In December 2018 Nicolas Fleury, the ICRC operations coordinator for Europe and Central Asia, reported “Since the establishment of the coordination mechanism, the mortal remains of 431 people have been found and exhumed, out of which 148 were identified and handed over to their families for a dignified burial.”⁴¹ This process healed many lingering psychological wounds from the conflict and was widely reported on both sides of the conflict divide.

⁴⁰ Text of “‘A Step to a Better Future’ Peace Initiative Facilitation of Trade Across Dividing Lines” http://smr.gov.ge/Uploads/Concept_EN_0eaaac2e.pdf

⁴¹ “A step further in the search for persons missing in connection with 1992-93 armed conflict in Abkhazia,” *International Committee of the Red Cross*, December 4, 2018. <https://www.icrc.org/en/document/step-further-searchfor-persons-missing-connection-1992-93-armed-conflict-abkhazia>

One issue remains extremely vexed between the two sides, that of Gali region. The most easterly region of Abkhazia, it has for decades had an almost exclusively Georgian population, of Mingrelians, who also speak Mingrelian, a language related to Georgian. There are an estimated 50,000 people in the region. After the conflict ended in 1993, most of the Gali Georgians returned to their homes, while freely crossing the Inguri River to Zugdidi region, where many of them had properties or relatives. They were the main traders of both legal and illegal goods, between western Georgia and Abkhazia.

The conflict divide made life complicated for the Gali Georgians with both Sukhumi and Tbilisi and they never received strong government assistance from either. (One international official once described them as “children with two stepmothers”.) These problems have worsened since 2008, as Abkhazia has built up its de facto statehood and tightened controls on the boundary line on the Inguri. In 2017, all crossing points across the river except one were closed, making travel much more inconvenient for locals. Most locals are forced to cross the bridge on foot in all weathers. In January 2019, Temur Nadaraia, head of Gali district, ordered even that crossing point closed for a month, citing fears of bird-influenza coming across from Georgia.

In recent years Gali residents have suffered from two problems: a ‘documentation gap’ in which they do not have the right documents to live and work on both sides of the Inguri, and restrictions on Georgian-language education.

Residents of the region had long used dual documentation, using residence cards or old Soviet ID documents on the Abkhaz side, and Georgian passports on the Georgian-controlled side. After 2008, however, Abkhazia began to insist that all its citizens should use Abkhaz passports and officially permitted dual citizenship only with Russia. This created awkward problems for the people of Gali, which were exacerbated by the opposition to Alexander Ankvab, who claimed that he had unfairly gained the presidency thanks to “Georgian votes” in Gali. (Almost no one from Gali then voted in the 2014 election on the grounds that they did not have the right documents.) In 2019, few Gali residents had taken Abkhaz passports, rendering them effectively second-class citizens in Abkhazia, unable

to properly register births or marriages for example. Many evidently keep their Georgian passports, even though this was illegal from Abkhazia's point of view.⁴²

Thomas Hammarberg and Magdalena Grono write, "The frustration that Gali residents expressed was deep and widespread. Some said the lack of a clear status made it impossible for them to plan for their future lives and for those of their children, who typically cannot get the necessary documents to set up their independent lives in Gali, to marry or to acquire a home. Others said they were not regarded 'as worthy of a paper' that would legitimise them, but were still required to pay Abkhaz taxes."⁴³

Georgian-language education is also a big concern. Eleven schools in the lower Gali district continued instruction in Georgian unhindered until the summer of 2015. However ahead of the 2015-2016 school-year, the Abkhaz government announced a switch into teaching in Russian and Georgian teaching was gradually phased out. This was contrary to the wishes of parents – and their right to mother-tongue education – and despite a lack of Russian-speaking teachers and teaching materials. Georgian has continued to be taught only as a foreign language. As a result, many Gali parents have moved their children to Zugdidi so that they can continue Georgian-language education there. This situation is strongly condemned in Georgia and has been frequently raised at the Geneva International Discussions.⁴⁴

5.7 The international outlook

Abkhazia has become more internationally isolated since 2008. Georgia's Law on Occupied Territories penalises activities in Abkhazia not authorised by the Georgian government and anyone who crosses into Abkhazia from Russian territory, across the River

⁴² Hammarberg and Grono, p 62. On Gali see also the Conciliation Resource report "The Realm of the Possible Finding ways forward in the Georgian-Abkhaz context: People in the Gal/i region," July, 2015. https://www.c-r.org/downloads/CR_The-Realm-of-the-possible_Gal-i_43_webEn.pdf

⁴³ Hammarberg and Grono, p 62

⁴⁴ Hammarberg and Grono, p 35-36

Psou. This has deterred several Russian organisations from working in Abkhazia.

Abkhaz have restricted opportunities for foreign travel. Almost all of them refuse to take Georgian passports on principle (in contrast to Transdnistrians or Turkish Cypriots). Even if they were tempted to do so, the social stigma attached to taking Georgian documents would be too high. This applies to the “neutral travel documents” issued by the Georgian government since 2011. They do not carry Georgian state symbols, but do have a Georgian-issued international code and must be collected on Georgian-controlled territory. Almost no residents of Abkhazia have taken these documents.

Up until 2002 most residents of Abkhazia used old Soviet passports, but then took up Russia’s offer of Russian foreign passports. Since 2008, however, Russia has issued far fewer passports on the grounds that Abkhazia is in its eyes an internationally recognised state. This means that the younger generation in Abkhazia only have an Abkhaz passport and very few chances to go abroad.

Abkhaz look to Turkey as their second patron, but there is a divide between Turkish official policy and that of society. Up to half a million “Çerkes” live in Turkey, the descendants of the North Caucasian Circassian and Abkhaz “muhajirs” brutally deported to the Ottoman Empire in the 1860s and 1870s at the end of the Caucasian Wars. They are an influential community with several parliamentarians. Abkhaz groups frequently visit Turkey and former leader Sergei Bagapsh visited in 2011, ostensibly on health grounds. Turkish parliamentarians and journalists also visit Abkhazia via Russia.

However, Turkey values a strong bilateral friendship with Georgia and is its biggest trading partner, so the Turkish government always reaffirms its support for Georgia’s territorial integrity including Abkhazia. Turkey does not seek a mediating role in the dispute, despite being well-placed to do so.

There is substantial, if undocumented, trade between Turkey and Abkhazia, mainly from the port of Trabzon, which is a source of tension between Tbilisi and Ankara. Ships travel to Russia’s territorial waters around Sochi and from there make the journey to Sukhumi, where they are frequently seen in the harbour. Turkey supplies food and textiles which is resold in wholesale markets and

shops, as well as construction materials. Abkhazia exports coal and timber as well as fish and hazelnuts, none of it formally registered.⁴⁵

In the period 2008-2011, there were frequent incidents involving Turkish ships travelling to Abkhazia, which were detained by the Georgian side. At one point in 2010, the Georgian side held five Turkish vessels. Former Georgian deputy foreign minister Sergi Kapanadze has argued that the trade could be legalised if for example the Turkish ships also stopped in Georgian ports.⁴⁶ There are certainly reasons for all parties to regularise the trade. It is also possible to envisage the setting up some kind of inspection process similar to that of EUBAM in Moldova and Ukraine for Transdnistria, to ensure that normal goods are permitted but smuggling is halted.

Syria and Jordan are also home to communities of Abkhaz descendants. In 2012-13 Abkhazia invited Syrian “muhajirs” to resettle there. In July 2013, 467 were reported to have done so. The issue was mostly symbolic, a statement that Abkhazia’s history was still meaningful and that the republic was mature enough to offer humanitarian aid, not just receive it. But it also paved the way for Syria’s recognition of Abkhaz independence in 2018.⁴⁷

The main international agency present in Abkhazia is the UNDP, which coordinates an aid programme via Georgia, focusing on health and environmental issues. A very few international NGOs, such as the Halo Trust, operate in the republic. However, European organisations are barely represented, even when it comes to softer engagement such as the health sector or teaching of English.

⁴⁵ See: Sergei Kapanadze, “Turkish Trade With Abkhazia: An Apple Of Discord For Georgia,” *Turkish Policy Quarterly*, Fall 2014 <http://turkishpolicy.com/Files/ArticlePDF/turkish-trade-with-abkhazia-an-apple-of-discord-for-georgia-fall-2014-en.pdf>; and Hasan Kanbolat, “A new era in Turkey-Abkhazia relations,” September 2, 2014 republished at <https://abkhazworld.com/aw/analysis/1256-a-new-era-in-turkey-abkhazia-relations-by-hasan-kanbolat>

⁴⁶ See Kapanadze, “Turkish Trade”.

⁴⁷ “467 compatriots have returned to Abkhazia from Syria,” *Abkhaz World*, July 11, 2013. <https://abkhazworld.com/aw/diaspora/128-467-compatriots-have-returned-to-abkhazia-from-syria>

In 2009 the EU approved a Non-Recognition and Engagement Policy (NREP) for Abkhazia and South Ossetia. The twin pillars of the policy were designed simultaneously to reassure Georgia of the EU's support for its territorial integrity, while promoting enhanced engagement with Abkhazia. (Although the policy also mentions South Ossetia, in practice the de facto authorities there rejected European involvement there after the 2008 war). "One pillar is not thinkable without the other," Semneby explained in 2011. Semneby made the case that the EU had its own intrinsic interest in engagement as "The EU cannot afford white spots to develop on the map of its immediate neighbourhood" and "The unresolved conflicts in Georgia remain a serious security threat to the EU."⁴⁸

An active counter-campaign for non-recognition of Abkhazia by the EU and the United States has been broadly successful. Notably, Belarusian leader Alexander Lukashenko opted not to recognise Abkhazia and South Ossetia, despite pressure from his Russian ally, after intense lobbying from EU foreign policy chief Javier Solana.⁴⁹

Engagement has been modest, constrained by caution on both the Abkhaz and Georgian sides, as Brussels has put a much greater priority on bilateral relations with Tbilisi than on the Abkhazia conflict. Moreover, the non-paper formulating the basis for the NREP was never published and its profile remained low. In the decade after 2008, the EU spent €40 million on projects in Abkhazia or involving Abkhaz partners, according to an EU official. These included supporting local NGOs, improving healthcare and education, repairing water facilities, rebuilding houses in Abkhazia's southern Gali district, and working to find missing persons.

The United Kingdom and Switzerland are probably the most active bilateral European donors. The UK also enables Abkhaz students to apply for post-graduate Chevening Scholarships under the category of "South Caucasus", thus side-stepping the status issue.

⁴⁸ "Statement by the EUSR for the South Caucasus Peter Semneby, OSCE Permanent Council, Vienna 10 February 2011" http://www.europarl.europa.eu/meetdocs/2009_2014/documents/dsca/dv/dsca_20110315_10/dsca_20110315_10en.pdf

⁴⁹ Press Conference by Alexander Lukashenko, October 17, 2014 http://president.gov.by/ru/news_ru/view/press-konferentsiya-prezidenta-respubliki-belarus-aglukashenko-zhurnalistam-rossijskix-regionalnyx-sredstv-10025/

The British NGOs Conciliation Resources and International Alert have supported the small but important non-governmental sector in Abkhazia for many years. Previously this sector played a key role in dialogue initiatives with the Georgian side. Those contacts continue, although more quietly than before. The NGOs have been criticised in the Russian media outlets in Abkhazia. There has been speculation about a “foreign agents” law being passed analogous to the one in Russia, which would restrict the activities of organisations receiving foreign funding – an initiative that is strongly opposed by many in Abkhazia.

In contrast to the far-reaching debates on political issues that took place prior to 2008 (such as the Schlaining Process) most internationally-moderated Abkhaz-Georgian dialogue meetings now focus on technical issues such as the environment and education.⁵⁰ The emphasis is on development and on keeping channels open with the outside world and with Georgia.

⁵⁰ On the Schlaining Process, moderated by Conciliation Resources, see <https://www.c-r.org/resources/politics-and-mediation-schlaining-process>

6. SOUTH OSSETIA TODAY

THOMAS DE WAAL

Map of South Ossetia



South Ossetia has all but disappeared from international view since the Georgia-Russia conflict of 2008. In the last decade, despite heavy Russian investment, the region has become much more internationally isolated and depopulated than before and is being used by Moscow to pressure Tbilisi and channel funds to the breakaway Donbas regions. Yet links with Georgia proper remain and there are still prospects for renewed Georgian-Ossetian practical cooperation.

6.1 Introduction

The modern history of South Ossetia is a tragic one in which a generally peaceful region was first dragged into an unnecessary war with Georgia in the 1990s, then became the centre of the Georgian-Russian conflict of 2008. Since then it has been granted what has been described as “unwanted independence”, which in practice means isolation, economic depression and de facto Russian military annexation. On a personal level, this isolation hurts Ossetians as much or even more than Georgians. Many mixed Georgian-Ossetian families have been divided. The South Ossetian economy has withered, deprived of its traditional economic links with neighbouring Georgian towns.¹

Since the 2008 conflict, South Ossetia has become even more cut off from the world than Abkhazia. International recognition by Russia, Nauru, Nicaragua, Syria and Venezuela means nothing in practice. No international organisations, except the International Committee of the Red Cross, have had a permanent presence there. The de facto border with Tbilisi-controlled territory, referred to in international practice as the “Administrative Boundary Line” or ABL, is much more closed than the one with Abkhazia. Up until 2008, South Ossetia used to have a substantial ethnic Georgian population. After the war, inhabitants of the 21 ethnic Georgian villages in the districts of Tskhinvali and Znauri, fled as did those of Perevi, a village on the western edge of South Ossetia.²

¹ Stephen F. Jones, “South Ossetia’s Unwanted Independence,” *Open Democracy*, June 10, 2014. <https://www.opendemocracy.net/en/odr/south-ossetias-unwanted-independence/>

² “South Ossetia: The Burden of Recognition,” *International Crisis Group*, June 7, 2010.

Since 2008, exploiting a lack of clarity about demarcation lines, Russians and South Ossetians have engaged in what an aggressive tactic of what has been termed “borderisation”, reinforcing the boundary with fences and barbed wire, moving posts and fences hundreds of metres into Tbilisi-controlled territory.

The region’s misfortune is highlighted by a drastic demographic decline, which is even worse than that of Abkhazia or Transdniestria. The last Soviet census of 1989 recorded the population of South Ossetia as being 98,000, of whom 65,232 were Ossetians and 28,544 Georgians. The wars of 1990-92 and 2008 resulted in a big population flight. In 2015, the population of South Ossetia was officially recorded as 53,438, including just under 4,000 ethnic Georgians, most of them in the town of Akhlagori (Leningor).³

Real figures are almost certainly lower. In 2009, the Russian independent researcher Varvara Pakhomenko calculated the population of the province as being between 26,000 and 32,000.⁴ Two more recent official numbers, on babies born and children attending school, allow us to make an educated guess at the real current population level. In 2017, a total of 513 babies were recorded as having been born in South Ossetia. If South Ossetia’s birth rate per head of population is comparable to that of Georgia and Russia (13 babies born per 1,000 population a year) that puts the population at 39,000.⁵ Two official sources record that there are around 5,500 school children in South Ossetia. In Georgia and Russia, around 14% of the population is in school education. If South Ossetia has a comparable proportion of school children, again that would suggest an overall population of 39,000.⁶

³ See statistics at <http://ugostat.ru/wp-content/uploads/2017/06/Itogi-perepisi-RYUO.pdf>

⁴ Varvara Pakhomenko, “Обитаемый остров” [“Inhabited Island”, *Polit.ru*, September 22, 2009. <https://polit.ru/article/2009/09/22/demo/>

⁵ See statistics at <http://osinform.org/64904-kakova-rozhdaemost-v-yuzhnoy-osetii.html>; <https://data.worldbank.org/indicator/sp.dyn.cbtr.in>

⁶ “Минобразования: в школы Южной Осетии пойдут более пяти тысяч учеников” [“Ministry of Education: more than 5,000 pupils are going to the schools of South Ossetia”], *Sputnik-Ossetia*, August 31, 2015; see also <https://south-ossetia.info/respublika-yuzhnaya-osetiya-segodnya/obrazovanie/>

A third figure, a count of 33,000 votes in South Ossetia's presidential election in 2017, would suggest a higher population total. However, this may indicate another significant trend, the fact that many South Ossetians have now taken up residence in their more economically viable northern neighbour, North Ossetia, but keep their official South Ossetian residency.

De facto, much of South Ossetia's economic and political life is run out of the North Ossetian capital, Vladikavkaz. The juxtaposition of the two is ironic: North Ossetia is an autonomous republic of the Russian Federation, but has a much greater population (712,000, according to the 2010 census, of whom 459,000 were Ossetians), while the small and weak South Ossetia is recognised by Russia as being an independent state.

6.2 Background

Ossetians are a mainly Christian people, although some are Muslims, and old Pagan practices are still prevalent. Christianity has distinguished Ossetians from the Muslim peoples of the North Caucasus and traditionally made them Russia's strongest allies in the region. They call themselves "Alans" after the Iranian tribe they are thought to descend from and divide into three sub-groups speaking distinctive dialects of Ossetian, an Iranian language. The most numerous, the Irons, live in the north, with the Kudars concentrated on the Georgian side of the Caucasus.

In the Soviet period about two thirds of Ossetians lived in the North Caucasus, with most of the rest in Georgia. The "South Ossetia Autonomous Region" was created by Moscow in 1922 after the Ossetians had declared loyalty to the Bolsheviks and the region was ravaged by the Georgian Menshevik army in 1920. In Soviet times, the region lacked a strong identity, in contrast to Abkhazia. The economy was mainly agricultural. South Ossetians were well integrated into Soviet Georgia, with high levels of inter-marriage. A good road connection to North Ossetia was only established in 1985 when the Roki Tunnel through the Caucasus mountains was opened.

Conflict was triggered in 1989 when the Georgian nationalist leader Zviad Gamsakhurdia and others called national minorities in Georgia "guests" and accused them of being close to Russia and

disloyal to Georgia. “They [Ossetians] have no right to a state here in Georgia. They are a national minority. Their homeland is North Ossetia...” he said. “Here they are newcomers.”⁷ Georgian nationalists disavowed the term “South Ossetia” with its implied link to North Ossetia and called the region Shida [Inner] Kartli, “Samachablo” (a reference to the estates of the nineteenth-century prince Machabeli), or “Tskhinvali region” after the region’s main town. The latter is the chosen term in Georgia, while “South Ossetia” remains preferred international usage.

In 1990, a “war of laws” developed between Tbilisi and Tskhinvali, as the Ossetians declared their loyalty to the USSR and demanded increased autonomy. Georgian militias attacked South Ossetia and in December that year the new Georgian parliament cancelled South Ossetia’s autonomy – a status that has not been reversed to this day. Intermittent conflict carried on until 1992, fought mainly by irregular fighters on both sides, with the Ossetians getting some assistance from elements in the Soviet military. Around 1,000 people died. The war was barely noticed by the international media, but at the time it was the worst internal conflict in the Soviet Union since the 1920s.

The fighting escalated in the spring of 1992. Seeking to avoid a wider Georgian-Russian conflict, new Georgian leader Eduard Shevardnadze and Russian president Boris Yeltsin signed a ceasefire agreement in the town of Dagomys on June 24, 1992. This stipulated withdrawal of forces, demilitarisation of the region, the withdrawal of the remaining ex-Soviet forces from South Ossetia, and the formation of a four-sided “Joint Control Commission” to oversee the conflict zone and a peacekeeping force, with 2,000 Russian, Ossetian, and Georgian soldiers.

South Ossetia became de facto politically separate from Georgia, but remained integrated with it in practical respects. Unlike in Abkhazia, most Georgians stayed on in the region after the end of the conflict and the border remained open. Both legal and (especially) illegal trade flourished. Ludvig Chibirov, South Ossetia’s de facto leader, had a cordial relationship with Shevardnadze and the two

⁷ Stuart J. Kaufman, “Modern Hatreds, The Symbolic Politics of Ethnic War,” *Cornell University Press*, 2001, 111.

men came close to a political agreement, but there was no feeling of urgency on either side. Things changed in 2001, when Chibirov lost the election to Eduard Kokotiy and President Vladimir Putin's government in Russia began handing out passports and pension rights to South Ossetians.

From 1992 to 2004, de facto, South Ossetia remained part of the Georgian economy and the conflict resembled that over Transdnistria, being much more a non-violent political dispute than a toxic conflict. Thousands of Georgians and Ossetians traded every day at the Ergneti market, on the demarcation line between South Ossetia and Gori Region, which was the largest wholesale market in the South Caucasus and the main source of revenue for South Ossetia, almost all of it untaxed and unmonitored. However, in 2004, Georgia's new president Mikheil Saakashvili launched an "anti-smuggling operation" and shut down the market. A summer of violence followed and the South Ossetia dispute became more threatening again.

The slow countdown to war from 2006 to August 2008 has been recorded at length by many sources. The post-1992 conflict resolution mechanisms were outdated, giving the OSCE a modest mandate and Russia a guaranteed military presence in the region in the form of its peacekeepers. Kokoity, more aggressively nationalist than his predecessor, canvassed for and received greater Russian financial and political support. Saakashvili supported an alternative government situated inside an enclave of Georgian villages just north of Tskhinvali. The developing conflict became part of a proxy dispute between Russia and the United States over NATO expansion, the independence of Kosovo and other issues. It also had a very local dimension, with the Tbilisi-installed administration of Dmitry Sanakoyev operating out of a cluster of Georgian villages north of Tskhinvali - leaving both the Georgians of South Ossetia and the South Ossetian de facto authorities with the sensation of being encircled.

When war broke out in August 2008, each side felt compelled to act quickly to protect its own in a relatively small territory. Saakashvili attacked Tskhinvali on the evening of August 7, 2008. The Russian military responded a few hours later, quickly reversed the Georgian advance, bombed the town of Gori and pushed into

Georgia proper. At the end of the Five-Day War around 1,000 people had lost their lives. Ethnic Georgians fled South Ossetia and Moscow recognised both it and Abkhazia as independent states.

6.3 Political life

South Ossetia is a closed semi-authoritarian society with few freedoms. It lacks the independent civil society organisations and media outlets that can be found in Abkhazia. One of the few independent journalists, Irina Kelekhsayeva, has been harassed for reporting on alleged corruption.⁸

The region has competitive elections, but they take place between a small pool of candidates, all of whom take a very similar stance on Russia and Georgia. In April 2017, Anatoly Bibilov, a military veteran, became South Ossetia's fourth de facto president, replacing former KGB-chief Leonid Tibilov. Bibilov had failed to be elected in 2011, when a slightly more independent candidate, Alla Dzhioeva, was declared to have won the poll, causing some consternation in Moscow. The vote was invalidated on a technicality and Dzhioeva was not allowed to compete in the re-run.

Political clashes are more about disputes between different patron-client networks over allocation of Russian resources than about ideological differences. Thus former de facto president Kokoity lashed out at Kremlin "curator" Surkov and his unnamed allies in a 2017 television interview. He blamed Russian contractors for cheating their South Ossetian sub-contractors and alleged that Surkov and his team had given licence to "pro-Western and pro-Georgian forces". Yet Kokoity himself had been blamed in Moscow for mass misappropriation of funds after the 2008 war.⁹

South Ossetia has very limited government capacity and much of its legislation and decision-making originate in Moscow. A leaked

⁸ "South Ossetian journalist 'under pressure' from authorities," *OC Media*, February 21, 2018. <https://oc-media.org/south-ossetian-journalist-under-pressure-from-authorities/#more-10303>

⁹ "Those are pro-western 'evil spirits' that promote corruption in South Ossetia - Surkov," *Jam News*, June 20, 2017. <https://jam-news.net/those-are-pro-western-evil-spirits-that-promote-corruption-in-south-ossetia-surkov/>

cache of emails from the office of Kremlin “curator” Surkov revealed that Russian government agencies had formed 13 working groups drafting bills to be adopted by the parliament in Tskhinvali.¹⁰ In 2015, this arrangement became more formal as South Ossetia signed a “Treaty on Alliance and Integration” which officially fused many government competencies with Russia.¹¹

South Ossetia has shown no interest in pursuing wider diplomatic recognition beyond Russia since 2008. Indeed, it has invited rogue status by being the only place in the world to have recognised the breakaway Donetsk and Luhansk republics, in 2014. (Abkhazia did not follow suit). If in Abkhazia, the official message is still one of an aspiration for international statehood, both South Ossetian leaders and the public make it clear they do not take the idea of a South Ossetian state seriously. In a 2010 survey, more than 80% of South Ossetians said they wanted union with North Ossetia and Russia.¹²

On October 19 2015, the press secretary of South Ossetian leader Leonid Tibilov revealed that he had raised the idea of a referendum on union with Russia in a meeting with Kremlin aide Vladislav Surkov. Tibilov was quoted as saying this was in line with “today’s political realities”. “Reunification with Russia is the age-old dream of the South Ossetian people, which has cherished this idea over two centuries of resistance to Georgian chauvinism and fascism.”¹³ However, the next day, Kremlin press secretary Dmitry

¹⁰ David Batashvili, “‘Surkov leaks’”: Glimpse into Russia’s Management of Georgia’s Occupied Regions,” *Clarion Brief*, October 2016.

¹¹ Maxim Edwards “Thus Votes South Ossetia: A Referendum the Kremlin Would Prefer to Ignore,” *Intersection*, April 28, 2017. <http://intersectionproject.eu/article/russia-europe/thus-votes-south-ossetia-referendum-kremlin-would-prefer-ignore>; see also <http://en.kremlin.ru/acts/news/49801>

¹² Gerard Toal and John O’Loughlin, “How people in South Ossetia, Abkhazia and Transnistria feel about annexation by Russia,” *Washington Post*, March 20, 2014. https://www.washingtonpost.com/news/monkey-cage/wp/2014/03/20/how-people-in-south-ossetia-abkhazia-and-transnistria-feel-about-annexation-by-russia/?utm_term=.ec2cda6dd36a

¹³ “Срочно: Президент РЮО Леонид Тибилев сделал заявление об инициировании референдума о вхождении РЮО в состав РФ” [“Urgent:

Peskov denied that the topic had come up, saying of South Ossetia, "It is an independent state, which is recognised by the Russian Federation with which we have diplomatic relations." Asked to clarify further, Peskov said, "I've said what I've said," and that "it's long been well known that in South Ossetia there are many supporters of integration with Russia."¹⁴

In 2017, South Ossetians had to content themselves with a more symbolic change, approving the change of the territory's name to "Republic of South Ossetia-State of Alania". De facto president Bibilov was previously one of the loudest voices calling for unification with North Ossetia. He continues to raise the issue but without putting a timeframe on it. In April 2019, on a visit to Crimea, Bibilov said, "I think that the path taken by Crimea will definitely also be taken by the republic of South Ossetia."¹⁵

Thus, South Ossetia wants union with Russia more than Russia itself does. The region's few economic assets and tiny population evidently make it useful to Moscow mainly as a military and diplomatic pawn in a wider game. Moscow has made this clear by generally making major announcements on South Ossetia and Abkhazia supposedly in reaction to moves made on Georgia by the EU and United States. For example, the declaration on the recognition of independence of the two regions in August 2008 explicitly mentioned Kosovo; the two treaties of 2015 followed the European Parliament's ratification of the EU's Association Agreement with Georgia; the ratification of a merger of the Russian and South

The president of RSO Leonid Tibilov made a statement on initiating a referendum on RSO joining the RF", *RES*, October 19, 2015. <http://cominf.org/node/1166506480>

¹⁴ "В Кремле называют Южную Осетию независимым государством, признанным Российской Федерацией" ["In the Kremlin they call South Ossetia an Independent State, Recognized by the Russian Federation," *TASS*, October 20, 2015. <https://tass.ru/politika/2361492>

¹⁵ Liz Fuller, "Terms Of 'Union' With Russia Dominate South Ossetian Presidential Election," *RFE/RL Caucasus Report*, April 8, 2017;" Южная Осетия должна стать частью России, по аналогии с Крымом, - президент Бибилов" ["South Ossetia should become a part of Russia on the analogy of Crimea - President Bibilov."], *RES*, April 18, 2019. <http://cominf.org/node/1166522122>

Ossetian armed forces was timed to follow the sale of Javelin missiles to Georgia by the United States.

Evidently, the status quo evidently suits Moscow and there is no interest in going further towards formal union with South Ossetia. While the outright annexation of Crimea may have delivered a domestic triumph for President Putin – and therefore an international price deemed worth paying – South Ossetia is a much tinier territory and less popular cause. Evidently the calculation is that Russia would lose far more, in giving up leverage and receiving greater international condemnation, by annexing the territory *de jure* rather than *de facto*.

6.4 Security and borderisation

The Russian military is the most powerful actor in South Ossetia. In 2009, the 4th Guards Military Base was established there, merging the existing 135th and 693rd motorised regiments. It is estimated to comprise around 4,000 Russian soldiers, not including border guards. This may be an under estimate. An information website for Russian parents, whose sons are doing military service, records that on its own the base in Tskhinvali has six barracks, each fit to house 600 soldiers.¹⁶

The military is heavily equipped with tanks, armoured personnel carriers and artillery, as well as Tochka-U and Smerch missiles. (Georgia alleges that there are also S-300 missiles in the region although this is denied in Russia.) As well as the main military base in Tskhinvali, there is also a training ground near the village of Dzartsem and a large airfield in the village of Urgadanta, west of Dzhava (the latter is clearly visible on Google Maps).¹⁷

Since the massive Russian deployment, the South Ossetian military has reduced in numbers. A formal deal to integrate it with

¹⁶ See <https://voinskayachast.net/suhoputnie-voyska/motostrelkovie/vch66431>

¹⁷ See <http://fb.ru/article/325899/voennaya-baza-v-tshinvale-respublika-yujnaya-osetiya-v-ch-adres>;
<https://www.google.co.uk/maps/place/Java/@42.3876476,43.8902071,1782m/data=!3m1!1e3!4m5!3m4!1s0x405b35b577e3b18b:0xdeb28ad07b178a34!8m2!3d42.3893816!4d43.9248521?hl=en>

the Russian armed forces was ratified in 2018, allowing for South Ossetians to serve in the Russian armed forces. The chief of general staff of the South Ossetian forces, Viktor Fyodorov, is also a Russian with no background in South Ossetia prior to 2011.¹⁸

Russia also keeps at least 900 border troops subordinate to the FSB manning the boundary line in South Ossetia. These troops have engaged in “borderisation” activities, moving the de facto border by tens or hundreds of metres, putting new white and green signs and barbed wire inside Tbilisi-controlled territory. The Russian side claims it is using old Soviet maps, although the border of the South Ossetia Autonomous Oblast was never precisely delineated. The process draws strong international condemnation. It is sometimes hard to determine how far boundary demarcations have been moved, and some reports have been exaggerated. But one demarcation exercise was reported to have left a 1.6km portion of the strategic Baku-Supsa oil pipeline outside Tbilisi’s control. There is also plenty of anecdotal evidence to confirm that several dozen Georgian villagers have been cut off from pastures, cemeteries or even their houses by the process. In addition, there is almost certainly a financial motive for the practice, as Georgians who get detained are ransomed for their safe return.¹⁹

Many Georgians cross the long and disputed border and some of them are caught and detained, causing great anger in Georgia. In

¹⁸ “State Duma ratifies deal on integrating South Ossetia forces into Russian army,” *TASS*, January 24, 2018. <http://tass.com/defense/986645>; for Fyodorov see <http://alaniamil.org/zamestiteli-ministra.html>

¹⁹ “Russian Troops Demarcate Part of Georgian Oil Pipeline,” *RFE/RL*, July 14, 2015. <https://www.rferl.org/a/russian-troops-demarcate-georgian-oil-pipeline/27126985.html>; “Burden of Recognition,” 8; Andrew Higgins, “In Russia’s ‘Frozen Zone,’ a Creeping Border with Georgia,” *The New York Times*, October 23, 2016. <https://www.nytimes.com/2016/10/24/world/europe/in-russias-frozen-zone-a-creeping-border-with-georgia.html>; “Russian military resumes ‘borderisation’ process in South Ossetian conflict zone,” *Jam News*, November 7, 2018. <https://jam-news.net/russian-military-resumes-borderisation-process-in-south-ossetian-conflict-zone/>; “EU Monitoring Mission statement on additional borderisation activities in Atotsi along the Administrative Boundary Line with South Ossetia,” *EUMM*, November 9, 2018. https://eumm.eu/en/press_and_public_information/press_releases/6509/

one notorious case, a 35-year-old Georgian, Archil Tatumashvili, was detained in Akhgori in February 2018 and declared dead in South Ossetian custody a month later. The Georgian authorities said that his body showed marks of severe torture. The Georgian authorities linked the Tatumashvili case with that of Gigi Otkhazia, a Georgian who was killed on the border with Abkhazia, to make a “Tatumashvili-Otkhazia List” of officials whom Tbilisi alleges were culpable for deaths of ethnic Georgians in the two territories and should be made subject to international sanctions.²⁰

As the boundary with South Ossetia is longer and less fixed than the one with Abkhazia, border incidents and detentions are a major issue for the European Union Monitoring Mission, which still keeps 196 monitors in Georgia but is not given access to Abkhazia or South Ossetia.

6.5 Economy and society

South Ossetia used to earn its revenue primarily from selling agricultural products in Georgia, and from being a conduit route between Georgia and Russia. Both of those options have been shut down since 2008. The local economy is extremely small, relying on a few businesses producing mineral water, fruit or meat products. (The Ossetian-born conductor Valery Gergiev has reportedly invested in one of these businesses.) Otherwise, the region is almost entirely dependent on Russian financial support. In 2018, the budget was fixed at 7.672 billion roubles (€106 million), of which 86% (6.592 million roubles) came directly from Russia. Even some of the locally generated income in the budget comes indirectly from Russia, being taxes on the local subsidiaries of the Russian companies Gazprom and Megafon.²¹

²⁰ “Georgian autopsy says Tatumashvili sustained over 100 injuries before dying,” *OC Media*, June 6, 2018. <https://oc-media.org/georgian-autopsy-says-tatumashvili-sustained-over-100-injuries-before-dying/>

²¹ Draft budget for 2018 available at <http://cominf.org/node/1166514363>; Ilya Zhelgulev, “The independent republic where everything depends on Moscow,” *Meduza*, October 9, 2018. <https://meduza.io/en/feature/2018/10/10/the-independent-republic-where-everything-depends-on-moscow>

Much of the budget is spent on an over-large government bureaucracy to the detriment of socio-economic needs. One commentator wrote in 2016:

It is apparent that the grave economic situation in Tskhinvali region affects the social environment and results in the regression of all the vitally important spheres. The situation is particularly important in the healthcare sphere. The salaries of 305 doctors and hundreds of medical personnel are at the level of third world countries (average salary of a doctor is 14,137 rubles or \$214; salaries of medical personnel are far lower). This hampers the motivation for professional development and the desire to work legally. Despite impressive statistical data represented in official documents, there is very high corruption in healthcare and increases of mortality due to the low qualification of doctors. Research conducted in schools and kindergartens highlights an alarming situation in view of the health condition of the future generation; namely the spread of gastrointestinal diseases among juveniles (plus psychological and behaviour disorders).²²

Corruption and misappropriation of funds has been a big issue, especially in the first few years after the war. Russia allocated \$840 million in rehabilitation assistance and budgetary support, but much of it was reportedly never spent on projects on the ground. Immediately after the conflict, in September 2008, Sergei Stepashin, the head of Russia's Audit Chamber was outspoken about the need to monitor expenditure, saying, "I have just returned from South Ossetia and I wish to state that we need to establish a proper authority there, otherwise all this money will go up in smoke."²³

²² Lia Chlachidze "Tskhinvali's painful past, depressing present and dark future," *Transconflict*, December 21, 2016. <http://www.transconflict.com/2016/12/tskhinvalis-painful-past-depressing-present-and-dark-future-212/>

²³ "С.Степашин: Помощь Южной Осетии может 'улететь в трубу'" ["S.Stepashin: Aid for South Ossetia can go up in smoke,"] *RIA Novosti*, September 24, 2008. <https://www.vedomosti.ru/library/news/2008/09/24/sstepashin-pomosch-yuzhnoj-osetii-mozhet-uletet-v-trubu>

However, Stepashin's agency released a report not long after which said that of about \$55 million in priority aid pledged by Russia, only about \$15 million had been delivered and only \$1.4 million spent. Many reconstruction projects were only ever completed on paper. "Russia's economic assistance simply dissolved. It was like standing in quicksand," one Kremlin source told a reporter from the website Meduza. "That aid corrupted people, and it went nowhere."²⁴

More recently, South Ossetia has become the centre for another scam, this time apparently directly instigated by Russian officialdom. Moscow faced a problem in doing financial transactions with the two eastern Ukrainian 'People's Republics', which it supported but did not officially recognise. The solution was to route transactions via a bank in South Ossetia – a place Russia recognises as a foreign country but which is conveniently also the only place in the world to have recognised the two entities.

The "International Settlement Bank", set up in South Ossetia in 2015, makes bank transfers to companies in the two breakaway territories. Moreover, more than 200 companies from the DNR and LNR are reported to be registered in South Ossetia,²⁵ removing direct Russian responsibility from them. In March 2017, all the largest industrial enterprises in the Donetsk region, most of them nominally owned by Ukrainian oligarch Rinat Akhmetov, began to register themselves as branches of Vneshtorgservis, a company incorporated in South Ossetia. According to *Kommersant* newspaper Vneshtorgservis is actually controlled by Sergey Kurchenko, a businessman close to the family of former Ukrainian President Viktor Yanukovich.²⁶

²⁴ Ellen Barry, "Disrepair in South Ossetia Dims Hopes After Georgia War," *The New York Times*, March 7, 2009. <https://www.nytimes.com/2009/03/08/world/europe/08ossetia.html>; Vladimir Borsobin, Nigina Beroeva, "Республика исчезнувших миллиардов," ["The Republic of Vanished Billions"], *Komsomolskaya Pravda*, December 7, 2011, <https://www.kp.ru/daily/25801.4/2781757/>; Zhelgulev, "The independent republic."

²⁵ <https://www.kommersant.ru/doc/3283539>

²⁶ Zhelgulev, "The independent republic."; Пля Барбанов, Yekaterina Yereimenko, «Партнер у нас один – Российская Федерация» ["We have the

6.6 Links with Georgia

Despite the closed border-line, some links with Georgia remain. Inside Georgia, inter-ethnic Georgian-Ossetian relations are generally better than between Georgians and Abkhaz. According to Georgia's 2014 census, there were 14,400 Ossetians living in Georgia proper, mainly in the Kakheti and Shida Kartli regions. This is down from 98,000 (excluding South Ossetia) in 1989. Many Ossetians left Georgia in the Gamsakhurdia years because of discrimination. More recently, according to a 2009 European Centre for Minority Issues report, the "recent decrease in the Ossetian population is largely connected with migration to Russia caused by difficult social conditions rather than ethnic discrimination or oppression. Essentially the issue is one of difficult rural conditions; it is from the villages that most out-migration has occurred, generally to North Ossetia." The report notes that many Ossetians who remain have assimilated into Georgian society. Inter-marriage has also contributed to assimilation.²⁷

With regard to South Ossetia itself, the example of the years 1992-2004 raises the question of whether, as then, people-to-people relations would resume if the border were to re-open, despite the experience of 2008 and the strong anti-Georgian propaganda message disseminated by the South Ossetian authorities. A resumption of cross-border trade would instantly provide an incentive for the two communities to collaborate – possibly one reason that it is being restricted.

Cross-border traffic by vehicles is allowed at the small town of Akhagori, which the Tbilisi government lost control of only in 2008. Here, according to an International Crisis Group report there is a strong appetite for collaboration: "In 2017, commerce boomed: long queues of trucks were common, particularly during the summer harvest. An average of twenty per day were passing through the checkpoint to deliver goods from Tbilisi to South Ossetian markets,

same partner – the Russian Federation"] *Kommersant Vlast*, May 6, 2017. <https://www.kommersant.ru/doc/3283539>

²⁷ Giorgi Sordia, "Ossetians in Georgia In the Wake of the 2008 War: ECMI Working Paper # 45," *ECMI*, September 2009. https://www.ecmi.de/uploads/tx_lfpubdb/working_paper_45_en.pdf

which have no other source of affordable food. Georgian comestibles cost two or three times more in South Ossetia than at Tbilisi markets, but they are still up to five times cheaper than Russian imports." At one point, the South Ossetian authorities tried to place restrictions on cargoes, but they backed down.

South Ossetia would also be opened up if Tbilisi and Moscow were to start implementing a deal on transport corridors agreed in 2011 as a condition for Georgia lifting its veto on Russia's accession to the World Trade Organization. The deal, negotiated by Swiss diplomats, stipulated that three land corridors would operate between Russia and Georgia, two of them crossing the disputed territories of Abkhazia and South Ossetia (which are not named in the agreement, the locations being only indicated by GPS coordinates.) The cargoes on the trucks are to be sealed by an international company, now confirmed as the Swiss firm SGS, and monitored electronically on their journey.²⁸

The opening of the new corridors would obviate the need to rely on what is currently the only working Georgian-Russian border crossing at Upper Lars, which is often closed for four or five months of the year because of bad weather. It would increase trade across the mountains, giving an economic boost not just to Georgia and Russia but to Armenia – for whom this is the main land route to the north – and eastern Turkey as well. The Armenian government and Russian business have been lobbying hard for the deal.

However, the deal is unpopular in Abkhazia and South Ossetia. They are not acknowledged as partners in it, even though it would open up borders and provide indirect income and opportunities for more trade at a later point. Former South Ossetian leader Anatoly Bibilov insisted that South Ossetia should have equal partnership rights, something clearly unacceptable in Tbilisi.²⁹

²⁸ "Time to Talk Trade," *International Crisis Group*, May 24, 2018, 34. <https://www.crisisgroup.org/europe-central-asia/caucasus/georgia/249-abkhazia-and-south-ossetia-time-talk-trade>

²⁹ http://www.mid.ru/ru/kommentarii/-/asset_publisher/2MrVt3CzL5sw/content/id/2776682?p_p_id=101_INSTANCE_2MrVt3CzL5sw&_101_INSTANCE_2MrVt3CzL5sw_languageId=en_GB

In 2017 and 2018 there were indications that the two sides were close to beginning to operate the South Ossetian route, but Moscow has equivocated, suggesting that political support for South Ossetia thus far trumps broader economic and political considerations in the South Caucasus. The fate of the deal will be an indication of what Russia's intentions are regarding South Ossetia and Georgia more generally.³⁰

³⁰ "Time to Talk Trade," Thomas de Waal, "Georgia and Russia Inch Towards a Business Deal," *Carnegie Europe*, November 27, 2017, <https://carnegieeurope.eu/strategieurope/74826>.

7. THE NAGORNY KARABAKH CONFLICT IN ITS FOURTH DECADE

THOMAS DE WAAL

Map of Armenia, Azerbaijan and Nagorny Karabakh



As it enters its fourth decade, the Nagorny Karabakh dispute between Armenia and Azerbaijan remains the most dangerous conflict in the post-Soviet space. Since 2018 political tensions have eased and casualties have dropped on the Line of Contact dividing the two armies since a new administration, headed by prime minister Nikol Pashinyan, came to power in Armenia. However, there are no substantial political negotiations and Armenians and Azerbaijanis remain locked in long-term rivalry over the disputed province. The facts on the ground in Nagorny Karabakh itself and the surrounding occupied regions make resolution much harder than before and the region remains dangerously militarised. Dealing with the conflict requires both short-term conflict management and a strategy for longer-term conflict transformation.

7.1 Introduction

The Nagorny Karabakh conflict is the longest-running unresolved dispute in the former Soviet Union, dating back to the middle of the Gorbachev era in 1988. It is also potentially the most dangerous, as Armenia and Azerbaijan are in a perpetual state of military readiness to go to war again over the disputed territory they fought over in 1991-94. At the end of that conflict, the Armenian side prevailed at great cost. Around 20,000 people died and one million people were displaced on both sides, the majority of them Azerbaijanis. A brief upsurge of fighting in 2016 cost around 200 lives.

Since the ceasefire of 1994 the Armenians have kept control not just of the former autonomous region of Nagorny Karabakh itself, but, wholly or partially, of seven regions of Azerbaijan around it, which were home to more than half a million Azerbaijanis. If one includes the disputed territory of Nagorny Karabakh itself, Armenians now hold 13.6% of the de jure territory of Azerbaijan.¹

The conflict crippled the development of both countries. Armenia's two longest international borders remain closed, that with Azerbaijan, and also the one with Turkey, which Ankara closed in 1993 in solidarity with its ally, Baku. Both sides have diverted considerable resources to military spending.

¹ On statistics of the conflict, see Thomas de Waal, "Black Garden: Armenia and Azerbaijan Through Peace and War," *New York University Press*, 2013, Appendix 1, p.325-328.

The conflict differs from others in the post-Soviet space in several important respects. It pits two nation-states against one another. Although the Armenians of Karabakh began the dispute in 1988 in a bid to secede from Soviet Azerbaijan, no one (including Armenia) recognises the Nagorny Karabakh Republic (or “Artsakh Republic” as they now call it) which they declared in 1991. The Karabakh Armenians are heavily reliant on the Republic of Armenia, financially, militarily and politically and Yerevan has represented them in negotiations for the past two decades.

What began as a dispute about self-determination is now better understood as a clash between Armenia and Azerbaijan fought through diplomatic lobbying in international organisations, the information space (especially social media), in economic competition and occasional acts of violence. Laurence Broers in his 2019 book, *Armenia and Azerbaijan, Anatomy of a Rivalry*, argues that the dispute is an “enduring rivalry”, more akin in many ways to the conflict between India and Pakistan than it is to the other post-Soviet conflicts.²

Another key difference is that Russia does not play a central role, unlike in the other post-Soviet conflict zones. In this dispute, Moscow seeks good relations with both parties. Despite a formal military and economic partnership with Armenia, Russia also values a strong bilateral relationship with Azerbaijan. Russia has no boots on the ground: no Russian peacekeepers were sent to the conflict zone following the ceasefire agreement of May 1994, after Azerbaijan, tacitly supported by the Armenians, rejected a plan to deploy them along the Line of Contact separating the two sides.³

Russia’s formal diplomatic role is performed in partnership with two Western powers. It shares a mediation role with France and the United States, having been the three co-chairs of the OSCE’s Minsk Group since 1997. Although Russia tends to be the most active international player in the dispute (notably in the last decade through foreign minister Sergei Lavrov) Moscow still coordinates its messages

² Laurence Broers, *Armenia and Azerbaijan: Anatomy of a Rivalry*, Edinburgh University Press, 2019.

³ For this story, see Tatul Hakobyan, “Karabakh Diary, Green and Black: Neither War nor Peace,” Yerevan, 2010.

with the two other co-chair powers, and is constrained from pursuing a unilateral role, if it wanted to do so. In October 2019, Lavrov said, “But we as the co-chairs, work in unison together with the Americans and the French. This is one of the few situations where we have the same vision. We have fundamental documents, we do not want to revise them.”⁴

Finally, the conflict is more dangerous than others, with the possible exception of the Donbas conflict. In April 2016, up to 200 people died when the two sides went back to war for four days before a ceasefire was agreed. Along the 250km-long ceasefire line known as the Line of Contact, which was established in May 1994, there are around 20,000 soldiers and multiple heavy weapons yet the ceasefire is observed by just six unarmed monitors from the small OSCE Mission.

As in many other conflicts fought between neighbours, this conflict has deep roots in the societies on either side of the conflict divide. The struggle over Karabakh has shaped modern Armenia and Azerbaijani identity and it is inconceivable to most Armenians and Azerbaijanis – even those not from the territory of Karabakh itself – to imagine giving up on claims to it. Shared feelings of anger and trauma are especially strong in Azerbaijan, the losing side in the conflict. Armenians are regularly denounced as “fascists” and “aggressors” in mainstream political discourse.

Tragic events in which atrocities were committed are commemorated by both sides to this day. For Armenians, the key moment was the pogrom in the Azerbaijani town of Sumgait in February 1988 in which an Azerbaijani mob killed 26 Armenians. After this the entire Armenian population of the town was evacuated, and a mass exodus began with ethnic Armenians leaving Azerbaijan and ethnic Azerbaijanis leaving Armenia. Azerbaijan commemorates every year the worst episode of the conflict, the massacre by Armenian forces of 485 (or more) Azerbaijanis who were fleeing the town of Khojaly in February 1992.⁵

⁴ Remarks from October 2, 2019, available in Russian at http://www.mid.ru/ru/foreign_policy/news/-/asset_publisher/ckNonkJE02Bw/content/id/3826083

⁵ For more details on Sumgait and Khojaly, see “Black Garden,” p. 32-45, p. 182-185.

A 2018 report by the NGO International Alert noted how on all sides “people plan their lives through the prism of the conflict, around the conflict and within the conflict.” It talked of the psychological condition of “learned helplessness” where people do not envisage a different life for themselves.⁶

Tensions have eased a little between the conflict parties since the 2018 peaceful revolution in Armenia which removed the unpopular regime of Serzh Sargsyan and brought in a new leader with a popular mandate, Nikol Pashinyan. For a while at least, this re-energised the almost moribund negotiation process around Nagorny Karabakh. Pashinyan met Azerbaijani president Ilham Aliiev three times informally at international gatherings within a short space of time even before their first formal meeting in Vienna in March 2019.

Apparently relieved at the departure of Sargsyan, a Karabakh Armenian, with whom negotiations had been difficult, the Azerbaijani authorities welcomed the appointment of Pashinyan. Both sides lowered their rhetoric against each for a while. More importantly casualty levels on the Line of Contact dropped significantly, with less than 20 deaths reported there in 2018.

There were also changes on the Azerbaijani side. For example, a new head of the Karabakh Azerbaijani community, Tural Ganjaliyev, was appointed in December 2018, who it was hoped would be less negative about contacts with Armenians than his predecessor.⁷

In January 2019, after a meeting of Foreign Ministers Elmar Mammadyarov and Zohrab Mnatsakanyan, the OSCE Minsk Group co-chairs put out the most positive statement in years. They announced that, “The Ministers discussed a wide range of issues related to the settlement of the Nagorno-Karabakh conflict and

⁶ International Alert, “Envisioning Peace, An Analysis of Grassroots Views on the Nagorny Karabakh Conflict,” 2018, https://www.international-alert.org/sites/default/files/Caucasus_EnvisioningPeace_EN_2018.pdf

⁷ See “Azerbaijani Nagorno-Karabakh community receives new head - what does this mean for conflict negotiations?” *Jam News*, December 21, 2018, <https://jam-news.net/azerbaijani-community-of-nagorno-karabakh-receives-new-head/>

agreed upon the necessity of taking concrete measures to prepare the populations for peace.”⁸

Several small but positive steps followed. The two sides set up a hotline so commanders on the Line of Contact could talk to one another. There was an agreement to de-escalate military activity on the shared international frontier between the two sides allowing farmers to work without fear. Three Armenian and three Azerbaijani journalists did an exchange visit to the other side of the conflict divide in November 2019.

However, Armenian and Azerbaijani domestic rhetoric has remained as implacable on before on the core issues of the conflict and there has little progress in restarting substantial political negotiations. Many challenges remain in 2020.

7.2 Faltering negotiations

At the core of the Armenian-Azerbaijani dispute is a virtually unresolvable issue of the status of the territory of Nagorny Karabakh. This issue is what first triggered the dispute in the modern era in February 1988, when the regional Soviet in Karabakh passed a resolution requesting that the region be transferred from the jurisdiction of Soviet Azerbaijan to Armenia – a move that triggered mass demonstrations of support in Yerevan and angry opposition in Azerbaijan.

For Armenians, Karabakh is a historic Armenian province with old Armenian churches, that in modern times has had an Armenian majority but which was unjustly awarded to Soviet Azerbaijan in 1921 by the Bolsheviks. The protests of 1988 were seen as the culmination of a long history of democratic striving, which was met with violence in Azerbaijan. For Azerbaijanis, Karabakh is also regarded as a place of great cultural importance which was a Muslim khanate for centuries centred around the town of Shusha, the birthplace of Azerbaijani musicians and artists. Situated inside the plains of Azerbaijan, Azerbaijanis assert that it is part of their country, in terms of economy and geography – and that it is internationally recognised as such.

⁸ See <https://www.osce.org/minsk-group/409220>

To back down from these claims is almost unthinkable for either side. Several different plans, negotiated by the OSCE Minsk Group, have foundered on the resistance of one side or the other to what is regarded as a surrender of sovereignty. They include the phased plan which caused the downfall of Armenian president Levon Ter-Petrosian in 1998, and the mooted land-swap discussed at Key West in 2001.

Since 2006, the basis for negotiations has been a short framework document known since 2007 as the “Madrid Principles” as it was first written down on paper at the OSCE Ministerial Council in Madrid in November 2007. The text has been never been made public and has reportedly been revised several times over the years. But its essence is not a secret as a summary of the six main points was published in three declarations by the presidents of France, Russia and the United States at three G7 summits in L’Aquila, Muskoka and Deauville in the years 2009-11.⁹ Moreover, in 2016 the Armenian Research Center ANI published what appears to be a leaked version of the original 2007 Madrid document.¹⁰

The preamble of the document refers to three articles of the Helsinki Final Act of 1975: “Article II related to refraining from the threat or use of use of force, to Article IV related to the territorial integrity of States, and to Article VIII related to the equal rights and self-determination of peoples.”

Seeking to resolve the tension between the two latter articles as they relate to the Karabakh dispute, the central idea of the Madrid plan is stated as being that “The final legal status of NK [Nagorny Karabakh] will be determined through a plebiscite allowing the free and genuine expression of the will of the population of NK.”

The other main five provisions of the plan are that: Nagorny Karabakh will be granted “interim status” in the period before the vote, meaning a status that gives it greater legitimacy but not international recognition; the Azerbaijani territories around Nagorny Karabakh will be returned to Azerbaijani control, with special provisions for the Kelbajar and Lachin regions; a corridor will be

⁹ See <https://www.osce.org/mg/51152>

¹⁰ See Ani Armenian Research Center, “Madrid Principles – Full Text”, April 11, 2016, <https://www.aniarc.am/2016/04/11/madrid-principles-full-text/>

established between Armenia and Karabakh; “all internally displaced persons and refugees from the conflict-affected areas will have a right to return on a voluntary basis”; an international peace making mission will be deployed to the conflict zone.

The central idea behind the plan is to promise a plebiscite that would give the Armenians the prospect of eventual legally recognised secession from Azerbaijan, but to deliver other benefits first that are tangible to Azerbaijanis, such as the return of the territories around Karabakh and the return of displaced people. In the meantime, the Karabakh Armenians would benefit from an enhanced international “interim status” and an international peacekeeping force would ensure stability on the ground. However, neither side was happy with the proposed compromise: the Armenians opposed the idea of surrendering territory for the sake of a vote many years hence, while the Azerbaijanis said they could not tolerate the theoretical prospect of Karabakh’s secession, even at a point far in the future.

The last serious push to close this deal was made by Russian president Dmitry Medvedev and foreign minister Sergei Lavrov at an inconclusive meeting in Kazan in 2011. Lavrov continued to work on the plan, reportedly amending it to propose opening up transport routes earlier in a phased plan. However, the security situation around the Line of Contact slowly deteriorated. In its statements on the conflict, the Armenian side began to focus almost exclusively on the need to stabilise the 1994 ceasefire regime, while the Azerbaijani side stressed the need for “comprehensive talks”. The negotiations have been at best faltering since then.

After the two sides fought the brief Four-Day War of April 2016 the three mediators in the conflict, France, Russia, and the United States, met in Vienna on May 16 2016 with the Azerbaijani and Armenian presidents, Ilham Aliiev and Serzh Sargsyan. The meeting was led by US Secretary of State John Kerry and Russian Foreign Minister Sergey Lavrov. A statement issued by the mediators afterward announced that both the Armenians and Azerbaijanis had acceded to long-standing demands.¹¹ There would be a strengthening of the ceasefire regime and a mechanism to investigate ceasefire

¹¹ See <https://www.osce.org/mg/240316>

violations (the Armenian demand), and new comprehensive peace talks in June (the key Azerbaijani demand). However, as international attention waned once again, both Armenia and Azerbaijan walked back from promises they had made in Vienna.

The change of regime in Armenia in 2018 gave a positive impetus to the mediation process, as noted above. However, there is little sign of any negotiations on substance. As time passes, it gets harder to implement the territorial changes on the ground needed for a plan. All international negotiations make a distinction between the territory of Nagorny Karabakh, whose boundaries are set by the borders of the Soviet-era Nagorny Karabakh Autonomous Region (NKAOR in Russian) drawn in 1923, and the seven occupied regions of Azerbaijan captured by Armenians in 1992-4. Under all peace plans, the former is set to be given special status, while the latter is to be returned to Azerbaijani control, with the exception of a land corridor through the Lachin region.

For years, with the exception of Lachin, the occupied territories, which were left devastated and completely depopulated by the Armenians in 1994, lay empty and were only used by the Armenian military. In the last decade, in a development that makes a future peace deal much more difficult, the distinctions on the ground between these two territories has been blurred. A small group of settlers – perhaps 3,000 in the Kelbajar region – has taken up residence in these territories.¹² Farmers plough the land there.

In 2017 the Armenians of Karabakh renamed their unrecognised republic the Republic of Artsakh thus erasing further the concept of a defined Nagorny Karabakh region. A new road was built across Kelbajar region in 2017 connecting Armenia and Karabakh through occupied Azerbaijani land and another one is planned. In 2010, the Karabakh Armenian authorities announced they were giving the ruined Azerbaijani town of Aghdam the Armenian name of Akna. They opened an archaeological

¹² Broers, “Armenia and Azerbaijan,” p.273.

museum nearby showcasing Armenian artefacts to prove the ancient Armenian provenance of the region.¹³

This tougher line has won support from Armenian diaspora groups and commentators, who have given strong support to Nagorny Karabakh over the years. After the fighting of 2016, Antranig Kasbarian, a diaspora Armenian journalist, said, “These liberated territories are strategically crucial as security zones: They maintain Azerbaijan’s distance from Karabakh’s main population centres, while creating an integral, territorial bond between Karabakh and Armenia. At the same time, many of these territories have a historically Armenian pedigree.”¹⁴

7.3 Militarisation

Locked in a long-running rivalry, Armenia and Azerbaijan have some of the highest levels of military spending in the world, as a percentage of GDP – 4.8% and 3.8% in 2018 respectively.¹⁵ Even at the best of times, they are one step away from war, and are only constrained from conflict by their own political calculations.

In 2016 the world was briefly reminded that the Nagorny Karabakh conflict zone ranks with the Line of Control next to Indian-administered Kashmir and the border of North and South Korea as one of the most dangerous places on earth. The Line of Contact, the 200km-long ceasefire line which runs through Azerbaijani territory, was set up in 1994. It is monitored by just six unarmed OSCE monitors. Initially, two poorly equipped conscript armies faced each other across the line. Now two well-equipped armies of roughly

¹³ Joshua Kucera, “Armenia and Karabakh announce construction of third connecting highway,” *Eurasianet* July 25, 2019, <https://eurasianet.org/armenia-and-karabakh-announce-construction-of-third-connecting-highway>; PanArmenianNet, “New settlement appears on NKR map,” November 2, 2010, http://www.panarmenian.net/eng/world/news/56153/New_settlement_appears_on_NKR_map

¹⁴ Rupen Janbazian, “A Fighting Spirit and Mind: The Unwavering Will of the Karabaghtsi,” *Armenian Weekly*, May 2, 2016, <https://armenianweekly.com/2016/05/02/a-fighting-spirit-and-mind/>

¹⁵ Data at <https://www.sipri.org/sites/default/files/Data%20for%20all%20countries%20from%201988%E2%80%932018%20as%20a%20share%20of%20GDP%20%28pdf%29.pdf>

10,000 confront one another at distances as small as 100 metres. In addition, the two segments of international border between Armenia and Azerbaijan are also heavily militarised.

For Azerbaijan, the losing side in the conflict of the 1990s, the weak ceasefire regime is its main point of leverage over the Armenian side. Although information confirming this is hard to obtain it is logical that the Azerbaijani side has an incentive to use military methods to send a message to the Armenians that the status quo in which Azerbaijani land is occupied is unsustainable. Baku rejected a 2011 initiative by the foreign ministers of France, Russia, and the United States to have long-range snipers withdrawn from the Line of Contact.¹⁶

Drawing on its big oil revenues, Azerbaijan doubled its military budget twice in the first decade of Ilham Aliyev's presidency, between 2006 and 2011 to more than \$4 billion a year.¹⁷ In recent years, as oil revenues have fallen, that budget has fallen again but is still much larger than Armenia's. In the fighting of 2016 Azerbaijan used tanks, heavy artillery, and attack helicopters, as well as Israeli-produced military drones.

According to SIPRI, in the years 2013-2018, Azerbaijan obtained 51% of its weapons from Russia (with Israel in second place supplying 43%). It spent \$330 million on weapons in 2018. With every year, the weapons grew more sophisticated. In 2018 Azerbaijan bought from Israel long-range tactical ground-to-ground missiles with a range of up to 430km.¹⁸

¹⁶ RFE/RL Caucasus Report, "Fighting In Nagorno-Karabakh: War Or War Dance?" August 08, 2014, <https://www.rferl.org/a/caucasus-report-karabakh-war-dance/26521123.html>

¹⁷ Milda Seputyte and Ott Ummelas, "Oil Riches Help Azerbaijan Outgun Armenia in Military Spending," Bloomberg, 6 April 2016, <https://www.bloomberg.com/news/articles/2016-04-06/oil-riches-help-azerbaijan-outgun-armenia-in-military-spending>

¹⁸ SIPRI Fact Sheet, 2019, "Trends in International Arms Transfers, 2018," https://www.sipri.org/sites/default/files/2019-03/fs_1903_at_2018.pdf; see SIPRI arms imports data <https://data.worldbank.org/indicator/MS.MIL.MPRT.KD>; Ami Rojkes Dombe, "Azerbaijan Buys LORA Weapon System from

The Armenians cannot afford the same level of military expenditure, but they have the advantage of only having to defend against a potential attack and of holding higher mountainous terrain. As a member of the Moscow-led Collective Security Treaty Organization, Armenia can buy Russian weapons at reduced prices.

In February 2016, Armenia's First Deputy Defence Minister (who is now minister) David Tonoyan announced that his country was moving from a "static" to a more proactive "deterrence" defence doctrine. In line with that approach, Yerevan secured a \$200 million loan to buy new weapons from Russia, including Smerch rockets and TOS-1A flamethrower systems. These were not delivered before the April fighting began.¹⁹

On 2 April 2016, war broke out for four days along the Line of Contact before Moscow negotiated a ceasefire. Azerbaijani special forces made some quick advances and captured two hills, one of which, Lele Tepe, lies about 5km north of the Iranian border and has some strategic significance. This was the first time that Azerbaijan had scored a military success, however modest, in Karabakh in more than two decades. It rallied the Azerbaijani public around the flag and distracted them from economic woes caused by falling oil prices and a devalued currency.

The fighting raised emotions and hardened positions on the Armenian side. Volunteers flocked to the frontline and there was anger at reports of atrocity in the village of Talish. Voices calling for peace were mostly silenced.

The Armenians have let it be known that they now possess Russian-made Iskander cruise missiles and that they are targeted at Azerbaijan's oil and gas infrastructure. In July 2018, the

IAI," Israel Defense, June 13, 2018, <https://www.israeldefense.co.il/en/node/34578>

¹⁹ Gohar Abrahamyan, "Switching to Deterrence: Armenian armed forces to adopt new approach to restrain Azerbaijan," *Armenia Now*, https://www.armenianow.com/karabakh/70098/armenia_army_military_russia_weapons_azerbaijan_karabakh; Emil Danielyan, "Russia Details Fresh Arms Supplies To Armenia," *RFE/RL*, February 19, 2016, <https://www.azatutyun.am/a/27560789.html>

Karabakh Armenian Defence Minister Levon Mnatskianian declared that his forces were able to paralyse the Mingechaur hydro-electric power plant.²⁰

These extravagant threats are designed to raise the cost of starting a conflict, and may indeed have a deterrent effect. The stakes are very high for anyone who would seek to resolve the Karabakh conflict by military means and the consequences potentially calamitous. However, military rhetoric of this kind is also reported extensively by the other side and also badly undercuts efforts to restart a meaningful peace process.

7.4 International context

The primary drivers of the Karabakh dispute are local: the capitals of Baku and Yerevan and the Karabakhi Armenians. (The exiled Karabakh Azerbaijanis lack an autonomous political voice). Their entrenched positions, reluctance to consider compromise and aggressive rhetoric sustain the conflict into its fourth decade.

The international context is also important, however. The main international multilateral organisation dealing with the conflict is the OSCE. Its predecessor the CSCE took on the mediation role in 1992, when the conflict was still ongoing and there were great hopes in its possibilities as a pan-European security organisation. The Budapest Summit of 1994, which followed the ceasefire agreement of May that year and turned the CSCE into the OSCE, established three structures for the resolution of the conflict, which were intended to be “three legs of the stool”.

The first leg, the Minsk co-chair group mediation mechanism (two co-chairs until 1997, three since then) continues to be the main diplomatic channel for the dispute. Although the co-chairmanship is much criticised in the region (and not only there), it is hard to imagine what would be a better substitute for it, given that the three mediators, France, Russia and the United States, are also permanent members of the United Nations Security Council.

²⁰ Emil Sanamyan, “Armenian, Azerbaijani Officials Raise Stakes in Conflict,” *USC Institute of Armenian Studies*, July 26, 2018, <https://armenian.usc.edu/armenian-azerbaijani-officials-raise-stakes-in-conflict/>

The second leg is the ceasefire monitoring mission headed by the Personal Representative of the Chairman in Office of the OSCE, consisting of six monitors. Set up in 1994 with a very limited mandate, it has been headed since 1996 by Ambassador Andrej Kasprzyk. His team monitors the ceasefire twice monthly in pre-arranged visits to the Line of Contact. Kasprzyk, with his deep knowledge of the conflict, often acts as a de facto fourth co-chair. Other parts of this mission's mandate such as work on assisting confidence-building measures are rarely applied.²¹

The third leg is the High-Level Planning Group, a small office based in Vienna, mandated to design and establish a peacekeeping mission. The HLPG was active in the first two or three years after the Budapest summit, but has since had very little to do.²²

The second and third legs of the stool suffer from the way that the OSCE has failed to develop into the strong organisation that was envisaged in the 1990s. The OSCE lacks both the organisational depth or resources to do more than manage the burden of the conflict. Its consensus basis means that Armenia and Azerbaijan both have vetoes, with the result that initiatives to strengthen the ceasefire regime have been blocked by Baku, and Yerevan in particular has sometimes made life difficult for the High-Level Planning Group.

Russia is the most active international player in the conflict and also the one whose precise agenda is the least clear, whether this be from a multiplicity of interests or from a deliberate strategy of ambiguity.

Moscow, in its previous capacity as the Soviet centre, failed to prevent the escalation of the conflict in 1988-91. This came down to a number of factors: Mikhail Gorbachev initially failed to grasp the gravity of the dispute and believed it could be solved with appeals

²¹ Summary of the mandate at https://www.europarl.europa.eu/meetdocs/2009_2014/documents/afet/dv/201/201106/20110615_mandatepr_en.pdf

²² On the "three legs" of the OSCE and the role of the High Level Planning Group see Thomas de Waal, "Prisoners of the Caucasus: Resolving the Karabakh Security Dilemma," *Carnegie Europe*, June 16, 2016, <https://carnegieeurope.eu/2016/06/16/prisoners-of-caucasus-resolving-karabakh-security-dilemma-pub-63825>

for workers' solidarity; a plan to offer Nagorny Karabakh an "economic renaissance" with direct financial assistance from Moscow fell through as both communities rejected it; Moscow gave out mixed signals, as two leading members of the Politburo Yegor Ligachev and Alexander Yakovlev lent their personal support to Baku and Yerevan respectively.²³ In 1990-91 these contradictions grew as the Soviet security establishment increasingly backed Soviet Azerbaijan and sought to punish the more rebellious Armenia, while the newly empowered Russian Supreme Soviet under Boris Yeltsin openly supported the Armenians. As war broke out, unemployed Soviet military officers fought on both sides - although the new Russian military increasingly gave more support to Armenia.

In May 1994, following the signing of the ceasefire agreement, negotiated by Russian envoy Vladimir Kazimirov, Russian Defence Minister Pavel Grachev tried to impose a Russian peacekeeping force in the conflict zone, but this was rejected by Azerbaijan, with the support of the Karabakh Armenians, neither of whom wanted to see Russian soldiers on the ground. This distinguished the conflict and Russia's role in it from Abkhazia, South Ossetia and Transdniestria.

Since Vladimir Putin became president of Russia in 2000, Russia has been the main mediator, while displaying little sense of urgency to resolve the dispute. Putin himself has prioritised having bilateral relations with Baku and Yerevan and makes it clear that he sees little to gain from Russia putting pressure on the two capitals to make peace with one another. In 2010 Putin stated, "Both Russia and other participants in this process are ready to help, but we cannot take Armenia or Azerbaijan's place. Russia will not take on any additional responsibility to press the countries to act, only to be viewed as guilty of some misdeed by one or both of the countries later on. Our relationship with Azerbaijan and Armenia spans centuries. We do not want to be seen as having pressured one side to accept an unfair outcome. I would like to stress that we can only guarantee any agreements that are reached."²⁴ This approach also allows Russia to

²³ See "Black Garden," p. 60-61.

²⁴ From press conference between Putin and Turkish prime minister Recep Tayyip Erdoğan, June 8, 2010, <http://archive.premier.gov.ru/eng/events/news/10922/>

sell weapons to both sides, in what seems to be a clear breach of its commitments as an OSCE mediator.

This kind of statement suggests that Russia actively does not want to resolve the dispute. Russia has multiple interests in this region, however and its position is complex. Moscow for example also has a strong interest in not seeing a new war broke out over Karabakh. Should this happen, Russia would be formally called upon to honour its commitments to Armenia as a CSTO ally and offer it military assistance should, as would be highly likely, the territory of the Republic of Armenia come under attack. Offering such assistance would wreck Russia's relationship with Azerbaijan, while not offering it would ruin relations with Armenia. In 2016, Russia was heavily criticised by Armenians for staying neutral in the Four-Day War and not coming to the aid of its military ally, Armenia.²⁵

Moreover, in the views of many Russians, Russia could also stand to gain from a Karabakh peace process - especially one which was, as the current plan envisages, long-drawn-out and in which Russia would be able to put boots on the ground for the first time, as peacekeepers.

Moscow tried and failed to send Russian peacekeepers to the region after the 1994 ceasefire. Neither side evidently wants them to be there. Moreover, in a draft peace deal discussed in Key West in 2001, Russia acceded to a gentleman's agreement under which a peacekeeping force would include "no neighbours and no co-chair countries", as former mediators have confirmed, a formula that would specifically exclude both Russia and Turkey. However, there are indications that the Russians have not given up on these ambitions.²⁶

The vision of Russia as an active peacemaker was pursued by Dmitry Medvedev in his four-year presidency. Medvedev took a strong interest in the issue and met the Armenian and Azerbaijani presidents nine times in a trilateral format. Russian Foreign Minister

²⁵ See "Armenians Protest Against Russian Arms Sales To Azerbaijan," RFE/RL, April 13, 2006, <https://www.rferl.org/a/armenia-protest-russian-arm-sales-to-azerbaijan/27673173.html>

²⁶ See de Waal, "Prisoners of the Caucasus."

Sergei Lavrov became the chief negotiator in that period and he remains the highest-ranking official with a hands-on interest in the conflict. A “Lavrov Plan”, denied in Moscow, but reported by the media supposedly envisaged land communications being restored across the region in a first phase. That would benefit Russia by restoring its land links to Turkey and Iran via Armenia.²⁷

The other two big neighbours in the region, Iran and Turkey, are also both former imperial powers in the South Caucasus. Both have an interest in seeing the Karabakh dispute peacefully resolved but, for different reasons, neither plays an active role.

Iran tried to play a mediating role in 1992, but was humiliated when the Armenians launched a big offensive in Karabakh, just as a meeting was held in Tehran. Since then, it has been kept out of any formal mediating role, partly at the insistence of the Americans, and also because the conflict is the preserve of the OSCE, a European institution of which Iran is not a member. Like Russia, Iran tries to maintain good relations with both sides – despite occasional rows with Azerbaijan – and keeps a low profile when it comes to diplomacy on this conflict.

Turkey would also stand to gain from a conflict settlement, but is constrained by commitments to its close ally, Azerbaijan. A solution would open up communication routes for Turkey to the Caspian Sea and Central Asia. It would be the key to restoring diplomatic relations with Armenia and opening the border, which it closed in 1993 during the conflict in solidarity with Azerbaijan. A diplomatic rapprochement with Armenia, pursued despite opposition from Baku, foundered in 2009-10 and there is little chance of it being revived as long as Recep Tayyip Erdogan and Ilham Aliev are in power. Erdogan reaffirmed his commitment to Azerbaijan by strongly supporting Aliev during the 2016 fighting. Turkey thus stays on the side-lines of the diplomatic process.

The United States is the only international actor which has occasionally spent political capital on pursuing a Karabakh peace

²⁷ See Zaur Shiriyev, “Old Conflict, New Armenia: The View from Baku,” *International Crisis Group*, February 8, 2019, <https://www.crisisgroup.org/europe-central-asia/caucasus/nagorno-karabakh-azerbaijan/old-conflict-new-armenia-view-baku>

settlement. The US hosted a summit in Key West in Florida in 2001 when it took the lead from the other two OSCE co-chairs and tried to persuade Presidents Heydar Aliiev and Robert Kocharian to make a deal. After some initial positive signs, Aliiev eventually disavowed the deal.

As with other international powers, the Karabakh dispute has become a second-order priority for Washington in the last decade. It is also constrained by bilateral relations with Yerevan (which has many friends in Congress) and with Baku (which has strong supporters in the US military and energy sector). Under the Trump presidency, the new US Minsk Group co-chair, Andrew Schofer, was not given ambassadorial status, in a departure from previous practice.

France is the least visible of the three co-chair countries, although periodically French presidents have taken a sudden interest in the conflict, as Jacques Chirac did in 2000 and again in 2006. The job of co-chair has not gone to prominent diplomats and France rarely convenes public meetings on the conflict. The European Union is involved in so far as France is an EU member-state. The EU is briefed by France on latest developments. The EU would undoubtedly have claimed a bigger role had the conflict occurred later than it did and commentators and officials periodically argue that it should be given more weight in the conflict resolution process. This notion is generally resisted by both France and Russia (but less so by the United States). Periodic attempts by the EU to get more involved have not been successful. Most notably, EU Special Representative for the South Caucasus Peter Semneby aborted a planned visit to Nagorny Karabakh in June 2007, after objections from Baku and without receiving support from the OSCE co-chairs.

The conflict would undoubtedly benefit from the expertise the EU has deployed in the Balkans as well as its more liberal approach to conflict resolution. In practice its absence from Track 1 mediation leads the EU to confine itself to indirect support for the peace process. It is the biggest support for non-governmental organisations in the region working on the conflict through The European Partnership for the Peaceful Settlement of the Conflict over Nagorno-Karabakh (ENPK) project. The third three-year phase of ENPK ended in April

2019, after funding five international NGOs with a total budget of €4.7 million.²⁸

7.5 Challenges for 2020

Despite a marked improvement in the security situation and a warmer international mood about the conflict, the same fundamental obstacles to progress remain in 2020 as they have for more than two decades.

The two leaders have acted respectfully towards one another in international forums, but in November 2019 both repeated conspiracy theories which seek to avoid responsibility for two key episodes in the conflict, the savage anti-Armenian pogroms in Sumgait and 1988 the massacre of Azerbaijanis at Khojaly in 1992. In a speech in Sumgait President Ilham Aliiev claimed that the pogroms had been an Armenian “provocation”.

In similar fashion Armenian prime minister Nikol Pashinyan suggested that the Khojaly massacre might have been carried out by Azerbaijanis, even though many Armenians, including his predecessor, have admitted that it was committed by Armenians.²⁹

In Baku, a more progressive voice on the Karabakh issue, Hikmat Hajiev, was appointed Foreign Ministry spokesman in July 2018. He set out for the first time in years an Azerbaijani programme for the conflict named the “6D plan” as it consisted of “De-occupation, De-Militarisation, De-mining, Deployment, Dialogue and Development”.³⁰

The articulation of a plan was a positive step. However, the plan itself was uncompromising in its key points and reference to

²⁸ Details at <http://www.epnk.org/>

²⁹ Trend News Agency, “President Ilham Aliyev: Sumgayit events were provocation on part of Armenian nationalists,” 25 November 2019, <https://en.trend.az/azerbaijan/politics/3153661.html>; Naira Badalian, “Armenian PM in Milan replaces Azerbaijani video blogger,” *Arminfo*, November 20 2019, https://arminfo.info/full_news.php?id=47231&lang=3

³⁰ Hikmat Hajiev, “Armenia-Azerbaijan conflict: Between lasting peace and eternal war,” *Euractiv*, July 5, 2018, <https://www.euractiv.com/section/azerbaijan/opinion/armenia-azerbaijan-conflict-between-lasting-peace-and-eternal-war/>

“the issue of occupation and military aggression, which constitute the fundamental basis of the Armenia-Azerbaijan conflict.” There is no reference to autonomy or self-determination in the document, let alone the Madrid Principles.

On the Armenian side, Pashinyan has been equally forthright that “Artsakh is Armenia, and that’s it.” In fact, Armenia’s new leader has been more outspoken in saying this than his predecessors, perhaps because, as an Armenian from Yerevan, he feels the need to prove his credentials to the Armenians of Karabakh.

Following the peaceful revolution in Yerevan in 2018, the leadership of the unrecognised NKR (Nagorno-Karabakh Republic, whose name was changed in 2017 to Artsakh Republic) stayed in place, despite its close ties to the previous administration the former administration of President Serzh Sargsyan. That is the cause of some tensions between Yerevan and Stepanakert, especially as elections are scheduled in Karabakh in 2020.

Traditionally, the Karabakh Armenians, who are at the epicentre of the conflict, have taken a tougher line than the government in Yerevan on any prospect of territorial compromise with Azerbaijan. In his public speeches, Pashinyan has also talked tough, telling domestic audiences that Armenia and Karabakh must one day be joined in union (the Armenian words is “miatsum”) – the central tenet of the Armenian cause on the Karabakh issue since the dispute first flared in 1988. In August 2019 Pashinyan led a crowd in the Karabakh capital Stepanakert repeating the word “miatsum”.³¹

Pashinyan has also insisted that as the leader of the Republic of Armenia, he cannot speak on behalf of the Karabakh Armenians and that they must be represented in the negotiations. Since the late 1990s, Yerevan has negotiated on behalf of the Karabakh Armenians, an arrangement that has suited Baku very well and it is not keen to change. Pashinyan has said that he has in mind “both very specific

³¹ Joshua Kucera, “Pashinyan calls for unification between Armenia and Karabakh,” *Eurasianet*, August 6, 2019, <https://eurasianet.org/pashinyan-calls-for-unification-between-armenia-and-karabakh>

forms and methods on how Karabakh can engage in negotiations”, but has not been more precise.³²

Azerbaijan is also due to have early parliamentary elections in the first months of 2020. The president recently carried out his most thorough-going reshuffle and is clearly focused on domestic political issues. Neither side in the Karabakh dispute therefore is likely to soften their nationalist rhetoric or be seen to be offering concessions as they seek to further their domestic agenda and consolidate power at home.

7.6 Conclusions: What potential for incremental change?

The Karabakh conflict is unusually resistant to transformation, the kind of incremental change in which barriers are broken down and bonds of trust are restored across the conflict divide. A recent exchange trip by journalists notwithstanding, steps such as these are far less common than in the Georgian-Abkhaz conflict, not to mention conflicts such as Cyprus or Transdniestria where there is daily interaction across the conflict divide.

The long-term benefits of a peace settlement are obvious, as the conflict holds back the development of the whole region. A 2019 study by Berlin Economics, commissioned by the European Union, makes an undeniable economic case for a solution:

In public finances, both Armenia and Azerbaijan would strongly benefit from large savings on conflict-related fiscal expenditures. Military expenditures could be reduced by 2% of annual GDP in both countries to a level comparable with other countries at peace. In addition, Armenia could save annual expenditures of 0.9% of GDP for supporting the local economy in Nagorno-Karabakh and 0.1% of GDP in interest payments, thus saving 3% of GDP every year. Azerbaijan could eventually save expenditures for supporting displaced people

³² Quoted in “Q&A With Emil Sanamyan on Prospects for Genuine Peace Process,” USC Institute of Armenian Studies, February 14, 2019, <https://armenian.usc.edu/qa-with-emil-sanamyan-on-prospects-for-genuine-peace-process/>

amounting to 0.4% of annual GDP, thus reducing total expenditure by 2.4% of GDP yearly. Such large fiscal savings would enable both countries to sharply reduce budget deficits and at the same time substantially increase spending in socially useful areas such as education or health by eliminating present budgetary pressures.³³

However, all sides are still trapped by the same life-and-death issues of identity and security which triggered the conflict in the 1980s. In practice this means that the two societies have practically no contact with one another. Only very limited social groups, such as traders who do business in Georgia, or students who meet the other side in foreign capitals, encounter members of the other ethnic group and hear their point of view. When it comes to confidence-building measures the two sides tend to hold mutually exclusive positions. For the Armenian side confidence building must begin with steps to cement the ceasefire regime and stop threatening military conquest. For Azerbaijan, confidence building must start with a commitment by the Armenians to make territorial compromises and engage seriously in political talks. In this context, Azerbaijan is very reluctant to agree to measures, such as visits by Armenians or confidence-building measures across the Line of Contact that would “normalise the status quo” without any tangible political progress.

The result is that both societies live with narratives of permanent division and alienation from the other. Few people can imagine anything different. The 2018 International Alert report *Envisioning Peace* finds that, “in Armenia and Azerbaijan, people say they find it hard to plan a long-term future. This could be down to people living according to a system of learned helplessness.” The report also observes that those social and regional groups most directly affected by the conflict are also the most marginalised by it: “Armenia and Azerbaijan are quite similar once again in this regard:

³³ Berlin Economics, “The Economic Effect Of A Resolution Of The Nagorno-Karabakh Conflict On Armenia And Azerbaijan,” June 15, 2018, https://berlin-economics.com/the_economic_effect_of_a_resolution_of_the_nagorno-karabakh_conflict/

the further people live from the frontline, the more strongly they speak about patriotism.”³⁴

Hopes that a new generation will demand change have so far not been borne out. Younger people are more globalised than their parents and carry less baggage from the conflict. On the other hand, they have grown up with dominant national narratives that portray the other side, Armenians or Azerbaijanis, as enemies. Unlike older generations who lived in Soviet times, they lack memories of a time when the two nations lived side by side peacefully and most could speak a common language.

All this suggests that anyone seeking an end to the Karabakh conflict must employ a double strategy in the shorter and longer term that eschews the vocabulary of “conflict resolution” employed in other contexts. The short term requires “conflict management” to keep the two sides from going back to a war that would inflict terrible human suffering and put back the cause of peace by another generation. The longer term calls for an approach of strategic patience and “conflict transformation” in which more work is done inside Armenian and Azerbaijani societies than between them.

³⁴ *Envisioning Peace*, p.6, p.9.

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