

Remarks by Ashot Khurshudyan

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I would like to start from the point that many times during this conference was touched upon - the role of third parties and then will move to the discussion of the regional situation from our point of view.

The third parties' role in establishing peace and in the conflict resolution process can be important. But the level of third parties' involvement is vital too. Today, we have heard that Turkey has to support Azerbaijan. It is interesting for me to hear about the motives that underlie this "has to support". An explanation is essential because of the mention of Turkey's importance for establishing peace between Azerbaijan and Armenia. It is hard for me to understand how Turkey is going to be an important player in promoting peace between Armenian and Azeri while Turkey is not ready or at least not willing to communicate with Armenia: communication in diplomatic, economic and other dimensions. Thus we are waiting to hear about Turkey's principles and motives driving it to support Azerbaijan and to be a player in promoting peace in this region in conditions where it does not communicate with one party.

I hope that those reasons will not conflict with each other. [I feel happy when I hear some Turkish citizens expressing their non-agreement with current Turkish Government policy towards Armenia.] If the motivations and the principles are other than resolving conflicting interests, third parties' involvement in regional stability and conflict resolution processes should be dealt with very carefully.

Coming back to principles, I would like to stress that both principles of territorial integrity and self determination are of high importance. But before choosing one of these principles it is essential also to look at the other criteria or principles: justice and injustice, fairness and unfairness, and other legal and moral principles, otherwise the process of choosing a principle of territorial integrity or self determination will be one-sided. While seeking to establish a long lasting peace it is crucial to make sure that all of these principles are balanced and satisfied; and the parties' interests are satisfied too, and they reached a consensus.

It is undeniable that our region is in the centre of interests from the standpoint of its economic capacities, which is mainly explained by the geopolitical position of the region as a significant crossroads of intersecting routes. It is also worth mentioning the considerable attractiveness of our markets for extensive business development. Comprehension of this fact is gradually playing a definite role in the approaches of today's political elites. Economic factors of this region are also determined to be the coalescing nodes of confidence-building measures. Economic interrelatedness is a pledge of reinforcement of mutual confidence. From this viewpoint, synchronisation of economic reforms and the idea of the regional countries' steady economic development are becoming increasingly indispensable.

The unsolved conflicts, resulting in intense pressure on the process of economic reforms in our countries, are impediments to realization of this idea. It also creates a misleading impression that economic factors may serve as an instrument for pressure and for ejection of one of the countries from the common regional processes. This approach is counter-productive, deepens the existing confrontations and bears a real threat for the South Caucasus' stabilisation.

Today's imperative is to find a systematic approach towards developing stability and safety in the region, and given the countries' solicitude for the region's basic problems and often competitive interests, to endeavour to achieve a goal. Political elites of the South Caucasus countries have already accepted the indispensability of the collective security system. This matter is in the stage of active discussions. It is the first time in the history of the region that we have a tangible possibility to take a serious step forward towards radical reforms. Our dominant priority should be to create a durable foundation for ongoing stability and further development of the South Caucasus region.

So which are the peculiarities and what lessons do we take from the experiences faced in the post-independence period, in the context of globalisation?

1. The countries in transition transferred from state ownership based economies to private ownership based ones. In the political sphere democratic values should have been dominating and in the social sector we had to create a scheme for human rights and state protection.

What is the aim? In all these three domains we must be comprehensible and predictable for the surrounding world. On the other hand we must be able to use the positive experience of world development.

What did we do? I mean most of the countries with transition economies. We carried out privatisation in the economic sphere. In the first stage our aim was to provide the critical number of proprietors in order to ensure the irreversibility of reforms. On the whole, we succeeded. Today in Armenia the private sector produces over 75% of GDP. It should be noted that this process was very painful for all the countries. Each of them followed its own path and there is no universal and acceptable model.

For all the countries in transition the first stage of privatisation is the quantitative, which is followed by the qualitative stage, with as a priority the efficient realisation of the right of ownership, when private property itself is a stimulus to increasing economic productivity. It is here that all the countries face difficulties. The reason is that parallel to the increase in the number of the private property owners, no viable mechanisms were created to enforce the right of ownership. The necessary institutional field was not created, and the states could not establish a system that would in parallel provide for protection of property.

This all can be briefly formulated in this way: the right of private ownership and creation of institutional mechanisms for its realization should be fulfilled simultaneously.

2. The transition from a centrally planned system to a democratic society can be realised in a definite succession. Experience showed that any attempt to choose a strategic succession was doomed to failure. The constituent part of political democracy is the ideology of the free market, clear and equal rules for

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everybody and the ensuring of these rules by the state. The structural reform of the economy, the improvement of the management system, the organisation of market infrastructures should be realised in conditions of the legal system's harmonious development. Consequently guaranteed success of the economic reforms is conditioned by the systematic approach to their realization.

3. The third lesson is the alteration of the state's role on the way towards globalisation. It should be emphasised that the state role does not diminish: just the opposite. On the state level we must conquer the field which is unfamiliar for us so far. The state must gradually obliterate its immediate participation in the processes of economic management and take on a regulating function; that is to say, the rules of the game and guarantees for protection of these rules must be worked out.

It is here that nearly all the countries have failed (the CIS countries and Caucasus countries among them). Trying to ensure the reduction of the state's role in the processes of economic management, we failed to fix the most important regulating and controlling functions.

4. Nearly no country in a transitional period has the intention or possibility to have a dominating international position in the near future, and therefore these countries can also be called small countries. A small country, along with its privileges (eg it is easily managed), has numerous negative aspects. Consequently, it is important for these countries to work out a special development concept on the world scale.

- Explicitly, in the first stage of development these countries cannot be allowed to enjoy protectionism. Nowadays, customs profits comprise the dominating part of the state budget of the countries in transition. As a result, all the countries suffer from losses and universal approaches could have been worked out:
 - In the first stage, obliterating all protection and reducing the customs tariffs, the International community could compensate for the losses of the developing countries.
 - In the second stage general integration processes would begin.
 - In the third stage the growing economy and the increasing volumes of foreign trade would restore the primary level of protecting profits, and the changes in the profit structure would be in favour of direct taxes (income tax, profit tax).
- In many cases humanitarian aid has a narcotic effect on developing countries. The developed powers should predetermine the very moment when the humanitarian aid can be replaced by development programmes.
- The international financial institutions in many cases continue to impose quantitative indices as development criteria, thus distorting the qualitative and ideological tendency of the reforms. These approaches should be changed from solving current problems to a model of stable development.

5. The fifth lesson is that on the way to creating a global society, under the pressure of diverse problems, we have ignored the sphere of human development. It's time to refer to educational, health and democratic reforms not

from the social standpoint, but as a main factor of the economic strategy, as an investment in the most important phenomenon of the economy – in mankind.

This is the reason why we must reconsider the investment system that presupposes an increase of human productive power. It should be accomplished through ensuring the prolongation of an individual's efficiency period, creating means that will assist us master the information and the experience gained. It will be achievable by enlarging knowledge, qualifications, possibilities for self-expression, by reducing diseases and providing scientifically grounded nutrition and physical culture.

It is obvious that educational, informative and health reforms then acquire a paramount significance. The financing of these spheres should be observed as a dominating strategy, and the budgetary appropriations should not be done according to the residual principle.

6. Next lesson here is the priority of joint approaches to management of infrastructural sectors of the economy. The range of infrastructural services the foreign investor receives in his country should be available in our countries as well. Our infrastructures should be comparable with international criteria. The shortest way to achieve this is the accomplishment of regional joint programmes. It is efficient to elaborate joint regional models for development of transport routes, electro-transmission lines, optical cable lines, drinking water and irrigation systems. Perhaps certain state services, such as the customs service, can be unified. The countries of the region will only gain.

Today, almost everyone agrees that there is a greater awareness not only of the privileges of globalisation, but also the multifarious problems facing humanity in this new global society. For the countries in transition, it is only a matter of time to take the challenges, and grapple with the same set of problems on their way towards globalisation. In any case, there is only one way: we must speak to the world comprehensibly and be transparent.

7. The last lesson is that the countries with transition economies should strive to work out and accomplish regional development programmes, without restricting the number of programmes directed to domestic economic development.

In the age of globalisation it should be desirable for any country to have a developed and prospering neighbour. In this respect, the process of our membership in the World Trade Organisation is especially striking. The regional countries have begun separate negotiations in conditions when the current inter-state trade position is not promising. With global trends of integration, no country can lead an isolated policy. The most essential element today is economic cooperation and integration into the global community in which countries have become increasingly dependent on each other. This approach leads to the following five policy directions.

First, no country can be involved in global integration if there is no integration process within its own region and with its neighbouring countries. There can be no regional co-operation with the artificial isolation of a country; this country will lose, the other members of that region will lose and the full potential will not be realised. In some cases, economic blockades and/or the failure to seek potential support obstruct co-operation projects at the grassroots level.

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Second, stability in the region requires balanced relations between countries of the region. The widening cooperation gap among states is dangerous for regional security. Cooperation and integration should be key elements of preventing or overcoming crises, be they natural, political, economic or social. The process of integration is a comprehensive set of actions directed toward stability and development.

Third, there is no magic wand that can be waved to complete the process in one step. Economic ties and trade links are good confidence building measures. Economic projects and co-operation initiatives are potential instruments of conflict resolution. In this case the international community should concentrate much more on economic projects and facilitation of cooperation. Priority should be given to micro projects for raising internal stability in a country. This will allow the promotion of macro projects on a regional level for integration and will, in turn, facilitate regional stability.

Fourth, the more internal stability, democracy and economic freedom in a country, the stronger the basis for integration and economic co-operation. The way to achieve this is:

- Increasing the role of the private sector and free market economy to enable the actors of countries of the region to begin bilateral projects and continue more comprehensive integration processes.
- Good governance, stable institutions and confidence among states create a stable macro environment.
- Liberalisation and facilitation of trade within the region are the basic conditions that must be met for deeper integration.

Last but not least, confidence-building measures (including cooperation projects) is reliable tools to signal readiness to take further steps towards integration. Experience demonstrates that the roles of NGOs and mass media should be promoted and increased for building democracy and a civil society. If individuals, NGOs, the media, and others are not restricted in their abilities to function, then the potential for future cooperation and integration will be high.

These are the main ideas which I consider should serve as an ideological basis for South Caucasus development.

During the years of independence each of the countries of the region has tried to protect its own national interests. We used to act mainly not taking into account the interests of our neighbours, which, in conditions of unresolved conflicts, mostly had an adverse effect. It has intensified the hereditary conflicts. The intervention of external factors has transformed our region into an arena of counteractions. It is implicitly clear that no country in our region, acting independently, can enjoy appeasement. The efforts of a single country towards security cannot be effective outside the regional security context. Today's imperative is to repudiate the policy of tactical manoeuvres based on the confrontation of the external interests.

Formation of systematic approaches to the regional countries' common values should be the constituent part of the regional integration. Parallel to independence we obtained a capability for state building and radical reformation on socio-economic and social levels. Principles of democracy and the predominance of law should serve as a basis for these reforms. Unavoidably, the processes of democratic reformation in our countries collide with some serious obstacles and proceed in

distinctive ways. But it is obvious that today we are building a durable ground for future inter-political and regional stability.

As I mentioned above, the region's distinctive feature is its national and religious multiplicity, when particularly democratic values, predominance of law and protection of human rights should be of a paramount significance. From this viewpoint the tempo and dimension of reforms in each country, taken separately, are outside the framework of inter-political processes, thus obtaining a regional character. Through perception of the necessity for common democratic values, we will create favourable conditions for new levers to exert influence on the process of conflict resolution and altering of the essence of regional interrelationships. We should be more predictable and understandable. We can't play the role of nonchalant observer and be insensitive to failure of this procedure.

Our efforts addressed to development and reinforcement of democratic reforms will be the first steps towards future security and enduring regional cooperation. The huge historical-cultural heritage of our nations strengthens our position within European civilisation and assists our integration into the European architecture stretching from the Atlantic to the Urals.

President Robert Kocharyan has already announced the attitude of Armenia towards the collective security system in the south Caucasus. Armenia's approach is mainly defined by the historical and geopolitical events, as well as by the fact that we are one of the comparatively weak elements of the European common security system. The President also mentioned that the future security system was destined to be effective if it had a cohesive character. That kind of system should not prevent any state having a direct influence on the region. From this standpoint the "3+3+2" formula has been offered, implying three South Caucasus countries, the neighbouring countries: Russia, Turkey, Iran, as well as the European Community and the United States. This system is claimed to be conducive to future stabilisation and further development of the South Caucasus. Such a system should first of all include comprehensive issues of economic reforms and mutual economic cooperation. Second, the principles of generality of democratic values and reforms should be steadily entrenched. Third, the processes of conflict resolution should be implemented by comprehensive and universal safety mechanisms. This is the current trend of the civil world's development. These are the unavoidable effects of globalisation and we should accept them as fact.

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