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## THE CAUCASUS & GLOBALIZATION

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FROM THE TRADITIONAL TO POSTINDUSTRIAL STATE: GEOPOLITICS AND SECURITY IN THE GLOBALIZATION ERA

Abstract

How do geopolitical factors affect the conceptualization of the security sphere and how does the level of such influence differ from one type of state to another? The author holds that the development trend toward postindustrialism weakens the effect of geography-related factors on security. At the same time, a question is raised of how sustainable this trend is; an attempt is also made to retrace factors contributing to the restoration of dominant influence of geopolitics in the way security is perceived in the states of the globalizing world.

Introduction

Today, the international political system as a whole and the state as its component are living through changes that are normally comprehended in the context of globalization. These transformations have inevitably affected the concepts of security that are gaining ground in various societies, and the extent to which security is influenced by geopolitical factors. In classical interpretation, security and geopolitics are intertwined so closely that it is sometimes hard to distinguish between them. In the absence of globalization, the problem of delimiting these two concepts would have been less important. In the new type of postindustrial states, security and geopolitical factors are interconnected in a different way from in the traditional states. This developed against the background of traditional ideas about the state.
At first glance, this discrepancy presupposes that the geography-related factors have become less important with respect to security perception in postindustrial societies. Is this really a sustainable and irreversible process? What can revive the classical ideas about the security-geopolitics tandem in the postindustrial world? These and other issues related to the development specifics of the security sphere (which is living through a period of globalizing transformations in the international system) in different types of states are the key realia discussed in this article.

**Geography and Security**

Anyone analyzing the role of geography in state security inevitably comes to grips with the question posed by the historical evolution of each state, as well as the ideas about security. We all know that the social and political systems of states progressed from the preindustrial to the postindustrial stage together with readjusted ideas about the threats and the role of geography. Under Louis XIV, the French ideas about security differed greatly from what this nation thinks about its security today. This observation is not limited to the relatively secure modern European states.

In fact, it was not so much their geography that changed as the political component of their relations with the neighboring states. There is any number of theoretical explanations of this. Some academics point to intensified and qualitatively different trade and economic contacts, as well as to interstate relations and so-called complex interdependence. Others point to the emerging intersocial contacts of trust, mutual respect, unity, and the “community feeling” based on the internal sociopolitical, institutional, and socioaxiological development of states. From the empirical point of view, this relates to the states/regions normally described as Western or, to be more exact, to those that belong to the Western civilization. Today, Western Europe and North America are the most graphic examples of the already developed regional interstate constellations. On the whole, however, the states found in less successful regions (South Asia, the Middle East, and Central Eurasia) also have their share of changed perceptions of security, albeit of a less radical nature.

The impact of geography on the securitization process and the relevant behavior of the states are best illustrated by N. Spykman’s famous formula “geography is the most fundamental factor in foreign policy because it is the most permanent.” The relative stability of the states’ geographical context imposes more or less immutable ideas on society about its vulnerabilities and threats, as well as about the mechanisms it should use to prevent the threats or at least reduce the risks. We tend to agree with one of the theses on which the classical geopolitical doctrine rests about the different political lines of island (maritime) and continental (land) powers, which also betrayed themselves in their rivalry. This is graphically demonstrated by the traditional stakes they placed either on navies (maritime powers) or on land forces (continental powers).

**Security for the Traditional State**

The traditional states are affected to the greatest degree by their geographical context, which determines the stable perception of security, and corresponding securitization of threats and vulner-

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4 H. Mackinder goes even further by ascribing inborn political regimes to the two types of powers.
5 The phenomenon of securitization in its original form as the process through which society/state comprehends certain phenomena as existential threats to their security was developed in the works of the Copenhagen School (for more
abilities, i.e. geosecuritization. This means, in theory, that any state that moves away from traditional sociopolitical and economic organization undermines its geosecuritization.

As a whole, to better comprehend the development of the state from the traditional to postindustrial stages, as well as the changes in its perception of security, we should turn to the typology used by B. Buzan and O. Weaver based on the identification of three types (development levels) of states: premodern, modern, and postmodern.6

The state structures of the premodern states are fairly amorphous with respect to the range of the subjects they control, which means that there is not enough centralization and sustainable perceptions of national security (including those related to geography). In the premodern state, the ideas about threats differ from one domestic group to another for the simple reason that they do not originate outside the state, but are generated by rivaling subnational groups.

The modern and postmodern states, on the other hand, have physically, institutionally, and ideologically strong state structures, which means that they are centralized enough and are fairly consistent when it comes to assessing national security threats. The impact of geographic factors, or rather the perception of geography-related threats and vulnerabilities, differs from country to country.

This means that the modern state is much more inclined toward geosecuritization, which is explained not only by the specifics described above: indispensable development priorities, such as sovereignty, independence, territorial integrity, and self-sufficiency. It should be said that the regions with modern states normally consist of modern states, which means that all of them, or at least most regional states, share development priorities and strive to achieve similar goals. Theoretically this can create the following situation:

1. To strengthen their independence, sovereignty, and territorial integrity, these states will build up their might (in the military-technical sphere, as well as in other spheres), which will develop or intensify the security dilemma in their relations. Placing stakes on the continued closed nature of their societies (in an effort to isolate them from the outside world or, rather, from one another) will contribute to the general atmosphere of mistrust and mutual threats and exacerbate the security dilemma.

2. Placing stakes on the mercantile strategy of economic security will undermine economic dependence among the regional states. This will prevent the emergence of the “complex interdependence” mechanism, which, according to R.O. Keohane and J. Nye, reduces the threat of war.7

3. The policy of strengthening national identity, ethnic and cultural isolation, and limited ethnocultural mobility in the ethnically and/or religiously heterogeneous regions will increase the conflict potential both inside the states and in their relations with one another.

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6 B. Buzan and O. Weaver distinguish three types of sociopolitical development of contemporary states: premodern states (with a very low level of inner sociopolitical cohesion and state organization, weak governmental control over territory and population); modern states (with strong governmental control of society, limited openness, sanctity of sovereignty and independence complete with their attributes—including territory and borders, placing stakes on self-sufficiency, self-assistance, and national identity), and postmodern states (a moderate attitude toward sovereignty, independence, and national identity, economic, political and cultural openness when dealing with the outside world) (for more detail, see: B. Buzan, O. Weaver, op. cit., pp. 23-24).

This creates a more or less clear picture: the modern states have to accept the lot of living in the Waltzian World, the world of wars, balance of power, and self-help, in which external (military) threats dominate on the national security agenda. This makes the closest neighbors, the size of one’s own territory which permits adequate defense, natural obstacles which might prevent an aggressive war on one’s own territory, an outlet to the sea, and many other geographic factors critically important.

**Geopolitical Security Factors for the Postindustrial States**

The world of the postindustrial or postmodern states reveals or, at least, presupposes a cardinaly different picture. Any researcher will probably find it much more difficult to support his theoretical constructs with empirical data: as distinct from the preindustrial and industrial stages, this stage is far from being completed. It was relatively recently that the world crossed the threshold of the postindustrial stage, which means that an assessment of the impact of the geography-related factors on the security perceptions in the postindustrial state and the specific features that place them apart from the two other types will necessarily be more speculative.

On the whole, the movement toward postindustrialism was accompanied by a gradual movement away from the traditional national security paradigms, as well as the de-securitization of certain threats and vulnerabilities from which these paradigms had emerged in the first place. Significantly, it was the military threat (the main one within the traditional approaches to security) or the war aggression that was mainly affected by de-securitization, while the economic, ecological, and sociocultural threats gradually moved to the fore. Naturally enough, this also affected the perception of the vulnerabilities. Threats and vulnerabilities are not merely interconnected, they form the key parameters of the assessment of the national security state.

We all know that any threat is really dangerous under conditions of certain weaknesses or inadequate development of one of the security sectors, which creates vulnerabilities the perception of which is as stimulating as the perception of threats. The modern, or industrial, state that operates using traditional approaches finds it natural and logical to remove or decrease military threats. This means that is should also work toward decreasing its vulnerability in the face of external aggression. K. Holsti describes vulnerability within the traditional approach as “potential avenues for military invasion.” From this it follows that vulnerability in the face of military threats is largely geography-related vulnerability, while the state’s efforts to reduce such threats primarily stem from the conceptualization of geography.

The postindustrial states that shift the accent from the traditional military aspects of security to the economic, ecological, and social sectors are shifting their attention from the factors (geographic factors included) that determine security in the military sphere to the sectors that look more security-related at any given moment. For example, 100 or even 50 years ago, Switzerland looked differently than it does today (when it joined the postindustrial epoch) at its stronger neighbors (where the classical parameters—territory, population, resources, industrial potential, etc.—are concerned) and the natural obstacles (the mountains that made military aggression less possible).

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Development and qualitative changes in the postindustrial states’ economic and political regime played a central role in de-securitization of the military security sector. Postindustrialism, together with other economic dimensions, made the key sources of the states’ material prosperity transnational and de-territorial. The same happened to the postindustrial states’ political regimes: functional democracy developed into the political regime paradigm.

By developing the commonly accepted thesis about the “peaceful nature of democracies,” Max Singer and Aaron Wildavsky offered an interesting explanation of the fact that the postindustrial democracies are less inclined toward aggressive wars than the traditional industrial states: “High-quality economies also tend toward peace because they greatly reduce the importance of some of the things that people used to fight about. Modern mass wealth does not come from physical resources, which can be taken from others and must be defended; it comes primarily from people’s productive behavior, from a society and culture that encourages productive relationships. Countries become rich essentially by learning how to develop attitudes and relationships that enable people to work productively…. One implication is pervasive: it does not make sense to sacrifice people to get territory or raw materials because people are more valuable.” This means that countries which seek continued prosperity of their societies (this happens under conditions of functional democracy) that are not territorially generated and therefore should not be protected against encroachments and the military-strategic vulnerability of which should be reduced are less exposed to geographic factors and their impact on the national security agenda.

Energy Security as the New “Link” between Geopolitics and Security

It would be too hasty to believe that geopolitics (geography interpreted in political terms) no longer affects the current security ideas in the postindustrial states. Its impact, however, on this process has lost some of its former urgency.

At the same time, geography remains more or less topical in the postindustrial states—it has not been removed from the political and security agenda altogether. In the short-term perspective, energy or, rather, access to its sources (particularly gas and oil) will remain the link between geography and security. This is true not only of the postindustrial states. Energy as a whole is coming to the fore as a security and geopolitical factor. The states with traditional societies are much less exposed to the energy-related content of geopolitics and security in the sociopolitical plane than the postindustrial states. We all know that the largest share of energy resources is found in states that have not yet reached the postindustrial stage, which means that until the postindustrial states create...

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11 The explanations the authors supplied to clarify the thesis include other points related to the specifics of sociopolitical development and the attributes of the political regime. They have identified four reasons why democracies tend to avoid war with each other: 1. “In democracies, major national decisions reflect the feelings of the people, and most people are reluctant to go to war….” 2. “…the political behavior and attitudes needed to succeed in democracies tend to produce leaders whose strengths are in the use of political methods and whose experience leads them to search out nonviolent methods of solving conflicts;” 3. “…it is hard for democracies to make minorities do what they oppose. The democratic system requires a high degree of unanimity for decisions that affect the whole population, such as decisions to go to war;” 4. “…because strong emotions are necessary to generate enough unanimity to authorize a war, democratic publics normally will only support wars against countries that they see as different and desplicable…” (M. Singer, A. Wildavsky, “Why the Great Democracies Will Stay Democratic,” Democracy in the 1990s. A Special Issue of Global Issues in Transition, No. 6, January 1994, p. 28).

profitable alternative energy sources, as M. Singer and A. Wildavsky noted, they will inevitably remain involved in the struggle for the traditional energy sources and the geographic territories on which they are found.

It goes without saying that the de-territorial nature of the main sources of the national wealth of postindustrial societies has made them less sensitive to geographic issues than the industrial countries. In real life, however, this is possible only if they enjoy constant access to the key resources not found in the postindustrial world. So far, energy can still be described as one of the key “physical resources” and one of the sources on which the wealth of the postindustrial states depends. This dependence will increase in parallel to the depletion of nonrenewable resources. Energy has obviously preserved its traditional territorial-geographic nature, which means that to maintain continued access to this critically important resource, the postindustrial states should demonstrate not only inordinate foreign economic, but also geopolitical activity; they should strive for sustainable political control over the corresponding geopolitical expanses.

In postindustrial societies, securitization of the energy sphere leads to re-securitization of the geographic factors, and, hence, further depletion of the world energy resources would favor the enhancement of the significance of the traditional geopolitical components in the security agenda of the postindustrial states. It is probable that these processes may be accompanied by re-securitization of military threats and vulnerabilities, if not in their classical, then, at least, in a more moderate form “diluted” by antiterrorist rhetoric. Are all postindustrial societies prepared to revive the logic of political realism with its military-determined security model? Rather “No” than “Yes.”

Of all these societies, the United States is the only country that has demonstrated its ability to mobilize society in an active military strategy; its success, however, is accompanied by scores of problems, including the strengthening of antwar rallies, economic slump, complicated political relations between Congress and the executive branch, etc. In all other postindustrial states, de-securitization of the military sector proved to be so deep-seated\(^{13}\) that it became hardly possible to involve these states in any energy-related geopolitical confrontation without causing serious internal sociopolitical crises.

Nevertheless, the international practice of the globalizing world, however, testifies that such definitions as “energy geopolitics” and “energy conflicts” are acquiring urgency. Today, there is any number of cases of states using their geopolitical advantages to realize their energy security interests (the United States in the Middle East) or of energy-related advantages being used to protect geopolitical interests (Russia in the post-Soviet expanse). This behavior will inevitably produce adequate responses from other states. This, in the final analysis, will restore the vicious circle of the security dilemma, about which K. Waltz wrote at one time\(^{14}\) and from which the states with developing postindustrial societies began to distance themselves.

### Conclusion

So far the international system is still preserving its diversity, even though there is an obvious trend toward the development of “unified globalization standards.” Rather, this is the only historical stage at which the industrial, preindustrial, and postindustrial states co-exist. At the same time, the states’ historical movement toward postindustrialism is accompanied by noticeable shifts in the security sphere, the most significant of them being associated with re-consideration of traditionally dominant geopolitical factors of security.

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\(^{13}\) This is testified in particular in the extent to which the EU countries were involved in joint military operations in the Balkans and the Middle East.

The early postindustrial development stages demonstrated a trend toward de-securitization of the geography-related factors along with appreciable easing of military threats and vulnerabilities. Today this still remains to be one of the key features of the security sphere of the postindustrial states, which distinguishes them from the traditional states. It would be appropriate to speak of sustainability of this tendency, if not a few “but’s”—irreversibly reducing energy resources of the planet, rise in consumption and related impetuous and universal securitization of energy problems. The postindustrial states have not yet learned to substitute oil and gas reserves, the basic element of the contemporary energy sphere. They remain territorially-conditioned, which adds a geopolitical dimension to the rivalry over access to them. This, in turn, makes it possible to newly comprehend interrelation between security and geopolitics in the world moving toward globalization.

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IS GEORGIA FOLLOWING INTERNATIONAL EXPERIENCE OF NATIONAL RECONCILIATION BY REJECTING THE RETRIBUTIVE MODEL?

Abstract

Reconciliation is a mechanism of conflict settlement and normalization of relations between former opponents. This process facilitates a return to the pre-conflict situation, which explains why I have undertaken to discuss national reconciliation within the John Lederach transformation model, according to which national reconciliation is intended to transform negative relations into positive or, at least, till the soil for such transformation. Here I will discuss reconciliation as a process through which mechanical harmony is transformed into organic. This is a process in which the vertical relations between the conflicting sides become horizontal and the success of which is indicated by the changes in the sides’ behavior, actions and, generally speaking, relations.

Introduction

The observers were in two minds about the decision of the new Georgian leaders, brought to power by the Rose Revolution, to resume investigations of the circumstances in which Zviad Gamsakhurdia, the first President of independent Georgia, lost his life. Back in June 2004, this was a natural
response: the tragic and enigmatic death of Georgia’s first president1 could not be separated from the events of 1991-1992, an acute civil confrontation between those who sided with the deposed president and the Cabinet that came to power through a military coup and, after March 1992, was headed by former Soviet Foreign Minister Eduard Shevardnadze.

Doubts about several important things persist: was the investigation objective enough; to what extent were those who figured in the case willing to cooperate with the prosecution; will the results and details be published; will all those guilty be punished; is it possible to identify all those guilty of Gamsakhurdia’s death, as well as those who killed him, organized this murder, and paid for it, etc.

The last of the above questions is the key one. Indeed, are the country’s new rulers ready to punish those members of the deposed government who were involved in Zviad Gamsakhurdia’s death and are guilty of the offences that took place during the 1992-1994 investigation?2 The new people in power are still in doubt: they are still not sure whether they want to know the truth, or to punish the offenders for their crimes, or, probably, both.

A closer look at what is going on in this sphere reveals that this is not a particular case of the administration of justice—this is a much more complicated many-sided problem of defusing a domestic conflict and searching for the roads leading to national reconciliation. The efforts to settle any type of conflict mean that justice should be restored, while the flawed “victors and losers” psychology formed during the course of the conflict and under its impact uprooted. A democratic government finds it hard to avoid the inner contradictions inevitably present in the process: on the one hand, justice means that any crime should be punished; on the other, the truth should be established.3 These two seemingly inseparable components can and should be separated in practice.

The process can take the road of retribution for past offences or the road leading to the truth. This means that there are two most radical models of restoration of justice: “retributive,” which concentrates on administering justice and the conception of national reconciliation, and “restitutive,” which seeks the truth as the basis for compensating those who suffered as the result of a crime.

This is the central issue, which no state seeking to restore justice can avoid. Samuel Huntington has termed it “the hangman problem.” After returning to democratic development, every government has an alternative: either punishment or forgiveness. Indeed, should members of the previous power structures guilty of crimes be brought to court and punished or should their offences simply be forgotten?4

The road of national reconciliation that Georgia has chosen for itself is not unique; it has been covered by many countries that have found the answer to the above dilemma. For this reason, an overview of the theoretical and methodological issues and practice of the national reconciliation policy are appropriate here.

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1 According to an official statement of 1994, Zviad Gamsakhurdia committed suicide in December 1993 upon his return to Georgia. According to other sources, the circumstances were less straightforward than that.

2 The case against Zviad Gamsakhurdia was opened in January 1992; at first he was accused of abusing power and stealing state property; in 1993, he was also accused of unleashing a civil war, creating illegal armed units, and committing high treason. After his death, the case was suspended and then closed because of his death. The accusations of creating illegal armed units remained, which interfered with national harmony. A large number of his supporters were accused of belonging to the so-called bandit units and were punished. It was only after the Rose Revolution and Mikhail Saakashvili’s advent to power that in February 2004 the General Procurator’s Office opened another investigation of the case. It demonstrated that the accusations were unfounded; the first president of Georgia was posthumously acquitted.


National Reconciliation as a Means of National Harmony in the Post-Conflict and Polarized Society

Director of the conflict transformation program at the University of Eastern Minnesota John Paul Lederach, who spent over 15 years as member of peacekeeping missions all over the world (in Somalia, the Philippines, South African Republic, Colombia, Nicaragua, Northern Ireland, etc.), has made a very special contribution to the study of the national reconciliation issue. He was one of the first to draw attention to reconciliation as a special phenomenon.5

In his Journey Toward Reconciliation (1997), John Lederach was the first to describe reconciliation as restored relationships damaged by a conflict; he also identified four components (verity/truth, fairness/justice, forgiveness, and peace), which together create a social context conducive to reconciliation.

Those who talk about national reconciliation primarily have in mind a definite political course. By its nature, the national reconciliation policy belongs to the category of distributional law and is realized through a redistributinal political course. This means that a government guided by the principles of social justice revises the practice of support of oppressed social groups.

National reconciliation is needed to discontinue civil resistance; it is a process that helps reach national harmony. This means that a climate conducive to national reconciliation should be regarded as a starting point of the process of pushing old insults aside and changing the conflict-created context. The national harmony idea is closely associated with the elimination of ruptures. As distinct from the models of managing and resolving conflicts that work toward reducing the confrontation level, the transformation model is also intended to reach peace through restoring the pre-conflict relations between the sides. This means that national reconciliation is a process that not only embraces formal-institutional changes, but also alleviates extremely confrontational relations in society.7

The mechanisms for transforming negative relations into positive are as follows: telling the truth, healing, justice (fairness), and compensation. Today, the academic community is engaged in an active discussion of some of the relevant issues: does successful post-conflict rehabilitation require all these mechanisms or does their choice depend on specific contexts?

Some authors, Wendy Lambourne being one of them, are convinced that the choice of any specific mechanism is unimportant. The chosen mechanisms, they argue, should be adequate to the aim of reconciliation with the context, while the demands of the side that suffered in the conflict should be taken into account. They insist that specific national features (religious, cultural, and social milieu) should be taken into account when models for overcoming the legacy of the past are chosen.

John Lederach and other academics offer an absolutely different conception of building peace: they believe that it is equally important to tell the truth during post-conflict rehabilitation and to ensure justice (fairness), forgiveness, and peace. In their models, these categories are not alternatives,  


6 In the context of conflicts, the concepts “justice” and “fairness” are used interchangeably. The same applies to the present article (see: M. Maiese, “Principles of Justice and Fairness,” in: Beyond Intractability, ed. by G. Burgess and H. Burgess, Conflict Research Consortium, University of Colorado, Boulder, July 2003, available at [http://www.beyondintractability.org/essay/principles_of_justice/].

but parts of a single process in which none can be neglected lest the entire reconciliation process falls through. They are convinced that the commonly accepted opinion that there is a dichotomy between reconciliation and administration of justice (fairness) is false. The latter is a natural outcome of the response to past crimes and thinking along punishment/forgiveness lines. It should be said that works dealing with issues of peace-building tend to avoid Howard Zehr’s “extreme categories” of punishment/forgiveness. They support the model of justice that restores rather than destroys society, such as restoring/strengthening justice.8

The different approaches used in the reconciliation process have a common and most important element: the sides involved should change the way of thinking and abandon their ideas about the past and historical enemy.

Reconciliation can be regarded both as a process and a result, which means that reconciliation is an aim and a means. The Lederach model regards reconciliation as a process. I think that a gradual leveling out of the vertical (“victor/loser”) relations between the conflicting sides can be described as national reconciliation. This mechanism helps transform vertical relations into horizontal. From this it follows that reconciliation aims at overcoming John Galtung’s “direct violence” and restoring the social and economic justice violated during conflicts, or as their result.

The relations between reconciliation and democracy are very specific, since effective post-conflict democracy rests on a dual basis: reconciliation offers a foundation for democracy and creates a working atmosphere between the conflicting sides, which is absolutely necessary for success. At the same time, reconciliation needs democracy to bring fairness to the economy and redistribute political and social power.9

National reconciliation is frequently discussed together with such concepts as offering apologies, forgiveness, and harmony. Offering apologies and forgiveness should be seen as the first step toward overcoming confrontation through the national reconciliation process. The scholars working on the problem of reconciliation and harmony tend to blend them into the same category, which is hardly right.

Forgiveness, the foundation of national reconciliation, is often identified with oblivion. Sergey Kovalev, a prominent Russian human rights activist, has pointed out that we should admit that while certain people are capable of forgetting the crimes perpetrated against them, others drive the past from their minds under purposeful political pressure or repression.10 This means that forgiveness should not be interpreted as “wiping away the past,” so-called social amnesia. Memory of the past is important to prevent recurrences of the horrors of the civil war and confrontation. For example, in Spain, the memory of the 1936-1939 civil war played an important role when the country moved toward democracy. This means that there is no reason to identify forgiveness with erasing crimes and law violations from the memory during a civil confrontation.

The nature of the problem with which the national reconciliation policy should cope directly depends on those who carry it out: either the side that has nothing to do with political repressions or the side that was involved in them. In the former case, the new democratic government not associated with crimes of the past should answer the question of whether members of the previous regime guilty of human rights violations should be punished? The latter case poses the question of how the false accusations against political prisoners and political opponents kept in prisons as a result of the “administration of justice” by the “victors” can be revoked? In the former case, amnesty of the members of the previous regime is perceived as negative and is associated with impunity; in the latter, amnesty as the basic demand of the “defeated side” is seen as the first step toward rehabilitation of the repressed.

8 This is referring to the restored relations damaged because of the conflict and during it.
10 See: A. Neier, op. cit., p. 6.
This means that the side that won and the side that suffered defeat may become potential vehicles of the reconciliation policy together with the neutral side, which, while being neutral in the past confrontation, is influenced either by victors or losers. This reduces the possibility of achieving national harmony through the national reconciliation policy. The model in which neither the victors nor the losers, but the societies from both camps that survived the conflict have a role to play in the process offers the greatest potential for achieving genuine national harmony.

Reconciliation and Justice: Should it be Retributive or Restorative Fairness?

Justice and reconciliation play an important role in peace-building. According to Marcia Hartwell, there are traditional and relatively innovative approaches. Under the former view, justice/law is identified with fairness, while the latter regards justice/law as reconciliation.

Most of the conceptual constructs of post-conflict social rehabilitation (which reproduces, with certain deviations, John Lederach’s primary scheme) have decidedly distanced themselves from retributive justice and accepted the opposite restorative justice as the foundation for possible peaceful coexistence of previously conflicting sides.

When investigating the problem of identifying justice and reconciliation, Mahmud Mamdani offers a paradigm of social reconciliation based on restorative justice. This is a method that can reconcile two opposite and extreme practices: on the one hand, there is justice without reconciliation (a retributive model of national reconciliation, which tends toward punishment); on the other, reconciliation without justice (a restitutive model of national reconciliation, which stresses compensation of the victims of political violence as important based on revealing the truth about the past). Rwanda, East Timor, Sierra-Leone, Cambodia, and Yugoslavia are examples of the former; the Latin American countries, of the latter. Mamdani’s ideal model is social reconciliation based on justice/fairness understood as reconciliation.

Mamdani’s model of social reconciliation corresponds to the approach known as restorative justice, which is directly opposite to retributive and restitutive justice. His model brings us closer to a situation in which fairness can be achieved and, at the same time, is conducive to reconciliation. This means that the methodology used to achieve justice during the course of reconciliation is different from the conventional (legal) approach. In this way, both sides mutually complement each other and finally transform their negative relations into positive.

From the point of view of post-conflict transformation and peace-building, none of the types of justice studied by social sciences was as polemic as retributive justice. In this chapter, the far from unambiguous question of relations between reconciliation and justice is illustrated with the components of justice: retribution, on the one hand, and establishing the truth, on the other.

A cursory glance at international experience offers a conclusion: rejection of retributive justice in favor of restitutive justice based on establishing the truth is a general trend of the national reconciliation policy. The Latin American countries supplied the most outstanding examples of how to concentrate on finding the truth during a transfer from political tyranny to a democratic state ruled by law, where justice was restored by nearly complete rejection of retribution for the crimes of military dictatorships.

11 Greece in 1974-1976 under the Karamanlis Cabinet is the only country that succeeded in restoring justice through the retributive model.
The Latin American experience of national reconciliation pays less attention to legal responsibility for the crimes committed during and as a result of confrontation. According to the opinion generally accepted in the region, retributive justice is fraught with unpredictable negative repercussions and undermines the state’s stability. This explains why it was rejected. Argentina as a textbook example of an uncompleted process of justice restoration added to the general conviction. In this country, democratically elected President Raul Alfonsin, who undertook to administer retributive justice, had to cut short the process under the threat of a new military coup.

In 1983, President Alfonsin set up a commission headed by writer Ernesto Sabato to investigate the crimes of the preceding authoritarian regime. It registered 8,960 cases of the disappearance of people and acquired information about 365 secret detention places in which torture had been carried out. According to eyewitness accounts, it turned out that about 1,800 cases should be opened. The results published in the book entitled Nunca Mas (Never Again) laid the foundation for the legal prosecution of those who had violated the law. The Alfonsin government insisted on the promulgation of the laws that supplied the cases against human rights violators in the army and the police with a legal foundation. It was believed that nowhere in the world was the struggle for human rights as intensive as it was in Argentina. Sixteen officers (members of the ruling military junta among them) were brought to court. Ten were sentenced to various terms in prison for human rights violations, while General Videla was sent to prison for life.

Two thousand private criminal cases were also opened. The government divided the supposed offenders into three categories: those who gave orders to violate human rights, those who carried out the orders, and those who even went beyond the limits of what was ordered. This means that retributive justice was aimed at all those guilty of human rights violations, which contributed to the failure of the legal process.

When it came too close to intermediate and junior officers, the military community was stirred up and put up resistance. Over a span of seven years, the Alfonsin presidency survived three aborted coups carried out under the banner of amnesty for those who had violated human rights during the so-called dirty war. The public, on the other hand, was losing interest in the subject. Under the threat of another coup, the Alfonsin Cabinet had to abandon its attempts to administer justice. The law that established a limitation period for the crimes was followed by a law that released intermediate and junior officers from criminal responsibility. Finally, under President Carlos Menem, the military and members of the military junta convicted under the previous government were amnestied.

Assessing the results of legal prosecution in Argentina, Samuel Huntington has written that the attempts at administering justice in Argentina favored neither justice nor democracy. They merely created moral and political chaos. Even in 1990 they remained a factor of dissent in Argentine society.

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13 See: A. Neier, op. cit., p. 74.
14 This group included three generals—Jorge Rafael Videla, Roberto Eduardo Viola and Leopoldo Galtieri, who served consecutive presidential terms during the seven years of military rule.
15 Elected in October 1989, President Menem pardoned 60 guerrillas and all the military and policemen accused or potentially accused of human rights violations, with the exception of five imprisoned members of the junta. On 29 December, 1990, President Menem pardoned them, as well as Montenero, a guerilla leader and general extradited from the United States and detained for trial for committing 38 murders. General Carlos Guillermo Suárez Mason, who had power over the lives of the abducted people kept in detention centers, was also released from prison (see: S. Huntington, op. cit., p. 243).
16 See: S. Huntington, op. cit., p. 239.
What happened in Argentina echoed across Latin America: the idea appeared that the administration of retributive justice is unwise at best and dangerous at worst. The democratic leaders of South America resolutely rejected the idea of retributive justice.

This approach developed into impunity for those in the repressive structures who had engaged in torture and committed murders. Restored fairness was limited to enumerations of instances of violence and other forms of human rights violations. National reconciliation in Latin America followed restitutive justice: truth and reconciliation commissions were set up that sought the truth and completely ignored retribution of the crimes they investigated. It was decided from the very beginning that those guilty of these crimes would not be prosecuted. The commission set up by Patricio Aylwin in Chile in 1990 announced that it would limit itself to “disclosing the crimes.” The commission’s report never mentioned the problem of bringing to justice those guilty of the crimes it investigated; nothing was done to establish the guilt of specific people; in fact, in most cases they were exempt from prosecution. The commission refused to publish the names under the pretext that this would violate the rights of the guilty. In this way, establishment of truth rather than personal responsibility was treated as a priority.

The Chilean commission was in fact guided by the idea of prominent Chilean lawyer and human rights activist José Zalaquett offered at the November 1988 conference on the problem of establishing responsibility for state-committed crimes, who insisted that the policy in relation to human rights violations committed in the past should pursue a dual aim: to prevent their recurrence and do everything to remedy the harm. In the light of modern moral values, Zalaquett rejected other aims, such as vengeance and retribution.

Other Latin American countries followed suit. Any commission, each of which was normally called the Truth and Reconciliation Commission, was set up to investigate crimes and offences of the past. The damage inflicted on the victims of crimes of the past was repaired by revealing the crimes and publishing the truth, rather than instituting criminal prosecution against the offenders and punishment according to the principle of the penalty befitting the crimes. These activities are intended to reveal the facts in order to console the victims and their families, expose and hold the hangmen up to shame, and teach the public to prevent such crimes in the future. Neier believes that when informed about what happened, the nation is given the chance to honestly discuss how and why such awful crimes took place at all. The commissions were set up to heal the society and prevent similar horrors. Nunca Mas, the title of the report supplied by Ernesto Sabato’s commission, has put in a nutshell the message and aims of such commissions.

Samuel Huntington has pointed out that in the final analysis, the politics of the third wave countries disrupted the attempts to prosecute and punish authoritarian criminals. In many of these countries, several people were promptly brought to court. In nearly all of them, there was no intention of instituting effective prosecution in courts or meting out punishment. Latin America answered the question raised by President of Uruguay Sanguinetti: What is more important—to strengthen peace in the country, which guarantees human rights, or to seek fairness after fact, which might endanger peace? by abandoning punishment and retribution and by amnestying the criminals.

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17 See: A. Neier, op. cit., p. 78.
18 For the sake of comparison it should be said that the Ernesto Sabato commission published all the names.
19 It is for this reason that this model of national reconciliation is called restitutive.
20 To a great extent, the negative treatment of punishment takes into account the Argentine experience. An opinion commonly accepted by the philosophy of law that says that the idea of punishment based on retribution is condemned plays no important role. Negative treatment of the idea of punishment (the aim of which is to prevent more damage from the same criminal or to keep others from committing similar crimes, which corresponds to the contemporary idea of “incapacitation”), is discussed in the works by Cesare Baccarini and H.L.A. Hart.
21 See: A. Neier, op. cit., p. 78.
The decision to reject the administration of retributive justice in Latin American countries is largely prompted by the fear of military coups. Former leaders of the military juntas that remained in control of the army could use this resource to move against the democratic leaders, which, in the final analysis, would have undermined the democratization process.

President of Uruguay Julio Sanguinetti was convinced that stability was more important than justice: If punishment creates worse social effects than impunity, the harshness of legal punishment should be alleviated. He argued that voluntary rejection of punishment is a method of administering justice.

It should be said that the Latin American approach to administering justice has not destroyed the problem of restored fairness. Today, it remains a topic of heated discussions as a factor that splits society into two camps—those who favor legal prosecution of the criminals of the military dictatorship period and those who disagree with it. Chile is one of the best examples. The problem of whether Augusto Pinochet, responsible for numerous human rights violations between 1973 and 1990, should have been brought to court or not still stirs up mixed feelings inside the country and remains a dividing factor. We can say that the refusal to administer retributive justice in Latin American countries ignored the overall public demand to punish those guilty of human rights violations.

The Latin American experience convinced the public that very often the administration of justice is very hard to achieve, especially in divided states with an inadequate democratic political culture in which such attempts threaten the country’s peaceful future. According to Neier, the attempts to raise the question of the crimes the conflicting sides committed during the civil war would have immediately resumed it. The Latin American experience has testified that the truth without retribution of crimes, with sharp criticism of the fact of the crime, is an outcome of this situation. The latter serves as a warning against repeating the mistakes of the past. The search for the truth serves as the starting point for administering so-called restitutive justice and paying compensation to the victims of the crimes of the past.

The South African Republic

The South African Republic under Nelson Mandela provided an example of how to deal with the problem of partial administration of justice and overcoming the contradictions between retributive and restitutive justice. The reconciliation process went on under the slogan “amnesty instead of the truth.” Nelson Mandela never tired of repeating that his conception of reconciliation did not envisage legal prosecution; yet it did not exempt the guilty from responsibility, as was the case in Latin America. Amnesty was granted to those who voluntarily admitted their crimes and demonstrated penitence.

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24 See: Ibid., p. 142.
25 What Pinochet and the leaders of the top brass in Chile had to say on this score are the best illustration of this idea: “The day when any of my people is affected will spell the end of law and justice in the state” or “If they try to put us in the pillory as this happened in Argentina this will incur the gravest of repercussions” (see: S. Huntington, op. cit., p. 235).
27 Under the decision the Santiago court of appeal passed in June 2005, Augusto Pinochet could be brought to court not for the repressions and murders, but for financial machinations. The former Chilean dictator was deprived of jurisdictional immunity in connection with the investigation of tax offences. In relation to the crimes against humanity, the same court passed a decision to discontinue the process against Pinochet in connection with the crimes committed within the lamentable Operation Condor. The trial against the 89-year-old general connected with it was discontinued for health reasons. In the 1970s-1980s, the military regimes of Argentina, Brazil, Paraguay, Uruguay, and Chile carried out this operation to exterminate their opponents (see: PDA-lenta novostey site Izvestia.Ru, available at [http://pda.izv.info/world/news96075], 8 June, 2005).
28 See: A. Neier, op. cit., p. 82.
The truth and reconciliation commission freed from criminal prosecution those who gave honest and detailed descriptions of the crimes in which they had been involved. Amnesty was the means of finding the truth and identifying verity. The commission members argued that those who had information about the crimes of the past would never supply complete and exhaustive information without the guarantee they would be exempt from criminal prosecution.

The process of restoring fairness was not limited to identification of the truth—it also aimed at partial punishment. We should say that the administration of retributive justice in South Africa followed an indirect source. Amnesty was individual; hearings were public. The crimes were made public; society held the criminals up to shame. Aryeh Neier has described it as follows: Identifying the guilty and revealing everything they did means holding them up to shame and is punishment in itself; identifying the victims and restoring the memory of tortures and murders means to recognize their honor and dignity.

**Spain**

Anyone wishing to analyze the methods tested when restoring justice in different countries should take into account the Spanish experience. In Spain, justice violated by the civil war of 1936-1939 was restored forty years later during the democratic transformations.\(^{29}\) Like the Latin American countries, Spain rejected the retributive model, but for different reasons.

I have written above that Latin America abandoned the administration of justice for the sake of stability under direct pressure from the military and the forces responsible for human rights violations and, most important, while completely ignoring the nation’s demand to punish the guilty. In Spain, the side that lost the war and was repressed by the Franco regime rejected the retributive model. To prevent bloodshed, the victims of repression dropped the idea of revenge and settling scores. There was no anti-Franco hysteria against those who carried out the repressions. Informers were not prosecuted; those who supported the dictatorship were not branded as “enemies of the nation,” they were even allowed to legally promote their ideas.\(^{30}\)

In this way, in the course of achieving national harmony, Spain restored justice on a voluntary, rather than imposed, rejection of the retributive model. The fact that the nation overcame the confrontational political culture and gradually arrived at a culture of harmony played an important role in these developments. Institutionally, this transformation was brought about by the non-totalitarian nature of Franco’s regime and the process of gradual liberalization started in the 1950s. When the country started its transit to democracy, these two factors brought the sides in the past military confrontation closer. There is the opinion, however, that certain non-institutional factors played an important role in the transition from the confrontational political culture to the culture of harmony.

Indeed, the fear of repetition of the civil war horrors that scarred the nation’s psychology was one such factor. When looking into the problem, Paloma Aguilar divided the collective memory of the Spanish about the civil war into several components: conviction that everyone involved was...

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\(^{29}\) In the country divided into the “victors” and “losers,” in which the ideas of revanchism were dominant, under Franco, the idea of national reconciliation was identified, with good reason, with the betrayal of the ideals of freedom and reconciliation with the regime brought to power after the civil war. Symbolic events, such as burial of victims of the civil war side by side, etc. were obviously not enough to overcome the clearly vertical relations created by the civil war of 1936-1939 and based on unilateral advantages for the victors. Despite the slogan “there are neither victors nor losers,” the government did nothing to achieve reconciliation. General Franco was against any real steps toward rehabilitating the “losers.” This was sham reconciliation; the agreement reached under Franco is often described as a “quasi-consensus.”

\(^{30}\) In Spain, national reconciliation was undertaken after an actual voluntary transformation of the regime. We can even say that this was not so much reconciliation as capitulation of the old Franco Spain.
equally responsible, determination to avert a repetition and the firm conviction that it would not happen, and a national agreement that the road toward democracy and general harmony should be a peaceful one.31

Time was also instrumental in the gradual emergence of the culture of agreement. The forty years that separated the civil war from the moment of genuine reconciliation achieved during the course of the democratic changes were used to revise and reassess the past tragedy. The nation, which had buried the past, was resolved not to seek and prosecute those guilty of the past crimes. Spanish society turned this page of its history and never revived any discussion about it. The sides cooperated outside the historical context of the 1936-1939 events.

Franco’s death ended the tragic period of Spanish history; the relations between the opposing sides noticeably improved; a semblance of cooperation became possible; the democratic changes helped the opponents to forget the old grudges and to concentrate on mutually acceptable solutions.

In Spain, society wholeheartedly supported the rejection of the retributive justice model: the civil war had exhausted the nation.

The Latin American experience demonstrated that administration of justice that combined two functions—retribution and establishing the truth—was realized separately in the form of partial administration of justice. It was based on finding the truth and completely ignored the second function, that is, retribution. In legal terms, this meant harboring criminals; no matter how wise this may have been from the political point of view, it insulted those who expected a fair approach. On the other hand, the administration of retributive justice, ideal from the legal viewpoint, cannot be realized in real political conditions. The failure of the attempts to carry out criminal prosecution in Argentina is the most convincing proof of this.32

To sum up. On the one hand, the national reconciliation policy calls for justice and establishment of the truth, which in real life turns out to be harboring criminals and amnestying those involved in the past crimes. On the other hand, it can be described as administration of retributive justice through criminal prosecution. The Republic of South Africa remains the only example of a successful combination of the two opposite models of justice administration in the course of national reconciliation.

Georgia

The Georgian model of national reconciliation places the country in the category of states in which the “victorious” side long pursued a national reconciliation policy; after the Rose Revolution, this function went to the neutral side not involved in the conflict.

This means that the national reconciliation efforts in Georgia passed through three stages: two of them coincided with the presidentship of Eduard Shevardnadze. The first of them, an analogue of the quasi-consensus of Franco’s Spain, was replaced by the unfinished process of post-conflict rehabilitation, which was easily completed with Mikhail Saakashvili’s advent to power. The new rulers, however, had their own dilemma to deal with: should criminal cases be opened against those who were involved in the political repressions against the Zviadists under Shevardnadze? Georgia’s case has confirmed Samuel Huntington’s hypothesis that any new democratic power faces the dilemma of whether to punish or not to punish the members of the preceding regime guilty of human rights violations. Georgia is no exception: it had already rejected the retributive justice model.

To answer all possible questions, let us look at the national reconciliation policy realized under Eduard Shevardnadze and then discuss the arguments the present Georgian rulers invoked to reject retributive justice.

A Brief Description of Georgia’s National Reconciliation Experience

As distinct from the Latin American countries where the people brought to power through democratic procedures and not responsible for the crimes of the military dictatorships restored justice, in Georgia, the “oppressors” themselves were involved for many years in restoring justice. This factor played an extremely negative role in the national reconciliation policy, because the idea as such, under these conditions, is interpreted in the interests of the “victors.”

The civil confrontation of the early 1990s in Georgia is conventionally divided into two periods. During the first period, the military confrontation in Tbilisi of December 1991-January 1992 removed Zviad Gamsakhurdia, the legally elected president, from power. The second period was full of the armed clashes between the two opposing camps that took place in 1992 and 1993. The side that won the civil war had to overcome the stubborn resistance of those who supported the president deposed by the military coup. The events of 1991-1992 triggered confrontation between the supporters and opponents of the Gamsakhurdia government and turned the Zviadists into political outcasts.

There are many reasons to describe the military confrontation in which Shevardnadze’s supporters defeated the Zviadists and everything that took place in Georgia in the 1990s as a zero sum conflict: it merely created the “victors/losers” psychology. The sides involved in the past in the military confrontation turned out to be involved in relations with a so-called unequal status, the losers being acutely aware of injustice.

The “victors” not only refused to reject repression against the supporters of Zviad Gamsakhurdia—they transformed the armed opposition into a latent conflict; criminal prosecution of the opponents was instituted against the background of talk about national reconciliation.

Repressions of the “losers” took the form of criminal prosecution of members of Gamsakhurdia’s structures and his supporters. The very fact of involvement in the confrontation of the early 1990s, irrespective of the gravity of the crimes committed by the supporters of the first president of Georgia, incurred harsh criminal prosecutions. The repressive machine of the “victors” favored legal, rather than illegal, forms and methods of struggle. The political struggle against the political enemies took the form of criminal prosecution that lasted from 1992 to 2000 with various intensity.

The Latin American methods of struggle against political opponents were unknown in Georgia: people did not disappear en masse for political reasons. This side of the question, however, has not been investigated in detail.

While the “victors/losers” psychology, the result of acute civil confrontation, remained dominant, the national reconciliation policy announced by the Shevardnadze government did nothing to change anything in the opposing sides’ relationships. The random pardons were interpreted as confirmation of the victors’ triumph.

For a long time, until 2000, the Shevardnadze government refused to admit that criminal prosecution of the Zviadists was politically motivated; in fact, the authorities flatly denied that there were

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33 There is a more or less general agreement to use the term “civil war” to describe the events of the early 1990s. In fact, according to most parameters, they should be described as a civil confrontation.


35 Eduard Shevardnadze and his government launched their policy as soon as he returned to Georgia in August 1992.
political prisoners in Georgia. Those who the Memorial Human Rights Center and other human rights organizations described as political prisoners were punished and kept in prisons as common criminals. This was interpreted as continued civil opposition.

The national reconciliation policy of 1992-2000 offers a conclusion that the Georgian interpretation was incomplete: the victors were seeking unilateral advantages that had nothing in common with genuine reconciliation. At that time, any decision made within the framework of this policy (the 1992 Manifesto, the release of the Zviadists, the repeated attempts to set up the Darbazi (Council) of National Harmony and commissions to investigate the 1991-1992 events, etc.) was tarnished by the victors/losers psychology. All documents of the time favored the victors. It was obvious that the authorities were trying to shift the entire blame onto the Zviadists; the country’s rulers were driven by short-term considerations aimed at defusing the threat of escalation coming from the Zviadists.

At that time, the authorities wanted nothing but to fortify their position and protect their gains. In 1992-2000, they refused to carry out a sweeping amnesty in order not to bury the “victors/losers” complex. In fact, at that time reconciliation proved unattainable—at best the nation could reach a quasi-consensus.

Under pressure from the international community, on the one hand, and the Zviadists, on the other, the national reconciliation process was restored to its true meaning, while post-conflict rehabilitation of those who had supported Zviad Gamsakhurdia became real. The years 1998-2000 can be described as transitional: on 20 April, 2000, the parliament passed a decision that marked the first steps toward real post-conflict rehabilitation of the Zviadists.

The “unfair” treatment of the Zviadists invited numerous statements coming from international human rights organizations. The international community called on Georgia to promptly revise the cases and carry out a widespread amnesty campaign with respect to those who had been involved in the civil confrontation and armed conflict irrespective of the political circumstances and incriminated crimes. In April 1998, the U.N. Human Rights Committee issued a document that obliged the Georgian authorities to revise the files of the political prisoners. At the same time, in view of Georgia’s obligations as a Council of Europe member and the international recommendations, the country’s leaders assumed the responsibility of revising the criminal cases relating to the 1991-1992 events within two years; they pledged to make the process as transparent as possible. Despite the national reconciliation policy that the Georgian government announced in 1992, the criminal prosecution of political opponents was widely practiced until the parliamentary decision of April 2000. The international community insisted that this practice should be discontinued.

The “losers,” in turn, persisted in their efforts to force the authorities to announce an amnesty: the Zviadists were involved in a long chain of actions, such as hunger strikes and other no less radical measures, including the use of force, to attract international attention to the problem of the 1991-1992 confrontation and criminal prosecution for political reasons. This and international pressure forced the Georgian leaders to retreat and release the political prisoners.

The Zviadists tried to interfere with the official policy of dismissing the problem of criminal prosecutions for political reasons and political prisoners as nonexistent. Rallies, which were never as large as in Spain, proved to be the most effective tool. They brought together the losers and their supporters who demanded that the repressions be stopped and a sweeping political amnesty launched.

In 1998-2000, the Zviadists finally achieved their aims. Political prisoners were gradually released and the national reconciliation issue appeared on the agenda. The Shevardnadze government
entered into negotiations with its opponents on releasing the political prisoners. The parliamentary
decision of 20 April, 2000 was a direct result of the talks.

The document supplied a political assessment of the 1991-1992 events and condemned “the
attempts to resolve political problems by force, as well as the efforts to overthrow legitimate power.”
This was an indirect confirmation that criminal prosecutions were used for political reasons and an
equally important admission that there were political prisoners in Georgia. The General Procurator’s
Office was instructed to revise and settle the “problem of prosecution of all those subject to criminal
prosecution and all those in Georgia and outside it against whom criminal cases were instituted in
connection with the events that had taken place between 1991-1992 and the present day.” The document
contained a telltale phrase: “in connection with the changed circumstances,” which meant that
the national reconciliation process had reached a new stage. The same document mentioned the need
to set up a temporary parliamentary reconciliation commission to put an end to the civil confrontation
and to stick to the demands, principles, and the general sentiments of the 20 April, 2000 decision.

The problem that cried for settlement and that should have been settled by 2000 was criminal
prosecution of the members of the deposed government and its supporters for political considerations.
This explains why the national reconciliation policy concentrated on this problem, while the parlia-
mentary commission focused on sorting out the political prisoners issue. Much less attention was paid
to the assessment of the 1991-1992 events and all the other related issues.

The national reconciliation policy in Georgia did not envisage legal responsibility of those
guilty of criminal prosecution of the Zviadists. Restored justice was limited to correcting the judicial
mistakes of the past; significantly, it was within this process that those guilty of the politically moti-
vated crimes were released from responsibility. The Georgian leaders and President Shevardnadze
did nothing to punish the guilty. The Georgian model of national reconciliation firmly rejected any
legal appraisals of what happened during the period of civil confrontation and concentrated on the
political assessments of the past. This is amply confirmed by the 20 April, 2000 parliamentary deci-
sion, which, while condemning the fact of deposing the legally elected government, passed over the
guilt of those involved in silence.

Georgia under Shevardnadze and Spain under Franco pursued more or less similar national recon-
ciliation policies, yet in Georgia the state admitted its own crimes and tried to remedy them. True, admis-
sion was not public: there were no demands to achieve reconciliation, no apologies, no matter how su-
perficial, and no direct admission of the crimes. This found its way into the parliamentary decision of
April 2000, albeit in an indirect form. This document registered the changes in the conduct of both sides
and encouraged further changes in their relations. Nothing of the sort happened in Spain, where Franco,
until his death, refused to release the political prisoners. In 2000-2003, the Georgian authorities not only
refused to continue criminal prosecution of the former opponents, but also formulated, in the April 2000
document, the conditions indispensable for remedying the errors of the past.

The national reconciliation policy carried out under Eduard Shevardnadze can be described as
the state’s refusal to subject their former opponents to criminal prosecution; it can also be described
as an attempt by the Georgian leaders to exonerate themselves by releasing the illegally imprisoned
Zviadists. It should be said that this was done under international pressure and because the aggrieved
party demonstrated a lot of activity. Shevardnadze’s government was guided by pragmatic consider-
ations when it abandoned criminal prosecution; the leaders directly or indirectly involved in the
crimes of the past wanted to protect themselves against possible accusations. These steps can be de-
scribed as the Georgian rulers’ attempt at self-amnesty.

No matter what prompted these steps, the national reconciliation policy brought tangible results
and somewhat alleviated the tension. The Zviadists were rehabilitated, their political rights restored, and
the vertical relations between the sides became horizontal, which meant that their status became more equal. The justice of the victors, as administered in 1992-2000, was replaced with fair court trials, which put the sides on an equal footing. As a result, latent civil opposition developed into a political struggle. This means that, under Shevardnadze, the national reconciliation policy was carried out under the slogan of remedying the crimes of the victors against the losers and was regarded as the basis on which national reconciliation could triumph. On the one hand, the corrected mistakes promoted national reconciliation, while on the other, social rehabilitation of the Zviadists and their reintegration into public activities became possible. The harmful “victors/losers” psychology was finally wiped out.

As in Latin America, the National Reconciliation Commission of Georgia rejected the model of retributive justice from the very beginning. At first glance, it seems that this paved the way toward establishing the truth, just as happened in Latin America. In the Georgia of the Shevardnadze period, the national reconciliation process had no future and did not follow the Latin American example. The authorities refused to investigate the crimes and concentrated on uprooting the practice of criminal prosecution of the losers and condemning the past crimes. This was the only way to protect themselves. In Latin America, on the other hand, in order to protect themselves, those who committed crimes against their political opponents had to resort to illegal forms (threatening a military coup) of pressure on the democratically elected leaders who threatened them with criminal prosecution. In Georgia of 2000-2003, the Georgian leaders and the president in control of the process could easily protect themselves.

The Georgian variant of 2000-2003 excluded a quest for the truth. There was the general conviction that all attempts were fraught with destabilization and another round of confrontation. In fact, the conviction that any assessment of the 1991-1992 events would turn out to be destructive played the same role in Georgia as the fear of destabilization did in Latin America.

The Prospects of National Harmony after the Rose Revolution

With the advent to power of Mikhail Saakashvili, a political figure unrelated to the bloody events of 1991-1992 and the period of criminal prosecution for political reasons of the representatives and supporters of the first president of independent Georgia, the process of national reconciliation acquired a new impetus. The present Georgian rulers, however, tend not to give a legal assessment of the offences of the previous rulers and particularly of Eduard Shevardnadze, which causes a lot of discontent among the Zviadists. Today the situation is far from perfect: the people at the helm have not yet decided what they should be looking for, while investigating the death of the first president. Rettributive justice has not yet been removed from the agenda.

The Declaration on National Harmony and Reconciliation, the first document President Saakashvili signed in January 2004 after inauguration, is the most adequate document for an analysis of whether Georgia might follow the retributive justice model.

The Declaration favors administering justice and bringing members of the previous regime to court. It described those who suffered in the early 1990s (the representatives and supporters of the Gamsakhurdia regime), on the one hand, and the new leaders together with President Saakashvili brought to power by the Rose Revolution, on the other, as instrumental in putting an end to the confrontation caused by the 1991-1992 events and achieving national harmony.

The victors of the 1991-1992 civil confrontation are not mentioned as entities of the national reconciliation process. This means that the new leaders probably treat the administration of justice

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36 Zviadists left their forest bases and returned to their families to become equal members of Georgian society. About 30 prisoners still kept behind the bars were released; the new government instituted the national reconciliation commission under Guram Absnadze, who served as finance minister under Zviad Gamsakhurdia.
with respect to those who, if not directly involved in the 1991-1992 events, were indirectly involved and responsible for them (including the first president’s death and its investigation) as a priority.

The Declaration specially mentioned the use of armed forces of other states in domestic conflicts and power struggle, which directly referred to the special units of the Russian Transcaucasian Military District37 Eduard Shevardnadze relied on when he returned to Georgia to fortify his power in the context of the civil confrontation of the early 1990s. The document signed in January 2004 was aimed at uprooting the practice of using the armed forces of other states in domestic conflicts and power struggle and forming an adequate legal basis. The possibility of court proceedings against those who ruled the country under Shevardnadze and who used Russia’s armed forces is confirmed by the new leaders’ resolution to prevent similar anti-state activities in the future.

The Declaration offered a new interpretation of the 1991-1992 events, which are described as the “communist nomenklatura’s revenge.” This completely coincides with the new course and the leaders’ intention to uproot the last vestiges of Soviet mentality. We can assume that this is an indirect indication of the possibility that retributive justice will be used against those at the helm under Shevardnadze. The document hints that retributive justice could be administered, but today there are no reasons to apply this model. Georgia is demonstrating that justice can be achieved within the restorative justice model; this is largely explained by the fact that the new leaders took into account the international experience of national reconciliation.

### Conclusion

Theoretically, there are two more or less real alternatives.

1. The events could develop along the Latin American scenario: justice is ignored, while the state concentrates on finding the truth. The Georgian leaders are prepared to exchange an objective investigation of Zviad Gamsakhurdia’s death and cooperation of those who worked with the prosecution structures with Shevardnadze for complete amnesty and the promise not to disclose their names. The public will learn only certain details of the first president’s death. In return, the country’s leaders promise adequate compensation to the victims of political repressions.

2. The events could follow the Spanish scenario of burying the past: investigation of Gamsakhurdia’s death will be suspended as soon as certain circumstances calling for legal action are disclosed. Mikhail Saakashvili explains this decision by the need to let bygones be bygones in a country that is crying for national reconciliation. The new leaders describe the need to remedy the faults of the previous rulers and prevent their recurrence as the main achievement of the investigation.

Each alternative is possible. The fact that in the fall of 2005 the Georgian legislators refused to set up a commission to investigate the first president’s death on the grounds that the Georgian public knows everything there is to know favors the second alternative. More than that: in the spring of 2006 the state national harmony and reconciliation commission was disbanded. The decision of 20 May, 2005 of the Tbilisi City Assembly (Sakrebulo) to extend one-time financial aid to the victims of the political repressions of 1991-1992 and the later period points to the first scenario.

No matter how different, both alternatives have one thing in common—they reject retributive justice. Even though the Declaration on National Harmony and Reconciliation of January 2004 offers enough ar-

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Arguments to expect retributive justice, the leaders are unlikely to use it against the members of the previous regime. They will be guided by the same arguments that were used in most Latin American countries: continued stability. We should never forget that the Georgians are less insistent in their demands to put Shevardnadze’s people into the dock than the Latin Americans, therefore the present Georgian rulers’ obvious unwillingness to use retributive justice is highly justified. This is justified, among other things, by the removal of Eduard Shevardnadze (whom the Zviadists never accepted as a legitimate president) from the political scene. We cannot exclude the possibility that Shevardnadze left in exchange for specific guarantees; besides, it will be hard to support the accusations with concrete evidence.

This means that the retributive justice model was rejected because, on the one hand, the practice of criminal prosecution was discontinued and the Zviadists released from prison under Shevardnadze and, on the other, by the fact that he was removed during the Rose Revolution. More than that, the people at the helm today have many more serious concerns.

The Georgian leaders are obviously trying to avoid the “punish or not to punish” format. This explains why they are demonstrating restraint when assessing the events of 1991-1992, showing no haste in investigating Zviad Gamsakhurdia’s death, concealing the details from the public, limiting their financial support of the victims of political repressions by social protection measures, and refusing to institute court proceedings and repay their losses. This is explained by the fact that the legal responsibility issue and legal prosecution (no matter how unrealizable) should follow if the above measures are realized.

The rejection of the retributive justice model in relation to the members of the previous regime does not exclude, or even presupposes, that the course toward stronger justice will be carried out in relation to all other issues of the past. Since the national reconciliation issues in Georgia are inevitably connected with reconciliation between the Georgians, Abkhazians, and Ossets, we can expect that the process will continue in keeping with the restorative justice model.

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THE CONFLICT IN ABKHAZIA IN THE CONTEXT OF GEORGIA’S INTEGRATION INTO NATO

A b s t r a c t

This article aims to analyze the possible cause-and-effect relations between Georgia’s integration into NATO and dynamic settlement of the conflict in Abkhazia. The author believes that, in this context, a course aimed at membership in the North Atlantic Alliance is the best way to promote Georgia’s state-building and modernization.
Introduction

The growing number of different undertakings recently devoted to the topic of Georgia’s integration into NATO shows that people understand the importance of the change this will cause in the balance of forces and interests in the Southern Caucasus. Despite the differences in opinion about the expediency of the impending changes, which, in the words of Russia’s foreign minister, “will mean a huge geopolitical shift,” many nevertheless share the opinion that Georgia’s entry into NATO is only a question of time, and the changes are inevitable. Keeping in mind the urgency of the topic, this article is devoted to a review of the issue based on the example of the conflict in Abkhazia.

Georgia’s Euro-Atlantic Choice

One of the main factors determining the steadiness of Georgia’s course toward integration into NATO is solidarity of the political sector. Recently, the Georgian parliament unanimously approved a memorandum stating the need for the country to become a member of NATO as soon as possible, which all the political parties and factions, as well as representatives of the parliamentary majority and opposition signed without exception. But the population’s high level of support of this course is a decisive factor in the issue. The latest sociological poll data show that 81% of the Georgian population wants the republic to join NATO. It is interesting that this is the highest index among the applicant countries during the past decades. For example, in Rumania, 80% of the population supported integration into NATO, in Estonia 69%, in Slovenia 66%, in Latvia 60%, in Lithuania 46%, and in Slovakia the lowest number at only 30%. It is worth noting that 57% of the respondents were sure that Georgia would join NATO in the next five years, and 41% refrained from giving any precise forecasts.

How conscious is this choice? Judging from the data of the polls, the choice in favor of Georgia’s integration into NATO is determined by the population’s intention, first, to acquire a guarantee of the country’s security (57% compared with 51% in 2006); second, to restore territorial integrity (42% against 52%); third, to raise social prosperity (22% against 24%); and fourth, to strengthen democracy (16% against 20%). The presented indices essentially show the population’s adequate perception of the prospects relating to Euro-Atlantic integration. But it is clear from the same polls that the population is experiencing a certain amount of “information starvation.” For example, 72% of those polled think that they do not receive enough information to make an objective decision regarding support of Georgia’s entry into NATO. Despite the fact that the Defense Ministry has two information centers about NATO functioning in the country (in Tbilisi and Batumi), and there are plans to open a third soon, in Telavi, this is not enough to promote an efficient information campaign. Nor is it apparently enough that the topic of NATO membership is taking up a significant amount of air time on national television stations and is covered in detail on the pages of the most popular newspapers. Despite the fact that the public awareness campaign has been approved by the government, it appears to be very ineffective. An efficient information campaign implies carrying out explanatory work, which would permit the population to find answers to the following questions: what will joining the alliance do for Georgia? What obligations should Georgia assume when it becomes a NATO member? What should be done to accelerate integration? How are the reforms under the Individual Part-

1 See, for example: [http://www.kreml.org/news/1201694777/user_session=f92d54933daa51a8b9d613875005ab14].
3 It is worth noting that last year this index was equal to 74% (ibidem).
5 Ibidem.
nership Action Plan (IPAP) going? In so doing, special target groups should be correctly defined with the participation of decision-making officials, people forming public opinion, students, and the representatives of national minorities. Incidentally, the studies carried out recently on national minorities revealed that 72% of the Azeris polled, who live in Georgia, are in favor of Georgia joining NATO. As for the Armenian minority, more than half of the respondents do not support this course. There are various reasons for this, in particular, the fact that the Azeri community prefers Georgian and Azeri television stations, while the Armenian population of the southern regions of Georgia is under the strong influence of Russian television programs. Keeping in mind that Russia and Azerbaijan have diametrically opposite viewpoints on NATO’s enlargement, it is not difficult to guess why this situation developed. In summary, we will note that the population’s strong choice in favor of joining the North Atlantic Alliance is primarily explained by the instinctive desire to protect the country against the threats coming from Russia, and to a lesser extent by the people’s understanding of the modernizing effect of rapprochement and eventual merging with NATO.

At the level of state policy, Georgia’s striving to integrate into the Alliance is aroused by the following circumstances:

a) After the collapse of the Soviet Union, the former republics were offered a false model of integration in the form of the Commonwealth of Independent States. Due to Russia’s hegemonic strivings and a few problems inherited from the totalitarian past, this model proved to be incapable of meeting the national interests and development goals of its individual member states, including Georgia. As a result, the CIS became a formation incapable of deciding anything at all. Against this background, an extremely positive transformation process was going on in Central and Eastern Europe, during which the region’s countries, while coming closer to NATO, overcame the difficulties of shock therapy, reorganized the outmoded security structures, and created efficient state institutions and a vital market economy. This was not an easy process, but nevertheless, due to the common vision of the joint future offered by the prospect of membership in the Alliance, it was conducive to resolving many inter- and inner-state problems. As a result, these states integrated into the European Union, the most successful regional organization in the history of mankind.

b) Georgia, as a multinational and multi-cultural society, can only successfully develop its own state by means of democratic forms of management. During the past sixteen years, two authoritative governments have been overthrown, which shows the Georgians’ intolerance for autocracy and a corrupt regime. For Georgia, NATO in particular and Western institutions in general are a necessary tool that can be used to help build a democratic state. The present-day requirements for membership in the North Atlantic Alliance differ from the standards of the 1950s. The country recognizes that full-fledged integration into NATO can only occur if real democratic reforms take place. Any other state-building policy is inevitably doomed to failure.

c) Georgia, as a former part of the empire, suffers from an instability complex and the absence of security. It is of course striving to ensure a safe environment for the vital activity of its citizens. NATO, being primarily an organization that ensures security, has been called upon to offer states all the necessary conditions for this. It is worth noting that, while observing the general trend toward the decline in authority of the U.N. and OSCE, small countries are placing ever greater hopes on the Alliance, which has proven its viability and functionality by becoming the most prestigious organization for integration.

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Rapprochement with NATO: Path to Modernization?

At present, noticeable shifts can be seen in all the main areas of reform within the IPAP: the main conceptual documents have been drawn up—the National Security Conception, the Foreign Policy Strategy for 2006-2009, and the National Defense Strategy; work has been completed on the Review of Strategic Defense; all the defense structures and management systems have been reformed in keeping with NATO recommendations; social conditions have been improved for servicemen; wages have been raised; the degree of inoperability with NATO and the Alliance’s member states has significantly risen; a legislative base of democratic control over the armed forces has been created; and overall security of the armed forces has been noticeably strengthened, as well as their reputation and society’s trust in them (in 2007 the army reached second place after the church in terms of level of trust (86%), outstripping popular mass media organizations).\(^9\) In the economic sphere, a liberal Tax Code was adopted, the customs service was reorganized, privatization of state property was carried out, the license-issuing system was simplified, and the number of controlling departments was reduced. The budget increased three-fold, steady GDP growth is obvious, and the volume of foreign direct investments is increasing. The reforms are yielding positive results: in 2006, the World Bank put Georgia in first place in the world in terms of reform rates, while in terms of the Index of Economic Freedom, the republic was given the status of a “mostly free” country. It is worth noting that when carrying out innovations, the experience of other countries is taken into account, particularly of the Baltic states, which are eager to render corresponding help, just like NATO and the EU, particularly during the transition period. The Alliance’s evaluation missions have given the reforms being carried out within the IPAP a high assessment for the second time in a row. In particular, the Assessment Document presented by NATO to the Georgian side after the last review of its IPAP performance says that the elections to the local self-government bodies in the fall of 2006 were successful, the decentralization process is developing positively, relations between the ruling party and the opposition have improved, and the peace policy being carried out by the Georgian government in the conflict zones is noted in particular. The document also registers the progress in judicial reform. Three of the five consultation stages in the intensive dialog have already been passed.\(^10\)

Nevertheless, experts note that the transition period cannot come to full fruition since lack of will or incompetence are causing lags in certain areas of the IPAP and there are still problems in the legal justice sphere and in ensuring private property rights. Against the background of the economy’s dynamic development, the level of inflation remains high, government spending continues to grow, while unemployment and poverty encompass broad strata of the population. These and other tasks are the main topics of criticism by the opposition, as well as by international organizations and individual states. Despite this, experts share the same opinion that, with the ups and downs of politics, the country is generally ready to move on to the next integration stage—participation in the Membership Action Plan (MAP). Admittedly, rapprochement with NATO has so far only promoted the strengthening of Georgia’s state institutions and, to a lesser degree, intensification of democratic reforms, but in terms of the general level of reform progress, the republic is in no way inferior to the countries of the Western Balkans.

Influence of Euro-Atlantic Integration on the Conflict: Various Scenarios

As the country moves closer to NATO, it is becoming more urgent to find an answer to the question of whether Georgia’s institutional integration into the alliance is possible before settling the


conflicts in Abkhazia and South Ossetia. If it is, how can Georgia’s membership in NATO influence settlement of these conflicts? The answer to the first question has been heard more than once, including from NATO’s Secretary General. The last time, it was voiced from the podium of a prestigious meeting by President of the NATO Parliamentary Assembly Jose Lello, who said that Georgia’s membership should not be contingent on settlement of the conflicts in Abkhazia and South Ossetia, if Georgia is conscientiously trying to eliminate the known contradictions. Against the background of the peace initiatives subsequently approved by the international community for both conflicts, as well as refraining from reacting to clearly provocative actions, like the events of 11 March, 2007 in the Kodori Gorge, it is believed that Georgia is tending increasingly toward an exclusively peaceful resolution of these problems. As a result of this, non-settlement of the conflicts as an argument against Georgia’s membership in the North Atlantic Alliance loses its force. For the second question, an unequivocal answer is not easy to find—there could be several alternatives: according to some of them, Georgia’s membership in NATO will have a direct influence on the conflicts and will lead to their rapid settlement, according to others, there will be no direct effect, but in the long term, there is the higher likelihood that a compromise will be reached. The first group of alternatives can provisionally be boiled down to the following scenarios:

I. To avoid complicating relations with Russia, NATO will invite Georgia to join the Alliance providing it releases its hold on the conflict zones. The conflict will be settled by Abkhazia gaining its independence.

We will immediately note that this alternative is impossible, since if Georgia is faced with such a dilemma, the answer will be unequivocally in favor of continuing the conflict settlement process and freezing the orientation toward Euro-Atlantic integration. In the foreseeable future, neither Georgian society, nor any political force in the country will be willing to discuss the question of granting Abkhazia or South Ossetia their independence.

II. As a member of the Alliance, Georgia will receive a carte blanche, since Russia, keeping in mind the possibility of applying Art 5 of the North Atlantic Treaty, cannot interfere in the way Georgia deals with Abkhazia or in the republic’s convincing NATO to use military force to repress the resistance of the separatists and restore territorial integrity.

This scenario is also very unlikely. Understanding very well that internal ethnic disputes cannot be resolved by force in a democratic state, the Alliance will never seriously review this alternative. If this alternative were acceptable, the separatism problems in Spain, France, and other regions of the Euro-Atlantic expance would have long been settled using this method. As for the possibilities of applying Art 5, Russia has a multitude of political, diplomatic, energy, and other levers of pressure on NATO and Georgia at its disposal, which will definitely be applied in order to prevent the development of undesirable events. Here we are talking about the Russia-NATO Council, the G-8, other forums and formats, as well as the Russian Federation’s possession of the energy weapon, which has been repeatedly tried out in the recent past.

III. In the event of unilateral recognition of Kosovo’s independence by Western nations and organizations, Russia will take a similar step with respect to Abkhazia and, perhaps, to other conflict zones. Russia will try to justify this decision by the desire, first, to punish Georgia for its Euro-Atlantic choice and, second, to eliminate the prospects for Georgia’s integra-

12 The polls show that most of the population (more than 90%) supports the course of the talks and peaceful methods for settling the conflicts in Abkhazia and South Ossetia and, it is worth noting, an increase is being seen in this mood (see: Survey of Georgian Public Opinion, 8-16 February, 2007).
tion into NATO. After all, in this case, the republic will find itself technically at war with Russia, at least, and it is unlikely that the Alliance will want Georgia to join it in that state.

This development scenario is theoretically possible. What is more, Georgia believes that this is Russia’s very momentous and crucial political trump card, which could really destabilize the situation in the country and even cause the replacement of Saakashvili’s regime, which is so unacceptable to Moscow. According to logic, this is not to official Moscow’s advantage. First, Georgia will become one of the most Russophobic states located in the direct proximity of the internal potential hotbeds of Russia’s disintegration, second, it will develop military political cooperation in a bilateral format with the Western countries, and, third, it will seek deployment in its territory of elements of the U.S. strategic arms systems. Nevertheless, there is still the likelihood that, infuriated with Georgia and losing the geopolitical game in the Southern Caucasus, Russia might act against the laws of logic.

IV. In the event Georgia joins NATO, Russia will lose interest in further keeping the conflict “frozen” and, in order to avoid further undermining of its international authority, will stop playing the recognized role of enthusiastic broker in favor of the Abkhazian side. Georgia, taking advantage of Russia’s neutrality, will force “orphaned” Abkhazia to agree to the conditions it offers.

The certain likelihood of this scenario transpiring is also obvious. Tbilisi is counting on this development of events and is placing certain hopes on it. This partly explains the fact that “all the eggs are being placed in one basket,” to the detriment of looking for a compromise in the direct dialog with the other side of the conflict, and in particular the main political and diplomatic efforts are being directed exclusively at using the “external factor.” If the Kosovo problem is resolved according to the Western scenario, a precedent will be created of one side in the conflict having an undesirable “settlement” formula imposed on it, which will be a decisive argument in favor of using a similar approach to settle the Abkhazian issue.

Do the Separatists Need to Support Georgia’s Euro-Atlantic Choice?

The main general shortcoming of the above scenarios is the absence of a voluntary compromise between the sides in the conflict. They are all characterized by an element of compulsion in detriment to the interests of one of the sides, which leaves serious reasons for the possibility of a new conflict arising in the future. Against this background, an optimal decision will be based on mutual compromise and voluntary conciliation. But in mature democratic societies, this alternative is essentially excluded on both sides of a conflict. The Cyprus example and the situation involving Kosovo show that when one or, moreover, both sides do not have sufficient democracy, even the presence of such a “carrot” as membership in the EU is not enough for reconciliation. In this respect, further profound democratic changes in the Georgian and Abkhazian societies are absolutely necessary. This is precisely how Georgia’s choice in favor of Euro-Atlantic integration should be viewed. By participating in the IPAP or the European Neighborhood Policy (ENP), Georgia will be moving toward becoming a lawful and democratic state, whereby even despite the huge number of mistakes and missed opportunities, the vector of the republic’s development is still headed in the right direction. It will definitely lead to a state where society and the political forces will make the long-anticipated choice in favor of exclusively peaceful settlement of conflicts, taking maximum account of the interests of the other side. In this situation, Georgia will better understand the need to change the paradigm of competitiveness, which implies the principle of a zero sum game, for the paradigm of cooperation, when the other
side in the conflict is seen as a potential partner. But the Abkhazian side must still move toward the same values and strive to build the same legal, political, and administrative systems. It is obvious that Abkhazia’s current artificial and, I am sure, forced proximity to Russia is not the path that will lead to the indicated values, but more likely to a breakdown in traditions, loss of language, acculturation, and extreme difficulties of physical survival. For this is very possible in the long term due to the passive demographic behavior of the Abkhazian ethnolinguistic group and the objective limitation of the immigration resource of repatriates. They can only survive in a democratic Western-style system, in a family of democratic societies. The actual state of affairs does not allow Abkhazia to become member of this system independently. No matter how great its desire to become a democratic system, nothing will be gained if the process is not institutionalized. By moving closer to NATO and the EU, Georgia is sort of also paving the way for Abkhazia, so the latter, despite all the dubious and at times aggressive actions of the Georgian side, should be rooting for the success of the democratic changes in Georgian society and support intensification of its relations with NATO and the EU.

Below, I will give several additional reasons why, based on the indeterminate nature of the current political moment and the difficulty with forecasting the future development of events, Abkhazia should be interested in Georgia’s further rapprochement with NATO, and what is more, its joining the Alliance as quickly as possible:

a) Apart from its modernizing nature, integration into NATO also has the effect of a sort of “corset,” which is making the Georgian state an increasingly responsible partner, including with respect to conflict settlement. The corset phenomenon is currently almost the only factor that is keeping aggression on the part of the “war party” at bay. This is largely responsible for the fact that belligerent statements in the official rhetoric of the Georgian side have disappeared and it is refraining from carrying out fatal mistakes when reacting to clearly provocative actions by the destructive forces. A further increase in the intensity of cooperation with the North Atlantic Alliance is promoting a change in the principles of official Tbilisi’s approach to the conflict settlement.

b) Georgia, which has significantly progressed in its integration into NATO, has gained an advantage in its relations with Russia. The matter concerns the fact that, if the Georgian side so wishes, the Russian Federation could have a very serious attitude toward the conflict settlement in Abkhazia based on the principle of Georgia’s territorial integrity in exchange for the latter’s rejection of its Euro-Atlantic ambitions. It is no accident that the Russian ambassador to the Republic of Georgia expressed his desire to see Georgia as a neutral country.13 What is more, the example of Moldova, where talks closed to the broad public are going on with Russia about restoring the country’s territorial integrity under Russian guarantees and conditions, unequivocally points to its unreliability with respect to support of the separatist regimes. At the same time, what is going on is a signal for Georgia that, with a corresponding change in the strategic course of the country’s development, Russia could help to settle the conflicts under the same conditions. Abkhazia’s interest in retaining Georgia’s steady course toward integration in NATO should be based on this.

c) Taking into account the inherent and to a certain extent understandable desire of the ruling team to stay in power as long as possible, it can be expected that, after ensuring the country’s entry into NATO, the first priority will be integration into the European Union (EU), which is popular among the population. From the viewpoint of the tough demands on the applicant country within rapprochement with the EU, Euro-integration (in contrast to NATO integration) implies in-depth changes and incomparably high standards of the country’s economic and political development. The matter concerns modernizing the country to a level close to a
mature democracy. In this context, integration into NATO is a kind of preliminary and to a
certain extent preparatory stage along the path to the EU. This is one more argument in favor
of Georgia’s rapid entry into the North Atlantic Alliance.

C o n c l u s i o n

The severity of the military clash led to an actual breakdown in centuries-long ethnic contacts
between the Abkhazians with their culturally closest southeastern neighbors, the Georgians. A thesis
is put forward that the Abkhazians and Georgians are alien nations, and that the Adighes are the closest
country to the Abkhazians. Of course, this newly invented mythologeme is not entirely true, and
everyone who knows how close the traditional and everyday culture of the Abkhazians and Georgians
is understands this. These nations mainly differ in their language. Recently, the vector of economic,
political, and ethnic ties of Abkhazian society has changed its course: now it is aimed toward Russia.
It can be said that this is a new situation for Abkhazian society: the age-long ethnic contacts with
Georgians have been rather abruptly and in general artificially broken, the restoration of which would
be a victory of that historical justice we are very much in need of. An old saying has it that true love
is not when two people look into each other’s eyes, but when they are both looking in the same direc-
tion. For the Georgians and Abkhazians, the Euro-Atlantic space, both in the geographical and the
axiological sense, is the direction they should be moving in to reach a compromise.

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RUSSIAN POLICY TOWARD
THE NORTH CAUCASIAN PEOPLES:
ITS TRANSCAUCASIAN ADDRESS AND CONTEXT

A b s t r a c t

The author discusses the most impor-
tant aspects of Russia’s Caucasian policy toward the separatist—or to use a
different term and axiological interpreta-
tion—national liberation movements of the Caucasian peoples who want to restore or create national statehoods and withdraw from the state (the former Union republics)
It is not my intention to cover all the sides of the problem, namely, Russia’s multi-vector North Caucasian policy. I shall concentrate on the vectors directly related to Russia’s interests in the Transcaucasus and its intention to preserve its political influence there, exert unprecedented economic pressure on the Transcaucasian states, perpetuate its control over the local countries through blackmail, and undermine or, at least, postpone their drawing closer to the European Union and NATO. To visualize the extent of these efforts, we should bear in mind that according to independent experts, Russia’s stand-by troops or those directly involved in the fighting in the Caucasus amount to 150 thousand men; 80 to 100 thousand of them are deployed in Chechnia. 1 Other regions of the Northern Caucasus, and Transcaucasus as well, are not free from Russia’s impressive military presence. 2 Compared with these combat troops, the tiny group of American military experts invited to Georgia on the initiative of President Shevardnadze in April 2002 (there were 80 of them without any mandate to carry out military operations) cannot oppose Russia’s military presence, even though Russia nervously responds to these timid steps and has been denouncing them as a dangerous trend toward drawing closer to NATO. Russia’s hysteric began even before Georgia put the final touches on its pro-NATO orientation. I have undertaken to analyze various aspects of Russia’s Caucasian policy and its Transcaucasian context.

“Friend or Foe” in Russia’s Caucasian Policy

In the Caucasus Russia is obviously indulging in a double-standard policy. All the movements of independence-seeking peoples of the Northern Caucasus, which remains part of the Russian Federation, are suppressed as harshly as possible. Sufficient proof are the first (1994-1996) and the second (1999 until this day) Chechen wars Russia has been waging against the Chechen people and the cruel terror and criminal genocide it is carrying out before the civilized world, which is showing amazing indifference. 3

2 By 2003 there were up to 7 thousand Russian servicemen, up to 90 tanks, 200 missile launchers, 25 fighting planes, and up to 50 fighting helicopters deployed at the Russian military bases in Armenia (Gumri and Erevan). A 7-thousand-strong military group was deployed in Georgia (Batumi and Akhalkalaki) armed with up to 150 tanks, about 140 artillery pieces, and about 35 fighter planes. The so-called Russia’s peacekeeping armed forces in Abkhazia had about 1,700 servicemen, 7 tanks, 6 fighter helicopters, 16 artillery pieces, and up to 140 missile launchers. About half of this number and equipment was deployed in South Ossetia as “peacekeeping” forces (the figures appeared in the London edition of the Moscow Kommersant newspaper on 16 April, 2002, in the military supplement to Nezavisimia gazeta on 13 September, 2002, and in Central Asia and the Caucasus, No. 6 (24), 2003, pp. 13-14).
The Report by the International Helsinki Federation emphasizes that the second Chechen war in Russia started in 1999 is going on amid mass violations of the regulations of military and humanitarian laws, while Russia’s actions can be described as crimes against humanity: bombardments and missile and artillery shelling, attacks on civilian assets, mass murders of civilians, tortures, plunder, and abductions are perpetrated by the federal troops.4

Polish historian S. Ciesielski has the following to say on this score: “These are police and punitive operations; suppression of guerrilla warfare is one of the tasks of the federal forces. Despite the official statements, the main aim is to break down the peoples’ will to resist by using terror.”5

“If we compare the number of dead and missing with the size of the republic’s total population,” writes Moscow human rights activist Alexander Cherkassov, “we can say with good reason that in the last decade Chechnia has lived through half of World War II and the whole of Stalin’s great terror.”6

When dealing with separatism or irredentism of the national movements in the Northern Caucasus, Russia sticks to the categorical imperative—its territorial integrity. This principle is registered in the December 1993 Constitution that does not tolerate the possibility of any federation subject withdrawing from the Russian Federation. This means that any independence movement is anti-constitutional and is a crime and that the sovereignty declarations of the republics within the RF are nothing more than a farce.

At the same time, Russia is very tolerant of and very friendly with the separatist movements of smaller autochthonous peoples and national minorities designed to destroy the territorial integrity of the neighboring Transcaucasian states (Georgia and Azerbaijan). It not only supports them by diplomatic and propagandistic means, but also organizes them (secretly or not so secretly), maintains their combat-readiness and aggressiveness by means of Russian cadres, money, and supplies from military depots, and guides them, restraining them at times only to stir them up at critical moments and set the genie free.

When writing about Russia’s support of the separatist movements in neighboring countries, Martin Malek, an Austrian academic from the National Defense Academy of Austria, writes: “Without military support from Moscow, Abkhazia and South Ossetia (Karabakh relied mainly on Armenia) would hardly have been able to tear free from their central governments: Moscow rendered political support and made massive deliveries of arms. According to Alexei Arbatov, a member of the Russian State Duma (lower house of parliament), it gave ‘direct military aid’ to the Abkhaz. The Russian army openly intervened in Abkhazia in 1992-1993 (together with Chechen ‘volunteers’ under Shamil Bassaev, now one of Russia’s most wanted terrorists).

“Officials from Abkhazia, South Ossetia, Karabakh, and the Dnestr region (Moldova) come and go regularly to Moscow; they are received in parliament and the foreign ministry whenever they wish. Almost the entire adult population (and of course the political elite) of Abkhazia and

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5 S. Ciesielski, op. cit., p. 369 (here and elsewhere the quotes are translated from the author’s Russian translations of Polish, German, and English texts).
6 Quoted from the catalogue of the exhibition held in Warsaw in May 2006 Czeczenia: ostateczne rozwiązanie... p. 36.
South Ossetia has long held Russian citizenship. Consequently, Moscow could intervene militarily—in the event that Tbilisi ever attempted to solve the conflict by force—under the pretext of protecting Russian citizens.

"Russia has repeatedly warned Tbilisi against a war against Abkhazia and/or South Ossetia. At the same time, however, Moscow is trying to solve its own problem with separatism in Chechnia by solely military means, i.e. to ‘exterminate’—to use the official term—the rebels there (officially referred to only as ‘bandits’ and ‘terrorists’)." 7

Russia’s policy in the Caucasus is taking the road paved during the Soviet Union’s last years by those who sat in the KGB and C.C. C.P.S.U. offices and intended to use the national minorities themselves to deliver blows (under the pretext of defending their interests and allegedly violated rights) at the democratic forces, the active mobilization of which in all Union republics directly threatened the already shaky communist regime. The wave rolled across the entire country, however, it probably started in Georgia, which was the first to move against the Kremlin dictatorship and was the first to experience cruel and bloody retribution in Tbilisi in April 1989. This was not all: the retribution took the form of carefully prepared anti-Georgian reactionary riots in South Ossetia and Abkhazia, which developed into many years of suffering for all those involved, the Ossets and Abkhazians included.8

Vadim Bakatin, the last Chairman of the KGB of the Soviet Union, who knew everything, wrote in this connection: ‘The KGB was a pioneer of the ‘international fronts’ in those Union republics that proved to be intractable in their relations with the Center. The flawed ‘divide and rule’ logic split societies in these republics into two hostile camps and increased social tension… The pattern was a simple one—those who disobeyed should have “interfronts” to deal with: they staged strikes, raised border issues, and doubted the legitimacy of the elected power structures.’ The State Security Committee presented all this as the ‘will of the people.’"9

The nationalist organizations Adamon Nykhas (People Talk) in South Ossetia and the Aydgy-lara (Unity) People’s Forum in Abkhazia were set up in 1988 under Moscow’s patronage to pass for “international fronts” to fight “recalcitrant” Georgia.

This was by far a unique situation: the Kremlin (still the communist Center until 1991, and today the headquarters of the Russian presidents) has always been on the lookout for national minorities in obstinate Union republics and suspicious newly independent states that rejected the role of Moscow’s obedient vassals. The Kremlin exploited the grudges (not always invented and not always unfounded) the minorities accumulated for years or even decades, as well as the ambitions of their elites, to set up fifth columns of sorts to fight the people’s fronts, democratic forces, and unfolding powerful national movements. The fifth columns were intended to justify Russia’s interference in the domestic affairs of the republics and Soviet-successor states. Russia wanted to pose as the defender of the national minorities against the “nationalist” ethnocratic regimes developing in these republics-states. Whether “nationalism” was invented or real, whether the term should be put in inverted commas or viewed with concern is another question. I am convinced that “nationalism” was not pure fantasy or a lie invented by the Kremlin. In fact, absolutely all the newly independent states (former Union republics) and absolutely all the titular nations or “national majority”


9 V. Bakatin, Izhevlenie ot KGB, Moscow, 1992, p. 49.
groups (I know of no exceptions) lived through a short or long “infantile disorder” of nationalist 
extravagant nationalism, ethnocentric complexes and ideas of the ‘Georgia for the Georgians,’ 
‘Ukraine for the Ukrainians,’ and ‘Lithuania for the Lithuanians’ type far removed from 
democratic thinking.

In fact, Moscow encouraged the separatist movements and mobilized the spontaneous discontent 
of the insulted and frightened “younger brothers” not to fight the nationalism of the titular 
nations or the so-called “middle brothers” (in the paradigm, “big brother” is the Russian nation, 
“middle brothers” are the titular nations of the former Union republics or the newly independent 
states, and “younger brothers” are the small autochthonous peoples and national minorities of the 
Union republics/newly independent states with or without autonomies). Moscow did not intend to 
fight nationalism, which at all times can be described as an evil no matter what historical regular-
ities stirred it up: its true intention was the communist revenge undertaken in the hope of restoring 
the empire within its Soviet borders. When this hope was shattered (not completely and not in all 
big minds) or at least lost its Soviet-communist hues, Moscow armed itself with various weapons: 
weakening or dividing the neighboring independent states and maintaining tension in them to trigger 
protracted domestic ethic conflicts which allow it to blackmail these states. Blackmail is practiced in 
dramatic contexts when the newly independent states could not control their entire territories, 
parts of which are shaken by riots or in danger of riots (“Your noncompliance will be rewarded 
with your Nagorno-Karabakh, your Abkhazia, or your Transdniestria Region”). This is the policy 
I have in mind when talking about the Transcaucasian address of Russia’s national policy with its 
double standards.

Russia does not want to have “its own” Chechnia though; it is suppressing it with its military 
might and is afraid of the “domino effect,” which means wider independence movements in the 
Northern Caucasus. While at the same time it courts “Your (Georgian) Abkhazia and South Ossetia,” 
“Your (Azeri) Nagorno-Karabakh,” and “Your (Moldavian) Transdniestria Region.” Not only that: 
Russia is protecting them with its military shield and extending economic aid. In the old Bolshevik 
traditions, it is fanning a “flame out of a spark” (this is easy—there are enough “sparks” and “powder 
kegs” along Russia’s borders) and is using it in its international policy as an effective tool of black-
mail. Russian official science, which serves this policy, describes this as “Russia’s adequate position” 
in relation to the separatist movements in the Transcaucasus.

Nikolai Trapsh is one such academic. In an article that appeared in a collection of works from 
the Moscow State Institute of International Relations he did his best to undermine confidence in 
Georgia’s peace initiatives and the government of the Autonomous Republic of Abkhazia in exile (in 
Tbilisi) in an effort to create the impression that the separatist regime is stable enough: “M. Saakash-
vili’s well-known initiatives on gradually granting Abkhazia the widest autonomy on the condition 
that re-integration begins in earnest look suspicious… Indeed, all of a sudden I. Alasania, who heads 
the illegitimate government of the Autonomous Republic of Abkhazia, was appointed as the Georgia 
president’s special representative at the talks, which the Abkhazian side finally agreed to resume. …It 
should be said, on the whole, that the new Abkhazian leaders clearly indicated that they would like 
to see wide-scale changes in socioeconomic and political relations, the objective results of which would 
become one of the factors of the unrecognized republic’s development. Russia’s adequate position 
determined by the immanent geopolitical interests in the region would serve as another factor. Con-
structive changes in the unrecognized republic should guarantee stability on an important stretch of 
Russia’s southern border, which means that Moscow’s adequate support of the new Abkhazian rulers is 

The Transcaucasus is not an exception in this respect: this is being done and was done everywhere 
where Russia, the Kremlin strategists, and Russia’s special services were presented with the 

krizisa v Abkhazii. Analiticheskie zapiski (MGIMO-Universitet), Moscow, 2005, p. 17.
slightest opportunity to meddle with the small autochthonous peoples and ethnic minorities. Former Soviet power totally ignored these groups, turned a deaf ear to their complaints and problems, and mercilessly exploited and subjected them to discrimination. There were plans to tempt the Poles of Lithuania with Polish Soviet autonomy in the Vilnius area to act against independent Lithuania; the same can be said about the Gagauzes of independent Moldova, the Hungarians of Trans-Carpathia, and the Rusins of the Carpathian area in independent Ukraine. These are but individual links in the long chain that reaches the Transcaucasus. Russians who settled in the Union republics during the ongoing colonization that began before the 1917 revolution and continued throughout the entire Soviet period were used as the fifth column in the newly independent states in which there were no “younger brothers” nursing their grudges or where their national movements and democratic forces rejected the roles imposed on them. They demonstrated their solidarity with the people and democratic governments of the newly independent states (the Crimean Tartars are one example). Today, the imperial and Soviet heritage must become the Trojan horse that will invite the Russian “forces of influence” ranging from tanks, the navy, and the riot police to diplomatic notes of the Russian Foreign Ministry, State Duma declarations, and actions of the Moscow Patriarchate of the Russian Orthodox Church. This role has been offered and, regrettably, accepted by the Russian communities of Latvia and Estonia and the Russian majority of the Crimea actively involved in the efforts to detach the peninsula from Ukraine.

The Russian authorities are paying particular attention to Russia’s presence in the Northern Caucasus. Under one of the edicts (found among the papers of a functionary engaged in nationality policy) that should have been kept confidential but was made public in 1992 through the negligence of the “young democrats” who came to power in the Russian Federation in the early 1990s, Russians should comprise no less than 45-50 percent of the total population in each of the RF constituents in the Northern Caucasus as well as in cities, towns, and districts to preserve Russia’s presence and ensure its influence. Much attention was paid to military mobilization of the local Russians, the creation of contemporary Cossack communities being one of its forms.

The Transcaucasian Context of Russia’s Policy in the Caucasus: “Allies” and “Foes”

The Russians of the Transcaucasus could not be used as a pretext or as a striking force against the titular nations (their mass movements, popular fronts, and democratic organizations) and the newly independent states for several reasons: their share in the three Transcaucasian republics was relatively small; as urban dwellers mainly engaged in intellectual and creative activities they were less inclined to political excesses and, unlike the Russians of the Crimea, they were disinclined to form separatist movements. They remained true to their traditional and deeply rooted loyalty to the peoples on whose lands they were living (Georgians and Azeris). The Kremlin strategists had to look elsewhere for separatist sentiments: the Armenians in Azerbaijan, the Ossets in Georgia, or autochthonous peoples such as the Abkhazians in Georgia or the Lezghians in Azerbaijan; some of them were divided by the state borders between Russia and the Transcaucasian states. In the 1990s, Moscow functionaries tried to exploit the Lezghian nationalist movement Sadval (Unity) to create a threat to Azerbaijan’s territorial integrity: the country might have lost part of its northern territory which potential separatists called Lezghistan.

There is another very important aspect that should be taken into account when discussing Russia’s policy in the Northern Caucasus in its Transcaucasian context. I have in mind Russia’s persistent efforts to sow dissent among the Caucasian peoples by forming all kinds of blocs and alliances to be used at opportune moments against the Transcaucasian region or to fan contradictions among the North Caucasian peoples. To some extent they are all equally victims of Russia’s expansion and colonial oppression. As a popular Russian saying goes, there are those “more equal” and “less equal” among them. This is, in fact, nothing more than the ancient “divide et impera” with its local specifics, which should be taken into account when analyzing the Caucasian developments.

The most obvious conclusion is that the dividing line runs along the religious gap in the Caucasian subcontinent (I have in mind not only the Northern Caucasus, but also the entire expanse between the Black and the Caspian seas on both sides of the Caucasian Range). The fact that there are two main religions—Islam and Christianity—it stands to reason that the watershed of Russia’s policy should follow this pattern: the Christian nations could have been regarded as outposts and vehicles of Russia’s Caucasian policy, while the Muslim peoples remain alien, highly suspicious, and potentially or actually hostile. There is every reason to expect that Russia would use the Christian nations, the conformity of which was allegedly predetermined by the shared or kindred religion, to keep these peoples in check.

In real life everything is much more complicated than the simple division of the Caucasian nations according to their confessions: there are “good” Christians to be protected and even encouraged and “bad” Muslims to be punished, preferably by the hands of the Caucasian Christians. Sometimes this pattern is applied (the Osset-Ingush conflict to be discussed below is one such example). More often, however, Russia’s policy designed to fan contradictions among the Caucasian nations is not that primitive. Indeed, for the past fifteen or twenty years Russia has been willingly supporting the anti-Georgian actions of the Abkhazians, the majority of whom are Muslim. It acted against the Christian Orthodox state (even though its autocephalous church had no real contradictions with the Russian Orthodox Church) and even dispatched Islamic “volunteers” from the North Caucasian Muslim regions (Chechnia in particular). The Russian authorities encouraged Shamil Bassaev and his detachments to fight on the side of mutinous Abkhazia. Russia supported the Georgian Muslims in Ajaria until the new leaders who came to power after the Rose Revolution triumphed over the local separatists. This was one of their first victories. Moscow offered asylum to Abashidze and his clan as well as to other active separatists from Ajaria, which might have become the third (after Abkhazia and South Ossetia) springboard aimed at weakening the independent Georgian state. The conflict in Nagorno-Karabakh and around it was prepared in the same way. While the war and bloodshed were far away, Moscow never sided with the Christian Armenians: the leaders of the Karabakh public movement were arrested; and Moscow did nothing to interfere into the bloody events in Sumgait in the winter of 1988 (who knows, it might have been instrumental in staging them). As soon as Azerbaijan freed itself from the communist dictatorship and, as an independent state, threatened Russia’s domination in the Transcaucasus, Moscow sanctioned Armenian occupation (to put it simply) of a large part of Azerbaijan (much larger than the debatable territory of Nagorno-Karabakh). This occupation could not have been possible without Russia’s support and its direct involvement on Armenia’s side.

12 “In the spring of 2004 the Rose Revolution reached the capital of Ajaria Batumi,” writes Uve Halbach in his Der Kaukasus in neuem Licht, “on 6 May the entire Abashidze clan fled to Moscow with the help of Russia. Ajaria was returned to the Georgian state” (U. Halbach, Der Kaukasus in neuem Licht. Die EU und Rußland in ihrer schwierigsten Nachbarschaftsregion, SWP (Stiftung Wissenschaft und Politik)-Studie, Berlin, 2005, S. 8.

It should be said that Russia’s Armenian policy is very complicated and far from ambiguous. Moscow analysts are somewhat baffled by the strange situation: “Armenia is the only country that receives weapons from Russia and money from America and cooperates with Iran.”

The above demonstrates that the religious factor was not the main one when it came to dividing the Caucasian nations into Russia’s “allies” and “foes” as part of the “divide and rule” policy. This factor is but one of the factors of the very complicated strategy of identifying potential “friends” and “foes.” In fact the Caucasian Muslims find themselves suspected by Russia or even threatened by it more often than the Christians. The accents (the best, worse, or even worst allies) often shifted: the allies of yesterday are becoming the victims. This has already happened to those who Russia sent beyond the Caucasian Range in 1992 to fight Georgia and who later perished in the two Chechen wars. There are many subtle and very complicated overtones in the way Russia treats the local nations created by historical traditions, political heritage, foreign contacts, and many other things, religion being only one of them.

This treatment has created at least five main groups in the Northern Caucasus that experience different degrees of Russia’s patronage, encouragement of ambitious leaders, support or, on the contrary, neglect, suppression, and, most important, the expectation of exploiting these groups to put pressure on the Transcaucasian states. We arrange these groups according to the degree of Russia’s negative attitude from complete political alliance to the most acute contradictions that exclude the possibility of using such groups and that make them an object of the severest discrimination intended to teach other nations a lesson.

The Russians who dominate in the Northern Caucasus (the populations of the Krasnodar and Stavropol Territories included) form one of the poles. I have already written that Moscow has not yet managed to make use of the Russian syndrome in the Transcaucasus (in the way it did in the Baltic counties, Ukraine, and other countries of Near Abroad where it organized separatist movements). The small and deeply integrated Russian communities of Georgia, Armenia, and Azerbaijan refused to become the fifth column and remained traditionally loyal to the titular nations and governments. The Russians’ involvement in the political conflicts and wars in the Northern Caucasus, encouragement of lawlessness among the armed and half-armed Cossack formations, and the Russians’ contribution to the xenophobia and violence against “people of Caucasian nationality” (both Muslims and Christians) have reached outrageous dimensions.

Ossetia, which comes second after the local Russians among Russia’s allies (seen as active reserves of its Caucasian policy), is represented by two Ossetias: the Republic of North Ossetia-Alania (which called itself the Autonomous Soviet Socialist Republic within the Russian Federation longer than the others) and the former South-Ossetian Autonomy of Georgia.

A chain of historical reminiscences, ethnopsychological and cultural specifics, and factors of regional and international politics made the Ossetis Russia’s “most loyal ally” in the Caucasus and imposed on them a far from honorable role. Here are several circumstances that individually could have been dismissed but as a sum-total moved the situation in the desired direction. First, there was a certain inertia that associated Russia’s Caucasian policy with its Soviet and pre-Soviet past. Ossetia joined Russia in 1774, much earlier than the other national regions and peoples of the Northern Caucasus and, as distinct from them (they frantically fought Russia), mainly of its own free will. This was amply testified by the prevailing feelings and conduct of an overwhelming number of Ossetes and confirmed by documents, diplomatic missions, and statements of the rulers who spoke in the name of the people. The Ossetes were the only autochthonous North Caucasian people not involved in the Caucasian War; they merely helped the Russian colonizers negotiate the mountain passes, supplied them with valuable information about the developments in other regions, or even sent volunteers to fight

together with the Russians against the recalcitrant North Caucasian mountain dwellers. The shadow of this historical guilt (as perceived by most of the Osset’s neighbors) or historical merit (as perceived by Russia’s central power) can still be seen. It remained with the Ossets under Soviet power. It comes as no surprise that the ideological decisions of the C.C. All-Union Communist Party (Bolsheviks) (about Vano Muradeli’s opera *The Great Friendship*, for example) and Zhdanov’s speeches, which justified the decisions, never missed the chance to point out that the Ossets demonstrated loyalty during the Civil War, supported Soviet power, and deserved complete trust, in contrast to the Ingushes who had misbehaved and, therefore, could not be trusted.  

These declarations had nothing to do with the facts and, in particular, with the true history of the Civil War in the Northern Caucasus, in which the Ingushes were much “redder” than the Ossets, the nobility of which sided with the White movement. Nobody wanted the truth: the repeated statements about the “reliable” and “loyal” people contributed to the squabbles among the Caucasian nations and taught the Ossets to regard themselves as chosen people who had served Russia well. This added zeal to their service, while their neighbors regarded them as betrayers of the common North Caucasian interests, which was not totally justified. The Ossets gave democratic Russia the bright names of poet and enlightener Kosta Hetagurov, famous artist Makharbek Tuganov, and our contemporary Shalva Bedoev.

The religious factor played a certain role in identifying the Ossets as Russia’s closest ally (the Ossets, three quarters of whom are Christians, were “friends” in the “friend-foe” paradigm; the Muslim mountaineers and peoples of the steppes were “foes”) together with the fact that they belonged to the Iranian linguistic and cultural community. This made it easier to set the Ossets against the peoples that belonged to different linguistic families and groups (Caucasian, Vainakh, Turkic) and to develop far-reaching international speculations. Russia (czarist, Soviet, and post-Soviet) has been too often seeking political alliances with Persia/Iran (advantageous for its traditional anti-Turkic and its recent anti-American orientation) to ignore the Iranian-speaking groups within its own frontiers. The Ossets, together with the Tajiks and other Central Asian peoples, were one such group that could be used to build a bridge from the Caucasus, on the one hand, and the Pamirs, on the other, to Tehran in order to enclose the vast Asian territory. The alliance between Moscow and the spiritual heirs of Ayatollah Homeini who, under the cover of peaceful nuclear projects, are working on nuclear weapons is close to the hearts of the Russian communists and nationalists. Spearheaded against the “Anglo-American imperialists,” it was perfected through the myths of “Iranian Alania,” which the extremely biased Ossetian academia claimed as its ethnic territory (even before presenting archaeological evidence) and even as part of Greater Iran—the antipode to Turan—the historical home and zone of the Turkic nations.

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15 The decision of the C.C. A.U.C.P. (B.) said in its clumsy way: “The plot of the opera is historically false and artificial even though it claims to represent the struggle for Soviet power and peoples’ friendship in the Northern Caucasus in 1918-1920. The opera has drawn the wrong picture that such Caucasian peoples as the Georgians and the Ossets were enemies of the Russians. This is false: it was the Ingushes and Chechens who were the main obstacle to achieving friendship among peoples at that time in the Northern Caucasus” (“About the *Zvezda* and *Leningrad Journals*, Decision by the C.C. A.U.C.P. (B.) of 14 August, 1946; “About the Repertoire of Drama Theaters and the Methods of its Improvement, Decision by the C.C. A.U.C.P. (B.) of 26 August, 1946; “On the Film *The Great Life*, Decision by the C.C. A.U.C.P. (B.) of 4 September, 1946; “On the Opera *The Great Friendship* by V. Muradeli, Decision by the C.C. A.U.C.P. (B.) of 10 February, 1948,” Moscow 1952, p. 25).

16 It should be said, in this connection, that as a rule Armenia supports the plans of Caucasian-Iranian cooperation, while Azerbaijan’s principled position is the only obstacle to these plans (and probably the only hope that the Transcaucasian region will escape Iranian domination). This position came to the fore in the spring of 2003 when Foreign Minister of Iran Kamal Kharrazi, during a visit to Armenia, announced that there were plans to set up a regional organization that would include Iran, Russia, Armenia, Azerbaijan, Georgia, and Turkey. The Foreign Ministry of Azerbaijan resolutely stated that integration into NATO was the only reliable guarantee of South Caucasian security and that “any serious security system in the region is impossible without the participation of Euro-Atlantic structures” (“Azerbaijan Opposes Iranian Regional Security Proposal,” *Azerbaijan Daily Digest*, 5 May, 2003, available at [http://www.eurasianet.org/resource/azerbaijan/hypermail/200305/0012.shtml]).
The Ossets were involved in a policy aimed against the Caucasian Muslims and Georgia not because of vague historical associations or doubtful pan-Iranian theories. It was enemy blood and cover-up that bound the Ossets, a nation involved in the crimes of the ruling regime, to Russia.

Deportation of peoples accused of collaborating with the enemy and high treason was one such crime. The territories of their liquidated autonomies were divided among their neighbors. It was not only Ossetia that profited from the mass deportations, which reached their peak in 1943-1944; the Russian Federation acquired the Grozny Region and the Crimea (the latter first belonged to the Russian Federation; in 1954 it was “presented as a gift” to Ukraine). The territories and regions of the Russian Federation as well as of the autonomous and Union republics received bits and pieces of the liquidated autonomies. Georgia obtained part of mountainous Karachai: for fourteen years (until 1957) Karachaevsk (Mikoyan-Shakhar), the former capital of the Karachai Autonomous Region liquidated in 1943, had the Georgian name of Klukhori. During the Khrushchev “thaw” when the repressed peoples were rehabilitated and returned to their restored autonomies, their neighbors gave back the lands they acquired in the past. Receiving instructions from the Center, the local administrations restored the old administrative borders without a murmur; the local people who had moved into the homes of the repressed, who had tilled their lands and used their grazing pastures greeted the former owners, offered them a place at their tables, and returned everything they managed to save.17

The Georgians (Svans) left Karachai without claiming any of what they had built in the past fourteen years. No one knows why Ossetia was granted a special status: either because of intrigues by its political elite and the feelings of the common people on whom the elite relied, or because of Moscow’s deliberate intention to sow discord between the Ossets and the rehabilitated Ingushes and Chechens over the Prigorodniy District.18 North Ossetia flatly refused to evacuate the Prigorodniy District; the Ingushes, for whom it was the heart of their historical homeland, refused to accept this loss. In 1992 the smoldering conflict developed into open clashes; the Center responded with a military operation against the Ingushes to oust them from their historical homeland, while the Ossets sided with the Russian military.19 This created a huge wave of refugees and an exodus of Ingushes from North Ossetia. These people have not returned to their homes.

The South Ossetian Region opened the “second front” in Georgia, in the very heart of the Caucasus, in an effort to undermine the all-Georgian movement aimed at withdrawal from the Soviet Union, liquidation of the communist dictatorship, and restoration of the Georgian statehood. The

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17 During the integrated academic expeditions in Karachaevo-Cherkessia in 1998 and 1999, we registered reminiscences of moving episodes between the Georgians and those who returned from exile. (Projects 98-01-18011e and 99-01-18029e) within the “Turkic World of the South of Russia of the Late 20th Century: the Main Parameters of the Ethnocultural Community and Differentiations” project implemented by the present author with the help of the Russian Humanitarian Scientific Foundation; the present author’s individual research project “The Turkic-Islamic Group of the Repressed Peoples of the Former U.S.S.R.” was implemented with the support of the John D. and Catherine T. MacArthur Foundation).


19 See: Ingushskiy “Memorial.” Doklad o massovykh narasheniakh prav grachdan ingushskoy narodnosti v Rossiskoy Federatsii 1992-1995 godov, Nazran, Moscow, 1996. Some of the materials are kept in the author’s personal archive (expedition diaries, audio interviews with Ingush refugees, and photo albums) collected during the Integrated Scientific Expeditions (sociological and political studies) organized in 2002 by the Institute of Sociology, RAS, in the Republic of Ingushetia within the program “Forced Migrants and Refugees in the Republic of Ingushetia in the 10 years of its Existence (1992-2000): formation of migration flows, policy in relation to them, problems of their temporary settlement and return to their homeland, conflict and peacekeeping potential” (headed by G.M. Denisovskiy, grant of the Russian Humanitarian Scientific Foundation 02-03-18001e) and work in Ingushetia carried out within the mission of the Federal Union of the Peoples of Europe with a consultative status under the European Council and the U.N. in January-February 2002 (FUEV Fact-Finding Mission in der Republik Inguschetia).
wound is still bleeding, even though much has changed since the tragedy of 23 November, 1989 that took place in Tskhinvali. The leaders of South Ossetia had to abandon and forget their Soviet rhetoric, which sounded wrong in the new Caucasian context: it was not they, they allege, who wanted the “great Soviet Union” restored. Many of the Osset families had to flee Kartveli to settle in the Prigorodniiy District of North Ossetia. After the Rose Revolution, which brought Mikhail Saakashvili to power, Georgia has become a very different country from the one it was under Zviad Gamsakhurdia; the international community, too, will never accept division of the country. I regret to say that the Osset population of Georgia preferred to ignore these lessons of history; they refuse to accept the legal status of a national minority in a democratic country. They willingly participated in the political farce called the independence referendum carried out under the benevolent patronage of Russian observers in the fall of 2006 and unanimously (like in the old good Soviet days: over 90 percent turnout and over 90 percent positive answers) approved the absurd and criminal decisions that will bring nothing but more suffering for the Ossets and Georgians.

The Adighe-Kabardinian ethnoses who live in the extensive, but not compact, stretches in the west and center of the Caucasus on both sides of the Caucasian Range between Sukhumi and Nalchik form the third group of the vehicle of Russia’s influence in the Caucasus. Even if they cannot be described as “chosen” peoples, they are “more equal” than the others and enjoy more privileges. They are Abkhazians, Adighes, Kabardins, Cherkesses, Abazins, and Shapsugs. Their consolidation and ethnic mobilization under Russia’s supervision was much more complicated than the process that had made the Ossets a pillar of the Russian throne or the present Russia’s “vertical of power.” It was much more complicated, first, because they lived on both sides of the Georgian-Russian border and in different constituents of the Russian Federation (Kabardino-Balkaria, Karachaevo-Cherkessia, Adige, and the Krasnodar Territory). They lived in different conditions, and their size and economic and cultural levels differed greatly. The peoples of the Adighe linguistic group form a loose heterogeneous community with no common ethnic self-awareness and shared identity comparable to those of the Ossets. Second, the Adighe-Kabardinian peoples cannot be described as Russia’s “eternal friends” or more or less reliable partners: many of them were actively involved in the Caucasian War of the 19th century; many of them suffered from Russia’s colonial policy that dramatically reduced their numbers and put them on the brink of extinction. After the Caucasian War, many of them found themselves beyond Russia’s southern borders; the multiethnic Muslim diaspora of emigrants from Russia in the Middle East (in Turkey and the Arab countries) is very large and normally described as Circassian, in keeping with the name of one of the ethnic groups. Third, the Russians cannot treat these peoples as “religious brothers”—nearly all of them are Muslims, even though part of this community (the Kabardinian nobles who allied with the Russian autocracy under Ivan the Terrible, who was married to Kabardinian princess Maria Temnaia) is more inclined than the others toward Christianity and assimilation.

No matter how hard it was for Russia to find supporters in the Adighe-Kabardinian community and no matter what unpleasant surprises it had to endure (the so-called Assembly of Mountain Dwellers of the Caucasus under Kabardinian Musa/Yuri Shanibov and the uncontrolled spontaneous riots in Nalchik in the fall of 1992 were the latest, but not the last among such surprises), Russia treated them differently from the peoples of Daghestan, Checheno-Ingushetia, and the Turkic world of the Northern Caucasus. In response it received loyalty incomparable to what the Daghestanians, Chechens, and Ingushes could offer.

Our sociological and public opinion studies in Kabardino-Balkaria and Karachaevo-Cherkessia revealed negative stereotypes determining the relations and the recurrent conflicts among the Turkic peoples (Karachais and Balkars), on the one hand, and the Kabardinian-Adighe peoples, on the other.20

20 The results are published in S.M. Chervonnaya, Tiurkskiy mir v tsentre Severnogo Kavkaza. Paradoksy etnicheskoy mobilizatsii, ed. by M.N. Guboglo, Moscow, 1999; S. Tscherwonnaja, “Die Karatschaier und Balkaren im Nor-
Not infrequently the Karachais and Balkars blame their social misfortunes on their closest neighbors, who belong to different groups (Kabardins and Cherkesses) with whom they were “unnaturally paired” (from their point of view) in Karachaevo-Cherkessia and Kabardino-Balkaria. They are especially concerned about the plans of Greater Cherkessia nurtured by the Adighe Khase and Aydgylara national movements, which infringe on the national interests of the Karachais and Balkars. Russia, in turn, supports these plans: it sanctioned an Interparliamentary Assembly of three republics (Kabardino-Balkaria, Karachaevo-Cherkessia, and Adigey) and went even further to support the intention of the Abkhazian Aydgylara National Forum to make Sukhumi the capital of Greater Cherkessia and join nearly the entire stretch of Georgia’s Black Sea coast to it. No matter how preposterous, these plans perfectly fit the anti-Georgian nature of Russia’s policy.21

Significantly, the leaders of the national movements of the Ossets and the peoples of the Adighe-Kabardinian group, who are pursuing an anti-Georgian policy, invariably find a common tongue despite their different languages, cultural distinctions, and the large, by Caucasian standards, distances that separate them. They act together on the political scene as two key performers in the Kremlin’s anti-Georgian plot.

In the future, Sukhumi and Tskhinvali will coordinate their anti-Georgian actions under Moscow’s supervision. Russian-Georgian relations, which worsened after the Rose Revolution, immediately stirred the Abkhazian and Osset separatists into action. They were obviously encouraged by Moscow to carry out the illegal (from the point of view of international law) referendum on independence on territory that is part of Georgia from which the main (Georgian) population had been evicted, which, by the way, can be described as apartheid.

**The Pan–Turkic Map of Russia’s Caucasian Policy**

In the context of Russia’s policy, the North Caucasian peoples are not regarded as potential allies and the pillars of Russia’s presence in the Caucasus even though Russia tried to draw their members onto its side. The Congress of the Turkic Peoples held in Moscow in 1995 was one such effort. Russia repeats these efforts from time to time with little hope of enlisting the North Caucasian peoples as the striking force in the Transcaucasus. These groups include the Caucasian Turkic peoples (the Karachais, Balkars, Nogais, Kumyks, as well as the Turkic minorities and the diasporas scattered across the North Caucasian republics and territories, such as the Azeris, Turkmen, Crimean Tatars, and Meskhetian Turks), the peoples of the Vainakh group (Chechens, Ingushes, and Akintsy), and the spiritually kindred mountain peoples of Daghestan that share their mentality and historical traditions. Seen from Russia, this is the most unreliable region fraught with unpleasant surprises: it is no accident that it was these peoples of the East North Caucasian region that received the severest blows from Russia: conquest (Russian imperial diplomacy failed to convince them to join Russia peacefully or at
least show their token compliance) and punitive expeditions during the Caucasian War. In the 20th century the Chechens, Ingushes, Karachais, and Balkars were deported; in the 1990s they suffered from the cruel wars that were officially described as “anti-terrorist operations.” The process is still going on.

Russia is very much concerned about two major issues. First, the Turkic peoples’ orientation toward an alliance with Turkey in the paradigm of the traditional and liberal Turkism revived in the late 20th century along the democratic lines first formulated by Crimean Tartar Ismail of Gaspra, a great enlightener.22 And, second, the spread of the most radical trends of political Islam (uncontrolled by the official muftiats), ranging from the Sufi brotherhoods to Wahhabi sects and movements for setting up an Islamic state based on the Shari’a.23 The Russian leaders have no sympathy with these sentiments, while the Russian “stick and carrot” in the Eastern Caucasus (in Chechnia in particular) turns out to be the “stick” policy without the carrot. The fact that there are no potentially reliable allies among these peoples forces Russia to resort to varied, carefully prepared, and skillfully implemented anti-Transcaucasian manipulations. I have already written about the Chechen fighters who were dispatched in the early 1990s to Abkhazia to fight independent Georgia. In the new context, early in the 21st century, Russia is exploiting the myth about the Chechen fighters allegedly camping in the Pankisi Gorge, on Georgian territory, to put pressure on Georgia and to justify the violations of its borders by Russian aircraft.24 There were other subjects and intrigues best of all described as “black political mythology” that used the bogey of so-called pan-Turkism in the Northern Caucasus. It was invented primarily to scare the Armenians and, regrettably, proved effective. It is enough to mention the thick volume of falsifications authored by a certain Alexander Svarants entitled Pantiurkism v geostrategii Turtsii na Kavkaze (Pan-Turkism in Turkish Geostrategy in the Caucasus) published in 2002 by the Alliance of Armenians of Russia, the Armenian Institute of International Law and Political Science.25 This is a product of Armenian science (or rather vulgar pseudo-science). The book, which slanders the democratic organizations and movements of the Turkic peoples of the Transcaucasus and the Northern Caucasus, is tangible proof of how the Russian invention was put into circulation to brainwash the Armenians. The nation is being taught to live in the constant fear of its southern (Turkey), eastern (Azerbaijan), and northern neighbor (the Turkic peoples of the Northern Caucasus). This makes Russia the only patron and only natural ally. Russia has demonstrated inordinate skill in playing with marked cards. The scandalous behavior of the Georgia’s Armenian community, which borders on mass psychosis and which mars the Armenian community’s national and civil dignity, is ample evidence of Russia’s mastery. The local Armenian community categorically refused to let the repressed and deported Meskhetian Turks return to the former Akhaltsikhe pashalak, their historical homeland.26

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23 The author participated as executive manager in the 2003-2005 project headed by A.V. Malashenko “Wahhabism in Contemporary Russia: Political and Ethnocultural Field of the Northern Caucasus” (Project 03-01-00013a supported by the Russian Humanitarian Scientific Foundation); the reports were prepared for publication in 2006.


25 See: A. Svarants, Pantiurkism v geostrategii Turtsii na Kavkaze, Moscow, 2002.

26 This situation and the sad position of the Meskhetian Turks, who cannot return to their homeland, have been discussed by the present author in reports on the studies carried out within the mission of the Federal Union of the Peoples of
Today, the traditional division of the Caucasian peoples into groups, some of them more and some of them less loyal to Russia, has become even more complicated than before. First, there is no continuity, the roles are changing and the accents are shifting. Second, Russia is constantly on the lookout within each of the groups for loyal elites, which can be better described as marginalized groups, to set up puppet regimes. Moscow is not alien to reviving the old communist party nomenklatura and to finding a common language with the new criminal clans, which have already mastered the art of dealing with Moscow and using it as their patron. This naturally complicates the general picture and constantly upsets the balance of political forces in the Northern Caucasus. Russia’s main aim, however, remains the same: the North Caucasian peoples should be divided so that the energy of their national movements can be used to put pressure on the Transcaucasian states.

AZERBAIJAN
ON THE WAY TO THE WTO:
LATER BUT SAFER?

A b s t r a c t

The WTO undoubtedly belongs to the leading institutions of the globalization process and it is among the most powerful and large-scale of them—most of the world states, including superpower nations, have conceded to its vast authority. Membership in the global trading system of the WTO (which currently includes 150 full members and 30 candidates) helps a country to accelerate its integration into the world economy and into the globalization process in general. Azerbaijan is currently one of the candidates to accede to the WTO. Accession to the WTO could be one of the pivotal geopolitical factors for Azerbaijan in its integration into global trade and in establishing a true market economy in the country. The article analyzes Azerbaijan’s accession process to the WTO, assessing the benefits, losses, opportunities, and threats and suggesting some practical recommendations.

I n t r o d u c t i o n

The importance of membership in the WTO is strengthened by the globalization of world trade—trade relations are simply unavoidable in today’s interdependent world. If we look at how different national economies have developed over the ages, one thing comes to mind: integration into world economy goes hand in hand with the growth and prosperity of individual state economies. Al-
most all of the more recent cases of significant economic growth, e.g. East Asia’s “4 Tigers,” China, India, etc., have displayed a partial and gradual opening up to imports and foreign investments. Meanwhile, it is essential to keep in mind that simply opening up to international trade and foreign investments is only part of the success story and is not enough for any significant economic development. The other “parts” of the success formula, including deliberate use of the opportunities offered by foreign trade, a domestic investment and institution-building strategy, stimulation of production, entrepreneurship, and competition, are all extremely important.

Accession of Azerbaijan to the WTO requires reform and adjustments in the national economic system and legislation as well as concessions in trade patterns. Thus, accession will be characterized by adaptation outlays and difficulties, especially in the short run. This is a natural process and the required reform will affect such areas as tariffs, customs procedures, taxation, insurance, banking, and finance. The liberalization of the trade regime will cause the national economy to face greater competition from foreign markets. This of course should not be grounds for skepticism among the country’s economists and politicians, since much can be gained from the reforms and competition. The aggregate benefits from joining the WTO are significant and comprise economic as well as political and social dimensions for the country as whole. The republic’s membership in the WTO will send a positive signal to foreign investors and the international community about the general business climate in the country. It will help the country to modernize its economic system, improve its access to foreign markets, and allow consumers to benefit from a larger variety of products. Consequently, it can boost investments and provide jobs, contributing to overall prosperity.

**General Accession Procedure**

As a matter of fact accession to the World Trade Organization is usually a complicated, demanding, and lengthy process that takes several years. For example, it took 14 years for such a big economy as China to join the Organization. The Russian Federation applied in 1993 and is still working on its full membership. Among the smaller states, which applies more to Azerbaijan, we have observed the completed accessions of Armenia, which took 10 years, Moldova—8 years, Georgia—4 years, and Kyrgyzstan within just 2 years.

There are currently 30 countries engaged in the accession process to the WTO. Almost all of them are developing countries and countries in transition. Azerbaijan is customarily considered to be a country with a transition economy, but it does not necessarily have to translate to the same status in the WTO accession.

Art 12 of the WTO Agreement says that “any state customs territory having full autonomy in the conduct of its trade policies is eligible to accede to the WTO on terms agreed between it and WTO Members.”

Accession to the WTO is essentially a negotiation process, quite different from the accession to other international entities like the International Monetary Fund (IMF), which is largely an automatic process. The entire accession process involves several stages:

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5 This issue is discussed further in an article in “The Status” section.
6 How to Become a Member of the WTO, The Official WTO Website, available at [http://www.wto.org/english/thewto_e/acc_e/acces_e.htm].
7 The accession process is explained in accordance with the information provided by the official WTO website [www.wto.org].
(1) a formal request for accession;
(2) the presentation of a memorandum on foreign trade conditions by the applicant state;
(3) the determination of terms and conditions for the accessing country;
(4) bilateral and multilateral negotiations with interested members of the WTO;
(5) the completion of an “accession package”;
(6) the approval of the “accession package” by the WTO’s General Council; and finally
(7) the ratification of the “accession package” at a national level and the signing of a Protocol of Accession.

A so-called Working Party (WP), which is the main body to considering and processing an accession application, is established at the first stage by the General Council.

All interested WTO Members must be in agreement that their individual concerns have been met and that outstanding issues have been resolved in the course of their bilateral and multilateral negotiations. Only then does a candidate become a full member.

**Status**

Each applicant country enters the organization under a certain status which usually corresponds to the level of development of its economy. In fact, there are no WTO definitions of “developed” and “developing” countries. But when it comes to the terms of accession, the Organization differentiates mainly among developed countries, developing countries, countries in transition (CIT), and least-developed countries (LDC). As to the last category, the WTO clearly recognizes as LDC those countries that have been designated as such by the U.N. There are currently 32 LDCs that are candidates for accession and more than 20 full members among them. LDCs are clearly entitled to use the Special and Differential (S&D) treatment provision, which envisages more support, fewer concessions on protectionism, and a longer transition term. Meanwhile developing countries and countries in transition are granted only partial S&D provisions. However, declaration of status is rather a formality. What really matters are the actual commitments and terms of accession. The actual commitments, once specified during accession, may restrict the scope of the S&D treatment provisions. For instance, if a new entrant state, which positioned itself as a developing economy, makes an explicit commitment to restrict its domestic agricultural support at a level lower than that allowed for developing countries, the commitment would be binding even if this state may want to increase its agricultural support to the level allowed for other developing economies.

The CIS countries joined the WTO on the terms of “countries in transition,” which eventually led to too many concessions. Those concessions could have been avoided or alleviated had they acceded with a “developing” status. The key decision-makers in Azerbaijan already realize this. A status of LDC is not possible for Azerbaijan, since today the state economy is stronger than ever be-

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8 In WTO jargon, a memorandum stands for a candidate country’s report on its foreign trade conditions.
9 Stages 3 and 4 usually occur at the same time, while all other stages occur subsequently.
10 The accession package is the documented results of bilateral and multilateral negotiations.
12 Ibidem.
13 Ibidem.
fore and there is good potential for further stable development. Besides, an LDC status would have a negative effect on potential foreign investments.

Azerbaijan is interested in being acceded as a developing country. In so doing, the country will be able to provide 10% subsidizing for agriculture, and no country has so far objected to such an accession status for Azerbaijan.

Status is also related to a very important issue—the country’s right to a transition period for implementing the WTO Agreements. Depending on the applicant’s status and the accession negotiations, a new entrant is granted a certain amount of time to implement the concessions and obligations in accordance with the WTO Agreements.

### Azerbaijan’s Accession to the WTO: Positive and Negative Effects

Azerbaijan has the largest economy in the Southern Caucasus and is the last country in this region to join the WTO. Probably these two facts are interrelated and Azerbaijan’s more developed economy can at least partially explain its relative late entry into the WTO—accession of a new country to the WTO is a far from simple process and the larger the economy, the more complicated the process.

The country officially submitted its application in June 1997. The country’s Working Party was created immediately thereafter and so Azerbaijan became an observer in the WTO. The Working Party was first chaired by Mr. Hoeynk (Germany) and is currently headed by another German expert—Mr. Lewalter (since 2000). Membership in the Working Party is open to all the WTO states. In the case of smaller countries (such as Azerbaijan), the WP is made up of members of the so-called Quad. The Quad consists of the most influential WTO members—the U.S., Canada, the EU, and Japan. Azerbaijan presented its Memorandum on foreign trade conditions in April 1999. The stage of questions and answers to the Memorandum took slightly longer than a year, being de facto completed by June 2000. There was an additional “questions and answers” session in 2001 and finally, in 2002, the first meeting of the Working Party was held—the country started the negotiations phase of the accession. Four meetings of the Working Party have been held so far.

Azerbaijan’s accession to the WTO can be regarded as a relatively long process that has lasted for more than 10 years. However, even the most optimistic forecasts predict full membership to take no less than 2-3 years. There are some objective reasons for being late and one of them is that Azerbaijan’s economy is bigger and more diverse than those of its neighbors that have joined the Organization. Also the average time it takes to complete an accession has been steadily growing over the past decade. This is partially due to the growing membership, which has naturally led to slower decision-making and management. At the same time, the country’s accession is not among the particularly complicated or aggravated cases. Even though the work on accession is going somewhat slow, it is being done with the understanding that trade liberalization is a sensitive process for a transition economy and should be implemented step-by-step. Also now that we have four CIS countries in the Or-

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16 Existing WTO incumbents have a right to object or dispute over an entrant’s status.
ganization, those still in the accession process can learn from the entrants’ experience in order to avoid mistakes and make the appropriate decisions. In fact, experts in Azerbaijan have been already doing this. It is important to remember that unlike other international economic institutions (e.g. the IMF and WB), entry into the WTO does not happen instantly. It is rather a challenge to “bargain” with the WTO over terms and conditions for prospective trade.20

At the moment, Azerbaijan already has a pretty liberal trade regime for an acceding country with an import duty of 9.4% and a bound tariff of 13.6%.21 “Azerbaijan’s proposals are so liberal. As you see, our tariffs are very close to the final tariffs,” noted Mahmud Mammadguliev, the deputy foreign minister of Azerbaijan and the head of the national WTO delegation, at a recent USAID-organized WTO workshop. Agriculture remains in the center of today’s concerns and there are negotiations over subsidies for agricultural products. Since Azerbaijan intends to join the WTO as a developing country, it is striving to receive a 10% subsidy for both specific and nonspecific products in agriculture.22 Furthermore, a number of issues are still ambiguous and undecided, including non-tariff protection and intellectual property. The former needs to be considered mainly as a possible tool for protecting domestic production, while the latter is a direct concern for accession to the WTO. Intellectual property is still a problematic area in Azerbaijan and demands attention and changes, especially in terms of enforcement.

Azerbaijan is currently at the most important and responsible stage of the accession to the WTO—negotiations.23 The country’s accession has already been approved by Turkey, Japan, Canada, Georgia, Norway, Pakistan, and others.24 The country has received considerable technical and financial support from foreign states that are helping the country to join the WTO—mainly from the U.S. and the EU states. The state has carried out a number of important arrangements designed to stimulate foreign investments.

Although opinions today vary on whether membership in the WTO is the right step for Azerbaijan, there is the predominant belief that the WTO accession will have an important effect on the country’s economy. A growing majority of researchers, scholars, and experts believe that Azerbaijan will generally gain from joining the WTO. However, a number of specific questions and issues concerning the actual effects (both short-term and long-term) of the accession still remain partially or completely unanswered. These include such macro- and microeconomic dimensions as domestic production and entrepreneurship, terms of trade, employment, consumer prices, cost of living, and others.

Accession to the WTO has both benefits and losses for a member country. Whereby the gains and losses usually vary over time—some groups may lose in the short run, but gain eventually in the medium and long run. For example, unskilled labor is likely to lose in the short run from transitional unemployment in industries that will suffer from increased import competition, but may gain in the long run if those industries are rehabilitated and become stronger than before.

Benefits of WTO membership fall into three main categories:

1. a stronger domestic economic system,
2. access to a dispute settlement mechanism, and
3. increased opportunities from foreign trade.25


22 Specific subsidies are those provided specifically to a region, an enterprise, or industry, while a nonspecific subsidy is universal.


The first category refers to the required reform of domestic policies and institutions for conducting international trade. The accession will thus promote modernization of Azerbaijan’s national economic system through reforms as well as technical and financial support by international organizations and foreign governments within the framework of assistance for joining the WTO. This will contribute to the country’s further and faster integration into the global economy. Accession to the WTO is also likely to bring enhanced transparency, reduced corruption and bureaucracy, and better conditions for entrepreneurship.

The second category refers to the WTO’s function as a dispute settlement institution. Essentially the WTO is a place where member governments go to try and sort out the trade problems they face with each other. According to Peter Mandelson, EU Trade Commissioner, membership in the WTO is “a kind of protection from discrimination in economic interrelations.” Thus, as a member of the WTO, Azerbaijan will be able to enjoy fairer trade with international partners.

The third category broadly comprises benefits, which can bring liberalized trade to a country. First of all, competition, stimulated by membership in the WTO, will mobilize local producers to modernize and rationalize production, as well as galvanize innovations. As a result, consumers will benefit from improved quality, wider selection, lower prices, and enhanced customer orientation. Then membership will improve a trading environment for foreign companies, creating more favorable conditions for investors. It will send a positive signal to the international community and to business investors in particular, because membership in the WTO implies a government’s commitment to a market economy, integration into the global trade, and a safer and stable business climate. This will lead to stronger economic interest from abroad and international trust in general, implying an inflow of foreign direct investments (FDI). The increased business activity in the country will create new jobs and opportunities for the population. Furthermore, foreign markets will become more open to domestic producers, creating new opportunities for the private sector of Azerbaijan. Those managing to go international can especially gain from the scale and scope economies. Domestic firms will stick to international quality standards for exports, enhancing manufacturing and service rendering. Moreover, many of them can benchmark good quality imports, strengthening their own stances and capabilities. As a result, the reputation of local goods will rise, although prices are likely to rise as well.

Transition periods are challenging and painful, but usually lead to positive results at the end of the day. In fact, the main losses from joining the WTO should occur in the short run—some domestic producers lose because of tougher competition with imports and consequently some people will suffer due to the loss of jobs. The state will also lose part of its income from tariff on imports.

Membership in the WTO opens the gates wide for foreign markets, but if national producers are infant, weak, or do not exist at all, those gates can bring too many threats—foreign competition may damage the rudiments of infant industries and hinder the emergence of new ones. At the same time, it is important to mention that the flow of new imported products is likely to bring new entrepreneurial ideas and lead to the creation of new (whether copied, reinvented, or adjusted) domestic goods and services. The question is how this production will succeed over time and whether it will survive.

In so doing, the government should play its role and engage in the necessary actions designed first to preempt and, once the country has acceded, diminish the adverse negative effects on domestic entrepreneurs, producers, and employment. The state has obligations to protect domestic producers and should exercise them. The question is to what extent and in what form should protection be provided. There is no single answer however. The rates and forms of protection depend on the results of bilateral and multilateral negotiations with members of the WTO, Azerbaijan’s current and future trade partners, and will definitely vary for different industries and individual products.

As a matter of fact, since the current tariff rates in Azerbaijan are generally not high, accession to the WTO will not lead to a sharp drop in tariff rates, so the domestic economy should not significantly suffer from the cessation of protection.
The Changing WTO

It is also worth mentioning some of the current trends in the Organization, since they should be interesting for new entrants such as Azerbaijan.

The WTO as an organization and a nexus of rules may experience some changes in the future. One of the main reasons for this is its expansion. There are more and more members joining the Organization, some of which are influential players in the modern world with their own interests and viewpoints on the rules of international trade. These are first of all the nations representing the G20 developing nations, such as China, Brazil, India, and Indonesia. There are still more significant accessions emerging ahead, with the Russian Federation in the front line. These new big players may want to challenge and change some of the rules, shifting the whole system toward the requirements of the expanded organization and adjusting it to the newer reality. In fact this process has already started and the increased number of international disputes within the WTO, as well as arguing cases over the current fairness of the rules, is evidence of this.

According to Pascal Lamy, the director-general of the WTO, the Organization needs reform today. The existing system is no longer fully effective, since it was established when “the world was different.” The structure and composition of the Organization’s major players has changed and is still changing and, consequently, “the rules of the game should also be adjusted.” For this purpose, multilateral trade negotiations are being held, partially including the Doha round, which is the major WTO negotiation process designed to lower trade barriers around the world.

Recommendations for Azerbaijan’s WTO Strategy

For beneficial membership in the WTO, Azerbaijan has to follow a strategy consistent with its national economic interests and designed to advance the country into the global economy as a capable trading partner.

It is crucial for Azerbaijan to project and, once acceded, to maneuver its economic and political tools to diminish and possibly avoid negative impact on the existing and prospective industries of the domestic market. Oil and gas are not inexhaustible resources. Also being predominantly dependent on extracting and exporting raw materials is a poor way to develop a strong national economy. Azerbaijan needs to diversify its economy, promoting and developing the non-oil and non-gas industries.

The following recommendations may be practical for implementing the WTO strategy:

1. The strategy should identify national economic interests and work in consistence with them.
2. The state should support domestic producers and entrepreneurs and protect the national market whenever needed, but open it up for liberalized international trade within the framework of the WTO’s principles. This especially concerns the non-energy sectors and those with the potential of becoming exporters.
3. Diversification of the economy and the development of competitive advantages are vitally important for sustainable development.

4. The state should attract more international class experts in international trade and specifically in “WTO Management,” as well as train the local staff of government bodies in this area. The situation today is much better than it was in the past—a number of good experts are working toward the country’s membership, but there is still room for improvement. Further technical assistance from international organizations is also important.

5. A long enough transition period should be negotiated, so that country has time to adapt before all of the WTO rules become fully valid.

6. The status of developing country with outgoing privileges seems to be the most optimal.

7. The state should maintain higher import tariffs for products of vital importance to the domestic economy. In the case of a low average duty rate upon accession, the country should maneuver rates on products according to their importance for the national economy. That is, maintaining higher tariffs for strategically important and sensitive industries and assigning lower ones for less important branches will keep the average duty rate at the required level.  

8. The leading economists should continue to study the experience of recently joined and joining WTO members, especially CIS countries, and draw the appropriate implications.

9. Protection does not necessarily have to be in the form of tariffs. There are other methods of protection, including local production  and technical requirements which should be considered.

10. The country should remain aware of any ongoing trends and developments within the WTO.

**Conclusion**

Today the World Trade Organization governs over 95% of international trade and plays a crucial role in the contemporary global economy. Azerbaijan is currently a WTO observer and, like most other CIS countries, aims to join this organization in the next few years.

There are a number of economic, as well as social, political and legal reasons for joining the WTO. The accession process itself is individual for each country in terms of both time and negotiated terms. Azerbaijan has taken a relatively longer path to full membership and should use this time to achieve more beneficial terms and conditions and prepare the domestic economy for the challenges and opportunities of liberalized international trade. Transition periods are difficult by definition. WTO accession will require many concessions, adjustments, and reforms, thus posing threats for some groups, especially in the short run.

Thoughtful and in-depth preparations for WTO membership, involving a thorough analysis of the threats and opportunities, study of the experience of acceded countries, as well as awareness of the ongoing changes and trends within the WTO, will certainly help the country to ease the transition period. Such preparative work will also maximize the prospective benefits of full membership in integrated world trade. It is also important to remember that the accession process requires outlays and thus should not last too long, since membership in the WTO is not an aim in itself, but a means to gain more opportunities.

As Azerbaijan successfully furthers its integration into the globalized world, aiming to join the multilateral trading system, it is extremely urgent for this country, with its huge untapped economic

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27 See: V. Bayramov, op. cit.
28 A requirement whereby the commodity of a foreign producer should be partially manufactured in the country where he wishes to sell it.
potential, to think about its competitive advantages. It is important that Azerbaijan accedes to the WTO not just as a raw materials provider, but as a strong and diversified trade partner with a competitive national economy, capable of offering an attractive and rewarding business climate for foreign investments, as well as for its own products on international markets.

Iza NATELAURI

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GEORGIA’S EXTERNAL SECTOR: CURRENT STATE AND PROBLEMS

Abstract

During the transformation of Georgia’s economic system, when politics has absolute priority over economics, the external sector performs a universal function and operates as an independent factor contributing to the balanced development of the country’s economy. Such are the questions examined in this article.

Introduction

In the economic reality of modern Georgia, the most difficult and vitally important problem is how to optimize the performance of the country’s external sector.

The current importance and difficulty of this problem is due to a number of circumstances: first, the sphere of foreign economic relations, compared to other areas of the economy, is more (and in some cases totally) politicized. Second, the very subject of investigation—the external sector—is extremely multifaceted:

(1) it has macroeconomic and microeconomic aspects;
(2) it includes trade in goods and services;
(3) foreign economic relations are maintained within the framework of individual enterprises (joint ventures) and in certain territories (special economic zones), on a bilateral basis (co-operation between partner countries), within integration groupings, and on a multilateral basis with supervision, monitoring and control by international economic organizations (IMF, World Bank, WTO, U.N.);
(4) the sector includes currency and financial relations, intercountry exchange of production factors (capital, labor, technology), and also information support, management, accounting and reporting, etc.

Based on the above, we will try to analyze Georgia’s external sector and its structure, to identify the specific features of its operation, and to determine its development trends.

1. General Overview of the Georgian External Sector

The external sector is the aggregate of regulation and control forms and methods, areas of foreign economic relations, and their participants.\(^1\) It is based on foreign experience and the use of comparative advantages intrinsic to the international division of labor, helping the country to achieve its economic and political goals. Foreign economic relations are regulated by means of tariff, nontariff, financial and noneconomic methods. These relations can be examined along the following lines:

(a) relations between countries with similar and different sociopolitical systems;
(b) relations between members of international economic organizations; and
(c) relations between members of integration groupings.

Foreign economic partners include individuals and legal entities that are involved, in one form or another, in foreign transactions, perform foreign operations or exercise their control, regulation, etc. The external sector is a major component of the country’s economic system, which determines the specifics of the sector’s development in accordance with its own current goals and requirements.

In creating the external sector, whose foundation was laid in 1992, it was necessary to take into account the following distinctive features of Georgia:

(1) The republic is a transition country with a favorable geographical location and certain geopolitical advantages;
(2) for a number of years it developed as part of the U.S.S.R., a territorially large, resource-rich, and economically and politically strong state;
(3) Georgia’s foreign economic relations are oriented toward creating a small and open economic system;
(4) the Georgian state has the necessary starting conditions to create such an economic model;
(5) Georgia is in need of certain foreign trade concessions and close cooperation with international economic organizations.

Of all the traditional forms of foreign economic relations, Georgia prefers to develop foreign trade; other promising avenues are scientific and technical cooperation and foreign tourism. Georgia also has some experience in setting up joint ventures: for several years, active work has been carried on in the country tovalidate the feasibility of creating special (free) economic zones (SEZs). As regards currency and financial relations, the focus here is on purchase and sale of currencies, trade credits, migrant remittances, external debts and grants.

\(^1\) The essential aspects of the external sector are examined in: I. Natelauri, *The Operation and Development of the External Sector in a Transition Country with a Small Open Economy (A Case Study of Georgia)*, Metsniereba, Tbilisi, 2004 (in Georgian).
Special attention should be paid to Georgian imports of goods. Since 1992, this indicator has increased from year to year. Imports mostly consist of oil products, pharmaceuticals, sugar, flour, electricity, wheat, passenger cars, etc. Export earnings from raw materials (iron-and-steel scrap, ferroalloys, raw gold, copper ore, etc.) do not cover the costs of importing consumer goods. This state of affairs and the current trends will continue until the problems of operation and development of the economic system come to the fore. The fact that priority in Georgia is given to politics results in a low rate of economic growth, high unemployment, a tense social situation, a fixed exchange rate, and chronically large trade and current account deficits. In addition to the trade deficit, we find an adverse export-import structure: exports of raw materials and imports of consumer goods. At the same time, it should be noted that imports of consumer goods are currently of great importance to the Georgian state, because they are in large part responsible for the future of the sociopolitical system in the country. The present political, social and economic situation determines the specific features of government regulation of the republic’s foreign economic relations. The government is obliged to pursue a protectionism foreign economic policy. Georgia maintains economic relations on a bilateral and multilateral basis, coordinating its foreign economic policy with international economic organizations (IMF, World Bank, WTO) of which it is a member. It should be noted that the methods used to regulate and control foreign economic relations in Georgia are primitive, while tariff mechanisms are almost entirely confined to the unified import tariff.

The republic’s geography and its foreign partners in economic relations are a subject of special investigation. In recent years, Georgia has actively cooperated with a diversified range of partner states, both developed and developing, and also with transition countries (including post-Soviet states). Each individual country’s economic relations with Georgia differ from the rest by specific mutual requirements and obligations, by the forms, principles and results of cooperation.

2. Georgia’s Bilateral and Multilateral Ties and Transformation of the Economic System

The top ten partner countries actively cooperating with Georgia include Turkey, Azerbaijan, the United States, Russia, Germany, Britain, Switzerland, Ukraine, Italy and Bulgaria.

In the past, for many years Russia was a major trading partner of Georgia. Georgian-Russian relations—political, economic, cultural and religious—are of a historical nature and deserve special attention, both from the standpoint of past traditions, current requirements and future prospects. For many years, Georgia and Russia were part of a single territorially large, politically and economically strong state; both have the status of transition countries and seek to create open economic systems. The share of imports from Russia in total Georgian imports is gradually diminishing. Nevertheless, according to the Statistics Department of the Georgian Ministry of Economic Development, the degree of Georgia’s economic dependence on Russia remains high. In addition, “Georgia’s cooperation with partner countries, including Russia, in the matter of creating special economic zones (SEZs) is once again coming into sharp focus. It is known that the Georgian government has discussed the feasibility of creating SEZs in post-conflict areas bordering on Russia for the purpose of their social and economic rehabilitation. There is a competent opinion that special economic zones, taking into account the interests of legal and illegal business circles, will help to settle political conflicts and to resolve economic and social problems in post-conflict areas in Georgian territory. In these processes, the role and place of Russia as Georgia’s strategic partner are, in our opinion, undoubtedly large. At the same time, we believe that the creation of free eco-
Economic zones in the border areas of these countries will benefit both states, especially given the close and longstanding bilateral trade and economic relations between the border areas of Georgia and Russia, the closeness of traditions, etc. Economic interdependence, territorial proximity and the current social situation call for cooperation involving preferential treatment and based on rules of international cooperation available only in SEZs.  

Apart from the Russian Federation, other partners of Georgia from among the transition countries are Ukraine and Azerbaijan. Georgia and Ukraine together have a better chance of gaining access to Europe than each of them separately. As regards Georgia’s economic ties with Azerbaijan, the territorial proximity of the two countries provides them with wider opportunities to take part in the TRACECA project, whose expected socioeconomic effects are of great importance to both of them. The Baku-Tbilisi-Ceyhan and Baku-Tbilisi-Supsa oil pipelines are examples of successful cooperation between Georgia and Azerbaijan.

A special place among Georgia’s partners from the developed world belongs to the United States, Britain and Germany. Under the TRACECA project, the United States has undertaken to protect the security of the Euro-Asian transportation corridor. Financial aid provided by these states plays a significant role in maintaining a macroeconomic equilibrium in Georgia and regulating its balance of payments deficit.

Since Georgia became independent, its political and economic ties with neighboring Turkey (exchange of goods and services, joint ventures, regional and strategic cooperation) have strengthened. As soon as the republic opened its borders, it began trading with Turkey, exporting metals, timber, electricity and other raw materials mostly in return for consumer goods. Many joint ventures have been set up in Georgian territory with partners from the Republic of Turkey.

Georgia has also actively cooperated with international organizations, membership in which enables it to win international recognition and to use their experience in achieving macroeconomic stability, conducting reforms and looking for ways to integrate into the world economy.

The International Monetary Fund and the World Bank encouraged the republics of the former Soviet Union, including Georgia, to join their ranks. Using the ideas of market economics, they helped: (1) to protect the economic (as well as the social and political) systems of the member countries from unforeseen (unpredictable) influences; and (2) to dismantle the Soviet economic system.

As we know, an economy can have a production, sales, market and marketing orientation. A production-oriented economy is characterized by a desire to maximize production capabilities: to keep enhancing product quality, increasing output, improving performance indicators, etc., while taking little account of the wishes and possibilities of consumers. In a sales-oriented economy, the main task is to sell the goods produced with the use of advertising and other methods, and in a market-oriented economy production is mobilized to produce goods that are in particular demand among consumers. In a marketing-oriented economy, we find the fullest possible realization of the production potential based on comprehensive and well-founded market analysis, planning and forecasting.

In the Soviet period, the Georgian economy was part of the centralized administrative system and had a production orientation. After independence, there was an active discussion, through consultations with well-known experts and international organizations, of the question of transition to a market-oriented economy. We often hear that the administrative economy in Georgia has been replaced by a market economy, but it should be noted that centralization, administration and mandatory performance of tasks are only forms of influence and not characteristic features of economic systems.

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They are used in economies of any orientation, depending on the concrete socioeconomic and socio-political conditions in the country. So, instead of a replacement of the administrative-command economy by a market economy, in actual fact the republic made a transition from a production-oriented to a market-oriented economy, bypassing the sales-oriented economy. This process, for its part, revealed the limited possibilities of the economic system as a whole, including the enterprise level: independent sale or supply was impossible, real prices were unknown, and there was no experience in independent management, coupled with uncontrolled movement of goods, mostly across the state border, plant closures, growing unemployment, inflation, and a difficult social situation. The conclusion to be drawn from the above is that the current economic (and not only economic) situation is the result of a deviation from the natural path of development.

In view of the fact that in a market-oriented economy supply is prompted and balanced by demand, while in a production-oriented economy the latter is neglected, what we needed was a sales-oriented economy in order to gain the necessary knowledge and experience in matters of demand (or, more precisely, in matters of fostering demand) with a subsequent transition to a market-oriented economy.

Hence a natural question: what would we have gained by selecting the path of a sales-oriented economy, and what would we have lost of the things we have achieved by choosing a market-oriented economy (by making a leap)? The answer is obvious: we would not have lost anything but, on the contrary, would have probably avoided the imposed socioeconomic and sociopolitical problem related to the fact that the specific features of the operation of strategic industries were not taken into account.

Besides, foreign assistance and support for the economy are necessary not only in the case of selection of a sales-oriented economy, but also in the case of a backward production-oriented economy.

So, the main task of the initial stage is to assess the real possibilities of the production-oriented economy while paving the way for a transition to a sales-oriented economy. By giving priority to this path, we could have avoided many negative consequences. For example, the domestic market would not have been filled with such large amounts of expensive and low-quality imports, jobs would have been retained, the scale of migration would have been smaller and, most important of all, such a complicated social atmosphere and conflict situations would not have arisen.

So, it is necessary to avoid all kinds of “leaps” in development and to closely cooperate with a diversified range of partners and international organizations. Georgia needs not only financial aid from abroad, but also support and assistance in promoting the sale of its products.

Conclusion

The reforms underway in Georgia highlight the importance of foreign economic relations (especially imports), methods of their regulation, and choice of partner countries and international organizations taking an active part in the transformation of the country’s economic system.

The Georgian external sector performs a universal function and is an independent factor contributing to balanced economic development.

As is evident from the above, the main goals of the operation and development of the external sector are to achieve a higher level of economic growth and employment, reduce the trade and payments deficits, ensure a stable exchange rate, etc. In Georgia these goals will be achieved only when the economy comes to be regarded as a priority.
COMPARATIVE ECONOMIC COMPETITIVENESS OF THE CENTRAL CAUCASIAN STATES

A b s t r a c t

This article examines the competitiveness of the Central Caucasian states compared to other developing countries of Europe and Central Asia. An analysis of the methodology and results of international comparative studies of business competitiveness, economic growth, technological development, public institutions, macroeconomic environment and other parameters helps to identify the areas of potential competitive advantage of countries and to develop strategies designed to achieve and enhance their comparative advantage. The implementation of these strategies depends in large part on the quality of the business environment, which is also becoming a matter of cross-country competition in the modern world.

The Core of the Problem

Globalization of competition as a characteristic feature of today’s world and a component of economic globalization is expressed, among other things, in the fact that more and more national economies are turning into agents of international competition. Cross-country competition today is much more important for the domestic economic development of countries. It is usually stiffer than domestic competition and compels enterprises to reduce production costs, enhance the quality of goods and services, improve management and look for sales markets, so encouraging more rational use of national resources and ultimately increasing the competitiveness of the whole country.

A search for ways to enhance competitiveness—both of businesses and of the country as a whole—is becoming a key function of the government: from now on, its duty is to look for areas of national competitive (comparative) advantage and to stimulate their development using economic regulation.

By national competitiveness is usually meant how successfully a country’s enterprises (or foreign enterprises located in its territory) compete in the production of goods and services with enterprises located abroad. The sectors in which the country is doing well constitute its comparative advantages over other countries, while those which it can or plans to turn into such are its potential comparative advantages. These can be both goods and services produced in the country and natural resource endowments.

For example, significant oil and gas reserves are an obvious comparative advantage of Azerbaijan, although it should regard these reserves exclusively as an initial advantage, because in the long
term, as global development trends show, the greatest economic successes are achieved by countries whose economic structure is dominated by intellectual services.¹

Factors contributing to a country’s economic competitiveness may even include its geographical location. In particular, some experts believe that the location of Azerbaijan and Georgia at the intersection of major transportation-communication corridors linking Europe with Asia and the North with the South is their main comparative advantage.² At the same time, one should take into account that both a country’s natural (including recreational) resources and its geographical location may be no more than potential competitive advantages. In order to be converted into actual advantages, they must be realized in the economy, i.e., they must generate real export earnings either directly, as in the case of natural resources, or indirectly, as in the case of recreational resources or geographical location (it is common knowledge that, financially speaking, the attraction of tourists and transit traffic are certain kinds of exports).

In practical terms, the conversion of potential competitive advantages into actual advantages is a fairly difficult task, because it is conditioned by a whole range of factors (including political ones) working in different directions. Take Armenia, which theoretically has a significant potential in the field of international transit, but today it is practically not involved in any of the major transportation-communication projects being implemented in the Caucasus. Due to its expansionist foreign policy, expressed not only in its military aggression against Azerbaijan, but also in various claims (including territorial claims) on neighboring states, Armenia has placed itself outside regional projects.

The competitive strategies of states (i.e., strategies designed to achieve and enhance their comparative advantage) can be oriented toward different factors of economic progress. Michael Porter, one of the best-known researchers of national competitiveness, singles out four kinds of competitive strategies: based on factors of production (natural resources, cheap labor, etc.), investment, innovation and wealth (accumulated resources), showing that real advantages are achieved by countries competing based on innovation.³ The quality (friendliness) of the business environment, as it were, is left out of the set of these material factors driving competitiveness, although it undoubtedly plays an extremely important role in realizing their potential, which is why we will return to it later.

### Growth Competitiveness Index

**Growth CI**

One of the most large-scale studies measuring national competitiveness is conducted by the World Economic Forum (Switzerland). Since 1979, the WEF has annually published a Global Competitiveness Report, which compares over 100 countries of the world (the latest report, 125 countries) in terms of several indicators, starting with the Growth Competitiveness Index.

In assessing the competitiveness of economic growth in a given country, it is necessary to take into account its development level. Although technological innovations are the main driving force behind economic development in the modern world, their role is not the same in different countries. The most advanced industrial states are interested in developing, implementing and selling their own innovations, and less developed countries, in adopting and implementing innovations from abroad.

¹ For more detail, see: N. Imanov, Reiting Azerbaidzhanu, Kavkaz Publishers, Baku, 2006, pp. 188-203.
In view of this circumstance, all countries in the world are divided into two groups: the core innovators and the non-core innovators. According to the authors of the WEF report, core innovators are countries with more than 15 utility patents per million population registered in the United States in the most recent year for which information is available. All other countries, including those of the Central Caucasus (Azerbaijan, Georgia and Armenia), are regarded as non-core innovators. The Growth CI as a whole and the first of its three component indexes are calculated depending on whether the country in question is a core or non-core innovator.

The Growth Competitiveness Index includes three component indexes:

- technology index;
- public institutions index;
- macroeconomic environment index.

The separate rankings for these component indexes, calculated based on a set of specific subindexes, are considered below.

### A. Technology Index

This component index, as noted above, is calculated separately for the core and non-core innovators using the following subindexes:

<table>
<thead>
<tr>
<th>For core innovators</th>
<th>Technology index = 1/2 innovation subindex + 1/2 information and communication technology subindex</th>
</tr>
</thead>
<tbody>
<tr>
<td>For non-core innovators</td>
<td>Technology index = 1/8 innovation subindex + 3/8 technology transfer subindex + 1/2 information and communication technology subindex</td>
</tr>
</tbody>
</table>

The information base for calculating subindexes consists of two sources: statistical data (“hard data”) and the results of opinion surveys conducted by WEF experts (“survey data”), with different weightings of these sources.

In the innovation subindex, for example, the weight assigned to hard data is three-quarters, and to survey data, one-quarter. The former include data on the number of utility patents per million population and the share of students of higher education institutions (tertiary enrollment rate). The surveys include four questions:

(i) technological readiness (how the country compares with the world’s top performers in new technology usage);
(ii) firm-level technology absorption (how aggressive are the country’s companies in adopting new technologies);
(iii) company spending on research and development (how company expenditure levels for R&D compare with similar indicators in other countries);
(iv) university/industry research collaboration (how closely the country’s companies collaborate with research centers).
The technology transfer subindex is determined based only on opinion surveys as an unweighted average of two survey questions:

(i) FDI and technology transfer (whether foreign direct investment is a major source of new technologies);
(ii) prevalence of foreign technology licensing (whether foreign licenses are a common way of acquiring new technologies).

The information and communication technology (ICT) subindex is calculated on the basis of both hard data (two-thirds) and survey data (one-third). The former include: cellular telephones per 100 population, Internet users per 10,000 population, Internet hosts per 10,000 population, telephone lines per 100 population, and personal computers per 100 population.

The surveys include five questions:

(i) Internet access in schools;
(ii) quality of competition in the ISP sector (whether competition among Internet service providers is sufficient to ensure high quality and continuity of services, as well as low prices);
(iii) government prioritization of ICT;
(iv) government success in ICT promotion;
(v) laws relating to ICT (whether the country’s legislation in the field of information and communication technologies, including e-commerce, digital signatures and consumer protection, is sufficiently developed and how it is implemented).

The higher a country’s total score on these three subindexes, the higher is its ranking in the technology index. Based on these rankings, we compiled Table 1. It shows countries which, according to many internationally accepted classifications of regions of the world, are included among the so-called developing countries of Europe and Central Asia (ECA), and also the highest and lowest-ranking countries. The ranks are given in accordance with the global classification.

The world leaders in technological development are the United States, Taiwan and Sweden, while Chad and Burundi are the worst performers. Azerbaijan ranks 79th in the world, 16th in the region (according to the classification of regions adopted in this study) and 3rd in the CIS following Kazakhstan and Russia (Belarus, Turkmenistan and Uzbekistan are not included in the list of countries assessed). In the Central Caucasus, it ranks above both Georgia (which shares 90th and 91st places with Macedonia) and Armenia (rank 95). This order differs significantly from that of the previous year: in 2005, Azerbaijan shared 87th and 88th places with Sri Lanka, ranking above Armenia (93-94) but below Georgia (84). In 2006, Azerbaijan’s position improved, whereas Georgia and Armenia dropped in the ranking.

A comparative assessment of the technological level of countries reveals a number of departures from the commonly held view. For example, Taiwan’s 2nd place ahead of such countries of its region as Japan and South Korea may appear to be somewhat unexpected. The achievements of Israel, which is 10th in the global ranking, are quite impressive, while the United Kingdom (17) and Germany (18) rank below Singapore (16).

But a detailed analysis of the economic situation in these countries and their government policy over the past 15-20 years provides an exhaustive explanation of all these “surprises.”

At the very beginning of the 1990s, Singapore announced a fairly ambitious economic development strategy, whose central idea was that in the coming decades the country would concentrate its efforts on the development of human resources and the so-called “soft” infrastructure. The state focused its efforts on raising the education level and skill standards of the national workforce, developing a network of technical competence centers and research institutes to ensure effective use of innovations by companies, creating a favorable social climate, improving the institutional structure in
In order to provide additional incentives to innovation, and implementing governance mechanisms based on close cooperation between labor, business and government.\(^6\)

Continuing this political line, in early 2006 the Singapore government (namely, the Ministry of Trade and Industry) approved a new five-year government program for developing science and technology. This program, as intended by its authors, is to build on the successes already achieved in order to place the country among the world leaders in the field of innovation.\(^7\)


\(^5\) In accordance with the realities of the period under review, Serbia and Montenegro in this WEF report are regarded as a single state.


### Technology Index
*(ECA Developing Countries, Best and Worst Performers, 2006)*

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>United States</td>
<td>6.05</td>
</tr>
<tr>
<td>2</td>
<td>Taiwan</td>
<td>5.78</td>
</tr>
<tr>
<td>3</td>
<td>Sweden</td>
<td>5.73</td>
</tr>
<tr>
<td>14</td>
<td>Estonia</td>
<td>4.78</td>
</tr>
<tr>
<td>22</td>
<td>Czech Republic</td>
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<tr>
<td>28</td>
<td>Slovenia</td>
<td>4.19</td>
</tr>
<tr>
<td>29</td>
<td>Hungary</td>
<td>4.17</td>
</tr>
<tr>
<td>30</td>
<td>Slovak Republic</td>
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</tr>
<tr>
<td>38</td>
<td>Lithuania</td>
<td>3.91</td>
</tr>
<tr>
<td>39</td>
<td>Latvia</td>
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<tr>
<td>41</td>
<td>Croatia</td>
<td>3.82</td>
</tr>
<tr>
<td>51</td>
<td>Romania</td>
<td>3.60</td>
</tr>
<tr>
<td>55-56</td>
<td>Turkey</td>
<td>3.53</td>
</tr>
<tr>
<td>57-58</td>
<td>Poland</td>
<td>3.52</td>
</tr>
<tr>
<td>60-61</td>
<td>Serbia and Montenegro(^6)</td>
<td>3.47</td>
</tr>
<tr>
<td>69</td>
<td>Bulgaria</td>
<td>3.32</td>
</tr>
<tr>
<td>72</td>
<td>Kazakhstan</td>
<td>3.22</td>
</tr>
<tr>
<td>73</td>
<td>Russian Federation</td>
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<tr>
<td>79</td>
<td>Azerbaijan</td>
<td>3.09</td>
</tr>
<tr>
<td>89-90</td>
<td>Ukraine</td>
<td>2.91</td>
</tr>
<tr>
<td>91-92</td>
<td>Macedonia</td>
<td>2.90</td>
</tr>
<tr>
<td>91-92</td>
<td>Georgia</td>
<td>2.90</td>
</tr>
<tr>
<td>93-94</td>
<td>Bosnia and Herzegovina</td>
<td>2.89</td>
</tr>
<tr>
<td>95</td>
<td>Armenia</td>
<td>2.88</td>
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<td>99</td>
<td>Moldova</td>
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<tr>
<td>102-103</td>
<td>Albania</td>
<td>2.76</td>
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<tr>
<td>111-112</td>
<td>Tajikistan</td>
<td>2.63</td>
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<tr>
<td>119</td>
<td>Kyrgyz Republic</td>
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<tr>
<td>124</td>
<td>Chad</td>
<td>2.05</td>
</tr>
<tr>
<td>125</td>
<td>Burundi</td>
<td>2.04</td>
</tr>
</tbody>
</table>
Prominent places in the ranking for the technology index are occupied (and can be occupied) only by countries which regard the development and implementation of innovations as top government priorities, removing all barriers to effective enterprise development and consistently improving the political, economic and moral environment. These are countries where people—and not natural resources, a favorable geographical location or international reserves—are regarded as the main economic development resource.

**B. Public Institutions Index**

This component index is calculated similarly for core and non-core innovators based on two subindexes: a contracts and law subindex and a corruption subindex. They have the same weight and

<table>
<thead>
<tr>
<th>Rank</th>
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<th>Score</th>
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<tbody>
<tr>
<td>1</td>
<td>Denmark</td>
<td>6.53</td>
</tr>
<tr>
<td>2</td>
<td>New Zealand</td>
<td>6.47</td>
</tr>
<tr>
<td>3</td>
<td>Iceland</td>
<td>6.46</td>
</tr>
<tr>
<td>26</td>
<td>Estonia</td>
<td>5.53</td>
</tr>
<tr>
<td>29</td>
<td>Slovenia</td>
<td>5.38</td>
</tr>
<tr>
<td>41</td>
<td>Hungary</td>
<td>5.16</td>
</tr>
<tr>
<td>45</td>
<td>Slovak Republic</td>
<td>4.95</td>
</tr>
<tr>
<td>46</td>
<td>Czech Republic</td>
<td>4.87</td>
</tr>
<tr>
<td>50-51</td>
<td>Latvia</td>
<td>4.81</td>
</tr>
<tr>
<td>50-51</td>
<td>Lithuania</td>
<td>4.81</td>
</tr>
<tr>
<td>54</td>
<td>Turkey</td>
<td>4.68</td>
</tr>
<tr>
<td>61-62</td>
<td>Moldova</td>
<td>4.35</td>
</tr>
<tr>
<td>63</td>
<td>Bulgaria</td>
<td>4.33</td>
</tr>
<tr>
<td>68</td>
<td>Croatia</td>
<td>4.21</td>
</tr>
<tr>
<td>72-73</td>
<td>Poland</td>
<td>4.03</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>72-73</td>
<td>Romania</td>
<td>4.03</td>
</tr>
<tr>
<td>74-75</td>
<td>Armenia</td>
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<td>76</td>
<td>Kazakhstan</td>
<td>4.00</td>
</tr>
<tr>
<td>82</td>
<td>Serbia and Montenegro</td>
<td>3.95</td>
</tr>
<tr>
<td>83</td>
<td>Azerbaijan</td>
<td>3.89</td>
</tr>
<tr>
<td>85</td>
<td>Georgia</td>
<td>3.86</td>
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<tr>
<td>86</td>
<td>Ukraine</td>
<td>3.83</td>
</tr>
<tr>
<td>88-89</td>
<td>Bosnia and Herzegovina</td>
<td>3.81</td>
</tr>
<tr>
<td>93</td>
<td>Russian Federation</td>
<td>3.78</td>
</tr>
<tr>
<td>101-102</td>
<td>Macedonia</td>
<td>3.66</td>
</tr>
<tr>
<td>105-107</td>
<td>Albania</td>
<td>3.56</td>
</tr>
<tr>
<td>105-107</td>
<td>Tajikistan</td>
<td>3.56</td>
</tr>
<tr>
<td>123</td>
<td>Kyrgyz Republic</td>
<td>2.94</td>
</tr>
<tr>
<td>124</td>
<td>Chad</td>
<td>2.79</td>
</tr>
<tr>
<td>125</td>
<td>Bangladesh</td>
<td>2.48</td>
</tr>
</tbody>
</table>

are determined from the results of opinion surveys. The contracts and law subindex consists of responses to the following questions:

(i) judicial independence (whether judges and courts are independent from the political influence of the authorities, citizens and companies);
(ii) property rights (whether financial assets and wealth are adequately regulated and protected by national legislation);
(iii) favoritism in decisions of government officials (whether governments are neutral in awarding public contracts);
(iv) organized crime (whether organized crime imposes significant costs on businesses).

The corruption subindex is based on the following questions:

(i) irregular payments in exports and imports (whether businesses have to pay bribes to clear goods through customs);
(ii) irregular payments in public utilities (whether businesses have to pay bribes to gain access to utility services);
(iii) irregular payments in tax collection (whether businesses have to pay bribes to settle their tax obligations).

The survey results are used to rank countries in terms of the public institutions index. A sample of this ranking is presented in Table 2.

Denmark is a leader in the world ranking, closely followed by New Zealand and Iceland. These three countries were also the top performers in last year’s classification. The three worst performing countries have not changed either: Bangladesh, Chad and the Kyrgyz Republic. As before, Estonia is the highest-ranking economy in the region, and Moldova in the CIS.

Azerbaijan ranks 83rd in the world with a score of 3.89 (in 2005, it was 67th with a score of 4.09), 17th in the region, and 4th in the CIS.

In the WEF study, a comparison of countries based on the level of development of public institutions is more political than economic. Besides, considering the characteristics of the state institutional system examined in the report, this ranking can hardly be regarded as an exhaustive assessment of the maturity of public institutions. But it should be taken into account that the authors are interested only in those aspects of institutional development that have a direct influence on the economic competitiveness of countries.

### C. Macroeconomic Environment Index

This component index is calculated as a weighted average of three subindexes as follows:

\[
\text{Macroeconomic environment index} = \frac{1}{2} \text{ macroeconomic stability subindex} + \frac{1}{4} \text{ country credit rating} + \frac{1}{4} \text{ government waste}
\]

The macroeconomic stability subindex is calculated on the basis of both hard and survey data. The former have a stronger influence on this subindex (with a weight of 5/7) than the latter (2/7). Hard data include:
government surplus/deficit;
- national savings rate;
- inflation;
- real effective exchange rate;
- interest rate spread;
- government debt.

The macroeconomic stability survey includes two questions:

(i) recession expectations (whether an economic recession is possible next year);
(ii) recent access to credit (whether company borrowings became easier or more difficult in the past year).

Table 3

Macroeconomic Environment Index
(CEA Developing Countries, Best and Worst Performers, 2006)³

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Singapore</td>
<td>5.88</td>
</tr>
<tr>
<td>2</td>
<td>Norway</td>
<td>5.79</td>
</tr>
<tr>
<td>3</td>
<td>Denmark</td>
<td>5.69</td>
</tr>
<tr>
<td></td>
<td>Estonia</td>
<td>4.93</td>
</tr>
<tr>
<td>33</td>
<td>Slovenia</td>
<td>4.74</td>
</tr>
<tr>
<td>37</td>
<td>Latvia</td>
<td>4.65</td>
</tr>
<tr>
<td>38</td>
<td>Kazakhstan</td>
<td>4.62</td>
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<tr>
<td>46</td>
<td>Lithuania</td>
<td>4.44</td>
</tr>
<tr>
<td>47-48</td>
<td>Slovak Republic</td>
<td>4.43</td>
</tr>
<tr>
<td>47-48</td>
<td>Czech Republic</td>
<td>4.43</td>
</tr>
<tr>
<td>55</td>
<td>Russian Federation</td>
<td>4.23</td>
</tr>
<tr>
<td>58</td>
<td>Azerbaijan</td>
<td>4.11</td>
</tr>
<tr>
<td>59</td>
<td>Poland</td>
<td>4.08</td>
</tr>
<tr>
<td>61</td>
<td>Croatia</td>
<td>4.03</td>
</tr>
<tr>
<td>62</td>
<td>Bulgaria</td>
<td>4.02</td>
</tr>
<tr>
<td>64-65</td>
<td>Hungary</td>
<td>3.95</td>
</tr>
<tr>
<td>73</td>
<td>Turkey</td>
<td>3.75</td>
</tr>
<tr>
<td>75-76</td>
<td>Romania</td>
<td>3.70</td>
</tr>
<tr>
<td>77</td>
<td>Macedonia</td>
<td>3.68</td>
</tr>
<tr>
<td>81</td>
<td>Ukraine</td>
<td>3.60</td>
</tr>
<tr>
<td>83</td>
<td>Armenia</td>
<td>3.58</td>
</tr>
<tr>
<td>90</td>
<td>Georgia</td>
<td>3.47</td>
</tr>
<tr>
<td>91</td>
<td>Bosnia and Herzegovina</td>
<td>3.40</td>
</tr>
<tr>
<td>92-93</td>
<td>Serbia and Montenegro</td>
<td>3.37</td>
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<tr>
<td>95</td>
<td>Albania</td>
<td>3.35</td>
</tr>
<tr>
<td>99-100</td>
<td>Tajikistan</td>
<td>3.28</td>
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<tr>
<td>101-102</td>
<td>Moldova</td>
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<tr>
<td>122</td>
<td>Kyrgyz Republic</td>
<td>2.58</td>
</tr>
<tr>
<td>124</td>
<td>Burundi</td>
<td>2.43</td>
</tr>
<tr>
<td>125</td>
<td>Zimbabwe</td>
<td>1.84</td>
</tr>
</tbody>
</table>

The country credit rating for private investors is taken from foreign sources, while government waste is measured based on a single survey question:

(i) wastefulness of government spending (whether public resources are spent wastefully or provide enterprises with the required goods and services unavailable in the market).

This methodology enables the WEF to compare countries in terms of the macroeconomic environment index. A sample of the world ranking in this component index is given in Table 3.

Singapore, Norway and Denmark are the highest-ranking countries in the world. Estonia is once again the best performer in the region, and Kazakhstan in the CIS. Azerbaijan (with a score of 4.11) ranks 58th in the world, 9th in the region, and 3rd in the CIS. The macroeconomic situation in Azerbaijan is much better than in the other countries of the Central Caucasus: Georgia and Armenia.10 This is Azerbaijan’s best result in the rankings for the three component indexes of the Growth CI, followed by its 79th place in the technology index and, finally, its 83rd place in the public institutions index.

D. Overall Growth Competitiveness Index

This index, as already noted, is calculated based on the three component indexes examined above. The weightings here are as follows:

For core innovators

Growth Competitiveness Index = \frac{1}{2} \text{ technology index} + \frac{1}{4} \text{ public institutions index} + \frac{1}{4} \text{ macroeconomic environment index}

For non-core innovators

Growth Competitiveness Index = \frac{1}{3} \text{ technology index} + \frac{1}{3} \text{ public institutions index} + \frac{1}{3} \text{ macroeconomic environment index}

So, once the Growth CI component indexes are known, the overall index is found by means of simple arithmetic calculations. Some of the results obtained are given in Table 4.

Finland has the most competitive economic growth in the world. The top ten countries also include Sweden, Denmark, the United States, Iceland, Taiwan, Norway, Switzerland, the Netherlands, and Singapore.

Azerbaijan with a Growth CI of 3.7 is 75th in the world, 15th among 25 ECA developing countries, and 3rd among nine CIS countries.11 As in 2005, it ranks above its neighbors in the Central Caucasus: Georgia and Armenia. Compared to other states in the world, economic growth in all the three countries has become somewhat less competitive. In last year’s report, Azerbaijan, Geor-

10 It is interesting to note that other international financial institutions provide an equally high assessment of Azerbaijan’s macroeconomic stability (see, for example: EBRD: Country Strategy for Azerbaijan in 2007-2010 (Draft), available at [http://www.ebrd.com/about/strategy/country/azer/draft.pdf], 9 August, 2007.

11 Given the specifics of the parameters assessed, it is safe to say that the inclusion of the remaining CIS countries (Belarus, Turkmenistan and Uzbekistan) would not change Azerbaijan’s positions in the rankings.
Growth Competitiveness Index Ranking
(ECA Developing Countries,
Best and Worst Performers, 2006)\textsuperscript{12}

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Finland</td>
<td>5.85</td>
</tr>
<tr>
<td>2</td>
<td>Sweden</td>
<td>5.76</td>
</tr>
<tr>
<td>3</td>
<td>Denmark</td>
<td>5.63</td>
</tr>
<tr>
<td>16-17</td>
<td>Estonia</td>
<td>5.08</td>
</tr>
<tr>
<td>30</td>
<td>Slovenia</td>
<td>4.77</td>
</tr>
<tr>
<td>38</td>
<td>Czech Republic</td>
<td>4.55</td>
</tr>
<tr>
<td>39</td>
<td>Slovak Republic</td>
<td>4.52</td>
</tr>
<tr>
<td>42</td>
<td>Latvia</td>
<td>4.45</td>
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<tr>
<td>43</td>
<td>Hungary</td>
<td>4.43</td>
</tr>
<tr>
<td>44-45</td>
<td>Lithuania</td>
<td>4.39</td>
</tr>
<tr>
<td>56</td>
<td>Croatia</td>
<td>4.02</td>
</tr>
<tr>
<td>57</td>
<td>Turkey</td>
<td>3.99</td>
</tr>
<tr>
<td>60</td>
<td>Kazakhstan</td>
<td>3.95</td>
</tr>
<tr>
<td>63-65</td>
<td>Bulgaria</td>
<td>3.89</td>
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<tr>
<td>66</td>
<td>Poland</td>
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<tr>
<td>70</td>
<td>Romania</td>
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<td>Russian Federation</td>
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<tr>
<td>75</td>
<td>Azerbaijan</td>
<td>3.70</td>
</tr>
<tr>
<td>79-80</td>
<td>Serbia and Montenegro</td>
<td>3.60</td>
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<tr>
<td>82</td>
<td>Armenia</td>
<td>3.49</td>
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<td>Moldova</td>
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</tr>
<tr>
<td>84-85</td>
<td>Ukraine</td>
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</tr>
<tr>
<td>87</td>
<td>Macedonia</td>
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<td>Georgia</td>
<td>3.41</td>
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<tr>
<td>92-93</td>
<td>Bosnia and Herzegovina</td>
<td>3.37</td>
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<td>Albania</td>
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<td>Tajikistan</td>
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<td>Kyrgyz Republic</td>
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<td>124</td>
<td>Burundi</td>
<td>2.58</td>
</tr>
<tr>
<td>125</td>
<td>Chad</td>
<td>2.46</td>
</tr>
</tbody>
</table>

Business Competitiveness Index (BCI)

The economic competitiveness of countries, as noted above, is closely associated with the competitiveness of companies operating in its territory. That is why apart from studies designed to assess long-term macroeconomic development factors, the World Economic Forum also makes international comparisons of microeconomic factors as expressed in the current competitiveness of companies.

\textsuperscript{12} Compiled from: *The Global Competitiveness Report 2006-2007*. 

gia and Armenia ranked 69th, 86th and 79th, respectively. Meanwhile, their absolute indicators have markedly increased: from 3.64 to 3.70 for Azerbaijan, from 3.25 to 3.41 for Georgia, and from 3.44 to 3.49 for Armenia.
The idea is that microeconomic factors are also important for national competitiveness, because material values are created by enterprises.

The BCI has a fairly complex structure. It is composed of two subindexes, each of which measures a number of components of the microeconomic environment and is calculated on the basis of opinion surveys:

**Sophistication of company operations and strategy**

- Nature of firm’s competitive advantages
- Extent of innovation
- Sophistication of production
- Sophistication of marketing
- Sophistication of organizational structures and incentives
- Extent of internationalization

**Quality of the national business environment**

- Factor (input) conditions
  - Physical infrastructure
  - Administrative infrastructure
  - Human resources
  - Technology infrastructure
  - Capital markets
- Context for firm strategy and rivalry
  - Incentives
  - Policies affecting competition
- Demand conditions
- Related and supporting industries
  - State of cluster development

Selected results of cross-country comparisons for the Business Competitiveness Index and its subindexes are given in Table 5.

In terms of the overall BCI, Azerbaijan ranks 77th in the world and 2nd in the CIS (as in the comparisons of growth competitiveness, Belarus, Turkmenistan and Uzbekistan are not included in the list of countries assessed). In the sophistication of company operations and strategy subindex, Azerbaijan is 66th in the world ranking, and in the quality of the national business environment subindex it occupies 78th place. In terms of the overall BCI and both of its subindexes, Azerbaijan is well ahead of its neighbors in the Central Caucasus.

A very disturbing fact for virtually all CIS countries is that over the past year the relative competitiveness of their enterprises has declined significantly (Tajikistan being the only exception). This trend is particularly pronounced in Kazakhstan, Ukraine and Georgia. Only Azerbaijan has been able to move up in the ranking for company operations and strategy, and Tajikistan, in the quality of the business environment.
A comparison of the results for the competitiveness of economic growth (Growth CI) and the competitiveness of companies (BCI) empirically confirms the existence of a direct relationship between them based on the undeniable fact that both macroeconomic and microeconomic factors are drivers of effective economic development. The Growth CI and the BCI characterize the very same national competitiveness, but from different angles.

For a graphic comparison of growth and business competitiveness (Chart 1), the lists of countries ranked in the Growth CI and the BCI were unified. The chart reflects data for 121 countries assessed in terms of both growth and business competitiveness. Countries located on the median line occupy identical places in the two rankings.

All three countries of the Central Caucasus lie above the median. This means they rank higher in the Growth Competitiveness Index than in the Business Competitiveness Index. In other words, macroeconomic conditions are more favorable than microeconomic conditions.

There is no fixed relationship between the economic development level of countries and the kind of environment—macro or microeconomic—that is more favorable in these countries. The developed countries are located both above the trend line (Finland, Denmark, Sweden, Taiwan, Iceland, Norway, Australia and others) and below it (U.S., Netherlands, Japan, U.K., Germany, Canada, Austria and others). The same is true of countries that are relatively less developed economically.

---

**Table 5**

Business Competitiveness Index and Subindex Rankings
(CIS Countries and Best Performers)\(^{13}\)

<table>
<thead>
<tr>
<th>Country</th>
<th>BCI ranking</th>
<th>Company operations and strategy ranking</th>
<th>Quality of the national business environment ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Germany</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Finland</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>70</td>
<td>64</td>
<td>74</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>77</td>
<td>72</td>
<td>66</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>79</td>
<td>70</td>
<td>78</td>
</tr>
<tr>
<td>Ukraine</td>
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<td>68</td>
<td>82</td>
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<tr>
<td>Moldova</td>
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<td>91</td>
</tr>
<tr>
<td>Armenia</td>
<td>94</td>
<td>87</td>
<td>101</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>98</td>
<td>100</td>
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</tr>
<tr>
<td>Georgia</td>
<td>100</td>
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<td>97</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>112</td>
<td>105</td>
<td>114</td>
</tr>
</tbody>
</table>

The Competitiveness of the Business Environment

The inclusion of the business environment among the parameters used by the WEF to measure business competitiveness is perfectly justified. The quality of the business environment is responsible in large part for the level of capitalization of earnings in the country and the scale of foreign investment, and ultimately for the rate and sustainability of economic growth. That is why a favorable national environment for business is a special kind of competitive advantage.

In WEF reports, the quality of the national business environment is of a subordinate nature, because it is only an instrument for measuring business competitiveness. Meanwhile, there are several internationally recognized analytical centers that make special cross-country comparisons of the business climate. The most comprehensive and popular among these are the annual surveys of the World Bank (Doing Business series) and joint studies by the Heritage Foundation and The Wall Street Journal (Index of Economic Freedom).  

A. The Ease of Doing Business According to the World Bank

The World Bank (WB) analyzes 10 parameters of the business environment: starting a business, dealing with licenses, employing workers, registering property, getting credit, protecting investors,  

14 The methodology of these studies and the reliability of their results are analyzed in detail in: N. Imanov, op. cit., pp. 237-388. The book also contains the author’s recommendations for improving the business environment in Azerbaijan.
paying taxes, trading across borders, enforcing contracts, and closing a business. Cross-country comparisons are made both separately for each of these parameters and for the ease of doing business as a whole. In its Doing Business 2007 report, the World Bank ranked 175 countries and certain non-sovereign territories. Table 6 shows the rankings of the Central Caucasian countries for the overall indicator and for each of its components in 2005 and 2006. The rankings for 2005 were recalculated with due regard for the changes in methodology made in 2006 and for the increase in the number of countries surveyed.

Table 6
Overall and Component Rankings of the Central Caucasian Countries on the Ease of Doing Business

<table>
<thead>
<tr>
<th>Countries</th>
<th>Azerbaijan</th>
<th>Georgia</th>
<th>Armenia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting a business</td>
<td>104 96 59 36 48 46</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dealing with licenses</td>
<td>161 162 152 42 70 36</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employing workers</td>
<td>68 66 71 6 22 41</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Registering property</td>
<td>60 59 18 16 6 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Getting credit</td>
<td>19 21 96 48 76 65</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Protecting investors</td>
<td>114 118 133 135 81 83</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paying taxes</td>
<td>139 136 160 104 147 148</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trading across borders</td>
<td>158 158 149 96 113 119</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enforcing contracts</td>
<td>33 34 56 32 19 18</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Closing a business</td>
<td>67 70 98 86 39 40</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Overall ease of doing business: 100 99 112 37 37 34

Both in the overall ease of doing business (the friendliness of the business climate) and in most of its components, Azerbaijan lags significantly behind its neighbors in the Central Caucasus. Despite some improvements in its positions on a number of indicators (starting a business, employing workers, registering property and paying taxes), Azerbaijan has generally been unable to carry out reforms that could radically improve the business environment in the country. In contrast to Azerbaijan, in 2007 Georgia was recognized by the World Bank as a “top reformer.” Reforms have enabled it to rise in a single year from 112th to 37th place. Georgia’s achievements in simplifying the procedures for hiring and firing workers and for dealing with licenses are particularly impressive.

At the same time, it should be borne in mind that some of the indicators used by the World Bank are in actual fact insufficiently representative for cross-country comparisons. Based on rankings compiled with the use of these indicators, it is very hard to draw conclusions or formulate recommendations. We call such rankings tentative (or relative).

Indicators of this kind include, for instance, the ease of hiring and firing employees. It is true that tight government regulation of employment, dismissal and working hours or high hiring and firing costs are disadvantageous to employers and should be interpreted as factors worsening the business climate.

ness environment. But, on the other hand, any state seeks to guarantee its citizens a certain level of social protection, including in matters of employment and dismissal. That is why the difficulty of firing workers, when seen from the opposite side, appears as a guarantee of their social protection. Consequently, the ease (difficulty) of hiring and firing workers is a particular case of the relationship between the quality of the business environment and the social protection of citizens.

It is no accident that a number of developed European countries rank fairly low on the ease of hiring and firing workers. They include Germany (rank 129), France (134), Turkey (146), Portugal (155), Spain (161) and Greece (166). In these countries, government protection of the social interests of workers is among the top priorities of domestic policy. Meanwhile, other economically prospering states intervene in employment processes to a much lesser extent. They include the United States (rank 1), Singapore (3), Australia (9), New Zealand (10), Canada (13), Denmark (15) and the United Kingdom (17). This does not mean that the population in the second group of countries is less socially protected than in the first group. They simply espouse a different philosophy of social protection, according to which economic self-regulation is the best form of such protection. They seek to limit government intervention in matters of employment in the belief that employers and employees can find more rational solutions when acting on their own than through the agency of the state.

Which of these two approaches is more effective for a given country at each particular historical stage depends on a whole range of factors, primarily the potential for economic self-regulation. For newly independent transition states, a total absence of government regulation in the field of employment is hardly acceptable: in the conditions of a more or less general labor surplus in these countries, emerging business seeks to pursue its own short-term interests in preference to all the rest. But it is also for this very reason (i.e., since business is just emerging) that excessively broad and tight control of employment is equally unacceptable.

That is why Azerbaijan’s “middle” position in cross-country rankings on the ease of hiring and firing workers, as in many other tentative rankings, should be regarded as perfectly satisfactory. But it is quite obvious that, generally speaking, Azerbaijan could offer its enterprises, as well as foreign investors, a more competitive environment for business activity than the current one.

B. Level of Economic Freedoms

In contrast to World Bank reports, which largely focus on bureaucratic barriers to business, the Index of Economic Freedom concentrates on the quality of economic policy pursued in various states. Using econometric methods, the authors measure the level of government intervention in the economy (and, as the other side of the coin, the level of economic freedom), which enables governments to compare the situation in their own country with the world’s top performers and to adjust their economic policy.

In order to measure the overall level of economic freedom, the authors of the Index analyze 50 relatively independent economic indicators, which enable them to assess 10 component economic freedoms:

- business freedom (the ease of starting, operating and closing a business);
- trade freedom (absence of tariff and nontariff barriers to exports and imports);
- monetary freedom (combined assessment of inflation and price controls);
- freedom from government (measured by the level of government spending and the share of state-owned enterprises);
- fiscal freedom (freedom from excessive taxes);
property rights (assessment of the degree of protection of private property rights by the country’s laws and actual enforcement of these laws);

- investment freedom (especially foreign investment);

- financial freedom (liberalization of the banking sector and its independence from government control);

- freedom from corruption (level of public perception of corruption in the judicial and administrative systems);

- labor freedom (level of government intervention in economic relations between employers and employees).

In 2007, the Index includes 157 countries, ranked in terms of both the overall level of economic freedom and each of the above-mentioned specific freedoms. Table 7 shows the overall and specific indicators for the countries of the Central Caucasus.

Table 7

<table>
<thead>
<tr>
<th>Countries</th>
<th>Azerbaijan</th>
<th>Georgia</th>
<th>Armenia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business freedom</td>
<td>92</td>
<td>76</td>
<td>80-82</td>
</tr>
<tr>
<td>Trade freedom</td>
<td>31</td>
<td>70</td>
<td>77.9</td>
</tr>
<tr>
<td>Monetary freedom</td>
<td>92</td>
<td>76</td>
<td>76.8</td>
</tr>
<tr>
<td>Freedom from government</td>
<td>34</td>
<td>86.6</td>
<td>12</td>
</tr>
<tr>
<td>Fiscal freedom</td>
<td>56</td>
<td>78.6</td>
<td>13-14</td>
</tr>
<tr>
<td>Property rights</td>
<td>81-138</td>
<td>30.0</td>
<td>81-138</td>
</tr>
<tr>
<td>Investment freedom</td>
<td>111-148</td>
<td>30.0</td>
<td>43-51</td>
</tr>
<tr>
<td>Financial freedom</td>
<td>131-143</td>
<td>30.0</td>
<td>18-37</td>
</tr>
<tr>
<td>Freedom from corruption</td>
<td>137-141</td>
<td>23.0</td>
<td>131-136</td>
</tr>
<tr>
<td>Labor freedom</td>
<td>69-70</td>
<td>65.4</td>
<td>1</td>
</tr>
<tr>
<td>Overall economic freedom</td>
<td>107</td>
<td>55.4</td>
<td>35</td>
</tr>
</tbody>
</table>

In terms of almost all economic freedom indicators, Azerbaijan lags significantly behind its neighbors in the Central Caucasus. In the overall indicator, it is included in the group of “mostly unfree countries,” while Georgia and Armenia are in the group of “moderately free” countries. This

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means that as regards the level of economic freedom Azerbaijan offers a less competitive environment to its entrepreneurs than Georgia or Armenia.

C. Comparing Three Approaches to an Assessment of the Business Environment

The WEF methodology for studying the quality of the business environment differs significantly from the methodology used in Doing Business or in the Index of Economic Freedom, especially because it identifies a set of so-called factor (input) conditions. This is a very important addition, without which an analysis of the business environment cannot be regarded as exhaustive. Even the highest degree of economic freedom granted by the state to businesses cannot ensure their normal operation without factor conditions, such as physical infrastructure.

An absence of bureaucratic barriers or low taxes enhancing motivation (like all other aspects of a favorable economic environment) are no substitute for physical infrastructure such as access to electricity, without which an enterprise will simply be unable to operate (whether efficiently or not). Other factor conditions—administrative and technology infrastructure, human resources (quality of labor)—are no less important in assessing the quality of the business environment. Moreover, factor conditions for business activity are basic in relation to all the rest.

That is why Azerbaijan’s higher WEF rankings relative to its neighbors are among its essential competitive advantages. The point is that an improvement in factor conditions for business activity requires much more time and resources (including financial resources) than many other components of the economic environment. For example, an improvement in legal guarantees of private property rights and a tightening of their practical implementation (despite their fundamental importance) nevertheless lie within the realm of government economic policy; they can be achieved in a relatively short period and do not require additional resources. The same can be said of most other components of the quality of the business environment as assessed in Doing Business and the Index of Economic Freedom.

A comparison of the ranks assigned to countries for the quality of the business environment depending on the results of various studies cannot be regarded as an “exhaustive” basis for conclusions on the degree of their objectivity. In particular, the World Bank and the World Economic Forum consider different aspects of the business environment, so that the differences in the places assigned to countries in these two rankings are easily explained. Nevertheless, such a comparison is very fruitful for clarifying the parameters of the business environment in which a particular country’s performance is better or worse. It thereby provides the groundwork for practical recommendations.

In graphic form, the results of a comparison of WB and WEF rankings are presented in Chart 2. In its preparation, the ranked lists were unified on the same principle as in Chart 1. In the unified list we left 116 countries which are present in both studies.

The median connecting the points of intersection of maximum and minimum values shows identical places occupied by countries in the two rankings. For example, after the unification of the lists we find Azerbaijan lying on the median with 73rd place in the rankings of both the World Bank and the WEF.

If a country lies above the median, this means that in the WEF rankings it occupies a higher place than in the WB rankings. The largest deviation of this kind is observed for India and Indonesia. In the WEF rankings India is 27th, and in the WB rankings it is 101st, and Indonesia is 37th and 102nd, respectively. If a country lies below the median, this means it has a higher place in the WB rankings than in those of the WEF. The largest deviation of this kind in the world is observed for two Central Caucasian countries: Georgia and Armenia. Georgia ranks 33rd in the WB list and 96th in the WEF list, and Armenia is 30th and 88th, respectively. (Country rankings are given with due regard for the changes resulting from the unification of the ranked lists.)
Allowing for possible measurement errors, we can conclude that in countries located above the median the development level of factor conditions for business activity is higher than the relative level of liberalization of the business environment, especially in the matter of removing bureaucratic barriers to business. In countries located below the median, on the contrary, factor conditions lag behind the liberalization of regulatory mechanisms.

Azerbaijan is among the countries where the level of development of factor conditions—compared to other countries in the world—roughly matches the degree of liberalization of economic management. Given the relatively low places it occupies in the two rankings (73rd among 116 countries), it is quite obvious that in order to enhance the competitiveness of the business environment for local and foreign companies Azerbaijan will have to advance in both directions.

**D. Competitiveness in Individual Parameters of the Business Environment**

The conditions for business are diverse and encompass virtually all parameters of the economic system. All of them influence the operation of enterprises to a greater or lesser extent, and it is only their combined effect that creates the overall environment for business activities. Each factor is important in its own way, which is why the world’s countries now compete among themselves even in individual parameters of the business environment. National competitiveness in a given parameter of the business environment should be taken to mean whether this parameter is sufficiently “friendly” to enterprises operating in the country (both residents and foreign companies) compared to other countries.
Ireland, for example, believes that one of its essential competitive advantages is a low corporate tax, established in 2003 at 12.5%. It has the lowest corporate tax rate in the European Union and one of the lowest in the world.\(^{17}\) Non-EU countries find it more profitable to move their production of goods and services designed for sale in the EU market to Ireland. As a result, Ireland gets a huge inflow of foreign investment, especially from the United States, while U.S. economists are concerned about their own uncompetitively high rate of corporate tax.

At the same time, in view of two processes underway in Europe, Ireland’s competitive advantage in corporate tax is gradually losing its former significance. First, in recent years many European countries have also reduced their corporate tax rates. And second, the European Union is actively discussing the prospect of a unified corporate tax rate, whose introduction would naturally reduce the autonomy of EU countries in matters of tax policy and, accordingly, the advantage that some states have today; at any rate, within the EU this advantage would be eliminated. That is why Ireland, like many other states in the world, is now trying to find and implement regulatory mechanisms that would provide it with new (or additional) advantages in competition over the quality of the business environment.\(^{18}\)

National competitiveness in various parameters of the business environment lends itself to comparative analysis more readily than competitiveness in the overall business environment indicator. In particular, to assess competitiveness in corporate (profit) tax it is enough to compare the top rate of this tax in different countries, as is done in Table 8. In this ranking, countries are assigned higher places for lower corporate tax rates.

**Table 8**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Tax (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-7</td>
<td>United Arab Emirates</td>
<td>0.0</td>
</tr>
<tr>
<td>1-7</td>
<td>Estonia</td>
<td>0.0</td>
</tr>
<tr>
<td>8-10</td>
<td>Kyrgyz Republic</td>
<td>10.0</td>
</tr>
<tr>
<td>11-12</td>
<td>Uzbekistan</td>
<td>12.0</td>
</tr>
<tr>
<td>13</td>
<td>Ireland</td>
<td>12.5</td>
</tr>
<tr>
<td>14-19</td>
<td>Moldova</td>
<td>15.0</td>
</tr>
<tr>
<td>27-34</td>
<td>Armenia</td>
<td>20.0</td>
</tr>
<tr>
<td>27-34</td>
<td>Georgia</td>
<td>20.0</td>
</tr>
<tr>
<td>27-34</td>
<td>Turkmenistan</td>
<td>20.0</td>
</tr>
<tr>
<td>35</td>
<td>Azerbaijan</td>
<td>22.0</td>
</tr>
<tr>
<td>37-39</td>
<td>Belarus</td>
<td>24.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Tax (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>37-39</td>
<td>Russian Federation</td>
<td>24.0</td>
</tr>
<tr>
<td>40-60</td>
<td>Iran</td>
<td>25.0</td>
</tr>
<tr>
<td>40-60</td>
<td>Tajikistan</td>
<td>25.0</td>
</tr>
<tr>
<td>40-60</td>
<td>Ukraine</td>
<td>25.0</td>
</tr>
<tr>
<td>74-104</td>
<td>Kazakhstan</td>
<td>30.0</td>
</tr>
<tr>
<td>74-104</td>
<td>Turkey</td>
<td>30.0</td>
</tr>
<tr>
<td>74-104</td>
<td>United Kingdom</td>
<td>30.0</td>
</tr>
<tr>
<td>117</td>
<td>France</td>
<td>33.8</td>
</tr>
<tr>
<td>119-147</td>
<td>United States</td>
<td>35.0</td>
</tr>
<tr>
<td>154</td>
<td>Libya</td>
<td>40.0</td>
</tr>
<tr>
<td>155</td>
<td>Chad</td>
<td>45.0</td>
</tr>
</tbody>
</table>

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19 Compiled from the data of the Heritage Foundation [http://www.heritage.org/research/features/index/searchresults_var.cfm](http://www.heritage.org/research/features/index/searchresults_var.cfm).
In seven countries (Bahrain, Qatar, Kuwait, United Arab Emirates, Saudi Arabia, Estonia and the Bahamas), there is either no corporate tax at all or it is equal to zero. The enterprises of Libya and Chad have to operate in the worst conditions in the world as regards corporate tax: in these countries it equals 40% and 45%, respectively, which inevitably leads to mass tax evasion. Azerbaijan, where corporate tax is levied at a rate of 22%, falls into the “middle” category: it is 35th in the world ranking and 7th among the CIS countries. This means that in terms of corporate tax Azerbaijan offers its enterprises much more competitive conditions than, say, the United States but less competitive than Georgia.

Compared to rankings in the overall business environment indicator, a ranking in one component (in this case, corporate tax) has a flaw in that it is insufficiently representative, but its advantage is that it is based on a direct and not a calculated indicator. In some cases, it helps to get a better idea of the strengths and weaknesses of a country’s competitiveness and to formulate more concrete recommendations for the government.

In discussions about the economic successes achieved by Ireland over the past few decades, a question that often arises in this context is what kind of resources, including natural resources, Ireland actually possesses. As it turns out, the answer is quite simple: among other things, it has a corporate tax rate that is low enough to operate as a national competitive advantage.

Global Competitiveness Index (GCI)

In 2005, the WEF developed another indicator of national competitiveness: the Global Competitiveness Index. This was necessary, in the authors’ opinion, because the growth and business competitiveness indexes did not fully reflect all the factors and drivers of national competitiveness. They thought it necessary to extend the list of these factors so as to be able, first, to make a more detailed description of the economic environment for business activities and, second, to broaden the range of countries and regions assessed.

In particular, it is difficult to make a sufficiently deep analysis of the reasons behind the relatively weak economic growth in the developed EU countries without a special examination of problems related to the sectoral structure of their economy.

The Growth CI does not cover such matters as the flexibility of the labor market or the efficiency of various market segments. Or take the steadily growing importance of such factors as the quality of education and training, which have a direct influence on the rate and pattern of economic growth in the long term. The ability of a country to absorb new technologies and produce goods and services meeting world standards and enabling it to compete in international markets is directly connected with the number and quality of its educational, training and scientific research institutions.

The Global Competitiveness Index takes fuller account of all these factors than the growth and business competitiveness indexes, in effect combining both of them.

The GCI is based on nine “pillars,” each of which is critical to the efficiency and competitiveness of the national economies. Apart from the components assessed in the Growth CI and the BCI, they include a number of new components. The key factors of competitiveness are as follows:

- institutions (quality of public institutions);
- infrastructure (its extent and quality);
- macroeconomy (macroeconomic climate);
- health and primary education;

Another version of country competitiveness rankings is published annually by the International Institute for Management Development (IMD) based in Lausanne (Switzerland). Its publication, The World Competitiveness Yearbook, is regarded as one of the most competent comparative analysis works on the competitiveness of countries and regions. However, the Yearbook compares only 55 countries and does not cover the countries of the Central Caucasus.
higher education and training;
market efficiency (goods and services, labor and financial markets);
technological readiness (agility in adopting existing technology);
business sophistication (networks and supporting industries, sophistication of firms’ operations and strategy);
innovation.

Given that the role and importance of factors contributing to competitiveness are not the same at different stages of economic growth, the authors have divided all countries into three groups depending on what drives their economic growth: factors of production, productivity (efficiency) or innovation.

In economic systems that are in the first stage of development (factor-driven economies), companies mostly compete on the basis of prices, using lower prices for factors of production as an advantage. In the second stage (efficiency-driven economies), companies mostly use efficient production processes enabling them to increase productivity. In the third stage (innovation-driven economies), companies compete through innovation, using the most sophisticated production processes and methods to produce new goods.21

Based on this classification, the nine pillars are divided into three sets, each typical of a particular stage of development. The first four pillars (institutions, infrastructure, macroeconomy, health and primary education) are designated as “basic requirements” and are critical to countries in the first, factor-driven stage. Pillars 5-7 (higher education and training, market efficiency, technological readiness), designated as “efficiency enhancers,” are of greater importance to countries in the second stage, and the last two pillars (business sophistication, innovation), to countries in the innovation-driven stage. Each set of pillars provides the basis for calculating one of the three subindexes used to determine the overall Global Competitiveness Index.

The countries are allocated to stages of development using gross domestic product (GDP) per capita: countries in the first stage have up to $2,000; in the second stage, $3,000-9,000; and in the third stage, over $17,000. Countries with GDP per capita ranging from $2,000 to $3,000 and from $9,000 to $17,000 are considered to be “in transition” from the first to the second group and from the second to the third group, respectively. The countries of the Central Caucasus are placed in the first group.

Although the most important role in enhancing the competitiveness of countries in different stages of economic development is played by one particular set of pillars, for a complete assessment it is necessary to take into account the influence of other sets as well. The only thing is that these sets have a different importance depending on the basis for the country’s competition in the international market. That is why the weight (importance) of competitiveness subindexes differs depending on the country’s development stage. By introducing the notion of countries “in transition,” the authors seek to ensure a smooth change in the weights of the three subindexes (one can say that the countries of the world are in effect divided into five groups).

<table>
<thead>
<tr>
<th></th>
<th>Basic requirements</th>
<th>Efficiency enhancers</th>
<th>Innovation and sophistication factors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stage 1: factor-driven competitiveness</strong></td>
<td>50%</td>
<td>40%</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Stage 2: efficiency-driven competitiveness</strong></td>
<td>40%</td>
<td>50%</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Stage 3: innovation-driven competitiveness</strong></td>
<td>30%</td>
<td>40%</td>
<td>30%</td>
</tr>
</tbody>
</table>

21 This classification is somewhat different from the above-mentioned classification of Michael Porter.
Using this methodology, the WEF ranked 125 countries in the GCI. A sample of these rankings is given in Table 9.

### Table 9

<table>
<thead>
<tr>
<th>Overall index rank</th>
<th>Country</th>
<th>Overall index score</th>
<th>Basic requirements</th>
<th>Efficiency enhancers</th>
<th>Innovation factors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Rank</td>
<td>Score</td>
<td>Rank</td>
</tr>
<tr>
<td>1</td>
<td>Switzerland</td>
<td>5.81</td>
<td>5</td>
<td>6.02</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>Finland</td>
<td>5.76</td>
<td>3</td>
<td>6.10</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>Sweden</td>
<td>5.74</td>
<td>7</td>
<td>5.95</td>
<td>2</td>
</tr>
<tr>
<td>25</td>
<td>Estonia</td>
<td>5.12</td>
<td>30</td>
<td>5.31</td>
<td>19</td>
</tr>
<tr>
<td>29</td>
<td>Czech Republic</td>
<td>4.74</td>
<td>42</td>
<td>4.89</td>
<td>27</td>
</tr>
<tr>
<td>33</td>
<td>Slovenia</td>
<td>4.64</td>
<td>36</td>
<td>5.17</td>
<td>30</td>
</tr>
<tr>
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<td>Latvia</td>
<td>4.57</td>
<td>41</td>
<td>4.90</td>
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</tr>
<tr>
<td>37-38</td>
<td>Slovak Republic</td>
<td>4.55</td>
<td>47</td>
<td>4.70</td>
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<tr>
<td>40</td>
<td>Lithuania</td>
<td>4.53</td>
<td>45</td>
<td>4.80</td>
<td>38</td>
</tr>
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<td>41</td>
<td>Hungary</td>
<td>4.52</td>
<td>52</td>
<td>4.64</td>
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<td>48</td>
<td>Poland</td>
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<td>57</td>
<td>4.59</td>
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<td>Croatia</td>
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<td>4.60</td>
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<td>Kazakhstan</td>
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<td>59</td>
<td>Turkey</td>
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<td>4.34</td>
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<td>62</td>
<td>Russian Federation</td>
<td>4.08</td>
<td>66</td>
<td>4.43</td>
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<tr>
<td>64</td>
<td>Azerbaijan</td>
<td>4.06</td>
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<td>4.59</td>
<td>78</td>
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<tr>
<td>68</td>
<td>Romania</td>
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<td>83</td>
<td>4.19</td>
<td>55</td>
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<tr>
<td>72-73</td>
<td>Bulgaria</td>
<td>3.96</td>
<td>62</td>
<td>4.50</td>
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<tr>
<td>77-78</td>
<td>Ukraine</td>
<td>3.89</td>
<td>86</td>
<td>4.15</td>
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</tr>
<tr>
<td>80</td>
<td>Macedonia</td>
<td>3.86</td>
<td>70</td>
<td>4.37</td>
<td>80</td>
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<tr>
<td>82-83</td>
<td>Armenia</td>
<td>3.75</td>
<td>81</td>
<td>4.21</td>
<td>88</td>
</tr>
</tbody>
</table>

\[\text{Compiled from: The Global Competitiveness Index 2006-2007, pp. 16-17.}\]
The top ten most competitive countries in the world are Switzerland, Finland, Sweden, Denmark, Singapore, United States, Japan, Germany, Netherlands and United Kingdom. Estonia is regarded as the most competitive country among the ECA developing countries, and Kazakhstan in the CIS. Azerbaijan ranks 64th in the world and has fairly good positions in its own region. It should be noted that regional comparisons in these rankings are more important than in many others, because countries primarily compete with neighboring states. Azerbaijan ranks 3rd in the CIS and 13th in the ECA region.

Since the importance of various factors driving a country’s competitiveness is determined by its economic development level, there are also different ways of boosting the GCI. For low-income countries, including Azerbaijan, the main ways to raise the level and quality of competitiveness are as follows: at the enterprise level, to upgrade production processes based on advanced technologies, marketing research and strategic (long-term) planning; at the national level, to upgrade the physical and “soft” infrastructure and enhance the quality (optimize the objective function and increase the effectiveness) of economic policy. In the coming years, Azerbaijan should focus its efforts in these areas.

**Conclusion**

Globalization has changed the world. Competition has changed as well, and its measurement across countries is now much more topical than only a few decades ago. An absolute majority of states in the world are trying to find, implement and develop sectors and lines of production that

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23 The quality of competitiveness in this context is taken to mean a renunciation of competitive advantages based on cheap labor and natural resources and a transition to a higher stage driven by investment and efficiency.
could give them a comparative advantage over others. The countries of the Central Caucasus, including Azerbaijan, are also faced with the prospect of hard work (primarily intellectual work) aimed at strengthening their competitive advantages. Their natural advantages due to natural resources, geographical location and other given parameters of social development should be regarded only as initial advantages. Based on these potential advantages, it is necessary to develop those sectors of the economy which can provide a sound basis for the country’s actual and sustainable competitiveness.

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NECROECONOMIC FOUNDATIONS AND THE DEVELOPMENT OF BUSINESS IN POST-REVOLUTION GEORGIA

Abstract

After fifteen years of economic transformations we can conclude that the transition period in Georgia and many other post-communist countries has ended but, unfortunately, the economic (and not only economic) system is far from the Western style of capitalism. It is better characterized as “post-communist capitalism.” The key reason is the “necroeconomy.” The collapse of the communist regime and the breakdown of the command economy revealed that, with rare exceptions (hydroelectric power, mining and primary processing of raw materials), the goods produced in these countries were incompatible with international standards and could not compete with Western products. Only an efficient bankruptcy law is an effective tool against necroeconomy. In transition countries, including Georgia,
The collapse of the communist regimes in the countries of Eastern Europe and the break-up of the U.S.S.R. were watershed historical events at the end of the twentieth century. More than a decade later, we can draw several conclusions about the transformation from a communist to a market economy.\(^1\) Despite a vast amount of literature on transition, there are no generally accepted criteria for determining its completion. The simplest formal criterion is accession to the EU, which signifies that the country has a market-based economy.

Most of the states of Eastern Europe (as well as the Baltic states) have already joined the EU and have become “leaders” in completing the transition. What about other “outsider” post-Communist countries such as, above all, the CIS members? Are they still in transition?

Capitalism is not monolithic.\(^2\) The transition period in outsider post-Communist countries has ended, but, unfortunately, the economic (and not only economic) systems of some are far from a European style of capitalism.\(^3\) They are better considered as “post-communist capitalism.”\(^4\)

The logic of this problem appears to be rather simple. If the collapse of the communist system was essentially simultaneous in the countries of Eastern Europe and the former U.S.S.R., they were all in the same situation and, consequently, a slow transition to European capitalism is an artificial delay in economic and social reforms. To understand the principal problems of post-communist transformation in the outsiders, we will compare these countries with the leaders.

Administrative barriers can add considerable cost, time, and uncertainty to an investment project. Complex, non-transparent, and time-consuming procedures not only deter new investment (local and foreign), but also erode the competitiveness of local firms. The main task in transition countries, including Georgia, is to rationalize this process with improved regulation.

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The Human Transformation

The character and possible success of economic reform in transition countries depend largely on the behavior of the person transitioning from *homo sovieticus* (formed under a command economy, wherein it was suppressed by the state and totally dependent on it)⁵ to *homo economicus* (seeking the maximum utility in his household and the maximum profit in his firm). The latter type embodies all the changes in this category since Adam Smithian.⁶

The person in post-communist transformation is *homo transformaticus*. He cannot emancipate himself from his fear of the state and from his habit of living at its expense, even as he gradually begins to act in his own interests to achieve maximum utility and profit.⁷

Because the communist regimes in the leader countries ruled for less than half as long as in the outsider countries, *homo sovieticus* did not have time to develop fully. At the same time, *homo economicus* was not totally eradicated, as happened in the outsider countries in the 1930s. In the outsider countries, *homo transformaticus* resembled *homo sovieticus*, whilst in the leader countries it was *homo economicus*. Some market mechanisms existed even under command economies, although only in the shadow sector.⁸

Directors of shadow enterprises were called *delets* (slick operators) and not *predprinimatel* (entrepreneurs).

After the collapse of the command economy, most former *delets* preserved their positions as directors in the state sector and during privatization; they exploited the so-called “rights of labor collectives” and became enterprise owners.⁹ Regardless of whether or not they hired managers, especially at the initial phase of the post-privatization period, they directed their enterprises as *delets*.

Just as *homo transformaticus* is not yet *homo economicus*, neither could the former *delets* be transformed into entrepreneurs. *Homo transformaticus* in the entrepreneurial sphere is a “post-delets.”¹⁰

Necroeconomics?

The overthrow of the communist regime and the collapse of the command economy¹¹ stripped bare the economy of the post-Communist countries. With some exceptions (hydroelectric power, hydrocarbon extraction and primary processing of raw materials), the goods produced in these coun-

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tries proved unable to compete with world standards and, in principle, cannot compete. These are "necroeconomies," which is similar to the Gaddy-Ickes "virtual economy." The complement to the necroeconomy is the market or "vitaeconomy." What do the necroeconomy and vitaeconomy have in common and how do they differ?

Both of these economies can produce goods and so there is a supply within each of them. In contrast to the goods produced by the vitaeconomy, however, there is no demand for the goods produced by the necroeconomy and so there are no sales and no equilibrium price.

If a segment of the economy is moribund, there should in principle be no problem, since a moribund economy should not have any influence on its vital counterpart. This is so in a market economy. Uncompetitive goods simply "disappear" with no effect on the rest of the economy. Transition countries, however, are in a fundamentally different position. What accounts for the durability of the necroeconomy in post-communist countries? The answer draws upon the evolutionary theory of economic change and the concept of "routines" or the rules and methods of conduct of firms that regulate their behavior and production.

Command economy routines are the main reason that dead enterprises persist, even though the command economy has disappeared. As a result, their warehouses are filled with uncompetitive goods and they accrue unpayable debts, which creates a web of mutual indebtedness.

When an enterprise amassed debts in a command economy, its director would appeal to the superior state organs (in the leading organs of the Communist Party, State Planning Committee (Gosplan) and Ministry of Finance) in order to write off the debts. As a rule, they achieved their goal and so there was no disincentive to indebtedness. This routine persists in post-communist countries as tax amnesties, "purchasing" decrees, legislation, and influence on the central bank.

Post-delets stand behind the necroeconomy in both the state and private sectors, and maintain the routines of a command economy. They use their connections to penetrate state structures and prolong the existence of the necroeconomy. The necroeconomy serves the interests of the post-delets, and it will retain a solid base until they are replaced with entrepreneurs.

**The Georgian-Type Necroeconomy**

Dead enterprises, regardless of whether or not they are owned by state or private companies, need to attract new investments through privatization or provide a long-term concession of certain

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16 Necroeconomy is not only a problem for transition countries because it also has serious implications on other parts of the world as well (see: K.R. Matschedisho, *Development & Peace in Africa*, p. 15, available at [http://www.codesria.org/Links/conferences/general_assembly11/papers/matschedisho.pdf]).
assets to strategic investors. Privatization alone, however, will not eliminate the necroeconomy. Strategic investors may be uninterested in mere long-term concessions. If they do not prove to be attractive enough to investors, the government will have to privatize such enterprises at symbolic starting prices because dead enterprises have little worth.

Starting from the middle of the 1990s, the delets obtained privileges in privatization in Georgia through their former dealings with the state. They were able to acquire state property directly by “shadow” means and bribed officials to privatize enterprises at a low cost. Despite the broad privatization through vouchers, few foreign investors participated. The transaction cost of privatization was very high because state-owned enterprises were not subjected to bankruptcy prior to privatization, although many should have been. The corrupt operation of enterprises diminished the motivation for investment.

Theoretically, a bankruptcy law should be an effective tool against a necroeconomy. Georgia’s Law on Bankruptcy, however, was stillborn. It was drafted with the help of German experts and it is nearly identical to the German legislative model. Although foreign experts are often helpful, the bankruptcy law was a disaster because none of the de facto bankrupt enterprises were considered as such under the law. Its enactment was halted by the 1999 Law on Tax Arrears Restructuring, which was prepared with the help of World Bank experts, and which panders to the most anti-reformist wing of the industrial lobby in Georgia by demonizing bankruptcy. The continued operation of a bankrupt enterprise is equivalent to the maintenance of bad management without any operational changes, which destroys the company’s development prospects. Moreover, restructuring tax arrears is particularly susceptible to corruption because preparing the draft approval on restructuring and determining deadlines and other elements depend upon the approval of a public official.

After Georgia’s Rose Revolution, the Parliament of Georgia adopted two amendments to the Law on Tax Arrears Restructuring, according to which the restructuring period increased from three to fifteen years (2004) and a company was permitted two opportunities to restructure (2005). This decision means that Georgia will not free itself from the necroeconomy in the near future.

Documents at the Securities Commission of Georgia show that more than half of the corporations have tax arrears, which subjects them to restructuring. Nevertheless, bankruptcy proceedings have not been brought against them in court.

Georgia suffers from the same lack of investment as other post-communist countries. These problems apply mainly to joint-stock companies, which do not stimulate much growth. They have been created through privatization, as have the securities industry and infrastructure. Most joint-stock companies, however, have been created according to political desires rather than with the aim of attracting investments. Liquidity is low and Georgia is still known as a high-risk zone for investors.

The Government retains an ownership interest in more than 1,500 enterprises, the employees of which make up 43 percent of commercial sector employment. The share of such enterprises in the total number of Georgian companies, however, is as little as 14.6 percent.

According to the Ministry of Finance, restructured tax debts account for 68 percent of the 2006 national budget revenues. Two years ago, the situation was even worse as restructured tax debts accounted for 86 percent of the 2005 budget.

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In 1999-2006, industrial- and energy-sector enterprises accounted for 64 percent of all those with tax debts and relying on government lending (see Table 1). Additionally, in more than half of all the enterprises, restructuring was granted for a period of three years; in 19 percent of the enterprises for five years, and in 10 percent of the enterprises for 15 years.

In recent years, the proportion of enterprises that failed to pay tax debts ranged from 2 percent to 14 percent. In 2002, restructured debts exceeded GEL 100 million and 14 percent of all indebted companies failed to repay (see Fig. 1). All of this resulted from a routine management style on the part of most companies.

Control of corporate governance is one cause of a necroeconomy. There is no mechanism for control by a corporate board. Theoretically, a board should have control over the director of a company. In practice, however, the directors choose the board if it suits them, while the board is merely a formality and exercises no real authority. As a result, the interests of the owners are inadequately protected and there is a high probability that insider manipulations will be carried out.

More than 40 percent of managers of joint-stock companies in Georgia own large blocks of shares in their companies. They avoid trading on the stock exchange and the shares of these companies are often not quoted. For these reasons, the stock exchange’s control over such corporations is low and the activities of managers are ineffective. Nevertheless, even the supervising body does not make attempts to improve the situation.

The situation is exacerbated by poor corporate management, and so it is not surprising that few directors are fired despite the fact that most joint-stock companies are not profitable year after year. In some corporations, the director owns a larger part of the shares than the members of the board, and the latter’s influence over the company is, therefore, negligible.

The negative influence of the necroeconomy on the development of outsider countries is evident, as is the need for market mechanisms. The key to solving these problems lies in the evolutionary theory of economic change cited above.

**Distribution of Tax Debts and Government Lending by Sectors, 1999-2006**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Share (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>23</td>
</tr>
<tr>
<td>Industry including:</td>
<td></td>
</tr>
<tr>
<td>Food Industry</td>
<td>9</td>
</tr>
<tr>
<td>Agriculture</td>
<td>14</td>
</tr>
<tr>
<td>Construction</td>
<td>2</td>
</tr>
<tr>
<td>Services</td>
<td>5</td>
</tr>
<tr>
<td>Culture, Sports</td>
<td>5</td>
</tr>
<tr>
<td>Communications, Transport</td>
<td>7</td>
</tr>
<tr>
<td>Health Care</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source: Ministry of Finance of Georgia.*
The government should devote special attention to the private sector created exclusively on the basis of private investments. The government should promote its consolidation and expansion and should take steps to create a stable political and macroeconomic environment when new firms are created through private investments.

The key challenges to economic development come from the uncertain environment for entrepreneurs, small markets, poor skills, weak infrastructure, and restrictive legal and regulatory regimes. Licensing fees, delays in obtaining regulatory approval, and time-consuming dealings with officials impose costs on firms which can be so burdensome that entrepreneurs have to bribe officials to speed up these processes.

Until 2004, no efforts were exerted in Georgia to build an economy conducive to entrepreneurship and the active participation of civil-society institutions. Instead, government inactivity and economic stagnation were the norm. The Rose Revolution of November 2003 began a period of institutional changes in all spheres of social and economic life. The new government has eliminated and simplified many business regulations to boost the country’s competitiveness and facilitate international integration.

**Georgia’s Prospects for a Vitaeconomy:**
**The Legislative Framework for Business Liberalization**

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Since 2004, the main goals of the new government have been to establish new fiscal discipline, restore the legal basis of the economy, destroy shadow structures, and simplify regulations. Apart from the construction of the Caspian-Mediterranean oil and gas pipelines, foreign direct investment in Georgia prior to this time was very limited because of bureaucratic interference, political instability, and the enormous shadow economy.

The post-revolutionary period is especially remarkable because of the government’s effective fight against petty corruption. A consensus on the path to progress has developed among civil society, entrepreneurs, and the authorities through liberalization of the tax and customs codes and the removal of state control over various sectors. In 2005 and 2006, Georgia made considerable strides in reversing policies that previously stifled private initiative. These reforms mainly concerned business registration with an emphasis on reducing economic and administrative regulations. According to the World Bank’s “Doing Business 2007” report, Georgia leapt from 112th to 37th position and is now ahead of some EU countries.

Simplification of Tax Regulations. In 2005, the tax code was simplified and the number of different taxes was reduced from 21 to 7. The old tax code had been in use since 1997. It imposed excessive burdens on entrepreneurs and was difficult to administer since it had many loopholes and possibilities for different interpretations. Together with the poor administration of tax-collection agencies, this encouraged entrepreneurs to bribe tax officials or move to the shadow economy. The many exemptions, allowances, and deductions in the old tax code created an unfavorable environment for competition. Since 1997, many changes have been made to the tax code, which exacerbated these problems and served mainly to create favorable conditions for selected business groups.

The main goals of the new tax code were to encourage economic activity and to limit the shadow economy. It reduces the overall tax burden, makes collection simpler and more transparent, and saves the taxpayers’ time. Public administration has improved in general since the Rose Revolution and corruption in the tax-collecting agencies has also declined.

The new code creates the institution of tax ombudsmen to protect honest taxpayers, but this progressive change has not yet been implemented. Additionally, some tax procedures have been amended. The time for solving tax disputes was reduced to two months and arbitration has become the alternative mechanism for resolving tax disputes. Taxpayers are granted the right to take a dispute to court or engage in arbitration procedures at any time. Unfortunately, the ombudsmen and arbitration were abolished three months after the new tax code was adopted. It seems that Georgia’s tax legislation failed to fully protect entrepreneurial rights.

Business Registration Simplifications. Business-environment reforms mainly concerned business-registration simplifications. The emphasis has been on reducing the cost of excessive economic and administrative regulations by lowering the effective rates of protection and reducing uncertainty. Some state organizations that were corrupt and created barriers to doing business were removed.

In practice, delayed registration suggests that there are too many procedures in place. The Ministry of Justice had authorized firms. Registration procedures were reformed in Georgia with the removal of the Ministry of Justice and courts from the registration procedures and reduction of the time for processing an application to three days. Now, local tax administrations are responsible for registration.

At the same time, the new law on entrepreneurs reduced the minimum charter capital tenfold. All these procedures simplified starting a business and reduced the cost of registration. These reforms reduced transaction costs and Georgia now ranks among the best performers in this measure.

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ing to the current legislation, a representative of an international company is not considered a legal entity in Georgia. The registration procedure, however, is the same as for other types of enterprises, and foreign investors enjoy the same rights as Georgian companies.

Simplified start-up procedures are part of a comprehensive reform package to support business, including clear deadlines for processing enterprises’ requests, granting licenses or authorizations, and carrying out tax-registration and social-insurance registration procedures. These include the company-registration certificate, tax registration, social-security registration, and statistical-office registration. Institutional reforms transferred the delegation of authority over business registration from courts and notaries to tax departments and provide for one-window registration with trade, tax, and labor authorities.

**Licensing and Standards Liberalization.** Before 2005, some thirty state organizations issued 65 types of licenses and permits, which created barriers to market entry. In 2005, licensing reforms retained only 150 out of the previous 950 licenses to defend consumers’ rights and ensure public safety. A one-stop shop was created for license applications.

Despite simplified license procedures, the cost and time required to receive permits and licenses are still higher than in EU countries.

Until 2006, Georgia used the obsolete Soviet GOST standards, which numbered approximately 26,000. Georgia is moving away from these standards, available only in Russian, to voluntary standards compatible with WTO rules.

**Customs Reforms.** Customs reforms are the most successful regulatory reforms in Georgia, following WTO accession in 2001. The new 2007 customs code will reduce the sixteen types of custom duties to three, as well as the rates, which ranged from 1 to 25 percent. Duties now range from 12 percent (agricultural products) to five percent (construction materials) to zero (all other goods).

This code stimulates exports. Wine, for example, is a major export and accounts for 80 percent of production. Many inputs are imported; previously, these imported items were duty-free if used in re-exported products within six months. This duty-free period has been extended by up to two years.

The new regime also stimulates imports. An association of oil producers and importers has asked the government to create “closed” (duty-free) customs terminals. This allows them to create stores that reduce their costs, especially when oil prices increase.

The new custom code envisages leaving only seven of the former 15 custom regimes. Moreover, it also envisages simplifying custom regulations and, at the same time, eliminating the brokerage system that caused problems with import declarations.

There is still a large outstanding agenda of reforms, but the pace is limited by the command-economy-type “routine” management and by the slow introduction of mechanisms to engage vital entrepreneurs.

**Obstacles to Georgia’s Vitaecomy**

Since the Rose Revolution, Georgian officials have enjoyed a greater sense of impunity. The judiciary has been degraded and judges have become tools of the prosecutors. The government now exercises tremendous control over the media and especially television. It is hardly surprising that democratization and progress on human rights have been slow.

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Corruption in post-revolutionary Georgia has been transformed. Extra-budgetary accounts are paid into by those accused of corruption, who pay the “price of liberty.”27 Spending from these accounts is not transparent and was made even worse as they started to receive “voluntary contributions” from businesses.28 Whereas pre-revolutionary functionaries opened their pockets for bribes, their post-revolutionary successors have opened bank accounts. These accounts were abolished in spring 2006 under IMF pressure.

Privatized state property is now being deprivatized29 and the new rounds of privatization are non-transparent. This process presents a false populist image of providing for social justice whilst redistributing property to the newly formed elite.

The new government’s disrespect for property rights is particularly frightening, as in its recent decision to demolish—with no judicial orders—some pre-revolutionary facilities whose owners had valid documentation.30 The executive’s only argument was that it was “improving the city’s appearance,” but the right to property was not its concern. Such blatant interference with property rights threatens democracy and the business environment.

Finally, the non-transparent behavior of the Georgian Government is strengthened by the absence of an economic development program. The IMF and other international financial institutions have been cooperating with the Georgian Government under the Economic Development and Poverty Reduction Program,31 which was adopted in 2003 but never implemented. These institutions have cheated themselves by alleging that they have been working with the Georgian Government under this program. These institutions must require the government to come up with a new program that would establish clear deadlines for implementation.

Conclusions and Recommendations

With a reputation for democratic transformation, Georgia attracted international attention and support after the Rose Revolution. The Government has taken steps to reorient economic policy, foster private-sector growth and foreign investment, and eliminate many regulatory obstacles. Significant challenges, however, still remain.

Liberalization and deregulation have created a framework for unrestricted economic activity. Reducing regulatory burdens to the level necessary only for protecting public interests encourages

entrepreneurship and private-sector investment, but the new legislation has not been fully implemented.

Eliminating the enduring necroeconomy is a great challenge and it requires an effective law on bankruptcy. The existing law (drafted by foreign experts) was confirmed by parliament in the mid-1990s, but it was incompatible with other institutions and was stillborn, not only in Georgia but also in many post-communist countries as well.\textsuperscript{32}

New institutions in post-communist countries, created under pressure from international financial organizations and based upon Western models, often prove unviable. In the worst case, they can cause great harm. The IMF is often criticized for its forced and simplistic approach to institutional reforms, which is putting a drag on establishing a market economy.\textsuperscript{33}

The fact that the European Union recognizes that the leader countries are ready for admission attests to their lack of a necroeconomy, which is the main barrier to transition in the outsiders. The experience of other countries demonstrates that change cannot be sustained without political will and common goals among the government, the private sector, and the international community.

The post-revolutionary government has a mixed record. Since opposition political groups are weak and lack influence, the international community needs to help the government to correct or avoid those mistakes. There can be four main recommendations for the international community to exercise its influence over the Georgian government as follows:

1. The United States, as a key political partner in Georgia’s fight for independence from Russia, can wield the most effective influence over the Georgian Government. First, it could convince international financial institutions not to unconditionally support the present Georgian leadership in some of its anti-democratic efforts. The Millennium Challenge Account could also be effective if the funding of more projects were made contingent on successful reform.

2. The EU and its member states have an equal role in Georgia’s democratization. Unlike the United States, European attitudes toward the Georgian government have been rather moderate, as with discussions about Georgia’s admission to NATO. This, however, is not enough. Europe should exploit Georgia’s interest in EU integration more aggressively. The Council of Europe has been much more critical of the Georgian leadership’s mistakes. Because it has limited financial resources, however, the Council has little influence over democratic developments.

3. The IMF and other international financial institutions have not used the financial tools at their disposal to influence the situation in Georgia. With their tacit approval, de-privatization, violations of property rights, and the judiciary’s complete dependence upon the executive’s will have done immense harm to Georgia’s potential for economic development. International organizations should have a stricter attitude toward Georgia and condition their programs upon further economic reforms.

4. These institutions have been cooperating with the Georgian Government under the Economic Development and Poverty Reduction Program which was adopted in 2003 but never implemented and is now outdated. They must require the Georgian Government to devise a new program with firm deadlines for implementation.


The time has come for the international community to exercise its influence over the Georgian Government and to return it to the track of human rights protection and market economy development.

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THE BAKU-TBILISI-CEYHAN PIPELINE IN THE CONTEXT OF HUMAN RIGHTS

Abstract

This article considers human rights protection, as well as the complicated legal collisions associated with this problem that have arisen during the building and operation of the Baku-Tbilisi-Ceyhan (BTC) pipeline. It analyzes both the Inter-Governmental and Host Government Agreements on the BTC relating to the content, procedures, and mechanisms of human rights protection. In addition to describing the main obligations of the BTC International Consortium and the Republic of Azerbaijan with respect to human rights, the author also offers her vision of ways to improve the regulatory base of this project.

Introduction

Building the Baku-Tbilisi-Ceyhan (BTC) oil pipeline was an important stage in implementing the Contract of the Century entered as early as 1994 by the Republic of Azerbaijan and world oil companies. Its introduction into operation made it possible to transport crude oil from the Azerbaijani sector of the Caspian Sea to the Turkish port of Ceyhan located on the Mediterranean coast. The BTC crosses Azerbaijan, Georgia, and Turkey and is the second longest oil pipeline in the world.1 The consortium consists of eleven oil companies headed by the largest shareholder, British Petroleum (BP). The building and launching of the BTC is one of the largest investment projects for Turkey and Azerbaijan and the largest for Georgia.2 The BTC is important for the three countries because its


operation will make it possible to receive revenue in amounts sufficient for making large investments in the economy.\(^3\)

However, some social and legal aspects, such as taking into account the interests of the ordinary people living along the BTC route and ensuring protection of their rights, should not be ignored when implementing these large-scale regional projects. This article focuses precisely on the legal collisions that are arising and could arise in the foreseeable future during operation of the BTC with respect to human rights protection.

### Provisions of the Neutral Legal Regime of the BTC

Azerbaijan, Georgia, and Turkey, which signed an agreement on the BTC in February 2004, are currently facing challenges relating to the fate of the foreign investments in this project. The matter concerns such perpetual problems as corruption, political instability, poverty,\(^4\) unemployment,\(^5\) ongoing conflicts, and the non-observance of human rights. This means that a special legal regime must be created in those countries where the member states of the BTC Consortium are operating. The Consortium members and Project member states have assumed obligations under an Inter-Governmental Agreement (IGA) signed by all the Project participants, as well as under a Host Government Agreement (HGA), including a Security Protocol, Joint Statement, and BTC Obligations on Human Rights Protection called “provisions on stabilization.” These documents envisage that the signatories may not change their policy or priorities under earlier agreements without the preliminary consent of the other parties.\(^6\)

Investment guarantees may be ensured in the Republic of Azerbaijan by applying several mechanisms, in particular:

1. Giving the HGA a higher status than other laws, apart from the Constitution. If a conflict arises with a future law, the HGA takes precedence.
2. Using mechanisms for distributing investment risks, such as tax payments, preferential rates, and legislation amendments.

The first of the two mechanisms presented above is more reliable for the foreign investor, which is the Consortium. As a result, the foreign investment process will remain unchanged throughout the entire period the contract on foreign investments is in effect. If misinterpreted, the first alternative could give rise to several human rights problems, which we will discuss below. The second alternative does not envisage the use of such reliable guarantees for protecting the Consortium’s interests. Azerbaijan, as we know, chose the first alternative.

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\(^5\) In Azerbaijan, for example, “the oil sector accounts for the most of the country’s GDP, however, it employs only one percent of the labor force” (Azerbaijan at the Crossroads of Commerce and Culture, Embassy of the United States in Azerbaijan, available at [http://baku.usembassy.gov/sect/reports/AZERBAIJAN%20-A%20Crossroad%20Commerce%20and%20Culture.pdf], 1 March, 2007).

Azerbaijan’s Human Rights Obligations under Host Government Agreements

The government of the Republic of Azerbaijan grants the Consortium the right to implement the project, pledges not to engage in any actions capable of slowing it down, grants the right to allot land plots for building and operating the BTC, and guarantees the freedom of import and export and the use of foreign workforce. The Host Government Agreement emphasizes that the state is obligated not to violate the rights set forth by the project agreement, including any actions or inactions that might hinder or limit the amount of oil pumped or transported by means of corresponding facilities (with the exception of cases when the continued operation of the facilities without immediate corrective action could pose a threat to public safety, human health, and the environmental).7

Several questions arise when taking a closer look at this excerpt from the HGA. In particular, what will happen if a situation is ongoing but does not pose a permanent threat to public safety, as, for example, trafficking in women along the BTC route?8 It should be noted that the problem of trafficking has recently become urgent, although it still does not pose a perceptible threat. According to the HGA, Azerbaijan should wait until this problem becomes truly urgent in the regions in question and poses a real threat to public safety. Only then will it be possible to adopt immediate measures to find a solution to the situation. Here we could counter that there is nothing stopping the Azerbaijani government from putting a corresponding law into effect on trafficking control. But the problem is that Azerbaijan will also have to draw the Consortium into the fight against trafficking.

In compliance with the HGA, the Consortium assumes all the operation9 and transportation10 risks. It is true that the state, according to the HGA, cannot demand the right to refine oil and own the facilities11 envisaged in the agreement, but the oil will always be owned by the state.

In compliance with the HGA, if amendments are made to the law, the government is obligated to pay the Consortium a certain amount of compensation, whereas if the latter does not agree to recognize the amendments to this law, the compensation is not envisaged. The question arises of what to do if the Consortium does not agree to recognize these amendments. What should Azerbaijan do in this event? In all likelihood, Azerbaijan will have to resort to the help of an international arbitration court. The so-called Kuwait case12 is characteristic in this respect, when the court took into account the fact that, due to the changed circumstances, the need arose for introducing corresponding changes into the contract. In other words, the content and essence of an agreement may be adjusted in keeping with the changed circumstances.13 In this sense, the Kuwait case could be a precedent when reviewing similar lawsuits, including possible lawsuits from the Consortium with respect to human rights violations.

In turn, Amnesty International indicates that international law draws a clear difference between standard state practice, for example, the introduction of changes into tax policy, or the strengthening of social protection of an employee, and state policy leading to depreciation of the cost of the project. Only in the last case is compensation envisaged for violating human rights for the protection of property.14 In this respect, it would be expedient for the sides concerned to review the possibility of including provisions in the HGA that envisage the right to compensation.

7 See: BTC Host Government Agreement with the Republic of Azerbaijan, Supra. No. 15, Art. 5.2 (iii).
8 See: Human Rights on the line, Supra. No. 19, p. 22.
9 See: Ibid. Art 2.1.
11 Ibid. Art 4.1 (iv).
12 See the text of the award by the Arbitration Tribunal (presided over by P. Reuter) in Arbitration between Kuwait and the American Independent Oil Company (AMINOIL) 21 ILM 1982, pp. 976 ff.
13 Ibidem.
14 See: Ibidem, p. 5.
The Consortium’s Human Rights Obligations

In keeping with the obligations adopted by the Consortium, the contractors are obligated to build and operate the BTC oil pipeline in compliance with the laws of Azerbaijan reflected in the corresponding agreements between the government of Azerbaijan and the Consortium. Moreover, the Consortium is obligated to carry out a detailed evaluation of the risks and hold consultations with the public when preparing its Environmental Impact Assessment in compliance with the requirements of the Host Government Agreement. Finally, the HGA offers a detailed program of analysis, public commentaries, and approval of specific plans on environmental protection and public interest awareness.15

The Joint Statement of the Consortium signed by the member states obligates the Consortium to act in keeping with international human rights protection standards when implementing the project.16 Moreover, in September 2003, the Consortium perfunctorily confirmed the fact that it will demand compensation from the Governments concerned in issues relating to the obligations of the host Government under international agreements on human rights protection and other agreements to which it is party.17

We will note that it is to the Consortium’s greater advantage when its investments are underpinned by corresponding provisions of the law. In turn, Azerbaijan is interested in acquiring investments which the country would otherwise not have acquired, as well as the revenue concurrent to their use. Theoretically, if the host Government is guided by efficiently functioning laws and corresponding mechanisms of their implementation, the parties concerned will only have to follow the provisions of the contract. But, in most cases, the mechanisms for executing the current laws are extremely inefficient, as is currently the case with Azerbaijan. This is precisely why a host government agreement is necessary.

Inter-Governmental and Host Government Agreements in International Law

The fact that Inter-Governmental and Host Government Agreements must be ratified by the country’s Parliament in order for them to come into force confirms their compliance with the practice of international agreements. In order to gain a clearer understanding of this issue, the mechanism for ratifying international agreements envisaged by the Constitution of Azerbaijan must be reviewed, as well as the Law of the Republic of Azerbaijan on the Conclusion, Execution, and Denunciation of International Treaties of the Republic of Azerbaijan.18 If the treaty contains laws that contradict or are not envisaged in Azerbaijani legislation, the Ministry of Justice must present an experts’ evaluation.19 The president has the authority to sign any international agreement or delegate this authority to the prime minister, foreign minister, or heads of the power structures.20 The law does not envisage that the president has the right to delegate this authority to the head of an oil company, for example, the State Oil Company of the Azerbaijan Republic (SOCAR).

Several stipulations must also be made regarding the fact that Inter-Governmental and Host Government Agreements are considered not simply agreements, they are essentially investment
agreements, therefore any action taken by arbitration courts on investment disputes applies to them, which differs from the practice of commercial arbitration. The thing is that investment arbitration courts examine disputes between the state and a private structure, which are decided in keeping with the terms reached between the sides, as well as according to the principles of international public law. Commercial arbitration, on the other hand, is private in nature and does not envisage the state’s involvement in this process, nor does it go beyond the dispute between the two sides. Taking into account the fact that international documents do not envisage the cancellation of arbitration provisions in an investment agreement, it can be presumed that such arbitration is permitted in keeping with the principles of international public law.

At the same time, Inter-Governmental and Host Government Agreements cannot be viewed as laws, since they are ratified by parliament in the same way as international agreements are ratified. A country signatory to an Inter-Governmental Agreement may lodge a complaint with an international court against another country. This creates a contradiction in recognizing IGAs and HGAs as international agreements. From the aforesaid, it can be concluded that inter-governmental and host government agreements are an interesting hybrid of all three factors.

These misgivings, in our opinion, are of a long-term nature and can be briefly formulated in the following theses:

There is no point in the companies concerned assuming obligations, the consequences of which have not been fully assessed. The Consortium should not close its eyes to possible violations of obligations regarding human rights.

Below are three documents related to this problem:

1. The Joint Statement signed by the heads of the three states confirms that the Project will be implemented in keeping with international obligations on human rights protection.
2. The Security Protocol, also signed by the heads of the three states, confirms the obligations to ensure security in keeping with the international agreements, which is definite progress in this area.
3. Finally, the matter concerns the BTC Obligations on Human Rights Protection adopted on 26 September, 2003 and signed only by the Consortium. Most nongovernmental organizations continue to doubt the efficacy of this document, believing that its provisions are non-binding on the governments of the countries concerned. The legal status of these obligations within the framework of the project agreements remains ambiguous. This means that the document is vague in the legal respect both for the project investors and for the structures and participants involved in the project.

Based on the aforesaid, I would like to draw the attention of researchers and practical workers to the following aspects.

Misgivings about the Implementation of the BTC Project

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26 See: Ibid., p. 17.
Agreements such as HGA and IGA endow the Consortium with certain powers (for example, the right to compensation for violation of a provision in an HGA on economic equilibrium). These agreements are followed by the BTC Obligations on Human Rights Protection and the Security Protocol. This results in ambiguity with respect to their application, which could have been avoided if standard rules or obligations were set forth. Therefore, it is in the interest of all the parties concerned to make corresponding corrections to the texts of the original agreements rather than draw up new BTC documents.

The BTC Obligations on Human Rights Protection are a unilateral agreement signed only by the Consortium. So these Obligations are non-binding on Azerbaijan, which may appeal to the “stabilization” provisions of a Host Government Agreement if laws on environmental protection and public interest awareness are not observed, should this contradict the commercial interests of the State Oil Company of the Azerbaijan Republic.

The BTC Obligations on Human Rights Protection create ambiguity and cancel the rights of a third party, since the governments of the host countries and the Consortium are the only beneficiaries. Nor are the direct rights of citizens envisaged.

The BTC Obligations on Human Rights Protection set forth that the Consortium shall not rely on the right to compensation in compliance with the provision on “economic equilibrium.” This provision is not cancelled if the matter concerns the actions of third parties, although it is invalid for all the other parties, which, naturally, implies discrimination.

The BTC project documents, including the BTC Obligations on Human Rights Protection, do not address issues relating to the Consortium’s unlimited access to land and water.

The Contract of the Century and New Oil Strategy are symbols of Azerbaijan’s prosperity, its integration into the world economy and, most important, a foundation for creating a rapidly developing, strong, and democratic Azerbaijani state in the 21st century. In this respect, the Baku-Tbilisi-Ceyhan oil pipeline, as well as the Baku-Tbilisi-Erzurum gas pipeline, have, in addition to their technical-economic importance, an immense political role and international significance.

At the same time, it should be noted that during globalization and universal world cooperation, human rights are demanding universal understanding, recognition, and application throughout the world. This is precisely why this article undertook the task of analyzing both international acts (IGA) and the intrastate (HGA) regulatory base of human rights in the context of building and operation of the BTC. Finding the correct and efficient balance of human rights between these legal systems and reflecting the optimal versions of content and legal procedures, primarily in the regulatory documents on the BTC, helps to avoid declarativity and turning human rights regulations into a kind of scale of social values.

The problems mentioned in this article on observing human rights within the BTC project must be resolved quickly and fully. At the same time, it is difficult to agree with the opinion of several nongovernmental organizations that the current situation involving the BTC may create obstacles to implementing the Project and pose threats to the well-being of the citizens of the project’s member states.

Implementation of the BTC project can bring enormous dividends to Azerbaijan’s economy, but this requires more precise and clearly formulated legal provisions. A balance must be maintained between the stability and precision investors are striving for and the protection of citizen interests in the project’s member states.

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27 See: Chapter 4.4.3 of the paper.
29 See: Chapter 4.1.4 (f) of the paper.
CONFRONTATIONAL COLLECTIVE MEMORY IN THE CAUCASUS: HOW CAN THE “CURSE OF THE PAST” BE OVERCOME?

Abstract

The authors have investigated certain specific features of the development and reproduction of the collective memory of the Central Caucasian nations (the Azeri, Armenians, and Georgians), as well as of the Russians, who also contributed to the process to a certain extent. They have pointed to the “confrontational” nature of the collective memory of the local peoples, which interferes with their mutual understanding and regional cooperation; the authors are also trying to identify social and psychological factors in the development and transformation of collective memory, which could, in the final analysis, help to create a new form of common Caucasian identity based on the values of a pluralist and democratic society.
Introduction

Academics have frequently pointed to the confrontational nature of the Caucasian nations’ collective memory. Indeed, nearly all the local ethnic groups have accumulated enough collective stories, which are spearheaded, as a rule, against their neighbors. This happens for at least two reasons: first, in-group favoritism (preference for one’s own group) and out-group libeling (discrediting of alien groups) as part of the social identity development. In the local extremely varied ethnic, linguistic, cultural, and religious context, this social-psychological factor contributes to the development of group identity and betrays itself in legends and stories “about ourselves and others.” M. Billig has written that “historically, myths about the nation tend to be developed as the nation is being created in contradistinction to other nations.”

Second, the confrontational collective memory is rooted in Caucasian history: for many centuries, the region has been attracting all sorts of geopolitical forces and powerful empires, which, in pursuit of their own aims, set the local groups and ethnoses against one another. Nino Chikovani has the following to say about this: “The idea of Caucasian unity (or unity of one of its regions) is an ideal the Caucasian nations want to achieve. However, even the most superficial knowledge of the history of the past ten centuries shows that there is no unity or harmony of interests.” Confrontational history creates confrontational memory.

Today, confrontational collective memory, or even the “curse of the past,” breeds and fans conflicts. It overshadows everything that is going on among the local nations and keeps the local contradictions alive, making genuine regional cooperation impossible.

The Caucasian peoples are obviously unable to act together; they fall an easy prey to outside forces still pursuing their own aims in the Caucasus, which have very little in common with what its nations want and need.

These negative and deeply rooted group historical reminiscences should be overcome at all costs; to achieve this we should probe into the nature of collective memory.

Instrumental Nature of Collective Memory

The very concept of collective memory is connected with the name of French sociologist M. Halbwachs, who was convinced that reminiscences might come to the fore in one of two forms: either

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6 Ibid., p. 54.
as personal reminiscences to be contemplated from the personal point of view, or as reminiscences of large or small communities to become part of their image.\textsuperscript{8} He argued that when perceiving, thinking about and, consequently, memorizing what is happening around us, we use methods largely determined by our social groups. In other words, collective memory is “activated” though certain “suggestions” produced by our social group. There is another no less important aspect: collective memory can be interpreted as what is memorized by a member of a certain social group rather than by a private person. Halbwachs formulated the collective memory problem in 1925, but it was much later, in the 1960s, that a genuine and mounting interest in the issue appeared.\textsuperscript{9} Despite the steadily growing number of studies, the concept of collective memory still raises many more questions than it provides answers.

A look at the academic literature convinces us that the thesis regarding the significant influence collective memory has on the conduct, feelings, and thinking of individuals as well as various social groups is perhaps the only undisputed conviction on this concept among researchers. At the individual level, collective memory helps the person to rest assured that nothing changes, that he remains equal to himself and is still different from others. At the collective level, memory brings social groups closer together, shapes individual identities, and outlines their future wishes and expectations to guide those who form these groups and collectives. In other words, group memory connects people with their past, breeds pride and sadness, ties people together, shapes group identity, and mobilizes people for collective actions. The communities and collectives exposed to “group amnesia” might fall apart.

As for individual memory, we are dealing with a more or less developed conception, an adequate number of scholarly investigations, as well as certain ideas about the neuro-cognitive and biochemical mechanisms of the brain responsible for memory (the latter is testified by the long list of medicines that jolt the memory). As for group, or collective, memory, the situation is different: the list of recommended medicines does not contain anything suitable for improving collective memory. In other words, there is no biochemical substratum responsive to medical treatment. At the same time, one of the present authors\textsuperscript{10} has recently developed the sociocultural approach to the analysis of collective memory,\textsuperscript{11} which makes it possible to identify the conditions and mechanisms in which collective memory is formed.

He proceeded from one of the major postulates of the sociocultural approach, which treats collective memory as the textually mediated memory conditioned by all sorts of narratives, particularly historical narratives. The annals, chronicles, and history textbooks (in short, all historical narratives) are seen as “cultural instruments” that promote collective memory.

The nature of collective memory depends to a great extent on the schematic narrative templates typical of all “textual resources.” It was American academic J. Wertsch who put the term into circulation by saying that “when addressing issues of the role of narrative as a cultural tool in collective remembering, however, it will turn out to be useful to contrast this sort of specific narrative with more generalized, abstract forms, the latter being schematic narrative templates … a generalized narrative form may underlie a range of narratives in a cultural tradition … collective remembering is grounded in a generalized narrative tradition defined in terms of schematic narrative templates.”\textsuperscript{12}

It should be said here that the subject, or the subject-based composition might contain and demonstrate certain constants, such as “models based on invariant subjects.”\textsuperscript{13} This means that the histori-
cally recurring schematic templates ("subject-based models" of sorts) are found only in historical narratives based on a detailed subject-based composition.

In this sense, the templates belong only to a definite type of historical discourse, the "narrative" discourse to use H. White’s term. By way of explanation, H. White has pointed out that as distinct from the "artless" narrative typical of chronicles, which merely described what the author saw or learned or believed he had seen or learned, narrative discourse is a story about the past, typical of so-called historical novels with ramified compositions and subjects arranged according to a definite pattern: a beginning, middle and, most important, moralizing conclusion.

Rauf Garagozov used the approach to analyze the specific features of the text resources on which the collective memory of the Russians, Armenians, Azeri, and Georgians rests; he has identified the different forms of collective memory typical of these nations and used a systemic approach to reveal the role of state and religious institutions as important tools that affected to the greatest degree the way collective memory was taking shape.

The Armenian, Georgian, and Russian ethnocultural communities relied on historical narratives to shape their own collective memory. As for the Azeri, the ancient epic narrative Dede Gorgud and the heroic dastan Kerogly served as another depository of the nation’s collective memory.

These and other epics sang of individual heroism and selfless love; they mentioned certain historical, and sometimes ancient, events, but never offered historical interpretations. The later Azeri historical narratives represent history in the chronicle form and do not reveal an accomplished schematic narrative template.

The Georgian historical narratives, which in the 18th century assumed their final form in the shape of a collection of manuscripts known as Kartlis tskhovreba, developed a very specific biographic genre that reproduced history in the form of biographies (mainly of the Georgian czars). These are chronicles in the sense that they are deprived of clearly articulated schematic narrative templates.

As distinct from the Azeri and Georgians with their narrative historical discourse, the medieval historical narratives of the Russians and Armenians can be described as historical novels that narrativized history and contained schematic narrative templates planted, deliberately or otherwise, in these nations’ collective memory.

J.V. Wertsch describes the Russians’ schematic narrative template as consisting of the following elements:

"1. An ‘initial situation’—in which the Russian people are living in a peaceful setting where they are no threat to others is disrupted by:

2. The initiation of trouble or aggression by an alien force, or agent, which leads to:

3. A time of crisis and great suffering, which is:

4. Overcome by the triumph over alien force by the Russian people, acting heroically and alone."

Later the template served as the foundation for all sorts of historical narratives created within the mainstream of the Russian historiographic tradition planted in the collective memory mainly through general education and the teaching of history. After a while, this narrative template becomes not only the fact of the Russians’ collective memory: it structures, so to speak, the Russians’ perception of themselves and their history, influences their interpretation of their own actions and motives.

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16 See: R. Garagozov, op. cit.
18 J.V. Wertsch, Voices of Collective Remembering, p. 93.
and those of other actors, etc. In other words, there appears a pattern of Russian collective memory, by which we mean the form of collective experience that creates consistent ideas in the mass consciousness about the historical past and affects the way historical events, motives, and heroes are seen and interpreted.

In other words, the pattern can be described as a template fixed in group experience not only at the historiographic level, but also in various spheres of human life and culture, some of them far removed from the concerns of historiography. From this it follows that while the narrative template belongs to the sphere of historical writing, the collective memory pattern belongs to the mental sphere.

It can be said in this connection that the Russian Orthodox Church, and later the state (through “official” historiography), played the main role in shaping Russian mentality and in particular the ideas of “Russian exclusiveness” and “imperial thinking” by writing historical narratives rooted in the specifically Russian schematic narrative template.

The Armenian Church, in turn, played an important role in shaping the Armenians’ self-identity; it relied on historical narratives mediated by the ideologemes created in the Armenian church milieu. Described as “the loyal people living among enemies and tortured by them,” the Armenian schematic narrative template consists of the following elements:

1. An initial situation (the Golden Age)—in which the Armenian people are living in glorious times disrupted by enemy intrigues, as a result of which
2. the Armenians fell victim to aggression,
3. they have to live through a period of suffering and difficulties,
4. if they remained loyal to their faith, they overcame their enemies; if they betrayed their faith, they were defeated. 19

While the Russian historical narratives concentrated on the “God-chosen Russian people,” the Armenian narratives aimed at reviving Great Armenia and the memory of its “might.” It is interesting to note that while the Russian historical narratives were rooted in the “sacrificial” model (the Russians were invariably victims of aggression), in real life the Russian Empire was steadily enlarging its territory.

Armenian historical narratives likewise combine “sacrificial” and “imperial” ideas. The former is created by the image of a “lonely Christian Armenian nation surrounded by barbarians,” while the latter is confirmed by the image of “Great Armenia,” which in real life is transformed into Armenian’s territorial claims against its neighbors.

### Collective Memory and Geopolitics

Collective memory patterns do not only affect the historical perceptions, thoughts, and feelings of the members of any ethnic group; they also leave their imprint on collective actions and might develop into a powerful factor of ethnopolitical conflicts and geopolitical speculations. 20 This factor has retained its importance. After becoming independent at the turn of the 21st century, Armenia occupied one-fifth of the Azeri territory (Nagorno-Karabakh and the adjacent districts); encouraged separatist sentiments in the Armenian-populated region of Georgia (Samtskhe-Javakheti), and revived its claims to the northeastern provinces of Turkey (Kars, Van, Igdyr, etc.).

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19 See: R. Garagozov, “Collective Memory and Memory Politics in the Central Caucasian Countries,” *Central Asia and the Caucasus*, No. 6 (36), 2005, p. 54.

Late in the 18th century, Russia, which came to the Caucasus to conquer it, needed a regional “satellite factor” to realize its strategy. At first Orthodox Russia looked at Orthodox Georgia as the most suitable candidate. Indeed, throughout the centuries, Georgians had their own statehood, shared the same faith with the Russians, and were encircled by Muslim powers. This explains why Georgia was selected as Russia’s strategic partner, a decision reflected in the Georgievsk Treaty, and liquidation of the autocephalous nature of the Georgian Apostolic Orthodox Church, which was incorporated into the Russian Orthodox Church. Despite numerous geopolitical advantages, Georgia did not become a “satellite factor” for many reasons, the different structure of its collective memory being one of them.

Russia had to look for another satellite to realize its domestic (Caucasian) and external (Mid-Eastern) policies. It found its satellite in the Armenians, the collective memory patterns of whom were based on the correlation between the “sacrificial” and the “imperial,” very much similar to those of the Russians. It was no easy task: first, since there were practically no Armenians in the Russian Caucasus, they had to be resettled there from Iran and the Ottoman Empire.21 Second, the Armenian statehood had to be created from scratch; third, their religion (Gregorian) differed from Russian Orthodoxy.

Undaunted, Russia got down to the task of moving Armenians into the newly conquered Caucasus; it allowed the Armenian Church to exploit and develop the Armenian narrative template in the context of the emerging Russian historiography. It should be taken into account that in Russia it was the state, not the Church, that shaped the Russian narrative template and planted it in collective memory; with the Armenians, the Church played the leading role at the initial stages. Starting in the early 19th century, the Armenians gradually developed the sociopolitical mechanism of collective memory mediated by Armenian public organizations, political parties, financial and industrial groups, and the political, academic and creative intelligentsia, who acted in conformity with Russia’s geohistorical and geopolitical interests.

Having selected the Armenians as a “satellite factor” in the Caucasus and the Middle East for the reasons enumerated above, the Russian Empire (at the initial period until the Armenians acquired a state of their own) together with the Armenian Church was involved to a certain extent in the state function of creating and planting the Armenian template of collective consciousness (with due account of Russia’s geohistorical interests) and collective behavior. To achieve this, the Russian state supervised historical education, translation, and publishing historical writings in great numbers and encouraged the writing of new historical works and fiction. In simpler terms, we can say that the political establishment of Russia, which for many centuries opposed the Ottoman Empire, was absolutely content to accept the Armenian “sacrificial” historical narratives. One of the foreign scholars offered his comment about this: “If you read Armenian history it sounds as though the Turks have been slaughtering the Armenians for hundreds of years.”22

The above suggests that collective memory is an important factor that limits the realization of the interests of various geopolitical forces. It is, at the same time, a powerful integrating or conflicting factor, which betrays itself in regions or on a worldwide scale. This means that to achieve the region’s balanced development and let it smoothly join the international community, we should create mechanisms that would tie together the collective memory policy and regional geopolitics.

Collective Memory and the Memory Policy

The historical conception of the Caucasus and its nations (as well as of the nations of Russia, for that matter), built under Soviet power or even before it, brimmed with diverse ideological and myth-

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21 The mass resettlement of the Armenians to Georgia and Azerbaijan was made possible by Russia’s two wars with Iran that ended in the Gulistan (1813) and Turkmanchai (1828) treaties, as well as the Treaty of Adrianople with the Ottoman Empire (1829).

ological elements. Indeed, nearly all the Caucasian ethnoses wished, to different degrees, to make their history much older than it was and to tie it to one particular territory. This is largely explained by excessive politicization and ideologization of history for the purposes of justifying Russia’s (first imperial Russia, which fought in the Caucasus in the 19th century, and later, in the 20th century, Soviet Russia) geostategic aims and attitudes. Even though the Soviet principles and methods of history writing—on which the sociopsychological mechanism of collective memory rests—did not always coincide in form with the imperial ideological principles and methods, the mythological and ideological elements of national historiographies (created for the Russians and the Caucasian nations) remained basically the same.

This means that the present ethnic conflicts in the Caucasus are to a great extent the results of the Russian imperial and Soviet traditions of history writing, the “structural” elements of collective memory of all nations. In this way collective memory was distorted; the results were different for different nations: some things were allowed for some nations and were not allowed for others.

The Azeri, who were the victims of the most energetic efforts to destroy the past (suffice it to mention that during the 20th century, the nation lost its alphabet twice, a measure imposed from the Center to rupture historical and cultural traditions), were less lucky than their neighbors. Frightened by pan-Islamism and pan-Turkism, as well as apprehensive of other threats, the imperial and Soviet powers distorted beyond recognition the fairly complicated Azeri history to deprive the nation of self-identification. Duped by the talk about the Soviet man, the Soviet family, and the Soviet people, the Azeri, to a greater extent than others, were guided by these myths. They had nearly forgotten their ethnic roots and their real sociopolitical interests. Their neighbors, however, exposed to the Soviet mythology to a much lesser degree, preserved cultural continuity and looked after their national interests much better. The Soviet Union retreated from the historical stage to reveal the fact that the collective memory of the Caucasian nations was filled with conflicting images and ideas about the past.

The Soviet tradition of ideologization and mythologization of national histories did not die along with the country, which means that the post-Soviet independent states, in the Central Caucasus in particular, should revise their falsified histories to be able to create new historiographies. This is a very difficult task since the surviving stereotypes and commonly accepted ideas about the past (collective memory) should be overcome for the sake of new conceptions of Caucasian history that will meet the needs of social development. It should be said in this connection that the templates described above can be overcome through “reflexive practices” and a “scientific approach to the past.”

So far, the Caucasian nations have not yet arrived at an “understanding that collective memory is a tool and that the reflexive practices of memory are valuable.” The same author goes on to say: “Pluralization of the representation of the past ... per se cannot bring us to these practices; it interferes with them until the government, society, and science develop a critical attitude toward the passion for templates.”

It should be said that each of the memory structures is at the same time “a system of translation of values and identities.” In real life, collective memory structures are set up not so much to reveal the true picture of the past, as to be used for the purposes at hand. H. Weltzer has written about this: “Memory ... is not associated with objective historical facts—it deals with specific identities. This

24 Th. W. Adorno, op. cit.
26 Ibid., p. 168.
27 M. Ferretti, “Neprimirimaia pamiat: Rossia i voyna,” in: Pamiat o voyne 60 let spustia, pp. 135-146.
explains why from time to time historical events that remained shelved for a long time are retrieved or even invented. The Battle at Kosovo Polje for the Serbs is as important as the oath of mutual support on the Rütli meadow. Memory about both events is based on antedated historical accounts. In some cases, it is merely forgotten that a historical or social myth remained absolutely irrelevant for collective identity for many centuries. The normative criteria of what should be forgotten and what should be remembered are loosely connected with what really happened. The way the memory about this is used today is all-important.”

In the Caucasus it has not yet been decided which of the memory policies should be selected. The tradition of national mythologies can be continued (the historians and ideologists of the conflicting sides have never abandoned it) to keep the nations under the spell of past hatreds and to sacrifice their future and the future of the region to them. There is an option: we should look at the past from the point of view of the future, which may become genuinely historic for all the Caucasian peoples. The road to it lies through reconciliation, civil nationalism, democracy, and open society, rather than through ethnic nationalism.

The above suggests that the common Caucasian identity built on reconciliation and mutual assistance, rather than on mutual rejection, without which no effective regional cooperation is possible, calls for new forms of collective memory. They should be built to achieve a new form of Caucasian identity resting on the new and still unfamiliar values of a pluralist, democratic, open, and free society ruled by law.

To sum up: the dynamic development of good-neighborly relations among the local nations calls, first, for scientific revision and reflection of their historical narratives and creation of an adequate sociopsychological mechanism to shape new collective memory in the future generations. It is not easy to change historical perceptions and reminiscences, but the earlier the process is launched, at least in the form of public debates involving international organizations, the better. This is one of the key conditions that can help the region leave the impasse of deadly conflicts. Anyone wishing to know what sort of history the Caucasian peoples need should be answered: history that has been freed from its obsolete ideological and mythological wrappings and that will remove at last the “curse of the past” still overshadowing the lives of the Caucasian people.

29 See, for example, H. Guliyev’s article, “On the Methodology for Identifying an Archetypical Caucasus,” in which the author offered his philosophical approach to the task of creating the common Caucasian identity (The Caucasus & Globalization, Vol. 1 (1), 2006, pp. 126-135).
According to historical sources, the Ossets came in more or less large numbers to Georgia in the 17th century; before that there were individual cases of migration from the Northern Caucasus where the Ossets were living. The conquerors (the Arabs in the 9th and the Mongols in the 13th century) moved small Ossetian groups to Georgian territory to fortify their position in the conquered lands. Later these migrants were either assimilated or driven beyond the Georgian borders.

In the 16th century and later, the never ending military confrontation between the Ottoman Empire and Safavid Persia on Georgian territory and the Georgians’ struggle against the conquerors decreased the local population strength. Later, under Russia’s pressure, people from the Northern...
Caucasus, the Ossets among them, started moving to depopulated Georgia. In the 17th and 18th centuries, a compact Ossetian settlement (especially in the northwestern part of Shida Kartli) appeared and began growing.

On 20 April, 1922, the Central Committee of the Communist Party of Georgia and the Council of People’s Commissars of the Georgian Soviet Socialist Republic passed Decree No. 2 that set up the South Ossetian Autonomous Region (SOAR) with the capital in Tskhinvali as part of the Georgian Soviet Socialist Republic. At that time, its population was 65 thousand, about 100 thousand Ossets lived elsewhere in Georgia.

On 20 September, 1990, the SOAR leaders announced sovereignty within the Soviet Union as the South Ossetian Soviet Socialist Republic; on 11 December, 1990, the Georgian government of Zviad Gamsakhurdia annulled the decision of the SOAR leaders and deprived the region of its autonomous status. This triggered the conflict.

The present authors have posed themselves the task of investigating the historical background of this burning issue, the importance of which is not limited to Georgia alone.

**Shida Kartli: The Past**

The former South Ossetian Autonomous Region was situated in the northwestern corner of Shida Kartli, a Georgian historical-geographic province. In the east, it was confined by the Aragva River; in the north, by the Greater Caucasus Mountain Range, in the west, by the Suram (Likh) range, and in the south, by Lake Paravan.

The area has been populated from time immemorial and was the home of the Kartvelian (Georgian) ethnics since the Late Paleolithic Age. Its cultural tradition was uninterrupted, while the region itself was the center of consolidation of the Georgian tribes. The same can be said of the later periods. Since ancient times until a certain stage of the Late Middle Ages and to a great extent today, it was and is populated by Georgians as the autochthonous population. People of other nationalities also lived there, but the Georgians were the main ethnic group.

Shida Kartli is one of the centers of the Georgian state and culture. In the 3rd century B.C., Czar of Kartli Farnavaz carried out an administrative reform and divided his state into eristavstvos (prince-doms); Shida Kartli was one of them, its head being “the head of all the other eristavstvos.” This administrative structure, with minor alterations, existed throughout the Middle Ages as well. In the latter half of the 5th century, the Shida Kartli eristav was still the “head of all the eristavstvos.” A similar system was registered in the mid-7th century in the so-called Deed of Protection signed by the Kartli ruler and the Arab conquerors.

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In the 8th-10th centuries, in the heat of the struggle for a united Georgian feudal state, Shida Kartli was seen as a region, the possession of which would determine the outcome of the struggle. In the united Georgian feudal monarchy, Shida Kartli remained an eristavstvo of the kingdom of Sakartvelo. In the 16th-18th centuries, when the united feudal Georgian state disintegrated into three kingdoms (Kartli, Kakheti, and Imereti) and the Samtskhe-Saatbago princedom, Shida Kartli belonged to the Kartli kingdom. It included the Georgian princedoms of Satitschvili princes, the Ksani eristavstvo, Saamilakhoro (the Amilakhvari princes), Samachablo (the Machabeli princes), and others. Under the Treaty of Georgievsk of 1783 between the Kartli-Kakheti kingdom and Russia, Shida Kartli, together with the future SOAR territory, became part of the Kartli-Kakheti kingdom. The map of Colonel S. Burnashov confirms these borders.

There are no doubts about the ethnic composition of Shida Kartli, including its northwestern corner: this was Georgian land populated by Georgians (Kartvelians). We have already written about archaeological evidence. Numerous monuments of material culture (Christian churches, palaces, fortresses with Georgian inscriptions and separately standing towers) provide ample evidence of the medieval population’s ethnic origins. The local Christian churches are an inalienable part of Georgian Christian architecture. Such is, for example, the Ikorta Temple in the Tskhinvali District, the earliest monument of the Georgian domed churches dated to the 12th-13th centuries, the time when the canonical style of the Georgian domed churches took its final shape. Ikorta was the residence of the Ksan eristavs, where all the members of the clan are buried.

Dozens of separately standing towers are scattered across the former SOAR; their different dates notwithstanding, they obviously form an entity: similar approaches and similar styles can be seen everywhere in Shida Kartli and on the territory of the former SOAR. This similarity can be observed elsewhere in Georgia, irrespective of the time and the region. They are typically Georgian and differ greatly from the fortresses of Ossetia and other countries on the northern slopes of the Caucasus Mountain Range.

The inscriptions on the monuments of material culture are even more eloquent: they mention the ktetors Tbeli, Kanchaveli, Pavneli, Korinteli, Machabeli, Amiredjibi, Palavandishvili, Eristavi; members of the Georgian royal family: Tamar, daughter of Czar David (1089-1125), Ketevan Tsereteli, bride of Czar Georgi XII (1798-1800), members of the royal administration, church figures, bishops Nikozeli and Mroveli, and others. The names of some of the architects were placed alongside the names of the ktetors (Feodor Taplaisdzhe, Bavreli, Georgi and Ivane, Giorgisdzhe, Kurdgelashvili),
workers, builders, and stonemasons (Vakhtang, Mikael, Arseni, and others). The inscriptions are in Georgian, personal names and family names are obviously Georgian as well.\textsuperscript{14}

The inscriptions and official documents mention the names of the vassals (aznaurs) of the princely homes of the Ksan eristavs—the Machabeli, Amiredjibi, Pavlenishvili, Davitishvili and others (the aznaurs Zhuruli, Mchedlidze, Garakanisdze, Kebadze, Babutsidze, Gamtsemrishvili, and others). Documents contain a large number of names of Georgian peasants.\textsuperscript{15}

There are several churches with Georgian inscriptions in Tskhinvali (the future SOAR capital).\textsuperscript{16} Largvisi, the center of the Ksan eristavstvo, one of the princedom on the territory that later became the SOAR, was an important seat of Georgian culture where the \textit{Chronicle of the Eristavs (Dzegli Eristavta)} appeared and where religious books were copied and translated into Georgian.\textsuperscript{17}

Monuments of material culture, inscriptions, official deeds, and other documents and sources testify that all social groups lived on the territory: nobles, their vassals, architects, artisans, and peasants. The majority of them were Georgians.

\textbf{Ossetian Migration to Georgia}

We all know that the state of the Ossets (Alans) existed in the Northern Caucasus. Since ancient times the Alans of the valleys and northern gorges of the Northern Caucasus (called Osi [Ovses, Os-nies] in the Georgian written sources) and the Georgians maintained close relations. They either fought each other or fought together against their common enemies; not infrequently, Ossetian armed units took part in Georgia’s military ventures as mercenaries.

The main road that connected Georgia with the Northern Caucasus, and particularly with Alania, ran across North Caucasian Ossetia and was known as the Ossetian Road, or the Ossetian Gates, while the fortress that dominated the road was called Daryalan, or Ovsta Kari. The Georgian czars did a lot to fortify both the road and the fortress.

Between the 9th and 12th centuries, there was an early feudal state of Alans in the Northern Caucasus, with which Georgia had close cultural and political ties strengthened by dynastic marriages. Migrations, a natural phenomenon between the neighboring peoples, were more or less normal and peaceful with the exception of those cases when the Ossets claimed the lands of Georgian peasants. The conflicts were resolved on the spot. Only outside interference could disrupt the neighboring peoples’ peaceful coexistence: in the mid-9th century (853-854), Arabian military leader Buga Turk moved one hundred Ossetian families through the Daryal Gorge to settle them in Dmanisi.\textsuperscript{18} In the 13th century, the Mongolian Khan forced Czar David VII (1246-1270) to give space to his allies, Ossetian military units, in Dmanisi and Zhinvali.\textsuperscript{19} All the conquerors moved in alien tribes to create


\textsuperscript{18} See: M. Kartlisa, \textit{Kartlia Tskhovreba}, Vol. I, p. 257 (Transl. into Russian, introduced and annotated by M.D. Lordkipanidze, 1976, p. 30). Dmanisi in Southern Georgia was never part of what later became the SOAR; the fate of one hundred Ossetian families is unknown.

\textsuperscript{19} See: Zhamaaagmsereli, \textit{Kartlia Tskhovreba}, Vol. II, p. 251. Zhinvali is found on the right bank of the Aragva, in the Dusheti District, and like Dmanisi, was never part of the future SOAR.
more or less reliable allies in the occupied lands. Aided by the Mongols, the Ossets gradually captured more land, moved into the town of Gori and, undaunted by the local feudal lords’ resistance, plundered the local people.

It was only under Georgi V (1318-1346) that Georgia liberated itself from the Mongol yoke and drove the Ossets out of the country: the czar “drove them away and exterminated”20 and fortified the North Caucasian Road.

At the turn of the 16th century, Georgia found itself encircled by Muslim states: in the southwest it bordered on the powerful and aggressive Ottoman Empire; in the southeast, on the strong and no less aggressive Iran of the Safavids, while in the north, the former Christian neighbors had been pushed away by the khans that had embraced Islam under pressure of the Mongols and Timur.21

From the 16th to the 18th centuries, the Ottoman Empire and Iran were engaged in an uninterrupted chain of military operations on Georgian territory: they were fighting for the Southern Caucasus. They divided Georgia between them, retreated when pressed too hard only to attack again to capture all the Georgian lands. Iranian, Turkish, and Lezghian inroads from the north were the common feature of life in Georgia. Three centuries of wars and a weak state cost Georgia a large part of its valley population, which urged the Georgian feudal lords to resettle the Georgian mountain dwellers to the vacated lands in the valleys.

On the other hand, by the 16th century Russia had become strong enough to move gradually into the North Caucasian valley, driving the local people up the northern slopes of the Caucasus Mountain Range, and later to its southern slopes and the piedmont area. In the 17th century Lezghians reached Kakheti, Ossets, Shida Kartli, Absuas, the northwestern corner of Western Georgia (they were commonly known as Akhazians after the name of the ancient Georgian province Abkhazia where they finally settled).

The Ossets arrived with their families or even entire villages to settle on the vacated lands of the Georgian landowners (tavads) as their serfs. This was a peaceful process, although not without friction with the local Georgians.22 Vakhushti Bagrationi, a Georgian historian of the 18th century, described the process in great detail. He wrote that Georgian peasants used to live in the mountain areas now populated by Ossets. The Georgian peasants were resettled to the valleys by the Georgian feudal lords who did this to revive the lowlands depopulated by enemy inroads. The Ossets moved into the settlements vacated by mountain dwellers.23

According to the reports from the head of the Russian mission in Georgia in 1604-1615, in the early 17th century, about two hundred Ossets were living on the upper reaches of the Greater Liakhva River.24 In the first half of the 17th century, there were still no Ossets in Verkhniaia Java: “Verkhniaia Java was deserted and depopulated by Ossets.”25 In an attempt to prove that in the mid-17th century, the date of the document, there were Ossets living in Java, its translators and publishers put the phrase in the following way: “Verkhniaia Java was deserted and there were no longer Ossets there.”26 It should be said that the original did not say “there were no Ossets there.” This is a purposeful invention of those who translated the document: the paper in fact contains only the personal and family names of the local Georgians and the name of its owner, Dziganidze, also a Georgian.27

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20 Ibidem.
21 Only some of the Ossets remained Christians.
24 See: S.A. Belokurov, Snosheniia Rossii s Kavkazom, Moscow, 1889, p. 508.
27 See: Documents of Social History of Georgia, p. 364.
A document by Czar Rostom (1653-1658) confirms that there were no Ossets in Java in the mid-17th century. The royal paper says that Czar Rostom helped the Ossets to settle to the north of Java, on the upper reaches of the Greater Liakhva.28

The Vakhushti Bagrationi maps that show the Georgian and Ossetian settlements testify that in the 1720s the Ossets were confined to the mountain villages of Shida Kartli.29 Prominent Ossetian scholar V. Abaev indirectly confirmed this by saying in the late 1950s that Ossets lived in the mountains thirty versts away from Gori.30 In 1802, Akhalgori was populated only by Georgians and Armenians, Java was a purely Georgian settlement, while Tskhinvali had a mixed Georgian, Armenian, and Jewish population.31

The maps drawn by foreign travelers in the 17th and 18th centuries place Alania (Ossetia) to the northwest of the Karachais. The Carte de la Georie French geographer and cartographer Joseph-Nicola de Lille published in 1775 in Venice carries an inscription “Oseti” to the north of the Caucasus Mountain Range, on the territory that borders on Kabarda and Basiani.

In 1783, Eastern Georgia, the Kartli-Kakhetian kingdom, recognized the protectorate of the Russian Empire. Simultaneously, Colonel Burnashov was dispatched to Georgia to map the Georgian kingdoms and princedoms, the adjacent territories, and the Caucasian peoples. As we noted, in 1784, he completed his general map, which carried the inscription “Ossetian” on the area to the north of Mount Kazbek. The central part of Georgia was marked as Kartalinia and covered the basins of the rivers of Kartli and the upper reaches of the Terek (“Khevi”).

Starting in the 1770s, the number of the Ossets in Shida Kartli increased, but it was not until the early 19th century that they reached the piedmont and valleys. In 1902, compact Ossetian groups were confined to 11 villages in that part of Shida Kartli that twenty years later, in 1922, became the SOAR; they lived alongside Georgians in 15 villages, while all the other villages were purely Georgian.34

According to the family lists of 1886, there were no Ossets in the city of Tskhinvali, its population was made up of Georgians, Jews, and Armenians.35

Early in the 19th century, B. Kaloev, an Ossetian academic, wrote that many Ossets had settled around Dusheti and Gori and that they were living on the lands of the Georgian princes. He supplied his work with a map, according to which “in the 19th century the boundaries of the compact Ossetian settlements in Shida Kartli did not exceed one-third of the territory of the so-called South Ossetia.”36

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28 See: Central Historical Archives of Georgia, rec. gr. 1448, Doc. No. 10326 (in Georgian).
30 V.I. Abaev, Osetinskiy iazyk i folklor, Moscow, 1959, p. 50.
36 B. Kaloev, Osetiny, Moscow, 1967, pp. 58-61. This probably explains why the map was removed from the second edition (1982) of the work by Ossetian author Solomon Lekishvili, “Kogda voznik termin ‘Iuzhnaia Osetia’” (see: Osetinskiy vopros, p. 229). It should be said that in 1973 when Vol. IV of Essays on History of Georgia (eight-volume edition ed. by M. Dumbadze, in Georgian) came out, several pages were removed, on instructions “from above,” from the article by M. Dumbadze, “Osset Colonies in the Mountain Kartli” (pp. 429-432).
Throughout the 19th and in the early 20th century, the Ossetian population of Georgia was significantly growing. In 1918-1921, the territory of the future SOAR was part of the Georgian Democratic Republic and belonged to the Gori Uezd. This was recognized under the treaty of 7 May, 1920 signed by Lenin’s government and the government of the Georgian Democratic Republic.37

In 1921, when Bolshevist Russia annexed Georgia, Shida Kartli with its northwestern corner, where the SOAR appeared in 1922, was part of Georgia. From that time on, the Ossetian population of Georgia has steadily growing. According to the 1989 population census, Georgia’s total population was 5,401,000, 3,787,393 of whom were Georgians and 164,000 Ossets; there were also Russians, Armenians, Jews, Azeris, etc. Sixty-five thousand Ossets lived in the SOAR, while the rest, 100,000, lived elsewhere in Georgia.38 The share of Ossets in Tskhinvali increased when the city was made the capital of the newly formed SOAR: in 1886, there were no Ossets in Tskhinvali; in 1922, the Ossetian population was 613 strong compared with the Georgian population of 1,436. In 1989, 31,537 Ossets and 6,905 Georgians lived in the SOAR capital.

Until the mid-19th century, the term “South Ossetia” did not appear in Georgian and foreign sources, while Ossetia itself was not specified as South or North.39 The term South Ossetia was brought into circulation by the so-called Society for the Restoration of Orthodox Christianity in the Caucasus active among the Shida Kartli Ossets in 1863-1900,40 which used this term to describe part of Shida Kartli with its compact Ossetian population. Its official reports pointed out time and again that the Ossetian migrants had settled on lands that “belonged mainly to Georgian landowners, the Machabelov and Eristavov princely families.”41 Still, the Russian Empire insisted on this term to unite this part of Georgia with genuine Ossetia.

The term “South Ossetia” gave rise to the term “South Ossets.” Well-known Russian historian N. Dubrovin wrote: “Lack of land drove some of the Ossets to the southern slopes of the Greater Caucasus Mountain Range… Having settled in the gorges of the Greater and Lesser Liakhva, Rekhula and Ksan and its tributaries, the Ossets became serfs of the Eristavov and Machabelov princely families. These migrants are so-called South Ossets.”42

Gradually and with the active support of the Russian government, the terms “South Ossetia” and “South Ossets” were accepted in academic writings. A. Galazov, an Ossetian academic and political figure, has the following to say on this score: “On the one hand, the czarist government did not want the South Ossets to become completely assimilated by the Georgians. It wanted to preserve South Ossetia as a toehold of sorts, from which it could put pressure on the recalcitrant Georgian rulers.”43

It should be said that when they annexed Georgia in the 19th century and before the term “South Ossetia” was applied to an administrative unit, the Russians used the term “the Ossetian Okrug” to describe the compact Ossetian settlements of Shida Kartli. As soon as Russia established its power in the Northern Caucasus, this term was used to describe the entire territory of the Northern Caucasus populated by the Ossets. The term “South Ossetia” gradually came into circulation to describe the compact Ossetian settlements on Georgian territory.44 It, however, became an official term only when the SOAR was set up.

44 See: S. Lekishvili, op. cit., pp. 229-245.
Instigated by the local Bolsheviks and abetted by Russia, the Ossets who compactly lived in the northwestern corner of Shida Kartli rebelled three times during the very short history of the Georgian Democratic Republic.

The rebels demanded that a mono-national Ossetian state (the South Ossetian Soviet Socialist Republic—SOSSR) should be set up as part of the Russian Soviet Federative Socialist Republic. The Georgian rulers responded in a way natural for any state wishing to defend its rights. After the failed negotiations, the government sent troops and people’s guards into the rebel area. The South Ossetian revolutionary committee asked Russia for help, which contrary to the agreement of 7 May, 1920 under which the R.S.F.S.R. recognized Georgia’s independence and pledged not to interfere in its internal affairs demanded that its government immediately remove its troops. The Russian government described Georgia’s attempt to defend its sovereign right as interference in the internal affairs of so-called South Ossetia.

The Georgian government, in turn, interpreted this as interference in its internal affairs and responded with the note that said: “There is no South Ossetia in Georgia, while the Ossetian villages on Georgian territory are found on territory that undoubtedly belongs to Georgia: to the south of the old administrative border of the Tiflis Gubernia and to the south of the state border between Georgia and Russia.” Georgia, demanded that the “Soviet troops and two pieces of artillery” should be withdrawn.

The riots were suppressed despite Russia’s support. It should be said that all Soviet works that deal with the events spoke about the loss of Ossetian lives, the destruction or even genocide of the Ossets, of which Georgia was guilty. Nothing was said about the causes, destruction on Georgian territory, and Georgia’s losses. The Soviet works preferred not to mention that the heads of the Ossetian Bolsheviks, who displayed a lot of extremism, were to blame for what happened. Indeed, any government of any civilized country will use force to defend its sovereignty and territorial integrity. As a result the Russian official representatives had to publicly part ways with the extremists of the so-called South Ossetian Bolshevik Okrug Committee.

In February 1921, Russia, helped by Georgian and South Ossetian Bolsheviks, annexed Georgia for the second time; the latter immediately started another campaign aimed at detaching South Ossetia from Georgia.

Early in September 1921, the Revolutionary Committee and the Party Committee of so-called South Ossetia met for a joint sitting to discuss the “Question of Self-Determination and Political Status of South Ossetia.” The sitting decided to set up the South Ossetian S.S.R., which would include Georgian villages and Tskhinvali as its capital, with a population of 4,534, 1,436 of whom were Georgians and 613 Ossets, the rest being Jews, Armenians, and Russians (according to the 1922 population census).
People from the capital and the Georgian villages earmarked to be included in so-called South Ossetia organized protest rallies to declare that “Tskhinvali and its area are populated mainly by Georgians… this is the central part of Kartli” and to inquire: “Why should we (Georgians) be included in Ossetia for the sake of self-determination of the nation (the Ossets)? We do not know their tongue, which is absolutely alien to us; as for the national majority, it should be said that the district’s northern fringe, with insignificant exceptions, is populated by Georgians who use their native tongue (the Dzartsemi village, 21 December, 1921).”

On 20 April, 1922, after discussing the issue several times and taking into account the situation, the government of the Georgian Soviet Socialist Republic (G.S.S.R.) passed a decision to set up the SOAR (South Ossetian Autonomous Region) within the Georgian S.S.R., rather than creating the South Ossetian Soviet Socialist Republic. Its territory included the former administrative units: the Tskhinvali, Znauri, Leningorsk, and Java districts. This was probably intended as a delayed action bomb to be detonated if the Georgian S.S.R. wished to withdraw from the Soviet Union.

The SOAR in Georgia (Shida Kartli) was formed even before the Ossets acquired their own administrative unit in the Northern Caucasus, their homeland. The North Ossetian Autonomous Region was set up on 7 July, 1924; its rights were changed several times until on 5 December, 1936, it became the North Ossetian Autonomous Socialist Republic.

The two Ossetian administrative units in one country were set up with the intention of insisting on their unification at an opportune moment.

The Ossets in Georgia are an autochthonous population, not only according to the current international laws, but also under the laws of medieval Georgia: the third generation of aliens who settled in Georgia (khizani) was considered to be autochthonous (mkvidri).

The population of the former SOAR has the right to self-administration and cultural self-determination; it can protect and develop its traditions and teach children in their native tongue. To be involved in state activities, however, it should learn the Georgian language and it has no right to raise the question of detaching the region from Georgia.

The local people enjoyed the above rights in the past, within the SOAR: there were Ossetian secondary schools and bilingual (Ossetic-Georgian and Ossetic-Russian) schools. The Tskhinvali Teacher’s College (later University) was a purely Ossetian higher educational establishment. The history of Ossetia and Ossetian literature was studied in the Tskhinvali Branch of the Georgian Academy of Sciences. The Ossetic language was taught and studied at Tbilisi State University and the Institute of Linguistics of the Georgian Academy of Sciences. There was an Ossetian Theater, there was no shortage of scientific works, fiction, and periodicals in the Ossetic language. The Region’s administrative structure depended on the Center; all top party and administrative posts were normally filled by Ossetians. It should be said that there was no enmity between the Ossets and the Georgians, testified to in particular by the large number of mixed marriages.

The fact that the Ossets of Georgia started talking about detaching the region from Georgia when the latter became independent speaks volumes. The conflict was obviously prepared and inspired by the Russian government, which did not want (and does not want?) to accept Georgia’s independence.

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52 For more on the decisions of the rallies in Georgian villages, see: L. Toidze, op. cit., pp. 303-304, 310-311.
55 Nothing of the sort existed in the North Ossetian Autonomous Republic.
Several quotes from non-Georgian authors about the conflict’s causes and the roads to its settlement will complete the picture offered above.

Prominent Armenian scholar Sergey Arutiunov has written: “Let’s look back at the sources of this frightening fire in South Ossetia: it was kindled by Ossetia proclaiming its independence from Georgia. The conflict was inevitable if we keep in mind that the region is not Ossetia but Central Georgia with a predominant Ossetian population in the last few centuries. The Ossets have the right to live there, but they should not set up their state on this territory. So-called North Ossetia is true Ossetia.”

Andrew Andersen, professor of political science and history, who specializes in the Caucasus, offered a highly interesting opinion on the issue in his “The Answer to Chochiev from across the Ocean (Georgia-South Ossetia),” which should not be ignored. Having looked into the key issues related to so-called South Ossetia, the author concludes that the entire plan for setting up a state independent from Georgia has no historical, legal, or political legs to stand on.

In his article in Nezavisimaja gazeta, prominent Ossetian scholar V. Abaev has written: “We should practice impartiality and probe deeper into the conflict to establish whether the Ossetian side demonstrated haste, acted unwisely, or provoked and exacerbated confrontation. I should admit that it did act in this way. I have in mind declaration of sovereignty oriented only at Moscow, with the prospect of uniting South and North Ossetia. The desire of the South Ossets to live together with their northern relatives is completely understandable, but it is geopolitically wrong. The Greater Caucasus Mountain Range is the natural boundary that separates Georgia and Ossetia. Any attempts to ignore it will create a permanent conflict between the Georgians and the Ossets. To restore traditional friendship between the two peoples, we should stop talking about detaching South Ossetia from Georgia. No Georgian government will accept this, and rightly so. This will violate Georgia’s territorial integrity.

“Those who want peace between the South Ossets and Georgians should abandon forever the idea of uniting North and South Ossetia. Those who want peace between Georgia and Russia should also forget this. This is reality.”

**Conclusion**

The conflict should be settled peacefully in the interests of both peoples. It is still unclear how to achieve this because the final solution should be found by the upper circles and based on international law. International organizations should display more interest in the process.

Besides the opinions quoted in the article, there is any number of opinions to the contrary expressed by Ossetian and certain foreign authors. For lack of space we shall refrain from discussing them. We tried to present a true picture of the process that is now unfolding in this part of Georgia based on historical sources and academic writings.

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58 Boris Chochiev, vice premier of the self-proclaimed South Ossetian state.
Since the end of the 1980s, the whole world has come to know South Ossetia as a place where the Ossets and Georgians are caught in an ethnic conflict. Today, not a single state (apart from the member states of CIS-2, which are unrecognized themselves) recognizes the self-proclaimed Republic of South Ossetia (Respublikzh Khussar Iryston—Osset.). The “frozen conflict” situation that developed there after the “combat phase” became the topic of heated discussions at that time. This requires scientific research of the historic roots of the Ossets’ colonization of the Southern Caucasus in the context of their autochthony.

The population of South Ossetia consists of Ossets, Georgians, and other ethnic groups, whereby Ossetian and Georgian population settlements are situated side by side. The armed conflict at the beginning of the 1990s forced many Ossetian families to leave the region, finding refuge on Russian territory, mainly in North Ossetia. The toponym “South Ossetia,” along with other terms such as “mountainous Ossetia,” “the mountain zone of South Ossetia,” “South or Kartli Ossets,” and so on, were first used by the Russian military, and then by the civilian administration as early as the beginning of the 19th century. This placename was collective in nature and implied the mountainous areas of the historical and geographical regions of Georgia (Racha, Imereti, and primarily Shida Kartli), where a mainly Ossetian population lived. Application of the term “South Ossetia” to an administrative-territorial unit with specific administrative borders began in 1922 when the South Ossetian Autonomous Region of the Georgian S.S.R. was formed. This region also included the territory of low-lying Shida Kartli (for example, the city of Tskhinvali), which also had a mainly Georgian population.

This article takes a look at the formation of the Ossetian ethnus in the Southern Caucasus. The author attempts to analyze the different approaches to this issue, particularly those relating to the ethnogenesis and identification of the Ossets, and to coordinate these processes with possible ways to settle the South Osset-Georgian ethnopolitical conflict.

On the Concept “South Ossetia”

The population of South Ossetia consists of Ossets, Georgians, and other ethnic groups, whereby Ossetian and Georgian population settlements are situated side by side. The armed conflict at the beginning of the 1990s forced many Ossetian families to leave the region, finding refuge on Russian territory, mainly in North Ossetia. The toponym “South Ossetia,” along with other terms such as “mountainous Ossetia,” “the mountain zone of South Ossetia,” “South or Kartli Ossets,” and so on, were first used by the Russian military, and then by the civilian administration as early as the beginning of the 19th century. This placename was collective in nature and implied the mountainous areas of the historical and geographical regions of Georgia (Racha, Imereti, and primarily Shida Kartli), where a mainly Ossetian population lived. Application of the term “South Ossetia” to an administrative-territorial unit with specific administrative borders began in 1922 when the South Ossetian Autonomous Region of the Georgian S.S.R. was formed. This region also included the territory of low-lying Shida Kartli (for example, the city of Tskhinvali), which also had a mainly Georgian population.
Recently the Georgian authorities have been announcing their intention to restore the autonomy of this region, continuing to insert the name “Tskhinvali Region,” introduced into circulation as a compromise by President Eduard Shevardnadze, into official documents and statements. The name “Samachablo” (after the name of the Georgian Machabeli princes who at one time owned part of the territory of the former autonomous region) earlier proposed by President Zviad Gamsakhurdia is not popular among the Ossets of the region, but continues to be used in the Georgian press.

South Ossetia was formed as an administrative unit in 1921. A Resolution of the Presidium of the Georgian Communist Party Central Committee of 12 December, 1921 set forth the following:

1) To recognize the city of Tskhinvali as the site of the administrative center of the Autonomous Region of Ossetia with application of autonomous power to the territory populated by the Ossets, excluding the Chasaval community, which remains part of the Racha Uezd, and the Kobi District, which remains part of the Dusheti Uezd;

2) The borders of autonomous Ossetia shall be defined in detail by a special commission which is already working in that direction;

3) Until the population of the Tskhinvali District is in favor of incorporating this region into Autonomous Ossetia, control over the city and its surrounding Georgian villages shall remain in the hands of the district revolutionary committee that belongs to the Gori Uezd.1

Further changes in the status of South Ossetia were directly related to the ethnic conflict that flared up during Mikhail Gorbachev’s presidency.

On 10 November, 1989, the Council of People’s Deputies of the South Ossetian Autonomous Region of the Georgian S.S.R. adopted a decision on its transformation into an autonomous republic. The Supreme Soviet of the Georgian S.S.R. declared this decision non-constitutional, after which detachments of Georgians set up a blockade around Tskhinvali, which lasted for four months. Things did not go as far as armed clashes.

On 20 September, 1990, the Council of People’s Deputies of the South Ossetian Autonomous Region declared the formation of the Republic of South Ossetia. In response to this, on 10 December, 1990, the Supreme Soviet of the Republic of Georgia adopted a decision to abolish the Ossetian autonomy. Three people died in the skirmishes that began on 11 December, 1990, and the Georgian leadership introduced a state of emergency in Tskhinvali and the Java Region as a countermeasure. During the night of 5-6 January, 1991, Georgian police and national guard units entered Tskhinvali. After meeting with resistance from the Ossetian self-defense and local police detachments, they were forced to leave the city three weeks later. During 1991, periodic armed clashes continued. The hostilities ceased after the Dagomys agreements were signed between Russia and Georgia. On 14 July, 1992, three battalions of peacekeeping forces (Russian, Georgian, and Ossetian) were deployed in the conflict zone.

Unfortunately, there is still tension in Ossetian-Georgian relations fifteen years later, as a result of which the Republic of South Ossetia, which is not recognized by any state, continues to exist separately from independent Georgia. Naturally many people ask: “Why can the Ossets and Georgians still not come to terms?” We must keep in mind that the conflict was unleashed by people who grew up in the Soviet system and were brought up in the spirit of that time. The stereotypes about the interrelations between the big and small nations in the Caucasus were tenaciously rooted in their way of thinking. Members of the intellectual elites of these nations, particularly historians and ethnographers, had a particular influence on forming the world outlook of the Ossets and Georgians.

It is also typical that in Soviet times too both the Ossets and Georgians only paid heed to their own historians and ethnographers. They sometimes tried to hide many facts from the past of both nations for the sake of immediate gain. As a result, both the South and North Ossets believe that they

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1 See: Archives of political parties (Tbilisi), rec. gr. 14, inv. 1, f. 8, sheet 44.
are the successors of “Great Alania,” and so they should play the leading role in the Central Caucasus. V. Shnirelman justifiably noted in this respect: “As the tension grew in the 1980s in Ossetian-Ingush and Ossetian-Georgian relations, the Alanian identity proved increasingly tempting for Ossetian intellectuals. Being distinguished from their North Caucasian neighbors by a higher level of education and being very Russified, the Ossets felt alien among them. The hostility between them and the Georgians and Ingush only heightened this feeling… The situation within Ossetian society was also complicated, since its solidarity was undermined by the contradictory strivings of separate Ossetian groups (Digors, South Ossets). At the same time, the destiny of the national units was discussed at the federal level, and certain politicians insisted on their disbandment. All of this required defending their “individuality” and “uniqueness” with references to the specific characteristics of their historical path and the merits of their ancient ancestors. The Alanian identity was best suited for solving this task.”

As a result, even before the Soviet Union collapsed, the Ossets were eager to declare the unification of the two Ossetias—North and South, despite the fact that this infringed upon Georgia’s territorial integrity. In this case, the local Ossetian elite tried to turn the people’s desire for unity to the benefit of its political interests, and it manipulated the ideas of the radical Ossetian historians and ethnographers to justify its right to liquidate the South Ossetian Autonomous Region. The assertion that the Ossets descended from the Alans made it possible for Georgian politicians to say that the Ossets do not have the right to autonomy within Georgia, since they are newcomers in the Southern Caucasus.

The statements of Zviad Gamsakhurdia in Izvestia in 1990 are very indicative in this respect: “Kakhetia has always been a demographically pure region in which the Georgian element always predominated, always reigned supreme. Present circumstances are such that we are in a quandary about how to save Kakhetia. The Tatars are raising their heads and competing with Kakhetia, there are Lakhs there, and Armenians, there are also Ossets, and they are about to swallow up Kakhetia… Power is on our side, the Georgian nation is with us, and we will make short shrift of all the traitors, we will call them all to account and we will drive out of Georgia all the malicious enemies who are sheltering non-Georgians here.” And this is what a Georgian leader, A. Margiani, had to say about the elections in South Ossetia at the end of 1990: “I have never before ever heard of guests, no matter where it may be, holding any kind of elections…” At this juncture it is fitting to ask those Georgian politicians and ordinary Georgians drawn into the Ossetian-Georgian ethnic conflict how they can prove that the Ossets in the Southern Caucasus are newcomers. Until now, the leading Caucasian researchers have been unable to give an unequivocal answer to the more universal question of just who the Ossets are in the Caucasus—autochthons or newcomers.

**On the Ethnogenesis of the Ossets**

For the past two hundred years, the problem of the Ossets’ ethnogenesis has been discussed in the works of many academics. Researchers have paid a lot of attention to the ethnogenesis of the North Ossets, but given less time to the question of where the South Ossets originated. As early as the 18th century-beginning of the 19th century, some historians and travelers expressed the cautious presumption that the present-day Ossets might be the descendants of the Caucasian Alans. V.F. Miller’s
work *Osetinskie etiudy* (Ossetian Essays) aroused the greatest response in the academic world. In the third volume printed in 1887, the Russian academic pointed to the ethnic succession of the Scythians, Sarmatians, Alans, and Ossets. This researcher considered the Ossets to be the direct descendants of the Caucasian Alans. He proved the Iranian-speaking origins of the Ossets by making extensive use of the data of both written sources and linguistics. According to V.F. Miller, in the first half of the 13th century, as a result of the Mongol crusades, the Alan population disappeared entirely from the steppes of Ciscaucasia and resettled in the mountains. 6 The publication of Iu. Kulakovskiy’s works on the Alans was also a prominent event in historical science. The researcher came to the conclusion that during the Mongol crusades of the first half of the 13th century, most of the Alans were exterminated, while those that survived resettled in the mountains of the Northern Caucasus, thus beginning the formation of the Ossets. 7 These same ideas were further developed at the beginning of the 20th century in the works of West European academics, for example, in J. Charpantier’s studies. 8

As early as the Soviet period, the ethnogenesis of the Ossets was presented from the Marxist perspective. But in 1926, G. Kokiev’s monograph came out entitled *Ocherki po istorii Osetii* (Essays on the History of Ossetia), which was sustained in the traditions of pre-revolutionary academics. The author of the study believed the ancestors of the Ossets to be exclusively As(Osi)-Alans. 9 Nevertheless, over time, G. Kokiev changed his mind and believed the Alans to be the ancestors not only of the Ossets, but of other mountain peoples too, apart from Kabardinians. In the 1930s-1940s, the ideas of “Nikolai Marr’s Japhetic theory” temporarily predominated in Soviet science. In compliance with his multi-stage theory, Marr believed that the Ossets, despite their Iranian-speaking nature, should be considered autochthons in the Caucasus. He regarded the Ossets as “Iranianized Japhetids.” 10

And only in recent years has there been a return to the traditional approach in shedding light on the ethnogenesis of the Ossets. For example, the opinion of Z. Vaneev, who proved the identity of the medieval Alans, should be singled out. In his opinion, after the Mongol and Timur crusades, the Alans withdrew to the Caucasian mountains, thus laying the foundation for the formation of the Ossets. 11 The research studies in this area during the second half of the 20th century by well-known Ossetian philologist V. Abaev became an important scientific event. He had already proven in his first works that the Iranian-speaking element represented by the Alans, who were genetically related to the Sarmatians and Scythians, was the main component in the formation of the Ossets. Nevertheless, the researcher noted the significant influence of the Caucasian substratum on the phonetics, morphology, syntax, vocabulary, semantics, and idiomatic nature of the Ossetian language. The well-known linguist, however, considered the Ossets to be primarily the remnants of a once vast Iranian-speaking world, the representatives of which predominated in the steppes of Eurasia. 12 The publication of Iu. Gagloiti’s monograph *Alany i voprosy etnogeneza osetin* (The Alans and the Ethnogenesis of the Ossets) was a very noteworthy event in Ossetian studies. In this work, the author proved that not only should the Alans be considered the ancestors of the Ossets, but also of other ethnic Caucasian groups. 13
A special conference held in 1966 in Ordzhonikidze was devoted to the ethnogenesis of the Ossets. It brought together not only historians, but also linguists, archeologists, anthropologists, and ethnographers. At this conference, anthropologists V. Alexeev and M. Abdushelishvili put forward the supposition that the Ossets should primarily be seen as the descendants of the local Caucasian mountain-dwellers who were assimilated by the Alanian newcomers.\(^{14}\) In his report based on the data of linguistics and written sources, V. Abaev confirmed the presence of Iranian and Caucasian components in the ethnogenesis of the Ossets.\(^{15}\) Archeologists also participated in the conference. For example, E. Krupnov expressed the opinion that the ethnogenesis of the Ossets began when the Sarmatian tribes, which were replaced by the Alans, penetrated the Northern Caucasus at the turn of the new era. The researcher believed that, subsequently, the Alans in the Central Caucasus, who became mixed with the local Caucasian population, became Ossets.\(^{16}\) V. Vinogradov, on the other hand, believed that the Sarmatians in Ciscaucasia had not begun assimilating the local Caucasian tribes yet.\(^{17}\) During the aforesaid conference, B. Kaloev showed that ethnographic documents can also be an important source for clarifying questions about the Ossets’ ethnogenesis. The researcher came to the rather interesting conclusion that ethnographic and folklore sources show the participation of two components in the Ossets’ ethnogenesis: the ancient Caucasian and the Scythian-Sarmato-Alanian. In so doing, he showed that it is difficult to say which traditions prevail.\(^{18}\) The conference on the ethnogenesis of the Ossets ultimately gave researchers reason to believe that two components participated in forming this nation—the alien Iranian and the local Caucasian. But they were unable to draw a final conclusion on which of these components was the determining one, that is, no consensus could be reached on whether the Ossets in the Caucasus were autochthons or newcomers.

The conference showed that archeological and ethnographic documents could be of great importance in clarifying the question of the Ossets’ origin. In this regard, we should single out the research studies of archeologist and historian V. Kuznetsov, who believes that the Ossets are a people of Caucasian origin who assimilated the Sarmato-Alanian ethnic component. He tried to show that the formation of the Ossets began after the Mongols drove the remnants of the Alans from the Ciscaucasia lowlands to the mountains, as a result of which the local Caucasian population learned the Iranian language of the Alans.\(^{19}\)

B. Kaloev took a slightly different approach to the ethnogenesis of the Ossets. The researcher saw the present-day Ossets as a fragment of the once numerous Alans who assimilated the Caucasian mountain-dwellers. By way of evidence, he presented numerous coincidences in the folklore, ideology, and material culture of the Ossets and other Iranian-speaking peoples. According to the academic, during the Middle Ages, right up until the Mongol invasion, the Ossets’ ancestors—the Alans—were widely scattered not only in the Northern Caucasus, but even on the southern slopes of the Greater Caucasus Mountain Range. B. Kaloev believed that only after Timur’s invasion did the remaining Alans ultimately resettle in the Caucasian mountains among the local natives, thus beginning the formation of the Ossetian ethnos. And although the researcher believed that at least two components


took part in forming the Ossets—the local Caucasian and the alien Iranian—he nevertheless gave preference to the latter, as a result of which he quite often identified the medieval Alans with the present-day Ossets.20 Other Ossetian researchers had a similar approach.

It should be noted that the discussions about whether to consider the Ossets Iranianized autochthons in the Caucasus or give preference to their Aryan (Iranian) roots is still going on today. Over the past decades, the second approach has become dominant. In so doing, some researchers, for example, N. Berlizov and M. Abramova, even went as far as giving the leading role in the formation of the Ossets to the Scythians.21 As V. Shnirelman justifiably pointed out, in Ossetia “the collapse of the communist ideology and disintegration of the Soviet Union was accompanied by a return to the Alanian identity.”22 In this way, the ethnogenesis of the Ossets is still a separate academic problem.

It should be noted that the origin of the Southern Ossets currently living in South Ossetia was usually viewed in the general context of the ethnogenesis of all the Ossets, that is, in most cases, the territorial specifics of their formation were not taken into account. In so doing, the Ossetian researchers strove to find proof that the Iranian-speaking Alans settled in the Transcaucasus a long time ago as a counterbalance to the opinion of the Georgian opponents who relate the appearance of the Osi in the Southern Caucasus to the not-so-distant past. In recent decades, this question has acquired a political nature. Even today, based on the level of contemporary research, it is very difficult to say precisely when the ancestors of the South Ossets migrated from the Northern Caucasus to present-day South Ossetia—before Timur’s crusades against the Golden Horde at the end of the 14th century or after.

It turned out that during Soviet times multi-volume publications on the history of the Union or autonomous units in the Soviet Union reflected the viewpoint of a group of authors who were primarily guided by the ideological precepts of the leaders of their republics and autonomous regions, which sometimes clearly differed from the Soviet doctrine “on the friendship of nations.” By way of example, we can present a fragment from the first volume of the collective work History of Georgia, which sets forth the vision of Georgian historians regarding the initial appearance of the Ossets’ ancestors in Georgia: “In the 13th century, the advance of the mountain-dwellers of the Northern Caucasus through the passes of the Greater Caucasus Mountain Range to the south encompassed the entire northern boundaries of Georgia. In some regions, this advance happened slowly and relatively peacefully, in others, particularly in Kartli, it was rapid and accompanied by armed clashes. The chiefs of the Ossetian tribes supported by the Ilkhan took advantage of Kartli’s weakness, which was caught in the devouring elements of rebellion, occupied the Liakhva Gorge, and stormed into the interior of Kartli. Fierce fighting flared up. ...The feudal lords, under the leadership of Czar Georgi, Dimitriy’s son, drove the North Caucasian mountain-dwellers from the Kartli Valley, but the Ossets continued to reside in the mountain passes for a long time to come.”23 I think any comments are superfluous!

This is how the South Ossetian authors describe the same events of the 1260s in Ocherki istorii Iugo-Osetinskoi avtonomnoi oblasti (Essays on the History of the South Ossetian Autonomous Region), who were clearly under the ideological pressure of the leaders of Soviet Georgia: “The Ossets wanted to take advantage of the invasion of the Ilkhan in the Northern Caucasus and throw off the

Mongolian yoke with their help… But the Ossets’ reckoning was not justified. The Ilkhan were defeated in this struggle. Golden Horde khan Berke began persecuting those who joined his enemies in the struggle or did not render him the proper support… Driven by the Mongols from the North Caucasian plains to the Caucasian mountains, the Ossets (after settling in already populated mountain passes, thus creating surplus population), deprived of the possibility of returning to their former places of residence due to the prolonged dominance of the Mongols in the Northern Caucasus and the Ossets’ intolerance of them, moved south—to Georgia… Of course, it is true that the first group of Ossets that migrated to Georgia in the 1260s was made up of political emigrants and lived in the cities. But since these groups were large and it could be presumed that they would be replenished in the future by a new inflow of migrants, they could be considered the beginnings of a compact Ossetian population on the southern slopes of the Greater Caucasus Mountain Range on Georgian territory.”

The authors of *Istoria Severo-Osetinskoi A.S.S.R.* (The History of the North Ossetian A.S.S.R.) were very laconic and unequivocal about the circumstances leading to the Ossets’ migration to the Southern Caucasus. This is what they had to say about this question: “The Tatar-Mongols partially ousted the Asi-Alans from the northern slopes of the Caucasus Mountain Range to the southern slopes. These slopes were assimilated back in the olden days (the 4th century), but by the 13th century, they became deserted due to migration of the Ossets to the valleys. Migrants from the north began to move into these deserted places.”

G. Lazarashvili’s approach, who dated the migration of the Ossets to the Southern Caucasus to the 16th-18th centuries, is very typical of Georgian historiography. The researcher believed that the Ossets may have appeared in Georgia even earlier, but thought that these groups quickly became assimilated into the local Georgian population. It should be noted that in Soviet times, the stances of certain historians and ethnographers on this issue did not always coincide with the ideological precepts of the republics’ leaders. For example, Georgian historian V. Gamrekeli believed that the early migrations of the Osi-Alans to the Southern Caucasus should not be related to the ethnogenesis of the South Ossets, since these migrations primarily did not occur on the territory of historical Dvalia—present-day South Ossetia. He presented the ethnogenesis of the South Ossets as the result of interaction between the Vainakh-speaking Dvals and the Iranian-speaking Osi-Alans at a later time, when the latter element was the most prevalent one in the process. But, relying on the data of the Georgian chronicles and Vakhushti, he dated the appearance of the Ossets in present-day South Ossetia to as late as the early 15th century. A similar point of view was upheld by D. Gvirtsishvili, G. Togoshvili, and other Georgian researchers. South Ossetian historian Z. Vaneev also supported the proposed date for the beginning of the Ossets’ settlement on the territory of present-day South Ossetia (15th century), in which the influence of the Georgian side was felt. But those Georgian historians who pointed to the significant role of the Caucasian substratum in the formation of the South Ossets should be given their due, that is, they gave us to understand that the South Ossetes should not be seen as the direct descendants of the Osi-Alans who came from the north. Unfortunately, not everyone took heed of their opinion.

The authors of *Ocherki istorii Iugo-Osetinskoi avtonomnoi oblasti* tried to present the colonization of the Southern Caucasus by the Osi-Alans as a long process and, in so doing, took a rather compromising position between the opinions of their Georgian and North Ossetian colleagues: “The migration of the Ossets from the north ‘to the heart of the Caucasus,’ that is, to the territory of Ossetia during Vakhushti’s time, is seen as a long process that went on under the influence of external factors, 24

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particularly by means of the conquest of the Dvals in the 15th century, and the final establishment of
the borders in the mountain zone, lengthwise “from the Khevi to the Svanetian Caucasus, and width-
wise from the Kartli Caucasus to the Cherkessian mountain.” This territory is a kind of springboard
from which the Ossets gradually descended to Kartli through the gulches of the Greater and Lesser
Liakhva, Ksan, and Aragva rivers, and later to some other regions of Kartli.”

The approach of the researchers of the former Georgian S.S.R. to the history of the coloniza-
tion of the Southern Caucasus by Iranian-speaking groups differs slightly from the opinions of the
North Ossetian academics, in whose ideas the terms Alans and Ossets were used to designate the
same people. In their opinion, these peoples already occupied a much larger area than present-day
Ossetia in the early Middle Ages. For example, G. Kokiev and B. Kaloev believed that still long
before the Mongol crusades to the Northern Caucasus, the Alans, the ancestors of the South Ossets,
already lived on the southern slopes of the Greater Caucasus Mountain Range, and the Mongol
invasion led only to new migrations of the North Caucasian Alans to Dvaletia. This is how the
idea became entrenched of the rather extensive presence of the Ossets’ Iranian-speaking ancestors
in the Southern Caucasus.

It is typical that Slavic researchers also supported this idea of early colonization of the Ossets’
ancestors in the Southern Caucasus, in which we should see their particular affection for the Ossets.
For example, in spite of the approach of the representatives of Georgian historiography, B. Skitskiy, a native Ukrainian, essentially pointed to the primordial presence of the Ossets’ ancestors in
South Ossetia. According to him, the Alans pushed through to the south of the Caucasus Mountain
Range in several waves throughout the entire early Middle Ages. So it turns out that Dvaletia was
long settled by the Ossets’ ancestors and, therefore, Georgia’s political influence was not estab-
lished there until the 13th century. B. Skitskiy dated the last mass migration of Ossets to the south
to the 15th-16th centuries. D. Lavrov dated the first migration of the Ossets’ ancestors to the
Southern Caucasus to the 3rd century A.D., admitting at the same time that the Ossets’ ancestors
might also have possibly migrated to the south after the Mongol invasion in the 13th century. We
should note that during the Soviet era, not all the Ossetian and Georgian researchers took V. Kuz-
netsov’s opinion mentioned above into account. His approaches to resolving many questions of the
ethnic history of the peoples of the Northern Caucasus were distinguished by a certain amount of
neutrality and lack of compromise. As for the supposition about the Alans’ migration to the South-
ern Caucasus, V. Kuznetsov suggested that the Alans moved to the mountains in the first half of the
13th century as a result of the Mongol hostilities, due to which the population density significantly
grew there. Over time, this led to the migration of separate groups of Alans to the south, to the ter-
ritory of present-day South Ossetia.

In this way, a certain biased approach can be noted among researchers in clarifying how the
Iranian-speaking sub-ethnos, the Ossets of South Ossetia, formed in the Southern Caucasus. The rea-
son for this can be found in the ideological approaches that appeared during Soviet times among
the researchers of the former Georgian S.S.R., on the one hand, and the academics of North Osse-
tia and the Russian historians and ethnographers who sympathize with them, on the other. Research-
ers from the former South-Ossetian Autonomous Region had to occupy an intermediate position be-
tween them. It should be noted that the Georgian academics strove to prove that the Ossets came to
Georgia after the 15th century, although they recognized the presence of a significant local Caucasian
substratum—the Dvals—in the ethnogenesis of the South Ossets. Most North Ossetian researchers,

29 Ocherki istorii Iugo-Osetinskoi AO, pp. 85-90.
30 See: G. Kokiev, op. cit., p. 22; B. Kaloev, Osetiny, pp. 33-34.
31 See: B. Skitskiy, Ocherki po istorii osetinskogo naroda s drevneyshikh vremen do 1867 g., Dzaujikau, 1947,
p. 129-133.
33 See: V. Kuznetsov, Ocherki istorii alan, pp. 263-264.
on the other hand, believed that the Ossets’ Iranian-speaking ancestors lived in the Southern Caucasus long before the Mongol crusades to the Northern Caucasus in the 13th century, thus ignoring the presence of the Caucasian (Dvalian) substratum. South Ossetian researchers, in contrast to their colleagues from North Ossetia, recognized the presence of a local Dvalian substratum, but, in so doing, pointed to the multi-stage colonization of South Ossetia by Iranian-speaking migrants from the north, whereby their largest migration was dated to as late as the 15th century. This should be seen no so much as pressure from Georgian and North Ossetian colleagues, as a reflection of the ambiguous ethnic self-awareness among the South Ossets. Consequently, South Ossetian researchers came closer than anyone to clarifying the ethnogenesis of the South Ossets.

The Problem of Identification

But is it possible at present to resolve the problem of the South Ossets’ origin based on contemporary approaches to the theory of ethnogenesis? Unfortunately, in the Soviet period, the tradition of classifying peoples according to linguistic characteristics became widespread among ethnographers, that is, the ethnolinguistic classification of peoples became the most convenient approach. But this approach did not even correspond to Iu. Bromley’s generally accepted conception. He considered one of the most important elements of an ethnos’ existence to be ethnic self-awareness, which should be manifested by a common name they call themselves. But in the situation with the Ossets, we see the opposite.

The Ossets are the only people of the Central Caucasus who speak the language of the Iranian group of the Indo-European family, but there are certain linguistic differences among the Ossets themselves. The Iranian dialect, which is widespread not only in most of North Ossetia, but also in South Ossetia, has become the main one for the literary Ossetian language. The Diger dialect is used in the west of North Ossetia. This dialect significantly differs from the Iranian. According to this trait, the Ossets can be divided into three sub-ethnic groups, the members of which call themselves Irons, Diggers (in North Ossetia) and Tualag (in South Ossetia). But the Ossets traditionally do not have a common name for themselves, so they call themselves by the name other nationalities know them by. The most widely used names of this people, the Ossets, and their country, Ossetia, come from the Georgian ethicon Ovs and the ethnotoponym Ovseti, respectively. In light of the most recent events, the Ossetian leaders do not like this and suggest returning to Alania, which is most likely a bookish term. The territorial and linguistic unity of the Ossets is confirmed again by the religious factor—most Ossets confess Orthodox Christianity, that is, in the Northern Caucasus, the Ossets are the only indigenous people who confess Christianity. It should be kept in mind that in the Caucasus, religion is quite often a means for preserving ethnic identity (it is enough to recall the Armenians, essentially the only Christian Monophysites in the Caucasus, or the mountain Jews who were classified as “Tats” because of their language). As written documents show, Georgian missionaries Christianized the South Ossets at approximately the same time as the North Ossets. The report of the head of the Ossetian Spiritual Commission, Archimandrite Illarion from Tskhinvali, to the exarch of Georgia of 18 December, 1815 talked of the Christianization “of the Ossets and other peoples in remote parts of the Caucasian mountains and passes mentioned below: Aragva, Geriskhevi, Greater Liakhva, Maglandvaleti, and Khevsuri.” Such a heightened interest in the Christianization of the Ossets was aroused by the fact that at the end of the 18th-beginning of the 19th centuries the czarist government strove to create a “Christian corridor” in the region of the Daryal Gorge from Russia to Georgia, which was to pass through the land of the Ossets. The Georgians’ participation in the activity of the Ossetian spirit-

34 Istoria Osetii v dokumentakh i materialakh (s drevneyshikh vremion do kontsa XVII v.), Vol. 1, Tskhinvali, 1962, p. 514.
ual mission was originally dictated by political considerations. In the event of a protest from the Turk-
ish bloc, Russia could dissociate itself from the Christianization of the Ossets.

When speaking of the ethnogenesis of both the South and North Ossets, we should take heed of V. Abaev’s comment that the present-day Ossetian ethnos is not a result of independent development of the Iranian-speaking Alans, but primarily a consequence of the blending of alien Iranian-speaking tribes with the local Caucasian population. The data of linguistics and ethnographic research studies also show the ambiguous nature of the South Osset’s origin. For example, the dialect of the South Ossets, Tual, is very close to the Iranian dialect of the Ossetian language, which became the basis of the common Ossetian literary language. It is precisely the linguistic proximity of the South Ossets to the Osset-Irans, and not to the Digors, that enables us to conclude that the same Iranian-speaking groups participated in the ethnogenesis of these two sub-ethnoses. Moreover, it is precisely the South Ossetian dialect that has the greatest lexical parallels to the Georgian language. This can be explained both by influence of the Ossetian language through the South Ossets on the Georgian, and of the Georgian language on the dialect of the South Ossets. The linguistic and cultural rapprochement between the South Ossets and the Georgians resulted from the spread of the Georgian alphabet among the South Ossets, the beginning of which coincided with Christianization of the Ossetian population that took place at the end of the 18th-beginning of the 19th centuries by Georgian missionaries. As early as May 1820, Ivan Iagguzidze sent a written report to the exarch of Georgia “on the ecclesiastical books he translated into the Ossetian language and on his compilation of the Ossetian alphabet.” As the report indicates, 37 letters were used to record the language of the South Ossets—30 Georgian, 5 “newly invented,” and 2 from the Russian language. And as early as February 1826, archbishop Afanasiy Migivarianov reported to the exarch of Georgia “on teaching Ossetian children to read and write” in their native Ossetian language. It was precisely this factor that played a decisive role in spreading literacy among the South Ossetian population. It should be noted that thanks to the Georgian ecclesiastics, the South Ossets acquired their written language much earlier than the North Ossets, for whom A. Shegren did not create an alphabet based on the Cyrillic until 1844. In Soviet times, between 1923 and 1938, an attempt was made to transfer the written language of all the Ossets, both South and North, to the Latin script, but this venture was not successful. In 1938, the North Ossets returned to the Cyrillic, and the South Ossets to the Georgian script. But in 1954 the South Ossets transferred to the Cyrillic, even though the Georgian script had long been adapted to the special features of their language.

According to the observations of ethnographers, the South Ossets have much in common in terms of traditional culture with both the North Ossets and the Georgian population. The culture of the South Ossets is similar to that of the North Ossets in the protector of livestock cult, the sun cult, and the iron cult, to name a few. The following unites them with the traditions of the Georgians: certain familial-marital traditions, remnants of the agrarian cult, and so on. In this way, in the cultural respect, the South Ossets traditionally occupy an intermediate position between their neighbors—the Georgians and North Ossets.

Consequently, it should be noted that a particular group of Ossets, culturally and territorially associated not only with their northern tribesmen, but also with the local peoples of the Southern Caucasus, primarily the Georgians, has formed over recent centuries to the south of the Caucasus Mountain Range. The authors of Ocherki istorii Iugo-Osetinskoi avtonomnoi oblasti explain that the
South Ossetia’s primordial nature was preserved due to the remoteness of South Ossetia and its direct proximity to North Ossetia. 40

Despite the Iranian-speaking nature of all the Ossets, there is reason to doubt their purely Aryan origin, particularly with respect to the South Ossets, on the basis of several factors. First of all, anthropological data show their autochthonous origin. According to the observations of V. Alexeev, the Ossets, like their neighbors, belong to the local Caucasian anthropological type. And this, in his opinion, means that this ethnos descended from mountain-dwellers who switched to the Iranian language. 41 It is appropriate in this respect to ask how the South Ossets differ outwardly from the Georgian living next to them.

Ethnonymic data are also of special significance for resolving the problem of the origin of the South Ossets. We should recall that the names Ossets and Ossetia come from the Georgian terms ovs and Osseti, which we know from the Georgian chronicles not only as a designation for the present-day Iranian-speaking residents of the Central Caucasus, but also as a general term for the extinct Iranian-speaking ethnic groups of the Northern Caucasus—the Alans, Sarmatians, and Scythians. As was noted above, the Ossets are divided into three sub-ethnic groups, the representatives of which call themselves Irons and Digors in North Ossetia and Tualag in South Ossetia, that is, Tuals. In this respect, we recall the following statement by V. Abaev: “The tribal names Digor, Iron, and Tual cannot be explained by means of the Iranian language, but are associated with the ethnic names of the pre-Ossetian population that still held on after Iranianization.” 42 With respect to the Caucasian origin of the names Ir, Iron, we can argue with V. Abaev, since such ethnicons are also widespread beyond the boundaries of Caucasian territory. Consequently, there is reason to regard the Tuals as an initially local Caucasian ethnos. There is the opinion that the name the South Ossets call themselves, Tualag, and the designation of the medieval ethnic group of the South Caucasus, “Dvals,” are genetically associated with each other, that is, they are versions of the same ethicon. Consequently, the origin of the South Ossets should be correlated not only with migration of the Osi-Alans to the Southern Caucasus, but also with the local Caucasian Dvals.

As early as the end of the 7th century, when talking about the peoples living on the southern slopes of the Greater Caucasus Mountain Range alongside the Alans, the anonymous author of Armenian Geography mentioned the ethnic group “Dvals.” 44 A document of the same period entitled Muchenitstvo Nikolaia Dvali, about a Dvali Christian who came from the settlement of Tsai on the upper reaches of the Lesser Liakhva, can show that as early as the 14th century the Dvals were a separate ethnic group not associated with the “Osi.” 45 The further fate of the Dvals proved to be directly associated with the settlement of the Osi-Alans in the Southern Caucasus. There can be no doubt that individual groups of Alans could reach the Southern Caucasus through the Daryal Gorge at an earlier time, that is, long before the Mongol crusades. But this could not be the beginning of the compact colonization of present-day South Ossetia. In light of the aforementioned, a report by an unknown Georgian historian of the 14th century, so-called Zhamtaamtserseli, is interesting, according to whom the “Osi,” who were persecuted by Golden Horde khan Berke, came to Georgia in the second half of the 13th century. Among the refugees was a woman called Limagav.

40 See: Ibid., p. 91.
45 See: Istoria Osetii v dokumentakh i materialakh…, pp. 81-84.
She brought small children with her from the Akhasarfaia family: firstborn Parejan, his younger brother Bakatar, and many princes. They passed through the Derbent Gates and came to see Georgian king David, who received them and sent them to his suzerain in Iran—khan Hulagu. Hulagu sent them back to king David to serve in the army, who deployed them in the towns of Dmanisi and Zhinvali.\textsuperscript{46} Kartlis Tskhovreba also names the third settlement of “Osi”—Tbilisi.\textsuperscript{47} But the version that during the second half of the 13th century, the Osi-Ossets migrated to Georgia, which at that time belonged to the Golden Horde’s rival, the Hulagu state, not through the Daryal, but through the Derbent Gates, looks very dubious. Moreover, there is also a report on these events by Georgian historian of the 17th century Parsadan Gorgijanidze, where the Derbent Pass is not mentioned, but the “Daralam (Daryal) Road” is.\textsuperscript{48} So, despite the fact that, according to the data of the Georgian chronicles, the Osi had already appeared in the Georgian Czardom during the second half of the 13th century, we should reckon with the fact that nothing was said in the written sources about the compact colonization of Dvaletia by the Osi.

In this respect, attention should be paid to the statement by Vakhushhti, who wrote in the 18th century that during Batu Khan and Orkhan’s times, the Osi-Alans began to flee to the “interior of the Caucasus,” and during Tamerlan’s times, the Osi “marched into the Caucasus and subdued the tribes of Caucasians, who were essentially Dvals.”\textsuperscript{49} The data of Persian historians of the 15th century could provide information about the circumstances of the Alans’ migration from the high mountainous regions of the Caucasus to the Transcaucasia. According to their data, in 1395-1396, after subduing the Asi-Alans in the Elbrus region, Timur set off for the inaccessible fortresses of Kuli and Tausa, which “also belonged to the tribes of inhabitants of Elburz (Elbrus.—O.B.),” that is, to the Asi-Alans. As a result, according to Yezdi’s report, these fortresses were seized by Timur’s troops, a “large number of people from the Irkuvun tribe” were slaughtered.\textsuperscript{50} Shami’s essay about this says the following: “Many from the Irkuvun region were killed.”\textsuperscript{51} Attention must be drawn to the fact that Yezdi made use of Shami’s text, and in this case it looks more than convincing that Irkuvun is the name of a location and not of the tribe. By way of proof, I would like to present Iu. Gagloiti’s opinion, who believes that the name Irkuvun should be translated from the Ossetian as “shrine of the Irs.”\textsuperscript{52} It should be mentioned at this point that A. Gadlo believed that the Ikhran/Irkhan region was associated with the land of the Irons, which is mentioned in the chronicle Derbend-nameh. According to the researcher, during the early Middle Ages, the country Ikhran occupied the eastern part of Alania “and the foothills of Dagestan and present-day Chechnia and Ingushetia closest to it.”\textsuperscript{53} From the end of the 14th century right up until the end of the 18th century, the name “Irons” did not feature in the written sources, and then some of the Ossets began using it as their own name.\textsuperscript{54} In this respect, we should recall V. Abaev’s conclusion to the effect that the ethnic terms Iron and Tual “cannot be explained by means of the Iranian language, but are related to ethnic names the pre-Ossetian population called itself.”\textsuperscript{55} So, there is reason to regard the North Caucasian Irs and Tual Dvals of South Ossetia as local Caucasian ethnic groups. This all makes it possible to presume that after the destruction wrought by


\textsuperscript{47} See: \textit{Ocherki istorii Iugo-Osetinskoi AO}, p. 85.

\textsuperscript{48} See: Ibidem.


\textsuperscript{51} Ibid., p. 122.

\textsuperscript{52} Iu.S. Gagloiti, \textit{Alany i voprosy etnogeneza osetin}, p. 206.


\textsuperscript{54} See: B. Kaloev, \textit{Osetiny glazami russkikh i inostrannykh puteshestvennikov (XII-XIX vv.)}, Ordzhonikidze, 1967, p. 89.

Timur in the Northern Caucasus, most of the Iranian-speaking Alans of the high mountain areas, the Irs’ neighbors, could have advanced to the south, beyond the Greater Caucasus Mountain Range, to Dvaletia, thus laying the foundation for the compact colonization of the Ossets’ ancestors. In light of the above, we can agree with the opinion of the authors of *Ocherki istorii Iugo-Osetinskoi avtonomnoi oblasti* that the mass migration of the Ossets to the south from the Greater Caucasus Mountain Range began during the second half of the 13th century and continued in the 14th century and later.56

As already noted, researchers believe the ethnogenesis of the South Ossets to be the result of interaction between the Vainakh-speaking Dvals and the Iranian-speaking Osi-Alans, which could have occurred at the beginning of the 15th century.57 Nevertheless, the question is when did the process of linguistic assimilation by the Iranian-speaking Osi of the Vainakh-speaking Dvals end?

As early as the 15th century, *Pamiatnik eristavov* noted the migration of the population from Ossetia to the south—to the country of the Dvals—due to the internecine wars among the Ossetian rulers.58 According to the observations of the authors of *Ocherki istorii Iugo-Osetinskoi avtonomnoi oblasti*, the Georgian sources relating to the territory and population of present-day South Ossetia as early as in the 17th-18th centuries made parallel mention of the names *Dvals* and *Osi*, *Dvaleti* and *Oseti*, which, in their opinion, could show that “these concepts have become synonyms.”59 But this cannot mean full assimilation of the Dvals (Tuals) by the Ossets. The use of the ethnicons *Dvals* and *Osi* in the Transcaucasus in the 18th century is explained by Vakhushti’s information: “For the most well-known of them are called Osi, and the other not-so-well-known are again called Dvals.”60 Nevertheless, during the 17th-18th centuries, the number of Ossets in Dvaletia increased by means of the new migrants from North Ossetia. For example, Kartli King Georgi XI tried to revive Christianity among both the South and North Ossets, which made it necessary to draw the latter into the migration process to the south. As a result of this, at the end of the 17th century, the Ossets began to play a noticeable role in the political life of the Kartli kingdom.61 During the era of King Georgi XII, the Ossets migrated from North Ossetia, from the Tagaur Gorge, to the territory of present-day South Ossetia.62 After Georgia joined Russia in 1801, North and South Ossetia became part of a single state, which to a significant extent helped to strengthen the contacts between the southern and northern representatives of this ethnos. As early as the 19th century, there was no division of the population of South Ossetia into Ossets and Dvals. And this could mean that this was precisely when the assimilation of the Dvals by the Ossets took place, that is, at that time, the sub-ethnic group of South Ossets was forming, which began calling themselves by the local ethnic term *Tual* (Dvals).63 But the Georgians continued to call this mixed Iranian-speaking population Ossets, thus preserving the memory of the political domination of the Ossets here. So it makes sense to support the opinion of V. Gamrekeli, who presents the formation of the South Ossets as the process of their permanent resettlement on the territory of the Dvals from the north to the south with further Iranianization, which took place during the 13th-16th centuries.64 It was precisely the domination of the “Osi” newcomers among the Tual natives that should have promoted the spread of the dialect of the Ossetian language, which is very close to the Iranian. In so doing, this mixed population continued to call themselves *Tual*. It is precisely this, as well as anthropological evidence, that should lead us to regard the South Ossets as the Tual natives Iranianized by Ossetian newcomers, and not as newcomers who were absorbed by the local ethnic groups of the Southern Caucasus.

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56 See: *Ocherki istorii Iugo-Osetinskoi AO*, p. 87.
59 *Ocherki istorii Iugo-Osetinskoi AO*, p. 102.
60 Vakhushti, op. cit., p. 138.
62 See: *Istoria Osetii v dokumentakh i materialakh...,* p. 192.
64 See: V. Gamrekeli, op. cit., p. 145.
In so doing it should be noted that the Ossets periodically migrated from the territory of Dvaletia to the rest of Georgia, frequently undergoing assimilation by the Georgian population. Geographically, Dvaletia (present-day South Ossetia) is the Naro-Mamison basin, from where the Ossets descended through the gulleys of the Greater Liakhva, Lesser Liakhva, Ksan, and Aragva rivers to the territory of Kartli. In the 17th century, a few Ossets ended up in Kakhetia, and in the 18th century a small group of them moved to the right-hand bank of the Kura. After feudal law was abolished in the Russian Empire in the second half of the 19th century, new colonization of the Ossets began throughout the territory of Georgia. At that time, many Ossetian settlements appeared in Kakhetia on the right-hand bank of the Alazani. From the 1870s through 1914, new Ossetian settlements formed in Lower and Upper Kakhetia along with the Georgian settlements that already existed. At that time, many Ossets settled on the territory of the present-day Gori, Dusheti, Khashuri, Ksan, Borzhami, Mtskheti, and other regions of Georgia. According to the observations of G. Lazarashvili, from 1770 to 1893, the Ossetian population in Georgia increased from 20,300 people to 71,513 with no significant migration from North Ossetia to South Ossetia. In 1959, a rather interesting situation developed—out of the 141,000 Ossets of the Georgian S.S.R., only about half lived on the territory of the South Ossetian Autonomous Region. And according to the results of the All-Union Population Census of the U.S.S.R. in 1989, the size of the population of South Ossetia amounted to 98,527,000, 65,233 of them Ossets, 28,544 Georgians, 2,128 Russians, 984 Armenians, 472 Ukrainians, 396 Jews, and 771 representatives of other nationalities. In this way, it is very difficult to separate the fate of the South Ossets from the development of the Georgians living alongside them.

C o n c l u s i o n

It goes without saying that the very idea that the community of South Ossets formed in the Southern Caucasus, that is, that they are an ethnic group of local origin, is very unpopular among many present-day Ossetian and Georgian politicians who are making their political fortune on the smoldering Ossetian-Georgian standoff. The very recognition by the opposing sides of the fact that the Ossets in the Southern Caucasus are natives and not newcomers could remove several political problems. The question of uniting the two Ossetias would not be so urgent and conditions would be created for restoring the autonomy of South Ossetia in Georgia. But it is very possible that problems will arise with the official name of the new autonomous formation. For the Ossets, the modern names in South Ossetia widespread among the Georgians, such as Shida Kartli, the Tskhinvali Region, Samachablo, etc., are unacceptable. Even the earlier “South Ossetia” does not suit contemporary Ossetian politicians, because the word “Ossetia” is of Georgian origin (the “revival” of the name Alania for North Ossetia was a reaction to this). Nor can Respublikzh Khussar Iryston, the name the self-proclaimed Republic of South Ossetia calls itself, suit anyone, because South Ossetia has never been called the “country of the Irs.” Therefore, the double name, “South Ossetia—Dvaletia,” may be historically appropriate.

65 See: Ocherki istorii Iugo-Osetinskoj AO, pp. 90, 202.