

Too Far, Too Fast: Sochi, Tourism and Conflict in the Caucasus

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Executive Summary

Russia has invested extensive resources and prestige in the Winter Olympics to be held in the Black Sea resort of Sochi, 7-23 February 2014. The tab, an estimated \$51 billion, does not include a nationwide security operation to protect the venue against attack by a resilient and ruthless armed jihadi movement. A spate of bombings, including two in December in the southern city of Volgograd, show that North Caucasus Islamist terrorists are determined to strike opportunistically across the country to mar the games and challenge President Vladimir Putin, who has promised a “safe, enjoyable and memorable” Olympic experience. If ripple effects of security for Sochi and the ambitious regional tourism project the games are meant to inaugurate are not to worsen the situation in the war-torn North Caucasus, local communities must be assured they will benefit from the development plans, not fall victims to rapacious local elites or the abuses allegedly accompanying the Games. Equally important, they will need guaranteed long-term security, not simply oppressive security regimes.

To forestall attacks on the Games themselves, which will be held a few hundred kilometres from Europe’s most active armed conflict, the government has transformed Sochi into a tightly-sealed high-security zone. Tens of thousands of troops, police and special forces have been deployed, along with drones, advanced cyber surveillance and a special security regime.

Even before the Volgograd bombings, which indicated that security cannot be guaranteed across the vastness of Russia’s nine time zones if the terrorists should choose to strike away from Sochi, the Olympic hosts faced many other challenges. Construction of facilities for the Games has been accompanied by serious delays, allegations of corruption and incompetence, violation of residents’ and workers’ rights, relocation without compensation and encroachment on unique ecosystems. The Circassians, one of the region’s main ethnic groups, bitterly criticise the choice of Sochi for the Games, describing the venue as the site of nineteenth-century Russian war crimes against their people. As the Olympic opening ceremonies approach, Moscow has tried to improve its human rights image, releasing among others Mikhail Khodorkovsky, the former billionaire and Putin political opponent, after ten years in prison, two members of the Pussy Riot punk band and 30 Greenpeace activists.

What has been less noticed is that the Games are to be the curtain raiser for an ambitious, expensive and risky plan to develop tourism across the North Caucasus as a whole, including in parts where active counter-insurgency operations are underway. The North Caucasus Resorts (NCR) project aims to create ten major resorts, including in Dagestan and Chechnya, republics that have been particularly affected by deadly conflict in recent years. The goals are 3.5 million tourists annually and creation of at least 160,000 jobs, at an estimated cost of at least \$15 billion.

Planning for the Winter Games has already resulted in heavy-handed security policies in the North Caucasus that are more likely to exacerbate the situation in the region than calm it. In Dagestan, for example, attempts to rehabilitate insurgents and engage in dialogue with moderate Salafis have been replaced by a wave of repression against fundamentalist Muslims. Similar policies have been applied in Ingushetia, and security has also been tightened elsewhere.

These measures may temporarily suppress the symptoms of the North Caucasus insurgency, but they cannot solve the core problems. The region needs lasting peace above all, not more massive security operations. Ultimately, comprehensive conflict-resolution is required; currently the government appears committed to a course that boils down to “fighting terrorists until their complete destruction”, as President Putin put it in his 2014 New Year’s address.

Recommendations

To improve the security and reputation of the Sochi Olympic Games

To the Krasnodar Krai republic authorities:

1. Address the complaints of residents whose homes were damaged as a result of Olympic construction and ensure they get fair compensation.
2. Investigate all complaints of violations of rights filed by migrant workers.
3. Implement in earnest the Zero Waste program; involve local environmentalists in developing the sustainable development concept for Sochi, including rehabilitation of the Mzymta River's ecosystem; and ensure implementation of the federal law "On guaranteeing the rights of indigenous peoples of the Russian Federation" in respect to the Shapsugs.
4. End harassment of environmental and Circassian activists and critical journalists.

To improve the security situation in the North Caucasus during and after the Olympics

To the National Anti-Terrorist Committee and the Investigative Committee of the Russian Federation:

5. Stop human rights abuses and intimidation campaigns against moderate fundamentalist communities across the region, especially in Dagestan, and continue efforts to integrate them into socio-economic life; facilitate dialogue between Sufi and Salafi leaders; and rehabilitate ex-fighters.
6. Prevent and prosecute all instances of collective punishment for insurgency-related crimes.

To ensure the success of the North Caucasus Resorts Project

To the Russian Federation government:

7. Conduct a comprehensive independent feasibility assessment of the NCR project and associated security risks.
8. Launch the North Caucasus Resorts (NCR) project in Ingushetia and Kabardino-Balkaria simultaneously with efforts to improve the security situations in those republics.
9. Launch the NCR project in Chechnya and Dagestan only after the security situation has been significantly improved in those republics and urgent measures have been taken to improve rule of law and human rights there.
10. Work to improve ethnic relations in Russia, including the negative image of the North Caucasus, in part via media campaigns.

To the Northern Caucasus Resorts (NCR) Company:

11. Ensure that the resorts are voluntarily accepted and approved by local communities, and all disputed land issues are resolved prior to the project launch.
12. Institutionalise the role of local communities in decision-making, and ensure they are fully informed, with a say in development of the resorts.
13. Protect property rights and contracts during construction, and guarantee stringent, ethical business practices with regard to the environment.
14. Prioritise local hires, both during construction and after resorts launch.
15. Provide alternative land and legal guarantees for cattle-breeders in areas where the NCR project impinges upon their pastures.
16. Review the tax system of the new special economic zones (SEZs) to ensure local and republic budgets receive tangible benefits.
17. Implement anti-corruption controls vigorously to ensure that project implementation does not feed violence.

Moscow/Brussels, 30 January 2014

Too Far, Too Fast: Sochi, Tourism and Conflict in the Caucasus

I. Introduction

The XXII Winter Olympic and XI Paralympic Games will take place in the southern Russian city of Sochi in February and March 2014.¹ Greater Sochi, which includes both the city and areas administered by it, is Russia's only subtropical resort area, stretching 145km along the Black Sea coast of Krasnodar Krai to the border with Abkhazia, the breakaway territory from Georgia whose independence is recognised by only four states other than Russia.² Protected from the northern winds by the Caucasus Mountains, its unique natural environment offers both skiing and some 200 days of sunshine a year. More than 80 per cent of its territory is part of the Caucasian Biosphere National Park.³

Once a verdant, slightly old-fashioned holiday destination with Soviet-era sanatoriums, Sochi became a sprawling construction site after 2007, when Russia won the right to stage the 2014 Games. Now, however, security during the Olympics is the greatest priority. In July 2013 Doku Umarov, the leader of the Caucasus Emirate – the North Caucasus insurgent organisation fighting for a Sharia (Islamic law) state in the region – publicly urged his fighters to disrupt the Games and commit acts of terror in Russian cities during them. Attacks in Volgograd in October and December, and in a popular North Caucasus mountain resort town, Pyatigorsk, in December, indicate the jihadis have the capacity to do this.

The main areas of insurgent activity are not far from Sochi. Kabardino-Balkaria (KBR), where there are weekly clashes between the fighters and police, is some 320km away. Dagestan, the most active theatre of insurgent activity, is 965km away. Such distances present little difficulty to determined jihadis, and bombers could come from anywhere in Russia. There are growing indications that radical Islamist networks have cells across the country, from Moscow and St. Petersburg to Siberia. The groups are small, highly autonomous and flexible. It appears also that recruits for suicide bombings are increasingly drawn from ethnic Russians. The December bombings in Volgograd, authorities say, were the work of young Slavic males. Although two Dagestani radicals later claimed responsibility, the possibility of recruitment of converts makes detection harder and deepens the sense of psychological menace felt in the population.⁴

Olympic security plans embrace the whole country. Heightened security has been accompanied by a harder line against fundamentalist Islamic groups in the North Caucasus – measures that could have dangerous consequences for regional security

¹ The Olympics run from 7 February to 23 February; the Paralympics from 7 March to 16 March.

² Venezuela, Nicaragua and two Pacific-island nations (Nauru, Tuvalu).

³ Greater Sochi consists of a thin strip of territory between sea and mountains. Its various districts are often referred to as "settlements".

⁴ Ivan Nechepurenko, "Potential Suicide Bomber Reported in Sochi", *The Moscow Times*, 21 January 2014.

once the Games are over. The construction has also been costly for an economy with low growth and dependence on oil prices. It is highly problematic whether the \$50 billion-plus direct cost of the Games⁵ or even the \$15 billion investment in the North Caucasus Resorts (NCR) tourism development that the Games in effect launch can be recovered.

Prime Minister Dmitry Medvedev has defended the Games' cost, citing the region's development needs.⁶ President Putin's spokesman, Dmitry Peskov, compared the scope of the project to the "reconstruction of cities and towns after World War II".⁷ Thomas Bach, the chair of the International Olympic Committee (IOC), agreed: "Sochi and the whole region completed a very big, successful development journey, and we have been deeply impressed with this path".⁸

The Winter Olympics are intended to promote the entirety of southern Russia as a tourist destination. NCR, an open joint stock company,⁹ plans to create a major network of mountain resorts, mostly for skiing, throughout the region. The North Caucasus has considerable tourism potential, thanks to its mountain environment, rich history and ethnic diversity. A number of the planned sites, however, are in areas of extreme insecurity. Some are also in locales with long-time land disputes, often further complicated by a shortage of pasture and farmland.

This report explores the prospects for the Sochi Games and the resorts to follow to contribute to development and conflict-reduction, goals that depend on an ability to resolve the old conflicts in a sustainable way, to significantly improve security and the quality of government and to convince local communities that the project will benefit their lives. It likewise looks at the need to face up to problems that have undermined or defeated other major development plans in Russia, notably the failure to reform inefficient institutions and combat endemic corruption at all levels of state activity. Research was conducted on the ground in Sochi and the North Caucasus in 2012-2013.

⁵ "A test run at Russia's Olympic hopeful", *The New York Times*, 20 December 2013.

⁶ "Медведев: инвестиции в Олимпиаду в Сочи оправданы" ["Medvedev: investments in the Sochi Olympics are justified"], *Argumenty i Fakty*, 6 December 2013.

⁷ "Putin's vision of Olympic glory meets a more earthbound reality in Sochi", *The New York Times*, 6 December 2013.

⁸ "Gay people welcome at Sochi Olympics, says Russia's Putin", Reuters, 28 October 2013.

⁹ The NCR was created as an open joint stock company in compliance with the statement by the government of the Russian Federation of 14 October 2010 No. 833 to manage the tourism cluster development project in the North Caucasian Federal District, Krasnodar Kray and the Republic of Adygeya. Official website: www.ncrc.ru. An open joint stock company is a commercial organisation, the authorised capital stock of which is divided into shares that can be freely bought and sold and specify the rights and duties of the shareholders. "Федеральный закон Об акционерных обществах" (ОбА О) от 26.12.1995 N 208-ФЗ, Г лава I II" ["Federal Law on Joint-stock companies of 26.12.1995 N208-ФЗ, Chapter III"]; "Что такое открытое акционерное общество – понятие, сущность, структура" ["What is an open joint stock company – concept, essence, structure"], Centre of Economic Analysis and Expertise, <http://ceae.ru/ur-oao.htm>.

II. The Sochi Winter Olympics

A. Security Challenges and Proposed Solutions

The Sochi Olympics have increasingly drawn attention to a North Caucasus region that has been wracked by violence and instability since the break-up of the Soviet Union. On 21 October 2013, in the wake of Umarov's call for Muslims throughout Russia to disrupt the Games by all means necessary,¹⁰ a 30-year-old suicide bomber from Dagestan blew herself up on a local bus in Volgograd, killing six and injuring 33.¹¹ Two further suicide bombings in Volgograd, 29-30 December, killed 34 at the main train station and on a city bus.¹²

Until the December bombings senior security officials sounded relatively sanguine about the threat to Sochi. Speaking there at a special session of Russia's Security Council shortly before, Alexander Bortnikov, chair of the National Anti-Terrorist Committee (NAC) and head of the Federal Security Service (FSB), emphasised that the number of terror incidents in the country had dropped from 270 in 2012 to 144 thus far in 2013, with 120 of the latter confined to Dagestan. The improvement, he said, was largely due to nationwide security measures, along with special steps aimed at "healing the situation" in the North Caucasus.¹³

Preliminary reports link the October and December Volgograd bombings to Dagestan-based Islamists. Dagestan, the largest North Caucasus republic, has been the epicentre of violence since 2009. In 2010 two women from there detonated suicide bombs in the Moscow metro that killed 40 and injured over 160, and numerous terrorist attacks have caused significant casualties in Dagestan itself over the past few years. One of the Boston (U.S.) April 2013 marathon bombers, Tamerlan Tsarnaev,

¹⁰ The video can be viewed at www.euronews.com/2013/07/03/chechen-militant-umarov-threatens-to-attack-sochi-olympics-video/. In the months following Umarov's video appearance, other incidents officially described as terrorism-related included a number in Tatarstan, about 960km north east of Moscow and the same distance south of the North Caucasus. Seven Orthodox churches were burned in Tatarstan, allegedly by fundamentalist Muslims, in the last months of 2013. Two improvised explosive devices (IEDs) were discovered and deactivated in the Alekseyev district and the city of Nizhnekamsk on 16 November; on 18 November, unknown assailants tried to attack Tatarstan's biggest chemical factory, in Nizhnekamsk, with improvised missiles that reportedly missed the target. Irina Gordienko, "Повальные аресты в Татарстане. Кого пытаются выдать за поджигателей церквей" ["Mass arrests in Tatarstan. Who are they trying to present as church incendiaries?"], *Novaya gazeta*, 14 December 2013.

¹¹ "Взрыв в автобусе в Волгограде квалифицирован как теракт" ["Volgograd bus blast described as a terrorist attack"], ITAR-TASS news agency, 21 October 2013. In November, the alleged bomber's husband, an ethnic Russian, was killed in a shoot-out with the authorities in Makhachkala, Dagestan's capital. Several media outlets reported that during the clash he admitted planning the bus bombing. "Дмитрий Соколов взял на себя ответственность за взрыв автобуса в Волгограде" ["Dmitry Sokolov took responsibility for the bus explosion in Volgograd"], Echo of Moscow news site, 16 November 2013.

¹² "Determined to miss nothing, Russia trains all eyes on Sochi", *The New York Times*, 18 January 2014.

¹³ "ФСБ: в 2013 году в РФ зафиксировано 144 террористических проявления, из них 120 – в Дагестане" ["FSB: 144 terrorist acts registered in RF in 2013, 120 in Dagestan"], *Caucasian Knot*, 8 October 2013; "НАК: К охране Олимпиады готовы" ["NAC: ready for protection of the Olympics"], RBC-TV, 8 October 2013; "Бортников: В России в два раза сократилось количество террористических проявлений" ["Bortnikov: terrorist acts in Russia have halved"], *Yuga*, 8 October 2013. He also referred to measures taken to strengthen border control infrastructure and prevent insurgent infiltration from Afghanistan, Pakistan and Syria.

spent six months the previous year in the republic trying to contact local insurgents, apparently with little success.¹⁴

Conflict also continues in other parts of the region. Clashes are frequent in Kabardino-Balkaria, about 320km from Sochi, which in 2013 became second after Dagestan in the number of conflict victims. Incidents continue in Chechnya, a republic that endured two full-scale wars after the collapse of the Soviet Union, and in neighbouring Ingushetia, a full-fledged conflict zone in 2007-2008, though they have significantly declined in the past years.¹⁵

In preparation for the Olympics, President Putin introduced a special security regime in Sochi that is similar to those imposed during emergency situations.¹⁶ Access to some city zones is restricted, and others closer to Olympic venues are completely closed to the public.¹⁷ Almost the entire city centre is to be a pedestrian zone during the Games. Anyone older than two planning to attend an event must obtain, in addition to a ticket, a “fan passport” that is only issued upon approval by the FSB.¹⁸ In November, the president added another article to the decree, requiring Russian citizens who come to watch the Games to register within three days upon arrival.

Vehicle access is divided into two zones, one for Olympic venues, another for Greater Sochi.¹⁹ Only locally registered transport and those with special accreditation will be allowed to enter the city. This could be a problem for many locals and others who work in Sochi, because their cars are often registered elsewhere. Fines for motoring offences will double from 7 January through 1 April.²⁰ The Sochi rail terminal’s checkpoints, equipped with metal and radiation detectors as well as gas analysers, will require an average of 23 seconds to screen each passenger heading to an Olympic venue. 56 such checkpoints are planned, able to screen an estimated

¹⁴ “Agents pore over suspect’s trip to Russia”, *The New York Times*, 28 April 2013.

¹⁵ “Ингушетия: хроника терактов, обстрелов, похищений” [“Ingushetia: chronicle of terrorist acts, shootings, abductions”], *Caucasian Knot*, 26 January 2010. The regularly updated chronology maintained by *Caucasian Knot*, an independent news agency, is available on its website, www.kavkaz-uzel.ru

¹⁶ “On implementation of special security measures during XXII Winter Olympics and XI Paralympics of 2014 in the city of Sochi”, presidential decree No. 686, 19 August 2013, *Rossiyskaya Gazeta* (online), 23 August 2013. The introduction of the emergency regime in the Russian Federation is regulated by federal law No. 3 of 30 May 2001 and stipulates temporary limitation of citizen rights and certain additional obligations. Such a regime is introduced by the president of the Federation, who immediately informs both chambers of the parliament, and requires confirmation by the upper chamber (the Federation council). President Boris Yeltsin introduced an emergency regime in Moscow during clashes with the opposition in 1993.

¹⁷ The sealed-off area extends along the border with Abkhazia on the south, via Veseloye village on the sea coast to the administrative border with Karachay-Cherkessia in the east and along the administrative border with Adygeya border in the north. See the map at www.rg.ru/pril/90/46/63/6271_12a.gif.

¹⁸ Andrey Soldatov, Irina Borogan, “Служка по-Олимпийски” [“Olympic surveillance”], *Yezhdeny Zhurnal*, 10 October 2013.

¹⁹ See “Описание границ запретной зоны” [“Description of restricted zone boundaries”], *Rossiyskaya Gazeta* (online), 23 August 2013.

²⁰ “На время Олимпиады автомобильные штрафы в Сочи вырастут в два раза” [“Motoring fines in Sochi will double during the Olympics”], *Sochi-Express*, 26 March 2013.

7,200 people per hour. Some 490 cameras will monitor station security. Similar security is expected at other transport hubs.²¹

The presidential decree also introduced restrictions for the airspace over the Greater Sochi area and the littoral zones of the Black Sea.²² Some 40,000 police have been deployed, and the defence ministry has purchased two sonar systems to detect submarines.²³ The security services will use advanced technology, including drones; robots for searching and defusing explosives; and ultrasound scanners and thermal-imaging cameras. Army units will assist, and mountain security and emergency services will operate on closed communication platforms.²⁴

According to a major daily newspaper, the Olympic security cordon will run along the frontier with Abkhazia and the administrative border of the North Caucasus republic of Kabardino-Balkaria. Special defence ministry task forces will protect southern Krasnodar Krai and another North Caucasus republic, Karachay-Cherkessia (KChR), against insurgent infiltration from the region. A defence ministry special forces operations group (OG), code-named Sochi and established in August 2012, will patrol mountain routes and gorges. It includes two of the best trained and most experienced special forces brigades (No. 22 from Stepnoy in Rostov oblast and No. 10 from Goryachiy Klyuch in Krasnodar Krai).²⁵ Security has also been tightened along the border between Russia and Abkhazia in part, according to anonymous senior military sources quoted in the Russian media, to ensure against “potential threats” from Georgia.²⁶

According to two Russian security experts, Andrey Soldatov and Irina Borogan, the FSB has developed an information gathering surveillance system – SORM-3²⁷ – that a Western specialist described as “[The U.S. National Security Agency (NSA)’s] PRISM on steroids”.²⁸ Internet service providers are required to install, at their own expense, hardware to collect and record traffic data. Some providers have been fined for attempting to avoid the requirements, and many criticise the program for breaching privacy laws and the Constitution. However, the FSB will be able to identify visi-

²¹ “В дни Олимпиады на вокзалах Сочи пассажиров разделят на ‘грязную’ и ‘чистую’ зоны” [“During the Olympics passengers at Sochi train stations will be divided into ‘dirty’ and ‘clean’ zones”], *Sochinskiye novosti*, 23 October 2013.

²² Presidential decree 686, op. cit.

²³ Andrey Soldatov, Irina Borogan, “Служба по-Олимпийски” [“Olympic surveillance”], *Yezhdeny Zhurnal*, 10 October 2013; “As Sochi Olympic venues are built, so are Kremlin’s surveillance networks”, *The Guardian* (online), 6 October 2013.

²⁴ “As Sochi Olympic venues are built”, op. cit.; “Пограничники готовятся принять 140 тыс иностранцев на Олимпиаде в Сочи” [“Border guards getting ready to accept 140,000 foreigners at Sochi Olympics”], *RIA Novosti*, 18 August 2012.

²⁵ “К защите Олимпиады в Сочи подключился армейский спецназ” [“Army special forces joined protection of Sochi Olympics”], *Izvestia* (online), 26 February 2013.

²⁶ “К защите Олимпиады в Сочи подключился армейский спецназ” [“Army special forces joined protection of Sochi Olympics”], *Izvestia* (online), 26 February 2013.

²⁷ Soldatov, Borogan, op. cit. This article is probably the most comprehensive survey of Sochi security to appear in Russian media

²⁸ PRISM is a clandestine mass electronic surveillance data mining program known to have been operated by the NSA. “Secret to PRISM Program: Even Bigger Data Seizures”, *Associated Press*, 15 June 2013. “As Sochi Olympic venues are built”, op. cit.; “Russia to monitor ‘all communications’ at Winter Olympics in Sochi”, *The Guardian* (online), 6 October 2013. SORM (Система Оперативно-Розыскных Мероприятий, System for Operative Investigative Activities) began telephone surveillance in 1998. SORM-2 added internet data collection in 2008.

tors to certain websites and monitor subsequent online activity.²⁹ The security services are paying particular attention to cyber-attacks, eight of which North Caucasus insurgents are believed to have carried out in 2013.³⁰

“Nobody can rule out the terrorist threat here. However, the anti-terrorist commissions of Krasnodar Krai and of Sochi are taking serious measures to minimise this risk”, a Sochi city official said, adding that those commissions have checked all hotels and residential facilities, inspecting, for example, security cameras, alarms and metal detectors. An individual security “passport” has been issued to each hotel and tight deadlines set for implementation of improvements. “This way, by the Olympics, we will have an absolutely secure system of accommodation”, he said. “At least we have made all possible efforts to reach such a result”. Similar measures are in force to ensure that Sochi’s hospitals, schools and kindergartens are protected.³¹

The presidential decree initially prohibited all public meetings, marches, protests and demonstrations in Sochi, 7 January to 21 March. The scope of this ban was criticised as excessive, though the Olympic Charter itself restricts political propaganda around venues. An amendment to the decree proposed by the FSB and adopted by the president now permits “non-Olympic” demonstrations in specially designated zones, if approved by city officials after they consult the FSB and the internal affairs ministry (MIA).³²

According to FSB Director Alexander Bortnikov, more than fifteen anti-terrorist training exercises have been held, seven in the greater Sochi area. Preparation has also reportedly improved cooperation between Russian security services and their foreign counterparts, including the UK and U.S. services.³³

B. *Security Strategy in the North Caucasus*

The main focus of the pre-Olympic security effort is Dagestan, which for several years has been the centre of intense insurgent activity and often the source of suicide bomber attacks outside the region. The conflict in the republic is rooted in a deep religious schism that for almost two decades has divided its Muslims into traditionalists, mainly

²⁹ “Surveillance at the Sochi Olympics 2014”, Agentura.ru, October 2013. Soldatov, Borogan, op. cit. In 2012, the security services received 539,864 warrants from courts to intercept and record telephone and email communications nationwide.

³⁰ “В Сочи состоялось заседание Объединённой коллегии МВД России и Полиции Республики Армения” [“A meeting of the Collegia of the Russian MIA and Republic of Armenia’s Police took place in Sochi”], internal affairs ministry website, www.mvd.ru; The collegium of a Russian ministry is usually composed of its ranking officials “Сайты главы и правительства Ингушетии атаковали хакеры?” [“Have the websites of the head and the government of Ingushetia been attacked by hackers?”], Regnum, 19 September 2013; “Хакеры пытались сбить ЦБ с курса” [“Hackers tried to force the Central Bank off its course”], *Vedomosti*, 16 October 2013.

³¹ Crisis Group interview, Sergey Domorat, deputy chair, tourism committee, Sochi, November 2013. “Мэр Сочи: Безопасность города – задача каждого” [“Sochi mayor: city security is everyone’s task”], Krasnodar Krai official website, <http://admkrain.kuban.ru>, 20 March 2013.

³² “Putin eases protest ban in Sochi for the Olympics”, *The New York Times*, 4 January 2014. “Митинги в Сочи придется согласовывать с ФСБ” [“Protests in Sochi will have to be approved by the FSB”], *Vedomosti* (online), 5 December 2013.

³³ “Главная задача спецслужб во время Олимпиады-максимально эффективно обеспечить безопасность игр” [“The principal mission of the security forces during the Olympics is to ensure security of the games efficiently”], ITAR-TASS (Kuban), 8 October 2013. “Безопасность на Олимпиаде в Сочи будет на беспрецедентно высоком уровне” [“Security at the Sochi Olympics will be at an unprecedentedly high level”], Voice of Russia radio, 12 November 2013.

Sufi, and fundamentalists, mostly Salafi. Since the late 1990s, the security services have opted for heavy-handed treatment of all fundamentalists, both guerrillas and those who reject violence. This has further radicalised parts of the fundamentalist community.³⁴

Dagestan's previous president, Magomedislam Magomedov, attempted a more open policy towards non-violent Salafis and a conciliatory approach to rehabilitating insurgents. Official policies toward moderate Salafis were significantly liberalised, dialogue between Sufi and Salafi leaders was launched with support of the authorities, including the NAC. In November 2010, he created a commission to rehabilitate insurgents. In 2012 conflict casualties fell 15 per cent compared to the previous year; and the flow of young recruits to the insurgency decreased, at least partly as a result of these new approaches.

The encouraging trend was reversed in 2013. On 28 January, President Putin replaced Magomedov with Ramazan Abdulatipov, who in February closed the rehabilitation commission, marking the end of transparent public rehabilitation mechanisms and the start of repression against Dagestan's Salafi communities. Police operations conducted throughout the republic were accompanied by widespread allegations from human rights groups and victims of abductions, arrests, and often torture of suspected militants, their accomplices, relatives, and acquaintances. The security services allegedly blew up the houses of jihadis' close family members in Buynaksk, Novosassitli and Gimry, ten in the latter alone. The mother of an eighteen-year-old insurgent told Crisis Group that after her house was blown up, a photograph of him in camouflage was put on the gate, sending a clear message the action was punitive.³⁵

Over the past few months most Salafi civic activity in Dagestan has been pushed underground. Moderate leaders have been harassed; some have fled the republic and their projects been closed. The Salafi human rights group "Pravozashchita", which publicised abuses, was targeted, its leaders detained or placed under surveillance and an activist's home searched. Its outspoken representative in Buynaksk was arrested and, human rights groups said, a criminal case fabricated against her.³⁶

Since late 2013, the police have been detaining Salafis en masse from cafés, mosques, and homes.³⁷ According to Salafi activists, on 12-14 October, just before the Muslim holiday of Kurban-Bayram, over 50 people were held in raids on cafes in Makhachkala, Dagestan's capital. A month later some 40 Salafis were randomly arrested in that city's Akushinskogo 105 neighbourhood, then photographed, fingerprinted and released. Detained Salafis have reportedly been issued identification numbers that they were advised to remember to speed up procedures during subsequent deten-

³⁴ See Crisis Group Europe Report N°221, *The North Caucasus: The Challenges of Integration (II), Islam, the Insurgency and Counter-Insurgency*, 19 October 2012.

³⁵ Crisis Group interviews, observations, Buynaksk, Gimry, Dagestan, June 2013. Crisis Group Across Eurasia Blog, "Sowing rebellion in Dagestan", 26 August 2013. "Мемориал о тенденциях развития ситуации с правами человека на Северном Кавказе летом 2013 года" ["Memorial" on the development of the human rights situation in the North Caucasus in summer of 2013"], Memorial, 21 November 2013. Also see 2013 releases on Dagestan by the Memorial human rights centre, Pravozashchita, www.memo.ru, pravozhaschita05.ru.

³⁶ "Дарестан: силовики против правозащитников" ["Dagestan: security forces against human rights defenders"], Memorial, 20 September 2013. Crisis Group interviews, human rights activists, Gulnara Rustamova, Ziyautdin Uvaysov, Oleg Orlov, Makhachkala, Moscow, July, December 2013. The Memorial group has placed the Pravozashchita representative, Zarema Bagavutdinova, on its list of political prisoners.

³⁷ Crisis Group observations, interviews, activists, Moscow, September 2013-January 2014.

tions.³⁸ On 6 December around 40 were arrested during Friday prayer at a mosque in the village of Vremenny. Arrests of men with beards or women wearing a hijab have become routine. They are usually released after their documents have been checked and they have been interrogated and fingerprinted. Such practices have visibly radicalised previously moderate believers.³⁹

Salafi schools, kindergartens and madrasas have been shut down in recent months, often by troops or police who arrive in armoured vehicles, heavily armed and masked. Salafi activists say the authorities refuse to license their educational establishments, then use the lack of licences as a pretext for closing them.⁴⁰

A number of radical but non-violent Salafis have been arrested on reportedly fabricated charges. “Before Sochi they are trying to detain and keep everyone whom they find potentially dangerous incarcerated, including women”, a local human rights activist said. Planting weapons on suspects has allegedly become common, a tactic confirmed to Crisis Group by a senior police officer.⁴¹ Salafi businesses have reportedly been targeted as well. “Multifaceted pressure has been exerted in very different spheres of Muslim activity. There is clearly an attempt to completely squeeze Muslims out of the legal social space”, a human rights lawyer and Salafi activist said. “There has been repression before, but this time the security services have been given complete *carte blanche*”.⁴²

Abdulatipov has encouraged the creation of militias to combat extremism. In some cases these are made up of Sufis and have reportedly been involved in inter-confessional violence.⁴³ Between October and December in the Makhachkala suburb of Leninkent, police – reportedly together with a new militia made up of Sufis – blocked a Salafi mosque, preventing fundamentalist Muslims from attending the Friday prayer. This triggered violence on 15 November in which six people were injured and two hospitalised in critical condition.⁴⁴ The escalation in Leninkent resonated throughout the Salafi community, and the wider Dagestan developments strengthen the recommendation Crisis Group previously made that such militias be banned in areas of ethnic and religious conflicts.⁴⁵

³⁸ “Небрityм лицам в Махачкале присваивают номера” [“Unshaven men given numbers”], *Kavkazskaya politika*, 17 November 2013.

³⁹ Crisis Group observations, interview, local activists, Dagestan, Moscow, July-December 2013.

⁴⁰ On 13 October, the prosecutor’s office closed a Salafi kindergarten in Makhachkala for “operating without a licence”. On 15 October, police shut down a women’s madrasa for similar reasons. Students, aged thirteen to fourteen, were detained, interrogated and fingerprinted. In late November, the Anti-Extremism Department raided a children’s pre-school and extra-curricular club, “Amanat”, in Makhachkala. “Спецмероприятия в детском клубе ‘Аманат’” [“Special measures in the children’s club ‘Amanat’”], *Novoye Delo*, 6 December 2013; Crisis Group interviews, Salafi activists, Moscow, November-December 2013.

⁴¹ Crisis Group interviews, human rights activist, police colonel, Moscow, November 2013.

⁴² Crisis Group email interview, Ziyautdin Uvaysov, December 2013.

⁴³ Seven people have been killed in Khadzhimakhi since formation of a local militia in March 2013, and the houses of several Salafis have been blown up, allegedly with involvement of the militia. Crisis Group Europe Report N°226, *The North Caucasus: The Challenges of Integration (III), Governance, Elections, Rule of Law*, 6 September 2013.

⁴⁴ Crisis Group telephone interview, Gadzhigishi Bambatov, activist, November 2013; Idris Yusupov, Salafi activist, Moscow, October 2013. “Инцидент у мечети в Ленинкенте устроили провокаторы, считают представители разных течений ислама” [“According to representatives of different Islamic currents, the incident in the Leninkent Mosque was organised by provocateurs”], *Caucasian Knot*, 22 November 2013.

⁴⁵ Crisis Group Report, *The Challenges of Integration (III)*, op. cit.

Two weeks before the Olympics, security services reportedly informed Salafis in Buynaksk that they were not permitted to leave Dagestan during the Games. Crisis Group received similar reports from the village of Gubden, a Dagestani area known for its strong Salafi community. There, several dozen Salafis, mostly employed in trucking, were reportedly forced to sign written undertakings not to travel outside their republic during the Olympics.⁴⁶

The Sufi-Salafi dialogue was suspended after the killing of Dagestan's most prominent Sufi sheikh, Said Affandi Atsaev (Cherkeysy), by a female suicide bomber in August 2012.⁴⁷ The republic's authorities have done little to contain subsequent indiscriminate violence against Salafis. Some years ago, when similar repressive measures were used against moderate local Salafi communities in Kabardino-Balkaria, the result was a shift to armed insurgency, culminating in a major jihadi attack on the republic capital, Nalchik, in October 2005.⁴⁸ The Salafi community in Dagestan today is considerably larger, better organised and more active than its Kabardino-Balkaria counterpart was in 2005. Forcing it out of the legal space risks unpredictable consequences.

Anxiety and tension have further increased in Dagestan with the Olympics' approach. Rumours of a large military campaign after the Games became so strong that the presidential envoy to the North Caucasus,⁴⁹ Alexander Khloponin, had to deny them. A local activist said, "people in Dagestan are interested in the Olympics only in one way: whether the war will start before or after this. No one cares anymore about medals and results of the competitions".⁵⁰

The hard line in Dagestan has been followed by other republics. The head of Ingushetia announced in September that the homes of insurgents' families and their accomplices would be demolished and their land seized. In December, President Putin replaced Kabardino-Balkaria's head, Arsen Kanokov, with police Colonel-General Yuri Kokov. Until recently, he led the federal interior ministry's department to combat extremism. His appointment is apparently linked to concerns over security during the Olympics, and Khloponin said his task is to neutralise terrorist activity in Kabardino-Balkaria and the broader North Caucasus.⁵¹ In January 2014 the Chechen leader, Ramzan Kadyrov, made tough anti-Salafi statements, broadcast on Grozny TV, that

⁴⁶ "Policemen prohibit Salafis to leave Buynaksk, local residents report", Caucasian Knot, 24 January 2014. Crisis Group interview by Skype, human rights lawyer, Dagestan, January 2014.

⁴⁷ For more on this, see Crisis Group Report, *The Challenges of Integration (II)*, op. cit.

⁴⁸ Ibid.

⁴⁹ The North Caucasus Federal Okrug, one of the eight Federal Districts (supra-regional structures), was created in 2010, with its capital in Pyatigorsk, and includes seven regions: Chechnya, Ingushetia, Dagestan, Kabardino-Balkaria, Karachay-Cherkessia, North Ossetia and Stavropol Kray.

⁵⁰ "Будет ли масштабная войсковая операция в Дагестане после Олимпийских игр в Сочи?" ["Will a large-scale military campaign take place in Dagestan?"], RIA Dagestan, 21 November 2013. Crisis Group interview, Magomed Shamilov, chair, independent trade union of police and prosecutor offices staff, Moscow, November 2013.

⁵¹ "Евкуров: дома приютивших боевиков в Ингушетии будут сноситься" ["Yevkurov: the houses of those who hosted insurgents in Ingushetia will be demolished"], Caucasian Knot, 16 September 2013. "Александр Хлопонин: Коков призван нейтрализовать террористическую напряженность в КБР" ["Alexander Khloponin: Kokov is tasked with neutralising terrorist tension in KBR"], ITAR-TASS, 7 December 2013. "Эксперты: Назначение нового главы КБР связано с Олимпиадой" ["Experts: Appointment of the new head of KBR is related to the Olympics"], Natsional'naya sluzhba novostey, 6 December 2013. The chief executive is called "governor" in Krays and "head" in all national republics.

were followed by a wave of detentions, harassment and searches in the houses of suspected Salafis.⁵² In addition security services searched the houses of four prominent North Ossetia religious leaders, including the imam of the Beslan mosque. North Ossetia's mufti described the raids as a provocation.⁵³

The unprecedented security measures in and around Sochi may well ensure a peaceful Winter Games, but current policies in the North Caucasus are likely to inflict serious long-term damage. After the Olympics have ended, it will be hard, if not impossible, to return to either dialogue with moderate Islamists or peaceful rehabilitation of insurgents, even if there is political will to do so.

C. *Impact on Local Communities*

1. Construction and property rights

The Winter Games have significantly boosted infrastructure development in Sochi, including construction and renovation of roads and power plants. City authorities say all necessary enhancements have been completed: hundreds of kilometres of railways and roads, including a bypass of the busy downtown; power stations to supplement the inadequate electricity supply; a water treatment plant – the virtually non-functional sewage system had made the Black Sea, unbeknown to tourists, risky for swimming;⁵⁴ large hotels; and reconstruction of dozens of schools and hospitals.⁵⁵ Officials say the Olympic infrastructure will be used for future events: the city is to host the G8 Summit in June 2014, a Formula 1 race in the fall and football World Cup games in 2018. There are also plans to use the facilities for additional athletic competitions, conferences, and conventions as well as entertainment, exhibition and shopping centres.⁵⁶

Olympic construction forced relocation of 2,500 families, mainly from the areas around the city's Adler district and sites in the mountains. The majority have either been compensated or resettled in new homes, at a cost so far of 21.5 billion rubles (over half a billion dollars).⁵⁷ However, according to human rights groups, the process has been neither fair nor transparent, with homeowners in some cases receiving less than fair value, or, if the property was registered improperly, nothing.⁵⁸ Those denied reset-

⁵² “Чечня: извилистый путь ‘борьбы за истинную религиозность’” [“Chechnya: the winding path of ‘fight for right religiosity’”], Memorial, 16 January 2014. “Р.Кадиров: ‘Даже духа ваххабизма недолжно быть нач еченской земле’” [“R.Kadyrov: ‘There should not be any trace of Wahhabism on Chechen soil’”], Grozny Inform, 15 January 2014. “The Prophet said that such [people] as these [ie, Wahhabis] must be exterminated! ... There is no room for Wahhabis and similar movements in this republic!”, said Kadyrov. Video available (in Chechen) at <http://youtu.be/OacGWtxG6tE>.

⁵³ “В Северной Осетии полицейские обыскали дом имама мечети города Беслан” [“Police searched the house of the imam of the Beslan mosque in North Ossetia”], Caucasian Knot, 21 January 2014.

⁵⁴ “Народ доволен, но никогда об этом не скажет” [“People are satisfied, but they never say this”], Lenta.ru, 18 September 2013.

⁵⁵ From a November 2013 speech by Aleksandr Pakhomov, Sochi mayor, given to Crisis Group by the city administration.

⁵⁶ Crisis Group interview, Sochi tourism office, Sochi, November 2013.

⁵⁷ “People are satisfied”, op. cit. “Статистика по изъятию и предоставлению объектов недвижимости” [“Statistics on confiscation and granting of real estate”], Krasnodar Krai Olympics preparation department, www.relocation.olympdep.ru, 25 November 2013.

⁵⁸ “Forced eviction”, Human Rights Watch, 6 February 2013. “Russia: Halt Forced Eviction for Olympics Road”, Human Rights Watch, 25 October 2012. See also Olga Allenova, “Пик Олимпизма” [“The peak of Olympism”], *Kommersant-Vlast*, 29 August 2011.

tlement have in some instances fared worse. Crisis Group witnessed eleven families stranded in buildings fenced in by a new highway on one side and train tracks on the other. They had no running water or sewage, lacked proper vehicle access or pedestrian crossings, and their children were obliged to run across the multi-lane highway to get to school.⁵⁹

There have been numerous landslides due to Olympic construction, unsurprising since 70 per cent of the land around Sochi is reportedly landslide-prone.⁶⁰ Illegal dumping of construction waste is alleged to have aggravated the problem, causing landslides even in residential neighbourhoods.⁶¹ One incident, in Sochi's Veseloye neighbourhood, occurred in April 2011 in the middle of the night; residents were forced to escape from several crumbling houses through windows. Today their homes are unfit for habitation. Despite a March 2012 court order for expert analysis to determine the cause of the damage and the conclusion of independent experts that the illegal construction-waste dump was responsible for the landslide, the residents have not been compensated.⁶²

2. Migrant workers and labour rights

Russian and international human rights groups allege large-scale violations of workers' rights during construction of Olympic facilities. They say migrant workers were often not given legal labour contracts and registration documents, and salaries have been systematically delayed or, in many instances, paid only in part if at all.⁶³ The migrants came mainly from Uzbekistan and Tajikistan, but also from China, Serbia, Kyrgyzstan, Ukraine, Belarus, Moldova, Turkey and Bosnia-Herzegovina. Estimates

⁵⁹ The families were told they were not being resettled because they were "not disturbed by the road". A resident said, "for two and half years now we have been living in the middle of construction with dust and dirt, and there is constant noise from the highway. But the authorities are focused on the Games. They worry about the Olympic flame, not us". Crisis Group interview, Yulia Saltykova, Adler, November 2013. See also, "В Сочи жители дома по улице Акаций заявили о нарушении властями их прав" ["The residents of the house in Sochi state their rights have been violated by authorities"], *Caucasian Knot*, 11 June 2013.

⁶⁰ Crisis Group interview, Yuliya Naberezhnaya, ecological activist, Environmental Watch in the North Caucasus, Sochi, November 2013. N.K. Gudkova, M.G. Onopriyenko, "О циклическом характере активизации оползневых процессов на Черноморском побережье Кавказа" ["On the cyclical nature of the activation of landslides on the Black Sea coast of the Caucasus"], *Sochi department of the Russian Geographical Society*, 4 April 2012.

⁶¹ Crisis Group interview, Yulia Naberezhnaya, ecological activist, Environmental Watch in the North Caucasus, Sochi, November 2013.

⁶² "I don't need anything except a roof over my head. So much money has been stolen for this Olympics It's a shame that we are just the dust under the feet of this country. City officials told us that because there were no corpses, this cannot be classified as an emergency situation". Crisis Group interview, Tatiana Skiba, Veseloye, Sochi, November 2013. Crisis Group reviewed the court documents. The Adler district court statement on the case is No. 2-300/2012, 20 March 2012. "Statement based on results of examination of the landslide slope and land plot belonging to Korobok A.A. in Bakinsky pereulok, 9 Bakinskaya street (Eastern part of vill. "Blinovo"), Adler district of Sochi", Аpx. ИГ-2303-11, Limited Liability Company "Geolog", 18 August 2011.

⁶³ "Race to the Bottom". Exploitation of Migrant Workers ahead of Russia's 2014 Winter Olympic Games in Sochi", Human Rights Watch, 6 February 2013. A local expert said, "only a handful of companies drew up legal contracts for their workers, and even then there were delays. Not having contracts allowed employers to evade taxes, as well as deprive people of their salaries". Crisis Group interview, Semen Simonov, coordinator, Memorial Migration and Law Program, Sochi, November 2013.

of their numbers range widely, from 16,000 to 100,000 at any one time.⁶⁴ Many workers have also come from neighbouring North Caucasus republics, especially Dagestan and Chechnya. The overcrowded living conditions often provided by employers did not meet Russian legal standards. The working day frequently lasted ten to twelve hours, with one day off every two weeks.⁶⁵ “Sometimes employers withheld identification documents to keep workers from abandoning their posts”, Human Rights Watch alleged.⁶⁶

Police raids and deportation of unauthorised workers took place throughout the construction work but initially mostly targeted private sites, leaving the urgent Olympic venues untouched. After 1 June 2013, however, the authorities began large-scale raids there as well. On 12 June, police and Cossack militias blocked the Olympic House of Volunteers, where 160 migrants reportedly worked, while the Migration Service arrested workers and withheld their documents. The cases were heard over nine days by the Adler district court, and 80 were deported, reportedly without receiving salaries due them.⁶⁷

Deportations have increased significantly since late 2013. According to press reports, 60 mobile units were created, a mix of police, Cossacks and migration and municipal services officials. Krasnodar Kray Governor Tkachev visited Sochi to launch the campaign and reportedly instructed the mobile groups: “Now we have an army of 100,000 workers in Sochi, and as soon as we expel them, they will start looking for jobs in other cities, so be ready for serious work”. Media accounts quoted a tweet by Governor Tkachev, that “two months from now there should not be a single illegal left in Sochi”.⁶⁸

Conditions for detainees after raids were often harsh. Reportedly, over 200 were kept in the open for hours during heavy rain on 18 September, and later some were held for several days in a metal garage at the back of a police station in central Adler. At other times, detainees in a police station were allegedly denied food and water for up to fifteen hours. According to the federal bailiff service in Krasnodar Kray, 3,217 foreign citizens were deported in the first nine months of 2013.⁶⁹ Alleged abuses included rape and torture.⁷⁰

⁶⁴ “Мигранты покинут Сочи сразу после окончания стройки” [“Migrants will leave Sochi right after the end of construction”], Privet Sochi, 28 August 2013. “Russia: Migrant Olympic Workers Cheated, Exploited”, Human Rights Watch, 6 February 2013.

⁶⁵ Crisis Group interview, Semen Simonov, coordinator, Memorial Migration and Law Program, Sochi, November 2013.

⁶⁶ “Race to the Bottom”, *op. cit.*, p. 5.

⁶⁷ Crisis Group interview, Semen Simonov, coordinator, Memorial Migration and Law Program, Sochi, November 2013.

⁶⁸ “Губернатор Ткачев начал облавы на мигрантов в Сочи” [“Governor Tkachev launched raids on migrants in Sochi”], BBC Russian service, 11 September 2013. “Сочи. Билет в зубы без зарплаты. В Сочи идет спецоперация по выявлению незаконных мигрантов” [“Sochi. A ticket to close their mouths instead of salary. A special operation for discovering illegal migrants is going on in Sochi”], Svoboda.org, 27 January 2013. Cossack militias, unarmed paramilitary units, were created in August 2012 by order of the Krasnodar Kray governor, Alexander Tkachev. Funded by the regional government, they aim to ensure public order and prevent migration from neighbouring North Caucasus areas. They patrol streets with the local police. For more on Cossacks, see Crisis Group Europe Report N°220, *The North Caucasus: The Challenges of Integration (I), Ethnicity and Conflict*, 19 October 2012, pp. 30-32.

⁶⁹ Crisis Group interview, Semen Simonov, coordinator, Memorial Migration and Law Program, Sochi, November 2013. “Без суда и следствия: как в Сочи прессуют легальных (!) мигрантов” [“With-

3. Environment and activists

In its Olympics bid, Russia promised to follow the principle of “Zero Waste”, and to be environmentally responsible both in the lead up to and during the Games.⁷¹ The official Sochi 2014 materials stress sustainable development, including a significant environmental component. At the IOC Conference on Sport and the Environment on 30 October 2013, Deputy Prime Minister Dmitry Kozak declared Russia had fulfilled its environmental obligations; any unavoidable negative impact was minimal and offset by compensatory measures.⁷²

However, according to local environmentalists, Sochi and the surrounding area have suffered great environmental damage. The Mzymta River and its extensive ecosystem have essentially been destroyed and a special program is needed to restore it, they say. Gazprom, the state-owned energy giant, they object, is developing a resort in the buffer zone of the Caucasus Nature Reserve, part of a UNESCO World Heritage site. All but 15 per cent of the famous Imeretian lowlands have reportedly been destroyed, along with nine species of indigenous plant life. Construction companies are alleged to have dumped garbage in Sochi National Park.⁷³ To make space for construction, an old growth forest was cut down, triggering together with illegal landfills extensive landslides in 2011-2013. The landfill issue is persistent: Zero Waste policies⁷⁴ stipulate little to no use of them, but construction companies have reportedly side-stepped the guidelines by using a dumpsite in nearby Belorechensk or unofficial dumps.⁷⁵

out trial: how the legal (!) migrants are pressured in Sochi”], *Echo of Moscow*, 26 September 2013. “Роман с Олимпиадой” [“Love affair with the Olympiad”], *Sochinskiye Novosti*, 4 December 2013.

⁷⁰ Mardiros Demerchyan, a 39-year-old from Russia, said he and others stopped working for an Olympic site after not being paid for two and a half months. He did not have an official contract. Later he and a friend were reportedly invited to the site. They hoped to be paid but instead were arrested. He said he was beaten throughout the night in an effort to force him to confess to stealing cable wires from the site. Upon continued refusal to sign, police allegedly raped him with a crowbar, and he was taken to the hospital unconscious. Before that, he asserts, police told him that if he withdrew his claim for two-months salary, theft charges against him would be dropped. No such charges were brought, but when his lawyer demanded a criminal investigation, the police denied any involvement and initiated a criminal case against Demerchyan for false denunciation, though, he said, he had evidence, including medical documents, supporting his story. Crisis Group interview, Demerchyan and his family, and review of medical documents, Sochi, November 2013.

⁷¹ “Zero Waste” means hazardous waste is eliminated or minimised, and production and distribution systems for construction must be fundamentally restructured to avoid creating waste. “Во время Олимпиады в Сочи будет соблюден принцип ‘ноль отходов’” [“Russia will follow the principle of ‘Zero Waste’ during the Olympics”], *Yuga*, 31 October 2013.

⁷² The Olympics organising committee website, www.sochi2014.com. “Козак: Экология Сочи улучшится после Олимпиады” [“Kozak: The ecological situation in Sochi will improve after Olympics”], *Sochi 24 Information Agency*, 31 October 2013.

⁷³ Crisis Group interview, Yulia Naberezhnaya, ecological activist, Environmental Watch in the North Caucasus, Sochi, November 2013. “Россию обвинили в нарушении олимпийского принципа” [“Russia is blamed for violating an Olympic principle”], *Rosbalt*, 25 March 2013.

⁷⁴ These are detailed in “Sochi 2014 Pledges Commitment to Host the Games without Waste”, Sochi2014.ru, 16 April 2009.

⁷⁵ A 2009 amendment to the Forest Code permits cutting trees listed in Russia’s Red Book of endangered species for construction of Olympic facilities. Crisis Group interview, Yulia Naberezhnaya, ecological activist, Environmental Watch in the North Caucasus, Sochi, November 2013. “Russia fails to fulfil Zero Waste commitments for the Sochi Olympics”, *Greenpeace*, 21 March 2013. “‘Зеленая Россия’: не строительство, а надругательство” [“Green Russia’: not a construction, but desecration”], *Radio Liberty*, 9 November 2013. “Locals count toxic cost of Sochi Games: Builders

Numerous amendments and changes have been made to legislation. The federal law “On Specially Protected Natural Territories” was amended in 2006 and 2011 to allow Olympic construction on more than 2,000 hectares of the Sochi National Park and close to the same amount of the Imeretian lowlands.⁷⁶ Environmental zoning of the Sochi National Park has also been changed, in part only after construction had begun on protected territory. All will still be in effect after the games are over, a situation that bodes ill for the area’s ecosystems. Local environmentalists should be brought into the current discussions of a post-Olympics state sustainable development concept for Sochi.⁷⁷

Few other than local activists protested the environmental damage in and around Sochi. Several local protesters and journalists were threatened and detained due to their activism, but members of Environmental Watch for the North Caucasus have borne the brunt of official retaliation. The organisation has been targeted under the foreign agents law, and two members, Suren Gazaryan and Evgeny Vitishko, received three-year sentences in June 2012, subsequently suspended, for writing graffiti and damaging part of a fence around a house alleged to be Governor Tkachev’s future summer residence. The site, they asserted, encroached on state forest land. Tkachev denied that the residence is his.⁷⁸

Gazaryan fled Russia, but Vitishko continued his environmental activism, and on 20 December 2013, the Tuapse city court changed his suspended sentence to three years in a penal colony for allegedly breaking curfew and violating probation. Fellow environmental activists Andrey Rudomakha, Vladimir Kimaev, Dmitry Shevchenko, Olga Noskovets and Yulia Naberezhnaya have either been harassed, detained or questioned by the police.⁷⁹ Journalists along with other activists are also subject to pressure from officials.⁸⁰

are dumping waste, polluting rivers and cutting off villages ahead of Winter Olympics”, *The Independent*, 1 December 2013. There are documented illegal landfills in Akhshtyr, on Bakinskaya Street in Sochi, Vardane, and Loo. The Loo and Vardane dumps are on mountain rivers that are being heavily polluted and carry waste to the Black Sea. “Олимпиада Владимировна и квакша Шелковникова” [“Olympiada Vladimirovna and Shelkovnikov’s frog”], Radio Liberty, 6 December 2013. “Putin’s Olympic fever dream”, *The New York Times*, 22 January 2014.

⁷⁶ “Green Russia”, op. cit.

⁷⁷ Crisis Group interview, Yulia Naberezhnaya, ecological activist, Environmental Watch in the North Caucasus, Sochi, November 2013. “Olympiada Vladimirovna and Shelkovnikov’s frog”, op. cit.

⁷⁸ “Ткачев открылся от коттеджа на Черном море, после избиения у которого экологи получили до 10 суток (ВИДЕО)” [“Tkachev denied having a cottage at the Black Sea, where environmentalists were beaten up and then received up to ten days in prison (VIDEO)”], NEWSru.com, 1 March 2011.

⁷⁹ “Russian Federation: Risk of imprisonment for environmental rights defender, Mr Evgeny Vitishko”, Front Line Defenders, 3 December 2013. “Газарян, Сурен” [“Gazaryan Suren”], Lenta.ru. “Russia: Silencing Activists, Journalists ahead of Sochi Games”, Human Rights Watch, 7 August 2013; “Locals count toxic cost of Sochi Games: Builders are dumping waste, polluting rivers and cutting off villages ahead of Winter Olympics”, *The Independent*, 1 December 2013.

⁸⁰ Reporters from Russian Public Television were detained on drug possession charges on 23 May 2013; two Norwegian television journalists were repeatedly detained in the space of a few days while travelling from Adygeya to Sochi in October-November 2013; two Czech TV journalists were detained in Sochi by border officers on 6 December. Two Dutch photographers were denied visas without explanation in September 2013 and were unable to attend their Moscow art exhibit on Sochi and the North Caucasus. On 7 June, 2013, the offices of *Mestnaya*, Sochi’s opposition newspaper, were searched and its general director charged with violating copyright laws by selling pirated DVDs. “Russia: TV Crew Reporting on Sochi Olympics Harassed”, Human Rights Watch, 5 November 2013; “В Сочи задержали чешских журналистов” [“Czech journalists detained in Sochi”], *Sochi*

D. *The Circassian Issue*

The Sochi Olympics have given increased visibility to the historical plight of the Circassian (Adyghe) peoples, who are closely linked with Sochi, once a central part of their traditional homeland.⁸¹ Krasnaya Polyana, a main Olympic venue, was the site of the final battle in the nineteenth century Caucasian War, on 18-21 May 1864, as well as of the Imperial Russian Army's victory parade that year. After its conquest of the Caucasus, Russia forced the Circassians to emigrate to the Ottoman Empire, thus removing them from the entire Sochi area and resulting in the modern diaspora of reportedly several million people. The forced resettlement inflicted great human suffering and loss of life.⁸² That the Games occur during the 150th anniversary of these tragic events has added symbolism and contributed to mobilisation.

About 700,000 Circassians now live in the North Caucasus – officially less than 4,000 of them in the Sochi area.⁸³ But even for those who have never set foot in the Caucasus, Krasnaya Polyana remains an important touchstone in the collective memory. Each North Caucasus republic with a Circassian population has NGOs that focus on region-specific and general Circassian agendas. Internationally the most active diaspora groups are in Turkey, Israel and the U.S.⁸⁴ Some of these groups are united in the International Circassian Association (ICA).⁸⁵ Most agree that the Circassian issue must be addressed before and during the Games.

The most hardline activists, largely abroad, call for a total Olympics boycott, arguing that a site of what they insist was genocide should not be used for sport. Another faction sees the Olympics as an opportunity to voice decades-old grievances and

Express, 9 December 2013; “Толландского автора “Проекта Сочи” не пускают в Россию” [“Dutch author of ‘Sochi Project’ is not allowed to enter Russia”], RBK, 30 September 2013. See also “Russia: Silencing Activists, Journalists ahead of Sochi Games”, Human Rights Watch, 7 August 2013.

⁸¹ Circassian (Adyghe) is a generic term that includes the Kabardins, Cherkess, Adyghe, Shapsugs, and Ubykh. They are closely related to the Abaza and Abkhaz. The Circassians lived on the territory of the modern North Caucasian Republics of Adygeya, Karachay-Cherkessia and KBR, as well as in parts of North Ossetia, Stavropol and Krasnodar Krai.

⁸² W. Richmond, *The Circassian Genocide* (New Brunswick, 2013). An estimated 1.5-2 million Circassians live in Turkey, 170,000 in Jordan, 100,000 in Syria (though many have now fled) and over 700,000 in Russia. For more on the latter, see Crisis Group Report, *The Challenges of Integration (I)*, op. cit., pp. 7, 29-30. The KBR parliament recognised the Circassian suffering as genocide in 1992. Georgia in 2011 became the only country to do so, thereby significantly politicising the issue.

⁸³ 3,839 in Sochi according to the 2010 All-Russia census; local activists estimate about 10,000. Crisis Group interview, Ruslan Gvashev, ex-chair, Council of Elders of Black Sea Adyghes, Chemitokvadzhe, November 2013.

⁸⁴ The network of Circassian organisations, Adyghe Khase (Circassian Parliament), in all regions where Circassians live was created in the late 1980s-early 1990s; other groups have appeared more recently. The following have taken part in some way in discussion of the Games' relation to Circassian history: the Federation of European Circassians, Circassian Cultural Institute, Jordan Association of Caucasus, Circassian Friends-Circassian Nationalist Movement, Caucasus Forum, Adyghe Heku, Caucasus Foundation, International Circassian Council, Kafkas Dernekleri Federasyonu, Adyghe Khase Koln, Circassian Initiative for Democracy, Eskisehir North Caucasian Culture and Solidarity Association, The Circassian Association of Israel, Adyghe Khase and many other smaller, local organisations have done so as well.

⁸⁵ The ICA has become increasingly sympathetic to the authorities since early in the previous decade, leading some groups to distance themselves from it. Crisis Group interviews, Circassian activists, Moscow, November-December 2013.

goals. Others publicly support the Games.⁸⁶ All Circassian organisations, including those that called for a boycott, have publicly rejected violence. When in January 2014 Islamist insurgents declared expansion of their “state” to Sochi and Krasnodar Krai and creation of “Vilayat Cherkessia”, Cherkessian activists around the world were indignant and perceived it as a “provocation and attempt to discredit the Circassian movement”.⁸⁷ Most Russia-based Circassian organisations want recognition during the Games and state support for their language, history and culture, much of which, activists feel, was lost during the nineteenth century disasters.⁸⁸ Most Circassians call for unhindered repatriation of the diaspora – especially Circassians fleeing war-torn Syria, and many say they would drop all other demands if Russia agreed.⁸⁹

The only Circassians remaining in Krasnodar Krai are the Shapsug, whose ancestors escaped death or deportation by hiding in the mountains for years after the Caucasian War.⁹⁰ Another Circassian subgroup, the Ubykh, who inhabited the area of Olympic sites, almost disappeared during that war.⁹¹ While Shapsug organisations have not raised the genocide issue and have supported the Olympics as an avenue “to promote Circassian heritage ... and develop the territory traditionally inhabited by Shapsugs”, they are critical of the preparation and nature of the Games.⁹²

Their demands, published in an open letter to President Medvedev in August 2011, focused on a set of issues: implementation of the federal law on the rights of indigenous peoples and protection of their language; inclusion of the Shapsug in Krasno-

⁸⁶ The main proponent of stripping Sochi of the Olympics or boycotting them is NoSochi2014, a coalition of activists and several Circassian organisations; see www.nosochi2014.com. A delegation from the Circassian diaspora consisting mostly of ICA members expressed support while visiting Sochi and meeting with Russian Deputy Prime Minister Dmitry Kozak in October 2013. Some members later said they had been misinformed and did not support the Games. “Нихад Юнис публично опроверг поддержку делегацией черкесов Олимпиады в Сочи” [“Nihad Yunis publicly denied his support of the Sochi Olympics by Circassian delegation”], *Caucasian Knot*, 19 November 2013.

⁸⁷ “Circassians distance selves from terrorist threat to Sochi Winter Olympics”, *Radio Free Europe-Radio Liberty*, 24 January 2014; Crisis Group email interview, Fatima Tlisova, Circassian activist in U.S., January 2014

⁸⁸ Crisis Group interviews, Mukhammed Cherkesov, Valery Khatazhukov, Circassian activists, Cherkessk, Moscow, March 2012, November 2013. Naima Neflyasheva, “Черкесское национальное движение – российский и международный контекст” [“The Circassian nationalist movement: Russian and international context”], *Adyghe Kheku*, 22 January 2012.

⁸⁹ On 11 February 2012, some 1,000 activists meeting in Adygeya’s capital, Maikop, proposed adjustments to Russian immigration laws to permit fast repatriation. Olga Allenova, “Черкесский исход” [“The Circassian Exodus”], *Kommersant-Vlast*, 20 February 2012. Crisis Group interview, Anzor Etle-shev, chair, Circassian Congress, Cherkessk, March 2012.

⁹⁰ Their persecution ended only in the early twentieth century. “Шапсугский вопрос в Краснодарском крае сдвинется с мертвой точки” [“The Shapsug issue in Krasnodar Krai made progress”], *Regnum*, 10 January 2006.

⁹¹ The last Ubykh speaker died in Turkey in 1992. UNESCO considers Ubykh an extinct language. “UNESCO Interactive Atlas of the World’s Languages in Danger”, www.unesco.org/culture/languages-atlas.

⁹² “We demanded this [recognition of genocide] in Yeltsin’s time, but not now. My children know that there was a genocide, but today I do not want add fuel to the fire. Russia needs help to solve the problems of this multinational region”. Crisis Group interview, Ruslan Gvashev, ex-chair, Council of Elders of the Black Sea Adyghes, Chemitokvazhe, November 2013. “Заявление президиума ‘Адыгэ Хасэ’ (общественного парламента) Причерноморских адыгов-шапсугов” [“Statement of the Black Sea Adyghe-Shapsug presidium of Adygey Khase (the public parliament)”], *NatPress*, 5 April 2013.

dar Kray's list of indigenous peoples;⁹³ removing monuments to Russian military who committed atrocities against Circassians;⁹⁴ broad representation of Circassian culture during the Games and proper archaeological excavation of construction sites, especially the reburial of graves.⁹⁵ Only the representation of Circassian culture issue has been partly addressed.

A Shapsug activist explained:

We are for the world Olympic movement, but we are against an Olympics that walks over our lands, ignoring us, our old cemeteries, and rewrites our history. But we kept quiet out of fear that if the Olympics were cancelled due to delays, and the authorities failed to finish the construction on time, they could provoke a conflict with the Shapsug to shift the blame onto us.⁹⁶

Circassians from other republics are more outspoken: "I don't need an Olympics on the bones of my forefathers", a Kabardin activist told Crisis Group.⁹⁷

Shapsug leaders say that the authorities could easily have calmed Circassian protests by meeting some of the key demands:

If the law on indigenous people is implemented, and the damage from Olympic construction is minimised, then we – the several thousand Shapsugs, the eyes and ears of millions of Circassians in the world – would support the Olympics and cooperate with authorities. And then Circassians in Canada and other countries would not take to the streets against the Games.⁹⁸

Eight Circassian activists from Kabardino-Balkaria, Karachay-Cherkessia and Adygeya were detained on 13 December 2013. While all were named as witnesses in a case concerning a wanted Islamic extremist, their interrogation reportedly concentrated on ethnic activism. Police from the department on combating extremism reportedly

⁹³ In 2000, the Shapsugs were included on the list of small indigenous peoples protected by the federal law "On guarantees of the rights of indigenous peoples of the Russian Federation". However, many rights in the law have not been granted to them, due to lack of supporting documentation from the regional authorities. The region's statute lists Russians and Cossacks as indigenous inhabitants, with no mention of Circassians. Krasnodar's anthem is a Cossack folk that refers to the glorious fight against indigenous resistance. This lack of recognition is a source of great frustration to the Shapsugs. "Постановление VII Съезда причерноморских адыгов-шапсугов" ["Resolution of the VII Congress of the Black Sea Adyghe-Shapsugs"], *Zhihia.net*, 30 April 2011.

⁹⁴ The largest Shapsug villages are in the Lazarevsky district, Sochi municipality, called the Shapsug national district until 1945, when it was renamed for the Tsarist-era admiral, Mikhail Lazarev, whom Circassians consider responsible for atrocities against them. A monument to Lazarev re-erected in 2004 in the regional administrative centre caused an outcry. A monument to General Grigory Zass in Armavir city also caused controversy, as Circassians accuse him of introducing the policy of publicly displaying heads of severed Circassians. Crisis Group interview, Ruslan Gvashev, ex-chair, Council of Elders of Black Sea Adyghes, Chemitokvadzhe, November 2013.

⁹⁵ "Обращение Руслана Гвашева к Президенту Российской Федерации Дмитрию Медведеву" ["Ruslan Gvashev addresses the President of the Russian Federation, Dmitry Medvedev"], *NatPress*, 25 August 2011. Crisis Group interviews, Ruslan Gvashev, Tlif Khalid, Chemitokvadzhe, Bolshoy Kichmay, November 2013.

⁹⁶ Crisis Group interview, Ruslan Gvashev, ex-chair, Council of Elders of Black Sea Adyghes, Chemitokvadzhe, November 2013.

⁹⁷ Crisis Group interview, Circassian activist, Moscow, October 2013.

⁹⁸ Crisis Group interview, Ruslan Gvashev, ex-chair, Council of Elders of Black Sea Adyghes, Chemitokvadzhe, November 2013.

searched their homes, seizing computers and mobile phones. After the activists were released, they linked the incident to the Olympics, while diaspora activists protested in New York and Istanbul on 15 December.⁹⁹

The Sochi Olympics aim to promote the Russian Caucasus as a tourism region. Extensive investment has already turned Sochi into a high-class winter resort. Yet, alleged violations of workers and property rights associated with the construction have tainted the image of the enterprise, and acute security challenges associated with terrorism in the lead up to the Games have reinforced the Caucasus's reputation for instability and conflict. Tough security measures and large-scale repression against fundamentalist communities, especially in Dagestan, can have detrimental consequences for the region.

The release of high-profile prisoners such as the businessman Mikhail Khodorkovsky and the Pussy Riot punk band members and the easing of Sochi's demonstration ban have had a positive effect. But new detentions like that of environmentalist Vitishko, as well as harassment of activists and journalists in Sochi and Circassian leaders in Krasnodar are undermining efforts to improve Russia's image. Addressing reported violations associated with Olympic construction, ensuring implementation of the federal law "On guaranteeing the rights of indigenous peoples of the Russian Federation" for the Shapsugs, ending repression of local activists and allowing freedom of assembly before and during the Games would contribute to a more successful event. Once the Olympics are over, however, attention will turn to their impact on promoting or hindering long-term sustainable solutions to the North Caucasus conflicts. The answer will be tied to the questions that must be asked of the North Caucasus Resorts project.

⁹⁹ Crisis Group telephone interviews, Ruslan Kambiev, Yury Yakhutlov, Krasnodar, December 2013. "В Стамбуле и Нью-Йорке прошли митинги против задержаний черкесских и абазинских активистов в РФ" ["Protests against detention of Circassian and Abaza activists in Russia held in Istanbul and New York"], Caucasian Knot, 16 December 2013.

III. The North Caucasus Resorts Project

The Northern Caucasus is one of Russia's most beautiful regions, with breathtaking landscapes, picturesque villages, historical monuments, unique cultural diversity and a moderate climate. The Big Caucasus Ridge, which covers almost half the region, includes Europe's highest mountain (Elbrus, 5,642m), 490km of Caspian Sea coast, six state nature reserves, two national parks, seven state wildlife reserves and unique balneology facilities. However, tourism revenues are only 2 per cent of the regional economy, largely due to insecurity, weak infrastructure and the general negative image of the North Caucasus.

The Russian government's Strategy for Socio-Economic Development of the North Caucasus Federal District (NCFD) identified tourism as the most promising growth sector, with potential for up to 100,000 new jobs.¹⁰⁰ In October 2010, the government created a tourist "cluster" in the NCFD, Krasnodar Krai and the Republic of Adygeya, and a special tourist-recreation economic zone, operated by North Caucasus Resorts (NCR), an open joint-stock company.¹⁰¹ The aim is "social and economic development of the regions in the south of Russia and improvement of living standards of the local population through integrated infrastructure business projects in the tourism sector and related industries". Plans include mountain and recreational resort infrastructure facilities in southern Russia, gaining government support for investment and promoting the North Caucasus's image as "a new and safe global tourism area".¹⁰²

Paris quickly showed interest. In May 2011, the Presidents of Russia and France agreed to cooperate on ski resorts in the North Caucasus.¹⁰³ That September, during the International Economic Forum in Sochi, NCR and France-Caucase – part of the French state financial institution Caisse des dépôts et consignations – established a joint enterprise to develop the North Caucasus tourist cluster.¹⁰⁴

The target for tourists was initially ten million annually – more than the region's 9.86 million population – and its cost was put at 450 billion rubles (\$15 billion). Most experts described the ten million figure as unfeasible,¹⁰⁵ and in 2013 the NCR reduced it to 3.5 million. The resorts will cover 268,000 hectares and are intended to create at least 160,000 tourism and related jobs.¹⁰⁶

¹⁰⁰ The strategy was adopted in 2010 and is meant to apply through 2015.

¹⁰¹ The term cluster refers to a group of companies or projects concentrated on one territory. The NCR project is conceived as a cluster of resorts and is often referred to as such by both officials and locals.

¹⁰² For the legal framework of the region's special economic zones, see Russian Government resolutions 833, 14 December 2010; 1195, 29 December 2011; and 982, 26 September 2012; also the federal law on "Special Economic Zones in the Russian Federation". "Миссия и цели деятельности" ["Mission and activity's goals"], NCR website, www.ncrc.ru.

¹⁰³ "Медведев и Саркози уладили вопрос по Mistral: контракт подпишут через две недели" ["Medvedev and Sarkozy have settled the Mistral issue: the contract will be signed in two weeks"], News.ru, 26 May 2011.

¹⁰⁴ "Инвестор на горной цепи" ["Investor on the chain of mountains"], *Kommersant*, 16 September 2011. France-Caucase has a 49 per cent share, NCR the rest.

¹⁰⁵ Crisis Group interviews, republic officials, Kabardino-Balkaria, Karachay-Cherkessia, Denis Sokolov, director, Ramcom Centre, Moscow, October 2013. Irina Starodubrovskaya, Konstantin Kazenin, "Severny Kavkaz: Quo vadis" ["North Caucasus: Quo Vadis"], report by Gaydar Institute, Polit.ru, 14 January 2014.

¹⁰⁶ See the NCR website, www.ncrc.ru/ru/page/investoram. NCR PowerPoint presentation: Tourism Cluster in the North Caucasian Federal District, Krasnodar Region and Republic of Adygeya.

Today the North Caucasus has two sizeable ski resorts – Elbrus (KBR) and Dombay (KChR), locally developed and supported, with 10,000 hotel places. The planned NCR resorts will increase this figure to 167,000. Chechnya was the last republic to be included, after its leaders’ energetic lobbying.¹⁰⁷

The NCR project could become a true locomotive for development, alleviate tensions, create incentives for sustainable conflict resolution, contribute to improvement of ethnic relations in Russia, promote local ethnic cultures and better integrate the Caucasus – currently only loosely integrated into the Russian socio-economic space – with the country as a whole. The problem, however, is that the project is located in an area of intense insurgent activity. Moreover, it is laying claim to significant land resources in a region beset by land scarcity, overpopulation and territorial disputes. The security situation in some republics at present is simply too volatile to permit tourism. The project thus needs careful independent feasibility studies. Numerous land issues must be resolved, local support enlisted and the impact of corruption reduced to the minimum. For even Russian tourists to come in large numbers, ethnic relations in the country must be significantly improved.¹⁰⁸

A. *Target Groups and Risks*

The NCR initially seeks Russian tourists, mainly from the south. Islamic tourism also has some potential, especially in Dagestan. Most resorts mainly expect weekend visitors arriving by cars or tour buses. High airfares are an important obstacle to inter-regional travel.

In addition to insecurity, the region suffers from a poor human rights record. National and international human rights organisations and Parliamentary Assembly of

Russian-Turkish business council meeting, Istanbul 14 November 2013. The areas covered by the project include: Lagonaki (Apsheon district, Krasnodar Kray, and Maikop district, Adygeya); Arkhyz (Zelenchuk and Urupsk districts, Karachay-Cherkessia); Elbrus-Bezengi (Cherek, Chegem, Zolsk and Elbrus districts, Kabardino-Balkaria); Mamison (Alagir and Iraf districts, North Ossetia-Alania); Matlas (Khunzakh district, Dagestan); Tsori (DzheyraKh and Sunzha districts, Ingushetia); Armkhi (DzheyraKh district, Ingushetia); Caspian coastal cluster (Derbent, Karabudakhkent, Kayakent and Magaramkent districts, Dagestan), Veduchi (Itum-Kali district, Chechnya) and balneological resorts in Stavropol Kray.

¹⁰⁷ “Чеченские горы зовут” [“Chechen mountains call”], RBK daily, 28 April 2012.

¹⁰⁸ Ethnic relations in Russia have visibly deteriorated since 11 December 2010, when a major nationalist riot took place on Manezhnaya Square in central Moscow, in reaction to the murder of a Russian football fan by a young North Caucasus man. The riot turned into a racist pogrom, injuring at least 30, and similar incidents occurred all over the country. A subsequent survey of youth intolerance by the Russian Public Chamber indicated that 78 per cent of respondents felt the Manezhnaya events were legitimate; 69 per cent stated they did not like people from the North Caucasus due to their “insolent behaviour” and living “not by our rules”; and 26 per cent would welcome the region’s secession from Russia. Since then, smaller clashes and riots have routinely taken place across the country. The 2012 State Duma elections, and the September 2013 Moscow city mayoral polls were marked by acutely nationalist, anti-migrant and anti-Caucasus sentiments. In 2013, at least twenty people were killed and 173 injured in racially-motivated violence, according to Sova Centre, the leading Russian think-tank focusing on nationalism and xenophobia. “Межнациональная нетерпимость в городской молодежной среде (по следам событий на Манежной)” [“Ethnic intolerance in urban youth environment (following up the events on Manezhnaya)”], Public Chamber of the Russian Federation, 21 April 2011; “Расизм и ксенофобия. Декабрь 2013. Предварительные итоги года” [“Racism and xenophobia. December 2013. Preliminary results of the year”], Sova Centre, 30 December 2013.

the Council of Europe (PACE) rapporteurs have repeatedly called the situation the gravest in Europe and emphasised the need for improvements.¹⁰⁹

Dagestan remained the epicentre of insurgent violence in 2013, with a long list of violent confrontations, improvised explosive device (IED) incidents, killings of officials and attacks on shops selling alcohol. It also was subject to a significant number of alleged abuses by security officials. These included illegal detentions, enforced disappearances, extrajudicial killings, falsified criminal cases and torture.¹¹⁰ Violence in Chechnya has significantly declined in recent years. On 16 April 2009 the official period of counter-terrorist operations introduced in 1999 was ended, 20,000 troops withdrawn and special regimes for travel and passport control abolished. It remained one of Russia's most restive regions, however, second only to Dagestan, until 2012,¹¹¹ after which clashes, detentions, explosions, detection of weapons caches and security operations continued, albeit at a lesser intensity.

Chechnya's Itum-Kali district, where one of the new resorts, Veduchi, is to be located, was an area of active insurgency until a few years ago. It saw little violence in 2013, but several incidents took place in the adjacent district of Shatoy, on the tourist route from Grozny to Veduchi; clashes were reported in April, June, July and August.¹¹² There was also significant insurgent activity in Achkhoy-Martan district, bordering Shatoy. Securing the tourist route from Grozny airport to Veduchi will require significant human resources and funding.

Violence in Ingushetia peaked in 2007-2008, but despite a significant reduction, targeted killings and suicide attacks continue. On 17 May 2013 a suicide bomb injured thirteen police. The security services have repeatedly introduced counter-terrorism operation (CTO) regimes in parts of the republic.¹¹³ North Ossetia has seen some of the most violent terrorist attacks in recent years, including the 2004 seizure of a school in Beslan that resulted in over 300 deaths, more than half children, and multiple suicide bombings in Vladikavkaz, the republic's capital. It was quieter in 2013, though a CTO was launched several times. Karachay-Cherkessia was calm, with only five fatalities; in Stavropol Kray, thirteen people were killed in insurgency-related violence in 2013, and the situation deteriorated closer to the Olympics; an explosion in Pyatigorsk on 27 December 2013 killed three, and six taxi drivers were murdered,

¹⁰⁹ "Legal remedies for human rights violations in the NorthCaucasus Region", PACE, 4 April 2010. Also see PACE Resolutions 1201 (1999); 1221, 1227 (2000); 1240 (2001); 1270 (2002); 1315, 1323 (2003); 1402-1404 (2004); 1479 (2006); 1738 (2010); and 1879 (2012).

¹¹⁰ "Sowing rebellion in Dagestan", *op. cit.* "Memorial' on the development of the human rights situation", *op. cit.*

¹¹¹ "Чечня после КТО: война не закончена" ["Chechnya after CTO: the war is not over"], *Caucasian Knot*, 26 April 2010.

¹¹² During a 29 June clash in the village of Kharsenoy, two police were killed and seventeen injured. In April, two security servicemen hit an IED near the same village. A clash occurred in Shatoy in July and two more in August. "Чечня после КТО: война не закончена" ["Chechnya after CTO: the war is not over"], *Caucasian Knot*, www.kavkaz-uzel.ru.

¹¹³ The Federal Law "On Combating Terrorism" defines a counter-terrorist operation as "a set of special, combat, military and other events with the use of military vehicles, weapons and special equipment", conducted to prevent terrorist acts, neutralise terrorists and ensure security of the population and organisations. A special CTO legal regime restricts constitutional rights and freedoms.

8-10 January, reportedly by insurgents. Police said four of the taxis had been booby-trapped.¹¹⁴ A CTO regime was introduced in two districts of Stavropol Kray.¹¹⁵

Most resort sites selected by the NCR are generally safe, but many are in heavily-protected frontier zones. The most secure parts of the tourist cluster are Karachay-Cherkessia, Adygeya and Stavropol Kray; the most volatile are Dagestan and Chechnya. Kabardino-Balkaria also has an active insurgency. The Elbrus district has seen frequent security incidents in recent years. In 2011 a nine-month CTO regime that was introduced in response to insurgent attacks crippled tourism and caused an economic and local humanitarian crisis.¹¹⁶ In 2012-2013 eighteen people died in nine insurgent attacks. Four insurgents were killed during an Elbrus district CTO on 15-16 December 2013.¹¹⁷ Still, Elbrus is arguably the region's most successful resort, as some tourists seem undeterred by the risk.¹¹⁸

The Dagestan ski resort Matlas will be built in Khunzakh district, a well-protected area. The district head says that, compared to other parts of the republic, his region is stable, mono-ethnic and has few radical groups. In 2012-2013, it registered only one insurgency-related incident,¹¹⁹ though terrorist infiltration cannot be ruled out once the resort opens. The Dagestan situation is so volatile that significant resources will likely be needed to ensure security at the resort and on its approaches.

Ingush ski resorts in Dzheyrakh district are in the frontier zone, with a small local population and heavy military presence. North Ossetia's Mamison ski resort is in a safe area. During 2013, Ossetia was part of a pilot project for the "secure republic" program that will eventually be folded into the NCR's own security system. The pilot

¹¹⁴ "North Caucasus: statistics of victims", Caucasian Knot. The organisation's regularly updated chronology of violence in the region can be found both in Russian (www.kavkaz-uzel.ru) and English (<http://eng.kavkaz-uzel.ru/rubric/601>).

¹¹⁵ "СКР: на Ставрополье возле автомобилей с убитыми были обнаружены не три, а четыре бомбы" ["Investigative Committee: 'Four, not three bombs have been discovered near cars with killed people in Stavropol'"], Caucasian Knot, 14 January 2014.

¹¹⁶ Incidents included an attack in February on tourists from Moscow. Three were killed and two injured. A local cable car line was blown up the same night. On 20 February, near the hotel "Novy povorot" in Cheget, Elbrus area, a car without registration plates attracted attention. Sappers were called and disarmed three IEDs, with 70kg of TNT. "Сотрудниками ОВД по Эльбурскому району предотвращен крупный теракт. Найдена и обезврежена бомба мощностью до 70 кг. в тротиловом эквиваленте" ["Officers of the department of internal affairs for Elbrus district prevented a serious terrorist attack. A bomb of 70 kg of TNT was discovered and disarmed"], KBR internal affairs ministry, 21 February 2011. "Nine Months of Counter-Terror Operation: Elbrus Mount Region on the Edge of Survival", Memorial, 28 October 2011.

¹¹⁷ The eighteen included thirteen insurgents, two security servicemen, a head of municipal administration and two civilians. "Кабардино-Балкария: хроника взрывов, обстрелов и терактов" ["Kabardino-Balkaria: chronicle of blasts, firings and terrorist attacks"], Caucasian Knot, 23 July 2010.

¹¹⁸ The Elbrus resort accommodates 5,000-7,000 tourists at a time in the high season. Konstantin Kazenin, Irina Starodubrovskaya, "Северный Кавказ: Quo vadis?" ["North Caucasus: Quo vadis?"], Polit.ru, 14 January 2014. Elbrus is full for the New Year and Christmas holidays; high season is from December to March.

¹¹⁹ In 2013 the village of Uzdalroso was blockaded by the security services; residents were checked and their houses searched. Weapons were found in a resident's car and three people were detained. In 2012 two high-profile officials from Khunzakh district were killed in the republic capital, Makhachkala.

program, 20-25 per cent funded by the republic budget, reportedly is to deploy drones among other equipment.¹²⁰

Legal and property issues have significant conflict potential. The North Caucasus has a high population density and scarce land resources. It will thus be important to ensure a smooth transition from traditional agriculture and cattle-breeding to a service sector-based economy. A tax regime offered by the Special Economic Zones (SEZ) to new tourist businesses will contribute little revenue to republic and local budgets, which is why Krasnodar Krai opposed a post-Olympics SEZ in Sochi.¹²¹ Russia plans eight new SEZs in the North Caucasus; each is scheduled to last 49 years and will be hard to abolish earlier even if it proves economically ineffective.¹²² They will take up significant land and other resources, while enjoying many waivers on obligations.¹²³

An SEZ can expropriate a local resident's land if required for a road or similar infrastructure.¹²⁴ Compensation needs to be provided: expropriation has already triggered protests in Sochi.¹²⁵ In addition to security considerations, the North Caucasus's negative image in Russia is associated with two perceived problems: bad services and the presumed unfriendliness of local residents towards Russians. The latter is a result of the dramatic deterioration of ethnic relations in the country over the last several years, as well as widespread negative stereotypes about people from the Caucasus that are frequently spread by media and politicians. These are often dispelled after tourists arrive, but convincing them to come will require an extensive media campaign.

Service quality can be improved with modern tourist infrastructure and continuing support for and reform of regional social infrastructure, especially health care, and proper cadre training. Regional officials realise the importance of good service: "Today Russians know what service means; they have visited the world's best resorts; they can compare. We need to do our homework to meet their expectations".¹²⁶ Republic authorities want a mandatory star classification system for rating hotels.¹²⁷

¹²⁰ Crisis Group interview, Oleg Karsanov, head, tourism and recreation commission of North Ossetia-Alania, Vladikavkaz, August 2012.

¹²¹ "Зонный прессинг. С олимпийских объектов Сочи могут снять налоговую нагрузку" ["Zone pressure. Sochi Olympic objects can be tax exempt"], *Kommersant*, 2 April 2013.

¹²² An SEZ can be abolished if, within three years, no agreements have been concluded for it or if economic activity declines substantially three years in a row. Federal law, 22 July 2005, No. 116 "On Special Economic Zones in the Russian Federation", chapter 2.

¹²³ Income tax in the zone is 13.5 per cent for residents instead of 20 per cent, property tax zero for ten years instead of the usual 2.2 per cent and insurance contributions 14 per cent instead of the usual 30 per cent.

¹²⁴ Federal Law, 22 July 2005, op. cit., Article 32, paragraph 4.

¹²⁵ "Жители Сочи протестуют против переселения в связи с Олимпиадой" ["Sochi residents protest against relocation in connection with the Olympics], *Grani.ru*, 7 December 2009. "Жители Сочи протестуют против действий администрации при подготовке к Олимпиаде, власти города отвергают их обвинения" ["Sochi residents protest against activity of city administration before the Olympics; city authorities deny their accusations"], *Caucasian Knot*, 6 July 2011. "Жители поселка Ахштырь перекрыли дорогу" ["Residents of Akhshtyr village blocked the road"], *Sochi-24*, 18 September 2013.

¹²⁶ Crisis Group interview, Marat Khubiev, Karachay-Cherkessia tourism and resorts minister, Cherkessk, December 2012.

¹²⁷ "The tourism and sport ministry has a classification, but it is voluntary, and anyone can advertise his hotel on the internet as a five-star hotel. As a result, a tourist arrives and finds something totally different from what has been advertised. The institution is not accountable ..., and we can do nothing. Rospotrebnadzor [Federal service for protection of customers' rights and monitoring of

The NCR has contracted with North Caucasus Federal University to train staff in 85 tourism-related professions.

Local support is crucial for the NCR project's security and success. In existing resorts, community solidarity, kinship ties, administrative resources and ethnic consolidation help to ensure tourist safety. A Dombay (Karachay-Cherkessia) businessman said local businesses and hotels protected "their" tourists: "Security of tourists is in everybody's interest".¹²⁸ However, both local residents and republic officials in Kabardino-Balkaria gave a clear message: if local interests are ignored, the risks will increase sharply, and the project could fail.¹²⁹

Residents have many worries about the new resorts, including possible land annexation and threats to their traditional livelihood. They fear that big players will squeeze small producers and businesses out of the market and bring trained staff from outside, leaving only low-paid jobs for locals. In many places, lack of startup capital prevents most local residents from being part of the project. Many thus fear that the NCR is "not for them".¹³⁰ Addressing these concerns is crucial, if the project is to meet its goals of encouraging regional economic development and increasing local living standards.

Federal law calls for a supervisory council in each SEZ to coordinate, control and facilitate relevant agreements. Though it should have local representatives,¹³¹ an additional working group that is not required to include locals was created in September 2013 to liaise with communities on land disputes, jobs and taxation. Its first meetings were at the end of September in Kabardino-Balkaria, including Bezengi, the area where the project had encountered strongest resistance and been temporarily halted.¹³²

B. *NCR Management and Corruption Allegations*

In January 2011, Akhmed Bilalov, a former Krasnodar Kray senator, vice president of the Russian Olympic Committee and member of the Public Committee of Supporters of then-President Medvedev, was appointed chair of the North Caucasus corporation's board of directors. On 7 February 2013, he was dismissed from all positions – a day after President Putin, during an inspection of the Sochi Olympic sites, expressed dissatisfaction with slow construction and skyrocketing costs.¹³³

A week later the Russian Federal channel TV Vesti aired what it described as a "sensational" revelation of alleged fraud in Bilalov's company. The next month the

well-being] has the right to control, but they don't". Crisis Group interview, Khusen Timizhev, deputy Kabardino-Balkaria tourism minister, Nalchik, December 2012.

¹²⁸ Crisis Group interview, businessman from Karachay-Cherkessia, Cherkessk, December 2012.

¹²⁹ Crisis Group interviews, Elbrus and Bezengi residents, republic officials, Kabardino-Balkaria, March, December 2012.

¹³⁰ Crisis Group interviews, residents of Bezengi, Kabardino-Balkaria, Khunzakh, Dagestan, December, July 2012.

¹³¹ "Зонный прессинг. С олимпийских объектов Сочи могут снять налоговую нагрузку" ["Zone pressure. Sochi Olympic objects can be spared the tax burden"], *Kommersant*, 2 April 2013. Federal law No. 116, op. cit.

¹³² "Рабочая группа 'Курортов Северного Кавказа' взаимодействует с населением будущего курорта 'Эльбрус-Безенги'" ["The working group of 'North Caucasus Resorts' interacts with the population of the future resort 'Elbrus-Bezengi'"], 07KBR.ru, 29 September 2013.

¹³³ "Рокировки к Сочи-2014 начали с человека Медведева" ["Shakeup before Sochi-2014 began with Medvedev's man"], *Izvestia* (online), 8 February 2013.

prosecutor general's office announced findings of multiple instances of major financial fraud and embezzlement, mostly linked to Bilalov. Prosecutors alleged that significant state funds had been used for his luxurious travel.¹³⁴ According to the Accounts Chamber, a permanent parliamentary financial control agency, NCR fulfilled only 21.2 per cent of its investment plan in 2012.¹³⁵ Bilalov and his brother, Magomed, denied the allegations and fled to Europe.¹³⁶ Maxim Bystrov, President Putin's deputy plenipotentiary in the NCFD, was appointed chair of the NCR's board of directors; Sergey Vereshchagin, an ex-deputy regional development minister, became its director general.

In previous reporting Crisis Group has emphasised that North Caucasus violence, including that of the insurgency and security services alike, feeds on corruption. Both sides sell security and assist in violent practices. There are many reports that insurgents raise money from officials and businessmen through extortion while police and security services receive commissions for various types of private protection. Russian security officials acknowledge that over 90 per cent of insurgency funding is domestically generated.¹³⁷ Moreover, state-funded megaprojects fuel discontent when they shift the local ethnic and economic balance without providing fair and viable compensation or alternative.¹³⁸

Corruption scandals have had a negative impact on potential investors as well, reinforcing the North Caucasus's image as an unpredictable region with a risky political and business environment.¹³⁹ The new team has deployed significant efforts to repair the NCR's reputation. Despite five months of consistent attempts, however, Crisis Group was unable to obtain an interview with senior management.

¹³⁴ "Билалов не так летал" ["Bilalov was flying in the wrong way"], *Vedomosti*, 11 March 2013.

¹³⁵ "СП: 'Курорты Северного Кавказа' под управлением Билалова выполнили инвестицлан в 2012 году лишь на 21 per cent" ["Accounting Chamber: Northern Caucasus Resort headed by Bilalov fulfilled only 21 per cent of the investment plan in 2012"], *Gazeta.ru*, 18 March 2013.

¹³⁶ "Магомед Билалов рассказал ДОЖДЮ, кому они с братом объявили войну из Лондона" ["Magomed Bilalov told Dozhd on whom he and his brother declared war from London"], *TV Dozhd*, 8 August 2013.

¹³⁷ "Хлопонин: На Северном Кавказе осталась тысяча террористов" ["Khloponin: A thousand terrorists remain in the North Caucasus"], *Kommersant* (online), 30 November 2011.

¹³⁸ Crisis Group Europe Report, *The Challenges of Integration (II)*, op. cit.; also, Denis Sokolov, "Кавказ – наше будущее" ["The Caucasus is our future"], *Vedomosti*, 1 April 2013.

¹³⁹ Crisis Group interviews, resident of Elbrus, Moscow, October 2013; Denis Sokolov, director, Ramcom Centre, Moscow, April 2013; Western diplomat, Moscow, May 2013.

IV. Tourism in a Volatile Region: The Local Response¹⁴⁰

A. Kabardino-Balkaria: Elbrus-Bezengi

The NCR project has encountered its most serious difficulties and even resistance to its plans in Kabardino-Balkaria, but when construction is completed (probably by 2020), the region's highest resort, Elbrus-Bezengi, is to cover 320 sq km, and be able to host some 29,000 tourists. The plan is to unite two previously unrelated destinations, in different Balkar gorges. One, Elbrus, is an existing, small but thriving resort. The other, Bezengi, is a cattle-breeding village with no prior tourism experience.

Elbrus is unique in many ways, not only due to its location at the foot of Europe's highest mountain, but also because it is the region's most successful resort, with a well-organised local community that thus far has defended its interests in dealings with the NCR management and regional authorities. Elbrus municipality is comprised of five ethnic Balkar settlements long involved in a territorial dispute in the republic. The federal Law "On General Principles of Local Self-Government in the Russian Federation" (No. 131), gives them the right to adjacent lands. However, in 2005, a new law reclassified a significant part as "inter-settlement lands", under republic jurisdiction, meaning that they cannot be sold, privatised or administered by the local government.¹⁴¹ The dispute over these lands has not been resolved, and republic authorities do not conceal their hope that transferring them to NRC control will make the issue moot.¹⁴²

Today the Elbrus resort mostly is run by local Balkar businesses and can accommodate around 7,000 tourists. The current head of the municipality, Uezeir Kurdanov, has successfully defended local community and small business interests, and his shrewd policies have contributed much to the resort's success and security. The local administration put significant effort into getting the land property rights in order.¹⁴³ It has also tried to regulate the architectural image of the resort, encouraging professionally-designed hotels and banning the small mobile trailers traditionally used as shops or cafés.

The resort's main drawback at the moment is insufficient cable-car capacity. Small businesses lack funds to invest in infrastructure, and at times skiers have to queue as long as four hours to get up the slope. The North Caucasus Resort cluster will include the existing resort and upgrade its infrastructure, however, while the South of Russia federal program already supports water-supply, sewage and roads.¹⁴⁴ Kurdanov confidently said:

¹⁴⁰ This section analyses the situation concerning construction of ski resorts in the NCFD, in particular future tourist areas affected by ongoing conflict. It does not include the Lagonaki resort, as Adygeya is not part of the NCFD. The Mineralnye Vody resort (Stavropol Kray), a famous old Soviet site, is in the NRC project, but since the NCR management has not developed detailed plans for it, and it is not mentioned on its official website, it is not discussed here.

¹⁴¹ For more, see Crisis Group Report, *The Challenges of Integration (I)*, op. cit., pp. 21-23.

¹⁴² Crisis Group interview, Kabardino-Balkaria tourism ministry experts, Nalchik, December 2012.

¹⁴³ Today parts of the land are privatised, and some businesses rent plots from the nearby national park or from the village administration. Some illegally obtained properties have been recovered by the village administration through the courts. Disputed land is mostly on the first line of the Cheget plateau. *Северный Кавказ: модернизационный вызов [The North Caucasus: modernisation challenge]*, "Delo", (Moscow, 2011), p. 211.

¹⁴⁴ Uezeir Kurdanov, head of village administration, said the infrastructure in Elbrus has in fact recently been improved. Crisis Group interview, Moscow, October 2013.

We have advanced much further than the NCR, and we have long ago strategised our development. If the NCR comes, people will benefit from some tax waivers or funding. If they don't, we know exactly how we want to develop. If not in ten years, in 30 years we will gradually attract investors and do it.¹⁴⁵

Potential investors are enthusiastic about Elbrus. "We can easily bring cable cars up to 4,200 metres and advertise the highest modern ski terrain in the world", Eric Guilpart, France-Caucasus's development director, said.¹⁴⁶ The NCR included the Elbrus resort in the first stage of project implementation but tried to resolve local issues before starting. The regional authorities unsuccessfully tried to replace Kurdanov during the local elections.¹⁴⁷

That the Elbrus resort is mostly run by local family businesses is, according to experts, an important factor in its growth in an institutionally challenging environment where formal institutions are weak and family and community solidarity strong.¹⁴⁸ Though the Elbrus district was an area of active insurgency in 2010-2012, the community protected its tourists. The Elbrus municipality also has a strong and active local council. Recently, police began reporting regularly to it and sometimes attending its weekly gatherings. "As a result, people started to trust the police more, [because they] are more engaged in local affairs", Kurdanov explained.¹⁴⁹

The five villages in the Elbrus municipality will not be part of the SEZ, so the businesses there will be subject to taxation. To participate in the resort development, locals need state support that so far has not been forthcoming. According to Kurdanov, "if we could get loans on special conditions, we would be satisfied". He insists that no land belonging to locals should be expropriated, and the borders of the zone should remain as initially agreed with the NCR. The NCR had sought to appropriate about 42,000 hectares of the unique national park bordering the village, but after extended negotiations, only 5,000 hectares were taken. Residents hope the Sochi Olympics will increase the popularity of the Caucasus for skiing.

Bezengi is in the central, highest part of the Caucasus ridge, in Bezengi Gorge some 3.5 hours drive from Elbrus. A cattle-breeding high-mountain village, it is the NCR project's most challenging venue, lacking many of Elbrus's advantages. Herds graze on both slopes of the gorge all year, with virtually no stall feeding or indoor husbandry.¹⁵⁰ The land in and around Bezengi is not privatised. Residents rent it from the de facto privatised former *sovkhoz* (Soviet-era state farm) or the village administration. As in Elbrus, much land is in dispute between local Balkar communities and the republic authorities.¹⁵¹

Residents initially welcomed the idea of a tourist resort near their village. They told Crisis Group the authorities assured them only land around one small mountain

¹⁴⁵ Ibid.

¹⁴⁶ Crisis Group interview, Paris, February 2013.

¹⁴⁷ Crisis Group previously analysed the high voter and observer mobilisation during the 4 March 2012 election. It was cancelled, and a confrontation almost erupted, but the republic authorities backed down rather than challenge the well-organised community, and Kurdanov was re-elected. Crisis Group Report, *The Challenges of Integration (III)*, op. cit., p. 14.

¹⁴⁸ Crisis Group interview, Denis Sokolov, director, Ramcom Centre, Moscow, May 2013.

¹⁴⁹ Crisis Group interview, Moscow, October 2013.

¹⁵⁰ Average households have 50-60 sheep and seven to nine cows, some up to 400 sheep and 100 cattle; the livestock is sold at market in nearby cities. "Bezengi: Will there be a third life?", Ramcom.net, October 2009.

¹⁵¹ Crisis Group Report, *The Challenges of Integration (I)*, op. cit., pp. 21-23.

area (Shyky) would be used. The NCR distributed questionnaires to learn attitudes and reported almost 90 per cent in favour. Many villagers, however, insisted they made their choice on the basis of misinformation: “They didn’t explain what this cluster would give us and what we would lose; they just asked if we generally supported it. So most people agreed”.¹⁵² The republic authorities, faced with what they believed was a high potential for conflict, insisted that NCR representatives meet the residents and present their project in July 2012.¹⁵³

It was at this meeting, locals said, that NCR representatives announced that 16,000 hectares would be taken for the resort. “Then our eyes were open. People said, this is not what we agreed to! This is almost the entire gorge!”¹⁵⁴ Villagers asked for guarantees they could continue to graze their livestock on the slopes, as well as receive priority employment in the resort:

A representative of NCR responded that they would close their eyes to us keeping our cattle there! Then one of our elders stood up and said, “what if the next official who comes after you opens his eyes?! We need guarantees!” All became clear this very moment. They said they would provide gas, electricity and roads, but we already have all this!¹⁵⁵

The residents’ primary fear is that the village will be left without land, and cattle-breeding will stop, but the resort will not ensure their well-being:

We don’t believe new jobs for us will appear here. We have virtually no educated people in the village, and they plan to build five-star hotels. These hotels will bring their own staff; they won’t hire the locals even as security guards. Eventually young people will have to leave these villages and look for work in the plains, and our historical lands will die out.¹⁵⁶

Another concern is that the resort will buy food from abroad because local organic produce is not price competitive.

Village activists say they want the municipality to receive taxes from the resort, but the economic zone concept exempts businesses from taxes. Activists also insist that land disputes be resolved first and the land in question be transferred to the municipality consistent with federal law 131. After that, they say, they would be prepared to rent it out on favourable conditions to the tourist cluster in a manner that ensures profits for the local budget. Otherwise, a local elder said, “they [the authorities and resort] will pump money from our lands, and the people will get nothing”.¹⁵⁷

A month after NCR’s July 2012 presentation and in response to it, Bezengi residents organised a protest. At the end of November five local government deputies surrendered their mandates in further protest of the project that, they said, showed no consideration of local interests. This deprived the council of a quorum and should have led to new elections, had not a protesting deputy reconsidered at the end of January 2013 and stayed on the council.

¹⁵² Crisis Group interview, imam, Bezengi village, Bezengi, December 2012. Shyky, at an altitude of 3,500 metres, is deserted; ex-residents return only on holidays to visit graves.

¹⁵³ Crisis Group interview, KBR economy minister, Nalchik, December 2012.

¹⁵⁴ Crisis Group interview, Alik Attoev, former local council deputy, Bezengi, December 2012.

¹⁵⁵ Ibid.

¹⁵⁶ Crisis Group interview, Takir Tekeev, local government deputy, Bezengi, December 2012.

¹⁵⁷ Crisis Group interview, local resident, Bezengi, December 2012.

According to the chair of the Bezengi administration, the deputy changed his mind because the territory required for the resort had been reduced to 3,000 hectares.¹⁵⁸ If true, this raises questions about the initial claim that the NCR needed more than five times this amount. Local figures do not believe they can do much to resist the project if the authorities decide to go ahead with it, but they will not give in quietly: “I don’t want my name to remain in history as someone who had anything to do with this cluster. I can at least step down to protect my village and [its] historical lands”, a former deputy said.¹⁵⁹

Village activists were more outspoken: “You can imagine what will happen here if they take our land or some of the property! Without respecting property rights, there will be no [tourism] cluster here”. Tourism ministry experts acknowledged the problem: “You can’t expropriate property here. It will be war”.¹⁶⁰ Balkar fears of land expropriation and loss of traditional ways of economic life are exacerbated by their collective memory of Stalinist deportation: “There used to be seven villages in this gorge, and now only one is left. They tried to squeeze us out of here before deportation. After it, Balkars were never given a chance to live a normal life and develop”.¹⁶¹ Today Bezengi is quiet. However, experience shows that insurgency breeds among frustrated and deprived populations and resonates when they feel they have been treated unfairly.

There is another important ethnic dimension to this problem. Locals fear that once lands are transferred for the NCR, republic strongmen, most of whom are ethnic Kabardins, will use the opaque legal system to appropriate them:

They will de facto privatise these lands. This is why they don’t want to give them to us in compliance with Law 131. They don’t want Bezengi to become another strong village like Elbrus! In Elbrus people own land, they pay taxes, there is real self-government, they can’t manipulate them.¹⁶²

In 2012-2013 project implementation in Bezengi was temporarily suspended pending resolution of the disputes.¹⁶³ At the end of September 2013, the new NCR working group met with residents. NCR representatives assured them their opinions would be considered when final decisions on SEZ borders were made. Cemeteries, historical villages and other “objects of special value to the population” would be excluded, the officials promised, and NCR would consult on all relevant issues.¹⁶⁴ However, key local activists say they were not able to attend the meeting, as NCR reportedly had not given advance notice.¹⁶⁵

¹⁵⁸ “Депутат местного самоуправления селения Безенги Кабардино-Балкарии, заявивший о сложении полномочий, отозвал заявление” [“Local deputy of Bezengi village, Kabardino-Balkaria, who had announced his resignation, withdrew it”], *Caucasian Knot*, 31 January 2013.

¹⁵⁹ *Ibid.* Crisis Group interview, Alik Attoev, Bezengi, December 2012.

¹⁶⁰ Crisis Group interviews, Bezengi, Nalchik, December 2012.

¹⁶¹ Crisis Group interview, Abdullah Anaev, Bezengi, December 2012.

¹⁶² Crisis Group interviews, Alim Khappaev, village activist, former local government deputy, local residents, Bezengi, December 2012.

¹⁶³ “В Кабардино-Балкарии пять депутатов отказались от мандатов из-за земельного вопроса” [“Five deputies in Kabardino-Balkaria renounced their mandates because of the land issue”], *Caucasian knot*, 27 November 2012.

¹⁶⁴ “В ‘КСК’ создана рабочая группа по взаимодействию с местным населением” [“A working group for communication with local population was created by NCR”], NCR website, www.ncrc.ru, 26 September 2013.

¹⁶⁵ Crisis Group telephone interview, Muradin Rakhaev, activist from Bezengi, December 2013.

B. Dagestan: Matlas

The expected investment in Matlas is 30 billion rubles (\$0.9 billion); an estimated 10,000 work places are to be created, and the resort is to cover about 150 sq km.¹⁶⁶ Matlas is the birthplace of Akhmed Bilalov, the former NCR director, a fact that allegedly played a part in its selection.¹⁶⁷ A Caspian coastal cluster is also planned in the republic.

Khunzakh plateau, located 1,700-2,000 metres above sea level, is a region of rich history and outstanding natural beauty. 95 per cent of the population are ethnic Avars, overwhelmingly Sufi Sunnis. Skiing in Matlas is limited, though sufficient for intermediate skiers, but mineral springs can make it attractive for summer activities. French experts say the resort is unlikely to attract middle-class Russian or European tourists, but it could be successful at bringing in visitors from Islamic countries.¹⁶⁸

As in Kabardino-Balkaria, lack of legal clarity and insufficient information about conditions for local residents have provoked anxiety. Like the Balkars in Bezengi, residents of the Khunzakh plateau are mainly cattle and sheep breeders. Locals say they will receive nothing for the lands NCR will take for the project. According to the former head of the district administration, “almost all the lands that will fall into the free economic zone are pastures or parts of settlements. As of today, municipalities will not get anything in return. The main benefit is the infrastructure that will be built around Matlas: roads, gas and water-supply”.¹⁶⁹

This means that at least four villages will have to find new ways to make a living. In May 2012, residents of two refused to transfer land to NCR, and negotiations deadlocked. In August 2013, the new NCR director, Sergey Vereshchagin, promised: “We are not going to expel anyone from their pastures. If we cannot resolve disputes with the people, we will not build anything there”.¹⁷⁰ However, he visited Dagestan on 20 January and at a meeting with its leader, Ramazan Abdulatipov, said resort construction should start in March and early summer. The company and republic and municipal officials, he added, would cooperate to solve remaining land disputes. Abdulatipov stressed there must be no “obstacles” from the public to tourism plans. The republic was not completely safe, he said, but the project would improve its image. The situation in other tourist countries is no better, he added, citing Egypt, Turkey and Thailand.¹⁷¹ Given Dagestan’s insecurity, tourism development risks being unfeasible without significant progress in resolving the armed conflict.

¹⁶⁶ “Легенды о курорте ‘Матлас’ на родине Хунзахских ханов” [“Legends about ‘Matlas’ resort in the homeland of Khunzakh khans”], *Kavkazskaya politika*, 4 February 2013.

¹⁶⁷ “Зять или не зять?” [“Brother-in-law or not?”], *Kavkazskaya politika*, 2 July 2013.

¹⁶⁸ Crisis Group interviews, Denis Sokolov, director, Ramcom Centre, Moscow, March 2013; Eric Guilpart, France-Caucase development director, Paris, February 2013.

¹⁶⁹ Crisis Group interview, Gadzhivav Darbishev, Khunzakh, July 2012.

¹⁷⁰ “Курортам Северного Кавказа прописана ревизия” [“Revision is prescribed to the North Caucasus Resorts”], *Expert* (online), 12 August 2013.

¹⁷¹ “Рамазан Абдулатипов: ‘Индустрия туризма может стать самой доходной отраслью’” [“Ramazan Abdulatipov: ‘Tourist industry can become the most profitable sector’”], *RIA Dagestan*, 20 January 2014.

C. *Karachay-Cherkessia: Arkhyz and Dombay*

The Arkhyz resort, which is to be built from scratch, is one of the most promising, due to natural beauty and absence of disputed property. French investors are enthusiastic, and it was selected as the NCR's pilot project. Crisis Group viewed an impressive construction site in December 2012. The resort has a core investor, the Yekaterinburg-based Sinara Group; by August 2013 all basic infrastructure was ready – two hotels, cable cars and the road – and the facility was opened for tourists on a test basis on 21 December 2013.¹⁷²

Arkhyz has the advantage of being in a secure part of a comparatively stable republic. In November 2012, the republic established a tourism ministry, a sign of its hopes for the sector. “In Russia the Caucasus is associated with shooting. But Karachay-Cherkessia is a cradle of tourism; our natural beauty and history are as inspiring as in Ossetia or Dagestan, but we are much more secure”, the minister said.¹⁷³

The republic government says jobs will be created thanks to both the resort and road development. It plans to work closely with the local government on ethnographic cultural centres for each of the four main ethnic groups. These are to take the form of a traditional house, with ethnographic objects and guides in national costumes, and be located along the four main highways leading into the republic, each of which passes through the home area of one of the groups. This suggests the national regions should benefit from the resort not only by developing business, but also by promoting culture, including through opening cafés with local cuisine and selling handicrafts.¹⁷⁴ Tourism is also expected to facilitate the development of other sectors of the economy. KChR is famous for wool products, and its agricultural sector can provide all the main produce for tourist needs.

The existing resort, Dombay, which dates to Soviet times, is smaller, but has recently prospered. Property rights are much clearer than in Elbrus, since KChR is the only North Caucasus republic that privatised land.¹⁷⁵ Most was distributed in the middle of the previous decade, though good connections were needed to buy in Dombay. A businessman with an equipment rental service said he did so through connections: “If you just came from the outside and said you wanted to buy land, no one would sell to you”. Before an Austrian cable car was introduced in 2007-2008, there were long queues to get on the slope: “Especially during New Year holidays, people [arrived] at 8am and would queue until 1pm. But they kept coming!” There were frequent electricity shortages, but local authorities had an interest in developing the resort, and “working with them was easy, no extortion or predatory practices, since this was benefiting everyone; business worked transparently and paid taxes”.¹⁷⁶ Tourism has

¹⁷² Crisis Group interview, Eric Guilpart, France-Caucase development director, Alexandra Golovanov, project manager, Xavier Tessier, secrétaire general; Yonel Génin, project director, Caisse des dépôts, Paris, February 2013. For information on Sinara Group, see its website, www.sinara-group.com/about/. “Курорт “Архыз” начинает работу в тестовом режиме” [“Arkhyz resort starts working in a test mode”], NCR website, www.ncrc.ru, 20 December 2013. “Revision is prescribed”, op. cit. “Vacations in the romantic village of Arkhyz will be affordable”, NCR website, 24 October 2013.

¹⁷³ Crisis Group interview, Marat Khubiev, Karachay-Cherkessia tourism minister, Cherkessk, December 2012.

¹⁷⁴ Karachay-Cherkessia has four ethnic groups: Karachay, Circassian, Abaza, Nogay. Crisis Group interview, Kazbek Appoev, Karachay-Cherkessia deputy tourism minister, Cherkessk, December 2012.

¹⁷⁵ *The North Caucasus: modernisation challenge*, op. cit.

¹⁷⁶ Crisis Group interview, local businessman, Cherkessk, December 2012.

appreciably benefited Dombay village. Somewhat neglected before the resort, it has become lively and busy.

Dombay businesses do not fear competition with Arkhyz. The authorities are convinced Dombay has its own client base and with some additional investment will continue to flourish. Unlike Kabardino-Balkaria, there are no ethnic complications: local businessmen, like the local authorities predominantly Karachay, feel a sense of ownership of the resort and recognise its benefit for their people. One commented:

Tourism is an important way of promoting Karachay culture. Tourists eagerly buy handicrafts, learn about Karachays, and I have never noticed locals having any complexes about serving the tourists. On the contrary, hospitality is part of our culture.¹⁷⁷

D. *Ingushetia and North Ossetia: Armkhi-Tsori and Mamison*

Ingushetia was the first republic to build a ski-run, part of the Armkhi-Tsori ski resort planned by the NCR in the Dzheyrakh district. Initially the republic was not part of the NCR project, but the Ingush authorities convinced the NCR to include it in December 2011. It has 1,200 metres of trail and a 750-metre cable car lift. The pilot project is primarily aimed at beginners and includes facilities for people with disabilities. Officially the slope was completed in late 2012 and presented to journalists by the republic's head, Yunus-Bek Yevkurov, in Moscow on 28 January 2013. The run was built by the core investor of Ingush resorts, the Akropol group, owned by a senator from the republic, Akhmet Palankoev.¹⁷⁸ "The pilot project is small, so we wanted to do it quickly to prove it was feasible. My only fear is once the authorities find out how much we invested they will cut the budget of the NCR. We did it so much cheaper than what they requested", the Akropol CEO said.¹⁷⁹

Akropol hopes the project will promote Ingush culture and help bring back young people who fled during the wars in Chechnya and the Ingush-Ossetian conflict. "We have many youth, forced migrants who now live in France, Belgium, Switzerland. They speak foreign languages; many acquired good education, and some like to ski. They can work with us here and also be the visitors of the resort". The investors also hope 90 per cent of their skiers will come from the North Ossetian capital, Vladikavkaz, a twenty-minute drive away.¹⁸⁰ If so, it could prove a major step in the search for a solution to the long-simmering Ingush-Ossetian conflict.¹⁸¹ However, insurgent activity in Ingushetia is still serious, and unless tourists fly into North Ossetia's main airport, Beslan, about 30km from Vladikavkaz, security risks will be high.

The ski resort of Mamison in North Ossetia is probably the most striking site of the planned cluster, with slopes rising from a 2,000-metre valley up to 4,000-metre

¹⁷⁷ Ibid.

¹⁷⁸ "В Ингушетии открыта горнолыжная трасса курорта "Армхи"" ["Skiing piste of Armkhi resort opened in Ingushetia"], *Caucasian Knot*, 20 March 2013. Palankoev invested 180 billion rubles (\$5.5 billion); an additional 40 billion (\$1.3 billion) came from the republic. Palankoev press-conference, ITAR-TASS Moscow, 28 January 2013.

¹⁷⁹ Crisis Group interview, Salman Dzangiev, Dzheyrakh, Ingushetia, August 2012.

¹⁸⁰ Ibid. He added: "Our staff is international: Russians, Ossetians, Georgians. We have very good medical facilities, equipment that they can't find in federal clinics, and competitive prices. Ossetians should start coming here".

¹⁸¹ For more on Ingush-Ossetian conflict see Crisis Group Report, *The Challenges of Integration (I)*, op. cit.

peaks. Such conditions are rare, and experts believe the resort will mostly attract advanced skiers. Mamison could potentially accommodate up to 40,000 tourists and work year-round. For the French investors, it is NCR's flagship project. Local business is also enthusiastic: according to the authorities, over 50 businessmen of Ossetian origin are ready to invest.¹⁸² That Mamison thus far has no core investor is, however, a serious obstacle. The territory is legally clean, with no settlements or private property in the area, the head of the republic's tourism committee said, and frontier zone controls are to be reduced to a minimum.¹⁸³

E. *Chechnya: Veduchi*

The Veduchi resort in Itum-Kali district was the last included in the cluster and the most controversial: its SEZ was only created in October 2013. It is to be Chechnya's most ambitious and expensive tourism project, one its authorities hope will improve the republic's image at home and abroad. The core investor is a Moscow-based Chechen businessman, Ruslan Baisarov, who describes himself as close to the republic's leader, Ramzan Kadyrov. (An interview with Russia's main business newspaper quoted Baisarov as saying that Kadyrov is listed in his phone contacts as "head of the Republic of Chechnya – friend". He added that "we go hunting and fishing together").¹⁸⁴ Capacity is to be 4,800 and the cost some 15 billion rubles (\$450 million), including hotels, restaurants and nineteen ski runs.¹⁸⁵

In the long-term a ski resort in Chechnya could well be feasible. Now, however, the Veduchi project raises serious concerns. The long history of violence in the area, the still unresolved insurgent conflict and the fragile security do not augur well for an economically viable and safe resort. Nor is it clear that it could attract enough tourists from outside the region to cover the investment. Imposition of Islamic dress codes for women, including for non-Chechens, is a republic policy;¹⁸⁶ alcohol sales are strongly restricted; and human rights violations continue.¹⁸⁷ There are questions,

¹⁸² Crisis Group interview, Oleg Karsanov, head, tourism committee, government of North Ossetia-Alania, Vladikavkaz, August 2012.

¹⁸³ Ibid; Crisis Group observations, Mamison; interviews, Oleg Karsanov, head, tourism committee, Vladikavkaz, August 2012; Eric Guilpart, France-Caucase development director, Paris, February 2013.

¹⁸⁴ "Как устроен бизнес Руслана Байсарова" ["How does Ruslan Baisarov's business work"], *Vedomosti*, 12 December 2011. "Основной инвестор проекта строительства горнолыжного курорта "Ведучи" в Чечне Р.Байсаров: "Ведучи" войдет в Топ-10 европейских горнолыжных курортов с самыми протяженными лыжным" ["The core investor for Veduchi ski resort development, R. Baisarov: Veduchi will be in Top-10 Europe ski resorts with longest ski slope"], Interfax, 24 January 2012.

¹⁸⁵ "Путешествие на край нохчи" ["Travelling to the land of nokhchi"], *Russian planet*, 20 November 2013; "ОАО "Курорты Северного Кавказа" и ООО "Ведучи" построят всеесезонный курорт в Чечне" ["North Caucasus Resorts and "Veduchi" will construct an all-seasons resort in Chechnya"], *Yuga*, 19 November 2013.

¹⁸⁶ See Human Rights Watch reports: "You Dress According to Their Rules': Enforcement of an Islamic Dress Code for Women in Chechnya", 2011; "Welcome to Hell': Arbitrary Detention, Torture, and Extortion in Chechnya", 2000; and "A Legacy of Abuse", 1997. Crisis Group analysts were denied access to the Chechen state university in summer 2013 for "having insufficiently long sleeves".

¹⁸⁷ "Р. Кадиров: 'Ограничение продажи алкоголя в регионе дало колоссальные результаты'" ["R.Kadyrov: Alcoholic drinks selling restriction in the region has taken an immense effect"], head and government of Chechen republic website, *chechnya.gov.ru*, 4 March 2013. See Human Rights Watch reports: "Who Will Tell Me What Happened to My Son?': Russia's Implementation of Euro-

therefore, whether the authorities can guarantee an environment attractive for tourists from outside the North Caucasus region. There have instead been indications that the investors are counting on the Chechen domestic market.¹⁸⁸

A leading expert on the North Caucasus economy commented:

Chechnya doesn't need this resort. You can build Veduchi, but from a business point of view, it is unfeasible. Its investors will not make profits and thus they will not be interested in quality work. This will be a resort behind barbed wires, built for twenty times the money it would cost if it were planned based on business feasibility criteria. This would be a mask aimed to show that everything is good in Chechnya.¹⁸⁹

F. *Scenarios*

There are several possible scenarios for development of the North Caucasus Resorts project.¹⁹⁰ First, failure cannot be ruled out. Elites – local and federal – will push the project, but many local communities and businesses may view it as a threat to their interests, so investors may deem the risks too high.¹⁹¹ Security could continue to deteriorate in certain regions, unless serious, long-term conflict resolution measures are adopted.

The second scenario is partial implementation. The project could, for example, start in all the republics but be frozen half way. The most likely cause would be fundamental changes in Russia's political or economic situation; under such circumstances, new elites might emerge who are unwilling to support North Caucasus megaprojects. One or two might come partially to fruition, while the rest would dry up. This scenario would have negative consequences for the local communities: land would be expropriated for the cluster, but the cluster itself would not function. The land might then be in legal limbo and be privatised de facto through corrupt schemes, as has happened elsewhere in Dagestan.¹⁹²

The third scenario would see the government push the project through regardless of the local response. It would bear the costs, while the resorts would not show profits, and there would be fewer tourists than needed to break even. The new ski cluster would then operate as another federally-funded program.

pean Court of Human Rights Judgements on Chechnya”, 2009; “‘What Your Children Do Will Touch Upon You’: Punitive House-Burning in Chechnya”, 2009; and “Justice for Chechnya: The European Court of Human Rights Rules against Russia”, 2007; and “Widespread Torture in the Chechen Republic”, Human Rights Watch, briefing paper for the 37th Session of the UN Committee Against Torture, 2006; also Memorial human rights centre releases on Chechnya, www.memo.ru.

¹⁸⁸ “How does Ruslan Baisarov's business work”, op. cit. In this interview, the core investor, Baisarov, said that if 1.5 per cent of the Chechen population used the resort, the investment would be returned in eight to nine years. Until now, skiing as a sport has not been developed in Chechnya.

¹⁸⁹ Crisis Group interview, Denis Sokolov, director, Ramcom Centre, Moscow, January 2014.

¹⁹⁰ I. Starodubovskaya, N. Zubarevich, D. Sokolov, T. Intigrinova, N. Mironova, Kh. Magomadov, “Рекреация в экономике Северного Кавказа: Туристический бизнес либо горнолыжный кластер?” [“Recreation in the North Caucasus economy: tourism business or ski cluster?”], *The North Caucasus: modernisation challenge*, op. cit., chapter 6, pp. 196-234. Denis Sokolov, “Горные лыжи и общее благо” [“Mountain king and public good”], *Expert* (online), 7 May 2012.

¹⁹¹ Crisis Group interviews, Denis Sokolov, director, Ramcom Centre, Moscow, October 2013.

¹⁹² See Crisis Group Report, *The Challenges of Integration (I)*, op. cit.

In the best case scenario, the North Caucasus Resorts would become an important engine of regional growth. Several conditions would need to be fulfilled, first of all significant security improvements, especially in the eastern republics. Secondly, institutional modernisation and vigorous anti-corruption measures would be essential. Thirdly, local acceptance and support for the project would be required, with communities committing their futures to the endeavour and thereby helping overcome resistance from several quarters, including activists and ecologists. Unless such conditions are met, potential investors would once again have to turn to the murky world of moonlighting police and security officers, or pay the insurgents, to ensure the security of their projects.

In any successful scenario, local communities should be included in decision-making from the start, be fully informed and have a say in the development of plans. A blueprint for the gradual transformation of livelihoods should be developed, in order to ensure a smooth transition. In areas where sheep and cattle farming is important, farmers should receive legal guarantees, and only the minimum necessary land should be transferred to the cluster. There should also be guarantees regarding disposition of land in the event the project fails or is frozen. The taxation system for the economic zones should be reviewed to ensure that local communities and the republics get some revenue.

V. Conclusion

The Sochi Olympics, planned as a grandiose effort to boost Russia's international standing, risk turning into a duel between the state and the Islamist insurgents Moscow has fought so hard to destroy since 1999. The insurgents have suffered massive losses and sometimes seemed on the verge of defeat, but rather than disappearing, they have adapted. Their focus has shifted: from Chechnya, to Ingushetia, Kabardino-Balkaria, Dagestan and now, increasingly, to the neighbouring regions.

The Volgograd blasts underline again that a sustainable solution to North Caucasus's conflicts remains elusive. Tightening the screws has not ended them. Dialogue and reform, justice and rule of law are needed much more than drones and special forces. The desire to project Sochi as a major tourist destination and the plans for the North Caucasus Resorts show that the Russian government is aware of the need for development and change. Until it systematically addresses the root causes of insurgency, however, its development plans are problematic. The enormous Olympics investment may well turn Sochi into a popular tourist destination, but violations of social and human rights during the construction period have tainted the Games. Urgent measures are needed to remedy the abuses. Moreover, the response to the Circassian issue has revealed Moscow's limited interest in promoting local cultures, so has been a missed opportunity to strengthen the allegiance of local ethnic communities.

The North Caucasus Resorts cluster, essentially the next step in tourism development after Sochi, is an ambitious – in some cases possibly too ambitious – project. There are reservations about the current feasibility of implementation in Dagestan and Chechnya, but Arkhyz, Elbrus and Mamison have real potential. Armkhi-Tsori in Ingushetia might conceivably be successful if the Ingush government takes further steps to reduce tensions and improve the security situation. Everywhere in the region, however, security is precarious: a new terrorist attack could have a knock-on effect across the North Caucasus, undermining investor confidence and damaging efforts to solve the insurgency.

The most promising contribution to the NCR project would be a major effort by Moscow to seek a long-term, comprehensive solution to violence in the region. With respect to the project's specifics, however, what is needed also includes clear legal frameworks, protection of property rights and contracts as well as population participation in decision-making, so as to generate local support. Strict control over funds and performance of the involved institutions is also a prerequisite for implementation. Tight business principles relating to the environment and the respect and hiring of locals are further keys to success. Without all this, conflicts with locals are likely to lead to more security problems and frighten away both tourists and investors.

Moscow/Brussels, 30 January 2014

Appendix A: Map of the North Caucasus



Appendix B: Map of Sochi Olympics: Principal Sites



Appendix C: About the International Crisis Group

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Crisis Group's approach is grounded in field research. Teams of political analysts are located within or close by countries at risk of outbreak, escalation or recurrence of violent conflict. Based on information and assessments from the field, it produces analytical reports containing practical recommendations targeted at key international decision-takers. Crisis Group also publishes *CrisisWatch*, a twelve-page monthly bulletin, providing a succinct regular update on the state of play in all the most significant situations of conflict or potential conflict around the world.

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Central Asia: Decay and Decline, Asia Report N°201, 3 February 2011.

Tajikistan: The Changing Insurgent Threats, Asia Report N°205, 24 May 2011.

Kyrgyzstan: Widening Ethnic Divisions in the South, Asia Report N°222, 29 March 2012.

Kazakhstan: Waiting for Change, Asia Report N°251, 30 September 2013.

Balkans

Bosnia: Europe's Time to Act, Europe Briefing N°59, 11 January 2011 (also available in Bosnian).

North Kosovo: Dual Sovereignty in Practice, Europe Report N°211, 14 March 2011.

Bosnia: State Institutions under Attack, Europe Briefing N°62, 6 May 2011 (also available in Bosnian).

Macedonia: Ten Years after the Conflict, Europe Report N°212, 11 August 2011.

Bosnia: What Does Republika Srpska Want?, Europe Report N°214, 6 October 2011 (also available in Bosnian).

Brčko Unsupervised, Europe Briefing N°66, 8 December 2011 (also available in Bosnian).

Kosovo and Serbia: A Little Goodwill Could Go a Long Way, Europe Report N°215, 2 February 2012.

Bosnia's Gordian Knot: Constitutional Reform, Europe Briefing N°68, 12 July 2012 (also available in Bosnian).

Setting Kosovo Free: Remaining Challenges, Europe Report N°218, 10 September 2012.

Serbia and Kosovo: The Path to Normalisation, Europe Report N°223, 19 February 2013 (also available in Albanian and Serbian).

Bosnia's Dangerous Tango: Islam and Nationalism, Europe Briefing N°70, 26 February 2013 (also available in Bosnian).

Caucasus

Armenia and Azerbaijan: Preventing War, Europe Briefing N°60, 8 February 2011 (also available in Russian).

Georgia: The Javakheti Region's Integration Challenges, Europe Briefing N°63, 23 May 2011.

Georgia-Russia: Learn to Live like Neighbours, Europe Briefing N°65, 8 August 2011 (also available in Russian).

Tackling Azerbaijan's IDP Burden, Europe Briefing N°67, 27 February 2012 (also available in Russian).

Armenia: An Opportunity for Statesmanship, Europe Report N°217, 25 June 2012.

The North Caucasus: The Challenges of Integration (I), Ethnicity and Conflict, Europe Report N°220, 19 October 2012 (also available in Russian).

The North Caucasus: The Challenges of Integration (II), Islam, the Insurgency and Counter-Insurgency, Europe Report N°221, 19 October 2012 (also available in Russian).

Abkhazia: The Long Road to Reconciliation, Europe Report N°224, 10 April 2013.

The North Caucasus: The Challenges of Integration (III), Governance, Elections, Rule of Law, Europe Report N°226, 6 September 2013 (also available in Russian).

Armenia and Azerbaijan: A Season of Risks, Europe Briefing N°71, 26 September 2013 (also available in Russian).

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Cyprus: Six Steps toward a Settlement, Europe Briefing N°61, 22 February 2011 (also available in Greek and Turkish).

Aphrodite's Gift: Can Cypriot Gas Power a New Dialogue?, Europe Report N°216, 2 April 2012 (also available in Greek and Turkish).

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Turkey and Greece: Time to Settle the Aegean Dispute, Europe Briefing N°64, 19 July 2011 (also available in Turkish and Greek).

Turkey: Ending the PKK Insurgency, Europe Report N°213, 20 September 2011 (also available in Turkish).

Turkey: The PKK and a Kurdish Settlement, Europe Report N°219, 11 September 2012 (also available in Turkish).

Turkey's Kurdish Impasse: The View from Diyarbakır, Europe Report N°222, 30 November 2012 (also available in Turkish).

Blurring the Borders: Syrian Spillover Risks for Turkey, Europe Report N°225, 30 April 2013.

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