In a joint communication by the High Representative (HR) and the Commission in May 2011 the EU announced its readiness to “enhance EU involvement in solving protracted conflicts”.1 The EU expressed its willingness to become involved in “formats where it is not yet represented” such as the Minsk Group and to “outreach to breakaway territories”. Although more recent statements from Brussels on the future of the European Neighborhood Policy have taken a more careful approach, stressing the primary responsibility of the conflicting parties2, there can be little doubt that the ability to contribute to settling these conflicts is a test case for the EU’s Common Foreign and Security Policy. For how should the EU strive to develop a more effective Common Foreign and Security Policy worldwide if it cannot contribute significantly to overcoming the protracted conflicts in its own neighborhood?

The extent of the EU’s involvement and the nature of the four conflicts in question – Transnistria, Nagorno-Karabakh, South Ossetia and Abkhazia – are, however, quite varied. In fact the conflict which today seems to be the most tense and the one where the EU has so far been least involved – Nagorno-Karabakh – may be theoretically the easiest to resolve. The Madrid principles formulated by the Minsk Group have, in fact, already outlined a solution.


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On 27th and 28th of September 2012 the fourth German-Nordic-Baltic Forum took place. The conference was entitled “EU Responses to external challenges as seen from Germany, Poland, Nordic and Baltic countries and the EU neighbourhood”. Not only experts from the Baltic States, the Nordic States, Poland and Germany participated in the forum, but for the first time also scientists coming from those countries to which the EU policies are addressed. Thus, a fruitful exchange of ideas and opinions among the stakeholders involved on the contents of the European Neighbourhood Policy (ENP) and its perception among the partner states could be achieved.

The expert seminar was organised by the Institut für Europäische Politik (IE) in cooperation with the Finnish Institute of International Affairs (FIIA), Helsinki and took place at the premises of FIIA. The conference was generously supported by the Federal Foreign Office and the Finnish Ministry of Foreign Affairs.
The problem is its implementation. Since leaders on both sides shrink away from the political costs, the implementation of a conflict resolution would require a strong support from more united and determined international community. But such unity and determination is lacking while tensions between Armenia and Azerbaijan are increasing. It is difficult to imagine what the EU can contribute under these circumstances; for the EU wields little power and has only limited economic leverage in the region. Its potential contribution to a conflict resolution is hampered further by the strategic interest the EU attaches to its relationship with Azerbaijan for reasons of energy security and the fact that it looks to Baku as a potential ally in the conflict over Iran’s nuclear program. Meanwhile Turkey, a crucial ally of the EU, also supports Azerbaijan. Since efforts to bring about a rapprochement between Turkey and Armenia have so far failed, Yerevan in turn not only needs to maintain the support of Russia but also cannot afford to ruin its relations with Iran. Under these circumstances the EU cannot be expected to operate as an impartial actor who is able and willing to push if necessary for a settlement both in Baku and Yerevan and potentially also in Ankara. The most recent indications of this limited commitment is the half-hearted statement by the HR and the Commission – which deviated revealingly from the resolution adopted by the European Parliament\(^3\) – in response to the release of Ramil Safarov, which only expressed concern and urged restraint from both sides.\(^4\)

The conflicts in Georgia seem to be deadlocked for years, if not decades. After the war of 2008 the EU played a crucial role in negotiating the cease-fire agreement. But even then it was France – in its function as the EU presidency – rather than the EU as such which took the lead. If a smaller EU member state had held the presidency at the time, the role of the EU would have remained marginal. After the cease-fire agreement the EU enhanced its presence through its monitoring mission. Its political and economic leverage however has remained limited. For geographical reasons the breakaway territories remain economically tied to Russia, while by contrast the EU has comparatively little to offer. The EU stands by its Georgian partner, supporting territorial integrity while encouraging Tbilisi to engage with the separatist regimes. But not even a strategy of engagement towards the breakaway territories promises much progress, at least not in the short or medium term. The Geneva process on implementing the armistice agreement has remained the only format in which the government of Georgia and the authorities of South Ossetia and Abkhazia can hold direct talks, but so far have done little more than demonstrating the deep distrust and divisions between the respective sides. At the moment the EU has hardly any means of bridging these divisions, let alone significantly contributing to a conflict settlement.

The situation in Transnistria is much less tense or prone to escalation than the conflicts in South Caucasus. Though Moldova was ripped apart by bloody civil war in the early 1990s the separation of Transnistria did not result in large numbers of refugees such as happened in South Caucasus. Given that Moldova has shared a border with the EU since Romania’s

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accession in 2007, and given that the Chisinau government has made European integration its top priority, the EU now has greater political leverage in Moldova than in any other addressee of the Eastern Partnership. Brussels also has far greater economic leverage in Moldova and Transnistria, with more of the country’s trade going to the EU than to Russia. In addition the EU already has a well-established presence in conflict settlement processes, with its EUBAM mission at the Moldovan(Transnistrian)-Ukrainian border and its involvement in the 5+2 negotiations – which it joined as an observer in 2005. For this reason many observers actually deem the Transnistria conflict to be the easiest to solve. After the Georgian war of 2008 German Chancellor Merkel and President Sarkozy of France therefore suggested that a rapprochement between Russia and the West should start with common efforts to solve this conflict.\(^5\) This was followed in 2010 by the Meseberg Initiative of Merkel and Russian President Medvedev proposing closer cooperation between Russia and the EU in security policy, beginning with the Transnistria conflict.\(^6\) As a consequence formal 5+2 negotiations which had been suspended since 2006 have been resumed in late 2011. This April an agreement was reached on the basic principles and procedures of future negotiations, although no progress has been achieved so far with respect to substantive political questions.

**Geopolitical and domestic dimensions of the protracted conflicts**

What all these conflicts have in common is the crucial role Russia plays by supporting the breakaway territories – though this support is more direct in the case of Transnistria, Abkhazia and South Ossetia than Nagorno-Karabakh. But at the same time all of these conflicts are also shaped by differences in the cultural and political identities of the conflict parties. In none of the breakaway territories is there a strong wish among the majority of the population for reunification with the mother state. Such antagonism is most pronounced in Nagorno-Karabakh, leaving hardly any prospect of peaceful reintegration of the region into Azerbaijan. Such sentiments are least developed in Transnistria, although even in that region there isn’t much support for reunification with Moldova. At first glance the populations on both banks of the Dniester composed of the same ethnic groups, albeit in different proportions. But this shouldn’t draw attention away from the fact that large parts of the Transnistrian population, particularly the elites, have developed a distinct identity. This is not to say that both sides would be unable to live together in one state, but support for reunification is limited. Both sides don’t actually care much for each other. On the right bank this is illustrated by the fact that according to opinion polls only a very small minority considers a conflict settlement to be a priority for Moldova. So even if Russia were to withdraw from each of these conflicts, the conflict itself would remain. Owing to the economic dependency of the breakaway territories of Transnistria and in Georgia, such a withdrawal might result in the economic collapse of the separatist regimes, thus forcing them into a settlement. This, however, would actually increase resentment rather than create a real willingness for reunification. For these reasons it is necessary to distinguish between the

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geopolitical and the local dimensions of these conflicts. Although both dimensions are interconnected, they need to be tackled individually.

The geopolitical framework for the resolution of each of these conflicts depends primarily on relations between Russia and its Western counterparts in NATO and EU. With the Meseberg Memorandum Germany responded to Russia’s interest in better integration in the European Security Architecture, but linked this to common efforts towards a settlement of the Transnistria conflict. Since then, however, the prospects for EU-Russia cooperation have deteriorated. They are likely to become more confrontational under a new Putin presidency. Rather than mutual interest, differences in values and ideology will probably shape the relationship for the next few years, manifested by anti-western rhetoric on the Russian side and increasingly vocal criticism in the EU regarding Russia’s democratic deficiencies. As a consequence, bilateral relations can be expected to drop down the respective lists of priorities because both sides no longer expect much from each other.

A further consequence is that the policies of the EU and Russia in Eastern Europe will be characterized less by cooperation than by competition between different models of integration. No longer NATO enlargement but EU integration is now the subject of this competition for influence in Eastern Europe. Neither side may have a real interest in this competition; but basically it appears to be inevitable. The crucial question is what will be extended to Eastern Europe: the acquis of the EU and effectively its common market, or the standards of the customs union between Russia, Belarus and Kazakhstan and the Eurasian Union. For Russia the implementation of the deep and comprehensive free trade agreements which have been or are being negotiated between the EU, the Ukraine, Moldova and Georgia as well as implementation of the acquis of the Energy Community and in particular the third energy package would result in a loss of economic interests and political influence. Under these circumstances, compromises in the protracted conflicts must appear as unilateral concessions for Russia. With the remaining uncertainty over the future course of Eastern European countries towards European or Eurasian integration and the remaining political instabilities within these countries, it is more likely that Russia will entrench in separatist regions for the time being than that it will be prepared to relinquish its positions there.

This deadlock means there are hardly any prospects for a top-down approach in settling the protracted conflicts at the moment. With respect to Nagorno-Karabakh, the Minsk Group lacks the unity necessary to push successfully for a settlement. After the recognition of South Ossetia and Abkhazia by Russia the conflicting positions of Moscow on the one hand and Georgia and the EU on the other leave hardly any latitude for substantial negotiations any time soon. In the 5+2 negotiations over the Transnistria conflict the next logical step would be trying to reach an agreement on basic principles for a settlement. But for the reasons mentioned above it seems more likely even in this case that negotiations will soon stall in a political deadlock rather than produce any progress on substantive status issues.

This likely geopolitical deadlock is not the end of the story, but it does mean that for the time being a bottom-up approach is required to try to solve practical problems and prepare the
ground for a future settlement by bringing the conflicting sides closer together. In other words: Since the geopolitical context is not likely to change any time soon, efforts towards conflict settlement should seek to first change the local dimension. This is a necessity anyway. For even if the geopolitical context did favor a settlement, even in the case of Moldova the necessary preconditions for reunification do not exist today. On the one hand the political systems are too different to be reconciled within one state. To create a viable state the competences of today’s breakaway territories within a reunified country would need to be limited to an extent that would be unacceptable to them. A tolerable amount of competences, however, would render the creation of a viable state nearly impossible. In the case of Moldova, the mother state would first need to consolidate politically, too. Otherwise a premature settlement would probably destabilize the whole country. On the other hand any settlement other than a final separation has to be built on a common interest, since a common identity is lacking. To a large extent this common interest is yet to be created by linking the societies and economies more closely together. This requires a proactive strategy of engagement towards the breakaway regions by both their mother states and the EU.

For a long time the policy of non-recognition of the respective mother states and of the EU and its member states towards the breakaway territories in Transnistria and the Southern Caucasus, resulted in non-engagement and consequently isolation. But this only reinforced bunker mentalities and, in consequence, strengthened authoritarian regimes and increased their dependence on Russia. Today, the EU supports a strategy of engagement towards Abkhazia, South Ossetia and Transnistria. In the latter case, the EU is significantly increasing its support for confidence building measures. To be sure: The potential impact of engagement varies largely from conflict to conflict. Due to the deep divisions and resentment in the conflicts over Abkhazia and South Ossetia, significant progress can only be expected there in the long run. In Transnistria, however, the prospects are brighter. The Meseberg process may not have led to a political breakthrough, but it has contributed to creating a new dynamic in the relationship between Tiraspol and Chisinau.

In December a democratic election took place in Transnistria in which the former hardline leadership was voted out of office. Despite starting from an underdog position, the new leader received over 70 percent of the vote. His election reflected the population’s deep frustration with the economic, political and social problems in Transnistria. He was elected on a platform that promoted serious reforms. Under the new administration ideological differences towards Chisinau have largely disappeared. Without abandoning the goal of Transnistrian independence, the new leadership is seeking pragmatic progress in overcoming the impediments for the development of the region which result from the unresolved status question. It is striving to improve economic conditions and attract investment – and not just financial support – from Russia as well as the EU. Between Chisinau and Tiraspol the level of engagement has risen, in particular between the Transnistrian leader and the Moldovan prime minister. As a consequence railroad connections have been restored and tax barriers to bilateral trade have been abolished.

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At the same time however Transnistria remains largely deadlocked due to the geopolitical conditions. Moldova is negotiating an association agreement and a deep and comprehensive free trade agreement (DCFTA) with the EU. For Russia, Transnistria and a potential settlement of the conflict is also a means of inducing Chisinau to join Moscow’s own integration models. Being financially dependent on Moscow and culturally linked to Russia, Transnistrian leaders promote the project of Eurasian integration. As a consequence Transnistria participates in DCFTA negotiations only at a low level and with just one observer, despite being invited by Chisinau to play a more active part. Today, Transnistria benefits from the autonomous trade preferences (ATP) granted to Moldova, although these will be abolished when the DCFTA enters into force. But what will happen if Transnistria refuses to implement the DCFTA itself out of consideration for Russia? In that case Transnistria will lose the ATP without being able to benefit from Free Trade. It is difficult to assess the potential impact of this, but the result could be an effective trade barrier between Chisinau and Tiraspol which could hurt Transnistria badly and deepen the divisions in the country. Transnistria may turn out to be the biggest loser of EU-Russian competition over integration in Eastern Europe.

**Challenges for the EU**

So far, the EU has not managed to turn its presence and economic leverage in Eastern Europe into power. Where the EU increased its political involvement in the protracted conflicts this was due to the commitment of member states rather than Brussels: France in the case of the Georgian War; Germany in the Meseberg process. The Common Foreign and Security Policy of the EU is yet not an alternative to national policies; in order to be effective the national and EU policies have to support each other. In its 2003 security strategy, the EU already stated a clear interest with regard to Eastern Europe: wanting a ring of well-governed countries in the neighborhood. At the same time the EU acknowledged that the frozen conflicts threatened regional stability. But due to a lack of hard power it has not developed a proactive policy. Instead its approaches have remained largely responsive. This corresponds to the instruments the EU has at its disposal rather than the political goals it formulates. The EU has to rely mainly on its soft or transformational power which is based on values rather than interests. But the efficiency of the EU’s transformational power depends on the premise that local actors are partners who generally share the same fundamental goals. Where this is not the case, there is no soft power without hard power; and EU’s influence turns marginal.

Thus the influence of the EU on settling the protracted conflicts still largely depends on the attractiveness of its integration model. This implies that the EU can at most play a supportive, but hardly a decisive role in the conflict over Nagorno-Karabakh. With its means the EU can mediate and support confidence building, but with the prevailing mistrust and resentment on both sides confidence building alone will not change the situation. What this conflict needs is a top-down political solution. It is questionable whether EU membership of the Minsk Group would make much of a difference. What can the EU do better than France, which is already

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one of the co-chairs? In Georgia a strategy of engagement and confidence building towards Abkhazia and South Ossetia appears to be the only way to create a new dynamic as a way out of the deadlocked situation. The EU can support such a strategy, but the path to reconciliation and rapprochement will be long. Realistically the aim of such a strategy of engagement thus has to be preventing a new escalation and reducing the harmful consequences of de-facto separation on both sides.

In contrast with the Caucasus, in Moldova-Transnistria EU integration will be the crucial factor in reaching a settlement. For it will redefine the domestic as well as the geopolitical conditions. Geopolitically the most crucial question is the persistent uncertainty over the future strategic choice of Moldova between European and Eurasian integration. Though its current government is following a clear policy of EU integration, Moldovan politics is still characterized by instabilities. Russia holds strong leverage in Moldova, in particular through the country’s energy dependency on Moscow and Gazprom’s ability to raise Gas prices. At the same time Russia has significant short-term benefits to offer, including cheaper energy and possibly even a favorable resolution of the Transnistria conflict. Yet, as long as the issue of Moldova’s future integration seems unsettled, Russia would tend to have an interest in maintaining the status quo. As soon as Moldova’s European integration appears irreversible, the geopolitical situation will be clarified. Progress in this direction is a way to move beyond the status quo.

How can the EU best contribute to conflict settlement under these circumstances? Firstly: By supporting EU integration in Eastern Europe the EU should focus more on short-time deliverables. The major weakness of the EU’s integration policies in Eastern Europe is that they offer long-term benefits to countries but only few short-term deliverables to governments. This applies in particular to the two major offers of the Eastern partnership: the DCFTA and visa liberalization. At least in the case of Moldova the economic benefits of the DCFTA with the EU will probably outweigh the benefits of Eurasian integration. But the implementation of the DCFTA requires costly and time-consuming reforms. Visa liberalization was offered to deliver a benefit in the shorter term. But it still takes too long for governments to be able to present it as a success within current legislative terms.

Secondly: The EU should further increase its engagement with breakaway territories, in particular Transnistria. Outside pressure will only increase the territories’ dependency on Russia and Moscow’s need to increase its support for them; for a lack of support could be perceived within Russia as abandoning compatriots abroad. Yet, promoting reforms and economic developments within the breakaway territories means preparing the ground for a rapprochement and a future settlement. To convince local elites that engagement with their mother states and the EU would be beneficial to them, concrete deliverables in term of economic opportunities are needed. Thirdly: In particular in the case of Transnistria the EU

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needs to find a way to make the DCFTA less exclusive and thus less divisive. Postponing the DCFTA with Moldova cannot be an option. But at the same time for political reasons Transnistria cannot be expected to implement it. Finding a way to prevent severing economic links between Transnistria, Moldova and the EU would therefore be crucial for the prospects of a future settlement of the conflict.