

## Book Review

Champain, Phil, Diana Klein and Natalia Mirimanova (eds.), ***From War Economies to Peace Economies in the South Caucasus***,

London: International Alert, 2004 pp. 244

Reviewed by Tabib Huseynov

“No Karabakhs, no Abkhazias and no Ossetias here, just smiles, handshakes and a slap on the back – with a quiet cursing between the teeth later in one’s own close circle” (p. 235) – a revealing quote in the recently published *From War Economies to Peace Economies in the South Caucasus*, portraying the relationship among the multi-ethnic market players engaged in quasi-legal or illegal cross-border trade in the conflict zones.

This book is a collection of papers written as a result of an 18-month research project carried out by the Economy and Conflict Research Group of the South Caucasus, which involved a pool of experts from across the region (Armenia, Azerbaijan, Georgia, and Turkey), including representatives from the self-proclaimed republics (Abkhazia, Mountainous Karabakh and South Ossetia). It offers interesting insights on the implications of economic factors for the frozen conflicts in the South Caucasus. The book is particularly interesting to read since it is written from the differing and at times opposing perspectives of those living with and affected by these conflicts.

The common assumption underlying the texts is that better understanding of the links and dynamics between economics and conflict is important for long-term peace-building efforts. Given the fact that most research on conflict resolution in the South Caucasus is heavily focused on politics, and economic factors have received little attention so far, this book is a timely and useful source.

The text contains seven chapters. In chapters 1 and 2 both Turkish and Armenian authors advocate the opening of borders between Turkey and Armenia as a first step

towards regional cooperation. As the Turkish author, who is an activist of a Turkish-Armenian business lobbying group writes, the restoration of economic relations “has the potential to mitigate tensions” (p. 64). However, unlike their Turkish colleague, who argues that “political settlement should not be a precondition for establishing economic relations” (p. 65), the Armenian authors are not so optimistic. In their view, it is “impossible to resolve problems of economic cooperation outside the context of the region’s political situation” (p. 83). The analysis reveals deep inconsistencies and falls short of explaining the core research question on how the opening of borders will contribute to the solution of the Karabakh problem if, as the authors themselves recognise, “The success of any economic project depends on ...settling the conflict and creating conditions to regional economic cooperation” (p. 85). Thus, it implies that in the absence of agreement on key conflict issues, such as the Armenian refusal to recognise Azerbaijan’s and Turkey’s territorial integrity, Armenian genocide allegations and the Karabakh conflict, there can be no economic cooperation.

Chapter 3, written by a Karabakh Armenian author, gives an even more ambiguous and confusing analysis. The research aims at studying the impact of foreign aid on the development of business and conflict resolution prospects in Karabakh. The highly politicised writing style and a number of controversial historical arguments sets the text apart from the rest of the book. Most importantly, the surveys that the author includes in the research raise a number of questions on their quality and appropriateness, given the fact that the author fails to unequivocally define the survey questions and show the links

between the survey results and the provision of international aid to Mountainous Karabakh.

Chapters 4, 5 and 6, written by Georgian, Abkhaz and Ossetian experts, perhaps constitute the most interesting and useful part of the book. Taken together their researches provide a complex and thought-provoking picture of the interplay between unregulated economic relations and frozen conflicts. In fact, the authors from different conflict divides share a lot of common ground in their analyses. Thus, for example, all of them agree that the shadow economy provides opportunities for those, who “exploit the instability to enhance their profits” (p. 151).

However, the sides drastically differ in their conclusions and suggested solutions. Thus, Abkhaz authors claim the “sanctions make absolutely no contribution to resolving the political conflict... due to the unintended stimulus they give to the growth of parallel or shadow economy” (p. 169). They suggest, “the basis for economic cooperation between conflicting countries could become purely economic issues separated from political conflict resolution” (p. 171-172). On the other hand, Georgian authors convincingly show that “Without political settlement, the development of economic cooperation ...will directly benefit the military potential of the separatist government” (p. 154). In a way, both sides are correct, because, absence of political agreement prevents establishment of stable economic cooperation, which in turn stimulates the criminalisation of economic relations, growth of the shadow economy, entrenchment of

the status quo and as a result, further problems for political settlement. It reveals a spiralling nature of the conflict in which time works against all.

The final Chapter 7 written by Azerbaijanian researchers provides an interesting case of Sadakhly market, which is located in the territory of Georgia on the border with Armenia and is populated by the ethnic Azeris. This research has some important similarities with the preceding analysis on the Ergneti market on the borderline between Georgia and South Ossetia written by the South Ossetian authors. Thus, both markets were created spontaneously on a neutral territory by the communities in conflict. The markets function quasi-legally and largely contribute to smuggling in the region, while simultaneously providing the lion's share of the local population's income. Both Azerbaijanian and South Ossetian authors agree that despite the trading, a deep lack of trust remains. In this regard, an example from the Azeri-populated Sadakhly village in Georgia is rather elucidating: when a visit to their clinic across the border in a neighbouring Armenian village was suggested by Medecins Sans Frontieres, they rejected giving the animosity between the two ethnicities as a reason. When asked why should this animosity affect health care when it did not seem to affect the market, the answer was "it is one thing to have commercial relations at the border but quite another to enter deeply into 'enemy territory'" (p. 236).

The book leaves more questions than answers. But most importantly, and perhaps against its purpose, this book reveals, that in the context of south Caucasus conflicts,

economic relations will contribute little to the solution of the region's protracted conflicts without a parallel process addressing outstanding political issues.