

Oil and the Great Game in the Caucasus

The “Caspian Region” as the Geopolitical Rediscovery of the 1990s

The Caucasus and Central Asia were the hottest geopolitical discovery of the first decade following the collapse of the Soviet Union. The regions on either side of the Caspian Sea and the world’s largest lake itself emerged as sources of and transit regions for hydrocarbons and hence as a zone of economic, political, and strategic competition. If, prior to the collapse of the Soviet Union, the two regions had largely been absent from Europeans’ mental maps, their prominence is now ensured by international disputes over the routing of new pipelines and by the rivalry between Russia and the USA over the stationing of military forces in the area between the Caucasus and the Pamir mountains. Two historical precedents have frequently been invoked in relation to this process: Discussions of east-west transport corridors out of the Caspian region, security matters, and the effect external actors have on the region have tended to speak of either a new “Great Game” or a new “Silk Road”. The transport routes north and south of the High Caucasus connect the Caspian to the Black Sea, thus providing access to the world’s oceans. They define the place of the Caucasian isthmus in the larger context of the region as a whole.

Oil and Pipelines

The Caspian Basin has not been explored on a scale comparable to the Gulf region, and estimates of the region’s energy potential have tended to vary considerably. Some of the figures quoted have been completely unrealistic.¹ Towards the end of the 1990s, these estimates, which had been distorted by political influence, were corrected downwards. At the same time, the falling price of oil on world markets dampened the euphoria at the Caspian finds. Nevertheless, new discoveries and the return of steadily rising oil prices gave a new boost to hopes concerning the order of magnitude of resources in the region and the revenue they are likely to generate.

The region is estimated to contain around five to six per cent of the world’s hydrocarbon reserves. According to the latest US figures (from the US Energy Information Administration), the proven reserves of the Caspian

1 In December 1995, the American Petroleum Institute estimated the region’s reserves to be as high as 659 billion barrels, which would have represented two-thirds of the Earth’s total known reserves. Later, the figure of 200 billion barrels – also an exaggeration – did the rounds. US officials admitted in 2002 that earlier estimates were far too high. For further information, see: International Crisis Group (ICG), *Azerbaijan: Turning Over a New Leaf?* Europe Report No. 156, Baku/Brussels 13 May 2004, p. 2, Note 7.

oilfields comprise some three per cent of the world's total.² With reserves of this size and considering current petroleum and natural gas output levels, oil-producing countries such as Kazakhstan, Azerbaijan and Turkmenistan are very far from providing a "strategic alternative" to today's leading exporters, such as the Gulf states and Russia. The Caspian region has around a tenth of the oil and a fifth of the gas reserves of the Gulf. Nevertheless, as an emerging net exporter of hydrocarbons, the region does promise a certain reduction in the dependence of global oil supplies on the unstable Middle East – even if it has not so far itself demonstrated that it offers a convincing alternative in respect to stability. Caspian energy resources are of growing importance to at least some (European and Asian) import markets.

The only significant oil producer in the *South Caucasus* is Azerbaijan. After Kazakhstan, it is the second largest oil producer in the Caspian region. In the last three years, Baku has seen oil profits generated by its main fields in the Caspian Sea (Azeri-Chirag-Guneshli) grow, and they are expected to continue to rise rapidly over the next decade. On this point, however, there is disagreement between the figures of the Azerbaijani oil company, SOCAR, the international production consortium, AIOC, and independent experts. Even today, it is still a matter for dispute whether Azerbaijani reserves will by themselves deliver enough oil to financially justify a new main export pipeline to the west. With estimated reserves of seven billion barrels (proven-reserves estimate, 2002), Azerbaijan is one of the 20 oil-richest countries in the world – roughly on the level of Angola, Brazil, Algeria, and Oman. In the form of the Shah Deniz Field, a significant source of offshore gas has also recently been explored. The energy sector represents by far the most important factor in Azerbaijan's economic development. In 2003, income from oil made up 90 per cent of Azerbaijan's export earnings, and the energy sector accounts for 40 per cent of Azerbaijani GDP and 60 per cent of investments (and as much as 90 per cent of foreign inward investment). It is clear that a strong dependence on the energy sector has developed. The Azerbaijani economy can increasingly be divided into a dynamic energy sector and a stagnant non-energy sector. The country is also divided in socio-economic terms between Baku, on the one hand, and the provinces, on the other.³

Georgia is the most important transit country for Caspian resources in the South Caucasus. It is also the only country in the entire Caspian region with access to the open sea, linking the Caucasus region to the Black Sea. It thus plays a key role in the transit of (crude) oil and gas to Turkey and Europe.

The *North Caucasus* contains long established oil-producing areas in Chechnya, Stavropol, and the Kuban region. In the second half of the twentieth century, their importance declined considerably in comparison to other oil-rich regions (Siberia, the Volga-Ural region). A main export pipeline for

2 Cf. *Eurasianet Business & Economics*, 9 March, 2004, at: <http://www.eurasianet.org>.

3 Cf. ICG, *Europe Report No. 156*, cited above (Note 1), pp. 2-4.

Caspian crude runs through this unstable section of Russia's southern periphery to the Russian Black Sea Port of Novorossiysk.

The major development of recent years in the South Caucasus is a pipeline project backed politically by the governments of Turkey and the USA: a 1,730-kilometre-long conduit from Baku, via Georgia, to the Turkish Mediterranean port of Ceyhan – BTC (Baku-Tiflis-Ceyhan) for short. It runs through 468 kilometres of Azerbaijani and 225 of Georgian territory and is due for completion in 2005. Some 65 per cent of the pipeline is said to have already been completed. No other oil transportation project in the entire Caspian region – such as the projects to transport oil and gas to China or via Afghanistan to South Asia – has received as much publicity as the South Caucasus pipeline. The groundbreaking ceremony for the BTC was held in Baku in September 2002. When it goes online in 2005, the three-billion-US-dollar pipeline will be the first serious alternative to the existing network of pipelines out of the Caspian region, which largely cross Russian territory and serve to connect producers with the CIS markets, with their limited ability to pay. It will represent the end of Russia's monopoly in the transportation of Caspian Sea energy resources, which is why the project had been opposed by Moscow until recently. The project has been explicitly designed to bypass transit routes crossing Iranian territory. For a while, a number of investors supported the shorter route through Iran to the Persian Gulf. In the coming years, parallel gas transport infrastructure is also to be established in this east-west corridor, including a pipeline from Baku to Erzerum.

Nevertheless, Russia and Iran cannot be completely written off yet. Iran is pursuing its own pipeline projects in competition with the US-led bid and is enhancing its position in the marketing of Caspian oil and developing its infrastructure on its own Caspian coast.⁴ China, which is set to catch up with the USA as the world's largest consumer of oil and gas in the near future, has also made efforts to strengthen its position in the Caspian region. China's efforts are largely concentrated on its Central Asian neighbours, and on Kazakhstan in particular. But Beijing's Caspian strategy reaches as far as Azerbaijan, where the second-largest Chinese oil company, Sinopec, is participating in the exploitation of deposits off the Caspian coast.⁵

In recent years, Russia has pursued a deliberate policy of acquiring industrial assets in its Caucasian and Central Asian neighbours that possess both economic and geostrategic significance. In this it has targeted key sectors such as electricity and gas provision (Georgia, Armenia), fuel export and gas- and oil-field development (Turkmenistan), and hydro-electric power (Tajikistan). Since the start of Vladimir Putin's presidency, Russian policy in the Caspian Sea region has gone under the slogan "pursuing the national in-

4 Cf. Iran durchkreuzt Pipelinepläne der USA [Iran Thwarts US Pipeline Plans], in: *Handelsblatt*, 3 May 2004.

5 Cf. John C.K. Daly, The Dragon's Drive for Caspian Oil, in: *The Jamestown Foundation News*, 13 May 2004.

terest by economic means". The complaint that Russia has been forced out of its "historical dominions" can only be afforded limited credence, despite bitter geopolitical commentaries in the Russian media.

The Great Game

The disputes over the new pipelines contributed to the perception that virtually everything that takes place between the Caucasus and Pamir is part of a new "Great Game". As a result, these primarily economic projects have been reinterpreted as geopolitical objects serving as a means to control territory. In this view, the increased security-related interest of the USA in a country such as Georgia is reduced to a single motive: the desire to protect the BTC pipeline. Russian commentators have described foreign Islamists active in the North Caucasus (known as Wahhabis) as the agents of Western and Middle-Eastern oil interests. American authors, such as Zbigniew Brzezinski, have also invoked the geopolitics of the 19th and early 20th centuries in relation to southern Eurasia, and have found inspiration in views such as Mackinder's "Heartland" theory.⁶ In the propagation of such Great Game myths, the Caucasus is ascribed a geopolitical significance quite at odds with its modest economic weight, its low and falling population, and its complex and many-sided array of crises and conflicts.

Before 11 September 2001, this was based largely on the energy potential of the Caspian region. The "struggle for oil" was the key feature in the idea of a "New Great Game" that failed to adequately distinguish between economic and political actors, private and state interests, geostrategy and markets. Since September 11, the main focus has deflected to the area of security policy. The Russian leadership under President Putin was initially willing to accept the deployment of Western, especially American, forces in Central Asia (Uzbekistan and Kyrgyzstan) in connection with Operation Enduring Freedom in Afghanistan, and was, to some extent, even able to interpret this as an improvement in the security situation in the post-Soviet sphere. However, Russia reacted with mistrust to the intensification of US military activities in Georgia and other parts of the South Caucasus, although the USA did not establish military bases there as it did in Central Asia, but rather provided large-scale military aid in the form of training and equipment programmes. Since Saakashvili's assumption of power in November 2003, the South Caucasus has been perceived even more strongly as an international political flashpoint of the post-Soviet area. During the months immediately following the "Rose Revolution", assessments of Russian-Georgian relations and Russian-Western relations on the issue of Georgia ranged from talk of a "new Cold War" to a thaw in relations. For a short while, the new govern-

6 Cf. Igor Torbakov, Reexamining Old Concepts About the Caucasus and Central Asia, in: *Eurasia Insight*, 4 February 2004.

ment in Tbilisi described its relations with the “large neighbour to the north” as fundamentally improved and relaxed. This was largely the result of Moscow’s constructive mediation efforts during the resignation of Eduard Shevardnadze and the Ajarian leader, Aslan Abashidze. Nevertheless, in summer 2004, as the conflict between the new Georgian government and the separatist region of South Ossetia escalated, Tbilisi was forced to recognize that Moscow had not fundamentally changed its values with regard to post-Soviet secession conflicts. Relations between Tbilisi and Moscow grew more and more strained. Noting the increasing international awareness of events in Georgia, experts have claimed that “A bitter rivalry is going on at Russia’s southern frontiers.”⁷ However, this rivalry is only partly concerned with economic interests in the Caspian region.

In the first decade of the post-Soviet era, no other region developed as contradictory or complex a network of foreign policy and security relations as the South Caucasus. Anti- and pro-Russian, anti- and pro-Turkish and anti- and pro-Iranian views clashed, and the various parties in the region’s conflicts looked for external support. Thus, the balance of power came to dominate instead of a regional security system. Armenia’s foreign and security policy, which is based on extremely close strategic and military relations to Russia, was thus starkly opposed to those of Georgia and Azerbaijan, whose orientation to their Western partners in matters of security was considered a provocation by Moscow. In this way, some people even began to speak of rival geostrategic axes: an east-west Baku-Tbilisi-Ankara-Washington axis and a north-south Moscow-Yerevan-Teheran axis.

Of course, the alignment of the various actors is not as clear-cut as this talk of “axes” suggests. Armenia is not entirely focused on Russia. It describes its foreign policy as “complementary” and is also oriented towards Euro-Atlantic structures, even if, as the region’s smallest country, it clearly favours Russia overall. In a survey of academics and public figures carried out by the Armenian Center for National and International Studies in 2004, a majority of respondents were in favour of Armenia joining NATO.⁸ On the other “axis”, Azerbaijan has generally been treated as a representative of a pro-Western position, looking for security allies in Washington and Ankara. The foreign policy of Azerbaijan’s late President Heydar Aliiev, however, was characterized by balance between a pro-Western orientation and a pragmatic relationship with Russia – a policy that his son has continued to pursue. In Georgia, the new government that came to power in the “Rose Revolution” and initially appeared to be ultra-Western in orientation had to recognize that a non-violent solution to the most significant domestic problem, namely the restoration of territorial integrity, could not be achieved without the involvement of Moscow.

7 Igor Torbakov, Russia mulls strategy to stall NATO’s push into post-Soviet Eurasia, in: *Eurasia Daily Monitor* 45/2004, 6 July 2004.

8 Quoted in: *Frankfurter Allgemeine Zeitung*, 8 July, 2004, p. 34.

“Frozen” regional conflicts, which have not yet proved amenable to political solutions, provide entry points for outside intervention. Russia is most commonly associated with this kind of intervention. It remains the most influential external power in the region with a range of political, military, and economic means of affecting conflict zones. With respect to conflicts of secession, Russia has tended to play a questionable role as simultaneously manipulator, beneficiary and mediator, holding several positions at once within mediation structures such as the Joint Control Commission on the resolution of the South Ossetia conflict. Although Russia is itself involved in a war of secession (in Chechnya), it maintains close relations with the post-Soviet secessionist regimes in Transdniestria, Abkhazia, and South Ossetia, provides inhabitants of these regions with Russian passports, actively pursues political, economic, and even military relations with the leaderships of separatist regions, and helped the secessionist regimes to establish contacts and networks of mutual political support. With these actions, Moscow arouses the suspicion that it is undermining the territorial sovereignty of Moldova, Georgia and Azerbaijan. The historically dominant power in the Caspian region retains a particularly strong presence in the South Caucasus and continues to pursue its old methods of divide and conquer. Moscow still has a strong military presence in the region in breach of international agreements. The 8,000-strong “Group of Russian Forces in Transcaucasia” (GRVZ) is stationed at two bases in Georgia (the 12th Military Base in Batumi and the 62nd Military Base in Akhalkalaki). In Armenia, there are some 3,000 Russian soldiers at the military base in Gyumri. In 2000, Yerevan signed an agreement that allowed Russian troops to remain stationed in Armenia until 2025.⁹ There are also CIS-mandated Russian “peacekeeping troops” in the conflict zones in Abkhazia and South Ossetia.

From the Russian perspective, American military personnel are implicated in Georgia’s regional conflicts as a result of their work to modernize the miserably equipped Georgian army – or at least parts of it – thus boosting Georgia’s capability to resolve the conflict by military means. Azerbaijan has received training and advice in establishing a national army from Turkey, while Azerbaijan’s rival, Armenia, has received massive military support from Russia.

Oil and Conflict

The political and economic context of the unresolved regional conflicts in the Caucasus is automatically sought in the notion of the “Great Game”, i.e. in the competition between Russia, the USA, and the regional powers Turkey

9 Cf. Svante Cornell/Roger McDermott/William O’Malley/Vladimir Socor/S. Frederick Starr, *Regional Security in the South Caucasus: The Role of Nato*, Central Asia-Caucasus Institute, John Hopkins University 2004, pp. 34-37.

and Iran over economic and strategic influence in the Caspian region.¹⁰ There is no way of keeping oil and gas interests out of analyses of these regional conflicts, given that one of the conflict parties, namely Azerbaijan, is also one of the main producers. This is the connection between potential earnings from energy exports and the conflict in Nagorno-Karabakh: The promise of future billions in revenue from the BTC pipeline could tip the balance of power between Armenia and Azerbaijan in favour of the oil-producing country, thus making it possible that the material superiority of one of the parties leads to the resolution of the conflict. Oil also plays a role in the case of Georgia, although that country has no reserves of its own and suffers from extreme energy shortages. The strong support of the USA for the new regime in Tbilisi reflects America's interest in Georgia's function as a transit corridor for future energy resources produced in the Caspian region. However, the characterization of Western interests as exclusively concerned with the security of the BTC pipeline – an accusation often made in commentaries on American policy in the Caucasus – is one of the common geopolitical simplifications often applied to the region. American interests in Georgia are far more complex and are closely related to the significance that fragile states have assumed in US security doctrine following 11 September 2001. Of all the states in the former Soviet Union, Georgia was the prime example of fragile statehood at the start of the 21st century.

Were the wars of secession in the South Caucasus in the early 1990s “wars for oil”? From a historical point of view, it is hardly possible to characterize them as such. There is no recognizable link between oil and the outbreak and escalation of the conflicts over Nagorno-Karabakh and the autonomous regions of Georgia. The Nagorno-Karabakh conflict – the oldest and most internationalized in the region – began to develop in 1987 – long before the international Caspian energy boom. Moreover, all the recent conflicts have their roots, if not in the earliest history of the region and inter-ethnic relations in this multiethnic region, at least as far back as the Soviet and pre-Soviet periods.¹¹ The decisive context that enabled these conflicts to break out is found elsewhere: in Perestroika and Glasnost and the subsequent erosion of Soviet hegemony over the non-Russian periphery of the Soviet Union. This gave impetus to and provided opportunities for ethno-political mobilization on the part of Armenians, Azerbaijanis, Georgians, Ossetians, and Abkhazians. Economic motives are far less important here than cultural, ethno-political and territorial issues.¹² The war between Russia and Chechnya was the first of the post-Soviet conflicts to occur after there was international awareness of the Caspian region's energy potential, which led to the propagation of economic explanations of the conflict.

10 Cf. Vicken Cheterian, *Dialectics of Ethnic Conflicts and Oil Projects in the Caucasus*, PSIS Occasional Paper 1/1997.

11 On the genesis of the post-Soviet wars of secession, see especially: Stuart Kaufmann, *Modern Hatreds. The Symbolic Politics of Ethnic War*, Ithaca/London 2001.

12 Cf. *ibid.*, p. 100.

Was oil the cause of the bloodiest post-Soviet conflict? When war broke out between Moscow and Grozny, annual oil production in Chechnya was slightly less than one per cent of Russia's total output. A pipeline from Baku to the Russian Black Sea port of Novorossiysk – prior to the BTC, the main route for the transport of Caspian oil through the Caucasus – traversed Chechnya, as did other transport routes, but was bypassed by means of an alternative route through Dagestan. The loss of the separatist republic would hardly have touched Russia's oil industry.

Nevertheless, oil does play a role in the Chechen tragedy – but less in relation to a “Great Game” governed by the oil interests of external powers than as part of the local economy of war and violence. Revenue from illegal oil sales is even more important than other sources of income, such as trafficking in human beings and illicit weapon sales; it links various actors in the Chechen war in a network of illegal business, and upholds their interest in the reign of violence and anarchy. Today, that devastated country contains hundreds of tiny, primitive oil-extraction companies. The oil is distilled to produce petrol and kerosene, and this is distributed by road and sold in the North Caucasus and Russia. The Russian military has a hand in this trade. Entire military units are involved, letting columns of petrol tankers through checkpoints at which everyone else is stopped and plundered.¹³ A Russian expert on Chechnya concluded in 2001 that “the [...] shady oil business [...] that brought together the military and the Chechen militants has changed the situation in Chechnya. The Russian military [...] want the war to go on.”¹⁴

The regional conflicts in the South Caucasus are also characterized by local economies of violence. Centres of smuggling and entire economic zones dominated by criminality are flourishing around the frozen secession conflicts, with their demarcation lines and trade embargoes. The smuggling of oil products played a role in the political economy of the secession conflicts between Georgia and its separatist regions. For example, South Ossetia was, until recently, a major transshipment centre for contraband petrol. Any serious attempt by the new Georgian government to combat smuggling and illegal economic activities will inevitably lead to the borders of the separatist regions. It is thus not possible to completely separate the restoration of statehood in the Georgian heartland from the task of restoring the separatist regions to central control.

13 On this, see: Mainat Abdulajewa, Goldgrube Tschetschenien [Chechen Goldmine], in: *Süddeutsche Zeitung*, 21 June 2004.

14 Sanobar Shermatova, The Oil Factor in the Chechen Conflict, in: *Central Asia and the Caucasus* 5/2001, pp. 71-77, here: p. 76.

With its fragmented appearance, the Caucasus – both North and South – stands out among all the regions of the post-Soviet area. This state of affairs blocks two of the main options for regional development: First, as the Caucasus is a labyrinth of conflicts, it cannot play the role often attributed to it as a transit corridor between Asia and Europe; second, under these conditions, the essential work of regional co-operation cannot take place. However, all three South Caucasian states – including oil-rich Azerbaijan – are too weak to achieve sustainable autonomy. In the late 1990s, their collective gross national product was less than that of Germany's smallest state: the City of Bremen.

However, barriers to economic development are not the biggest problem. Much more serious are the region's grave security deficits – both national and regional. Thomas de Waal described this in the following way:

Currently the security system [in the Caucasus] reminds me of a house after a moderately bad earthquake. Walls have moved and some floors have fallen in. The owners do not have the money to restore it properly, but they have managed to make it more or less habitable again and they carry on living there. But to an outsider it is obvious that the home is damaged and dangerous – and with another earthquake the whole structure could collapse again.

To make the house properly habitable and respectable again will take repair work on the whole structure, not just some parts of it [...] That repair job is the task not only of the societies of the South Caucasus itself, but of all concerned outsiders who care about the future of this region.¹⁵

Not the least important of these outsiders is Europe, which is far more directly affected than the USA by both the developing Caspian energy markets and the regional security risks of the South Caucasus. Europe, in the form of the EU, has still produced no binding strategy document on the region – something it has achieved with respect to other regions of the former Soviet Union, such as Central Asia. If the West is perceived as having a strategic position in the region then this is the result of US security policy. NATO is also becoming increasingly involved in the Caucasus. In contrast, the Americans see the EU as “the great absentee from the economic, political and security affairs of this region”¹⁶. This perception was not essentially changed in 2003 by the EU's appointment of the Finnish diplomat Heikki Talvitie as its

15 Thomas de Waal, *(In)security in the Caucasus*, at: <http://www.reliefweb.int/w/rwb.nsf/0/f4222934efd3f20cc1256c5d0040a267?OpenDocument>.

16 Vladimir Socor, *Nato Prospects in the South Caucasus*, IASPS Policy Briefings: Geostrategic Perspectives on Eurasia 61/2004.

special representative for the South Caucasus. Although Europe is one of the most generous donors to the economically weak Caucasus region and invested over one billion euros in regional development projects between 1992 and 2002, in strategic matters, its profile in the region is extremely low. The EU has only recently begun to consider strengthening its involvement in the international processes dealing with the unresolved regional conflicts in the South Caucasus. Previously, the EU had willingly left this work to other actors, such as the OSCE, which has been involved in mediating these conflicts – the Nagorno-Karabakh conflict in particular – since 1992 without reaching a political solution.

There are various reasons for the EU's reluctance to become involved. One is the exaggerated perception of a "Great Game" and the overloading of the Caucasus region and its conflicts with geopolitical significance. This had a deterrent effect on Europe, which did not want to get involved in a geopolitical power struggle. As a result, it was encouraged to use the other historical concept to refer to the region: the Silk Road. A decade ago, Europe initiated the TRACECA (Transport Corridor Europe Caucasus Asia) and INOGATE (Interstate Oil and Gas Transport to Europe) projects, which aim at integrating the Caucasian and Caspian regions into wider transportation networks. Today, both projects are virtually unknown to the European public. Although Europe is likely to be the main consumer of Caspian oil and gas and European companies are actively involved in developing the infrastructure that will enable the exploitation of Caspian resources, the EU did not actively pursue the routing of pipelines to Europe. In fact, the Caucasus has so far been of relatively marginal economic importance to Europe, and the region's security problems did not affect Europe's security situation as directly as the conflicts in the Balkans. Nevertheless, the Caucasus is a region in Europe's neighbourhood that urgently requires international stabilization.

In March 2003, the South Caucasus merited only a footnote in the European Commission's "Wider Europe – Neighbourhood" document and was excluded from the concept of "Wider Europe". Finally, it was the new political situation in Georgia that acted as a catalyst for the intensification of European policy towards the region. In 2004, the EU at last resolved to include the three states of the South Caucasus in its neighbourhood concept. The EU has since sent a special rule-of-law mission to Georgia (EUJUST THEMIS), which aims to improve the judicial system and criminal law in a country where corruption in these areas has been seen as endemic. In June 2004, a donor conference organized jointly by the European Commission and the World Bank and attended by representatives of 31 countries and twelve international organizations promised Georgia 850 million euros of financial aid for the period between 2004 and 2006 to support public finances, fight poverty, rebuild infrastructure, and perform other urgent tasks. In recent months, the new Georgian government has made public the full scale of the "bad governance" that had previously been the rule and has called for exter-

nal actors to become involved in pursuing “better governance”. International efforts to promote better governance in the Caspian region would be a good goal for a new “Great Game” in the region. The change of regime in Georgia should provide the impetus for political co-operation between the USA, Europe, and Russia with regard to a region where it should certainly be possible to recognize shared interests in crisis and conflict reduction as well as rivalries. The South Ossetian crisis of summer 2004 revealed the urgent necessity of this once again, while simultaneously deepening existing divisions.