

GEORGIA-ABKHAZIA ON THE ROAD TO 2020

Discussion papers

January 2013

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Acronyms

CIS	Commonwealth of Independent States
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GEL	Georgian currency (Lari)
IDPs	Internally Displaced Persons
NATO	North Atlantic Treaty Organization
NGO	Non-Governmental Organisation
PR	Public Relations
RUB	Russian Federation currency (Ruble)
UNM	United National Movement of Georgia
USSR	Union of Soviet Socialist Republics
WTO	World Trade Organization

Note on spelling: Geographic denominations are always a contentious issue in the Georgian-Abkhaz context. In this publication, the preferred spelling of the individual authors has been retained.

Introduction by International Alert

International Alert is proud to present the sixth in a series of “Dialogue through Research” papers, produced by a group of experts from both sides of the Georgian-Abkhaz conflict divide, taking stock of the current social, political and economic situation in the two societies and looking forward to the year 2020.

On 1st October 2012, Georgians went to the polls to elect a new parliament, with the Georgian Dream opposition coalition headed by relative political newcomer Bidzina Ivanishvili winning a sweeping victory. President Saakashvili gracefully ceded defeat on the day of the elections, announcing that he would go into opposition for the remainder of his term. There followed a period of euphoria and a degree of political chaos, as the inexperienced new government settled into a period of “co-habitation” with the president.

During this period of consolidation and lack of clarity over what this change in configuration meant for conflict resolution, International Alert launched a new “Dialogue through Research” process with Georgian and Abkhaz experts – prominent public figures who play a role in shaping public debate in their respective societies – inviting them to take stock of the challenges and opportunities facing both societies, taking a medium-term view to 2020. Within the overall framework of state, politics, economy and society, each research team commissioned the other particular themes of interest – for example, the Georgians commissioned the Abkhaz to examine the condition of the Abkhaz state building agenda; while the Abkhaz commissioned the Georgians to examine Georgia’s choice of democratic or authoritarian modernisation – both clearly trying to better understand which direction each is heading in. All were asked to identify key questions, the answers to which require broad societal consensus.

Questions posed through the dialogue reveal – perhaps unsurprisingly – similar aspirations of the two sides, regardless of their polarised political positions. Both articulate the challenges inherent in developing an economically strong, democratic, inclusive society that ensures broad civil and political participation and integration of minorities. Yet clearly, the two societies are trying to achieve their aspirations in starkly different circumstances. While the Georgian papers pose questions as to how “co-habitation” will affect their Euro-Atlantic agenda and whether they can expect a resumption of trade with Russia, the Abkhaz papers ask whether Abkhazia is heading for self-imposed isolation. While the Georgian papers suggest that a coalition government, however inefficient, is a safeguard against creeping authoritarianism, the Abkhaz papers express caution over the strengthening of vertical power.

Here we present nine discussion papers which put the Georgian-Abkhaz conflict into the context of democratisation and governance, state building and nation building, socio-economic development and international relations. In addition to addressing a domestic audience, the papers provide food for thought to the international community to consider their culpability in the current state of affairs due to past choices, and appeal to them to consider their role in the future. The Georgians appeal to give the new coalition a chance, to understand the depth of demand within Georgian society for justice and not to fall prey to the sophisticated public relations machines of the old government. Implicit in the Abkhaz papers is an appeal to view Abkhazia’s state building agenda in terms of how it can contribute to democracy and stability in the region, instead of treating it as illegitimate.

We hope you find the papers stimulating.

About the “Dialogue through Research” series

Since 2008, International Alert has facilitated a “Dialogue through Research” process, whereby Georgian and Abkhaz experts have commissioned each other to research certain aspects of the conflict in order to engage in joint analysis and public debate, to promote a new way of thinking about the conflicts in the “new realities” following the August 2008 war and subsequent recognition by Russia of Abkhazia as an independent state. Summaries of this research are available on International Alert’s publications page, on themes of:

- Security Guarantees in the Georgian-Abkhaz Context (September 2009)
- International Engagement in the Georgian-Abkhaz Conflict Resolution Process (May 2010)
- The Politics of Non-Recognition (March 2011)
- The De-isolation of Abkhazia (April 2011)
- The North Caucasus Factor in the Georgian-Abkhaz Conflict Context (July 2012)

All papers are accessible through the website at:

<http://www.international-alert.org/our-work/perspectives-region-georgian-and-abkhaz>

SECTION 1

Democratisation and governance

Governance and democratisation in Abkhazia: Trends and features

ARDA INAL-IPA

State building is a complex political process that depends on a country's specific economic, cultural and demographic situation. State building itself can in turn be a crucial mechanism for democratising society as well as reforming government administration and the economy. The purpose of this article is to define the main trends in the process of state building in Abkhazia, identify the most significant external and internal factors that form the context of these changes, and identify the problems standing in the way of positive transformation.

Features of the Abkhaz state's development

Uniquely, among the entities that made up the Soviet Union, Abkhazia struggled for many years under authoritarian conditions to leave the Georgian SSR and raise its political status from that of an autonomous republic. Protest letters, sit-in strikes, public meetings and rallies were just some of the many methods (unlawful in the Soviet era) used in the struggle for national liberation, which thousands of Abkhaz paid for with their Party tickets, impeded careers and even incarceration. Despite this, unlike their more law-abiding and successful comrades in other parts of the Soviet Union, following the collapse of the USSR Abkhazia was not given the chance to proceed calmly and systematically with state building. When the conflict with Tbilisi could no longer be contained by the central authorities, the 1992–1993 war started by the State Council of Georgia deferred for years the incipient process of forming a democratic state. The transformational transition from a socialist to a democratic state was subordinated to the problem of the nation's survival. In the aftermath of the war, the priority concern was not what precise type of state should be built. Rather, the chief aim was to preserve the people, to survive, to secede from Georgia and to hold out in the war. The idea of independence was what inspired people. The hope of being free to develop a new state helped those residents of Abkhazia who had not fled their country to cope with the post-war turmoil. Neither the authorities nor the public had a chance to concentrate on what type of state an independent Abkhazia should be, what its ideology should be, or what national project should form the basis for unifying the nation. In general terms, everything seemed clear: a democratic state would be built based on the rule of law, as indeed was enshrined in the Constitution of the Republic of Abkhazia. Everyone was sure that the time would soon come for a serious examination of the issues around state building, defining the national interests and the country's long-term aims. However, the complex political position and critical domestic problems meant that resolving these issues was not seen as a priority.

In terms of the state-building process itself, it should be borne in mind that forming the independent Abkhaz state was even more difficult because it coincided with the transition from a command economy to a democracy and market economy.¹ The whole process was unfolding against the backdrop of post-war survival, economic sanctions and the constant threat of the resumption of hostilities. Unsurprisingly, under such conditions, the impediments to state building were significant, as the following list shows:

- The aftermath of the 1992–1993 Georgian-Abkhaz war – the effects of the war were many and included the destruction of infrastructure, a rise in criminal armed gangs, unauthorised seizures of the property left behind by Georgian refugees and members of other ethnic groups, unlawful privatisation of state and commercial facilities, a psychologically traumatised population, etc.;

¹ I. Khintba (2010). 'State governance in the Republic of Abkhazia: Problems and some solutions', in *Problems of State Governance in the Republic of Abkhazia*, Ch. 4. Sukhum.

- Political and economic sanctions imposed on Abkhazia by the countries of the Commonwealth of Independent States (CIS);
- The unsettled conflict with Georgia – the active policy pursued by Georgia sought to undermine Abkhazia’s sovereignty. One result of this was Abkhazia’s virtually complete isolation from direct contact with Western countries and many international organisations, not just in the political but also in the economic and other spheres;
- The actions of Georgian subversive units in the Gal and other districts of Abkhazia;
- The legacy of the Soviet administrative system and the lack of experience of governing a democracy and market economy;
- High political and economic dependence on Russia, which until 2008 recognised Georgia’s territorial integrity;
- The fact that Abkhazia was located in a sphere of competition between Russia and the West for dominance in the geopolitically significant region of the South Caucasus;
- The complex demographic situation – the multi-ethnic nature of the population and the predominance of ethnic identity over national identity;
- The prevailing traditional and informal (unlawful) mechanisms for resolving conflicts and establishing justice – common law practices made it difficult to promulgate the principles of a democratic state based on the rule of law;
- The international community’s refusal to acknowledge Abkhazia’s achievements in relation to democratisation – for example, achieving a multi-party system, securing democratic elections to ensure the peaceful transfer of power, developing an active civil society and independent media, etc.;
- The Western countries’ disregard of Abkhazia’s requests for assistance to develop democratic institutions and state bodies.

What is the Abkhaz national project?

Unfortunately, progress towards Abkhazia’s statehood is still rather impromptu and reactive in many respects. Much in the plans for state building in Abkhazia is based on overcoming or rejecting the policies to which Abkhazia was subject either under Tsarist Russia or socialist Georgia. The plan to “Georgianise” Abkhazia – which was aimed at diluting Abkhaz ethnic identity and implemented for almost an entire century – has had the most influence here. As a result, present-day politics frequently involve an anti-Georgian stance rather than a pro-Abkhaz national stance. In many respects, the development of an independent Abkhazia is directed by the threat from Georgia and problems of the past rather than its own forward-looking agenda based on careful consideration and analysis of present-day needs and challenges.

It is far from easy to identify the direction in which the state-building process in Abkhazia is currently heading, what model of the state is being implemented or what the current national project is. Overall, certain aspects present a fairly fragmented and at times even contradictory image of the Abkhaz state: for instance, individual documents oriented along a long-term perspective;² different development strategies (for example, the Abkhaz socio-economic development concept or proposals for reform of the judicial system prepared by the judicial community and submitted to parliament); and the programmes of political parties. The Abkhaz president’s addresses to parliament are highly significant here, particularly the recent address by President Ankvab in which he disclosed the government’s plans across practically all state functions.³ Even so, despite the importance of the information contained in the president’s addresses to parliament, these documents cannot compensate for the lack of any agreed national development plan with a precise formulation of the country’s national interests and long-term development priorities. This is mainly because there is no system or continuity across these

² S. Gezerdava and A. Shakryl (2008). *Judicial protection of individual rights and freedoms in the Republic of Abkhazia*. Sukhum.

³ Address of the President of Abkhazia, A.Z. Ankvab, to the Parliament on the state of the nation and main priorities for domestic policy in 2013, 25th December 2012. Available in Russian at <http://apsnypress.info/news/7980.html>.

documents. Some of the policies of the current authorities mark a continuation of the previous team's lines, while others diverge significantly.

For example, while there is clear continuity with regard to international organisations, a new tone is being adopted in domestic politics: for instance, the wording of the latest address was marked by the conspicuous absence of the phrase “civil society”. The political programmes of the various parties are no substitute for a pan-national project of state building, since they reflect often mutually contradictory notions of various segments of society. In fact, not only is there no single document, there is not even a single notion about what the national Abkhaz project constitutes. Even so, despite these theoretical uncertainties, the real process of state building goes on, laws are approved and amended, and new state and civic institutions are created and expanded. In the process, a number of crucial principles of state building have been developed and adjusted on an ad hoc basis, involving a complex interaction between the authorities and the public that has at times descended into a domestic political crisis.

One example of this is the instituting of Abkhaz citizenship. In 2009, a parliamentary debate on amendments to the Law on Citizenship – aimed at removing restrictions on the ability of residents of the Gal district to obtain Abkhaz citizenship – led to social unrest and the issue was withdrawn. In fact, this conflict revealed that the public held mutually exclusive notions about who should be the carriers of Abkhaz sovereignty. To prevent similar crises arising in the future, consensus must be reached over momentous issues that are of such acute importance for the national project, as the means of securing national security, issues of ethnic and civic equality, and the principles by which the nation should be shaped. It is hard to argue with Engin Psheu, the author of an article published in 2012 entitled ‘Abkhazia’s national idea: Choice in the process of state building’, when he regrets that:

‘... processes of ethnic consolidation and integration are not a component of the grand state plan, but run as it were in parallel with the work of the state ... up to now, no single pan-national development concept has been drafted which could fully unite all the ethnic and religious groups living in Abkhazia. The permanent external threat could subside, leaving us in a position where it is not clear why we should all live together.’⁴

We have clearly come to a period where the problem of ethnic self-preservation is less acute and the priority now is to rally society around a new national idea – a national project that sets the basic parameters for the future development of the state. Returning to the example cited earlier – the Gal district – although no one has as yet articulated a clear answer to the question of what the principles of nation building are, the fact that passports are continuing to be issued to the Georgian population of this border district suggests that priority is being given to shaping the nation based on democratic principles.

The Abkhaz Constitution⁵

Despite the lack of clear milestones, therefore, the process of state development, which depends on many objective and subjective circumstances, has not stopped for a minute. Even though there is no document setting out a plan for building a nation state, an assessment can be made regarding a feasible model based on the prevailing laws and development strategies covering various aspects of the life of the state. In this context, the Constitution of the Republic of Abkhazia assumes great significance, since it lays the foundations of the democratic state, which became the culmination of the Abkhaz national liberation movement when it was declared in the 1990s.

4 E. Psheu (2012). ‘Abkhazia’s national idea: Choice in the process of state building’. Available in Russian at http://abkhaz-uzel.ru/index.php?option=com_content&view=article&id=3175:natsionalnaya-ideya-abkhazii-vybor-v-protsesse-stroitelstva-gosudarstva&catid=84&Itemid=487.

5 Available in English at <http://www.abkhazworld.com/abkhazia/156-constitution-abkhazia.html>.

However, while the Constitution sets out the foundations of the democratic state, it inevitably contains some features associated with the recently ended war and the persisting threat of a resumption of hostilities. These include the domination of the executive, the ethnic criterion applied to presidential appointments, the concentration of power in the hands of the president, the dependent position of the judiciary, and the absence of certain important components such as an article instituting a Constitutional Court. The system of government as set out in the Constitution fails to achieve the correct balance between the three branches of government; moreover, the system of checks and balances is inadequate and there are no effective institutions to defend human rights. Even so, the Constitution is still the basic guarantor of the democratic foundations of the state. During the difficult post-war years, there was more than one situation where proposals dictated by urgent problems that would have diverted the country from the path of democratic development were opposed by articles in the Abkhaz Constitution.⁶

The complexities of democratisation in Abkhazia

Despite public consensus that the state should progress along a democratic path (at least, there is no political force in the country that openly declares the contrary), doubts and disillusionment over democracy are increasingly being voiced, raising questions over whether it is the right system for Abkhazia's present-day needs. Unfortunately, it is often the case that segments of the population, as well as some members of the government with outmoded notions of how the state and society should function and interact, misunderstand the essential nature of democratic institutions and mechanisms. Many were willing, it turns out, to consent to the appearance of democratic change, but actually supported an authoritarian and centralist approach which they thought was more effective.

Regrettably, global processes do not always make it easy to build confidence in the sanctity of democratic principles. All this creates complexities for democratisation in Abkhazia and leads to the questioning of democratic principles.

There are a number of features of the global context which impede the establishment of democracy in Abkhazia, most notably:

- The fact that an increasing number of countries are making a democratic transition, but that democratic processes are more frequently leading to the establishment of undemocratic forces;
- The process of reinforcing the top-down chain of command in many countries;
- The spread of nationalism – a nationalist agenda is being proclaimed more or less openly by many powers, including major ones such as China and nearby ones such as Turkey. To some extent, this is now also a feature in Russia;
- Double standards in major democracies (where conflicts exist between democratic principles and state interests, or where there is political rivalry over spheres of influence, they are more frequently reneging on their democratic principles);
- Departures from democratic standards due to terrorist threats;
- The renaissance of socialist ideas on the distribution of property and social inequality in post-socialist countries.

These special features of the global context damage public opinion of democracy in Abkhazia. Given such unfavourable external factors and the populace's divided attitude towards democratisation, Abkhazia's actual achievements in the formation of reasonably effective democratic institutions

⁶ The Constitution was approved on 26th November 1994, despite opposition from Russian politicians who were concerned that Abkhazia might become too independent and applied pressure at the highest levels of the country's leadership. Amid such difficult conditions, the Parliament of the Republic of Abkhazia took on full responsibility for adopting the country's Constitution. This suggests that the legislature had sufficient independence at the time to develop its own political line. Unfortunately, under current conditions such independence is barely conceivable, which demonstrates the tendency to narrow the range of responsibilities of the legislature.

are even more significant. This is particularly true if we bear in mind the fact that democratisation has occurred despite the absence of the international assistance provided to virtually all post-communist countries. It is further evidence that Abkhazia is developing in a democratic direction.

Trends in state building in Abkhazia

Any summary of current trends in state building in Abkhazia must refer to the following processes and phenomena – both positive and negative.

The positive aspects are as follows:

- A series of laws advancing democracy is now in the pipeline for approval (contained in the parliament's plans and in the president's address) – the Law on the Human Rights Ombudsman, the Law on Local Self-government, the Law on the Constitutional Court and a number of others.
- A consensus has been achieved – from opposition journalists to the president – on the need to adopt a state anti-corruption programme.

The negative aspects are as follows:

- There are signs of increasing reliance on Russia, as evidenced by the:
 - reliance on Russian economic assistance, which covers most of the country's annual expenses;
 - dual Russian-Abkhaz citizenship held by the overwhelming majority of citizens of Abkhazia;
 - guarding of borders jointly with Russia;
 - deployment of Russian military bases on Abkhaz territory;
 - limits on the implementation of an autonomous foreign policy;
 - harmonisation of the Abkhaz legal system with the Russian system;
 - minimal economic links with other countries.
- Vertical power is being strengthened and there has been a partial return to old methods of government administration.
- There are some signs of an ethnocentric tendency – representation of ethnic minorities in government bodies has decreased.
- There have been steps leading to self-isolation – for instance, the introduction of internal regulations restricting contacts with international organisations and foreign diplomats.
- There are irreconcilable differences between the various political groupings over the citizenship of the Gal district's residents, the law on the state language and some other issues – this exposes the lack of consensus over what kind of state is being built.
- The development of a market economy is being held up and there is no system of support for private enterprise.
- Civil society is becoming fragmented – as reflected, for example, by the marginalisation in public discourse of local non-governmental organisations (NGOs) that cooperate with foreign organisations.

These trends reveal a set of contradictions and paradoxes in the development of the Abkhaz state:

- The current demand for modernisation versus the trend towards re-establishing outmoded frameworks and mechanisms for resolving economic and social issues that are redolent of the Soviet past;
- The increase in funding from Russia versus the simultaneous brake on the development of a market economy;
- The increased demand for a more active role by civil society in resolving urgent problems versus the mistrust of independent NGOs that leads to a reduction in the influence of civil society;

- The declaration of the urgent need for international recognition of Abkhazia versus concrete steps by the government towards self-isolation (e.g. restricting the range of activities of international organisations working in Abkhazia, ignoring a series of constructive initiatives by the EU on the de-isolation of Abkhazia, and restricting foreign diplomats' access to the country).

The role of civil society

Although Abkhaz society seriously undervalues the role of civil society in the building of a democratic state, civil society appears to be a very important factor affecting real progress in the democratisation process. Unfortunately, much more needs to be done before the existing civil society organisations in Abkhazia can carry out their functions effectively – such as defending human and civil rights and freedoms, shaping standards and values that are then enshrined in state law, securing broad self-government in all areas of public life, and facilitating consensus among all citizens on momentous issues of development. Before civil society can function efficiently, certain conditions must be in place: there must be a sufficiently well-developed economic and political situation and social relations; the state must be based on the rule of law and act with restraint with regard to civil society, but also interact with it.

Clearly, the necessary conditions are not yet in place in Abkhazia. Nevertheless, its history of a national liberation movement under an autocratic state has meant that there is now a critical mass of active citizens who are conscious of their freedom and the need for political participation in shaping government bodies and decision making, as well as monitoring the implementation of these decisions. However, interaction between state and civil society can hardly be called effective or complementary at this stage. All that is needed is for the authorities and civil society to develop a contentious but productive relationship based on partnership. A useful step would be to assign real powers to public councils in local administrations, ministries, educational institutions, state television, etc. More active inclusion of the mechanisms of civic participation and monitoring would in fact enable the state to develop in a stable manner, since prompt feedback means that adjustments can quickly be made to a situation.

Despite the problems that exist, Abkhazia does not have the level of state intervention in the activities of civil society, or the excessive regulation of the activities of civil society organisations, that occurs for example in Russia. The activities of NGOs and other civil society entities are carried out within legal frameworks established by law. Unfortunately, Abkhaz society is now structured in such a way that political parties do not always regard themselves as a part of civil society or do not establish partnerships with other civil society structures. Instead, they concentrate their efforts on securing political influence for one particular group. This significantly impoverishes the life of civil society and reduces the effectiveness of its impact on the authorities and the state as a whole. The development of a multi-party system and the formation of fully-functioning political parties – based less on group interests and more on common, unifying values – should be priorities for ensuring progress in the political system over the next decade.

Conclusion

If the aim of Abkhaz society is to build a modern, effective democracy, much work has to be done on perfecting the legal system. For this to happen, broad-based discussion is needed within all strata of Abkhaz society to ensure consensus-based solutions are found to the following problems:

- Imbalances in the system of checks and balances, along with the predominance of the executive over the legislature;
- The ineffectiveness of the judicial system caused by its lack of sufficient autonomy and the absence of a Constitutional Court or the institution of assured tenure for judges;

- The ineffectiveness of local self-government due to the excessive centralisation of power;
- The lack of sufficient guarantees that the Abkhaz language and culture will be preserved, which is impeding the development of conditions required for a constructive response to other present-day threats and challenges;
- The predominance of ethnic identity over pan-national identity;
- The fragmentation of society on ethnic lines;
- The failure to respect human rights, which is a result of communist ideology, the war and the poor state of the economy, along with the continuing conflict with Georgia; it is also an expression of the nationalism inherent in state building under these conditions.

Several years of intensive work will be required by the whole of society if we are to complete all the tasks associated with these problems. In our view, however, these efforts will only be coordinated and effective if the population of Abkhazia can be integrated by stimulating the formation of one nation while preserving ethnic diversity. This is the only way in which a general consensus can be achieved over the priorities for the development of the state and in order to avoid the risk of new challenges arising, external or internal.

Questions for discussion

In light of the aforementioned observations and conclusions, the following are key questions for consideration regarding Abkhazia's future progress.

- What model of reform of government institutions (central and local) would enable greater civil and political participation, and increase the effectiveness of governance in Abkhazia as a whole?
- What legislative initiatives will help to overcome the Soviet legacy and the impact of the conflict with Georgia, as well as to strengthen the justice system in a way that protects the rights of all Abkhaz citizens, regardless of social status or ethnic origin?
- How can the preservation and development of Abkhaz culture as well as expansion of the use of the Abkhaz language be guaranteed without resorting to non-democratic methods?
- How can the formation of a single (Abkhaz) nation be achieved, overcoming ethnic fragmentation while maintaining ethnic diversity?

Governance and modernisation: Experience and challenges

IVLIAN HAINDRAVA

The outlook

Georgia's November 2003 "Rose Revolution" can be viewed as a modernisation project. Three major components necessary, albeit not sufficient, for the success of such a project were clearly in place:

- The *demand* for a fundamental renewal of the country (under the watchwords "Georgia without corruption", "Georgia without Shevardnadze and Abashidze") – although this in itself did not necessarily lead directly to modernisation, it was nevertheless an indication of the "modernisation potential" that had accumulated in society;
- The *political will* – as represented by the intellectuals at the core of the revolution, who realised that there was an urgent need to modernise the country and who were prepared to implement deep-seated reforms, including some that would inevitably be painful for society;
- *Resources* – although initially the situation in Georgia appeared poor (the parlous state budget prior to the Rose Revolution was being cut year on year), the West provided the revolutionary authorities with ample resources, including financial, economic, political, diplomatic and expert assistance and cooperation.

In fact, no other president in any of the other post-Soviet states appeared to have enjoyed such systematic and consolidated support both inside and outside the country as Mikheil Saakashvili did at the start of his presidency. Under his leadership, Georgia far outstripped these states in terms of US assistance per capita. Even in 2005, US President George Bush was still keen to portray Georgia as "a beacon of democracy". Looking back, the *carte blanche* support provided by the Bush administration ultimately proved to be a disservice to Saakashvili himself, his government and the country as a whole. Once Barack Obama took office at the White House, this rapture abated, and Europe's "soft power" had always been muted.

Going up the "down escalator"

Saakashvili's first term as president saw a number of policy successes, such as: the political and socio-economic return of Adjara to Georgian jurisdiction; administrative reform and increased efficiency in state agencies; positive changes in the fiscal sphere and a brief rise in state revenues; an effective fight against low-level corruption and the curbing of petty and organised crime; along with infrastructure and tourism projects. In practice, however, there was a flip side to every one of these achievements. Adjara's autonomy was "reduced" to that of a town council; the ruling political elite was so closely intertwined with the state and state agencies were so politicised that they reminded people of Soviet-era "party-state bodies"; property rights were violated and there was endemic corruption among the elite; and Georgia had the highest number of prisoners in Europe relative to its population, while the percentage of acquittals was well below the figures during Soviet "due process", and so on.

Despite George Bush's praise, the situation was particularly alarming with respect to Georgia's human rights and freedoms, the development of democracy, the rule of law, pluralism and competition (in both politics and business). Changes to the country's constitution in early 2004 concentrated all power in the hands of the president. The parliament now only had a residual function as a pseudo-democratic façade, while the judicial system was reduced to slavishly implementing the will of those in power. One by one, all three national television channels – the

source of political news and information for 90% of the country's population – came under the government's control, giving the authorities a monopoly in this crucial sphere too. The United National Movement of Georgia (UNM) dominated local as much as central government. At the same time, the all-powerful, uncontrolled and unaccountable but all-controlling (listening and watching) Ministry of the Interior ensured that the hierarchy of power was retained and given complete freedom of action. The country was run not on the basis of the constitutional and legal framework, but at the discretion of an unofficial group within the president's entourage. As a result, the Freedom House democracy rating for Georgia remained virtually unchanged from 2003 to 2012, confining it to the list of countries with "hybrid regimes". "Authoritarian modernisation" was therefore an accurate description of what was occurring in Georgia, even during Saakashvili's first term as president – although the operative word varied according to observers' political tastes and biases ("modernisation" or "authoritarianism").

For the sake of balance, we should add that there were some serious obstacles preventing Georgia from making progress with its modernisation project. Georgian society, already fundamentally patriarchal, was further burdened by the Soviet legacy of restricted freedom, totalitarian state interventionism in society and among individuals, clientelist attitudes, and a lack of individual initiative and responsibility. There was a poor work ethic and the discord and collapse of the early 1990s were followed by further de-skilling of workers in all sectors of the economy. Modern technology was underdeveloped and access to the internet remains to this day far below European standards, although this is improving. The bankruptcy of the secular authorities also led to a situation where the highest levels of public confidence were enjoyed by the Catholicos-Patriarch (personally) and the Georgian Orthodox Church (institutionally); these institutions were certainly not in the vanguard of modernising ideas and often even refused to go along with the processes of modernisation. At the same time, urbanisation rates remained low, with the rural population outnumbering that of the cities; although the percentage of city-dwellers was increasing, this was not the result of state programmes and reforms, but of the movement of the rural unemployed to the capital in search of work. Finally, the immediate political and geographical environment was hardly fertile ground for rapid and successful modernisation. Of all the neighbouring countries, Turkey alone – even there not without serious reservations – could serve as an example of modernisation. Conversely, the internal conflicts in Abkhazia and South Ossetia, along with the steadily deteriorating relations with Russia, limited opportunities and diverted resources that could have been used for modernisation projects.

Not that the Saakashvili regime's approach to budgeting could be described in any way as prudent: exorbitant sums were spent on questionable projects, propaganda, self-promotion inside and outside the country, ostentatious entertainment, the services of Western lobbyists and PR experts, etc. There was also the extensive rise in military expenditure, which by 2008 had reached almost a quarter of the total budget and over 8% of gross domestic product (GDP); from late 2006, it was not just the budget, but also the political climate that became militarised. This resulted in a distinct mismatch in perceptions: a few years after the Rose Revolution, life in Georgia looked much better from the outside than it actually was inside. The public euphoria following the peaceful (although still not entirely constitutional) transfer of power in late 2003 turned increasingly into a mood of protest. The disparity between the pictures on television and the daily grind, the deepening gulf between the authorities and the overwhelming majority of the population, the stifling feeling of deception and injustice all came to the surface by the fourth anniversary of the Rose Revolution.

The Saakashvili regime eventually turned to self-preservation following a number of events, namely: the brutal suppression of demonstrations in November 2007; the crushing of the "Imedi" private television company, which was then transferred to the government's protégés; the declaration of a state of emergency in the country; the falsified presidential elections in January 2008; and the lack of transparency in the May 2008 parliamentary elections, culminating in the August war with Russia. There was increasingly less modernisation and more authoritarianism; remaining in

power at any price became the sole objective. Following nine years of rule by Saakashvili and the UNM, Georgia did not even have a stable economy or stable democracy. Unemployment rates and the number of families living below the breadline had barely changed compared with the period before the revolution. Moreover, Georgia's per capita GDP was below that of Armenia, whose economy had contracted by 14.5% during the global financial crisis, even though Georgia had received around US\$4.5 billion in aid for post-war rehabilitation during the same period. Extravagant projects that had no political or technical justification – such as transforming the country into a regional financial centre or the “Singaporisation” of Georgia – turned into a fiasco. Another project in the air at the time was the construction of a new city for a population of half a million on the marshes of the Black Sea coast. Meanwhile, agriculture was in a steep decline and the real economy showed no signs of growth. The crisis of power (including the crisis of new ideas and approaches) reached a point where the outcome of the parliamentary elections on 1st October 2012 was not surprising. Indeed, the UNM only managed to hang on to around 40% of its seats in parliament by openly hounding the opposition politically and financially, as well as intimidating and repressing its supporters. The Saakashvili-UNM defeat only came as a surprise to those outside the country: people outside Georgia simply could not (or would not) trace and analyse domestic politics within the country; instead, they continued to turn a blind eye to the authoritarian rule of the leader whom they saw as a “bulwark of pro-Western policies” in a complex and important region, or a “bearer of liberal and democratic values”. Fortunately, the penny finally dropped for those in the West with levers of influence over decision-making in Georgia during the events of 1st to 2nd October, when it became clear that Saakashvili either had to accept the results of the election or again declare a state of emergency and deploy tanks on the streets of Tbilisi.

Therefore, during the rule of Saakashvili and the UNM, the engine of modernisation took the country only part of the way before stalling and coming to a complete standstill. Georgia's “modernisation without democratisation” project had exhausted itself. Huge, perhaps unique, opportunities were frittered away, leaving Georgia to continue facing many old and new challenges, both internal and external. As the West's ability to supply direct financial and economic aid to the country began to decline for a number of reasons, domestic resources gained a particular significance. Nevertheless, the fact that power was transferred constitutionally on the basis of elections has been viewed positively by virtually all political players who maintain an interest in Georgia. This will help to ensure that it has at least a chance of continuing to play a high-profile or perhaps even exemplary role across the region as part of the six-country Eastern Partnership.

New realities

The depressingly primitive “black and white” politics consisting of two camps – “Long live Misha” (whose domestic support is steadily declining, despite solid support outside the country) and “Down with Misha” (whose domestic support is increasing, despite relatively meagre support outside the country) – has been replaced since the parliamentary elections of 1st October by a more colourful palette of interests. Top of the agenda for the more progressive segment of (civil) society is democratisation and decentralisation, consolidating and building on the achievements of the modernisation project. The priority for most ordinary people is to see rapid, fundamental improvements in their socio-economic conditions. The revanchist agenda of the damaged and declining, but still powerful, UNM (headed by the “president in opposition”) is to return to power as quickly as possible. The new political force currently in power not only needs to combine the first two agendas, but also to neutralise the third. However, if it manages to combine the first and second agendas, the third will no longer pose a threat.

The task is made more difficult by the fact that both the new parliamentary majority and the government in Georgia are formally and essentially constructed on a coalition basis. This is a novel situation (we can discount Gamsakhurdia's “Round Table” here and it should be remembered that

Saakashvili's pre-election coalition in 2003, "National Movement – Democratic Front", quickly degenerated into a centralised ruling organisation that did not tolerate dissent). The situation is both inherently risky as well as positive. The risk arises from the lack of ideological unity within the Georgian Dream coalition, making it inevitable that there will be disagreements on issues both within parliament and the government. These are in fact the issues on which the government will have to surrender the lion's share of its posts and competences, as the constitutional process towards the transition from a presidential to a parliamentary model unfolds. In this context, the coalition leader, Bidzina Ivanishvili (himself the mainstay of the coalition), seems overly optimistic when he states that within 18 months to two years he will establish complete order in the country, set it on the route to success and prosperity, and withdraw himself from public life. Then again, the very fact that this is a coalition as such significantly reduces the risk of a new authoritarianism and abuse of power arising – at the very least, there are strong reasons to believe this to be the case for some if not all of its members. However, public euphoria over the dissolution of an unwelcome government is unlikely to last for long. Finally, if a viable party can be created from the ruins of the UNM, with a clear ideology and willingness to compete in a pluralistic environment, there are no obvious or insurmountable obstacles to the country achieving a reasonable balance of power in parliament and to the prospect of a more European-style political set-up. Any subsequent elections would then be an act of accountability by the authorities to the people – essential for the progress and consolidation of democracy.

New challenges – questions for discussion

The key question arising from the new realities of domestic politics in Georgia can thus be summarised as follows: to what extent can the coalition combine the need for democratisation with a quick but perceptible and dynamic improvement in socio-economic conditions for society in Georgia (which few people would in fact expect)? Success in this strategic direction, call it "modernisation plus democratisation", is closely related to a number of key considerations:

- Will the members of the coalition have the political maturity required to ensure that shared strategic aims prevail regarding issues likely to lead to disagreements?
- How strong will the coalition leader's political discipline be, so that he may resist the temptation to circumvent democratic procedures and the rule of law?
- To what extent has society learnt from the lessons of the Rose Revolution, acknowledging that creeping authoritarianism needs to be opposed in its embryonic state and not once it has become deep-rooted?
- Will the population be able to make the transition from having high expectations of a billionaire benefactor to the unrelenting daily work required, including the need for post-Soviet skill sets?
- How prepared are voters to take responsibility for local governance by dealing with issues on which they have better ideas than the central authorities?
- How ready are Georgia's Western partners and allies to learn from the lessons of the Rose Revolution and continue their support for the country on the basis of their own declarations – such as 'we support the people and not the leader' and 'more for more'?

Addressing these questions can help to point the way forward for the principal actors on whom Georgia's future trajectory will depend.

SECTION 2

Nation building

The “Abkhazia” project: Political nation or community of minorities?

NATELLA AKABA

Abkhazia as a multi-ethnic community

The onset of the 1992–1993 Georgian-Abkhaz war, the ensuing blockade and other socio-political upheavals in Abkhazia led to radical changes in its ethno-demographic composition. This process began soon after the Georgian troops entered Abkhazia, with a well-organised evacuation of ethnic Jews and Estonians by the Israeli and Estonian governments. Shortly afterwards, in the summer of 1993, the majority of Abkhaz Greeks were transported to Greece in a ship sent specially by Athens. The mass exodus of Russians, Armenians and Abkhaz during military action took place mainly in an impromptu fashion or with the support of the Russian state emergency services and the Black Sea fleet. However, since Russia’s recognition of Abkhazia’s independence in 2008 and the provision of security guarantees mainly through the Russian military presence, some of the residents who previously left have started to return.

After the end of the armed conflict, a significant proportion of the Georgian population left Abkhazia. However, in the late 1990s – at the suggestion of Vladislav Ardzinba, the first president of the Republic of Abkhazia – around 50,000 ethnic Georgians returned to the Gal district and a number of villages in the Ochamchira and Tkvarchel districts.

The 2011 census puts the population of Abkhazia at 240,705 people. Just over 122,000 of these (50.71%) are ethnic Abkhaz, over 46,000 (17.93%) are Georgians, almost 42,000 (17.39%) are Armenians, while over 22,000 (9.17%) are Russians. The rest of the population consists of minority ethnic groups – Turks, Greeks, Estonians and others. According to available data, there are currently members of around 60 nationalities living in Abkhazia.

As regards the denominational composition of the population, according to the 2003 census, 60% of the country’s citizens class themselves as Christians, 16% identify themselves as Muslims, 3% indicated “traditional Abkhazian beliefs”, 5% consider themselves pagan, 2% are members of other religions, while 8% consider themselves atheists. As the journalist Engin Psheu comments, the data suggest that the Abkhaz do not share a common religion.¹

Some trends

Post-war Abkhazia thus continues to be a multi-ethnic and multi-denominational country, despite the quite substantial changes in its ethnic composition. This means that state building against a background of ethnic and denominational diversity continues to be a topic of practical and not merely academic interest for the leadership, political and public actors, and civil society. The most important issue in this context is the extent to which inter-ethnic relations can remain harmonious, as well as the degree to which all citizens regardless of nationality, creed or other features are equal. One encouraging sign is that ethno-cultural and denominational pluralism is generally felt to be positive and a cause for special pride by citizens of Abkhazia from various ethnic backgrounds.

1 E. Psheu. ‘Natsionalnaya ideya Abkhazii: vybor v protsesse stroitelstva gosudarstva’ [The national idea of Abkhazia: choice in the state-building process], *Abkhazsky uzel*, 7th September 2012. Available in Russian at http://abhaz-uzel.ru/index.php?option=com_content&view=article&id=3175:natsionalnaya-ideya-abkhazii-vybor-v-protsesse-stroitelstva-gosudarstva&catid=84:analitika&Itemid=487.

The results of a survey – carried out by the sociologist and senior lecturer at Kuban University, Emir Tuzhba, in 2009 – help to give a better understanding of how Abkhaz citizens from different ethnic backgrounds perceive themselves. This survey was carried out with members of the main ethnic groupings in Abkhazia (apart from Georgians, who do not figure in the survey). The sample consisted of 656 respondents, of whom 222 were Abkhaz, 216 Russian and 218 Armenian.

Analysis of what factors contribute towards success (above all economic success) showed that the majority of respondents considered that a good education, a useful profession, good connections and acquaintances, as well as family support, well-off parents and age were all more important factors than a person's nationality. However, 37% of the respondents believed that being the "right" nationality was important. At the same time, many considered that individual life chances depend not only on nationality, but mainly on the individual's own qualities. Even so, most people commented that persons of the "titular" nationality predominated, particularly in terms of being appointed as senior government officials, obtaining good jobs and, to a lesser degree, achieving economic success. People across the various nationalities agreed that while ethnic inequality was evident in politics, they tended to see success in private business as being the result of individual effort and less connected with ethnic background.²

As Tuzhba states, the predominance of Abkhaz in the ranks of the state elite and the established principles by which officials are selected suggest that a strategy of ethnic protectionism is being pursued in senior appointments. However, he adds that there is nothing unique about this: a similar situation exists in virtually all the national republics of the former USSR. He does, nevertheless, go on to say that this sometimes leads to psychological distress among the "non-titular" population and increases disparities in how people from different nationalities perceive changes affecting their lives.³

It is relevant here to quote the famous sociologist Egbert Yan, who states that the systemic legal and social entitlements of the titular nation are legitimate compensation for the discrimination they have borne in the past.⁴ This observation is entirely applicable to the "Abkhaz situation" in terms of the period of Soviet history in which the Abkhaz were subjected to overt discrimination, particularly in the 1930s and 1940s.

It is thus entirely to be expected that most of those questioned believe that the Abkhaz have a clear political predominance in terms of representation at government level. It is also significant that this is acknowledged not just by Russians and Armenians, but also by some, although not all, Abkhaz who took part in the survey. Therefore, a serious analysis of the reasons behind this feeling on the part of the non-Abkhaz population and the implementation of steps towards harmonisation of inter-ethnic relations are clearly indicated.

Possible future scenarios

The most likely and desirable scenario in the foreseeable future is as follows. An inclusive project is underway in Abkhazia – a movement of people who share the aim of building a political (civic) nation and consequently a shared state. According to a number of ethnologists and sociologists, the creation of a nation requires a "core" of a shared ethnos around which the process of nation building will take place, since nations cannot "be created out of nothing". The ethnic Abkhaz already constitute such a core. However, when building the nation, the socio-cultural and spiritual

2 E. Tuzhba (2012). 'Osobennosti sotsial'nogo samochustvia etnicheskikh grupp i ikh otnosheniy v Abkhazii' [Specific aspects of the social self-perceptions of ethnic groups and their relations in Abkhazia]. Available at <http://ecsocman.hse.ru/data/2012/06/13/1273324469/Tuzhba.pdf>.

3 *Ibid.*, p. 97.

4 E. Yan (1996). 'Demokratia i natsionalizm: edinstvo ili protivorechie?' [Democracy and nationalism: unity or contradiction?]. Available in Russian at <http://www.tatar-history.narod.ru/yan.htm>.

needs of the Abkhaz and other ethnic groups must also be met to maintain ethno-cultural diversity. This is achieved by implementing the right policies on education, culture and the nation's spiritual life.

There is a legal framework for building a civic nation – the current Constitution (adopted in 1994) states: ‘the bearer of sovereignty and the only source of authority in the Republic of Abkhazia is its people – the citizens of the Republic of Abkhazia’ (Chapter 1, Article 2). In this context, the term “the people” clearly has no ethnic connotation and thus comprises the country's entire multi-ethnic population. At the same time, the Constitution outlines that the state guarantees all ethnic groupings residing in Abkhazia the right to the free use of their native language (Chapter 1, Article 6). Chapter 2 – entitled “Human and civil rights and freedoms” – also includes the fundamental principles of the Universal Declaration of Human Rights.

Some of these provisions are declaratory in nature, but others are a fact of life in present-day Abkhazia. For example, Abkhazia has Abkhaz, Russian and Armenian schools, as well as Georgian schools in a number of localities in the Gal district. International organisations visiting Abkhazia often focus their attention on the Gal district – in particular, on problems connected with the teaching of the Georgian language in local schools. The Abkhaz authorities, and Abkhaz society as a whole, cannot tolerate the highly ideologised textbooks on history, geography and literature published in Georgia to be used in schools. Many people take the view that young people educated in the spirit of the ideology that led to war in 1992 will be unable to integrate into Abkhaz society and be loyal to the Abkhaz state. The Abkhaz side believes that suitable Abkhaz textbooks must be compiled for Georgian schools in the Gal district, although clearly these textbooks may well be fiercely criticised by the Georgian side.

Television and radio in Abkhazia are broadcast in Abkhaz and Russian languages. Print media are published in Abkhaz, Russian, Armenian and Mingrelian. It has turned out to be much more difficult to find ways of developing and expanding the use of the state (i.e. Abkhaz) language. Given the traditionally widespread use of Russian as the language of international communication and the absence of any effective language policy, it is hard for the Abkhaz language to stand up to the competition. State support for any language requires serious financial outlays. This is no easy task in a post-war, post-blockade country with a semi-ruined economy. The situation is causing justified alarm among the Abkhaz population. Members of the non-Abkhaz population generally sympathise with the concerns of the Abkhaz about the future of their native language, although the planned translation of administrative documents into Abkhaz by 2015 may cause problems, unless all sides are given the necessary training.

It cannot be ruled out that Abkhazia will choose an exclusive approach and shift towards ethnic segregation or ethnic nationalism. This would pose a serious threat for national security. However, any attempt to enforce the assimilation of the non-Abkhaz population, or rapid translation of administrative documents into Abkhaz without state support for Abkhaz language teaching programmes, would be just as unacceptable. We must remember that ethnic relations are not a given – they can be transformed: any tension or conflict within multi-ethnic and multi-denominational societies must be prevented or resolved promptly by ensuring that the correct policies on national minorities are in place.

Proposals and recommendations

Yan states that: ‘since it is hardly possible to completely reverse the predominance of the titular ethnoses whose native language functions as the state language, there will inevitably be some ethnocratic features in democracy. In the case of the appointment of civil servants (this also relates to most public offices), preference is given to people with a perfect command of the

country's language, that is, members of the titular ethnos.⁵ The data provided above suggest that this situation also applies in Abkhazia. Inequality of opportunity for members of various ethnic groupings can be overcome by imaginative measures protecting non-state languages and providing opportunities for the state language to be studied by members of other language groups. However, this should not in any way be enforced.

Systemic action is required to rally the citizens of Abkhazia around the idea of state building. We should not, however, lose sight of the need to maintain ethnic diversity or indeed forget that the language and ethnic identity of the Abkhaz were persecuted for centuries and that robust measures are needed to support and protect them.

The Abkhaz parliament recently passed a law "On freedom of conscience and religious associations". This law confirmed the priority of the human right to freedom of conscience and creed. However, policy on ethnic relations has not yet become a topic of urgent public discourse. Moreover, in what appears to be a serious omission in such a multi-ethnic and multi-denominational country as Abkhazia, there are no institutions dealing with the problems of minorities.

Creating a strong civil society will allow the rights of all citizens to be asserted, regardless of their ethnic background. Maintaining the country's natural ethnic diversity will not prevent the formation of a united civic nation, which we understand to mean a union of people who want to create a shared state – in other words, 'people united by the idea of sovereign and solid co-citizenship', as defined by Valery Tishkov.⁶ A number of researchers refer to such nation states as "plebiscitic" – that is, created by means of some sort of plebiscite. Ethnic, cultural, linguistic and denominational differences are not necessarily an obstacle if people are united by the idea of a common state. Proponents of the theory of plebiscitic nationalism emphasise the inherent right of the individual to opt to change (or not to change) nationality and to maintain their allegiance to another nation.

It is also important to remember that, in practice, the will of the people is almost never unanimous. Abkhazia may also contain groups (united by ethnic or other features) that are not completely loyal to the Abkhaz state project. At this stage, the population of the Gal district can hardly be expected to support unanimously the idea of an Abkhaz state. However, here too, there is nothing unique about this: there is no state in the world whose citizens are unanimous in their desire to constitute a single nation and build their own state. In a democratic state, the majority has the right to choose. Given all of the above, the task of integrating the population of the Gal district into the Abkhaz political nation will be particularly important for the success of the entire Abkhaz national project.

We can concur with Tom Trier that: '... the democratisation of Abkhazia will bring a benefit to the whole of society, including the non-titular ethnicities. Abkhazia needs the help of the entire international community and not only the Russian Federation to develop a model of a more inclusive society in which the legitimate interests and needs of minority groups are taken into account. It seems that, in recent years, the Abkhaz administration has been coming to an understanding of the need to work towards the reconciliation of the multi-ethnic population of its territory and to adopt a more ethnically inclusive policy.'⁷ However, we should note that there have been some outstanding successes in extending the use of the Abkhaz language, including by people from other ethnic groups, which can be rated positively. At the same time, human rights protection must be strengthened and a policy formulated which enables ethnic and

5 *Ibid.*

6 V. Tishkov. 'Kak ponimat' "narod" i "natsiu" [How should we understand the terms "the people" and "the nation"], *Prosveschenie*, 7th March 2012. Available in Russian at <http://prosvpress.ru/2012/03/narod-i-natsiya/>.

7 T. Trier. 'O natsional'noy politike i problemakh etnicheskikh men'shinstv v Abkhazii i v Gruzii' [On the nationality policy and problems of ethnic minorities in Abkhazia and Georgia], *Caucasus Times*, 30th October 2011. Available in Russian at <http://www.caucasustimes.com/article.asp?id=20997>.

denominational diversity to be maintained. It is essential to strike a balance between multi-ethnic or multi-national patriotism and the ethnic nationalism of the titular nation. It is possible that a multi-level identity option might be the most acceptable choice for Abkhazia.

Questions for discussion

The political and intellectual elite, as well as civil society in Abkhazia, have so far clearly failed to start any debate over the optimum model for building an Abkhaz nation-state. Given that, even in global academic circles and the global political *beau monde*, there is still no generally accepted definition of the nation, and that discussions are still being held over what constitutes a nation-state and whether nationalism is an evil or a necessary concomitant of the transition to democracy, any discussion of this topic requires serious thought. It is important, in this context, to examine the theoretical distinction between “civic” and “ethnic” (or “cultural”) nations. Marianna Fadeicheva states that ‘nation exists in two aspects – a civic nation, the essence of which resides in collective sovereignty based on shared political participation; an ethnic nation, which includes all those linked by a common origin in the same land, blood ties, language, spiritual culture’.⁸ Under this approach, supporters of the ethno-cultural conception of the nation prioritise the cultural legacy, whereas the defining features of a civic nation are considered by its adherents to be the political principles shared by citizens of that state. However, both concepts can be interpreted in different ways and are certainly not exhaustive.

Abkhaz society and leadership must also answer the following questions:

- What state model is most applicable for Abkhazia in light of the existing internal and external threats?
- Who are the political subjects of the Abkhaz national project?
- How can democratic institutions be strengthened while simultaneously fully respecting the political and socio-cultural rights of all citizens of Abkhazia?
- How can one maintain the development of the Abkhaz language and Abkhazia’s ethno-cultural identity, given that Abkhazia is the only ethnic nation in the world in which Abkhaz is cultivated?
- Whom do we have in mind when we refer to the people of Abkhazia and the Abkhaz nation?

8 M. Fadeicheva (2004). *Etnonatsional'nye predely grazhdanskogo obshchestva v Rossii* [Ethno-nationalist limits of civil society in Russia], p. 1. Available in Russian at <http://www.espi.ru/Content/Conferences/Papers2004/Fadeicheva.pdf>.

Prospects of nation building in Georgia: Outlook for the next seven years

GEORGE TARKHAN-MOURAVI

Introduction

Every important political event has the potential to resolve some uncertainties, but also brings others with it. Such a pattern describes the current situation in Georgia following the historical October 2012 parliamentary elections. These elections were marked by a peaceful transfer of power to the former opposition, a rarity for much of the post-Soviet space. This represented an important point of political bifurcation, and it bears great significance for Georgia's nation building – the main topic of this paper.

But what does the notion of “nation building” actually mean? It is understood here as creating or strengthening state institutions, which constitutes “state building”. However, it also means consolidating the population within the state into a “civic” nation – an imagined and internalised community¹ with a strong common identity and basic values, integrated minorities, and a strong sense of belonging. All of this is necessary for a state to remain politically stable and sustainable in the long term, securing social harmony and steady economic growth.

As it has been observed: ‘Post-Soviet states have been confronted with the immediacy and simultaneity of two contradictory challenges: they are engaged in a process of nation and state building and consolidating the new central “national” authority, while concurrently grappling with challenges to the centre posed by “sub-national” ethnic or regional political mobilisation and demands for autonomy or secession.’²

However, there is still a further task of building a democratic nation, another claimed goal of Georgia's nation-building endeavour. It was prioritising state building at the expense of building democracy that became one of the reasons why the ruling National Movement lost the recent elections. Democratic nation building needs employment of a number of instruments aimed at changing attitudes and values, such as educational curricula or focused media work – in addition to good legislation, rule of law and social equity. None of these instruments has worked properly and effectively in the past. Now a new hope has emerged that Georgia will perhaps finally appear to advance with building both the civic nation and the democratic state.

Building a civic nation

The tasks ahead are formidable. Admittedly, immediately after the “Rose Revolution”, between 2004 and 2006, state building in Georgia achieved notable results: it essentially moved from a weak state, with poorly functioning institutions and massive corruption, to a much stronger centralised country, with dramatically reduced corruption, a quadrupled economy, and re-established state authority over most of Georgia's territory. Nonetheless, this transition was not without significant drawbacks – rooted in the overwhelming dominance of a single political party and an over-centralised governance system. In fact, a rather disfigured state emerged as a result, with total supremacy of the presidential power over servile legislature and courts, weakened local governments, reduced freedom of the press, regular human rights abuse, and the suppression of any resistance to speedy reforms by repressing opponents and instilling fear.

1 B. Anderson (1991). *Imagined communities: reflections on the origin and spread of nationalism*. London: Verso.

2 J. Hughes and G. Sasse (2001). *Comparing Regional and Ethnic Conflicts in Post-Soviet Transition States: An Institutional Approach*. London School of Economics and Political Science. Available at <http://personal.lse.ac.uk/HUGHESJ/Images/ComparingRegional.pdf>.

One of the eternal problems haunting the policy process in Georgia was the lack of well-elaborated, long-term development plans. Even when such plans existed, they were immediately forgotten after being published and presented to international partners and experts. This pattern of “*Potjomkinese*” – the false pretence of real change – is the grave legacy of the Soviet regime. Under this regime, many actions were only imitating some claimed functions: as seen in the Soviet elections, which had only a single candidate, making it a parody of real elections; or when the government or elected parliament merely acted as a façade, while all the decisions were made by the Communist party leadership. This resulted in constantly changing plans: for example, one day inviting the Boers from South Africa to revive agriculture; the next day suddenly building a new city, Lazika, in a location totally inappropriate – the swamps of the Black Sea shore – and without any clear plan or need for such a city; prioritising tourism and then changing the priority to agriculture; or suddenly deciding to move the parliament from the capital to a remote town – Kutaisi. Another grave problem was the lack of dialogue with the population and civil society, with important decisions rarely being debated in consultation with opponents or independent experts. The lack of effective feedback mechanisms eventually led to the loss of a sense of reality among the tiny circle of leadership: in extreme cases, this resulted in voluntary decisions and actions that led to the catastrophic war with Russia; in milder cases, it resulted in far-reaching but expensive plans like those described above.

Thus, the new government, which is supposed to lead the country for the next few years, is facing the same old task of building an effective and fair system of governance, but without side-lining participatory democracy, rule of law and human rights. The formation of a civic nation takes much time and effort, as it has to compete with the lack of democratic skills and civic responsibility as well as social divisions. It also has to deal with the ethnic nationalist ideologies and stereotypes that have taken root among various groups and layers of the population and elites, as it was ethnic nationalism during the previous centuries that helped nations to survive under the Russian and then Soviet empires. Nevertheless, forming a civic nation is not an impossible task and does not necessarily need a crisis, as described by historian Ronald Suny some years ago when he observed that: ‘... national identities and conceptualisations of interest can change rapidly in politically fluid moments. In Georgia, for example, within a few years (1989–1993) exclusivist nationalism gave way to a more pragmatic, inclusive idea of the nation that opened discussion of the possible restructuring of the state along federalist lines. But it took defeat and state collapse for this shift to occur.’³

Current trends and challenges

The parliamentary elections of 1st October 2012 dramatically transformed the political situation in Georgia, and possibly the direction of the nation-building process. The whole pre-electoral atmosphere changed overnight, as the abominable practices of the government, which had previously resulted in little public action, finally turned the scales against the authorities. Such practices – the governmental policy of inducing fear and intimidating any potential opponents, widespread human rights abuse, and the arrogant neglect of public opinion by a small elite of key decision-makers – were highlighted when videos of dreadful abuse of prisoners in one of the capital’s prisons were finally revealed.

The new leadership is now setting out to re-start the nation-building project, applying what is promised to be a more humane and more democratic approach. However, already the first steps made by the new government demonstrated some flaws and drawbacks, and it is obvious more errors and missteps will be coming, in addition to the multitude of internal and external challenges that need to be handled.

3 R.G. Suny (1999). *Provisional Stabilities: The Politics of Identities in Post-Soviet Eurasia*. p. 141. Available at http://www.dartmouth.edu/~crn/crn_papers/Suny.pdf.

Probably the biggest challenge is related to the danger of a single-party dominance being re-established, which carries the constant threat of reduced pluralism and weakened public control over the government's actions, once again directed by a small circle of authoritarian leaders. Indeed, there are currently only two political forces represented in parliament. Moreover, while the former ruling party – the National Movement – held 65 seats out of 150, with the Georgian Dream coalition taking the rest, a wave of defections has already started, and now there is a real possibility of the ruling coalition gaining a constitutional majority of 100 seats. This may lead to a further reduction in the authority of the incumbent president, who already lacks control over many of his constitutional powers. It may also lead to unchecked changes in the constitution – which had already become a tactical weapon in the hands of the previous government. What is at stake is not whether President Saakashvili deserves to get or actually becomes impeached (the new leadership has already announced that it will not pursue such an objective); rather it is the risk of weakened checks and balances against the revolutionary zeal of the victors, and the probable dissolution of the now opposition party. The latter has already lost much of the initial public support and attraction for conformists that it held when in power; at the same time, it lacks an established ideology, agenda or values that could appeal to potential followers.

The second challenge is related to the personnel policies of the new government, created by the conglomerate of groups constituting the ruling coalition. It appeared that neither the National Movement nor the Georgian Dream was well prepared for how events unfolded during the elections. As a result, the new government was formed under great time pressure, and not all ministers or other officials seem fit to meet the new administrative duties and responsibilities of their new positions.

The new government, apart from lacking experience and governance skills, is also facing the challenge of streamlining the functioning of agencies and local governments that are still occupied by the same old cadre. This is particularly evident in the case of the courts, well known for their dependency on the executive, but which are now urgently needed to reconsider the erroneous criminal cases uncovered in Georgia's prisons. A further challenge is the task of replacing Georgia's investigative or riot police, which played a huge role in human rights violations. The government is also expected to fulfil at least some of its generous promises, which may turn out to be populist actions that could harm the country's economy and growth prospects. The same is true in relation to the task of improving relations with Russia, although this is unlikely to be possible without a dramatic and politically dangerous re-orientation of Georgia's foreign policy.

One may expect that by the next parliamentary elections, due to be held in 2016, there will be some public disappointments and frustrations. However, these are unlikely to be significant enough to generate any alternative political force by the next political cycle, as this would need more time to develop. The National Movement, the current loser, in spite of its attempts to resist change and remain consolidated, possesses minimal chances of rebuilding its strength. Therefore, it will most likely be this government who will be responsible for nation building during the next seven years, although there is still a good chance that the ruling coalition may split into smaller factions. Even if there is no external action endangering the country's security, and the government can avoid economic collapse, nevertheless, the aforementioned challenges to nation building are likely to be further compounded by the task of building a civic nation out of the current set of ethnic groups. Furthermore, although the hopes for resolution of the conflicts in South Ossetia and Abkhazia in the short term are minimal, at the very least, the government will need to set about improving intercommunity relationships and rebuilding some mutual trust.

Policy dilemmas and choices

It is already clear that some of the new uncertainties that have emerged may only be partly resolved during the next seven years. How this happens will depend on some general social processes and

the changes in Georgia's geopolitical and geo-economic environment, although it will still mainly depend on the government's policy choices. In almost every policy area, there are difficult policy dilemmas and choices, some of which are worth considering here in more detail.

One of the biggest obstacles to Georgia's development and prosperity is widespread poverty. While the Georgian economy demonstrated significant growth during the last decade, this growth has not significantly benefited about half of the population, who remain poor. The government set out to change social statistics and ways of measuring poverty, thus creating the impression of reduced poverty. However, this is of little relief to the hundreds of thousands of people living below the poverty line. It is also clear that the social assistance (which has already been almost doubled by the new government) given out to similar numbers of people is an enormous burden for the budget; moreover, it is no cure for the main ailment – namely, unemployment and a lack of adequate income.

Poverty levels are particularly alarming in rural areas, owing to the catastrophically low productivity of agriculture, with more than half of the population (i.e. the proportion of the population engaged in agriculture) contributing to less than one tenth of GDP. Increasing productivity in agriculture is of course possible, with some investment, technological innovation, better access to markets, and aggregation of land. However, the question remains as to what will happen to those who are left without land, which had at least offered subsistence in the past, and who have no prospect of finding a job locally. Even if these people migrate to the cities, the cities are currently incapable of absorbing mass migration, thus compounding the problem of the urban poor and unemployment. A similar problem emerged when internally displaced persons (IDPs) from Abkhazia and especially South Ossetia (post-August 2008) were settled in rural ghettos without any prospect of earning a livelihood other than miniscule social assistance; their only alternative was to either go back and forth across the administrative border to work on their own land or to move to the city. It seems that the current situation – whereby more than half of Georgia's population are engaged in subsistence agriculture, notorious for its low productivity – is not sustainable. Therefore, approaches to encourage non-farming activities should be promoted in order to diversify local economies and preserve communities. At the same time, the country should prepare for mass rural-to-urban migration. This will require not only resolving the issues of proper dwellings and infrastructure, but also creating and forming a flexible labour market along with a continuous and professional education system that will help migrants to quickly adapt to their new conditions.

Another policy dilemma is dealing with areas with a minority population. In order to escape poverty, it is crucial that local economies are opened up; this will encourage migration and oblige minority representatives to learn the Georgian language and to compete in the labour market, despite lack of experience or skills. However, this may also be (and often is) perceived as a threat to preserving ethnic identity, tradition and language, as integration is commonly equated with assimilation. In the case of some of the smaller minorities (e.g. the Udins, the last heirs of ancient Caucasian Albanian culture), the danger of assimilation is quite real, as their language has lost its functionality and education in their own language is often impossible. Moreover, the economic pressure on young people to move to urban settlements in search of employment and livelihoods is alienating them even further from their own cultural tradition. In addition, many small schools teaching in minority languages have been closed down with the aim of "optimisation", sometimes oblivious to the exceptional cultural role of rural schools. While focusing on the integration of bigger minority groups is prudent from the perspective of political stability, the important task of helping smaller minorities to preserve their identity, language and culture still needs to be addressed, while also promoting their social integration within the civic nation. After all, it is cultural pluralism that is among Georgia's biggest assets, alongside its population, rich cultural heritage and beautiful nature.

There is no single remedy for these or any other problems, which will need to be resolved if a healthy, prosperous and consolidated civic nation is to be built in Georgia. However, one possible recommendation could be to develop a long-term plan in every key policy area, based on thorough

research and solid evidence. This should be followed by a flexible readjustment of plans based on in-built monitoring, public consultation, along with feedback and adaptation mechanisms. Such an approach is needed not only for economic development, but also for handling the delicate problem of inter-ethnic relations, balancing the need to integrate minority groups with efforts to help them preserve their cultural identity. Proper planning is particularly needed in attempts to improve inter-community relationships in the cases of Abkhazia and South Ossetia; this planning should replace the haphazard approaches and strategy documents that were prepared as public relations efforts rather than real guidelines for action.

Another important area for action is decentralising powers and authority wherever it is appropriate and prudent – for instance, in the areas of education and healthcare, in the provision of social services, and in maintaining and developing social and physical infrastructure. It seems that the previous government's decision to abolish the lowest level of elected local governments was a mistake and damaging for the development of civic culture among the population. The current territorial arrangement and system of governance is both poorly reflected in the constitution and ineffective. Initiating a broad public debate on the preferred system of territorial arrangement and governance should precede any decisions in this area that directly influence people's lives.

Finally, it should be remembered that developing a civic nation and a stable democratic society in the contemporary world requires not simply a strong state and economic prosperity. It also requires a highly educated and dynamic population who can easily adapt to global changes as well as the advent of the globalised knowledge-based economy. Educational reform has failed until now to radically improve the quality of mass education. Moreover, as many international tests have shown, Georgia's educational system at all levels needs much attention, better planning and proper funding. Unless the right and prompt steps are taken, the nation may risk losing some of its best assets – an educated population, the tradition of respect for education and knowledge, a large pool of good scientists and engineers, and the system for sustaining this pool. By 2020, seven years from now, it will probably be clear which route the Georgian nation has taken for building its future: one of short-sighted economic gain resulting in the sale of existing resources, a devastating “brain drain” and an anachronistic education system; or the route of long-term development based on innovation, creativity and knowledge.

Questions for discussion

In relation to all of the aforementioned challenges, there are many questions regarding “what” should be done, but equally important “how” it should be done.

- How can mass poverty be eradicated when there is little investment in manufacturing, virtually no industrial production, and few local initiatives for innovative endeavours?
- How can minority groups be fully integrated into Georgian society, and motivated to do so, without antagonising them with fears of assimilation?
- How can agricultural productivity be dramatically increased without massive investment, how can the land market be activated and plots aggregated without disastrous consequences for families, and how can the newly available workforce be engaged in industry?
- How can the educational system be radically improved when there are insufficient funds to significantly increase schoolteachers' pay and a limited pool of qualified teachers, and when many university graduates cannot find jobs to match their skills and knowledge set?

These along with other policy-related questions need a rapid but solid, evidence-based response if the country wants to develop along the lines of that promised by its leaders. Once again, extensive efforts will need to be made to assess problems, prioritise objectives and identify solutions within the framework of existing and emerging constraints. Undoubtedly, this will not be an easy task. However, the alternative outlook is not a pleasant one – political and economic stagnation, reduced quality of life, the continuing exodus of a disenchanting population, fragmentation and further stratification of society, and the gradual radicalisation of the ruling elites.

SECTION 3

Conflicts and external relations

Abkhazia's foreign relations

LIANA KVARCHELIA

Current state of Abkhazia's external relations

The year 2013 marks 20 years of Abkhaz statehood. Without going into the details of the contradictions in international law, the constitutional framework, and the *de facto* consequences of the collapse of the USSR for its former constituent republics and autonomous entities (and the *Realpolitik* interests behind the process of recognition of the new post-Soviet republics), the key factor in the *de facto* independence of Abkhazia was the 1992–1993 Georgian-Abkhaz war. Up until 2008, the Abkhaz based their arguments for independence on conflicts of law related to different historical periods, including the creation and collapse of the USSR. Today, the international legitimacy of the Abkhaz state is being linked with the recognition of Abkhazia's independence by the Russian Federation in 2008. Subsequent recognition over the next four years by a further five states – which, with the possible exception of Venezuela, are extreme lightweights in the global conjuncture – has not achieved widespread external legitimisation of Abkhazia and the recognition process is currently stagnating.

This raises the question of what the components are of the current status quo and what the prospects are for changing it in favour of wider international recognition of Abkhazia.

Abkhazia currently exists, as it were, in two dimensions. In one respect, Abkhazia is a *de jure* recognised state and an actor in official interstate (bilateral) relations. This dimension is limited due to the partial nature of Abkhazia's recognition: just six states have recognised Abkhazia's independence. Moreover, only one of these six states – Russia, on whose southern borders Abkhazia is located – is an influential international player and a regional power. Russia provides Abkhazia with military security guarantees, significant economic assistance and has a real influence on the situation both in Abkhazia itself and in the region. The West maintains a policy of partial isolation towards Abkhazia.

In the other dimension, Abkhazia *de jure* is not considered a sovereign entity, since it is considered to be an integral part of Georgia and is not a subject of international relations. This dimension does not reflect the true state of affairs, given that Abkhazia is actually not dependent on Georgia: Georgia does not exercise control over its territory and does not participate in its administration, although it does influence the international conjuncture in relation to Abkhazia.

The status quo under which these two dimensions have co-existed since 2008 has remained more or less stable. Moreover, despite some negative trends, this status quo has not been seriously undermined by the propaganda war over the events of 2008. Nor has it been critically undermined by the format of the Geneva talks where the participants' status has been reduced to that of “experts”, or by the string of international resolutions on the so-called “occupied territories”.

However, any developments in the region that affect the interests of the major players and are directly or indirectly related to Abkhazia will inevitably lead to a collision between these two realities and force the parties to find a compromise within the limits of what each finds acceptable. For example, the 2011 Russia-Georgia agreement – signed over Russia's membership of the World Trade Organization (WTO) – required serious concessions from Georgia. However, it is unlikely that the Georgian administration would have made these concessions had it not been for pressure from Georgia's main partner, the United States. Russia was also forced to resort to watered-down formulations which did not directly question the independence of Abkhazia (which Russia has recognised), but also allowed the Georgian side to sign the document which

was of such importance for Moscow. The Abkhaz side has apparently not been involved in the consultations, which directly concerned its borders. It was only able to declare that it would not allow international observers onto its territory under this Russian-Georgian agreement.

Similar situations are bound to arise with other projects, particularly if they directly affect the territory of Abkhazia. These include, for example, the idea to reinstate the section of the South Caucasus railway that passes through Abkhaz territory. Even if Azerbaijan's opposition to the reinstatement of a railway linking Russia and Armenia is overcome, the parties will have to find a formula that satisfies Abkhazia in particular, since it is the most vulnerable player due to the partial nature of its recognition and the consequences this entails.

Are new relations with Georgia possible?

In the very first days after coming to power in Georgia, the new State Minister for Reintegration, Paata Zakareishvili, attempted to remove the taboo subjects that currently exist within Georgian politics: exploring bolder ideas such as a bilateral agreement with Abkhazia on the non-use of force; a review of the law on the “occupied territories” to facilitate direct contacts between Abkhazia and Europe; the reinstatement of the railway line through Abkhazia; the renaming of the Ministry of “Reintegration”, etc. These ideas are far from popular even with other departments of the new Georgian government, let alone with the opposition. Conflicts are a political resource, routinely used in domestic politics, driving entirely reasonable ideas into the Procrustean bed of populism. Given the current highly competitive political environment in Georgia, the Georgian authorities are likely to find it difficult to adopt a pragmatic position on Abkhazia without external support and clear messages from Western partners to the Georgian opposition. It is also clear that, in order to obtain that support, the new team must overcome the deficit of trust of the Western partners; this is likely to take some time.

In any case, the key point is that Georgia's ruling elite itself needs to make a clear choice in relations with Abkhazia to reflect the new realities. The initial impression given was that despite political bickering within the ruling coalition, its most liberal wing was inclined to extend its understanding of the “de-isolation” of Abkhazia to include not only contacts with Georgia, but also direct contacts between Sukhum and the West. If so, the coercion and the post-August bogus “soft power” exercised by President Saakashvili may well have been replaced by a genuine “soft power” aimed at gradually winning over the Abkhaz to Georgia's side by removing the barriers to Abkhazia's contacts with the outside world. This would involve Georgia being as open as possible for the citizens of Abkhazia, whilst maintaining the political aim of reintegration.

However, these new and some revived old ideas were presented to the public by Zakareishvili packaged within the notion of the “occupied territories”. The constant use by the new authorities of the term “occupied territories” was initially interpreted as paying lip service to “political correctness” in relation to the Georgian political community. Nevertheless, it quickly became clear that the Georgian “red lines” do not include full, independent contacts between Abkhazia and the outside world. The arguments of the Georgian authorities that real security and development can only be ensured for Abkhazia through rapprochement with Georgia are unrealistic, since they do not take into consideration the perception of threat as understood by the Abkhaz side. If Tbilisi again views the de-isolation of Abkhazia solely in terms of an inevitable and undeviating reintegration with Georgia (even a renewed Georgia), then there is no realistic prospect of Abkhazia ever seriously opening up to the outside world (except to Russia).

The change in regimes in Tbilisi does not alter the desire of the Abkhaz to build their own independent state. If the new Georgian authorities resort to the old approaches, the current status quo is likely to remain. If the Tbilisi authorities realise that counting on de-isolation to win over the Abkhaz to Georgia's side has failed, they may be content to relinquish responsibility

for taking decisions on this complex conflict and concentrate instead on domestic issues within Georgia. “Turning a blind eye” to contacts, particularly between Europe and Abkhazia, might involve Georgia partially acting against its self-serving policy. However, one desirable outcome for Georgia might well be that the diversification of Abkhazia’s economic and political contacts could serve, to some extent, to balance the presence of external players in the region.

A more realistic, status-neutral position towards Abkhazia – at least as a party to the conflict and in relation to an agreement on the non-use of force – would increase the likelihood of cooperation on areas of mutual interest. Such areas include the involvement of Abkhazia in regional or even bilateral, mutually beneficial economic initiatives. While there may be some limited opportunities for interaction over transport, trade or energy, it must be borne in mind that any decisions by the Abkhaz side will be carefully weighed up against the potential risks. The approach adopted by Georgia – whether the current one based on the idea of “occupation”, or possible neutrality over the status of Abkhazia, or even recognition of the republic’s independence (which naturally Abkhazia would prefer) – will determine the degree of Abkhazia’s openness to interaction of this type. In other words, from the Abkhaz perspective interaction could only take place where the format, scale and conditions exclude any threat to Abkhazia’s military and political security. In this sense, economic incentives are of limited value in persuading Abkhazia to make compromises over its political status.

This also applies to the European idea of giving Abkhazia the opportunity to enjoy the fruits of the EU-Georgia Free Trade Agreement and Visa Waiver Scheme currently under negotiation. There is a widespread view among the international community that economic and trade cooperation between Georgia and Abkhazia, as well as contacts in other areas, could be an effective instrument for reconciling the two peoples and ultimately restoring Georgia’s “territorial integrity”. However, it is the idea of “reintegration” that repulses the Abkhaz side and forces it to go down the more obvious and in some ways easier route of blocking any initiatives launched by Georgia or indeed its allies. One example of this are the recent tendencies that might potentially lead to further reducing the international presence in Abkhazia; these tendencies are likely to damage not so much Abkhazia’s economic interests, but its political objectives of overcoming international inertia in relation to itself.

Western approaches to Abkhazia

While we acknowledge that there are subtle differences between the European and American approaches to the conflict, these two major international actors nevertheless operate on the same basis. Abkhazia and its claims for widespread international recognition are viewed by the international community through the prism of the West’s relations with Russia. The coalition government headed by Bidzina Ivanishvili came to power on a platform of restoring Georgia’s relations not only with Abkhazia and South Ossetia, but also with Russia. This has generated, on the one hand, inflated expectations within the international community regarding the prospects of achieving a settlement of the conflict. On the other hand, it has raised some concerns that Georgia might deviate from its Euro-Atlanticist direction. These concerns might, in certain situations, force the West to try to de-link the settlement of territorial disputes from Georgia’s membership of the North Atlantic Treaty Organization (NATO). Depending on Georgia’s position, this might result in the continuation of the policy of isolation and Abkhazia’s steady drift towards a *de facto* Russian protectorate (which is more likely) or a gradual, lengthy process of conditional recognition of Abkhazia. In the latter case, these conditions could include a significant international presence in Abkhazia, a resolution of the refugee issue (partial return, compensation for losses of property, including in exchange for return), democratisation in all areas in accordance with international standards, etc. The recent vote to give Palestine observer status at the United Nations (UN) has shown that a line has not yet been drawn under the process of recognition of new states. Moreover, whatever Georgia’s motives for voting in favour of Palestine’s membership, it does to some

extent reflect the understanding within the international community of the inevitability of certain processes. In this context, it is impossible to sustain the argument that the “dismemberment” of Georgia is unlawful given Georgia’s genesis in the collapse of the USSR, the recognition of Kosovo and a set of other states, as well as the recent events around Palestine.

In the case of Abkhazia, however, both the US and the EU, given the peripheral nature of the Georgian-Abkhaz issue on the international agenda, are likely in the foreseeable future to prefer to maintain the existing status quo. It is conceivable that they will use this status quo in the coming years as a “stick” in their relations with Russia and leave it to Turkey to play the part of a more flexible player in relations with Abkhazia. The latest evidence of such flexibility is the partnership agreement concluded in November 2012 between the Abkhaz capital and the Turkish city of Side. This was followed by a visit to the Abkhaz capital by a group of Turkish entrepreneurs and representatives of the local administration from a Turkish city.

Another possibility is that Europe itself will finally draw lessons from its failed attempt at “engagement without recognition” and will not merely formulate but actually implement initiatives on the de-isolation of Abkhazia for its own sake and not solely in terms of its impact on conflict. The formula “interaction/engagement without recognition”, although originally well-intentioned, has been compromised by its capture and mothballing by the former Georgian administration. If lessons are learnt and Europe has sufficient interest in the region, new initiatives could emerge by which Abkhazia can communicate directly with European countries. However, if Europe’s principal aim as a near neighbour is not stability and democracy in the region, but to force out Russia through a reconciliation between the Abkhaz and Georgians and the return of Abkhazia to Georgia, there will inevitably be even more radical reductions in what is already merely a symbolic international presence in Abkhazia.

The new Abkhaz approach to international institutions

The aforementioned trend within Abkhazia towards a tougher stance over contacts with the West has a number of facets. On the one hand, it is reactive, intended to persuade the international community to change its current approach to Abkhazia – whereby Abkhazia is considered a part of Georgia – particularly as this approach has hardened since 2008, as manifested, for example, in Abkhazia being stripped of its status as a party in the talks. The Medvedev-Sarkozy plan is now spent and the time has come for a discussion of a new format for the Geneva talks.

The assistance provided by Europe in particular is limited in scale and sometimes symbolic. There are no significant development programmes; the emphasis is more on humanitarian programmes. The EU links the idea of de-isolation exclusively with the resolution of the conflict. All this is seen in Abkhazia as a discriminatory approach and increases distrust of Western institutions.

Abkhazia’s introduction of more formal procedures for communicating with the outside world – which replaced the previously more flexible interaction that reflected the political aspect of the international presence in Abkhazia – may also mean that the current administration no longer sees cooperation with international organisations as a way to create a more favourable international climate for state building in Abkhazia. Unfortunately, attempts by individual Western institutions and organisations to engage coincided with a peak in general fatigue and frustration over the EU’s inaction over Abkhazia. Nevertheless, the fact that government bodies are currently discussing the introduction of a visa waiver for foreign citizens (although for the time being only in relation to the Russian-Abkhaz border) and that Abkhazia’s president has repeatedly suggested that the international representatives consider large-scale investments in Abkhazia may be evidence that Abkhazia is still trying to find rules of the game that are acceptable.

The new Abkhaz approach also appears, to some extent, to take into account trends in Russia as well as Russian concerns about previously declared ideas of an Abkhaz “multi-vector” policy. Such a policy was misinterpreted by many and portrayed as a withdrawal from its alliance with Russia. In fact, since it is in Abkhazia’s long-term interests to strengthen its sovereignty by increasing its international legitimacy, the Abkhaz side under the previous administration had made some efforts to expand its international contacts while maintaining and deepening its partnership with Russia. In terms of the international presence in Abkhazia, there appears to be a clash between, firstly, the joint interest of Abkhazia and Russia in dispelling the myth of the “occupation” of Abkhazia, which cannot be achieved if Abkhazia remains cut off from the West; secondly, there are Russia’s concerns that Abkhazia’s loyalty might waver; and thirdly, Abkhazia has concerns that relations might be put at risk with its sole ally, guarantor of security and principal donor. Moreover, Abkhazia is attempting to balance promoting its interests over contentious Russian-Abkhaz issues (the issue of the church, the demarcation of the border around the village of Aigba, the unification of the North Caucasus with the South through the Kodori Gorge, property issues, etc.) with a rather rhetorical toughness towards Western organisations. However, the Abkhaz legitimate demand that the Western institutions respect their right to self-determination is not matched by a corresponding openness or effort to overcome inertia in relation to Abkhazia. If requirements for relations with international organisations are made too tough, it might lead to the marginalisation of Abkhazia by international institutions rather than a change in Western approaches. Figures in the Abkhaz establishment, who have so far enjoyed a reputation as sophisticated politicians, need to strike a balance to prevent Abkhazia being seen as a closed society and being ignored on the international stage.

Relations with Russia

Relations between Abkhazia and Russia are based on formal legal equivalence but are in practice asymmetrical. This asymmetry results not just from the disparities in the economic and political weight of the two parties, but also from the fact that Abkhazia has no viable alternative to these relations given the lack of widespread international recognition. While the Abkhaz are sensitive to any signs that Abkhazia’s sovereignty might be infringed, Russia is still closer to the Abkhaz in terms of language and culture than the West. Moreover, communication with the West has been restricted since the collapse of the USSR to discussions around the Georgian-Abkhaz conflict, on which the West’s position was prejudiced from the start. In Abkhazia (and indeed in Georgia itself outside Tbilisi), perceptions of Russia are not negative as in most of the West.

The prospect of an easing in Russian-Georgian relations following the change in government in Georgia in the run-up to the 2014 Winter Olympics in Sochi is no longer the cause of concern in Abkhazia as it was before 2008. This is because the Russian administration, with its aspirations for the return of Russia’s superpower status, could not withdraw its recognition of Abkhazia without a substantial loss of face regarding, in the first place, its own electorate. Given Russia’s interest in reinstating railway communications with Armenia and other potential projects in the region, it could well be that one of Russia’s partners in the CIS might grant Abkhazia recognition as an incentive.

There is a growing realisation within Abkhaz society itself that if Abkhazia’s sovereignty is to be maintained, it needs to become a viable state. Similarly, unless its economy develops, the country risks becoming a region reliant on subsidies. This can only be achieved by Russian assistance being transformed from contributions to the infrastructure into investment in the economy.

Questions for discussion

The following questions represent key topics for discussion regarding Abkhazia's future relations and status.

- What are the advantages and disadvantages of Abkhazia's current international position?
- Under what circumstances could Abkhazia gain broader recognition by CIS countries?
- Is the new Georgian approach fully formed? Will it contain a "window of opportunity" for Abkhazia?
- What would Georgia and Abkhazia gain from mutual recognition and what are the risks?
- Is the new Abkhaz approach to international bodies likely to be self-imposed isolation or the reconfiguration of external contacts?
- Is the future of the Geneva process likely to entail two processes (Georgian-Abkhaz and Georgian-Ossetian) instead of one?
- Can recognition by European states be achieved without any link to conflict resolution?
- Which is more important in terms of recognition: quality or quantity?

Georgia in a changing world: Foreign policy challenges and medium-term priorities

ARCHIL GEGESHIDZE

Georgia's foreign policy: The evolution of priorities between 1992 and 2012

External relations have always played an important part in the emergence of Georgia's statehood. This was particularly the case after Georgia gained independence and set about defining its place and role in the region and in the world in general. Initially, Georgia's foreign policy objective was simply to survive. The collapse of the Soviet economic system and the ensuing economic dislocation, combined with the political instability caused by fratricidal wars in Abkhazia and South Ossetia, forced Georgia to find instant solutions to preserve the country's integrity and to feed the population, which had become impoverished virtually overnight. In the early 1990s, the aim of foreign policy was thus to restrain the post-imperial inertia of Russia, as it backed the secessionist aspirations of Sukhumi and Tskhinvali, through the use of international platforms and in order to attract donor aid to resolve pressing humanitarian problems.

In the late 1990s and early 2000s, the shift in foreign policy emphasis towards deepening relations with international organisations (UN, Organization for Security and Co-operation in Europe, European Union, World Bank, International Monetary Fund, etc.) and with leading Western countries ultimately led to Georgia making a strategic choice at the turn of the century to be the most pro-Western state in the CIS. Despite remaining a recipient of post-conflict humanitarian aid and political support from the international community, the Russian military presence began to be wound down. This involved the removal of Russian border guards on state borders and the closure of Russian military bases on Georgian territory. Crucially, the very same period saw the beginning of the construction of a trans-regional energy corridor in close coordination with Georgia's neighbours, Azerbaijan and Turkey, and the commissioning of the first oil pipeline to circumvent Russia. Other larger pipeline systems also began to be built. Georgia also joined the Council of Europe and the WTO, as well as signing a partnership and cooperation agreement with the EU. At the same time, American military instructors began to train Georgian officers and soldiers, and the government soon officially announced its intention to become a member of NATO. Thus, new objectives began to dominate the foreign policy agenda: to identify and consolidate its strategic niche.

Meanwhile, systemic problems with the country's administration led to irreversible economic and social stagnation as well as a revolutionary change of power in 2003. However, this did not affect the course of foreign policy, to which the new government remained committed. In fact, it pursued its foreign policy with redoubled enthusiasm as part of an ambitious programme to rapidly transform the country. Georgia stepped up its overtures to NATO and deepened collaboration with the United States and other states over security. It simultaneously launched reforms intended to modernise the administration and certain state institutions. The authorities increasingly trumpeted their successes in this regard and in attracting investment into the economy, another foreign policy priority. Development objectives were given priority. However, the administration's failure to duly take into account the transformation of the "Russian factor" – together with the Western community's unwillingness to oppose moves by the Kremlin within the post-Soviet space – led to the misguided prioritisation of strategic objectives and timescales for their implementation. This, in turn, led to war with Russia. The fateful events of 2008 radically altered Georgia's relations with the outside world. Relations with its northern neighbour were also strained almost to breaking point by Russian recognition of the independence of Abkhazia and South Ossetia as well as the *de facto* occupation of those territories. Containing the recognition of independence of Georgia's breakaway regions and maintaining the country's integrity was again

Georgia's top foreign policy priority – although it continued to devote the same levels of political and diplomatic resources to Euro-Atlantic integration.

New realities, likely challenges

Despite initial scepticism from some in the international community, the new ruling elite that gained power in Georgia following the 2012 parliamentary elections has remained true to the same strategic choice. In fact, its objective is now to boost Georgia's levels of democracy by securing its deserved place within the cherished European family. Foreign policy targets and milestones are being developed in line with this aim.

However, although power formally changed hands following these elections, the process is not complete. It continues against a complex background of political and legal obstacles, and is in danger of stalling. "Tinkering" with Georgia's constitution in recent years led to a highly unusual political situation emerging immediately after the elections. The ruling party did significantly admit defeat and the president promised not to stand in the way of the victorious coalition taking power. Nevertheless, until the next presidential elections are held, politics will continue to be dominated by two adversarial political forces. After just two weeks, this process of "cohabitation" came to a standstill, bogged down among other things by the dismissal of "politically engaged" ambassadors in the capitals of leading Western countries. This deprived the new government of a significant resource in the form of loyal embassies to promote its foreign policy interests in major partner countries. It has meant that the new government has had to work extra hard to rid itself of the stigma of a "Russian project", as it was labelled by its former main rival during the election campaign, the UNM. During the election campaign, the former ruling party under the leadership of the Georgian president unlawfully used all available state resources to demonise its rival – and it appears to have partially achieved its aim. It managed, in particular, to persuade some of the political establishment and much of the Western media that the "Georgian Dream" was a pro-Russian political force and that it would definitely abandon the country's Western orientation when it came to power. As a result, the new authorities, unlike Saakashvili's team during the "Rose Revolution", have not enjoyed the confidence of the Western powers as they take office. Such support is highly essential for any government as it starts out, particularly one that is in some respects relatively inexperienced.

This lack of confidence has meant that the Ivanishvili government has faced, among other things, open suspicion and even protest from the West over the criminal prosecution of members of the former authorities. The president and leaders of the UNM have used sophisticated public relations techniques and their connections to present these moves as politicised, convincing a significant section of the international public that this is the case. Although almost no one inside Georgia questions the decision to bring criminal prosecutions against these former civil servants, this issue has turned into a problem in the international arena. In particular, it has weakened the position of the Ivanishvili government and complicated its prospects of mounting an effective response to other challenges in the short and medium term. In the short term especially, this situation could be exploited in negotiations by some difficult partners. For example, Russia's initial responses to Tbilisi's proposals to establish relations were restricted to a desire for 'more specific action' followed later by a demand that the Georgian government 'recognise the new realities of an independent Abkhazia and South Ossetia'. Regardless of the fact that Moscow subsequently agreed to start direct consultations without pre-conditions, one cannot expect the process to be easy because the political "red lines" which each side declared prior to the first round of talks limit the scope for significant rapprochement. For their part, the Abkhaz and South Ossetian sides "responded" to the initiatives of the new Minister for conflict resolution issues by hardening their positions, even in relation to the Geneva talks. These and other examples clearly demonstrate that these partners intend to wait for a more favourable moment when the Georgian authorities will, supposedly, be more vulnerable. Given this, it will be of crucial importance how

“cohabitation” plays out: will the process end peacefully or will it break down and lead to a political crisis? Another crucial factor will be the extent to which the new authorities manage to achieve initial successes in fulfilling their promises to restore justice and improve the socio-economic conditions. Success here would certainly strengthen the starting positions of the new authorities in their foreign policy endeavours and vice versa.

In the medium term, the principal challenges relate to external factors which are outside Georgia’s control. Much will be determined by the balance of power between the West and Russia and the quality of their relations. This will determine Georgia’s ability to accommodate two different foreign policy objectives: membership of the Euro-Atlantic institutions and the normalisation of relations with Russia. This is the most serious challenge, to which the Georgian government will have to direct its efforts in the next few years.

An escalation of tension in the region over the same period cannot be ruled out, in particular an exacerbation of the situation around Nagorny Karabakh. Moreover, the possible resumption of war between Azerbaijan and Armenia would cause irreversible damage to the geo-economy of the entire region, including the transit systems crossing Georgian territory, although this is unlikely. Furthermore, it is not known how Russia would act in such a situation and whether it would resort to aggressive action in relation to Georgia’s national interests.

Another event which could pose a challenge for Georgia’s security in the medium term is instability resulting from a potential conflict between the West and Iran. Depending on the specific geography of the conflict and how the Iranian authorities interpret Tbilisi’s role in it, Georgia could be subject to various types of threats. Georgia would therefore have to find a “golden mean” in the crisis which could well be difficult. Russia might conceivably exploit such a situation to attempt to make gains that are not in Georgia’s national interest.

Another challenge for Georgia could be a periodic “conflict spillover” from the North Caucasus. This would involve impromptu infiltration into Georgian territory by informal military groups, each one causing difficulties of varying degrees of severity in border areas and friction in relations with the Kremlin.

Meanwhile, the Georgian authorities need not be overly concerned about the sustainability of its policy of non-recognition of its breakaway regions, although the foreign ministry needs to remain alert and proactive in this regard.

Conclusion

The new authorities in Georgia have inherited a complex situation. Georgia enjoys strong political support from the Western community. On the other hand, the crisis in relations with Russia threatens the security and stable development of the country. The new authorities are facing a further dilemma: whether to continue to prosecute former civil servants and thereby risk their reputation in the eyes of Western partners; or to end the process of restoring justice and thereby risk losing the sympathy of its own electorate. The only way to resolve this dilemma is to comply with the letter and spirit of the rule of law, all the more since the international community’s demands of the new authorities are extremely high. Clearly, provided the new authorities can deal with what is certainly an unusual challenge, they will be able to count on greater support from their partners on other foreign policy issues.

Questions for discussion

The change of government following the parliamentary elections has opened a small window of opportunity to resolve some key difficulties over Georgia's external relations. However, it is not possible to make firm predictions, since there are a large number of variables that could affect future developments. New issues may arise for which reliable and clear solutions are hard to find. Questions for discussion over particular issues that require urgent attention in the short term and medium term are listed below. The responses given are necessarily restricted to hypotheses of likely scenarios.

1. How will the current nature of “cohabitation” affect the prospects of Georgia joining Euro-Atlanticist organisations?

Hypothesis: Criticism of the Georgian authorities by Western governments and the media over continuing arrests of civil servants from the former regime appears to be reaching a critical stage. Given NATO's reluctance for geopolitical reasons to accept Georgia as a member, speculation around the events within the country may be seized on as an additional excuse to “postpone” decisions. With regard to the Association Agreement between Georgia and the EU, this is likely to be signed in 2013.

2. To what extent are the initiatives/signals of the Georgian government sufficient for normalisation of bilateral relations with Russia?

Hypothesis: Although Russia has less interest than Georgia in extricating bilateral relations from their current stalemate, it is still in its interests to maintain the appearance of good relations, providing this does not damage its own political interests. It will therefore enter into mutually advantageous agreements, particularly since the democratic change in Georgia's government will make it difficult for it to reject initiatives and proposals emanating from Tbilisi.

3. To what extent are the initiatives/signals of the Georgian government sufficient for launching direct dialogue with the authorities of Abkhazia and South Ossetia?

Hypothesis: Since the government of Georgia now consists of people with liberal views on the conflict, this opens up an opportunity for the restoration of direct contacts between Tbilisi and Sukhumi/Tskhinvali. At the same time, unrealistic expectations in Sukhumi and Tskhinvali that Tbilisi will make “unilateral concessions” may result in disillusionment among local elites and a corresponding fall in enthusiasm for bilateral dialogue. If the current “window of opportunity” closes, however, it is unlikely that any better prospects for establishing dialogue will arise in the foreseeable future.

4. How will Russia respond to the realistic prospect of Georgia (and other post-Soviet countries) joining the EU?

Hypothesis: As things stand, Russia need not be concerned about Georgia joining NATO. Moreover, it is not particularly worried about the rapprochement between Georgia and other post-Soviet countries with the EU, since the EU's strict membership requirements mean that accession is still some way off. Nevertheless, the process of rapprochement could accelerate, particularly after the signing of Association Agreements with Georgia and Moldova, and potentially Ukraine and Armenia. This would at least threaten the Kremlin's plans to create a Eurasian Union based on a common economic area. As soon as it becomes apparent that this is a realistic prospect, Moscow will begin a series of measures to prevent such rapprochement.

Tbilisi's approach to the Georgian-Abkhaz conflict

MARGARITA AKHVLEDIANI

Negative and positive consequences of the August war

The policy pursued by the Georgian government from the very start of the Georgian-Abkhaz conflict in the 1990s – that of sanctions and the isolation of Abkhazia – forced Abkhazia to turn to the protection of a patron instead of searching for a way out of the complex state of affairs. Of course, the only real contender for the role of patron was Russia. Nevertheless, the obscurity of the positions, hopes and demands of all parties to the Abkhaz-Georgian-Russian conflict always left the field open for a number of tendencies and prospects for development of the situation.

This situation changed radically after the August 2008 war over South Ossetia. The range of options for resolving the conflict was severely reduced, while the new situation failed to resolve the problems of either the Georgians or the Abkhaz. Georgia's hopes of regaining territory were now at an all-time low. Meanwhile, Russia's recognition of Abkhazia's independence left the Abkhaz without the slightest freedom, even hypothetically, to choose their own model of development. The entire South Caucasus region realised its insecurity and helplessness. The fear and disillusion that gripped civil society and society as a whole helped to strengthen dictatorial tendencies across the region, including in Georgia itself. Despite the high price paid, the war did not even achieve the main objective: peace was not established.

Despite its tragic results, however, the August war did in a political sense also have one positive outcome. The clarification of the positions of all the parties involved made one crucial factor finally crystal clear: the Abkhaz and the Georgians have (and have always had) a common aim – to prevent Abkhazia being absorbed into Russia.

It is this prospect, rather than Georgia's territorial integrity or the recognition of Abkhaz independence, that inspires the greatest concern in both parties. Thus, removing this threat or at least mitigating it must be the principal objective of any programme aimed at resolving the situation in the near future. The very fact that the two parties do have a shared goal could also be very important for the overall conflict resolution process – considering that this goal could provide a common purpose, act as a stimulus for joint action and identify areas for mutual compromise.

While there are no ideal plans or solutions in complex situations such as these, there are plans that are more and less productive in terms of results.

Sukhumi and Tbilisi share the same main threat and aim

The status of Abkhazia – as an independent republic or integrated within Georgia – is considered by both parties to the conflict to be the main issue of dispute. Russia's recognition of Abkhaz independence in 2008 created the illusion that this issue had been resolved, albeit in a way that was painful for the Georgian side. This view is illusory, since Abkhazia's sovereignty is directly linked to the settlement of the Georgian-Abkhaz conflict and the former cannot be resolved without the latter. The two societies are in fact stuck in an impasse – like two passengers stuck on the same unending journey and trying to avoid contact with each other.

The unresolved conflict with Tbilisi means there is a constant threat of a resumption of hostilities on Abkhaz territory. Until the conflict is resolved, Abkhazia will need security guarantees from Russia. This leaves Abkhazia isolated from the Western community and wholly dependent on

Moscow in terms of decision making on all issues, from political to social. In other words, Abkhazia is unable to build the state it wants. Abkhazia's dependence on Russia has already brought about an unusual state of affairs: today's Georgia, which has for the first time in the entire history of the conflict proposed direct dialogue, is viewed in Sukhumi as more dangerous than a belligerent Georgia, which denied Abkhazia any right to determine its own fate.

The tragedy of Georgian-Abkhaz relations is that despite both sides always being aware of the Russian threat to their identity and freedom and aspiring to a close partnership with the Western world, they have not been able to come to a compromise even on these grounds. With the departure of UN observers in 2009, the curtain was finally lowered on Abkhazia and the small, weak republic was left face to face with the mighty Russia. Sukhumi is struggling all alone to restrain Moscow from buying up and controlling everything in Abkhazia and to prevent their relations from going too far.

Tbilisi and Sukhumi have nowhere to go. However, each side must sooner or later concede to the fact that they are like two passengers on the same journey, albeit becoming increasingly irritated with each other. Political forces on both sides and civil society must eventually begin practical discussions and agree rational steps to resolve the conflict. Moreover, it is critically important that these discussions begin on entirely new terms, based on respect for the opponent's demands.

Tbilisi must reshape its understanding of what constitutes "Georgia's interests"

Georgia faces a choice: either to continue or to halt a process that has lasted almost 20 years, and that is literally pushing Abkhazia into Russia.

Georgia's tactic for many years – attempting to achieve its aim through coercion and constantly setting conditions – was severe. Georgia should have sought to resolve its problems with Abkhazia, not to deepen them. Each new threat from Tbilisi has merely strengthened pro-Russian sentiment in Abkhazia. For Georgia, the direct opposite should be the priority – that is, supporting pro-Western ideas in Sukhumi. It would have been more pragmatic to end Abkhazia's isolation and support its inclusion on an independent basis in international programmes. Abkhazia has for many years been like a ball suspended in the air that can be sent anywhere with the next impetus. While there are still people in Abkhazia who continue to aspire to independence and not to become part of Russia, the country could go in any direction.

Therefore, it is in the interests of both Tbilisi and Sukhumi to set aside the question of status and deal with what can be resolved. They should acknowledge that Russia will never disappear from the Caucasus, just as the United States will never leave Mexico alone. The main task for countries bordering world powers is to avoid a situation where everything within their territory is decided by the big players. It is important that propaganda aimed at the total elimination of Russia from the Caucasus be replaced by a rational discussion of what place Russia can be assigned in the region, including in Abkhazia. This would be much more productive. The Caucasus could profit if it united over this issue – not against Russia, but rather in its stance regarding Russia.

Georgian society needs to face up to reality and realise that instead of focusing on territorial claims, it would be better off engaging in an intensive exchange with Abkhazia. This could help to create prospects for future relations, when the whole region could achieve its full economic development potential. Perhaps then, a time will come when the right social and political conditions will be in place for refugees to return home.

Abkhazia needs to be opened up so that its people can travel to and trade with the rest of the world on their own terms – not only through Russia. As many Europeans as possible should be able to

travel to Abkhazia and bring their ideas and values. This has always been important, but now more than ever given that Russia's monopoly in Abkhazia has increased significantly since recognition.

There is still some time left – although not much – for Tbilisi to reconsider its essential understanding of “Georgia's interest” in the Georgian-Abkhaz conflict. Two events – Russia's recognition of Abkhazia's independence in 2008 and the 2012 change of power in Tbilisi – have reshaped the context, giving grounds for cautious optimism for a gradual resolution of the conflict. There are many challenges of extreme importance to both societies which have nothing to do with political status and which can thus be met. Provided that the parties adopt a reasonable approach, transport communications could be restored as early as next year. This would contribute towards the development of trade and favourable business conditions – including for Russian business – as well as an investment boom not only in Abkhazia, but also in Samegrelo in western Georgia.

Russia is the most influential factor in the Georgian-Abkhaz conflict and it has quite comfortably retained this position all these years – thanks to the Georgian government's refusal to have any direct contact with the Abkhaz. Georgia should use real economic and then political instruments rather than ideological mantras. In other words, it should recognise Abkhazia as a reality. When this happens, Russia will no longer be able to control the conflict single-handedly as it does now.

Settling economic issues first and shelving political ones for later is a fairly widespread approach used to resolve conflicts in other parts of the world. In the case of the Georgian-Abkhaz conflict, it also promises real positive results, mainly dynamic and diverse economic growth in Abkhazia. This would pave the way for the fulfilment of a goal that is of crucial importance to both sides: the integration of Abkhazia into the international and not just Russian space and the progression of the conflict from the stand-off stage to the dispute stage. The hypothesis could run as follows: increasing the number of economic projects implemented in Abkhazia, with or without Georgian involvement, improves the chances of resolving the conflict proportionately.

In order for this to become a reality, of course, both sides must be willing to cooperate with each other. Today, Abkhazia's political fears still outweigh rational considerations. Frightened at the prospect of becoming more dependent on Tbilisi as a result of the lifting of the “iron curtain”, Sukhumi has begun to act against its own interests. In particular, the Abkhaz insist that any informal contacts and exchanges be made within a Caucasian and not bilateral format. However, this is obviously detrimental for them, since Abkhaz interests always tend to take a back seat when considered alongside other problems in the Caucasus. These and other fears on the Abkhaz and Georgian sides are quite understandable. Bearing in mind their complex past, any constructive plans will require as a minimum strong support from some international bodies, which can take responsibility for ensuring that neither side has any “hidden agenda”.

Of course, having multiple options offers the best prospect for resolving any complex problem. However, the status of the Georgian-Abkhaz conflict today leaves only one possible alternative to the scenario described: one in which both the Abkhaz and the Georgians lose Abkhazia to Russia.

Resolving the problem involves respecting each other's rights

Georgian-Abkhaz relations are currently but mistakenly based on the illusion that the conflict has a beginning. However, a circle has no beginning or end, and if we view Georgian-Abkhaz relations as a circular system, then we may avoid driving them into a dead-end. There would no longer be any pointless arguments along the lines that event “A” happened first and event “B” was a response to event “A”, or vice versa. Where conflict is involved, decisions on what constitutes “cause” and “consequence” depend entirely on the place from which an authoritarian decision is made to break the continuity of the circle. But this faulty logic is regularly used by parties to

conflicts in which everyone is certain that it is the other side's behaviour that has exerted influence on them, without realising that they in turn influence the other by their response. This kind of logic leads to a dead-end. Is a specific communication between conflicting groups pathological because the parties are unwilling to make concessions, or are the parties unwilling to make concessions because the communication itself is pathological?

Another dead-end situation is the tactic (on both sides) of ignoring the needs of the opponent. The opposite approach – whereby each side starts to think about what they can do for the other side rather than what they want to get from the other side – will not, admittedly, give either side immediately everything they want. However, the other route – mutual recriminations, suspicions and threats – has already been tried and has proven disastrous.

The sides in the Georgian-Abkhaz conflict are facing a “prisoner's dilemma”, whereby the opponents do not cooperate even though this is the only way to meet their interests. Each one is afraid that the other will break the agreed tactic of “think what you can do for the other”.

The security system of any society consists of a number of interconnected elements, whereby even if one of them fails, the entire system stops working properly. This is why the classic approach of “everyone for himself” is not optimal in a conflict situation. More optimal strategies are where everyone tries to do the best for themselves by doing the best for others.

It might be useful to conduct a sociological or even psychological analysis of past disappointments regarding peace talks. It might be possible to identify specific modules where a certain behavioural pattern by one of the sides results in a similar response by the other and prevents a more desirable course of communication. As a solution, a communication framework could be developed which would allow the sides to move to another level of communication and avoid the same pitfalls. We might compare this possible solution to a star, the existence of which has been proven by astronomical calculations, even though the star has not yet been discovered.

Contacts are crucial

Communication influences behaviour in a significant way. In efforts to resolve a conflict, close bilateral communication is required – based on the widest possible contacts, both political and person-to-person. Otherwise, in the absence of permanent dialogue, self-serving narratives become arguments of the sides. Such arguments are usually based on selective facts and myths, and actively prevent a settlement.

In the case of the Georgians and the Abkhaz, they should enter into dialogue as equally responsible sides. However, the definition of equal responsibility itself requires a separate discussion. For example, when the time comes for discussion of political questions, let's suppose that the Georgian side agrees to Sukhumi's main requirement and recognises Abkhazia's independence. What would Georgia get in return? Apart from Abkhazia's status within Georgia, the vital questions for Tbilisi include the following: the return of IDPs and the restoration of their property rights; the status of the Georgian language; and the withdrawal of Russian armed forces from Abkhazia. Should a real conflict settlement process begin, developing responses to these and other issues will be a priority for the Sukhumi administration.

The lack of any practical solutions is in a way a positive factor, since it allows for negotiations to start with a clean slate – provided that the “prisoner's dilemma” has been dealt with.

Resolving this conflict is vitally important for Georgia, since it is preventing progress in economic, political and also ethical terms. But a pragmatic and mutually respectful discussion of the range of potential solutions is even more in the interests of Abkhazia. It is important for the Abkhaz to

get their arguments across to Georgia, as the West will not recognise their arguments unless they are recognised by Georgia.

After 20 years, Georgia has finally turned towards Abkhazia and for the first time intends to propose a dialogue instead of trading statements through mediators. If Georgia can maintain its intention of dialogue, and fears subside among the Abkhaz that Russia may “cede” them to Georgia, then a real solution to the conflict may become possible. Many in Abkhazia do not want a Russian monopoly. Although they do not share the idea of reintegration into Georgia, they want Abkhazia to be able to make political choices, particularly since these people are now much more vulnerable than before.

Questions for discussion

1. What opportunities can be created for the inclusion of Abkhazia on an independent basis in existing international education and economic programmes? Moreover, will the ensuing de-isolation of Abkhazia help towards progress on conflict resolution?

Hypothesis: From the outset of the Georgian-Abkhaz conflict, it was a big mistake on the part of the official administration in Tbilisi to pursue a policy of sanctions against and isolation of Abkhazia. Each new threat from Tbilisi merely strengthens pro-Russian sentiment in Abkhazia, while the direct opposite is needed – that is, supporting more progressive, democratic ideas in Sukhumi. Abkhazia needs to be opened up so that its people can travel freely around the world and that as many Europeans as possible can come to Abkhazia and bring their ideas and values. This has always been important. However, with Russia’s monopoly in Abkhazia increasing as a result of recognition, it is now more important than ever.

2. Should the parties and mediators give priority to a joint, reasoned evaluation of their shared aims and interests and then draw up a special plan with concrete implementation mechanisms?

Hypothesis: Acknowledging shared goals is important for the settlement process, as this would set a common direction, stimulate joint action and identify where mutual compromises can be made. There are many issues that are extremely important for both societies but that have nothing to do with political status. This means that they can be settled.

3. What compromises on both sides are needed and possible? Should the failed tactic of ignoring the needs of the opponent be replaced by the opposite approach of “do better for yourself by doing better for the other”?

Hypothesis: The sides in the Georgian-Abkhaz conflict are facing a “prisoner’s dilemma”, whereby the opponents do not cooperate even though this is the only way they can achieve their interests. The classic approach of “everyone for himself” has already proved (once again) unsuccessful, merely leading the sides down a route of mutual recriminations, suspicions and threats. At the same time, the sides must understand that the approach of “do better for yourself by doing better for the other” is unlikely to give them everything they want immediately and that this approach frequently involves painful compromises. On the Georgian side, this could involve ending the blockade on Abkhazia’s direct trade and other relations with the world, as well as abandoning the idea of NATO membership. On the Abkhaz side, it could entail the withdrawal of Russian armed forces and the restoration of the refugees’ property rights. Of course, there are many more potential compromises that could and should be discussed.

4. Can the widest possible bilateral contacts, both political and person-to-person, seriously extricate the resolution process from its current deadlock?

Hypothesis: Communication influences behaviour in a significant way. Resolving disputes is only possible with good communication about the situation and awareness of each other’s views.

5. What other action needs to be taken by the parties and the international community to remove or prevent the most serious threat in the Georgian-Abkhaz conflict: the loss of Abkhazia as a territorial unit and its absorption into Russia?

Hypothesis: Both sides have always been aware of the Russian threat to their identity and freedom, and both have aspired to a close partnership with the West. However, they have not been able to come to a compromise even on these grounds. The tendencies since the 2008 war – the significant reinforcement of Russia’s positions in Abkhazia and the reduction not just of the influence of Western institutions, but even their presence in Sukhumi – have brought to the fore the threat looming over the very existence of Abkhazia as a territorial unit. Sukhumi has been left alone with Moscow, struggling to resist its intention to buy up and control everything in Abkhazia. The prospect of both the Abkhaz and the Georgians losing Abkhazia to Russia is now the greatest danger for both sides.

SECTION 4

Socio-economic development

Socio-economic system of Abkhazia and problems of its development

INAL ARDZINBA

In the early 1990s, Abkhazia faced the problem of a “triple transition”: firstly, from a Soviet (authoritarian) state to a democratic state; secondly, from a command economy to a market economy; and thirdly, from a republic incorporated within another state to an autonomous state. Adjusting to this combination of three transformation processes across a number of different areas incurred significant costs. The problem of “triple transition” was further compounded by a disastrous war.

This was followed by a decade of economic growth in the 2000s, a period in which Abkhazia was transformed. Some economic and social problems inherited from the “lost” decade of the 1990s were overcome – or at least the preconditions for overcoming them put in place.

Mistakes were of course made – some dangerous and significant. However, it is all too easy with hindsight to talk about what should have been done differently 10 years ago; a perfect socio-economic policy only exists in the realms of utopia. We now need to build on the experience of our past mistakes.

The Abkhaz transition economy would appear to be facing quite different challenges from those faced by many other countries undergoing transition (both in the former USSR and in Central and Eastern Europe) that want to simply establish “sustainable” development. Abkhazia wants to achieve a socio-economic leap forward, and there is a sound objective basis for this: the conditions are favourable for development, both domestically (the republic’s significant economic potential) and externally (the relatively stable regional situation in the Caucasus).

Abkhazia thus has for the first time in a relatively long period a chance to take a leap forward and a real opportunity to make the transition from the anti-crisis mode and short-term tactical objectives to the formation of long-term strategic development milestones.

Abkhazia’s contemporary macro-economic position

Figures for 2010 from the Abkhaz State Statistical Agency clearly show approximately 30% growth in nominal GDP compared with 2009.¹ This is a very high figure, which confirms Abkhazia’s economic potential, though is attributable to a large influx of Russian money post recognition. However, we also need to bear in mind that this is growth in nominal and not real GDP. After price increases have been taken into account, the real economic growth is more modest (under 15%).

Interestingly, Abkhazia’s GDP in 2010 (latest data) was around RUB 20.8 billion (about US\$682 million), with a World Bank global rating of 181. Per capita GDP in 2010 was around RUB 86,000 (almost US\$3,000), putting it in 114th place, ahead of Georgia in 117th place. Of course, according to these indicators, Abkhazia is still below the hundredth place globally, but it is worth recalling that in terms of economic development it cannot be classified as a “least developed country” (the UN classifies 49 countries of the world as “least developed”). In terms of economic development, Abkhazia is broadly similar to small Pacific Ocean island states (the Federal States of Micronesia, the Marshall Islands) and the Caribbean (Grenada, Saint Vincent and the Grenadines), but has nothing in common with underdeveloped countries in Africa or some “failed states”.

¹ *Abkhazia v tsifrakh za 2010* [Abkhazia in figures for 2010]. The Abkhaz State Department of Statistics, Sukhum, 2011.

Any examination of a country's economy should not be limited to an analysis of absolute economic indicators such as GDP or per capita GDP. The living standards and quality of life of ordinary citizens are determined above all by an economy's institutional profile. This includes institutional factors which every citizen comes across on a daily basis: the level of corruption, the number and quality of administrative barriers, the degree of market monopolisation and concentration of capital, the legal system, the judiciary and much else. These indicators are much more significant for the real economy than so-called absolute indicators.

Unfortunately, institutions are underdeveloped in Abkhazia. Despite 20 years as a capitalist country, it has not managed to develop modern market institutions. The gap between institutional and absolute indicators in Abkhazia may well be among the highest in the world.

Take, for example, the following argument: in Abkhazia, informal institutions have a huge impact on the economy, such as verbal "rules of the game" that are not formally recorded and specific economic traditions. Most unfortunately, the overwhelming majority of these institutions have a negative impact on the economic development of the republic.

For instance, it is often unclear who owns what in Abkhazia. Frequently, the "title" (a special term usually used to refer to a person's or persons' property rights) to a property is based on a person's word and the "law of the strong"; it is not based on a formalised and specified right to own, dispose of or use the property. In most cases, this creates legal uncertainty, since over time conflicts arise between "titleholders" due to the absence of formal property rights. These conflicts are generally resolved extra-judicially.

People can judge for themselves how disruptive the impact of informal institutions might be on the economy.

Obstacles to socio-economic development and measures to address them

The development of any market system is determined by certain inherent characteristics. Socio-economic imbalances are inevitable and Abkhazia is no exception. Problems of socio-economic development of different types and severity have a negative impact on living standards and the quality of life of ordinary citizens of Abkhazia. The principal ones are: institutional underdevelopment; demographic imbalances; an unattractive investment climate; a poor legal culture; low levels of research and innovation; the insignificant role of the human factor in the economy; an underdeveloped financial system; a divergence in incomes across society; geographical disparities in economic development; significant market concentration; and negligible domestic demand. Of course, this list is not exhaustive.

In order to successfully resolve these problems, an effective structural policy is required based on a socio-economic development strategy. Indeed, a modern state cannot develop out of a vacuum. The time for ad hoc economic solutions is over.

In the modern world, the overwhelming majority of countries have strategies or plans for socio-economic development drawn up, signed and implemented at the highest levels of government. However, most of them share the same faults: these strategies (plans) do not envisage a forecast period, do not identify specific problems of socio-economic development (and thus tend to "tilt at windmills"), and do not specify targets for resolving these problems or the mechanism to achieve these targets. Many of them are reminiscent of superficial textbooks on the global economy, replete with trivial arguments such as: 'Globalisation is the principal trend in the global economy and it is essential to adapt to it.'

The *Socio-Economic Development Plan of the Republic of Abkhazia*,² approved by the president under Decree No. 248 (23rd December 2005), is characterised by all these faults – although the plan also contains many perfectly good ideas.

Drawing up an effective and realistic strategy is therefore crucial. However, even once it has been drawn up, there is traditionally a risk that it will remain on paper only. Therefore, it is important to identify what conditions are needed for long-term reforms to be implemented. The global history of the reform of socio-economic systems shows clearly that the strategies with the best chances of being implemented are those that take into account “broad public coalitions”.

Individual coalitions tend to act in their own interests (to use the language of micro-economic analysis, ‘they maximise their own usefulness’). In this sense, it is logical to suppose that implementing comprehensive transformation of strategy could damage individual groups or confer a relatively smaller benefit on them compared with alternative development scenarios. However, Abkhazia is currently at a historic crossroads. If we take the wrong path, this will lead to costs for the overwhelming majority of coalitions and the state as a whole.

In addition, the implementation of the strategy will be held up by the inertia of public opinion. Any comprehensive reforms involve not only implementing a certain set of projects, but also a change of mindset – a significant transformation of society’s expectations and behaviour. At the same time, in contemporary Abkhaz society a demand for “rapid results” has formed. Consequently, there is a demand for instant proof that the policy chosen is the right one and stands a good chance of success. However, long-term strategies involve the implementation of institutional transformation, the results of which cannot be seen overnight.

Forecasts of the socio-economic development of Abkhazia up to 2020

The following methodology has been used to structure this part of the study: three principal scenarios and two sub-scenarios (for scenario 1) are identified, along with endogenous and exogenous parameters for each scenario. The most likely scenario for Abkhazia’s socio-economic development is then identified.

The three scenarios of socio-economic development up to 2020 are as follows:

- **Scenario 1:** “The Abkhaz economic miracle”
 - **Scenario 1.1:** “A miracle with a human face”
 - **Scenario 1.2:** “A miracle with an inhuman face”
- **Scenario 2:** “Default”
- **Scenario 3:** “Terra incognita”³

In my view, these are the main historic options facing Abkhazia today. I shall summarise them in detail one by one:

Scenario 1: “The Abkhaz economic miracle”

The endogenous parameters for this scenario are as follows: highly balanced development of the national socio-economic system, along with a significant reduction in the cumulative severity of socio-economic development problems; a highly effective resolution of the fundamental problems of socio-economic development; a minimum average annual increase in real GDP of 8%; making

² *The Socio-Economic Development Plan of the Republic of Abkhazia*. 12th August 2006. Available in Russian at <http://bit.ly/10GU51a>.

³ Latin for “unknown territory”.

high-quality adjustments to the “socio-economic development plan” and putting in place a highly effective mechanism for achieving the targets set out in the plan.

The exogenous parameters in this instance are: a very favourable global political and economic framework; the highly balanced development of political and economic relations between Abkhazia and its principal partner countries; and sustainable development of the Russian Federation’s economy.

- **Scenario 1.1: “A miracle with a human face”** (Assuming that the endogenous and exogenous parameters for Scenario 1 are met)

The endogenous parameters for this sub-scenario are as follows: economic growth is completely controlled by the relevant state bodies; knowledge-based sectors provide economic growth of over 30 percentage points; man-made damage to the environment is kept to a minimum; the human factor becomes a key determinant of the economy; and human beings are the quintessence of socio-economic development.

The exogenous parameters are as follows: cooperation on innovation and research and development (R&D) is developed between Abkhazia and partner countries.

- **Scenario 1.2: “A miracle with an inhuman face”** (Assuming that the endogenous and exogenous parameters for Scenario 1 are met)

The endogenous parameters in this case are as follows: economic growth is partly controlled by the relevant state bodies; knowledge-based sectors provide economic growth of less than 30 percentage points; and there is perceptible man-made damage to the environment. In this sub-scenario, the human factor does not become a key determinant of the economy. Moreover, socio-economic growth is mainly provided by the state.

The exogenous parameters are: low-level cooperation on innovation and R&D between Abkhazia and partner countries.

Scenario 2: “Default development”

The endogenous parameters for this scenario are: moderately balanced development of the national socio-economic system, along with a moderate reduction in the cumulative severity of socio-economic development problems; a moderately effective resolution of the fundamental problems of socio-economic development; an average annual increase in real GDP of 4% to 7%; making medium-quality adjustments to the “socio-economic development plan” and putting in place a moderately effective mechanism for achieving the targets set out in the plan.

The exogenous parameters are: a moderately favourable global political and economic framework; moderately balanced development of political and economic relations between Abkhazia and its principal partner countries; and moderately sustainable development of the Russian Federation’s economy.

Scenario 3: “Terra incognita”

The endogenous parameters for this scenario are as follows: poorly balanced development of the national socio-economic system (or stagnation); a slight reduction in the cumulative severity of socio-economic development problems; a slightly effective resolution of the fundamental problems of socio-economic development; an average annual increase in real GDP of less than 4%; making low-quality adjustments to the “socio-economic development plan” and putting in place a relatively ineffective mechanism for achieving the targets set out in the plan.

The exogenous parameters are: an unfavourable global political and economic framework; poorly balanced development of political and economic relations between Abkhazia and its principal partner countries; and unsustainable development of the Russian Federation's economy.

The most likely scenario for the socio-economic development of Abkhazia is Scenario 1.2 – “A miracle with an inhuman face”. This scenario assumes active socio-economic development, but with elements of unmanageability: this, together with the accumulation of economic imbalances it generates, could lead to the economy overheating and a serious economic crisis (possibly by 2017).

The justification for this scenario can be found in the current trends of socio-economic development in Abkhazia. In fact, there are reasons to assume that the socio-economic system will develop dynamically and in a more or less balanced manner. However, the cumulative severity of the problems of socio-economic development is likely to tend to decrease. At the same time, the main trends in the contemporary socio-economic development of Abkhazia suggest that high rates of growth in real GDP are possible in the near future.

Until 2020, the favourable global political and economic framework is likely to remain in place. It is likely that the so-called “second wave” of the crisis (when it comes) will not be as destructive as the first.

Having said that, it would be naive to hope for the complete absence of conceptual problems in relation to Abkhazia's development. All indications suggest that economic growth will be poorly controlled by the relevant state bodies. At the same time, knowledge-based sectors will provide considerably less than 30 percentage points of economic growth. In fact, it is fairly unlikely that human beings and their intellect will be at the centre of Abkhaz development, at least until there are perceptible systemic governmental decisions which might form the basis for human potential to play a leading role in socio-economic development.

Of course, the reader may feel that these reflections are too contingent, and it is fair to say that such forecasts, like most long-range calculations, potentially have a very wide margin of error.

However, for successful development and to resolve the most acute problems and imbalances, we must attempt to understand what political and economic interrelations await the country in the near future. These attempts will inform strategic thinking and the ability to implement not just tactical, but also strategic manoeuvres.

Abkhazia's foreign economic strategy

The 2009 Annual Report of the National Bank of Abkhazia⁴ included a highly important strategic document characterising the country's foreign economic position – its balance of payments. The mere fact that this document appeared is a signal event, although it should be prepared annually to allow the trends in foreign economic processes to be tracked.

The overall balance of payments for 2009 can be used to identify the main trends in Abkhazia's foreign economic position. Without going into a detailed analysis, the main arguments that should be advanced in this context are noted below.

Abkhazia is a net importer of commodities. The trend towards a deficit in external trade in commodities appears to be persistent (the trend continues since 2000) and is increasing steadily

⁴ National Bank of the Republic of Abkhazia, *Annual Report of the National Bank of the Republic of Abkhazia for 2009 [Bank of Abkhazia]*, 22nd March 2010. Available in Russian at <http://www.nb-ra.org/ru/pdfdoc/ReportBA/2010/01.01.2010.pdf>.

(from 2000 to 2009, the deficit increased by 4,793%). This is certainly negative for the Abkhaz economy. Firstly, the country is becoming dependent on external supplies. Secondly, it is wasting money on paying for imported products which, given the lack of national currency, could be highly destructive.

The structure of the country's export of commodities is highly unfavourable. Abkhazia exports mainly citrus fruits, hazelnuts and fish. It imports manufactured goods, gasoline and tobacco products.

At the same time, the balance of payments clearly shows that Abkhazia is a net exporter of services. Export volumes consistently exceed import volumes. This is mainly due to tourism services (an export-type operation), state and private transfer payments, and investments which are highly favourable for the development of the economy in terms of cash supply.

Overall, the balance of payments is positive, meaning that more funds are imported than are exported. This is a source of funds for the national economy which must be incentivised, mainly through export-oriented economic growth.

In my view, an economy as small as Abkhazia (compared with the Russian Federation, for example) cannot develop unless it is actively integrated into the international economic system – specifically, through modest domestic demand and consequently a modest domestic market. Consequently, Abkhazia must participate fully in the global economy, its geo-economic strategy focused on becoming part of global value chains. To do this, it needs to end its reliance on exporting end systems in the future.

Abkhazia must also strengthen economic relations with its long-standing partners, particularly Russia. Regarding the latter, it needs to find a civilised and mutually advantageous formula for economic cooperation between the two countries. If this can be done, Moscow and Sukhum will be able to play a bigger game, which will bring both countries significant dividends in terms of the economy and international politics. If they manage it, the Moscow-Sukhum axis could become an engine of economic growth for the whole Caucasus region.

Questions for discussion

- In relation to the need to develop a long-term socio-economic development concept for Abkhazia (and the possibility of implementing a strategy based on it): is it possible to apply the Russian experience of broad public expertise?
- In relation to the degree of integration of Abkhazia into the world economy: how do international financial and economic imbalances affect the status of the national economy of the young Abkhaz republic?
- In relation to developing a reliable state statistical service: to what extent can we rely on the work of the National Statistical Office in decision-making at the level of state policy?
- In relation to institutional peculiarities and problems of development: Abkhazia – a country of informal institutions?
- In relation to external trade strategy: how can Abkhazia successfully engage in the world economy? In which goods and services should it invest?
- In relation to the economy of Abkhazia in 2020: will we be able to strengthen the role of the human factor in the economy?

Georgia's socio-economic development: Prospects over the medium term

VLADIMER PAPAUA

The tortuous path of economic reforms in post-Soviet Georgia

Georgia's economy has undergone huge changes since the country reclaimed its independence over 20 years ago. The initial years of independence were particularly difficult, when the country was engaged in armed conflicts and had no coherent economic policy to speak of. Serious mistakes were made, particularly in the initial stages of the transition from a command economy to a market economy. The cumulative effect of these mistakes was that, by 1993, the country's GDP was 30.73% of the level in 1990. Annual inflation stood at over 7.84% in 1994.

In 1995, a currency reform was successfully implemented, allowing macro-economic stability to be achieved, along with a rise in GDP of almost 24% in 1996–1997. However, the negative impact of the 1998 Russian default on Georgia's economy, together with the resulting spread of corruption, exacerbated the country's existing budget and energy crises. By 2003, more than half (52%) of the Georgian population had an income below the official poverty line.

After the “Rose Revolution” in November 2003, a fight against corruption was launched and the budget and energy crises were overcome. Since 2005, a new tax code has reduced the tax burden significantly, while procedures for registering business start-ups have been considerably simplified. In addition, new labour legislation has been passed, giving employers complete freedom of action in relation to their employees. These reforms have portrayed Georgia as a country of neo-liberal reforms. However, there were also many documented instances of violations of property rights and big business came under the complete control of the government. Moreover, the abolition of anti-monopoly legislation and its regulatory body created an economy that was dominated by monopolies. Despite the disappearance of mass corruption – mainly in the form of bribery – elite corruption has started to assume threatening proportions. These crimes represent a kind of neo-Bolshevism, and Georgia's present-day economy represents a symbiosis of neo-liberalism and neo-Bolshevism.

In the years since independence, Georgia has managed to establish itself as a transit corridor linking Europe with Asia. Major oil and gas supply pipeline projects have been completed.

After the August 2008 Russia-Georgia war, the European Union expressed its willingness to grant Georgia a free trade regime, setting a number of preconditions. The most important of these preconditions are the implementation of European-style anti-monopoly market regulation and the introduction of consumer rights protection, particularly in the area of food safety. Unfortunately, the Saakashvili government did all it could to postpone the start of talks with the EU by delaying implementation of these conditions.

In early 2009, the United States–Georgia Charter on Strategic Partnership was signed, under which the US acknowledged the possibility of the US concluding a free trade agreement (FTA) with Georgia. However, there has been little real movement on this so far and negotiations have not even begun.

The Georgian economy: In search of a development model

Unfortunately, the contemporary Georgian economic model is based less on increasing production and more on stimulating consumption. This model has led to many negative consequences.

Stimulating consumption while ignoring the need to develop the real sector of the economy has led to the country importing four times as much as it exports. Of its exports, 22% are motor cars and 8% scrap metal. However, Georgia has no car manufacturing industry: this 22% share of exports is due to Georgia's function as a trans-shipment point, importing motor cars for resale to neighbouring countries. The significant gap between exports and imports, combined with the fact that 30% of Georgia's exports are not produced by the real sector of the economy, indicates the relative economic backwardness of the country.

In total, government and private consumption accounts for around 90% of GDP. This is further evidence that the Georgian economy is more oriented towards consumption than production. The relative backwardness of the manufacturing sector means that this increase in consumption has been funded by flows of monies from abroad: in the first years after the Rose Revolution, this was mainly in the form of foreign direct investment (FDI) and remittances to Georgian citizens from relatives living abroad.

FDI mostly went into real estate, creating a new financial resource within the country. This financial resource, mediated mainly through the banking system, sparked a housing boom, which without appropriate government regulation soon turned into a "financial pyramid" scheme.

Since independence, many residents of Georgia have for various reasons left the country. At present, around 20% of the population of Georgia (more than one million people) is living abroad (two thirds of them in Russia, but also in Greece, Turkey, Ukraine, the US and Spain, among other countries). Remittances sent through banks alone amount to over US\$1 billion per year. This money is mainly used to meet basic needs.

Given the low level of savings, the main source for maintaining and increasing the funds available for lending at commercial banks was borrowing on the European financial markets. This once again provided credit for building and for purchasing home appliances. Since home appliances are not produced in Georgia, however, this led to a situation where consumer borrowing from Georgia's commercial banks promoted the development of the real sector of economies in the countries that produce these goods. In other words, the banking sector in Georgia acted as a conduit for foreign loans that provided credit to develop the real sector of economies in third countries. The increased capital flows into Georgia following the Rose Revolution thus created a new demand, without enabling the development of the manufacturing sector to meet it.

With the start of the global financial crisis, FDI in Georgia fell sharply. A further factor in this was the Russian-Georgian war in August 2008. However, Georgia, as the victim in this war, received US\$5.8 billion in financial assistance from the international community. As a result, the impact of the global financial crisis on Georgia was relatively mild.

Unemployment levels are relatively high as a result of the backwardness of the real sector of the economy. According to official statistics, the level of unemployment is over 15%. However, a number of sociological surveys of the population, carried out by local and foreign NGOs, state that 70% of those questioned consider themselves to be unemployed. The main reason for this is that over 55% of the workforce is self-employed and their incomes are so low that they do not view this work as employment.

Over 80% of the self-employed work in agriculture. More than half (54%) of the workforce is employed in the agriculture sector, but agricultural production only accounts for just over 8% of GDP. Given that Georgia's natural and climatic conditions are excellent for agriculture, this is evidence of an agricultural crisis of underproduction. It also explains why 80% of basic food products are being imported. Georgia's agriculture sector has also suffered from the ban announced in 2006 by the Chief Public Sanitary Inspector of Russia on the importing of agricultural products from Georgia, due to their allegedly low quality.

Promotion of tourism in Georgia has increased the demand for food, which, given the agricultural crisis, can only be met by increasing imports. Given the agflationary¹ processes in the global economy, agflation is thus also being “imported” into Georgia.

It is therefore hardly surprising that 40% of the population is living below the poverty line and 64% of the self-employed population has an income below the minimum subsistence level.

In its search for a model of economic development, Georgia has officially adopted a pro-European stance, but has not taken any practical steps in this direction. A glaring example of this is the way the government behaved over the FTA with the EU. President Saakashvili has also publicly stated that Georgia should follow Singapore’s model of economic development. By initiating its policy of “Singaporisation” of the Georgian economy, the Saakashvili government is in fact increasingly distancing Georgia from the EU and generally from a European-style economic system.

Potential scenarios and the situation most likely to be in place by 2020

One scenario that can be ruled out in relation to Georgia’s economic policy up to 2020 is the continued promotion of consumerism. The outcome of the parliamentary elections held on 1st October 2012 means that there is virtually no chance of this scenario unfolding, since the elections were won by the opposition coalition, Georgian Dream, headed by the billionaire Bidzina Ivanishvili. During its election campaign, Georgian Dream criticised the economic policy of the Saakashvili government and focused on the promotion of the real sector of the economy, along with social support for the poor segments of the population. Ivanishvili, now head of the government that he himself formed, has begun to implement his pre-election promises.

Based on these new realities, a more realistic scenario is the stepping up of negotiations with Brussels on an FTA with the EU. The new government’s announcements that it will implement anti-monopoly regulation and a European-style consumer rights protection system support this view. Anti-monopoly regulation will help competition to develop. Together with an end to unofficial government intervention in business, signalled loudly and clearly on more than one occasion by the leaders of Georgian Dream, the de-monopolising of the Georgian economy will provide a significant impetus for business development.

It is entirely feasible that Georgia will achieve an FTA with the EU by 2014 at the latest. This would in itself attract private investment into Georgia’s real sector of the economy, since the combination of a relatively low-cost (compared with the EU) workforce with a simplified system of business registration and relatively low tax burdens (again compared with the EU) could act as a stimulus for job creation in the Georgian economy. Given that the EU economy is currently 2,000 times the size of Georgia’s economy, an FTA with the EU would massively expand the market for Georgian goods. Once Georgia starts manufacturing high-quality products for the EU market, there will also be a demand for these products in the Turkish market in view of the FTA already reached with Turkey in 2008.

This scenario for the development of the Georgian economy, based on reaching an FTA with the EU and a growth in exports to the EU and Turkey, appears entirely realistic.

Given that almost four years have passed since the signing of the Charter between the US and Georgia, without any negotiations on a free trade regime even having started, the earliest expected date for an FTA with the US is likely to be closer to 2020. This agreement, even if it is actually achieved, will therefore have little impact on the Georgian economy before 2020.

¹ The term “agflation” refers to agricultural inflation.

Resumption of full-scale trading relations with Russia is difficult to predict, since this is more of a political than an economic issue. The fact that Georgia and Russia are both members of the WTO is not in itself a sufficient condition for establishing trade between these two countries. This means that it is virtually impossible to predict a resumption of trade with Russia in any forecast of Georgia's economic development up to 2020.

Achieving full-scale trading relations with Russia also raises the question of re-opening the Trans-Caucasus Railway. The railway passes through Abkhazia, linking Georgia and Armenia with Russia, but was suspended back in August 1992.

Based on the realistic scenario whereby an FTA is reached with the EU, opening up trade with Turkey, the likely average economic growth in Georgia in the period 2013 to 2020 would be between 5% and 10%. The more pessimistic figure of 5% assumes that the global economic crisis will worsen; the more optimistic figure of 10% average growth assumes that the world economy will achieve steady growth. However, this would mean that by 2020 Georgia's per capita GDP would be about 2.8 times the 2011 level, at US\$9,120 (in 2011, the figure was US\$3,215.4).

Studies on the comparative advantages of Georgia's economy have identified the main sectors as: transportation, primarily of energy resources; agriculture and the food industry; hydro-electric power; and tourism. Clearly, the economic growth referred to earlier has to be provided by the sectors where Georgia has a comparative advantage. The government's emphasis on investing in the real sector of the economy means that industry's share of GDP would have to double on average by 2020, rising to at least 50%.

The natural and climatic conditions in Georgia also present enormous opportunities for developing agriculture, supported by an agriculture development fund currently being set up by the new government with an annual budget of GEL 1 billion (about US\$604 million as at 14th January 2013). This could increase agriculture's share of GDP to around 30% by 2020, which would be 3.5 times what it is now.

Developing the real economy, passing new European-style labour legislation and a suitable social policy, taken together, will help to improve the quality of life of Georgia's citizens, which could lead to at least a 2.5 times reduction in poverty levels.

On the basis of World Bank figures on global economic development, by 2020 Georgia's economic situation will be better than the current situation in EU countries such as Bulgaria and Romania, but worse than that in Latvia and Lithuania.

Proposals and recommendations

A primary objective for the Georgian government is to sign an FTA with the EU as quickly as possible, in order to realise the full potential entailed in economic integration with the EU. To do this, the Georgian government needs to focus its economic policy on promoting production by implementing European models of anti-monopoly regulation, consumer rights protection and labour relations.

Negotiations on establishing a free trade regime with the US must be launched under the US Georgia Charter on Strategic Partnership. However, it is very important that the terms of an FTA with the US do not conflict with the terms of an FTA with the EU. This requires coordination between Brussels and Washington, with the active engagement of Tbilisi in the process.

The new Georgian government must not stand in the way of Georgian companies wanting to return to the Russian market. These companies must themselves present the Office of the Chief

Public Sanitary Inspector of Russia with all the necessary documentation confirming the quality of the products they manufacture, as well as evidence that these commodities are present in the markets of various countries of the world (the US, EU countries, China, Japan, etc.). If their products are once again banned from the Russian market, the Georgian government must defend these companies' interests under the WTO framework.

Implementing these recommendations will stimulate the expansion of Georgia's export potential, which is a priority for its socio-economic development.

Questions for discussion

The following questions can be singled out for discussion:

- How steady will the new Georgian government's focus be on developing the real sector of the economy by reaching an FTA with the EU? This is an important issue, given the system of dual power currently in place: accordingly, the local offices of the state administration are subordinate not to the government, but to President Saakashvili, who has officially declared that he is moving to the opposition.
- What positive impact can an FTA with the EU have on the Georgian economy if the eurozone crisis continues?
- How likely is an FTA with the US by 2020 and how might this affect the Georgian economy?
- How likely is the resumption of normal trading relations with Russia? Even if this issue is resolved, will these trading relations reach the level at which they were when suspended in 2006?
- How would opening the railway passing through Abkhazia and linking Georgia and Armenia with the southern regions of the Russian Federation affect the economy – both following the resumption of trading relations between Georgia and Russia and if the status quo is maintained?

