

# ECONOMIC RELATIONS BETWEEN UNRECOGNIZED AND PARTLY RECOGNIZED STATES (THE CASE OF Transnistria, Abkhazia and South Ossetia)\*

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*The collapse of the Soviet Union led to three unrecognized republics appearance, which are still under Russian control. The author attempts to research the military and economic relationships between Transnistria, South Ossetia and Abkhazia. The research is based on the analysis of main documents signed between them. The main result of the research is that due to the geographical position of Transnistria all signed documents cannot be fully implemented.*

**Keywords:** unrecognized states, economic cooperation, post-Soviet space, demonstrative diplomacy

The collapse of the Soviet Union has led not only to the emergence of new states on the carriage of the world, but also to a number of conflicts that led to the emergence of uncontrolled territories, the so-called unrecognized republics. Moldova and Georgia - two states, faced territorial issues after the collapse of the USSR, issues that affect their external and internal political course of more than two decades in a row. Moldova and Georgia became a witness of a state-building process in these uncontrolled territories. In the shortest time the so-called government and ministries in charge of various areas were formed, including economic and international relations. As for example, in Transnistria Ministry of Foreign Affairs of Transnistria appeared, which is involved in negotiations with the authorities of the Republic of Moldova and has been working towards the recognition of the territory as a subject of international law and the independence from Chisinau, as well as for economic relations with Republic of Moldova and the EU, signing DCFTA, for instance. There are similar ministries in Abkhazia and South Ossetia, which in turn participated in negotiations on economic collaboration between unrecognized states. In other words, since Moldova and Georgia faced state-building process in uncontrolled territories and creation of unrecognized states with their own internal and external politics, one of the aspect of the foreign policy of unrecognized states became relations between other unrecognized states in

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the region and sub-Russian control, such as Transnistria and Abkhazia as well as S. Ossetia. In addition to that, foreign policy became a crucial part of so-called artificial reality, which in turn became an important step for a creation of a new identity in Transnistria.

Concerning relations between unrecognized and partly-recognized states in the post-soviet union space there is no any serious analysis undertaken. As for example, Thomas Frear in his research on foreign policy of Abkhazia mentioned that the establishment of the relationships between Transnistria, South Ossetia and Abkhazia added a dynamic to Abkhazian foreign interaction that simply did not exist beforehand, that of an equal party in a bilateral interaction.”[1] Unfortunately, the author did not developed this direction. In this respect, it should be mention in the beginning that this is first attempt to analyze the economic relations between unrecognized and partly recognized states in the post-soviet space. Absence of scientific literature on the topic does not preclude us from scrutinizing this aspect of international relations.

The focus of this article is the economic relations between Transnistria, Abkhazia and South Ossetia, it reviews key documents and compliance capabilities, and tries to give the answer on the following question: are economic relations between Transnistria and Abkhazia as well as S. Ossetia flourishing either this relations represent demonstrative nature?

It is very hard to live in unrecognized state and be a citizen of such a territory. As British journalist Thomas de Waal put it:

To be the leader of an unrecognized state is an unenviable job. It means that no one invites you to international meetings. The United Nations does not answer your letters. When you visit foreign embassies you are greeted not by the ambassador, but by the first secretary.[2]

In this reason the best way to maintain existing regime is to create own artificial reality, which in turn will unite population around the self-proclaimed government.

To answer the question mentioned above we need to go back to yearly 90s and start reviewing from the beginning of the relations between unrecognized republics in post-soviet space. Bilateral relations between unrecognized republics on the post-soviet territory started in early 90s. **PMR** established diplomatic relations with **Abkhazia and S. Ossetia** in 1993 and 1994 accordingly by signing agreements of friendship and cooperation. Parties declared an intention “to develop an economic, trade, and science cooperation. Parties aimed to exchange their experience in policy making and state building, establish ties between various civil organizations and trade unions.”[6] Obviously, main aim of these agreements was to demonstrate international activities to local population of these three unrecognized republics, in the other words it was start for creating new international reality, which is unrecognized by other states. In this article this reality will be called artificial. The main way to create this reality is to use demonstrative diplomacy.

The principal organization the *Community for Democracy and Rights of Nations* was established in 2006. The declaration of intention to create the organization was signed in Sukhumi (Republic of Abkhazia) in 2006. The main goal of the community is “the completion of the political and legal registration of the collapse of the USSR through the recognition of Republic of Abkhazia, Pridnestrovian Moldavian Republic, and Republic of South Ossetia.”[10]

In the frame of the declaration of intention, parties aimed to demonstrate the desire for independence and pro-Russian vector. To develop this idea, **referendums** on consolidating foreign policy guidelines were undertaken. As a result, on September 17, 2006, first referendum took place in Transnistria, on November 12, 2006, a referendum was performed in South Ossetia, and, finally, on December 6, 2006, a nationwide gathering in Abkhazia confirmed the results of the referendum on independence of 1999. The majority of population of these three unrecognized republics declared a will to be independent from the parent state. Thus, one of the first steps, which were implemented in the frame of the community, was a concordance in diplomatic course on independence. In addition to that, these referendums were an important step in creating artificial reality for the populations of unrecognized republics. As for example, Transnistrians managed to create their own transnistrian identity [3], which include foreign relations and needs to be supported by various types of intercourses.

After referendums, the **Charter** (2007)[12] – the legal basis of the *Community for Democracy and Rights of Nations* – was signed in Tiraspol. Based on the Charter the objectives of the community are:

- (1) cooperation between Member States in ensuring international peace and security, including the promotion of final and comprehensive peace settlement relations between member states with Georgia and Moldova;
- (2) interstate cooperation and integration;
- (3) political, informational, economic, and other cooperation with third countries, especially with Russian Federation.[12]

Following principles were pointed to achieve the objectives of the community:

- (1) to respect the sovereignty of member states, the inalienable right of peoples to self-determination and the right to self-determination without external interference;
- (2) the inviolability of state borders of the member states of the community;
- (3) the territorial integrity of the states and joint efforts to counter any attack on the independence and territorial integrity of the member states;
- (4) to bring together and support each other in order to create a peaceful living conditions for the member states of the community, to ensure their political, economic, and social progress;
- (5) to develop mutually beneficial economic and scientific-technical cooperation, the expansion of integration processes.[12]

The *Community for Democracy and Rights of Nations* as well as agreements focus on economic, military, social, and cultural cooperation. As it was mentioned above the article is focused on economic issues in the relations between three unrecognized and partly-recognized states. It was declared that Community would become a common basement for future economic, diplomatic and military cooperation, and, in turn, would create an idea on heavy international activities and implication of the parties.

Economic cooperation became a central part of the Community activities. For example, in Article 19 the following dimensions on economic cooperation can be found:

- (1) the formation of a common economic space on the basis of market relations and free movement of goods, services, capital, and labor;
- (2) coordination of credit and financial policy;
- (3) promote the development of trade and economic relations of the Member States;
- (4) encouragement, recognition, and mutual protection of investments[12].

In the frame of the Community two protocols were signed: (1) on the establishment on the Interbank Cooperation Council [8] and (2) Socio-economic Cooperation Council [9].

One of the main goals of the Socio-economic Cooperation Council was:

- developing of trade and economic cooperation between Abkhazia, Transnistria and South Ossetia, including through direct interaction between entities and joint ventures in accordance with the law.[8]

The Interbank Cooperation Council was responsible for studying the question of establishing correspondent relations between central banks of signed parties as well interbank cooperation and coordination.

These two Councils became the legal basis for the future economic agreements and brought to the agreement between National Bank of Republic of Abkhazia and Republic Bank of Transnistria, which was signed in 2013. Based on the agreement the parties are to cooperate on monetary policy, banking regulation, supervision, payment systems, cash circulation, organization, methodology, accounting organization of balance of payments, anti-action legalization (laundering) of proceeds from crime and terrorist financing, and other areas of mutual interest. For example, Article 2 of this agreement states:

Parties aimed to maintain and develop correspondent relations based on correspondent account contracts. Parties, on a reciprocal basis, are taking steps to provide free services for opening and maintaining correspondent accounts, as well as commit transactions with funds on correspondent accounts.[11]

In 2013, Agreement between the State Customs Committee of the Republic of Abkhazia and State Customs Committee of the Pridnestrovian Moldavian Republic on cooperation and mutual assistance in customs matters was signed. According to this

agreement, parties accept the simplification of customs clearance and customs control of goods imported from the territory of one Party to the territory of the other Party.

As can be seen the economic relations, incl. trade, interbank cooperation, financial policies, were flourishing for decades. However, despite all economic treaties signed in the frame of *Community for Democracy and Rights of Nations*, PMR's external economic relations with Abkhazia and South Ossetia practically do not develop. According to customs statistics, Transnistrian exports to Abkhazia in 2013 was only 38,6 thousand USD out of 523.5 mln USD in 2013[3]. South Ossetia was not even listed as a trading partner[7]. Therefore, despite all the agreements signed between Transnistria, Abkhazia and South Ossetia, economic cooperation does not evolve and bring any essential results. In this respect, we can suppose that the main reason of all agreements and other activities, which had involved Transnistria, Abkhazia and S. Ossetia, was to create their own international reality and can be called demonstrative diplomacy.

### **Conclusions**

In other words, we can assert that economic cooperation exists only in the form of agreements of different kinds. Because of the geographical farness of Transnistria economic cooperation with Abkhazia and S. Ossetia cannot be developed, therefore this cooperation can be a part of demonstrative diplomacy, which was developed to create artificial international reality for internal consume.

Another reason why economic agreements did not lead to story of success is that Abkhazia and South Ossetia achieved their main goal - they changed their status from unrecognized republics to partly-recognized republics. During the last meeting of the *Community for Democracy and Rights of Nations* was declared that the organization needed "at least in order not to throw in the solitude of our brothers from Transnistria. While they will not be recognized, the Community will continue to exist and to work actively [5]. These two republics have no any necessity to demonstrate achievements on the international level, they are already recognized by 3 countries. In other words, Abkhazia and S. Ossetia have no any necessity to support artificial reality in the form of agreements with other unrecognized states such as Transnistria and perform demonstrative diplomacy.

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