RUSSIA AND GEORGIA: SEARCHING THE WAY OUT

Policy Discussion Papers by Georgian and Russian experts

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INTRODUCTION

The given publication was issued under the project “Second Track – Georgian and Russian Experts Building Confidence” implemented by the Georgian Foundation for Strategic and International Studies (GFSIS). It contains policy papers and recommendations covering some of the most pressing and sensitive issues of the current Georgian-Russian relations prepared by both Georgian and Russian authors.

There are moments in the history of bilateral relations between states in which there is no room left for diplomatic maneuvering and politicians and diplomats lack necessary resources to bring about essential change. When the tensions between the two conflicting countries are growing or their relations remain caught-up in a stalemate, the official rhetoric and actions usually only serve as domestic propaganda or attempt to weaken the opposing side’s position in the foreign policy realm. Furthermore, as tensions elevate, the more restrictions and taboos are imposed on public servants to restrain them from questioning the government’s position, or to listen without challenging the opposing side while the latter portrays the situation in favor of its own country in international organizations or at the negotiating table.

Nonetheless, it proves obvious that regardless of the most detrimental circumstances the relations between the two countries cannot be stalled completely. Economic interests, human relations, common threats and other factors push us to think about solutions and search for different ways and opportunities.

Conflict is not an isolated process, it emerges from and widely disperses throughout a society, develops and permeates the public discourse and opinion. The fact that conflict usually emerges in two secluded societies in the form of incompatible interests and viewpoints protracts them – leading to further isolation and slimmer chances of resolving the conflict.

It is possible that attempts are being made by the official circles on both sides to reach a mutually acceptable formula, as long-lasting conflicts prove destructive to even a very powerful state. As mentioned above, the existing restrictions, however, hinder opportunities to explore new ways and new ideas. This is true despite the fact that the officials are those who actually possess the best understanding of the conflict. More open and progressive views usually emanate from expert communities, yet under the given circumstances, their assessments do not fully capture the political reality and fail to break through the insurmountable boundaries of the political imperatives. Nevertheless, it proves more feasible the independent expert’s views and opinions rather than the official positions to be considered and accepted by the other side of the conflict and the involved actors – governments, political parties, and civil society.

Without intellectual efforts it is impossible to find a viable solution to the dire post-August 2008 reality, which put both Georgia and Russia in an extremely difficult situation. The intellectual product, which would help us to find ways to address the problem (or other related issues) should be derived from the “material” common for both sides of the conflict, suit their “market demand” and equally meet their expectations.

One could argue that no one in Georgia fully understands Russia. The same situation holds true in Russia – little is know about Georgia to Russians. That is why the experts of both countries - those who sincerely aspire to find the ways out - should learn to work together, to listen to each other and get to know what is acceptable or unacceptable for the other side.

The primary goal of the project was to set an example and to create precedent for such relations. The Project Team began the initiative by organizing the first working group meeting with the participation of both Russian and Georgian experts in Istanbul. The main purpose of the meeting was to identify some common cross-cutting themes where both sides had vested interests and to share and to get familiar to each other’s positions and views. During the discussions, the participants selected topics, which would become value added to the peacemaking efforts as a whole. Two Russian and two Georgian experts expressed their willingness to produce a joint policy paper. Additionally, two studies focusing on common issues illustrated two differing perspectives of the Georgian and Russian experts. Lastly, there were two more policy papers produced and presented on different topics.

The second session was devoted to the discussion of the prepared policy documents. Two experts with extensive experience in policy analysis were requested to prepare comments in advance to ground the discussions on solid arguments and to motivate the participants to debate and challenge the presented ideas.
The main value of the prepared policy documents is that they do not present a one-sided view or interest. They do not aim at a specific target audience - be that a certain party, government or social group. The addressees of these policy recommendations include Georgians and Russians, officials at all governmental levels, as well as interested segments of the society. These policy papers will provide valuable insights and suggestions to the international organizations and other international actors involved in the conflict.

It should be emphasized that the project is made possible through the financial support provided by the European Union and we owe a particular depth of gratitude to this organization for all their peacemaking efforts in the region and beyond.

A special appreciation goes to the “COBERM” team of the United Nations Development Program Georgia. Without its effective administrative support it would have not be possible to successfully complete our project.

Our heartfelt thanks go to our partner organization in Russia, the Carnegie Moscow Center for providing the critical support in assembling a team of Russian experts. We would like to especially thank Andrey Ryabov for his guidance and fruitful collaboration in all stages of the project.

Many thanks go to all Georgian and Russian participants of the project who not only demonstrated their outstanding professionalism but showed academic integrity, commitment and mutual respect.

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Kakha Gogolashvili
Project Director
By establishing the European security system in the twentieth century, the member states sought to avoid further conflicts over the post-war borders in Europe. After long consultations and negotiations, the Helsinki Final Act of the Conference on Security and Co-operation in Europe (1975) adopted a security system that took into account the existing polarities of world politics and the confrontation between the Soviet and Western blocs, laying the foundation for a qualitatively new system.

With the end of the Cold War, the nature of the threats and challenges to European security has changed. The range of its member states has expanded and, correspondingly, this has transformed their tasks and objectives. Taking into account the modern relations between the key players of the Helsinki Act—Britain, Germany, Russia, USA and France—the probability of an armed conflict between them is practically zero (although the events of August 2008 reduced confidence in this statement, in particular with regard to US-Russian relations). In this vein, we can say that the real challenges to European security relations are beyond the scope of the largest states, which form the continent’s international agenda, and, instead lie in the context of relations between the major states and the third countries. Although, at the same time, it is believed that the problem of relations with the third countries is a consequence of the differences and contradictions existing between the strongest players.

One way or another, these challenges are concentrated either (to a lesser degree) in Central and Eastern Europe or (mostly) in the former Soviet Union. In the European security discourse, the countries of this region (not including Russia) are considered not as founders but as consumers of this security. As a result, the debate degenerates either into an abstract discussion or useless propositions, which in reality are not incumbent upon anyone, or proposals for certain informal arrangements. The latter makes the countries of Central and Eastern Europe and the former Soviet Union fear, as has happened before in history, that the stronger states will make an agreement behind their backs. Difficulties on peripheral matters across the continent prevent the formation of consolidated approaches to a European security system and, conversely, the deficit of consolidated approaches to a European security system prevents the resolution of the peripheral issues.

This contradiction generates steady uncertainty in the European security arena. NATO expansion is temporarily suspended whilst countries outside the Alliance, yet wishing to join, are not offered alternative and sustainable security guarantees. The implementation of the US initiative on the deployment of its missile defence in Europe, which caused the greatest irritation in Russia, has been suspended whilst the discussions on other projects have not yet yielded a clear outcome. There is an accord in the approaches towards some of the conflicts in the former Soviet space (Nagorno Karabakh) and a disagreement and controversy in others (Abkhazia and South Ossetia). Significant shifts in the conflict resolution process, however, are not taking place. The goodwill of the major powers, rather than the institutional foundations, creates the basis for an apparent reduction of tensions across the European continent (yet not with respect to local conflicts).

The August 2008 events, as well as other conflicts in the former Soviet Union, testify to the ineffectiveness of the current system of European security in preventing similar threats. Moreover,
the fact that a military confrontation has occurred between two Council of Europe member countries (Russia and Georgia) reveals the existing security system’s deep crisis.

In the coming years, Russia and Georgia will have to build up their security policy under Europe-wide uncertainty. This will hardly affect the goals and priorities of their policies in a meaningful way although it will probably influence some adjustments to their strategy.

This article attempts to outline common interests of the national security of Russia and Georgia, identify contradictions and to present the "Russian" and "Georgian" views on the existing problems, determine their importance for European security and discuss the probability of starting addressing them. In formulating the "Russian interests and views" and the "Georgian interests and views," the authors rely upon the official position of both countries as well as the views and assessments which prevail amongst scientific and analytical circles and influence public opinion.

The Interests of Russia in the European Security System

It must be emphasised that the formulation of national security interests in itself is a subject of political debate in any country and Russia is not an exception. The fact that this debate is not public in Russia should not mislead us. Theses of Russia’s open public concept papers on key issues of security policy are distinguished by a certain vagueness stemming from Russia’s weak tradition of preparing such policy documents. This chapter outlines Russia's national security interests which for the most part achieve an internal consensus, as the authors suggest, when they are actually implemented in its public policy.

Despite the nature of the Russian official rhetoric changing over certain periods of time, Moscow, throughout its recent history, has not been seeking isolation from the West and, especially, from the EU. For the Russian political elite, however, the conditions within which Russia is integrating into the global economic and political system are of primary importance. In the security sphere, these conditions assume that in reality Moscow is obtaining and maintaining its status as a global centre of power (yet not a super power) which is formally assured by its permanent membership on the UN Security Council. This goal would be unattainable in the case of Russia’s isolation from the European security system.

Critics point to the inconsistency of Russia's position towards NATO illustrated in the National Security Strategy of the Russian Federation to 2020 adopted on 12 May 2009 (according to which Moscow is ready to co-operate with the Alliance but finds the extension of the Alliance unacceptable). This contradiction is false. From Russia’s point of view, Ukraine and Georgia’s NATO memberships would become a decisive step towards Russia’s isolation from the European security system. The threat of expulsion is regardless to the intentions and statements made by the Alliance and its member countries and it results from simple geographical logic: from the Black Sea to the Baltic Sea, Russia will remain in direct contact with NATO member countries with the exception of Belarus, the long-term stability of which can be seriously questioned; in fact, the Black Sea will turn into a "North Atlantic lake."

In this situation, the links toward NATO’s internal crisis do not seem to be persuasive either as the isolation of Russia could become the integrating idea necessary for the Alliance. In other words, NATO does not represent an enemy in its current position but an "extended NATO" could become

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1 Reference from the Strategy: “A determining aspect of relations with NATO remains the fact that plans to extend the Alliance's military infrastructure to Russia's borders, and attempts to endow NATO with global functions that go counter to norms of international law, are unacceptable to Russia. Russia is prepared to develop relations with NATO based upon equality in the interests of strengthening the common security in the Euro-Atlantic region, the depth and essence of which will be determined by the Alliance's preparedness for taking into account Russia's legitimate interests in its military-political planning, respecting international law, their further transformation and a exploration for new humanistic purposes and functions.”
one. This, of course, is the worst case scenario yet it is natural if security policy planning is based upon the least favourable scenarios.

Russia's accession to NATO, actively discussed in 2010, is unlikely to be brought up again as it creates a number of problems for which neither Moscow nor Brussels have solutions. We will list several of these problems here. First, does Russia's membership oblige the Alliance to provide security guarantees at the Russian-Chinese border? Second, what are the conditions for Russia's NATO admission? More specifically, will this only suggest a simple military-technical integration (which in itself is costly) or will the Alliance set requirements concerning Russia’s domestic politics? Third, how will the issue of NATO membership for other former Soviet republics, which are not members of NATO yet are part of the Collective Security Treaty Organisation (CSTO), be resolved? Fourth, will NATO's consensus-based decision-making structure be preserved after Russia’s accession into the Alliance? Fifth, how will the problems stemming from tenuous Russian-Georgian relations be addressed after Russia’s accession into NATO? The analogy of Turkish-Greek relations cannot be applied here as both Ankara and Athens have, in fact, agreed to American arbitration. Similar arbitration in Russian-Georgian relations is unacceptable for Russia since it will undermine Russia’s status as a global power centre.

For these reasons, Russia's interests in the area of European security lie in preventing NATO's eastward expansion and achieving the CSTO recognition as a NATO partner in providing security in the areas where it is present through developing relations with NATO and its major European Member States (Germany, France, Britain, Italy, Poland). It should be noted that in its bilateral relations with the major European NATO countries, Moscow is eager to go further than with the block as a whole, including establishing close military-technical co-operation and even alliances in strategically important sectors of the economy.

Moscow’s interests in the post-Soviet space are to establish the kind of relations with its immediate neighbours which would not interfere with Russia’s interests in the area of the European and global security and, if possible, actually contribute to their realisation. Russia aspires to remain a key player in the political-military-sphere as well as to maintain and expand its economic influence in the former Soviet space. This defines Moscow’s efforts to avoid a permanent US military presence in the CIS and its continuing interest in local integration projects of a different nature such as the EurAsEC, CSTO, the Customs Union and the Common Economic Space. The general trend of Russia's integration policy is to radically change the motivations of this policy. If in the 1990s it was to a large extent driven by the internal political considerations (an answer to the public nostalgia for the past unity), now these sentiments have been largely superseded by pragmatism.

The existence of Russia’s numerous and quite pragmatic foreign policy projects in the post-Soviet space does not negate the certain inconsistency of its policies with respect to the former Soviet Union or the main characteristic of this policy which is the lack of a clear goal-setting peculiar to it. On the one hand, maintaining Russian dominance in the former Soviet space is a very popular idea amongst the political class. On the other hand, it is unclear what price Russia is willing to pay for its dominance and to what extent and in what form it should be. It becomes clear now that none of the influential groups of the Russian political elite sets a goal of restoring the empire, which would be a deprivation of sovereignty for the former Soviet republics with the concept of dominance open to broad interpretation. Finally, Moscow, as experience shows, is reluctant to assume responsibility for the situation in the security sector in the post-Soviet countries if the situation does not impose an immediate threat to it.

It should be noted that Russia’s security agenda in the post-Soviet space is broader than that in relations with the United States and NATO. In the post-Soviet Union, Moscow is faced with new security challenges such as drug trafficking, environmental threats, illegal migration, etc. Currently, similar threats are marginal in its relations with the West.
In the South Caucasus, Russia’s general "post-Soviet" agenda in the security area is further complicated by high tensions and by the serious threat of hostilities re-igniting in the conflict zones. Although the current state of Georgian-Russian relations is not seen by Moscow as an immediate security threat (except some of the steps made by Georgia which Russia interprets as attempts to interfere in the Northern Caucasus), it creates or may create a number of indirect obstacles to the implementation of the Russian security interests in other directions.

The most vigorous efforts of the Russian diplomacy in the region now are made to prevent the resumption of hostilities in Nagorno Karabakh. Apart from humanitarian considerations, this is defined by the fact that the resumption of the war might put Russia in a situation where it will be forced to either sacrifice its relations with Azerbaijan or allow the CSTO member states to lose their confidence in the effectiveness of security guarantees provided by the Organisation. With a hypothetical violation of the cease-fire in Nagorno Karabakh, there are possible scenarios in which Russia will not have to face such a dramatic choice. Nevertheless, it would be reasonable for Russia to develop its strategy taking the probability of worst-case scenarios into consideration. The current state of relations with Georgia negatively interferes with Russian-Armenian relations—Armenia is an important partner for Russia—and objectively weakens them.

The international mediators adhere to the consolidated position of non-resumption of hostilities with respect to Nagorno Karabakh. This conflict is not a matter for the rivalry between the mediators; they share common approaches to resolve it. During the last decade, Moscow has balanced its policy towards Armenia and Azerbaijan. This helps Russia carry out its mediation mission more effectively. All this suggests that a possible worsening of the situation in Nagorno Karabakh will not lead to an escalation of tensions between Russia and the West as happened in August 2008 after the resumption of hostilities in South Ossetia.

The positions of Russia and the West radically diverge on Abkhazia and South Ossetia. Both sides, however, were able to isolate these differences from the general context of their relationship. The US and NATO are aware of the fact that they have no mechanisms to influence Russia to reject the independence of Abkhazia and South Ossetia. There has been a certain distance between the US and EU approaches to the problem of two partially recognised republics: the EU adopted the concept of "engagement without recognition" whilst the US has maintained a tough stance. This potentially creates new opportunities for Russian diplomacy.

Currently, the resumption of hostilities in Abkhazia and or South Ossetia is seen by Moscow as an unlikely scenario. The low probability, however, does not stem from the reduction in the severity of the conflict between Georgia and its former autonomous but, rather, from the Russian security guarantees granted to the two republics. Despite some assumptions made by Russian experts that Georgia has been able to restore and possibly increase its military potential since the August 2008 war, it is not ready for a new armed conflict in Abkhazia and South Ossetia. Theoretically, the situation could change if Georgia strengthens its air defence system which proved to be one of its weaknesses in August 2008. Even besides the great financial costs needed for this, Georgia, however, probably will not get an advanced air defence system without the assistance of the United States which, at present, is abstaining from supplying Georgia with weapons.

In this situation, Russia sees the main risks are not in the military but in the diplomatic sphere. From Russia’s point of view, the main threat lies in the possibility of reviving the “pre-August 2008” international agenda in Europe which includes bringing Georgia's NATO membership issue back “to the table,” the US harping on the “democracy deficit” in Russia, reducing the level of cooperation achieved now with key European players and the strengthening of the anti-Moscow feelings in Ukrainian politics aiming at resuming a confrontation with the Kremlin. The sharp reaction of Russian diplomacy over the NATO military exercises in Georgia in May 2009 was motivated by a desire to avoid even the symbolic resuscitation of the "pre-August" agenda.

Overall, the current nature of relations between Russia and the United States and Russia and the EU make such a development less likely. For Barack Obama, the "reset" in American-Russian relations remains one of the few, if not the only, foreign policy successes. Moscow's relations with major European countries are much stronger than they were in 2007 and 2008. Russia has demonstrated its ability to conduct an effective policy to attract new allies (Russian-Polish reconciliation) and the willingness to settle long-standing disputes with European partners (the emerging Russian-British rapprochement). Nevertheless, the continuation of the current state of Russian-Georgian relations remains as a constant threat to reviving the complex set of problems and contradictions which instigated the August crisis.

As far as we can judge, the alleged intervention of Georgian authorities in the North Caucasus is not considered by Moscow as a factor having a significant influence upon the situation in the region. The extent of this intervention is unclear. Statements made by the Russian special services about the training of terrorists on Georgian territory are not amenable to verification by civilian experts. It should be noted that an extensive and costly program aimed at strengthening the Russian state border in the Caucasus has been implemented recently and the permeability of the border has been largely reduced. Sources of the security threats in the North Caucasus are internal and terrorist groups currently do not need an influx of funds from outside as they have learned to obtain funds through extortion.

Symbolic gestures by Tbilisi, such as the introduction of a visa-free regime for residents of the North Caucasus and initiating public discussion on the Circassian topic, cause some nervousness amongst the ruling circles of Russia. The Northern Caucasian population’s current level of loyalty towards the Russian statehood, however, is unlikely to be significantly undermined by these steps. The abolishment of visa requirements could be of practical value if Georgia were a recipient of labour migrants from the North Caucasus which is unlikely to happen. As for the Circassian issue and a broad political discussion on the problems of North Caucasus with the participation of its members, this phenomenon, after some confusion, was fit into the framework of traditional logic of bargaining between regional elites and the federal government in which both sides feel familiar and confident.

Although the current state of relations between Russia and Georgia does not create new security threats in the North Caucasus, it should be noted that the lack of co-operation between the two countries has been a negative factor for the stability in the region for many years. Ultimately, the lack of such co-operation has led Russia to initiate an expensive programme ensuring border security in the Caucasus. At the same time, the implementation of some parts of the project in a completely opaque manner raised suspicions in Tbilisi towards Moscow. More specifically, several Georgian experts assessed the programme in light of the possible transfer of Russian troops to the southern side of the Greater Caucasus Range.

There is one more important circumstance from Moscow's point of view which is worth noting. In Russia, the fact that the Georgian Government ensures effective control over the entire territory of Georgia proper is considered to be a real achievement of the regime of Mikheil Saakashvili. During the Eduard Shevardnadze era, the absence of government control has been a major obstacle to bilateral co-operation in combating terrorism and ensuring stability in the North Caucasus. The large-scale destabilisation in Georgia could create a situation in which terrorist groups on the north side of the ridge would be free to base themselves on Georgian territory. On the other hand, the loss of Moscow's control over the territory of the North Caucasus and its destabilisation can greatly increase the range of threats that Georgia faces at present.

**Georgia’s Interests and Role in the European Security System**

Georgia's position in the European security system has greatly transformed over the twenty years of its independence. From a “consumer state,” Georgia, step by step, has turned into a country making
its own contribution to the overall security. The participation of Georgian troops in peace-keeping operations in Kosovo, Iraq and Afghanistan, considering its rising number and role, is a prime example.

Additionally, as a result of the projects such as Baku-Tbilisi-Ceyhan, Baku-Tbilisi-Erzurum, NABUCCO, TRACECA, WHITE STREAM, etc., Georgia has become an important transport hub and an essential component of Europe's energy security. Correspondingly, Georgia was invited to submit a formal application for accession to the EU Energy Community in 2010.3

The vector of European and Euro-Atlantic integration is a key determinant for Georgia’s foreign policy. Despite the territorial integrity problems, the country’s Western orientation remains uncontested.

Georgia’s relations with NATO began in 1992 with the entry of Georgia into the North Atlantic Co-operation Council (renamed the Euro-Atlantic Partnership Council in 1997) following the collapse of the Soviet Union and regaining its independence. The co-operation expanded and deepened since Georgia entered the "Partnership for Peace" programme in 1994 and the process of planning and analysis of the PfP (PARP) in 1999.

After the "Rose Revolution," a more serious emphasis was placed upon the reform process in Georgia, particularly through the IPAP which was drafted by Georgia and NATO for the first time in 2004. In September 2006, Georgia gained the opportunity to engage in an Intensified Dialogue with NATO with the ultimate intention of joining the Alliance. During the April 2008 summit held in Bucharest, NATO leaders agreed that Georgia would join the Alliance. After a period of intensified co-operation with Georgia, it began to address the country’s unresolved issues concerning its application for the adoption of the Action Plan to prepare for NATO membership (MAP).

Thus, Euro-Atlantic integration is not an "obsession" of today's ruling elite rather a conscious and free choice of the Georgian entire multinational population. This was confirmed by the results of a plebiscite (referendum) held in 2007. Consequently, NATO integration remains as a major national security objective.4

In general, whilst discussing the national interests and objectives of the Georgian national security, the following main components can be singled out:

- ensuring sovereignty and territorial integrity,
- achieving sustainable economic development and energy security,
- developing democracy, civil society and protecting the rule of law and human rights,
- fulfilling European and Euro-Atlantic integration, regional stability and co-operation and
- ensuring the geopolitical importance of the Eurasian transport corridor and the cultural and economic centre of the Caucasus.

Georgia considers the position of the Russian Federation to be the main obstacle to implementing objectives that emanate from its national interests discussed above. Furthermore, it sees Moscow as the main source of challenges and threats to its security.

Making a more meaningful discussion on official Tbilisi’s position requires assessing the realities which emerged after the August 2008 war and evaluating the differences in the positions of Russia and Georgia.

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4 It should be noted here as well that this pattern has not changed since 2008 as evidenced by numerous sociological studies conducted by both Georgian and foreign and international organisations.
According to the official position of Georgia, Russia carried out a military aggression against Georgia, has occupied the de jure territories of Georgia and has conducted an ethnic cleansing of the Georgian population. The cause of conflict is the Russian-Georgian political confrontation with the Georgian-Abkhazian and Georgian-Ossetian conflicts as its end results. Accordingly, the primary goal is the de-occupation of the Georgian territories.

The position of the Georgian authorities largely corresponds to several international legal acts such as the Ceasefire Agreement (12 August 2008), the Conclusions of the European Council (1 September 2008), the UNGA Resolution “On the Status of Internally Displaced Persons and Refugees from Abkhazia, Georgia and the Tskhinvali Region/South Ossetia, Georgia” (28 August 2009), the Council of Europe Parliamentary Assembly Resolution 1633 (2008) “On the Consequences of the War between Georgia and Russia,” Res. 1647 (2009), Res. 1648 (2009), Res. 1664 (2009), Res. 1683 (2009), Reports “On the Human Rights Situation in the Areas Affected by the Conflict in Georgia” (SG/Inf(2009)7, SG/Inf(2009)9, SG/Inf(2009)15), the OSCE Office for Democratic Institutions and Human Rights (ODIHR) and Office of the High Commissioner on National Minorities (HCNM) Report “On Human Rights in the War-Affected Areas Following the Conflict in Georgia” (27 November 2008), the European Parliament Resolution “On an EU strategy for the Black Sea” (20 January 2011) and the NATO Parliamentary Assembly Resolution 382 “On the Situation in Georgia,” etc. With regard to the territories of Abkhazia and South Ossetia, the term “occupation” is increasingly used in international practice, including in EU and NATO documents.

Georgia believes that, by invading South Ossetia and Abkhazia, Russia was entirely following its own strategic objectives. First of all, Russia’s objective was to terminate the Euro-Atlantic integration of Georgia. The NATO summit held in Bucharest became an additional aggravating factor when it was mentioned in the resulting document that Ukraine and Georgia would become members of the North Atlantic Alliance after fulfilling certain obligations. This decision became a “deadline” of sorts for Russia’s decisive actions. Moscow clearly saw that it had to hurry to interfere with the aspirations of these states to join NATO today or otherwise it would be too late tomorrow.

With regard to the Russian Federation’s interests in the conflict zones, the territory of South Ossetia is attractive to Moscow due to its geographical location. By settling down in South Ossetia, Russia came in close proximity to the Eurasian transit corridor as well as to the transport node connecting Western and Eastern Georgia.

Russia’s interest towards Abkhazia is of an absolutely different character. Abkhazia by far surpasses South Ossetia in all possible aspects of economic and strategic indicators. Tourism, infrastructure and transportation (ports, airports, railways) as well as natural resources give Abkhazia economic attractiveness. Abkhazia’s Black Sea coast is appealing from the strategic-military point of view. The natural conditions of the water basin adjacent to Abkhazia allow for basing both surface warships and submarines. By arranging a joint military base in Abkhazia, Russia hopes to strengthen the Black Sea Fleet.

Russia recognised the independence of Abkhazia and South Ossetia on 26 August 2008 and through an exchange of notes established diplomatic relations with these regions on 9 September 2008 and concluded treaties on friendship, co-operation and mutual assistance with them on 17 September 2008. Furthermore, agreements were signed in the fields of border security and military co-operation throughout 2008-2010. Moscow has finalised about 60 inter-state, inter-governmental and inter-departmental" documents with Abkhazia and South Ossetia as “independent states.” As a

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7 http://www.nato-pa.int/default.asp?SHORTCUT=2245
result of these agreements, missile systems S-300 and Tochka-U (“Scarab-B” by NATO classification) were deployed to the conflict zones.

It appears, therefore, that Moscow—on the one hand condemning Georgia’s aggressive tone and, on the other, knowing full well that Tbilisi has no corresponding weapons—is deploying offensive weapons to the occupied territories and thereby provoking Georgian authorities to search for mechanisms to strengthen their defence.

Fearing a resumption of a military action by Russia, the Georgian Government unilaterally declared that Georgia would never use force to restore its territorial integrity and sovereignty.¹⁰

All of the above factors are considered as a threat to Georgia's national security and attempts to alter the security system created by the 1999 Istanbul OSCE Summit.

In the late twentieth century, an attempt was made at the OSCE summit held in Istanbul in November 1999 to create a new security system in the Black Sea region. The final outcome document of this Summit obliged the Russian Federation to withdraw its military bases from Georgia and Moldova. This decision should have become a basis for the demilitarisation of the region and for the resolution of the existing conflicts.

The implementation of the agreement, however, was delayed. The Russian military bases were withdrawn from Georgian territory only in 2007. Furthermore, the question of Russia’s military bases in Gudauta (Abkhazia) remained open. The OSCE monitors were not admitted into the territory. This seriously undermined a comprehensive fulfilment of the Istanbul agreements.

After the August 2008 conflict, the reality established by the OSCE summit in 1999 dramatically changed. New military bases of the Russian Federation emerged in the Black Sea region, particularly, the 4th Military Base in South Ossetia and the 7th Military Base in Abkhazia. Tbilisi sees the established reality as quite a serious threat to its national security that could lead to the repetition of the events of August 2008.

As a result, the existing disagreement between Moscow and Tbilisi has turned the Black Sea region into an arena of controversy and resistance rather than a space for co-operation. This, in turn, is a consequence of the existing confrontation between the various participants of the geopolitical processes.

Russian-Georgian relations have been constructed in a very stressful context of disagreements between Moscow and the West, particularly, on issues such as: NATO enlargement, the debate on Kosovo, the fate of the Treaty on Conventional Armed Forces in Europe (CFE), the multi-polar world, the spheres of "privileged interests," etc. In other words, all of the issues which have served, and to some extent still remain, are subjects of serious contradictions between Russia and the US/NATO. As a result, Georgia was at the dividing line between the West and the Russian Federation.

Russian-Georgian relations are defined by differences in views and outlooks which is characteristic of the relationship between the former metropole and the former colony. This may stem from the subjective judgments of different elites as well as from the objective contradictions that reflect the national interests of both countries.

National security is a major stumbling block in the current Russian-Georgian relations. On the one hand, Georgia ties its future and security guarantees to European and Euro-Atlantic integration the expansion of NATO, on the other hand, seen by Moscow as a threat to Russia’s national interests.

At the same time, both states are part of the pan-European security system which, for its part, was unprepared to prevent the conflict in 2008 and the effectiveness of its peace-keeping efforts to date leaves much to be desired. The 2010 OSCE Summit held in Astana has clearly demonstrated the

current reality when no concluding document was adopted due to the differing positions of Russia and other participant countries.

**Prospects for Resolving Disputes and Promoting Co-operation within the Framework of European Security**

In international relations, there have been occasions when the identification of interests helped solve the most complex problems despite the initially antagonistic positions of the involved parties. In 1967 after the Six Day War, for example, Israel occupied the Egyptian Sinai peninsula. When Egypt and Israel came to the negotiating table in 1978, their positions were incompatible. Whilst Israel could not return to the pre-1967 boundaries, it insisted on part of the Sinai. For Egypt, such a compromise was unacceptable. Concentrating upon their interests rather than their positions allowed the parties to identify common concerns and find ways to reach an agreement. Israel's interest lay in ensuring its safety. Egypt needed to maintain its sovereignty and territorial integrity. The following solution was found: Egypt restored its jurisdiction over Sinai whilst Israel obtained its security guarantees through the complete demilitarisation of the territory.

Are similar approaches possible to solve the existing problems in Russian-Georgian relations? Can the objective interests of the parties coincide and how can these interests fit into the European security system?

**The View from Russia**

Russia does not consider its August 2008 military intervention in South Ossetia as an act of aggression, insisting that it had to carry out an operation to enforce the Georgian authorities to peace. The report of the International Independent Fact Finding Mission (under the leadership of Ambassador Heidi Tagliavini) has shown that the shelling of Tskhinvali by the Georgian armed forces marked the beginning of the conflict although the report believes that Russia responded to this by an extensive military action.¹¹

Additionally, Moscow rejects the use of the term "occupation" with respect to the status quo in Abkhazia and South Ossetia, arguing that it does not exercise effective control over the territories of both republics. It should be noted that the term is inaccurate not just from the legal point of view but also "abates" the existence of the Georgian-Abkhazian and Georgian-Ossetian conflicts, allegedly illustrating that there are no conflicts between these groups apart from the Russian-Georgian confrontation and Russia has “occupied” the territory belonging to Georgia. The problem, however, is that the vast majority of ethnic Abkhazians and Ossetians do not want to live within the Georgian state. The central authorities of Georgia have lost their control over the territories of Abkhazia and South Ossetia not due to the August 2008 war but as a result of the previous conflicts that took place during the early 1990s. Any future mechanism of conflict resolution, regardless of what type of solutions they might lead to, cannot ignore these facts.

Moscow denies any accusations of carrying out ethnic cleansing of the Georgian population that have been made against Russia. Even the observers not in favour of the Russian government, noted the efforts of the Russian military command to combat the looting of abandoned Georgian villages in South Ossetia.¹²

Reaching an agreement between Russia and Georgia on the judgements and estimations of the August 2008 conflict proves very unlikely. Given the present context of the international political reality, a number of contradictions between Moscow and Tbilisi in the field of security also seem

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irresolvable. Some of these contradictions first of all include the different approaches of the two countries with respect to Georgia's NATO membership and the statuses of Abkhazia and South Ossetia.

There are contradictions of lower order concerning the following issues:

- number and nature of military forces and armaments deployed in Abkhazia and South Ossetia,
- formation of a more sustainable and legally binding regime of non-use of force in the conflict zones,
- different approaches to solving the problem of refugees/displaced persons from Abkhazia and South Ossetia,
- freedom of movement across the borders of Abkhazia and South Ossetia for the residents of the border areas,
- informal restrictions on co-operation between the two countries in the humanitarian field, the rigid visa regimes and the administrative obstacles to economic co-operation and
- negative public rhetoric of leaders and officials from the two countries, including their assessments of the internal political situation in neighbouring countries, administrative obstacles to resuming a dialogue between the representatives of expert and media communities from both countries.

Under current circumstances, these contradictions could prove amenable; although both countries lack strong political will necessary for this to occur. The initial task is to eliminate the use of contradictions over less important issues as a tool to pressure the resolution of the major issues that should be the goodwill of all concerned parties. It is also necessary to isolate the conflict from issues such as NATO membership and the status of the republics from the rest of the context of Russian-Georgian relations just as the conflict in the Caucasus is now isolated from the general context of Russian-American relations. In the case of the sides starting to work together to overcome these contradictions, it seems prudent to proceed with the "softer" issues (public rhetoric, visa regimes, humanitarian issues, etc.) and progress to the "harder" ones (the number and nature of armed forces and armaments in the two republics, the non-use of force, etc.).

This article will attempt to formulate what the essence of the Russian approach could be to resolving these contradictions.

Georgian citizens are facing considerable difficulties in obtaining Russian visas. They have to apply for the visa in advance to the Russian interest section in the Swiss Embassy in Tbilisi. The visa application charges are high and an invitation from a Russian citizen or an organisation is required. These restrictions are obviously redundant and apparently prove useless in terms of preventing espionage. They cause irritation in Georgia and prevent the continuation and expansion of human and business contacts between the people of the two countries.

The ban on some categories of goods from Georgia to enter the Russian market is becoming obsolete. Georgian wine, other alcoholic beverages and mineral water get to Russia only through the personal luggage of travellers coming from Georgia to Russia or reach Russia through the third countries. In recent months, with the launch of the Customs Union comprising Russia, Belarus and Kazakhstan, new routes for accessing Georgian products are opening up. These restrictions on Georgian imports, imposed in 2006, were initiated simultaneously with the government’s large campaign to expel illegal immigrants; that is, Georgian citizens from Russia. From the political point of view, the past five years have demonstrated the futility of these actions: they failed to lead to a critical drop in the level of public confidence in Georgia towards the existing authorities of the country.
The bureaucratic inertia likely prevents lifting the embargo on Georgian products and simplifying the visa procedures for Georgian citizens. In addition, Russian authorities remain reluctant to take any steps which could somehow stabilise Mikheil Saakashvili’s regime or give it an excuse to talk about obtaining a “diplomatic victory” over Russia. In turn, the rhetoric of the Georgian authorities, as well as the state propaganda, has shifted to the idea that Georgia does not need the Russian market.

In our opinion, the Russian authorities should weigh, on the one hand, the potential political losses (perhaps merely considerable) linked with strengthening the domestic position of Mikheil Saakashvili which would stem from the increase of Georgia’s financial revenues from exports and the expansion of labour migration to Russia and, on the other hand, the political points gained through realising popular measures in the eyes of the Georgian population. At the same time, in order to avoid political speculation and propaganda, the parties should agree upon the nature of these public portrayals. This can be done "within the margins" of on-going closed consultations on the requirements put forward by Georgia to grant consent to Russia's WTO membership regardless of the outcome of the consultations themselves. The expert communities of both countries should promote the enactment of a visa-free regime between Russia and Georgia in the future.

Over the past year and a half, Moscow has greatly reduced its anti-Georgian rhetoric in public as well as in state and state-affiliated media statements. Georgian authorities have the opportunity to express their positions in leading Russian journals. Liberal-minded experts and the media community in Russia praise the economic reforms in Georgia and openly express their sympathy, which has become a sign of discontent. Paradoxically, the most influential Russian mass media write either “good-or-nothing” about Georgia despite the dismal state of bilateral relations. Speculations on the situation of ethnic minorities in Georgia have almost disappeared in the Russian media including alleged destabilisation claims which even in the fall of 2008 were mostly voiced by the representatives of marginalised political groups. A similar shift in Georgia's information space, however, is not happening. Efforts to start a dialogue between representatives of the media and the expert communities of both countries are often blocked by the Georgian authorities.

Officials in the Kremlin believe that the setup of “the First Caucasian” television channel intends to destabilise the North Caucasus. Such media information and a wider public environment is not conducive to activities aiming at normalising bilateral relations and we should admit that, in this case, the "ball is in Georgia’s court.” It should be emphasised that we do not mean restricting free speech but just terminating the targeted state propaganda.

Armed clashes in the early 1990’s and in 2008 led to severe humanitarian consequences. It should also be pointed out that the Georgian-Abkhazian and Georgian-Ossetian conflicts have emerged between the ethnic communities in the two autonomous regions of the former Soviet Republic of Georgia. The return of refugees by itself cannot become a solution to the inter-community conflict as it will reinvigorate ethnic hostilities.

The official position of Russia on the status quo of South Ossetia and Abkhazia will not suffer if Moscow distances itself from the views of the leadership of the two republics on the issue of refugees/displaced persons. For instance, it is possible to start a discussion on the return of refugees (ethnic Georgians) to some regions of Abkhazia in addition to the Gali district. Discussions should be launched on the mechanisms of compensating refugees for their lost property as well. In principle, the Abkhaz authorities should be interested in these discussions since the actual uncertainty of the legal status of a number of real estate properties prevents the attraction of investments.

13 According to the statements made by some Russian investors in Abkhazia, they distributed compensations to refugees whenever they purchased facilities previously owned by Georgian citizens as they were interested in acquiring reliable legal guarantees for the protection of their rights. The agreement on compensation was reached privately and has not been made public.
The steps made by the authorities of South Ossetia to alleviate the plight of the local ethnic Georgians in the republic and to lift obstacles to the free movement of the population of the border areas should be welcome (specifically, this applies to the plan to introduce a residence permit which could be used by the Georgian citizens as well). This work should be continued and Russia needs to make official statements expressing its willingness to support similar efforts. Furthermore, it seems possible to involve the European structures, particularly through the Council of Europe Commissioner for Human Rights.

Guarantees for the non-use of force between Georgia and Abkhazia, Georgia and South Ossetia and Russia and Georgia have become stumbling blocks to the discussions on security of the conflict zones. Georgia refuses to sign a legally binding agreement with the Abkhazian and South Ossetian sides on non-use of force apparently fearing that such agreements could be construed as recognition of the two republics’ status. Russia refuses to sign such an agreement with Georgia on the grounds that it is not a party to the Georgian- Ossetian and Georgian-Abkhazian conflict. At the same time, Abkhazia and South Ossetia remain fearful that Georgia could use force against them whilst Tbilisi fears that the force may be used against Georgia by Russia. Conceivably, Russia’s refusal to conclude an agreement on non-use of force against Georgia stems from the fact that the recognition of Russia as a party to the conflict would imply a diplomatic intervention in the conflicts by a third actor which is unacceptable for Moscow.

Oral pledges of non-use of force to regain its jurisdiction over Abkhazia and South Ossetia made during President Mikheil Saakashvili’s address to the European Parliament are not perceived in the two republics and in Moscow as a fairly reliable guarantee. This primarily relates the previous experience of their relations with Tbilisi. The statement was a good diplomatic move designed for the West European and American audience but, apparently, it has exhausted its practical value.

The concept of the "occupation" of Abkhazia and South Ossetia, adopted by the Georgian authorities, leads to the fact that Georgia cannot recognise either the legal (definitely debatable) or the political subjectivity of Abkhazia and South Ossetia—which Tbilisi had recognised until August 2008—since Georgian authorities had not withdrawn from the agreements on the principles of settlement of the Georgian-Abkhazian and Georgian-Ossetian conflicts. This position is weak in the sense that Georgia has committed itself to the peaceful resolution of the two conflicts which makes its interaction with those forces directly controlling the territories of Abkhazia and South Ossetia necessary and inevitable. Hence, Georgia needs to recognise their political subjectivity in one way or another.14

A solution could be found in signing an agreement (or a set of agreements) which would include the following:

- a mutual commitment of the Georgian officials and the acting authorities of Abkhazia and South Ossetia on the non-use of force,
- Georgia's position of non-recognition of the independence of Abkhazia and South Ossetia and
- assertions of Russia and Georgia, within their UN, OSCE, and Council of Europe commitments, on non-use of force or threat of force to settle international disputes and conflicts.

The number and nature of the military forces and weaponry deployed in Abkhazia and South Ossetia proves to be the most difficult issue to discuss. On the one hand, the alleged presence of the Tactical Operational Missile Complex "Tochka-U" and Smerch multiple-launch rocket systems in the South Ossetia region with a range easily covering Georgia proper cause fear and anxiety amongst the Georgian society and the Georgian authorities. On the other hand, an attempt to

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14 The Russian experience in Chechnya shows that restoring the constitutional order by force even on the internationally recognised territory, it is impossible to avoid interaction with those controlling the region; additionally, this entails putting up with the long-term costs of such a "contract."
discuss this issue can reinvigorate the profound mistrust and hostility existing between the uniformed forces of the two countries which could jeopardise the dialogue in other areas as well.

Therefore, in order to put the issue on the agenda, the legal guarantees on non-use of force must already be in place. Nevertheless we cannot rule out Moscow’s unilateral steps (such as withdrawal of certain types of weapons, etc.), which theoretically could be taken as a sign of goodwill under certain political circumstances.

The "asymmetric nature of security" in the quadrangle Moscow-Tbilisi-Sokhumi-Tskhinvali should also be recognised. Concerns about the possible resumption of hostilities are barely felt in Russia; they remain relatively weak in Abkhazia and South Ossetia and obviously are very strong in Georgia. This asymmetry should be considered when discussing the guarantees of the non-use of force.

Additionally, it should be noted that there are on-going discussions at the expert level in Russia about the possibilities for international observers to have access to Abkhazia and South Ossetia. It does not seem unlikely, considering that the question of the status of Abkhazia and South Ossetia proved to be the main obstacle for the EU observers to enter the territories in the fall of 2008. The observers may be allowed into the regions if an agreement is reached on issues such as the title and the mandate of the missions which could either put aside the issue of the status of the two republics or assume their independent legal subjectivity. Such an agreement may help to reduce the Georgian side’s fear related to the number and nature of the military personnel and weaponry in Abkhazia and South Ossetia. Furthermore, it could also add some practical meaning to the concept of "engagement without recognition" adopted by the EU in regards to Abkhazia and South Ossetia.

Although recognising that the controversy over the status of Abkhazia and South Ossetia as well as Georgia's NATO membership, cannot be solved at the moment, we would attempt to bring up some of the theses intending to identify and to enhance prospects for discussions on these issues.

Russia does not oppose Georgia’s rapprochement with the European Union. In fact, Moscow did express some concerns about the implementation of the Eastern Partnership. These concerns, however, were related to the elements of the programme which failed to be consistent with the existing format of international co-operation in Eastern Europe and the Black Sea region involving Russia (such as CIS, BSEC, the Union of Russia and Belarus). Initially, the cautious reaction of Russia on the Eastern Partnership initiative was soon replaced by a neutral and, in some cases, positive attitude.

With the independence of the former Soviet republics, the "geopolitical pluralism" in the former Soviet space, including the South Caucasus, became a reality. Georgia, like many other post-Soviet countries, considers the West as the principal source of modernisation, investment and technology. Russia sees the West in the same way, yet the difference is that it does not have any illusions about its social and political modernisation being impacted by external factors but simply by virtue of its size, political-military power and historical traditions.

For Moscow, there are two important interrelated principles. First, Georgia’s "European" or "Western" orientation should not automatically become an anti-Russian alternative. In other words, the principle of "geopolitical pluralism" should apply to Russia, too. Meanwhile, Georgian foreign policy has been conceptually constructed upon the basis of “the West versus Russia” confrontation since the late 1980s. Second, the "European" or "Western" choice should not automatically opt for bringing the NATO military infrastructure closer to the Russian border.

Identification of the "Western" choice with an anti-Russian option pushes the Georgian ruling elite to build its foreign policy strategy based upon a scenario in which the political influence of Russia
will not grow, at a minimum, and will weaken, at most. Currently this scenario is not being realised. During the last two or three years, Russia has improved its relations with many of its western and southern neighbours. In particular, Russia has concluded a border agreement with Norway and has reached an agreement with Sweden and Finland on the construction of the Nord Stream pipeline. Reconciliation with Poland has moved forward and it is now viewed as one of the potential key partners of Russia in the EU, along with Germany, France and Italy. Furthermore, Russia has signed an agreement with Ukraine to extend the presence of Russia’s naval base in Sevastopol. The prospects for boosting economic co-operation with Kyiv has started to emerge and the Ukrainian leadership has abandoned plans to join NATO. Relations with Azerbaijan have been upgraded to a strategic partnership that allows Moscow to balance its relations with Baku and Yerevan and to promote, albeit only in the humanitarian sphere, negotiations between the parties on the Karabakh conflict. Positive changes can be observed even in the traditionally difficult relations between Russia and the Baltic states. The trend has obviously shifted in the direction of Russia’s increased influence in its neighbouring area. This is partly why Russian politicians do not consider the tense relations with Georgia as an acute problem requiring immediate attention.

Betting on a weakening Russia makes the success of the Georgian strategy critically dependent upon factors that cannot be influenced by Tbilisi. Lastly, this position prevents Georgia from taking advantage of the benefits created for its neighbours by Russia’s economic growth and, with all of its quality shortfalls, enjoyed by business groups from Armenia, Azerbaijan and Kazakhstan.

Russia’s foreign policy lacks open, concrete and interactive principles of relations with its neighbours in the former Soviet space. To call a spade a spade, in the foreseeable future the Russian influence in the region will remain significant, if not decisive, at least by virtue of its scale. From this point of view, the fears of Georgia are clear: Russia has never declared how far it intends to go in utilising its influence.

Russia handles its relations with each of its neighbours upon an individual and sometimes an informal manner. This requires discussions on practical interests rather than on principal values of their foreign policy orientation. In one way or another, the resolution of the existing contradictions in regard to Abkhazia and South Ossetia—as well as NATO—should not be considered as a starting point for discussion but a pre-requisite for the normalisation of Russian-Georgian relations. Conversely, the process of settling relations should bring the sides to the resolution of the most acute contradictions.

**The View from Georgia**

Georgia is interested in resolving the political conflict with the Russian Federation although it does not imply rejection of its Western foreign policy vector. Good neighbourliness should be based upon mutually beneficial terms, respect and consideration of each other’s interests.

The contemporary politics of Russia is increasingly forming around the principle of "who is not with us is against us" which looks like an attempt to create an alternative to the West. As a result, Moscow is increasingly becoming a centre of gravity and pressure than a centre of attraction. This approach forces the neighbouring countries to search for other mechanisms to protect their sovereignty. Georgia’s North-Atlantic aspirations are directly proportional to the pressure from Moscow. Whilst co-operation with NATO, first and foremost, is a mechanism for the modernisation and development of a democratic state for Tbilisi, Russia’s actions stimulate Georgia even more to tie its own safety with the Western Alliance. The August 2008 war, Moscow's recognition of independence of Abkhazia and South Ossetia, the deployment and strengthening of its military infrastructure in these areas, economic sanctions, stiffness and the unpredictability of the Russian politics only reinforce these sentiments.
After the "Rose Revolution," Moscow repeatedly made it clear that Russia wants to see Georgia as a neutral state. Such statements were voiced during both informal and private consultations as well as at public events. This proposal, however, from the very beginning proved unable to address Georgia’s national security issues. Moldova was one of the first post-Soviet states which opted to become a neutral state and announced its neutrality in chorus with its declaration of independence. Nevertheless, these steps have failed to unshackle Moldova from the Trans-Dniester dilemma and economic sanctions from Russia. In 2010, Ukraine legally declared its non-aligned status yet prospects for obtaining long-term security guarantees still remain fragile.

Neutrality should be based upon balanced forces and mutual mechanisms for deterrence by all stakeholders including those competing for influence in the region. In view of the Russian Black Sea Fleet based in Ukraine's Crimea, Ukraine's neutrality looks more like a ban on entry into NATO rather than a strong system of checks and balances which takes into account the interests of different geopolitical actors.

Thus, the experience of Moldova and Ukraine cannot serve as a model for replication for Tbilisi. In addition, the non-aligned status is a potential barrier to entry into the EU. The EU has its own component of foreign and defence policy, the CSDP (Common Security and Defence Policy), which may be interpreted by Moscow as an undesirable negative factor, like NATO. An additional argument against neutrality is a tragic experience of the First Republic of Georgia (1918-1921).

Negotiations on concluding additional agreements on security assurances may be unproductive. Moscow considers the unilateral declaration of non-use of force made by the President of Georgia as inadequate whilst Georgia remains sceptical about Moscow’s signatures. Tbilisi believes that Russia has violated and continues to violate its contractual obligations (more specifically, these allegations refer to the following documents: the 1999 Istanbul OSCE summit, a ceasefire agreement from 12 August 2008, the UN Security Council resolutions according to which Russia supports the territorial integrity of Georgia, etc.). The list of mutual grievances is endless. All these demonstrate the limited capacity for achieving an agreement between the parties.

Over the last 20 years, relations between Tbilisi and Moscow have accumulated more negative memories and emotions than positive examples. As a result, it led to a lack of confidence and the complete lack of understanding. The difference in the estimates of the problem leads to the disparity in the views of settling the disputes. Proposals like the simplification of visa regimes for Georgian citizens, the return of Georgian products to the Russian market and the restoration of direct flights have lost their appeal and relevance. Through its sanctions, Moscow simply taught Georgia how to live without Russia. Therefore, addressing these issues, first and foremost, should be in the interests of Russia. Moscow’s termination of sanctions may be viewed as an attempt to improve its image and to further the dialogue with Tbilisi. Without follow-up and more profound steps on the part of Moscow, however, these efforts cannot play a key role in the normalisation of bilateral relations.

The parties’ consent may be achieved by following the principle "from simple to complex." One of the first joint steps to establish trust can be the use of correct political rhetoric – without going beyond the diplomatic lexicon. Disagreements and consents over a particular position should be grounded upon solid arguments rather than mutual insults.

Cultural and scientific contacts between the two countries can serve as a sound platform to discuss controversial historical issues with the participation of representatives from the Abkhazian and Ossetian societies. For example, the Russian and Georgian archives contain many documents, crucial for studying modern history. Joint research would contribute to the establishment and evaluation of historical processes and particular facts. Furthermore, it would help to depoliticise some controversial and sensitive issues.

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It would be very useful to establish permanent forums for a dialogue on expert levels and with the participation of the media community. Sharing information and building trust between communities is one of the ways that ultimately leads to a political dialogue. Such contacts will help to overcome the existing stereotypes that prevent to assess the reality and to show respect for alternative views. The presence of Russian business in Georgia, which feels quite comfortable in the country and is well developed, despite the political confrontation between the states, could serve as a positive factor in this process.

It would be more beneficial, including for the European security, to discuss issues that go beyond the interests of both countries. Such issues may include Black Sea ecology, prevention and therapy of various diseases and epidemics as well as international terrorism, organised crime, illegal arms trafficking, illicit drug trafficking, trafficking, etc.

Negotiations on Russia’s WTO accession could become a good example of reaching a mutual compromise. Establishing an international customs control at checkpoints at Psou River in Abkhazia and Roki Tunnel in South Ossetia will initiate discussions on other mutual security issues. For example, the sides could start discussions on combating illegal international drug trafficking which is dangerous both for Russia and for Georgia as well as the EU. The United States Department of State’s International Narcotics Control Strategy Report identifies the separatist territories beyond the control of Georgian law enforcement authorities as additional routes for illegal drug flow. In addition, an increase in drug trafficking was named as "a threat to the health and welfare of the population of Russia and Abkhazia" at the meeting of Oleg Safonov, Deputy Director of the Federal Drug Control Service of the Russian Federation (FDCS) and Leonid Dzyapshba, de facto Minister of Internal Affairs of Abkhazia. The meeting was held in Sochi on 6 December 2010 following the signing of a protocol on Co-operation in Combating Illegal Trafficking of Narcotic Drugs. At the same meeting, Safonov stressed that marijuana produced in the mountains of Abkhazia was of a good quality and highly valued amongst drug users. He added that hard drugs delivery ducts to Abkhazia from the territory of Russia had been also established.

Drug trafficking, especially in areas of armed conflict is directly related to human trafficking, illegal arms trafficking and international terrorism, which ultimately has a direct impact on the stability of the North Caucasus—especially as the conflicts in the Caucasus—are characterised by both different and similar factors. Their composition, as well as many key players, is interrelated so that the formula of their resolution cannot be radically different from one other.

Despite the complexity of this issue, the number and nature of Russian military forces and military hardware deployed in the conflict zones require a serious discussion. This issue is directly linked to the 1999 Istanbul accords. Therefore, discussing it within the OSCE format could serve as a test for both the current European security system as well as for Russia itself. A country pretending to be the reformer of the international security system needs a more constructive approach to the system of international monitoring toward the fulfillment of treaty obligations.

Nevertheless, initiating these processes first requires political will. Co-operation is established only through common interests. Reset with the United States, collaboration with NATO and the EU will promote rapprochement between Russia and the West. This has a positive impact upon Russian-Georgian relations and could lead to the beginning of a constructive negotiation process.

18 Ibid.
19 For example, Shamil Basayev fought in Nagorno Karabakh and in Abkhazia. From 1992 through 1993, was the Deputy Defense Minister of Abkhazia and Advisor to the Chief of the Military of Abkhazia. He was awarded the title of "Hero of Abkhazia." There is a similar story with Ruslan Gelayev.
The Essence of the Problem

In terms of geography, the North Caucasus is one of the main factors in Russian-Georgian relations. Georgia shares a border with six out of the seven North Caucasus republics of the Russian Federation. Historically, the main reason for Russia to colonise the North Caucasus was to back up its presence in Georgia. Up to a point, the independence gained by Georgia, Armenia and Azerbaijan in 1991, has undermined the system of stimuli behind Russia’s effort to hold on to this intricate territory. After the break-up of the Soviet Union, the North Caucasus factor went on playing its role in the set up of Russian-Georgian relations, being actively involved in the Georgian-Abkhazian and Georgian-South Ossetian conflicts which, in their own turn, had a significant impact upon processes on-going in the North Caucasus.

Recognition of Abkhazia and South Ossetia by Russia has, partially, reanimated ethnic and nationalistic movements in the North Caucasus that had practically gone out of fashion by the 2000. On another hand, the war of 8 August 2008 was a clear cut demonstration of Russia’s readiness to use force in the Caucasus.

On the whole, the situation in the North Caucasus is bound to worsen—socially and economically speaking as well as from the standpoint of general regress—with the spread of aggressive forms of radical Islam and cultural alienation from the rest of Russian territory. Mutual irritation between the majority of the Russian population and its North Caucasian part is on the increase which is well testified to, amongst other instances, by the ethnic disturbance in Moscow on December 2010.

If the trend persists, the North Caucasus may grow from the factor of the irregular and local destabilisation of Russian-Georgian relations as it is now into a solid instability zone dividing our countries. Given the said situation, Georgia is interested in the creation of a monitoring system observing the processes afoot by its borders (indeed, a feat nearly impossible without mutual co-operation) and the establishment of relations with bordering regions on all levels. Some steps have been taken by Georgia in that direction although not all of them have been based upon practicality but, rather, were political measures in response to Russian pressure.

21 On 22 June 2001, the Institute of Sociology of the Russian Academy of Sciences, in co-operation with the German Friedrich Ebert Foundation presented a sociological study entitled “20 лет реформ глазами россиян” in Moscow. Chapter 12 of the study is dedicated in its entirety to the issues of ethnic identity. The level of mutual alienation of Russian and non-Russian parts of the country’s population and the readiness to rely upon violence to protect ethnic interests of their own group allows us to surmise that Russia is on the brink of an internal ethnic conflict between Russian majority and some minorities, mainly of Caucasian origin. The report was published by the Institute of Sociology in digital format and is being prepared for paper publication. For now, the main figures from Chapter 12 may be studied in the article from Moscow News dedicated to the subject and available at http://mn.ru/newspaper_country/20110623/302724641.html
In pursuit of its new North Caucasus policy, Georgia acts as any normal regional state would do but it is obvious that Tbilisi is not always well-positioned from the standpoint of an unbiased analysis of the situation in the North Caucasus. To be more precise, setting up contacts with Circassian social organisations, the Georgian side quite often does not fully take into account the interest of the Circassians’ neighbours (like Karachay-Balkar groups and ethnic Russians).

Georgia’s North Caucasian policy takes into account its experience of the conflicts in Abkhazia and South Ossetia. It remembers how all its actions vis-à-vis the conflicts of the early 1990s have been demonised by the Russian side, actually pulling North Caucasian ethnicities into conflicts in Georgia on the side of the break-away republics. Surely, this experience cannot, to put it lightly, be let go of but it seems wiser to start relations, if not from scratch, then at least trying to put old experience to rest and brushing aside the externally and forcefully created framework of the mutual perceptions of neighbouring ethnicities in the Greater Caucasus which makes the pursuit of mutual interests and the achievement of mutual goals difficult if not impossible. Nowadays, the firing up of the Georgian policy towards the North Caucasus is to great extent conditioned by Georgia’s fears that if Russia is to lose control over the region, the very secular and pro-Western Georgia will become the focus of the shifted attention of aggressive groups of the North Caucasian population. Naturally, Georgia seeks to establish its status as the regional centre and an ethnically and religiously tolerant state. At the same time, Georgia perceives that a stable North Caucasus is the almost sole common interest that it has with Russia that may be used as a foundation of a ‘here and now’ reconciliation process.

Russia, in its own turn, tends to perceive the increase of Georgian political activity in the North Caucasus and the hostile measures as seeking to upturn the stability of the region (although not always, it is notable that the adoption of free border crossing for North Caucasus citizens was met with quite a moderate reaction by Moscow). In the meantime, it is in the strategic interest of Russia itself to have the Russian-Georgian border covered, using its stability as a lever to solve its internal problems in the North Caucasus. It is clear that the so-called ‘bases’ in Abkhazia and South Ossetia gained through the August 2008 war are of small account in the matter. It is also clear that, apart from those issues which are intractable in the short-term as concerns the status of the said territories, Russia and Georgia can and must find some mutually acceptable algorithms of cooperation in the Greater Caucasus. The following study is dedicated, first of all, to an analysis of the urgency of the situation in the North Caucasus from the respective Georgian and Russian standpoints (without a comparison of these standpoints, no constructive targeting would be possible) and, secondly, the pursuit of the aforementioned mutual co-operation algorithms.

**Study Issues:**

- Analysis of the urgency of North Caucasus situation from social, economic, ethnic and confessional standpoints: what are the current challenges and what are the region’s further development scenarios?

- Analysis of the Russian Government’s measures dedicated to the stabilisation of the North Caucasus in 2010: how well does Russia respond to the North Caucasus challenges?

- Analysis of the Georgian Government’s measures dedicated to the enhancement of border co-operation: how well does Georgia respond to the North Caucasus challenges?

- What might any joint responses be like? What is the role of Abkhazia and South Ossetia as they are now in the system of Georgian-Russian interaction: can this role be changed and if yes, how and how soon?

**Methodology:**

This study has been based upon the most recent available data on the Greater Caucasus region which has been researched by the authors or through published sources, both governmental and independent. Information from governmental statistics agencies, regional administrations and non-
governmental, civic and human rights associations has been subjected to analysis. The study also contains references to open source statistics of law-enforcement agencies still playing a significant role in the North Caucasus. Practical recommendations have been made based upon the study of all the aforementioned materials.

**Addressees:**
- Political leaders of the countries (in most general sense – Presidential administrations, governments, legislative bodies).
- Executive bodies in order of competence structure: MIA, MFA, Ministries of Culture, Georgian Ministry for Reintegration, Russian Ministry of Regions.
- Regional authorities in both countries.
- Concerned parties, both local and international civic organisations.

**North Caucasus: Trends and Development Forecast**

**A. Main Events of 1990-2011 in the Russian North Caucasus:**

- **1992** – Breakout of civil war in Chechnya.
- **1994-1996** – First Chechen War.
- **1996-1997** – Khasaviurt cease-fire treaty, agreement on the Reserved Status of Chechnya, withdrawal of the Russian Army from Chechnya, elections of the President of Chechnya.
- **1999-2009** – Chechen militant intrusion into Dagestan, Second Chechen War.
- **2000** – Establishment of the South Federal District (SFD) comprised of Stavropol Territory, Krasnodar Territory, North Ossetia-Alania, Ingushetia, Chechnya, Dagestan, Kalmykia, Astrakhan Region, Volgograd Region and Rostov Region.
- **2002** – Terrorist attack with hostages in Moscow (Nord-Ost).
- **2004** – Terrorist attack against the President of Chechnya, Akhmad Kadyrov, militant attack on Nazran (Ingushetia), terrorist attack in Beslan, abolition of direct elections of the governors.
- **2007** – Appointment of Ramzan Kadyrov to the post of President of Chechnya, announcement of the establishment of the “Caucasus Emirate” by the leader of the armed Chechen underground, Dokka Umarov, and the declaration of war “until the full triumph of sharia all around the North Caucasus.”
- **2008** – War with Georgia and recognition of the independence of Abkhazia and South Ossetia, opposition in Ingushetia becomes more active, crisis in Ingushetia.
• 2009 – Official completion of Counter-Terrorist Operation in Chechnya.

A1. Ethnic Composition of NCFD: Main Groups (data from NCFD Development Strategy to 2025)22

<table>
<thead>
<tr>
<th>Ethnic Group</th>
<th>Size (persons)</th>
<th>Share in NCFD (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russians</td>
<td>2 743 000</td>
<td>29,9</td>
</tr>
<tr>
<td>Chechens</td>
<td>1 485 200</td>
<td>16,2</td>
</tr>
<tr>
<td>Avars</td>
<td>785 300</td>
<td>8,5</td>
</tr>
<tr>
<td>Kabardins</td>
<td>511 700</td>
<td>5,6</td>
</tr>
<tr>
<td>Dargins</td>
<td>488 800</td>
<td>5,3</td>
</tr>
<tr>
<td>Ossetians</td>
<td>476 500</td>
<td>5,2</td>
</tr>
<tr>
<td>Ingush</td>
<td>462 200</td>
<td>5,0</td>
</tr>
<tr>
<td>Kumyks</td>
<td>399 100</td>
<td>4,3</td>
</tr>
<tr>
<td>Lezgins</td>
<td>359 500</td>
<td>3,9</td>
</tr>
<tr>
<td>Karachay</td>
<td>187 600</td>
<td>2,0</td>
</tr>
<tr>
<td>Laks</td>
<td>148 000</td>
<td>1,6</td>
</tr>
<tr>
<td>Balkars</td>
<td>106 800</td>
<td>1,2</td>
</tr>
</tbody>
</table>

A2. Nomenclature of Ethnic Conflicts in the North Caucasus

• Problem of divided peoples of Dagestan/Azerbaijan (Lezgins, Tabasarans, Tsakhurs, Avars).
• Tension between Avars and Avar sub-ethnic groups refusing to identify themselves as Avars.
• Tension between Kumyks and Avars/Dargins related to uncontrolled resettlement of highland Avars and Dargins to Kumyk-populated plains. One portion of Kumyk municipalities has been included into Makhachkala and lost ethnic self-governance. Kumyks believe their representation rights in governance bodies have been infringed.
• Tension between Laks, Chechens and Kumyks in Novolak and Novyi Novolak regions: in 1992, Laks made a decision to give up their lands for the benefit of Chechens who owned the land before deportation of 1944 and were given Kumyk lands by the sea instead. However, the Laks, in reality, are far from eager to leave; those who stay behind come into conflict with incoming Chechens and those who actually move to new lands come into conflict with the Kumyks living there.
• Problem of ousting Russian population from Dagestan and the North Caucasus in general and related problem of increased tensions between indigenous Russian population and migrants from the Caucasus in traditionally Russian regions: in Stavropol and beyond the boundaries of NCFD.

• Problem of demarcation of territories between Ingushetia and Chechnya (Chechnya claims the rights to Sunjen region and oilfields in parts of Malgobek region).

• Problem of Ossetian-Ingush conflict aftermath in Prigorodny region: return of Ingush who left Prigorodny region in 1992 goes on but frustrates Ossetians who perceive that, given higher birth rate in Ingush families, the region quite soon will become primarily Ingush and Muslim with no official transference of the administrative frontier.

• Problem of inter-settlement lands between Balkars and Kabardins in Kabardino-Balkaria.

• Problem of political representation of Circassians in Kabardino-Balkaria and mass street-fights.

• “Great Circassia” and “Great Balkaria” projects.

A3. Main Trends of Situation Development in North Caucasus

Their essence is the following:

– Ethnic radicalisation is being overridden by religious one.

– Number of radical Islam supporters is increasing, especially amongst youth.

– Militant Islamic underground denying any ethnic bounds is rapidly rejuvenating.

– Well-off educated layers of youth are rapidly becoming more radical.

– Traditional Islam is rapidly becoming more radical.

– Drop of population’s confidence in authorities has renewed.

– Militants are gaining influence, their infiltration of business (through racket as well as participation) and executive power (through threatening officials, participation in intra-elite conflicts in the capacity of armed force as well as possibly through direct influence on certain municipal elections).

– Field of application of federal jurisdiction is decreasing, giving place to sharia.

– Forecasted failure of the whole NCFD project, given the lack of plenary powers of Khloponin and his underestimation of every other scope of activity but economics.

– Candidates for Heads of Republics are not being selected based upon a ‘clean record’ and ‘equidistance’ from local influence groups principles.

– Extra corruption possibilities being created (future skiing cluster project).

– Birth rate increase, over saturation of local labour market, increase of labour migration to Russia leading, given the changes in self-perception of Caucasian youth, to increase of the probability of inter-community conflict in receiving regions and, as a consequence, leading to the increase in the popularity of the idea of North Caucasus secession in Russia.

B. Truce of 2005–2008, Conditions and Reasons for its Termination

In order to understand the current condition in the North Caucasus, which, as a whole may be dubbed as increasing instability, one should know that there was a period of relative calm between the fall of 2005 and the summer of 2008. 2004 may obviously be tagged as the year of an unstable equilibrium. In May 2004 in Chechnya, as a result of an audacious terrorist attack Akhmad Kadyrov, the first president of Chechnya to be loyal to Russia, was killed followed by an attack on Ingushetia by a large group of militants in June of that year and the seizure of a school in Beslan (North Ossetia) on 1-3 September.
Afterwards, the number of terrorist attacks dropped. There were 257 in 2005, 112 in 2006 and only 48 in 2007. For comparison’s sake, their number amounted to 576 in 2008.\textsuperscript{23} The fall of 2005 was marked with a last large-scale militant act when about 200 militants of the armed underground carried out simultaneous attacks on some 15 military and militia targets in Nalchik, the capital of Kabardino-Balkaria, on 13 October. Attacks of a similar scale have not taken place since this event.

The relative stability in the North Caucasus in 2005-2008 may be explained by the following circumstances:

- General economic growth in the Russian Federation. Increased prosperity not only allowed for budgetary transfers to be extended to support North Caucasus regions but also to achieve higher incomes for migrants from the regions employed in other Russian regions sending gains back home. The extra 50-100 dollars per month played the role of a social ‘airbag.’

- Stabilisation in Chechnya. As the influence of Ramzan Kadyrov grew, the process of the restoration of Grozny got off the ground. Kadyrov succeeded in drawing the attention of the majority of Chechen ethnic-nationalists, reformulating national idea and, in essence, shaping up a coalition government from both pro-Russian and recently anti-Russian appointees.\textsuperscript{24} Chechnya ceased to be the driving force of subversive war in the North Caucasus as it used to be in the period from 1991 to 2004, spreading ideas, money, arms and military experience. Chechen ethnic nationalism ceased to be the fuel to fire it all up which is the very reason that Dokka Umarov had to declare an Islamic Emirate instead of a separatist Ichkeria.

- Number of relatively successful appointments. 2004-2007 – plenipotentiary of the President in SFD – Dmitri Kozak. After 2005 – Head of North Ossetia – Teimuraz Mamsurov, President of Kabardino-Balkaria – Arsen Kanokov, in 2006 to 2010 – President of Dagestan – Mukhu Aliev, in 2008-2011 – President of Karachay-Circassia – Boris Ebzeev, since 2008 – President of Ingushetia – Iunus-Beg Evkurov. All of these appointments have been made, seemingly, based upon strategic supposition: appointment of “Varangians” – successful men with clean records, without connections in local influence groups, may solve the problem of clannishness and corruption. In fact, all initiatives of the new leaders have quite soon been brought to naught by local ethnic bureaucracies but each of the appointments was increasing the local population’s ‘reserve of confidence’ towards authorities as hope for a better future was rekindled.

Combined together, all three factors as mentioned above have created a ‘stripe’ of stability for the period of roughly two to two-and-a-half years which is not an easy feat within the critical conditions Russia is facing in the North Caucasus.

By mid-August 2008, global oil prices rocketed down to the level of $100 per barrel. One cannot rule out the possibility that the very change of prices has been one of the indirect causes of the Russian intrusion into Georgia deployed following the events of 8 August. The global economic crisis led to an economic recession in Russia. As a result, one of the three ‘pillars’ of the relative North Caucasian ‘truce’ has been broken down.’

In 2007, presidential plenipotentiary, Dmitri Kozak—the one and only federal ‘regent’ of the region ever to gain the respect of the local population—was transferred to a different position. The confidence ‘stock’ in the abilities of the appointees of the ‘truce’ period is running out (if not exhausted already), given the time of the appointment and the state of affairs in each of the regions. After 2010, the Kremlin itself marked the end of the locally unconnected ‘Varangian’ appointment strategy, as illustrated by the replacement of Mukhu Aliev with Magomedsalam Magomedov in

\textsuperscript{23} Data based upon the analytical report by Boris Nemtsov and Vladimir Milov, “Путин. Итоги,” available at http://www.putin-itogi.ru/doklad/#5 and procured by the authors from official open sources of the Russian law enforcement agencies.

Dagestan in 2010 (indicating a return to the policy of the governance through influence groups present on the scene before 2006) and the similarly premature replacement of Karachay-Circassia President, Boris Ebzeev, with Rashid Temrezov. The latter appointment gave ground to much disappointment in Karachay-Circassia, in particular, and in the Caucasus, in general, as it was quite apparent that Temrezov is a conduit of the former President Mustafa Batdyev and his criminal son-in-law, Alia Kaytov’s, influence groups interests.

At the same time, the situation in Chechnya is equally ambiguous. Kadyrov’s popularity, it seems, has gone beyond its peak (or soon will) and has nowhere to go but down. Apparently this is related to the fact that upon the completion of Putin’s presidential term, Kadyrov’s channels of influence at the federal level were somewhat clogged although the connection ‘President Kadyrov and President Putin’ was one of the ‘walking sticks’ Kadyrov’s popularity leaned upon. The split that occurred amongst militants in the summer and fall of 2010 and the increased activity on the part of the subversive underground in Chechnya proper also testifies to the weakening of the Kadyrov regime. The Chechen ‘pillar’ of the truce has suffered the least so far but its position is also insecure.

Apart from three factors as above, situation has been aggravated by increased underground activity following declaration of the Caucasus Emirate, as well as by the intensification of ethnic-national movements in the wake of Russia’s recognition of the break-away regimes in Abkhazia and South Ossetia and the Winter Olympic Games of 2014 to be held in Sochi – the very location causing reanimation of the so-called ‘Circassian Question.’

It may be argued with all confidence, therefore, that the Caucasus entered a new curve of increasing instability after the summer of 2008. This argument may be backed up, in particular, by data on the number of terrorist attacks (48, 576, 786 accordingly in 2007, 2008 and 2009) and the fact that terrorist war has now returned to Moscow ground (resonant terrorist attacks in the Moscow subway in March 2010 and in Domodedovo Airport in January 2011).

C. Geographic Zones

Conditionally, the North Caucasus may be divided into three zones.

The first of them would be Chechnya with some common generic features with other regions of the eastern part of the North Caucasus but having in mind its recent military history bearing still more serious differences as well.

The second zone would include the East Caucasus proper; that is, Dagestan and Ingushetia. Amongst the main features of this zone (also true up to a certain extent for Chechnya) is a decrease in the working and economic efficiency of the area in comparison to the Soviet period along with a depreciation of its infrastructure and no real ethnic Russian population as it used to be prior to the early 1990s as well as the adherence to a specific variety of Islam relatively more prone to imported radical trends.

25 Following resignation of Putin, Kadyrov’s lobbying resources in Moscow and in Kremlin, in particular, evidently shrunk. Several ongoing court proceedings testify to the fact that Kadyrov’s political position under Medvedev is not reliable enough: these are, in particular, the trial of the Chairman of the Memorial human rights centre, Oleg Orlov versus Kadyrov, that ended with the acquittal of Orlov (see: http://www.memo.ru/2011/06/14/orlov.htm) or the trial of the actual murderers of Russia hero, Ruslan Yamadaev, on 24 September 2008 in Moscow. On 6 June 2011, the Supreme Court confirmed the verdict of actual murders (see: http://news.rambler.ru/10122675/) that could not have happened in the previous Putin period. All the Russian legal proceedings related to the murder case of Kadyrov’s former bodyguard, Omar Israilov, in Vienna (Austria) are synchronised in an astonishing way whereas Kadyrov looks very unfavourable in this case; see: http://www.memo.ru/2010/12/02/0212101.html. It should be noted also that the North Caucasus resort building project, launched by Medvedev in 2010 (see below), excludes Chechnya. Given the lobbying support of Putin and the financial support of Ruslan Baisarov, Kadyrov is independently building a separate Chechen resort, Veduchi, in the Itum-Kalin district.

26 Terrorist attack in Domodedovo Airport took place on 24 January 2011. 38 people, including the assumed suicide bomber, were killed, whilst 170 were wounded. Double terrorist attack in Moscow Subway took place on 29 March 2010 on the Lubianka and Park Kultury stations with 40 dead and 88 wounded.
The third zone, the West Caucasus, is made up of North Ossetia, Kabardino-Balkaria and Karachay-Circassia. The economic recession is not as thorough in this zone given a more developed infrastructure and Russians still making up from 15 to 40% of the population and the local variety of Islam less susceptible to radical trends.

Let us now consider the situation in the North Caucasus in each of these zones. On the whole, it may serve as evidence of a smoothing out of the differences between the East and the West but not, unfortunately, because the situation in the East is improving but, rather, because the problems in the West are getting worse.

C. Chechnya

The situation in Chechnya is ambiguous. On one hand, this territory is an obvious leader of the North Caucasus both by volume of federal capital investment (exceeding 60 billion roubles annually\(^27\)) as well as because it exhibits a trend of positive changes in social life and economics. It would probably be more appropriate just to state that all adjacent republics simply fail to show any sign of changes at all whilst Chechnya—a place having been nearly destroyed by two wars and an example of the path no one should take—is nowadays drawing upon itself the envy of its neighbours. Grozny, its capital, is now completely restored, gaining a new feature that it did not have before the war; that is, a modern metropolis with a well-justified claim to the title of the most developed, comfortable and, not the least, safe city of the North Caucasus. Anyone who saw Grozny or Chechnya at the time of or immediately after the second war cannot help being impressed with the changes for the better. Both visitors and locals tend to be equally impressed. Regardless of the differences of their regime, the only other territory in Caucasus to which Chechnya may be compared from the standpoint of the positive changes rate is probably Georgia.

On the other hand, with expiration of Vladimir Putin’s presidential term in spring 2008, the relationship system between Chechnya and the federal centre, based largely upon the personal union of Putin and Kadyrov, crumbled immediately.

Ever since Russia made the decision to rely upon the moderate separatist followers of traditional Islam (headed by the Kadyrov family) after entering Chechnya in 1999, the legitimacy of the Chechen regime had its source in the intimate personal relations with the head of Russian state; this was true for Akhmad-Hajji Kadyrov and even more so in the time of his son Ramzan. The latter, coming to power, found the means to end the stalemate that the post-war restoration process in Chechnya had been in for years. If it were not for his direct relations with Putin, this might not have been possible. These special relations are being emphasised by Kadyrov in public upon a weekly basis (as opposed Putin who is by far less eager to go on confirming the special nature of their relationship). Not only was it Putin who made Kadyrov’s authority legitimate for Chechens, he also granted Kadyrov with unlimited access to the federal budget as well as the right to lean heavily upon leading Chechen businessmen which nowadays serves as the main investment force behind construction work in Grozny.

During Putin’s presidency, therefore, mutual relations between Chechnya and the federal centre were established in a way Moscow would have seen extended to other conflict regions as well. Ramzan Kadyrov was entrusted with decision-making in the entirety of Chechnya’s internal policies, including the majority of military/law enforcement-related issues, and is answerable solely and exclusively to Putin. Oil, as Chechnya’s only strategic resource, was left at the disposal of the federal centre although Chechen oil is being extracted, stored, exported and sold by the Kremlin-controlled Rosneft company. Kadyrov also keeps on demanding for these control levers but is

\(^{27}\) According to the Ministry of Finance of the Russian Federation. Data has been specifically analysed by Natalia Zubarevich, Professor of Moscow State University, Director of the Institute of Social Policy. A general overview of Zubarevich’s figures on the spending of the federal budgetary funding in the North Caucasus are found in Moscow News publications on 4 April 2011 (see: http://mn.ru/politics/20110404/300841916.html and http://mn.ru/blog_caucasus/20110404/300857826.html).
apparently himself well aware of the fact that this effort is bound to fail. Certain elements of trade-off, however, are present in the deal as well such as the special task forces of the MIA of Chechnya that are subordinate to Kadyrov and are providing security services to the oil-extraction and transportation facilities of Rosneft as well as keeping guard duty on the Chechen sector of the Baku-Novorossiysk pipeline. Exclusive direct access to the pipelines in Chechnya traditionally presupposes theft opportunities. This notwithstanding, Rosneft made the decision in 2010 to construct a refinery in Chechnya with a capacity of up to a million tons per year.\(^{28}\)

Kadyrov’s relations with Medvedev are less serene probably because Medvedev, unlike Putin, is not bound by any personal commitment and was never a concerned party to an informal agreement as described above. Medvedev’s exhibited attitude to Chechnya is a mere reproduction of a traditional ritual and, at that, inimical. However, the readiness on Medvedev’s part to essentially reform the plans for administering Chechnya (the feat by default implying a replacement of its current president) is not at all evident.

At the beginning of 2011, Medvedev reappointed Kadyrov to another presidential term. For the first time in the recent history of Chechnya, the highest ranked official safely served his whole term of office. This fact, in itself, may be interpreted as a certain sign of change in mentality towards better tolerance. Nevertheless, a certain effort to ‘shake’ Kadyrov ‘about’ is being put in (apparently, by the Chechen business-elite who would like to increase their participation in political decision-making as a compensation for the ‘voluntary’ donations they make). For instance, in the winter of 2010-2011, Kremlin administration was provided with photographs concerning the dreadful reprisal of militant supporters amongst the ranks of the Argun town militia. Undoubtedly, efforts such as this will be carried on.

It may also be presumed that the stability of Kadyrov’s regime within Chechnya will not prosper from the possible future political conflict between Putin and Medvedev wherein Kadyrov will assuredly side with the former. In any case, one of the foundations of the stability of Kadyrov’s regime and, partially, of his personal popularity is his direct access channels to the highest circles in Moscow. When (and if) the population of Chechnya has the grounds to doubt whether or not such channels really exist, the level of stability and manageability in the republic will drop immediately.

Kadyrov’s success was also related to his ability to make a name for himself as an ethnic Chechen leader who made a large part of the armed militants—those who fought Russia not as much as for Islam but for Chechen freedom—surrender and change sides. Here too, however, the year 2010 has shown where the lines limiting possible progress lay. The Global Chechen Congress, officially initiated by Kadyrov together with Ahmed Zakaev, the head of the separatist government in exile, in 2006, was to take place in the fall of that year. The Congress was the last piece of the puzzle in Kadyrov’s image of an ethnic leader of all Chechens around the world although it did not come to be as it was planned. Kadyrov’s relations with Zakaev suffered a great deal in 2009-2010 as a result of which two separate congresses were held at the same time, one under Kadyrov in Chechnya and another presided over by Zakaev in Poland.\(^{29}\)

For a while, Zakaev’s separatist government was not actually representing anyone. Dokka Umarov, the leader of the Chechen and North Caucasian underground, renounced the idea of Chechen independence in 2007 and declared the idea of Chechen independence in 2007 and declared the establishment of the Caucasus Emirate, an underground quasi-state, dubbing al Qaeda’s actions as ‘righteous’ strife and fighting for the spread of sharia legislation in the whole of the North Caucasus. Such a concept (which would, undoubtedly, hardly be well accepted in the West) was angrily rejected by Zakaev with this rejection immediately leading to him being declared a traitor and a wanted man by Umarov. Whilst Umarov was

\(^{28}\) Коммерсантъ at http://www.kommersant.ru/Doc/1315219. It is significant that prior to the outbreak of the war (i.e., before 1991-1994) the capacity of refineries in Chechnya amounted to 20 to 24 million tons yearly with local extraction amounting to 3 to 4 million tons. Therefore, three-fourths of the refined oil was imported which is not possible anymore. Pre-war refineries have been totally destroyed.

representing the actual sentiment of the underground, Zakaev seemed to be losing the game until summer-fall 2010 when the very Chechen sector of the Caucasus armed underground split up. Part of the Chechen field commanders, led by emir Hussein Gakaev, renounced Umarov’s authority.30 Zakaev hurried to interpret this development as a sign that al Qaeda’s principles were being rejected and the fight for Chechen independence would now be rekindled. It should be noted, however, that Gakaev’s rebellion was supported by emir Muhammad (Abu Anas), the head of the Arab mojahedeen in the North Caucasus and so the global jihad idea has most probably not been put aside at all. The reason for splitting up, most likely, might be the belief on the part of field commanders that Umarov co-operates with the enemy (Kadyrov and or federals).

Dissidence amongst one’s enemies (for militants are enemies of Russia) is always for the better but this may constitute a first alarm for Kadyrov and his system in Chechnya. Firstly, not renouncing jihad at all, Gakaev is turning back on the former driving ‘engine’ of war for Chechen freedom. Just a year ago, it seemed that the system of values related to the concept of Chechen freedom was under the monopoly of Kadyrov as his own feud. Secondly, ‘dissidents’ needed to make themselves known immediately and so they carried out two audacious attacks: bringing it home to Kadyrov by attacking his native village and carrying out a second assault on the Parliamentary building in Grozny. These were two of the most prominent attacks. It is likely that the same trend will persist into the future.

Up until now, a positive development has been prevailing in Chechnya but the personal popularity of Kadyrov, if not diminishing, has at least stopped growing according to observers. Discontent with his stern personal power is taking its place, aggravated by terror against militant families, illegal extortion from small and medium business and even salaries of public servants, with some specific social issues mixed in such as, for instance, bribery is still the only key for receiving medical treatment even though clinics might have been restored and are well equipped even though remaining understaffed. Still, a general feeling of changes for the better persists in security-related issues as evidenced by the sheer number of bomber attacks in Chechnya in 2010 having dropped twice as compared to 2009. The local population testifies to the decrease of the violence of Kadyrov’s enforcement agencies as well and, for the time being, is ready to forgive even blatant infringements of human rights as these are of more sporadic rather than systematic nature.

It does not mean, however, that the same was true a year ago or it will always hold true in the future.

At the same time, Kadyrov’s regime is the only one in the North Caucasus putting some effort into drawing in youth of all ages (teenagers included) and actually supporting traditional Islam, setting it apart from and against “imported” varieties that make up the foundation of the militants’ ideologies. It should be noted that paradoxically enough, in their effort to make traditional Islam more attractive, Kadyrov and his religious councillors are actually making it more radical. As a consequence, given the influence of Islam upon all aspects of life (for instance, alcohol cannot be sold in Chechnya but for the morning hours of 8 to ten o’clock), Chechnya is by and by getting further apart from the common Russian cultural, political and legal space. The pressure upon Chechen women is gradually increasing as they are now forced to wear headscarves in public, are often killed in so-called ‘crimes of honour’ and are forcefully married off (into allowed by sharia but prohibited under Russian legislation polygamous families as well). North Caucasian theologians and Islamic scholars are inclined to consider the Chechen version of Islam, widely advertised as traditional, to be in fact quite close to the Salafi variety that is widespread in the underground. Under our very nose, therefore, Chechnya is turning into Islamic emirate and is an indivisible part

30 Cf., http://www.kavkaz-uzel.ru/articles/175721/. Another important source on the features of the current war in Chechnya and North Caucasus as a whole, see: http://www.agentura.ru/press/about/jointprojects/ezo/skem/
of the Russian Federation on paper only. Ramzan Kadyrov even “tried on” the new title of his office—Imam of Chechnya—although finally preferred to use the term Head of Chechnya.31

The sole link still connecting the republic with the rest of the country are the generous federal subsidies. This is quite a powerful link—and not one of minor importance—but it does not make up for the lack of mental unity. Apart from that, like any system that has single (however talented) person for a cornerstone, Kadyrov’s regime is vulnerable. The times when the negative sides of Kadyrov’s regime will start outweighing the positive ones are approaching, if not already here, and Moscow, let alone spotting possible alternatives, has still not managed to get around the very idea that alternatives are even possible.

D. Ingushetia

In 2008, Ingushetia was showing signs it might have turned into the ‘hottest’ spot in the North Caucasus because of the thorough confidence crisis towards the authority of President, Murat Ziazikov (two presidential terms, 2002-2006 and 2006-2008). Distrust was related mainly to his decision to let the federal enforcement agencies have a free ride (as opposed to his charismatic predecessor, Ruslan Aushev) in Ingushetia, whom these agencies consider (a well-grounded consideration it is) to be a rear logistic base for the Chechen armed underground. Applied enforcement actions, however, have proved themselves counterproductive: excess violence on the part of enforcement agencies has created and strengthened the very Ingush sector of the underground that has played a significant role in militant attacks on several settlements in Ingushetia even as early as 2004, participating as well in the seizure of Belsan (North Ossetia) School No. 1. The whole situation folded itself into a kind of a vicious circle with the excessive violence of the enforcers increasing the mobilisation potential of the underground and adding to the growth of the underground itself causing in its turn more excessive use of violence and so forth. To make Ziazikov answerable for results of enforcement agencies trying too hard would have been strange as they were not his subordinates; quite the opposite, he himself was appointed for the very purpose of helping their actions along. Nevertheless, it was Ziazikov who became a focal point of a public hatred of such intensity by the end of 2008 that the system was under the threat of total collapse. This was even more so as Ingush were the only people of the North Caucasus who, after recognition of Abkhazia and South Ossetia in August 2008, publicly (during the public meeting) posed a question as to ‘why, if Abkhazians and Ossetians have the right of self-determination, should we be denied one?’32

The premature termination of Ziazikov’s presidential term and the appointment of Iunus-Beg Evkurov has become one of the most successful measures carried out in the North Caucasus by Medvedev. Evkurov actually put political speculation around the Prigorodny regions to an end (part of North Ossetia, conflict territory between Ingush and Ossetians since 1992), having recognised the existing administrative border line. He started to fight against corruption, he personally went ‘into the woods’ to meet and negotiate with militants and tried to convince law-enforcement agencies to be more cautious and accurate in the discharge of their duty. In June 2009, there was an attempt on Evkurov’s life but he survived and resumed his office following a break of several weeks.

At the time of Evkurov’s appointment, one part of the experts was of the opinion that he had only two ways out: to gradually become a new version of Ziazikov or take a page out of Kadyrov’s book, wrestle the right to have his own Ingush law enforcement agencies and oust federals from the region. But Evkurov, with his past in the military, is a man of a different background as compared to Kadyrov with the Russian enforcement agencies considering Ingushetia to be the very ground where they can demonstrate to the Kremlin there is no pressing need to hand all enforcement authority over to local structures. Evkurov, therefore, took the middle way. He formed an Ingush

militia battalion under the command of his brother, Uvais, similar to what the small personal guard of Akhmad Kadyrov once was, and secured a certain level of ‘synergy’ in co-operation with the civil authorities of Ingushetia and federal enforcement agencies. As a result, an operational algorithm for suppressing the militants was found that would rule out any immediate public indignation with every single special operation.\(^{33}\) Militants were being terminated either outside Ingushetia’s borders—and, in such cases, republic authorities were making a good face of it acting as if they were not to be blamed—or within its boundaries but only in very obvious cases when a militant was shooting back from his house and his fellow villagers now can be convinced that the man just shot by the enforcers hadn’t actually been that innocent. The level of violence has gone down in the last six months with internet surveys testifying that Evkurov is far above of his predecessor in popularity. The number of bomber attacks in Ingushetia, just as in Chechnya, has dropped twice as compared to 2009.\(^{34}\) This may be called success, even if moderate, despite single cases like the fact that investigators indicate that the suicide bomber who attacked Domodedovo Airport on 24 January 2011 was from Ingushetia. Ali-Iurt residents admit that Mahomet Evloev left home in August 2010 and, most likely, went ‘into the woods.’

**E. Dagestan**

As opposed to Chechnya and Ingushetia, Dagestan exhibits a sustainable and considerable increase (up to three times) of the number of terrorist attacks in 2010 as compared to 2009. A protracted political crisis in Dagestan began in the winter of 2009 which was caused by the delay in the Kremlin’s decision to reappoint or replace then President, Mukhu Aliev. It was supposed that part of the sabotage was to be connected, this way or that, with the effort of Aliev’s political opponents to discredit him and so instability was expected to level out once the issue of the presidential appointment was settled. This, however, was not to happen.

The situation in Dagestan might have been much worse were it not for the fact that this republic possesses a unique system of internal balance. It took shape historically thanks to the unique ethnic diversity of the region and the abundance of areas of mixed ethnic groups and their need to find some common interests with diversified and ethnically alien neighbours. By the early and mid-1990s, agents of the system were mainly ethnic groups and their public and political movements that finally achieved a certain balanced system of ethnic representation in governmental bodies and publicly important offices in Dagestan. By the 2000s, agents of the balance system ceased to be purely ethnic as well as the number of the groups themselves decreased. Nowadays, these are not public movements correlated with the number of ethnicities living in Dagestan but several influence groups, united apart from their ethnicity and quite often also by common goals of a political and economic nature. Thanks to their relatively balanced coexistence, a vertical hierarchy of power (habitual for other regions, the North Caucasus included) cannot gain foothold in Dagestan. The system of a balance of interests provides Dagestan even with some space for a relative freedom of the press although the most precise term to dub the system with would be as a ‘feudal pluralism.’

Seven of Dagestan’s influence groups are relatively easy to point out:

- The first may be conditionally dubbed the Levashin Dargins group after the native village of the current President of Dagestan, Magomedsalam Magomedov, and his father, Magomedali (Head of the Republic in 1994-2006). This is a group of persons that has been formed in the immediate company of the new president based upon the old management team and ‘courtiers’ of his father. Magomedali himself is not lagging far behind enjoying quite an amount of influence within the group.

- The second Dargin group is represented by the municipality of Makhachkala under Said Amirov. Amirov is sporting presidential ambitions of his own but is in a state of benevolent


\(^{34}\) [http://www.kavkaz-uzel.ru/articles/182170/](http://www.kavkaz-uzel.ru/articles/182170/)
peace with the new presidential administration not the least because the president is of Dargin origin. Amirov believes himself to be the second Dargin of the Republic but his team is international, he avoid being treated along the feudal clientele scheme and puts some effort into participation in Dagestan politics through all existing legal political parties.

- Group of loyal Avars – the portion of the Avar opposition after their split up in 2006 that refused to support Avar President, Mukhu Aliev (2006-2010), and now is leaning towards Magomedsalam despite having opposed his father in the mid-2000s. The group is led by the owner of the Dagestani “branch” of Rosneft, Gadji Makhachev, and Head of the Pension Fund of Dagestan, Saigid Murtazaliev. The latter is quite often called Dagestani Ramzan Kadyrov for his youth, sharpness and personal friendship with Ramzan. Murtazaliev’s ambition is to one day become Prime Minister.

- Avar opposition – grouped mainly around the Mayor of Khasaviurt, Saigidphashi Umakhanov, who used to support Mukhu Aliev up to 2010 and is now an outcast. Umakhanov’s position is very difficult given that he quarreled with former partners within the Avar opposition, with Ramzan Kadyrov—with whom he used to be friends—and also with influential Kumyk clans that have declared a vendetta against him for the murder of the Head of the Khasaviurt region, Alimsultan Alkhamatov.

- Kumyk opposition. Kumyks are third largest ethnic group of Dagestan and, contrary to Avars and Dargins, live on the plains. Traditionally, the first three highest offices in Dagestan were divided between Avars, Dargins and Kumyks whereas Kumyks, as a rule, were providing candidates for the Prime Minister’s post. Since early 2010, Kumyks have been given the office of the People’s Assembly Speaker. This in itself caused discontent amongst Kumyks who believe that they are infringed by Avars and Dargins moving to the plains from their highlands and ousting Kumyks from their traditional lands. Several Kumyk municipalities have been merged into Makhachkala and have, therefore, been denied ethnic self-governance. Kumyk opposition does not belong to the ‘gang’ of the current President but they cannot join forces with another oppositional Khasaviurt group because of the running conflict with the Avars in general and the unsolved problem of the vendetta, in particular.

- South Dagestani municipalities, mainly Lezgin, Azeri and Tabasaran. They support the Mayor of Derbent, Imam Iaraliev, who used to oppose Mukhu Aliev but is now supporting Magomedsalam.

- Moscow Dagestani community, supporting Suleiman Kerimov. It is believed that Kerimov ‘ordered and paid for’ the current make-up of the power distribution in Dagestan and, indeed, a large portion of the current ‘coalition of elites’ is supporting Magomedsalam as they perceive him in the capacity of the conduit for Kerimov’s interests. Nevertheless, the relations of Magomedsalam with Kerimov are far from serene and so the idea that Chechen success might have been transplanted in Dagestan by means of Kerimov’s money is far from finding realisation any time soon. Kerimov, apparently, is not happy with the level of influence he currently enjoys in Dagestan. The general disposition is contrary to the Chechen situation as of now where Kadyrov (by means of Putin) decides at what point in time the oligarchs of Chechen origin should give up ‘for charity.’ As of yet, Kerimov does it all by himself.

On the whole, it is believed that Magomedsalam has been assigned the task of finding a full consensus within the Dagestani elite. Mainly, the goal has been achieved in that five out of seven influence groups, up to certain extent, have joined a broad coalition. There is only a small hope of getting the remaining two in any time soon.

The Dagestani tradition of internal self-regulation and the quest for consensus-based relation channels leads to the effort to establish a certain kind of dialogue with radical Muslims and even armed underground. In November last year, the Vice-Prime Minister of Dagestan in Law
Enforcement, Rizvan Kurbanov (believed to be Kerimov’s man), set up a special commission dedicated to the adaptation of militants to a peaceful life. Up to now, the Commission has managed to bring some 30 militants ‘out of the woods.’ In fact, the commission’s operational framework enables it to help only those who were not actively involved in military action or who have not committed crimes adapt to a peaceful life. The first Chechen amnesties, however, were basically following the same plan, establishing other proceedings later on in order to encompass a wider circle of former militants. There is also no progress worth mentioning in the establishment of the Theology Council of Dagestan that would include theologians from the Salafi movement who are providing an ideological foundation for the underground. Efforts initiated in 2009-2010 have been interrupted by the Moscow Subway terrorist attack of 29 March 2010 as Salafi communities once again naturally became the focal point of the attention of law enforcement agencies.

Despite the fact that Dagestan has powerful Sufi traditions and several Sheikhs capable of mobilising their followers to openly oppose Salafeen, the influence of the latter along with the armed underground is increasing. The ideological underground is not so squeamish as not to rely on means such as open racket with a majority of businessmen paying tribute as those who refuse to ‘cough up’ are risking both their businesses and their lives. In certain cases, even republic minister-level officials have to ransom their safety. At the same time, elite law enforcers and the ‘woods’ are quite often united by common interests like in the case of the murder of the Minister for Internal Affairs of Dagestan, Adilgirey Magomedtagirov, who was shot by a sniper’s rifle borrowed from the armoury of the Botlich Mountain Brigade.

The same as in Chechnya, the process of radicalisation of traditional Islam is afoot in Dagestan. There are areas where sharia enjoys precedence over Russian legislation although it does not mean that the majority of the local population of such areas are followers of Salafi Islam. Islam in general is a significant factor in local life although only 30% of the population may be considered to be relatively indifferently disposed towards religion and only 3% are ready to publicly state so. In general, the situation is building up to form the mentality of the new generation in whose perception Islam is the only co-ordinate system and who are totally indifferent to all legal means of policy-making and public life.

The process is made even more essential by the population growth rate in Dagestan where 30 to 35 thousand people are entering adulthood yearly and finding themselves in need of employment and education. Given the local lack of both employment and study opportunities, young Dagestanis are migrating outside of the region but, being more often than not very Islamised and bearing their own specific worldview they are prone to enter into conflicts with local populace of the places they are resettling too, with the trend being on the increase. A logical consequence is the growth of xenophobia amongst Russians and sporadic outbursts like the Manejnaya Square upheaval.

It may be argued that the main problem of Dagestan and Caucasus in general is their ‘lost’ youth. From this standpoint, efforts applied by the centre to reconcile Dagestani elites are yesterday’s policy and inadequate to meet the current challenges. The same may be said for the current fashion of encouraging Islam, even if in its traditional form. The Islamic factor is excessive in the Caucasus as it is, undoubtedly, alienating the region from the common cultural space of the rest of Russia. Much being discussed in Moscow, as in ideas for the legalisation of radical Islamic movements (provided that their adepts were not engaged in armed fight), seems ambiguous as well. Tactically speaking, that may be a good move that at least ensures that the centre is aware of the public processes afoot in the North Caucasus and is trying to keep abreast of them. Strategically, however, such an approach would be contrary to President Medvedev’s idea of the country’s modernisation, as a whole, and the North Caucasus region, in particular.

35 http://mn.ru/newspaper_zoom/20110427/301418797.html
36 The Minister of Internal Affairs of Dagestan was murdered on 4 June 2009 in Makhachkala. For materials of the trial of the accused see: http://www.kommersant.ru/doc/1652791
37 Cf. also http://mn.ru/newspaper_zoom/20110427/301418797.html
F. West Caucasus, The Circassian Question

The western part of the North Caucasus, where relative stability was observed and less social and economic challenges faced between the years 2005-2008 as part of Soviet economic infrastructure was preserved, has a population of more ethnic Russians and so the ground for radical Islam to spread was more limited although the region is currently passing through just another outburst of ethnic nationalism. This is only partially true for North Ossetia which, regardless of the two hot conflict situations in which it is involved—South Ossetia and Ossetia-Ingush—as of yet retains relative stability. In Kabardino-Balkaria and Karachay-Circassia, however, the conflict lines between Kabardins and Circassians, on one hand, and Balkars and Karachay, on another, are quite evident. Since this topic has been dealt with in separate report by the assembled authors, let us touch upon several of the most essential issues only.

It is obvious that the ethnic nationalist renaissance, if not directly provoked by the move, has been livened after the Russian recognition of South Ossetia and Abkhazia. The situation has been further worsened by the decision to hold the Winter Olympic Games in Sochi in 2014 which includes the construction of a skiing cluster with three out of its five locations scheduled to be built in Adigey, Karachay-Circassia and Kabardino-Balkaria as well as the division of the South Federal District and North Caucasian Federal District. The Olympic project coincides with the 150th anniversary of the end of the Great Caucasus War and revives the issue of the Circassian genocide in the Russian Empire. The Kabardino-Balkarian part of the cluster, planned to be built near the Balkar village of Bezengi, has aggravated the land usage/ownership-related antagonisms between Balkars and Kabardins dealing with the so-called ‘inter-settlement lands’ (now officially called ‘adjacent territories’). The division of districts has been perceived by the Circassians as an effort to administratively separate Adigey from Kabardino-Balkaria and Karachay-Circassia thus breaking up Circassian society. In the meantime, the whole series of poor appointments in Karachay-Circassia provoked an intensification of the confrontation between Karachay and Circassians resulting in a number of incidents of mass fighting with up to 300 people involved in 2009 and 2010. As usual, the outburst of ethnic tensions has its impact upon Russians as well. In 2009 and 2010, there were fights recorded between Kabardins, specifically going to traditionally Russian villages, and Russians/Cossacks.

It should be noted that the conflict between ‘Karachay-Balkars’ and ‘Kabardino-Circassians’ is given much more publicity than its actual impact upon the features of inter-community life warrants. Nevertheless, there is a political ideology behind the conflicts, too (projects of ‘Great Balkaria’ and ‘Great Circassia,’ pursuing the revision of internal administrative and ethnic boundaries in Russia), as well as real conflict of interests (the issue of inter-settlement lands in

38 Given text deliberately avoids emphasis upon the North Ossetia situation as both Ossetians have a special report dedicated to them within the framework of the SecondTrack project. On the whole, the following circumstances are worth mentioning: the population of North Ossetia amounts to 700 thousand people, mainly Christian. This, along with the traditional loyalty of Ossetians to Moscow for last 70-80 years, gives the federal centre the grounds to consider North Ossetia as a civilised outpost in the geographic centre of the Islamic North Caucasus. Such a mixture of geographic and cultural factors would, given the favourable development of relations between Russia and Georgia, might have made Ossetia an ideal platform of mutually beneficent transboundary co-operation that ethnic Ossetians would have gained from as well. Yet, this blockade of mutual relations with Georgia alienates Ossetia both from Georgia and its Islamic neighbourhood. Following the recognition of South Ossetia, there appeared the speculative probability that, given the weakening of Russia’s positions to the east and west of North Ossetia; that is, in the Islamic regions of the North Caucasus, the political ‘attachment’ of Ossetia to Russia would weaken too and, in such a case, South Ossetia may become the ‘pole of attraction’ for a North Ossetian cessation movement. For such a scenario to become possible, however, a really critical drop in the level of the confidence of North Ossetians towards Russia should first take place which is not yet happening despite the unfortunate lack of any anti-corruption achievements in the region. As well, the quite rapid ‘crawling Islamisation’ of North Ossetia cannot be overlooked. Not only ethnic Ingush, Chechens and Kumyks in the Prigorodny and Mozdok districts are Muslims, but a considerable part of Digor Ossetians making up almost a third of Ossetian ethnicity is as well. ‘Caucasus Emirate’ included Ossetia into its Ingush vilayet. 39 http://www.vremya.ru/2009/228/4/243438.html 40 http://prohkbr.ru/index.php?option=com_content&task=view&id=938&Itemid=88888992
Kabardino-Balkaria and access of Circassians to political institutions in Karachay-Circassia) and even quite tangible expressions of aggression (fights).\textsuperscript{41}

It seems that the priority of finding some solution lies with the issue of the inter-settlement territories in Kabardino-Balkaria. Its essence may be brought down to the fact that the reformation of municipalities to be implemented by virtue of the Law No. 131 of 2003 of the Russian Federation has become stuck because the highland municipalities (mostly Balkar) have achieved the possibility of getting much more lands than the overpopulated municipalities of the plains (Kabardin, Russian and partially Balkar) by force of this law. The Kabardin majority was actively protesting this injustice, believing that if Balkar villages were given the chance to actually divide the highlands with their pastures and enormous tourist potential between themselves, this would serve as a real foundation for a ‘Great Balkaria’ and deny the Kabardins the hope of ever using the highland pastures or participating in tourism development. Up to a point, this is farfetched problem. The Elbrus area tourist business, for example, tends to be wholly international. Nevertheless, lands were delimited in such a way in 2003-2005 that highland Balkar villages have been left without immediately adjacent lands. Now, they are claiming their right of ownership and, naturally, are protesting against any effort of the republican government (chiefly Kabardin) to develop any projects on disputable lands, including the Bezengi resort (‘this is alien business on our land’). Kabardins, in their own turn, obstruct any step of the government to make concessions to Balkars which creates a ‘dead end’ from which the government does not see any way out. The probable solution might be to delimit territories according to Russian law and simultaneously urge the concerned Balkar and Kabardin municipalities to secure appropriate lease rights on highland pastures and potential recreational territories with appropriate long-term contracts. As of yet, this unsophisticated compromise is unreachable because of the constant effort on behalf of the political opponents of Kabardino-Balkaria’s president, Arsen Kanokov, to exploit the Kabardin-Balkar confrontation in order to discredit the acting government. That might have been the driving motive for the Elbrus area terrorist attack in February (three tourists killed, elevator blown up) that ruined the then current tourist season.\textsuperscript{42}

The growth of ethnic nationalism and intra-elite confrontation are mingled with the spread of radical Islam. It is safe to state that by the mid-2000s, the West Caucasus was the focal point of the Caucasian interests of the international jihad movement, local emirs had direct connections with not only the Chechen underground but also with fundamental terrorist ‘internationalists’ in Afghanistan, Iraq and other countries of the Middle East. Supporters of the ‘Caucasus Emirate’ used to call (and are still calling) Kabardino-Balkaria the ‘Caucasus Sleeping Beauty’ meaning that the republic has enormous military potential. In spring 2010, law enforcers terminated the famous Kabardin emir, Anzor Astemirov, who was the qadi (supreme judge) of the ‘Emirate’ and considered to be one of the leading ideologists of the underground and one of the connection links with jihad ‘internationalists.’ This success, however, did not bring victory. Emirs who replaced Astemirov, if not very prominent personally, proved themselves to be good ‘executives’ and in a year’s time, the number of terrorist attacks jumped from 21 to 121, a six-fold increase.\textsuperscript{43} Local militia is frightened by constant murders and has been practically demoralised. In the meantime, the ‘woods,’ just like in Dagestan, seems to be involved in intra-elite showdowns thereby gaining a certain level of influence in legal politics. In essence, the process of the militants’ influence increases in Kabardino-Balkaria and follows that which Ingushetia and Dagestan passed through five-or-six years ago.

It seems that the February terrorist attacks in the Elbrus area were connected with the ‘woods,’ at least on the execution level. The whole situation, however, should not be taken out of its context. By the end of 2010, official Mufti of Kabardino-Balkaria, Anas Pshikhachev, was murdered with

\textsuperscript{42} http://www.mn.ru/politics/20110221/300443700.html
\textsuperscript{43} According to official open source data of the Kabardino-Balkaria’s Presidential Administration.
militants declaring their responsibility for his death. Since February 2011, a new militant organisation, the ‘Black Hawks’ - Anti-Wahhabis, has become active, vowing to bring revenge to Islamic militants for every citizen of the republic they kill. Given the silent sympathy of the population enjoyed by radical militants and the specific content of the video-presentations of the ‘Hawks’ which they themselves post on the internet, it seems plausible that the ‘Black Hawks’ are exclusively a project of the law enforcement agencies, trying to shift burden of responsibility for oncoming fierce special operations against the underground and blaming local ‘amateurs’ instead. In any case, however, it is clear that the situation in Kabardino-Balkaria will require more active operations on the part of the law enforcement agencies leading in its own turn to increased response from the underground. Given the geographical and temporal proximity of the Winter Olympic Games of 2014, the increase of the potential for violence escalation is an extremely dangerous trend.

From the radical underground standpoint, the situation in Karachay-Circassia is hitherto not as pressing as it is in Kabardino-Balkaria. The main conflict lines go through appointment-related issues. The February 2011 resignation of the President, Boris Ebzeev, a professional lawyer who had two-and-a-half more years of term in office still left, is very unpopular with the local population. Karachay Rashid Temrezov, 34, appointed in his stead, is not only widely believed to be a man of the former President, Mustafa Batdyev, and his son-in-law, criminal leader Alia Kaytov, but was himself prosecuted for misappropriation during his term as the Head of the Capital Construction Administration of Karachay-Circassia during Batdyev’s time. Batdyev’s team discredited itself within a year after Batdyev was elected in 2003. In 2004, trying to redistribute shares of the Tsakhilov chemical factory in Cherkessk, Kaytov killed seven Karachay businessmen in the presidential country cottage causing mass protest movements and an assault on the governmental residence. The then presidential plenipotentiary in the South Federal District saved Batdyev from being overthrown but the opposition obstructed his every initiative until the end of his term in office through its control over the municipality of Cherkessk, the Supreme Court and a portion of the Parliament. Paradoxically enough, Batdyev’s team, previously ousted from power, actually expanded its influence in 2009 during Ebzeev’s term and obstructed any chance for a long-term compromise between Karachay and Circassians that might have happened if Vacheslav Derev, an influential Circassian businessman, were to be appointed as senator from Karachay-Circassia in the Federation Council. Derev was nominated by Ebzeev several times in the Parliament of Karachay-Circassia although the nomination was turned down every time by MPs loyal to Batdyev. As a result, inter-ethnical relations became strained to the extreme in a feat that might have been the excuse for Ebzeev’s resignation.44

It seems that the real reason for the replacement of the President was the necessity to ‘reallocate the staff’ before the funding of the skiing cluster began. As early as Batdyev’s term in office, Karachay-Circassia became the only territory which was actually ready to start construction work in Arkhiz; that is, ready to start appropriation of colossal budgetary funding allocated for the construction. From this standpoint, it was most likely Temrezov, with his construction manager background, who was a more convenient figure than the scrupulous Ebzeev. The only question would be, ‘for whom is he more convenient?’ As early as March, a criminal redistribution of property unrelated to the ski resort in Karachay-Circassia began. On 14 March, for example, one of the top-managers of Cherkessk Concrete Factory, formerly owned by the Batdyev-Kaytov group (before the scandal of presidential cottage in 2004), was shot by a sniper. It may be argued that the group is now trying to regain the property whose ownership they were forced to give up earlier. Popular perception of the Temrezov’s appointment ascribes it to federal centre’s renunciation of its 2004-2008 strategy of appointing leaders with a ‘clean record’ in the North Caucasus. Such a clear-cut non-keeping up with minimal ethical norms in manpower policy renews the growth of mistrust of power on the part of the population and accordingly widens the ‘mobilisation base’ of Islamic

44 http://www.mn.ru/politics/20110228/300450745.html
radicals, both of the armed and unarmed varieties. Although it should be noted that the ‘proper’ re-appointment of manager-businessman, Kanokov (a very man with a ‘clean record’), in Kabardino-Balkaria did not bring good results, the much expected decrease of terrorist attacks following his appointment did not unfortunately happen.

Possible Solutions to the Problems of the North Caucasus

In a year’s time following the foundation of the SCFD and Khloponin’s appointment, we have to state that the project of rescuing the Caucasus has failed. The only practical outcome of the year’s work of Khloponin’s office is the SCFD Development Strategy until 2025 which adequately pictures the state of affairs as it is in the region as well as the level of threats but is quite unripe from the standpoint of proposals. Two of the three scenarios within the Strategy, one optimistic and another neutral, are based upon the assumption that the ‘security problem’ in the SCFD will be solved within the next five-to-10 years although no data as to the possible means for finding the said solutions are provided.

It is believed (although not directly reflected in the document) that the increase of stability should be helped along by a social and economic rehabilitation of the SCFD: attraction of investment, restoration of the infrastructure, new jobs, higher education institutions, increase in the quality of life and so forth. Such a perception of the question, however, places the carriage ahead of the engine, so to speak: investment cannot be attracted to the war zone and, moreover, it does not happen and yet investment is the very idea believed by the authors of the Strategy to be the means for peace-making. Indeed, it is another vicious circle.

Authors of the reform are trying to draft (hitherto no practical implementation efforts in this direction) a system that would be attractive to investors regardless of the instability level with the basic idea being a state guarantee of a return of up to 70% of investment. The state guarantee, however, should be secured by banks partially owned by the state and these, in their own turn, would like to establish a pledge fund in the North Caucasus. There are, however, no resources with which to establish a pledge fund as land has not been privatised in the North Caucasus apart from Karachay-Circassia lands. Land ownership and land use relations are regulated through a half-shadow means for the benefit of local elites not at all eager to let someone from outside get into their ‘accounting.’ This is even more so as the investment instrument enabling the investor to control every invested rouble would be much less alluring for regional elites than subsidies when the supervising of allocated funds is merely conditional because of the corruption and kickbacks.

Nowadays, the only large investment project showing any sign of development is creating the five ski resorts in the North Caucasus along with development of a seaside resort sector in Dagestan and the establishment of a new geothermal resort. In the fall of 2010, Governmental Decree No. 883 was issued, pursuant to the goals of the development project, establishing the public corporation, Resorts of North Caucasus, which, as a branch of the state enterprise Special Economic Zones, will raise funds from foreign and domestic investors and co-ordinate state expenditure. As of now, the project is confined to five skiing zones with a total of 450 billion roubles to be invested of which 60 billion is to be provided by the Russian Government over the next five years. Forty of these 60 billion are already designed to be invested into a joint enterprise with the French Caisse des depots et consignations company upon a parity basis. As the French are contributing only 10% of the amount required for the implementation of the highland portion of the project, it is evident that the state share, and with it corruption capacity, will inevitably increase. In June 2011, the Duma discussed legislation amendments related to the skiing cluster (already seven instead of five zones, including beach and geothermal zones) so that the combined total of the funding amounted to

45 Interview with the General Director of the North Caucasus Resorts, available at http://www.mn.ru/newspaper_zoom/20110606/302265352.html
one trillion roubles. The authors of the project believe that the ski resorts alone will attract 2.3 million visitors yearly by 2030. Nowadays, tourism (outside of the Sochi region) in the North Caucasus amounts to approximately 150-200 thousand visitors yearly.  

Consequently, there is a risk that the only ‘investment’ into the social and economic renaissance of the Caucasus will be that of the state; that is, there will be government subsidies and no private investment with the Chechen example as a good testimony (up to an extent) of the fact that subsidies may become sufficient once they reach a certain (large) volume. On one hand, however, Chechnya is enjoying prosperity not only because of subsidies but also because of the ‘forced charity’ of ethnic business which has not yet been subdued in other regions. On the other hand, the federal centre is not very inclined to take the same route of astronomical funding in all other South Caucasus Federal District regions and, moreover, they can barely afford it anyway. It is a logical dead end.

Apart from every other factor, the Strategy is ideologically based upon the assumption that instability (activity of militants) is rooted in poverty, despondency and illiteracy. Even given the enormous level of corruption, the increasing gap between the wealthy and the poor and the destroyed social infrastructure, however, the level of poverty in the North Caucasus is over exaggerated. According to the Centre of Social and Economic Studies of the Regions (RAMCOM), the total annual revenue of Kabardino-Balkaria households is comparable to the level of annual subsidies allocated to the region from the state budget. More than half of the economies of the SCFD regions are in the shadow which means that they are not a subject of any statistics.

The most important point, however, is that the group of Muslim radicals, both armed and unarmed, is replenishing its ranks not with ill-accommodated illiterate poor but are gaining their new blood in the form of quite well-educated youngsters from middle-class and often even well-off families. Becoming a militant is not a pursuit of an ‘easy’ hundred dollars for each planted landmine but the expression of a conscious social and political protest. The popularity of different branches of Islam amongst the age groups below 20-25 years is increasing drastically. In fact, they do not have any other ethic guidelines but their religion. Legal politics are so discredited with the younger generation that they have ceased to be interested in them at all. A wide social group is shaping up right before our very eyes as they build their lives around political, moral, economic, social and cultural rules which are miles apart from what is considered the norm in the rest of Russia.

Apart from constituting the immediate danger of the alienation of these lands, the process also presumes an inevitable growth of ethnic and confessional conflict intensity all around the rest of the country in which these young people will imminently find themselves in pursuit of employment. The desire to get a job in Russia does not automatically exclude (in softer cases) the mistrust of non-Muslims and non-Caucasians or even (in harder ones) contempt and hatred. As such an attitude naturally causes an aggressive reaction of the local population, it would be logical to expect a manifold repetition of the 11 December Manejnaya Square-type cases. A separation of the North Caucasus is what 60 to 73% of Russian citizens wish for depending upon the individual survey. This is a very dangerous diagnosis, if not a verdict.

The importance of ideological work is not fully understood in Khloponin’s office where it is fashionable to believe that the problem may be solved exclusively by economic means. In the meantime, social changes in the North Caucasus are gaining momentum so much so that the plenipotentiary’s office is merely lagging behind. The number of radical youth has increased many times in the year of the virtual idleness of the South Caucasus Federal District authorities.

When the SCFD was established at the beginning of 2010, it seemed to represent a very tangible chance of improvement which would have happened once (and if) all three of following conditions

46 http://www.mn.ru/economics/20110616/302551945.html. Data on the current situation in the tourism sector based upon the Strategy of Social and Economic Development of the NCFD (see above) and specific studies by the Centre of Social and Economic Studies, RAMCOM.
were fulfilled: law enforcement agencies should have been made subordinate to Khloponin as well as regional accounting (Khloponin should have been provided with real means of auditing spending of every single state-allocated rouble) and control over manpower policies (all the way from the highest officials down to rural administration). Unfortunately, none of these happened and he himself has not even tried to get control. Consequently, the Office, in only a year’s time, now represents an extra and unnecessary managerial structure instead of becoming the core of potential changes for the better adding to the defamation of the centre. Apart from anything else, the SCFD exists under the pressure of a shadowy informal competition of North Caucasus governance projects which do not improve the state of affairs at all. One of the projects is the SCFD itself whereas another is Ramzan Kadyrov looking up to Putin and exploiting specific synthesis of political autonomy, own power and big money from the outside. Having in mind the achievements of the Chechen renewal and the factual failure of the SCFD, it might have been assumed that the Kadyrov project is better – if only he were not turning Chechnya into an Islamic enclave outside the scope of Russian legislation.

Moscow goes on experimenting such as charging the presidents of the republics with the responsibility for the level of stability and appointing each of them chairmen of the regional co-ordination committees from the start of this year. This is but a repetition of the Khloponin mistake, however, in that it is pointless to make someone answerable for stability without first providing them with any real means of controlling law enforcement agencies.

Time is running out and it is quite possible that it is too late to do anything. There is, however, still hope for improvement once the same old basic conditions are fulfilled: normal means of civic control over military/law enforcement, transparency of budgetary transactions and a radical manpower policy reform that in itself is capable of renewing the confidence of the local population in the authorities. Society should be convinced that it can have an impact upon the state of affairs and people are the masters of their own house as well as being fully empowered citizens of a big country. Normal means for climbing social career ladders should be restored, some measures need to be taken to soothe the intensity of the conflict between Caucasians and Russians all around Russia and cultural contacts of the Caucasus with the rest of the country, intercepted for so long, should be renewed.

The final end to all of these means (and it does not matter whether or not they will be implemented by the Plenipotentiary Khloponin, some other plenipotentiary or by no plenipotentiary at all but through some other level) would be the limitation of the autonomy of the corrupted regional ‘ethnocracies’ that are just kindling the population’s hatred and obstructing all initiatives. By ‘ethnocracies’ here sealed ‘ethnocratic’ gangs are meant rather than formal heads of federal entities/regions—the latter in some cases are to be counted amongst the ranks of such gangs and in others they fail to suppress them.

These groups are the main cause of and reason for instability in the North Caucasus. They are quite happy with the current state of affairs so far as they are controlling the cash inflow from Moscow joined by those federal officials whom they are ‘kicking back’ to local law enforcers and militants (having their share of the budgetary pie provided by the officials ransoming their personal safety). If these groups remain in power, nothing is going to change. The North Caucasus will go on slipping into radical Islam and regress with the imminent danger of sooner or later following the path of the Arab revolutions or even civil war, as in Afghanistan. No serious investment may be attracted to the Caucasus unless the federal centre dares to stunt the influence of these groups. It is evident that if such a decision is made and serious institutional reform is to be launched in the North Caucasus, the initiatives will be met with fierce opposition. There is a danger of the drastic worsening of the state of affairs during the organisational period of the new system of institutions with it being very unlikely that Moscow will make such a decision, if ever, especially prior to the

2012 elections. If such a decision is not made, however, Russia is destined to lose the Caucasus and it is quite possible that even any immediate action will not bring any positive results as there are already several generations of Caucasian youth living outside the scope of Russian influence and refusing to accept it. If, however, active reformation at least gives some hope, the refusal to do anything is a guarantee of the separation of the region in the foreseeable future.

North Caucasus and Georgia

Recognition of Abkhazia and South Ossetia and Renewal of Ethnic Nationalism

the war of August 2008 had a two-fold impact upon the North Caucasus. On one hand, it was an impressive demonstration of Russia’s readiness to rely upon military force in defence of its interests which did not go unnoticed in the North Caucasus and restored the esteem of the federal centre, central authorities and Russia in itself up to a point. On the other hand, the recognition of the independence of Abkhazia and South Ossetia, although seemingly going along the same lines of the exhibition of power and indicating the consistency of Russia’s foreign policy satisfied, apparently, only ethnic Ossetians dreaming of a ‘reunion of a divided nation.’ All other peoples of the North Caucasus started pondering the sophisticated question of why, if in case of Georgia, the right of self-determination should be the priority; in case of Russia, it is the principle of territorial integrity that is the cornerstone.

The importance of the recognition from the standpoint of the renewal of ethnic nationalism in the North Caucasus should not be exaggerated but it should not be underestimated either. The Ingush opposition was the only one posing the question openly but this does not mean that the others did not ponder it as well. Frequent discussions of the ‘Circassian question’ are largely a consequence of August 2008. Ossetian nationalism should not be overlooked either: continuously loyal to Russia today, Ossetia, given a drastic worsening of affairs in Kabarda and in the east of the North Caucasus, may reconsider the idea of a reunion of Alania and South Ossetia in the separatist way. Nowadays, such a development may seem improbable but only to those who never scanned through Ossetian nationalist web sites.

Georgia: In Pursuit of a North Caucasian Strategy

The 2008 war has changed Georgia’s position in relation to the North Caucasus. Until the end of the 2000s, Georgian policy in the North Caucasus boiled down to several sporadic cases of co-operation with Pankisi Chechens and the rhetorical question of “What would Russia do if Tbilisi were to distribute Georgian passports to Chechens in the period of their factual independence just as Russia did in South Ossetia and Abkhazia?” After the war, Georgia decided to work out a more consistent strategy.

The lack of North Caucasian strategy prior to 2008 may be explained by several factors all rooted at the beginning of the 1990s when Georgia regained its independence. The first President, Zviad Gamsakhurdia, notorious for his excessive nationalism, was actively cooperating with the North Caucasus and even put forth the idea of a “Common Caucasian Home” (with Georgia as the centre, apparently). Gamsakhurdia stayed in power only until the end of 1991 and his compatriots were left with an unclear notion of what it was their former president was actually striving to achieve in the North Caucasus. After his escape, Gamsakhurdia took refuge in Chechnya and directed actions of his armed supporters in civil war from there which is a fact that has left quite a negative perception of Chechnya in the minds of the majority of Georgians.

Gamsakhurdia’s successor, Eduard Shevardnadze, evidently did not think it necessary to establish any kind of relations with the North Caucasus. The former Minister of Foreign Affairs of the USSR, he had developed a habit of dealing with the highest ranked officials in all affairs and so he

48 http://www.grani.ru/Politics/m.140776.html
tried to solve all pressing issues directly through Moscow. Furthermore, whereas Gamsakhurdia in his own time spent a long time living in the North Caucasus (where he was exiled for his dissidence) and had at least some notion of the importance of the region, Shevardnadze patently underestimated this factor. This became evident in the war in Abkhazia when Georgia had to face not only Abkhazians and Russian armed forces but also North Caucasian mercenaries/volunteers.

Even if Georgian politicians tended to spot ‘Moscow’s hand’ everywhere (especially in the case of the Confederation of Highland Peoples (Confederation of the peoples of Caucasus) whose threat was to carry out terrorist attacks in Georgian cities), it was plain that Tbilisi had lost the informational war and was perceived by North Caucasian peoples in the capacity of some hostile ‘non-Caucasian’ phenomenon. On the other hand, news of the atrocities committed by Chechen militants (headed by Shamil Basaev) against the Georgian population in Abkhazia worsened the negative attitude of Georgians towards Chechnya and the North Caucasus as a whole.

Georgians could not help thinking back to those gloomy times when the state had to not only fight off Persian and Turkish armies but North Caucasian brigands (mainly from Dagestan) as well, abducting people and not giving any break even in times when the southern neighbours left Georgia in peace for a while. At the same time, very few remembered that Georgia was quite actively supporting Russia to suppress the North Caucasus in the nineteenth century which did not leave the best of impressions in the region.

Having lost the war, Shevardnadze sought solution in improving relations with Moscow but did not get the results he might have hoped for. In the early 2000s, however, the Georgian President had to ‘remember’ the North Caucasus again because of the new war in Chechnya. An inflow of Chechen refugees into the Pankisi Gorge threatened to bring new trouble to the state which was already strained with corruption and a weak governance system. Fearing Moscow’s wrath, which was then already seeking ways to punish Georgia for its flirtation with the West, Shevardnadze was at the same time fully aware that to deny Chechens the shelter they were after may mean turning them against the then weakened Georgia with revenge. Moreover, an experienced politician as he was, Shevardnadze always found it appealing to turn old enemies into friends. The Pankisi events had a positive impact upon Georgian-Chechen relations but, at the same time, almost landed Georgia into the Russian military intervention because it became evident that Shevardnadze’s corrupted government not only failed to prevent militant infiltration but actually started a common drug dealing business with ‘guest’ partners. 50 Also quite well known is the raid in 2002 of Chechen field commander, Ruslan Gelaev, from Pankisi to Abkhazia and which is factually supported by Tbilisi, by means of which Gelaev, apparently, hoped to get to the area of Sochi.

Mikheil Saakashvili, coming to power in the beginning of 2004, was fully aware of the importance of good relations with Russia (drastically cooling down in the last years of Shevardnadze’s presidency) and being guided by this understanding did not launch any kind of North Caucasus policy (Saakashvili even delivered several Chechens up to Russia). Apart from that, the new President’s western ‘background’ added to the soup as Saakashvili was not mentally connected with North Caucasian reality tying up the Georgian reality with modernisation and westernisation. Despite quickly worsening relations with Moscow (and his personal relations with Putin), Saakashvili never actually tried to manipulate the North Caucasian question, thus underlining the common interests of Georgia and Russia in their efforts to suppress separatism. As it has been said, however, the war of 2008 changed everything. To be more precise:

- North Caucasians participating in the war made Georgians think back to the Abkhazian war of 1992-1993. Although this time the ‘guests’ were not very eager (the major part of the North Caucasians were men of the ethnically Chechen “Vostok” battalion sent to action by

49 Аспекты Грузино-Абхазского конфликта. Роль России: реалии и мифы, Москва, 2006; University of California, Irvine.
50 http://reliefweb.int/node/65605
Moscow whilst the rest were marauding ‘volunteers’), it was evident that Tbilisi had lost precious time that it might have used to establish relations with North Caucasus dating from the 1990s. In the Abkhazian war, Moscow was watching the ‘squabble’ of the Georgians and the North Caucasians with gloating delight as this time it was Moscow itself who openly set them loose on Georgia. Although as rumour had it, the Chechen battalion, in honour of Pankisi hospitality, was helping the Georgian population, the factor of the ‘volunteers’ who were attracted to Georgia as to a well-off and, at the same time, not quite friendly place (a good pillaging occasion) could not have been ignored. Because of that, Georgia should have strove to establish as positive an image of itself as possible amongst North Caucasians, appealing to traditional Georgian tolerance and hospitality and restoring the role Tbilisi quite successfully played in Soviet times as an educational centre for North Caucasian peoples (especially for Ingush).

- Having gotten Russia as an immediate threat with military bases 40 km away from Tbilisi and the factual refusal on the part of Moscow to recognise the current Georgian government, Georgia willingly or unwillingly has to find counter-measures and look for Russia’s weaker spots. One of these is the very North Caucasus, an area stretching along the lengthiest border of Georgia, as a region with which some means of inter-relation is to be established in any case.

- There is another factor not directly linked to the war of August 2008 but its perception only became possible in recent years against the background of a drastic worsening of the situation in the North Caucasus. The prospects of a further escalation and Russia losing control over the region go against Georgia’s interests. On one hand, such a development might mean Russia leaving South Ossetia and even Abkhazia but, for a change, Tbilisi may have to deal with an even more serious problem of a radically Islamic North Caucasus. Such a scenario requires more active policies on the part of Georgia in its relation with the North Caucasian peoples in order to strengthen its image of a friendly country which, despite its pro-Western orientation, does have a place in the Caucasus.51

Even if Tbilisi has more or less clearly defined goals in the North Caucasus, the strategy of how these should be achieved is far from being set. Apart from other reasons, the case may be conditioned by a lack of information or a full understanding of the processes afoot in this region. Georgia’s whole North Caucasian policy so far boils down to its participation in the “Circassian Question,” the establishment of a Russian-language television channel for the North Caucasus and visa abolition for North Caucasus residents.

**Circassian Question**

The discussion of the ‘Circassian Question’ launched in Tbilisi did look like an attempt to use the Circassian factor to cast some doubts upon the legitimacy of the 2014 Winter Olympic Games considered by Russian leaders as their priority public image project. At the same time, it seems like Tbilisi is not entirely sure whether or not it should try to hamper the Games or, at the very least, boycott them. Despite the fact that Georgia has many reasons to be glad to see Russians failing, the general opinion of the governmental circles is that Tbilisi’s main priority is not as much to see Russia discredited rather than to secure itself from another possible aggression from Moscow. If the latter would be isolated from the West, then Georgia itself will be the first to suffer. From this standpoint, then, the Olympics may serve Georgian interests as Russia will be less likely to plunge into risky new ventures whilst getting ready for the Games. Accordingly, the goal of the ‘Circassian Discussion’ is not clearly set. In 2010, two global conferences dedicated to the issue of the Circassian genocide in the Russian Empire have been held in Tbilisi with representatives of other Northern Caucasus peoples having also been invited. The first conference culminated in the application to the Georgian Parliament requesting the adoption of a resolution on genocide. The

request has not yet been granted and the initiators themselves believe that it more likely than not it will be refused. Georgian initiatives were not met with wide support amongst the North Caucasus Circassians as Russian Circassians considered it their brotherly duty to support Abkhazia during Georgian-Abkhazian war. Participation in Tbilisi events for many of them would mean dishonour (as military men) but not for everyone. On the whole, Circassian conferences in Tbilisi attracted a great deal of interest in the Russian Circassian community as well as a potential readiness to co-operate. This indeed is a painful question that may have impact upon the political future of the whole western part of the Caucasus and upon the level of security in the Sochi region as well in a very proximate future.

In this spotlight, it seems that the Georgian Parliament’s decision of 20 May 2011 on the adoption of a Decree on the Genocide of Circassian People in the Russian Empire during and after the Great Caucasus War may have both positive and negative consequences for Georgia and the region as a whole. Firstly, there are grounds to believe that prior to its adoption by the Parliament the Circassian genocide issue had more political value as a potential pressure lever against Russia. Following formal recognition, the issue may be taken off the international agenda without having been clearly emphasised first. Apparently Georgia (possibly along with some other post-Soviet countries or countries of the former Warsaw Pact) will remain in the minority in this case thereby giving the whole question a marginal flavour. Secondly, the fact of the recognition of the genocide caused a considerable split within the Russian and international Circassian community whose attitude towards Georgia is ambiguous and largely conditioned by Circassian participation on the Abkhazian side in the Georgian-Abkhazian conflict of 1992-1993. The reputation of that sector of the Circassian community that actually supported the decree on the genocide has been considerably damaged in the opinion of the rest of Russian citizens. It cannot be denied that the reaction of a considerable portion of the Circassian community in Russia to the recognition of genocide by Georgia was that of gratitude and sympathy and the certain success of Georgia should be noted as it strives to establish its new reputation of a regional state in the Circassian sector of the North Caucasus. In the medium- and long-term prospect, however, the Georgian recognition of the genocide sets Circassians apart from other North Caucasus peoples adding to conflicts and alienation which is against the best interest of both states (Georgia and Russia) as they both would ideally rather see a stable and peaceful Caucasus. Despite the generally moderate nature of the Russian reaction, the reality is that Georgian recognition of the Circassian genocide caused a great deal of irritation for both elites and commoners alike which does not at all help the restoration of constructive co-operation between the two countries.

**TV**

The Russian press dubbed the launching of the First Caucasian Informational TV Channel as just another anti-Russian attack although it is becoming evident that the new channel will find it hard to establish itself in the informational space of the North Caucasus. Firstly, the channel did not yet manage to gain entry into the package of TV stations with a constant and loyal audience. If it manages to acquire the technical means to reach out to a wider audience, it may find its own niche and enjoy a certain level of popularity. However, it should be noted that television is mainly watched by loyal and politically inert citizens. The channel’s target group gets its information from other sources that are in abundance apart from Georgian TV. Secondly, channel staff will have to conduct an enormous amount of scrupulous work to reach their main goal of neutralising anti-Georgian propaganda of the official Russian press and media and implant an improved positive image of Georgia. The next more ambitious goal, such as competing with Russian media on reporting the real state of affairs within Russia itself, may be set only after this.

http://inotv.rt.com/2010-01-19/Pervij-Kavkazskij---mashina-propagandi
Visas

The most interesting of the Georgian projects relates to visas. Experience shows that the North Caucasus population is very eager to be provided with the means to visit Georgia. On one hand, Russia is underestimating (at least publicly) the constructive meaning of this measure. Georgia did the very thing North Caucasus has been expecting from Russia for two decades in terms of opening the door to the outside world for the younger populations of the North Caucasus and giving them a chance to see for themselves that, however sad it may seem, reality may be altered and by means other than Islamic extremism. In Georgia, North Caucasians may witness a model of problems common for the North Caucasian reality being solved within the framework of a modernisation project. This is an important image-related example for the region where radical religion and the cult of the past are gaining momentum. On the other hand, having opened the borders Georgia granted entry to migrants from the North Caucasus bringing radical Islam along with them. The latter consideration caused much concern in Georgia although no offenses have yet been recorded on the part of the new arrivals. The explanation may be that Georgia indeed projects an image of a hospitable and friendly country, warmly welcoming everybody, and, more so, its ‘brother Caucasians.’ Another reason may be that the capacity of the Georgian labour market is not large enough to make it attractive for the North Caucasian labour force. Whilst this holds true, Georgia will rather remain a transit country rather than a country of destination. Given the economic growth in Georgia, however, the situation may change and Georgia will have to face the same growth of ethnic and confessional tensions as Russia is dealing with nowadays. Although the processes may be milder in Georgia, as the cultural distinctiveness of potential migrants is comparatively less evident—even given the apparent confessional and traditional differences because of a still preserved certain all-Caucasian solidarity—the very concept Tbilisi appeals to having opened the border and having launched new TV channel. The same common Caucasian identity is apparently what President Saakashvili is trying to appeal to through his statements relating to the potential unity of the whole Caucasus. As far as it goes, however, these are rather tactical moves more than a real strategy based upon the possibility of Russia’s positions weakening in the North Caucasus (prospect discussed above).

On the whole it is in the best interest of Georgia to witness the preservation of certain balance in the North Caucasus alongside establishing closer and friendlier ties with the region. It is apparent that despite all the difficulties, Russia does not have any intent to leave the Caucasus anytime soon which is to the advantage of Tbilisi in the given circumstances (when Georgia is not perceived as quite a generically Caucasian phenomenon when looked at from the northern slope of the ridge) provided that Russia will no longer campaign against Tbilisi and by and by at least slacken its military presence in South Ossetia. If we look at the issue from the standpoint of Georgian-Russian relations, apparently it would benefit Tbilisi to see Russia moving towards democracy and modernisation, making, amongst other issues, the North Caucasian puzzle solvable, too. Since this is a rather long-term prospect, however, the parties should limit themselves for now to current common interests as they do have certain common crossing points in the very North Caucasus. From this standpoint, Russia, in its own turn, should deal with Georgia’s aspiration of becoming attractive for the North Caucasus with a better understanding as it can only bring more openness to the region decrease the threat of marginalization of North Caucasian peoples.

Recommendations

Based upon the context of the goals of Georgian-Russian relations as formulated above, the following is to be implemented.

To the political leadership of both countries (presidential administrations, governments, legislators):

In Russia

− Improve the quality of the monitoring and analysis processes going on in the North Caucasus by means of the establishment of standing expert institutions (of a public nature, not closed in and confidential as they are now) keeping in mind that the constantly changing situation in the North Caucasus with its new challenges has an impact not upon Russia only but the neighbouring countries as well with Georgia and its longest borderline adjacent to the North Caucasus republics first of all.

− Re-establish mutual relations with Georgia in sectors not touching upon the question of the status of Abkhazia and South Ossetia, specifically with regard to the safety of the undisputed portions of state borders and border check points, transportation issues, export and import, mutual investment; that is, in those fields where co-operation is already ongoing de facto or is possible in principle.

− Avoid the straining of mutual relations already pressured by the problem of Abkhazia and South Ossetia. Given the undefined level of Abkhazian and South Ossetian status in the long-term, not the least in relation to the constantly changing puzzle of the challenges in the Russian proper North Caucasus, it is evident that Georgia is a potentially desirable partner for Russia for joint security related action in the region.

In Georgia

− Rationally develop its own Caucasian strategy keeping in mind Georgia’s prospects for becoming an influential regional state and its current status as the key political actor of the South Caucasus including the enhancement of the monitoring of the North Caucasus state of affairs, getting involved in the activities of Russian expert and public institutions (in prospect, possibly political too) whenever possible; that is, in such a way that a rational monitoring of the state of affairs for the sake of a normal neighbourhood would be transparent enough and would not be seen as just an additional irritating factor by Russia.

− Employ a systemic approach to activities related to the establishment of a Caucasian strategy and work out goals not excluding the possibility of mutual co-operation with Russia. Avoid tying up Caucasian strategy goals with the issue of the status of Abkhazia and South Ossetia in order to avoid a premature blocking up of the mutual co-operation in the whole Caucasus. It seems that finally mutually acceptable and, in the long term, achievable goal for Russia, Georgia, Abkhazia and South Ossetia alike would be status of the territory of most favoured treatment in the areas of the most intensive trans-boundary trade given the safe and transparent enough Russian-Georgian border.

− Try to rationalise the processes going on within the framework of public diplomacy institutions currently quite clogged with Georgian diaspora in Russia looking up to marginal political forces of orthodox national-conservatives in Georgia. The Georgian Government might and should care about a more adequate representation of country’s interest in Russia than it is nowadays even allowing for difficulties related to the elimination of diplomatic relations.

In Russia and Georgia

− Without delay and without preconditions related to status of Abkhazia and South Ossetia, apply some measures to unfreeze mutual relations and restore regular transportation.

To Executive Bodies of both Countries:

− In co-operation with the Ministries of Internal Affairs elaborate means for border crossing including visa regimes and dealing with the question of the status of Abkhazia and South
Ossetia as little as possible if at all. The final goal should be such a mode of border crossing that would grant, on one hand, free movement in the Caucasus to Russian and Georgian residents as well as residents of Abkhazia and South Ossetia whilst on the other hand ensuring safety of all parties.

– To the Ministries of Internal Affairs of Russia and Georgia, elaborate instruments of co-operation in the field of police supervision of trans-boundary movement in order to eliminate the possibility of the free movement of criminals as well as the traffic of arms, drugs, explosives, smuggled goods and human traffic taking into account the existence of Abkhazia and South Ossetia and the possible mobilisation of an appropriate structure of these two entities.

– Organise mutual sharing of experience both with regard to the general set up of the police force (from the standpoint of police reform in Russia that has been ideologically designed as imitation of Georgian one) and from the standpoint of fighting terrorism, human, drug and arms traffic.

– Ensure the elaboration and implementation of mutual measures (mobilising Abkhazian and South Ossetian sides whenever possible (in further off prospect to include Azerbaijan, Armenia and Nagorno Karabakh) designed to diminish turnover of firearms amongst the population of the Caucasus and their import and export.

– Ensure the elaboration and implementation of mutual measures (mobilising Abkhazian and South Ossetian sides whenever possible (in further off prospect to include Azerbaijan, Armenia and Nagorno Karabakh) designed to diminish the turnover of drugs amongst the population of the Caucasus and drug traffic in the region as a whole.

To the Ministries of Culture, Press and Mass-Communications, Regional Development and Integration:

– Elaborate and implement measures designed to overcome mutual cultural and media isolation of both countries, encourage a decrease of the level of hostility, expansion of certain existing and establishing of new media broadcasting on both sides of the state border, in Abkhazia and South Ossetia as well in languages accessible to local population.

– Encourage the development of cultural autonomies, cultural exchanges, underline constant mutual interest in full-fledged integration of any ethnic groups into modern civic nations (Russian and Georgian) without infringement of ethnic identity.

– Encourage cultural exchanges, mutual visits, festivals of Caucasian cultures (taking into consideration necessary safety measures to avoid turning of these events into means of export of crime or religious fundamentalism). Elaborate and ensure the implementation of the wide programme of cultural and, if possible, scientific exchange between Georgia and the Russian North Caucasus, involving Abkhazia and South Ossetia.

– Whenever possible, exclude cultural and scientific exchange programmes out of the regulation of the status of Abkhazia and South Ossetia. Such exchange programmes launched with no preliminary conditions by their own development will help the normalisation of relations between Russia, Georgia, Abkhazia and South Ossetia and will prove more productive than any attempts to, for instance, ‘unbalance’ the Circassian issue prior to the Winter Olympic Games in Sochi.

– With regard to the correlation between the Circassian question and the Winter Olympic Games, it would be feasible to establish a common scientific platform for multilateral discussion of the whole complexity of related issues and the elaboration of optimal decisions but only if the process incorporates the Russian side, Russian Circassians and Circassian Diasporas all together.
To Regional and Municipal Authorities in both Countries:

- Support the expansion of cultural exchanges and trans-boundary co-operation, establish relations based upon the principle of twin-municipalities, provide mutual support (for instance, sending children from Kakheti to the sea resorts in Dagestan and children from Chechnya and Ingushetia to Batumi, etc.).

To Concerned Public Organisations:

- Participate in monitoring of the situation in the North Caucasus providing an independent assessment of the ongoing processes including human rights protection, but not solely.

- Increase efforts in public diplomacy.

- Form the corps of volunteers similar to the Peace Corps, support the development of health care and secular primary, professional and higher education in Caucasus.

- Support the growth and development of the network of public organisations both in Georgia and the North Caucasus, whenever possible encouraging non-religious public initiatives that might at least partially freeze the process of menacing regress and ‘clericalisation’ in the North Caucasus.
THE EVOLUTION OF ECONOMIC RELATIONS BETWEEN GEORGIA AND RUSSIA IN THE POST-SOVIET PERIOD: PAST TRENDS AND PERSPECTIVES

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EXECUTIVE SUMMARY

After the collapse of the Soviet Union, economic relations between Georgia and Russia have developed in a contradictory manner and appear even more complicated at present. Despite the extremely strained political relations and the breaking off of diplomatic relations, economic activities between the two countries have never stopped. This paper explores the post-Soviet economic relations between Georgia and Russia using the inductive method of research and formulates some basic perspective directions for their improvement. More specifically, the following possible developments are discussed; specifically, the opening up of Russia’s market to Georgian products, reaching an agreement between Georgia and Russia on the latter’s WTO accession and overcoming the Kremlin’s negative attitude toward transporting energy resources through Georgia to Europe. To solve the first problem, the Georgian exporters and business associations should take the initiative into their own hands. With regard to achieving Georgia’s consent on Russia’s entry into the WTO, the customs issues between the two countries in the Abkhazian and South Ossetian sections of the border need to be resolved with the direct participation of the international organisations, including the WCO. As for the last issue, in order to change Moscow’s negative attitude to transporting energy resources through Georgia to Europe, there should be a shift from the paradigm of “alternative pipelines” to the paradigm of “complementary pipelines.” In other words, a so-called “pipeline harmonisation” approach should be adopted which includes a partnership between the stakeholders extracting, transporting and consuming oil and gas. A solution to all these problems listed above would require the collective and active participation of all interested actors of the international community in the decision-making process.

INTRODUCTION

Twenty years after the collapse of the Soviet Union, the study of post-Soviet relations between the former Soviet republics attracts growing scientific interest. Not surprisingly, the emphasis is usually placed upon Russia, as the heir to the USSR, and its relations with the other former Soviet republics.

Prior to the August 2008 war between Russia and Georgia, the study of the relations between the two countries remained more spontaneous than systematic which had an extremely negative impact upon these relations. Unfortunately, even less well explored are the post-Soviet economic interactions.

55 As a rare exception, we can refer to the following article: Э. М. Иванов, “Экономические отношения России и Грузии” in Грузия: проблемы и перспективы развития, Том 1. Под ред. Е. М. Кожокина, Москва: Российский институт стратегических исследований, 2001.
After the war, a number of meetings between Russian and Georgian researchers and experts have been organised in order to conduct general research following the initiative of the involved international organisations leading to the first joint Russian-Georgian publications.56

Unfortunately, the post-Soviet relations between Georgia and Russia in general can be simply described as ‘bad’ and, as the reality has shown, they have gotten even worse. Nevertheless, despite the extremely strained political relations and the breaking off of diplomatic relations, economic activities between the two countries have never been interrupted.

The purpose of this study is to identify the starting points of interaction from which the prospects for developing healthy economic relations between Russia and Georgia could be drawn up.

The objectives of this study are twofold: first, to examine the major developments in Georgian-Russian economic relations and second, to assess the current state of those relations and to identify the most urgent issues necessary to be resolved in the foreseeable future.

The significance and urgency of the topic are defined by the fact that in the actual absence of formal bilateral relations between Georgia and Russia economic activities amongst the individual actors in both countries are developing outside the interstate regulations. An example of this is that Georgia “exports” labour forces to Russia and Russia “exports” direct investments to Georgia. In addition, according to the popular opinion, these countries as energy transit states are considered to be competitors.

This situation, where official state-to-state relations are absent and economic interactions are formed in an arbitrary manner, in fact, remains largely unexplored within the context of the Russian-Georgian confrontation. This, in turn, determines the practical value of this research as recommendations for the development of Georgian-Russian economic relations can contribute to finding new entry points for resuming bilateral relations and reducing the international tensions.

The paper mostly utilises qualitative analysis. More specifically, the inductive method is applied to generalise facts about the post-Soviet economic relations between Georgia and Russia which have taken form for over twenty years. It should be noted that the main limitations include the lack of adequate data, such as official statistics on the real economic situation, especially in areas like labour migration, foreign direct investment (FDI), etc. These limitations in each case are specified separately in the document.

PROBLEM DESCRIPTION

In accordance with the article’s key objective, the post-Soviet Georgian-Russian economic relations are divided into three phases; namely: pre-revolutionary (i.e., from regaining independence until the November 2003 “Rose Revolution”), pre-war (i.e., from the “Rose Revolution” to the August 2008 Russian-Georgian war) and post-war (i.e., after the Russo-Georgian war of August 2008).

The Pre-Revolutionary Period

During the Soviet times, Georgian-Russian economic relations were perceived as interregional within the complex system of a command economy of a single country. The production relationships between individual economic actors in the Soviet republics were determined through the central economic planning (GosPlan) developed by the central authority. In terms of the Soviet Union’s economic division of the Soviet republics (Soviet economic regionalisation), Georgia, like

56 For example, George Khutsishvili and Tina Gogueliani, Editors, Russia and Georgia: The Ways Out of the Crisis, Tbilisi: ICCN, 2010.
many other relatively small Soviet republics of the Caucasus (Azerbaijan and Armenia), was included in the Trans-Caucasus economic region.\textsuperscript{57}

The collapse of the Soviet Union and the subsequent fall of the planned economy naturally led to a gradual breakup of the established production relations between the enterprises in the post-Soviet space. This trend was accelerated in Georgia. Particularly, right after the fall of the Soviet Union, the first post-Soviet government of Georgia imposed an economic blockade against Russia which blocked the Samtredia railway junction. Consequently, these actions facilitated a speedier breakup of the existing economic ties between Georgia and Russia (and not only Russia) than in other post-Soviet republics. Furthermore, these erroneous actions of the Georgian leadership brought about significant economic losses, primarily to Georgia, and marked the first economic damage in the Georgian-Russian economic relations.\textsuperscript{58} It is important to emphasise that Russia remained the number one trade partner for Georgia even after this event.

In the beginning, Georgia (as well as other former Soviet republics) remained within the “rouble zone” and still used the Russian rouble as the official national currency. After the final break-up of the Soviet monetary system (the Soviet rouble was substituted by the Russian rouble only in the summer of 1993),\textsuperscript{59} the rouble bank-notes were not supplied to the former-Soviet republics. Throughout the end of 1992 and the beginning of 1993, there were severe cash shortages in Georgia. The Central Bank of Russia did not ship any bank-notes to Georgia during the first quarter of 1993 which was Russia’s response to the transfer of payments, unsecured with appropriate means (so-called “air” transfers), by some of the former Soviet republics’ central banks (including Georgia’s) to Russia. In this crisis, the National Bank of Georgia chose to issue a rouble supplement—the Georgian coupon—as Georgia’s temporary currency.\textsuperscript{60}

Almost immediately after the collapse of the Soviet Union, the Commonwealth of Independent States (CIS), consisting of all former Soviet republics (except the Baltic states), was established. Georgia joined the CIS later—in December 1993—when the Georgian armed forces had to leave Abkhazia after a struggle for the territorial integrity and which was followed by a wave of thousands of displaced people. The Georgian Government decided to join the CIS in hopes of normalising relations with Russia and achieving certain “favours” from Moscow—from the outset supporting the separatist movement—not only in Georgia but also in other former Soviet republics.\textsuperscript{61}

Despite the fact that many significant agreements contributing to the establishment of economic links between its member states have been achieved within the CIS framework, the Commonwealth faced difficulties from the outset in integrating the former-Soviet Republics.\textsuperscript{62} One of the main

\textsuperscript{57} For example, Закавказский экономический район, Экономико-географический очерк. Под ред. А. А. Адамеску и Е. Д. Силаева, Москва, «Наука,» 1973.
\textsuperscript{58} В. Папава и Т. Беридзе, “Проблемы реформирования грузинской экономики,” Российский экономический журнал, № 3, 1994.
\textsuperscript{60} Ibid., p. 166.
reasons includes the desire to recreate market-based integration schemes inherent in the production co-operation which are characteristic to the relatively closed economic system of the USSR. 63

Throughout the mid-1990s, both countries were engaged with their own problems related to the transition into a market economy. The interstate economic relations were mostly attuned to the economic incentives of the individual economic entities of these countries.

**Russia’s financial and currency crisis of 1998 had an extremely negative impact upon** Georgia’s entire economy, primarily destabilising its exchange rate. 64 As a result, Russia lost its primacy in Georgia’s foreign trade to Turkey (although for a short while). Russia kept its premier position in Georgia’s economy until 2006; that is, before Russia closed its market to Georgian wine and mineral water as well as all other agricultural products of Georgian origin.

In the Russian-Georgian relations of the pre-revolutionary period, special attention should be given to the forced ratification of the so-called “zero option” treaties by the Georgian Parliament whereby Georgia forfeited any claim to a share of the assets of the former USSR in return for the restructuring of its debt to Russia. By its final renunciation of any rights to Soviet property, the Georgian Government heeded the scheme proposed by the International Monetary Fund in accordance with the Paris Club. 65 According to the initial text of the treaty, however, this deal would not extend to banking accounts in the Vneshekonombank of the former USSR and to the Diamond Fund (in the official document signed in 1993 the corresponding record was missing). The Georgian side noticed the discrepancy post-factum, only after signing it. Despite numerous protests by the Georgian authorities, the Russian side did not allow any changes to the signed text and requested ratification of this agreement in the form in which it was signed when Georgia needed a restructuring of its external debt to Russia. With no alternative to restructuring the external debt, Georgia had to ratify the altered “zero option” treaties to the detriment of its national interest.

In the framework of Georgian-Russian relations, transportation of Azerbaijan’s hydrocarbon resources through Georgia has always been an important issue. In particular, Russia considered (and, unfortunately, still believes) that the implementation of the project allegedly posed a threat to its national security and was against its own interests. 66 As a result, Russia has never been interested in the development of a transport corridor through Georgia and, in particular, in the construction of pipelines passing through the Georgian territory. On the contrary, Russia hampers the fulfilment of these projects and initiatives with all possible means. 67

**The Pre-War Period**

The idea of creating a “liberal empire,” 68 which would mean restoration of the economic impact throughout the Post-Soviet space through Russia’s economic expansion, 69 was gaining popularity in

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67 Ibid.


It should be pointed out that Chubais’ idea of the "Liberal Empire" was particularly popular in 1998-2005 (Thomas W. Simons, Jr., *Eurasia's New Frontiers: Young States, Old Societies, Open Futures*, Ithaca: Cornell University Press, 2008, pp. 70 -81). In general, the idea of recreating the Empire has always (even after the collapse of the Soviet Union) remained extremely relevant in Russia (Karen Dawisha, “Imperialism, Dependence and Interdependence in the Eurasian Space” in Adeed Dawisha and Karen Dawisha, Eds., *The Making of Foreign Policy in Russia and The New States of Eurasia*, Armonk, ME Sharpe, 1995.)
Russia even prior to the November 2003 “Rose Revolution” of Georgia. More specifically, the architects of this idea intended to create the “Liberal Empire,” not by violent armed occupation of the former Soviet republics but by gaining possession of the property of the main economic targets (through the purchase and development of assets) located on their territories.70

The first country in the Caucasus to be involved in the formation of Russia’s “Liberal Empire” was Armenia. The most critical example of this proves to be the implementation of the Russian strategy of “debt-for-equity” swaps. Upon the basis of the mutual agreement called “Possessions in Exchange for Debt,” brokered between Armenia and Russia at the end of 2002, Armenia handed over to Russia the shares of enterprises totalling USD93.7 million to repay its debt.71 Later, the Armenian economy almost completely has become part of Russia’s “Liberal Empire.”72

The location of Georgia and Azerbaijan between Russia and Armenia is a geographical barrier for combining the Russian and Armenian economies into a single economic space. Achieving this unification looks more realistic through the Georgian “route” than the Azerbaijani one because of the Armenian-Azerbaijani conflict. Moreover, in case of Georgia’s successful involvement in Russia’s “Liberal Empire,” it will be easier to gain full control over Azerbaijan’s economy as well given that all major transportation and communication arteries, including the major pipelines, pass through Georgia.

The involvement of Georgia in the “Liberal Empire” began in 2003 when RAO-UES of Russia purchased stocks and other assets from the American company AES (American Electrochemical Society) – Silk Road, including Tbilisi’s electricity network, and gained control over 75 percent of the country’s electricity grid.73

After the “Rose Revolution,” a complete lack of transparency74 allowed Russian companies and their subsidiaries registered in third countries to snap up most of the new offerings put up for sale by the Georgian Government. Typical was the Russian holding company Promyslennye investory (Industrial Investors) which managed to purchase a major gold mine followed by half of a plant producing gold alloys.75

One of Russia’s most active players in Georgia’s economy includes Gazprom, the state-controlled gas monopoly. Gazprom’s aim is to control not only the gas industry in Georgia but also the only

75 “Активы Маднеули перешли к российской группе Промышленные инвесторы,” Альфа-Металл, 7 ноября 2005, на сайте http://www.alfametal.ru/?id=news_details&news_id=10505
pipeline that feeds Russian gas to both Georgia and Armenia. Without the United States’ intervention in 2005, Gazprom most likely would have purchased this core asset.\footnote{Грузия согласна продать магистральный газопровод Газпрому, “Лента.Ру”, 28 декабря 2005, на сайте http://www.lenta.ru/news/2005/12/28/gas1/}


These examples suggest that Russia’s efforts in Georgia serve the main purpose of entrapping Georgia within the “Liberal Empire.” This began even before the “Rose Revolution” and has substantially augmented afterwards, partly with the Georgian leadership’s open backing.\footnote{Владимер Папава, “The Essence of Economic Reforms in Post-Revolution Georgia: What About the European Choice?,” Georgian International Journal of Science and Technology, 2008, Vol. 1, Issue 1, p. 3.} The steps of the Georgian authorities (and not only them) could be explained by the fact that high-ranking management positions in large Russian companies are in many cases held by former national security agency employees who, like the Russian Government, are willing to spend additional funds for political purposes.\footnote{Сир Басс Марксинис, The American and Russian Economies in Moments of Crisis: A Geopolitical Study in Parallel, ICBSS Policy Brief No. 19, November 2009, pp. 23-24, 27, available at http://icbss.org/images/papers/pb_19_markesinis.pdf.}

In light of Russia’s actual tactics to forge a “Liberal Empire” in the Caucasus (notably in Armenia and Georgia), the notion that Georgia is entirely lost to Russia\footnote{Иbid.} and that both Armenia and Georgia have minimal economic significance for Russia seems unreasonable.\footnote{Сergey Lounev, “Central Asia and the Southern Caucasus: Geopolitical Value for Russia,” Central Asia and the Caucasus, No. 3 (39), 2006, p. 24.}

Russia halting all postal, airline, automobile, sea and railway transport between Russia and Georgia.89

Furthermore, when Russia introduced a wine blockade against Georgia and imposed bans on Georgian agricultural commodities,90 it adopted a fundamentally different approach toward Abkhazian wine.91 At the same time, products of Georgian origin were banned in Abkhazia as well.92

Currently, Russia’s accession to the World Trade Organisation (WTO) is high on the agenda.93 Georgia, as a WTO member from the very beginning, agreed to drop its objections against Russia’s WTO entry if the latter would provide access for Georgian customs officers to border crossing checkpoints in breakaway Abkhazia and South Ossetia.94 The Georgian demand that Georgian customs officers supervise checkpoints in Abkhazia and South Ossetia stems from Tbilisi’s official position that the regions are part of its sovereign territory and goods crossing the borders between the two neighbouring countries should be based upon national customs legislation. However, as the recent developments show, the governments of Abkhazia and South Ossetia, openly supported by Moscow, are categorically against the Georgian position, thus significantly limiting the possibilities for its fulfilment.

Tensions in the sphere of transportation of energy resources remained in the standoff between Russia and Georgia even after the “Rose Revolution.” Russia has not abandoned its efforts to hinder the implementation of the pipeline projects utilising all possible means.95 Moreover, Russian experts believe that Moscow is waging an “energy war” against several former Soviet republics, including Georgia and Azerbaijan.96

The Post-War Period

The Russian-Georgian confrontation reached its climax during the August 2008 war after which formal diplomatic relations between the two countries were halted. The war itself—and follow-on recognition of the independence of South Ossetia and then Abkhazia by the Russian Federation—questioned the further existence of the CIS which only formally recognised the inviolability of the

territorial boundaries of its member states. After the Russian aggression, Georgia, as expected, seceded from the CIS.

In the post-war period, there was an impression that all types of economic relations between Russia and Georgia had been terminated. This, of course, is not true, because Georgia continues to “export” its labour to Russia and Russia, in turn, remains amongst the leading investors in Georgia.

Trade between Russia and Georgia has declined markedly as tensions between the two nations have risen although by no means ended. During this period, Russia’s share of Georgia’s total exports dropped from 17.8 percent in 2005 (i.e., a year before Russia imposed bans on Georgian products) to 2.0 percent, and 2.2 percent in 2008 and 2010, respectively. The same negative trend could be observed in imports to Georgia from Russia as well which fell from 15.4 percent in 2005 to 6.7 percent in 2008. Russia accounted for only 5.5 percent of all imports in 2010. Although it is worth pointing out that Russia ranks fifth amongst Georgia’s top trade partners according to data on trade turnover (after Turkey, Azerbaijan, Ukraine and Germany, but at the same time, ahead of countries like the US, Bulgaria, China and others).

Remittances are an important source of transfer income. Georgians who obtained Russian citizenship and live and work in Russia send part of their earnings to their relatives in Georgia. The introduction of a visa regime with Georgia as well as the persecution of ethnic Georgians (including Russian citizens) living in Russia in 2006 facilitated a further increase in the use of the bank channel. As the banking sector develops, remitting through formal channels is gradually given the preference over other informal alternatives which used to be extremely popular in the post-Soviet space (such as sending money back home through intermediaries returning to their homeland). Even the Russian-Georgian war in August 2008 has not impacted the choice between informal and formal channels.

In particular, in 2005 (i.e., one year before the persecution of Georgians in Russia) remittances to Georgia totalled USD403 million with over USD240 million coming from Russia (59.6 percent of the total). In 2008, the transfers increased by 2.5 times reaching USD1,002 million. Remittances from Russia grew by 2.6 times and amounted to nearly USD634 million thus making up 63.3 percent of the total. In 2009, due to the global financial crisis, money transfers to Georgia (USD842 million in total) accounted for 84 percent of the amount of remittances received in 2008. The Russian economy was hit extremely hard by the crisis which affected the amount of remittances sent to Georgia as well. In 2009, transfers from Russia totalled USD450 million – only 71 percent of the sum remitted a year before (the share of remittances from Russia to Georgia was

100 Ibid.
101 Ibid.
102 Employment-based immigration is one of the most pressing problems for Russia (See: С. В. Антуфьев, “Реалии трудовой иммиграции в современной России,” *Право и безопасность*, № 3 (16), август 2005, на сайте http://dpr.ru/pravo/pravo_16_18.htm).
still over half of the entire sum – 53.5 percent). In 2010, as compared to 2009, remittances to Georgia increased up to USD940 million as a whole. USD530 million was transferred just from Russia increasing its total share up to 56.4 percent.

The assessment of the Russian (and not only Russian) investments in the Georgian economy proves more complicated owing to the easily manipulated and flawed data which prevents making any definite conclusions about the real situation. Many firms engaged in direct investment are registered in an offshore zone so that it is virtually impossible to disclose the real owners of a business and to trace the cash flows. According to official statistics, Russia ranked third in FDI in Georgia in 2010 behind the Netherlands and the United States.

After Russia’s unilateral recognition of the independence of Abkhazia and South Ossetia, Tbilisi’s position on Russia’s accession to the WTO became more discernable. In return for Georgia’s official approval of Russia’s WTO entry, Moscow will have to allow Georgian customs officers to supervise checkpoints in Abkhazia and South Ossetia; that is, along the internationally recognised border between Georgia and Russia. The first official post-war meeting of the government delegations of Georgia and Russia was held in March 2011 in Bern (Switzerland) to discuss Russia’s accession into the WTO. Most likely, meetings in the same format will continue throughout 2011.

The situation remains difficult around Georgia’s role as a transport corridor for Azerbaijani energy resources. The Russian-Georgian war has further exacerbated this issue. More specifically, Russia bombed the pipelines running through Georgia during the August war despite the fact that they were located further away from South Ossetia and its protection which was the reason for going to war with Georgia. This has naturally raised the safety issues and questioned Georgia’s reliability as a transit corridor. Fortunately, confidence was quickly regained although the fact that Moscow tried to establish its control over those pipelines and thereby completely monopolise transportation routes from the former Soviet space into the West through military actions has become an even greater incentive for both Americans and Europeans to search for alternative energy routes with more diligence.

106 Ibid.
107 Ibid.
WAYS TO SOLVE THE PROBLEMS

The analysis of the traversed path of the post-Soviet economic relations between Georgia and Russia leaves little room for optimism. On top of it, the frequent statements made by the leaders of both countries dwindle hopes that the situation can be improved for the better in the foreseeable future.\(^{115}\) For example, the Georgian President Mikheil Saakashvili’s attempts to resume a dialogue with the leaders of Russia\(^ {116}\) was met by a very negative response from his Russian counterpart.\(^ {117}\)

From the current perspective, maintaining the status-quo seems to be the most realistic short-term option which basically means continuing the same economic relations that have developed in recent years with Russia’s major companies remaining amongst the key foreign investors in Georgia with Georgia remaining as one of the “suppliers” of the labour force to Russia. At the same time as the Russian market will remain closed to Georgian wine, mineral water and vegetables, Georgia will continue to block Russia’s entry into the WTO. The standoff between Moscow and Tbilisi will also remain the same on the transport of energy resources.

An alternative to the status quo would be moving towards resolution of the existing problems in each of these areas. In particular, we are talking about removing Russia’s ban on products of Georgian origin, finding a consensus on Russia’s WTO accession and changing approaches to the oil and gas transportation issue. We will consider each of these areas separately.

Formally, Russia has not imposed a trade embargo on Georgia. The official explanation, voiced by Russia’s Chief Sanitary Inspector, referred to the low quality of these food products.\(^ {118}\)

Accordingly, Russia’s accession into the WTO will not oblige the Kremlin to lift its ban on Georgian products and it will be a mistake to link those two issues.

Considering Russia’s Chief Sanitary Inspector’s recent statements on their readiness to resume talks on lifting the ban,\(^ {119}\) coupled with the extremely tense relations between the heads of the two countries mentioned earlier in the article, large Georgian exporters and their associations (such as, the Georgia Wine Association) should take the initiative to facilitate the reopening of the Russian market to Georgian products. It is in the best interest of the Georgian producers themselves to be directly involved in this process as they are the ones responsible for meeting the quality control requirements set by the Chief Sanitary Inspector of Russia. The active involvement of Georgian businesses in the process should either result in the eventual reopening of the Russian market or demonstrating to the international community Russia’s prejudice against Georgia thus further damaging its international image. More specifically, this matter categorised by the Kremlin as “sanitary” will evidently become a purely “political issue.” It is important to keep in mind that since 2006, Georgian wine products have been successfully exported to Europe\(^ {120}\) and the US\(^ {121}\).


meaning that they have met the quality control requirements of those countries. Going against this background and re-imposing bans on Georgian products allegedly due to their low-quality will damage Moscow’s image more than it did in 2006 when the Chief Sanitary Inspector of Russia banned Georgian wine for the first time.

At present, achieving Georgia’s consent on Russia’s WTO entry arises with particular acuteness in both countries and in international community. While insisting upon its demands, Tbilisi periodically expressed readiness to start negotiations with Moscow over Russia’s WTO accession. The first meeting, as noted above, was held in March 2011. Russia’s hopes to overcome Georgia’s resistance stem from the fact that the US can actually pressure Georgia to drop its objections. Although the US affirms its support of Russia’s WTO bid, calling upon Georgia to find “a creative solution” shows that Washington openly states that Russia-Georgia WTO-related talks are a bilateral issue into which it does not want to intervene.

Georgia’s strategic partners, the United States and the European Union, are openly and strongly endorsing Russia’s bid and pushing for it to happen before the end of the year. They have already concluded their talks with Russia by agreeing to its membership in this organisation in early 2011.

One can state unequivocally that apart from the issue of re-establishing the Georgian presence along the Georgian-Russian border in the areas of Abkhazia and South Ossetia, Georgia is equally interested in Russia’s WTO accession and in forging trade relations with Russia within the WTO. It will qualitatively improve and make the relationship between Russia and Georgia more predictable. Taking into consideration that there are a number of “carrots and sticks” that both Washington and Brussels can use to entice Tbilisi—and it is not in Georgia’s interest to strain its relations with any of them — agreeing upon a compromise looks inevitable.

There has been an interesting suggestion made by some Georgian opposition party leaders involving deployment of international monitors (preferably EU) on the border with Russia in

Abkhazia and South Ossetia in case Russia insists upon rejecting any Georgian presence along that border. This suggestion, modelled under the EU Border Assistance Mission to Moldova and Ukraine (EUBAM), could be an effective and mutually acceptable compromise solution providing transparency of border crossing points in the breakaway regions without assigning Georgian customs officials there. Furthermore, this EU presence should be complemented by the involvement of the World Customs Organisation (WCO). It should be noted that both countries are members of the WCO (Georgia since 1993 and Russia since 1992). The organisation, exclusively focused upon customs matters, aims at promoting international co-operation in this sphere and closely collaborates with Interpol, the United Nations Office for Drug Control and Crime Prevention and the United Nations Security Council’s Counterterrorism Committee.

In the field of transportation of energy resources, a new approach for the diversification of the pipeline network should be adopted to substitute the exiting policy based upon the so-called “alternative pipeline” paradigm mentioned earlier in the article. As we all know, the hydrocarbon resources of the Caspian basin are considered as an alternative to the Russian hydrocarbon resources. The same holds true for the pipelines transporting Caspian energy resources to the West bypassing Russia. As well as any prospective pipelines, they are seen as “alternative routes” to those going through Russia. The use of terms like “alternative” somehow conveys the impression that an inherent confrontation between Russia and the rest of the world exists on energy issues.

For example, the so called “pipeline confrontation” perception has been associated with pipelines like Baku-Tbilisi-Supsa (BTS), Baku-Tbilisi-Ceyhan (BTC) and the South Caucasus Pipeline (SCP). In reality, these pipelines carry less than ten percent of the amount of oil that the Russian pipelines transport and less than two percent of the gas that Russia exports.131 Apparently, these figures call into question whether or not BTS, BTC and SCP can be considered as real “alternatives” to the Russian pipelines in terms of their total transportation capacity. Accordingly, we can come to the conclusion that BTS, BTC and SCP are complementary and by no means “alternative” energy routes to the Russian pipelines. In fact, in order to ensure uninterrupted and consistent supply of energy resources to their consumers, having separate (unconnected) pipeline systems prove extremely important in case of emergency (for example, planned system maintenance or technical issues).

In view of that, it is necessary to shift from the “alternative pipelines” paradigm to a new one of “complementary pipelines” or even “pipeline harmonisation” which would imply the establishment of partnership between the parties producing, transporting and consuming energy resources.132 The “pipeline harmonisation” model should be based upon achieving consensus and harmonised relations between all stakeholders.

The “pipeline harmonisation” paradigm should be applied to all existing and upcoming or planned pipeline projects such as “White Stream,” “Nabucco,” “Nord Stream” and “South Stream.” All stakeholders should be able to co-operate rather than compete in the construction and operation of pipelines to achieve maximum consumer satisfaction to make the protection of consumer rights and


a smooth and uninterrupted supply of energy resources their key priority. Georgia (alone or in tandem with Azerbaijan[133]) could take the initiative in facilitating this shift with an active EU and US assistance to persuade Moscow in the soundness and practicability of the “pipeline harmonisation” paradigm.

In conclusion, amongst the considered alternatives, it is the first one—maintaining the status quo in the economic relationship between Russia and Georgia—that looks the least advisable. In our opinion, the most preferable solutions in each of the problematic areas include:

a) Promoting the large Georgian exporters and business associations to spearhead the efforts of Georgia to get back the Russian market for Georgian products.

b) Involving international organisations (for instance EU), including WCO in the Georgian-Russian WTO talks to achieve Georgia’s consent on Russia’s WTO entry.

c) Shifting from the perception of “alternative” energy routes to the “pipeline harmonisation” paradigm which is based upon the establishment of partnership between all stakeholders including those extracting, transporting and consuming energy resources.

These policy solutions can be carried out in parallel as they do not represent alternatives to each other. They counter the status quo and its impact on the economic relationship between Russia and Georgia for the near future.

RECOMMENDATIONS

Based upon the analysis of the post-Soviet economic relations between Georgia and Russia and their over two decades of history, the major unresolved problems hindering the further development of these relations have been identified. The recommendations set forth for their successful resolution include:

1. To return the Russian market for products of Georgian origin.

2. To find consensus on Russia’s WTO accession which would take into full consideration Georgia’s national interests.

3. To promote co-operation in oil and gas transportation to Europe.

Each of these recommendations should be carried out in parallel. The problems concerning the return of Georgian products to the Russian market should be overcome by the Georgian companies (and their associations) which have lost that market. The Georgian Government should play its part in promoting and not hindering their efforts.

In return for Georgia’s official approval of Russia’s WTO entry, Georgia should demand a more robust international presence from Russia (for example, involvement of EU monitors) including an active participation of the WCO in this process. This, first of all, would require the Georgian Government to ensure the willingness of the international organisations (most importantly the EU’s) to take part in the resolution of the customs issues on the Russia-Abkhazia and Russia-South Ossetia border. In this regard, the Government should start a negotiation process with the authorities at the EU and the WCO.

For the beginning and a resumption of more effective co-operation in the sphere of oil and gas transportation, the shift from the existing perception of “alternative pipelines” to the “pipeline harmonisation” paradigm is of great importance. This paradigm shift is possible only with the

active co-operation of all stakeholders and, above all, the EU and those of its member countries which are direct recipients (or prospective recipients) of oil and gas through Georgia. For this purpose, the Georgian Government should intensify its direct work with these countries as well as with the EU leadership to achieve the needed perception change. No less important is its active co-operation with Washington which has a significant impact on the formation and implementation of energy policy in Eurasia.

FINDINGS

Despite the difficulties and confrontations in Georgian-Russian relations, especially after the August 2008 war, the economic activities between the two countries have not been interrupted. In particular, trade relations (albeit at lower quality) have been sustained and, more importantly, the Russian capital flow and investments in the Georgian economy have continued. The Georgian labour force (as well as labour from other countries of the former Soviet Union) extensively used in the Russian economy continues to remit a significant portion of their income back to Georgia to their families.

Additionally, a number of pressing issues in the economic relations between Georgia and Russia have piled up. Resolution requires special attention. This includes returning Georgian wine and other products of Georgian origin back to the Russian market, finding a consensus to achieve Georgia’s consent on Russia’s WTO membership and starting effective co-operation in oil and gas transportation to Europe. If the resolution of the first problem should be initiated by Georgian exporters and their associations, the other two issues require an active participation and commitment from the Georgian leadership and the international community with vested interests in this part of the world. Resolving these issues in the format of international organisations, of which Georgia and Russia are both members, can play a significant role in achieving some positive results.
PROSPECTS FOR INTERNATIONAL POSITIONING OF THE GEORGIAN ECONOMY: A VIEW FROM MOSCOW

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Introduction

A unique opportunity for improving the international positioning of Georgia’s economy, including its strategically important relations with Russia, was created in 2011 and 2012. The ways to use this opportunity, however, have not been pre-determined.

On the one hand, global and regional challenges for Georgia have remained and even become more prominent. Recurring global energy and food crises, in a country that imports almost 100% of its oil and gas and about 80% of its food products, are pushing up inflation, hindering the decline in the number of “energy and food deprived population."135 The growing dependence upon external inflows (in 2010, negative external trade balance accounted for over 30% of GDP, accumulated foreign direct investment (FDI) - about 50% of the total, and external debt - more than 80% of GDP) in the unstable post-crisis recovery of the world economy is fraught with a rapid deregulation of Georgia's economy up to a default. Meanwhile, it is less likely that Georgia will again receive international aid of the same scale as it did in 2008 (35% of GDP). The prospects for joining NATO, and especially the EU, look slim. The leading members of the World Trade Organisation (WTO) are frustrated by Georgia’s obstinacy on Russia's WTO entry which prevents trade and economic expansion in the Russian market. The image of Georgia as a “Pipeline Democracy” withstanding Russia’s “Hydrocarbon Despotism” is noticeably faded as now Georgia gets oil and gas from the “neo-monarchic" regime of Azerbaijan. In addition, according to the Global Peace Index (GPI), Georgia ranked poorly on a regional scale of the world’s most peaceful nations, positioning almost at the level of Russia and lagging behind all of its neighbours except Iran. It becomes more and more realistic that the anxiety persisting in the North Caucasus will be further expanded by the so-called “Pan-Arab Revolution syndromes” spreading throughout Armenia, Azerbaijan and, possibly, Iran. We cannot exclude the possibilities for raising social and political tensions at the border regions of Georgia, densely populated with the Armenian and Azerbaijani minorities. Furthermore, the humanitarian issues, which include, first of all, the problem of refugees from Abkhazia and South Ossetia, the resettlement of Meskhetian Turks, and difficulties in dealing with the large Georgian Diaspora in Russia, are not losing their intensity.

On the other hand, these same challenges increase the geo-economic and geo-political potential of Georgia. The Middle East, oil and gas supply interruptions and the accident at Japanese nuclear power plants have markedly increased the EU’s interest towards the hydrocarbon resources of the Caspian region. This motivates Russia to promote possibilities for a shift from a "pipeline competition" to a "pipeline co-operation" between the South Caucasus and Russia. The lingering world food crisis adds significance to Georgia’s potential as a transit country for transporting grain from Kazakhstan and, possibly, from Russia, to the Middle East and Southern Europe. With Russia’s aspirations to achieve the WTO accession, the chances for normalising Georgian-Russian economic relations are increasing. Prior to starting its repayment of the large-scale external loans in 2013, Georgia possesses a real chance to speed up the modernisation of its production and exports.

134 In this paper, unless specified otherwise, we use statistical data retrieved from the following sources: http://www.geostat.ge and http://www.nbg.gov.ge; www.cia.gov

135 Л. Шавгулидзе, Заброшенное всеми сельское хозяйство, 7 December 2010, www.georgiamonitor.org
There is growing interest amongst the global political players—Russia, the US, the EU and China—in achieving military and political stability in Georgia and the South Caucasus as a whole. This stems from their desire to prevent destabilisation in southern Russia and the formation of the “arc of political uncertainty and conflict” stretching from Morocco to Afghanistan.

The purpose of the article is to identify the areas where the new opportunities can be realised and to evaluate the regional format and the driving forces of this process. Its main task is to elaborate recommendations which are practically applicable. In terms of methodology, the article focuses upon, firstly, Georgia’s relations with the strategically important and consolidated entities of regional integration, and their companies, which are the most active in the Georgian economy. The first one can roughly relate to the following organisations: the Customs Union of Russia, Belarus and Kazakhstan (considering its close ties with Ukraine), Georgia's strategic partners in the South Caucasus (Armenia and Azerbaijan), its leading partners in the Greater Caucasus (Turkey and Iran) and the main landmark of Georgia’s regional integration, the European Union. The second includes a number of companies, banks, etc. This approach stems from these countries’ close territorial location to Georgia (in some cases directly bordering it) and the key value these groups of countries have in Georgia’s foreign economic relations. In 2010, these countries accounted for almost 55% of FDI to Georgia, 72% of its exports, 76% of its imports and 87% of its foreign remittances. For the same reasons, Georgia’s economic relations with the United States, the CIS (as the most important regional partners of Georgia were included in the first group) and GUAM (overlapping with the new format of co-operation with the EU under the Eastern Partnership) are not discussed in this article.

As a working hypothesis of the article, the following provisions are accepted:

- The international economic positioning of Georgia should be viewed under the interconnected global, macro-regional and sub-regional aspects.
- The global aspect implies the interpretation of the country as a link in the formation of a geo-economic system of interconnections of Europe and Asia. During this process, the main partners of Georgia are the European Union (as the dominant European foreign actor) and the Customs Union (as a major Eurasian foreign actor).
- The macro-regional aspect views Georgia as an organic element of the geo-economic space, emerging between the Caspian and the Black Seas. It brings in the third external actor—the countries of the Greater Caucasus—complementing the two foreign players, the EU and the Customs Union, mentioned above.
- The sub-regional dimension directly relates to the geo-economic space of the South Caucasus and focuses upon a partnership between Georgia and geographically close actors, including the Customs Union, and countries from the Greater Caucasus and the South Caucasus groups.136

The primary focus is placed upon the economic component of Georgia’s positioning in regional integration processes and is considered in various formats. In this case, bilateral trade and economic relations between Georgia and Russia are taken into account yet they are not the main object of analysis. The political component of Georgia’s international positioning is viewed only as the background of economic interaction. Of course, all major economic integration projects (in particular, within the EU framework) are originally initiated and implemented as political interventions based upon the consensus between national governments and political elites, without explicit support, and sometimes against the resistance of a large part of society. The long term success, however, can only be achieved based upon realistic economic assumptions (the current

136 A similar approach towards the South Caucasus region was used, for example, in an article by E. Baratashvili and D. Bedoshvili, “Economic Integration of Georgia in the South Caucasus,” 31 January 2011, www.kavkasia.net/Georgia/article
crisis of the euro area caused by the unreadiness of the economies of Greece, Portugal and Ireland to support the single currency area is a good demonstration of that. Sometimes the political and economic integration processes are delimited consciously and purposefully. For example, cooperation of the EU with the six Eastern European countries under the Eastern Partnership, when used in an economic context, refers to integration but refers only to association when used in a political context. In other words, this is a practical realisation of the principle put forward by former European Commission President, Romano Prodi, on the “peripheral neighbours” and to “share everything but institutions.” From this point of view, it seems reasonable and feasible to consider economic prerequisites and prospects for Georgia’s international position in all three dimensions independently. Their implementation, however, will depend to a large extent upon the development of political relations between Georgia and Russia.

Statement of the Problem and Possible Future Scenarios

Despite making considerable progress in liberalisation and openness and related improvements in the dynamic and structure of the economy of Georgia, the past five years have brought only limited positive developments in its international economic positioning. Passive “bias” still prevails in Georgia’s economy: its growth remains largely supported by the massive external financial injections. In 2010, the share of current FDI in Georgia’s GDP, after the abrupt growth of 2007 (with almost 20% increase in GDP), fell slightly below the 2005 level (less than 5.5%). However, by the value of accumulated FDI in the economy, Georgia scores better than any other former Soviet republic except the Baltic countries where the outflow of foreign capital during the crisis caused deep recession in 2008. At the same time, the structure of FDI does not aim at growth through modernisation. In 2010, the flow of FDI prevailed in the transport and communications industries (35%) which only creates some infrastructure requirements of growth. Industries which directly enhance such growth received only 16% of FDI. The energy sector, which promotes development of other industries, got 4% whilst the "anti-inflationary" agriculture received less than 2%.

Clearly, this is not enough to shift from mostly import-based industry to active export-oriented development. Even in 2010, Georgia’s export was mostly composed of low-tech and semi-products. The share of metals, ores, alcohol and non-basic food in Georgia’s export exceeded 50%. Transportation means are one of Georgia’s chief exports (about 16%), which account for the less favourable re-export of used vehicles, whilst more progressive types of export, such as electricity, stayed below 3%. The trade pattern of imports does not look very encouraging either. Gas, oil and petroleum products dominated foreign imports coming to Georgia (almost 18% of the total) which is typical for countries that are deprived of hydrocarbon resources. The share of products necessary for modernisation of machinery and equipment (except for transportation means) reached only 15%. Imports of wheat, tobacco and pharmaceuticals made up about 10% of the total. At the same time, the share of imports in GDP has grown at a faster pace exceeding 45% in 2010. Negative balance of foreign trade increased 2.2 times, amounting to over $3.5 billion or 31% of GDP. This trend was slightly offset by the fluctuating current FDI inflows and individual money transfers (the value of which has increased almost 1.4 times and amounted to 8.4% of GDP). The country continued to live with loans. Total external debt increased 2.5 times and amounted to $9.4 billion or almost 84% of GDP. Foreign exchange reserves were sufficient to provide import cover for only six months. Expansion of imports devalued the national currency against the US dollar and raised Georgia to the second highest inflation rates in the former-Soviet space.

By the share of compatriots currently living abroad, Georgia (25.1%) ranked second after Armenia (28.2%) amongst the former Soviet republics. http://demoscope.ru/weekly/2010/0445/barom01.php
There are three possible scenarios for the future economic development of Georgia:

- Conservative – Maintaining the existing trends, which cannot facilitate stable growth rate over 3% and in three-or-four years is fraught with imbalance of the economy, the devaluation of the lari, an abrupt increase in inflation, partial or total default and the social and political destabilisation.

- Evolutionary – Some improvements in the economic structure and a re-orientation towards import substitution (especially for food) and export promotion can facilitate a medium growth rate (at 5 or 6%) whilst keeping the creeping inflation, high debt burden with limited prospects for restructurisation and, consequently, making it inevitable to tighten fiscal policy, constraining investment growth and living standards.

- Modernisation – Restructuring production and export composition (including through formation of sustainable production clusters with export potential) towards promoting investments and innovation in addition to the development of export-oriented services (especially transfer of information and communications, transit of traditional energy resources, export of electricity, primarily with non-hydrocarbon content produced from renewable energy: hydro, wind and solar, and tourism developed based upon local food production). This model of development can ensure an average growth rate of more than 7% and perhaps bring the country closer to Georgia’s declared goal of doubling its exports by 2015.

Georgia has limited domestic natural, human and financial resources which means that its market can only develop through international trade, economic and investment co-operation. Therefore, the realisation of a particular development scenario will largely depend upon the strategy chosen by Georgia and its relations with the major regional players in wider Europe and the Greater Caucasus.

Currently, the dynamics and importance of this relationship remain weakly correlated and quite volatile. In terms of FDI, the European Union is the dominant actor in Georgia although throughout 2005-2010, its share of FDI as a percentage of GDP has declined by half, down to 1.9% along with a decrease in volume in 2010. The share of the Customs Union was almost halved (to 0.3% of GDP) although there was a slight increase in FDI in 2010. FDI from the South Caucasus was reduced four times due to a slowdown in growth in these countries and slightly increased in 2010. The share of the Greater Caucasus has barely changed (0.37%) after a significant reduction in its FDI in 2010. With respect to exports, the South Caucasus receives the highest share of Georgia’s exported products which, as a percentage of Georgia’s GDP, has almost doubled (up to 3.6%) recently. The Greater Caucasus maintains old figures (2%). There was a slight reduction in the share of the EU (2.6%) and a significant decrease (almost three times – down to 0.9%) in the share of the Customs Union. On the import side, Georgia’s import mostly comes from the EU (up to 12.8% of GDP), followed by the Greater Caucasus which has almost doubled its figures (8.4%). The share of the South Caucasus has not changed (4.5%). The share of the Customs Union was reduced 1.7 times (down to 3.6%). The only area where the latter vastly surpasses all the other regional players concerns foreign remittances (4.8% of Georgia's GDP in 2010). The amount of financial resources remitted from the EU, the Greater Caucasus and the South Caucasus are three, 25 and 50 times lower, respectively.

Georgia’s development challenges and prospects should be considered in relation to its major regional integration partner “groups.”

Relations with the Customs Union

The situation in the Customs Union is dominated, although hitherto not monopolised, by the Russian Federation. This makes it possible to find, by means of the Customs Union, multilateral trade-offs including with respect to Russian-Georgian economic relations. For example, the
common customs and trade policies prevent Russia from imposing unilateral tariffs and non-tariff barriers (including sanitary, veterinary and other technical barriers to trade, special protection measures). Additionally, it facilitates the practical use of the WTO principles in trade and investment relations, etc. The preparation for establishing the Customs Union and the initial activities of the first months have delivered effect. In December 2009, Russia agreed to retain the Georgia-CIS trade regime despite Georgia’s withdrawal from that organisation. In March 2010, direct trade with Georgia was reauthorised after being terminated since the break-off of Russia-Georgia diplomatic relations. In March 2011, Russia also formally announced the possibility for lifting a ban on imports of Georgian wine, mineral water and other food products (subject to the Georgian producers’ ability to adhere to all necessary "control measures"). Respectively, Georgia's exports have plummeted since 2006. These steps are direct results of the rules adopted by the Customs Union which simultaneously aim to achieve Georgia's consent on Russia’s WTO accession. In 2010 and 2011, it became possible to add some dynamism to Russian-Georgian trade. Throughout 2005-2010, the share of the Customs Union as a whole in Georgia’s total export fell three times (to 6.6%). It was halved in imports (down to 8.0%). These reductions stem from the decrease of Russia's share both in Georgia’s total exports and imports to 2.2% and 5.5%, respectively. At the same time, Georgia’s total exports to Belarus and Kazakhstan have enlarged six times whilst there was nearly a seven-fold increase in imports from those countries. In addition, this trade was more balanced than with its other trading partners, the Greater Caucasus and the EU. Georgia’s imports coverage by exports to the Customs Union countries amounted to 26%; for the Greater Caucasus, it was 25% and only 21% for the EU. In 2010 and 2011, Georgia’s exports to and especially its imports from Russia started to grow (in January 2011 imports from Russia reached nearly 8% of the total). For Russia, trade with Georgia remains less significant. In 2010, Georgia accounted for only 0.7% of total exports and 0.1% of total imports of Russia. The Customs Union by far is the largest source of remittances for Georgia. The value of remittances from the Customs Union to Georgia was about 58% (including Russia - 56%) of the total, five-times exceeding the value of the Georgian exports to the Customs Union.

The situation has improved markedly with the influx of FDI from the Customs Union to Georgia. After a sharp (eight times down to 1.1%) decrease in 2005-2009, the value of the Customs Union’s investments in Georgia has increased five times (5.1%) due to the six-fold-growth of Russian investment making up to 9.6%. Russia is now second only to the EU as the single major investor. The Russian capital has been and remains an important factor in the foreign investment of Georgia and the driving force behind the development of Georgian-Russian trade and economic ties. In 2007, the accumulated Russian FDI amounted to a record 50% of the total FDI, or 25% of GDP. Despite the subsequent decline of these shares, Russian investors have maintained an important and sometimes decisive role in Georgia’s economy. In early 2009, nearly 400 companies with Russian capital (about 100 of them controlled by Russia) operated in approximately fifty sectors and sub-sectors of Georgian economy.

The specificity of the Russian investment in Georgia includes a predominance of large public or private corporations and they are concentrated mainly in export production or in other strategic sectors of the economy (energy, transport, telecommunications, banking, mining and food industries). Thus, the Russian state-controlled company, Inter RAO UES, owns or manages almost half of all of Georgia’s installed capacity (including the largest hydroelectric power station, Inguri HPP, and TPP Mtkvari), so far the country’s only high voltage transmission line with export capacity and approximately 34% of Georgia’s power transmission grid (through a company Telasi). To make a comparison, 17 new hydroelectric power stations, the construction of which is scheduled

138 http://www.gazeta.ru/busines/2011/03/10/
139 Economy of Georgia (country), http://www.wikipedia.org
within a new Georgian energy programme, will have 1.3 times less power capacity than the Inguri hydroelectric plant controlled by Inter RAO.\(^{141}\)

Before Georgia switched to importing natural gas from Azerbaijan, Gazprom was accurately and consistently supplying Georgia with this product in return for natural gas transit to Armenia through Georgia. The transit fee was established as 10% of the transit gas volume. The state-owned Russian bank, Vneshtorgbank, controls JSC VTB Bank Georgia, the fifth-largest Georgian bank in terms of assets which, incidentally, funded the state programme on developing gas turbine power plants in the regions.

The state-controlled company, Russian Railways (RZD), owns the Black Sea Ferry Investment (BFI), the operator of the ferry service linking Poti with the Russian port of Kavkaz. One of Russia’s leading private companies, LUKOIL, through its Georgian subsidiaries, controls about 25% of retail sales of gasoline and diesel fuel, VimpelCom - 13% of Georgia’s mobile telephone market and even the latecomer, Wimm-Bill-Dann, has managed to acquire 10% of Georgia’s dairy products market.

*The Russian investments largely provide the basis for Georgia’s export production (ferro-alloys, steel and gold, nitrogen fertilisers and wine) and supply the domestic market (grain and sugar production).*

At the same time, the Russian companies are better agents of Georgia and its economic interests in Russia than the Russian ones in Georgia. Their loyalty towards the country of residence was especially well illustrated during the 2008 conflict when none of the subsidiaries of the Russian State nor other private companies disrupted their work with some of them even stepping up (VimpelCom) or financed humanitarian actions (VimpelCom and Inter RAO). The transfer of money from Russia to Georgia has not been interrupted either. In 2008, LUKOIL-Georgia was the third largest taxpayer during Georgia’s budget crisis. Such behaviour was valued by Georgian society. According to the Georgian polls conducted in October-December 2008, only 36% of respondents were against the companies with Russian capital acquiring businesses in Georgia and only 27% approved the restrictions imposed upon trade between Russia and Georgia.\(^{142}\)

Rehabilitation and operation of Inguri HPP, which geographically divides Georgia and Abkhazia, is completely under the Inter RAO management. The stability of economic relations, even after the military conflict, and the termination of diplomatic and direct trade affairs confirmed the proximity of the basic economic interests of Russia and Georgia at the national and large-enterprise level. It is noteworthy that the Ministry of Energy of Georgia signed a confidential memorandum with the Russian state-owned Inter RAO on the management of Inguri HPP in December 2008. Furthermore, in April 2011 a transfer of ownership agreement was signed according to which Inter RAO acquired two medium-range HPS: Khrami-1 and Khrami-2 in Georgia for their rehabilitation and construction of three new power plants: Khrami-3, 4 and 5 with a total capacity of 90-100 MW (19-21% of the Georgian power plants’ current capacity), a Russian investment of nearly $200 million. Given that the Russian-Georgian bilateral co-operation in the energy sector proved sustainable, international financial institutions continued to support Russian projects in Georgia. For example, the European Bank for Reconstruction and Development (EBRD) signed a $25 million loan and a $0.25 million grant to Telasi for the rehabilitation and expansion of the electricity distribution network in Tbilisi. The EBRD also gave VTB Georgia a $7 million loan to assist the Bank in further developing and expanding its lending activities to private sector Georgian


\(^{142}\) “Российский бизнес в Грузии после Августовской войны,” Аналитическая группа фонда «Наследие Евразии.» 2 June 2009, http://www.eurasianhome.org
entrepreneurs in the regions (particularly farmers).\textsuperscript{143}

Similar trends can be observed for expansion of the Kazakh capital. A Georgian subsidiary (KazTransGas) of Kazakhstan's state energy company, KazMunaiGas (KMG), purchased Tbilisi's TbilGas gas distribution company and a famous resort, Borjomi-Likani. Rompetrol-Georgia, of Romania, which is controlled by KMG, came close to LUKOIL by the number of gas stations in Georgia. Additionally, KMG started to export oil by transiting it through Georgia's Black Sea terminals of Batumi and Kulevi. In the financial sector, two of the largest private Kazakh banks are active with a subsidiary of one of them (Turan Alem) having bought the largest company in Georgia, the operator of fixed telephones.\textsuperscript{144} Belarusian investments in Georgia are small and not in the key sectors of the economy. Moreover, during the past two years they have declined due to the deterioration of the economic situation in Belarus.

In the long run, interests of the national governments and Customs Union companies in the development of economic co-operation mainly correspond. Nevertheless, there are tactical differences. For instance, Inter RAO and Gazprom are more interested in an enhanced participation in the electric power industry of Georgia and electricity imports (already in 2009, Georgia accounted for 17% of imports and 2% of exports of electricity of Inter RAO), to a lesser degree in oil and gas transit (mainly in transit of gas to Armenia and electricity from Armenia).\textsuperscript{145} KMG's primary interest lies in the development of regional oil transit routes through Georgia (including trans-Black Sea shipments to Romania where the company owns refineries). RZD would like to become a co-owner of the Georgian Railways to better manage a train ferry communication for transportation of cargos from Armenia and back and to resume the transportation through Abkhazia. Both the Russian and the Kazakh banks intend to participate in the development of international tourism in Georgia. Telecommunication companies are interested in establishing a reliable route for considerable traffic transmission from Europe to Asia via Georgia. For these purposes, Russia's leading international telecommunications operator, Rostelecom (30% of the company's shares are owned by the state), along with other participants of an international telecommunications consortium, began to modernise the Georgia-Russia submarine fibre-optic cable system. The return of Georgian wine and mineral water to the Russian market could bring about more rapid and significant achievements (such as doubling the Georgian exports' value to Russia within one or two years) than the search for new markets in the US or China. In 2005, Georgia exported 52 million bottles of wine to Russia alone and in 2010 the number of bottles exported to 46 countries was less than 15 million. At the same time, more than 79% of Georgian wine is exported to only four countries (Ukraine - 51%, Kazakhstan and Belarus together - more than 22%, Poland - about 6%) whilst the remaining 42 countries receive only 21%.\textsuperscript{146}

There are favourable market conditions for supplying grain, vegetable oil, pork and poultry from Russia, grain, flour and beef from the Republic of Kazakhstan and dairy products from Belarus. Prospects are good because, according to the July 2010 polls, 45% of the Georgian buyers trust Russian consumer goods more than they do products from Iran or Turkey, for example.

Nevertheless, Georgia's export structure, which remains quite concentrated in traditional sectors, limits the potential for developing bilateral trade. It is not realistic to anticipate a significant increase in remittances from the Customs Union. An impetus to economic co-operation can be attained through enhanced co-operation in information and telecommunications, transport and transit services as well as through modernised partnership. A good example of this would be an


\textsuperscript{145} S. Charap and C. Welt, op. cit.

\textsuperscript{146} Calculated by: 30 December 2010, http://www.newsgeorgia.ru
increased co-ordination and co-operation in research and development through already adapted academic and industrial science organisations and emerging science and innovation clusters (e.g., existing at the universities, institutes of technology). In fact, there is some potential to restore co-operation in the production of locomotives and vehicles (with the Carriage-Building Company) and even civil aerospace products (with Tbilisi Aircraft Manufacturing - TAM) on the new organisational and technological basis.

Georgia's support for Russia, Belarus, and Kazakhstan’s WTO accession could facilitate the formation of the necessary legal and institutional framework, especially as it is pushed hard by the US (at least in regard to Russia) and the major EU countries. In April 2011, the then assistant to the President and Senior Director for Russia and Eurasian Affairs at the US National Security Council, Michael McFaul, said bluntly that Georgia's failure to resolve the issue should not hinder Russia's accession to the WTO: “We also say to the Georgian government that this [WTO entry talks with Russia] is not a mechanism for you to resolve your political issues with Russia. We’ve been categorically clear to them on that. You are not going to resolve that issue of sovereignty in the WTO negotiations.” It would be useful to find mutually acceptable ways for co-operation between Georgia and the Customs Union and to involve it in a wider format of co-operation within the CIS on the grounds of a treaty drafted in May 2011 on a free trade zone and the interstate targeted programme for innovation co-operation between CIS member states until the year 2020.

Lastly, co-operation with the Customs Union, which is already negotiating a free trade agreement with the European Free Trade Association (EFTA), may in the long-term perspective assist Georgia to gain improved access to the markets of the EFTA states.

**Relations with the South Caucasus Countries**

Trade between Georgia, Armenia and Azerbaijan was quite dynamic and mostly balanced in all aspects except for remittances with the largest share coming from Azerbaijan. Throughout 2005-2010, Georgia increased its exports to the South Caucasus countries 1.7 times up to nearly 26% (including to Azerbaijan up to 15%) whilst its imports have stabilised (from 9%) at 10-11%. Simultaneously, the imports coverage by exports have increased 1.8-fold reaching a record high for Georgia at 79% (approximately three times higher than for the Customs Union and the Greater Caucasus). The FDI inflows from the South Caucasus, by contrast, fell by almost threefold (down to 5.2%) whilst this flow again increased in 2010 at the expense of Azerbaijan. The role of the South Caucasus in remittances to Georgia is negligible. In 2010, it was only 1.2% (0.5% from Armenia) of the total. In terms of investments, the key investors from Azerbaijan are large state-owned companies; from Armenia, they are mostly small and medium enterprises. Different economic models in each of these countries (for example, liberal-transparent in Georgia, more administratively regulated in Armenia, almost opaque and authoritarian in Azerbaijan, which also is in no hurry to enter the WTO) constrains Georgia’s co-operation with both countries. There is a tendency of capital transfer from Armenia to Georgia with a more attractive investment environment. Differences in national-state economic interests, by contrast, encourage bilateral Armenian-Georgian and Azerbaijani-Georgian relations. Almost 70% of Armenia's exports and imports are carried through Georgia. Because of the unresolved conflict between Armenia and Azerbaijan over Nagorno-Karabakh, Azerbaijan tries to find alternative routes to Russia for transporting its oil and gas to Europe bypassing the shortest route going through Armenia. This is implemented via Georgia. In addition to this, a new project has recently been launched to construct an international railroad connection and power lines through Georgia and bypassing Armenia.

Given the similar export structure (except for the predominance of oil and gas in case of Azerbaijan and a relatively higher proportion of manufactured goods for Armenia), it is difficult to expect significant growth in bilateral trade without upgrading the production of goods and increasing the provision of services (for example, the sale and transit of electricity, oil and gas transit in the case of Georgia; as for telecommunication traffic, currently the internet speed in Georgia is two-to-four times faster than in Armenia and Azerbaijan but almost twice as slow than in Russia). As a number of EU experts note, including those who had to deal with the problems of the Eastern Partnership, the internal potential for integration of the South Caucasus region is very limited and depends upon external innovation and investment incentives.\textsuperscript{148}

**Relations with the Countries of the Greater Caucasus**

Turkey and Iran are the second major partners of Georgia in imports (18.5% in 2010) and the third biggest export destination (14.4% in the same year) for the country. After the EU, Georgia has the worst trade balance with the Greater Caucasus (Georgia’s imports coverage by exports is only 25%). In terms of FDI, the Greater Caucasus moved up from fourth to third place (7.0% in 2010) behind first- and second-place EU and Russia, respectively. As for remittances, the Greater Caucasus’ share is very small (at 3.3%): 17 times less than that of the Customs Union and almost six times lower than that of the EU. Turkey is the dominant actor in all fields between the two. Turkish companies play an important role in the construction, light industry, banking and transportation sectors of the economy of Georgia. Both international airports of Georgia are controlled by the Turkish company which set rates for service (dumping prices to benefit Turkish Airlines) sliding the Georgian airlines into unprofitability. In recent years, Turkey has been actively taking part in the development of Georgia’s tourism industry. Its role, however, has mostly been limited to being a consumer and a transit country for Azerbaijan’s energy resources going through Georgia as well as a growing market for the Georgian and Azerbaijani electricity exports. Armenia is excluded from this international energy route which strengthens its focus upon Iran (with the dominance of Russia in the Armenian energy sector).

Turkey is trying to take advantage of its dominant position to attain more favourable conditions for transit which makes Azerbaijan and Georgia search for other alternative routes (for instance, Azerbaijan-Georgia-Romania Interconnector (AGRI), a liquefied natural gas transportation project). An important part of relations in the energy sector is the development and insurance of safety of the already operating (in Armenia and Iran) and projected (in Turkey) nuclear power plants which function based upon the Russian technology, equipment and fuel.

**Relations with the European Union**

The EU dominates in all areas of foreign economic relations of Georgia, except for remittances. Yet, the economic relations with the EU are the most asymmetric with only 18.7% of Georgia’s exports going to the EU and 28.2% of Georgia’s imports coming directly from the EU. The corresponding figures for the EU amounted to 0.1% and 0.2%, respectively; comprising the lowest level as compared to Georgia’s other “groups” of partners. Standing at 21%, Georgia has the lowest index of imports coverage by its exports with the EU. At the same time, the EU is the dominant source of the current FDI in Georgia although its share for 2005-2010 has decreased 1.5 times and amounted to 36.3% of the total.

In general, Georgia is more attractive to the EU politically, as a factor of stability, in the region. However, this feature has been significantly weakened by the 2008 military conflict and its political consequences. The economic significance of Georgia to the EU is associated primarily with its role as a transit country and a springboard for "targeted investments" in the neighbouring countries.

The EU (and Russia) is inclined to approach the South Caucasus as a potential single economic space. Therefore, many companies from EU countries (for example, the German holding company Heidelberg Cement, which controls 80% of the cement market in Georgia) tend to form associated companies in Georgia, Armenia, Azerbaijan, Russia and even Kazakhstan. This also applies to major banks in the EU. Through the Eastern Partnership and bilateral association negotiations (including the establishment of free trade zones) with the six participant East European countries, the EU strives to take an advantage of the geo-economic and geopolitical situation of these countries for securing its own benefits. In fact, the Eastern Partnership was initiated and implemented as an EU project and not a joint project of the EU and the "post-Soviet Six." Challenges posed by the Eastern Partnership initiative (including the requirements to modernise the regulatory framework and restructure the economy) are serious, demanding hard work, both from the political leadership and the business, and can (at least at the initial stage) stir social and economic tensions.149 This applies fully to Georgia, as the Eastern Partnership in its current form—which does not include actual implementation of any specific investment projects through the European Investment Bank (EIB) or the European Bank for Reconstruction and Development (EBRD) financial support and only funds legal and institutional measures from the EU budget—with the mode of the projected Free Trade Area between the EU and Georgia is unlikely to allow Georgia to fully utilise the country’s competitive advantage. Thus, Georgian food products—technically almost free of customs duties—may be allowed on the European Union market only after establishing food safety and quality controls corresponding to the EU standards (i.e., not until 2015).150

Georgia, along with Moldova, is further ahead than the other members of the group of Six with advancing towards establishing a free trade zone with the EU. A successful completion of this process, however, would mean a failure of Georgia's intentions to have “ultra-liberal,” from the EU perspective, labour standards, competition and tax laws. Potential for helpful co-operation with the EU is also limited due to the technological backwardness of industry and the small size of the domestic market of Georgia. At the same time, the EU supports Georgia's initiatives to expand the range of sources and supply routes for transportation of hydrocarbons to Europe, alternative not only to Russia but to Turkey as well, whose growing importance as international oil and gas transit “hub” begins to disturb the government of member countries and institutions of the EU.

A Vision for Solving Problems and Recommendations

From a global perspective, it proves beneficial for Georgia to promote and to join the process of formation of a common European space of energy, food and other sectors of economic security, the ways and forms of which are now being actively discussed at a high-level between EU and Russian political experts. This approach aims at ensuring a stable position of the parties in the future world economic order, including competition with China for natural resources (primarily in Central Asia) for the development of traditional and alternative energy and food production. Transport and energy transit routes passing through Georgia would become complementary (not competing, as is


now the case) part of a pan-European transport and energy transit infrastructure systems. Technically, it already exists in the form of interconnected systems of national and international gas pipelines in Russia and the EU and with the potential to merge similar systems of petroleum pipeline (easier) and power lines (harder). This applies both to the existing (Baku-Tbilisi-Ceyhan and Baku-Tbilisi–Erzurum) and projected (Nabucco, AGRI) pipelines. Pan-European energy-space could also include more ecologically sound and rational placement of nuclear-power plants and exploit unconventional fossil-fuel resources (shale gas, bitumen and shale oil) by connecting to the joint energy system of high-capacity new energy clusters based upon wind and solar energy. A common transportation space can be formed by switching from developing isolated and often mutually contradicting systems of transcontinental transit through the territory of Russia and other countries of the Customs Union and the EU-initiated projects like TRACECA, INOGATE and others to their harmonised and co-ordinated expansion. This is especially needed in light of growing competition with China in this part of the world. To increase the production of basic food products, primarily in Russia and Kazakhstan (which are amongst the only five countries of the world with appropriate land and water resources), traditionally rich bio-potential of cultivated and wild plants of Georgia can be effectively used on the basis of a “new green revolution.”

The abovementioned considerations relate to the least certain and most prospective aspects of Georgia’s international economic position. Now, we should try to assess its prospects and trends and to develop a legal and institutional framework for its implementation. In pursuit of its national interests, it would be reasonable to develop a mutually acceptable form for reinvigorating contacts at the governmental and business levels with the countries of the Customs Union (including the restoration of diplomatic relations with Russia) counting on their participation in the Shanghai Co-operation Organisation activities as well as their co-ordination with the EU’s general policy on the relevant sectors of the economy (including through the Eastern Partnership).

At the macro-regional level, Georgia can add more significance to its position as the major link connecting the two zones of the emerging economic areas between the Caspian basin and the Black Sea through collaborating with all countries in the macro-region. These include the economic zones which we can call “Azerbaijan- Turkey” and “Armenia-Iran” as well as Russia.

For this purpose, Georgia should harmonise its co-operation (especially in transport and energy sectors) with all partners so as not to aggravate the economic and energy isolation of Armenia, to complement oil and gas ties with Azerbaijan with the similar bonds with Kazakhstan and to oppose the transformation of Turkey into a transit monopoly of the Caspian and the new Russian energy route to Europe. Furthermore, Georgia should seek to contribute to finding a co-ordinated solution with Iran on the development and transit of energy resources in the Caspian Sea region and to not discourage economic co-operation with Russia by separate interactions with the republics of the North Caucasus. The introduction of a visa-free regime for citizens of only one part of the Russian Federation (the North Caucasus) without changing the existing situation for citizens of all Russia (they can freely obtain the Georgian visas at the border crossing checkpoints) can promote economic (or other, including undesirable for Georgia) activities of these people in Georgia. Additionally, it can create a suspicion that Georgia encourages separatist sentiments in this region of the Russian Federation, thereby worsening the climate for large-scale Russian-Georgian economic co-operation.

One of the important directions could become Georgia’s move towards lifting the transportation embargo on Abkhazia and the development of energy and economic ties with both Abkhazia and South Ossetia, on the principle of “engaging without recognition,” and selling a significant portion of the gas pipeline, Mozdok-Yerevan, and the Georgian Railroad shares to Russia. Speculations over the sale of full or only controlling shares of this gas pipeline to Azerbaijan, and the railroad
either to Azerbaijan or to Kazakhstan, contribute to the destabilisation of the macro-region. A balanced solution should be found to address these issues, one that takes into account the strategic interests of both Georgia and other countries involved: Russia, Armenia, Azerbaijan and Kazakhstan concerned by the railroad and Russia, Armenia and Azerbaijan, concerned by the pipeline. In any case, decisions on the development of the oil transit corridor will be co-ordinated by Kazakhstan with Russia under the general policy of the Customs Union and the fulfilment of the AGRI project will depend upon either competition or co-operation with Russia on gas supply to the EU. From this perspective, it is in Georgia’s interest to strengthen and develop institutional and legal instruments of macro-regional nature (including within the framework of the Black Sea Economic Co-operation Association) and to use the Eastern Partnership agenda to enhance "horizontal relations" with Armenia and Azerbaijan, as well as to attract Russia to participate in specific projects.

From a sub-regional point of view, Georgia can focus upon creating a common economic and transit space of the South Caucasus for the most efficient use of the industrial, labour, scientific and geo-economic potential of Armenia, Azerbaijan, and Georgia. This should include harmonising their socio-economic development policies and a “convergence” of economic regimes upon the basis of liberal democracy, excluding any tax and other economic and social dumping (practiced by Georgia) and commodity dumping (used by Armenia and Azerbaijan). At the same time, it should be considered that these are the means and not the ends for resolving the conflict in the region. Turkey should not be viewed as the main guarantor (or even patron) of the “united” South Caucasus blocking out Russia and Iran from the “unification processes.” Additionally, it proves necessary to define the ultimate goal of this union (a confederation, a free trade zone, etc.), possible mechanisms for its organisation (with or without the presence of supranational institutions, etc.) and to tie with them their current commitments.

In all aspects listed above, improving Georgia’s both global and regional international economic positioning is connected and often directly depends upon the degree of sharing the same interests with Russia and harmonising relevant elements of their socio-economic strategies and policies. Definitely, transforming of the objective economic preconditions into real macro-integration projects requires commitment and co-operation of the elites of Georgia and Russia at the highest political level, as well as public support in both countries.

Reflecting the importance of Georgia’s external relations with key partner "groups" in its GDP (shown as %)

<table>
<thead>
<tr>
<th>Indicators / Years</th>
<th>2005</th>
<th>2007</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
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<td><strong>FDI/GDP Ratio</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
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<td>2.3</td>
<td>0.06</td>
<td>0.3</td>
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<tr>
<td>including RF</td>
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<td>0.096</td>
<td>0.5</td>
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<td>0.23</td>
<td>0.27</td>
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<td>0.4</td>
<td>0.28</td>
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<td>0.92</td>
<td>0.37</td>
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<tr>
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<td>0.9</td>
<td>0.91</td>
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<td>2.1</td>
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<td>0.2</td>
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<td>2.1</td>
<td>2.0</td>
</tr>
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<td>1.69</td>
<td>2.09</td>
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<td>2.6</td>
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</tr>
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<td>including Azerbaijan</td>
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<td>3.7</td>
<td>3.5</td>
<td>4.1</td>
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<td>7.6</td>
<td>7.6</td>
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<tr>
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<td>12.1</td>
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<td><strong>Remittances/GDP Ratio</strong></td>
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<td>including RF</td>
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<td>4.2</td>
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</tr>
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<td>0.1</td>
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<td>0.04</td>
<td>0.04</td>
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<tr>
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<td>0.2</td>
<td>0.2</td>
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</tr>
<tr>
<td>including Turkey</td>
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<td>0.2</td>
<td>0.2</td>
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<td>EU</td>
<td>0.6</td>
<td>0.8</td>
<td>2.8</td>
<td>1.6</td>
</tr>
</tbody>
</table>

* Q3 2010; ** Belarus, Kazakhstan, Russia; *** Azerbaijan, Armenia; **** Iran, Turkey; ***** throughout 2010, based upon GDP estimates at $11,234 million.

If an indicator for a country is higher than for a group, it reflects the outflow of FDI from other countries of the group. Calculated by: http://www.geostat.ge; http://www.nbg.gov.ge
## Table 2

The share of the main partner "groups" of Georgia in its foreign economic relations (shown as %)

<table>
<thead>
<tr>
<th>Indicators / Years</th>
<th>2005</th>
<th>2007</th>
<th>2009</th>
<th>2010</th>
</tr>
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<tbody>
<tr>
<td><strong>Total FDI</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td></td>
<td></td>
</tr>
<tr>
<td>Customs Union **</td>
<td>8,6</td>
<td>11,4</td>
<td>1,1</td>
<td>5,1</td>
</tr>
<tr>
<td>including RF</td>
<td>8,6</td>
<td>4,4</td>
<td>1,6</td>
<td>9,6</td>
</tr>
<tr>
<td>Ukraine</td>
<td>0,4</td>
<td>1,2</td>
<td>-0,2</td>
<td>1,1</td>
</tr>
<tr>
<td>South Caucasus ***</td>
<td>14,9</td>
<td>1,8</td>
<td>3,7</td>
<td>5,2</td>
</tr>
<tr>
<td>including Azerbaijan</td>
<td>14,8</td>
<td>2,0</td>
<td>4,5</td>
<td>8,6</td>
</tr>
<tr>
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<td>4,6</td>
<td>15,1</td>
<td>7,0</td>
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<tr>
<td>including Turkey</td>
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<td>14,88</td>
<td>6,91</td>
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<tr>
<td>EU</td>
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<td>56,2</td>
<td>34,1</td>
<td>36,3</td>
</tr>
<tr>
<td><strong>Total Exports</strong></td>
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<tr>
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<td>6,6</td>
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<tr>
<td>including RF</td>
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<td>1,9</td>
<td>2,2</td>
</tr>
<tr>
<td>Ukraine</td>
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<td>7,6</td>
<td>7,4</td>
<td>6,5</td>
</tr>
<tr>
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<td>22,4</td>
<td>25,5</td>
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<tr>
<td>including Azerbaijan</td>
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<td>including Turkey</td>
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<td>18,7</td>
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<tr>
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<td>0,6</td>
<td>0,5</td>
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<td>3,1</td>
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<tr>
<td>including Turkey</td>
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<td>9,2</td>
<td>36,1</td>
<td>19,4</td>
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</table>

* Q3 2010; ** Belarus, Kazakhstan, Russia; *** Azerbaijan, Armenia; **** Iran, Turkey; ***** throughout 2010, based upon GDP estimates at $11,234 million.

If an indicator for a country is higher than for a group, it reflects the outflow of FDI from other countries of the group. Calculated by: http://www.geostat.ge; http://www.nbge.gov.ge
Georgia’s imports coverage by its exports in 2010 (shown as %)

<table>
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<th>Total Including the countries below:</th>
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<td>7,4</td>
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</table>

Calculated by: www.geostat.ge
PROSPECTS FOR SETTLING RUSSIAN-GEORGIAN RELATIONS

G. Tarkhan-Mouravi
Co-director, Institute for Policy Studies (IPS)

You are Russians, but don’t understand the Russian language! Strange people you are, Gentlemen! Well, to drag on – to adapt, know when to keep silent, forget some things; not think of things, which you usually think of; not do, what you are used to doing...

M. E. Saltykov-Shchedrin. Contemporary Idyll

INTRODUCTION

Over the past two decades, starting from the dramatic demise of the Soviet Union, Georgian-Russian relations have gone through periods of exacerbation and reduced tensions. Nevertheless, good neighbourliness between the two bordering nations, which are diverse in size, has never been achieved. As a result of the August 2008 war, these relations have severely deteriorated and have remained in a state of latent hostility with a lingering risk of reigniting.

Currently, with the radically opposing positions of Moscow and Tbilisi, in particular on the legal status of Abkhazia and South Ossetia, it is impossible to expect any improvements in relations between the two neighbouring countries in the short run. Clearly, in the given situation, a temporary modality in which the parties could co-exist peacefully, co-ordinate actions if necessary and avoid increasing tension should be found until the change of geopolitical and or domestic political conditions allows to abate the existing and currently intractable contradictions.

In order to discuss the model of Russian-Georgian relations in a different time perspective, it is necessary to consider them as a geo-political sub-system which depends upon many factors such as general geopolitical context, goals and objectives pursued by the parties, country-specific trends and possible future scenarios.

GEOPOLITICAL CONTEXT

The last decade is characterised by a number of events and a series of processes that have led to an irreversible change of world order. As it turned out, the “end of history” phrase, which was voiced recently, only meant an end of one historic era. Indeed, the Cold War world order is gradually becoming history with the appearance of the first signs of new structures replacing the aging institutions of the previous epoch. Globalisation takes new shapes whilst alternative processes of de-globalisation and fragmentation develop. Although it should be acknowledged that ‘no living man all things can’ and some simplifications are just unavoidable, let us try formulating some important trends and events affecting the global context of Russian-Georgian relations.

One of the most important recent developments appeared to be the revolution in Tunisia followed by a “domino” chain of turmoil in almost all Arab countries in North Africa and the Middle East. The Arab Spring is certainly of global importance, affecting not only the price of oil, migration flows or the arms market, but also impelling the conceptual re-thinking of new political realities. As a ‘revolutionary example’ for others to follow, however, it had rather limited impact outside the Arab world. Nevertheless, in many countries with authoritarian or semi-authoritarian regimes, political elites have been watching the developments in this part of the world with evident anxiety.152

152 The president of the Russian Federation, Dmitri Medvedev, had a very interesting reaction to these developments in North Africa. During a meeting of the Anti-Terrorist Committee held in Vladikavkaz, he said: “Look at the current
The unrest in the Arab World has destabilised the global hydrocarbons markets which in turn caused the oil price fluctuations. The benchmark rate for crude oil was reaching record levels ($118-120 - BRENT) and then again declining. Simultaneously, some other slower but radical changes could be observed in the world energy sphere such as increased use of renewable and alternative energy sources (although nuclear power was hit hard in Japan). Furthermore, shale gas has acquired special significance which undermines the energy supplier countries’ leverage and leads to dramatic changes in the world energy markets. As a result, the US is able to fully meet its demand for gas through its own resources. That has diverted liquefied natural gas (LNG) flows to Europe and other countries and has weakened their dependence upon more expensive natural gas supplied through pipelines. New technologies enable cost-effective shale gas extraction in Europe (Poland, Germany, Austria, Romania and Ukraine). Significant reserves of shale gas have also been found in China and India.

Unlike Russia, Georgia is not rich in hydrocarbons although a few already operating wells in eastern Georgia and the first signs of deep oil deposits along the Black Sea coastal line provide some grounds for optimism. Still, Georgia’s major function today is related to its transit capacity with several important oil and gas pipelines going through its territory. In addition, Georgia boasts abundant hydropower resources although in order to fully tap this potential, substantial investment is needed both for renovation of the existing facilities and for construction of new hydroelectric plants. Whilst Georgia's growing dependence upon hydropower makes it more vulnerable to climatic fluctuations, it simultaneously opens up the possibility to export electrical energy, primarily peak power whilst keeping the net export positive.

The economic crisis of 2008 has exacerbated the structural instability of the global economy leaving behind far-reaching systemic changes. China appeared to be the biggest beneficiary of the crisis, maintaining high growth rates and, by early 2011, becoming the second largest economy of the world. Moreover, China has become a major economic partner and investor in Central Asia, surpassing Russia by far. Although China is anticipated to face hard times in the nearest decade, there is no doubt its global influence is growing against the background of Russia’s declining share in the global economy. Over the past years, the geopolitical context has changed but not in favour of Russia which is burdened by many problems and weaknesses. Even the crisis was unable to create essential prerequisites and sufficient incentives for radical reforms aimed at modernising the country. Russia became surrounded by the more dynamic countries and its role in the region and the world is gradually waning. Even within the post-Soviet space, where Russia’s power remains unrivalled, the unanimous refusal of the former Soviet countries to recognise the independence of Abkhazia and South Ossetia demonstrated the limitations of its influence. Russia was hit hard by situation in the Middle East and the Arab world. It is extremely difficult and great problems still lie ahead. In some cases it may even come to the disintegration of large, heavily populated states, their break-up into smaller fragments. The character of these states is far from being straightforward. It may come to very complex events, including the arrival of fanatics into power. This will mean decades of fires and further spread of extremism. We must face the truth. In the past such a scenario was harboured for us and now attempts to implement it are even more likely. In any case, this plot will not work. But everything that happens there will have a direct impact on our domestic situation in the long term, as long as decades." http://kremlin.ru/news/10408

154 http://www.gas-shales.org/
156 For example, in February 2011 China reported a surprise trade deficit (of $7,3 billion) for the first time since March last year after both exports and imports slowed. Analysts say it could indicate some deeper problems stemming from the slowdown in domestic demand as well as in exports. “China posts a surprise trade deficit as exports slow,” BBC News, 10 March 2011, http://www.bbc.co.uk/news/business-12688877
157 “An inefficient economy, a semi-Soviet social sphere, a fragile democracy, negative demographic trends, and an unstable Caucasus. These are big problems, even for a state like Russia.” Dmitri Medvedev, “Go, Russia!”
the economic crisis\textsuperscript{158} although it also started to recover in a relatively short time. Inflation, however, remains the most important problem for Russia. As for the longer term perspective, the greatest danger to Russia’s economy seems to be its heavy dependence upon international oil prices and the consequent risk of the so-called “Dutch Disease” which limits diversification of the country’s economy and makes it rather unpredictable. Given Russia’s institutional weaknesses, the “resource curse” may impose serious limits upon the country’s sustainable economic growth.\textsuperscript{159} The second most important factor limiting growth is a monotonous decline in Russia’s workforce and in its total population.\textsuperscript{160} In this situation, it is difficult indeed to expect any long-term sustainable economic growth. Although with the price of oil staying high, the standard of living in an aging society, fully dependent upon raw materials export, might increase temporarily. According to experts, relatively slow rates of economic growth (2.5-4\% per annum) and sluggish or even stagnant real incomes seem today to be the most likely inertial scenario for the next few years (provided commodity market prices are favourable).\textsuperscript{162} Nevertheless, Russia intends to increase budget spending, and not only in the social sphere, but plans to allocate trillions of roubles for the rearmament of its military in the next few years.\textsuperscript{163}

Georgia, in its turn, has also suffered the consequences of the crisis which coincided with the post-August war economic recovery. After the robust economic growth of 2006-2007, its pace slowed down in 2008 and turned negative in 2009. Despite inflation and other difficulties, including the decline in foreign investment, the economy started to recover. In February 2011, IMF raised its economic growth forecast for Georgia, from 4.5\% to 5.5\% in 2011, and predicted a reduction of annual inflation (now double-digit)\textsuperscript{164} to 8\% by the end of the year. Other top rating agencies have also improved to certain extent their estimates. For instance, the Fitch Ratings has revised its outlook on Georgia’s long-term foreign and local currency issuer default ratings to positive from stable and affirmed them at “B+.”\textsuperscript{165} In addition, the agency projected GDP growth by 5\% and 6\% in 2011 and 2012, respectively.\textsuperscript{165} At the same time, the Government is facing considerable external debt service obligations in 2012-2014, hitting over $1 billion in 2013 (equivalent to 8\% of GDP).\textsuperscript{166}

\textsuperscript{158} “The global economic crisis has shown that our affairs are far from being in the best state. Twenty years of tumultuous change has not spared our country from its humiliating dependence on raw materials. Our current economy still reflects the major flaw of the Soviet system: it largely ignores individual needs. With a few exceptions domestic business does not invent nor create the necessary things and technology that people need. We sell things that we have not produced, raw materials or imported goods. Finished products produced in Russia are largely plagued by their extremely low competitiveness.” Dmitri Medvedev, “Go, Russia!” 10 September 2009, http://kremlin.ru/news/5413


\textsuperscript{160} “Demography is the most important challenge of the model which we need to follow. Russia will face this problem more severely than other countries. According to the Ministry of Economic Development data, the total of economically active population, which amounted to 67.9 million people in 2010, will decrease down to 64.6 million by 2020. This means that the number of economically active people will shrink by 300-400 thousand per annum.” Transcript of A. L. Kudrin, speech at the VIII Krasnoyarsk Economic Forum, 18 February 2011, http://www.minfin.ru/ru/press/transcripts/printable.php?id4=12090

\textsuperscript{161} A renowned demographer figuratively described this bleak situation: “A spectre is haunting Russia today. It is not the spectre of Communism—that ghost has been chained in the attic of the past—but rather of depopulation—a relentless, unremitting, and perhaps unstoppable depopulation.” Nicolas Eberstadt, “Drunken Nation: Russia's Depopulation Bomb,” World Affairs, Spring 2009, http://www.worldaffairsjournal.org/articles/2009-Spring/full-Eberstadt.html


\textsuperscript{163} “Russia will spend 20 trillion roubles on arms by 2020 within the State Arms Programme,” said Prime Minister Vladimir Putin. “Nearly 5 trillion of them will go toward upgrading the country’s Navy complex,” announced the head of the government at a meeting in Severodvinsk on drafting the State Arms Programme for 2011–2020 on Monday.” http://www.newsru.com/russia/13dec2010/strashno.html

\textsuperscript{164} http://civil.ge/rus/article.php?id=21765


New threats are evolving in the world. They primarily relate to the security risks posed by proliferation of weapons of mass destruction (WMD), more specifically to the nuclear programmes of North Korea and Iran, as well as to their dangerous and unpredictable actions. Such developments present a big danger for Russia as the foci of possible instability lie in the immediate vicinity of its borders. In the short run, however, the main danger for Russia remains the low-intensity war in Afghanistan which is associated with the production and huge influx of heroin and other opiates into its market. Possible withdrawal of international security forces would put Russia into a rather difficult situation.

Georgia is also involved in these processes. First of all, the Georgian military is actively participating in the international security force in Afghanistan (ISAF). Secondly, Georgia, according to experts, is an important part of the transit channels through which drugs are trafficked into Europe. In addition, Georgia has been repeatedly detaining individuals trying to smuggle enriched uranium from Russia. Finally, the lingering instability and the spread of terrorism in the North Caucasus, whilst remaining a big headache to Russia (in the first place), troubles Georgia as well. In terms of the inter-ethnic problems, related to the difficulties of integration of the Azerbaijani and Armenian minorities in the southeast of the country, it should be noted that this process has been significantly eased and currently does not pose a national security threat.

For Russia, the processes which are taking place in the North Caucasus and are progressively spreading beyond, constitute a serious danger. Many Russian officials express concern on this matter. Prime Minister Putin, at a meeting of the governmental commission on the socio-economic development of the North Caucasus Federal District, emphasised the role of social factors and promised to invest more than 400 billion roubles in the development of the region in 2011 alone. Moreover, at a meeting in Davos, the Russian Government presented ambitious plans for the development of ski tourism in Dagestan and Adygeya in January 2011. In reality, Moscow is failing to maintain control over the Caucasus, unable to pacify it either through military

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168 As Russia's Deputy Prime Minister Sergei Ivanov said at an international conference on Security Policy in Munich, “Russia is interested in peaceful and stable Afghanistan, in the success of the international security forces and their actions... Withdrawal of the international security forces, including NATO troops, can create completely new threats for us.” http://rian.ru/defense_safety/20110205/330744432.html
171 On 25 October 2010, Deputy Attorney General of the Russian Federation, Ivan Sydoruk, told the Committee on Legal Affairs of the Federation Council that 205 law enforcement officers and military personnel were killed in the North Caucasian Federal District in 2010. “This year, the number of extremist crimes has increased more than four times.” http://www.newsru.com/russia/28oct2010/sidyork.html
172 “I would like to reaffirm that our objective is to radically change the situation in the North Caucasus, primarily by improving the quality of life of the people, ensuring their security and giving them the opportunity to work and live in peace. We must eradicate the roots of terrorism and extremism, first of all poverty, unemployment, ignorance and inadequate levels of education, and corruption and lawlessness.” Vladimir Putin, at a meeting on the development of the North Caucasus. http://www.premier.gov.ru/events/news/13920/
173 “A large-scale development of ski resorts in all of the Caucasian republics is the only social-economic development concept of this region. Although given the current background this almost seems absurd – this idea is based on an assumption aiming to attract tourists and to create jobs for the rapidly growing population. It could look more rational if we consider it as a fee for the stability and the loyalty of local elites. Additionally, development of construction industry will create real jobs for the people.” Nicolay Petrov, “At the edge,” 28 February 2011, http://grani.ru/opinion/petrov/m.186617.html
force or massive financial investments. The attempts of the “Kadyrovisation” of the other autonomous republics of the Northern Caucasus are fraught with more serious risks of further loss of control over the region where almost no ethnic Russians are left. Moreover, the rise of radical Islam threatens to spread out into the territory of the Volga-Ural region, in particular, in Tatarstan and Bashkortostan. These processes contribute to the growth of the Russian ethnic nationalism which may inevitably unleash a spiral of violence and instability. What happened on the Manege Square in Moscow and in several other Russian cities on 11 December 2010 showed the first signs of the possibility that ethnic nationalism, cultivated previously by the authorities, may go out of control. Actions of extremist groups are aimed at terrorising migrants from the Caucasus and Central Asia, provoking violence against them. At the same time they operate in a fairly favourable social atmosphere. According to the recent surveys conducted by the Levada Centre, the percentage of those favouring the idea of “Russia - for Russians” increased from 43% in 1998 to 58% in 2011.

What is your attitude towards the idea of “Russia for Russians?”

<table>
<thead>
<tr>
<th>I support the idea. It should have been implemented long ago.</th>
<th>1998</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
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<td>16</td>
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<td>21</td>
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<td>18</td>
<td>15</td>
<td>18</td>
<td>16</td>
<td>15</td>
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<tr>
<td>It would be good to implement it, but within reasonable limits.</td>
<td>30</td>
<td>34</td>
<td>42</td>
<td>38</td>
<td>32</td>
<td>37</td>
<td>37</td>
<td>35</td>
<td>41</td>
<td>36</td>
<td>35</td>
<td>36</td>
<td>35</td>
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<tr>
<td>Negative. It is real fascism.</td>
<td>30</td>
<td>27</td>
<td>20</td>
<td>26</td>
<td>18</td>
<td>25</td>
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<td>25</td>
<td>32</td>
<td>21</td>
<td>24</td>
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<tr>
<td>It does not interest me.</td>
<td>14</td>
<td>12</td>
<td>11</td>
<td>9</td>
<td>7</td>
<td>12</td>
<td>12</td>
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<td>12</td>
<td>9</td>
<td>16</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>Undecided.</td>
<td>7</td>
<td>6</td>
<td>5</td>
<td>8</td>
<td>4</td>
<td>5</td>
<td>4</td>
<td>7</td>
<td>7</td>
<td>5</td>
<td>9</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Total number of supporters.</td>
<td>43</td>
<td>49</td>
<td>58</td>
<td>54</td>
<td>53</td>
<td>53</td>
<td>53</td>
<td>50</td>
<td>55</td>
<td>57</td>
<td>54</td>
<td>54</td>
<td>58</td>
</tr>
</tbody>
</table>

Source: Levada Centre

It should be noted that along with ethnic nationalism, the regional nationalism is also gaining strength, mainly counter-posing remote regions of Russia to the centre, considered the main perpetrator of colonial robbery of the local population. Thus, during the last census, an impressive number of residents of Siberia preferred to indicate “Siberian” as their nationality. With the development of the so-called sub-national authoritarianism, this process is proceeding even further.

174 As one of the prominent experts on the region, Alexei Malashenko, told Radio Freedom, “I think the situation, unfortunately, will escalate. First, the situation cannot stay the way it is right now. It can either improve, for which there are no prerequisites, or it can get worse, what we actually observe. I don’t want to sound provocative, but when I think about the Olympics in 2014, I consider it as one of the factors that could further exacerbate this situation. I hope I am wrong.” http://www.svobodanews.ru/content/transcript/2195945.html

175 As retired police Major-General, Vladimir Ovchinskii, noted recently in the New Times, “In addition, Povolzhe is on fire. In fact, every week, a terrorist group is eliminated in Bashkortostan and Tatarstan; the media simply does not write about it...” http://newtimes.ru/articles/detail/34785/

176 The results are based upon the survey of a representative sample of 1,600 Russians aged 18 and older in 130 settlements of 45 regions of the country conducted by Yuri Levada Analytical Centre on 21-24 January 2011.


NATIONAL PROJECTS AND INTERESTS

Many centuries ago, Lucius Annaeus Seneca jeered at his contemporary loser strategists: “If one does not know to which port one is sailing, no wind is favourable.” The same is true today: for a strategy to be successful, its aim should be clear. Accordingly, in order to better understand prospects for Russia-Georgia relations, it is important to assess both the political processes within the two states and a broader geopolitical context and understand the complex system of political goal-setting, which is usually referring to the concepts of national and state interests, whilst in reality not infrequently reflecting specific interest of the key actors. It is not always possible to see clear and unambiguous formulations of the true nature of those interests. Whenever such formulations are clear, often found in different strategic documents, they usually reflect either a vision of a particular political group or pursue a purely populist goal that would rather hide than reveal the true value system of their authors. In a democratic society, different value orientations compete with each other, thus contributing to the formation of basic concepts of national interests. In our, often called hybrid, post-totalitarian societies, achieving such consensus remains difficult due to the undeveloped public discourse about basic values and the weak democratic mechanisms of competition between the national projects set forth by the political elites. The elites, in turn, do not possess any effective two-way communication with the society.

Understanding the national projects and the vision of national interests by political elites in Russia and Georgia is extremely important for understanding the driving forces of various policies including those related to Russian-Georgian relations. It is crucial to understand how national projects relate both to actual practice and populist rhetoric as well as to public tendencies and the value orientations in the societies. This would make it possible to assess the opportunities for cooperation and to identify common interests as well as to predict possible conflicts of interest and to depict opportunities for their mitigation and peaceful transformation. Furthermore, equally important is to know how nationalistic discourse is correlated with ethnic tolerance, political pluralism and democratic values, how important are the issues of preservation and development of culture and language and how the institutional support of the national projects is seen. In fact, in such hybrid societies an incarnation of political strategies into real life is influenced by at least four different value systems, often labelled as national interests in order to add them some authority:

First, this is an idealised concept of national goals and objectives based upon universal values and the notions of human rights, equality, democracy, respect for minorities, sustainable development, personal freedom and security, dignity, prosperity and happiness.

Second, it is an idea of national goals and objectives set forth in the legal documents, national strategies and plans and reflected in political leaders’ official speeches. As a rule, in-depth analysis of relevant texts can reveal their populist nature or often just symbolic commitment to common democratic and humanitarian values. At the same time, national interest in such documents is commonly replaced by state interests, guided by the concept of state security and stability, economic interests, inviolability of frontiers, international influence and respect, control and ownership.

Third, this would be the dominant value orientation of the population and the considerable part of the state bureaucracy. Whilst highly susceptible to manipulation and to myth-making by the media, it is often used in populist slogans of political elites, religious leaders and other opinion-makers, being rather conservative and inertial, and is often intolerant of alternative value systems and toward minorities. Such a “national” system of values is usually self-contradictory and inconsistent but, nonetheless, it is such a system that is commonly taken into consideration and used by politicians.

And lastly, this is a set of groups and personal goals of a relatively narrow circle of ruling elite, rarely formulated explicitly, but which may nevertheless have a decisive influence upon the
practical and sometimes momentous decisions for the country. There is room here for purely selfish motives of personal gain or staying in power, as well as all kinds of irrational phobias and idiosyncrasies, but also the idealistic notion of good for the people (or its part) or even for the feelings of honour and responsibility. However, it is clear that this area is open for conjectures and intuition of a researcher as reliable sources of information are for the most part either unavailable or totally absent. Even if sometimes some information becomes available through unexpected leaks (as in the renowned Wikileaks case) only historians, and in the relatively distant future, will be able to use it with confidence.

First, we will try to formulate the Georgian elite’s views on national interests of the country. Respective concepts do not make a coherent, holistic picture and, like in the above-outlined scheme, split into a series of clusters:

a) national interests in the form in which they are promoted to the public and to a certain degree appeal to opinions (partly created by this same propaganda) widespread amongst the population (nation-building and territorial integrity - the highest priorities of the country; Georgia - a successful democracy; all mischief that Georgia encounters comes from Russia; Georgia is a European country and the future of Georgia is in Europe; NATO integration - the only guarantee for protection from Russia; The United States - the main hope; Orthodoxy - the basis of Georgian identity, there are remarkable economic prospects and achievements in Georgia....),

b) close to these are the views of a certain part of the Georgia’s political elite, although complemented by an additional sense of self-importance (the society is immature, so reforms should be carried out quickly and decisively; incumbent ruling elite is the best we can have today; ethnic minorities cannot be trusted; opposition’s actions benefit our enemies; military build-up is the foundation of our nationhood; we know better what we should do, and let the naive West provide financial means; economy should be liberalised, but all of it should be under strict government control; control of electronic media guarantees internal stability; ...) and

c) presumed by rarely openly voiced views and goals of the upper circles of the elite (retain power at any cost; the West should see us as democrats; our rivals should fear and respect us; personal loyalty above all; we should be above the law; people is immature, respectively - can and should be manipulated; enemies must be punished and humiliated, etc.).

Over the past two decades, Georgia has experienced a number of shocks and disasters and, from a psychoanalytic perspective, it is not surprising to detect some layers of the collective consciousness of the nation characterised by the so-called “post-colonial syndrome” and irrational attitudes which Vamik Volkan called “group regression.” Opinion polls show that the population is extremely worried about the existing situation, especially with regard to the poor Russian-Georgian relations and the loss of Abkhazia and South Ossetia even if many of those, who are deeply concerned over


"Orthodoxy, one of the traditional religions of Europe, has historically been the state religion in Georgia which formed a centuries-old Georgian culture, national philosophy and values. The vast majority of the population of Georgia are Orthodox Christians. The Constitution of Georgia recognises the special role of the Georgian Apostolic Autocephalous Orthodox Church in the history of the country and its independence from the state. "Constitutional agreement between the State of Georgia and the Autocephalous Orthodox Apostolic Church of Georgia,” 1 December 2002, http://www.pravoslavie.ru/orthodoxchurches/40230.htm

[The national and ethnic conflicts] cannot be understood by focusing only on real-world factors such as economic, military, legal, and political circumstances. For the real-world issues are highly “psychologised” – contaminated with shared perceptions, thoughts, fantasies, and emotions (both conscious and unconscious) pertaining to past historical glories and traumas: losses, humiliations, mourning difficulties, feelings of entitlement to revenge and resistance to accepting changed realities.” Vamik D. Volkan, Bloodlines: From Ethnic Pride to Ethnic Terrorism, New York: Farrar, Straus and Giroux, 1997, p. 117.
these losses, have never even been to any of those regions. Nevertheless, the symbolic importance of maps and boundaries, and how sensitive people are towards any territorial infringement upon what is considered the key element of nationhood, is well known. It is no accident that the patriotic slogan, formulated by Ilia Chavchavadze over a century ago, remains so popular: “Fatherland, language and faith.” In this traditional triad, fatherland, pertaining to national territory, as well as to the security and independence of the state, is in the first place. Since neither the language nor the faith in Georgia is under a threat, the second most important element in the “popular” value system is economic well-being. Accordingly are formed the foreign policy orientation towards the West and NATO, as associated with security, the hope for the restoration of territorial integrity and economic prosperity whilst Russia is linked to the threat to independence and statehood. That is why the “pro-Russian” political groups are failing to obtain any popular support and most political parties are unanimously in behind Georgia’s Euro-Atlantic integration and express commitment to Western values.

The official conception of national interests fully corresponds to such views and considers the resumption of military action by Russia, and the Russian military presence in the occupied territories, as the main national security threat. At the same time, the Georgian Government still tends to believe that regime change was the main objective of the Russian invasion in August 2008 and, thus, for Moscow, it remains a lingering goal which has yet to be achieved. Regaining control over Abkhazia and South Ossetia is declared as the key national goal of the Government whilst Georgia’s integration into Euro-Atlantic structures is declared the main foreign policy objective. Other important components of the national security conception include the strengthening of governmental institutions (first of all, at the national level), expediting economic reforms aimed at promoting prosperity and addressing all social problems. The global role models for development are changing unpredictably from “Switzerland” to “Singapore” depending upon which state’s example the head of the government finds more appealing during his visits abroad.

As for the value system of the ruling elite, which for the most part remains hidden from outside observers, it is revealed through concrete political actions and is often at odds with the officially stated goals. This leads to inconsistent, reckless or ineffective actions. For example, commitment to fundamental democratic freedoms and values contradicts the attempts to impose political control over the electronic media, unwillingness to consult the public and the opposition on important policy decisions, to allow violations in election campaigns and to weaken the judiciary and local government vis-à-vis central administration. Declared economic liberalisation and deregulation policies coexist with poor protection and frequent violations of property rights and informal mechanisms of imposing pressure upon businesses. The Government’s officially declared objective of integration into European structures and institutions is in conflict with the aforementioned deregulation and legislation (e.g., adoption of the Labour Code, which is strongly at odds with European standards, and now again under review), moving the Georgian legal system further away from the EU standards. As a result, it seems that the narrow circle of the ruling elite

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182 From this point of view, the draft national security doctrine of Georgia stimulates some interest. In an interview with Radio Liberty, Ms Keti Bochorishvili, a representative of the parliamentary opposition, stated the following: “In this doctrine Russia is named as the number one threat and the key destabilising factor to the country’s political, economic and social landscape. It clearly states that the purpose of Russia’s military aggression was not the occupation or international recognition of the puppet regimes, but the change of the pro-Western Government of Georgia.” George Tavdgiridze disagrees with this view: “I do not agree here, because I think that the Russians had occupied the territories they could maintain and needed to achieve their goals. I think that when we speak about the threats, we must know exactly what Russia’s goal is. Is it just a change of power, which could be achieved in other ways, and with less financial resources or is it the fact that Russia wants to have permanent leverage over the political elite of Georgia?”

183 It is interesting to note that according to the estimations made in the World Banks’ recent study, Russia and Georgia are amongst the top twenty countries with regard to the weighted average size of the shadow economy (as a percentage of “official” gross domestic product). Friedrich Schneider, Andreas Buehn and Claudio E. Montenegro, Shadow Economies All over the World: New Estimates for 162 Countries from 1999 to 2007, World Bank Discussion Paper (Revised Version) 20 October 2010, http://www.econ.jku.at/members/Schneider/files/publications/LatestResearch2010/ShadEcWorld10_2010.pdf
is primarily concerned with retaining power whilst many of the decisions are too frequently influenced by random and often irrational factors.

Apart from the above-described formulations of the national interests by ruling elites, there certainly are some other positions which could be labelled as more liberal-democratic (priority of universal human and democratic values, human rights, Westernisation, political plurality, the rule of law, etc). These views and intentions are genuinely accepted only by a relatively narrow circle of less influential persons although expressed at the rhetorical level by everyone from the governing political elite.

Now, we will move on to formulating Russia’s national interests from the Russian elite’s perspective. These views are far more complex although they do not form one holistic picture either and, similarly, split into a series of clusters:

a. National interests in the form in which they are promoted to the public and, to a certain degree, correspond to the widespread opinions of the population (and partly created by propaganda). These include: Russia – the superpower; not a single inch of Russian land can be ceded; the collapse of the USSR was a tragedy; Russia is getting up off its knees; “Russia has only two allies - its army and its navy” (Czar Alexander III); Russia has a special path of development; in Russia, there is a ‘sovereign democracy;’ ethnic Russians are the state-forming nation; Russia used to feed all Soviet republics but they ended up being ungrateful traitors; the world must become multi-polar; i.e., Russia, once again, is a global player; Russia’s statehood and its greatness are above all; the U.S. - the main enemy, NATO - also an enemy, the country’s current leadership is the guarantor of success in overcoming all problems; Christian Orthodoxy - the foundation of the Russian statehood; Russians/Russian speakers should be defended abroad at any cost.

b. The perceptions of the government officials – “statesmen” are very similar; but there are some additional points, like: people are not ready yet and should not be given too much power; all means are justified for achieving the greatness of Russia; “the collapse of the Soviet Union was the greatest geopolitical catastrophe of the century” (Vladimir Putin).

Dmitri Trenin has recently very well formulated the corresponding foreign policy position:

“… I mean the Foreign Policy Concept, the National Security Doctrine and other guiding documents. There, in my opinion, the real aims of the Russian foreign policy are not clearly


185 “…Despite, Iraq, Afghanistan, Iran, terrorism, proliferation and non-proliferation, all kinds of US foreign policy issues and directions, you name it, the Russian political elite still believes that humiliating Russia, and if possible, breaking it apart and subordinating it, remains the most important for America.” Dmitri Trenin, “Russia and New Europe,” Polit.Ru, 16 March 2011, http://www.polit.ru/lectures/2010/04/22/trenin.html. It is not without a purpose that the National Security Strategy of Russia defines the primary threat to the military security of the Russian Federation in the following way: “30. The threats to the military security are: a) the desire to endow the force potential of the North Atlantic Treaty Organisation (NATO) with global functions carried out in violation of the norms of international law and to move the military infrastructure of NATO member countries closer to the borders of the Russian Federation, including by expanding the bloc. The Military Doctrine of the Russian Federation. Approved by Russian Federation Presidential Edict on 5 February 2010, http://news.kremlin.ru/ref_notes/461

186 “8. The main external military dangers are: a) the desire to endow the force potential of the North Atlantic Treaty Organisation (NATO) with global functions carried out in violation of the norms of international law and to move the military infrastructure of NATO member countries closer to the borders of the Russian Federation, including by expanding the bloc. The Military Doctrine of the Russian Federation. Approved by Russian Federation Presidential Edict on 5 February 2010, http://news.kremlin.ru/ref_notes/461
spelled out. Personally, I see these in the following way: Modern Russia aspires to become a centre of power in the multi-polar world. This means that it tries to spread its influence, especially amongst the former Soviet republics, to establish a certain type of bloc, in which Russia's interests would have a privileged precedence. It was on this privileged nature of Russia’s interests in the countries of the ‘near abroad’ that President Medvedev recently spoke about, as you might recall, and other Russian government officials have spoken about this as well. The second point, which is important for the Russian establishment and for those who define Russia's foreign policy, is ensuring equal status with the leading centres of power. Thus, the first position is – we are the centre and then, the second position - we are the centre that is equal. Within the international system, we are equal in status and position with the United States, China and the European Union. The main centres of power plus us – that is the multi-polar world. The third view stems from the second position and goes something like this: Russia has the right for a decisive vote on all the most important problems of humanity ... Of course, the Russian foreign policy does not use the term “zone of influence“ which is odious and brings us back to the 19th or the beginning of the 20th century. Nevertheless, if speaking seriously, the aspirations towards that are in fact visible.”

c. The super-elite’s views are not original. They are rather cynical and hardly ever articulated explicitly which makes it difficult to even call them “national interests” (maintain absolute power at any cost; have bank accounts and villas in the West and in Russia; those who are not with us are against us; Russia – that is me/us; we must be feared and respected; personal loyalty above all; we are above the law; people are foolish and we should take advantage of this; enemies should be punished, humiliated and destroyed...). The economic elite’s views are in the most part close to these attitudes and are equally dominated by personal and group interests.

Some areas show internal contradictions even between the stated goals. For example, as Dmitri Furman has described, imperial pretensions (not an inch of the Russian land should be ceded) are in conflict with the ethnic nationalism (Moscow for the Moscovites, Russia for ethnic Russians). Despite the considerable centralisation of the governance system, consensus on specific objectives and content of foreign or domestic policy has not been achieved. Moreover, its “marketisation” hinders the harmonisation of interests of various domestic actors.

In addition to the articulation of national interests pursued by elites in power, there certainly exist differing interpretations of Russia’s national interests, shared by a limited number of persons, which

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190 For example, this was recently formulated by the Minister of Finance in his speech on Russia’s economic policy at the Eighth Economic Forum in Krasnoyarsk on 18 February 2011: “The RSPP polls on the business climate in 2010 show how the entrepreneurs’ answers change on what hampers business the most. Poor governance and a lack of clear development goals were given the first place.” Transcript of A. L. Kudrin’s Speech in Krasnoyarsk, http://www.minfin.ru/ru/press/transcripts/ printable.php?id4=12090
could be labelled as liberal-democratic (prioritising universal human and democratic values, human rights, integration into Western civilisation, rule of law, etc). The recent statement made by the editor-in-chief of the Nezavisimaya gazeta newspaper, Constantine Remchukov, on Echo of Moscow radio is very characteristic: "We need normal Russia, I do not need great Russia... And someone else needs to get up off their knees..."192 Along with this liberal position, there also exists a nationalistic view, currently growing in popularity, which represents an extreme version of the point “b” discussed above (Russia for the Russians; minorities should know their place; regaining Russia’s greatness is the key priority; Russia has its own values, distinct from those prevalent in the West, and these should be saved and protected; the West is a foe, but the East is an enemy as well,...)

It is interesting that despite the incomparable size and a large number of fundamental differences between those two countries, there are also many similarities in respective national projects and in the clusters of national interests (or at least, in their interpretation provided by the author of this article). Apparently, this stems both from the common Soviet roots and similar political culture of elites as well as from the similarities in the social, economic and political environment in which these elites function (such as the absence of a robust middle class, underdeveloped democratic institutions, the need for modernisation, etc).

KEY PROBLEMS AND PROSPECTS

Taking into account the incompatible positions of Moscow and Tbilisi, in particular on the legal status of Abkhazia and South Ossetia as well as on Russia’s military bases in the breakaway regions, coupled with the undisguised personal animosity between the two countries’ leaders, any radical improvements between the sides can hardly be expected. In the absence of diplomatic relations, the ineffective Geneva negotiation process remains the only platform for interstate talks, in addition to occasional or ad-hoc meetings, like the one held on Russia's WTO accession on 8-10 March in Berne. Georgia and Russia are immediate neighbours with a multitude of unresolved problems yet the absence of a dialogue between the parties further augments mutual mistrust and enemy image.

The Russian Government, as well as various political figures, has frequently voiced accusations against the Georgian leadership. Excluding some of the most absurd ones,193 their main allegations could be summarised as follows:

The Georgian leadership and the people are persistently anti-Russian. The Georgian Government pursues anti-Russian politics and implements essentially Western (American, in particular) policies in the region which are damaging to Russian interests. Georgia sympathises with and supports secessionist and anti-Russian aspirations of the North Caucasian elites (e.g., considering the recognition of the so-called Circassian genocide, unilateral declaration of a visa-free regime for North Caucasians, etc.), therefore posing a threat to the security and integrity of Russia; Georgia tries to disrupt projects that are important to Russia (such as the Winter Olympics in Sochi, attempts to monopolise the Caspian energy transportation routes to the West or Russia’s plans of WTO accession); Georgia aspires to join NATO and EU, thus weakening Russia’s influence along its

192 http://www.echo.msk.ru/programs/personalno/743973-echo/
193 For example, in an interview with the Russian Newspaper on 1 March 2011, Deputy Chairperson of the Russian Federation Council, a member of the National Anti-Terrorism Committee, Aleksandr Torshin, accused Georgia of organising the terrorist attack in Domodedovo. [Torshin]: I do not understand why Umarov, after a long period of silence, participated in an act of terrorism. Even if he had any connection with this tragedy, it would only be that of a middleman between those who paid for and those who carried out the terrorist act, and even that is doubtful. But the act itself was organised abroad… I understand that my words may be followed by a wave of anger, but I believe that Georgia and its ruling regime ordered the Domodedovo terrorist act. Rostiskaya Gazeta, federal issue No. 5418 (42), 1 March 2011, http://rg.ru/2011/02/25/torshin-site.html
south-western periphery; threatens the security of South Ossetia and Abkhazia (and initiated war in South Ossetia), thus threatening Russia’s interests and the security of Russian citizens; initiates or joins various associations with anti-Russian orientation, such as GUAM; carries out unrelenting anti-Russian campaign in international media and international fora; shows ingratitude and distorts history, claiming that Georgia was annexed, first by the Czarist Russia in 19th century, and then by Soviet Russia in 1921 (whereas it is alleged that in fact this was a voluntary unification through which Georgia was saved from its insidious neighbours); and, finally, Russian officials blame Mikheil Saakashvili personally for all the troubles and refuse to deal with him. In addition, of course, it is convenient to create the enemy image from Georgia and paint it as the myrmidon of the perfidious West, mainly represented by the United States. As Russia is punishing Georgia and its leadership for the insidiousness and “betrayal,” this also allows Russia to take revenge against the West for neglecting its interests and (in a relatively safe way) to demonstrate to the world and the region that Russia should be feared and respected.

Georgia has a just as abundant and largely more substantial list of grievances and complaints that it expresses against Russia. These include: the War in 2008; support for the secession of Abkhazia and South Ossetia, occupation of those territories and the deployment of military bases; trade embargo, bombardments (before 2008), terror campaigns and spying; support of the opposition and attempts to change the regime; harassment and forced expulsion of ethnic Georgians (in 2006) from Russia; distortion of history; anti-Georgian propaganda and aggressive rhetoric, information manipulation.

Obviously, it is easy to notice the disparities and even contradictions between many of those mutual accusations which makes it much harder to overcome discords. Therefore, it proves reasonable to identify both basic discordances and possible similarity of interests. This should be based upon explicit statements of national interests of the parties in order to maintain logical consistency. If the “personal dislike” amongst the state leaders, symbolic actions and aggressive rhetoric are ignored, the fundamental discord between the countries stems from, on the one hand, Russia’s refusal to accept Georgia’s independent foreign policy and pro-Western aspirations and, on the other hand, Georgia's uncompromising rejection of the Russian military presence in Abkhazia and South Ossetia and security threats caused by this.

At the same time, if we leave out the irrational moments of mutual hostility, there are areas in which the interests of the parties essentially overlap. Primarily, this is the North Caucasus issue which remains a very dangerous destabilising factor both for Russia and for Georgia. Both Russia and Georgia are multi-ethnic societies and many of the problems of their nation-building originate precisely from this fact. Whilst in general inter-ethnic relations are particularly intense in the North Caucasus, ethnic problems in Georgia and in the South Caucasus in one way or another are coupled with the Georgian-Russian relations. The leaders of both countries should be equally interested in the development of North-South transit routes as well as in promoting investment, opening up markets and expanding trade. Lastly, Russia and Georgia have common threats associated with the trafficking of drugs, weapons and nuclear materials, with co-ordination of the fight against organised crime and terrorism and additionally co-operating on such issues as environmental protection or epidemiology. It should be noted that all those areas, where the interests of two sides overlap, are also of special importance for the West and, in particular, for the EU.

Ironically, whilst Russia itself is actively seeking conciliation with the West (although admittedly, only upon the basis of an equal and special partnership), it responds with extreme jealousy to other former Soviet republics attempting to do the same. This, first of all, demonstrates Russia’s ambivalence toward the West, its inability to decide to what extent its orientation toward the West is fundamental and strategically justified or whether or not respective partnership should be regarded only as a temporary, tactical measure. Nevertheless, Russia’s policy towards Georgia is no longer a purely bilateral issue. Russia has to take into account its interdependence with the West which limits its attempts to impose its odious pressure upon the neighbouring countries. When
Russia’s actions do not affect the vital interests of the West, as was the case during the Georgian-Russian conflict of 2008, the Western countries usually limit their reaction by a mostly rhetorical condemnation of Russia’s misbehaviour which can be easily ignored by Russia. However, when Russian actions directly threaten key Western priorities of regional security, or its economic interests, the West, and in particular the US, responds much more decisively (as it happened when the security of the greater energy independence was at stake).

It should be noted that the relative significance of some of the above-discussed factors could change, as changes take place both within the countries themselves and in the geopolitical context of their interaction. Assuming a certain rationality of the behaviour of the ruling elites, some of the important variables which could bring about alteration include prospects for leadership change in both countries during the next two years and the related shifts in foreign policy as well as the progress with the widely discussed modernisation process. Yet, apparently the current state of bilateral relations will continue until at least 2012. Supposedly, the period between 2012 and 2014 will be decisive for Russian-Georgian relations for at least the next decade. This does not exclude any unexpected and unpredictable developments, especially in view of the large number of factors and random events. In general, one may assume that regardless of specific individuals being in power, Vladimir Gelman’s forecast\(^\text{194}\) seems to be a rather plausible case scenario for both countries in the short-term perspective, although Georgia's prospects look somewhat brighter because of its smaller size and less inertia and slightly more developed democracy.

Starting from fall 2013 when the presidential elections are supposed to take place or even after the 2012 parliamentary elections, Georgia will be facing a period of uncertainty and much will depend upon how the events unfold during and after the presidential election. Theoretically, a dramatic shift in foreign policy and a turnaround toward Russia is still possible if the West will be disappointed with undemocratic elections or with an attempt to cast in the Putin-Medvedev style; that is, with Saakashvili in the position of a dominant prime minister vis-à-vis a weak president.

Despite some signs of growing discord within the Russian ruling elite, fundamental changes are not expected to take place in Russia. Nevertheless, the Kremlin will be forced to adapt to the new reality and the relative weakening of its economic and strategic-military clout and to make decisions affecting the future of the “reset” policy. If, however, the “reset” is coming to naught, the same as with the modernisation plans, in the circumstances of deteriorating domestic situation (including the North Caucasus), a possible new round of aggravating relations with Georgia should not be excluded. This may be justified by the desire to redirect public aggression outward and to consolidate the society against the common, yet less dangerous, enemy; at the same time, punishing the West for the failed “reset.” Nonetheless, it is obvious that this scenario can hardly get realised before the Sochi Olympics and even in the mid-term perspective such a policy will face numerous challenges.

It is time now to consider opportunities for improvement in Russian-Georgian relations. After the August 2008 war and the subsequent events, the Geneva talks remain the sole format for communication between the sides apart from some other occasional fora such as the WTO negotiations in Berne.

Clearly, in the given situation, a temporary modality needs to be sought in which the parties could co-exist peacefully, co-ordinate actions, if necessary, and avoid increasing tension whilst the change of geopolitical and or domestic political conditions would allow revisiting the existing and currently

\(^{194}\) “thus far the likelihood of major overhaul of the Russian political institutions’ current inefficient and authoritarian structure, and the development of new, more successful stable democratic rules of the game, looks slim.... In the short term, two scenarios seem most likely: institutional decay, i.e., a preservation of the status quo, or a wielding of the iron fist—a resort to increased authoritarian means to overcome institutional inefficiency and or eliminate the possibility of challenges to the ruling elite. It is hard to assess the prospects for either scenario at the moment. The outlook will become clearer most likely only after the election cycle of 2011-2012. Vladimir Gelman, *Political Institutions*, 2010, http://russia-2020.org/2010/09/14/political-institutions-2/
intractable contradictions. As the search for such peaceful coexistence models, debates on different options and their feasibility are important, aiming at broadening horizons, developing constructive ideas and identifying options for decision-makers, therefore, positively influencing the process. Furthermore, the impact could be further enhanced through the popularisation of discussion results, mass media and public involvement in the debate and through disseminating information amongst civil society, including those directly affected by the Caucasian conflicts.

In order to better envision possible models and formats of peaceful coexistence, we should first look at the overlapping interests of Tbilisi and Moscow as well as the possible scenarios for the development of Russian-Georgian relations over the short term. Obviously, both sides are interested in reducing risks and negative effects stemming from the current situation. Foreign and domestic political realities, however, leave little room for manoeuvre. For example, it is difficult to imagine that in the near future Russian authorities would retract the recognition of South Ossetia and Abkhazia, withdraw their military bases and agree to start negotiations with Saakashvili’s government. Nevertheless, some of the existing constraints may change in the nearest future. For further example, Saakashvili’s second and final (at least officially) presidential term expires in the fall of 2013. This opportunity could be seized by Russia in order to resume its relationship with Georgia without losing face.

In fact, there is enough room for compromise on some issues which today may look politically intractable. Russia and, following its lead, South Ossetia and Abkhazia refuse to allow the international observer missions to enter the latter territories unless their names and mandates are changed to reflect the regions’ independence from Georgia. Georgia, in its turn, cannot permit any title that could imply the recognition of sovereignty of the territories which it considers to be part of Georgia. It is, however, obvious that with minimum incentives present, finding a mutually acceptable compromise to meet those formal requirements is easily possible.

The Georgian authorities (and later on, the South Ossetian and Abkhazian leaderships as well) have officially renounced the use of force for resolving the conflicts. Nothing prevents the conflicting parties from consolidating legislation that would serve as a significant step towards the restoration of a mutual trust. The Kremlin, however, refuses to undertake the commitment of non-use of force in bilateral relations under the pretext of not being a party to the conflict. Without getting into a pointless argument about the validity of such reasoning, one should note both the importance of such symbolic acts and the absence of any serious obstacles to find an acceptable to all formula for renouncing the use of force.

Similar compromises are possible to be achieved on many other issues amongst which revisiting the Georgian Government’s strategic documents on “re-establishing control over occupied territories” may be considered as well as respective legislation and a number of governmental decrees which lead to the counterproductive isolation of Abkhazia and South Ossetia. In order to bridge the divide between Georgia and the regions of Abkhazia and South Ossetia, it would be beneficial if the Georgian Government take other positive steps including the restitution of property to displaced Ossetians even more so as the respective legislative framework already exists. Furthermore, Georgia could pursue a more cautious approach toward sensitive political issues like the recognition of the Circassian genocide (though certainly not at the expense of abstaining from the fair

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assessment of the czarist Russia’s barbaric actions). In the same vein, the Georgian Government could moderate its anti-Olympic rhetoric (although not retrieving justified arguments both on engaging Abkhazia in the preparation process and damaging the environment through extraction of construction materials from the coastal zone) and pay more attention to explaining the reasons behind its unilateral decisions, such as establishing a visa-free regime for residents of the Northern Caucasian republics. Whilst liberalisation of the visa regime is in itself a truly good achievement, it should not create the impression that it is an act of defiance towards Russia.

Recently, a number of experts have voiced the idea that Georgia (and other countries, refusing to recognise sovereignty of Abkhazia and South Ossetia) should consider de facto recognition of the breakaway regions. Although all constructive ideas deserve being explored, such a solution in the short run does not look feasible or useful (this again, however, goes back to possible interpretations of the concept of national interest). When speaking of the legal capacity of Abkhazia or South Ossetia, one should not overlook the notion that people—not territories—define such capacity; that is, the rights of forced migrants, refugees and internally displaced persons (IDP) should not be neglected. At the same time, the prospect for reaching an agreement on any of the key issues, such as the legal status of the territories and the return of IDPs, looks slim at the moment. No de facto recognition can change this.

Today, it is quite clear that Georgia has limited leverage over Russia and, accordingly, little space for manoeuvre or compromise. Such leverage is indeed limited to certain rather marginal options such as preventing Russia’s WTO accession or other merely symbolic actions whilst the most effective option is exert influence through third countries (EU, US). Russia not only possesses a much wider range of levers, its decisions frequently pose direct threats to Georgia’s security. This primarily refers to the rapid military build-up in the territories of South Ossetia and Abkhazia. Under such conditions, speaking confidently about finding ways for reducing tensions between the parties sounds a bit premature, although there is no doubt that discussing possible compromise is worth trying.

Given the current situation, institutionalising dialogue between experts and organising regular discussions on possible models for improving bilateral relations may eventually lead to the implementation of some of the discussed models provided the discussions do not remain reticent and the outcomes are disseminated to the relevant groups. Finally, the manner in which information is presented to the society, the clarity of the message and the credibility of the communicator play a crucial role in shaping public opinion and the interpretation of events, in setting the agenda and in influencing value orientations.

196 For example, in addition to a guard division of reactive artillery equipped with Smerch multiple-launch rocket systems, Russia just recently deployed a tactical-operational missile unit armed with Tochka-U rockets in South Ossetia. The Tochka-U has a range of 120 kilometres. (http://www.rosbalt.ru/2011/01/24/811657.html). It is interesting that the Russian Deputy Foreign Minister, Grigory Karasin, claimed on 4 March that the missiles were only in the territory temporarily and for training purposes.
EXECUTIVE SUMMARY

The policy of strict non-recognition and isolation of Abkhazia and South Ossetia does not lead towards overcoming or eroding the status quo that resulted from the August 2008 war nor does it facilitate the search for a mutually acceptable formula for gradual conflict resolution. It yields just the opposite effect: this policy helps to consolidate the current status quo and to further increase the entrenchment of the parties.

Since a revision of the outcome of the war is unfeasible in the short or medium term, an agreement is needed that is based upon the acceptance of the existing realities as a modus vivendi; that is, a temporary state of affairs which neither requires that relevant parties abandon their legal positions nor prejudices the final outcome of conflict resolution in the future.

De facto recognition of Abkhazia and South Ossetia would create more favorable conditions for conflict resolution in the long run.

Progress in this direction, however, would require making difficult decisions on the part of the countries that do not recognise Abkhazia and South Ossetia and, first of all, on the part of Georgia.

At the same time, this would allow removing the controversy over the status of the two entities from the forefront of political and diplomatic discussions, creating conditions for reducing tensions and normalising relations in the region, recognising the legitimate right of refugees (internally displaced persons) to return home safely, agreeing upon the reduction of armed forces and armaments and confidence-building in the region and expanding the area of the operation of international organisations including on the territories of Abkhazia and South Ossetia.

RECOMMENDATIONS

Normalising Georgia's Relations with Abkhazia, South Ossetia and Russia

1. Taking into consideration the discussions of the last years and months, the plausible form of the de facto recognition of Abkhazia and South Ossetia would be if Georgia concluded with them an agreement (or agreements) on the non-use of force.

2. Since the Russian Federation does not consider itself a party to the conflict, this complex issue could be addressed by concluding a separate agreement banning the use of force between Russia and Georgia.

3. In order to balance the interests of the parties, the Georgian-Abkhazian and Georgian-South Ossetian agreements can hardly be reduced to the renunciation of the use of force. They would probably also have to include a number of other provisions as well. In particular, they may address such issues as developing political dialogue, trade, economic and transport co-operation, facilitating dialogue between civil society organisations, human contacts and communications. In one form or another, these agreements cannot avoid addressing the situation of those who left their homes escaping from the war and seek to return. The specific content of such agreements depends upon the outcome of negotiations between the
parties which by themselves could become an impetus for the gradual settlement of their relations.

4. In order to maintain a continuous political dialogue and regular communication, the parties could exchange permanent representatives.

5. The parties could also set an agenda for the future dialogue including the elaboration of non-military confidence-building measures, demilitarisation along the separation line and the formation of a regional arms control regime.

Establishing the EU’s Relations with Abkhazia and South Ossetia

6. The opening of the EU offices in Sukhumi and Tskhinvali to co-ordinate the implementation of the relevant EU programmes. Those representations could, inter alia, serve as visa offices and as EU information centres in both entities. It is to be noted that the establishment of direct relations between the EU and Abkhazia and South Ossetia does not imply a de jure recognition of the two entities by the EU Member States.

7. The decision on possible provision of funding for the EU projects in Abkhazia and South Ossetia directly through its offices in Sukhumi and Tskhinvali and not through Georgia.

8. These arrangements should entail extending of the EU Monitoring Mission’s area of operation at least to the territories in Abkhazia and South Ossetia adjacent to the separation line.

The Return of the OSCE to the Region

9. Developing of relations by the EU with Abkhazia and South Ossetia could be linked with the resumption of OSCE operations in the region. In order to avoid the sensitive issue of the title of the mission, the OSCE could open three offices in Tbilisi, Sukhumi and Tskhinvali which would report to the OSCE Conflict Prevention Centre and would receive political guidance from the Acting Chairmanship.

Alternatively, one could consider establishing an OSCE mission to the South Caucasus which would have five offices in Baku, Yerevan, Sukhumi, Tbilisi and Tskhinvali with headquarters located outside of Georgia.

10. Such a decision may require granting Abkhazia and South Ossetia if not OSCE membership then at least the right to participate in the regular consultations (by inviting their representatives to be present at the Permanent Council’s meetings or to attend the meetings as observers with the right to speak) on issues related to the South Caucasus held within the OSCE.

1. PROBLEM STATEMENT

The diverging policies of the relevant parties in the Georgian-Abkhazian and the Georgian-South Ossetian conflicts do not lead towards overcoming or eroding the status quo that resulted from the August 2008 war nor do they facilitate the search for a mutually acceptable formula of gradual conflict resolution. Instead, they lead to the consolidation of the current status quo and increase the entrenchment of the parties.

197 Sukhumi in this article according to author’s preference (Ed.).
Georgia’s policy of strict non-recognition (including preventing any recognition by third countries) of the de facto authorities of Abkhazia and South Ossetia and of their tight isolation from the outside world in fact only promotes Russia’s monopolistic dominance in its relations with both entities increasingly binding them to Moscow.

The policy based upon the requirements of the October 2009 Law on Occupied Territories excludes any relations between Tbilisi and the de facto authorities of Sukhumi and Tskhinvali except for the mechanism established by the Geneva talks for the investigation and prevention of incidents across the division lines established in 2008.

This policy also imposes significant restrictions upon the implementation of projects by NGOs of international and third countries in Abkhazia, including projects that involve dialogue with civil society representatives from Abkhazia. At the same time, this policy does not in any way affect intergovernmental or non-governmental or business co-operation of Abkhazia and South Ossetia with the Russian Federation.

The declared policy seeks to primarily prevent further international recognition of the entities that have proclaimed independence and to deny them any international legitimacy. In reality, however, it creates a favourable external environment for enforcing the state-building in both entities and for consolidating Russia’s protectorate.

The policy of non-recognition of Abkhazia and South Ossetia, pursued by the third countries—notably by the European Union and its Member States—straitjackets their efforts aimed at halting further entrenchment of the parties, making the established borders more transparent, promoting stability and building mutual confidence and creating an environment more conducive for identifying a mutually acceptable mode for future coexistence in the region.

The limitations implicit in the policy of third countries become even more rigid due to Georgia’s current policy.

As a result, the EU communication with the de facto authorities of Abkhazia are reduced to a minimum whilst that with South Ossetia, apart from the framework of the Geneva talks, have been completely terminated since August 2008.

The funding of the EU programmes involving Abkhazia and South Ossetia approaches an end whereas employing longer-term financial instruments, primarily those of the European Neighbourhood and Partnership Instrument (ENPI) appears impossible due to the non-recognition policy.

As a result, despite the declared desire of the EU to pursue a more active policy of engagement in respect to Abkhazia and South Ossetia, the possibilities for an engagement are being reduced thereby strengthening Russia's position as the single most important donor in the region.

Although various political groups, entrepreneurs and civil society organisations of Abkhazia reveal some interest in expanding their co-operation with the third countries, there are very few opportunities for them to do so in the given circumstances. Hence, the ultimate priority here is the accelerated state-building, avoiding any action that could be interpreted as leading or likely to lead to the restoration of the status quo ante bellum.

The categorical refusal of the authorities of Abkhazia and South Ossetia to participate in the EU programmes intended for Georgia, admit diplomats and other representatives accredited in Tbilisi, the complicated visa policy of the EU member states, the absence of any relevant international missions in the two entities severely limit their contacts and increasingly reduce the possibilities to engage political organisations, NGOs and business communities in a broader international dialogue. As a result, such policies strengthen the effect of a "besieged fortress" in the region.
At this stage, the consolidation of the status quo seems to correspond with the desires of the authorities of the Russian Federation. Moscow, however, is confronted with serious financial and international political costs of such a policy.

The above considerations suggest that the priorities of the current policies should be reconsidered.

The question of the status (either overcoming the existing status quo or consolidating it) should be moved down the agenda whilst the primary focus should be upon the facilitation of diverse (economic, humanitarian, cultural, political) ties between the parties to the conflict at all levels (local and central authorities, civil society, business communities). Such co-operation would not require that relevant parties abandon their legal positions nor should it seek to prejudice the final outcomes of the complex processes in the region.

2. THE STARTING POINT FOR ANALYSIS

2.1. The Russo-Georgian war of August 2008 has established a new reality in the conflict areas in Abkhazia and South Ossetia.

Russia has recognised the independence of both entities. It was followed by Nicaragua and Venezuela whilst Nauru and Vanuatu recognised only Abkhazia as an independent state.

With the exception of Russia, no other OSCE participating state including the CIS states recognise Abkhazia and South Ossetia.

The underlying assumption for the analysis is that in the near future this situation will not change dramatically and the relevant parties will not abandon their legal positions.

Russia will not reverse its recognition of Abkhazia and South Ossetia.

Georgia, on the other hand, will not recognise their independence de jure although it is unable (as it was not for the last about 20 years) to exercise its jurisdiction over either Abkhazia or South Ossetia.

The overwhelming majority of the international community and, particularly, of the Euro-Atlantic community also will not recognise their independence de jure.

For Abkhazia and South Ossetia, both of which expected a wider recognition within a relatively short time, contacts with representatives of third countries and international organisations serve the purpose of enhancing their international legitimacy.

2.2. The current situation is causing and will continue to cause more complications.

Without finding a temporary solution to the problem, allowing the parties to maintain their legal positions without prejudicing the final resolution, a full-scale normalisation of Russo-Georgian relations is impossible.

It also has to be acknowledged that the normalisation of Russo-Georgian relations is blocked not only due to the diverging legal positions as regards the status of Abkhazia and South Ossetia but also by Moscow's boycott of the Georgian President Mikheil Saakashvili. No appropriate normalisation of bilateral relations will be achieved in the absence of highest-level talks between Moscow and Tbilisi. For this reason, if the policy of boycotting is maintained, no steps towards normalisation should be expected in the next two years, to say the least.

Maintaining the status quo further increases the international political costs incurred by Russia although official Moscow refuses to admit this. The burden is primarily placed upon Russia's relations with the Western countries despite the agreement that the dispute over the territorial integrity of Georgia should not prevent co-operation between Russia and the major Western countries, the EU and NATO.
The controversy over the territorial integrity of Georgia is currently the most significant (though not the only) obstacle to the revival of conventional arms control in Europe. Any agreement entailing Georgia’s participation is likely to be torpedoed by Tbilisi’s objections over Russia’s military presence on its territory whilst Moscow does not consider that it violates the host-country-consent principle as the deployment of its military forces is regulated by the bilateral agreements signed with Sukhumi and Tskhinvali.

The status of Abkhazia and South Ossetia proves to be a problem for Russia’s WTO accession as well. Georgia has the opportunity and the ground to block the finalisation of the negotiations in the multilateral WTO group on Russia’s entry.

As the Astana OSCE summit meeting has revealed once again in December 2010, the diverging understanding and interpretation of the situation in the South Caucasus may make progress in reaching practical agreements within the OSCE framework over issues not related to the situation in Georgia, hostage to the unsettled status of Abkhazia and South Ossetia.

Although Moscow officially asserts that the problem of Abkhazia and South Ossetia is off the agenda in its relations with the key Western partners, differences on this issue continuously poisons those relations in the background.

South Ossetia—and Abkhazia, in particular—will further suffer under the status of unrecognised states which politically has barely changed since 2008.

For the international community, Abkhazia, and especially South Ossetia, by themselves do not represent any real significance in economic, political or political-military terms. Fundamental differences in the assessment of their legal status, however, prove significant, at least for the following two reasons:

Firstly, they put a burden upon their relations with Russia. For this reason, Abkhazia and South Ossetia are important for the international community not by themselves but as a problem in their relations with Moscow. Western countries reveal interest in finding at least a temporary solution to this problem as they seek to ensure an earliest possible accession by Russia to the WTO and to revive conventional arms control in Europe. Western countries also want to avoid that the credibility and the future of the international organisations, and those of the OSCE in particular, are further held hostage to the conflicts in South Caucasus.

Secondly, differences on the legal status of Abkhazia and South Ossetia impede reaching a practical agreement on the issue of the “return” of international organisations (OSCE and the UN potentially) to the conflict zones and or on the expansion of the EU Monitoring Mission’s (EUMM) activities in Abkhazia and South Ossetia.

All these considerations in the short to medium term will encourage the international community to seek a solution which would not prejudice the status of the two entities.

Georgia continues to take a radical position, refusing to recognise the independence of Abkhazia and South Ossetia and considering Russia's actions as an occupation. A radical position like this, however, does not facilitate the restoration of the country’s territorial integrity. On the contrary, it leads to a deadlock since the problem can no longer be solved by simply extending Georgia’s jurisdiction to the self-declared entities. At the same time, pursuing hard policy and confrontation only helps to consolidate the current regime in Abkhazia and its maintenance in South Ossetia.

If the resolution of the problem is at all possible in the foreseeable future, it can only be solved in the long run by "winning the hearts" of Abkhazians and Ossetians.

The implementation of such a long-term policy under the current political confrontation with the two entities, in the absence of well-developed multi-faceted contacts and co-operation with them and without improving relations with Russia, appears impossible.
The hopes of some opposition politicians in Georgia that Russia "will return" the alienated provinces in exchange for Georgia’s refusal to join NATO are naïve, to say the least.

If the assumption is true that in the medium term the international community will seek ways out of the current deadlock, then it can be expected that the present support of Georgia’s political and legal position on the issue of restoration of its territorial integrity will gradually erode, although this trend is highly unlikely to translate into widespread international legal recognition of Abkhazia and South Ossetia either.

These considerations should push Tbilisi to seek a temporary solution that would allow moving the question of recognition or non-recognition of the two entities to the background without, at the same time, abandoning Georgia’s legal position and the ultimate goal of restoring the country’s territorial integrity.

Whether or not the current leadership of the country, as well as the Georgian society, are willing or able to not only recognise but also accept the fact that hopes for a quick solution to the problem are deceptive and that the current policy only consolidates the status quo rather than overcomes it, remains an open question.

3. WAYS TO MAKE MODUS VIVENDI OPERATIONAL

As argued above, Abkhazia and South Ossetia cannot expect full-fledged international legal recognition in the foreseeable future. International law and international practice, however, provide many examples of building relations with unrecognised states. The options for doing so are not reduced to a choice between recognition and non-recognition.

3.1. There are two main theories of the recognition of states in international law.198

The constitutive theory presumes that it is the act of international recognition that creates the new state as an international legal person and grants the government the right to represent the state in international relations.

The declarative theory prevailing in modern international law, by contrast, presumes that the creation of a state as a legal entity and a government’s right to participate in international affairs are not a consequence of recognition by other states. An act of recognition is no more than the acceptance of the fact of the emergence of a new state. The latter obtains international legal personality regardless of whether it is recognised or not. For this, it needs to meet the following four criteria:199

- A defined territory under its jurisdiction
- A permanent population; yet its size is not an issue of central concern
- A government which exercises effective control over the territory in question and is capable to represent the state and or the population in international relations
- A capacity to enter into relations with other states (independence)

Consequently, international legal recognition is not a prerequisite of statehood and the absence of international recognition does not affect the international legal status of a state. The absence of international recognition only makes the establishment and the maintenance of inter-state relations

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199The first three are standard attributes.
more difficult. The unrecognised states that meet the criteria of statehood, however, possess all the
rights and duties of states under international law.

The declarative theory does not exclude the possibility that, in certain cases, international
recognition may play a constitutive or a quasi-constitutive role. These include cases when entities
are recognised as subjects of international law whilst objectively they do not possess the necessary
qualifications (the classic example is the Order of Malta) or, at the moment of recognition, do not
possess all of them.

For example, international recognition of Bosnia and Herzegovina in 1992 contributed to the
constitution of this state at a time when it did not possess all of the necessary attributes of statehood.
International recognition also played a constitutive role for Kosovo whose sovereignty is limited by
the international community’s broader authority in accordance with UN Security Council
Resolution 1244.

Nevertheless, these restrictions do not apply to the case discussed in this article. In general,
Abkhazia meets the above criteria of statehood and thus can be considered an international legal
person regardless of whether or not it is internationally recognised.

Certain reservations can be expressed in regard to South Ossetia. Its de facto independence raises
legitimate doubts. Suffice it to consider the composition of the government and the state budget of
South Ossetia. Legally, however, Russia views South Ossetia as an independent state.

3.2. International practice differentiates the forms of international recognition of states with
different political and legal effects.

Principally, there are two main types of recognition, namely, de jure and de facto.

While de jure recognition is a complete and final international legal act of recognition of the state,
entailing the establishment of diplomatic relations (in this article, this form of recognition is not
considered as an option for solving the problem), de facto recognition is interim in nature. It can
also be viewed either as a temporary measure, subsequently leading to the de jure recognition, or
can reflect uncertainty and doubt over the durability or sustainability of the relevant state or the
government.

Whilst reflecting the acceptance of a reality; that is, of the fact of the existence of a government
which exercises effective control over a defined territory and is capable of representing its
population in inter-state relations, the de facto recognition acknowledges the temporary nature of
the existing situation, or a modus vivendi, and does not ratify the status quo. In doing so, it does
not prejudice in which direction the existing situation can and will develop. This allows all parties
to maintain their often conflicting legal positions and continue pursuing their often opposite goals.

The de jure and de facto recognition have simply different legal consequences. These differences
are not defined in international law and their translation in domestic law can vary substantially in
individual states. Generally, the margin between the two forms of recognition remains elusive.

The common understanding implies that a lesser degree of legal consequences flows from the de
facto recognition than from the formal recognition accorded de jure. For example, when
recognition is de facto, diplomatic relations cannot be established; however, this conclusion does
not apply to consular affairs.

De facto recognition could imply recognition of not only civil law or municipal acts of de facto
authorities, which is possible even in the absence of any form of recognition, but also of acts of
public law issued by those authorities.

The distinction between the two forms of recognition resides in the differentiation of the meaning of
the concept of sovereignty.200 This concept is used, on the one hand, to refer to a state’s ownership

of a specific territory and, on the other hand, to jurisdiction and control which a state exercises over a territory which it administers regardless of where the ultimate title to the territory may lie.

When a territory is administered by the holder of title with respect to it, there is no need for its recognition. When such a state is unable to exercise its jurisdiction over and control the disputed territory, the international practice reveals examples of combining the de facto recognition of the actual authority exercising control over the territory in question with the de jure recognition of the right to own this territory by the state which is entitled to possess it but remains (temporarily) incapable of exercising its jurisdiction over the territory.

Admittedly, it is repeatedly stated that the recognition of the stable authority administering a territory, the right of ownership of which is entitled to another state, represents an impermissible interference in the internal affairs of the latter. This view, however, is not undisputed since the state concerned has no real possibility to exercise its jurisdiction over the disputed territory and thus is unable to effectively represent its population in inter-state relations.

It is also important to note that the act of recognition (both de facto and de jure) does not necessarily require an express statement. Recognition can take place simply by virtue of the establishment of certain relations with the relevant state (for example, by entering into agreements with it and through other co-operative arrangements and practical co-operation).

In the context of the problem discussed in the article, it is also important to consider three additional circumstances.

Participation of a state in different international organisations does not imply its de jure recognition by all members of the respective organisation. It is only an active support of the membership of the unrecognised state which can be interpreted as an act of recognition.201

Furthermore, participation of a state in international treaties and agreements is not considered an international legal recognition of that state. On the contrary, according to the declarative theory, the unrecognised state’s involvement in contractual relations is an important tool that allows even the countries that do not recognise a particular state to raise claims that the latter shall, in good faith, implement its international obligations.

Finally, despite the Lisbon Treaty’s entry into force, recognition of a state by the European Union (establishing specific relations by the EU with that state) does not entail recognition of that state by the EU Member States.

Ad hoc recognition also occurs in international practice.

Such form of recognition occurs when states or their authorities establish contacts with each other for the purpose of addressing very specific practical needs without recognising each other either de jure or de facto.

This can imply addressing practical issues such as operating of transport and other communications, telephone and postal services and even developing economic, cultural and sportive contacts. In international practice, there are also examples of concluding agreements between states not recognising each other.

Ad hoc recognition by definition entails even less legal consequences than de facto recognition although the margin between these two forms of recognition is even more elusive than that between de jure and de facto recognition.

201 At the same time, generally admission of a state to membership in the UN is considered as the state’s international legal recognition. There are, however, some exceptions in international practice. For example, West Germany and East Germany were simultaneously admitted to the UN in 1973 despite the fact that relations between the two entities were based upon the complicated form of de facto rather than de jure recognition.
In the cases discussed in this article, we can establish that the parties to the conflict recognise each other as well as that Abkhazia and South Ossetia are recognised by the international community on the ad hoc basis.

This conclusion is based upon the fact that the relevant parties meet together in the Geneva talks where they discuss co-operative measures in order to prevent the escalation of incidents along the line of contacts, the return of refugees or internally displaced persons (depending upon the legal position) and other issues.

The ad hoc co-operation manifests itself in the resumption and maintenance of automobile transportation, electricity and gas supply, etc.

The past years, however, have revealed that ad hoc recognition is insufficient for addressing such issues as the normalisation of Russo-Georgia relations, operationalising of a modus vivendi in a way that would not preclude the restoration of Georgia's territorial integrity in the long term, ensuring that international organisations resume operating on the territory of Abkhazia and South Ossetia, and finding solutions on such issues as the revival of conventional arms control, Russia's accession to WTO or the facilitation of human contacts.

In order to make practical solutions to these and other issues possible, countries that do not recognise Abkhazia and South Ossetia’s independence de jure, including Georgia, should not exclude the option of their de facto recognition unless they believe that the current state of affairs can be revised in the foreseeable future and the countries that have recognised Abkhazia and South Ossetia, including Russia, can be persuaded to reconsider their decision. Such a scenario, however, does not appear realistic.

4. POLITICAL ASPECTS OF MODUS VIVENDI

De facto recognition of Abkhazia, mainly, and perhaps of South Ossetia as well, would offer more opportunities for resolving the conflicts in Georgia in the long run than the policy of continuous strict non-recognition or the low-profile policy of maintaining contact with the authorities of Abkhazia and South Ossetia on the basis of ad hoc agreements.

This conclusion is worth paying attention to for the simple reason that, after the August of 2008, any policy which builds upon the expectation that in a relatively short period of time Russia can be persuaded to revoke its recognition of the two entities and that both Abkhazia and South Ossetia can be reintegrated into Georgia and the territorial integrity of the latter can be thus restored, is doomed to failure.

4.1. If a decision on de facto recognition of the two entities is made, it should first be taken by the countries that do not recognise their independence and, primarily, by Georgia.

This decision will not be easy to take despite the fact that de facto recognition does not entail ratification of a new status quo and the countries recognising them will not have to give up their current legal positions (namely, Abkhazia and South Ossetia de jure will remain part of Georgia).

Still, a policy that denies co-operation with the authorities exercising de facto control over Abkhazia and South Ossetia exacerbates the situation, cultivates a "besieged fortress" mentality and increases mutual alienation. In this environment, any hypothetical "amalgamation" of Abkhazia and South Ossetia with Georgia appears the least possible option.

4.2. De facto recognition will be the most difficult and painful decision for Georgia. It does not simply require revising the current policy and certain laws issued by Tbilisi, primarily the Law on Occupied Territories. This decision will also entail reconsidering the attitude of the country realising that if Georgia’s territorial integrity is to ever be restored, it will not happen soon and,
most likely, beyond the lifetime of the current generation. If it is restored, Abkhazia and South Ossetia would not simply be absorbed by Georgia. Should the integration happen in any form, it can only be a result of a voluntary decision on the part of Abkhazia and South Ossetia.

Achieving this result in the foreseeable future does not seem possible without the normalisation of Russo-Georgian relations.

However, it is hardly possible to expect the Tbilisi’ policy to change fundamentally under the current government. This is not only because the current government cannot escape from being held captive by its previous decisions and doctrines, reconsidering which would take a political shock comparable probably only to that of the August 2008 war.

To take such a dramatic decision, which inevitably polarizes the society, requires not only great political and civic courage but, as a rule, becomes possible only through a power shift and the advent of new political leadership that is not associated with the decisions and mistakes made by the previous government.

In other words, counting upon Tbilisi to revise its policy in the coming years seems unrealistic. Therefore, a practical step at present can only be the introduction of the idea of a de facto recognition of Abkhazia and South Ossetia as a policy option into the public debate in order to test all its pros and cons and advantages and disadvantages this decision has to offer to the country and to the society.

4.3. With the need to ensure that the public recognises the rationality of the policy shift, it is necessary to communicate that the de facto recognition in any form—declaration, conclusion of agreements and the development of co-operation, not excluding, inter alia, the establishment of consular relations and permanent representations—is not a single act but a policy which also encompasses and addresses the resolution of many practical problems including recognition of the legitimate rights of refugees and internally displaced persons willing to return safely to their homes.

This decision may also require changing policies and legislation, not only in Georgia, but in Abkhazia and South Ossetia as well.

Moreover, it can and probably should be accompanied by the reduction of tensions and demilitarisation of the conflict zones, paving the way for achieving an agreement upon the reduction of armed forces and armaments, initially at least in the conflict zone but, prospectively, leading to the establishment of a regional confidence- and security-building and arms control regime.

Finally, the normalisation of Georgia’s relations with Russia, Abkhazia and South Ossetia upon the basis of a mutual renunciation of the use of force can and shall create conditions for expanding the operations of international organisations, particularly of the EU, the UN and the OSCE, including for granting them the opportunity to conduct their operations on the territory of Abkhazia and South Ossetia.

4.4. De facto rather than de jure recognition, of course, is not the solution preferred by Abkhazia, South Ossetia or Russia. The temporary solution to the problem from their point of view, however, should appear preferable in comparison with the current situation unless they are counting upon a diplomatic breakthrough and widespread international recognition in the near, or not too distant, future.

De facto recognition and the acceptance of the modus vivendi give Abkhazia and South Ossetia certain benefits and the chance to believe that such a temporary solution is a step towards full recognition.
It is difficult to anticipate the nature and particular terms of a compromise which would provide for a fair balance of the interests of the relevant parties. They should be negotiated by the parties in formal or informal talks.

At the same time, the very discussion of the possibilities for a compromise by experts, politicians, public and government officials should facilitate co-operation amongst them and prevent further disengagement.

5. RECOMMENDATIONS

Normalising Georgia's relations with Abkhazia, South Ossetia and Russia

5.1. Taking into consideration the discussions of the last years and months, the plausible form of the de facto recognition of Abkhazia and South Ossetia would be if Georgia concluded with them an agreement (or agreements) on the non-use of force.

5.2. Since the Russian Federation does not consider itself a party to the conflict, this complex issue could be addressed by concluding a separate agreement banning the use of force between Russia and Georgia.

5.3. In order to balance the interests of the parties, the Georgian-Abkhazian and Georgian-South Ossetian agreements can hardly be reduced to the renunciation of the use of force. They have to include a number of other provisions as well, in particular, addressing such issues as developing political dialogue, trade, economic and transport co-operation, facilitating dialogue between civil society organisations, human contacts and communications. In one form or another, these agreements cannot avoid addressing the situation of those who left their homes escaping from the war and seeking to return. The specific content of such agreements depends upon the outcome of negotiations between the parties which by themselves could become an impetus for the gradual settlement of their relations.

5.4. In order to maintain a continuous political dialogue and regular communication, the parties could exchange permanent representatives.

5.5. The parties could also set an agenda for the future dialogue, including the elaboration of non-military confidence-building measures, demilitarisation along the separation line and the formation of a regional arms control regime.

Establishing the EU’s Relations with Abkhazia and South Ossetia

5.6. The opening of the EU offices in Sukhumi and Tskhinvali to co-ordinate the implementation of the relevant EU programmes. Those representations could, inter alia, serve as visa offices and as EU information centres in both entities. At the same time, it is to be noted that the establishment of direct relations between the EU and Abkhazia and South Ossetia will not imply their de jure recognition by the EU Member States.

5.7. The decision upon possible provision of funding for the EU projects in Abkhazia and South Ossetia directly through its offices in Sukhumi and Tskhinvali and not through Georgia.
5.8. These arrangements should entail extending the EU Monitoring Mission’s area of operation at least to the territories in Abkhazia and South Ossetia adjacent to the separation line.

The Return of the OSCE to the Region

5.9. Developing of relations by the EU with Abkhazia and South Ossetia could be linked with the resumption of OSCE operations in the region. In order to avoid the sensitive issue of the title of the mission, the OSCE could open three offices in Tbilisi, Sukhumi and Tskhinvali which would report to the OSCE Conflict Prevention Centre and receive political guidance from the Acting Chairmanship.

Alternatively, one could consider establishing an OSCE mission in the South Caucasus with five offices in Baku, Yerevan, Sukhumi, Tbilisi and Tskhinvali with headquarters located outside of Georgia.

5.10. Such a decision may require granting Abkhazia and South Ossetia if not the OSCE membership then at least the right to participate in the regular consultations (by inviting their representatives to be present at the Permanent Council’s meetings or to attend the meetings as observers with the right to speak) on issues related to the South Caucasus held within the framework of the OSCE.
Following the 2008 Russia-Georgia war and Russia’s recognition of South Ossetia’s independence, the established reality proves truly paradoxical. The Republic of North Ossetia-Alania, vastly out-sizing South Ossetia both by its territory and population figures as well as economic potential and resources, remains one of the 83 federal entities of the Russian Federation whilst South Ossetia became a “partly recognised state.” Concurrently, with this new status South Ossetia causes anxiety not only for Georgia (which refuses to come to terms with the post-war realities) but also for the Russian Federation and, particularly, for the republics of the Northern Caucasus. There is no reasonable answer as to why South Ossetia can be granted independence whilst Chechnya, Dagestan and or Tatarstan “cannot.” Consequently, the precedent of South Ossetia will continue to further disturb the situation both in the South and North Caucasus (and probably even beyond), thus contributing to instability in this volatile region. Accordingly, the post-August 2008 status quo deters any talks on ways to bring long-term stability to the region. The fact that the situation is unlikely to benefit anyone (except perhaps the separatists and or irredentists) should promote everyone to search for a sustainable solution reducing the risk of destabilisation inside and around South Ossetia, in particular, and in the region, as a whole.

### The Constitution of the Republic of North Ossetia-Alania

**CHAPTER 1 - The Foundations of Constitutional Order**

**Article 1**
The Republic of North Ossetia-Alania is a democratic law based state, expressing the will and interests of its multinational people.

**Article 4**
The Republic of North Ossetia-Alania has full state authority over its territory with the exception of the authority granted to the Russian Federation.

**Article 15**
The official languages of the Republic of North Ossetia-Alania are Ossetian and Russian.

**Article 16**
The Republic of North Ossetia-Alania establishes its relations with the Republic of South Ossetia upon the basis of ethnic, national and historic-territorial unity, social-economic and cultural integration.

### The Constitution of the Republic of South Ossetia

**CHAPTER 1 - The Foundations of Constitutional Order**

**Article 1**
1. The Republic of South Ossetia is a sovereign democratic law based state which has been established by the right of its people to self-determination.

**Article 4**
1. The official language of the Republic of South Ossetia is the Ossetian language.
2. The Russian language, equally with the Ossetian language, and at the places of compact settlement of ethnic Georgians, the Georgian language, shall be recognised as a language of the State and other institutions.

**Article 8**
The Republic of South Ossetia establishes its relations with the Republic of North Ossetia-Alania upon the basis of ethnic, national and historic-territorial unity, social-economic and cultural integration.

| Area: 8,000 sq km | Area: 3,900 sq km |
| Population: 713 thousand[^203] | Population: no more than 30-32 thousand[^204] |

### Post-War Crossroads

On 26 August 2008, two weeks after a ceasefire agreement between Russia and Georgia was signed, the Russian Federation recognised South Ossetia [and Abkhazia] as an independent state. It was joined by Nicaragua in September and Venezuela and Nauru a year later. Since then, the process of international recognition of Georgia’s two secessionist regions has stalled. No other country has joined the “Club of Four.”[^205] The “non-recognition” policy has become the cornerstone for Georgia and the West (and the overwhelming majority of the foreign states supporting Georgia’s territorial integrity) of approaching the problem. Unlike Abkhazia, which tries to maximally utilise its capacity to pursue an active foreign policy and has even opened an embassy in Venezuela, South Ossetian authorities do not demonstrate such ambitious intentions except for having established formal bilateral diplomatic relations with the Russian Federation.

[^204]: In regard to population size of South Ossetia after the war, there are fundamental discrepancies. The data provided in this article is taken from the most reliable sources available researched by the author. See B. Pakhomenko, “Inhabited Island,” Centre Demos, http://www.polit.ru/analytics/2009/09 /22/demo.html
[^205]: This paper was completed in May 2011 (Ed.)
Furthermore, on 11 September 2010 during a meeting in Sochi with the participants of the discussion club “Valdai,” the leader of South Ossetia, Eduard Kokoity, declared that South Ossetians would be part of the Russian Federation and South Ossetia was not going to be an independent country. The statement certainly was not conceived as something sensational yet it was strenuously denied within a couple of hours. Apparently, the President of the “independent Republic of South Ossetia” was promptly warned about the possible negative consequences of this kind of naive and short-sighted statement. Kokoity reversed his statement right after leaving the conference hall. “I have probably been misunderstood,” he was quoted as saying. “We are not going to relinquish our independence, which we won at the cost of colossal sacrifices and South Ossetia is not going to become part of Russia.”

If we recall the South Ossetian leader’s June 2006 statements that South Ossetia had never seceded from the Russian Federation, Kokoity’s expressions can be interpreted as follows: South Ossetia, which apparently has never seceded from the Russian Federation, has achieved its independence at the cost of colossal sacrifices... and intends to join the Russian Federation.

The author hopes that the reader kindly forgives an informal tone of the previous paragraph which actually touches upon serious matters. To demonstrate this, we can refer to Article 16 of the Constitution of the Republic of North Ossetia-Alania and Article 8 of the Constitution of the Republic of South Ossetia which are outlined in the table above. These Articles repeat the same statements word for word only changing the names of the two Ossetias. At the same time, there are some differences in the constitutions as well, most importantly in the first articles of the first chapters. Article 1 of the Constitution of the Republic of North Ossetia-Alania defines it as a democratic law based state. Article 1 of the Constitution of the Republic of South Ossetia states that South Ossetia is a sovereign democratic law based state. Taking into account the territory and population data for both republics (North Ossetia is twice the size of South Ossetia with at least twenty times more residents), a fundamental difference in the formal statuses of the two Ossetias causes even more confusion.

Analysis of the complex set of problems causing this paradox goes beyond the scope of this research. It is appropriate, however, to point out two conclusions from the so-called Tagliavini Commission Report which lie at the core of the international community’s consolidated position on the status of South Ossetia. First, “South Ossetia did not have a right to secede from Georgia and the same holds true for Abkhazia... Second, “recognition of breakaway entities such as Abkhazia and South Ossetia by a third country is consequently contrary to international law.”

Although the Commission’s mandate did not entail having any direct political or legal outcome of its report, the prospects for abandoning these provisions by the key international actors remain slim. Even if over time, the “Club of Four” countries recognising the independence of the breakaway regions, transforms into, let us say, the “Club of Eight,” as a matter of fact the situation is barely apt to change. In addition, the Russian Federation is apparently not going to overexert itself to achieve further international recognition of South Ossetia [and Abkhazia]. For example, in March 2011 in the Russian State Duma, the First Deputy Russian Foreign Minister, Andrey Denisov, admitted that based upon the reality of the situation, they did not expect widespread recognition of the independence of South Ossetia and Abkhazia.

206 http://www.kavkaz-uzel.ru/articles/46526/
In an attempt to determine how the situation will evolve around the two Ossetias in the context of Georgian-Russian relations, the article outlines the following developments, one of which may be viewed as a possible scenario (at least theoretically):

1. Maintaining the current status of South Ossetia as a “partially recognised state” and the Republic of North Ossetia-Alania as a federal subject of the Russian Federation.
2. “Recognition in exchange for territories” – consent of Georgia to recognise the independence of South Ossetia in exchange for restoring Georgia's jurisdiction over the Akhalgori district (and possibly other areas as well).
3. Reanimating the international recognition of South Ossetia and strengthening its status as an independent state.
4. Recognition of South Ossetia by Belarus and its admission into the Union State (Union State of Russia and Belarus). (Various scenarios may occur for North Ossetia in this case.)\(^\text{210}\)
5. Accession of the Republic of South Ossetia into the Russian Federation in various formats:
   a. South Ossetia as an associated and North Ossetia as a federal subject of Russia.
   b. South Ossetia and North Ossetia – federal subjects of Russia (with symmetrical or asymmetrical power).
   c. Unification of South and North Ossetia into a single Ossetia – a federal subject of the Russian Federation.
   d. A different status of a united Ossetia under the Russian Federation.
6. Reintegration of South Ossetia into Georgia in various formats:
   a. The subject of the confederation.
   b. A subject of the federation of two entities.
   c. A subject of the multi-entity federation.
   d. Autonomy.
   e. A different status of South Ossetia within Georgia.
7. Unification of South Ossetia with North Ossetia with simultaneous (or subsequent) declaration of independence and separation from the Russian Federation (the emergence of an independent state of united Ossetia).
8. Establishment of Georgian-Russian condominium over South Ossetia.\(^\text{211}\)
9. Other developments (with unpredictable consequences).

Most likely, there are some other speculative possibilities as well; although, in order not to diverge from reality, we should not complicate the scheme. On the contrary, we should simplify it and single out just three key options. In this manner, we can assume that the uncertainty over the future of South Ossetia may shift in one of three ways:

1. Towards becoming a part of Russia.
2. Towards the unification with North Ossetia in order to create a united and independent state.
3. Towards the reintegration into Georgia.

We begin with a discussion of the circumstances which, according to the author, make the current situation “uncertain.”

\(^{210}\) For instance, Malashenko argues that this could be a possibility. Please see: http://carnegieendowment.org/files/TwoCrisesConsequencesandOutlook.pdf

\(^{211}\) This idea was voiced by S. Arutyunov. Please see: http://noev-kovcheg.1gb.ru/article.asp?n=96&a=38
Some Characteristics of a State of Uncertainty

So-called “dwarf states,” such as Andorra (area - 465 sq km, population - 70 thousand), Liechtenstein (area - 160 sq km, population - 35 thousand), Monaco (area - 2 sq km, population - 35 thousand), San Marino (area - 60 sq km, population - 30 thousand) have existed (and thrived) in Europe for centuries. The population of each is comparable to the population of South Ossetia whilst the territory of the latter is five times larger than all of the “dwarf states” combined. These states, however, emerged at different times and in different historical circumstances, most often as a result of complex trade-offs between far more powerful nations and, in some cases, remained under the joint protectorate of their mighty neighbours. With limited resources for self-sufficient existence, these states provide services (mainly related to tax administration and business development), which make them attractive to their neighbours in Europe and ensure a comfortable, independent and safe existence.

“Independence” of South Ossetia did not come as a result of a compromise but through military actions of all involved parties which reached its apotheosis during the Russian military intervention against sovereign Georgia in 2008. According to the Tagliavini Commission report, generally recognised principles of international law, including the respect for the States' sovereignty and territorial integrity, have been ignored during this military intervention.212

Russia’s recognition of the independence of South Ossetia was unilaterally condemned by the world’s leading players (the EU, US, NATO, PACE). It did not find understanding and support even amongst the closest allies of the Russian Federation (CIS, CSTO and SCO).213 After Georgia, the term “occupation” has been adopted by the EU and the US to display the current situation around South Ossetia [and Abkhazia].214 In these circumstances, Russia is the only guarantor of South Ossetia’s “independence.” One could draw a parallel with the Turkish Republic of Northern Cyprus with thirty years of independence based solely upon the unilateral recognition of Turkey and the Turkish military. The situation regarding North Cyprus remains unresolved, causing significant political damage to Turkey, and keeping the living standards considerably low in the north of the island compared to South Cyprus which fully enjoys all the benefits of EU membership.

South Ossetia’s economy (as well as in any other category) is far from being self-sufficient. As one of the leading Ossetian experts, V. Dzutsev (who has been working in the United States for the last few years) has stated, South Ossetia’s economy depends 100 percent upon Russia. According to Dzutsev: “With its closed borders with Georgia and no manufacturing or any other service sectors developed, currently South Ossetia has virtually no sources of income of its own. Furthermore, the lack of private property and investment protection deprive the republic of any other potential revenue.”215 As early as December 2008, A. Malashenko pointed to the additional problem generated by this situation. He argues that by recognising the independence of South Ossetia, Russia has changed the perception of reality and, in the first place, amongst South Ossetia’s immediate neighbours. Whilst before Moscow’s assistance was regarded as being needed to support the national movement, now South Ossetia is seen as a competitor in receiving a significant amount of (up until now endless) funds from the centre.

“The emergence of the new applicant for the central government’s subsidies and grants will exacerbate the competition for a place in the sun — for the financial resources and “lordly caresses,” states Malashenko."

According to V. Dzutsev, “both parts of Ossetia can prosper only if they link, not divide, the north and south areas of the Caucasus.” The main access here is via the Transcaucasian Highway which loses its value if used only as a supply route for the Russian troops and the border guards in the territories of South Ossetia. With the current relations between Russia and Georgia, this highway nowadays has no other function. Finally, South Ossetia’s human resources remain below critical level. They lack personnel who can be entrusted with responsible positions. Moreover, even the members of the government are “imported” from Russia. The dynamics of migration are negative. North Ossetia, though far from being a wealthy entity, provides more opportunities and attracts people from South Ossetia including those who cannot put up with the political regime of Eduard Kokoity.

It is unclear how to change the situation for the better in the foreseeable future. Through the State Strategy on Occupied Territories: Engagement Through Cooperation and its Action Plan, Georgia offers South Ossetia its economic, social, cultural and educational space although it has failed to achieve any positive reaction from the Ossetian (and Russian) side. This could be explained by the fact that through the implementation of the State Strategy, Georgia intends to ensure South Ossetia’s reintegration into Georgia proper which in principle remains unacceptable for the other party. In order to counter the Georgian Government’s efforts or, rather, to protect themselves from the Georgian Strategy, the Russian and the South Ossetian sides are trying to broaden the divide between South Ossetia and the rest of Georgia so as to minimise interaction between people from the opposite sides of the conflict. This leads to successive disengagement and alienation of the two societies. In addition, Georgia is also contributing to this process of alienation. Particularly, by adopting strict Modalities and severely regulating commercial and non-profit activities in the occupied territories, the Georgian Government is in fact hindering the fulfilment of its own objectives set forth in the Strategy.

One way or another, South Ossetia is rapidly turning into a militarised enclave of Russia, a financial “black hole” and transport deadlock without any clear prospects. Consequently, the chances of transforming South Ossetia into a sort of “European dwarf state” (if someone harbours similar hopes) prove slim. Despite the fact that S. Markedonov, for example, believes that the “interim” status of South Ossetia (“partially recognised republic”) in the current situation appears to be a preferable solution, in reality this situation can hardly be regarded sustainable.

As the results of public opinion polls in Russia have demonstrated, there is an apparent decrease in the number of respondents with categorical positions and a considerable increase in the number of “doubters.”

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216 А. Малашенко, “Северный Кавказ: когда закончилась война.”
218 В. Пахоменко, “Обитаемый остров.”
219 http://www.smr.gov.ge/ru/home
222 The initiative Russian opinion polls were conducted on 21-22 August 2010. 1,600 respondents were interviewed at 140 sampling points in 42 regions of Russia. The questions were close-ended with one answer. The margin of error does not exceed 3.4%. http://wciom.ru/index.php?id=459&amp;uid=13778
1. Do you think Russia was right supporting South Ossetia in the Georgian-Ossetian conflict?

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<thead>
<tr>
<th></th>
<th>2009</th>
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<tbody>
<tr>
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<td>38</td>
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<tr>
<td>More right than wrong</td>
<td>27</td>
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<td>More wrong than right</td>
<td>5</td>
<td>6</td>
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<td>Definitely wrong</td>
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<td>2</td>
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<tr>
<td>Not sure</td>
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<td>16</td>
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2. Do you support the recognition of the independence of Abkhazia and South Ossetia by Russia?

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<tr>
<td>Definitely right</td>
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<tr>
<td>More right than wrong</td>
<td>25</td>
<td>42</td>
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<td>6</td>
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<td>Definitely wrong</td>
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<tr>
<td>Not sure</td>
<td>10</td>
<td>16</td>
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3. Do you think that Russia’s decision to recognise the independence of South Ossetia and Abkhazia is final and unchangeable or do you think that this decision may be reconsidered?

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<th>2009</th>
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<tr>
<td>The decision is final and unchangeable</td>
<td>47</td>
<td>51</td>
</tr>
<tr>
<td>In certain circumstances the decision may be reconsidered</td>
<td>33</td>
<td>21</td>
</tr>
<tr>
<td>Not sure</td>
<td>20</td>
<td>28</td>
</tr>
</tbody>
</table>

At first glance, the answers to the third question contradict the replies to the previous two questions but in this (third) case, the respondents expressed their reaction to the official position, policies, rhetoric of Russia which has never been even questioned in the Russian domestic discourse rather than their own point of view.

The situation has not yet matured to discuss any possibilities for South Ossetia's transition from its interim status into a new one. The authorities in Moscow and Tbilisi dismiss even the theoretical possibility of revisiting their positions. The EU is advocating for the “non-recognition and engagement” approach, though in reality, it has not yet been able to leverage or influence the conflicting parties to pursue the policy’s second, and critical, component – engagement.223 Although the United States unconditionally supports the territorial integrity of Georgia, it calls upon Georgia to maintain “strategic patience” either expecting to “reset” its relations with Russia to the extent that the latter will soften its position or making it clear that solving the conflict in Georgia is not currently in the list of its priorities. One way or another, even if the situation remains calm and the current state of uncertainty lasts for many years, South Ossetia will inevitably drift toward one of the above listed directions. In the absence of backwind there may always be some other flows (including the “underwater flows”) supporting these transitions.

South Ossetia’s Accession to the Russian Federation

South Ossetia’s accession to the Russian Federation is often considered as the most probable scenario. N. Popescu characterises the post-war situation in South Ossetia [and Abkhazia] as follows: “The paradox is that, until August 2008, Abkhazia and South Ossetia had been unrecognised but de facto independent states. In August 2008 after the war, they were partially recognised although in reality both regions cannot be considered more independent than they were before. If the separatist war [of the early 1990s] was their “war for independence,” the war in August 2008 is the war which put an end to their limited yet “de facto independence.” The winner of the war was Russia and not the separatist movements. Both Abkhazia and South Ossetia are speedily transforming from “virtually independent states” into territorial entities of the Russian Federation.”224

These observations are especially true for South Ossetia (Abkhazia’s aspirations, as well as its resources, are somewhat different from South Ossetia). The main aspects confirming these observations are discussed above. Russia has provided South Ossetia not just with needed “nutrition” but with “oxygen” to stay in existence. Hence, South Ossetia’s accession into the Russian Federation should appear to validate the established reality. According to Markedonov, however, “the accession of South Ossetia into Russia is not only a regional concern. It raises a wide range of domestic and foreign policy issues.”225 We will try to single out some of the most important points.

The first and the most obvious point is that the accession of South Ossetia to Russia (which has long been urged by some Russian politicians) will be conceived as an outright annexation of the Georgian territory by the Russian Federation. It will be a straightforward continuation of the Russian intervention and occupation to take their initial intentions to their logical conclusion.

Second, the accession of South Ossetia into Russia (a big change of the post-Soviet borders in the Caucasus) will sharpen the question of the region's border immutability, in the first place between the Ingush (Vainakhs) and the Ossetians. The territorial dispute between the two nations over the Prigorodny district remains stagnant with some periods of exacerbation and reduced tensions. Any changes to the external borders of the Russian Federation will only strengthen the argument favouring a valid and necessary revision of borders within the Federation. Malashenko believes that “the direct outcome of the last war in the Caucasus and the recognition of South Ossetia could be the full re-ignition of the Ingush-Ossetian conflict.”226

Third, Russia’s special sympathy toward the Ossetians with a large majority of the population identifying themselves as Orthodox Christians would provoke “jealousy” and far-reaching suspicions amongst the other North Caucasian nations practicing Islam. This could only enhance the substitution of secular nationalism with “Islamic internationalism.” In other words, it will strengthen the idea of the “Caucasian Emirate” which entails North but not South Ossetia. It is noteworthy that at the beginning the founders of this ideology considered North Ossetia as a separate Province of Iriston but then was “relegated” to the part of the Galgayche Province (Ingushetia).227 Clearly, North Ossetia is the “weak link” in this scheme: on the one hand, it falls out of the general concept; and on the other hand, it is unable to resist this process, at least unilaterally.

225 С. Маркедонов, “Состоится ли объединение двух Осетий?”
226 А. Малашенко, “Северный Кавказ: когда закончилась война.”
Fourth, the inclusion of South Ossetia into the Russian Federation will concern Azerbaijan ("Lezghian question"), Turkey (historically not indifferent to the Caucasus in general and the North Caucasus, in particular) and even Iran (which remains sensitive to any changes to the status quo in the Caucasus) not to mention Georgia and its Western partners. In general, Russia’s direct benefits from these developments are hardly visible whilst the political risks and expected losses, including on the international stage, prove obvious even to the naked eye. Against the background of the unsolved problems with the Kuril Islands (which remains a heavy burden for Russia), gaining an additional territory from its neighbouring country as another war trophy will further deteriorate its international image.

Fifth, does this really benefit the Russian people? Do they really need it? After the euphoria over Russia’s rapid military victory over Georgia (in the Russian mass perception, part of which was more about showing muscle to the West), people could not help asking a very natural question of whether or not this victory had left Russia with one more or one less problem. Should not an inclusion of a small plot (per Russian, not Georgian standards) of land (over the ridge) further deteriorate the already tragic situation in the North Caucasus which has been echoing literally across all of Russia? All that in light of the disproportionate funding of the Northern Caucasus from the federal budget adds to the growing dissatisfaction in the rest of Russia. On 23 April 2011 during a demonstration (authorised by the government) in Moscow, the protesters were united under the slogan “Enough Feeding the Caucasus!” It is clear that public opinion does not predetermine the fate of controversial political issues in the former Soviet Union (and not only there). At the same time, it is evident that the Russian establishment also lacks a clear vision of how the Caucasian knot, tightened even tighter after August 2008 war, could be unleashed.

Thus, the merging of South Ossetia clearly does not promise the Russian Federation settling the ongoing issues either with its immediate neighbours (with Georgia, in the first place) or with the broader international community. Equally, this applies to internal political problems in Russia, in particular in the North Caucasus.

The Unification of North and South Ossetia

“Ossetia is a divided nation. We were separated within a single country. Therefore, the unification (of North and South Ossetia) is the only option” - Taymuraz Mamsurov declared on 16 June 2005, a month after being appointed as the Head of the Republic of North Ossetia-Alania. This statement was later reiterated by Eduard Kokoity: “The only prospect for the Ossetian people is to unite.” Furthermore, in May 2010, T. Mamsurov argued that the idea of uniting the two republics has already been matured: “We have an independent state of South Ossetia. But any reasonable person understands that the separation cannot continue and we will eventually become a single territory.”

S. Markedonov believes that “the South Ossetian project was initially formed as an irredentist not a separatist movement” with the final objective of combining the two Ossetias under the auspices of Russia. South Ossetia's independence, in his opinion, was seen only as an intermediate result, a tool for implementing the idea of “unification.” This explains South Ossetia’s reluctance to pursue a diversified foreign policy and to establish relations with the West and with Western institutions (both governmental and non-governmental).
It is obvious that the ideological basis of the South Ossetian endeavour was the unification of the divided nation. Not all, however, agree with the “divided nation” idea. More specifically, before launching the Georgian-Ossetian armed conflict (in the late 1980s and early 1990s), and even after the August 2008 war, more Ossetians lived in the rest of Georgia than in South Ossetia proper (though their number has decreased significantly in both territories). Accordingly, we can talk about the Ossetian Diaspora which is both compactly and sparsely settled throughout Georgia. Nonetheless, even if we follow the “divided nation” idea, along with other circumstances, we should not overlook a very important geographical factor; that is, the Great Caucasus Range. In Western Europe, there is an example of a divided nation (the Basques are over a million people living in Spain and France) and it proves worthless even to raise an issue on their unification into a single state. Perhaps amongst other things is the fact that this nation is divided by the mountains - the Pyrenees (incidentally, the northern Tyroleans are also separated from the southerners by the state border passing along the Alps; a change there has never even been discussed). It goes without saying that even in the twenty-first century geographic factors continue to play an important role.

In the case of unification of South and North Ossetia, all the issues discussed in the previous chapter will remain in force, and even intensify. It seems, however, that if the two Ossetias really become a single country, all the actors involved in the Caucasus one way or another will face new challenges. In the end, there are other “divided nations” in the Caucasus such as, for example, Lezgins and Avars (except for Dagestan, a considerable number lives in Azerbaijan), Chechens and Ingush are part of the Vainakh people and the idea of their unification has been floating in the air for quite some time. Additionally, the idea of unification is gaining urgency among the “Circassian people” as well. Thus, according to Markedonov, the Circassian movement was directly invigorated by the recognition of the independence of South Ossetia [and Abkhazia] and as we approach the 2014 Olympics in Sochi, the Circassian issue will be increasingly discussed within the Russian Federation and beyond its boundaries. The unification of North and South Ossetia will make it extremely difficult for Russia to prevent this process from spreading and to stop the unification efforts across the subjects of the North Caucasus.

According to Malashenko: “If the unification of South and North Ossetia within the Russian Federation happens, it will create very serious problems for Russia. It will be accused of annexing the Georgian territory and will create a very dangerous international precedent.” In an interview with the Ukrainian newspaper Mirror of Week, he said: “I think that the unification of North and South Ossetia is impossible. If it happens, we should only blame the foolishness of those who had agreed to that.”

Dmitry Trenin argues that the unification of the two parts of Ossetia could lead to the resurgence of nationalism and cause friction between Ossetians and their neighbouring nations.” Trenin concludes that the unification of two Ossetias “will be a disaster, whether within or outside the Russian boundaries.”

Few people think that separatist sentiments could actually rise amongst the North Ossetians after the Russian Federation gained control over South Ossetia (putting an end to the first stage of “the Ossetian Project”). It is believed that the Ossetians’ loyalty toward Russia will be always maintained to a sufficient extent due to a number of reasons, amongst which the most important is the immediate environment (another aspect of geography). It is clear how catastrophic the

232 There is also a desire to separate into artificial, typical Soviet formations, such as Karachay-Cherkessia and Kabardino-Balkaria, which only further complicates the situation (author’s note).
234 А. Малашенко, Северный Кавказ: когда закончилась война.
235 http://www.zn.ua/newspaper/articles/57880#article
realisation of a Caucasus Emirate—or even the fight for the idea—would be for them. Thus it is hard to contradict the consideration about the strategic loyalty of Ossetians towards Russia. The only reasonable counterargument could be that any political datum has a tendency to change and not always for the better. It would be naive to believe that if there is an idea of the Caucasus Emirate, then there is no room for the idea of an independent united Ossetia.

It should be noted as well that the unification of North and South Ossetia into a united and independent state proves to be the worst option for Georgia in terms of restoring its territorial integrity. It will undermine the argument about the Russian annexation of the part of the Georgian territory as Russia’s authority would not apply to an independent state (formally or actually). It will only strengthen the argument regarding the unification of the “divided nation.” This, however, means that Russia willingly or under duress waives part of its territory (again, the case of the Kuril Islands comes to mind). This failure entails the threat of a “domino effect” which would probably spread beyond the North Caucasus.

Accordingly, the unification of North and South Ossetia within the Russian Federation or as a united independent country—the formal process of integration—will bring about serious consequences rooting for disintegration.

The Georgian Response to South Ossetia’s Abrupton

It is understandable and natural that freezing the situation in the “new political-military realities” to which Russia is officially appealing and South Ossetia’s drift towards the Russian Federation (and or North Ossetia), are seen by Georgia as a process of abrupton of its own territory. Naturally, there was a reaction to these processes. Following the recognition of South Ossetia’s and Abkhazia’s independence and the Russian Federation’s deployment of its military bases in the breakaway regions, the Georgian Parliament adopted a law on occupied territories for South Ossetia and Abkhazia in October 2008 (as already mentioned, the US and the EU have included the same qualification of the process in their political and diplomatic vocabulary). Correspondingly, the de-occupation became a top priority of the Georgian authorities - a necessary (although insufficient) condition for the settlement of the South Ossetia conflict. Thus, Georgia was still able to retrieve political dividends from the disastrous consequences of the August 2008 war. The Tbilisi-Tskhinvali conflict, in which it proved difficult for Georgia to present itself in front of the international community in a uniquely favourable light, appeared to be overlapped by the Tbilisi-Moscow confrontation. As a result it is Moscow now that appears back-alley at the international stage.

The State Strategy on Occupied Territories (and its Action Plan), adopted in early 2010, “ennobled,” if not strengthened, the Georgian position. Despite some obvious shortcomings of this document, it is “presentable” as a sort of list of terribly belated, yet very good intentions, the realisation of which, however, looks unlikely under existing conditions.

In November 2010 addressing the European Parliament, the President of Georgia, Mikheil Saakashvili, stated that Georgia will never use force to restore its territorial integrity and sovereignty. Obviously, this statement of Mikheil Saakashvili came out six and a half years later (in the summer of 2004 he used force against Tskhinvali for the first time), but those who believe in the principle “better late than never” might be satisfied.

In order to prevent further international recognition of South Ossetia (and of course, Abkhazia, which proves to be a greater concern here), Georgia established diplomatic relations with about five dozen states in 2009 and 2010 with this process continuing into 2011 (during the first days of March, the relevant documents were signed with Honduras, DR Congo and Guinea-Bissau). In this regard, we should assume that the Russian Federation pursues its own guidelines in its relations with other countries, potential candidates for the “club” of states recognising South Ossetia [and Abkhazia].

Within this policy framework, Tbilisi is trying to isolate the breakaway regions from the rest of the world (offering them the only way to the West through Georgia; by the way, Russia has been acting in the same way for a while). As in the previous case, this mainly concerns Abkhazia as South Ossetia does not show any enthusiasm in adopting a more vigorous foreign policy. As Dr Krylov puts it, “the idea of strengthening their own statehood is still not popular amongst the elite and the society of South Ossetia, primarily because it interferes with the idea of national unification of the Ossetians in a single state.”

Finally, Georgia has undertaken some steps toward the North Caucasus. For example:

1. The establishment of the Georgian parliamentary group of friendship with the peoples of North Caucasus in December 2009.

2. The creation of a purely propagandist television channel, the First Caucasian Channel, mainly targeting the North Caucasus as a whole. After being forced to stop broadcasting temporarily, it was modernised, renamed as the First Caucasian Information channel (Perviy Informacionny Kavkazky (PIK) and relaunched in January 2010.

3. The organisation of the international conference “The Hidden Nations, Enduring Crimes: The Circassians and the Peoples of the North Caucasus between Past and Future” in Tbilisi in March 2010. The conference raised the question about the genocide of the Circassian people by the Russian Empire in the nineteenth century. (In November, Tbilisi hosted the second conference on the same topic.)

4. The government’s decision to introduce a visa-free regime for the residents of the North Caucasian republics of the Russian Federation which went into effect on 13 October 2010.

5. President Mikheil Saakashvili’s speech before the United Nations General Assembly in New York on 23 September 2010 when he talked about his vision of a “free, stable and united Caucasus.”

6. The transformation of the Parliamentary Committee on Relation with the Compatriots Residing Abroad into the Committee on Diaspora and Caucasus Issues, in December 2010, and the February 2011 decision to establish a special commission for the Caucasus at the Office of the State Minister on Diaspora Issues.

7. The Resolution of the Parliament of Georgia on the Recognition of Genocide of Circassians by the Russian Empire adopted on 20 May 2011. The Resolution recognises “the mass

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murder of Circassians (Adyghe) during the Russo-Caucasus War (1763-1864) and their forceful eviction from their homeland” as an act of genocide.\(^{241}\)

Almost all of these steps listed above prove controversial in nature, promising no direct benefits to Georgia. Moreover, some of them entail potential risks.\(^{242}\) This evaluation deserves separate and careful consideration.\(^{243}\) The fact is that one more issue has been added to the extensively long list of the Russian Federation’s problems in the North Caucasus. Furthermore, if rationalism in Georgian politics sweeps away infantilism, Georgia could become a regional player – either to be taken into consideration, or conversely, bombed again.

**The Reintegration of South Ossetia into Georgia**

Based upon the current situation, the reintegration of South Ossetia into Georgia seems unlikely. Even the Western political and analytical circles loyal to Georgia admit that the reintegration of South Ossetia will take many years or even decades.

Indeed, as the Georgian authorities’ mistakes (often called crimes by the opposing side) started to pile up in South Ossetia, from the beginning of the last century to the present (by the Mensheviks, Communists, Gamsakhurdia, Shevardnadze, Saakashvili), restoring Georgia’s authority and jurisdiction over this region proved extremely difficult.

Indeed, the recent developments, such as the partial recognition of South Ossetia as an independent state and the enhancement of the Ossetian “unification” idea, contradict in principle the possibility of resolving this conflict by restoring Georgia's territorial integrity.

Indeed, since Russia found itself in new hypostasis turning from a formal peacekeeper into a participant of the conflict as well as the key guarantor of South Ossetia’s secession from Georgia, it looks impossible for Georgia to overcome the consolidated Russian-Ossetian resistance (in case it remains) to regain the region.

Indeed, after the destruction of the Georgian villages and ethnic cleansing of Georgians living in South Ossetia during and after the war (about two thousand ethnic Georgians remain only in Akhalgori district), the possibilities to re-establish peaceful coexistence of the Ossetians and Georgians in staggered rows in South Ossetia (the Georgian villages were typically intermingled with Ossetian villages and in some cases there were villages with mixed Georgian-Ossetian population) look slim.

A list of different circumstances leading us to the conclusion that South Ossetia’s reintegration into Georgia will never be possible could be further prolonged, yet there is a key political maxim: “Never Say Never.”


\(^{242}\) For example, James R. Clapper, Director of National Intelligence, in his speech before the Senate Committee on 16 February 2011, highlighted that Georgia's activity in the North Caucasus is regarded as one of the factors contributing to rising tensions in the region. http://intelligence.senate.gov/110216/dni.pdf

The whole set of factors that negatively characterise the recent developments in and around South Ossetia, coupled with the factors that speak against the accession of South Ossetia into the Russian Federation and or the unification of South and North Ossetia, make a rather strong argument for alternative solutions. Such an option could be the reintegration of South Ossetia within Georgia. The closed borders with Georgia make up about 75% of the perimeter of South Ossetia (whether within or outside the Russian Federation). As Georgia considers it as part of its own territory taken away by military means (by the way, the same understanding is shared by almost the entire world with the exception of the “Club of Four”), South Ossetia will be again living an artificially subsidised life supported only by the Russian Federation. According to V. Dzutsev, “A dying South Ossetia will not only become a counter-example, and not that much for the Western countries, closely following the developments in the region, but primarily for the South Caucasus and the CIS as a whole. Corrosive effects of corruption and the collapse of state institutions are examples of what happens to a country that chooses to be under Russia.”

How much money can, and does, the Russian Federation want to spend without any return or prospects for dividends? Maybe it is better to provide this luxury to Georgia with its Strategy to be financed by the West? Maybe allowing the Moscow-Vladikavkaz-Tskhinvali-Tbilisi road to start to operate will enable South Ossetia to sustain itself without Russia’s help? Perhaps Russia should make peace with Georgia and involve it (and with it, those who clearly and consistently support Georgia in the West) in the stabilisation process of the North Caucasus? Perhaps it should encourage the Ossetians residing in the rest of Georgia (and their number is no less than those living in South Ossetia itself)? Maybe the Ossetians as a whole will feel more secure if Russia from the north is not their only patron and guarantor of overall peace but they can also benefit from having friendly relations with Georgia in the South? Perhaps North and South Ossetia have a geostrategic position to connect, not to divide Russia and Georgia? After all, the Moscow-Vladikavkaz-Tskhinvali-Tbilisi road will “break up into pieces” if any of its components is to withdraw.

We can again further continue to list questions which should not be groundlessly swept aside.

Dmitry Trenin argues correctly that it will not be easy to reintegrate South Ossetia into Georgia. It is clear that effective political, military, economic, social, and cultural guarantees need to be in place. It is also clear that Georgia should become an attractive state worth considering becoming part of it again. As for “saving Russia’s face,” which rushed to recognise the independence of South Ossetia and now remains uncertain how to accommodate its “independence,” making a rational decision could hardly damage Russia’s image abroad. In the end, the dubious presidency of the “Club of Four,” as well as its spiteful actions towards Georgia, are unlikely to increase the country’s prestige. Conversely, the last point fully applies to the Georgian leadership as well.

Conclusion

To alleviate the problem’s acuteness, we should specify that it requires neither an immediate nor a comprehensive answer. Now is the time for transforming the conflict and not for resolving it. “Positions on status are irreconcilable for the present and should be set aside. The immediate focus instead should be upon securing freedom of movement for the local population and humanitarian and development organisations which all parties are blocking to various degrees” is said in the International Crisis Group report. This same report also identifies a number of quite reasonable

244 В. Дзуцев, “Южная Осетия становится гипертрофированным регионом Северного Кавказа.”
246 Д. Тренин, “Как помириться с Грузией.”
247 South Ossetia: The Burden of Recognition, ICG, Europe Report № 205, 7 June 2010,
and convincing recommendations for the three sides of the conflict (and other international actors involved). A few general considerations can be added to this list.

First, the Georgian-Russian confrontation is over-personalised. It could be argued with relatively high certainty that the mutual perception of the Georgian and Russian people is better than the relationship between the national leaders and the ruling elites. Accordingly, both countries need to rationalise their foreign policies (at least towards the opposite direction) and simultaneously depersonalise relationships and highlight their common interests, not personal antagonism.

Second, Georgia's policy towards the North Caucasus should not be anti-Russian (and or anti-Ossetian) because amongst other things this policy could prove equally risky for Georgia than for Russia. On the other hand, having Georgia as its most important “foreign enemy” does not seem quite appropriate for Russia. Reverence to Georgia, where one out of every fifteen Georgians is an internally displaced person (IDP) in his own country, should not be taken at face value.

Additionally, keeping the Russian market closed to Georgian products (which strictly speaking can be counted on the fingers of one hand) whilst Georgia remains open to Russian business (in 2010 Russia was the third largest investor in Georgia) and expressing displeasure over the negative attitude of Georgia on the accession of the Russian Federation into the WTO is an inconsistent policy, to say the least.

Lastly, the leadership of both countries should fully support the development of Georgian-Russian (and Georgian-Ossetian) dialogue at different levels and not put a spoke in the wheel of people-to-people initiatives; this first and foremost, concerns the authorities of Tskhinvali.

In conclusion, I would like to quote some words of the former Georgian ambassador to Russia, Zurab Abashidze: “The world is waiting for a turning back in Russian-Georgian relations. I do not want to exaggerate the significance of Georgia, but the international community has long been awaiting some sort of positive development toward Georgia, which would simultaneously serve to Russia’s improved image abroad.”

POSSIBILITIES TO ADDRESS HUMANITARIAN ISSUES RELATED TO THE SITUATION AROUND ABKHAZIA AND SOUTH OSSETIA

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INTRODUCTION

The events of 1989 and the subsequent collapse of the Soviet Union have led not only to the formation of new independent states, but also to the emergence of a number of conflicts that have a largely different character, dynamics and contradictory consequences. These differences are most vividly reflected in the examples of the partially recognised and non-recognised Republic of South Ossetia, Republic of Abkhazia, Republic of Nagorno-Karabakh Republic and Republic of Transnistrian Moldova. Here we can distinguish two opposing poles. On the one hand, there is Nagorno-Karabakh, a conflict which had an exclusively ethno-political character and was accompanied by ethnic cleansing on both sides and, on the other hand, we have Transnistria, a purely political conflict with neither an ethnic component nor ethnic cleansing. Human rights violations by both sides in Transnistria had solely a criminal nature and could be easily reversed with some goodwill and commitment to reconcile.

The Abkhazian and South Ossetian conflicts are stalled in an intermediate stance. None of the conflict parties initially intended to hold the other party accountable for any sort of ethnic cleansing. For example, no one disputes the right of Georgians (or Megrelians) to live in the district of Gal (Samurzakano). The same holds true for the Akhalgor (Leningor) area. This gives some hope for the possibility of reaching a partial if not full resolution of the complex humanitarian issue. This should still be considered as a big step forward as it will bring some relief to thousands of people suffering from the effects of these conflicts. A full-fledged resolution of similar conflicts, with some rare exceptions, usually intends to meet only one party’s interests and are mostly driven by political rather than strictly humanitarian considerations.

The Abkhazian and South Ossetian sides aimed mostly at redefining the ethnic equation rather than changing the ethnic composition in those regions. In fact, the conflict started at the elite level which defined itself either as "Georgian," "South Ossetian" or "Abkhazian." Only later, the conflict, which was invigorated by the elite, shifted toward ethnic paradigms and myths, spreading at the grassroots level and taking a more severe form. In other words, all occurrences of ethnic cleansing should be attributed to the raised tensions amongst the elites and not between the wider communities. This also suggests that improving relations between the elites (Georgian and Abkhazian and Georgian and South Ossetian) can have a positive impact upon the resolution of the lingering humanitarian problems.

THE CORE PROBLEM AND EXISTING APPROACHES TOWARDS RESOLUTION

The main humanitarian concerns related to Abkhazia and South Ossetia stem from the issue of refugees whose number has been increasing as a direct result of several armed conflicts over the last

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249 Geographical names in this article are rendered by the author’s preference (Ed.).
250 One such rare example includes Croatia’s decision to solve the problem with Serbian Krajina through the massive expulsion of the Krajina Serbs who made up the majority of the population in Krajina and marginalised those who remained. Such a "solution" was not followed by an adverse reaction from the international actors and has not created any problems for Zagreb. However, we should keep in mind that the Republic of Serbian Krajina was overrun by the Croatian forces right after its establishment as an independent state (1991-1995).
decades. The return of the refugees of Kartvelian origin (we use this term taking into account the factor of the Megrelian and Svan populations in the Gal district and Kodor Gorge, respectively) cannot be seen in isolation from a number of other issue, such as:  

1. The issue of the Ossetian refugees from Georgia proper (Borjomi District, Trusovsky and the Pankisi Gorge, etc.) and the possibilities for either their return to their homes or for receiving a decent compensation (taking into account the fact that the law adopted by the Georgian Government practically has not been put to use yet). The statement of this problem, however, does not mean that the ethnic Ossetians have left Georgia proper due to widespread ethnic cleansing. In most cases (though not all) their departure was defined by economic reasons.

2. The problem of the South Ossetian refugees from South Ossetia. In addition to fleeing the republic due to economic hardship, many of them were forced to leave (mainly to North Ossetia as well as to other regions of Russia) to escape fighting or because they had been left without shelter during the war.

3. Lastly, in this regard it becomes inevitable to consider the issue with the Meskhetian Turks, the former Muslim inhabitants of Meskheti, Georgia, and the possibilities for them to return to their homes.

A consistent and comprehensive approach should be applied for addressing these issues in order to achieve (either full or partial) resolution; otherwise everything will end up being limited by the obvious political PR.

When searching for an approach to solve the humanitarian problems, protecting human rights of both the refugees from South Ossetia and Abkhazia and the people currently living in those regions should be in the spotlight and the safety of these two groups should be the main concern. We can talk about a sustainable stability in the region only if a mechanism for integration of these two groups of population into a unified society is formed. Obviously, it will be impossible to provide every house with a policeman or a Russian soldier where a returned refugee would live. The Georgian side, certainly, would prefer international peacekeepers rather than Russian soldiers operating in the regions within a specific format. Nevertheless, there are some facts which should be considered. The reality of the situation is that the Russian military will not leave the territories and the soldiers from other countries will not be allowed to operate in Abkhazia and South Ossetia in the foreseeable future. Thinking otherwise would mean relying upon imagination ungrounded in any sort of objective reality.

Based upon the above, we can conclude that any solution to the refugee problem aiming to realise their right of return should be grounded upon the need and the possibilities for ensuring their safety. Ensuring their safety could be contradictory as no one has the right to take advantage of this situation and turn the refugees into hostages using them for their political games. In this case, it would be more appropriate to provide the refugees with compensation for their housing and a new place for their residence. In our opinion, however, the situation has not become so extremely negative and hopeless.

The refugee problem and the ability to return apart from the security concern (for both the returnees and the current population of Abkhazia and South Ossetia) possess a number of other aspects. First of all, there is the need to create employment opportunities for the returnees to enable them to provide for themselves and their families. The essential prerequisite for addressing this issue is Abkhazia’s and South Ossetia’s adequate economic development. Basically there are no other alternatives to this since leaving the returnees on the international community’s subsidy would turn the new settlements into ghettos which would be the most reckless and highly dangerous move.

251 Caucasian Studies define Georgians, Megrelians, Svan and Laz (Chans) as separate yet related Kartvelian-speaking nations.
Most importantly, the implementation of economic development projects would alleviate the lingering problem of unemployment in the republics. Furthermore, in the case of a mass return of refugees, overcoming this problem would become even more essential. The unemployment could become a breeding ground for criminalisation of the regions and banditry. Jobs must be created for both returnees and those currently living in Abkhazia and South Ossetia whilst preventing the formation of mono-ethnic businesses.

Second, there is the need to provide opportunities for getting an education (at least, primary and secondary) in their native languages. It is obvious that Tskhinval and Sokhum will not allow the populations of the Leningor and Gal districts to use textbooks written and published in Tbilisi. Probably, these textbooks should be developed under international supervision so that the information provided therein is equally acceptable for Sokhum, Tskhinval and Tbilisi. In other words, it proves essential to completely depoliticise the educational system. It is likely that in the case of South Ossetia, Tkhinval will demand that ethnic Ossetians densely populated in Georgia proper have the opportunity to receive an education in the Ossetian language and the conflict parties must be prepared to address this issue.

Third, there is the need to ensure freedom of movement; that is, first of all cross-border trade and the possibility of maintaining contacts with relatives on both sides of the new border. At present, the trend proves extremely negative due to the “efforts” of all conflict parties.

Consequently, the return of the Kartvelian-speaking refugees to Abkhazia and South Ossetia is a very complex issue linked to a number of correlated problems. It contains several aspects, each one of which has its own significance. To anticipate a rapid and comprehensive resolution of the problem would be highly unrealistic. However, to keep moving in this direction, albeit with slow steps, and to consider the primacy of human rights, would be reasonable.

We will now examine the positions of all conflict parties; in other words, of all key actors capable to either facilitate or hinder the return of refugees.

It would be an unforgivable mistake to continue to believe that Moscow is the key to solving all the problems related to Abkhazia and South Ossetia. Indeed, Moscow is an important, yet not decisive factor. The importance of Russia stems from the financial support it provides to Abkhazia and South Ossetia as well as its military presence in these republics. Nevertheless, Russia's ability to "push" for new initiatives or to pressure the public and the elite of the self-proclaimed republics is not limitless (as demonstrated during the presidential elections in Abkhazia when a presidential candidate supported by Moscow was defeated). Moreover, its ability to influence tends to decrease. Abkhazia, to a greater extent, and South Ossetia, to a lesser extent due to its relative weakness, seek to pursue an independent domestic and foreign policy and take into account Russia's interests and wishes only when necessary. This is what the Georgian side usually tries to ignore, presenting Abkhazia and South Ossetia only as mere satellites of Moscow. Tbilisi’s efforts to simplify this situation comes from its inability to directly engage in a dialogue with Sokhum and Tskhinval and its reliance upon the so-called "international community" that can "influence" Moscow and force it to pull back. This is certainly not true given the negative trend in Russian-Abkhazian relations which could be observed over the last year and for which both sides could be blamed. A number of mutual aggravators could be listed such as debates over the circumstances in which Abkhazia became part of Russia in the nineteenth century, the fate of the "Russian" property in Abkhazia, Abkhazian troops being pushed aside from protecting the Georgian-Abkhazian border, the fate of the Sanatorium Complex "Sokhum," the demarcation of the Abkhazian-Russian border, the assertion of the village of Aibga as part of Russian territory and many more. In turn, Moscow is unsatisfied by the fact that it cannot exercise full control over the financial flows to Abkhazia. Abkhazia seeks to carry out a multi-dimensional foreign policy which, more specifically, was demonstrated by the recent intensification of contacts with Turkey and Israel. This, certainly, does

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*Georgian-speaking.*
not mean that Russia cannot influence the situation in these republics to carry out different projects but its influence is not infinite and the implementation of its proposed projects (this applies to the humanitarian sphere as well) must be clearly and sensibly thought through. Additionally, in order to undertake any humanitarian intervention, Moscow must be convinced that the implementation of the proposed project in one way or another benefits Russia’s interests.

There are a few observable alternatives. First, Moscow, no doubt, is interested in maintaining and improving its image as a democratic country concerned about human rights issues. In addition, it would be nice for Moscow to have democratic states with a positive image as its allies. Second, it is unlikely, that the Kremlin wants to see mono-ethnic and nationalistic communities grow in Abkhazia and South Ossetia since the formation of the latter would have a negative impact upon the situation in the North Caucasus as a whole. It may be slightly exaggerated but the Kremlin could actually use the Kartvelian-speaking minorities of South Ossetia and Abkhazia to put pressure upon Sokhum and Tskhinval. Concerns over image are an important reason to convince the leadership of Abkhazia and South Ossetia to make appropriate positive steps towards addressing the humanitarian problems. Sokhum and Tskhinval are certainly interested in forming a positive image in the eyes of international organisations. This reason alone, however, does not create sufficient grounds and cannot be expected to bring about sweeping changes in the approaches of the leadership either in Abkhazia or South Ossetia. At present, Sokhum and Tskhinval are ready only to tolerate a presence of Kartvelian minorities in the territories they control (especially in the Gal and Leningor areas). Displacement of this population has not yet been established as an objective by Sokhum or Tskhinval, at least due to a very difficult demographic situation which makes it impossible to replace them by any other people. At the same time, Sokhum and Tskhinval are interested in limiting the number of the Kartvelian population as well as the loyalty of the local authorities towards them. Issuing passports to the Kartvelian minorities, which with varying intensity is taking place in both republics, is viewed as a means to achieve these restrictions. During this process, the South Ossetian and Abkhazian authorities usually close their eyes to the fact that the residents of Gal and Leningor (Akhalgori) also hold Georgian passports and they are allowed to keep them as long as they receive Abkhazian and South Ossetian passports. Accordingly, the Kartvelian minorities become eligible to vote in those republics which could pose a threat to the functioning authorities in the future. Therefore, the leadership of Abkhazia and South Ossetia do not intend to force the population from these areas to get Abkhazian and South Ossetian passports. They will be quite satisfied if one part of the Kartvelian-speaking population leaves the republics for Georgia proper and the other part is granted only something like a “residence permit” not giving the right to vote. Additionally, there is a quite well grounded expectation (with already a number of previous cases) that part of the Kartvelian-speaking population will “recall” their Abkhazian and Ossetian ethnic origin and become willing to formally identify themselves as ethnic Abkhazians and Ossetians. In this regard, we can refer to the clearly decreased number of ethnic Georgian adults living in the Leningor (Akhalgori) district, which according to Tskhinval, totals 1,800 people. If that is the case, then the number of Georgians currently residing in the Leningor (Akhalgori) district, including children, is unlikely to exceed 3,000 persons. The number is definitely reduced yet proves to be a vivid illustration of how many ethnic Georgians Tskhinval authorities are ready to tolerate today in the territory they control.

Paradoxically, Tskhinval and Tbilisi’s (possibly even Sokhum and Tbilisi’s) interests completely converge on this matter. The steps made by the Georgian side suggest that official Tbilisi is also interested in the complete expulsion of the Georgian population from the same Leningor (Akhalgori) area. Those who fled the region are granted benefits, housing subsidies and are urged that being a “refugee” is a temporary condition. A policy like this could hardly be consistent with the national interests of Georgia. On the contrary, if a significant amount of the ethnic Kartvelian population remains in the Gal (Gali) and Leningor (Akhalgori) areas and adapt to life in the new independent republics, demonstrate unconditional loyalty to the authorities of Sokhum and Tskhinval and fully participate in the elections and referendums, Tbilisi would have an important
leverage upon the leadership of Abkhazia and South Ossetia. Unfortunately, post-Soviet politicians usually are not inclined to think long-term.

The initiatives put forward by the Georgian side are always belated. The delay is quite fundamental, proposed, on average, for ten-15 years later. The most recent and vivid illustration of the delayed initiatives include the government’s proposal to grant the residents of Abkhazia and South Ossetia the so-called "neutral passports." A similar idea (issuing “Nansen” passports to the current residents) was launched by the UN in the late 1990s but blocked by Georgia. At that time, the authorities of Abkhazia and South Ossetia, unable to grant Russian passports to the population living in their republics, were eager to agree to this option, especially so since this initiative came from the UN. First, implementation of this initiative would have prevented the residents of Abkhazia and South Ossetia from receiving passports from the Russian Federation. Second, it would have demonstrated that Tbilisi was really concerned about the rights of the current inhabitants of both regions, including their right to freedom of movement. Under the given conditions, the population of Abkhazia holding Russian passports does not need a new ID card as they can travel freely and legally around the world. The statement made by the Minister for Reintegration of Georgia, Eka Tkeshelashvili, declaring these passports "illegitimate" is absolutely inaccurate. Russia issued its passports to the residents of Abkhazia and South Ossetia in full compliance with the international practice. Turning one’s head to this practice would be naïve. We can refer to the mass granting of Romanian citizenship to Moldovans, the issue of Hungarian passports for Hungarians living abroad and Estonian passports for residents of the Pechersk district of the Pskov region. Moreover, none of the countries listed above had a dual-citizenship agreement with the other party. In addition, the overwhelming majority of the residents of Abkhazia and South Ossetia have never been citizens of Georgia. All of them were citizens of the USSR. According to the Russian law (as we know, the Russian Federation, was declared the USSR's successor state), citizens of the former Soviet Union who have not become a citizen of any other recognised state have every right to obtain Russian citizenship. The fact that this right has not been realised during Yeltsin’s time in power was solely due to the policy pursued by Moscow at the time which aimed at economic strangulation and a blockade of Abkhazia. Thus, any claims of Georgia, or any other entity, on the issue of Russian passports to the population of Abkhazia and South Ossetia are fictitious and fail to consider an abundant number of international precedents.

Another factor that diminishes this proposal made by the Georgian side is that it does not come from an international organisation but from Tbilisi. Fully unrealistic are the hopes of Tkeshelashvili that the young population of Abkhazia and South Ossetia will be able to receive funding to study abroad from the Fund of the President of Georgia or through other public programmes with these ID cards. We must keep in mind that even if some of the youngsters agree to participate in such programmes, they will become outcasts in their own societies upon their return to Abkhazia and South Ossetia. It is clear that the initiative from the very beginning was stillborn without any plans for its actual fulfillment and proposed only as part of a PR campaign.

Despite several declarations and a series of documents adopted, the Georgian Government continues to pursue a policy of isolation towards Abkhazia and South Ossetia which hardly corresponds to the long-term interests of Tbilisi. In fact, the strategy developed by the Georgian Government, not without a few built-in contradictions, is not being implemented (and a number of Georgian experts recognise this). The ban on entry for foreigners into Abkhazia and South Ossetia from outside Georgia proper (entering these regions from the Georgian side is virtually impossible) and the ban on entry for foreigners into Georgia from Abkhazia and South Ossetia, amongst others, adversely affect the image of Georgia in the eyes of not only foreigners but, more importantly, in the eyes of the Abkhazian and South Ossetian public. Obviously, policies such as these become a valid excuse for the authorities of Abkhazia, South Ossetia and Russia to close down the de facto borders of the self-proclaimed republics with Georgia to the extent to which residents of the Gal and Akhalgor areas are restricted from traveling to and from Georgia. Certainly, this restriction, for
which the Georgian authorities are to blame, does not correspond to any understanding of human rights.

On the contrary, we believe that it is in the interests of Georgia to pursue a policy of opening up Abkhazia and South Ossetia to the outside world. Such a policy would demonstrate to the Abkhazian and South Ossetian peoples that the Georgian authorities and the Georgian elite are genuinely concerned about the rights of the Abkhazians and South Ossetians and, moreover, are ready to consider their interests and see them as equal citizens of one country and not as a "second class" people who would have been better off if they had left the territory of a "united Georgia." As to what we have discussed, it should be sufficient to recall some reckless (to say the least) statements made by the Georgian officials during the distribution of Russian passports to the residents of the breakaway regions according to which those who had been granted Russian citizenship would have to move to live in Russia.

The image of Georgia in the eyes of the Abkhazian and South Ossetian societies is negatively impacted by other steps such as the dissemination of a number of debatable “scientific” works (and not only in the Georgian language) arguing that the South Ossetians migrated to “Samachablo” or the Shida Kartli region much later and propagation of the notorious assumptions about the Abkhazian people by P. Ingorokva which are considered insulting to Abkhazians. If these works (they can be easily compared to the equally controversial works of V. Vinogradov about Chechnya’s voluntary entry into Russia) will not be properly reassessed by the Georgian elite, Georgian society and Georgian historians, even talk of the reconciliation of the Georgian and Abkhazian or Georgian and South Ossetian societies would be impossible.

It should be pointed out that a significant change in the EU’s current position towards Abkhazia and South Ossetia can be observed. The EU’s position has become more balanced and realistic after coming to terms with the reality in which the independence of Abkhazia and South Ossetia prove long-term as Russia does not intend to withdraw its recognition. Consequently, the EU needs to build its relations with Abkhazia and South Ossetia whilst in fact de facto recognising them. This shift in the EU’s approach is demonstrated in the European Parliament Resolution "Summary of the European Neighbourhood Policy" adopted on 7 April 2011. This resolution suggests “… to develop… public communication strategies… informal contacts and consultations with the societies of the breakaway territories… in order to support civic culture and community dialogue.”

Although the Resolution bears an anecdotal character, we can still detect progress in the EU’s understanding of the need for starting a dialogue with the societies of the partially recognised and unrecognised states. In our view, even though this assumption could surprise some, the EU’s adjusted position is beneficial for Georgia itself. Isolation of the Abkhazian and South Ossetian societies from the West will inevitably strengthen and increase their dependence upon Russia whilst their involvement in a dialogue with the West, on the contrary, will enhance the possibilities for Western influence upon the societies and the leadership of these republics. In addition, Abkhazia and South Ossetia’s leaderships (especially Abkhazia’s) are very much interested in launching a dialogue with the EU which could further facilitate this situation. Thus, there are some prospects that in the long-term the EU’s role as a factor of influence upon the Abkhazian and the South Ossetian elite may become more important.

In order to advance towards resolving the existing problems, the interests of all stakeholders able to impact the situation around Abkhazia and South Ossetia should be maximally harmonised. These actors, as we can see, include Russia, South Ossetia, Abkhazia, Georgia and the European Union. All of these players should be interested in resolving the humanitarian problems; that is, they should have some common interests or real reasons to hope for some benefits. It would be idealistic to rely only upon the "goodwill of the parties" and their understanding of the primacy of human rights.

Conditions must be created so that all stakeholders with vested interests in this process equally benefit from respecting human rights and addressing humanitarian issues.

POSSIBLE SOLUTIONS TO THE ENCOUNTERED PROBLEMS

As mentioned earlier, expecting a full-scale return of refugees to Abkhazia and South Ossetia would be unrealistic. Certainly and from the current perspective, the only areas where the refugees could return safely are the practically mono-ethnic regions which include the Gal district, populated basically by only Megrelians, the Upper Kodor Gorge, inhabited by Svan’s a long time ago, and the basically also mono-ethnic eastern Leningor (Akhalgori) areas (western part of Leningor with the village Tsinagar as the main centre is mainly populated by Ossetians and has constantly been controlled by Tskhinvali).253

Before proceeding with the issue of the return of refugees to other parts of Abkhazia, it is necessary to clarify some facts concerning the exact number of the refugees and their current countries of residence as well as the degree of control over the flow of humanitarian aid. First, the number of refugees from Abkhazia, of course, is not 300 thousand as stated by the Georgian officials, but considerably less.254 Further, the refugees can be divided into several groups that will facilitate the efforts aiming at their return or integration into the new country of residence. Thus, amongst the refugees from Abkhazia (as described above except for the residents of Gal district in its new borders and the Upper Kodor Gorge) the following groups could be singled out:

1. Kartvelians compactly residing in Abkhazia whose ancestors moved into the region in the last third of the nineteenth and the first third of the twentieth centuries. This is, first and foremost, the population of predominantly Georgian and Megrelian (end of nineteenth century) villages of Sokhum (Akapa or Odishi, Gualdza or Pavlovsk, Chablarkha or K-Linda, Guma or Shroma, and others), Gulripsh (Babushera, Bagmaran, Bogoposhta, Markhval or Mekheuli, Pshap, Dzydakura or Ganakhleba), Ochamchira (Naa, Ilori, Akhura or Okhurey, Gudaa or Gudava, Achipvar or Atehguara, Shesheleti or Shashikiti), Tkuarchal (Bedia, Tsaarche, Mukhuri, Okumi, Chkhortoli, Gumrash or Zemo Gumurishi, Partogali) areas.255, 256

2. Georgians living in an alien ethnic environment (both in villages and in towns) whose ancestors moved into the region in the last third of nineteenth and the first third of twentieth centuries.

3. Georgians living compactly whose ancestors were moved to the region during the Soviet resettlement policies of Beria.

4. Georgians living in an alien ethnic environment (both in rural and in urban areas) who settled in the region during the second half of the twentieth century.

Refugees from South Ossetia could be similarly categorised into separate groups although the number of groups in this case will certainly be somewhat smaller. The residents of the Georgian enclaves located in the north of Tskhinval (Kurma, Kekhvi, Tamarasheni, Achatobi, Kemereti,  

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253 There is an easier feeling here about the situation in the Kodor Gorge as a small group of Svanetian population remained in the Upper Kodor valley (about 120-140 people) and also due to the actions taken by Russian soldiers and the Ministry of Interior Affairs of Abkhazia in the upper part of the valley preserving the housing stock and property left by the people who had fled.

254 Amongst Georgian expert circles, groundless assumptions are made about the number of the population currently living in Abkhazia and South Ossetia which are extremely reduced.

255 Most of these villages in the Gulripsh region traditionally had a mixed population.

256 All these villages in the Ochamchira district, except Naa and Ilori, and the villages of Tkuarchal area, used to be part of the Gali district.
Dzartsemi) became hostages of the situation which has developed since 2004. In fact, the current Georgian authorities should take the full responsibility for what happened to those people. After the actual demolition of these enclaves in 2008, any talks about the return of their citizens to South Ossetia is unrealistic, to put it mildly. A more differentiated approach could be applied to other Georgian villages in the Tskhinval and Znaur areas. Part of the Georgian population remained there after 2008 but there are still no precise figures available.

The main attention should be paid to the return of the first group of refugees whose security could easily be provided. In addition, their relations with the local population were normal until the Georgian-Abkhazian conflict. In this case, however, it is necessary to avoid creating reservation camps; all returnees should have the right to move freely throughout the territory of Abkhazia, Georgia and Russia. In general, whilst addressing the issue of the return of refugees, the priority should be given to maintaining the safety and security of the returnees as well as those who have not been absent from Abkhazia. Return of the second and the fourth groups of refugees seems more problematic. More precisely, a significant number of these groups, most likely, do not want to return or cannot actually go back for safety concerns. Return of the third group is hardly possible as it will exacerbate the situation in the region and ignite new armed clashes. The return of these refugees would put their lives at risk and could lead to chaos in the country. Certainly, members of this group should be assisted and provided with adequate housing in any region of Georgia or other countries.

Along with a roster of all refugees, a list of those who want to return to Abkhazia must be developed. Those who do not want to return must be provided with appropriate compensation and assistance to integrate into the Georgian society or a society of any other country where they currently reside. The distribution of humanitarian aid to refugees and the delivery of compensation should be placed under international control.

It is necessary to conduct an inventory to reconcile the property of the Georgian refugees from Abkhazia and to determine the preserved housing stock including property already occupied by others after the expulsion of ethnic Georgians. If the housing was destroyed during the war, international organisations should provide adequate financial assistance. The methodical expulsion of persons now living in the houses owned by the Georgian refugees or refugees of any other nationality is unacceptable. Each case must be resolved individually in accordance with the principle of the protection of the rights of the entire multi-national population of Abkhazia.

The return of Georgian refugees to Abkhazia and South Ossetia should be linked with the problem of the Meskhetian Turks and Ossetian refugees from Georgia. Georgia must meet its international obligations to return Meskhetian Turks to their places of origin as well as facilitate the return of Ossetian refugees to Georgia and make reparations including the return of their requisitioned housing stock.

Finally, we should not forget that not only a significant part of the Georgian population but also large parts of Russian, Armenian and Greek communities left Abkhazia after the conflict in 1992 and 1993 due to different economic or household reasons. This includes more than 20,000 Russians, about 15,000 Armenians and more than 10,000 Greeks. Most of them, undoubtedly, are currently living outside Georgia proper in other states. They should all be able to return to Abkhazia and able to keep their property or receive adequate compensation if they are not willing to go back. Adequate time should be spent to conduct systematic work to compile lists of refugees in order to determine their current places of residence, to research the status of the property which belongs to them in Abkhazia and to identify those who wish to return to the region.

The return of refugees must be carried out in conjunction with their on-site registration. In addition, the refugees who have returned to their homes in the Gal district (as well as in the Leningor area) or have never left the region, must already be registered. This will help avoid a situation where people
have actually returned home yet continue to receive humanitarian assistance and benefits as refugees.

Thus, the issue of the return of refugees and or their integration is a tangle of complex problems requiring complex solutions. The basic right to security, work, property and freedom of movement must be guaranteed to everyone who decides to return to his home. Most likely, this issue should be dealt with by a special international body independent from the conflict parties. For this reason, it would be advisable to establish a multilateral commission with representatives from the UN, OSCE, EU, Russia, Georgia, Abkhazia and South Ossetia.

RECOMMENDATIONS

Despite a number of recent negative tendencies hindering the resolution of the humanitarian issues, in these latter days there were some positive aspects associated with enhanced stability along Georgia's borders with Abkhazia and South Ossetia. Of course, this stems from both the stronger Russian military presence in these regions and the Georgian leadership’s more realistic estimates of the situation. After all, the Geneva talks, also, to some extent, played a positive role. In particular, the Geneva talks should be credited for the establishment of the joint Mechanism for Preventing and Responding to Incidents (MPRI) on the Abkhazian-Georgian and South Ossetian-Georgian borders which has started to operate upon a regular basis. This experience can be used in the future to create the abovementioned multilateral commission for the return of refugees with the participation of all stakeholders including the UN, OSCE, EU, Russia, Georgia, Abkhazia and South Ossetia. First of all, it requires the goodwill of the EU and the UN as the commission is supposed to be an international body.

Major efforts should be made by Georgia in order to achieve some progress towards resolving the encountered humanitarian problems; otherwise, it is unlikely that Russia, Abkhazia and South Ossetia will express any strong interests in addressing these issues. We would hate to see the efforts which have already been made result in just empty words. Certainly, the interested parties should refrain from using aggressive rhetoric. In this vein, unilateral declarations made by the Presidents of Abkhazia, Georgia and South Ossetia on the non-use of force must be pointed out in this as a positive step. The most reasonable decision would be signing relevant bilateral agreements that entail international guarantees. The Georgian side must amend the legislation by abolishing regulations that impede entry and exit of foreign nationals to and from Abkhazia and South Ossetia. In fact, it is in Georgia’s national interests to make an important and difficult step – to de facto recognise Abkhazia and South Ossetia. In fact, the EU has already shown that it is ready to make this step and is moving forward. To continue pursuing a “belated” policy is not in the interests of Georgia itself. De facto recognition could become an important incentive for the authorities of Abkhazia and South Ossetia to compromise.

Simultaneously, all parties should endorse the return of the OSCE observers back to the conflict areas. Their activities should be redesigned with new methods and mandate and casuistic language should not become an obstacle to this. In other words, the language they use should be neutral and acceptable to all parties.

It is advisable to start the efforts towards the return of refugees by selecting a pilot region. The Kodor Gorge could become one of the pilot regions, but the upcoming Cherkessk-Sokhum highway project and the construction of a number of Russian military facilities will compel Moscow to disagree with fully-fledged working foreign observers in the regions. Therefore, we believe that it would be more appropriate to select the Leningor (Akhalgori) area or one of the abovementioned villages of the Ochamchira district as a pilot region.
FINDINGS

The major humanitarian concerns related to Abkhazia and South Ossetia stem from the issue of refugees and the possible return to their homes. At the same time, this problem is linked with a number of related issues (Ossetian refugees from Georgia proper, the Ossetian refugees from South Ossetia, protection of rights of Meskhetian Turks), it holds several important and separate aspects (safety, employment and decent wages, right to receive education in native language, freedom of movement) and lastly and unquestionably, it proves extremely difficult. The positions of the conflicting parties and the main players in this process can hardly be seen as constructive even though they have sometimes played some positive role. For advancing towards the resolution of the existing problems, the interests of the parties should be maximally harmonized and each of the interested parties persuaded to find common ground. Putting it differently, making respect for human rights and human issues is a top priority which should be beneficial for all conflict parties.

It will not be realistic to anticipate a full-fledged resolution of the whole tangle of humanitarian problems which have been encountered. At this stage, we can only talk about the relatively complete return of refugees to the almost mono-ethnic areas of Gal (in the new boundaries) and Leningor (in its eastern part) and also to the Upper Kodor Gorge. For the sake of the convenience and the smooth continuation of the work on the return of the refugees as well as the provision of adequate compensation and protection of their rights, it is important to keep an accurate and non-political record of all refugees. This means determining their exact number and dividing them into nominal groups. We propose categorising the refugees from Abkhazia into four groups. A similar proposal could work for the refugees from South Ossetia as well. For Abkhazia, these groups would include (population of Gal district and Upper Kodor Gorge, in fact, form a separate group and are not listed here):

- The Georgian and Megrelian Refugees living compactly for more than one hundred years.
- Georgians living for the same time period but in an alien ethnic environment.
- Georgians living compactly whose families have been relocated to the region in the middle of the twentieth century.
- Georgians who moved to Abkhazia in the second half of the twentieth century and lived in an alien ethnic environment.

The main attention should be paid to the return of the first group of refugees. The most difficult of all would be to accomplish this task for the third group of displaced persons.

Perhaps a special international body, independent from the parties with vested interests in this conflict, should take the lead in dealing with the return of refugees and addressing the humanitarian problems. This multilateral commission should include representatives from the UN, OSCE, EU, Russia, Georgia, Abkhazia and South Ossetia.