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**IRANIAN AZERBAIJAN:
THE EPICENTER OF A COLD WAR*****(Part II)*****Soviet Troops Pulled Out of Iran**

Later President Truman insisted that he had extended active assistance to Iran by sending Stalin an “ultimatum.” He first mentioned this at a press conference on 24 April, 1952, only to correct himself later. When asked to publish the document, the American president admitted that there had been no ultimatum and he had used the wrong term. The issue resurfaced much later, in 1979, when Soviet troops entered Afghanistan. In January 1980, Senator Henry Jackson published Truman’s statements in *Time* under the title “The Good Old Days” and expanded them with a story about how Truman had summoned Soviet Ambassador to the United States Andrei Gromyko to warn him that if the Red Army failed to leave Iran within 48 hours the United States would use its atom bomb.¹

So far these statements have remained unsubstantiated: historians have not yet found documentary evidence that the United States put direct military-political pressure on the Soviet Union at the decisive moment. There are no documents in the Soviet archives to clarify Stalin’s reasons for pulling out of Iran. At 01:40 p.m. on 24 March, Stalin and Head of the General Staff of the Soviet Army Alexander Antonov sent Order No. 2167/68 to Commander of the Baku Military District I. Maslennikov and Commander of the 4th Army I. Luchinskiy (copy to M. Bagirov) which said:

“1. Begin withdrawal of all troops, offices, and depots of the 4th Army from Iran to the place of its permanent dislocation on the territory of the Baku Military District.

For the beginning, see Volume 2, Issue 1, 2008.

¹ See: *Time Magazine*, 28 January, 1980, p. 13.

“2. The process should start on 24 March to be completed no later than 30 April-10 May of this year.

“The Kerej garrison should be removed no later than 08.00 p.m. today, 24 March.

“3. The pullout should be well organized and proceed in good order, without undue commotion and haste.

“4. The plan and the order of withdrawal should be reported to the General Staff on 25 March of this year.

“Daily reports about the withdrawal should be submitted by 12.00 a.m.

“Demands for marine transportation should be submitted to the General Staff on 26 March.”²

The documents from the Baku archives suggest that Stalin’s decision on withdrawal was formed immediately after the failed talks with Ghavam in Moscow; it seems that Bagirov knew that much. On 14 March, he met Jafar Pishevari, M.A. Shabustari and Dr. S. Javid to warn them that international developments might force the Soviet Union to abandon Northern Iran. Simultaneously, M. Bagirov sent Stalin a vast report on the state of affairs in the National Army of the Azeris as of 15 March: Moscow obviously wondered whether the Azeris would be able to hold their ground after the Soviet pullout.³

On 25-27 March, 1946, the Azerbaijanian crisis developed into an international issue at a sitting of the U.N. Security Council. On 27 March, Andrei Gromyko left the sitting in protest against James Byrnes’ statement that the Soviet Union was pursuing an imperialist policy in Iran.⁴ On 28 March, M. Bagirov met Pishevari, Shabustari, and Javid once more to describe to them, on Stalin’s instruction, the situation and advise them not to insist on the status quo in Iranian Azerbaijan. The Soviet leaders had obviously become convinced that it would be wiser to reach an agreement with Ghavam. This left the leaders of the Azerbaijanian Democratic Party depressed. In his report to Stalin, M. Bagirov wrote: “They do not trust Ghavam, they know that he will gradually retreat from his promises or even written agreements on the rights of the Azeri people by referring to the Constitution of Iran. They are not afraid of the Iranian armed forces, but are sure that Ghavam will never hesitate to fan a civil war inside Azerbaijan and encourage ethnic slaughter between the Kurds and Azeris through bribes and by relying on reactionary merchants, landowners, and clerics. He will have the Brits on his side. They are convinced that Soviet mediation is the only real guarantee of at least minimum rights for the Azeri people.” Having heard what the Soviet Union had to offer, Jafar Pishevari commented with a great deal of bitterness: “This document brought to mind the Gilan events of 1920. Our revolutionary comrades were deceived and the reactionaries gradually launched repressions against them. Many of them had to emigrate. History will repeat itself.”⁵ He proved right.

At first it looked as if the Soviet Union had finally pocketed the oil concession. Talks on the joint Soviet-Iranian oil company had been going ahead since early April 1946 through Soviet Ambassador Sadchikov. On 8 April, the Shah verbally confirmed that the Iranian Cabinet had approved a Soviet-Iranian Oil JV.⁶ After receiving the first reports from Tehran, M. Bagirov, in turn, informed his people in Tabriz: “We shall be the unrivalled masters of the Soviet-Iranian oil JV and will employ

² I. Salin i A. Antonov—I. Maslennikov i A. Luchinskomu. Kopiu M.J. Bagirovu. 24.03.1946 g., State Archives of the Political Parties and Public Movements of the Azerbaijan Republic (SAPPPM AR), rec. gr. 1, inv. 89, f. 112, sheet 39.

³ See: M.J. Bagirov—I. Stalinu. 18.03.1946 g., SAPPPM AR, rec. gr. 1, inv. 89, f. 112, sheets 36-38.

⁴ See: R. Rossow, “The Battle of Azerbaijan, 1946,” *The Middle East Journal*, Winter 1956, p. 23; M. McCauley, *The Origins of the Cold War. 1941-1949*, London, New York, 1995, p. 68; *Foreign Relations of the U.S.*, Vol. VII, 1946, p. 390.

⁵ M.J. Bagirov i I. Maslennikov—I. Stalinu. 29.03.1946 g., Archives of the National Security Ministry of the AR (NSM AR Archives), f. 301, sheets 427-428.

⁶ See: Russian State Archives of Contemporary History (RSACH), rec. gr. 05, inv. 30, f. 171, sheet 83.

several thousand of our people as workers and other employees. We shall obviously prefer Azeris. Ghavam signed a letter in which he pledged to guarantee complete personal freedom and inviolability for all the organizers and movement heads; he pledged not to punish anyone. This is all we could obtain at the first stage; everything that Pischevari gains through his talks with Ghavam for the Azeri people will be even better. Pischevari raised the question of teaching in Azeri in the first three years of primary school—we extorted five years from Ghavam. It is for Pischevari to insist on 6-year training in Azeri. Tell Pischevari not to lose heart. Neither Ghavam nor anyone else is bold enough to move against them. We have to talk to Moscow about the 5 million tumani needed to maintain the army.”⁷

This was false optimism: Moscow was in fact prepared to abandon Iranian Azerbaijan to Tehran. M. Bagirov instructed his “Tabriz Three” that if the Iranian government refused to subordinate this army to the Iranian General Staff, the army should be disbanded and disarmed. Some of the weapons—the same amount that was confiscated in December 1945 when the Iranian garrisons were disbanded—were to be transferred to official Iranian structures, the rest were to be sent to the Soviet Union. The well-organized fedain (voluntary) units that lived in barracks were to be disbanded with their arms. They were to be preserved as an illegal armed force just in case.⁸

For obvious reasons the ADP leaders were less enthusiastic than their Soviet patrons. According to M. Bagirov, Pischevari, Shabustari, and Padegan were resolved to leave their high posts in the ADP in view of the coming serious concessions to Ghavam. They argued that they had been responsible for the coup in Azerbaijan, as well as for certain measures that contradicted the Iranian laws, such as division of state- and part of the privately-owned lands, executions of some of the reactionary landowners and other elements; they had sanctioned the use of state funds and property to meet the needs of Azerbaijan without the sanctions of the Iranian government. More than that: when talking to the people they had promised autonomy and failed, therefore the leaders of the democrats planned to convene a CC plenary session as soon as the talks were over to elect new leaders much less involved in the previous activities. They also asked Bagirov whether they could put up armed resistance “if Ghavam refused to talk and tried to move in his forces on the heels of the withdrawing Soviet troops to suppress the democratic movement in Azerbaijan.” The ADP leaders asked for asylum in the Soviet Union for 200 people and their families who had been most actively involved in the struggle against the reactionary elements and Soviet citizenship for some of the members of the democratic movement in Azerbaijan (especially for those who had been deported from Soviet Azerbaijan as Iranian subjects).⁹

Stalin's Personal Letter to Pischevari

By 8 May, 1946, the Soviet Union completed its pullout from Iran while the talks between Pischevari and Ghavam about Azeri autonomy were still going on. Moscow put pressure on Pischevari in an attempt to push him to make concessions in order to avoid the use of force by Tehran. A true revolutionary, Jafar Pischevari refused to become a puppet of the Soviet Union's “Realpolitik.” Soviet Ambassador Sadchikov regularly informed Moscow about his concern over Pischevari's frame of mind and conduct: “When asked about his platform at the talks with the Iranians he an-

⁷ M.J. Bagirov—Ibragimovu, Gasanovu i Atakishievu. April 1946 g., SAPPMM AR, rec. gr. 1, inv. 89, f. 33, sheets 126-127.

⁸ See: M.J. Bagirov i I. Maslennikov. Predlozhenia. Aprel 1946, SAPPMM AR, rec. gr. 1, inv. 89, f. 114, sheets 231-238.

⁹ Ibidem.

swered that he had no intention of talking since words would amount to nothing.” Pishevari expanded: “It was not my personal desire to come here—I was forced to do this. Why? Why was I humiliated in front of the Azeri people and reactionary Ghavam? I do not like him and do not trust him. He will deceive us and you as well—you will get no oil. All of the Azeri people hate Ghavam and you forced me to meet him. Why? You praised me to the heavens and are now pushing me into an abyss. Why? Have I inflicted any harm on the Soviet Union? I have been serving it all my life. I served my term in prison; today I am here on your insistence and have to sign this infamous agreement. I told Bagirov that I was ready to resign. Others, more compliant, would have come, while I would have left Azerbaijan... In this way I would have preserved my authority and respect of others, whereas now I am left at the mercy of the reactionaries who will arrest us all. I am human, I have a family, I am ill, after all.”¹⁰

Jafar Pishevari complained to Sadchikov: “Why are we being forced to retreat: we are not defeated, we have our armed forces. If allowed I shall capture Tehran.” The Soviet ambassador wanted to know the exact numerical strength of Pishevari’s forces. The Iranian answered that there was an Iranian army of 10 thousand and about 15 thousand volunteers. When asked about aircraft and tanks, he answered with bitterness that he had had them, but that they had been taken from him. The ambassador pointed out that this was not enough to capture the capital protected by the far superior governmental forces. Jafar Pishevari responded with: “If we are fated to die, we shall die—freedom is worth it.” Ambassador I. Sadchikov supplied the exact words: “I pointed out that this would be useless carnage and that the reactionaries would destroy those gains that could be preserved and that, more important, an armed clash between the Iranians and Azeris would inevitably cause a new world war because the Allied Control Commission would side with the Iranians and we, with the Azeris. ‘There is no need to side with us,’ exclaimed Pishevari, ‘we shall fight on our own.’ I spent a lot of time trying to explain to him that we had exhausted all our means of support and that war was the only option we could not accept.”¹¹

In public Jafar Pishevari was equally outspoken, which forced Stalin to send him a personal letter in which he wrote, in particular: “It seems to me that you misinterpret the current situation inside Iran and on the international scene. Second. You could have counted on success in your struggle for the revolutionary demands of the Azeri people had the Soviet troops remained in Iran. We could not, however, remain there any longer mainly because their continued presence in Iran undermined the very foundations of our liberation policy in Europe and Asia. The British and the Americans argued that since the Soviet troops remained in Iran the British troops could have extended their presence in Egypt, Syria, Indonesia, and Greece, and the Americans in China, Iceland, and Denmark. We decided to pull out of Iran and China to deprive the British and Americans of this weapon, to invigorate liberation movements in the colonies and put our liberation policy on a more substantial and effective basis. I hope that as a revolutionary you will see that there was no other way.” The Soviet leader also added: “You said that you were praised to the heavens and then pushed into an abyss and humiliated. We cannot but be amazed at these words, if they are true. Indeed, what happened? We resorted to a normal revolutionary subterfuge well-known to all revolutionaries. To ensure a certain minimum of gains in the situation that had taken shape in Iran, the movement needed to gain a certain momentum, surge ahead, away from the minimum demands and threaten the government with unacceptable conditions that might force it to retreat. Under present conditions you would not be able to secure those demands which the Ghavam Cabinet is forced to accept without surging far ahead. This is a law of the revolutionary movement. This is not humiliation. In fact, I find it strange that you think that we could subject you to humiliation. It is the other way round: if you behave reasonably and obtain,

¹⁰ Spravka po telegrafnomu soobshcheniu Ashurova iz Tegerana. Mai, 1946 g., NMS AR Archives, f. 402, sheets 173-176.

¹¹ Ibidem.

with our moral support, the gains that would legalize, on the whole, the present de facto situation in Azerbaijan, both the Azeris and Iran will laud you as the pioneer of the progressive democratic movement in the Middle East.”¹²

Stalin’s revolutionary hairsplitting served as a smokescreen to conceal his true aims: control over the Black Sea straits and the oil concessions in the north of Iran. We do not know whether Jafar Pishevari fell into the trap, however a personal letter from the “leader of the world proletariat” produced the intended effect. It undermined Pishevari’s resolve. Had Moscow remained on the sidelines, Iran would have been drawn into a protracted and bloody civil war.

Prime Minister Ghavam, meanwhile, was engaged in double dealing: he spared no effort to convince the Soviets that they would acquire the oil concession while talking to Murray, the American ambassador in Tehran, about possible oil concessions in Baluchistan for American companies in the hope of drawing the United States onto his side. Archival documents in Baku reveal that the Soviet leaders and Bagirov who knew about Ghavam’s maneuvers hoped that an agreement was still possible. On 21 May, when talking to Pishevari on the phone, Bagirov said that Ghavam was possibly involved in double dealings in an effort to please “us and our so-called friends.” He also said that Ghavam had possibly gone too far and that he would probably be unable to go on with his intrigues and would have, therefore, to remove the mask and “reveal his true political makeup.” “I am convinced,” said Bagirov to Pishevari, “that his personal property and money come first with Ghavam. He loves his wealth more than the Imam, the Prophet, you, or me. He wants to preserve it. Do you understand this? He is not a true socialist and cannot be a socialist, but deep in his soul he is probably close to us. He needs power to preserve his wealth. Being aware that much depends on his neighbor he is forced to reach an agreement. He is not liked, obviously; they have their own people. The Brits took the wife (of the Shah) hostage—this is always done to ease haggling.” He ended the talk with a request: “Do not attack Ghavam; tell people to stop attacking him in the press. Did you hear his radio address on the 18th? There are many newspapers that believe that Ghavam should be supported to allow him to fulfill his promises. He expects help from all countries. We, in turn, should help him too. I ask you to join us for the sake of our brotherhood... You should know that our great and wise leader is daily engaged in these issues personally. Two hours before our talk, on the day I was sick, he personally called me and asked me to instruct you to reach the agreement (with the central government.—J.G.)”¹³

Stalin’s Intrigues in Iran

During the summer of 1946, the “great and wise leader” stepped up his informal contacts with Shah of Iran Reza Pahlavi, the sworn enemy of Jafar Pishevari and Azerbaijanian autonomy (whom he had planned to remove with the help of Ghavam several months earlier, in March 1946). In July, Moscow received Ashraf Pahlavi, the Shah’s twin sister, who on 3 July met Deputy Foreign Minister Solomon Lozovskiy; on 20 July she was received by Stalin in the presence of Molotov. The talk, during which the guest tried to persuade Stalin to withdraw his support of the Azeri government, which she described as “a puppet state that will worsen the relations between our countries for many

¹² Natalia Yegorova who works in the RAS put the letter (kept in the Foreign Policy Archives of the Russian Federation, rec. gr. 6, inv. 7, folder 34, f. 544, sheets 8-9) into academic circulation in *Novaia i noveyshaia istoria* and in publications by the Woodrow Wilson International Center for Scholars (see: N.I. Egorova, “‘Iranskiy krizis’ 1945-1946 gg. Po rasskrechennym arkhivnym materialam,” *Novaia i noveyshaia istoria*, No. 3, 1994; N.I. Yegorova, “The ‘Iran Crisis’ of 1945-46: A View from the Russian Archives,” *Working Paper, Cold War International History Project*, No. 15, Washington DC, 1996, pp. 23-24; see also: *Goftogu*, No. 17, 1998, pp. 103-135)

¹³ Stenograficheskaya zapis peregovorov M.J. Bagirova s S.J. Pishevari po VCh ot 21 maia 1946 g., NSM AR Archives, f. 303, pp. 227-228; 229-230.

years to come,” lasted for nearly two-and-a-half hours. Ashraf Pahlavi left convinced that Stalin was greatly impressed; later, in her memoirs, she quoted Stalin as saying: “Please convey my best wishes to your brother Shahinshah and tell him that with ten sisters like yourself he should be free from all worries.”¹⁴ On 3 August at a reception with the Shah, when her brother thanked the Soviet ambassador for the fantastic reception given his sister in the Soviet Union, he confirmed, in turn, that he was always convinced that the interests of his country demanded friendship with its neighbor, the Soviet Union. In his letter Stalin spoke about the governments; by way of response the Shah deemed it necessary to say what he had never told anyone before, which was that he had personally removed three previous Cabinets (Saed, Sadr and Hakimi). He had managed this despite the war, he said. Now, with the war over, he guaranteed that there would be no governments in Iran able to damage the friendship between the two countries again. According to the Shah, Stalin had allegedly told his sister that he could apply to Stalin directly. The Soviet ambassador offered a diplomatically impeccable answer: he would always be ready to mediate in cases when the Shah deemed it necessary to contact Stalin.¹⁵

Stalin’s abrupt change of mind was probably prompted by the disagreements between the Iranian government and the U.K. that surfaced in July-August 1946; in the country’s south the wave of unrest among the tribes controlled by the British was mounting by the day. On 18 July, when talking to Ghavam, I. Sadchikov deemed it necessary to ask why the prime minister of Iran had concealed from the public the fact that Britain had moved its men-of-war into the Gulf; he argued that this would have stirred up public opinion throughout the world and prevented similar moves in the future. He also added that this was a gross infringement on Iran’s national sovereignty and an attempt to use military force to wrench political concessions from Iran. Ghavam answered that he had already instructed the Iranian ambassadors in London and Washington and had asked the British ambassador in Tehran to remove the ships from the Gulf. On leaving, the Soviet ambassador repeated that Iran should not accept the fact that Britain treated Iran as one of its colonies. Ghavam promised to think it over.¹⁶

Throughout September Ghavam still engaged in his maneuvering among the three great powers, repeatedly threatening to lodge a complaint against Britain with the U.N. Security Council; the American ambassador dissuaded him. Early in October the Iranian prime minister changed his tack: he announced to the ambassador that he would change the political course and move against the leftists, and added that with American economic and financial support he would be moving more resolutely.¹⁷

The prime minister was probably inspired by the Shah, who insisted that all Tudeh members be removed from the Cabinet. The American diplomats learned that in a private talk with Ghavam, the Shah said that he “did not believe that the Soviets would invade Iran and, even if this happened, he would be dead set in favor of changes and would go to the U.N. for help to cut short this aggression.” The archives of the Soviet state security structures contain documents that testify that the Shah, the war minister, and the head of the General Staff tried to assassinate Ghavam with the help of the British embassy. One of the relevant documents says: “Recently the Shah secretly met the British ambassador, whom he told that if the British guaranteed their complete support he would be willing to remove Ghavam by his decree. We believe that the plotters will arrest Ghavam after the decree is issued, that is, legally.”¹⁸ The later developments showed that in fact the Shah relied on the United States, the

¹⁴ Vstrecha F. Molochkova s I. Shafai. 09.07.1946, Foreign Policy Archives RF (FPA RF), rec. gr. 094, inv. 37, folder 357a, f. 4, sheet 36 (see: A. Pahlavi, *Faces in a Mirror, Memories from Exile*, New York, 1980, pp. 86-87).

¹⁵ See: Iz dnevnika I. Sadchikova. Beseda s shakhom Irana Mohammedom Reza Pahlavi. 03.08.1946 g., FPA RF, rec. gr. 094, inv. 37, folder 357a, f. 5, sheets 144-145.

¹⁶ See: Iz dnevnika I. Sadchikova. Beseda s premier-ministrom Irana Ghavam es-Saltane. 18.07.1946 g., FPA RF, rec. gr. 094, inv. 37, folder 357a, f. 5, sheets 139-141.

¹⁷ See: The Ambassador in Iran (Allen) to the Secretary of State. 30.09.1946, FRUS, Vol. VII, 1946, p. 518 (see: NSM AR Archives, f. 297, sheets 275-278).

¹⁸ The Ambassador in Iran (Allen) to the Secretary of State. 19-20.10.1946, FRUS, Vol. VII, 1946, pp. 537-538.

guarantor of his country's territorial integrity and independence since 1941. On 19 October, Ghavam who badly needed Shah on his side and who wanted to keep his post formed a new Cabinet minus the Tudeh ministers. He, on the other hand, added the portfolios of the ministers of the interior and foreign affairs to his post of prime minister.

What they saw as Ghavam's perfidy infuriated the Soviet leaders. The Soviet ambassador furiously accused Ghavam of plotting with the Brits. The Soviet special services started gathering compromising materials about Ghavam.¹⁹ The Soviet leaders finally realized that the country would never obtain the oil concession; very soon it became clear that Stalin's "stick and carrot" policy had failed.

Stalin's Policy Fails in Iranian Azerbaijan

On 24 November, George Allen, the American ambassador in Tehran, informed the Secretary of State: "Today, Ghavam told me that he had finally decided to send security forces into Azerbaijan. He said that if the local government resisted (and he was convinced that this would happen), he would turn to the U.N. Security Council for help. In response to one of my questions he said that mobilization of the armed forces and notification of the officials would take two or three weeks. He planned to go to the Security Council if the fighting began. I pointed out that the Security Council was concerned about the international threats. Ghavam said that he knew this and if hostilities started in Northern Azerbaijan he would inform the Security Council that the situation threatened international peace. I deliberately asked him whether he intended to inform the Supreme Mejlis about these actions designed to restore Iranian sovereignty in Azerbaijan. He answered in the negative and confirmed his intention to go to the Security Council."²⁰

On 28 November, Deputy Foreign Minister of the Soviet Union V. Dekanozov sent a ciphered telegram to Baku which reached the Tabriz leaders the same day. It was recommended that protest be raised, through S. Javid, against Ghavam's intention to move troops into Azerbaijan as contradicting the agreement between the Iranian government and representatives of Azerbaijan and, in particular, Ghavam's letter of 29 October. The telegram insisted that the leaders of Iranian Azerbaijan warn Ghavam that the population was calling for strict observance of the agreements between the Iranian government and representatives of Iranian Azerbaijan in order to avoid complications; this agreement was to be presented at the next Mejlis sitting for review, as envisaged by the basic agreement of 13 June, 1946. It was also advised that Ghavam be warned that Azerbaijan had enough gendarmes and army units, which, under the agreement, could be headed by commanders appointed by Tehran. The Tabriz people were instructed to invite Ghavam to send a special governmental commission and members of the public and the press to observe the elections in Iranian Azerbaijan. The Tabriz press and radio was advised to follow the above and campaign against the intention of the Iranian government to move troops into Azerbaijan.²¹ The ciphered telegram contained no offer of effective support.

On 4 December at 07:00 a.m. when preparations had been completed, the Iranian army moved against Azerbaijan. Next evening M. Bagirov urgently asked Stalin by telegram to receive him in connection with the situation in Iranian Azerbaijan.²² The Soviet leader refused to budge—no help

¹⁹ See: M. Mustafaev, *Osoby zametki*, 20.10.1946 g., SAPPMM AR, rec. gr. 1, inv. 89, f. 117, sheets 88-89.

²⁰ The Ambassador in Iran (Allen) to the Secretary of State. 24.11.1946, FRUS, Vol. VII, 1946, p. 547.

²¹ See: M.J. Bagirov—N. Kulievu. Nemedlenno peredat chetverke (Pishevari, Shabustari, Padeganu i Javidu). 28.11.1946 g., SAPPMM AR, rec. gr. 1, inv. 89, f. 117, sheets 129-130.

²² See: Telegramma M.J. Bagirova—I. Stalinu. 05.12.1946 g., SAPPMM AR, rec. gr. 1, inv. 89, f. 112, sheets 147-152.

was extended to the Azeri democrats; it seems that Stalin was merely avoiding direct confrontation with the United States over Iran. On 11 December, Pishevari, Shabustari, Javid, and Padegan received, through Soviet vice-consul N. Kuliev, Stalin's instruction: "As the prime minister, Ghavam has the formal right to send troops to any part of the country, Azerbaijan being no exception. This means that continued armed resistance is pointless, useless, and unprofitable. You should announce that you have nothing against moving governmental troops into Azerbaijan to maintain order during the elections and argue that you are doing this for the sake of unity of the Iranian people and in the interests of its freedom and independence."²³ Pishevari, who disagreed with the instructions, resigned and left Tabriz amid the rising tension.

The same evening, a huge flow of active party members, army officers, fedain units, and some of the rank-and-file party members began moving toward the Soviet border. By the night of 12 December, large crowds had accumulated at the border checkpoints. On 12 November, M. Bagirov wrote to Stalin: "People panicked when they learned about the telegrams to the Shah and Ghavam and heard the address of the ADP. Members of the democratic movement and some of the activists frightened by the Zenjan slaughter refuse to listen to explanations; they are not merely crowding at our consular office in Tabriz—large groups are accumulating on our borders. The measures taken by the governor general do not help. So far we know that several hundred people, women and children among them, have reached the border in Julfa. One can only guess what will happen in the morning and tomorrow at the other checkpoints (in Astar, Bilyasuvar, and others). Nobody has been let through so far, except for a certain group of families and bodyguards (170 people in all). The situation is far from simple—we should either use arms to scare them away from the border or let them through. I am waiting for your instructions."²⁴ On M. Bagirov's suggestion, the Soviet leaders opened the border for a week (from 12 to 19 December), which allowed 5,784 people to cross it.²⁵ Those who arrived after 19 December were sent back and captured by Iranian reactionaries.

On 20 December the Iranian army occupied the entire region; martial courts sentenced hundreds of officers and soldiers of the national Army and fedains to death; within several days over 30 thousand lost their lives.²⁶ Every day scores perished from hunger and cold in prisons; the tortured democrats saw execution as an escape. An occupation regime was finally established. According to the American embassy, the Shah attributed the victory to the fact that the Soviet Union realized that America meant business when it spoke about its willingness to come to the rescue of any U.N. member threatened with aggression. On 16 December at one of the unofficial meetings, the Shah spoke about America's immense help. The Iranian leaders called the victory in Azerbaijan "the Stalingrad battle" of Western democracy and the "turning point of all world processes against Soviet aggression."²⁷

On 12 December, the day the democratic movement was defeated in Iranian Azerbaijan, the Foreign Ministry of the U.S.S.R. handed a note to the Iranian government that had nothing to do with the tragedy in Azerbaijan. This note, as the earlier notes of 15 September and 2 and 4 October, dealt with the agreement on the Soviet-Iranian oil JV. The Soviet Government "insisted that the government of Iran should strictly obey and ensure timely execution of the agreement of 4 April, 1946 on setting up a Soviet-Iranian oil JV." In his response of 18 December, Ghavam, who had long been avoiding any discussion of the issue, protested against the Soviet approach and said that "as soon as all the necessary conditions are ready he will submit the treaty on setting up a Soviet-Iranian oil JV to

²³ Telegramma M.J. Bagirova—I. Stalinu. 11.12.1946 g., SAPPPM AR, rec. gr. 1, inv. 89, f. 112, sheet 154; f. 157, p. 105.

²⁴ Telegramma M.J. Bagirova—I. Stalinu. 12.12.1946 g., SAPPPM AR, rec. gr. 1, inv. 89, f. 112, sheet 156.

²⁵ See: M.J. Bagirov i I. Maslennikov—I. Stalinu. 20.12.1946 g., SAPPPM AR, rec. gr. 1, inv. 89, f. 156, sheet 2.

²⁶ See: Mariam Firuz—TsK KPSS. "Politika Sovetskogo Soiuza v Irane." 10.10.1956 g., RSACH, rec. gr. 5, inv. 30, f. 171, sheets 122-123.

²⁷ *Foreign Relations of the U.S.*, Vol. VII, 1946, pp. 562-563.

the Mejlis.”²⁸ It looks as if the Soviet leaders merely wanted to save face. Iran’s obvious orientation toward the United States and the intensifying Soviet-American confrontation gradually developing into a cold war deprived the Soviet Union of all its chances to gain access to Iranian oil. In August 1947, Ghavam officially rejected the oil agreement with the Soviet Union and thus fortified his position with the Americans and British. This was the tragic end of the processes that began in 1941 in Iranian Azerbaijan.

C o n c l u s i o n

The Cold War spread from Southern Azerbaijan; this is one of my main conclusions confirmed by archival documents introduced into academic circulation and a comparative analysis of academic writings. The failure of Soviet policy in Iranian Azerbaijan signified the Soviet Union’s first defeat in the Cold War.

Much has changed in Iran since that time: the Islamic revolution of 1978-1979 removed the Pahlavi regime, however the hopes that the Iranian Islamic revolution would settle the problem of the national rights of the people of Iran proved futile. This means that the acute and arduous problem of the fate of the Azeris in Iran will remain on the agenda until it is settled in a reasonable and mutually satisfactory way.

²⁸ Kratkiy obzor sovetsko-iranskikh otnosheniy (1917-1955), Arkhiv upravleniya MID SSSR. 26.06.1956 g., RSACH, rec. gr. 5, inv. 30, f. 171, sheets 83-84.

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NATIONAL DEVELOPMENT STRATEGY AND ETHNOPOLITICAL SECURITY IN THE AGE OF GLOBALIZATION

A b s t r a c t

The author has posed himself the task of formatting the key parameters of national development and indicators of ethnopollitical security in the post-Soviet states; he offers an in-depth analysis of several factors that bring together na-

tional development strategies and ethnopolitical security to reveal their dependence on the globalization processes. To achieve this he scrutinized the strategic and ethnopolitical problems created by this dependence and connected with the move-

ment of the post-Soviet states toward multivectoral development and integration into the global mosaic, on the one hand, and toward setting up a reliable shield designed to offer ethnopolitical security, on the other.

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

The first decade of the 21st century demonstrated that international and national security aspects have become closely intertwined; more than that: we need new flexible technologies and means of settling numerous armed and “non-military” crises.

The Caucasus and the Caspian, arenas where the interests of the international political actors clash, remain under the impact of negative dynamics of geopolitical and geostrategic threats maintained, among other things, by the failure of some members of the regional security system to adequately formulate their national interests.

This explains why today it is necessary to change the political paradigm and liberate public consciousness from the obsolete dogmas and stereotypes; this is an absolute priority for the present and the future of interstate relations and regional and national security—we need new instruments to approach the very complicated problems of the states’ domestic and foreign policies.

The sum-total of the conceptual models and strategic program documents that finally emerged across the post-Soviet expanse can be reduced, in the most natural way, to two large blocks:

- The theoretical conceptual mechanisms of the functioning and development of the national statehood as a factor behind global and regional geopolitical and legal space. Most of the so-called new independent states were largely concerned with finding specific and unique formulas of their development to be able to join the mosaic of world development in an intrinsic and competitive way.
- The problems connected with national security, that is, protection of the most important interests and life-supporting institutions indispensable to individuals, society, and the state. In the context of the international realities at the turn of the 21st century, the problems are obviously ethnopolitically biased.

The arguments related to the problem’s general exposition outline the sphere of specific research issues I intend to discuss in this article:

- Parameterization of the national development strategy;
- Identification of systemic criteria of ethnopolitical security;
- Bringing to light the dialectics of their interconnection.

National Development Strategy in the Rational Choice Discourse

An amazing paradox has emerged in political science and political practice: on the one hand, deliberations about the need for each contemporary nation and state to arrive at an adequate definition of its own development model have become a banality; on the other, the infinitesimally small amount

of scientific and practical attention given the issues is hardly adequate to the problem's scope. This should not be taken to mean that academics and practitioners completely ignore the problem, but today we have no more or less clear paradigms or theoretical constructs. I have written above that so far the deliberations about national development use, in the absence of a clear and generally accepted categorical apparatus, more or less general terms when talking about the national development strategy,¹ concepts, and programs (projects) of national development,² etc. Adil Toygonbaev, head of the Expert Center for National Strategy (Kazakhstan), has identified four poles of national development: cultural, political, national expertise, and high-quality education and science.³

The national development category can be given widely differing interpretations when discussed in different aspects:

- Subjects of realization (ethnonational, ethnocratic, national-state, civil-political, etc.);
- Spheres of realization (economic, housing, cultural, demographic, information technologies, etc.);
- Terms of realization (short-, mid- and long-term);
- Program stages (idea, conception, project, model, strategy, etc.);
- Scopes (state, macro-regional, regional, public, etc.);
- Cores of interests underlying national development and promoting it (geopolitical priorities, military-strategic aims, so-called national ideas, historical past, ethnopolitical imperatives, etc.).

More or less close scrutiny of the above generalizations reveals that, for example, the U.S. national strategy is officially identified as the art and science of development and use of the armed forces and the country's political, economic, psychological and other potential to achieve the national goals in war and peace. The two levels of American strategy—the national security strategy and the national military strategy—are hierarchically subordinated to the American national strategy.⁴ In this case the national strategy, in fact, identifies the aims and mechanisms of national development. France, a classical European country, stresses different aspects in the form of the National Sustainable Development Strategy.⁵

China, a power that is gaining economic and geopolitical weight, offers a somewhat different official interpretation of the meaning of national development. “*The National Development Strategy* is the heart of Deng Xiaoping's theory that rests on two cornerstones: the theory of socialism of the early period and the socialist market economy. Put in a nutshell this means that in the long-term perspective the Chinese want to see their country a modern, prospering, strong, democratic, and civilized socialist state. The road toward this is divided into three stages. At the first stage (1981-1990) the GNP was to be doubled and the problems of foodstuff and clothing for the entire population resolved. At the second stage (1991-2000) the GNP was to reach the figure of \$1 trillion with per capita incomes between \$800 and \$1,000, which would bring China to the ‘relative prosperity stage.’ At the third stage (2001-2050) China should reach the level of the developed countries and realize the main

¹ For example, the National Development Strategy of Moldova for 2008-2011 approved in January 2008 is the main domestic document of strategic planning for the mid-term perspective. It has identified the priority development trends and the steps leading to the final aim.

² It is enough to mention here the widely promoted national projects of the RF in health protection, education, affordable housing, etc.

³ See: A. Toygonbaev, “Chetyre poliuisa natsional'nogo razvitiia,” available at [<http://www.dialog.kz/?lan=ru&id=93&pub=303>].

⁴ See: O. Sultanov, *Evolutsia voenno-strategicheskoy kontseptsii SShA (1945-1997)*, Baku, 2000, p. 4.

⁵ Service des Affaires Internationales EU sustainable development networking event (14-15 July, 2005, Windsor, U.K.), available at [www.developpementdurable.gouv.fr].

modernization aims.”⁶ As distinct from the American analogies the Chinese strategic theories are absolutely free from elements of aggression, they stem from the country’s national interests: sovereignty, security, economic development, international status, and dignity (it seems that China is the only country concerned with the latter as one of its national priorities).

Japan, China’s close neighbor, is concerned with a philosophy of its future based on an interpretation of not only Japanese history and traditions, but also on the history of the whole of mankind. Success will make Japan the world leader of the 21st century. Indeed, full understanding of the 21st century requires never-failing attention to the changing situation and complete understanding of the laws of these changes concentrated in the zones of globalization, technical innovation, the cultivation of individual abilities, spiritual revival, and the development of the global multipolar structure.⁷

In most post-Soviet states the national development concept blended, under the impact of the numerous complications of the transition period and frozen ethnopolitical conflicts, with the socioeconomic reforms carried out mainly in these countries, on the one hand, and with security problems, on the other. The former trend is amply illustrated by the national strategies of the Central Asian countries. As national action plans they identify the priorities as well as the mid- and long-term goals of their socioeconomic development. Such are the Development Strategy of Kazakhstan until 2030, the Strategy of Turkmenistan’s Economic, Political and Cultural Development until 2020, etc.⁸

The second trend is present in the Caucasus. The main program document of Armenia approved in 2007 says: “The National Security Strategy of the Republic of Armenia is a system that ensures sustainable development and security of the state, society, and every individual as well as state policy designed to preserve Armenian specifics.”⁹ Georgia’s recent documents, the National Security Strategy and the National Military Strategy until 2010 based on it, look at the development philosophy through the prism of security.

Russian politicians regard the geopolitical element as the foundation of all strategies. “The state’s domestic and foreign policies, the national security conception, and the national development strategy as a whole should stem from sober assessments of the state’s real geopolitical situation. This is especially topical in Russia today.”¹⁰

The situation in Azerbaijan is somewhat different: while being concerned with security issues and restoring territorial integrity in particular the state treats high rates of economic growth, a socially oriented market economy, and all-round modernization of society as priorities. The ambitious Program of Socioeconomic Development of the Regions of the Azerbaijan Republic for 2004-2008 and other national projects are geared to these national goals.

The very concise discussion has revealed that there is any number of formulas related to the “national development” concept ranging from geopolitical and military-strategic interpretations to statements that the moral-psychological aspects of the nation’s life should be improved while so-called cultural imperialism should be rebuffed.¹¹

I am convinced that despite the extensive use of the national development concept we still lack its categorial definition: when discussed as a system the national development concept should be found both outside the rigidly determined international balance of forces and emotional fervor that formulates the goals in conformity with a priori accepted values. We all know that the “vulgar ma-

⁶ O. Arin, “O vneshnepoliticheskoy strategii KNR,” *Nezavisimaia gazeta*, “NG-stenarii,” February 1999.

⁷ See: *Japanese Strategy in the 21st Century*, available at [stra.teg.ru].

⁸ [http://www.cagateway.org/ru/topics/19/71/].

⁹ [http://www.ra.am/?num=2007022303].

¹⁰ V.V. Zhirinovskiy, “Strategia natsional’ nogo razvitiia Rossii,” available at [strategijnacrazvitij.doc].

¹¹ Cultural imperialism is imperialism that captures vast territories by subjugating conscience, way of thinking, and lifestyle (see: V.A. Rubanov, “Sredstvo zashchity mira i bezopasnosti? (Materialy ‘kruglogo stola’,” *Bezopasnost Evrazii*, No. 1, January-March 2001, p. 230).

terialism” of international policy and the axiological component of national development are and will remain the inalienable features. We should bear in mind however that effective realization of the proclaimed national development aims will depend to a great extent on adequate identification of the challenges and requirements of the nation or the state, on the ability to compile a list of possible solutions and realistic assessments, and on the distribution of national resources.

It seems that the national development system would be based on a clear understanding of three factors:

- The system as a sum-total of elements able to affect its individual elements and the milieu in which they were formed;
- The national development concept cannot and should not be reduced to mere declarations of national goals and their hierarchical arrangement: it is necessary, first and foremost, to offer qualitative and quantitative parameterization of the present conditions and criteria;
- The sum-total of the ways, methods, and means leading to the desired, including alternative, aims should be analyzed.

Seen from this point the national development strategy should not be regarded merely as an aggregate of politically important documents, but also as a process proceeding in stages: an assessment of reality and override requirements; identification of the main development trends; elaboration of program and resource backup; realization, feedback, and readjustment of the strategic course according to the results obtained. Each of the strategy stages has a certain order of steps complete with its own algorithm. At the selection stage, for example, all sorts of criteria and models can be used.¹²

I am convinced that today when external threats to the states’ viability are piling up we should respond with rational (rather than emotional or ideological) mobilization; the bureaucratic machine is even less suited to the purpose. We should select a scenario, mechanisms and means conducive to integration and coordination (both horizontal and vertical) of purposeful activities of the individual, society and the state.

The above suggests that the phenomenon under study can be described in the following way: **the national development strategy** is a policy of accumulating the country’s integral potential based on mid- and long-term prospects realized by all political actors according to the principles of mutual dependence of all development aspects, optimization of the tactics and procedures involved and in close connection with the international aims of the progress of mankind.

It seems that it is important in this context to concentrate on identifying the objective field of national development and on possible versions of its parameterization. In the most general terms a scientifically correct interpretation of national development should be based on:

- Taking into account the already existing local sustainable spheres of its realization;
- Applying indicators that describe the parameters of the key spheres by revealing the local systemic ties;
- Elaborating development trends that make it possible to describe national development as a system;
- Identifying an active link among the local spheres.

In the most general terms the parameterization of national development can be tabulated as follows.

¹² In his *Politics* Andrew Heywood offers four key decision-making models: rational choice, empirical model (gradual progress toward the goal), organizational-bureaucratic, and ideological models (see: A. Heywood, *Politologia*, Russian translation, IuNITI-DANA, Moscow, 2005, pp. 489-494).

Table 1

Parameters of National Development

Key National Development Spheres	Key Indicators for the National Development Spheres
Economic ¹³	<ul style="list-style-type: none"> ■ Economic Growth Index ■ GDP Growth Index ■ Index of Economic Competitiveness ■ Dominant type of economic activity
Political	<ul style="list-style-type: none"> ■ Index of Clear Structural Organization of Political Aggregation and Articulation of Interests ■ Democratization Index¹⁴ ■ Circulation of the Political Elites Index
Social	<ul style="list-style-type: none"> ■ Social Stratification Index¹⁵ ■ Human Potential Development Index¹⁶
Cultural	<ul style="list-style-type: none"> ■ Index of the Population's Cultural and Confessional Reference ■ Index of Traditionalism / Acceptance of Cultural Innovations ■ The dominant type of the nation's cultural and civilizational self-identification
Strategic	<ul style="list-style-type: none"> ■ The "Failed States" Index¹⁷ ■ The Global Peace Index¹⁸ ■ Indices of vulnerability of national and regional security and international security

The above calls for clarification.

- ◆ First, I have deliberately left the ethnic sphere beyond the bounds of the national development parameters because its functioning as an independent sphere of social life has caused

¹³ The fundamental work by N. Muzaffarli (Imanov) (*Reiting Azerbaidzhana v mezhdunarodnykh sravnitel'nykh issledovaniyakh*, the Caucasus Publishing House, Baku, 2006) discusses various aspects of the range of economic index problems.

¹⁴ *Tsentri izucheniya demokraticeskogo upravleniya*, available at [<http://www.csdg.uiuc.edu>].

¹⁵ See: L.A. Scruggs, *Social stratification index: Social Stratification and Welfare Regimes for the 21st Century: Revisiting the "Three Worlds of Welfare Capitalism"*, Paper prepared for delivery at the 15 International Conference of Europeanists, Chicago, 30 March-1 April, 2006.

¹⁶ The Human Potential Development Index (HPDI) is used for comparative assessment of the countries' poverty, literacy, education, average longevity, and other indices; the U.N. has been using it since 1993 in its annual human potential development reports.

¹⁷ This international index (Failed States Index) is mainly applied to states the legitimacy of which causes doubts (see: [http://www.democracyarsenal.org/2007/06/peace_index_war.html]).

¹⁸ The Global Peace Index describes the degree of peaceful disposition of countries and regions. It was elaborated by economists of the international group of peace experts of the Institute of Economics and Peace together with the Center for Peace and Conflict Studies (University of Sydney, Australia). Twenty-four indicators that take account of domestic and foreign factors are used; the index was first calculated in May 2007.

and continues to cause bitter academic disagreements. Anti-primordial approaches that deny the national-ethnic principle an independent existence and that insist that it is diffused in society's historical specifics dominate academic writings. The interpretation of an ethnos as an "imagined community" of sorts created for purely political reasons by American Benedict Anderson¹⁹ gained popularity in the 1990s. Some academics went even further. A. Inkels and D. Levenson, for example, were convinced that "limited cognition and research technologies of today do not allow us to assert that any of the nations has a national character. In fact, the academic majority agrees that this field of scholarly quest is in a crisis."²⁰

- ◆ Second, the above composition of the national development spheres and interests is undoubtedly:
 - *Conventional* because it compares qualitative and quantitative parameters measured in conventional points;
 - *Open* because the very composition of the spheres and their indicators reflects the author's personal approach and may look different in other theoretical and methodological approaches;
 - *Systemic* because each of the parameters (indices) taken separately can be represented as an integral system with subsystems and index components of its own (this is best illustrated by the indices of globalization, democratization, economic development, etc.).
- ◆ Third, the differentiated nature of the relations among the key national development spheres that results from the dynamic state of their components creates a variety of unique combinations of all sorts of trends (of national development as a whole and of its individual spheres).

This suggests the key conclusion: the inner nature of national development has dynamics of its own and specific forms of responding to external challenges, which explains why in the globalization era only those national development strategies have a chance that take account of society's stability and independence factors and the country's specific roads toward contemporary civilization.

Despite the fact that the interpretation of the national development concept depends on the theoretical and methodological viewpoints of the researchers involved and on the political priorities of any given state (not all of them adequately reflecting the nation's true interests), this phenomenon, on the whole, is an integral expression of any specific configuration of the national-state expanses (economic, political, cultural, etc.).

It seems, therefore, that a rational approach to the national development strategy demands that the arguments should be purely pragmatic and based on historically justified and currently topical requirements and that the sets of ideologems created by others and accepted for no specific reason that might distort the ideas about the content and meaning of the national goals and disorient those who follow them should be discarded.

The Caucasian reality suggests that political regulation of the national processes conducive to a constructive and purposeful impact on national development is one of the most important and highly pertinent requirements.

¹⁹ See: B. Anderson, *Imagined. Communities. Reflections on the Origin and Spread of Nationalism*, London, New York, 1992 (for more detail, see: V.V. Koroteeva, "'Voobrazhennye,' 'izobretennye' i 'skonstruirovannye' natsii: metafora v nauke," *Etnograficheskoe obozrenie*, No. 3, 1993).

²⁰ S.V. Lurie, *Istoricheskaja etnologia*, Moscow, 1997, p. 48.

Ethnopolitical Security: Systemic Criteria

Optimization of ethnic relations (search for and realization of the most favorable options of interaction in the ethnic context) is an important task of state administration for any poly-ethnic state (they are in the majority throughout the world). In the 20th century, ethnic movements began invading the political expanse; they became part and parcel of political processes, thus acquiring a new, ethnopolitical, quality. This trend cannot be checked.

D. Dragunskiy of Russia describes the ethnopolitical processes as a “process of interaction of fairly large population groups, each of which can be described by a clearly stated ethnic identity, on the one hand, and is associated with definite (real or desired) institutions of sovereignty, on the other. In this way the ethnic demands articulated by these groups become political (broader sovereignty) while political, economic, or humanitarian demands acquire ethnic hues. Their realization involves ethnic mobilization mechanisms.”²¹

A. Andreev, another Russian academic, has come up with an “ethnic revolution” formula, the synthesis of the dramatic developments of the late 20th century, the ethnic factor being the dominant of the political process: “An ethnic revolution is a complicated process of recurrent ethnogenesis and changed socioeconomic and cultural models that create the matrices of the ethnic communities’ reproduction. The ethnic revolution concept adds a shade of integral meaning to post-Soviet history, it explains the most paradoxical of its specifics and binds them together.”²² Western scholars (Ted Robert Curr, John Ishijama, Breuning Marijke, Paul B. Rich, and others) have written extensively on the subject.²³

Interdisciplinary studies of the ethnos-politics-security triad are only just beginning;²⁴ and they remain fragmented to a large extent: the authors seem to be more interested in the bond between the ethnic component and politics²⁵ while others concentrate on the politics-security interconnection.²⁶

It should be said that the post-Soviet academic community has found itself in a situation when the basic binary “ethnos-security” opposition is studied in the regions with high conflict potential.²⁷

²¹ D.V. Dragunskiy, “Etnopoliticheskie protsessy na postsovetском prostranstve i rekonstruktsia Severnoy Evrazii,” *Polis*, No. 3, 1995, p. 40.

²² A. Andreev, “Etnicheskaia revoliutsia i rekonstruktsia postsovetского prostranstva,” *ONS*, No. 1, 1996.

²³ For the bibliography of these and other Western authors’ writing on ethnopolitical issues see: N.V. Koksharov, *Nationality. Ethnicity. Multiculturalism. Reference Book*, St. Petersburg, 2005.

²⁴ For more about the general state of studies of the ethnopolitical security issue, see: K.G. Allahverdiev, “Ethnopolitical Dimension of National Security and Globalization Challenges,” *The Caucasus & Globalization*, CA&CC Press, Sweden, Vol. 1 (5), 2007.

²⁵ See: *Etnicheskie i regional’nye konflikty v Evrazii*, in three books, Book 1, *Tsentral’naia Azia i Kavkaz*, ed. by A. Malashenko, B. Coppieters, D. Trenin, Ves mir Publishers, Moscow, 1997; M. Esenov, “Sovremenny politicheskiy protsess v Tsentral’noy Azii. Teoretiko-metodologicheskie aspekty issledovaniya,” *Tsentral’naia Azia*, No. 2, 1998; S.E. Cornell, *Small Nations and Great Powers. A Study of Ethnopolitical Conflict in the Caucasus*, Curzon Press, England, 2001.

²⁶ See: A.V. Makeev, “Politika i bezopasnost: vzaimosviaz i sootnoshenie,” *Vestnik MGU*, Series 18 “Sociology and Political Science,” Moscow, No. 1, 1998.

²⁷ See: *Zapadnaia Azia, Tsentral’naia Azia i Zakavkazie. Integratsia i konflikty*, Institute of Oriental Studies, RAS, Moscow, 1995; *Spornye granitsy na Kavkaze*, ed. by B. Coppieters et al., Ves mir Publishers, Moscow, 1996; *Severny Kavkaz-Zakavkazie: problemy stabil’nosti i perspektivy razvitiya. Materialy mezhdunarodnoy konferentsii*, Moscow, 1997; *Studies of Contemporary History and Security Policy*, Vol. 3, 1999, available at [http://www.fsk.ethz.ch/publ/studies/volume_3/Ayudin.htm]; B. Coppieters, “The Politicisation and Securitisation of Ethnicity: The Case of the Southern Caucasus,” *Civil Wars*, Vol. 4, No. 4, 2001, pp. 73-94; S.K. Kushkumbaev, *Tsentral’naia Azia na putiakh integratsii: geopolitika, etnichnost, bezopasnost*, Kazakhstan Publishers, Almaty, 2002; “Etnopoliticheskie aspekty bezopasnosti v konfliktnykh ochagakh i zonakh potentsial’noy napriazhennosti na Kavkaze i v Sibiri. Konferentsia, Krasnodar, 23-26 oktiabria

Not infrequently the results are politically biased and, to the detriment of academic objectivity, never go beyond the limits outlined by the ethnic elites.

I hope that theoretical and methodological discussions of the ethnopolitical security issue will go on. There is another fact that cannot but cause concern: practically nothing has been done so far to identify the systemic criteria of ethnopolitical security without which, strictly speaking, it is hardly possible to determine the subject range of the phenomenon under study and outline its borders. I believe that this is caused by the fact that the expanse described by the ethnopolitical security category:

- Goes far beyond the limits of mono-disciplinary studies, which makes its content slightly vague;
- Permits more theoretical and methodological interpretations;
- Has fairly low (let us hope, only for the time being) methodological support.

To overcome at least some of the above difficulties I shall try to quantify (parameterize) ethnopolitical security based, in the most natural way, on a poly-disciplinary component that includes: ethnological monitoring (applied ethnology), formalized methods of analysis of ethnopolitical situations and processes (ethno-methodology, ethno-political studies); instruments of ethno-sociological studies, cultural anthropology, the national security theory, etc.

We have to identify those systemic blocks that, while serving as the structural basis of ethnopolitical security, make it possible to group the key indices within them that might prove important when assessing its state. The specific set of key indices depends on the paradigm the researcher selects for himself.

It should be said in this connection that ethnopolitical security (alternative terms—security in the ethnopolitical sphere, ethnic aspects of national security, etc.) might be integral by nature, while its objective content, structures, and problem range cannot be explained within a single paradigm, approach, or principle.

For this reason it seems expedient to integrate (within the general complex approach) both the already existing theoretical lines (in political anthropology, the structuralism of Radcliffe-Brown and his school, etc.) and methods of calculation (indices, coefficients, and parameters offered by international and national research centers), as well as the factors that are not always taken into account as variables in the process of indexation and which may be of basic importance when assessing the country's ethnopolitical security.

The table below illustrates my approach to the problem and fills, at least to a certain extent, the vacuum in this field.

Table 2

Parameters of Ethnopolitical Security

Key Spheres	Key Indicators of Ethnopolitical Security
Ethnoeconomics	<ul style="list-style-type: none"> ■ Globalization Index²⁸ ■ Per capita GDP in the ethnic area as compared with the country's average

2003 g.," *Mezhdunarodnye protsessy*, available at [<http://www.intertrends.ru/three/014.htm>]; "Etnopoliticheskaia bezopasnost' Iuga Rossii v usloviakh globalizatsii. Vserossiiskaia nauchnaia konferentsiia. Regional'ny tsestr ethnopoliticheskikh issledovaniy (RTsEI) Daghestanskogo nauchnogo tsenra RAN (oktiabr 2007 goda)," available at [<http://kavkaz.uzel.ru/newstext/news/id/1199967.html>], etc.

²⁸ Calculations can be based on the globalization index from: [<http://www.atkearney.com/main.taf?p=5,4,1,127>].

Table 2 (continued)

Key Spheres	Key Indicators of Ethnopolitical Security
	<ul style="list-style-type: none"> ■ Per capita GDP in ethnic groups as compared with the ethnic area's average ■ Economic Optimism Index²⁹ ■ Index of Transnationality³⁰ ■ Relevancy of the ethnic division of labor (in the country and ethnic area) ■ Dominant type of ethnic migration (in the ethnic area and country) ■ Strategic resources in the ethnic area ■ Strategic communications in the ethnic area ■ Siting competitive economic sectors and enterprises (in the ethnic area and country) ■ Level of employment, in percent of the able-bodied population (in the ethnic area and country) ■ Poverty level (in the ethnic area and country) ■ Human Development Index³¹ ■ The Quality of Life Index³²
Ethnogeopolitics	<ul style="list-style-type: none"> ■ Geopolitical status of the country and ethnos ■ The country's type of ethnogeopolitical configuration: presence or absence of kindred states and ethnic territories on its borders ■ International Security Index³³ ■ War Index³⁴ ■ International Influence Index³⁵

²⁹ The Economic Optimism Index is a generalized index of the situation in the national economy calculated by the IBD/TIPP (see: "Economic Optimism Index. TechnoMetrica Institute of Policy and Politics," available at [<http://www.tipponline.com>]).

³⁰ The Index of Transnationality is an average of the relation between the volume of foreign assets and aggregate assets, foreign sales and the total volume of sales, and the number of those employed by foreign branches of transnational corporations and the total number of employed. For the calculation methods, see: *World Investment Report, 2006*.

³¹ Human Development Index (HDI) (see: [<http://hdr.undp.org>]).

³² Can be calculated from: *Politicheskii atlas sovremennosti: Opyt mnogomernogo statisticheskogo analiza politicheskikh sistem sovremennykh gosudarstv*, MGIMO-Universitet Press, Moscow, 2007.

³³ iSi Index (international Security index) is a universal index of international security used to demonstrate the extent to which the international situation differs from the *ideal* (taken as 4,210 points calculated according to a special methodology) where security is concerned at any given moment (see: *Tsentr politicheskikh issledovaniy. Rossiya*, available at [www.pircenter.org]).

³⁴ American historian Q. Wright has established an interconnection between the degree of ethnocultural communication and frequency of wars (see: Q. Wright, *A Study of War*, Chicago, 1941).

³⁵ See: *Politicheskii atlas sovremennosti*.

Table 2 (continued)

Key Spheres	Key Indicators of Ethnopolitical Security
	<ul style="list-style-type: none"> ■ Martial Potency Index³⁶ ■ Terrorism Index³⁷ ■ Membership in military-political blocs ■ Presence of “traditional” allies and enemies ■ Military bases of foreign states in the country or its neighbors ■ Ethnic Globalization Index³⁸ ■ Location of ethnos, ethnic area, contested ethnic territories in centers of world and regional geopolitical interests
Ethnopolitics	<ul style="list-style-type: none"> ■ Statehood Index³⁹ ■ External and Internal Threats Index⁴⁰ ■ Index of Procedural and Institutional Democracy⁴¹ ■ The state’s type of poly-ethnicity (ethnic tribalism, titular ethnos in the minority, poly-ethnicity, poly-ethnicity that tends toward ethno-domination, ethno-domination, monoethnicity) ■ Index of Ethnic Mosaic of a country (region)⁴² ■ Share of ethnic minority (minorities) in the country’s total population⁴³ ■ Ethnic area in the country’s territory ■ Ethnicity Index⁴⁴ ■ Location of ethnic areas according to the “center-semiperiphery-periphery” pattern

³⁶ The Ten-Point Martial Potency Index was offered by the British research associates of the Royal United Research Institute (RUSI) (see: [www.rusi.org]).

³⁷ Elaborated by American researchers of the Center for American Progress (see: [www.americanprogress.org]).

³⁸ From: V. Galetskiy, “Rossia v kontekste vyzovov demograficheskoy globalizatsii,” *Znamia*, No. 4, 2007, pp. 178-187.

³⁹ See: *Politicheskii atlas sovremennosti*.

⁴⁰ Ibidem.

⁴¹ Ibidem (see also: “Index of Democracy based on another group of variables,” *Tsentri izucheniia demokraticeskogo upravleniia*, available at [http://www.csdg.uiuc.edu]).

⁴² Suggested in 1976 by B. Ekkel (see: V.V. Sazhin, “Matematicheskie metody v sovetskoy etnicheskoy geografii,” *Sovetskaia etnografiia*, No. 1, 1989, pp. 122-127).

⁴³ See: “Minorities at Risk,” Center for International Development and Conflict Management. University of Maryland, available at [http://www.cidcm.umd.edu/inscr/mar].

⁴⁴ The Five-Level Ethnicity Index reveals the interaction between this factor and political involvement (see: P. Lien, “Ethnicity and Political Participation: A Comparison between Asian and Mexican Americans,” *Political Behavior*, Vol. 16, No. 2, 1994, pp. 237- 264, 242-244, 245).

Table 2 (continued)

Key Spheres	Key Indicators of Ethnopolitical Security
	<ul style="list-style-type: none"> ■ Type of settlement of ethnic minorities (dispersed, compact, mixed) ■ Index of External Status of Ethnic Area / Ethnic Minorities ■ Exploitation of the status of the ethnic area (ethnic minorities) according to the “loyalty-preferences” scale ■ Coefficient of ethnopolitical demands according to the “socioeconomic development-cessation” scale ■ Degree of internationalization of ethnopolitical conflicts ■ Dominant types of ethno-genetic processes (evolution and transformation; ethnic unification and division; ethnic consolidation, assimilation, interethnic integration and mixing, partition, separation and dispersion, etc.) ■ Autochthonous nature of the ethnoses living in the country or ethnic area ■ Ethnic nature of state power ■ Political rivalry among ethnic elites for representation in the institutional structures ■ Type of interaction of state power with local self-administrations in ethnic areas ■ Index of Ethnopolitical Activity of the Titular Ethnos, Ethnic Minorities (in the country and ethnic areas) ■ Level of ethnopolitical mobilization in the country and ethnic areas according to the “institutional-noninstitutional forms” scale
Ethnohistory	<ul style="list-style-type: none"> ■ Critical points of ethnogenesis of the main ethnoses ■ Historical continuum of ethnonational statehood (emergence, format, sustainable statehood, etc.) ■ Historical succession coefficient (changing ethnic composition of any given territory) ■ Coefficient of geohistorical mobility of external and internal ethnic borders
Ethnoculture	<ul style="list-style-type: none"> ■ Level of ethnic (national) awareness and self-awareness ■ Ethnic Self-awareness Index ■ Ethnic Isolation Index⁴⁵

⁴⁵ See: *Etnopoliticheskaia napriazhennost v Latvii: poiski putey razreshenia konflikta*, Riga, 2005, p. 60.

Table 2 (continued)

Key Spheres	Key Indicators of Ethnopolitical Security
	<ul style="list-style-type: none"> ■ Index of Openness of Ethnic (National) Culture ■ International Impact of National Culture Index ■ Index of Cultural and State Nationalism⁴⁶ ■ Model of the use of the national language (of titular nations, ethnic minorities, and diasporas) ■ Openness of Confessional Culture Index ■ Index of Confessional Milieu according to the “poly-confessional-metaconfessional-monoconfessional” scale

Some of the above parameters have already been tested and accepted by the political and academic communities; others are still being discussed and specified, as well as some of the viewpoints stated above. The task of this article, however, was not so much to formulate a rigid combination of empirical features—I have posed myself the task of formulating a research problem and postulating a possible systemic definition of ethnopolitical security based on a qualitative and quantitative description of its most important aspects.

This approach suggests several ways an integral system (ethnopolitical security is one of them) can be divided into its components. Still, any of their combinations should fit at least three criteria:

- Direct relation to the ethnopolitical security aspects;
- Possible formalization (quantitative, qualitative, and complex) of its parameters;
- Internal correlations among the components.

This means that ethnopolitical security requires adequate selection of its indicators, on the one hand, and positive correlation (in their selected sum-total) between the major spheres and structural components, on the other.

Changed Interconnections between National Development and Ethnopolitical Security

Academic writings have extensively covered the various dimensions of human civilization's new development stage known as globalization and offered all sorts of its interpretation: classical (political, economic, cultural, information); humanitarian (historical, human, demographic); geopolitical (military-strategic, spatial, energy), etc.⁴⁷

⁴⁶ Elaborated by Yandri Gua (see: V.N. Lukin, “Sovremennye strategii snizhenia riskov mezhdunarodnogo terrorizma: kitayskiy kul'turny natsionalizm,” available at [http://www.orenburg.ru/culture/credo/02_2006/luk.html]).

⁴⁷ See: A.I. Utkin, *Globalizatsia: protsess i osmyslenie*, Logos Publishers, Moscow, 2000; I. Wallerstein, *World-Systems Analysis: An Introduction* (Russian translation was published in St. Petersburg in 2001 by the Universitet-skaia kniga Publishers); *Grani globalizatsii: trudnye voprosy sovremennogo razvitiia*, Alpina Publishers, Moscow,

Those scholarly writings that offer differentiation of the development of nation-states and describe a much more pronounced ethnic nature of politics and security in various regions of the world look much more promising in the context of the present article.⁴⁸ For example, a group of American authors in their collective effort *Territoriality and Conflict in an Era of Globalization* has analyzed the “globalization-territory-conflict” triad⁴⁹ to convincingly refute the globalization myths about the “end of history,”⁵⁰ “end of geography,”⁵¹ etc.

Indeed, today all deliberations about the multisided and contradictory nature of the unfolding globalization processes have become a banality. It is growing clearer that today we need quantitative and qualitative analysis of globalization and its decomposition as a system for identifying its levels and interacting subsystems. In this way globalization can be described as a geohistorical process that encompasses, to varying degrees, all sides of public life and all regions of the world; it supplies them with varying development impulses and vectors depending on their “qualitative” state.

A simple verification of the interaction between the national development strategic aims discussed above and ethnopolitical security is one of the obvious truths. A scholarly approach to the problem calls for formulation of the questions related to the structural and factor dilemmas of interconnection.

The “**formulation of aims-subsidiary**” dilemma: are the national development aims and related strategies fundamental determinants of the transformation of ethnopolitical aspects in the security sphere, or vice versa, do the latter determine the strategic priorities and institutional design of the country’s national developments?

The dilemma of “**lineal-discrete**” interaction: is it of a direct lineal nature when any changes of individual parameters (ethnopolitical security, for example) cause inevitable transformations in corresponding national development indicators, or vice versa, is it of an indirect and discrete nature? This suggests that there is a functional “meta-field” of indicators in which the original impulses of ethnopolitical security are first accumulated to be sublimated into a qualitatively new impulse and only then are projected onto national development. In other words, will the skyrocketing “bread” prices (a development indicator) turn out to be the last straw before a revolutionary storm (indicator of security) bursts out? Those who write forecasts sometimes predict precisely this.

The “**space-time**” dilemma: which of the parts of this opposition of external factors that affects the systemic “national development-ethnopolitical security” interconnection is the dominant one: the specifics of a particular socio-natural expanse (so-called regional specifics) or the key development trends of the present historical continuum (so-called demands of time)?

I shall do my best to provide consistent answers to these questions. I should say, first of all, that any strategic activity realized, as a rule, within national limits rests on a hierarchy of aims. In a poly-ethnic state (most states are poly-ethnic) the hierarchy of aims should be inevitably correlated with the priority of either ethnic (social-group) or national (state, civil-political) principles of public life.

2003; V.I. Pantin, *Tsikly i volny global'noy istorii. Globalizatsia v istoricheskom izmerenii*, Moscow, 2003; D. Held et al., *Global Transformations: Politics, Economics and Culture*, Stanford, Stanford University Press, 1999, p. 8.

⁴⁸ The scope of writings on the issue is impressive. I shall limit myself to the most interesting of them: J. Eyvazov, “From the Traditional to Postindustrial State: Geopolitics and Security in the Globalization Era,” *The Caucasus & Globalization*, Vol. 1 (4), 2007; V.A. Achkasov, S.A. Babaev, “*Mobilizovannaia etnichnost*”: *etnicheskoe izmerenie politicheskoy kul'tury sovremennoy Rossii*, St. Petersburg, 2000; V.S. Malakhov, *Gosudarstvo v usloviakh globalizatsii*, KDU, Moscow, 2007; V.K. Levashov, “Globalizatsia i sotsial'naia bezopasnost,” *Sotsiologicheskie issledovania*, No. 3, 2002, pp. 19-28; Is there a future for the nation-state in an era of globalisation? If so, what future? (see: [<http://www.shaneland.co.uk/academic/ma/globalisationessay1.pdf>]).

⁴⁹ *Territoriality and Conflict in an Era of Globalization*, ed. by Miles Kahler and Barbara F. Walter, Cambridge University Press, New York, 2006.

⁵⁰ F. Fukuyama, *The End of History and the Last Man*, Free Press, 1992 (Russian translation appeared in Moscow in 2004).

⁵¹ R. O'Brien, *Global Financial Integration. The End of Geography*, London, 1992.

Those who tend toward the national principle argue that “ethnicity is depoliticized; the nation should be co-civilian, that is, exist in a political rather than cultural community of citizens.”⁵² Their opponents, on the other hand, insist on the principle of ethnicity because “even if the equal status of peoples and ethnic groups that live together in a poly-ethnic state is formally realized the ‘rule of the majority’ model inevitably includes certain parameters of ethnic competition and results, in a systemic way, in their hierarchy registered at the level of legal decisions and norms.”⁵³

It is too early to bury ethnicity, however we should admit that after its outburst at the turn of the 21st century instrumentalization of the ethnic factor gradually moved away to give way to the national-civilian legitimization of the social order that acquired political normative values. This trend will probably continue since the process relies, in principle, on the same substance that underlies ethnic activities, viz. the discrepancy between ethnic areas and political affiliations. This provided an answer to the “formulation of aims-subsidiary” dilemma: in future common national (state) aims will acquire clearer definitions.

Hence a logical question: what is behind the reverse movement from ethnic nationalism to state nationalism? Some authors explain this by the globalization factor since “in certain cultures the globalization processes stir up nationalist responses.”⁵⁴ Others (H. Kohn, L. Greenfeld, R. Brubaker, A. Smith, and others) distinguish between “ethnic” and “civilian” “nationalisms” in the globalization framework.⁵⁵ Benedict Anderson goes even further when he describes “long-distance nationalism,” that is, nationalism that no longer associates with living in one’s home country as one of the globalization effects.⁵⁶

While agreeing on the whole that globalization was a powerful catalyst for the ethnosocial and ethnopolitical processes, I am convinced that it is not merely a mega trend of the contemporary world in which the local has no borders while the global has no location,⁵⁷ but also a *mechanism-sphere* of self-structuring of the new social universum and the outline of a new civilization predicted by any number of authors.

The universal socially homogenous forms emerging under the impact of globalization are promoting a rapid increase in the number of very specific niches (points of bifurcation). They are completely transforming the definiteness of values, trends, and society of the past into the qualitative indefinitenesses of the present day. The ambiguous nature of the processes that are taking place in this mechanism-sphere, the vagueness of the notions used to describe it, and, on the whole, the obscurity of the globalization-born challenges and answers cannot bury the main thing: a new civilizational standard is rapidly coming into being complete with evolutionary trends and measurement parameters.

The “space-time” dilemma perfectly fits the above: indeed the “national development-ethnopolitical security” formula can be successfully conceptualized if spatial and temporal factors are taken into account. Which of these factors is the key one is still being discussed.

At the same time, the entire natural-historical course of human development testifies to the gradual weakening of the natural factor (territorial localization that determines, to a great extent, the

⁵² From V. Achkasov’s contribution to the round table “Etnopoliticheskie problemy v sovremennoy Rossii. 26 oktiabria 2005g.,” *POLITEX* journal, available at [www.politex.info].

⁵³ T.B. Beknazar-Yuzbashev, “Etnichnost, kolektivnaia identichnost i polozhenie etnomen’shinstv v smeshannykh soobshchestvakh,” in: *Prava cheloveka i problemy identichnosti v Rossii i sovremennom mire*, ed. by O.Iu. Malinova, A.Iu. Sungurov, Norma Publishers, St. Petersburg, 2005, pp. 203-214.

⁵⁴ E.D. Panarin, N.S. Mukhametshina, *Natsional’nye problemy na postsovetskoy territorii. Uchebnoe posobie*, St. Petersburg, 2001, pp. 51-52.

⁵⁵ For an analysis of the views of these and other authors, see: V. Koroteeva, “Sushchestvuiut li obshchepriznannye istiny o natsionalizme,” *Pro et Contra*, No. 2 (3), 1997.

⁵⁶ See: B. Anderson, “Western Nationalism and Eastern Nationalism: Is There a Difference that Matters,” *New Left Review*, Vol. 9, 2001, pp. 31-42.

⁵⁷ See: U. Beck, *What is Globalization?*, Cambridge, Polity Press. 1999.

closed nature of ethno-national societies) and to the gradually increasing importance of historical time that determines the differentiation of the ethnopolitical expanse and the inner hierarchy of its elements. It is for this reason that in the mutual translation of the “national development-ethnopolitical security” opposition the imperative of accelerating time, that is globalization, plays the role of the main actualizing factor.

By way of summing up the above let me stress the integral parameters of the dichotomy under study. It seems that the four following parameters can serve as points of bifurcation of globalization, at which the dialectical mutual transitions of national development and ethnopolitical security of the contemporary states take place.

Universalization of values. Culturologists, who have monopolized the subject, discuss it in the philosophical-culturological context because the stable cultural systems “cross the borders of social units and coincide neither with national nor state areas.”⁵⁸ The fact that budding global society produces a normative-axiological ethnically mixed system of its own that results in sociopolitical reductionism is frequently ignored. This creates a sort of a filter that permits purposeful selection of information, ideologies, and innovations. The “symbolic milieu” of individual segments of the globalizing world is universalized; there appears a “translator-language” of sorts used to describe the most important key priorities of national development and the security sphere.

Multivectoral development. It should be said that the various development dimensions offered by the U.N. and other international organizations in their documents include the thesis of social pluralism as an obligatory component. One can go as far as saying that Western political science rests on the conceptual “plurality” foundation: multi-component societies, pluralist democracy, pluralist political system, etc.

At first glance this looks like a contradiction: the idea of plurality is being made to fit the ideology of unitarianism of the globalizing world. There is no contradiction here: the higher the social plurality level the richer the social life and, consequently, the wider the aspects of its development. The higher the multivectoral index of national development the wider the social involvement in the globalization processes. In other words, by unifying the large structural blocks of the contemporary world globalization intensifies their inner differentiation. In economics this phenomenon is known as the Naisbitt paradox.⁵⁹

In this context the following descriptions of multivectoral development can be presented as the main ones:

- Optimization of the balance of aims proclaimed by different social segments;
- The diffuse nature of short-, mid- and long-term aims;
- The complex nature of outlining the aims and the resources used to promote development.

There is another, at first glance, unrelated aspect of the same issue. I have in mind the fairly widely accepted opinion that a mono-ethnic milieu is the best for the development of the state and the nation. I am convinced that artificial mono-ethnicity, which at first glance improves national security, launches numerous negative processes: increased authoritarianism and ethnic isolation, wider ethno-social gaps, closed societies, defective democracy, etc., which in the final analysis deprives the development and security concepts of any meaning. This means that the efforts of certain key international

⁵⁸ N. Danilevskiy, for example, called them “cultural-historical types,” A. Toynbee, “local civilizations,” O. Spengler, “high cultures,” P. Sorokin, “cultural supersystems,” A. Kroeber, “models of culture based on the highest values” (see: I.D. Kalandria, “Sistema obshchechelovecheskikh tsennoyev v dinamike i dialoge tsivilizatsiy v usloviyakh globalizatsii,” in: *Chelovek: sootnochenie natsional'nogo i obshchelovecheskogo. Sb. materialov mezhdunarodnogo simpoziuma [Zugdidi, Gruzia, 19-20 maia 2004 g.]*, Issue 2, ed by V.V. Partsvania, St. Petersburg, 2004, p. 114).

⁵⁹ See: J. Naisbitt, *Global Paradox: The Bigger the World Economy the More Powerful its Smallest Players*, Morrow, New York, 1994.

actors to promote the monoethnicity policy of certain small countries can hardly be described as constructive and conducive to a stable global world order.

The universal nature of security. I tend to regard it as one of the most important integral indicators relating to both national development and national security. I have already mentioned the security indices described in academic writings; they, however, are mostly used to determine the level of threats to international security. In the context of globalization the universal nature of security can be expressed by:

- Removing everything that divides strategic (global), regional, and national security and different security types;
- Creating a new philosophy of security based on a clear understanding of the mutual interdependence of all aspects of security rather than on the “own defense” conception;
- Changing the nature of security caused by the changing correlation between the military and non-military, direct and indirect threats, etc.

I believe that these globalization parameters include not only the doctrines of national development and ethnopolitical security, but also a wide range of obvious and latent problems of their interconnection. The latter is of special importance since national development and ethnopolitical security are not unidirectional. Traditionally, security as a whole is explained as protection of the current interests, institutions, values, territories and nation identities against numerous threats, while contemporary national development best illustrated by the post-Soviet states has changes, modernization, and integration of the same security attributes as its aim.⁶⁰

Political science and political practice traditionally derive the priorities of ethnopolitical and national security from the state's and nation's (ethnos) vital interests. Globalization has changed the system of reckoning by introducing the human dimension into it. As distinct from the security sphere national development is humanist-oriented from the very beginning. Under the globalization imperatives the state strategy of realization of national aims turns out to be dependent on the possibilities and wills of other entities of the global community. The multivariable dimension of the national development strategy and ethnopolitical security phenomenon is open to criticism since their quantitative descriptions (where they are possible at all) provide a mass of empirical data, but do not explain their interaction.

This raises several questions. Does systemic modernization of society aimed at a higher democratization index strengthen or undermine ethnopolitical security? We all know that one of the reasons why the Soviet Union fell apart was the policy of synchronized political and economic reforms launched in the latter half of the 1980s that increased ethnopolitical tension. Does the political stability index describe the political regime as democratic or authoritarian or the state of ethnopolitical tolerance in the country? To what extent and in which forms can the dynamics of the circulation of the political elites index affect realization of the national development aims?

These questions are more confirmation of the need to study and create integral indices to reflect both positive and negative correlations among the parameters of national development and ethnopolitical security, especially when they cross certain threshold values.

C o n c l u s i o n

I have not posed myself the task of offering a fundamental and comprehensive investigation of the issues discussed in the article. I was guided by much more modest aims: to demonstrate that the

⁶⁰ The philosophical approach to the nature of security is best presented in N.N. Rybalkin, “Priroda bezopasnosti,” *Vestnik Moskovskogo universiteta*, Series 7, “Philosophy,” No. 5, 2003, pp. 36-52; idem, *Filosofia bezopasnosti*, MPSI/Bagira-2, Moscow, 2006.

global changes going on in the world, especially in the post-Soviet states, call for new systemic indices to generalize different sides of the same problem in order to use them for a comparative analysis of countries and regions.

The problems of the national development strategy and ethnic security discussed in this article have been theoretically substantiated in academic writings, but have not yet been used in practice. This explains why my understanding of the interconnection between the national development strategy and ethnopolitical security was aimed at revealing the ambiguous and multivariable nature of their dialectics in order to receive clearer answers to the globalization challenges.

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THE IRANIAN PROBLEM AGAINST THE BACKDROP OF THE RUSSIA-U.S. RELATIONS AGGRAVATION

A b s t r a c t

The article gives an analysis on the Iranian problem from Russian and American perspectives with an emphasis on possible areas of cooperation and confrontation as well as their stance on the Iranian problem as a whole. The author points out the two states have an important legacy of

preventing proliferation of which they should be proud. It is a legacy that should be revived and focused on the core proliferation threats in Iran and elsewhere before the nuclear confrontation of the Cold War is replaced by a broader nuclear competition the two states will not find as easy to control.

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

The author notes that even in the depths of the Cold War, the United States and the Soviet Union often worked together to halt the spread of nuclear weapons to new countries. Now, both countries realize that Iran's nuclear program is more advanced than supposed before and may be aimed directly at creating nuclear weapons in the next few years. The article says that the current political line has nothing to slow Iran's ability to produce nuclear weapons, so new approaches and better coordination are urgently required before it is too late.

U.S. Stance on the Problem

Iran has become an obsession with the Bush administration. It has also emerged as a major issue in the foreign policy debate for the U.S. presidential candidates. While some Democrats are accusing Bush of raising the specter of a global war, Hillary Clinton has opted to give the president “a virtual blank check.”

No matter the U.N., the U.S., the EU and Russia have been continuing efforts aimed at the full scale freezing of the nuclear program, Iran continues to ignore the international calls for termination of uranium enrichment.

The U.N. Security Council has introduced sanctions twice (December 2006 and March 2007) for refusal to stop the nuclear program though Iran insisted the program was destined for nuclear stations fuel production.

The U.N. 1747 resolution saw light on 24 March, 2007. It toughened sanctions against Iran and was a follow up to the resolution 1737 of 23 December, 2006 calling for the program termination.

As a response to the resolution 1747 Foreign Minister Manouchehr Mottaki said, “the world was to know no sanctions, no matter how tough, had a chance to make Iranian people relinquish their legitimate rights.” He said, “the suspension of the program was not on the agenda.”¹

The given circumstances complicate the issue and make it a tall order. Is a solution feasible? If there is a will there is a way. Iran is adamant in taking away an unjust preliminary condition, that is, the enrichment termination. Getting rid of the condition could bring it to the negotiating table again. U.S. State Secretary Condoleezza Rice made known the U.S. official stance. She said, “as an independent state Iran has a right to have a peaceful nuclear program. It’s not peaceful use of nuclear energy that is in focus, but rather weapon grade uranium enrichment that is a matter of concern.”²

The U.S. insists on introducing new sanctions till Iran stops the program and delivers detailed information on it.

It even went a bit further in October 2007 imposing new economic sanctions against Iran encompassing over 20 banks and natural persons the U.S. private organizations and natural persons are banned to have financial deals with. The Iranian Revolutionary Guard Corps came under sanctions too. Not long ago it was declared a terrorist organization by the U.S. The Corps has about one third of the Iranian economy under control, including oil and gas fields, vehicle assembly, media.

Washington is consistent in its policy—new economic sanctions are to damage Iran significantly and prospects to worsen relations with the U.S. will frighten away foreign companies from Iranian markets. Republican congressman Chris Chays says “being against war he believes in sanctions taking effect.”³

Nevertheless, many Americans remain skeptical of U.S. allegations against Iran’s nuclear program. In an op-ed piece, Scott Ritter, a former U.N. arms inspector, asserted that “a careful fact-based assessment of Iran demonstrates that it poses no threat to the legitimate national security interests of the United States.”⁴

The U.S. and allies are to go on exerting double pressure: The EU-Iran talks and U.N. Security Council approved sanctions. The allies have worked out a plan that envisages trade benefits and civil nuclear energy support in exchange for giving the nuclear program up. The U.S. thinks the Iranians should simply abandon fuel cycle, enrichment and processing—the things that may lead to nuclear technology acquisition. It’s Iran who hinders the diplomatic process.

As many U.S. politicians believe all this is to finally bring Iran from confrontation to negotiations. If not, State Secretary Condoleezza Rice should step aside to give way to those who think the time for diplomacy is over.

¹ [www.strana.ru], 25 March, 2007.

² *The New York Times*, 27 August, 2006.

³ [http://usinfo.state.gov/], 4 October, 2008.

⁴ T. Fatemi, “Growing Russian-Iran Ties,” *DAWN-Editorial*, 30 October, 2007.

As Washington said not once, Iran, probably, remains “the only and the most serious challenge to the U.S. security in the region, but the diplomatic settlement of the Iranian nuclear issue would be preferable. Iran may be the greatest challenge for the U.S. not in the Middle East only, but, probably, in the whole world, because the interconnection between terrorism supported by Iran, internal repressions and nuclear program on the way is a very inflammable mixture.”⁵

More than this, the U.S. says the danger coming from Iran is not limited by nuclear issue only. The country is an arms provider and financial donor of Middle East terrorists. As Washington views it, Iran strives to become the leading military force in the Middle East and it supports Hezbollah, Hamas, Palestine Liberation Front—Chief Command, Islamic Jihad and others for the purpose.

The well-known 3 December, 2007 U.S. intelligence report says Iran is not going through with its military nuclear program at present. As the report says Iran suspended nuclear arms program in 2003 as a result of international pressure. The U.S. intelligence thinks there is a high probability no military nuclear program was underway in the summer of 2007 though Iran has the potential to acquire nuclear weapons in case the leadership takes a decision.

When it comes to Iran Washington takes into consideration the fact that Iran is the world’s fourth-largest oil producer after Saudi Arabia, Iraq and Kuwait, and that it has the second largest gas reserves after Russia.

In this respect it should be said that in the past few years, a combination of international sanctions and internal technical and political problems has hindered both gas production and development of Iran’s energy sector. But surging gas prices have spurred foreign interest in Iranian reserves. Tehran has been pursuing a more energetic gas policy, indicating its readiness to cooperate with the European Union, which, eager to diversify its gas supplies, is increasingly willing to separate political from economic questions in relations with Iran.

In this respect the Nabucco project should be mentioned which Europe and the United States view as the main prong in the drive to diversify gas deliveries to the EU. It was initially designed to pump gas from Iran’s Caspian coast to Europe, bypassing Russia.

Aware of its critical importance for Nabucco, Tehran has become more active on the gas market. Iranian Foreign Minister Manouchehr Mottaki said during his visit to Bulgaria shortly after Russia and Bulgaria signed the South Stream contract in late February 2007 that Iran’s involvement in Nabucco was “a possible sphere of cooperation with the EU.”

Iran’s advance to the European gas market and its plans to develop its gas reserves could well disrupt the balance of interests on the market, which European consumers question anyway.

Coupled with U.S. plans for developing Iraqi gas reserves, Iranian gas could provide the requisite supply for the Nabucco project. This may be hypothetical at the moment, but the mere existence of potential gas reserves for the pipeline may encourage Russia to step up the South Stream project.

Meanwhile, Iran is playing on the EU’s desire to ease its dependence on Russia and save money. Also there is a strong possibility that Iran may reroute its gas supplies to China, Pakistan and India. Why should it wait for the United States to change its attitude when there are potential clients in the east with huge energy requirements who will not be swayed by Washington?

Russian Attitude to the Problem

On its part Russia realizes Iran is given a choice between cooperation with the world community or continuation of uranium enrichment and, correspondingly, further isolation. The chief Russia’s

⁵ Ibid., 24 February, 2006.

concern is the possibility of Iran pulling out of Non-Proliferation Treaty and breaking relations with IAEA in case it's driven to the wall. That's why, while on a visit to Iran in October 2007, President Putin noted that "Russia was a sole country to help Iran implement its peaceful nuclear program and stressed the importance of Iran's membership in NPT."⁶ Its patience Moscow calls for, saying Iran still may strike a deal with the world community. Moscow notes the November 2007 IAEA report said that Tehran had cooperated with some of IAEA inspectors in some areas and provided for more transparency.

Currently American policy on Iran is commonly perceived in Russia as designed not against nuclear proliferation, but against the Iranian regime. On this issue, Moscow believes it is entitled to its own policy tastes. Perhaps the Russian view of an acceptable enhanced enrichment capacity is tacitly shared by the IAEA, China and India, while the EU would probably be deeply split on this issue.

That's why an intriguing turning point in the Russia-U.S. geopolitical game started to loom. U.S. State Undersecretary Daniel Fried dropped a hint "the U.S. may become more attentive to Moscow's BMD concern and curtail the European element of the program in case Russia makes Iran curtail its nuclear program."⁷

To some extent it can be considered as a response to the Putin's October 2007 open air statement that said "Russia would respond accordingly if the NMD plans don't take its concern into account."⁸

The Iranian problem was discussed by our presidents in Pusan (S. Korea), at APEC 2005 summit, 2006 and 2007 G8 summits.

The issue had been discussed by president Putin with the president of France, U.S. secretaries of State and Defense, chancellor of Germany. Upon coming back from Iranian visit President Putin received prime minister of Israel. So one can say, Russia is in close contact with the leading players. It is in Tehran President Putin made an attempt to find a compromise. The gist of it is: Iran stops the enrichment, Russia blocks new UNSC sanctions. The proposal was supported by Washington. The Iranians could have civil use nuclear potential sending the used nuclear fuel back to Russia to prevent enrichment. So far, Iran has been refusing the proposal but it can be changed.

We can't speak about Russian approach toward Iran without mentioning Russian political, economic and security interests concerning Iran.

Russian political interests are:

- from the beginning of the 1990s, Iran has been a traditional political partner of Russia in restraining the Sunni radical groups, primarily in the Northern Caucasus, making it impossible to isolate Armenia, working for a peaceful settlement in Tajikistan, and also actively assisting in the overthrow of the Taliban regime in Afghanistan;
- preservation of partnership relations with Tehran—one of the conditions for substantial Moscow influence in the region of the Middle East;
- Iran, as a regional competitor of Turkey, significantly weakens its influence, initially in the Southern Caucasus where Moscow's position is not strong enough, especially since the significant rise in prices for Russian energy carriers (Iran is an alternative source of energy resources and at least 20 million ethnic Azerbaijanis live there).

Russian economic interests are:

- an important trading partner (annual trade turnover has reached \$2.2 billion) in the sphere of high-technology products, as well as in the extraction (transportation) of oil and gas, construction of the railway component of the "North-South" project, and also in the area of food-stuffs and the supply of light industry commodities;

⁶ *The Moscow Times*, 16 October, 2007.

⁷ [<http://usinfo.state.gov/>], 27 November, 2007.

⁸ [http://www.rol.ru/news/misc/newssng/07/10/18_083.htm].

- third most important importer (after China and India) of arms (in November 2005 a contract for delivery of Tor-M1 anti-aircraft missile systems to Iran was signed, at a value of around \$1 billion);
- a large importer of atomic energy products (the value of the contract for further construction of the energy reactor in Bushehr came to \$800 million; around 300 Russian companies were involved in that contract resulting in approximately 20 thousand jobs; the Iranian leadership has requested the construction there of two more Russian energy reactors).

Russian security interests are:

- because of territorial proximity, armed conflict between any country and Iran could lead to destabilization of the situation, first in the South Caucasus and later in the Northern Caucasus (the population of each of the Southern Caucasian republics is many times less than in Iran, under heavy aerial missile bombardment the flow of Iranian refugees could come to millions); as a result of this there would be a huge zone of destabilization and would heavily damage the economy of the whole region;
- Russia, China and India have found themselves facing a complicated choice: either to support the West in putting growing pressure on Tehran and at the same time weakening their positions among the Muslim world countries, or to aggravate their relations with the West and risk the prospect of creating global bipolarization;
- continuing conflict over the Iranian nuclear problem will inevitably lead to a split in the anti-terrorist coalition and strengthen the positions of radical groups in the Muslim world;

Thus it seems that it is very important for Moscow to secure its partnership relationship with Tehran, that is why Russia is against the introduction of economic sanctions against Iran pursuant to a decision of the U.N. Security Council. At the same time, Russia holds a pragmatic position and has no intention of harming its relationship with the West to please Tehran.

Russia did take a reasonable position both times the two UNSC resolutions were taken. It voted for sanctions and demonstrated its readiness to give priority to common sense over economic interests, no matter the voices in Russia were raised for the continuation of nuclear cooperation because of importance of the Iranian market. Some see the affirmations that Iran poses a bigger threat for Moscow than Washington as empty rhetoric. There is an opinion that Iran poses no danger to Russia whatsoever. In the 1980-1990s there was some talk about mutual ideological threat, but at present Iran is no adversary from any point of view, it's not even a competitor. It's a long time Iran became a European mineral resources provider, but in no way it hinders Russia's interests. On the backdrop of Russia's claims to the U.S., including sanctions against enterprises selling conventional arms to Iran, meddling into the CIS affairs, especially color revolutions support, deployment of NMD elements in Europe, Moscow's recent assertiveness on the international arena, Moscow may revise its Tehran policy in favor of economic benefits of Iranian market presence.

Despite the fact that Moscow has historical and geographical reasons to pursue a good neighborhood policy with Tehran and it benefits greatly from sales of arms and other manufactured products to Iran it seems that Russia will have to consider carefully where to draw the line on such sales. Transfers of nuclear or ballistic- missile technology is likely to draw the ire of the U.S. and its allies unless reform in Iran is so extensive that its capabilities would be viewed as less as a threat. Russian nuclear and missile technology transfers to Iran could damage the extent of cooperation with the West on other more important European issues. Some Russian experts in security area are convinced that technology transfers to Iran could backfire by directly or indirectly arming Islamic elements that might eventually turn their attention to Russia.

Brenda Shaffer of the Washington Institute for Near East Policy calls Russia and Iran "partners in need," motivated mainly by three ends: curbing U.S. influence, maintaining a multipolar world, and undermining U.S. efforts to sideline both states (take, for example, the new Baku-Tbilisi-Ceyhan

pipeline which skirts both Iran and Russia). Yet Michael Eisenstadt, writing in *Arms Control Today*, says cooperation between the two countries “is driven as much by fear and mistrust as it is by opportunism and shared interests.”⁹ Regardless, closer Russia-Iran ties pose challenges to peace in the Middle East, analysts say, especially if Iran goes nuclear over the next decade.

Hence, probably close to 100 percent of the Russian political elite and strategic community would reject the use of economic sanctions or military force to prevent Iran from developing an experimental uranium enrichment capacity under full IAEA safeguards and squarely within the provisions of NPT. This limited capacity keeps Iran at least ten years from being able to produce nuclear weapons. Moreover, though the position of the Russian elite on this subject may differ from that of the Bush Administration and Israel, it is apparently quite close to the views of EU “Troika”, the IAEA, and the democratic opposition in the United States, to say nothing of China and India.

By demanding the immediate cessation of Iranian enrichment activities, Russia is following its own economic and security interests and is demonstrating cooperation with the United States (and the West in general) on nonproliferation. By opposing U.N. sanctions and U.S. military force, Moscow is accommodating its interests in cooperation with Iran and in avoidance of the inevitable economic, political and security damage of war.

Thus the Russian course has made war less likely, or at least postponed it for some time, and it may have somewhat slowed down, but certainly not stopped, Iran’s gradual movement toward a full nuclear fuel cycle.

U.S. arguments that Iran is a “threat” will not have much of an effect on Russia’s policy line. Russia sees this argument as very weak bearing in mind American unsuccessful experience in Iraq and Afghanistan.

If Iran really is the top priority of U.S. foreign and security policy, then Washington’s overall approach to the region, its broad policy toward Russia and China, as well as the treatment of nuclear nonproliferation and disarmament, must be profoundly changed.

The main question is—How do you convince Tehran?

Only one thing—the realization in Teheran that the refusal means count down for U.S. military action.

Russia cannot get away from it now, even if its efforts bring no immediate result. To the contrary, Russian diplomacy should act intensively, in close cooperation with the Eurotroika (Germany, Britain, France), China—a standing, veto-wielding UNSC member and, of course, the U.S.

From Russia’s point of view a nuclear Iran is less dangerous than the action against it, which could destabilize Pakistan. What Russia is really afraid of is terrorists laying their hands on nuclear arms. Hardly U.S.-U.K. forces would be able to reliably neutralize the nuclear potential after a coup-d’état in Pakistan. This scenario is closely tied to the aggravation of the situation in Afghanistan, the aggravation that could get back the same security problem for Russia that, as it seemed then, vanished in 2001.

The two scenarios are unacceptable for Russia. The first—a nuclear capable Iran, that changes the correlation of forces to the South and brings the region on the brink of a nuclear war, or provokes a U.S. (or U.S.-Israeli) military action. The last one—that would retard the program but will make nuclear capability acquisition inevitable. The follow up—the growth of Islamic radicalism in Afghanistan, Iraq, Pakistan, Palestine that could spill over to the Caucasus and Central Asia.

As Moscow views it, it’s not nuclear capability to neutralize Israel that Iran is after but the recognition of the regional power status. Such a recognition with corresponding guarantees could make Iran suspend the program without going the whole hog.

Looks like the Bush administration will not do it, but if the U.S. recognizes the Iranian interests as legitimate, if Washington restores the relations, takes sanctions away, lifts bank accounts freeze...

⁹ *Daily Analysis*. “Russia, Iran: Brothers in Arms,” 1 November, 2007.

may be Iran will embrace a compromise that would envisage the continuation of nuclear program, but accepting military use prevention conditions. It's unacceptable for the U.S. at present but it can change with the new administration coming to Washington.

And though many in Washington still suspect Russia of double play and are ready to list it as a problem country, like Syria, Venezuela and Iran, suspecting it of dragging time to neutralize the U.N. and help Iran acquire nuclear arms, the U.S. cannot but realize the opportunity window is going to shrink, so it's more blessed to find common rules of the game and understand that Washington cannot handle it all alone. The best prove is U.S. policy drawbacks in Iraq and Afghanistan, the Middle East, abrupt rise of federal budget deficit and trade deficit, the overall overextension of potential. Besides, some analysts say the U.S.-Iran position is becoming more flexible and the threshold of preliminary requirements for starting talks is getting lower.

Moreover, it's more and more clearly recognized in Brussels that Iran will never agree to freeze the enrichment fully. So it's rather "new interpretation of enrichment" that is on the agenda. That is the nuclear program is partially preserved but no real enrichment takes place.

That's why the Washington's stance on Russia concerning the Iranian issue has gone through some changes. Deputy Assistant Secretary of State David Kramer says "Russia could play an important role because its relations with Iran are more friendly. The U.S. could use these relations in order to exert influence on Tehran in the interests of the world community."¹⁰

Russia should use all possibilities, including diplomatic accords, supported by real guarantees. To intensively work along with the EU and the U.S. in order to reach a solution of the Iranian problem. A new Russia-U.S. working group may become a useful tool of coordination and better understanding. We need each other to achieve success in the 21st century, only united we can guarantee normal, calm existence on the regional and global scale.

C o n c l u s i o n s

To sum up, the United States and Russia should revise an idea that nuclear weapons will not be used to threaten states having no nuclear weapons or effective nuclear programs. Since the end of the Cold War, both the United States and Russia have concentrated on factors under which they would be willing to use or threaten use of nuclear weapons. It is time the two countries recognize that such a policy has negative implications that could drive states to acquire nuclear weapons.

To his thinking, it's only multilateral efforts that security and stability can be achieved through. First of all, it applies to such global threats as international terrorism, weapons of mass destruction proliferation, religious fanaticism and the phenomenon of rogue states. At the regional level Russia-U.S. cooperation is an imperative for laying down a basis for stability in the Middle East and adjacent territories, including Afghanistan and Central Asia.

The article concludes that the goal of the Russian policy is to establish relations with the U.S. and EU on equal footing. Equal and, if possible, partners like. The success depends on what's achieved in the field of Russian economy's modernization, its integration into the world economy as a reputable competitor, as well as the social and political progress of Russian society. Russia has no aspiration to become the second Pole, a U.S. opponent. But as for a power center, independent from the U.S., Russia is already the one.

¹⁰ [<http://usinfo.state.gov/November17,2007>].

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THE MAKING OF EUROPE¹ (TOWARD HISTORY OF GLOBALIZATION)

A b s t r a c t

With the European Union making the rapid steps forward, there has been a permanent demand for precise knowledge of history of unified Europe. One still wonders how did the Romans manage to build Pax Romana, which was a bit more a commonwealth than an Empire. With Western and Eastern Europe now motivat-

ed firmly to build a common European house, these ideas seem to be quite interesting. As to Georgia, being a member of the Council of Europe, moving rapidly toward NATO, she had the same aspirations toward the Graeco-Roman World. This article deals with what can be labeled as making of Europe.

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

Europe is a special term for the part of the earth, which stipulates, in the main, the same level of the consciousness. An idea of the European integration is a fixation of this reality. Notwithstanding some crisis, a level of the Georgian culture seems to be still European. Occidental aspiration of the country should be considered as normal. An idea of the European integration and of Georgia, as its participant, is a perspective conjuncture. Is this something very new? If not, it should not be

¹ The Author is largely indebted by the general works about European integration. Some of them are cited here: *Prosopographia Imperii Romani Saec.I. II. III*, Paris, VI, Consilio et Auctoritate Academiae Scientiarum Berolinensis et Brandenburgensis, Iteratis Curis Ediderunt Leiva Petersen, Klaus Wachtel, Adivvantibus M. Heil, K. P. Johne, L. Vidman, Berolini, Novi Eborau, MCMXCVIII; A.N. Sherwin-White, *The Roman Citizenship*, Clarendon Press, Oxford, 1939; Second edition, Oxford, 1973; D. Braund, *Rome and the Friendly King. The Character of the Client Kingship*, Beckenham, Kent, Fyshwick, Australia, 1984; F. Braudel, *A History of Civilization*, Printed in the U.S., 1995; K. Rosen, "Die Geburt Europas," in: *Das Mittelmeer—die Wiege der Europäischen Kultur*, Bonn, 1998, pp. 10-25; K. Held, "Die Entdeckung der Welt bei den Griechen als Ursprung Europas," in: *Das Mittelmeer...*, pp. 26-45; H. Galsterer, "Einheit und Vielfalt im Römischen Reich," in: *Das Mittelmeer...*, pp. 115-129; G. Alföldy, *Das Imperium Romanum—Ein Vorbild für das Vereinte Europa?* Basel, 1999; K. M. Girardet, "Bundesstaaten im Antiken Griechenland und das Römische Imperium als 'Supranationale' Ordnung—Modelle für Ein Vereintes Europa von Morgen?" in: *Europa. Traditionen-Werte-Perspektiven, Beiträge zu Einer Ringvorlesung der Philosophischen Fakultät der Universität des Saarlandes in Sommersemester 1999*, St. Ingbert, 2000, pp. 13-48; B. und H. Galsterer, "Romanisation und Einheimische Traditionen," *Xantener Berichte*, B. 2, Köln, 1992; *Kolloquium in Xanten*, 2-4 Mai, 1990, pp. 377-387; S. Runciman, *The Fall of Constantinople 1453*, Cambridge University Press, Cambridge, 1996; J.J. Norwich, *A Short History of Byzantium*, Published in Penguin Books, 1998.

revised at all. The first very clear pan-European perception is the Hellenic phenomenon. And Colchis (i.e. Western Georgia, the country the Golden Fleece was stolen from) was exactly a part of the Hellenic World. In the 2nd-1st centuries B.C. Hellenistic Pontus and Colchis formed one state. And Gnaeus Pompeius put Colchis within the Roman hegemony. The Roman Empire, as well as Byzantium, should be thought to be very nice examples of the European integration. And the Christianity is a certain badge for the European countries. Byzantium and Georgia were regarded to form unique Orthodox space; that is why even their monetary types are unified—with Cross Potent, Virgin Orans, Jesus Christ Pantocrator on the money. The Georgian kings claimed their Imperial titles like Kuropalates, Sebastos, Caesaros etc. Imperial crown is a familiar trait for the 12th-13th centuries Georgian kings. From the 16th century Russia started to realize her function of a predominant within the Orthodox World. Georgia was subjugated to this hegemony from the 19th century. But in the 18th century king of Eastern Georgia Heraclius put the double-headed eagle, already coat of arms of the Russian Empire on his money. So, Georgia has been a permanent subject of the European Integration, and the modern aspirations of the country are very logical. Now, in details.

History of the European Integration

Climate determines economics. Hot and less humid environment defines an early advantage of the South over the North—indeed, the Egyptian state and the crafts confront entirely the primitive clan-system which existed in fact everywhere. Then the whole situation was changed. Times after, some technical improvements toward the North created a very comfortable vegetation process, while the Egyptians still needed time to put the seed beyond the reach of the sun. In the 9th-8th centuries B.C. the Greeks are already in the vanguard by means of the techniques and the structures. The countries being superb before, like Egypt and Babylon, or India, now face a new hegemonic power—Hellas, already overpopulated and needing grain and the raw materials to be imported. Then the perception of Europe has appeared. Europe is a special term for the part of the earth, which stipulates or will stipulate the same level of development. Even Scythia with its rough spring was thought to be more reorganized in the Greek manner than those countries which needed the additional finances for irrigation. So the making of Europe started.

The Greek pattern was as follows:

1. occupying or even frequently being invited to the key-points of other economic structures like Caria, Thrace, Bosphorus or Colchis;
2. establishing the autonomous Greek social structures granted heavily with the techniques from metropolis;
3. the natives being equipped with the best tools for agriculture;
4. the Greek industrial structures maintained on this background;
5. exporting supplies to Hellas and receiving back some industrial goods.

The Aegean and the Pontic (the Black Sea) areas were supposed to form once unique economic space. Economic integration considered several stages to be realized: first it was Asia Minor, in fact mistakenly called so, to be Hellenized due to climatic similarity with Greece, then—West, North and East Black Sea countries. Two major waves of the colonists passed from Hellas—first one in the 8th-6th centuries B.C., and the next—in the 4th century B.C. led by Alexander the Great. Asia Minor was a complete victory of Hellenism, even being integrated politically under Mithridates Eupator, king of Pontus, as far back as the 1st century B.C. The Roman overlordship gave a new sense to the economic prosperity of the Greek World. And at last the Byzantine metropolis was created with

all that languages like Lydian, Cappadocian etc. vanished forever. But there were the serious failures too. Colchis offered a dangerous humidity to the Greek way of life. The Greeks living there had no chance to keep their industrial spirit as the agriculture developed very slowly. Soon the Greek community became a bilingual one, and after—totally assimilated within the Colchian society. As to Bosphorus, a corn-supply from Asia Minor to Greece had broken the traditional scheme, and the region soon lost its Greek style. And the case of Thrace was a certain conflict with the new concept of Europe.

The Romans did the same job for Gaul and Spain, putting the Latin population there and Romanizing these sites. They also cared much about their Greek colleagues in making Europe—starting from the 1st century B.C. the Romans were running the whole administration within the Hellenistic World, while the Greeks used to build their integrated industry. Then the whole system collapsed.

Indeed, Italy never cared much for a maximum of technical improvement and power revolution. The result was catastrophic—a dangerous growth of population in Italy, insufficient economic progress, the high prices on the Italian industrial export, cheap supply from European provinces, indecisive military advantage of the metropolis over the provinces; the Roman imperial system vanished, Italy being forced to the heavy Gothic reception. New Europe will pay its special attention to the technical progress employing more and more hands in a heavy industry. But what was supposed to be done with starving Italy?

East Rome (Byzantium) possessed the prominent food stocks from Asia Minor and Egypt. Emperor Justinianus put Italy within the Byzantine hegemony. But Byzantium herself was also a very old economic pattern. And Europe struck with the Slavs and the Bulgars penetrating beyond the Danube and establishing their national states in Thrace, Moesia and Dalmatia. The Asiatic provinces were lost too. From this very point on Byzantium had been steadily degrading still being a predominant for East Europe and the Black Sea countries. Besides the Byzantines kept some of the Italian provinces, thus irritating the rest of Europe and provoking the emergence of Catholicism and Holy Roman Empire.

An idea of the Transcaucasian and Pontic transit of the Asiatic goods was also very important one. As far back as in the 4th century B.C. Alexander of Macedon took the Graeco-Macedonian armies toward the very heart of Asia, and there, particularly in India, the Europeans tasted the spiced meals for the first time, and they decided that their life would be dull without pepper. So, one could buy some spices for, perhaps, a drachm in the valley of Indus, and sell it in Rome, or maybe, in Athens for hundred. The profit from the trade was very handsome. In all there had been the following routes toward India—1. Maritime route—from the Red Sea ports of Egypt via the Indian Ocean toward Malabar coast. 2. Transiranian transit. 3. The third route was amazingly cheap, for it was river-route via well inhabited and supplied districts, the city of Phasis (Poti, Western Georgia) being a starting point together with a mouth of the river Phasis (Rioni), very comfortable for the large boats. Rioni is prolonged by the rivers Kvirila and Dzirula toward the Likhi mountains. They divide Georgia into two parts: the West (Colchis), and the East (Iberia). The merchants used to climb to the mountains, and then board again at the Kura-river boat-station in Eastern Georgia. A voyage down the river toward the Caspian Sea was swift and lovely. And the Caspian Sea could be easily covered in eight days on a large boat. One could find the river Amu Darya (Oxus) in the past joining the Caspian Sea in its South-Eastern section. Amu Darya-Balkh (Bactra)-Indus is the last section of the route. And the Greek merchants were already in the wonderful country of a leisure and the spices, in the homeland of Buddha. The Greeks and the Romans, the Byzantine soldiers and merchants were in Georgia for the transit purposes and within the frames of early European integration. From the 2nd century B.C. the Chinese started to send the silk caravans via Chinese Turkestan. Then the usual Transcaucasian and Pontic transit took place. This route was cheap, but—very fragile. As soon as Iran recovered from the Hellenic onslaught, she cut the route organizing the Caspian fleet.

Till the 11th century Byzantium had been a handsome and dominant power, the champion of Christendom against onslaught of Asia and Islam. But she was already very old European pattern of the Mediterranean trying to control North. Soon the Empire found itself caught between two fires—the Crusaders and the Turks. Byzantium had to be calmed finally. The Crusaders (after 1204) and the Turks (after Manzikert, 1071) did this job properly overpopulating the country. Toward the end of the 13th century Byzantium is nothing but a lot of principalities with very different confessional visages (Orthodox, Catholic and Muslim). Orthodox World starts disputing about a new leader, Serbian, Bulgarian and Georgian kings assuming formally the title of Caesar and Autocrat (and before the Georgian kings formally had been hailed as king and Kuropalates, king and Sebastos, even sometimes, king and Caesars). The Italians were more pragmatic. Seizing the whole islands and the key-points over the Aegean and the Black Sea, they will control the complete output there until the 15th century. This was a disaster for building of Europe. Within the Holy Roman Empire Italy had been granted only moderate supplies of food and the raw materials from the northward. And now Venice and Genoa made a commercial onslaught upon what still can be called the Byzantine World destroying the local crafts. ex. In 1261 the Byzantine Emperor Michael Palaeologos had to sign a treaty with Genoa promising the republic the concessions, own quarters in Constantinople and other ports, and free access to those of the Black Sea. A comparative comprehension of the Hellenic and the Italian periods is as follows: the Greeks took up their permanent residence within the East Aegean and the Pontic areas stimulating everything, while the Italians placed the soldiers and the merchants there to empty the local markets. That is why the Ottoman reintegration was welcomed by the overwhelming majority in Asia Minor. And Greece since has formed a separate economic structure. Thus the Italian overlordship came to an end together with the handsome transit trade.

When the Transcaucasian transit was broken, the Byzantines did their best to reach Asia rounding the Caspian Sea in the north, and moving toward the Turks, dwelling already in the Central Asia. But this route—steppe route to the North of the Caspian Sea—failed to be nice because of a very low socioeconomic level of the North-Caucasian tribes by that time. When this level was a bit higher, Genoa organized silk and spice supply of Europe via the North Caspian regions and the Northern Caucasus to Crimea (Caffa). And the rest of the route was as follows: Sebastopolis (Sukhumi, Georgia)-Trapezus-Galata-Italy. And when the Ottomans diminished the Italian trade, Africa was rounded by the Portuguese vessels.

Papal primacy over the Byzantine church also failed. In the early days of Christianity the Third Person of the Trinity—Holy Spirit—was thought to proceed from God the Father. Then, in the 9th century, the formula “that proceedeth from the Father and the Son” was adopted in the West. To the Orthodox church it was a heresy. But obviously in a great despair, needing the Western military help, some of the Greeks had agreed that this Latin formula meant the same as the Greek newly established one—the Holy Spirit proceeded from the Father through the Son. But the rest still used to say as determined as ever—“better the Sultan’s turban than the cardinal’s hat.” The fall of Constantinople in 1453 clearly meant the end of this unity. And the Byzantine galleys, all packed with refugees moving slowly to the open sea toward the safety of Italy meant a good supplement to the Italian Renaissance, while the Byzantine double-headed eagle—to the Russian heraldry. “The Christian Empires have fallen”—wrote the monk Philotheus in 1512 to the Grand Prince Basil III of Russia—“in their stead stands only the Empire of our ruler ... Two Romes have fallen, but the third stands and a fourth there will not be.” The Italians did their best to save the maritime empires but they failed. Galata or Pera was lost immediately. And the Ottoman control over the Straits endangered the existence of the Black Sea colonies like Caffa (Theodosia), which had passed over to the Ottomans in 1475. Quite soon the whole empire of Genoa had vanished. Venice triumphed at Lepanto (1571), but little good resulted.

The Italians also did their best to penetrate into a hinterland. ex. Georgia was flooded with the Catholic monks, while due to the Turkish menace the center of the Catholic mission in the East had been transferred from Smyrna to Tbilisi. But again—with no successful outcome. The Orthodox

churches were known either to regard the Latin Church with hatred, or simply—neglecting it. Hence the Italian supplies had been tied up neatly with the countries northwards, while Italy itself being reduced to a modest land.

Now the Ottomans tried to re-establish the “Byzantine” rule over Italy ravishing Otranto, financing the corsairs of Algeria, but, in all, it was just a sweet dream for the Sultan—already the “Emperor of Europe and Asia.”

So, after this Southern European empires gone forever, new Europe emerged with its rationalism and a traditional division into the West and the East still vital, with a very clear perspective of a collaboration, even creating the universal Whole-European architectural style—a certain mixture of the Gothic (Western) and the Byzantine (Eastern) styles—that was Baroque, elaborated still in Italy in the 16th century. The West was lucky in evolution, more severe East had to arrange an economic tension losing the comforts and the services to catch the West. Both of them headed toward Asia for a supply. The colonial system was established. And if the imperial experiment happened to be used still within Europe, like the Austrians and the Russians did, no economic synthesis was planned. Great Britain and Russia never thought even of America and Siberia as of some agrarian sections while sending the colonists there. World War I created the state-socialist system in the Russian Empire and the U.S.S.R. appeared. World War II widened the state-socialist system and the Warsaw Pact appeared. The brutal rationalism like the state-socialism still did its job neatly. Toward the midst of the 19th century East Europe with its serfdom seems to be a grotesque European province. Now the differences are hastily diminishing, and the making of Europe is close to the end. Soon entire North will face the South within the network of a collaboration affiliating some extremely Southern industrial countries like Australia and the Republic of South Africa, Chile and Argentina.

The West and the East (Balto-Pontic sites being a vanguard) reaching after are fixed on the chart below:

Country	Revolution	Abolishment of Serfdom	Civil Equality	Liberalism
England (Maritime West)		the 13th century	the 17th century	2nd half of the 19th century
Germany (Humid Continental West)		in Prussia—1806	1918	from 1949
Russia (Humid Continental East)		1861	1917	nowadays
Georgia (Humid Subtropical, Semiarid, Highlands)		1864-1871	1917	nowadays

What is Europe?

Appendix and academic summary of this narrative is as follows:

Europe is part of the earth which stipulates or will stipulate the same level of development. That has been well acknowledged since the ancient times. An idea of the European integration is as old as a comprehension of Geographical determinism for technological evolution.²

² See: T. Dundua, *Making of Europe*, Tbilisi, 2000.

Economic systems having physical substrata with temperature approximately 20°C and above for the vegetation period and needing further irrigation come together within the Asiatic integration. Being a vanguard at the bay for a lot of the sun, it gradually loses top position for the same higher temperature, penetrating well into the depth and thus partly spoiling a seed. The same seed in moderate latitudes, passing slowly down from the dangerous cold at the surface, finds ideal spot with just internal temperature promoting the best vegetation at the lesser depth and within a smaller period of time. Good agriculture releases a lot of the hands for industry, also benefiting from it. Protofeudal and feudal 5% for city population comes to revolutionary changes. First it was Hellas and *Italia* to be obsessed by them; then—England and the lands Eastwards, at approximately same latitudes, step by step. And the last century saw almost simultaneous revolutions in the South. Having even free economic choice, those countries would suffer for the climate, keeping the hands in irrigation, thus rejecting the industry.³ There are several definitions of Europe. Will they meet the classics?

Europe is right there where we have liberties and democracy.⁴ But once there was no liberty and democracy. Europe is defensive-system from the American and Asiatic economic alliances.⁵ At least, one can be sure for the American alliance to be quite a recent one.

Anaximandres the Milesian was the first to spread the term “Europe” upon the Northern spaces, regardless the catastrophic divergency of the ideas up there from the Hellenic one. Tacitus claims the same for *Brittania et Germania*.⁶ Some Greeks even move the marches of Europe as far as the wild steppes of the Turkestan with the Massagetes dwelling there. Southern borders of Europe partly ran north from the river of Phasis in Colchis.⁷

Now Europe is well-shaped: from the Britain Eastwards toward the Massagetes, from the North Sea Southwards up to the Northern Mediterranean and the Black Sea Basin.

There are some other Greek academic divisions with Trans-Caspian steppes, Colchis and Anatolia being already part of Asia.⁸

Pragmatic and vital could have been only the thesis fitting the real integratory processes.

Integration for today, that is, a military alliance and market-distribution.

Graeco-Roman way was a creation of the markets, stimulating them with more cultivated lands, having a metropolitan supplies, i.e. colonizing the sites. To know the basic directions and the results of the project is a way to have Europe in Graeco-Roman dimension.

For Italy nothing is sophisticated. The bulk of immigration headed toward Gaul, Spain and Britain⁹; some went to Africa. Gaulo-Iberic full-scale Romanization lasted for centuries, and if it failed toward the multicultural perception, Graeco-Roman European pattern was not to be blamed at all.

Neglecting totally the prospects of power revolution and the steam-machines already invented, Italy degenerated herself into bad industrial supplier for the farming places, thus firing the zonal conflict. With the Huns attached to this clash, it becomes clear that total non-irrigative massive was thought to be Europe.

Greek case with the Hellens scattered everywhere is a bit complicated. But still, completely losing identity in heavy-irrigative (ex. Bactria), or super-humid (ex. Colchis) areas, never really covering the Aramaic (Syria) and Coptic (Egypt) villages, Hellenism gained its major victory in Anatolia, mineral and food stock for the Greek industry.

³ See: T. Dundua, *North and South*, Tbilisi, 2001, pp. 8-15; idem, *The Tale of Two Sebastoses and the Orthodox Alliance. David the King of Georgia and Theodoros Gabras*, Tbilisi, 2003, pp. 30-32.

⁴ See: K. Held, op. cit., pp. 26-45.

⁵ See: Ibid., p. 45.

⁶ See: K. Rosen, op. cit., pp. 13, 23.

⁷ See: T. Dundua, *Georgia and the Outer World*, Tbilisi, 2001, p. 97 (in Georgian).

⁸ Ibidem.

⁹ For the Romans unifying Europe, see: H. Galsterer, op. cit., pp. 115-129; G. Alföldy, op. cit.

Byzantine conflict between Anatolia and coastal industry was of old Roman pattern. Again the steppe-people, the Seljuks, were involved for a solution.

For Graeco-Romans the case seems clear enough: those lands and climates which had already contributed for top-civilizations could be joined by others, except semiarid one. So, they rushed to stimulate Europe, like Europe went to America in the 18th century.¹⁰

Georgia as a Part of Europe

Appendix and academic summary for Georgia being a permanent subject of the European integration is as follows: as far back as in the 6th century B.C. Themistagoras from Miletus made Phasis in Colchis home for himself and his Greek colonists. Thus West Georgia has been involved in the European matter. Greek commercial superiority was replaced by the Roman hegemony over the small coastal strip of Colchis, already called Lazica in the 1st century A.D. And that hegemony was based upon well-manned castellum-system from Pitius up to Aphasos. Lazi client-kings, dwelling in the hinterland, largely enjoyed Roman *pax* and prosperity, gaining a handsome profit by trading with the gallant Pontic cities, like Sinope, Amisus and Trapezus. The whole Black Sea area might be looked upon as a multicultural region of which the general principles were still based on Hellenism, but that was facilitated mostly by the Roman money and defended by the Roman soldiers. Further toward the East, Iberian kings, sometimes even possessing Roman citizenship, welcomed Graeco-Roman transit from Central Asia and India. Spices, precious wood and stones were brought to Europe via Transcaucasian trade-route.¹¹

Byzantium was not a betrayal of all that was the best in Hellas and Rome. Great oriental bastion of Christendom, she seems to be a formulator of the Orthodox Christian Commonwealth. The Georgian kings being within had been hailed as king and Kuropalates, king and Sebastos, king and Caesaros. Again dual citizenship is applied. For the Christian monarchs there were the Byzantine titles to make them feel as the citizens of the Orthodox Empire, being at the same time ascribed to their own country.¹²

After adoption of Christianity, Eastern Slavonia, with Kiev as capital, joined the Byzantine Commonwealth. That clearly meant enlargement of the Eastern European unity toward Eastern section of Humid Continental Europe, into the direction of the river Volga. Russians were the loyal subjects of the Commonwealth, looking calmly at the decline of Constantinople's hegemony, and the Bulgar and Georgian kings seizing the titles of "Tsar" and "Autocrat."

Becoming stronger, Russia vividly protested Ottoman reintegration of what was formerly labeled Byzantium, and Muslim overlordship over the Orthodox World by taking the title of "Tsar" for Grand Prince Ivan in 1547. New center of East Europe has been shaped, and then long-term war started for hegemony, Russia being victorious.

Seeing itself as East European super-power, thus Russia claimed Byzantine political heritage. For Russians Georgia had to be within the East European Union, and at the beginning of the 19th century Kartalino-Kakhetian Kingdom (Eastern Georgia) became a part of the Russian Empire. The U.S.S.R. was a substitute for the Russian Empire. And now Georgia is searching for her room within unified Europe.

¹⁰ See: K. Held, op. cit., p. 41.

¹¹ See: T. Dundua, *Influx of the Roman Coins in Georgia*, Tbilisi, 2005, p. 3.

¹² See: T. Dundua, *Publicius Agrippa, Flavius Dades and Dual Citizenship—A Pattern for Europe in Future?* Tbilisi, 2002, pp. 14-15.

C o n c l u s i o n

A plenty of the existing definitions to the term “Europe” are artificial and do not fit the classics—i.e. that which was synchronous to the very first steps (Graeco-Roman) of integrated Europe, thus—the most exact. A permanent perception of the non-irrigative sites, as physical background for the European integration is proved here, having climatic factor fixed upon the types of evolution as something special.

GEO-ECONOMICS

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**REGIONAL ECONOMIC POLICY AND
GROWTH
(A Case Study of Georgia)**

A b s t r a c t

This article examines matters relating to the development of a regional economic policy. The authors determine its content and role in promoting regional growth and creating an effective regional structure of the national economy. They substantiate a systems approach to the development of a regional economic policy focused on growth, study the mecha-

nisms connecting regional economic policy and growth, and identify the typological peculiarities of regions constituting the information base for the development of a regional economic policy. Experimental validation of the principles underlying the development of such a policy was performed using information on Georgian regions.

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

This article is an attempt to establish the relationship between regional economic policy and growth. The point is that the effective development of individual regions, however progressive, does

not yet guarantee the effective development of the whole national economic system. Whereas some regions receive support for their development from the center and develop rapidly, other regions, which do not get any government assistance, develop slowly or not at all. But slower growth in any particular region leads to slower growth in the entire national economic system. As a result, high rates of growth in some regions are offset by the underdevelopment or critical state of other regions, so that the overall effect is close to zero, i.e., the desired growth rate of the national economy is not achieved.

In economic literature, as a rule, matters relating to the formulation of a regional economic policy are examined in the context of a study of development in successful regions and an extension of their positive experience to other regions. Here it is a question of the external effects (externalities) of economic development in progressive regions. But in practice it is necessary to assess not only the development effectiveness of individual regions, but also the effectiveness of their joint economic development. That is why we need an objective assessment of regional economic development in general: in the final analysis, the growth rate of the national economy depends on such an assessment. It is important to evaluate not only the development level of individual regions as subsystems of the national economic system, but also the systemic effect of the influence of regional economic development on growth.

Hence, the goal of regional economic policy is to find an “optimal” line of regional economic development from the perspective of growth. That is why the formulation of a regional economic policy implies the development of various alternative options for such a policy and the selection of the most effective one. It should be noted that the logic of regional economic policy as a specific institutional infrastructure consists in determining the “optimal” growth rate not only with due regard for regional economic specifics, but also taking into account the political, social and environmental aspects of regional development. In other words, the formulation of a regional economic policy calls for an eclectic approach, which can significantly alter the growth rate of the national economy.

In this article, we examine the principles that could be used to formulate a regional economic policy with due regard for the growth impact of the entire set of regional factors. The proposed principles reflect the relationship between institutional infrastructure, regional economic policy and growth, helping to achieve a systemic growth-promoting effect of regional economic development.

The Problems of Regional Economic Development

The concept of “region” is an abstract one and has to be specified and given a meaningful interpretation. Territories are divided into regions in accordance with certain goals, problems and principles.¹ Evidently, different sciences and areas of practical activity have their own regionalization principles. A region can be seen from different angles: political, economic, social, environmental, etc. Institutional multiplicity, i.e., a multiplicity of institutional structures, is a qualitative attribute of the region. Even if attention is focused on certain aspects of its development (e.g., economic aspects), it is necessary to take into account their interconnection with other regional problems.

As a rule, relations between regions and the world economic system are mostly trade relations, although in recent years regions have been turning into direct participants in interregional

¹ See: A.G. Granberg, *Osnovy regional'noi ekonomiki*, Tacis, Moscow, 2001, p. 16.

production and international financial relations. In this process, the center uses appropriate economic policies to regulate both relations between regions and their relations with world markets, mainly in the financial sphere.

The historically evolved heterogeneity of economic space has a significant influence on the effectiveness of national economic development in any country. A reduction in the heterogeneity of economic space creates more favorable conditions for development at the national level, for the solution of social problems, and for strengthening the state's political unity. An increase in this heterogeneity, on the contrary, complicates the formulation of a regional economic policy, increases the probability of regional crises and interregional conflicts, and leads to a weakening of the country's territorial integrity and to the disintegration of the national economy.

Let us note that in speaking of the negative consequences of a heterogeneous economic space we do not mean that various sectors of the economy should be evenly distributed across the country's regions. In fact, their uneven distribution is an intrinsic property of any organized economic space (in consequence of regional division of labor, concentration and specialization of production, urbanization, etc.). By heterogeneity we mean, in the first place, interregional differences in economic development levels and quality of life.

Since the region is a structural analogue of the national economy, it is characterized in macroeconomic terms using the same indicators as those applied to the national economy. Thus, the regional analogue of the gross domestic product (GDP) that is used to measure growth at the national level is the gross regional domestic product (GRDP), which is calculated by the so-called production method as the difference between gross output and intermediate consumption in the region. In other words, GRDP, like GDP, reflects the market value of all final products and services produced in the region in a given period of time.

Among the other indicators to be used at the regional level are the main components of GRDP (including final consumption), household income in the region, regional unemployment, migration of production factors (labor and capital) between regions, national wealth concentrated in the region's territory, etc. For the purpose of interregional comparisons of economic development effectiveness and living standards, GRDP for the various regions should be given per capita and per worker.

But there are fundamental differences between the national and regional economies. Thus, the region has limited political and economic sovereignty and functions within the framework of a definite legal, financial and other systems. This should be taken into account in formulating a regional economic policy designed to promote growth.

In regional economics, there is a special concept known as economic base, i.e., basic activities whose development determines the region's economic potential. In most cases, the economic base consists of firms that account for most of the exports from the region.² The influence of changes in the economic base on the region's development is often measured using a regional multiplier. It is similar to the macroeconomic multiplier proposed by J.M. Keynes and is used to predict changes in GRDP or in employment as a result of an increase in some component of aggregate expenditure in the region.

In formulating a regional economic policy, it is necessary to take into account not only the economic component of development, but also its political, social and environmental components, whose goals can be compatible but are usually conflicting. In the final analysis, the goals of regional economic policy, however diverse, are always a compromise between political expediency, economic efficiency, social justice and environmental security. The relationship between these goals, the op-

² See: M. Kane, *Public-Sector Economic Development: Concepts and Approaches*, Northeast-Midwest Institute, The Center for Regional Policy, Washington D.C., 2004, p. 7, available at [<http://www.nemw.org/econdevelopment.pdf>].

portunities for agreeing them, and the ways of their achievement depends on the concrete circumstances.

The goals of regional economic development can be either “eternal” (traditional) or new. The latter are determined by the economic, geopolitical, institutional and other changes occurring in individual countries at different stages of their development. In post-Communist transition countries, for example, traditional macroeconomic goals are supplemented by new goals associated with the problems of the transition period, such as regional economic stabilization, privatization of regional public property, creation of a proper financial system in the regions, restructuring of border regions, establishment of free economic zones, etc.

The feasibility of regional economic development goals will depend on the degree of their validity. Where goals are set without the necessary legal, organizational or financial backing, this may fail to produce the expected results and will only hinder the solution of growth problems at the national level. If these goals come into conflict with each other, the thing to do is to establish national priorities in accordance with the existing situation and the current level of economic development.

So, the first step is to determine the national priorities and an appropriate growth strategy. The next step is to set regional economic development goal consistent with these priorities and based on a diagnostic study of the nature of political, social, economic and environmental problems in concrete regions. From a national standpoint, the lines of regional economic development should be determined with due regard for the entire range of regional opportunities, the effects of regional agglomeration, the relative advantages of territorial division of labor and regional cooperation, etc.

In formulating a regional economic policy, it may be necessary to combine the principles of social justice and economic efficiency. Regionally speaking, the principle of social justice means that the citizens of the state, regardless of where they live, should enjoy equal opportunities in matters of employment, income and access to public goods. The implementation of this principle requires an interregional redistribution of financial resources, which may naturally lead to dissatisfaction and resistance from some regions. Conflicts between donor regions and recipient regions occur in many countries pursuing this kind of active regional economic policy. Besides, all of this can have a significant effect on regional growth and, ultimately, on the growth of the national economy.

Finally, mention should be made of growth-related environmental problems. It is known that unlimited growth results in undesirable external effects on the environment. Growth can influence the environment through various channels, including regional ones. That is why in formulating a regional economic policy one should take into account the negative impact of environmental factors, which should be minimized (naturally, at some cost). There are two views on the development of regional economical policy with due regard for growth-related environmental problems:

- (1) growth is not limited for environmental reasons, with subsequent use of the resulting revenue to address problems of environmental protection; and
- (2) growth is limited, with a significant part of the productive resources used to protect the environment.

Consequently, in formulating a regional economic policy it may be necessary to take into account all the dimensions of regional development: social (evening out regional differences in economic development levels), economic (raising growth rates and efficiency), political (taking into account the political component in formulating a regional economic policy) and environmental (addressing regional environmental problems). Each of these dimensions can be of fundamental, dominant importance at certain stages in the country’s development and can influence the content of regional economic policy. For example, regional political problems and excessive disparities in

the socioeconomic conditions of regional development pose a threat of the state's disintegration. That is why a solution of these problems may prove to be of particular importance to countries where restoration of the state's integrity and easing of socioeconomic tensions in the regions are among the priorities. All of this will naturally affect the formulation of a regional economic policy and growth rates.

The Content of Regional Economic Policy

Regional economic policy is a system of economic measures implemented by the state to promote growth. There are two lines of regional economic policy. First, "soft" regional economic policy designed to create generally favorable conditions for the development of concrete regions with potential for growth. And second, targeted regional economic policy designed to regulate and promote regional economic development through investments, subsidies and subventions for addressing specific tasks.

With the help of an appropriate regional economic policy it is possible to find a compromise between the development of various regions and to ensure sustainable growth of the national economy. For this purpose, regional economic policy should be formulated based on the principle of balanced growth, which means maximization of regional growth and minimization of regional growth variations, with a reduction in development disparities between the regions. The policy of balanced growth is aimed at reducing the contradictions of regional economic development.

However, it should be borne in mind that since economic space is heterogeneous, balanced regional growth is unattainable. Regional economic policy that promotes national economic growth is always a policy of uneven regional growth. Its main principle is selectivity, as manifested in support for the development of regions which, on the one hand, make the biggest contribution to national economic growth and, on the other, problem regions impeding this growth. In other words, the existing constraints dictate the need to "optimize" the functioning of both the various regions and the national economy as a whole.

Consequently, regional economic policy, first, is more concrete than macroeconomic policy; second, it reflects the social, political and environmental problems of regional development; and third, it is directly connected with other kinds of economic policy because they are implemented through the regions. Regional economic policy, on the one hand, addresses national problems (looks for weak points in the economy) and, on the other, seeks to resolve not only economic, but also a whole range of important attendant problems of regional development.

The formulation of a regional economic policy implies the need to establish a system of regional goals consistent with the national growth strategy at the current stage of development. This system of goals should be agreed with the national priorities, and their implementation should help to achieve "optimal" growth rates of the national economy. The effectiveness of the practical implementation of a regional economic policy will depend on whether the authorities are able to find a compromise between the national growth strategy and regional development trends, make correct use of economic instruments (tools) to achieve the projected growth rate, adequately assess the long-term results of their decisions, etc.

The practical implementation of a regional economic policy implies the use of a wide range of instruments, economic instruments above all. The ultimate purpose of their use is to lay the groundwork for sustainable regional growth and, accordingly, for national economic growth as a whole. Given the diversity of the regions, it is necessary to differentiate the use of economic instruments in

order to offset the growth impact of adverse regional factors while stimulating the effect of favorable regional factors.

The economic instruments of a pro-growth regional economic policy could include the budget system; taxation; the financial system; government procurement; price regulation; bonuses for increasing regional employment; organization of migration processes; economic support for problem regions or their firms; regional economic audit; creation of free economic zones, etc.

The most comprehensive economic instrument of regional economic policy can be the budget system, which includes two tiers: federal and regional. In the general case, two-tier fiscal federalism, i.e., the relationship between the center and the regions, implies the need to implement the following conditions:

- distribution of power between the center and the regions;
- allocation of the necessary financial resources to different levels of authority;
- correction of regional budget imbalances through intergovernmental transfers made according to the established rules.

The nature of fiscal federalism is determined by the regional structure of the state. It necessitates a mechanism to regulate the distribution of tax revenues between the center and the regions. Tax sharing, i.e., the division of taxing power between the center and the regions, is an extremely difficult problem currently on the agenda of economic science. Today there is still no unified or equally acceptable model of tax sharing: “in the developed countries with a federal system of government there are various tax sharing arrangements in the absence of a single criterion for selecting the best (most effective) arrangement.”³

From the perspective of regional economic policy, appropriate lines of evolution of the budget system include its decentralization, a striving for greater autonomy and independence of regional budgets, an advance toward deficit-free budgets, a reduction in intergovernmental cross-flows, an increase in the role of regional budgets in addressing regional economic development problems, reorientation of the financial base of regional budgets toward direct promotion of growth, control over the proper and effective use of financial resources in the regions, etc.

Special purpose funds for addressing concrete regional problems, insurance guarantee funds, trust funds, etc., should also be included among the economic instruments. They could be financed both by the federal and regional budgets and by sponsor organizations and private individuals. Other instruments of regional economic policy could include various kinds of loans, diverse forms of use of regional property, etc.

Depending on their universality and area of impact on growth, economic tools can be divided into macroeconomic and microeconomic ones.⁴ Macroeconomic tools are those which influence the behavior of regions and regional actors by creating favorable conditions for their efficient economic operation and development, i.e., they are general purpose tools. Macroeconomic tools primarily serve to create a favorable investment climate in concrete regions. As for microeconomic tools, they have a direct influence on regional actors and are geared to address specific tasks of regional economic development, i.e., they are targeted tools.

In formulating a regional economic policy designed to promote national economic growth, it is necessary to take into account the development specifics and diversity of the regions. The national economy as a system of regions consists of unequal regional subsystems (in terms of geographical position, scale of production, labor resources, physical and human capital, etc.), which leads to the

³ V.G. Papava, T.A. Beridze, *Ocherki politicheskoi ekonomii postkommunisticheskogo kapitalizma*, Delo i servis, Moscow, 2005, p. 200.

⁴ See: H. Armstrong, J. Taylor, *Regional Economics and Policy*, Blackwell Publishers, Oxford, 2001.

emergence of dominant regions (engines) that lay down the “rules of the game.” These regions, which increase the production potential and regional growth rates, have a powerful “pull effect” and so modify regional development and the regional structure of the whole national economy. As a rule, dominant regions do not require any active regional economic policy, because they have a developed physical and information infrastructure and are self-sufficient as regards development prospects and attractive for investments and innovations.

At the same time, there are problem regions whose state, functioning and development can have a very negative influence on regional growth and impede growth on a national scale. They can be divided into backward (underdeveloped), depressed and crisis. Backward regions, as a rule, are in a state of long-term stagnation: they are characterized by weak economic activity, low diversification of the sectoral structure of the economy, inadequate production potential, lack of the necessary infrastructure, undeveloped social sphere, political and ethnic conflicts, crime-related and environmental problems. Some of these regions may have a significant production potential, but for one reason or another do not make full use of it. Those of them that have to some extent adapted to market conditions are capable of developing without special government support, in contrast to sparsely populated and undeveloped regions endowed with natural resources but lacking the necessary starting conditions and financial resources for their development. Such regions are rightly regarded as problem regions, and their development can be effectively regulated through targeted state regional programs.

Depressed regions are in a worse economic position than the country as a whole. The most frequently used indicators of depression are regional unemployment and regional income per capita. Persistent labor migration from the region can also be regarded as a characteristic of depression. A fundamental difference between depressed regions and backward ones is that in the past the former were developed and in some sectors and lines of production even had a leading place in the national economy. But due to a drop in demand for their core product or a decline in its competitiveness, depletion of natural resources, etc., these regions have lost their competitive and comparative advantages and their former economic position.

It is advisable to distinguish problem regions based on the severity of the crisis, which may cause irreversible political, economic, social and environmental distortions. In the general case, crisis regions should include: regions with large-scale political and ethnic conflicts resulting in the destruction of the accumulated production potential of the national economy and significant forced migration of people; and regions subjected to the destructive impact of natural disasters. Moreover, the severity of the crisis may not only impede regional growth, but also pose direct threats to national security and the territorial integrity of the state.

Problem regions should also include border regions, whose economy is influenced by the state border, which performs “barrier, filtering and contact” functions.⁵ These regions have a significant influence on the development of the national economy as a whole and play a particularly important role in ensuring national security and developing international economic cooperation. Many of the geopolitical, geo-economic and humanitarian transformations are most pronounced precisely in border regions.

Free economic zones are seen as a “variety of problem regions of a vanguard type.”⁶ The advisability of their creation depends on the competitive advantages of some regions (special geographical position, transportation functions, opportunities for developing export sectors and lines of production, organization of health-resort and tourism industries, etc.), which can be realized in a very short time through the creation of favorable economic conditions for investment in the development of re-

⁵ See: A.G. Granberg, *op. cit.*, p. 332.

⁶ *Ibid.*, p. 321.

gional infrastructure and industry. But there are a number of critical works noting the negative aspects of the operation of free economic zones in the context of strategic political interests and national security, which can prevent their spread.⁷

A form of regional economic organization known as offshore zones, which are used to attract financial capital, should also be included among the problem regions. The main incentive to invest in offshore zones is provided by low tax rates, which may result in significant losses of tax revenue for the federal and regional budgets. Moreover, enterprises registered in offshore zones mostly conduct their core business in other regions or even countries. That is why leading international organizations and business circles of industrial countries take a negative view of the consequences of the existence of offshore zones in the context of market competition and globalization of world economic processes.

The crisis situation in problem regions can be overcome, as a rule, only with the help of an active regional economic policy, in particular, by redistributing financial resources between the regions. But it should be borne in mind that some problem regions may have objective conditions for accelerating growth through their own efforts, by using their own competitive and comparative advantages, and this should be taken into account in formulating a regional economic policy. The identification of the competitive and comparative advantages of individual regions and the selection of effective ways to realize these advantages with due regard for national priorities can be seen as the information base in formulating a pro-growth regional economic policy.

As noted above, the formulation of a targeted regional economic policy implies the development of alternative options for such a policy and an integrated assessment of their effectiveness. This makes it possible to determine the most effective line of regional economic development from the perspective of growth. The options approach to formulating a targeted regional economic policy was experimentally validated based on a case study of Georgian regions.

Experiment in Developing Policy Options for Georgian Regions

The procedure for developing alternative options for a targeted regional economic policy implies the use of static production functions. In this case, we used a linear production function, which is the most convenient one for interpreting the econometric parameters being calculated and for practical application. Its use has made it possible to significantly simplify the predictive calculations for various policy options and to compare the results of these calculations for the options obtained. This ensures the validity of the conclusions that follow from a comparative analysis of targeted regional economic policy options.

Each of these options represents, on the one hand, the projected levels of capital and labor inputs by region and, on the other, the corresponding values of GRDP, which can be added up to obtain the projected level of GDP and the growth rate of the national economy as a whole. To illustrate the practical possibility of using linear production functions in developing alternative options for a targeted regional economic policy, we derived and analyzed the following regression equation:

⁷ See: T. Beridze, E. Ismailov, V. Papava, *Tsentrāl'nyi Kavkaz i ekonomika Gruzii*, Nurlan, Baku, 2004, pp. 79-87.

$$Y = 22.599 + 1.193 K + 0.187 L,^8$$

where Y = GRDP (million lari),

K = regional capital inputs (million lari), and

L = regional labor inputs (thousand people).

Based on this production function, we performed a series of conditional calculations in order to formulate alternative options for a targeted regional economic policy for the set of Georgian regions. As a result, we obtained three such options differing in capital and labor inputs in the various regions. In the event, we took into account the advisability of increasing capital inputs in each region from the standpoint of the supply of capital (physical and human) in this region and the efficiency of its utilization. If a region lagged significantly behind other regions in capital inputs per worker and their increase was justified, it made sense to stimulate investment and innovation processes in this region. In this case, in increasing capital inputs we took into account the capital-labor ratio and gave preference, as a rule, to regions with the lowest ratio. The same with labor: priority in formulating regional economic policy options was given to regions where the unemployment rate was sufficiently high compared to other regions.

The final results of the development of three targeted regional economic policy options are given in tables 1-3. These tables present GRDP, capital inputs and labor inputs by region before and after the implementation of regional economic policy. In the first option, the Tbilisi Region was excluded from consideration. In the second and third options, the main emphasis was on the Tbilisi Region, which makes the largest contribution to national economic growth in Georgia. According to earlier studies, the metropolitan region accounts for over 70% of GDP growth.⁹

Based on GDP growth rates alone, it is impossible to draw a definitive conclusion as to which targeted regional economic policy option is preferable, because each of these options is associated with certain transaction costs. That is why the results of various regional economic policy options should be compared with these costs. For this purpose, GDP growth in absolute terms is divided by the transaction costs. The indicator obtained is an integrated assessment of the effectiveness of this regional economic policy option.

The results of calculations made to obtain integrated assessments of the effectiveness of the targeted regional economic policy options proposed above are given in Table 4. As the table shows, the second option of a targeted regional economic policy is the most effective one.

So, a targeted regional economic policy entails an increase in capital and labor inputs in the regions, which leads to the growth of GRDP, regional capital-labor ratios and regional labor productivity, and eventually to faster GDP growth. At the same time, the scope of regional economic policy may be much wider than is considered in the context of this article, because this policy is often aimed at creating the general conditions for the development of the regions, particularly for small and medium business, without substantial public financing. In our experiment, we assessed the growth impact only of that part of regional economic policy which is specially targeted and whose results can actually be measured in quantitative terms. But regional economic development will also be influenced by "self-sustaining" development of the private sector without active government intervention but driven by the creation of favorable political and economic conditions for the development of concrete regions. As is often noted in the literature, the state should mainly focus precisely on the creation of such conditions, which means that a synthesis of the market and institutional approaches to regulating the development of the national economy should prevail over state paternalism.

⁸ See: M. Achelashvili, K. Achelashvili, "Regional Management of Economic Growth," *The Caucasus & Globalization*, Vol. 1 (5), 2007, p. 63.

⁹ *Ibid.*, pp. 60-61.

Table 1

**First Regional
Economic Policy Option and
Projected Results of
Its Implementation**

Regions	GRDP, million lari, Y			Capital: value of productive assets, million lari, K		Labor: number of employees, thousand, L	
	actual level	after policy imple- mentation	growth rate, %	actual level	after policy imple- mentation	actual level	after policy imple- mentation
Tbilisi	3,069.9	3,069.9	100.0	2,479.4	2,479.4	318.1	318.1
Ajaria	377.7	386.1	102.2	231.5	280.0	166.3	170.0
Guria	31.5	31.5	100.0	33.3	33.3	76.8	76.8
Racha- Lechkhumi, Kvemo Svaneti	19.0	19.0	100.0	9.6	9.6	21.0	21.0
Same- grelo, Zemo Svaneti	258.7	277.0	107.1	189.1	190.0	199.2	200.0
Imereti	411.8	476.3	115.7	335.9	350.0	367.2	400.0
Kakheti	116.7	142.9	122.5	68.5	80.0	196.6	200.0
Mtskheta- Mtianeti	98.7	118.0	119.6	60.6	62.0	52.9	55.0
Samtske- Javakheti	117.2	128.7	109.8	33.2	70.0	103.9	105.0
Kvemo Kartli	583.1	583.1	100.0	441.1	441.1	209.7	209.7
Shida Kartli	298.1	298.1	100.0	126.8	126.8	175.8	175.8
National economy as a whole: million lari growth rate, %	5,382.4	5,530.6	102.8	4,009.0	4,122.2	1,887.5	1,931.4 102.3

Note: The table was calculated from the primary data of the State Statistics Department of Georgia.

Table 2

**Second Regional
Economic Policy Option and
Projected Results of
Its Implementation**

Regions	GRDP, million lari, Y			Capital: value of productive assets, million lari, K		Labor: number of employees, thousand, L	
	actual level	after policy imple- mentation	growth rate, %	actual level	after policy imple- mentation	actual level	after policy imple- mentation
Tbilisi	3,069.9	3,217.5	104.8	2,479.4	2,600.0	318.1	330.0
Ajaria	377.7	377.7	100.0	231.5	231.5	166.3	166.3
Guria	31.5	31.5	100.0	33.3	33.3	76.8	76.8
Racha- Lechkhumi, Kvemo Svaneti	19.0	19.0	100.0	9.6	9.6	21.0	21.0
Same- grelo, Zemo Svaneti	258.7	258.7	100.0	189.1	189.1	199.2	199.2
Imereti	411.8	411.8	100.0	335.9	335.9	367.2	367.2
Kakheti	116.7	142.9	122.5	68.5	80.0	196.6	200.0
Mtskheta- Mtianeti	98.7	118.1	119.7	60.6	62.0	52.9	60.0
Samtske- Javakheti	117.2	117.2	100.0	33.2	33.2	103.9	103.9
Kvemo Kartli	583.1	594.2	101.9	441.1	450.0	209.7	210.0
Shida Kartli	298.1	300.9	100.9	126.8	210.0	175.8	176.0
National economy as a whole: million lari growth rate, %	5,382.4	5,589.5	103.8	4,009.0	4,234.6	1,887.5	1,910.4
<p><i>Note:</i> The table was calculated from the primary data of the State Statistics Department of Georgia.</p>							

Table 3

**Third Regional
Economic Policy Option and
Projected Results of
Its Implementation**

Regions	GRDP, million lari, Y			Capital: value of productive assets, million lari, K		Labor: number of employees, thousand, L	
	actual level	after policy imple- mentation	growth rate, %	actual level	after policy imple- mentation	actual level	after policy imple- mentation
Tbilisi	3,069.9	3,255.1	106.0	2,479.4	2,650.0	318.1	330.0
Ajaria	377.7	410.7	108.7	231.5	300.0	166.3	180.0
Guria	31.5	31.5	100.0	33.3	33.3	76.8	76.8
Racha- Lechkhumi, Kvemo Svaneti	19.0	19.0	100.0	9.6	9.6	21.0	21.0
Same- grelo, Zemo Svaneti	258.7	258.7	100.0	189.1	189.1	199.2	199.2
Imereti	411.8	411.8	100.0	335.9	335.9	367.2	367.2
Kakheti	116.7	136.8	117.2	68.5	75.0	196.6	200.0
Mtskheta- Mtianeti	98.7	98.7	100.0	60.6	60.6	52.9	52.9
Samtske- Javakheti	117.2	117.2	100.0	33.2	33.2	103.9	103.9
Kvemo Kartli	583.1	583.1	100.0	441.1	441.1	209.7	209.7
Shida Kartli	298.1	298.1	100.0	126.8	126.8	175.8	175.8
National economy as a whole: million lari growth rate, %	5,382.4	5,620.7	104.4	4,009.0	4,254.6	1,887.5	1,916.5

Note: The table was calculated from the primary data of the State Statistics Department of Georgia.

Table 4

**Effectiveness of
Regional Economic Policy Options:
Integrated Assessments**

Policy options	Transaction costs of policy implementation, <i>lari</i>	Policy results by option				Assessment of effectiveness of policy options
		GDP growth		Growth, %		
		<i>thousand lari</i>	%	capital-labor ratio	labor productivity	
First	40,000	148,200	102.8	100.5	100.4	3.7
Second	50,000	207,100	103.8	104.4	102.6	4.1
Third	70,000	238,300	104.4	104.5	103.1	3.4

C o n c l u s i o n

In this article, we have examined the paradigm of regional economic policy as seen from the perspective of national economic growth and capable of playing a key role in strengthening regional and macroeconomic stability. In order to achieve these goals, a pro-growth regional economic policy should be evolutionary, i.e., it should ensure:

- (a) as far as possible, continuity of policy,
- (b) an adequate response to political, economic, social and environmental changes, and
- (c) steady progress in implementing the national strategy geared to ensure sustainable growth with due regard for the peculiarities of regional economic development.

Under these conditions, regional economic policy should become a key institutional factor in enhancing the effectiveness of national economic development. The formulation of a regional economic policy should be based not on a fragmentary approach to regional development, but on an aggregated systems approach focused on growth as the final result of national economic development. That is why regional economic policy can be regarded as a determinant of national economic growth.

In practice, however, the effectiveness of the implementation of a regional economic policy from the perspective of growth in individual countries will depend on how their ruling political elite views the problem of economic development in general, on the actual economic, political, social and environmental situation. At the same time, the solution of problems related to the formulation of an appropriate regional economic policy may also be distorted by lobbying for the interests of various political and bureaucratic forces in society. One should also bear in mind that the development of a regional economic policy may be complicated by market failure or malfunctioning of the market mechanism for subjective reasons, as often happens today in post-Communist transition countries.

The problem of regional economic policy and growth has been presented in the context of the national economy. But the principles underlying the formulation of a regional economic policy are

universal and can be used to promote growth at the level of groups of countries, regions of the world, and the global economic system as a whole.

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EMPLOYMENT LEVEL AND STRUCTURE IN TERMS OF GLOBALIZATION (AZERBAIJANI CASE STUDY)

A b s t r a c t

This article analyzes the structural shifts in employment in Azerbaijan and evaluates the respective influence of globalization (its positive and negative aspects).

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

Globalization is a complex, contradictory, and multifaceted phenomenon. And, consequently, the growing integration of societies and economic systems is beginning to encompass more and more aspects of human life. As V. Medvedev justifiably notes: "...the main impulses of globalization are indeed coming from the economy. Without taking into account the economic component, the main argument, which confirms the objective nature of globalization as an inevitable and fundamentally progressive, though contradictory, process, is lost."¹ There can be no doubt that globalization in general is progressive in nature, simplifying the access of the developing countries to the commodity and agricultural markets of the developed countries, as well as to each others' markets, and facilitating access to investments, progressive technology, and so on. At the same time, in some cases, globalization may pose threats to the interests of national economies, since they, being equal within the framework of the integration structure, partially transfer some of their economic and juridical powers to supranational formations. Based on the studies conducted by the World Bank, the following conclusions can be made with respect to the globalization process:

¹ V. Medvedev, "Globalizatsia ekonomiki: tendentsii i protivorechiia," *Mirovaia ekonomika i mezhdunarodnye otnosheniia*, No. 2, 2004, p. 3.

- first, poor countries have made their debut on the global goods and services market, which has led to a decrease in their poverty level;
- second, entire countries and their components have been incorporated into the global processes;
- third, a trend toward uniformity has grown stronger, which is giving rise to justified worries that economic integration will lead to cultural standardization;
- fourth, serious changes have occurred in the formation of both the internal and the world labor market.

Azerbaijan, after becoming incorporated into the globalization process, is undergoing changes, like other countries, which affect different spheres of social life, including social-labor. This article studies the special features of resolving the employment problem in the Azerbaijan Republic in interrelation with the global economic processes keeping in mind the above-mentioned factors.

Changes in the Distribution of the Employed Population by Economic Sector

The social-labor sphere, which plays an important role in social life, is helping to raise the efficiency of public production and enhancing the state's economic and social security. Without efficient employment or labor motivation, the state of the economy cannot be improved either at the macro or at the micro levels. At the same time, the contemporary systems of education, public health, and culture in the country have a significant effect on social development. The benefit from enlarging these spheres is many times greater than the amount spent on their development. As global practice shows, human capital is becoming increasingly important in today's society, having a decisive effect on all the economic processes. This is primarily expressed in the conception of a post-industrial society in the growing role of non-material economic resources. The latter include information technology, human capital, and business skills. These resources are of special value because they are related to people's personal qualities and active nature, and they are humanitarian in nature.² What is more, social development changes the correlation in the branch structure of the economy in favor of the tertiary sector—the branch of non-material production—against the background of the primary (agriculture and the extractive industry) and the secondary (manufacturing industry) sectors. The economy of post-industrial countries based on the leading position of the tertiary sector functions by means of non-material economic resources, which is increasing the role of the social-labor sphere. The latter centers around the individual, who interacts with the market environment in different vectors of labor organization, revenue formation, and the need for social security.

The social-labor sphere also includes the social-cultural complex, in particular public health, education, and culture; the labor sphere per se, which includes employment, unemployment, salary, labor productivity, and motivation and stimulation; and a set of protection and support measures.

² "Human capital is the capability embodied in people to produce revenue. Human capital includes inborn capabilities and talent, as well as education and acquired skills" (S. Fischer, R. Dornbusch, R. Schmalensee, *Ekonomika*, Delo Publishers, Moscow, 1993, p. 303).

In this way, the social-labor sphere includes essentially all aspects of life support, including the formation of public income sources, their distribution and redistribution, and the social infrastructure.

During the transition period, principal changes occurred in social-labor relations which primarily affected their constituent parts. For example, whereas prior to the transition period, the state and the employee played these parts, now representatives of different forms of property can act as employers. In other words, both the state and the businessman can be employers.

As a result of the changes, the ratio of those employed in the state sector to those employed in the non-state sector of the economy has significantly changed in Azerbaijan. For example, whereas in 1990, those employed in the former accounted for 70.7%, and in the latter for 29.3%, in 1995, the ratio amounted to 56.1% and 43.9%, respectively. During this period, there was a 22.6% drop in the number of people employed in the state sector, while employment rose to 46.2% in the non-state sector. In subsequent years, this data became stable, and by 2006, the ratio of those employed in the state sector to those employed in the non-state sector amounted to 32% and 68%, respectively (see Table 1).

Table 1

**Dynamics of the Ratio of People Employed
in the State Sector to People Employed
in the Non-State Sector of the Economy for 1995-2006
(thou. people)**

	1995	2000	2001	2002	2003	2004	2005	2006
Total number employed in the economy	3,613.0	3,666.3	3,715.0	3,726.5	3,747.0	3,809.1	3,850.2	3,973.0
Including: in the state sector	2,027.2	1,240.0	1,240.0	1,192.0	1,180.0	1,209.3	1,229.8	1,271.9
Percentage	56.1	33.8	33.4	32.0	31.5	31.7	31.9	32.0
in the non-state sector	1,585.8	2,426.3	2,475.0	2,534.5	2,567.0	2,599.8	2,620.4	2,701.1
Percentage	43.9	66.2	66.6	68.0	69.5	69.3	69.1	68.0
<i>Note:</i> Compiled and calculated by the author based on: <i>Statistical Indices of Azerbaijan</i> , Baku, 2007, p. 90 (in Azeri).								

It stands to reason that development of the non-state sector of the economy is a positive process (particular during the time when, as a result of the changes going on in society, there was a reduction in employment in the state sector). But it should be noted that in Azerbaijan, employment in the state sector is traditionally more stable and workers are guaranteed paid vacation and sick leave. At the same time, in several branches of the state sector (particularly public health and education), the salary level is still low, while in the state administration system it is much higher. This leads to certain amount of differentiation in remuneration of labor in the state sector.

It is important to note that on the whole the level of labor remuneration in the non-state sector is higher than in the state sector. However, although the salaries are higher in the non-state sector than

in the state sector, hired workers come up against certain problems. For example, they are not entitled to paid vacation or temporary unemployment benefits, they perform all kinds of work that are not stipulated in the contract and are not part of the job description, and do overtime work without corresponding pay. Apart from this, in the event of a reduction in production volume, financial difficulties, or the failure of an employee to carry out the management's orders, an employer often ceases labor relations with an employee unilaterally, fails to issue severance pay in the event labor relations are curtailed, can fire an employee in the event of matrimony or pregnancy, and so on. The general conclusion is that state and non-state enterprises and organizations are different in terms of their work conditions and the guarantees they offer.

Branch Shifts in the Employment Structure

The processes going on in Azerbaijan since the collapse of the Soviet Union changed the branch employment structure. For example, on the eve of the Soviet Union's disintegration, the number of people employed in the country was distributed as follows: 12.7% in industry, 30.9% in agriculture, 6.8% in construction, and 49.6% in the service sphere. As the data of Table 2 show, in subsequent years there was a drop in employment in industry and an increase in those employed in agriculture.

Employment dropped to 7% in industry but rose to 5.6% in construction after undergoing certain fluctuations, and decreased to 48.4% in the service sphere. This indicates a trend in Azerbaijan toward an increase in the number of employed in the agrarian sector of the economy. To a certain extent, this increase was promoted by the fact that according to the Law of the Azerbaijan Republic on Employment,³ everyone who has a land plot is considered employed. On the other hand, the

Table 2

**Dynamics of
the Branch Employment Structure
for 1990-2006
(in %)**

	1990	1995	1996	1997	1998	2000	2001	2002	2003	2004	2005	2006
Total	100	100	100	100	100	100	100	100	100	100	100	100
In agriculture	30.9	30.8	31.8	29.0	30.8	41.0	39.9	40.1	40	39.5	39.2	39.0
In industry	12.7	9.8	7.7	6.6	6.8	5.7	5.6	5.6	5.6	6.9	7.0	7.0
In construction	6.8	5.1	4.4	4.1	4.2	4.2	4.2	4.8	4.8	5.0	5.1	5.6
In the service sphere	49.6	54.3	56.1	60.3	58.2	49.1	50.3	49.5	49.4	48.6	48.7	48.4
<i>Note:</i> Compiled and calculated by the author based on: <i>Statistical Indices of Azerbaijan</i> , Baku, 2003, p. 99; 2007, p. 89 (in Azeri); <i>The Labor Market. Statistical Collection</i> , Baku, 2000, pp. 36-37 (in Azeri).												

³ See: Law of the Azerbaijan Republic on Employment, *Azerbaijan*, 15 August, 2001 (in Azeri).

reduction in volume of industrial production led to some of the workforce employed in it finding jobs in agriculture.

As we know, in many countries of the world, the agrarian sector of the economy has passed through three stages in its development:

1. Subsistence farming. Here inefficient peasant subsistence farms are almost entirely orientated toward the requirements of the family. They are characterized by the use of the most primitive cultivation methods and minimum investments. Land and labor, which is used in full only seasonally—during sowing and harvest-gathering—are the basic production factors at these farms. The land is usually worked by one family, sometimes one or two hired workers are employed. The primitive labor tools, long distance from sales markets, and lack of the necessary infrastructure characteristic of these farms are not conducive to an increase in their production. However, ensuring the guaranteed production minimum for the family's survival is characteristic of this stage.
2. Mixed farms where some of the produce is consumed, while the rest is sold on the market; they are transitional entities between inefficient subsistence farms and large productive farms. These farms are characterized by the simultaneous cultivation of different crops for sale, livestock breeding, the use of simple machinery, and the use of higher quality seeds and fertilizer. Production diversification makes it possible to avoid losses from poor harvests and raise income stability. In turn, ensuring more stable income helps to raise the family's standard of living and increase investments in farm development.
3. Contemporary specialized farms targeted at the consumer. Differing in size and function, they are highly productive farms and gigantic fields on which vegetables as well as fruit are grown. The use of complex, labor-saving technology makes it possible for one family to work huge land plots. In contrast to subsistence and mixed farms where land and labor are the main focus, the mobilization of capital and the technical process play the primary role in producing bumper harvests at specialized farms. In terms of functioning methods, state-of-the-art farms hardly differ from large industrial enterprises. Specialization in the cultivation of one crop, the use of capital-intensive and labor-saving technology, and obtaining the highest return on production in order to reduce spending on the output of one unit of produce make it possible to achieve the highest profit.

Unfortunately, farms functioning in Azerbaijan still lag behind specialized farms in developed countries. They are closer in their characteristics to mixed farms which consume part of their produce and offer the rest on the market.

Let us take a look at the dynamics of the number of farms and related employment.⁴ Between 1994-2006, the number of farms in Azerbaijan rose 5.6-fold, and the number of those employed at them 2.6-fold. At the same time, the percentage of people employed at individual farms in the total number of those employed in agriculture remains very low and constitutes approximately 1%.⁵ So the rest of those employed in agriculture work at inefficient peasant farms.

In contrast to the agrarian sector, there was a reduction in employment in the republic's industry. For the sake of clarity, let us take a look at the changes in the qualitative ratio of employees in this sphere for 1997-2006.⁶

When reviewing the branch employment structure in industry for 1997-2006, it can be noted that despite the drop in the total number of employed by 22%, the number of employees in the extractive branch rose by 31.6%, whereas it decreased in the manufacturing industry by 45%. In addi-

⁴ It should be kept in mind that beginning in 2000, farms became called individual.

⁵ See: *Statistical Indices of Azerbaijan*, 2006, p. 86 (in Azeri).

⁶ The changes in the branch employment structure do not make it possible to use the data of previous years.

Table 3

**Dynamics of the Number of
People Employed in Industry
in 1997-2006
(thou. people)**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Total	236.4	208.9	200.8	200.2	195.9	176.9	170.9	175.3	179.3	185.3
Extractive industry	31.6	33	33.7	33.7	35.6	34.9	38.6	39.6	40.8	41.6
Percentage (%)	13.4	15.8	16.8	16.8	18.1	19.7	22.6	22.6	22.8	22.5
Manufacturing industry	188.3	151.3	137.1	131.7	116.5	106.1	95.3	100	101.8	103.5
Percentage (%)	79.7	72.4	68.3	65.8	59.5	60.0	55.8	57.0	56.8	55.9
Distribution of electricity, gas, and water	16.5	24.6	30	34.8	43.8	35.9	37	35.7	36.6	40.2
Percentage (%)	6.9	11.8	14.9	17.4	22.4	20.3	21.6	20.4	20.4	21.6
<i>Note:</i> Compiled and calculated by the author based on: <i>Azerbaijan's Industry</i> , Baku, 2003, pp. 391-392; 2006, pp. 54-55 (in Azeri).										

tion to the extractive industry, the number of those employed in the generation and distribution of electricity, gas, and water rose 2.4-fold. The percentage of those employed in the extractive branches rose from 13.4% to 22.5%, and in the generation and distribution of electricity, gas, and water from 6.9% to 21.6%. And only in the processing industries did the percentage of employees drop from 79.7% to 55.9%.

There were two objective reasons for the changes in the employment structure in industry. First, the decrease in employment in industry was caused by the disintegration of the single economic expanse, as a result of which economic ties were broken, which paralyzed the work of many industrial enterprises and led to the dismissal of the workforce employed at them. In subsequent years, the signing of oil contracts also promoted a significant increase in the volume of investments in Azerbaijan's economy. But this positive process caused one-sided development of the economy and had a negative effect on the structure of demand for labor. As we know, at the macro level the structure of demand for labor depends on the development of international trade and the country's place in the world distribution of labor. World distribution of labor is based on the fact that in each state production outlays are lower in some branches and higher in others. So in each country it is more expedient to establish production in branches with low production outlays and buy products that require high outlays, if manufactured inside the country, in other states. Azerbaijan's access to the world market is helping to develop branches working for *export*.

It should be kept in mind that the export orientation of Azerbaijan's economy was due to the fact that the republic's raw material and labor potential was greater than the volume of the internal market. As of today, crude oil is the competitive commodity Azerbaijan can export in large volumes. The

dependence of the country's economy on the export of one resource makes it vulnerable, since a reduction in price for this resource on the world market will have a negative effect on the state's payment balance and on the state of the economy as a whole. Investing mainly in the oil-producing industry is having a negative effect on the branch and regional structure of the demand for labor.

Summarizing the above, we will note that investments in the oil-producing industry have promoted an increase in the demand for labor in it and, consequently, jobs are still being created there. At the same time, the insufficient amount of investments in the branches of the manufacturing industry has led to a drop in employment in them.

We will analyze the state of employment in the service sphere. As we know, the branches of this sphere can be grouped as follows: infrastructure sectors and public amenities, as well as branches generating the social product. The first group includes transport, commerce, and public amenities. The second consists of public health, education, culture, and art. The special feature of the second group is that the "product" it generates is not tangible and, as a rule, cannot be moved (apart from when its carriers migrate). Under contemporary development conditions, the value of the "products" of the social sphere may be higher than the cost of products created in material production.

Let us take a look at the branch distribution of labor in the service sphere. It should be noted that with respect to the changes in its branch classification, its analysis focuses on two specific periods—1990-1998 and 1999-2006. Between 1990 and 1998, the total number of people employed in the service sphere increased by 17.3%. The greatest increase in the number of employed was seen in commerce, catering, material-technical supply, and procurement, where it constituted 91.4%. Further in order of priority come those employed in state administration structures with an increase in 28%, in the municipal housing industry and public amenities with an increase in 25%, in education, culture, and art with an increase in 11%, and in public health, physical culture, and social services with an increase in 7.9%. In some branches there was a decrease in the number of employed. It mainly affected employment in science and scientific services where the level dropped by 47%, in transport by 23%, and in other branches by 8%.

When analyzing the changes in the branch employment structure in the service sphere, it should be noted that in 1990 other branches accounted for the largest percentage of employed, 27.4%, while in 1998 it dropped to 21.5%. During the same period of time, the percentage of people employed in commerce, catering, material-technical supply, and procurement increased from 19.9% to 32.5%. In the municipal housing industry and public amenities, the percentage of people employed rose from 6.8% to 7.3%, and in the state administrative structures of cooperative and public organizations from 2.8% to 3%. The percentage of people employed in education, culture, and art dropped slightly from 18.4% to 17.5%, in public health, physical culture, and social security from 9.2% to 8.5%, and in science and scientific services from 3.1% to 1.4%. In 1990, the smallest percentage of employed was seen in credit services and state insurance with 0.6%, which dropped in 1998 to 0.5%.

With respect to the branch employment structure in the service sphere, it should be noted that in 1999, those employed in wholesale and retail trade, the repair of cars, motorcycles, household appliances, and personal property accounted for the largest percentage with 33.5%; in 2006, this percentage had hardly changed, constituting 33.9%. They are followed by those employed in education, their percentage in 1999 amounted to 17.4%, and in 2006 to 17.7%. The percentage of those employed in state administration, defense, and mandatory social security in 1999 amounted to 15.1%, while by 2006, it had dropped to 14.1%. The percentage of people employed in transport, the warehouse industry, and communications changed slightly, increasing from 9.8% in 1999 to 10.5% in 2006; in financial mediation from 0.9% to 0.7%, in real estate operations from 5.7% to 5.6%; and in public health and social services from 9.8% to 9.4%. The percentage of those employed in hotels and restaurants dropped from 0.6% to 0.1%, and in other communal, social, and personal services, the percentage of people employed decreased from 7.3% to 6.9%.

Table 4

**Distribution of People Employed
in the Service Sphere
in 1999-2006
(thou. people)**

	1999	2000	2001	2002	2003	2004	2005	2006
Total number of employed in the service sphere	1,722.3	1,682.3	1,828.7	1,799.4	1,815.2	1,849.6	1,871.4	1,917.7
Wholesale and retail trade, repair of cars, motorcycles, household appliances, personal property	576.4	626.1	659.5	611.9	618.3	630.7	638.8	650.4
Hotels and restaurants	9.8	9.8	11	11.3	11.8	12.4	14.2	22
Transport, warehouse industry, communications	168.4	167	167.5	169.8	178.5	190.5	191.5	201.8
Financial mediation	15.2	13.5	13	13.2	13.0	13.1	13.2	13.4
Operations with real estate, rental, and commercial activity	98.7	98	97	97.2	97.5	100.0	100.6	106.7
State administration, defense, mandatory social security	260.2	257.7	267.3	265.3	265.0	269.7	270.5	271.2
Education	299.6	317.9	318	329.9	330.0	330.8	335.3	339.4
Public health, social services	168.2	68.9	170	173.6	173.8	174.6	177.2	180.5
Other communal, social, and personal services	125.5	123.2	125	126.7	126.8	127.3	129.5	131.7
Organizations and institutions with an immune status	0.3	0.2	0.4	0.5	0.5	0.5	0.6	0.6
<i>Note:</i> Compiled and calculated by the author based on: <i>Statistical Indices of Azerbaijan</i> , Baku, 2007, p. 89.								

In developed countries, the percentage of the service sphere in the GDP and total number of employed is growing. In some states, the percentage of people employed in the service sphere reaches 70%, and in the GDP it is 60% and more. The employment level in Azerbaijan's social sphere amounted to 48.4% in 2006, which was lower than in 1995 (54.3%).⁷

An analysis of the branch employment structure shows that regressive shifts are occurring in Azerbaijan in this sphere, which is expressed in an increase in the percentage of people employed in agriculture, as well as in a decrease in those employed in industry and the service sphere. In order to improve the employment structure, it would be expedient to make investments in the non-oil sector of the economy.

The lack of investment in the economy of the regions not related to oil production has led to a decrease in jobs in them, which is causing migration of the able-bodied population from these regions to the capital or beyond the country. Unilateral investments lead to an increase in disproportion in the development of the republic's industries and regions. The lack of investments in other industries and regions of the country has also caused an increase in the number of unemployed and a drop in the number of vacancies. In addition, an increase in investments in the oil-producing sector has strengthened branch differentiation in labor payment.

Taking into account the above-mentioned facts, as well as to achieve balanced economic growth, even and sustainable growth of the country's regions, in 2004 the government of Azerbaijan adopted the State Program of Socioeconomic Development of the Regions of the Azerbaijan Republic for 2004-2008. Within the framework of this document, development of the non-oil sector was reviewed in order to reduce the dependence of the country's economy on the oil factor, as well as to achieve efficient use of the republic's economic potential. The program envisaged several measures for resolving the employment problem in the country's regions. During this period (from October 2003 to 1 January, 2008), 643,300 jobs were created in Azerbaijan, 458,000 of which were permanent.⁸ It should be noted that 81.4% of the permanent jobs opened up in the republic's regions, and 85.6% in the non-state sector of the economy. In so doing, 24.5% of the permanent jobs were created at existing enterprises, 29% were organized by physical entities, 28.8% in different international organizations providing urban amenities and carrying out other undertakings, 14.8% at newly created enterprises and organizations, and 2.9% at restored production units and structures. With respect to the branch employment structure of new jobs, it should be noted that agriculture accounts for 13% of the permanent jobs, wholesale and retail trade, the repair of cars, household appliances, and personal items for 9.2%, the processing industry for 9.2%, construction for 7.9%, and education, public health, and social services for 1.4%. In order to further ensure economic growth and employment, development of business in the non-oil sector of the economy should be stimulated and foreign capital drawn into this sphere.

C o n c l u s i o n

Globalization is inevitable, and its influence on the developing countries is both positive and negative. The effect of globalization in Azerbaijan has been manifested mainly in the oil-producing industry. After signing oil contracts, the republic began to actively integrate into the world economy. Positive aspects for Azerbaijan in this process are the inflow of foreign investments, the acceleration of technological progress, the creation of new and modernization of existing jobs in the oil-producing industry, and the high level of labor remuneration. A negative effect of globalization is the fact that economic growth is generated largely by the development of the oil-producing industry, that is, there

⁷ See: *Statistical Indices of Azerbaijan*, 2007, p. 89 (in Azeri).

⁸ See: *New Jobs. Collection of Statistics*, Baku, January 2008, pp. 17-34 (in Azeri).

is unbalanced progress in the country's economy. Drawing investments into other spheres of the economy will make it possible to achieve balanced economic growth and improve the employment structure in Azerbaijan.

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GEORGIA: TEN YEARS OF EXPERIENCE IN REGULATING THE ENERGY INDUSTRY

A b s t r a c t

This article looks at how regulation of the energy industry took shape and developed in Georgia. It analyzes the need for a regulatory structure in the natural monopoly industries, including in the energy sector, and describes its role and influence on the development of the ener-

gy industry. It provides detailed coverage of the results of regulating the energy industry in Georgia over the past ten years, shows the positive effects of its influence on the development of this sector and of the republic's national economy as a whole, and formulates tasks for the future.

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

Georgia is the third country (after Ukraine and Russia) in which an energy-regulating commission was created after the collapse of the U.S.S.R. It arose on the basis of the Georgian Law on the Electric Power Industry. In April 1999, amendments and addenda were made to this law, and it was renamed the Law on the Electric Power Industry and Natural Gas, while the commission was called the National Commission on Energy Regulation of Georgia (NCER). The creation of this structure was a very important component of the economic reforms and major structural changes in the state's energy industry.

In August 2007, the Regulatory Commission of Georgia celebrated the tenth anniversary of its foundation. It initially applied only to electric power, but since April 1999 it expanded its sphere of competence to include the natural gas sector.

The formation of the energy-regulating structure coincided with the transition period of the entire economy. During this transition, Georgia's economy was of a special historical-economic na-

ture that had no analogies. It arose on the basis of Soviet socialism, “wild capitalism,” and elements of the mixed economic systems of developed and developing countries, that is, on the basis of different world outlooks.¹

In our opinion, the regulation of Georgia’s energy industry, like the economy as a whole, should expediently be viewed precisely with these special features in mind.

The creation of an energy-regulating structure was prompted by different factors, the most important of which was the abysmal state of the electric power industry.

Excursion into History

During the last 30 years of Soviet power, the development of Georgia’s energy industry was characterized by serious qualitative and quantitative shifts. During this time, the rated capacity of power stations increased 4.6-fold, while annual energy production rose 3.8-fold.

The period between 1961 and 1980, when such powerful facilities as TbilGRES, InguriGES, three units of the Vartsikhe hydropower plant, and others went into operation, was a time of relatively intensive power plant construction.

By the end of 1980, the rated capacity of all of Georgia’s power plants reached 4,155 MW, while energy generation constituted 14,687,400 kW/h, which topped the 1960 level 4.3-fold and 4-fold, respectively.

During the next decade (1981-1990), the development of the energy industry noticeably slowed. During this time, power plant capacities increased by only 8.8%, while energy generation dropped as much as 3.1%. In so doing, energy consumption rose on average by 500 million kW/h a year. Correspondingly, the energy deficit also increased. In 1988, it reached 3.6 billion kW/h, which is a record index throughout Georgia’s entire history. In reality, however, the deficit was more significant. Thermal power plants, which largely used imported fuel, accounted for 46.7% of all the energy generated. Between 1960 and 1997, energy production in Georgia decreased by 49.7%, and consumption by 53%. Both hydropower plants and thermal power plants experienced a drop in production.²

Due to the deficit at industrial associations, particularly at large enterprises, restrictions on energy consumption were introduced. The use of existing capacities, as well as the dynamics and structure of energy consumption, perceptibly worsened, and energy losses in commercial networks increased; in 1994, for example, these losses reached 35.4%.

Georgia’s energy industry experienced extreme hardships. Due to the shortage of necessary materials, repair work at energy facilities essentially ceased, and there were difficulties in supplying power plants with fuel. Energy metering and money collection were characterized by low performance, and the available capacities were not tapped to their full potential. Suffice it to say that by the beginning of 1995, only 28.7% (1,800,000 kW) of Georgia’s entire rated energy capacity was in operating condition.

The situation was also aggravated by the fact that natural gas deliveries to the republic had essentially ground to a halt, which meant that electricity had to be used for heating buildings, cooking food, and supplying hot water. The production cycle at some enterprises, as well as at bread-baking plants and bakeries, was also supported by means of electricity. Industrial enterprises sharply decreased, while the population, on the contrary, dramatically increased their energy consumption.

¹ See: N. Chitanava, “O gosudarstvennom regulirovanii ekonomiki,” *Trudy Akademii ekonomicheskikh nauk Gruzii*, Vol. 1, Tbilisi, 2000, p. 79.

² See: G. Tavadze, D. Chomakhidze, *Natural Monopolies and Their Regulation*, Tbilisi, 2005, pp. 42, 43, 44 (in Georgian).

Consumers found themselves unable to pay, while everyone was supplied with electricity, both those who could pay and those who could not. Money collection on the energy consumed was low not only in the country's regions, but also in Tbilisi. In order to improve the situation in the energy industry, taxation conditions underwent several amendments,³ but this did not help. The industry's revenue vacillated as low as 15% to 20%.

Overhaul and maintenance repairs of energy facilities, the introduction of new capacities, the payment of salaries, etc. came to a halt. Industrial enterprises used old, energy-intensive technology. As a result, the industry experienced huge losses.

The situation was also aggravated by the erroneous energy price formation policy carried out. Consumers were supplied with electricity at an artificially low rate. Under such conditions, the industry was in need of major economic reforms.

Tasks and Functions

Against the background of the existing problems, the need arose for the industry to solve qualitatively new tasks. In particular, it became necessary:

- to carry out a rational state policy and make a clear distinction between the regulation policy and economic activity;
- to gradually eliminate state monopoly; establish different types of ownership; create a competitive environment; and attract investments;
- to improve energy supply and decrease its deficit in order to develop the economy;
- to increase energy production and its efficiency; ensure the observance of financial discipline; and improve consumer services;
- to raise the technical and managerial level and increase the profit of enterprises and companies on the basis of stable energy supply.

On 20 November, 2007, the Georgian parliament made amendments to the Law on the Electric Power Industry and Natural Gas, according to which the commission was entrusted with another function—regulating water supply. The structure is now called the National Commission on Energy and Water Supply Regulation.

The interrelations between the structural units of the energy industry have been defined and the legal foundations for introducing market relations into the industry and forming a competitive electricity and natural gas market, and so on, have been created.

The law envisaged streamlining the activity of physical and legal entities involved in the production, transmission, dispatching, and consumption of electricity, as well as in the delivery, transportation, and distribution of natural gas, and ultimately guaranteed development of the energy industry in keeping with market economy principles.

Two departments became responsible for the normal functioning and development of the republic's energy industry—the Ministry of Fuel and Energy, and the National Commission on Energy Regulation.

This Ministry was responsible for developing and carrying out state policy in the energy industry and for coordinating measures in this sphere. It was also liberated from operative-economic activity and regulation of the industry.

³ See: V. Papava, *Political Economy of Post-Communist Capitalism and Georgia's Economy*, Tbilisi, 2002, p. 393 (in Georgian).

In compliance with the above-mentioned law, Georgia's NCER has a high independent status, is a non-political sectoral state structure, and is not subordinate to other state structures. It is not financed from the country's budget, but by the contributions of regulation license holders.

The NCER issues regulatory acts on regulation issues, in particular resolutions, and adopts legal acts in the form of various decisions on specific issues. Resolutions are adopted on the basis of democratic procedures at open meetings of all interested persons—license holders, consumers, persons engaged in consumer rights, and representatives of various government and nongovernmental organizations. They are given the opportunity to express and protect their interests. If necessary, the decisions of the NCER can be contested in court.

The NCER is obliged to review the main vectors of state policy in the energy industry, national security, the economy, environmental protection, and so on. Its main tasks are balancing the interests of both producers and consumers; promoting the development of competition and privatization; and attracting investments.

Results and Trends

The NCER is the first specialized regulatory structure of natural monopolies in the republic. During the ten years of its existence, it has achieved significant results, and positive trends are obvious⁴:

- there are better opportunities for identifying and resolving the problems existing in the industry; the necessary conditions have been created for its self-financing;
- fair game rules have been established for all entities of the industry;
- state, economic, and regulatory functions have been delineated;
- private investments in the industry have been stimulated; privatization has begun and is continuing;
- the industry has been insured against political interference; tariffs have been more reliably insured;
- favorable conditions have been created for integrating the country into international organizations, opportunities have appeared for obtaining material and moral assistance from them and for them to issue the necessary credit assistance for development of the energy industry.

Over the past ten years, both qualitative and quantitative shifts have occurred in the development of the energy industry (see Table 1). Between 1997 and 2007, energy production in Georgia has increased by 13.9%, and consumption by 4.1%. As for natural gas, its use has doubled. In 2007, Georgia had a non-deficit energy balance for the first time during the years of state independence.

Time has confirmed the advantages of a professional sectoral regulatory structure over the principles of centralized management, control, and regulation.

During the period under review, the Georgian NCER adopted such important acts within the framework of its competence for the first time in the country's entire history as methods for setting and regulating electricity and natural gas tariffs; rules for accepting and considering tariff and license applications; rules for issuing, modifying, and terminating the validity of licenses and their cancellation; rules for regulating direct contracts between energy producers and consumers; procedural rules for considering disputes between entities of the industry; rules effective on the energy market; rules for the delivery and consumption of energy, as well as natural gas, and so on.

⁴ See: G. Tavadze, I. Kavtaradze, D. Chomakhidze, D. Menabde, *Energy Regulation: Theory and Practice*, Tbilisi, 2006, pp. 181-183 (in Georgian).

Table 1

**Indices of Development of
Georgia's Energy Industry in 1997-2007⁵**

Years	Electricity, <i>million kW/h</i>		Consumption of natural gas, <i>mcm</i>
	Production	Consumption	
1997	7,172	7,508	830
1998	8,088	8,779	846
1999	8,119	8,409	1,022
2000	7,446	7,841	1,198
2001	6,942	7,137	,880
2002	7,235	7,703	,812
2003	7,163	7,950	1,009
2004	6,706	7,404	1,231
2005	7,101	7,827	1,440
2006	7,420	7,880	1,881
2007	8,170	7,813	1,684
In percentages			
2000 of 1997	103.9	104.4	144.3
2007 of 2000	109.7	99.6	140.5
2007 of 1997	113.9	104.1	202.9

The NCER is particularly necessary for setting and regulating energy tariffs. Although during the period under review the increase in tariffs in the republic was much higher than the increase in personal incomes, it should be stressed that if tariffs are not regulated their increase would be even greater. In the event of an acute energy shortage, the market would have responded with a more dramatic increase in prices. It would have been impossible to suppress the desire of companies to raise tariffs. Between 1999 and 2007, electricity tariffs rose in Georgia by 77.7%, and by 75.6% for natural gas (see Table 2). At present, the average electricity tariff in Tbilisi amounts to 16 tetri (10.6 cents) per kW/h, and 50.6 tetri (44.7 cents) per 1 cu m of natural gas.

It is worth noting that during this period the average retail prices on the Georgian consumer market increased at higher rates than on the regulated market. From Table 3 it can be seen that in 2000-2005, the increase in electricity and natural gas prices was kept at a lower level than for various consumer products. The ratio was disrupted somewhat in 2005-2007 due to the abrupt rise in prices for imported gas. The data of Table 3 again show that regulated prices for energy products are rising at a more even rate than market prices.

⁵ The table was compiled on the basis of data of the Department of Statistics of the Georgian Ministry of Economic Development. The following monograph was used: D. Chomakhidze, *Georgia's Energy Balance*, Tbilisi, 2007, pp. 95, 164, 335 (in Georgian).

Table 2

**Dynamics of
Retail Tariffs for Electricity and
Natural Gas in Tbilisi (%)⁶**

Years	Electricity	Natural Gas
1999	100.0	100.0
2000	108.8	86.7
2001	137.7	86.7
2002	152.2	93.6
2003	135.3	93.6
2004	135.3	93.6
2005	133.0	93.6
2006	152.2	118.6
2007	177.7	175.6

Table 3

Increase in Average Prices in Georgia⁷

	in % of 2000	
	2005	2007
1. Market prices for:		
1.1. Bread	135.7	155.7
1.2. Pork	177.4	181.3
1.3. Beef	158.0	183.8
1.4. Eggs	146.4	177.9
1.5. Gasoline	126.2	153.4
1.6. Kerosine	154.9	200.0
1.7. Liquefied gas	135.7	179.5
2. Regulated prices for:		
2.1. Electricity	123.2	163.3
2.2. Natural gas	108.0	202.4

⁶ The table was compiled on the basis of the annual reports of the Georgian NCER. The following monograph was used: D. Chomakhidze, *Georgia's Energy Security*, Tbilisi, 2003, pp. 308-309 (in Georgian).

⁷ Data of the Department of Statistics of the Georgian Ministry of Economic Development.

The commission took active part in carrying out economic reforms in the Georgian energy industry, in forming a wholesale energy market, in developing competition in the industry, and in introducing market economy principles.

If the commission did not exist, instability and chaos, producer and consumer discontent, a convergence of operative-economic and regulation functions, and a decrease in the inflow of capital for the acquisition of energy resources and investments in the industry would be blatantly obvious.⁸

Tasks for the Future

In the near future, the NCER will be faced with new tasks. Water supply regulation is on the agenda. In November 2007, the Georgian parliament made more amendments to the Law on the Electric Power Industry and Natural Gas. According to the decision adopted, the commission should draw up a method for calculating tariffs and regulating water supply tariffs.

Water consumption regulations must also be drawn up. The commission has a steadily increasing amount of work to do. At present, Georgia's main water supply funds and infrastructure are functioning under difficult conditions (particularly in the regions). At the present stage, along with supporting projects for rehabilitating the industry, the commission is also responsible for protecting the interests of water consumers. The tariff system should create favorable investment conditions and ensure not only restoration of the industry, but also its future development. Ongoing privatization also needs to be encouraged and a competitive market formed. The tariffs should be fair; and different categories of subsidizing water consumers and suppliers are impermissible.

Moreover, several problems of the energy industry must be resolved. In compliance with the law, the commission must bring the existing regulatory legal base and energy delivery and consumption regulations (capacities) up to par, make efforts to rationalize energy regulation and improve tariff methodology, as well as create a liberal and competitive environment in the industry. Improving the financial state of the energy industry, fulfilling licensing conditions for license holders, ensuring monitoring of the reliability of energy supply to consumers by distributing companies, and, consequently, the commission's better performance, as well as ensuring it carries out all the functions entrusted to it, are top priority issues.

The efficient implementation of economic reforms, both in the mentioned industries and throughout the country as a whole, largely depends on the commission's successful functioning.

C o n c l u s i o n

During the ten years of state energy regulation in Georgia, significant qualitative shifts in the industry's development have become a reality. State, operative-economic, and regulatory functions have been delineated; precise and fair rules of the game have been established for all entities of the industry; private investments have been stimulated; service quality has been improved and it has become possible to pay for the energy consumed; the necessary conditions have been created for self-financing of the industry; opportunities have increased for identifying and settling the existing unresolved problems, protecting energy consumer and producer rights, developing competition, raising energy efficiency, and integrating Georgia into international organizations; and both the energy industry as whole, as well as the tariffs for its products have become more insured against political interference.

⁸ See: G. Tavazde, D. Chomakhidze, op. cit., p. 62 (in Georgian).

As a result of the measures carried out, electricity generation in Georgia increased between 1997 and 2007 by 13.9% and consumption by 4.1%, while the use of natural gas doubled. In 2007, the country had a non-deficit energy balance for the first time during the years of state independence. During the period under review, the growth rate in consumer prices for regulated energy products was lower and more even than market prices for unregulated products. Nevertheless, several problems (improvement of the existing regulatory legal base, improvement of tariff methodology, ensuring monitoring of the reliability of energy supply, and so on) related to rationalization of the industry's regulation have still not been resolved.

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AZERBAIJAN BANKING SYSTEM: CHALLENGES AND PROSPECTS OF GLOBALIZATION

A b s t r a c t

This article explores the development problems of the Azerbaijan Republic's banking system in the context of financial globalization. The author analyzes its current state, focusing on its successes, objective difficulties and unresolved problems. He describes the main manifestations of globalization processes in the world banking services market and pays much attention to problems that may be encountered in these conditions by the domestic banking sector,

particularly after Azerbaijan's accession to the WTO. The author examines the consequences of foreign bank entry in the national market and proposes concrete measures for its protection. Based on a case study of the International Bank of Azerbaijan (IBA), the country's leading bank, he identifies the specific features of the transnationalization of banking activities (cross-border banking) and outlines the ways to implement this strategy on a national scale.

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

In the 21st century, faced with the growing challenges of globalization, Azerbaijan has entered a stage of active reform in all spheres of social life marked by strengthening political stability, progressive development of the national economy, advances in living standards, and the country's con-

sistent integration into the world economy. An effective factor of sustainable economic growth is the existence of a proper, competitive, sound and stable banking system, whose formation is among the strategic tasks of the Azerbaijan state. The socioeconomic and legal environment and the investment and business climate currently emerging in Azerbaijan create good opportunities for ensuring qualitative growth in the banking sector based on positive macroeconomic indicators and experience gained by domestic banks operating in market conditions, and for accelerating its integration into the world banking system in accordance with current globalization requirements.

Current State of the National Banking System

The national banking system today is one of the most essential parts of Azerbaijan's market economy. At present, the republic has a two-tier market-based banking system, which is represented, in the first place, by the National Bank of Azerbaijan and a set of credit institutions. They ensure virtually uninterrupted settlements between all parts of the economy, redistribute temporarily surplus funds and perform other banking functions in close and constant interaction in the market with each other and with the external environment. These components constitute a single system designed to service monetary circulation and united by common functions and purposes. This is also confirmed by the existence of a common legal and regulatory framework: banking legislation, which determines the legal status of the key elements of the banking system and the rules of their interaction and regulates the most stable types of relationships between them.

The National Bank of Azerbaijan (NBA) has the necessary independence for performing the functions of a central bank. Its main task is to ensure price stability within the scope of its authority. Another major task is to ensure the stability and development of the banking and payment systems. In addition, the NBA licenses, regulates and controls the activities of commercial banks, and also has the discretion to determine and implement the state's monetary and exchange rate policy.

Among Azerbaijan's credit institutions, the leading role is played by commercial banks. At the end of 2007, the country had 46 commercial banks: 2 state-owned and 44 private, including 21 with foreign capital.¹ The prevailing model is a universal bank which offers a full range of banking services, including e-services. Some domestic banks are specialized institutions (like the Azerbaijan Microfinance Bank) and captive finance companies.

In the transition period, the republic's banking sector underwent a structural and organizational transformation, whose main trends coincided with the general development patterns in the transition countries.² Banking rules were updated, bank efficiency improved, costs were rationalized, bank earnings and net profit steadily increased, and modern products and technologies were introduced. These actions have resulted in the creation of a modern banking system in Azerbaijan capable of operating in market conditions and properly responding to customer needs and to the changes underway in the country.

It should be noted that the upturn caused by the general economic recovery in Azerbaijan and by rising household income in recent years has strengthened the positive trends in the banking sector. Statistical data show that by now this sector has made undeniable progress in the main quantitative and qualitative parameters. The capital base of credit institutions has been strengthened, and the supply of innovative banking products and services has increased. Growth of total bank assets has been coupled with an improvement in their structure and quality. Thus, at the beginning of 2008 bank eq-

¹ See: *Statistical Bulletin of the National Bank of the Republic of Azerbaijan*, Baku, No. 12, 2007, p. 40.

² This is pointed out, in particular, in: I.K. Kovzanadze, *Tendentsii i perspektivy razvitiya ekonomiki i bankovskogo sektora transformatsionnykh stran*, Finansy i statistika, Moscow, 2005, p. 147.

uity capital reached \$1,297.9 million, increasing by 87.6% compared to the same period of the previous year. With an increase in capitalization and liabilities, total bank assets rose in that period by 83.5% to \$7,949.1 million. They made up 26.7% of GDP compared to 14.9% in 2003; the respective figures for loans were 18.1% and 8.3%, and for attracted funds, 22.3% and 8.5%.³

The total amount of deposits has increased, with a shift toward longer-term deposits. Loan volumes have increased significantly, loan portfolio quality has improved (both in sectoral and currency terms and in terms of maturities), lending rates have fallen and loans have become more affordable. The bank branch network has expanded markedly, from 305 branches in 2003 to 485 in 2007, and they have strengthened their support for the development of the regions and small and medium businesses. Commercial bank loans to the real sector totaled \$5,382.0 million, which is 8.9 times more than in 2003, and their ratio to total banking sector assets reached 67.7% (compared to 57.0% at the beginning of 2004).⁴

These processes have been accompanied by an improvement in the banking sector's legislative and institutional framework. New laws have been adopted in the past four years: on banks, the National Bank, mortgage and bank deposit insurance. The Law on Currency Regulation was further liberalized; in particular, restrictions on the export of currency have been eased. Domestic banks have started implementing international standards of corporate governance and reporting forms. The infrastructure of the banking system has strengthened rapidly: a Central Credit Register, National Card Processing Center, National Payment System, Mortgage Fund and Deposit Insurance Fund have been created in Azerbaijan; currency and stock exchanges and a National Depository Center are in operation in the country; and consistent efforts are being made to develop the securities market. More attention is being paid to progressive technologies and the latest management information systems.

But despite an improvement in the situation and the successes achieved in Azerbaijan's banking sector, its current state should not be overestimated. There are still many problems in this sector. A SWOT analysis⁵ of the strengths and weaknesses of commercial banks with an assessment of the opportunities for their further development and the threats posed by potential risks has produced the following results.

SWOT Analysis of Azerbaijan's Banking Sector

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> ■ wide range of banking products and services; ■ developed correspondent network; ■ improving asset quality against the background of favorable credit conditions; ■ opportunities to finance large projects; ■ use of modern information technologies; 	<ul style="list-style-type: none"> ■ lack of a clearly formulated development strategy; ■ low level of financial intermediation in the republic's economy; ■ high lending rates; ■ concentration of activity in limited market segments, inadequate loan portfolio diversification; ■ low capitalization and, accordingly, limited opportunities for covering

³ Calculated based on data from: *Statistical Bulletin of the National Bank of the Republic of Azerbaijan*, Baku, No. 12, 2007, pp. 4, 19, 42.

⁴ See: *Ibid.*, pp. 19, 40, 42; *Bulletin of Banking Statistics*, Baku, No. 1, 2004, p. 21.

⁵ SWOT is an acronym for Strengths, Weaknesses, Opportunities and Threats. The internal environment of the banking sector is mostly reflected in S and W, and its external environment, in O and T.

(Continued)

<ul style="list-style-type: none"> ■ adoption of financial accounting standards generally consistent with international standards; ■ functioning deposit insurance system; ■ low share of problem loans in total loan portfolio; ■ provision of bank card services, existence of an ATM system; ■ financial and political capital of major shareholders; ■ increasing competitiveness of small banks coupled with their greater mobility and gradual capture of some markets, including retail banking markets; ■ improving qualification of bank staff, especially junior and intermediate staff, clearly manifested competence; ■ weak dependence on world financial market resources, high degree of protection from international crisis phenomena. 	<p>bank risks, lack of a sufficiently effective system for risk assessment and hedging;</p> <ul style="list-style-type: none"> ■ inadequate level of household deposits and of the payment system; ■ deficiencies in corporate governance, internal control and audit systems; ■ low transparency of the share capital structure; ■ lack of transparency in hiring personnel, their inadequate professional standards; ■ underestimation of an aggressive marketing policy; ■ defects in internal legal regulations; ■ low investment activity of commercial banks; ■ insufficiently developed branch network, unequal access to banking services in the center and the regions.
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> ■ political and macroeconomic stability, positive changes in the socioeconomic environment helping to raise the credit rating of both the country as a whole and its banking system; ■ government intentions to accelerate the development of the non-oil sector of the economy; ■ adoption of new and improvement of effective legislative acts directly or indirectly related to the banking system; ■ improvement of the investment climate; ■ expanding access to long-term resources due to the attraction of foreign investment and household savings; ■ significant increase in the customer base, further extension of the range of offered products and services, 	<ul style="list-style-type: none"> ■ political risk of Armenia's renewal of the war against Azerbaijan; ■ monopoly trends in the economy and, accordingly, certain difficulties in doing business; ■ disproportionate development of sectors of the economy and its overall dependence on the oil sector; ■ inflationary expectations, high degree of dollarization; ■ instability in the world hydrocarbon market; ■ high fragmentation among commercial banks, significant sector and obligor concentrations; ■ dependence of a significant part of the population, especially in the regions, on remittances from abroad; ■ difficulties in recovering delinquent loans;

(Continued)

<p>sharp increase in demand for some of them;</p> <ul style="list-style-type: none"> ■ rising household income, slowing inflation and easing tax burden on economic agents; ■ development of retail lending, including consumer and mortgage lending; ■ increase in bank equity capital; ■ improvement in loan portfolio quality; ■ spread of e-payments, Internet and mobile banking, further computerization of banking operations; ■ improving professional standards of personnel. 	<ul style="list-style-type: none"> ■ lack of real alternatives to loans; ■ limited long-term resource base; ■ shortage of quality borrowers, concealment of information by borrowers on their actual financial position; ■ changing customer preferences; ■ market entry by new foreign banks, their takeover of domestic banks; ■ introduction of restrictive measures; ■ increase in competition in the banking sector in view of Azerbaijan's accession to the WTO.
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The presented assessment of the state of the domestic banking sector shows that today, alongside a whole range of positive factors conducive to its further development, there is a mass of factors which either already exert a negative influence on the stability of financial institutions or can have such an influence in the long term. This includes, in the first place, high credit and foreign exchange risks, unsatisfactory level of creditor protection and management quality, relatively low bank liquidity and capitalization, inadequate public confidence in banks, a shortage of long-term resources, high costs of banking, its low investment attractiveness and weak interaction with the production sector, limited number of funding sources, slow implementation of corporate governance mechanisms, insufficient transparency of credit institutions, their inadequate equity participation in modernizing and retooling enterprises, and also in the securities market. Some obstacles to the development of the banking system are associated with imperfections in the legislative and regulatory systems. But on the whole, the current strengths of the republic's banking sector largely offset the threats that may await it in the future, while the available opportunities, coupled with more stringent banking legislation requirements, can mitigate its weaknesses.

Azerbaijan Banking System in the Context of International Comparisons

In addition to our internal analysis of the domestic banking system, let us also consider various international assessments of this system. For example, the EBRD's *Transition Report 2007* points to positive changes in Azerbaijan's monetary system, particularly in matters of liberalizing capital flows.⁶ Nevertheless, the EBRD index of banking reform in the country over a period of seven years (starting from 2001) has remained unchanged at 2.3 (compared to 2.0 in 1995-2000),⁷ while the max-

⁶ See: *Transition Report 2007: People in Transition*, EBRD, November 2007.

⁷ See: *Transition Report 2003: Integration and Regional Cooperation*, EBRD, November 2003.

imum score is 4+.⁸ According to the EBRD Report, the underdevelopment of this sector of the domestic economy significantly limits the effectiveness of monetary policy in reducing inflation. It also points to the need to strengthen banking supervision.⁹

According to an assessment by the international rating agency Fitch IBCA,¹⁰ Azerbaijan's banking system was once again placed in one of the highest risk categories: MPI 3,¹¹ which means that domestic banks exhibit the highest level of macro-prudential vulnerability. It should be noted that

Table 1

**Fitch Ratings:
Issuer Default Ratings of Azerbaijan Commercial Banks¹²**

Issuer	Long-Term Local Currency IDR*	Outlook	Support Rating Floor	Short-Term Foreign Currency IDR*	Individual Rating	Support Rating	Date of Assignment/ Last Revision
International Bank of Azerbaijan	BB+	Stable	BB+	B	D/E	3	06/09/2007
Kapital Bank	BB-	RW** Negative	BB-/ RW** Negative	B	D/E	3/RW** Negative	08/11/2007
Azerdemiryolbank	B-	Stable	No floor	B	D/E	5	17/10/2007
Technikabank	B-	Stable	No floor	B	D/E	5	06/02/2008
UniBank	B-	Stable	No floor	B	D/E	5	11/10/2007
<p>* Issuer Default Rating. ** Rating Watch. Ratings are placed on Rating Watch to notify investors that there is a reasonable probability of a rating change and to indicate the likely direction of such change. RW Negative means that the rating may be downgraded.</p>							

⁸ According to the EBRD rating scale, 4+ represents the standards and performance typical of advanced industrial economies, full convergence of banking laws and regulations with the standards of the Bank for International Settlements (BIS) and a full set of competitive banking services (see: *Ibidem*).

⁹ See: *Transition Report 2007: People in Transition*, pp. 13, 20.

¹⁰ See: *Banking Systemic Risk Report: February 2006; Banking Systemic Risk Report: September 2007*, available at [<http://www.fitchratings.com>].

¹¹ The Macro-Prudential Indicator (MPI) with scores ranging from 1 (low) to 3 (high) points to the level of vulnerability of banking systems to corrections in asset prices and exchange rates and to the impact of the economic downturn that may follow such corrections. An MPI score of 3 is assigned in case of a high level of vulnerability to potential systemic distress (see: *Banking Systemic Risk Report: February 2006*, p. 3).

¹² Compiled based on data from Fitch Ratings, available at [<http://www.fitchratings.ru/financial/banks/ratings/list/index.wbp>].

in 2005-2006 the MPI score for Azerbaijan was raised from 1¹³ to 3, which was due, according to Fitch analysts, to a combination of rapid credit growth and an appreciating real exchange rate of the national currency. In Fitch's Systemic Risk Matrix, which brings together two systemic risk indicators, BSI and MPI, and so emphasizes their complementarity, Azerbaijan was placed in the weakest cell (E3) of the matrix (BSI E category).¹⁴ On the whole, the republic's banking system is assessed as very weak with high macro-prudential vulnerability and low tolerance to potential macro-prudential stress,¹⁵ an assessment reaffirmed in Azerbaijan's sovereign ratings review carried out by Fitch Ratings in early March 2008.¹⁶ In the agency's opinion, high MPI scores in countries where the banking system is already weak (as indicated by a high BSI score) cause particular concern, because this system has the highest risk indicator. In addition, according to Fitch, the exchange rate of the national currency is maintained at its level due to high oil revenues.

Apart from rating Azerbaijan's banking system as a whole, Fitch Ratings has made a similar assessment of some of its commercial banks¹⁷ (see Table 1). As the table shows, the highest ratings were assigned to the International Bank of Azerbaijan. Moreover, an analysis of issuer default ratings for the other republics of the Central Caucasus (Armenia and Georgia) makes it clear that in these parameters IBA is the best performer not only in the country, but also in the whole Central Caucasian region.

Another international rating agency, Moody's Investors Service, has also assigned ratings to a number of commercial banks in the republic for bank deposits in local and foreign currency (see Table 2).

As in the previous case, the highest ratings were assigned to the International Bank of Azerbaijan. IBA's long-term local and foreign currency ratings were set, respectively, at Baa2 and Ba2, and its short-term ratings, at Prime-2 (P-2) and Not Prime (NP). Its Financial Strength Rating (FSR) was set at the level of E+ with a stable outlook. It should be emphasized that IBA's foreign currency ratings could have been higher, but they are limited by Azerbaijan's sovereign rating (Ba2/NP), whereas local currency ratings are not subject to such limitations. IBA's ratings reflect the risk of global defaults and expectation of losses, as well as Moody's confidence that Azerbaijan's financial authorities will support this bank in case of need. The bank's FSR is maintained at the E+ level by strong internal privileges with good potential for further growth, but is limited by its very high concentrations of assets and liabilities and its undercapitalization with virtually absent free capital that can be used to cover unexpected losses. Besides, IBA's corporate governance is still developing, which also has a negative effect on its FSR.

The above credit ratings show that the leading place in the domestic banking system belongs to the International Bank of Azerbaijan. Year after year, its image has been enhanced by nominations from internationally esteemed analytical publications of the world banking industry (*Euromoney*, *The Banker*, *Global Finance*).¹⁸ In the past three years, IBA, which accounts for over 47% of the coun-

¹³ See: *Assessing Bank Systemic Risk: July 2005*, available at [<http://www.fitchratings.com>].

¹⁴ The Banking System Indicator (BSI) is derived from a weighted average of individual ratings for banks covering at least two-thirds of banking system assets in a particular country. It is a summary measure of banking system quality ranging from "very high" (BSI A) through "high" (BSI B), "adequate" (BSI C) and "low" (BSI D) to "very low" (BSI E). It should be noted that this measure takes no account of potential support from shareholders or governments, because the objective of the methodology is to highlight potential systemic stress which might trigger the need for such support (see: *Banking Systemic Risk Report: February 2006*, p. 2).

¹⁵ See: *Banking Systemic Risk Report: February 2006*; *Banking Systemic Risk Report: September 2007*.

¹⁶ For more detail, see: *Fitch Affirms Azerbaijan at "BB+"; Outlook Stable / Press Release* (28.02.08), *Credit Analysis on Azerbaijan Republic / Full Rating Report* (05.03.08); *The Azerbaijani Banking System and Prudential Regulations*, FitchRatings, London, Moscow, 24 April, 2008. 19 pp., available at [<http://www.fitchratings.com>].

¹⁷ In terms of the number of banks rated by Fitch Ratings by March 2008, Azerbaijan and Georgia are ahead of Armenia, with five banks each against two.

¹⁸ A detailed characterization of IBA's activities in the 2000s is given, in particular, in research papers and other publications by IBA Board Chairman Jahangir Hajiyev: *Denezhno-kreditnaia sistema i Mezhdunarodnyi bank Azerbaid-*

Table 2

Moody's: Bank Deposit Ratings in Azerbaijan¹⁹

Issuer	Long-Term Rating	Short-Term Rating	Outlook
International Bank of Azerbaijan	Ba2	Not Prime	STA
Kapital Bank	Ba2	Not Prime	RUR
Bank Standard	B1	Not Prime	STA
Bank Respublika	B2	Not Prime	POS (m)
Technikabank	B2	Not Prime	STA
UniBank	B2	Not Prime	POS (m)

1. STA—Stable;
 2. RUR—Rating(s) Under Review;
 3. POS (m)—Positive (an “m” modifier means that an issuer has multiple ratings with outlooks of differing directions).²⁰

try's total banking assets and loans to the economy, has not only had its Fitch IBCA rating upgraded (from “BB-“ to “BB+”) but, as noted above, has also been rated by Moody's Investors Service. In the traditional rankings of a thousand major CIS banks based on the results of the first six months of 2007 (Interfax-1000: CIS Banks), IBA was 51st in terms of assets and 61st in terms of equity capital, well ahead of the leading banks of Georgia and Armenia.²¹

As for other banks, Bank Standard became the only Azerbaijan bank to get the highest rating in the country's private banking sector (B1) for short-term and long-term deposits in local and foreign currency. It was also assigned an E+ financial strength rating, with a stable outlook for all its ratings. According to Moody's, these ratings were underpinned by the bank's strengthening position, substantial market shares, good profitability and strong growth potential. Moody's has a positive view of the bank's strengthening position in the retail segment, which will enable it to diversify risks, stabilize profit and reduce vulnerability to potential political processes. The agency has confirmed the possibility of a further upgrade in Bank Standard's rating as it diversifies by attracting new clients unrelated to the business of its shareholders, improves corporate governance, enhances transparency, and develops risk management tools.

Moody's also takes a positive view of the plans of Bank Respublika (assigned B2 long-term local and foreign currency deposit ratings) in expanding its branch network in the country's regions,

zhana, *Finansy i statistika*, Moscow, 2008, 240 pp.; “MBA—generator reform,” *Analiticheski bankovski zhurnal*, No. 6, 2008, pp. 20-23; “MBA—iadro bankovskoi sistemy Azerbaidzhana,” *Zerkalo* (Baku), No. 216, 12 November, 2005; “Bankovski sektor i Mezhdunarodnyi bank Azerbaidzhana,” *Biznes i banki* (Moscow), No. 5, February 2005, pp. 1-4; “Tendentsii razvitiya Mezhdunarodnogo Banka Azerbaidzhana,” in: *Strategia i priority ekonomicheskoi politiki sovremennoi Rossii*, Institute of Economics, Russian Academy of Sciences, Moscow, 2003, pp. 291-317; “MBA—Bank obshchenatsionalnogo razvitiya,” *Ekonomika i audit* (Baku), No. 7, 2003, pp. 2-16, and others.

¹⁹ Compiled based on data from Moody's Investors Service, available at [http://www.moodys.com].

²⁰ *Moody's Rating Symbols & Definitions*, Moody's Investor Service, New York, March 2007, p. 50.

²¹ See: “1000 bankov stran SNG. Itogi pervogo polugodia 2007,” Supplement *Bank* to the newspaper *Kommersant*, No. 225, 6 December, 2007.

and also of the bank's focus on the small and medium business sector and consumer lending, because this provides good opportunities for steady growth. The presence of major German financial institutions among the bank's shareholders, their participation in its strategic management and the technical support provided by them have also had a positive influence on its rating.

The assignment of credit ratings by two major rating agencies is further tangible evidence of the correctness of the course chosen by Azerbaijan and its economic development level. As regards the assessments themselves, they can be characterized as positive and promising, especially considering that these are initial ratings, and the main thing now is to ensure positive development.²²

According to a cross-country study called *Index of Economic Freedom* (IEF), conducted annually by the Heritage Foundation and *The Wall Street Journal*,²³ Azerbaijan is among 15 countries in the world (ranks 130-144) with a level of financial freedom²⁴ of 30%²⁵ (see Table 3.A²⁶). In terms of this indicator, in mid-2007 Azerbaijan was on the same level, in particular, with such BRIC²⁷ countries as China and India and was ahead of Uzbekistan (20%), Belarus and Turkmeni-

²² At the same time, in order to specify the targets for the long-term development of Azerbaijan's banking system, let us spell out some of the rating symbols used, for example, by Moody's:

Ba — Banks rated Ba for deposits offer questionable credit quality. Often the ability of these banks to meet punctually deposit obligations may be uncertain and therefore not well safeguarded in the future;

B — Banks rated B for deposits offer generally poor credit quality. Assurance of punctual payment of deposit obligations over any long period of time is small.

Note: Moody's appends the numerical modifiers 1, 2 and 3 to each generic rating category from Aa to Caa. The modifier 1 indicates that the bank is in the higher end of its letter-rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the bank is in the lower end of its letter-rating category.

NP — Banks rated Not Prime for deposits offer questionable to poor credit quality and an uncertain capacity for timely payment of short-term deposit obligations;

E — Banks rated E display very modest intrinsic financial strength, with a higher likelihood of periodic outside support or an eventual need for outside assistance. Such institutions may be limited by one or more of the following factors: a weak and limited business franchise; financial fundamentals that are materially deficient in one or more respects; or a highly unpredictable or unstable operating environment.

Note: In this case, a "+" modifier shows that the bank falls into an intermediate category.

²³ In 2008, this study covered 162 countries ranked in both the overall Index of Economic Freedom and each of its 10 components, including the level of financial freedom. In the overall economic freedom rankings, Azerbaijan is 107th (with a score of 55.3%) and is included in the category of "mostly unfree" countries (see: *2008 Index of Economic Freedom*, available at [<http://www.heritage.org/index>]).

²⁴ Financial freedom is a measure of banking sector liberalization (banking security) and independence from government control.

²⁵ According to the methodology for measuring economic freedoms, a 30% level of financial freedom means extensive government influence; credit allocation is extensively influenced by the government; the government owns or controls a majority of financial institutions or is in a dominant position; financial institutions, especially foreign ones, are heavily restricted, and bank formation faces significant barriers (see: *2008 Index of Economic Freedom*, Chapter 4: W.W. Beach, T. Kane, *Methodology: Measuring the 10 Economic Freedoms*, available at [http://www.heritage.org/research/features/index/chapters/pdf/index2008_Chap4.pdf]).

²⁶ See: *2008 Index of Economic Freedom. Azerbaijan*, available at [<http://www.heritage.org/index/country.cfm?id=Azerbaijan>].

²⁷ BRIC is an acronym for Brazil, Russia, India and China. This acronym was coined in 2001 by Jim O'Neill, chief economist of the Goldman Sachs Group (see: J. O'Neill, "Building Better Global Economic BRICs," *Goldman Sachs Global Economics*, Paper No. 66. November 2001). These four countries are referred to as the most promising "emerging markets;" by the middle of the century they will rise to top positions in the world economy and become its engines of growth in the medium-term perspective (for more detail, see: J. Hawksorth, G. Cookson, *The World in 2050: Beyond the BRICs — a Broader Look at Emerging Market Growth Prospects*, PricewaterhouseCoopers LLP, March 2008, 32 pp.; "BRICs and Beyond," *Goldman Sachs Global Economics*, November 2007, 272 pp.; "The World and the BRICs Dream," *Goldman Sachs Global Economics*, February 2006; J. O'Neill, D. Wilson, R. Purushothaman, A. Stupnytska, "How Solid are the BRICs," *Goldman Sachs Global Economics*, Paper No. 134, 2005; B. Grozovskiy,

stan (10% each), lagging significantly behind its Central Caucasus neighbors: Armenia (70%) and Georgia (60%). In 1996-2008, Azerbaijan's financial freedom score has remained invariably low.²⁸ Despite the reforms carried out in the republic in the past 12 years, their scale and depth have proved to be insufficient to improve its ranking in the degree of liberalization of the financial and banking sector of the economy.²⁹

Table 3

A. 2008 Index of Economic Freedom	B. Global Competitiveness Index 2007-2008
<p style="text-align: center;">Financial Freedom — 30%</p> <p>Azerbaijan's financial system is underdeveloped but growing. The banking sector is weak and burdened by non-performing loans, but its capital is increasing rapidly. The central bank, independent since 1995, has overseen a process of closures, consolidation, and privatization under which the number of commercial banks has fallen from 210 in 1994 to 43 in 2007. The banking sector is dominated by two major state-owned banks, which together account for about 60% of assets; provide financing for most government departments and many of the state-owned enterprises, often at below-market rates; and stunt the growth of private commercial banks. The central bank has raised minimum capital requirements, but many commercial banks are undercapitalized. Foreign banks have a minimal presence. The stock exchange, founded in 2000, is very small.</p>	<p style="text-align: center;">Financial market sophistication:</p> <p>Rank (out of 131 countries/economies); — 91</p> <p>Score (out of 7). — 3.88</p> <p style="text-align: center;">The most problematic factors for doing business:</p> <p>Access to financing — 15.20;</p> <p>Foreign currency regulations — 2.60.</p> <p style="text-align: center;">Out of 131 countries/economies:</p> <p style="text-align: center;">Notable competitive advantages:</p> <p>Legal rights index (hard data) — 17.</p> <p style="text-align: center;">Notable competitive disadvantages:</p> <p>Regulation of securities exchanges — 114;</p> <p>Soundness of banks — 113;</p> <p>Restriction on capital flows — 107;</p>

"Velikolepnaia chetviorka," *Vedomosti*, 16 December, 2005; D. Wilson, R. Purushothaman, "Dreaming with BRICs: The Path to 2050," *Goldman Sachs Global Economics*, Paper No. 99, October 2003, 24 pp.).

²⁸ Financial freedom is determined based on a set of five factors which, in the opinion of the IEF authors, provide a sufficiently exhaustive description of the financial climate in a particular country: the share of state ownership in the financial sector; restrictions on foreign banks in opening branches and offices in the country; government influence on the allocation of credit; regulations hindering financial operations; and opportunities to provide all forms of financial and securities services.

²⁹ For more detail, see: N. Muzaffarli (Imanov), *Reiting Azerbaidzhana v mezhdunarodnykh sravnitelnykh issledovaniakh*, Kavkaz, Baku, 2006, pp. 364-370; N. Muzaffarli (Imanov), "Comparative Economic Competitiveness of the Central Caucasian States," *The Caucasus & Globalization*, Vol 1 (4), 2007, pp. 75-76.

Table 2 (continued)

	Financing through local equity market	— 106;
	Ease of access to loans	— 91;
	Strength of investor protection (hard data)	— 87;
	Market sector improvement	— 81;
	Venture capital availability	— 65.

Equally authoritative and large-scale international comparative studies are conducted by the World Economic Forum (WEF), which has annually published a Global Competitiveness Report since 1979. Starting in 2005, the WEF began to compile an overall Global Competitiveness Index,³⁰ which is based on 12 “pillars.” Among these pillars, financial market sophistication is of particular importance in the context of the problem being examined. In this pillar, Azerbaijan ranks 91st. The only notable competitive advantage of the republic’s financial market identified in the Report is the legal rights index, whereas the list of its shortcomings and weaknesses (competitive disadvantages) includes 8 items: soundness of banks (rank 113), restriction on capital flows (107), financing through local equity market (106), ease of access to loans (91), and others. Among the most problematic factors for doing business in Azerbaijan the Report lists access to financing and foreign currency regulations (see Table 3.B).

Azerbaijan’s rankings in financial freedom and in financial market sophistication and some of its parameters are given in tables 4 and 5.

Table 4

**2008 Index of Economic Freedom:
Azerbaijan’s Rankings in Financial Freedom**

Indicator	FF ¹	TE ²	CIS	CEA ³	CC ⁴
Financial freedom	130-144	22	9	6	3
¹ FF—Financial freedom. ² TE—transition economies: Central and Eastern Europe (Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Macedonia, Poland, Rumania, Slovakia, and Slovenia), Baltic states (Estonia, Latvia, and Lithuania) and CIS (Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan). Two CEE countries, Serbia and Montenegro, are not included in the GCI rankings. ³ CEA—Central Eurasia: Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. ⁴ CC—Central Caucasus: Armenia, Azerbaijan, and Georgia.					

³⁰ The WEF Global Competitiveness Index (GCI) was developed in 2004 by Professor Xavier Sala-i-Martin of Columbia University. In 2008, this index was calculated for 131 countries/economies, which were ranked in both the overall GCI and each of its 12 pillars, including financial market sophistication. In terms of overall competitiveness, Azerbaijan

Table 5

**Global Competitiveness Index 2007-2008:
Azerbaijan's Rankings in Financial Market Sophistication and
Its Components**

Indicators	GCI ¹	TE ²	CIS	CEA ³	CC
Financial market sophistication	91	18	4	3	2
<i>Including:</i>					
Market sector improvement	81	13	3	3	1
Financing through local equity market	106	20	5	3	1
Ease of access to loans	91	18	4	2	1
Venture capital availability	65	14	3	2	1
Restriction on capital flows	107	21	7	6	3
Strength of investor protection	87	18-21	6-7	4-5	2
Soundness of banks	113	21	6	4	3
Regulation of securities exchanges	114	20	5	4	2
Legal rights index	17	5-6	3-4	1	1
¹ GCI—Global Competitiveness Index. ² TE—CEE (including Serbia and Montenegro), Baltic states and CIS (excluding Belarus and Turkmenistan). ³ CEA—excluding Turkmenistan.					

Among the “trouble spots” of Azerbaijan’s banking system, the authors of the Index of Economic Freedom have included its weakness, inefficiency, burden of non-performing loans, inadequate amount of loans to private businesses and non-oil sectors in the absence of a credit shortage, excessive credit risks, low level of bank capitalization, strong state presence in the banking sector, and weak presence of foreign bank branches and offices in the country.³¹ The limited scale of development of the domestic banking sector is evident from the low figures for banking assets and loans to the real economy as a percentage of GDP; in terms of these indicators, Azerbaijan is significantly behind other transition countries in the CIS, the Baltic states, and Central and Eastern Europe (CEE), to say nothing of states with a more mature economy.

At the same time, in all fairness it should be pointed out that this set of problems is rather of a system-wide nature, because to a certain extent it is typical of many sectors of the Azerbaijan economy and stems from the fact that the transition to market relations in the country has not been completed.

The complexity of the tasks facing the republic’s banking sector in the period of economic transformation is also due to a number of other circumstances, the most important of which, in our opinion, are the undeveloped market elements of the socioeconomic environment in which the sector

ranks 66th with a GCI score of 4.07 (see: *Global Competitiveness Report 2007-2008*, available at [<http://www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/index.htm>]).

³¹ See: *2006 Index of Economic Freedom*.

operates, the low potential of national banks, and their real differences in the key parameters of their activity (including the amount of capital and assets and the competitive environment).

Problems in the development of the republic's banking system have also been generated by shortcomings and deficiencies in the work of the banks themselves. The most significant factors here are as follows: relatively low quality of governance geared toward current tasks to the detriment of the bank's long-term development; ineffective internal control, lack of systemic work to prevent problem situations in bank development; nontransparent ownership structure; and low level of banking technologies. A comparison of the domestic banking sector with emerging markets shows that it is less developed than the real sector of the economy. The amount of capital at the disposal of the country's commercial banks does not allow them to meet the demand for loans from domestic companies. Attracted funds, in view of their structure and formation trends, cannot as yet be regarded as sources of long or medium-term investment.

However, in the near future Azerbaijan's banking system will have not only to overcome the existing difficulties, but also to address the new requirements and challenges associated with the globalization of the world economy, which is rightly seen as the most appropriate characteristic of the present stage of world development.

Globalization Processes in Banking

Economic globalization as a current process affects every aspect of the world community's economic life and determines the direction and intensity of international economic relations. Its challenges sharply increase the vulnerability of the national economy to external shocks and call for appropriate mechanisms helping the financial system to adapt to the ongoing changes.

The core and the most dynamic subsystem of economic globalization is *financial globalization*,³² which is a qualitatively new stage in the internationalization of the world financial market based on innovative technologies. The essence of this phenomenon consists in strengthening ties and integration between the financial sectors of national economies, world financial centers and international financial institutions resulting in the emergence of a new configuration of the global economy, in the formation of its financial architecture. A visible result of these processes is the growing interdependence and integration of the financial systems of individual states, which gave birth to the current global financial system.

Globalization of the international financial system has been a major trend in the development of the world economy in recent decades. Today's model of financial globalization, whose outlines first appeared in the 1960s and 1970s, alters the conditions that determine the prosperity of regions and nations in both the near and distant future. It has brought about significant changes in the world financial and monetary order towards its liberalization, has markedly accelerated international capital flows, boosted capital mobility, expanded the scope of foreign direct investment, and radically transformed the mechanism and scenarios of decision making and competition in foreign markets. At the same time, financial globalization has had important institutional and structural consequences for the developed states and has opened previously unavailable opportunities, especially for transition countries.

A major prerequisite for financial globalization was the lifting of restrictions on current and cross-border capital transactions at the national level.³³ Foreign exchange and financial liberalization

³² For a comprehensive analysis of financial globalization and its consequences see: *Reaping the Benefits of Financial Globalization*, International Monetary Fund, Washington, 2007, 50 pp.

³³ For more detail, see, for example: M. Golovnin, "Finansovaia globalizatsia i ogranichenia natsional'noi denezhno-kreditnoi politiki," *Voprosy ekonomiki*, No. 7, 2007, pp. 20-21; *Mirovaia ekonomika: prognoz do 2020 goda*, ed. by

processes first got underway in the developed market economies (1960s-1980s). Later on, these processes spread to the developing countries (1980s-1990s) and the former socialist republics of Central and Eastern Europe (CEE) and the Commonwealth of Independent States (CIS), and also to China. An equally important prerequisite for the development of globalization processes in banking was the implementation of technological achievements, which made it possible to perform operations in real time and regardless of distance, to ensure interconnections between national banking systems and the market of diverse financial instruments.

The scale of financial globalization processes can be illustrated with data reflecting the dynamics of various segments of the world capital market. For example, by the beginning of the 21st century the total size of the capital market increased to \$37.6 trillion, almost reaching the amount of the gross world product (83.6% of GWP); commercial bank assets reached \$55.7 trillion (125.9%), and the value of bonds and other debt instruments issued throughout the world, \$58.9 trillion (132.6% of GWP).³⁴ Average daily foreign exchange turnover in 2007 (April) exceeded \$3.2 trillion, increasing more than 3.9 times from 1992.³⁵ The average annual growth rate of the global foreign exchange market in 1989-2007 was 9.85%, whereas world trade in goods and services increased in that period at an annual rate of 6.7%,³⁶ which shows that the global forex market is geared to handle transactions related to the movement of capital.

Consolidation of financial institutions, which got underway in the 1980s, should be included among the most significant features of the financial globalization process. As foreign experience shows, transactions involving bank consolidation occur in waves. Waves of mergers and acquisitions (M&A) rolled across both the developed countries and emerging markets. The main reason for this is that the globalization of the world economy has led to a standardization of banking activities, removal of barriers to capital flows, lifting of administrative bans, deregulation of markets, rapid development of computer technologies and electronic data processing systems, etc. According to Thomson Financial, about 13.5 thousand transactions resulting in the acquisition of one financial firm by another (totaling \$2.5 trillion)³⁷ were recorded from 1990 to 2002. These activities peaked in 1998, which brought such mega-mergers³⁸ as those of Citicorp and Travelers Group, BankAmerica and Nations-Bank, Banc One-First Chicago and Norwest-Wells Fargo.

Most M&A deals in the financial sector have been recorded in the developed countries (the leader here is the United States, which is due to the lifting of restrictions on combining lending and deposit activities with investment activities) and, structurally speaking, in the banking system (60% of all financial mergers and 70% of their volume). In these countries, where even individual banks have large assets incomparable with those of entire banking systems in CIS countries, the M&A process in the banking sector has become very active in the past two decades.³⁹ Large-scale consolidation

Academician A.A. Dynkin, Magistr, Institute of World Economy and International Relations, Russian Academy of Sciences, Moscow, 2007, pp. 36-39, 45, 49.

³⁴ See: *Global Financial Stability Report*, International Monetary Fund, Washington, April 2006, p. 95.

³⁵ "Triennial Central Bank Survey: Foreign Exchange and Derivatives Market Activity in 2007," *Bank for International Settlements*, December 2007, p. 4.

³⁶ See: *Ibidem*; "Triennial Central Bank Survey: Foreign Exchange and Derivatives Market Activity in 2004," *Bank for International Settlements*, March 2005, p. 5; *World Economic Outlook: Globalization and Inequality*, International Monetary Fund, Washington, October 2007, p. 230.

³⁷ In 45% of such transactions, data on transaction amounts were not available.

³⁸ Mega-merger is a merger between two companies with assets of over \$100 billion.

³⁹ M&A trends in the banking sector of the developed countries are described in detail in the following research papers: Y. Altunbas, D. Marqués, "Mergers and Acquisitions and Bank Performance in Europe: The Role of Strategic Similarities," *Journal of Economics and Business*, 2007, 19 pp.; A.V. Baranov, "Sliania i pogloshchenia v bankovskoi sisteme SShA," *SShA ♦ Kanada: ekonomika, politika, kultura*, No. 2, 2005, pp. 47-60; E.M. Serdinov, "Sliania i pogloshchenia v bankovskoi industrii SShA," *Bankovskoye delo*, No. 9, 2004, pp. 21-28; I. Walter, *Mergers and Acquisitions in Banking and Finance: What Works, What Fails, and Why*, Oxford University Press

in the developed countries has been promoted by technological innovations that have reduced management costs, deregulation of financial services, and changes in corporate governance practice (linking of executive compensation to the market value of shares, shift of emphasis from traditional interest-bearing bank transactions to the provision of settlement and investment services to customers, etc.). The main spur to mergers and acquisitions was the belief (currently questioned by many) that economies of scale and synergistic effects from combining the strengths of different organizations “under the same roof” can serve to reduce costs and lead to faster growth of business volume and capitalization by creating additional economic value for customers.

This process has also started in the CEE and CIS countries, including Russia, Ukraine and Kazakhstan,⁴⁰ where mergers and acquisitions in the banking sector are driven by internal consolidation, and also by foreign bank expansion. Since 2001, M&A trends in this region have differed from the situation in the developed countries: there is an increase not only in the number of such deals, but also in their size, and smaller banks are increasingly involved in this process. According to Dresdner Kleinwort, in the past two years foreign banks have invested about \$13 billion in acquiring bank assets in CIS countries, mainly in Russia and Ukraine.⁴¹ Investors set the highest value on Ukrainian banks, in deals with which the average price-to-book (P/B) ratio is 4.6; the ratio for Russian banks is 3.5, and for the only deal in Kazakhstan, 4.4.⁴²

In CEE countries, just as in West European countries, deals made by national banks prevail, although they are incomparable in size (value) with the combinations of major transnational banks (TNBs). The objectives and forms of such combinations are very diverse: acquisition of all the assets and liabilities of the target bank; purchase of shares in order to acquire a controlling stake in the target bank and turn it into a subsidiary bank; acquisition of the target bank’s tangible assets; indirect acquisition of banks by luring away their major customers, etc.

The recent intensification of the bank merger and acquisition process is due in large part to *foreign bank expansion*. The problem of foreign investor participation in the national banking systems of developing⁴³ and transition countries,⁴⁴ considering its current relevance, has been adequately ad-

Inc., London, 2004, 330 pp.; C.M. Buch, G.L. Delong, “Cross-Border Bank Mergers: What Lures the Rare Animal?” *Journal of Banking and Finance*, No. 28, 2004, pp. 2077-2102; R. Vander Vennet, “Cross-Border Mergers in European Banking and Bank Efficiency,” *Working Paper 02/152*, Ghent University, September 2002, 48 pp.; *Mergers and Acquisitions Involving the EU Banking Industry — Facts and Implications*, European Central Bank, Frankfurt am Main, December 2000, 46 pp.

⁴⁰ For the peculiarities of M&A in CEE and CIS countries see, for example: *Foreign Acquisitions of CIS Banks*, Dresdner Kleinwort Research, 23 July, 2007, 6 pp.; *Mergers & Acquisitions in the Financial Sector in Russia*, A Joint Report by PricewaterhouseCoopers and Mergermarket, October 2007, 48 pp.; *Sliania i pogloshchenia v SNG. Obzor rynka*, Ernst & Young, March 2006, 24 pp.; *Rossiiski rynek M&A: Samyie optimistichnye prognozy podverzhdaitsia*, ReDeal Group, 2007, 11 pp.; *CEE M&A Survey 2006: Maturity, Momentum and Mega-Deals*, PricewaterhouseCoopers, 2007, 19 pp.

⁴¹ *Foreign Acquisitions of CIS Banks*, p. 1.

⁴² Despite the difference in P/B ratios, Russian banks remain the most attractive ones from the standpoint of growth potential and earning power compared to the price paid for them.

⁴³ See: A. Kodjo, “Foreign Investment in Chinese Joint Stock Banks: 1996-2006. March 2007,” *MPRA Paper*, No. 2894, posted 7 November, 2007, 9 pp.; A. Tschoegl, “Foreign Ownership in Mexican Banking: A Self-Correcting Phenomenon. 23 October, 2006,” *MPRA Paper*, No. 586, posted 7 November, 2007, 9 pp.; A.F. Aysan, S.P. Ceyhan, “Why Do Foreign Banks Invest in Turkey?” *MPRA Paper*, No. 5491, posted 7 November, 2007, 24 pp.; idem, “Globalization of Turkey’s Banking Sector: The Determinants of Foreign Bank Penetration in Turkey,” *MPRA Paper*, No. 5489, posted 7 November, 2007, 31 pp.; R. Lensink, N. Hermes, “The Short-Term Effects of Foreign Bank Entry on Domestic Bank Behaviour: Does Economic Development Matter?” *The Journal of Banking Finance*, Vol. 27, 2003, pp. 1-30; *Inostrannyye banki v Latinskoj Amerike v kontekste strukturnykh reform i finansovoi globalizatsii*, ed. by I.K. Sheremetyev, Nauka Publishers, Moscow, 2002, 239 pp.

⁴⁴ See: R. Haselmann, “Strategies of Foreign Banks in Transition Economies. July 2006,” *Emerging Markets Review*, No. 7 (6), 2006, pp. 283-299; O. Havrylychuk, E. Jurzyk, “Profitability of Foreign Banks in Central and Eastern Europe: Does the Entry Mode Matter?” *BOFIT Discussion Papers*, 5/2006, Bank of Finland, Institute for

dressed in the economic literature. Entry by foreign-controlled banks into the banking systems of CEE and CIS countries is of particular interest. The main factors leading to an extension of this process include, first and foremost, growing foreign trade volume, tightness of the national banking services market characteristic of the developed countries, differences in profitability and risk levels, increase in foreign direct investment in the economy of the given country, and government policy in transition countries. Among the main reasons for the attraction of foreign capital into the banking system of transition countries one should include the weakness of their financial system and their striving for the maximum possible integration into global institutions (for example, the WTO) or a desire, as expressed by a number of CEE countries, to become EU members.

Cross-country comparisons of the role of non-residents in the banking sector of various countries indicate that in the countries, whose banking services market has long been divided while their national banks are powerful and stable (Western Europe), including due to tight state control (China), the banking sector is dominated by national capital; developing countries with a sufficiently strong economy and a protectionist government policy (such as Latin American countries) are characterized by comparable participation of national and foreign capital in banking systems; and countries with a weak financial system or the state's high propensity to attract foreign capital (CEE countries) have implemented a model where foreign capital predominates.⁴⁵ Analysts identify two theoretical models of bank entry: acquisition and integration. The first model is more effective for countries with fairly weak local business (like Hungary, Poland or the Czech Republic, where the share of foreign capital in the banking system is significantly over 50%);⁴⁶ and the second, for actively developing economies (implemented in major Latin American countries, including Argentina and Brazil).⁴⁷

A study of foreign bank practices in the national banking systems of the said countries and their adaptation to local conditions are of considerable importance for adjusting the development of the banking system of the Central Eurasian republics (including Azerbaijan) and for upgrading the competitive strategies of their commercial banks.

One of the main manifestations of financial globalization in current conditions is the *transnationalization of banking (cross-border banking)*. It is seen as an expansion of the international business of banks as they go beyond the national boundaries of individual countries, promoting the maximum adaptation of the banking sector to modern trends in the world economy and to the current state of the world financial system. Cross-border banking is the main component and, at the same time, an important economic mechanism of general globalization processes; it serves as a key regulator coordinating the operation of the world economy within a global framework.

Among the main driving forces behind the transnationalization of banking capital one should include its concentration and consolidation, increasing competition in national markets associated

Economies in Transition, Helsinki, 2006, 40 pp.; A. Vernikov, *Inostrannye banki v perekhodnoi ekonomike: sravnitelnyi analiz*, Institute for International Economic and Political Studies (IIEPS), Russian Academy of Sciences, Moscow, 2005, 304 pp.; N. Bayraktar, Y. Wang, *Foreign Bank Entry and Domestic Banks' Performance: Evidence Using Bank-Level Data*, 12 October, 2005, 29 pp.; M. Giannetti, S. Ongena, "Financial Integration and Entrepreneurial Activity Evidence from Foreign Bank Entry in Emerging Markets," *ECB Working Paper*, June 2005, No. 498, European Central Bank, Frankfurt am Main, 2005, 51 pp.; M. Balling, F. Lierman, A. Mullineux, *Financial Markets in Central and Eastern Europe: Stability and Efficiency*, Routledge, Taylor&Francis Group, London, 2004, pp. 189-223 (352 pp.); C. J. Green, V. Murinde, I. Nikolov, "The Efficiency of Foreign and Domestic Banks in Central and Eastern Europe: Evidence on Economies of Scale and Scope," *Journal of Emerging Market Finance*, Vol. 3, No. 2, 2004, pp. 175-205, and others.

⁴⁵ See, for example: D. Lepetikov, "Perspektivy uchastia inostrannogo kapitala v rossiiskoi bankovskoi sisteme," in: *Finansovaia sistema Rossii i ekonomicheskii rost*, Independent Economic Analysis Series, MONF, Moscow, 2006.

⁴⁶ See: *CEE Banking Sector Report*, Raiffeisen Centrobank Group, October 2007; *Banking in CEE and the Role of International Players*, UniCredit Group, July 2007.

⁴⁷ See: *Inostrannye banki v Latinskoi Amerike v kontekste strukturnykh reform i finansovoi globalizatsii*, pp. 56-72.

with these processes, the need to provide transnational companies with financial resources, the appearance of a eurocurrency market and other global financial markets, and the creation of global information and financial networks significantly facilitating the flow of capital. Transnationalization of banking, economically driven by the possibility and necessity of capital flow from countries with a relative surplus of capital to regions with a shortage of investment but a surplus of other factors of production which cannot be used effectively for lack of capital, facilitates reproduction processes and helps to equalize economic conditions in different countries.

TNBs mainly represent the interests of the Group of Seven (G-7), which includes the United States, Japan, Germany, France, Britain, Italy and Canada, and also those of countries with the fastest growing economies in the world: China, Brazil, India and Singapore. In 2008, according to the FT-500 ranking,⁴⁸ 29 of the 71 banks (over 40%) were from the G-7,⁴⁹ and another 15 (over 21%), from the dynamically developing countries of East Asia.⁵⁰ The world's largest bank in 2008 was the Industrial and Commercial Bank of China (\$277.2 billion), followed by HSBC (Britain, \$195.8 billion) and China Construction Bank (China, \$176.5 billion). In another bank ranking, 2008 The Banker Top-1000, the EU is in the lead in terms of the number of banks (266 banks against 279 in 2007), followed by Asian countries (184 against 152) and the U.S. (169 against 185). European banks account for 41% of the total profit of all banks included in this ranking. A point to note is that this indicator for American banks is down from 24% in 2007 to 14% in 2008, while the figure for Asian countries has markedly increased: from 12% to 19%. The new leader, according to *The Banker*, is the British HSBC, whose capital has increased, despite the crisis, by 19.5% (to \$105 billion); Citigroup is in second place with \$89.2 billion (down 1.8%), and Royal Bank of Scotland has moved into third place with \$88.9 billion (a jump of 47.7%).⁵¹ The economic might of TNBs included in the *FT* and *The Banker* ranking lists of the world's largest companies is comparable, for example, to the national income of some states (such as Greece, Finland, Portugal, Ireland, and many states in Asia, Africa and South America).

Challenges and Prospects of Globalization for the Domestic Banking Sector

Financial globalization poses new challenges for the national banking system, which is due to the growing influence of the external environment on processes at work in the Azerbaijan economy. The domestic banking sector's involvement in financial globalization is evident from the increase in foreign borrowing, wide use of modern information and banking technologies, transition to international accounting and auditing standards, and Azerbaijan's active participation in international financial organizations. In this situation, the republic's commercial banks are faced with the need to address a whole range of new problems, among which I would like to name the most significant ones.

First of all, it is the need to enhance the competitiveness of domestic banks through mergers and an increase in bank capital. The undercapitalization of Azerbaijan's banking sector should be regard-

⁴⁸ See: *Financial Times*, 24 June, 2008.

⁴⁹ The FT-500 ranking includes 7 U.S., 3 Japanese, 2 German, 4 French, 6 British, 2 Italian and 5 Canadian banks (see: *Ibidem*).

⁵⁰ The FT-500 ranking includes 8 Chinese banks (the largest number in this list), 2 banks each from India, Hong Kong and Singapore, and 1 South Korean bank (see: *Ibidem*).

⁵¹ See: *The Banker*, 1 July, 2008. Among the top 13 banks there are 3 Chinese banks, although only five years ago there were none at all. Twelve Russian banks were included in this list for the first time, so that their total number reached 35.

ed as the most important systemic factor behind its low competitiveness and, at the same time, as the main reserve of competitiveness. The task of increasing bank capitalization as the banking services market is liberalized leads to a search for ways to increase capital, the most promising of which are bank M&A and attraction of foreign direct investment into the banking sector.

The republic is only in the initial stages of bank consolidation. Today there are many small and weak banks operating in its banking market, and this, given the increase in minimum capital requirements for banks,⁵² is conducive to their consolidation and helps to attract international financial institutions as their promoters. But despite the National Bank's efforts to accelerate consolidation in the banking sector, such cases are regrettably rare.

Thus, in October 2002 a merger between two of the republic's leading commercial banks—MBank and Promtekhbank—resulted in the creation of UniBank, a large universal credit and financial institution capable of providing the widest possible range of quality services to its customers. In early 2005, two other commercial banks—Bank of Baku, which specialized in retail banking services, and Ilkbank, oriented towards corporate clients—merged into a new bank, which began operating under the name of Bank of Baku. The successful mergers of these banks largely prompted the decision by international institutions to become their shareholders: the EBRD has acquired a 15.2% equity stake in UniBank and a 25% stake in Bank of Baku, and the German investment company DEG has taken an 8.3% equity stake in Bank of Baku.⁵³ The presence of foreign investors in the ownership structure of Azerbaijan banks should be regarded as a key factor which has the strongest influence on their competitiveness and capitalization opportunities in the conditions of a liberalized banking services market.

Yet another and more modern method for increasing the capitalization of Azerbaijan banks is IPO (Initial Public Offering).⁵⁴ Plans to launch IPOs have already been announced by IBA (which intends to issue \$200 million worth of eurobonds), Kapital Bank (\$12 million) and Bank Standard (\$50-100 million).⁵⁵ Thus, IBA has already held a tender among the biggest players in this market and has selected a lead manager (JP Morgan and Citigroup). The funds obtained will be used to finance priority projects in various sectors of the economy: oil, non-oil, mortgage, etc. Eurobonds related to the most interesting projects may be distributed through the Luxembourg or London exchange (their correct choice implies a thorough study of the advantages and disadvantages of a particular international trading floor). At the same time, not a single bank IPO has yet been held in practice: all the above-mentioned Azerbaijan banks, which planned IPOs for late 2007 and early 2008, have postponed them in view of various organizational and legal problems, and also considering the crisis phenomena in the world financial market. In other words, this alternative mechanism for increasing capitalization has not yet been activated and should be regarded as a potential one.

Continued high rates of capital increase in this sector will help, in our opinion, to strengthen the trend towards bank mergers and the creation of large financial conglomerates: banking and financial groups and holding companies. And this, for its part, will accelerate the formation of a banking system meeting the requirements of a new type of economic growth and the process of its integration into the world financial community.

The urge of national capital in Azerbaijan to take advantage of the favorable conditions in the world market and form powerful structures brings the problem of transnational banking in the re-

⁵² As of 1 July, 2007, minimum capital requirements for banks were established at 10 million manats, doubling from 1 January, 2006. At the beginning of January 2008, the capital of 39 banks exceeded this amount, and their share in total banking capital was 95.1%. Five other banks with a share of 4.4% had a capital of 5-10 million manats (*for reference*: 1 manat = 1.18 U.S. dollars).

⁵³ See: [<http://www.unibank.az/?tid=52&id=74>]; [<http://www.bankofbaku.com/rus/acquaintance02.php>].

⁵⁴ IPO is a company's first offering of shares to the public. In the classic sense of the term, IPO is when a company's shares are accepted for trading (listed) on a stock exchange.

⁵⁵ [<http://www.day.az>].

public into sharper focus. One of the country's most effective financial institutions meeting transnationalization requirements is the International Bank of Azerbaijan, which occupies, as noted above, a dominant position in the domestic financial market. Using this financial holding company as an example, let us consider some of the signs of transnationalization in banking at the regional level. Apart from a ramified service network throughout the republic (36 branches, 128 offices), the bank has 5 representative offices abroad (in London, Frankfurt am Main, New York, Luxembourg and Dubai), subsidiary banks in Moscow (with two branches in St. Petersburg and Yekaterinburg) and Tbilisi, and a number of other subsidiaries, including the International Insurance Company, the Joint Leasing Company and the processing company Azericard. The bank and all its divisions are staffed with highly skilled and experienced personnel, who provide over 150 banking products and services to their clients.

As a generator of reforms and innovative solutions in the credit and financial segment of the economy, IBA has a leading position in the drive to implement new banking products and services meeting international standards and advanced service and information technologies. The bank's high credit rating has enabled it to establish stable long-term relations with major international financial institutions and to enter into correspondent relations with authoritative banks in the CIS, Europe, Asia, U.S., Canada and Australia. The bank services all regional international projects, such as the construction of the Baku-Tbilisi-Ceyhan oil export pipeline and the South Caucasus (Baku-Tbilisi-Erzurum) gas pipeline, the TRACECA and Great Silk Road transportation arteries, and the Baku-Tbilisi-Kars railway. In addition, IBA provides assistance to many Azerbaijan banks in solving problems associated with access to foreign financial systems.

With due regard for domestic peculiarities, the key measures designed to implement the strategy for transnationalizing banking activities should be as follows:

- Promotion of concentration of banking capital in financial institutions chosen as the basis for building TNBs, their recapitalization using the resources of the State Oil Fund of Azerbaijan.
- Participation of the state in domestic TNBs as their controlling shareholder in order to guarantee their stability and influence their financial policy.
- External expansion by domestic banks designed, among other things, to acquire existing foreign banks and their branches and to establish their own branches, subsidiaries and representative offices in countries that are world financial centers, and also in regions that have potential for economic cooperation with Azerbaijan.

Although the implementation of a strategy to transnationalize Azerbaijan's banking system is highly advisable, this process can be completed effectively only with the active participation of the state. The implementation of this strategy is an objectively necessary step aimed at maximum adjustment to the challenges of financial globalization, a step without which it is impossible to create a developed and competitive banking system in the country or ensure its effective integration into the world economy.

The globalization of the world economy, while causing significant growth of capital flows, markedly increases the volume of traditional international trade, and this, for its part, makes it necessary to expand and improve banking services in support of foreign economic activity (FEA) and induces commercial banks to expand their foreign operations. The main motives for their external expansion are: "follow the customer," "strategic behaviors" and "risk diversification." International settlement and credit relations are becoming an essential element of foreign economic relations.⁵⁶

⁵⁶ The most comprehensive in-depth analysis of the key problems in Azerbaijan's foreign economic strategy in the conditions of globalizing world economic relations is made in a research monograph and other publications by Sh.G. Hajiyev: *Azerbaidzhan na puti k mirovomu soobshchestvu: strategiya vneshneekonomicheskogo razvitiya*, Ekspres-ob'yava, Kiev, 2004, 504 pp. (monograph); "Azerbaidzhan: integratsiya v mirovoie khoziaistvo," *Bakinski rabochi*, 10 January,

Their appearance and further changes are associated with the development and internationalization of commodity production and circulation. Terms of settlement are included in any foreign economic contract, and these terms determine timely performance, cash inflow and turnover, and the general financial well-being of the FEA participant.

Rapid development of foreign economic activity in Azerbaijan dictates the need to develop the following forms of banking services for the maximum protection of the interests of buyers and sellers:

- *Letters of credit as a form of international settlements*, which have obvious advantages for all parties, for the banking sector and the whole domestic economy, are the most popular and widespread instrument because they are reliable and serve to balance the interests of all parties in the best possible way.
- *Bank guarantees*, which play a growing role because they can be used to ensure the performance of any transactions and faster compensation of damage caused by improper performance of contractual obligations.
- *International leasing*, which is of particular importance to developing and transition countries, ensures an additional flow of funds into the production sector and helps to boost domestic production, increase sales of fixed assets and develop financial mechanisms accessible to domestic enterprises.
- *International factoring and forfaiting*, which are important instruments of modern management, especially with regard to commercial financing of foreign economic activity and related risk management.
- *Project financing and syndicated loans*, which are necessary to mobilize international investment resources for implementing large-scale investment projects with the participation of foreign partners and foreign private capital, significantly increasing the economy's investment potential.

An important set of these problems is related to the future of the banking sector in the context of Azerbaijan's accession to the WTO. Clearly, WTO membership is not an end in itself, but only one of the instruments in promoting the interests of the national banking system. One of the issues being addressed in this case is a liberalization of legislation on access to the national market for the capital of foreign banks or their branches.⁵⁷ From 1 January, 2004, restrictions on the participation of foreign capital in the Azerbaijan banking market were lifted by decision of the NBA, and today its share is 15.3%.⁵⁸ There is no question that foreign bank entry in the republic is a fundamental long-term factor.

At the same time, their presence has both positive and negative sides. The former include a reduction in lending rates, increasing competition in the banking system, expansion of the range and volume of banking products, growth of capital and improvement in its quality, implementation of modern technologies, improvement in the quality of services provided to bank clients, and lower borrowing costs, all of which together will serve to accelerate economic growth. In addition, foreign

2002; "Analysis of the Current State of Geo-economic Problems of the Azerbaijan Republic," *Report on Publicly Funded Research Work in 2007*, AGEU, Baku, 2008, pp. 7-14 (in Azerbaijani), and others.

⁵⁷ The problem of foreign bank expansion in the national banking market has not been adequately addressed in the works of Azerbaijani economists. The only exceptions are the research monographs and articles by Z.F. Mamedov: *Denezhno-kreditaia sistema stran SNG i Baltii: tendentsii i perspektivy*, Azerneshr, Baku, 2008, pp. 43-45, 198-229; *Bankovski krizis i reformirovanie bankovskogo sektora v kontekste globalizatsii*, Azerneshr, Baku, 2007, pp. 197-239; "Russian Bank Expansion in CIS Countries and CIS Bank Participation in the Russian Market," *The Caucasus & Globalization*, Volume 2, Issue 1, 2008, and others.

⁵⁸ NBA data.

bank entry, especially in transforming or emerging markets, has a positive influence on potential investors, enhancing their confidence in the business climate of the host country.

On the other hand, in our opinion, more complicated supervision of foreign bank branches may present a new problem. This is because their financial statements will be consolidated outside Azerbaijan and they will be supervised by the central banks of the home countries of the respective banks (countries of registration of their head offices). Besides, the presence of foreign capital can put pressure on Azerbaijan's banking system through the supply of cheaper credit, whereas the relatively expensive credit of domestic banks may prove to be uncompetitive in the domestic market. There is also the risk that banks with a dubious reputation will enter the country in order to make profit from speculative operations or to launder "dirty" money. Another possibility is partial loss of independence by the national banking system (as in a number of CEE states), which always has an adverse effect on the host country's economic security.

For a solution of these problems it would make sense, first, to establish stringent capitalization requirements for foreign bank branches and their parent bank. Second, permits to open branches in Azerbaijan should be granted only to foreign banks with an international rating not lower than AA+ and with assets of at least \$500 million. Third, in order to prevent possible complications in the area of banking supervision after the establishment of each new foreign bank branch, it is necessary to anticipate this by concluding agreements with the home countries of the respective parent banks specifying the obligations of the supervisory authorities of these countries regarding supervision of their branches in Azerbaijan. And fourth, in order to maintain the balance of costs and benefits from the presence of foreign banks, it is advisable to establish clear criteria for the entry of foreign capital into the republic's banking system, to create the most favorable conditions for foreign equity investment in major Azerbaijan banks and, depending on the latter, to provide for the possibility of quota restrictions.

C o n c l u s i o n

On the whole, it should be emphasized that although the situation in Azerbaijan is far from simple and in some cases contradictory, the financial globalization and liberalization process has had a certain stimulating effect on the development of the national banking system. A generalized reflection of the progressive changes is the steadily growing confidence in banking institutions among both corporate clients and the general public. A positive point is that the country's banking sector, as represented primarily by major credit institutions, is rising to a new and higher level and is steadily drawing closer to international standards, which will ultimately help to turn Baku into the financial and investment center of the Caucasus. The efficient operation of this segment of the economy also depends in large part on an optimal combination between the policy of promoting financial globalization processes, on the one hand, and measures designed to regulate these processes, on the other. Consequently, it is a matter of creating conditions in which Azerbaijan's banking system would operate as an effective factor that enhances the activity of local business and helps to improve the investment climate by upgrading the quantitative and qualitative performance of the country's monetary and financial systems.

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**THE NORTHERN CAUCASUS FROM
THE PERSPECTIVE OF
CULTURAL GLOBALIZATION****A b s t r a c t**

Globalization is undoubtedly a complex and contradictory sociocultural phenomenon affecting both numerically large and small nationalities, but its consequences can differ. The cultures of numerically small ethnic groups experience the consequences of globalization

under the same conditions as large nationalities. But whereas large ethnic groups are in relatively little danger of losing their language and culture, the threat to the culture and uniqueness of numerically small Caucasian nationalities is extremely high.

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

Much has been written about so-called small cultures in the scientific and sociopolitical literature on cultural globalization, whereby the emphasis is placed on the special features of local cultures. However, when we begin talking about the prospects for sociocultural processes and consequently the future of numerically small cultures, we find significant differences.

Regardless of the academic views on the prospects for sociocultural processes, the publications on various universal aspects of the existence of small cultures, the motivation for their activity, and their survival in the face of the new challenges appear to be a relatively independent trend. In so doing, the elaborations and recommendations of cultural study specialists based on these publications are not targeted at any specific sociocultural environment.

It is presumed that if the gap between the universalist theories and sociocultural practice is not closed, it will be difficult to draw up effective means designed for specific cultural areas. In order to resolve this problem, we need to look at the features of sociocultural development in the context of their mega trends and try to assess their future. This problem looks particularly urgent in the context of globalization. In actual fact, globalization and its challenges can serve as a starting point for discussions on the prospects for global and local sociocultural phenomena.

Cultures of the North Caucasian Nationalities in Terms of Global Changes

After the collapse of the U.S.S.R. as a multinational state, many former republics and autonomous formations were left to deal with their problems and indefinite economic and sociocultural future on their own.

For example, the post-Soviet sociocultural processes in the Northern Caucasus often looked, from the theoretical viewpoint, like an attempt to return to the glorious past, to the world of traditional culture. In addition, these processes served as a basis for particularist trends.

In 1995, well-known specialist on Adighe problems I.L. Babich wrote: "Regeneration of the traditional ethnic forms of life in the Adighe nationalities has had the greatest effect on social life. The structural elements of social life, the socio-normative and etiquette-behavioral complexes associated with them, as well as the ethno-psychological precepts are currently up to date within the framework of the state ideology of most North Caucasian republics. In current Adighe reality, the social sphere is the main mechanism of intraethnic consolidation and integration uniting the group in terms of the cultural traits that are important to it. Attempts are being made to revive several traditional institutions, such as Khase (the traditional form of self-government of the Adighes) to replace the former rural Soviets, or traditional peacekeeping rules as a universal mechanism capable of establishing a civil and ethnic world in the North Caucasian region."¹

Seven years later another well-known expert on the Caucasus, academic V.V. Chernous from Rostov-on-the-Don, wrote in more critical tones about the sociocultural processes engulfing the Northern Caucasus. Touching on the same problems as I. Babich, he noted: "An archaic syndrome appeared in the Northern Caucasus, as in other societies, under crisis conditions and during disintegration processes, so-called regeneration of the complex of archaic phenomena, ideas, stereotypes, and standards of behavior, erosion and shrinking of the rational sphere, and the effect of an irrational and sensual-emotional perception of the social realm became stronger, and mythological thinking became reinforced (including the heroics of horsemanship, slave-selling, non-subordination to state power, and so on). This process appears at different levels and in different forms."²

North Caucasian sociopolitical figures and academic social study experts provided numerous reasons for such assessments. For example, at a conference on Chechnia's problems, a Chechen researcher said that under Dudaev "the strategic choice was clear—not to do away with, but to improve the old rules,"³ meaning the rules of traditional society. Another participant in the conference was convinced that for Chechen society "the social ideal is seen not in the future, but in the past."⁴

¹ I.L. Babich, "Vzaimodeystvie adygsikh traditsiy i etnopoliticheskikh izmeneniy na Severnom Kavkaze," in: *Filosofia i sotsiologiya v Respublike Adygeia*, Maykop, 1995, p. 4.

² V.V. Chernous, "Sotsial'no-politicheskiy protsess na iuge Rossii: ot vspyshki ksenofobii k regeneratsii etnokul'turnogo vzaimodeystviia i osoznaniia edinogo grazhdanstva," *Ksenofobiia na iuge Rossii. Iuzhno-rossiyskoe obozrenie* (Rostov-on-the-Don), No. 6, 2002, p. 4.

³ *Chechnia i Rossia: Obshchestva i gosudarstva*, Moscow, 2002, p. 196.

⁴ *Ibid.*, p. 332.

The attempt to hypertrophy ethnocultural differences was criticized by well-known ethnologist V. Tishkov, who wrote in one of his works: "The frantic search for cultural uniqueness, 'national' characteristics and psychology, deep historical roots, 'historical injustices,' external enemies, and so on is leading to more prominent dividing lines among citizens of the same state."⁵ From the academic's viewpoint, "The Russian people have many more common cultural and historical values and social rules than differences among citizens due to their ethnic affiliation. The level of daily interaction of people within multiethnic communities and collectives (including family-kindred) is a degree higher than among the representatives of political and intellectual elites who cannot even say the words 'Russian people' and 'Russian.' And for them Chechens are, on the whole, an ethnographic relic with a certain military democracy, teip (family-tribal) organization, and adat and Shari'a laws, even though Chechens today lived and continue to live according to the same Soviet and Russian laws and hold Russian passports, not wishing to exchange them for Maskhadov's or any other kind."⁶

Practice has indeed shown that the sociocultural differences among former "Soviet people" of different nationalities are hypertrophied in many cases. At the same time, it is presumed that the mass, but essentially perfunctory and superficial intent toward antiquity and its mythologization was natural.

Russia is a society with a fragmented culture. In addition to contemporary culture, it also preserves traditional culture. Its influence on the Northern Caucasus is especially great. The preservation of traditions here is explained by the fact that many ethnic groups of the Caucasus remained within the framework of traditional society for quite a long time. Revolutionary changes under conditions of socialism did not have radical consequences with respect to cultural traditions. The socialist changes in the Caucasus even seemed to conserve many forms of traditional culture.

Tradition and socialism agreed on the fact that the public ("suprahuman") was higher than the personal (human) in confirming collectivist values, in strict adherence to moral precepts, and so on. The Northern Caucasus was drawn into industrialization to a lesser extent than many other regions. There was no mass exodus of rural residents to the city. Preservation of traditions was also promoted by wide use of the national languages and the impact of other mechanisms of sociocultural heritage.

At present, due to the transition to the market economy and democratization of the political sphere, as well as to the implantation of new cultural standards, the traditional Caucasian culture (like other traditional cultures) is being subjected to an endurance test. What should we do in this situation, how can we find a humane approach, and what should this humaneness consist of? Should we be shedding traditional culture, or restoring it, but in a new quality? Can this problem be formulated differently: is conscious destruction of traditional culture humane? This problem is not as simple as it may seem at first glance. On the one hand, public processes require raising the level of rational behavior and thinking to the detriment of conventionality, while on the other, the destruction of conventionality could lead to rationality itself losing its meaning.

Post-Soviet practice has already shown that a mechanical transfer of Western European and other cultural standards to Russian soil is far from always effective. This is explained by the specific nature of the Russian culture and the uniqueness of the Russian population's mentality. In particular, the moods of "fleeing from freedom" (an expression coined by E. Fromm) to the protective shelter of the state and ruling elite have been transferred from traditional to contemporary societies. They do not correlate well with the demands required of a civil society and civilized market, or with the principles of democracy.

⁵ V. Tishkov, "Strategii protivodeystviia ekstremizmu," *Set' etnologicheskogo monitoringa i rannego preduprezhdeniia konfliktov*, Bulletin (Moscow), January-February 1999, p. 8.

⁶ Ibidem.

Under the conditions of the systemic Russian crisis of the beginning of the 1990s, people began to return to the values of the “glorious past,” including to traditions. In essentially all the national regions, the need was declared at different levels to revive the national culture.

Neither then nor later were the Russian political elite or intellectuals able to offer society any sort of productive ideology that consolidated all layers of society and ethnic groups. After futile attempts to find a national idea “in correlation with the directives from above” (Boris Yeltsin’s times), such attempts were halted completely.

It stands to reason that any attempt to return to the past forms of sociality and conventionality was doomed to failure from the start (nor did the ancient philosophers doubt the futility of such attempts). Instead of returning to the “glorious past,” the Northern Caucasus, like other regions of Russia, encountered enormous economic, social, cultural, and other difficulties in post-Soviet times. De-industrialization, the folding of the social safety net, and the loss of any kind of ideology, even those that had no remote resemblance to world ideologies, perhaps occurred with greater intensity here. Ethnicity proved to be the only para-ideological and spiritual-cultural anchor to which the individuals and ethnic groups left to the mercy of fate tried to cling.

At the same time, ethnicity, which was positioned in the center of the universe and not entirely successfully “furnished” in terms of the “revival of national cultures,” essentially meant not only a spontaneous striving for social order shifted toward archaism, but also confirmation of this order to some extent. In other words, archaism in certain spheres of social life promoted and continues to promote the streamlined organization of reality. For example, it is difficult to deny its streamlining effect in the domestic sphere and in small groups.

The archaism of social ties and relations could not help but have an effect on the activity of different organizations, on the form and content of their management. Ethnic solidarity as “organized and targeted friendship” also served as a basis for differentiating some of the commercial and non-commercial structures according to the ethnic principle. On the whole, small family-type enterprises that did not require highly qualified workers were formed on a monoethnic basis.

In addition, extremely modernized organizations existed and continue to exist which do not function efficiently on the basis of purely ethnic solidarity. These are primarily enterprises which rely on the professional rather than ethnic characteristics of their personnel to function efficiently. It should be said that contrary to the expectations of several sociologists and politicians, Islamic work ethics have not shown the required efficacy either. So the archaism of North Caucasian sociality was not all-encompassing and left room for modernized and even post-industrial organizations.

The more than ten years of reforms in the Northern Caucasus did not provide a clear answer to how this region would culturally evolve. Reality neither proved the “inevitability” of ethnic (religious and so on) particularism (isolationism) and a frontal conflict of values, nor the “inevitability” of liberal-democratic homogenization.

Different prophecies exist regarding the future of cultures and the organization of socioeconomic life. In a book published in the U.S. called *Culture Matters: How Values Shape Human Progress*, which aroused a great deal of interest and received positive responses, cultural anthropologist R. Schweder concedes three scenarios for the future: according to Francis Fukuyama (“the end of history”), according to Samuel Huntington (“the clash of civilizations”), and according to his own forecast, which the academic finds the most probable.

In our opinion, its essence boils down to the following. In the long term, two “castes” will develop: cosmopolitan liberals in the Center and local non-liberals. The two tiered world system will correlate to both elites. The global elite will recruit representatives from the most diverse ethnic groups and civilizations into its ranks, but other elites, which cannot deny the supremacy of the cosmopolitans but will not permit them to change the local non-liberal flavor of life to suit themselves, will rule in their homelands. Economic interpenetration (convergence) will become possible only providing it does not touch the deep or thick aspects of the local cultures. However, if globalization demands the

transformation of the deep layers of local cultures, it will not be able to draw the latter into its orbit and will be rejected by them.⁷

As some authors believe, still one more macro hypothesis of the sociocultural evolution of the future, which directly interprets the mechanisms of cultural changes, is claiming its birthright. It contends that the universal unification of sociality does not come from globalization. Foreign cultural influence, no matter how global it may seem, does not lead to individuals passively perceiving and adopting foreign cultural morals, world outlook, and world understanding. Different societies react to foreign cultural global trends differently, ranging from resistance to other cultures to blind imitation of them. As ethnologist M. Sahlins aptly noted, societies use what is alien to them in order to “become greater than themselves.”⁸ In other words, globalization can only look like an all-encompassing process of acculturation on life’s surface. Essentially, however, local and regional cultures demonstrate the ability to “domesticate” global trends to suit their needs. The Adighes of traditional society were even able to adapt the world religions, first Christianity and then Islam, to the requirements of the life of traditional communities. Both the Adighe enlighteners of the 19th century and contemporary Adighe study experts wrote about these processes. For this very reason Western institutions (democracy, the parliamentary system, the market, and so on) assume extremely whimsical traits in these societies. So the fragility of local and regional cultures should not be overestimated. They are highly flexible and demonstrate great tenacity.

Despite the naïve declarations and attempts to return to antiquity, the North Caucasian republics, during the deepest economic and social crises of the past decade, interference from outside forces, as well as failures of the federal center’s regional policy, have demonstrated amazing integration into the Russian sociopolitical space. As K.F. Dzamikhov, an academic from Kabardino-Balkaria, writes, “on the one hand, these special features were objectively formed throughout the whole course of previous history, while on the other, they are essentially irremovable and will retain their supremacy for the nationalities of the region and for Russia as a whole for the foreseeable future.”⁹ Authorized representative of the Russian President to the South Federal District, now professor at South-Russian University, V. Kazantsev said approximately the same thing in one of his speeches, stressing: “We need to get away from the mythologeme that the Caucasus is primordially conflict-prone due to its civilizational-cultural diversity and that North Caucasian peoples are supposedly incapable of peaceful coexistence and interaction.”¹⁰

And although the conflict potential of the Northern Caucasus due to its multi-confessionality and polyethnicity should not be underestimated, the main thing should be emphasized: the Caucasian region should not be mythologized by pedaling its conventionality or finding other principled civilizational-cultural “insurmountable” differences.

Sociocultural Transformation Processes in the Ethnic Cultures of the Northern Caucasus

Globalization has become a real factor in the sociocultural transformations. It is giving rise to new problems not only in the economy and in the technological information structures, but also in culture. What is happening to culture? Is it becoming archaic, global, or something else? The research studies of recent years provide answers to these and other similar questions.

⁷ See: *Culture Matters: How Values Shape Human Progress*, ed. by L.E. Harrison, S.P. Huntington, Basic Books, New York, 2000, pp. 169-171.

⁸ J. Breidenbach, I. Zukrigl, “Cultural Battle or McWorld,” *Deutschland*, No. 3, June 2002.

⁹ K.F. Dzamikhov, *Adygi i Rossia*, Moscow, 2000, p. 148.

¹⁰ V.G. Kazantsev, *Sotsial’naia i etnopoliticheskaia situatsiia v Iuzhnom regione Rossii*, Rostov-on-the-Don, 2000.

Ethnographic and sociological research studies show that the principles of everyday life (in the broadest sense of this word) which are being embodied by globalization—rationalization, standardization, availability, and predictability—are coming up against resistance from local and regional cultures. The studies of many sociologists who came to the conclusion that “the world is being MacDonalidized” were rejected. Habits and tastes do not always become the same due to the leveling effect of globalization. Studies show, for example, that outside the U.S., MacDonald’s was only perceived as a symbol of the American way of life in the beginning. It transpired that in East Asia the unwritten “fast food” rule does not work. And MacDonald’s positions itself as multi-cultural and does not claim to reduce the habits of its customers to the same level; on the contrary, it tries to take into account the special features of local cultures. Graphic examples: the company offers kosher food in Israel, and vegetarian dishes in India.

Of course, there is no reason to doubt that the global commodity and financial markets, the mass media, migration flows, and other phenomena related to globalization have led to the dramatic and intense interaction (“blending”) of different cultures and an intensive cultural exchange. In just the same way, there is no reason to doubt another obvious truth—globalization is indeed leading to the disappearance of customary traditional ways of life.

But it is also impossible to ignore that globalization is leading to the emergence of new forms of culture and ways of life. Thanks to the intensive movement of capital, goods, services, and ideas, local cultures are establishing all sorts of diverse relations among themselves and opening up to each other in the most unusual ways.

The differences between cultures are not perceived as insurmountable. Tolerance toward “aliens” is increasing. Often the boundary between “mine” and “yours” is hardly noticed or not noticed at all. A certain cultural patchwork quality and multiple identity are being seen not only at the level of individuals and individual families. These characteristics are increasingly becoming inherent in entire societies. In other words, new forms of culture and identity are emerging.

Some people think that during globalization any local (ethnic, regional) content is lost and such losses are irrecoverable. This is difficult to deny, just as it is difficult to deny that throughout human history different types of culture have left the planetary scene and certain images of the world have been replaced by others. Globalization has only accelerated this natural process of changes and losses.

But our world has not become less diverse. The new types of cultures are not impoverishing the diversity of lifestyles; new cultural forms are being created that are partially incorporating the old. For example, the Adighe culture preserves many elements of the traditional culture, particularly the moral-ethnic imperative of “adygag’e.” The Adighe word “adygag’e” translates literally as “Adighism,” that is, a characteristic (proper and real) inherent in all Adighes, in all representatives of the ethnic group. This same word can be translated as “humaneness,” which shows the orientation of ethnic ethics toward universal values.

This phenomenon plays an important role in the people’s way of life, is a regulator of individual and group behavior, a basis for ethnic identification, and a factor of communication and socialization, which is confirmed by special sociological studies. It was revealed that following the imperatives of “adygag’e” (Adighism) forms the foundation of traditionalism, which has become part of the here and now. The imperatives we have analyzed are changing quickly, especially under the influence of globalization, but they are trying to manifest their “uniqueness” in the transforming world and reinforce the “we-they” antithesis in a symbolic form that is only of an external traditional nature.

The morphological and semantic traits of the Adighe culture could not help but have an influence on the mental capacities of the nationality bearing this culture. The preservation of the most important traditional origins in the sociocultural sphere led to domination in the subjective-motivational sphere of such characteristics as communitarism, corporativism, subordination of the interests of the individual to the interests of the group, adherence of each person to his own reference group, stricter understanding of hierarchy, and the imperatives of duty and obligations.

On the other hand, the contemporary forms of culture could not help but bring about certain changes in the mentality of the Adighes. Their mental capabilities are being tested by such prevalent trends of world development as individualism and globalization. Some Adighes who ended up living outside their own region were forced to play according to the rules dictated by contemporaneity and preserve traditionalism, mainly in domestic life. For example, young people living or studying in a mixed (for instance, urban) setting manifest more variations in their behavior than young people from a uniform (village) setting, which follows the requirements of traditional etiquette. What is more, the behavior of the young generation can change depending on the surroundings in which it finds itself. In an unfamiliar place, where young people do not know anyone, they think that they do not have to follow the rules of etiquette. In their reference group, on the other hand, among their own people, relatives, parents, these rules are fully observed. Evidently the strict social control existing in the villages promotes this kind of behavior. In a mixed environment, particularly in large cities where people live according to the laws of “free” society (everyone looks out for himself/herself), young people learn “doublethink” and are guided by the rules of expediency, that is, they do what they consider to be of benefit to themselves and not to those around them.

This behavior by young people is difficult to evaluate within the framework of the customary explanatory model, when the behavioral culture of young people is perceived as a relatively static magnitude with a clear geographical boundary. Conceptual difficulties are related here to the fact that the geographical boundary indicating a local cultural area is in most cases incorrect with respect to interpreting the culture in this area, since the culture is extremely differentiated. For example, the predominant culture in a North Caucasian industrial city can be very different from the predominant forms of culture in the auls and stanitsas located close by. It is presumed that drawing up new explanatory models is related to a necessary shift in accent from the affirmation of the cultural monotony of the local area to affirmation of mixed cultures within the framework of one and the same area.

Contemporary German ethnologist U. Hannerz suggested using the term “creolization” to describe such processes, which he borrowed from the linguists. It was originally used to explain the linguistic processes of the nationalities of the Caribbean Basin, focusing attention on the mixing of the colonial with the African languages, which led to intensive processes of original word formations.

If we make an analogy with the sociocultural processes, we can say that the contemporary cultural diversity of regions is more the result of cultural interaction than of autonomous insularity. This view of culture makes it possible to interpret it not as a frozen magnitude localized in space, but as a very complex flow of interactions that permanently produces new sociocultural groups and relations. In so doing, a certain geographic paradox arises—geography loses its sociocultural meaning to a certain extent. Transnational cross-cultural communities form: programmers, artists, sociologists, the supporters of various religious trends, as well as any other social groups consolidated by idealized ties into a single “global village” are linked by the Internet or other forms of communication.

It would be an acceptable approximation to say that a multilayered culture arises. On the one hand, international legal acts (for example, the conception of human rights), the interrelation and interdependence of economies, the appearance of youth idols from among pop singers, sportsmen, and so on, promote the emergence of a world global culture; while on the other, within the latter, different positions and relations form. Cultural loci do not perceive global effects automatically. As a rule, they process the global effects, adapt them to their environment, and in so doing create new cultural forms that have nothing in common with the Western model.

In other words, the appearance of a new system of correlations—the global culture—does not make all people identical. The content of their lives, like the content of the lives of communities, do not automatically change under the influence of globalization. We can say that globalization has more of a structural than content significance. For example, certain ideas become global—human rights, organizations’ work principles, and so on, but they are implemented in extremely different ways in different regions. For example, in different regions of the world, the global idea of feminism encoun-

ters very specific cultural resistance. And the participants of feministic movements themselves usually have quite a different understanding of what feminism is: Western feminism is one thing, Russian is something else, and feminism in Islamic and African countries is something else again. Global standardization proves to be powerless in this case.

Thus the global culture is not all-encompassing and all-absorbing. For most people, the global culture is not a state, but a certain potential that, while being realized, can take the shape of new unpredictable "creolized" cultural formations. Culture flows multiplying and intersecting in today's globalized world will continue to give rise to a wide variety of sociocultural phenomena and local versions of cultures. Of course, it stands to reason that not one country in today's world can seal itself off hermetically from foreign influences. But it is still not clear how global and regional culture will look in the future.

Methods of applied sociology make it possible to determine the specific state of today's cultures and how they feel in light of the globalization processes. An interactive poll on this question was carried out which produced quite an interesting picture.

Ethnic Cultures in the Globalization Era: What Do the Results of an Internet Poll Tell Us?

Probing public opinion by means of a questionnaire on the Internet obviously does not fully correspond to the strict scientific requirements of sociological surveys. But a skillfully conducted Internet poll, like other interactive methods used by the mass media to gauge public opinion, makes it possible to gain an understanding of the main points of view, precepts, preferences, and assessments. What is more, an Internet poll can be used as a search study for investigating how the questions, study logic, and other things known to sociologists work.

In our case, carrying out an Internet poll to assess the future of the cultures of numerically small peoples as globalization gains momentum made it possible to reveal some of the principal views. The poll was conducted by the Department of Philosophy and Sociology of the Adighe Republic Institute of Humanitarian Studies in 2006-2007. A total of 188 people responded to the questionnaire on the Internet. One hundred and eight of them were from Russia and 80 from foreign countries. The foreign respondents were mainly residents of Turkey, although there were some from Israel, the U.S., and other countries.

The views of the respondents from the Russian Federation and foreign countries were for the most part similar, they correlated with each other. For example, 52% of the total number thought that small cultures have a chance of preserving their uniqueness (identity), while the other 48% did not believe these cultures had this chance.

Nevertheless, in some cases, significant differences were noted. These were mostly recorded in the answers of Russians and foreigners to two questions. To the question: "How do you think small cultures feel under globalization conditions?" fourteen percent of Russians chose the response, "they adapt the global trends to their needs," whereas twice as many foreigners (28%) picked this answer.

There was even more difference between the responses of Russians and foreigners to the question: "Do you think small cultures have a chance of preserving their identity in the future?" Seven percent of the Russian respondents answered "No," while many more foreigners (23%) chose this response. There was not such a great difference between the respondents in their responses to the other questions, although sometimes they were quite significant. In the text below, the percentage of foreign respondents replying to certain questions is indicated in brackets.

The poll showed that 60% (52%) of the respondents think that the ethnic cultures of numerically small peoples have the greatest chance of preserving their uniqueness under globalization conditions in domestic life. Most people believe that private and domestic life are the most reliable and almost the last bastions of ethnic cultures. The opinion of the respondents is confirmed in West European practice, where the domestic culture of the ethnic diasporas (Turks in Germany, Arabs in France, and so on) proved least of all affected by the foreign cultural (European) influence. Twenty-six percent (22%) of the respondents have little faith that the ethnic cultures of small nationalities can be preserved in domestic life either.

Approximately half of the respondents believe that traditional morals and ethics can be preserved. But even here every fifth Russian respondent (and approximately every fourth foreigner) gave a negative response, which shows the correlation between answers to the questions indicated above.

It is interesting that every fifth Russian (and every third foreigner) also thinks that under the conditions of globalization the ethnic institutions of hospitality are unlikely to be preserved. Even fewer respondents, a mere 6% (although 23% of the foreigners) believe that the institution of elders will be retained (in our opinion, it long exists only in theory, having turned, like many other social institutions, into an imitational pseudo-national structure).

The forecasts of the respondents regarding the prospects for the ethnic cultures of numerically small nationalities are contradictory. Approximately half believe that they are gradually disappearing, and one third of the respondents say directly that “their complete assimilation is more likely.”¹¹ Although, on the whole, the forecasts of the respondents about the future of ethnic cultures are pessimistic, there are positive connotations in their responses. For example, a third of the respondents believes that globalization is promoting an increase in ethnic tolerance. Every fourth noted that internationalization of the mass media and, in particular, the wide dissemination of the Internet are opening up new possibilities for ethnic cultures, giving them the opportunity to declare themselves in the global mass media.

It also seems positive that only 3% (13%) of the respondents believe that the only way to save ethnic cultures is their self-isolation. The responses to the poll questions demonstrated another important feature—up to one third of the respondents could not answer certain questions. This can be explained by the fact that the poll topic—the influence of globalization on ethnic cultures—is extremely complex and arouses acute debate not only among ordinary people, but also in the expert community. Specialists professionally engaged in studying globalization are just as contradictory in their evaluations as ordinary people.

C o n c l u s i o n

When talking about the problems of the globalization of culture, it should be emphasized that the worries about sweeping cultural standardization cannot be sufficiently justified. Upon closer inspection, globalization is a dialectic process of integration and differentiation, universalization and particularization. And these trends are not mutually exclusive, rather they are complementary. Contemporary cultural processes, into which the Northern Caucasus, like the rest of the world, is being drawn, offer new possibilities and new risks. In so doing, reversing history or resorting to cultural self-isolation do not appear to be viable alternatives.

¹¹ Available at [<http://www.arigik.ru/socic/anketa.php>], 29 January, 2008.

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ABKHAZIA AND THE ABKHAZIANS IN THE COMMON GEORGIAN ETHNO-CULTURAL, POLITICAL, AND STATE EXPANSE

PART I

A b s t r a c t

The author offers a scientifically generalized review of the past of Abkhazia and the Abkhazians based on his in-depth analysis of historical sources and the available historiographic heritage to present the

region's ethno-cultural and national-state makeup from ancient times to 1993. He pays special attention to those issues of Abkhazian (Georgian) history that still ignite heated debates in contemporary historiography.

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

Fifteen years ago the tragic fratricidal war between Georgia and Abkhazia temporarily deprived Georgia of Abkhazia, one of the republic's most picturesque sites. Much has been written about the Abkhazian tragedy since, however an all-round and exhaustive analysis of the 1992-1993 events is still to come.

The prerequisites of the Abkhazian-Georgian confrontation go back at least one hundred years. In the 1860s, the Russian Empire drew up a so-called state program aimed at breaking up the centuries-old Georgian-Abkhazian historical and cultural unity. In 1907, a book came out (traditionally ascribed to N. Voronov) under the provocative title of *Abkhazia—ne Gruzia* (Abkhazia is not Georgia).

In the 1920s, the separatist-minded groups of the so-called Abkhazian people's intelligentsia took up the formula to develop it into what was described as program works by S. Basaria¹ and S. Ashkhatsava.² Their deliberations about Abkhazia's past served as historiographic justification of the "state independence" of the Abkhazian S.S.R. set up by the local Bolsheviks in March 1921. The domestic political climate of the 1950s in the U.S.S.R. revived the separatist ideology in Abkhazia: the "national" history of the Abkhazians, separate from the history of Georgia, reappeared on the agenda. Still, the two volumes of *Ocherki istorii Abkhazskoy ASSR*³ (Essays on the History of the Abkhazian A.S.S.R.) written by a group of Georgian and Abkhazian historians headed by outstanding

¹ See: S. Basaria, *Abkhazia v geograficheskom, etnograficheskom i ekonomicheskom otnoshenii*, Sukhum-Kale, 1923.

² See: S.M. Ashkhatsava, *Puti razvitiia abkhazskoy istorii*, Sukhum, 1925.

³ See: *Ocherki istorii Abkhazskoy ASSR*, Vol. I, Sukhumi, 1960; Vol. II, Sukhumi, 1964.

Abkhazian scholar, corresponding member of the Georgian Academy of Sciences Prof. G. Dzidzaria, firmly put the Abkhazian past into a common Georgian context.

The separatist sentiments persisted and even accelerated in the latter half of the 1960s when some Abkhazian and Russian historians, archeologists, and writers distorted the common past of the Georgians and Abkhazians and dwelt on mostly fictitious facts of Georgian pressure on the Abkhazians. They spoke of twelve or even twenty-five centuries of Abkhazian statehood and described the region as the homeland of only the Apsua-Abkhazians invested with the exclusive right to look after the present and future of their native land.

The Georgians were dismissed as newcomers; any attempt to describe them (along with the Abkhazians) as an autochthonous group was rejected as unscientific and pernicious. This had nothing in common with genuine scholarship. For this reason certain zealous historians and writers have failed to upturn the plain facts of history and bury the very memory of the centuries-long historical, cultural, and political unity between the Georgians and Abkhazians.

The science of history has never been and will never be free from disagreements over certain issues; the history of Abkhazia is no exception, but on the whole it has been studied in great detail (thanks to the efforts, in particular, of prominent Abkhazian historians Z. Anchabadze and G. Dzidzaria). This means that a radical revision of Abkhazia's past is hardly possible, even though historians can and should probe deeper into the individual aspects of Abkhazian history. Such efforts are especially needed today: in the past, totalitarian ideological pressure made objective discussions of the history of Abkhazia (especially of the 19th and 20th centuries) next to impossible. Recently, Georgian historiography has been demonstrating an ever-growing interest in Abkhazian history discussed in very interesting works by T. Gamkrelidze, M. Lordkipanidze, D. Muskhelishvili, E. Khoshtaria-Brosse, N. Lomouri, G. Tsulaia, G. Gasviani, T. Mubchuani, L. Toidze, A. Menteshashvili, G. Lezhava, G. Zhorzholiani, J. Gamakharia, B. Gogia, Z. Papaskiri, B. Khorava, L. Akhaladze, D. Chitaia, and others. The definitive work *Studies of the History of Abkhazia/Georgia*⁴ stands apart. It brought together between two covers the best generalizing works by prominent Georgian historians⁵ dealing with the major aspects of the history, archeology, and ethnography of contemporary Abkhazia.

This article uses the accumulated historiographic material to provide a general overview of the Abkhazian past and to demonstrate the true political, state, and ethno-cultural makeup of the territory now called Abkhazia from ancient times to 1993.

Ethnic Identity of the Earliest Population of Northwestern Colchis

The ethnic and tribal identity of the autochthonous population of what is now Abkhazia is one of the most complicated historiographic problems. Like all other Georgian regions, Abkhazia was

⁴ See: *Studies of the History of Abkhazia/Georgia*, Metzniereba Publishers, Tbilisi, 1999 (in Georgian).

⁵ The above-mentioned *Ocherki istorii Abkhazskoy ASSR* can be described as the first generalizing work on the history of Abkhazia from ancient times to the mid-20th century. Z. Anchabadze's *Ocherk etnicheskoy istorii abkhazkogo naroda*, which appeared in 1976, and the textbook *Istoria Abkhazii* (Sukhumi, 1986) by Z. Anchabadze, G. Dzidzaria and A. Kuprava provided a general picture of the past of the Abkhazians even though the political and ideological context in which they appeared grossly distorted an objective exposition of the past (the history of the 19th and 20th centuries especially). The so-called textbooks on the history of Abkhazia published under the separatist regime cannot be described as objective either (*Istoria Abkhazii. Uchebnoe posobie*, ed. by S. Lakoba, Sukhumi, 1991; *Istoria Abkhazii. S drevneyshikh vremen do nashikh dney. 10-11 klassy. Uchebnik dlia obshcheobrazovatel'nykh uchebnykh uchrezhdeniy*, Sukhumi, 2006).

populated during the Lower Paleolithic, that is, about half a million years ago. An analysis of the artifacts from the Early Paleolithic monuments of Abkhazia reveals their similarity to the contemporary collections from Central Colchis and the Rioni-Kvirila basin in particular. At the same time, "there is a certain similarity ... to the monuments of the Northwestern Caucasus and the Kuban area."⁶

In the Late Paleolithic (about 35 thousand years ago), a unified Late Paleolithic culture took shape in Western Georgia, evidence of a certain ethno-cultural and linguistic communality.⁷ During the Mesolithic Age, Western Georgia (its northwestern part where Abkhazia is now situated) underwent further development. By that time the Caucasus had been divided into three territorial groups of monuments (Transcaucasian, Gubskaia, and Chokhskaia). The local features that had taken shape by that time at all the monuments of material culture are ascribed to the budding changes in the surmised Caucasian ethno-cultural unity.⁸

In the Neolithic Age, the material culture on the territory of contemporary Abkhazia revealed numerous common features with the Neolithic culture of Central and Southwestern Colchis.⁹ The distinctive features identified by archeologists are ascribed to the continued process of ethnic delimitation of the Caucasian population.¹⁰ It is thought that "the local specifics observed in the Late Neolithic culture probably indicate that the process of ethnic and linguistic delimitation was underway" and that "the main kindred groups of the Caucasian languages were being formed:" East Caucasian (so-called Pra-Nakho-Daghestani), West-Caucasian (or Pra-Adighe-Abkhazian), and South Caucasian (or Pra-Kartvelian).¹¹

During the Early Bronze Age (approximately starting with the mid-third millennium B.C.), the so-called Dolmen Culture appeared and spread across what is now Abkhazia; it was limited to the northwestern part of Colchis and was never discovered to the south of the Azanta, near Sukhumi. It is believed that this was caused by ethnic shifts; according to some experts the Kaska tribes from the northeastern sector of Asia Minor who spoke the Proto-Hattic language moved to the territory of contemporary Abkhazia at the turn of the second millennium B.C.¹² This led historians to surmise that the Kaska of Asia Minor, as well as the Abeshla tribes, mixed with the local kindred population to form the Abkhazian ethnos.¹³ At the same time, there is the opinion that the entire territory of historical Colchis (stretching from the western part of the Northern Caucasus to the northeastern regions of Asia Minor) was the homeland of the Abkhaz-Adighe-Hattic tribes.¹⁴

Georgian historians (O. Japaridze and others) have never denied that there was an inflow from the south, although they never accepted this as a decisive factor; by the same token they rule out significant ethnic shifts in northwestern Colchis.¹⁵ Indeed, the material culture of the dolmens was

⁶ O.M. Japadidze, "On the Ethno-Cultural Situation in the Northwestern Transcaucasus in the Stone and Early Metal Ages," in: *Studies of the History of Abkhazia/Georgia*, p. 7.

⁷ See: *Ibid.*, p. 8.

⁸ *Ibid.*, p. 9.

⁹ See: K. Kalandadze, *The Neolithic Culture of Western Georgia in the Light of Recent Archeological Discoveries*, Tbilisi, 1986, pp. 15-49 (in Georgian); O.M. Japaridze, *op. cit.*, p. 10.

¹⁰ See: G. Pkhakadze, "Eneolithic Remains of the Okum Cave," in: *Materials for the Archeology of Georgia and the Caucasus*, VII, Tbilisi, 1979, pp. 68-76 (in Georgian); O.M. Japaridze, *op. cit.*, p. 11.

¹¹ See: O.M. Japaridze, *op. cit.*, p. 13.

¹² See: L.N. Soloviev, "Novy pamiatnik kul'turnykh svyazey Kavkazskogo Prichernomor'ia v epokhu neolita i bronzy—stoiianki Vorontsovskikh peshcher," in: *Trudy ABNIIALI AN Gruzinskoi SSR* (Proceedings of the Abkhazian Scientific-Research Institute of Language, Literature and History of the Academy of Sciences of the Georgian S.S.R.), Sukhumi, 1958, pp. 135-164; Z.V. Anchabadze, *Istoria i kul'tura drevney Abkhazii*, Moscow, 1964, pp. 124-125.

¹³ See: Z.V. Anchabadze, *Istoria i kul'tura drevney Abkhazii*, pp. 120-126; Sh.D. Inal-ipa, *Voprosy etno-kul'turnoy istorii abkhazov*, Sukhumi, 1976, p. 120.

¹⁴ See: Sh.D. Inal-ipa, *op. cit.*, p. 145; V.G. Ardzinba, V.F. Chirikba, "Proiskhozhdenie abkhazskogo naroda," in: *Istoria Abkhazii. Uchebnoe posobie*, p. 11.

¹⁵ See: O.M. Japaridze, *On Ethnic History of the Kartvelian Tribes*, Tbilisi, 1976, pp. 299-301 (see also: G.A. Melikishvili, *On the Ancient Population of Georgia, the Caucasus and the Middle East*, Tbilisi, 1965, p. 42) (both in Georgian).

obviously local—a direct indication that no serious ethnic changes took place in what is now Abkhazia.¹⁶ Georgian archeologists, however, do not exclude certain local specifics to the north of the Gumista River and explain them by the arrival of the first wave of Abkhaz-Adighe tribes. The main population was of Kartvelian origin (the Megrelo-Chans, Svans, and others). Academician S. Janashia, whose scholarly authority was never questioned among the Abkhazians, wrote at one time that the Kartvelian (Megrelo-Chan) population predated the Abkhaz-Adighes on the territory of contemporary Abkhazia.¹⁷

Archeological finds to the north of the Gumista dated to the so-called Colchian Culture (about the 14th-7th centuries B.C.) reveal certain specific features which identified that area as a local region of the common Colchian Culture of the Late Bronze and Early Iron ages.¹⁸ At the same time, the area to the north of the Gumista largely remained part of the common West Georgian culture.¹⁹ This means that at the turn of the first millennium B.C. no serious ethnic shifts could occur in what is now Abkhazia (to say nothing of historical Colchis as a whole, something that Yu. Voronov suggested in his book).²⁰ This is confirmed by anthropological data.²¹

It is much harder to decide which language the Bronze population of Abkhazia used. For a long time the academic community (P. Uslar, I. Javakhishvili, S. Janashia, A. Chikobava, K. Lomtadze, E. Bokarev, and others) remained convinced that the Caucasian languages were “genetically” related. Recently, however, this conviction was shattered: academics, some of them highly respected (G. Machavariani, T. Gamkrelidze, S. Nikolaev and S. Starostin, Kh. Fenrich, and others), reject the “genetic” kinship of the Kartvelian tongues with the North Caucasian languages. The idea of kinship of the North Caucasian languages with the ancient tongues of Asia Minor is gaining recognition among academics; until quite recently it was generally accepted that the Abkhaz-Adighe and Hattic tongues were close relatives (A. Militarev, S. Starostin, and Viach. Vs. Ivanov).

Purely linguistic data were studied, as well as the obvious similarity of the ethnonym “Kashki” with the medieval names of the Adighe-Circassians: Kasakhia—Kasakhi of Byzantine authors; Kashak—Kashakia of Arabian sources; Kosogi of the Old Russian chronicles; Kashagni of the Georgian chronicles, etc.²² On the strength of this it was usually surmised that the Kashkis of the Hittite cuneiform texts were related to the Abkhazian-Adighe tribes. This was seemingly in line with the fact that Assyrian cuneiform inscriptions of the 12th-11th centuries B.C. mention the Abeshla tribe, which, on the one hand, was interpreted as a variant (synonym) of Kashki and, on the other, was identified with the Apsil ethnonym (Apsil—Apsua).²³

Recently, however, the idea about the kinship between the Kashki and Abeshla tribes and the Proto-Hittite (Hattic) population of Asia Minor was radically revised. According to one of the best experts in the Hattic-Anatolian world, academician G. Giorgadze, the Kashkis and Abeshla were not necessarily related to the Hattians. More likely than not they belonged to the Colchian (Kartvelian)

¹⁶ See: O.M. Japaridze, “On the Ethno-Cultural Situation...,” p. 14.

¹⁷ See: S.N. Janashia, “Tabal-tubal, Tibareni, Iberi,” in: *Trudy...*, Vol. III, Tbilisi, 1959, p. 15 (in Georgian).

¹⁸ A specific burial rite in urns (clay vessels), so-called secondary burial, in particular (see: B.A. Kuftin, “Materialy k arkheologii Kolkhidiy,” in: *Tri etapy istorii kul'turnogo i etnicheskogo formirovaniya feodal'noy Abkhazii*, Vol. I, Tbilisi, 1949, pp. 178-192; M.V. Baramidze, “Certain Problems of Archeology of the Western Transcaucasus in the Third-First Millennia B.C.,” in: *Studies of the History of Abkhazia/Georgia*, p. 31).

¹⁹ See: M.V. Baramidze, op. cit., p. 32.

²⁰ See: Yu.N. Voronov, *Abkhazy—kto oni?* Gagra, 1993, p. 8.

²¹ See: M.G. Abdushelishvili, *Antropologia drevnego i sovremennogo naselenia Gruzii*, Tbilisi, 1964, p. 90 (for more detail, see: M.G. Abdushelishvili, “Antropologicheskii analiz aborigennogo naselenia Kavkaza,” in: *Trudy Moskovskogo obshchestva ispytateley prirody*, Vol. XLIII, Moscow, 1972, p. 231; O.M. Japaridze, *On Ethnic History...*, p. 305).

²² See: G.G. Giorgadze, “Non-Indo-European Ethnic Groups (Hattians and the Kaska) in Ancient Anatolia According to Hittite Cuneiform Texts,” in: *Studies of the History of Abkhazia/Georgia*, p. 52 (see also: N.G. Volkova, *Etonimiy i plemennye nazvaniya Severnogo Kavkaza*, Tbilisi, 1973, p. 19).

²³ See: *Ibid.*, pp. 52-53.

ethnic world.²⁴ He rejected a possible kinship between the Kashkis and Abeshla and the ancestors of the Adighe-Abkhazians²⁵ on the strength that the “original place of the Hattians should not be sought in Asia Minor” but in the Northwestern Caucasus, from which “they probably moved to the northern part of Central Anatolia.”²⁶

The above suggests that in the primitive age, starting with the Upper Paleolithic, the territory of contemporary Abkhazia was part of the area of a uniform material culture created, in all probability, by ethnically kindred tribes with common Caucasian roots. In the Bronze Age (or even earlier), a certain paleo-Caucasian ethnic communality was differentiated, which gave rise to local specifics inside the uniform material culture. This makes it possible to identify a local region on the territory of contemporary Abkhazia to the north of the Gumista created by the ethnically specific population of the region that differed from the rest of the regions of historical Colchis. The ancestors of the contemporary Abkhazians probably formed part of its ancient population. There are no doubts about the rest of Colchis, including part of Abkhazia to the south of the Gumista: these parts were populated by those who created the Colchian Culture (Megrelo-Chans, Svans, and other Kartvelian tribes). At the same time, Kartvelian tribes probably settled in the northern part of contemporary Abkhazia.

Ethnic Map and State-Political Makeup of Northwestern Colchis between the First Millennium B.C. and the 8th Century A.D.

The earliest written information about the tribes of the Northwestern Caucasus was supplied by Hecataeus of Miletus (in the 6th century B.C.) in his *Periegesis* (Tour Around the World), where he mentioned the “Kolas living on the lower slopes of the Caucasian Range and the Korakses living to the west of them.” In his *Ethnica* dictionary, Stephanus of Byzantium (the 6th century B.C.), who preserved bits and pieces of Hecataeus’ work, called them the Colchian tribes.²⁷ *Periplus* of Pseudo-Scylax of Carianda (4th century B.C.) directly indicated that the territory “to the south of the Korakses and Kols between Dioscuria (now Sukhumi) and the Apsarosa River (the Chorokhi River) was populated by ... the Colchis in early antiquity.”²⁸

It has been long established that the Colchis were a West Georgian (Megrelo-Chan) tribe even though some academics still insist that the Colchis were Abkhazians.²⁹ It should be said that the term could be described as a blanket one for several (including some of the non-Kartvelian) tribes, yet the original ethnic content of the ethnonym “Colchis” presupposed the West Georgian Megrelo-Chan population and other Kartvelian tribes living within historical Colchis.

The above leaves no doubts about the fact that in the first millennium B.C. the territory of contemporary Abkhazia—its foothills and the coastal area—were populated by Western Kartvelian

²⁴ See: *Ibid.*, pp. 45-55.

²⁵ See: *Ibid.*, p. 55.

²⁶ *Ibid.*, pp. 48-49.

²⁷ See: M.P. Inadze, “Problems of the Ethno-Political History of Ancient Abkhazia,” in: *Studies of the History of Abkhazia/Georgia*, p. 61.

²⁸ *Ibidem.*

²⁹ See: G.F. Turchaninov, *Pamiatniki pisma i iazyki narodov Kavkaza i Vostochnoy Evropy*, Leningrad, 1971; Ia.A. Fedorov, *Istoricheskaia etnografia Severnogo Kavkaza*, Moscow, 1983.

tribes³⁰: Kols, Korakses, Colchis, and probably Moskhs (Meskhs).³¹ Ancient Greek authors (Hellanicos of Mytilene, 5th century B.C.) registered that at the same time the tribes of Geniokhs lived in northwestern Colchis. According to contemporary historians, they lived in the area stretching from the vicinity of Pitiunt (contemporary Bichvinta—Pitsunda) to the Akheunta River (the Shakhe, at what is now Tuapse).³² Most people believe that the Geniokhs were a Kartvelian (either Megrelo-Chan or Svan) tribe,³³ however the ethnonym could serve as a blanket term for “tribes of various origins.”³⁴ It seems that those Abkhazian academics who speak of a genetic kinship between the Geniokhs and ancient Abkhazians are wrong.³⁵

In the 1st and 2nd centuries A.D., the ethnic map of northeastern Colchis changed under the pressure of new tribes: the Sanigs (who used to live between Sukhumi-Sebastopolis and what is now Gantiadi).³⁶ Most of the academic community speaks of them as belonging to the Kartvelian ethnic world,³⁷ even though it is thought that they may be of Abkaz-Adighe origin.³⁸ The former offer the following argument: (1) The ethnonym “Sanigi” contains the easily identified root “sani” of the Megrelo-Chan origin—the Greek form of the ethnonym “Chani” (“Wani”)³⁹; (2) the oldest Georgian name of Dioscuria—Sebastopolis (contemporary Sukhumi)—Tskhumi means “hornbeam” in the Svan language.⁴⁰ A Svan toponym could have appeared in the vicinity of Sukhumi-Dioscuria only if the place was populated by Svans. Since after the 8th century (the earliest mention of the “city of Apshileti-Tskhumi” in a Georgian chronicle) Tskhumi was no longer a Svan city (it was a city of the Apshileti-Apsilia) and it is hard to detect traces of Svan tribes in the vicinity of Sukhumi, we can surmise that the Svan toponym of Sukhumi should be dated to the period before the 8th century. There is every reason to say that the Svan name of Sukhumi can be related to the period prior to the 1st century B.C. when, according to ancient Greek geographer Strabo (64 B.C.-A.D. 20), “Svans dominated” the mountain peaks around Sukhumi-Dioscuria⁴¹; according to the practically documentary evidence of Flavius Arrianus, another Greek author of the 2nd century A.D., “Sebastopolis was situated” on the

³⁰ See: M.P. Inadze, op. cit., p. 61; D.L. Muskhelishvili, “Historical Status of Abkhazia in Georgian Statehood,” in: *Studies of the History of Abkhazia/Georgia*, p. 115.

³¹ See: M.P. Inadze, op. cit., p. 67. It should be said that some Georgian historians (N. Lomouri is one of them) do not accept the fact that the Moskhs-Meskhs lived in northwestern Colchis (see: N.Yu. Lomouri, *From the Ethno-Cultural History of Ancient Abkhazia*, Tbilisi, 1998, pp. 20-30, in Georgian).

³² See: N. Lomouri alone disagrees with those who believe that the Geniokhs lived on the territory of contemporary Abkhazia (see: N.Yu. Lomouri, op. cit., pp. 10-20).

³³ See: I.A. Orbeli, “Gorod bliznetsov ‘Dioscuria’ i plemia voznits ‘Geniokhov’,” *Zhurnal Ministerstva narodnogo prosveshchenia*, April 1911, pp. 200, 2008; N.Ia. Marr, “K istorii termina ‘abkhaz’,” in: *Izvestia Akademii nauk*, St. Petersburg, 1913, p. 327; P.I. Ingorokva, *Georgi Merchule—Georgian Writer of the 10th Century*, Tbilisi, 1954, p. 135 (in Georgian); G.A. Melikishvili, op. cit., pp. 63-68; idem, “K voprosu ob etnicheskoy prinadlezhnosti naselenia drevney Gruzii. Osnovnye etapy etno-sotsial’nogo razvitiia gruzinskogo naroda,” in: *Ocherki istorii Gruzii*, Vol. I, Tbilisi, 1989, p. 183; B. Gigineishvili, “On the Origins of the Geniokh Ethnonym,” *Matsne*, History Series, No. 1, 1975, pp. 115-124 (in Georgian); M.P. Inadze, op. cit., pp. 67-69; D.L. Muskhelishvili, op. cit., p. 117, and others.

³⁴ M.P. Inadze, op. cit., p. 68.

³⁵ See: Z.V. Anchabadze, *Istoria i kul’tura drevney Abkhazii*, pp. 136-137, 173-176; Sh.D. Inal-IPA, op. cit., p. 188.

³⁶ See: N.Yu. Lomouri, op. cit., p. 31.

³⁷ See: I.A. Orbeli, op. cit., pp. 200-208; N.Ia. Marr, op. cit., p. 327; S.N. Janashia, “Tabal-tubal...,” pp. 11-15; P.I. Ingorokva, op. cit., p. 135; G.A. Melikishvili, op. cit., p. 67; M.P. Inadze, op. cit., pp. 69-70; N.Yu. Lomouri, op. cit., pp. 30-34.

³⁸ See: Z.V. Anchabadze, *Istoria i kul’tura drevney Abkhazii*, p. 132; Z.V. Anchabadze, *Iz istorii srednevekovoy Abkhazii (VI-XVII vv.)*, Sukhumi, 1959, pp. 15-16; Sh.D. Inal-IPA, op. cit., p. 35; Yu. Voronov, “Drevneabkhazskie plemena v rimsko-vizantiyskuiu epokhu,” in: *Istoria Abkhazii*, pp. 52-53.

³⁹ See: N.Yu. Lomouri, op. cit., p. 33.

⁴⁰ One cannot exclude another interpretation of the Tskhumi toponym through the Megrelo-Zan language (“tskhimuri” and “tkhumu” in Megrelian also mean tree species).

⁴¹ See: T.S. Kauhchishvili, *Strabo’s “Geography” about Georgia*, Tbilisi, 1957, p. 126 (in Georgian).

lands of the Svans (that is, the Sanigs).⁴² Well-known information supplied by Claudius Ptolemy (2nd century A.D.) can serve as almost documentary confirmation that “Svano-Colchians,”⁴³ a mixed Svano-Megrelian tribe of sorts,⁴⁴ lived on the northern border of Colchis, to the northwest of Dioscuria, along the Korax River (the Bzyb in contemporary academic writings).

Information about the Apsils⁴⁵ and Abazgas,⁴⁶ who probably lived on the territory between the rivers Galidzga and Kelasuri, first appeared in the written sources of the 1st-2nd centuries A.D.⁴⁷ Later they moved to the northwest and in the 5th-6th centuries A.D. were living somewhere in the Kodori (or the Kelasuri) and Bzyb interfluvium.⁴⁸ In the 8th century, the city of Tskhumi acquired the new name of Apshileti (Apsilia). Historians ascribe the northward shift of the Abazgas and Apsils by the pressure of the Lazian tribes.⁴⁹

It was long believed that the Apsils and Abazgas were ancestors of the contemporary Abkhazians until a prominent Georgian philologist Pavel Ingorokva revised the earlier ideas in the 1950s and argued that the Abazg-Abkhazes and Apsils of the Early Middle Ages were Kartvelian tribes.⁵⁰ Official Georgian historiography, however, and particularly its leader of that time, Academician N. Berdzenishvili, treated Pavel Ingorokva's hypothesis with a lot of caution and preferred the old interpretation.⁵¹ This is amply confirmed by all the definitive works on the history of Georgia-Abkhazia published in the 1950s-1980s starting with *Ocherki istorii Abkhazskoy ASSR* and ending with textbooks and other teaching aids on the history of Georgia (including *History of Georgia*, a textbook for students, ed. by Academician N. Berdzenishvili, Vol. I, Tbilisi, 1958, in Georgian) and the main work: eight volumes of a fundamental publication called *Essays on the History of Georgia* (ed. Academician G. Melikishvili) which never contested the idea that the Abazg-Apsils belonged to the Abkhazian-Adighe ethnic world. Pavel Ingorokva was severely criticized by Abkhazian academics.⁵² Recently some Georgian historians have been carried away by the idea of reviving Pavel Ingorokva's hypothesis at all costs; so far they have not succeeded.

The problem of the ethnic identity of the Abazg-Apsils requires clarification of the terms “Abazg,” “Abkhaz,” “Abaza,” and “Apsil,” on the one hand, and “Apsar” and “Apsua,” on the other.

⁴² See: Flavius Arrianus, *Travels around the Black Sea*. Georgian translation, studies, commentaries and maps by N. Kechakmadze, Tbilisi, 1961, p. 43.

⁴³ N.Yu. Lomouri, “Claudius Ptolemy's ‘Geography.’ Information about Georgia,” in: *Materials on the History of Georgia and the Caucasus*, Issue 32, Tbilisi, 1955, pp. 43-44 (in Georgian).

⁴⁴ See: N.Yu. Lomouri, “Claudius Ptolemy's ‘Geography,’” pp. 43-44; idem, *From Ethno-Cultural History...*, p. 33.

⁴⁵ See: Gaius Plinius Secundus, *Estestvennaia istoria* (Naturalis Historia), VI, p. 12; V.V. Latyshev, “Izvestia drevnikh pisateley o Skifii i Kavkaze,” *Vestnik drevney istorii*, No. 2, 1949, pp. 290-291; Flavius Arrianus, op. cit., pp. 42-45.

⁴⁶ See: Flavius Arrianus, op. cit., pp. 42-45.

⁴⁷ See: N.Yu. Lomouri, *From the Ethno-Cultural History...*, p. 33. Recently Academician D.L. Muskhelishvili offered a different localization (see: D.L. Muskhelishvili, op. cit., p. 118).

⁴⁸ See: G.A. Melikishvili, “Georgia in the 1st-3rd Centuries A.D.,” in: *Essays on the History of Georgia*, Vol. I, Tbilisi, 1970, pp. 545-546 (in Georgian); N.Yu. Lomouri, *From the Ethno-Cultural History...*, p. 33. N. Lomouri believes that some of the Apsils could also have “stayed behind” on the territory to the east of the Kodori (see: N.Yu. Lomouri, “Abkhazia in the Late Antique and Early Medieval Epochs,” in: *Studies of the History of Abkhazia/Georgia*, p. 95.)

⁴⁹ See: G.A. Melikishvili, “Georgia in the 1st-3rd Centuries A.D.,” pp. 545-546; N.Yu. Lomouri, *From the Ethno-Cultural History...*, p. 33.

⁵⁰ See: P.I. Ingorokva, op. cit., pp. 118-189.

⁵¹ See: N.A. Berdzenishvili, “About the Book by Pavel Ingorokva ‘Georgi Merchule,’” *Mnatobi*, No. 12, 1956, pp. 125-131 (in Georgian).

⁵² See: Z.V. Anchabadze, “Voprosy istorii Abkhazii,” in: P. Ingorokva, “Georgi Merchule—gruzinskiy pisatel' X veka,” in: *Trudy Abkhazskogo instituta iazyka, literatury i istorii* (*Proceedings of the Abkhazian Institute of Language, Literature and History*), Vol. XXVII, 1956, pp. 261-278; Kh.S. Bgazhba, “Nekotorye voprosy etnonimiki i toponimiki Abkhazii (V svyazi s rabotoi P. Ingorokva ‘Georgi Merchule’),” pp. 279-303; Sh.D. Inal-IPA, op. cit., pp. 50-51, 406.

It was believed for a long time that the ethnonyms “Abazg,” “Abkhaz,” and “Abaza” were identical.⁵³ The latter was associated with the “Apsua” ethnonym, which is believed to be derived from the phonetically kindred “Abaza.”⁵⁴ Recently Academician T. Gamkrelidze voiced his serious doubts about the identity of the terms “Abazg” and “Abaza,” which he believes to be two independent terms. The Greek form “Abazg” is derived from the Georgian “Abkhaz,” by which he means not the ancestors of “Abaza”-“Apsua,” but a Western Kartvelian tribe.⁵⁵ Today, the identical nature of the ethnonyms “Apsil,” “Apsar,” and “Apsua” is doubted. According to Academician D. Muskhelishvili, “Apsil” cannot be regarded as an equivalent of “Apsua;” he applies the term “Apsils” to a West Georgian tribe.⁵⁶

The early medieval written sources mention the Misimian tribes living on the territory of contemporary Abkhazia (in the Kodori Gorge, beyond the Tsebelda). They obviously belonged to the Kartvelian (Svan) ethnic world since the Misimian ethnonym goes back to “Mushvan,” the Svans’ self-name. The efforts of certain Abkhazian historians to detach the Misimians, together with the Sanig-Geniokhs, from the Kartvelian ethnic world have nothing to do with strict academic logic. In the early Middle Ages, the Lazians also inhabited the territory of Abkhazia. They probably lived mainly in its southern areas, but we cannot exclude that some of them lived in the north (this is confirmed by the Staraia Lazika toponym that specialists localize at the mouth of the Negopsukho River, to the northwest of Tuapse).⁵⁷

This means that starting around mid-first millennium B.C. (we have specific written Ancient Greek information about the ethnic situation in northwestern Colchis of those times), the territory of contemporary Abkhazia was inhabited only by Kartvelian (Colchian) tribes (Kols, Korakses, Colchians proper, Geniokhs, and probably Moskhis-Meskhis. At the same time, the ethnonym “Colchians” could have been a blanket term extended to other Kartvelian and non-Kartvelian (the Abkhazo-Adighe tribes included) tribes. Starting in the 1st-2nd centuries, the Apsils and Abazgas (most believe that they were the ancestors of the contemporary Abkhazians) were registered on the territory of contemporary Abkhazia. It should be said that both occupied a limited area (at the first stage—in the 1st-2nd A.D.—somewhere between the rivers of Galidzga and Kelasuri). Later, by the 5th-6th centuries, they moved up north and settled between the rivers of Kodori (or Kelasuri) and Bzyb in the territory of contemporary Abkhazia. The Georgian tribes of Sanigs, Misimians, and Lazians comprised the bulk of the population living both in the south and in the north. It should be pointed out that it is unimportant whether or not the Apsils and Abazgas were ancestors of the contemporary Abkhazians, or whether contemporary Abkhazia was their original homeland. What is important is the fact that the Abkhaz-Adighe and Kartvelian (mainly Megrelo-Chan) tribes contributed to the emergence of the Abkhazian ethnos formed in the territory of contemporary Abkhazia.

It is equally obvious that from early antiquity to the 8th century (with short intervals) northwestern Colchis, or the territory of contemporary Abkhazian, remained part of the West Georgian (first the Colchian and then Lazian-Egrisi) political and state structures and that Abkhazians’ political and state activities proceeded within this expanse.

It is thought that the earliest states appeared on Georgian territory in at least the late second millennium B.C. It was at that time that Assyrian cuneiform texts first mentioned the “countries” of

⁵³ See: K.S. Lomtadze, “On the Origin of the Ethnonym ‘Abazg,’” in: *Theses of the XLIX Scientific Conference of the Institute of Linguistics*, Tbilisi, 1990, pp. 19-20 (in Georgian); O. Kakhadze, “Po povodu kornia Apkhaz/Apkhaza,” in: *Inostrannaia i gruzinskaia terminologia, oboznachaiushchaia poniatia “Gruzia” i “gruziny,”* Tbilisi, 1993, pp. 551-564; E. Osidze, “K proiskhozhdeniiu etnonima Abask/abas,” in: *Inostrannaia i gruzinskaia terminologia*, pp. 565-570; T. Gvantseladze, “Eshche raz ob etnonime Abkhaz i sviazannykh s nim korniakh,” in: *Inostrannaia i gruzinskaia terminologia*, pp. 571-580.

⁵⁴ See: T.V. Gamkrelidze, “Iz istorii plemennykh nazvanii drevnei Kolkhidy,” *Matsne*, History Series, No. 2, 1992, pp. 7-16.

⁵⁵ See: *Ibidem*.

⁵⁶ See: D.L. Muskhelishvili, *op. cit.*, pp. 122-123.

⁵⁷ See: *Ibid.*, p. 118.

Daiaeni (later Diaukhi in the Urartu sources) and Kilkhi identified as Kolkha (Colchis) of the Argonauts period. About the 7th-6th centuries B.C. another state appeared in Western Georgia on the ruins of the Colchian alliance headed, according to Ancient Greek authors, by descendants of the legendary king Ayeta; it is surmised that its northwestern border should be sought in the vicinity of contemporary Tuapse, where Staraiia Lazika was situated in the past. This clearly suggests that the territory of contemporary Abkhazia was part of the Colchian kingdom as an “organic ethnical and territorial sector” of the Colchian state.⁵⁸ It seems that the opposite opinion (about an independent Abkhazian national state unit)⁵⁹ is unfounded.

By the early 1st century B.C. there was no longer a united state in Colchis; it is commonly believed that the tribes united under the Colchian king had regained their independence by that time.⁶⁰ It was at that time that Mithridates VI of Pontus had gained control over the territory of historical Colchis; in 65 B.C. Rome arrived in these places to establish its hegemony. In the 1st-2nd centuries A.D. new ethnopolitical units appeared in the territory of historical Colchis—the so-called kingdoms of Makrons and Geniokhs, Lazians, Apsils, Abazgas, and Sanigs. The territory of contemporary Abkhazia was divided among Lazika (approximately up to the River Galidzga), Apsilia and Abazgia (approximately between the rivers of Galidzga and Kelasuri), and Sanigia with the city of Sebastopolis (contemporary Sukhumi), which stretched to Sochi or even to Tuapse.⁶¹ This means that the larger part of contemporary Abkhazia was occupied by the states of the Sanigs and Lazians (the tribes the Kartvelian origin of which is no longer contested). The kingdoms of the Apsils and Abazgas alone can be described as Abkhazian ethno-political units.

These were early class state units headed by dynasts appointed or endorsed by Rome. Around the 3rd century, the Kingdom of Lazika supported by the Roman authorities started its headlong movement into Western Georgia; by the late 4th century it had already spread throughout the entire territory (including contemporary Abkhazia) and become a fairly strong Lazian (Egrisi) Kingdom described by contemporary Byzantine authors as a legal heir to the ancient Colchian Kingdom. At that time (6th century A.D.) the territory of what is now Abkhazia remained an organic part of the Lazika-Egrisi state even though the rulers of Abazgia (found at that time within new borders—probably between the Gumista and Bzyb rivers) enjoyed a great share of sovereignty and merely formally accepted the Lazian kings as their sovereigns. Apsilia, in turn, remained an administrative part of Lazika and was ruled by officials appointed from the center.

In the 5th-6th centuries, the Byzantine Empire, which was seeking greater loyalty from the Las kings, encouraged the Abazgian rulers' desire to shift their subordination from Lazika to the empire. It was probably at that time (first half of the 6th century) that the Byzantine authorities separated Abazgia and Egrisi religiously by setting up a diocese in Abazgia independent of the Las metropolitan. This and the political tension in Western Georgia caused by the Iranian-Byzantine war that had been going on for twenty years interfered with the political consolidation of the Egrisi state. A period of gradual decline set in. Throughout the second half of the 6th and first half of the 7th centuries, the Byzantine Empire was increasing its pressure on the central power of Lasika-Egrisi in an attempt to cut down its influence in the provinces. In the mid-7th century, however, Apsilia and Misiminia still remained under the direct control of the Lazika rulers; one of their residences was found at Mokva (now the Ochamchiri area).⁶²

⁵⁸ See: D.L. Muskhelishvili, op. cit., p. 119.

⁵⁹ See: Yu.N. Voronov, *Abkhazy—kto oni?*, p. 21.

⁶⁰ See: D.L. Muskhelishvili, op. cit.

⁶¹ See: G.A. Melikishvili, “Georgia in the 1st-3rd Centuries A.D...,” p. 545; M.P. Inadze, op. cit., p. 61; N.Yu. Lomouri, *From the Ethno-Cultural History...*, p. 33.

⁶² From the memoirs of Theodosius of Gangr in: *Georgika. Information Supplied by Byzantine Authors about Georgia*. The Georgian text was published and commented on by S. Kaukhchishvili, Vol. IV, Part 1, Tbilisi, 1941, p. 50; T.G. Papuashvili, “Vzaimootnoshenia gruzin i abkhazov na fone politicheskoi obstanovki v Egrisi i Abkhazii v VII-VIII vv.,” in: G.A. Amichba, T.G. Papuashvili, *Iz istorii sovmeistnoi borby gruzin i abkhazov protiv inozemnykh zavoevatelei (VI-VIII vv.)*, Tbilisi, 1985, p. 58.

Such was the political and state makeup of Western Georgia-Abkhazia between the first millennium B.C. and about the early 8th century A.D. The quoted data testify beyond doubt that throughout this long period the territory of contemporary Abkhazia (politically and administratively) was part of the Georgian political and state entity. In the 6th-1st centuries B.C. it was part of the Colchian Kingdom. In the 4th century A.D., after a short interval of independence, small ethnopolitical units of Sanigs, Abazgas, and Apsils and later of Misimians that had sprung into existence at the turn of the 2nd century A.D. found themselves once more within a united Western Georgian state, the Lazian (Egrisi) Kingdom, where they remained almost until the early 8th century. Abazgia, which the Byzantine Empire had earlier (in the 6th century) removed from Lazika jurisdiction, was the only exception.

The Abkhazian Kingdom was a Georgian State

While the Lazian-Egrisi Kingdom was gradually losing its former influence after the twenty-year long (542-562) Iranian-Byzantine confrontation, Abazgia-Abkhazia was gaining strength in Western Georgia with the help of the Byzantine Empire. By the mid-730s, when famous Arabian warlord Mervan ibn-Muhammad burst into Western Georgia with a punitive expedition, there was no local dynast there. Lazika-Egrisi was considered part of the Kartli erismtav. The borders of the state (which the sources for the first time called saqarTvelo (Georgia)⁶³ ran along the Kelasuri River, beyond which lay Abkhazia, a Byzantine possession ruled by the emperor-appointed eristav.

The old Georgian historical tradition associates the Murvan Kru expedition to Western Georgia and its results with the changes in the country's political and state structures. The Byzantine Empire, in particular, officially recognized Mihr and Archil, members of the ruling House of Kartli, as leaders of Georgia and kings of Kartli-Egrisi and made Leon, eristav of Abkhazia, a hereditary ruler of Abkhazia.⁶⁴ It was at the same time that Caesar's Eristav Leon married one of Mihr's daughters, thus bringing the two ruling houses closer⁶⁵; he also became an equal member of the ruling House of Kartli-Egrisi. The Abkhazian ruler went even further: he declined Archil's offer of territorial possessions, who became the only official ruler of Kartli-Egrisi upon the death of Mihr, the elder of the two brothers, and announced himself a vassal of the Kartli erismtav and his possessions, part of the state of King Archil. He was lavishly recompensed in the political respect with a royal crown the Byzantine emperor sent to his father-in-law Mihr.⁶⁶ This pushed the Abkhazian ruler to the forefront of Georgian politics and made him de facto the second important person in the state after King Archil. His political career received a fresh impetus.

In this way, in the 730s Georgia received a new political and state context. Eastern and Western Georgia, including the territory to the north of the Kelasuri (that is, Abkhazia of that time), was legally united into one state headed by erismtav Archil of the House of Kartli.⁶⁷

⁶³ See: Juansher Juansheriani, "Life of Vakhtang Gorgasal," in: *Kartlis Tskhovreba*. Georgian text based on the main manuscripts prepared by Prof. S.G. Kaukhchishvili, Vol. I, Tbilisi, 1955, p. 235; idem, *Life of Vakhtang Gorgasal*, Translation, introduction, and comments by G.V. Tsulaia, Tbilisi, 1986, pp. 102-103.

⁶⁴ See: *Kartlis Tskhovreba*, Vol. I, pp. 239-240; Juansher Juansheriani, *Life of Vakhtang Gorgasal*, pp. 104-105.

⁶⁵ See: *Kartlis Tskhovreba*, Vol. I, pp. 242-243; Juansher Juansheriani, *Life of Vakhtang Gorgasal*, p. 106.

⁶⁶ See: *Kartlis Tskhovreba*, Vol. I, p. 243; Juansher Juansheriani, *Life of Vakhtang Gorgasal*, p. 106.

⁶⁷ For more detail, see: Z. Papaskiri, "Byzantine Diplomacy and Political Changes in Western Georgia in the First Half of the 8th Century," in: *Georgian Diplomacy. An Annual*, Vol. IV. Tbilisi, 1997, pp. 300-308 (in Georgian); idem, "From Political History of Western Georgia-Abkhazia," in: Z.V. Papaskiri, *Abkhazia is Georgia*, Tbilisi, 1998, pp. 114-120 (in Georgian).

By the late 8th century, another member of the House of Leon, Leon II, nephew of Leon, skillfully used the growing weakness of the Byzantine Empire to detach his state from it with the help of the Khazars; he usurped power in the Egrisi-Abkhazeti state unified by his predecessor and announced himself the king of the Abkhazes.⁶⁸ This was how the so-called Abkhazian kingdom came into being. It should be said that the early Georgian historical tradition unequivocally associated this act with a dynastic crisis in the royal House of Archil. According to the anonymous author of *Matiane Kartlisa* (an 11th-century chronicle), Leon II succeeded merely because "Iovan was dead, and Juansher had grown old. (Soon) after that he also died."⁶⁹ Since Leon II, the eristav of Abkhazia, called himself king of the Abkhazes (*mepe apkhazta*) both inside and outside Georgia, the new state became known as the country of the king of the "Abkhazes," that is, the Kingdom of the "Abkhazes," or simply Abkhazia. The changed name did not mean that the country also changed its national-political makeup or that an absolutely new Abkhazian national state proper appeared within the limits of Western Georgia, claimed by the unrecognized Republic of Abkhazia of our days as its legal predecessor. In fact it is the contemporary Georgian state that is the legal heir to it.

There are any number of countries whose names do not correspond to their content: Bulgaria, for example, got its name from its founder Bulgarian Khan Asparukh who moved from Volga Bulgaria to the Balkans.⁷⁰ Kievan Rus is another example: it has been recognized that the country's name is of Scandinavian origin, which it acquired from founders Oleg, Riurik, and others, who were Normans.⁷¹ Even the most zealous supporters of the so-called Norman theory would agree that from the very beginning Kievan Rus was a purely Slavic not a Norman-Scandinavian state. The same can be said about the Spanish precedent: when in 1700 Duke of Anjou, grandson of King of the French Louis XIV, was put on the Spanish throne as Philip V,⁷² the Spanish state did not become France.⁷³

For the same reason separatist historiography is wrong when it insists that the Kingdom of Abkhazes, the national state of the Apsua-Abkhazians, appeared as a result of the military victories of the ruler of Abkhazia in Western Georgia.⁷⁴ If the "Abkhazian" dynasty came to power in the former Lazian-Egrisi Kingdom as a foreign force that occupied the neighboring territory and imposed an alien Abkhazian statehood on the local Georgian population, one would be left wondering why the medieval Georgian public and political mentality accepted the act of aggression peacefully and painlessly. Even a superficial reader of the monuments of Old Georgian historical literature cannot fail to note that all medieval Georgian authors and chroniclers described the kings of the "Abkhazes" and their activities in the most favorable terms. Indeed, could the patriotically minded author of the

⁶⁸ See: "Matiane Kartlisa," in: *Kartlis Tskhovreba*, Vol. I, p. 251; *Chronicle of Kartli*. Translation, introduction, and comments by G.V. Tsulaia, Tbilisi, 1982, p. 48 (in Georgian).

⁶⁹ "Matiane Kartlisa," p. 251; *Chronicle of Kartli*, p. 48; Z.V. Anchabadze, *Iz istorii srednevekovoy Abkhazii...*, p. 98.

⁷⁰ See: S. Nikitin, "Asparukh. Obrazovanie bolgarskogo naroda i vozniknovenie bolgarskogo gosudarstva," *Vestnik MGU*, No. 1, 1952.

⁷¹ Recently, the idea that the tribe of Rus was of Slavic origin was called, quite rightly, a "historiographic myth" that "is no longer a 'historical fact'" (V.A. Petrukhin, "Slaviane, variagi i khazary na yuge Rusi. K probleme formirovaniya territorii drevnerusskogo gosudarstva," in: *Drevneyshie gosudarstva Vostochnoy Evropy. 1992-1993*, Moscow, 1995, available at [<http://norse.ulver.com/articles/petruhin/slavs.html>]).

⁷² See: *Ispanskie koroli*, ed. by V.L. Berneker, Rostov-on-Don, 1998, available at [http://www.world—history.ru/persons_about/46.html].

⁷³ The fact that the origins of the ruling dynasty are unimportant for the country's national and state image is confirmed by Georgia's political practice. For example, in about 1039, Ereti Kvirike III, the first king of Kakheti, was replaced on the throne after his death by his nephew (son of his sister) Gagik, member of the Tashir-Dzoraket Armenian dynasty (see: "Matiane Kartlisa," p. 297; *Chronicle of Kartli*, p. 67; Vakhushhti, "History of Georgia," in: *Kartlis Tskhovreba*, Vol. IV, Tbilisi, 1973, p. 562), but this did not make the Kakheti kingdom an Armenian state.

⁷⁴ See: M.M. Gunba, "Abkhazia v pervom tysyacheletii n.e.," in: *Sotsial'no-ekonomicheskie i politicheskie otmoshenia*, Sukhumi, 1989, pp. 234-244.

Chronicle of Kartli, the only more or less exhaustive source on the history of the Kingdom of the “Abkhazes” that fully reflects the Georgian (let me repeat—*Georgian*) rather than the imaginary Abkhazo-Apsu national-state reality, flatter and praise the frightening “Abkhazian” kings who had allegedly conquered Georgia?

An explanation suggests itself: *the Georgian public looked at the king of the “Abkhazes” not as aliens or conquerors, but as their own leaders like, for example, members of the Bagration dynasty. This was one common Georgian cultural, political, and state expanse ruled for a while by a new “Abkhazian” dynasty.* No matter who Leon II and his descendants were in the ethnic and tribal respect (they might even have been ethnic Abkhazians), this means nothing since in the political and state respect the dynasty of the Leonids represented a common Georgian state, cultural, and political world.

Leon II and his descendants were building up a Georgian not an Abkhazian-Apsu state; this is confirmed by their policy in the religious sphere. After gaining state independence, the Leonids spared no effort to leave the ideological and confessional sphere of Byzantium and set up a national state ideology, a task that could not be accomplished without severing church ties with the empire. They finally gained independence from Byzantium in the religious sphere and set up a so-called Abkhazian Catholicosate.⁷⁵ After acquiring Church independence, the kings of the “Abkhazes” plunged into hectic activities: they founded new church centers and encouraged Georgian written culture and Georgian Christian literacy across Western Georgia, and on the territory of contemporary Abkhazia, among other things.⁷⁶ Simultaneously they replaced the old Greek dioceses with newly established Georgian episcopal sees.

It was thanks to this obviously Georgian national policy of the kings of the “Abkhazes” in the religious sphere that by the 10th century (not the 11th or 12th centuries) Western Georgia as a whole (complete with the territory of contemporary Abkhazia) became a country of Georgian written culture and literacy. If the “Abkhazian” kings intended to build an Abkhazian-Apsu national state they would have looked after the Abkhazian-Apsu national ideology, which would have required Abkhazian written tradition and literature. They never posed themselves this task; for some reason, they opposed the Greco-Byzantine ideology to the Georgian national ideology represented by the Georgian Church.

This suggests the only explanation: Leon II and his ancestors, to say nothing of his descendants (despite their possible Abkhazian-Apsu ethnic origins), considered themselves to be part of the common Georgian state, cultural, and political world even before Leon II came to power.⁷⁷ They treated the Georgian language used by the Eastern Kart-Georgians that formed the foundation of the Georgian literary tongue as well as Georgian Christian culture as their own in the same way as they were treated by the rest of the Kartvelian population of Western Georgia, including the Megrelo-Chans and Svans who spoke (and are still using now) their own dialects.

⁷⁵ For more detail, see: Z.V. Papaskiri, “About the Chronology of Setting up the ‘Abkhazian’ Catholicosate,” in: *Shota Meskhia—90. Jubilee Collection Dedicated to Shota Meskhia’s 90th Birth Anniversary*, Tbilisi, 2006, pp. 201-213 (in Georgian).

⁷⁶ It should be pointed out that the earliest Georgian inscription was found not in the eastern areas of Western Georgia (somewhere in Imeretia), but on the territory of what is now Abkhazia. I have in mind the inscription in Asomtavruli in a church in Msigkhua (the Gudauta District) found by Abkhazian academic A. Katsia (see: A.K. Katsia, “Pamiatniki arkhitektury v doline Tskuara,” in: *Materaili po arkheologii Abkhazii*, Sukhumi, 1967), dated to the 9th-10th centuries (*Corpus of Georgian Inscriptions*, Vol. II, compiled by V. Silogava, Tbilisi, 1980, pp. 31-32; V. Silogava, *Georgian Epigraphy of Megrelia-Abkhazia*, Tbilisi, 2004, pp. 258-259; L.V. Akhaladze, “Epigraphic Monuments of Abkhazia,” in: *Studies of the History of Abkhazia/Georgia*, p. 364; idem, *Epigraphy of Abkhazia as a Historical Source. I. Carved in Stone and Fresco Inscriptions*, Tbilisi, 2005, pp. 140-146 (in Georgian).

⁷⁷ The fact that the territory of contemporary Abkhazia and its population lived together, in one state, with the rest of Western Georgia for at least one and a half millennium was probably also important. At first this was the Colchian kingdom (the 6th-2nd centuries B.C.), followed in the 1st-2nd centuries A.D. by new ethnic units in the territory of contemporary Abkhazia—the kingdoms of Apsils, Abazgs and Sanigs. Around the 4th century they were reunited into the Lazian kingdom, where they remained until the 730s.

Even if we admit, for the sake of argument, that the kings of the “Abkhazes” did have a narrow Abkhazian national and state mentality, at least at the early stages of the history of their state, their obvious political ambitions would have forced them to take into account the national and state interests of the population’s absolute majority and to steer toward a Georgian (not an Abkhazian-Apsu) state. No reasonable-minded person would contest the fact that the Kartvelian tribes were in the majority in the “Abkhazian” state. Indeed, of the eight eristavs of the “Abkhazian” kingdom set up (according to the old historical tradition created by Prince Vakhushti)⁷⁸ by Leon II, only the lands to the north of the Gumista were populated by ethnic Abkhazians. Their area stretched to Nikopsia (to the north of the city of Tuapse of our times); small numbers of them might have lived in the Tskhumi eristav. All the other eristavs, the Tskhumi eristav included, were the home of the Kartvelian tribes (the Meglero-Chans, Svans, and Karts).

According to Z. Anchabadze, one of the best specialists on Abkhazian history,⁷⁹ the Kartvelian ethnic element, especially the Karts (the numerical strength of whom had considerably increased in Western Georgia by the 8th century), turned out to be more advanced in the socio-economic and especially cultural respect. This made the language of the Karts (that is, the Georgian literary language) with a writing tradition of its own used for a long time as the state tongue and the language of church services in Eastern and Southern Georgia the state language of the Kingdom of the “Abkhazes.”

More than that, the kings of the “Abkhazes” made Kutaisi, not Tsikhe-Goji, the residence of the Lazian-Egrisi kings, the capital of their state. This testifies to the outstanding role of the Kart (East Georgian) element in Western Georgia. In the general Georgian context this fact was associated by the Old Georgian tradition with the emergence of the Kartli erismtavars in the 730s. The Leonids obviously regarded themselves as the legal heirs to the royal House of Stepanos-Archil; by moving the capital from Anakopia (the residence of the eristavs of Abkhazia) to Kutaisi, Leon II obviously intended to confirm his legal position as a member of the House of Archil.

This means that *the Kingdom of the “Abkhazes” was a new West Georgian state*⁸⁰ that appeared on the ruins of the Lasika-Egrisi state. Moreover, the appearance of the “Abkhazian” kingdom opened a qualitatively new stage in the history of Georgian statehood. As distinct from its immediate predecessor (to say nothing of ancient Colchis), the national-state development of which stopped halfway (the Greek language was used for official papers and church services), *the “Abkhazian” Kingdom can be described as the first genuinely Georgian national state in Western Georgia complete with a Georgian Christian ideology and Georgian state language.* Its political course was likewise Georgian: the state was firm when it came to common Georgian political and state interests. The consistent efforts of the Kutaisi rulers who painstakingly extended and strengthened their kingdom finally led, in the early 11th century, to a united Georgian state under the aegis of the kings of the “Abkhazians.”

The Territory of Contemporary Abkhazia as Part of the United Georgian Monarchy in the 11th-15th Centuries

The long process of unification of the Georgian lands was finally completed at the turn of the 11th century when a single state headed by King of the “Abkhazes” and “Kartvelians” Bagrat III

⁷⁸ See: Vakhushti, “History of Georgia,” p. 796.

⁷⁹ See: Z.V. Anchabadze, *Iz istorii...*, pp. 106-108.

⁸⁰ See: Z.V. Anchabadze, “Abkhazskaia Avtonomnaia Sotsialisticheskaia Sovetskaia Respublika. Istoricheskie ocherk,” in: *Gruzinskaia sovskaia entsiklopedia*, Special Volume: *Gruzinskaia SSR*, Tbilisi, 1981, p. 324.

Bagrationi was formed. This means that the two states—the “Abkhazian” (Western Georgian) and Kartvelian (Tao-Klarjeti, a South Georgian state going back to the early 9th century)—were united. The title of the king of the unified Georgian state started with “King of the Abkhazes” to emphasize the leading role of the West Georgian state—the Kingdom of the “Abkhazes”—in the unification process. It was the Kutaisi throne that gathered all the Georgian lands and created a common Georgian statehood; this had nothing to do with the change of dynasties, since Prince Bagrat ascended the West Georgian throne not as a Bagrationi, but as a legitimate member (on his mother’s side) of the Leonid dynasty. He was grandson (son of a daughter) of Giorgi II (922-957), the most outstanding among the kings of the “Abkhazes.”

Under Bagrat III the Kingdom of the “Abkhazes” remained practically the same in the ethnopolitical and state-legal respect; it merely expanded to the rest of the Georgian territory (with the exception of the Tbilisi Emirate and the southern part of Tao that belonged to David Curoplate) and became a Georgian state. In the 11th and 12th centuries, all the Georgian chroniclers called their country (Georgia) Abkhazia, mostly without offering comments. The same can be said of foreign sources, which when dealing with the events of the 11th-12th centuries used the term “Abkhazia” (Abazgia, Obezi, etc.) to describe Georgia and the united Georgian state.⁸¹

No matter how hard certain researchers are looking for elements of national Abkhazian statehood and a sort of autonomy inside the common Georgian state of the 11th-12th century,⁸² the territory of contemporary Abkhazia was not a single national unit. Since the time of Leon II, founder of the “Abkhazian” kingdom, it was divided into eristavs: Abkhazian (the northern part approximately from the River Gumista or Anakopia (Novy Afon) to Nikopsia (to the north of Tuapse), Tskhumi (part of what is now the Gudauta District up to Anakopia (the Sukhumi and Gulripsh districts and part of the Ochamchiri District), and Bedia (part of the Ochamchiri and Gali districts).⁸³ Throughout the 11th-12th centuries, the Abkhazians proper were involved in the military-political acts of the Georgian state; they fought all the battles and were not different from the rest of the population of the single Georgian state.

According to prominent Abkhazian historian and ethnographer Sh. Inal-ipa, the territory of contemporary Abkhazia within the single Georgian state “was anything but a forgotten province.”⁸⁴ In the 11th-12th centuries, the Georgian kings could always rely on the eristavs on the territory of what is now Abkhazia in their struggle against the feudal opposition. It stands to reason that the first king of united Georgia Bagrat III selected Bedia (in the Ochamchiri District) as one (or even the main) of his residences where he built a sumptuous temple to serve as his tomb. There are no facts to support the allegations of certain historians⁸⁵ about the anti-governmental or even separatist-minded Abkhazian feudal lords who resented the liquidation of the “Abkhazian” kingdom. The opposite looks more plausible: they were the most loyal subjects of the kings of united Georgia, who called themselves kings of the “Abkhazes.” At all times the Abkhazian nobility played an important role at the royal court in Kutaisi and Tbilisi (where David IV the Builder moved his capital). The eristavs in the Abkhazian territory (the Tskhumi Eristav in particular) became even more important. The city of Tskhumi-Sukhumi became the summer residence of the Georgian kings. According to well-known Russian academic V. Sizov, it became an important “cultural and administrative center of the Georgian state.”⁸⁶

⁸¹ For more detail, see: Z.V. Papaskiri, “Territory of Abkhazia in the 11th-15th Centuries,” in: *Studies of the History of Abkhazia/Georgia*, pp. 182-184.

⁸² See: Yu.N. Voronov, *Abkhazy—kto oni?*, p. 8.

⁸³ See: Z.V. Anchabadze, *Iz istorii...*, pp. 106-108.

⁸⁴ Sh.D. Inal-ipa, op. cit., p. 411.

⁸⁵ See: Z.V. Anchabadze, *Iz istorii...*, p. 178; Sh.D. Inal-ipa, *Voprosy...*, p. 412; G.V. Tsulaia, *Abkhazia i abkhazy v kontekste istorii Gruzii. Domongol'skiy period*, Moscow, 1995, p. 122.

⁸⁶ V. Sizov, “Vostochnoe poberezh'e Chernogo moria,” in: *Materily arkheologii Kavkaza*, Issue II, Moscow, 1889, p. 49.

In the 11th-12th centuries, the territory of contemporary Abkhazia was an area of Georgian Christian culture. By that time numerous Christian churches had been built. The Bedia Cathedral erected by King Bagrat III, who united Georgia, and the temple of Bagrat in Kutaisi were symbols of the united Georgian state.⁸⁷ The Lykhna (built at the turn of the 11th century) and the Pitsunda (12th century) cathedrals are outstanding monuments of Georgian Christian architecture. The Christian churches in the territory of contemporary Abkhazia were centers of Georgian literacy and enlightenment. At that time, the region's written culture was exclusively Georgian; nearly all surviving inscriptions dated to the 11th and 12th centuries carved in stone are in Georgian⁸⁸ which means that in the 11th-12th centuries Abkhazia was still a country of the Georgian medieval Christian culture.

In the 13th century, Georgia's military-political might was undermined first by the devastating inroads of Kwarizmid Shah Jalal ad-Din and then by the Mongolian conquerors who disrupted the unified Georgian state. In the 1240s, Mongols divided Georgia into eight military-administrative sectors (dumans), two of them were found in Western Georgia. The territory of contemporary Abkhazia formed part of the duman administered by Tsotna Dadiani, while the local population (including the ethnic Abkhazes) was still actively involved in the common Georgian processes. It was with their support that "David, son of Rusudan, was proclaimed the king of the Abkhazes up to the Likh Ranges."⁸⁹ From that time on (the latter half of the 13th century), the united Georgian state continued de facto as two kingdoms: Eastern Georgia was ruled by David Ulu, son of Georgi Lasha, while David Narin set up an independent state in Western Georgia (Likht Imeretia) that survived until the late 1320s. The territory of contemporary Abkhazia belonged to the latter.

The death of David Narin in 1293 triggered squabbles in Western Georgia that allowed Eristav of Odishi (Megrelia) Giorgi Dadiani to "gain control over the Tskhomi Eristavstvo and take possession of the entire territory of Odishi up to Anakopia, while Sharvashidze established himself in Abkhazia..."⁹⁰ This is especially interesting because it confirms beyond doubt that the entire territory of the Tskhumi Eristavstvo up to Anakopia (now called Novy Afon) belonged to Odishi-Megrelia.

The West Georgian eristavs obviously wanted to tighten their grip on the eristav possessions,⁹¹ the Likht kings being an obvious obstacle. This explains the relative enthusiasm with which the West Georgian eristavs hailed Giorgi V the Illustrious (1314-1346) in Kutaisi where he removed Bagrat, grandson of David Narin, from power. The enthusiasm of the eristavs of Odishi, Guria, Svanetia, and Abkhazia was probably not quite sincere—they were merely too weak to stand opposed to the Georgian king and had to meet him "with great gifts and welcome his rule in Imeretia and the whole of Georgia."⁹² In this way they probably preserved their status as hereditary rulers.⁹³ This allowed Giorgi V to proceed further without many problems to finally gain control over the whole of Western Georgia. Prince Vakhushti wrote that the king "entered Odishi and moved from it to Abkhazia, where he dealt with the local problems and established his control over the fortresses."⁹⁴ The fact that for

⁸⁷ For more detail, see: Z.V. Papaskiri, "The Bedia Temple as a Symbol of United Georgian Statehood," in: *Historical Studies. An Annual of Scholarly Writings of the Abkhazian Organization of the Ekvtime Takaishvili All-Georgia Historical Society*, Vol. III, Tbilisi, 2000, pp. 3-9 (in Georgian), available at [http://saistoriodziebani.googlepages.com/].

⁸⁸ See: Z.V. Anchabadze, *Iz istorii...*, p. 8.

⁸⁹ "Zhamtaagmtsereli," in: *Kartlis Tskhovreba*, Vol. II, Tbilisi, 1959, p. 22; *Abkhazia i abkhazy srednevekovykh gruzinskikh povestvovatel'nykh istochnikov*, Translated from Georgian into Russian, introduced and commented by G.A. Amichba, Tbilisi, 1988, p. 107.

⁹⁰ Vakhushti, "History of Georgia," p. 801.

⁹¹ See: Z.V. Anchabadze, *Iz istorii...*, p. 295.

⁹² Vakhushti, "History of Georgia," p. 258; *Abkhazia i abkhazy...*, pp. 137-138.

⁹³ See: Z.V. Anchabadze, *Iz istorii...*, p. 236.

⁹⁴ Vakhushti, "History of Georgia," p. 258; *Abkhazia i abkhazy...*, pp. 137-138.

some reason Giorgi V reserved the Abkhazian fortresses for himself deserves mention; he returned the Tskhumi Eristavstvo to the eristav of Odishi (“Bedieli”).⁹⁵

Throughout the 14th century the West Georgian eristavs, including the eristavs of Abkhazia, Sharvashidze, remained loyal to the central authorities, that is, to the Tbilisi throne, thus contributing to the continued unity of the common Georgian state. At the same time, the Dadiani, the rulers of Odishi (Megrelia) supported by the central authorities, were gradually gaining might to spite the Imereti Bagrationis and became the actual leaders of Western Georgia. Throughout the 14th century they owned the Tskhumi Eristavstvo and extended their influence to the eristavs of Abkhazia—Sharvashidze. According to Arabic (al-Muhibbi and al-Kalkashandi)⁹⁶ and West European (Iosaphat Barbaro)⁹⁷ sources, in the 14th-15th centuries Megrelia “stretched to Circassia,” which means that Abkhazia as far as Circassia was within Odishi,⁹⁸ while “Dadimani (Dadiani) ruled Sukhumi and Abkhaz.” Tskhumi-Sukhumi was the capital of the Odishi-Megrelian rulers, it was in this city that Vamek I (1384-1396), the most influential of the Dadianis, minted his coins.⁹⁹

Early in the 15th century, Georgian King Giorgi VII (1393-1407) confirmed the rights of Mamia, who ruled after Vamek I Dadiani, to the Tskhumi possessions. According to foreign authors, in the mid-15th century Dadiani, the rulers of Odishi were recognized as the “kings of Megrelia and Abkhazia.”¹⁰⁰ The fall of Constantinople in 1453 and the much more noticeable presence of the Ottoman Turks in the northern and eastern Black Sea areas largely changed the geopolitical configuration in the region and worsened the situation in contemporary Abkhazian territory. In 1454, the Turks landed the first of their armed groups in Sukhumi and plundered the city and the Abkhazian coast.¹⁰¹ Georgian King Giorgi VIII (1446-1466) immediately entered Abkhazia and “returned the local people to their homes, restored the fortifications and, after coping with the task, went back to Geguti”¹⁰² (one of the royal residences close to contemporary Kutaisi).

In the 1460s, the Abkhazian Eristavstvo remained part of Georgian politics. Prince Sharvashidze supported Bagrat Bagrationi who “proclaimed himself king of Likht-Imeretia” (Western Georgia) and received “power over the Abkhazians and Jiquen”¹⁰³ from the Kutaisi king. In the latter half

⁹⁵ See: Vakhushti, “History of Georgia,” p. 258; *Abkhazia i abkhazy...*, p. 138.

⁹⁶ See: *Arabian Historians of the 14th-15th Century about Georgia*, Translation from the Arabic, foreword, notes and indices by D. Gocholeishvili, Tbilisi, 1988, p. 53; V.G. Tizengauzen, “Zametka El-Kalkashandi o gruzinakh. Perevod na russkiy iazyk i izdanie V.G. Tizengauzena,” in: *Zapiski Vostochnogo Otdelenia Russkogo Arkheologicheskogo Obshchestva*, Vol. 1, Issue 3, St. Petersburg, 1886, p. 214.

⁹⁷ See: *Information about Georgia Supplied by the Italian Travelers of the 15th century*, Translation from the Italian, foreword, notes and indices by E. Mamistvalishvili, Tbilisi, 1981, p. 55.

⁹⁸ See: E. Mamistvalishvili, “Iz istorii Odishi,” in: *Trudy TGU* (Proceedings of Tbilisi State University), Vol. 310, Tbilisi, 1992, p. 50.

⁹⁹ See: D. Kapanadze, *Gruzinskaia numizmatika*, Moscow, 1955, p. 97; Z.V. Anchabadze, *Iz istorii...*, p. 238; On *Distortions of the Georgian-Abkhazian Relationships. An Answer to the Authors of the “Abkhazian Letter,”* Tbilisi, 1991, pp. 12, 76.

¹⁰⁰ M. Tamarashvili, *History of Catholicism among the Georgians*, Tiflis, 1902, p. 596 (in Georgian); Z.V. Anchabadze, *Iz istorii...*, p. 239.

¹⁰¹ See: Z.V. Anchabadze, *Iz istorii...*, p. 252; E. Mamistvalishvili, “Iz istorii Odishi,” p. 54; M.Kh. Svanidze, “Iz khronologii Vakhushti Bagrationi (Pervoe vtorzhenie turok na chernomorskom poberezhie Gruzii),” in: *Istchnikovedcheskie izyskaniia*, Tbilisi, 1985, p. 110.

¹⁰² Vakhushti, “History of Georgia,” p. 284.

¹⁰³ *Ibid.*, p. 806. It is probably not by chance that the quote taken from the work by Prince Vakhushti says that unlike the other West Georgian rulers (Dadiani, Gurieli and Gelovani) who ruled specific regions (Odishi, Guria and Svaneti), the Sharvashidzes received power over the Abkhazes and Jiquen rather than power over Abkhazia as a region. This looks like another confirmation that the territory of contemporary Abkhazia was not united administratively at that time and that the Sharvashidzes were at best the owners of part of the Abkhazian Eristavstvo. In any case one thing is clear: Vakhushti, who lived in the 18th century when the Sharvashidze princes were considered the rulers of Abkhazia (within its contemporary borders), had no reason to apply the realia of his time to the 15th century and call

of the 15th century, the Abkhazian Eristavstvo recognized the ruler of Odishi-Megrelia as its suzerain. “Upper Abkhazia” was part of the Odishi Principality, while “the Sharvashidzes ruled Abkhazia up to Jiqeti” and “did not always obey Dadiani.”¹⁰⁴

(To be concluded in the next issue)

the members of the princely family of Sharvashidze the rulers of Abkhazia (for more detail, see: Z.V. Papaskiri, “Vakhushti Bagrationi, the Giant of Medieval Georgian Historiography,” in: *Historical Studies. An Annual of Scholarly Writings of the Abkhazian Organization of the Ekvtime Takaishvili All-Georgia Historical Society*, Vol. I, Tbilisi, 1998, pp. 249-250, in Georgian).

¹⁰⁴ *Kartlis Tskhovreba*, Vol. II, p. 349; *Abkhazia i abkhazy...*, pp. 112-113.

GEOHISTORY**Irada BAGIROVA**

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**THE TRANSCAUCASIAN SEYM:
UNIFICATION OF THE CENTRAL CAUCASUS
THAT FAILED****A b s t r a c t**

The author follows the route the Transcaucasian Seym covered during the few months of its existence (February-April 1918) and assesses the positions of its Azeri faction on foreign and domestic issues, as well as the functioning of the government of the first Transcaucasian republic (April-May 1918). The Seym was operating in the context of permanent negotiations (in Trabzon and later in Batum) between the Transcaucasian delegation and Turkey and Germany (two members

of the Quadruple Alliance engaged in World War I). Contrary to the widely accepted opinion, the Azeri delegation of the Seym often disagreed with the other delegations when it came to foreign policy principles and the form of state organization of the Central Caucasus. These important issues caused heated debates and clashes of opinion. The author offers her opinion on why the cause of Caucasian unity failed in the early 20th century.

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

By world history standards seventeen years is a comparatively short period, while two years pass with lightning speed; in the history of each state there are periods when it covers a distance equal to centuries, during which state order, the centuries-old social and political lifestyle, and ideas about

the world irrevocably change. Azerbaijan, and the entire Transcaucasus for that matter, has experienced this twice: early in the 20th century and during its last seventeen years.

Statehood is the summit of each nation's development. The Azeris can be proud of their past and present: the first democratic republic in the East and in the Muslim world was set up on their territory. For nearly two years (twenty-three months, to be more exact) the Azerbaijan Democratic Republic (ADP) survived amid dramatic political storms that reflected, in an amazing way, in its historiography. Indeed, while Soviet historiography preferred to pass this period over in silence or to present it as an anti-popular government of the bourgeoisie and landlords, the "lackeys of the imperialist powers," post-Soviet historical works tend to idealize the period between 1918 and 1920 and distort, to a certain extent, historical facts. There is any number of works that have nothing to do with the science of history. In fact, this is typical of the entire post-Soviet expanse and is explained by the natural desire of nations that, having left behind their totalitarian past, would like to create a more positive history. Recently, however, the situation has changed: serious scholarly works published in this country and abroad offer a more objective history of the Azerbaijan Democratic Republic.

The two 1917 revolutions that removed the Russian Empire from the world scene provided a strong impetus for the formation of independent states in the Transcaucasus; the roots of new democratic statehood, however, go back to the early 20th century, a time of social upheavals and budding national-liberation movements. Despite czarism and its Great Power policies that suppressed all manifestations of national self-awareness in the empire's ethnically specific margins (of which Azerbaijan was one), there appeared a constellation of intellectuals educated in the best establishments of Russia and Western Europe who played an important role in the sociopolitical life of the Caucasus and Central Asia. They were businessmen and patrons of arts who left their mark on the 20th-century history of their country: G. Zarbadi, M. Shakhtakhtinskiy, A. Topchibashev, M. Rasulzade, A. Agaev, I. Ziatkhanov, M. Gajinskiy, G. Tagiev, Sh. Asadulaev, and others. Early in the 20th century they founded new political parties and organizations of liberal bias that promoted the ideas of autonomy and later demanded independence. If these liberal- and democratically-minded people had never appeared in Azeri society no democratic republic would have been possible.

The Transcaucasian Seym—External Challenges

The October revolution of 1917 shattered, to an equal extent, Russia and its ethnic margins, including the Caucasus. As distinct from Georgia and Armenia, the government cabinet in Azerbaijan changed three times between October 1917 and September 1918. The power structures set up by the Provisional Government were replaced in Azerbaijan in November 1917 with the Baku Soviet, which later set up its executive body, the Soviet of People's Commissars, widely known as the Baku Commune. Eight months later the Commune was replaced with what is known in history as the central Caspian cabinet, a government of Mensheviks and socialist revolutionaries. The Bolshevik government, which together with Dashnaktsutiun members murdered thousands of Azeris during the March 1918 events, was temporarily removed from the political scene. The Central Caspian government, in turn, proved to be short lived.

Traditional historiography insisted that the Transcaucasian Seym and the first Transcaucasian Federation formed on 22 April, 1918 went down under the burden of domestic and foreign policy troubles and the diverging foreign policy orientations of the three Transcaucasian republics. This is partly true, yet the far from simple situation in the Seym on the eve of the Independence Acts and the position of the Seym Azeri faction and of individual politicians directly involved in the process deserve more attention.

The Transcaucasian Seym was staffed with deputies (133 in all) elected in November 1917 to the All-Russia Constituent Assembly (scheduled for early 1918 and dissolved by the Bolsheviks). The Azeri faction consisted of 44 deputies, 30 of whom were Musavat members and like-minded non-party people; others represented the Ittihad Party (Muslims of Russia), the Muslim Socialist Bloc, and the Social-Democratic Gummet (Mutual Assistance) Party.¹

The Seym met for its first sitting on 10 February, 1918 when it set up a government headed by Evgeniy Gegechkori functioning under the strong impact of the leading geopolitical actors—the Entente and Russia, on the one hand, and Turkey and Germany, on the other.

In January 1918 when the Brest-Litovsk talks with Russia went wrong from the start the Turkish army occupied the Kars, Ardahan and Batum areas. The Transcaucasian government, in turn, deemed it necessary to negotiate evacuation of the occupied lands and several other issues with Turkey. By that time (3 March), however, the Brest Peace had been signed, which meant that the occupied regions became part of the Ottoman Empire. The new masters, in turn, demanded that all the armed units should be evacuated from their possessions.² This served the background for the talks between Turkey and the Seym that opened in Trabzon on 14 March, 1918. The Transcaucasian government was represented by A. Chkhenkeli (Chairman), G. Abashidze, M. Gajinskiy, I. Heydarov, G. Gvazava, R. Kachaznuni, G. Laskhishvili, M. Mehtiev, Kh. Khasmamedov, A. Khatsov, and A. Sheykhulislamov. Chairman of the Ottoman delegation Miralai Rauf Bey³ chaired the conference. Turkey insisted that the Transcaucasus become independent mainly from Bolshevik Russia. From the very beginning the Turkish delegation informed the Transcaucasian delegates that it intended to establish good-neighborly relations with the “Republic being formed in the Transcaucasus. The Ottoman delegation asks the Transcaucasian delegation to describe as exactly as possible the nature, forms, and political and administrative organization of the above-mentioned republic and wants to know whether it has fulfilled all the conditions required by international law to form a state.”⁴ Significantly, the Turks described the form of the new state as a republic even though the Transcaucasian delegation itself had never used the term. At the first meeting Chairman Rauf Bey asked the delegation to specify whether it was a Russian province or a new independent state. This was of immense importance: the Transcaucasian Seym believed that it was illegal to transfer Batum, Kars, and Ardahan to Turkey under the Brest-Litovsk Treaty signed by Soviet Russia. The Turks wanted to know: “How are these territorial claims justified? Is the Transcaucasian delegation empowered to discuss these issues that belong to the competence of independent states?” Akakiy Chkhenkeli gave an evasive answer: “The Transcaucasus is a de facto state even though it has not declared its independence and has not notified the powers of its independence.”⁵

The Seym deputies failed to reach an agreement; even the Azeri delegation was disunited: most of the Musavat deputies insisted on accepting Turkey’s conditions, otherwise they threatened to leave the talks; deputies Kh. Khasmamedov and Sh. Rustambekov, on the other hand, believed that Batum, the final point of the Baku-Batum oil pipeline vitally important for the region’s economy, should remain within the Transcaucasus.⁶ Even before the conference, during the preliminary talks between the Turkish and the Azeri delegations the latter pointed out that the Georgian and Armenian politicians wanted to retain their contacts with Russia. The Turkish side, in turn, was willing for the Caucasian Muslims to enjoy the same conditions as the local Christians. Wahib Pasha, who commanded the Caucasian Front, clearly demonstrated that Turkey would not remain indifferent to the fates of the

¹ See: *Adres-kalendar’ Azerbaidzhanskoi Respubliki na 1920 g.*, Baku, 1920, p. 3.

² See: Z. Avalov, *Nezavisimost’ Gruzii v mezhdunarodnoi politike*, Paris, 1924, p. 31.

³ See: *Dokumenty i materialy po vneshnei politike Zakavkazia i Gruzii*, Tiflis, 1919 (re-issued in 1990), Document No. 54, pp. 107-108.

⁴ *Ibid.*, Document No. 56, p. 116.

⁵ *Ibid.*, Document No. 57, p. 117.

⁶ See: State Archives of the Azerbaijan Republic (SAAR), rec. gr. 970, inv. 1, f. 7, sheet 4.

Caucasian Muslims: “We want the Muslims of the Eastern Caucasus to maintain real contacts with us.”⁷ This obviously called for a strong Caucasus with a government of its own able to protect itself wedged between Russia and Turkey.

Akakiy Chkhenkeli and Rauf Bey discussed between themselves the conditions on which Turkey would agree to recognize Transcaucasian independence. The Turks declared that they needed an independent Transcaucasus that would recognize the 1918 borders and refrain from interfering in Turkey’s internal affairs. This meant that the Brest-Litovsk Treaty should be wholly accepted and that the so-called Turkish Armenia issue⁸ should be removed from the agenda; in other words, the Armenians supported by the Georgian delegates should drop their claims to the Turkish vilayets of Eastern Anatolia.

The Transcaucasian delegation returned to Tiflis for further consultations with the new cabinet. E. Gegechkori regained his former post of prime minister, while A. Chkheidze (minister of the interior in the old cabinet) was appointed foreign minister. The new cabinet of 16 members included five members from each of the Sejm factions and one Russian representative. On 29 March, members of the Transcaucasian delegation, who had not changed their opinion, returned to Trabzon, while Turkey insisted on its demands formulated in the note of 21 March: the Transcaucasian delegation should declare state independence and drop all claims to the three areas mentioned in the Brest-Litovsk Treaty⁹—resumed hostilities were the only option. The Transcaucasian delegation was given 48 hours for deliberation; the talks stalled. Akakiy Chkhenkeli accepted the Turkish conditions, while the Sejm that met on 31 March 1918 decided, under pressure from the Armenian and Georgian deputies, to discontinue the talks which meant a war on Turkey and never bothered to inform the official delegation in Trabzon.¹⁰ Part of the Azeri faction was against this, however Sh. Rustambekov, one of the Musavat leaders, approved the decision in order, he argued, to save the Black Sea ports for the entire Caucasus. He was convinced that “the Musavat members who are heart and soul with the Transcaucasian government will vote for the war and support it as energetically as they can.”¹¹ Gummet members too went along with the Georgian Mensheviks on this issue; later, however, they changed their tack, but it was too late. The hostilities resumed and went on for two weeks, during which Turkey, as was expected, defeated the Transcaucasian Sejm and completely occupied the three contested regions. In May the talks were resumed in Batum.

The Azeri Faction in the Sejm—Shared Priorities and Disagreements

The meetings of the Azeri Sejm faction that took place during the two weeks of war and the ambiguous positions of the members of four Azeri parties—Musavat, Ittihad, the Muslim Socialist Bloc, and Gummet—represented in the Sejm deserve closer scrutiny. M. Rasulzade acted as chairman of the presidium of the faction’s general meetings, while M. Jafarov and N. Usubbekov (two of the chairman’s deputies) represented Musavat and the democratic group of non-party deputies.

The Sejm, which suspended its functioning during the war, elected a war collegium of three members with extraordinary powers: prime minister and War Minister E. Gegechkori, Minister of the

⁷ *Dokumenty i materialy po vneshnei politike Zakavkazia i Gruzii*, Document No. 98, p. 199.

⁸ See: *Ibid.*, Document No. 55, pp. 113-116.

⁹ See: *Ibid.*, Document No. 58, pp. 118-119.

¹⁰ See: *Ibid.*, Document No. 83, pp. 183-184.

¹¹ State Archives of Political Parties and Public Movements of the Azerbaijan Republic (SAPPPM AR), rec. gr. 276, inv. 3, f. 116, sheet 7.

Interior N. Ramishvili, and Finance Minister Kh. Karchikian. It is important to clarify the position and tactics of the Azeri faction during the war.

Some of the faction members invited the Azeri deputies to leave the Seym to ponder on their future together with the representatives of Daghestan, Chechnia, and Ingushetia¹²; they argued that by declaring war on Turkey the Transcaucasian government completely ignored the interests of the local Muslims. M. Jafarov, a non-party deputy, suggested that the issue should remain pending until the Muslim members of the peace delegation came back from Trabzon. He argued that the Muslims should not reconcile themselves with transferring power to the war collegium of three members because ethnic relations remained strained. Kh. Melik-Aslanov of the Socialist Bloc argued that power should have been transferred to the Cabinet if the Seym suspended its business, which alone should have the right to invest the newly elected war collegium with some of its powers.¹³ J. Gajinskiy of Musavat believed that before talking about the Muslims' position it was necessary to outline the war collegium's powers. G. Agaev of Musavat declared that if the Seym transferred its powers to the war collegium the Muslims would find themselves in a critical situation. Therefore, he said, it would be necessary, first, to clarify the collegium's functions and second, the Seym should go on working. Finally, the following decision was reached: "(1) everything should be done to prevent suspension of the Seym; (2) if the Seym were disbanded its powers should be transferred to the cabinet; the powers of the war collegium should be clearly outlined, while the collegium itself should be made accountable to the government; (3) if the collegium acquired executive powers and if it remained accountable to the Seym when the latter resumed its business the Muslim ministers would be forced to leave the Cabinet."¹⁴

It should be said that the social-democratic faction of the Seym (mainly Georgian Mensheviks) responded to the war declaration with an address to the Russian Bolshevik government requesting support and assistance in the fight "against the troops of the Turkish Sultan."¹⁵ The Azeri Gummet faction supported the request, albeit unofficially. The Azeri deputies demanded an explanation: N. Usubbekov and G. Agaev of Musavat drew the Gummet members' attention to the fact that the Georgian Mensheviks were pursuing their strictly national interests for the sake of their nation or, rather, their own party. By doing this they were courting the Bolshevik, Cossack, and Armenian danger while "you (Gummet members.—*Ed.*) are trailing behind them."¹⁶ S. Agamaly-ogly, a Gummet member, tried to justify his stand by saying: "There is a coming split among the Mensheviks regarding their attitude toward the Bolsheviks. We expect that the democrats who follow Chkhenkeli will win." J. Akhundov, who spoke for the opposite side of the same party, offered the following: "If the Bolsheviks come from the north we shall be against them, and in that event we shall turn toward Turkey. But if genuine democracy reaches us from the north we shall side with it and go against the Turks."¹⁷ This means that Gummet, and the Georgian Mensheviks for that matter, still hoped that democracy might win in Russia. M. Rasalzade of Musavat responded to this by saying that his party would take up arms to fight any type of Russia determined to return to the Transcaucasus. N. Jamalbekov of Gummet and M. Rasalzade were of different opinions: while the former insisted that Azerbaijan was not strong enough to repel Bolshevik Russia, the latter argued that his country could count on Turkey's support, to which N. Jamalbekov's response was that he did not expect "freedom for our people"¹⁸ from the Turkish army.

¹² See: *Protokoly zasedania musul'manskikh fraktsii Zakavkazskogo Seima i Azerbaidzhanskogo natsional'nogo soveta*, Baku, 2006, p. 79

¹³ See: *Ibidem*.

¹⁴ *Ibid.*, p. 80.

¹⁵ *Dokumenty i materialy po vneshnei politike Zakavkazia i Gruzii*, Document No. 86, p. 187.

¹⁶ *Protokoly zasedania musul'manskikh fraktsii*, p. 82.

¹⁷ *Ibid.*, p. 84.

¹⁸ *Ibid.*, p. 85.

The above proves beyond a doubt that contrary to the currently popular opinion that the Azeri faction of the Transcaucasian Sejm closed ranks on the pro-Turkish position, reality was quite different. The disagreements continued and developed inside the Musavat Party after Azerbaijan declared its independence, which will be discussed below.

The Azeri Sejm deputies wanted to be actively involved in all the events across the region: they responded to the war that was gaining momentum in Baku, as well as to the anarchy that was rapidly rising in the region, and did all they could to set up a Muslim military corps. In the absence of an efficient government and armed forces they had to limit themselves to the only available instrument: ad hoc delegations set up to sort out unwelcome developments and take practical measures. They dispatched delegations to Zakataly, the Akhalkalaki, Akhaltsikhe and Borchaly uyezds, and to Ganja and Irevan for propaganda purposes and to maintain law and order. On 22 May, a joint meeting of the Azeri faction listened to Dr. M. Vekilov who had arrived from the Kyurdamir front with a report about the catastrophic situation in which tens of thousands of refugees had found themselves. The faction ruled to allocate 50 thousand rubles.¹⁹

The faction was of one mind about the Bolshevik government that had installed itself in Baku: between 29 March and 1 April, 1918, the Bolshevik-Dashnak troops exterminated over 12 thousand civilians in Baku and the Baku Gubernia. The Sejm practically ignored the numerous requests of the Azeri faction to help the Azeris in their fight against the Bolshevik government; it dispatched armed units under Prince Magalov to Baku, which got as far as the Gajikabul railway station. Having assured himself that the mountaineer units under N. Gotsinskiy fighting the troops of the Bolshevik Soviet had been defeated, Prince Magalov retreated to Kyurdamir.²⁰ S. Tigranian, deputy chairman of the Transcaucasian Sejm, whom the Sejm empowered to talk to the Baku Soviet, returned to Tiflis with a demand to discontinue the hostilities against the Bolsheviks and settle the disorder peacefully.²¹ This was the last straw for the Azeri delegation: on 7 April it, in no nonsense terms, demanded that the Turkish ultimatum be adopted; otherwise it threatened to leave the government.²²

The First Transcaucasian Republic— A Short-Lived Experiment with a Single Government

On 22 April, 1918, the Transcaucasian Sejm passed a decision on setting up an independent Transcaucasian Democratic Federative Republic. According to eyewitness reminiscences, the Transcaucasus was proclaimed an “independent democratic and federative republic” after stormy debates between M. Rasulzade, the Musavat leader, and the leftist socialist-revolutionaries and constitutional democrats, with an essentially tacit agreement from the Dashnaksutun Party and the enthusiastic support of all the other parties. Noy Zhordania was among those who abstained, while constitutional democrat Semenov and leftist socialist-revolutionary Tumanov were dead set against independence.²³ The Gegechkori cabinet resigned; and new Prime Minister Akakiy Chkhenkeli informed Turkey about the recent developments.²⁴ Azerbaijan was represented by five ministers—F. Khoyskiy (Minister of Justice), Kh. Melik-Aslanov (Minister of Communication Means), N. Usubbekov (Minister of Education), M. Gajinskiy (Minister of Trade and Industry), and I. Heydarov (Minister of State

¹⁹ See: *Ibid.*, pp. 109-110.

²⁰ See: *Azərbaycan Demokratik Respublika (1918-1920)*, Baku, 1998, pp. 63-64.

²¹ See: SAAR, rec. gr. 894, inv. 10, f. 144, sheet 9.

²² See: *Protokoly zasedania musul'manskikh fraktsii*, p. 91.

²³ See: R.A. Vekilov, *Istoria vozniknovenia Azerbaydzhanskoi Respubliki*, Elm Publishers, Baku, 1998, p. 15.

²⁴ See: *Dokumenty i materialy po vneshnei politike Zakavkazia i Gruzii*, Document No. 99, p. 221.

Control), even though the newly appointed prime minister deemed it necessary to point that “Baku is not yet part of the independent Transcaucasus.”²⁵

The same day, the Sejm invited the new government to go on with the peace talks and did everything they could to reach a prompt peace treaty with Turkey.²⁶

On 26 April, Akakiy Chkhenkeli made public the Declaration of Independence and Sovereignty of the Transcaucasus which also mentioned that the Constitution of the Independent Transcaucasian Federation would be drafted. It was declared that the Transcaucasian states were determined to maintain friendly relations with all countries, especially with the neighbors of the newly formed federation; it was specifically pointed out that all nations were equal, that the territories would be divided fairly, that the war would be brought to an end, and that united defense of the Transcaucasus would be organized.²⁷ The Declaration contained a point about a future Constitution of the Independent Federative Transcaucasian Republic; a constitutional commission of 24 members from the three national councils was set up.

The founding states had to answer the question: Was the Transcaucasus a federative state or a confederation? The Georgian social-democrats wanted a federation because, they argued, Georgia was a small state completely dependent on the Azeri oil. The Georgian social-federalists came up with the model of a state in which central power would be limited to foreign policy issues, armed forces, customs, and finances; the rest would belong to the republican governments.²⁸ Convinced that no united state was possible because the three nations had different foreign policy priorities and because in this context the Georgians would continue losing their position and possessions, the Georgian national-democrats favored complete independence for Georgia.²⁹ The Muslim factions of the Sejm got together to discuss the future of the Transcaucasus as a federation or a confederation. As distinct from the Georgian faction the Muslims decided to vote for a confederation of Georgia, Armenia, and Azerbaijan, along with the Northern Caucasus. It was suggested the Azerbaijan and the Northern Caucasus should establish federative relations between themselves.³⁰

The heated debates failed to produce a constitution of the first Transcaucasian Federation: the contradictions among the three factions proved irreconcilable.

Did Declaration of Independence Bury Caucasian Unity or Was It an Instrument of Much-Needed Liberty?

On 11 May, 1918 Turkey and the Sejm delegation resumed the talks in Batumi; the circumstances forced the Sejm delegates to recognize Turkey's protectorate over the Kars, Batumi, and Ardahan regions; Turkey, in turn, demanded several uyezds of the former Tiflis and Irevan gubernias.³¹ A German military mission of General Otto von Lossow, which functioned in Batumi with an observer status, entered into separate talks with the Georgians. Von Lossow offered the Georgian National Council military support, which the latter readily accepted as a guarantee against Turkish invasion.

The Azeri faction deemed it necessary to discuss this at its next meeting; Kh. Khasmamedov of the Musavat Party announced that the Georgian National Council was moving toward withdrawal

²⁵ See: *Dokumenty i materialy po vneshnei politike Zakavkazia i Gruzii*, Document 108, pp. 229-233.

²⁶ See: *Ibidem*.

²⁷ See: D.E. Enukidze, *Krakh imperialisticheskoy interventsii v Zakavkazie*, Tbilisi, 1954, p. 54.

²⁸ See: M. Matsaberidze, “Drafting the Constitution of the Transcaucasian Sejm and the National Council of Georgia,” *Proceedings of the I. Javakishvili Tbilisi State University*, Tbilisi, 2008, p. 5 (in Georgian).

²⁹ See: *Ibid.*, p. 7.

³⁰ See: *Protokoly zasedania musul'manskikh fraktsii*, pp. 100-101.

³¹ See: Z. Avalov, *op. cit.*, pp. 41-42.

from the Sejm and independence. "We should go in the same direction," said the deputy. "First, we should inform the public, the centers in general and Elizavetpol in particular, so that the people are aware of every political step we take. We should be ready with all the formal conditions so that we are able to speak in the name of independent Azerbaijan at the right moment."³²

On 25 May head of the Georgian delegation Akakiy Chkhenkeli demanded that the National Council promptly declare independence otherwise Georgia should be forced to accept the conditions of the Brest-Litovsk Treaty that deprived it of its lands.³³ The same day, Georgian deputies A. Tseretelli and G. Gegechkori attended the sitting of the Azeri faction chaired by F. Khoyskiy to announce that the Transcaucasian Federation had fallen apart and that Georgia had become independent.³⁴ After that the Azeri faction passed a resolution that said: if "Georgia announced its independence we should declare the independence of Azerbaijan."³⁵ Sh. Rustambekov parried the Georgians' accusations of the Azeris who had allegedly destroyed the Transcaucasian Federation with: "If the Georgians believe that joint work of the peoples of the Transcaucasus is impossible and want political independence, there is no reason to preserve the Sejm under these conditions."³⁶ It should be said that in Trabzon and Batum the Azeri delegation did its best to preserve Batum for the Transcaucasus. M. Gajinskiy, who took part in the talks, reported to the meeting that the Azeri delegation had tried to convince the Turks that occupation of Batum might start a war between the Transcaucasus and Turkey and among the Transcaucasian nations that would leave the Azeris encircled by enemies: Bolsheviks and Georgians, to say nothing of the Armenians. According to Gajinskiy, "guided by considerations that it found more convincing than the Azeri arguments, the Ottoman delegation was dead set on occupying Batum."³⁷

On 26 May Chairman of the Georgian National Council Noy Zhordania read the Act of Georgian Independence supported by all the Georgian deputies. Germany proved unable to help Georgia recover its occupied lands. Under the Brest-Litovsk Treaty, Batum, Akhalkalaki, the Kars and Akhaltsikhe regions, and the Surmala uezd of the former Irevan Gubernia became Turkish possessions until its defeat in World War I.

The Armenian faction alone refused to accept the independence idea: if realized it would have deprived the Armenians of the chance of setting up Armenian settlements on Turkish territory.

On 27 May it became known that two Turkish military commanders—Halil Bey and Wehib Pasha—had told head of the Armenian delegation K. Khatsov and leader of Dashnaktsutiun O. Kachaznuni that Turkey was prepared to recognize an independent Armenian state in the Caucasus. M. Gajinskiy had spoken about this to Enver Pasha who confirmed that his country would accept an independent Armenian state if the Armenians abandoned their intrigues in favor of the British and Russians.³⁸

Leader of the Armenian People's Party M. Papajanov called on the Armenians to accept the Turkish ultimatum and to leave the Turkish provinces issue to the European Congress.³⁹ On 28 May at 10:30 p.m. the Armenian National Council adopted the Independence Act by a majority vote. The discussions, however, continued until 4 June when Armenia, Georgia, and Azerbaijan, on the one hand, and Turkey, on the other, signed a treaty "on peace and friendship."⁴⁰

On the eve of independence the Azeri delegation was bogged down in negotiations: like the Georgians before them the Azeris found it hard to harmonize their position. There were at least three

³² SAAR, rec. gr. 970, inv. 1, f. 1, sheets 39-40.

³³ See: Z. Avalov, op. cit., p. 59.

³⁴ See: *Azerbaijan* newspaper, 28 May, 1919.

³⁵ *Azerbaidzhanskaia Demokraticheskaia Respublika (1918-1920)*, p. 66.

³⁶ SAPPM AR, rec. gr. 276, inv. 3, f. 117, sheet 19.

³⁷ *Protokoly zasedania musul'manskikh fraktsii*, p. 94.

³⁸ See: *Ibid.*, p. 97.

³⁹ See: V.E. Shambarov, *Za Veru, Tsaria i Otechestvo*, Moscow, 2003, p. 456.

⁴⁰ *Dokumenty i materialy po vneshnei politike Zakavkazia i Gruzii*, Document No. 172, pp. 343-363; Document No. 180, p. 366.

opinions: the Socialists supported the idea of Caucasian unity that could have put an end to anarchy in the capital and boosted the authority of the Azeri faction.⁴¹ The Musavat Party could not arrive as a common opinion either: while the majority wanted complete independence, M. Gajinskiy and his group believed that unification with Turkey was the best answer to the current problems. The opinion created by Soviet historiography that the entire Azeri delegation was behind Gajinskiy and that this buried the first Transcaucasian federation has nothing to do with the facts.

N. Usubbekov, who returned from Batum on 27 May, said that Turkey insisted on independence for the Transcaucasus and was firmly opposed to unification with Azerbaijan, since in that case the Bulgarians would be able to demand Adrianopol.⁴² This convinced the Azeris that independence was the only option and that the country needed a state structure (the deputies agreed on a Provisional Azeri National Council with proportional representation of all parties) to fight anarchy and sort out the smoldering ethnic conflicts.⁴³ Musavat (N. Usubbekov and Kh. Khasmamedov) and the Socialist Bloc (A. Sheykhulislamov) agreed that independence should be proclaimed without delay.

On 28 May lengthy deliberations were crowned by voting: the Independence Act was passed by 24 votes (2 abstained). The document's second point said: "The independent state of Azerbaijan will be a people's republic."⁴⁴ Democracy was interpreted as equality for all, irrespective of ethnic origin and social status, before the law. The Independence Act that was de facto a constitutional law said in particular: "The Azeri Democratic Republic will ensure the political and civil rights of all citizens living on its territory irrespective of ethnic, religious, racial, class origins, and gender."⁴⁵

Fatali Khan Khoyskiy was entrusted with the task of forming the first cabinet. G. Agaev, who chaired the meeting, congratulated the participants on this memorable event: "Today, at 07:10 p.m. the Azeri National Council proclaimed the independence of Azerbaijan."⁴⁶ According to the reminiscences, the event stirred up those present at the meeting and the crowd that gathered outside. Weeping people embraced and congratulated each other with shouts of "Long live independent Azerbaijan!"

During the ADP's short life the Azeris proved to the world that they could use their freedom with dignity. Many of the leading powers recognized the new state de facto.

C o n c l u s i o n

The three Caucasian republics gained their independence (2008 marked the 90th anniversary of the event) amid the stormy and dramatic developments of the post-World War I period and aroused ambiguous responses among those directly involved in the process. The Transcaucasian Seym and the first Transcaucasian Federation, which survived for four months, failed to become a government of all the people living in the region. The three titular nations of the Central Caucasus treated this independence differently. From the very beginning the Transcaucasian government was built on party rather than on national principles and fell apart under the pressure of conflicting national interests. While the Georgians and the Azeris treated independence as an important event that brought their countries to the international scene as independent entities of international law, the Armenians regarded it as an act of coercion, at least at the first stage of their independence.

⁴¹ See: *La revue le "Azerbaïdjan,"* Paris, No. 2, 1952, p. 32.

⁴² See: *Ibid.*, p. 33.

⁴³ See: *Adres-kalendar' Azerbaïdzhanskoi Respubliki na 1920 g.*, Baku, 1920, p. 13.

⁴⁴ *Azerbaijan Democratic Republic. Documents and Materials*, Baku, 1998, p. 12 (in Azeri).

⁴⁵ *Ibidem.*

⁴⁶ *Ibid.*, p. 14.

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DRAWING UP A CONSTITUTION FOR THE TRANSCAUCASIAN SEYM AND THE NATIONAL COUNCIL OF GEORGIA

A b s t r a c t

This article takes an in-depth look (relying on archive documents) at the attitude of the National Council of Georgia toward a Transcaucasian Constitution and its participation in the process. Yet unpublished, these documents are noteworthy because

they shed light on the stand of the National Council of Georgia on issues which the Central Caucasian nations could resolve together. The efforts exerted to resolve these constitutional issues in fact became the basis for drawing up the Georgian Constitution.

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

The Transcaucasian Seym, which, after existing for just a short time, gave way to three Transcaucasian states, was created ninety years ago.¹ The Transcaucasian Seym was not very propitious in historiography either. “Unviable” is the main epithet used to describe its brief history. Frankly speaking, no one has studied its history in depth, although it is worthy of note for the fact that, under difficult conditions, the representatives of the Transcaucasian nations created unified power structures on their own initiative and tried to jointly resolve the problems facing them. The main weakness of the Transcaucasian Seym was that the representatives of Azerbaijan, Armenia, and Georgia tried to work together and resolve common problems without disassociating themselves from each other.

How the Transcaucasian Constitution was Drawn Up

On 9 (22) April, 1918, after the Transcaucasus declared its independence, the Seym elected a commission for drawing up a Constitution of the Transcaucasian state. The Seym resolution on independence of the Transcaucasus comprised of only two articles: “1. Declaring the Transcaucasus as an independent republic and notifying the world states of this. 2. Entrusting the government with im-

¹ The Transcaucasian Seym was organized at the beginning of 1918 and formed from deputies elected from the Transcaucasus to the All-Russia Constituent Assembly with the addition of party representatives proportional to the number of votes they received at elections to the Constituent Assembly. The first meeting of the Seym was held in Tiflis on 10 (23) February, 1918. N.S. Chkheidze was elected as chairman of the Seym with the rights of president of the republic. Menshevik E.L. Gegechkori, former chairman of the Transcaucasian Commissariat of the Provisional Government, headed the government. The Transcaucasian Seym existed until 26 May, 1918.

mediate presentation of a draft law for the Constitution of the independent Federative Democratic Republic of the Transcaucasus.²

The constitutional commission of the Transcaucasian government consisted of 24 members; 15 of them were the representatives of the national councils (five from each of the Georgian, Armenian, and Azerbaijani councils), while the other nine were appointed by the government.³

The following representatives of the National Council of Georgia were elected to the constitutional commission (government commission, as it was called) at an assembly of the executive committee of the National Council of Georgia on 2 May, 1918: G. Gvazava, P. Sakvarelidze, Sh. Meskhishvili, R. Arsenidze, and V. Gobechia. It was also deemed necessary to invite specialists to participate in the commission's work.⁴

There were a total of nine Georgian representatives (five from the National Council and four appointed by the government) in the Transcaucasian constitutional commission: Akakiy Chkhenkeli, Sergo Japaridze, Zurab Avalashvili, Georgiy Gvazava, Pavel Sakvarelidze, Razhden Arsenidze, Vladimir Gobechia, Shalva Meskhishvili, and Grigol Rtskhiladze.⁵

The first assembly of the Transcaucasian constitutional commission was devoted to organizational problems. In particular, the question was raised of whether to include the representatives of other national councils (apart from Georgia, Azerbaijan, and Armenia) in the commission with the same representation (five people each), or fewer. This question came up because the Germans living in the Transcaucasus asked the commission if they could participate in its work.⁶ The representatives of the National Council of Armenia announced that they also intended to raise the question of the participation of other national councils. After discussing it, the issue was removed from the agenda in keeping with the "suggestion of the Muslims" (that is, the National Council of Azerbaijan), and the commission's membership remained as it had been.⁷

The second assembly addressed the question of how to draw up a Constitution of the Transcaucasian Democratic Federative Republic. Two opposite opinions were expressed on this. The minority demanded that the "fundamental principles of federation and confederation" be studied in depth first and only after a corresponding general report had been presented should they set about drawing up the Constitution. The majority, on the other hand, felt there was no need for such theoretical "profundities," rather attention should be focused on which spheres were to be subordinate to the general government and which to "private territorial-political units."⁸

As early as the first meetings of the constitutional commission it became clear that, speaking in the words of G. Rtskhiladze, "unity between the Transcaucasus and the Federation will not be close and stable." The representatives of the Muslim Council demanded the right of free withdrawal from the union for Federation members. According to one of them, this right would also be beneficial for the others.⁹

Spheres were defined during the discussion which, according to the general consensus, should be subordinate to the central authorities: 1. Foreign policy. 2. Military affairs. 3. Customs. 4. Finances—"search for union revenues." After this, the constitutional commission elected a so-called small commission and entrusted it to continue working on a constitution draft. Three questions should primarily be clarified:

1. Civil rights.

² See: *Sakartvelo*, 12 April, 1918.

³ Central State Historical Archives of Georgia (CSHA), rec. gr. 1836, inv. 1, f. 5, sheet 113.

⁴ CSHA of Georgia, rec. gr. 1836, inv. 1, f. 2, sheet 59.

⁵ *Ibid.*, sheet 116.

⁶ CSHA of Georgia, rec. gr. 1836, inv. 1, f. 5, sheet 113.

⁷ *Ibid.*, sheet 114.

⁸ *Ibidem.*

⁹ *Ibidem.*

2. Principles for organizing general governance:
 - a) a general parliament,
 - b) representatives to be appointed by the governments of territorial units or elected by the legislative structures,
 - c) resolving general issues by means of delegations.
3. Institution of a federal court for settling disputes between the central and local authorities.

The commission was given five days to study the mentioned issues. Its first meeting was scheduled for 11 May.¹⁰ On the whole, during the work of the Transcaucasian constitutional commission it transpired that, although the Transcaucasian Democratic Federative Republic was declared, it was in fact not created, and the question of state structure vacillated between a federation and a confederation.

Discussion of Constitutional Issues in the National Council of Georgia

Along with the work of the government commission on the Constitution, it was deemed necessary to begin similar work in the National Council. At a meeting of the executive committee of the National Council of Georgia held on 9 May, 1918, a decision was made to hear reports on the work on the Transcaucasian Constitution at a Council meeting scheduled for the same day, discuss this issue, and elect a commission for “defining the general provisions of the Transcaucasian Constitution,” as well as for drawing up the “whole constitution of Georgia.”¹¹

The 14th meeting of the National Council of Georgia was held on the same day. Grigol Rtskhiladze (social-federalist) gave a short speech on the work carried out by the government commission. After this, meeting chairman Georgiy Laskhishvili acquainted those present with two ideas voiced at the meeting of the executive committee according to the majority, the commission should be elected without debates and should draw up the main provisions of the Constitution and present them to the National Council at the next meeting for discussion. Some of the committee members thought that debates should begin immediately on this question, which would ease the work of the elected commission.¹²

R. Gabashvili (national-democrat) expressed the opinion that first the significance for the government commission of the work done by the National Council on drawing up a constitution should be clarified. Moreover, as he put it, according to some unverified data, “there were plans to present the Transcaucasus with a ready constitution”¹³—evidently implying that Germany and Turkey would be doing this.

The presupposition about a “ready constitution” was not taken seriously. Only P. Sakvarelidze responded by saying: “Incidentally, they were talking here about a constitution prepared in advance. If this is so, let’s stay one step ahead of them, clarify our desire, and say that we don’t want what you are trying to impose on us forcibly, we want something else.”¹⁴

On the other hand, it was deemed necessary that the National Council should provide an explanation of the constitutional issues. The members of the government commission also talked about

¹⁰ Ibid., sheet 115.

¹¹ Ibidem.

¹² Ibidem.

¹³ Ibidem.

¹⁴ Ibid., sheet 6.

this. According to Sergo Japaridze (social-democrat), despite the fact that the decision of the National Council did not have any legal force, “the opinion has already been expressed in the government commission that it will be guided by what the National Councils decide;” what is more, what can be expressed in the National Council, “cannot be expressed in the government commission.” Pavel Sakvarelidze noted: “A decision by the National Council will carry much more weight than a provision of the government commission.”¹⁵

Shalva Meskhishvili (social-federalist) pointed out another aspect of the importance of considering the constitutional issues in the National Council: it was necessary “for eliminating disagreements among the Council members,” which would lead to solidarity among the Georgian representatives “in the government commission and in the future Sejm.”¹⁶

R. Gabashvili demanded that debates be held immediately and the constitutional commission’s tasks defined. Sergo Japaridze thought that the factions should first present their reports, to be followed by debates, and only after that should the commission be entrusted with drawing up the Constitution. The suggestion about choosing speakers and further debates was supported by Pavel Sakvarelidze and he proposed scheduling this meeting for 12 May. Shalva Meskhishvili was of the same opinion.¹⁷

Grigol Rtskhiladze considered it unnecessary to present a general report on the characteristics of a federation and a confederation. The speakers chosen by the factions were to talk specifically about “what is best for us.” According to Pavel Sakvarelidze, it would be enough to pick a total of two speakers: one of them could talk about a federation and the other about a confederation as a form of state structure.¹⁸ Shalva Karumidze who spoke against this believed that each faction should present its own view.

Grigol Rtskhiladze suggested electing the same nine members of the government commission to the constitutional commission of the National Council, which would make them more responsible to the National Council.¹⁹ Shalva Karumidze did not agree with this position since, according to him, they were “government people,” however, after Alexander Lomtadze’s speech, he received no further support. Alexander Lomtadze noted that the elected members would have to become acquainted with “what had been said and done,” and so in terms of saving time, Grigol Rtskhiladze’s proposal was entirely acceptable.²⁰

Finally, a unanimous decision was made to include the nine people in the constitutional commission, “who were elected by the executive committee and appointed by the government.” This commission was to choose a speaker or speakers for the next meeting of the National Council, if the factions considered it necessary to enforce their views. Moreover, the council was invested with the right of cooptation.

On 12 May, 1918, the executive committee of the National Council resolved to organize “extensive debates” after hearing Sergo Japaridze’s report on the Constitution.²¹ The latter was elected as speaker by the constitutional commission.²²

Thirty-one members and 29 candidates attended the 15th meeting of the National Council of Georgia, which was held the same day. Sergo Japaridze noted from the very beginning that the commission had been elected only a few days ago and that it “had not had time to prepare or present a draft of the constitution to the Council.”²³ This phrase clearly shows how flippantly some people related to drawing up a constitution, which took almost three years to achieve.

¹⁵ CSHA of Georgia, rec. gr. 1836, inv. 1, f. 5, sheet 115.

¹⁶ *Ibidem*.

¹⁷ *Ibidem*.

¹⁸ *Ibid.*, sheet 117.

¹⁹ *Ibid.*, sheet 116.

²⁰ *Ibid.*, sheet 118.

²¹ CSHA of Georgia, rec. gr. 1836, inv. 1, f. 2, sheet 65.

²² CSHA of Georgia, rec. gr. 1836, inv. 1, f. 5, sheet 103.

²³ *Ibid.*, sheet 104.

Sergo Japaridze tried to show in his report that creating a “strong union,” that is, transferring broad powers to the federal center, was in Georgia’s interests. In the report he presented on behalf of the commission, Sergo Japaridze essentially expressed the interests of the Georgian social democrats. He tried to substantiate the need for a “strong union” with arguments based on national, economic, and democratic interests:

1. National interests:

- a) the Georgian nation is numerically small, and “a small nation cannot exist freely,” it needs to have a patron. Sergo Japaridze did not say precisely who should play this role, but evidently it should be carried out by a strong Transcaucasian union;
- b) the immense sympathy for the Tatars that existed among certain circles of Georgians “arose on a romantic basis,” which was confirmed by the events in Akhaltsikhe. For this very reason, believed Sergo Japaridze, a strong union is needed “so that we influence them and not vice versa.”

2. Economic interests: “Georgia will not have oil” if a strong union is not created.

3. Democratic interests: the Georgian people are democratic and will definitely ensure that an eight-hour working day is instituted. However, a 12-hour working day could be instituted in Baku, thus creating significant competition for Georgian production. We will find ourselves in a disadvantageous economic position, while a strong union will introduce identical work conditions.²⁴

According to the Social Democratic Party, along with foreign policy and military, financial, and customs affairs, the center should also be in charge of the monetary system, railroads, the postal and telegraph service, bill and trade obligations, minimum education requirements, civil and criminal law, and labor legislation.²⁵

Sergo Japaridze believed that the Transcaucasian legislative structure should be a single representative chamber elected by means of direct and universal elections. Questions should be decided by the majority of votes.²⁶ Sergo Japaridze’s plan to create a “strong Transcaucasian union” was severely criticized by the representatives of the other factions.

Pavel Sakvarelidze (Alioni) said that Sergo Japaridze’s idea would not lead to the creation of either a federation or a confederation. In a federative state, the legislative structure must definitely consist of two chambers; a law adopted by the general parliament should be confirmed by a chamber consisting of representatives of the federation members. Moreover, Pavel Sakvarelidze was doubtful about the prospects for creating a federative union due to the different cultural and economic development levels of the Transcaucasian nations. So he believed that it would be worth looking for a more suitable form.²⁷

Grigol Rtskhiladze supported Pavel Sakvarelidze’s opinion, noting that “what Sergo Japaridze presented as a federation did not have anything in common with either a federation or a confederation.” Grigol Rtskhiladze considered the social-democratic thrust of Sergo Japaridze’s statement (“It is in our interests to keep neighboring democracies under our influence”) to be pure imperialism. Not one Transcaucasian nation possessed the power to carry out the unitary policy so desired by the social-democrats, and this “common weakness” created “equality among the nations.” It was impossible to carry out a policy that would equally suit all the Transcaucasian nations.²⁸

²⁴ Ibidem.

²⁵ Ibid., sheet 105.

²⁶ Ibid., sheet 106.

²⁷ Ibid., sheet 105.

²⁸ Ibid., sheet 106.

According to Grigol Rtskhiladze, it was sufficient for the center to be responsible for foreign policy, military, customs, and financial affairs, while all the rest should remain with the competence of the local (that is, national) states: "In his speech, Sergo Japaridze entrusted the center, the union, with all the functions that belong to the state. What is left for the local governments then? Nothing! If that's the case, why is it necessary to draw up a Georgian constitution?"²⁹

As for the position of the social-federalists with respect to the state structure of the Transcaucasus, according to Grigol Rtskhiladze, the members of this party did not support "either a pure federation, or a pure confederation." The constitution should be mixed, with elements of both. "Such a constitution corresponds more to the real conditions of our life," noted Grigol Rtskhiladze, "and let the academics keep on wracking their brains about what our constitution should be like."³⁰

National-democrat Georgiy Gvazava gave an interesting speech, in which he tried to show the impossibility of creating not only a federation, but also a confederation in the Transcaucasus. He greatly doubted the possibility of coordinated action among even those four spheres which the Alionists and federalists had agreed to transfer to the center. For example, the foreign policy priorities of all three nations significantly differed from each other: Georgia looked to the West, Azerbaijan had its sights set on Istanbul, and the Armenians liked the British, as well as the Russians, even if they were Bolsheviks. Georgiy Gvazava noted that transfer of these four spheres to the center was not in Georgia's interests, since its representatives were in the minority, and consequently "all questions will be resolved in keeping with the desire of the majority, that is, against the interests of Georgia."³¹

According to him, a single Transcaucasian state in the form of the Seym has done nothing to protect Georgia's interests: "Has it protected Batumi, Saingilo, Akhaltsikhe, or Akhalkalaki? No! What right do we have to hope that we will be able to use the powers of the Tatars or the Armenians in a confederation? This is fantasy, and we would do well to banish this kind of fanciful dreaming from our minds right now."³²

In the meantime, real policy required a whole different approach. So the National-Democratic Party adopted a resolution demanding that Georgia be declared an independent, sovereign state. It also demanded that a "permanent structure made up of representatives of the Caucasian states" be created "for settling the general affairs of the Transcaucasian states."³³

Georgiy Gvazava responded to Pavel Sakvarelidze's comment that a "permanent structure" meant creating a confederation by saying that a confederation implies "the transfer of some rights to the center," but the national-democrats are demanding "the creation of a simple commission," the decisions of which will not be binding. In other words, the National-Democratic Party long recognized that "the state should be an independent democratic republic," which would be enforced in the Georgian Constitution.

The speech by representative of the social revolutionaries Parmen Sabashvili was brief. On behalf of his party, he stated that "the creation of a confederative Transcaucasian structure" is a beneficial thing.³⁴

At the 16th meeting of the National Council of Georgia held on 12 May, most of the speakers were representatives of the National-Democratic Party who proved the need for declaring the republic's independence. The national-democrats protested against the call of meeting chairman Georgiy Laskhishvili to talk about a federative or confederative structure for the Transcaucasus.

²⁹ CSHA of Georgia, rec. gr. 1836, inv. 1, f. 5, sheet 103.

³⁰ *Ibid.*, sheet 107.

³¹ *Ibid.*, sheet 108.

³² *Ibid.*, sheet 109.

³³ *Ibid.*, sheet 110.

³⁴ *Ibidem.*

Georgiy Gvazava said that drafts had been presented that entirely deny “the central structure and its competence,” and so demanded that the speaker also have the right to talk “against this center.”³⁵

The meeting began with R. Gabashvili’s speech, who sharply criticized the “federative constitution” proposed by “government representative” Sergo Japaridze. On behalf of the party, he spoke against transferring foreign policy, customs, military, and financial affairs to the center, where “opposing elements will gather.”

K. Abkhazi focused in his speech on the reasons for creating a Transcaucasian Democratic Federative Republic and showed that this was a necessary step. No one gave the Sejm members who were elected to the “Constituent Assembly of Russia” such powers. So first separate units should be created in the Transcaucasus and then they should be “united into a union.” Although, in his opinion, due to the unequal rate of economic and cultural development of the Transcaucasian nations, the formation of this kind of union is impossible, “therefore forced creation of a center is pernicious for each nation.”³⁶

The same demand was put forward by Mikhail Machabeli and Shalva Karumidze. According to the latter, if it is created, the Transcaucasian Federation will be such a conglomerate that “it will soon collapse all the same.” The time has already come for “Georgia to declare its full independence.”³⁷

Razhden Arsenidze (social-democrat), who spoke after the above-mentioned speakers, presented numerous arguments in favor of a confederation and “against complete separation.” In response, Grigol Veshapeli (national-democrat) gave a detailed description of Georgia’s international situation and regarded the declaration of independence as the beginning of carrying out real politics. “First we demand declaration of independence and the building of each individual state, in particular our own national state.”

The last speaker at the meeting on 14 May was Pavel Sakvarelidze who tried to show the advantage of “a confederative structure for the Transcaucasus.”³⁸ Completion of the debates on this question and adoption of a resolution were transferred to the next meeting scheduled for 16 May. This was followed by a protest from Grigol Rtskhiladze who noted that the work of the government commission on the constitution was being carried out at an accelerated rate and the resolution of the National Council could be too late.

Sergo Japaridze said that work on the constitution would continue for a long time to come. At the meeting on 16 May, a request was made to consider the question on competence, and then discuss state organization and so on.

But the situation soon changed and it became impossible to ignore what the national-democrats were saying. Before the meeting of the National Council scheduled for 16 May, the executive committee looked at the question of “how should the discussion of the constitutional issue in the National Council end.” It was decided not to adopt any resolutions on “the form of the constitution,” in order to “leave room for maneuver.” A commission should be elected for “working out Georgia’s political structure in keeping with the opinions expressed.”

This decision was based on the difficult situation that had developed whereby the only way to save Georgia was to declare its independence. Two days earlier at a meeting of the executive committee of the National Council, items in an address to Germany were discussed.³⁹ At the meeting on 16 May, a decision was made to create a separate commission in order to “prepare the ground in every way for declaring Georgia’s independence.”⁴⁰ N. Ramishvili, D. Vachnadze, and Sh. Meskhishvili were elected as members of this structure.

³⁵ Ibid., sheet 133.

³⁶ Ibid., sheet 134.

³⁷ Ibid., sheet 136.

³⁸ Ibid., sheet 139.

³⁹ CSHA of Georgia, rec. gr. 1836, inv. 1, f. 2, sheet 67.

⁴⁰ Ibid., sheet 65.

This is how the discussion of the constitutional structure of the Transcaucasus and Georgia in the National Council ended. It became clear that restoring the state independence of the latter was inevitable.

“We Must Declare Georgia a Sovereign State”

When considering the constitutional issues in the National Council of Georgia, the political parties evaluated the republic’s situation at that time and presented various visions of its future. The discussion developed around the problem of the Transcaucasus’ state structure. The positions of the factions were as follows:

social-democrats	“unitary federalism”
social-federalists	merging of a federation and confederation
The Alioni Group	confederation
social-revolutionaries	confederation
national-democrats	sovereign state

As we can see, two poles formed: the social-democrats were striving to create a strong Transcaucasian state, while the national-democrats wanted to declare Georgia’s independence. The positions of the other political forces were somewhere in-between. The radical difference in positions of the social-democrats and national-democrats was due to the difference in their ideological priorities and, consequently, their different visions of the international situation and national problems.

The Georgian social-democrats were afraid of the “small state,” did not believe in the possibility of Georgia’s independent existence, and stated this directly. “The Georgian nation is geographically small and numerically small. A small nation is incapable of an independent existence,” said Sergo Japaridze.⁴¹ “They say, let’s detach ourselves and we will live separately, but no one talks about what this will mean,” noted Razhden Arsenide.⁴²

A large state was the Marxist ideal of social democracy. Since the idea of “big democratic Russia” proved unsuccessful, they are now trying to preserve the unity of the Transcaucasus. In this respect, K. Abkhazi emphasized: “At first the social-democrats were in love with the center in Russia, now the center has been transferred here and changed its name—it was called a federation, with which it has nothing in common.”⁴³

The social-democrats justified their striving to be part of a big state saying that it was in the interests of the Georgian people. “We are deeply convinced,” noted R. Arsenidze, “that the smaller our republic is, the more rulers and misfortunes it will have, the larger and wider the political arena is, the freer cultural and economic development will be.”⁴⁴

The arguments of the social-democrats, which boiled down to the fact that an independent Georgia cannot exist since it does not have its own oil and gold, cannot have its own currency, etc., seemed

⁴¹ CSHA of Georgia, rec. gr. 1836, inv. 1, f. 2, sheet 104.

⁴² Ibid., sheet 137.

⁴³ Ibid., sheet 134.

⁴⁴ Ibid., sheet 137.

absurd to the national-democrats. The claims that Georgian democracy would achieve hegemony in local democratic powers and be able to “tear [the Muslims] away from the Ottomans” looked just as unconvincing in the eyes of the other parties.

According to G. Veshapeli, the social-democrats remained a party of Russian orientation; the idea of creating a Transcaucasian state was a continuation of this trend. “The old and new combinations of social-democrats have been compiled in such a way as to make it easy to restore communication with Russian social democracy, if Russian democracy gets back on its feet.”

The position of the national-democrats was based, in their words, on “real politics.” G. Veshapeli noted: “For a small nation, such as we are, keeping in mind foreign state powers should be the main focus when resolving any question.”⁴⁵ Russia’s fall made any orientation toward it pernicious, particularly since it had been dominating in Georgia for 100 years. And this is the “maximum time-limit for a small nation, and if it has not been liberated by this time, it is ultimately degenerated.”⁴⁶

They believed that the creation of a single Transcaucasian state was impossible due to the different interests and orientations of the nations living there. Even if it was possible to create such a union, this would have contradicted Georgia’s interests, since the Muslims would have been in the majority, promoting the establishment of an Ottoman protectorate in the Transcaucasus. In this way, the national-democrats believed that Georgia should be an independent state in order not to have its hands tied and be able to protect its own interests. Georgia’s main task was to ensure territorial integrity and an economic-cultural upswing.

In the opinion of the national-democrats, Georgia could protect its interests by orientating itself toward Europe, where Germany had come forward as a real power by that time. Rumania and Ukraine were under the control of the latter, and the Brest Peace Treaty registered the still non-existence states of the Transcaucasus. Georgia should take advantage of this situation to declare its independence.

Rejection of the idea of a single Transcaucasian state did not mean rejection of close contacts with the Caucasian nations for the national-democrats. According to their reasoning, Azerbaijan and Chechnia-Daghestan could be independent Georgia’s allies. As for Armenia, Georgia should not enter into conflict with the Muslim world over it, which would be a fatal step for the republic. What is more, Georgia would have to ensure the security of the Armenian population on its territory.

According to the national-democrats, Georgia should carry out a loyal policy toward Turkey and the Muslim world as a whole. There were two reasons for this: in the future Turkey could form a counterbalance to Russia’s aggression. Moreover, Muslim Georgia remained under the control of the Ottomans. There was hope that “economically developed Georgia” would strengthen “the national union between Muslim and Christian Georgia.”⁴⁷

It is worth noting that the discussion on Georgia’s sovereignty unfolded in May 1918, ten days before its declaration, and those social-democrats who stubbornly insisted on the impossibility of independence—Sergo Japaridze and Razhden Arsenidze—soon became members of the constitutional commission of sovereign Georgia.

As for the depth of comprehension of the constitutional problems, in May 1918, K. Abkhazi noted in this respect: “In my opinion, the reports presented had one shortcoming: they could be read both in the National Council of Georgia and in Turkestan or Siberia, only in the local languages. They had no personal or individual trait inherent in the Georgian nation. They took the structure and adapted everything else to it.”⁴⁸ Drawing up the Georgian Constitution took much longer than people expected at that time.

⁴⁵ Ibidem.

⁴⁶ Ibidem.

⁴⁷ Ibid., sheet 138.

⁴⁸ Ibidem.

C o n c l u s i o n

So light can be shed on the history of the Transcaucasian Sejm and the drawing up of a Transcaucasian Constitution in particular only through the joint efforts of academics from the three Central Caucasian countries. This article can only be regarded as a call to begin such work. Having an idea of the archive documents that exist in the Georgian language will help researchers to delve more deeply into the history and experience of the Transcaucasian Sejm.

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ON AUTONOMY FOR NAGORNO-KARABAKH: LESSONS OF HISTORY

A b s t r a c t

This article, which offers new approaches to the already known facts and documents dating to 1920-1923 when Nagorno-Karabakh acquired its autonomy, can be described as a successful attempt at restoring an objective picture of the past events. This process, which was neither natural nor historically justified, was a result of the old imperial policies pursued by the new Center (read the Central Committee of the Russian Communist Party

(Bolsheviks) and the Caucasian Bureau of the RCP (B) that infringed on the rights of the Azeris of Nagorno-Karabakh, as well as elsewhere across the Caucasus [in Armenia, Georgia and Daghestan]). The author has convincingly demonstrated that the autonomy of Nagorno-Karabakh imposed on Azerbaijan served as the first step toward the region's gradual degeneration into a seat of ethnic extremism and separatism.

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

The lessons of history are invaluable when it comes to settling contemporary conflicts—we have learned that much from the political practices of other countries. In fact, the conflict between Armenia and Azerbaijan over Nagorno-Karabakh is no exception: its autonomy gained through purely Soviet-Bolshevist methods has become part of the conflict's roots. This means that the time has come to study the issue in detail.

Armenian historians have already falsified the history of the issue. The historical-political section in one of the Armenian works on the subject says: "Logic raises the following question: Why was the autonomous region formed two years after the decision of the Caucasian Bureau? Because the chauvinist-minded [?] leaders of Azerbaijan used all kinds of pretexts [?] to avoid realization of this solution to the problem of Nagorno-Karabakh that contradicted the will and aspirations of the Armenians [!]. It was realized only because the head of the Transcaucasian Federation insisted [!] on it."¹ Those who wrote this never mentioned the fact that at that time Azerbaijan was headed by Sergey Kirov, a Russian who could hardly be described as a "chauvinist-minded" Azeri. The authors failed to clarify which "pretexts" they had in mind. Here is another example: "The Armenian autonomous region [?] was formed by a decree of the Central Executive Committee of Azerbaijan."² None of the official documents refers to the autonomy as the Armenian autonomous region, etc. Regrettably, the Azeri historians likewise failed to fully expose the meaning of the autonomy of Nagorno-Karabakh and its negative role in the history of Azerbaijan.

This means that the issue needs a fresh, objective, and balanced approach, hence I have posed myself several tasks in this article.

- First, the historical context of the Armenians' settlement in Azerbaijan and Karabakh should be investigated in detail.
- Second, the meaning of Nagorno-Karabakh's autonomy and the process of acquiring it in 1920-1923 should be given more profound consideration since later the autonomy served as an institutional foundation for the Armenian-Azeri conflict.
- Third, we should learn the lessons of history to acquire more adequate ideas about the conflict's current realities in order to be able to find new solutions to it.

Relocation of the Armenians to Azerbaijan as a Historical and Political Prerequisite of Autonomy

Karabakh, its mountainous part included, has been part of Azerbaijan throughout its entire history; the Armenians, on the other hand, of Azerbaijan, and of Nagorno-Karabakh as its part, have never been an autochthonous population. Armenians started coming to Azerbaijan under Peter the Great (1672-1725). It was at that time that resettlement of the Armenians became Russia's central issue in the Caucasus and Azerbaijan. In his charter to the Armenians of 10 November, 1724, Peter the Great wrote: "We inform you through Priest Antony and Kevkh Chelebia, whom you sent to us, that we received your humble letter; those who brought this letter told us in great detail that you, your households and your families, were seeking Our Imperial Protection to be able to live today and in the future quite freely in Our newly acquired Persian (Azeri.—*K.Sh.*) provinces along the Caspian coast; that We should order to allocate you convenient places for settlement and send Our Imperial decrees to Our governors of these newly acquired Persian provinces asking them not only to welcome you in Gilan and Mizendrone, as well as in Baku and other suitable places, when any of you reached them, but also give you convenient places to settle in and protect you in all other respects."³

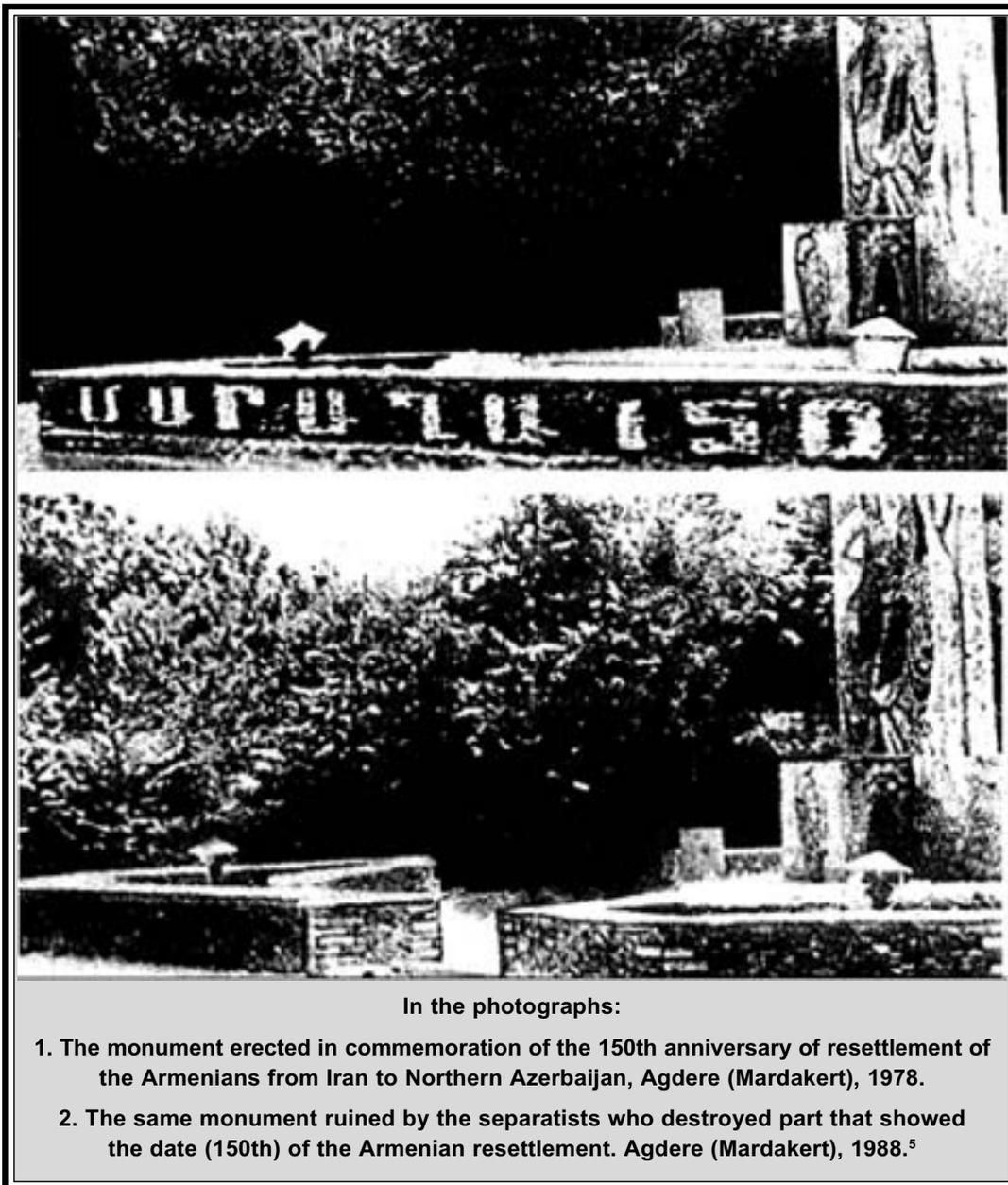
Russia was seeking ethnic, confessional, and military-strategic support of the Armenians; Catherine the Great (1762-1796) continued the course started by Peter the Great with good results: during

¹ *Karabakhskiy vopros. Istoki i sushchnost v dokumentakh i faktakh*, Stepanakert, 1991, p. 7.

² *Ibidem*.

³ G. Ezov, *Snoshenia Petra Velikogo s armianskim narodom. Dokumenty*, St. Petersburg, 1898, pp. 392-293.

Russia's aggressive wars in the Caucasus in the 19th century, the Armenian settlers completely justified Russia's expectations. The Turkmanchai (1828) and Adrianople (1829) peace treaties opened a new stage in Armenian settlement on the newly acquired lands. Alexander Griboedov, prominent Russian author and diplomat, publicist writer S. Glinka, and others described the Armenian settlement of Azerbaijan.⁴



⁴ See: A.S. Griboedov, *Sochinenia v dvukh tomakh*, Vol. 2, Moscow, 1971, pp. 339-341; S. Glinka, *Pereselenie armian adderbidzhanskikh v predely Rossii*, Moscow, 1831.

⁵ See: Ia. Makhmudov, K. Shukiurov, *Karabaq: real'naia istoriia, fakty, dokumenty*, Baku, 2007, p. 35.

In his *Notes on Armenians*, Alexander Griboedov wrote: “Together with him (head of the settlers.—*K.Sh.*) we spoke a lot about how to convince the Muslims to accept their present problem, which would not last long, and how to uproot their fears that the Armenians would take possession of the lands they had been allowed to settle on. I spoke in the same vein to the police chief, members of the board, and the khans who visited me.”⁶ Armenian historian Ts. Agaian wrote that in 1828 over 40 thousand Armenians moved from Persia to the Transcaucasus; in 1829 they were joined by about 90 thousand Armenians from Turkey.⁷ “Asker Khan, one of the Persian bureaucrats, wanted to know whether the Armenians were moving out on their own free will. ‘Yes,’ was the answer. ‘We would rather eat Russian grass than Persian bread.’”⁸

In 1978, the 150th anniversary of Armenian relocation, after the Turkmanchai Peace Treaty of 1828, to Azerbaijan (that is, to Nagorno-Karabakh) was marked by a monument erected in Nagorno-Karabakh. Later, during the events of the 1980s it was deliberately destroyed to conceal “ill-fitting facts” (see the photographs on p. 142).

The mass inflow of Armenians that went on after the Turkmanchai Treaty inevitably increased the region’s Armenian population. N. Shavrov, a Russian expert on the Caucasus, wrote: “Out of the 1,300 thousand Armenians living in the Transcaucasus over 1 million were not locally born; we brought them in. The following figures provide an idea about the number of Armenians who arrived in the last 13 years: in 1896 Aide-de-Camp-General Sheremetev, in his Most Loyal memo, quoted a figure of about 900,000 Armenians in the Transcaucasus; in 1908 there were 1,300,000 Armenians of both sexes, that is, there was an increase of no less than 400,000 during this period. In 13 years we brought in over 300,000 Armenians if we exclude natural growth.”⁹

The Russian Empire not merely moved Armenians to Azerbaijan—it offered them all necessary conditions. Peter the Great’s decree of 10 November, 1724 was followed by similar legal acts, including the Imperial Decree to the Local Authorities in the Caspian Regions on Allocating Suitable Lands for Armenian Settlers and Extending All Possible Assistance to Them,¹⁰ one of the most important of its kind. A plan appeared under Catherine the Great that issued instructions “to first gain a foothold in Derbent, capture Shemakha and Ganja and, after gathering enough forces in Karabakh and Signakh, comparatively easily occupy Erivan.”¹¹ At that time, the plan remained on paper.

The Russian-Iranian War of 1826-1828 demonstrated that the plan was not forgotten: the Nakhchivan and Erivan khanates were captured; the decree of 21 March, 1828 issued by Nicholas I (1825-1855) set up the Armenian region¹² that was liquidated 12 years later during the administrative reform of 1840.

Until the last days of the Russian Empire the Armenians remained one of the priorities. American historian Tadeusz Swietochowski has written that under Russia’s patronage the Armenian population developed much faster than the Muslims (*Azeris.—K.Sh.*). This meant that they were better prepared to profit from the economic growth that began in Azerbaijan. At the 1872 auction the “Tartars” (*Azeris.—K.Sh.*) acquired merely 5 percent of the leasing rights on the oil-rich stretches, while Armenian businessmen received almost ten times more. By 1900, writes the same author, 29 percent of the 115 industrial companies of the Baku Gubernia belonged to the Armenians, while the Tartars owned as little as 18 percent of the total number.¹³ In 1905, having strengthened their position in the social, economic, and political life of Azerbaijan, the Armenians openly moved against the Azeris.¹⁴

⁶ A.S. Griboedov, op. cit., p. 340.

⁷ See: Ts.P. Agaian, *Pobeda Sovetskoj vlasti i vozrozhdenie armianskogo naroda*, Moscow, 1981, p. 26.

⁸ *Ibid.*, p. 27.

⁹ N. Shavrov, *Novaia ugroza russkomu delu v Zakavkazie*, St. Petersburg, 1911, p. 64.

¹⁰ See: G. Ezov, op. cit., pp. 394-397.

¹¹ *Sobranie aktov, otnosiashchikhsia k obozreniu istorii armianskogo naroda*, Part II, Moscow, 1838, p. 69.

¹² See: *Polnoe sobranie zakonov Rossijskoj imperii. Sobr. VI*, Vol. III, 1828, St. Petersburg, 1830, pp. 272-273.

¹³ See: T. Swietochowski, “Russkiy Azerbaijan. 1905-1920,” *Khazar*, No. 1, 1990, p. 99.

¹⁴ See: V.F. Maevskiy, *Armiano-tatarskaia smuta na Kavkaze, kak odin iz fazisov armianskogo voprosa*, Tiflis, 1915.

In the post-October 1917 period Soviet Russia continued the pro-Armenian course; in November 1917, Bolshevik-Dashnak power established itself in Baku, which reached its apogee in March 1918 in the form of the Armenian-instituted genocide of the Azeris. Azerbaijan protected itself against the Armenian expansion by setting up the Azerbaijan Democratic Republic (ADR) on 28 May, 1918. Simultaneously a Republic of Armenia was set up on the historical territory of Western Azerbaijan. From that time on Armenian territorial claims to Azerbaijan took the form of state policy. For almost two years the ADR protected Karabakh against Armenian aggression. The situation changed when Soviet power was established throughout the Caucasus—the new historical context allowed Soviet Russia (the Soviet Union since 1922) to impose autonomy of the mountainous part of Karabakh on Azerbaijan.

“Nagorno-Karabakh Should Remain within the Azerbaijanian S.S.R. and be Granted Broad Regional Autonomy...”

Karabakh consists of lower (plain) and upper (mountainous) areas. In his article “Karabakhskiy krizis” (The Caucasian Crisis), A. Skibitskiy wrote: “The entire mountainous part of the Karabakh Khanate (1747-1822.—*K.Sh.*) was called Nagorno-Karabakh. This territory included the Karabakh mountain ranges in the east, the lands between the Zangezur mountains in the west, and the Karabakh Plateau that separates upper and lower Karabakh.”¹⁵ As part of czarist Russia the former Karabakh Khanate was deprived of its original administrative and political status, which was later regained within the ADR. It was at that time that the Dashnaks coined the term Nagorno-Karabakh.”¹⁶

From that time on the term gradually acquired political meaning as well. After 28 April, 1920, when the Bolsheviks captured Northern Azerbaijan, it was used as an administrative-political term and the key political concept in the relations between the Armenians and Azeris and Soviet Russia that kept interfering in their bilateral relations. Simultaneously, the geographical limits of Nagorno-Karabakh also changed. As A. Skibitskiy wrote in the same article: “In 1923 the Karabakh Plateau became autonomous; it was named the Autonomous Region of Nagorno-Karabakh or, within the new borders of Azerbaijan, simply Nagorno-Karabakh.”¹⁷

Soviet power in Azerbaijan set up the Soviet of People’s Commissars (SPC of the Azerbaijanian S.S.R.) and appointed extraordinary commissars. A. Karakozov (1890-1938) was appointed extraordinary commissar for Nagorno-Karabakh.¹⁸ On 30 April, 1920 the government of Soviet Azerbaijan demanded in its note that the Republic of Armenia pull its troops out of Zangezur and Karabakh.¹⁹ In May 1920 Soviet power was established in Karabakh.

At the same time, Soviet Russia continued Sovietization of the Caucasus and expected to resolve the territorial conflicts with the help of a special commission. The instructions of the Caucasian Bureau of the Central Committee of the Russian Communist Party (Bolsheviks) to the Military-Revolutionary Soviet of the Caucasian Front issued on 7 July said that a “mixed commission chaired by a Representative of Russia should be set up. It will be guided by the population’s ethnic composition and its will.”²⁰ Later, however, this principle was never applied when Armenia acquired its territory.

¹⁵ A. Skibitskiy, “Karabakhskiy krizis,” *Soyz*, No. 7, 1991; separate edition, Baku, 1991.

¹⁶ S. Shadunts, “Karabakh,” *Bakinskiy rabochiy*, 21 December, 1922; *K istorii obrazovania Nagorno-Karabakhskoy Avtonomnoy Oblasti Azerbaidzhanskoj SSR. 1918-1925. Dokumenty i materialy*, Baku, 1989, pp. 135-137.

¹⁷ A. Skibitskiy, op. cit.

¹⁸ See: *Ocherki istorii Kommunisticheskoy partii Azerbaidzhana*, Baku, 1963, p. 334.

¹⁹ See: *K istorii obrazovania Nagorno-Karabakhskoy Avtonomnoy Oblasti Azerbaidzhanskoj SSR*, p. 41.

²⁰ *Karabakhskiy vopros*, pp. 49-51.

On 29 November, 1920 Soviet power was established in Armenia, while on 28 December the Revolutionary Committee of Armenia abandoned its claims on Nakhchivan in full conformity with the will of its population.²¹ Armenia persisted in its claims to Nagorno-Karabakh; the issue was revived by the two republics when discussion turned to their common borders. On 27 June, 1921 the Politburo and Orgburo of the C.C. of the Azerbaijanian Communist Party (Bolsheviks) discussed the progress made by the commission in Tbilisi that tried to settle the problem of the borders with Armenia. The sitting adopted a resolution of five points. Point 3 said: "3. The problem (of Nagorno-Karabakh.—*K.Sh.*) can be resolved solely through extensive involvement of the Armenian and Muslim masses into the cause of Soviet construction (as proved by the declaration of Comrade Narimanov)."²² On the same day Foreign Minister of Azerbaijan M. Huseynov (1894-1938) informed the Caucasian Bureau of the C.C. R.C.P.(B.) about the issue. It was decided to convene an extraordinary plenary meeting of the Caucasian Bureau to discuss the issue and invite N. Narimanov and A. Miasnikov (Miasnikian) to Tiflis.²³

The Caucasian Bureau held its plenary meeting in Tiflis on 4 and 5 July, 1921. The special importance of the sitting requires that the verbatim reports of its evening session of 4 July and the meeting of 5 July should be quoted in parts.²⁴

**EXTRACTS FROM THE MINUTES OF THE PLENARY MEETING OF
THE CAUCASIAN BUREAU OF THE C.C. R.C.P.(B.), EVENING SESSION**

4 July, 1921

Attended by²⁵: Member of the C.C. R.C.P. Stalin; members of the Caucasian Bureau: comrades Orjonikidze, Makharadze, Narimanov, Miasnikov, Kirov, Nazaretian, Orakhelashvili and Figatner.

Secretary of the Komsomol Caucasian Bureau Breytman, members of the C.C. of Georgia: Tsintsadze, Mdivani and Svanidze.

Heard:

Decided:

5. The Karabakh question. The discussion revealed two points of view; the following issues were put to the vote:

²¹ See: D. Guliev, "Sledovat istine, a ne ambitsiiam," in: *Koflikt v Nagornom Karabakhe*, Collection of articles, Baku, 1990, p. 48.

²² This implies the speech by Chairman of the Azerbaijanian Revolutionary Committee Nariman Narimanov (1870-1925) at the ceremonial sitting of the Baku Soviet dedicated to the establishment of Soviet power in Armenia on 1 December, 1920. Armenian historiography falsified the main points of Narimanov's speech (for more detail, see: T. Kocharli, "Neobkhdimoe utochnenie," in: *Koflikt v Nagornom Karabakhe* pp. 32-34).

²³ See: *K istorii obrazovania Nagorno-Karabakhskey Avtonomnoy Oblasti Azerbaidzhanskey SSR*, pp. 86-90.

²⁴ See: *Ibid.*, pp. 90-92.

²⁵ Stalin (Dzhugashvili), Iosif Vissarionovich (1879-1953)—at that time commissar for the nationalities (1917-1922); Orjonikidze, Grigory Konstantinovich (Sergo) (1886-1937); Makharadze, Filipp Ieseevich (1868-1941)—Chairman of the Revolutionary Committee of Georgia; Narimanov, Nariman Kerbelai Najaf ogly (1870-1925)—Chairman of the Council of People's Commissars of Azerbaijan (1920-1922); Kirov (Kostrikov), Sergey Mironovich (1886-1934); Miasnikov (Miasnikian), Alexander Fedorovich (1886-1925)—Chairman of the Revolutionary Committee of Armenia; Nazaretian, Amaiak Markarovich (1889-1937)—in 1920-1922 was Secretary of the Caucasian Bureau, member of the Revolutionary Committee and C.C. C.P.(B.) of Georgia; Orakhelashvili, Ivan (Mamia) Dmitrievich (1881-1937)—in March 1921 was appointed member of the Revolutionary Committee of Georgia, Secretary of the C.C. C.P.(B.) of Georgia and Chairman of the Council of People's Commissars; Figatner, Iury Petrovich (Iakov Isaakovich) (1889-1937)—in March 1921 was Secretary of the Caucasian Bureau (see: *Grazhdanskaia vojna i voennaia interventsia v SSSR. Entsiklopedia*, Moscow, 1983).

(Continued)

<p>(a) Karabakh shall remain within Azerbaijan.</p> <p>(b) A plebiscite shall be organized throughout the territory of Karabakh and involve the entire Armenian and Muslim population.</p> <p>(c) The mountainous part of Karabakh shall be part of Armenia.</p> <p>(d) The plebiscite shall be limited to Nagorno-Karabakh and the Armenian population.</p> <p>6. Statement of Comrade Narimanov: since the Karabakh issue is very important for Azerbaijan I deem it necessary to transfer it to the C.C. R.C.P. for a final decision.</p>	<p>Voted for: Narimanov, Makharadze, Nazaretian;</p> <p>Against: Orjonikidze, Miasnikov, Kirov, Figatner.</p> <p>Voted for: Narimanov, Makharadze.</p> <p>Voted for: Orjonikidze, Miasnikov, Figatner, Kirov.</p> <p>Voted for: Orjonikidze, Miasnikov, Figatner, Kirov, Nazaretian.</p> <p>Decided: To consider Nagorno-Karabakh part of Armenia and limit the plebiscite to Nagorno-Karabakh.</p> <p>Since the Karabakh issue stirred up serious disagreements, the Caucasian Bureau of the C.C. R.C.P. believes it necessary to transfer the final agreement to the C.C. R.C.P.</p>
<p>Comrade Orakhelashvili was absent when the Karabakh issue was put to the vote. <i>Secretary of the Caucasian Bureau of the C.C. R.C.P. Figatner.</i></p>	

<p>FROM THE MINUTES OF THE PLENARY MEETING OF THE CAUCASIAN BUREAU OF THE C.C. R.C.P.(B.)</p> <p><i>5 July, 1921</i></p> <p>Attended by: Member of the C.C. R.C.P. Stalin; members of the Caucasian Bureau: comrades Orjonikidze, Kirov, Nazaretian, Orakhelashvili, Figatner, Narimanov and Miasnikov; People's Commissar of Foreign Affairs of A.S.S.R. Huseynov:</p>	
<p>Heard:</p> <p>1. Comrades Orjonikidze and Nazaretian put forward a motion to reconsider the previous decision on Karabakh.</p>	<p>Decided:</p> <p>(a) For the sake of national peace between the Muslims and Armenians and economic ties between Upper and Lower Karabakh and its continued contacts with Azerbaijan, Nagorno-Karabakh shall remain within the Azerbaijanian S.S.R. with broad regional autonomy and its administrative center in the town of Shusha, which is part of the autonomous region.</p> <p>For: 4 votes, 3 abstentions.</p> <p>(b) To instruct the C.C. of Azerbaijan to establish the borders of the autonomous region and present</p>

(Continued)

	<p>them to the Caucasian Bureau of the C.C. R.C.P. for approval.</p> <p>(c) To instruct the Presidium of the Caucasian Bureau of the C.C. R.C.P. to talk to the C.C. of Armenia and the C.C. of Azerbaijan about a candidate to the post of extraordinary commissar of Nagorno-Karabakh.</p> <p>(d) The C.C. of Azerbaijan shall outline the scope of autonomy of Nagorno-Karabakh and present it to the C.C. Caucasian Bureau for approval.</p>
<p>Secretary of the Caucasian Bureau of the C.C. R.C.P. Figatner.</p>	
<p><i>Source:</i> Central Party Archives of the Institute of Marxism-Leninism, rec. gr. 64, inv. 2, f. 1, sheets 118, 122-122rev.; <i>K istorii obrazovania Nagorno-Karabakhskoy Avtonomnoy Oblasti Azerbaidzhanskoy SSR</i>, pp. 90-91, 92.</p>	

The final decision of the Caucasian Bureau adopted at the 5 July, 1921 sitting said: "Nagorno-Karabakh shall remain within the Azerbaijanian S.S.R. with broad regional autonomy."

Decree on the Formation of the Nagorno-Karabakh Autonomous Region: Critical Analysis

The leaders of Azerbaijan were entrusted with the task of implementing the decision of the Caucasian Bureau of 5 July, 1921; as a follow-up the Presidium of the Central Executive Committee of the Azerbaijanian S.S.R. (Az CEC) met on 19 July, 1921 to approve the results of Nariman Narimanov's trip to Tiflis; in turn, the Politburo and Orgburo of the C.C. A.C.P.(B.) met on 20 July to pass a decision on setting up a commission to draft the constitution of the autonomous region.²⁶

There is an important point that needs clarification. The decision of 5 July, 1921 on the autonomy of Nagorno-Karabakh assigned implementation to the A.C.P.(B.), which means that Kirov was appointed First Secretary of the C.C. A.C.P.(B.) in July 1921 to carry out the task. Simultaneously, the official position of the republic's leaders on Karabakh's autonomy changed, and the process took two more years to be completed.

Kirov's position and the factors that affected it deserve special consideration. The extracts from the minutes of 4 July testify that Kirov was against leaving the mountainous part of Karabakh within Azerbaijan (Point 5a) and voted for its transfer to Armenia (Point 5c). On 19 July, Kirov attended the meeting of the Presidium of Az CEC; the next day he took part in the meeting of the Politburo and Orgburo of the C.C. A.C.P.(B.), which passed corresponding decisions. By 26 September, when the Politburo and Orgburo of the C.C. A.C.P.(B.) met for another meeting under his chairmanship, Kirov had obviously changed his viewpoint. Seven out of the nine participants (Kirov, Narimanov, Akhundov, Karaev, Efendiev, Stukalov, Mirzoian, Buniatzade, and Huseynov) suggested that they should ask the Caucasian Bureau to revise its earlier decision on autonomy for Nagorno-Karabakh. Only two participants (Narimanov and Buniatzade) wanted the decision to be

²⁶ See: *K istorii obrazovania Nagorno-Karabakhskoy Avtonomnoy Oblasti Azerbaidzhanskoy SSR*, pp. 94-95.

implemented as promptly as possible. A special commission was set up to collect relevant materials.²⁷ On 21 October Buniatzade sided with Kirov at a meeting of executives from Karabakh and the Orgburo of the C.C. A.C.P.(B.) members. A special note to the meeting's decision pointed out that autonomy for Nagorno-Karabakh would serve no useful purpose.²⁸ On 30 July, 1922 Kirov sent the following telegram to the C.C. R.C.P.(B.): "The territory of Karabakh is part of Azerbaijan and its party organization is part of the A.C.P."²⁹

Kirov, who realized he had been wrong, was behind the new approach to the autonomy issue. He was also convinced that the Caucasian Bureau had been wrong in passing the decision on autonomy and that it was wrong to insist on the decision's prompt implementation.

On 8 October, 1923, that is, four months after the decree on autonomy for Nagorno-Karabakh had been passed, a meeting of the Presidium of the C.C. A.C.P.(B.) chaired by Kirov pointed out that the local population, especially the Turks (Azeris.—*K.Sh.*), remained unconvinced and that much would have to be done to sell the idea of the Nagorno-Karabakh Autonomous Region to them.³⁰

This worried the Caucasian Bureau to the extent that it deemed it necessary to put pressure on Azerbaijan: on the one hand, it demanded that its decision of 5 July be executed; on the other, Armenian functionaries were dispatched to Nagorno-Karabakh to strengthen the local administrative structures and undermine the Azeris' position.

This process coincided with the formation of the Transcaucasian Federation and the U.S.S.R., however the position of the leaders of the A.C.P.(B.) on the Nagorno-Karabakh issue did not change. In fact, the Transcaucasian Territorial Committee of the R.C.P.(B.) headed by Orjonikidze (who was elected its head at the 1st Congress of the Communist Organizations of the Transcaucasus in February 1922) preferred to use its administrative resource (this had already happened on 5 July and later when the decision was implemented). On 27 October, 1922 the meeting of the Transcaucasian Territorial Committee insisted that the C.C. A.C.P.(B.) should implement the decision of 5 July. It was decided to appoint Karakozov as chairman of the Executive Committee and dispatch Armenian Shadunts to the A.C.P.(B.) to be appointed to an executive post.³¹ On 15 December, in fulfillment of the above, the C.C. A.C.P.(B.) set up a Central Commission (Kirov, Mirzabekian, and Karakozov) and a committee of seven members for Nagorno-Karabakh under the Council of People's Commissars of Azerbaijan, which functioned until 24 July, 1923. Azerbaijan meanwhile remained under pressure.³² On 22 December, the Union Soviet of the Transcaucasian Federation passed a decision that demanded prompt resolution of the autonomy for Nagorno-Karabakh issue.³³

Moscow's obvious desire to realize "Armenian autonomy" inevitably spurred on Armenian nationalism in the republic. Speaking at the 12th Congress of the R.C.P.(B.) (17-25 April, 1923), Karl Radek (1883-1939), a prominent Bolshevik, went as far as saying that there was Armenian chauvinism in Azerbaijan.³⁴

When the Soviet Union was formed, the Transcaucasian Territorial Committee became even more insistent. In May 1923, the plenary session of the Transcaucasian Territorial Committee included a report of the Committee for Nagorno-Karabakh on its agenda.³⁵ On 1 June, 1923 the

²⁷ See: *K istorii obrazovania Nagorno-KarabakhsКОЙ Avtonomnoy Oblasti Azerbaidzhanskoй SSR*, pp. 96-97.

²⁸ See: *Ibid.*, pp. 99-101.

²⁹ A. Kirilina, *Neizvestny Kirov. Mify i real'nost'*, St. Petersburg, Moscow, 2002, p. 90.

³⁰ See: *K istorii obrazovania Nagorno-KarabakhsКОЙ Avtonomnoy Oblasti Azerbaidzhanskoй SSR*, pp. 191-194.

³¹ See: *Ibid.*, p. 127.

³² See: *Ibid.*, pp. 132-133.

³³ See: G. Martirosian, "Obrazovat iz armianskoй chasti Nagornogo Karabakha avtonomnuu oblast," in: *Karabakhskiy vopros*, p. 57.

³⁴ See: *Dvenadtsaty S'ezd Rossiiskoy Kommunisticheskoy partii (bolshevikov). Stenograficheskiy otchet*, Moscow, 1923, pp. 565-568.

³⁵ See: *K istorii obrazovania Nagorno-KarabakhsКОЙ Avtonomnoy Oblasti Azerbaidzhanskoй SSR*, p. 148.

plenary meeting of the C.C. A.C.P.(B.) passed a decision to issue a decree on autonomy for Nagorno-Karabakh, a draft of which was to be presented to the C.C. within three days.³⁶ The Transcaucasian Territorial Committee was satisfied. At its plenary meeting of 27 June, it passed a decision based on the reports submitted by Karakozov and Shadunts, which instructed the C.C. A.C.P.(B.) to ensure autonomy of Nagorno-Karabakh in three months.³⁷ Shortly after that, on 1 July, the Presidium of the C.C. A.C.P.(B.) discussed the Karabakh issue and adopted a decision of 6 points recommending that the Az CEC grant autonomy to Nagorno-Karabakh and set up the “Karabakh Autonomous Region” with its center in Khankendy. It also set up a commission of Karaev (Chairman) and Karakozov, Sviridov, Ildrym, and Buniatzade (members) to draw the borders of the newly established region.³⁸

On 7 July, 1923 the Az CEC passed a Decree on Formation of the Autonomous Region of Nagorno-Karabakh signed by its Chairman M. Kasumov (1879-1949) and Secretary M. Khanbudagov (1893-1937).³⁹ The text consisted of a preamble, four points, and a conclusion that recommended setting up a mixed commission. The decision of the C.C. A.C.P.(B.) and the decree were obviously two different documents since instead of giving autonomy to the plain and mountainous areas of Karabakh the decree dealt with Nagorno (Mountainous) Karabakh alone. The decree gave the title of the newly formed unit as the Autonomous Region of Nagorno-Karabakh (ARNK), which later became known as the Nagorno-Karabakh Autonomous Region (NKAR). The decree was a fairly primitive document that could not be accepted as a serious legal document. The preamble distorted the chronology and failed to justify the granting of autonomy to Nagorno-Karabakh. Point 1, which says: “To form an autonomous region of *the Armenian part* [?] of Nagorno-Karabakh as part of the A.S.S.R. with its center in the Khankendy settlement,” contains a gross political and legal error: it deliberately singles out a specific Armenian part of the united Karabakh region. According to Point 3, an Interim Revolutionary Committee was set up to function until convention of the congress of Soviets. This obviously gave unlimited powers to the region’s Armenian leaders. Ten days later, on 16 July, the Presidium of the C.C. A.C.P.(B.) passed a decision on including the town of Shusha in the Nagorno-Karabakh Autonomous Region.⁴⁰ The 1923 Regulations of the Gubernia Executive Committees were extended to the Nagorno-Karabakh Autonomous Region.⁴¹ It was much later, on 26 November, 1924, that the Regulations of the Nagorno-Karabakh Autonomous region were adopted.⁴²

In this way, Karabakh, an inalienable part of Azerbaijan, was deliberately divided to give autonomy to the Armenians who had moved there. Those who sealed the fate of the region never bothered to find out what the local Azeris wanted, which means that their rights were flagrantly violated. In fact, while the “Armenian autonomy” project was being actively promoted the idea of autonomy for the Azeris living in compact groups in Armenia, Georgia or Russia was never contemplated.

In 1919, in his article “Armianskiy imperializm” (Armenian Imperialism), Anastas Mikoian wrote in connection with the situation in which the Azeris who lived in the former Ararat Republic found themselves: “The Armenians are amazed by the fact of Armenian imperialism. It is a comic, or even tragicomic, fact that stands apart because of its reactionary nature and content. Today,

³⁶ See: *Ibidem*.

³⁷ See: *Ibid.*, p. 149.

³⁸ See: *Ibid.*, pp. 149-150.

³⁹ See: *Ibid.*, pp. 152-153; *Sobranie zakoneny i rasporyazheniy raboche-krest'ianskogo pravitel'stva ASSR za 1923 g.*, Baku, 1923, pp. 384-385.

⁴⁰ See: *K istorii obrazovania Nagorno-Karabakhskoy Avtonomnoy Oblasti Azerbaidzhanskoy SSR*, pp. 154-155.

⁴¹ See: *Ibid.*, pp. 165-166.

⁴² See: *Ibid.*, pp. 268-270; *Sobranie zakoneny i rasporyazheniy raboche-krest'ianskogo pravitel'stva ASSR za 1924 g.*, Baku, 1926, pp. 333-335.

Armenia occupies practically the entire territory of the Erivan Gubernia, the Muslim population of which is slightly smaller than the Armenian population. This is the only territory where Armenians live in relatively compact groups and are in the majority. As a result of the reactionary and chauvinist policy of the Armenian government the Muslims, who account for two-fifths of the entire population, are not only removed from power and administrative functions but together with foreigners are deprived of all rights.”⁴³ This went on under Soviet power in Armenia: all the Azeris were either deported or liquidated during the Armenian-instituted genocides of 1948-1953 and the late 1980s-early 1990s.⁴⁴

C o n c l u s i o n

On 5 May, 1924, speaking at the 6th Congress of the A.C.P.(B.), Kirov, who summed up the process of granting autonomy to the mountainous part of Karabakh, sounded very doubtful about the decision in general, although he had to remain positive: “We settled the issue after a while and we were absolutely right. There will be no going back on this major issue—of this I am sure.”⁴⁵

Life disproved Sergey Kirov: the Armenians refused to accept this solution. As soon as the Soviet Union disappeared, the Armenian formula for Nagorno-Karabakh (ranging from regional autonomy to its withdrawal from Azerbaijan and unification with Armenia) was not peacefully executed. Armenia’s expansionist policies resulted in an undeclared war against Azerbaijan and occupation of Nagorno-Karabakh and seven adjacent Azeri districts.

The settlement hinges on the status of the region. Today we can see that history is repeating itself: the OSCE Minsk Group has de facto replaced the Center of Soviet times—it can no longer be seen as an intermediary. Azerbaijan is being offered all sorts of settlement alternatives, all of them inevitably infringing on its national interests. The history of “autonomy Soviet style” has demonstrated beyond a doubt that this is the wrong approach because under international law the right to identify the status of Nagorno-Karabakh belongs to the Republic of Azerbaijan as a sovereign state.

At one time, late President of Azerbaijan Heydar Aliiev pointed out at a parliamentary sitting that discussed the Armenian-Azeri conflict that the talks with the Minsk Group and its suggestions had convinced him that there was an obvious intention to settle the conflict by making Nagorno-Karabakh independent de facto or even de jure.⁴⁶

The above suggests the following conclusions:

- The territory of Karabakh (including Nagorno-Karabakh) is an inalienable part of Azerbaijan;
- In 1923 Azerbaijan was forced to accept its autonomy;
- From the very first days the NKAR has been and remains a seat of ethnic separatism and extremism;
- Under contemporary historical conditions no stability can be achieved by confirming its “new” status of a separate administrative and geographical unit: it will remain a source of

⁴³ Quoted from: J. Gasanly, *SSSR-Turtsia: ot neitraliteta k kholodnoi voine. 1939-1953*, Baku, 2008, p. 454.

⁴⁴ Erich Feigl, *A Myth of Terror: Armenian Extremism: Its Causes and Its Historical Context*, Salzburg, 1986; *Prestuplenia armianskikh terroristicheskikh i banditskikh formirovanii protiv chelovechestva*, Baku, 2002.

⁴⁵ *K istorii obrazovania Nagorno-Karabakhskoy Avtonomnoy Oblasti Azerbaidzhanskoy SSR*, p. 241.

⁴⁶ See: *Azerbaijan newspaper*, 24 February, 2001 (in Azeri).

separatist claims of the Armenians. In short, Azerbaijan will continue living under Damocles' sword.

- It seems that joint local self-administration in the ethnically mixed Azeri-Armenian districts is the shortest road to unity of the plain and mountainous parts of Karabakh and to normal relations between the local Azeris and Armenians.
- Armenia's socioeconomic and political development depends on its relations with Azerbaijan and its constructive approach to the Nagorno-Karabakh settlement.

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POLITICAL RELATIONS BETWEEN AZERBAIJAN AND ARMENIA IN 1917–1918

A b s t r a c t

The author draws on analytical and factual data to look into the entanglements in the political relations between Azerbaijan and Armenia that predated the emergence of two independent states—the Azerbaijan Democratic Republic (ADP) and the Armenian Republic—in 1918. Zakhida Alizade describes the national policy of the

Provisional Government that set up a Special Transcaucasian Committee, the activities of the Transcaucasian Sejm, and the thorny road leading to national statehood; she dwells on the ethnic cleansing the Armenians organized in the Irevan uezd and offers facts about the tragic events of March–April 1918 in Northern Azerbaijan.

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

The defeats of the Russian army on the fronts of World War I, heavy losses, skyrocketing food prices, and the transportation crisis that created shortages stirred up public discontent. Socioeconomic and political confrontation intensified, while the ruling circles turned out to be even more displeased with the autocracy than the common people.

Czarism was doomed; on 2 (15) March, 1917 the Provisional Government came to power with major priorities: democratic freedoms and settlement of the agrarian, labor, and nationalities issues.

The new rulers, however, who found themselves in a quandary, proved unable to deal with these burning issues, which cannot be accepted as an excuse. The ministers were obviously unwilling to shoulder responsibility and were biding for time in expectation of the Constituent Assembly. In the meantime, the Provisional Government limited itself to palliatives.

The nationalities question, meanwhile, remained in the center of Russia's public life: the czars had been oppressing the nations of Europe and Asia (which together formed the majority in their vast empire) far too long. The first steps of the new government, however, proved disappointing: the discriminatory laws that infringed on the rights of the nationalities and populations of the outlying regions in the sphere of autonomy and school education in the native language remained intact.

On 20 March (2 April), 1917, the mounting national movements, however, forced the Provisional Government to pass a decision On Lifting All Religious and National Restrictions, which removed "all restrictions on the rights of Russian citizens under the acting laws due to their faith, religion, or nationality."¹ This was the first step in the right direction, but it could hardly satisfy the aspirations of Russia's national minorities. Indeed, the document said nothing about the enslaved peoples' right to self-determination, to educate their children in their native language, etc., however even these limited rights set the ball rolling. National movements in Russia's margins (Northern Azerbaijan included) raised the country's political temperature. Hitherto banned national parties, such as the Musavat in Azerbaijan, and organizations had their chance: scores of national political, cultural, and educational centers began mushrooming across the country.

The Transcaucasian Political Context and Emergence of Independent States

The state structures weakened by the 1917 February Revolution proved unable to cope with the rapidly unfolding developments in the nationalities sphere and to prevent a tragedy in the region. The entire pyramid of state power from the top to the regional level underwent considerable changes immediately after the revolution.

On 9 (22) March, 1917, the Provisional Government replaced the Caucasian Governorship with a Special Transcaucasian Committee of the Provisional Government (STCCOM) of five members, all of them deputies of the 4th State Duma: B. Kharlamov (Chairman), M. Papajanov, M. Yu. Jafarov, A. Chkhenkeli, and K. Abashidze.² The local people treated it with much less respect than its predecessor: the post-February political processes in the Transcaucasus were too complicated. In fact, as distinct from Russia's central regions, the local situation was infinitely more intricate: while central Russia received dual power in the form of the Provisional Government's local structures and the Soviets of the Workers', Soldiers', and Peasants' Deputies, the Transcaucasus had to cope with triple power represented by the STCCOM, Soviets, and all sorts of national committees, the de facto local power structures supported by their corresponding ethnic groups.

On 11 (24) November, 1917, after the Bolsheviks had deposed the Provisional Government on 25 October (7 November), 1917 in Russia and on 31 October (13 November), 1917 in Baku, Tiflis hosted a meeting of representatives of all political parties and national and public organiza-

¹ *Vestnik Vremennogo pravitel'stva*, 22 March, 1917.

² See: J. Gasanov, *Azerbaijan in the System of International Relations. 1918-1920*, Baku, 1993, p. 30 (in Azeri).

tions of the Transcaucasus, who joined their efforts to reject the Bolsheviks, and passed a decision on setting up a new executive structure.³ On 15 (28) November, 1917, the three key Transcaucasian nations (the Azeris, Georgians, and Armenians) set up a Transcaucasian Commissariat as an interim power structure that was to govern the region until the Constituent Assembly was elected and convened. (The Provisional Government fixed 12 (25) November, 1917 as election day.) The Bolsheviks, who were in power by that time in the Transcaucasus, could not bring themselves to cancel the election, keeping in mind the Constituent Assembly's popularity, and lost with 23.9 percent of the votes.⁴ The prevailing anti-Bolshevik sentiments among the members of the Constituent Assembly forced the Bolsheviks to disband it and confirm this action with a decree that the All-Russia Central Executive Committee passed in small hours of 7 (20) January, 1918. This buried the hopes that the Constituent Assembly would be able to finally settle the most urgent sociopolitical and nationalities problems.

By doing away with the central government, the Bolsheviks gave the national forces in the Transcaucasus a *carte-blanche*. On 12 (25) January, 1918, the Transcaucasian Commissariat passed a decision on a Transcaucasian Seym made up of the deputies to the Constituent Assembly elected from the Transcaucasus: no election was possible in the turbulent Caucasian context. The mandates were thus distributed among the members of the ten political parties; the Georgian Mensheviks and Musavat formed the two largest factions; Dashnaksutium was the third. There were also Socialist-Revolutionaries, Cadets, Georgian Federalists, National-Democrats, Mensheviks, Gummet members, the Muslim Socialist Bloc, and Ittikhad.⁵

On 10 (23) February, the Seym met for its first sitting in Tiflis. Significantly, the regional legislature was set up on the initiative of the Georgian Mensheviks actively supported by the Musavat; the Dashnaks and the Socialist-Revolutionaries, who argued that the region would drift away from Russia, were dead set against the idea. The former continued counting on Russia as their main strategic ally, but when confronted with a *fait accompli* they had to take part in the Seym.

It came as no surprise that the Dashnaks and Socialist-Revolutionaries closed ranks to oppose all the initiatives designed to weaken the political ties with Russia. They vehemently objected to the idea of transforming the Transcaucasian Seym into a Constituent Assembly that was expected to create a Constitution of the Transcaucasus and specify the functions of territorial units.⁶ The Azeri and Armenian factions did not see eye to eye on entering a peace agreement with Turkey or on the nationalities and agrarian questions either.

It should be said that no matter how important the problems (agrarian, labor, a truce with Turkey, etc.) were that the Transcaucasian Seym had to cope with, peace and agreement among the Transcaucasian nations came first. Ethnic issues proved to be the test the Seym failed to endure.

The Azeri-Armenian political confrontation was mounting and nearly reached its highest point when the Armenians, supported by the Georgian faction, unfolded what can be described as ethnic cleansing on Azeri territory. When Russia's power was completely liquidated in the region, the Armenians, who had expropriated most of the weapons and ammunition abandoned by the Russians, came down on the Azeris, whom they accused of sympathizing with the Turks. By mid-February 1918, Armenian-Azeri clashes had been going on everywhere in the Irevan uezd and the city of Irevan.

The punitive anti-Azeri actions attracted not only irregular Armenian units, but also the regular troops of the Transcaucasian Government under Colonel Pirumov and Commissar Dro (D. Kanaian). Between 17 and 21 February, 1918, Armenian units and artillery reduced 21 Azeri villages in the

³ See: S. Belen'kiy, Ia. Manvelov, *Revoliutsia 1917 g. v Azerbaidzhane (khronika sobytiy)*, Baku, 1927, p. 201.

⁴ See: A. Balaev, *Azerbaidzhanskoe natsional'noe dvizhenie v 1917-1918 gg.*, Baku, 1998, p. 68.

⁵ See: *Zakavkazskiy Seym. Stenograficheskiy otchet, 19 fevralia 1918*, Tiflis, 1919, p. 6.

⁶ See: *Zakavkazskiy Seym. Stenograficheskiy otchet, 20 fevralia 1918*, Tiflis, 1919, pp. 27-28.

Irevan uezd to rubble.⁷ On the whole, between early 1917 and March 1918, 197 Azeri villages in the Irevan uezd were plundered and destroyed.⁸

It should be said that lawlessness was not limited to the Irevan uezd —the Azeris of Zangezur and Karabakh also had their share of cruel persecutions. Throughout 1917, 109 Azeri villages in the Zangezur uezd and 157 Azeri villages in Karabakh were attacked by armed Armenian units and destroyed partially or completely.⁹ The Transcaucasian authorities did everything in their power to prevent the Azeris from setting up armed units, while the Georgians and Armenians were setting up theirs at a fast pace.

The Armenians concentrated on the Azeri villages of the Irevan uezd because of their highly advantageous strategic location. First, the Irevan uezd was situated between the Azeri- and Armenian-populated areas, which the Armenians planned to turn into a stronghold for their expansion deeper into Azerbaijan. Nakhchivan was one of their central aims. O. Kachaznuni, one of the Dashnaksutun leaders, admitted later: “Armenia could not go on without the Tartar (Azeri.—Z.A.) Sharur-Nakhchivan.”¹⁰

Second, the Armenians were resolved to turn the Azeri city of Irevan into the capital of their own Armenian state they planned to set up on the historical lands of Western Azerbaijan. The Armenian nationalists proceeded from the statement earlier issued by Chairman of the Transcaucasian Government E. Gegechkori, according to which the authorities planned, in the near future, to carry out national-territorial delimitation in the Transcaucasus to create several autonomous units. Having launched wide-scale ethnic cleansing in the Irevan uezd and other regions, the Armenians expected to acquire the best starting positions. So it is no wonder that those Azeris who wanted to go back home to the Irevan uezd once the cleansing had stopped heard: “This is impossible; only Armenians can move there” from Commissar Dro.¹¹

The Georgian Mensheviks sided with the Dashnaks when the Irevan events were discussed in the Seym; thus encouraged, the Armenians expanded the territory of the ethnic cleansing to other Transcaucasian areas. They moved, in particular, against the Azeri population of the Baku Gubernia. One can even say that the leaders of the Transcaucasian Seym shared the responsibility for the March 1918 events in Baku and other regions of Azerbaijan with Dashnaksutun and the Baku Soviet headed by Stepan Shaumian. The Seym remained indifferent to the tragedy of the civilian Azeri population of the Irevan uezd, which the Bolsheviks and the Dashnaks interpreted as Tiflis’ unwillingness to interfere if they stirred up trouble in Baku.

The March 1918 events were caused by political antagonism between the Bolshevik-Dashnaksutun alliance and Musavat. On 15 June, 1918, soon after Azerbaijan had proclaimed its independence, the republic’s government passed a decision on setting up an extraordinary investigatory commission “to look into the incidences of violence against the Muslims and their property all over the Transcaucasus since the beginning of the European war.”¹² Scores of criminal cases against the culprits were instituted on the basis of the data the commission had gathered. Unfortunately, the political events of April 1920 left the work unfinished.

While in power, the Bolsheviks worked hard to force the Azeris to forget the lessons of March 1918: for many decades Soviet historiography described them as a Musavat-provoked civil war.¹³ It was only in 1991, when the Soviet Union fell apart and when Azerbaijan regained

⁷ See: *Zakavkazskiy Seym. Stenograficheskiy otchet, 7 marta 1918*, Tiflis, 1919, p. 5.

⁸ State Archives of the Republic of Azerbaijan (SARA), rec. gr. 28, inv. 1, f. 185, sheet 7.

⁹ SARA, rec. gr. 970, , inv. 1, f. 253, sheets 10, 18-19.

¹⁰ Ov. Kachaznuni, *Dashnaksutun bol'she nechego delat'*, Baku, 1990, p. 18.

¹¹ *Zakavkazskiy Seym. Stenograficheskiy otchet, 5 marta 1918*, Tiflis, 1919, p. 14.

¹² SARA, rec. gr. 100, inv. 2, f. 7, sheet 20.

¹³ See: Ch.A. Tokarjeveli, Z.M. Isaev, *Kritika sovetskoy kontseptsii istorii sotsialisticheskoy revoliutsii v Azerbaidzhane. Revoliutsia i narody Rossii: polemika s zapadnymi istorikami*, Moscow, 1989, p. 165.

its independence, that it became possible to reveal the truth about the March 1918 events: convinced that the nationalities issue detracted the toiling masses from the class struggle, the linchpin of their theory, the Bolsheviks pushed the national problems aside. They were obviously disturbed by Musavat's steady progress toward its aim: liberation of Azeri territory from the Bolshevik-Dashnak bands.

At the first stage of the legal activities, in February-March 1917, Musavat (which previously had to operate clandestinely) mainly strengthened its organizational structures and built up its following; at the second stage, after the 1917 October coup, it demonstrated more resolve. By the early 1918, having united "the absolute majority of the Muslim population of Azerbaijan,"¹⁴ it developed into the leading political force.

Musavat extended its control not only to the Ganja, but also to a greater part of the Baku Gubernia. Even its sworn opponents, such as notorious Stepan Shaumian who wrote that "by the beginning of the second year after the February revolution the Musavat Party became the strongest political force in the Transcaucasus,"¹⁵ had to accept the obvious.

The Bolsheviks and the Dashnaks were disturbed by the slow yet steady emergence of the Azeri armed units under Musavat leadership. The progress became obvious by early March 1918. Both sides knew that the party's political authority underpinned by battle-worthy armed units would make it practically unassailable.

Unable to reconcile themselves to the course of events that led to Musavat's domination in Northern Azerbaijan and being too weak in Baku, at the same time, to finally neutralize the party, the Bolsheviks had to seek the support of the Dashnak armed forces.

At that time, both the Dashnaks and the Bolsheviks (headed mainly by Armenians) were of one mind about the need to rout the Azeri national forces in Baku. They found Azerbaijanian autonomy (a Musavat-promoted idea) absolutely unpalatable. If realized, it would have delivered a deadly blow not only to the crazy idea of "greater Armenia" nurtured by the Armenian nationalists, but also to the Bolshevik plans of building a "red empire" on the ruins of its predecessor.

Baku oil—"the main nerve of Russia's industry and transport"—and the city of Baku were the Bolsheviks' cherished dream. They regarded the Azeri capital as an important foothold from which they could spread far and wide in the Transcaucasus and entrench themselves on the Caspian shores. In short, control over Baku was a life-and-death issue. No wonder the city, the epicenter of the Azerbaijanian National Movement, the main target of the Bolsheviks' and Dashnaks' concerted efforts, became the main political battlefield.

The Bolshevik-Dashnak alliance exploited an accident on the ship *Evelina* to engage in terror against the civilian population of the Azeri capital. Between 30 March and 1 April, 1918, over 12 thousand Azeris in Baku and its environs suffered from the unprecedented Bolshevik-Dashnak cruelty. The very scale of the atrocities testifies beyond doubt that those who launched them were determined to exterminate the Azeris, claim their property, and seize political power in Baku.

Historical facts testify: the Bolshevik leaders of the Baku Soviet provoked what they later called a civil war to undermine the political might of Musavat, their main, and most powerful, adversary. They drew Dashnaktsutiun to their side, which turned the "civil war" into nationalist bloodshed: the Bolsheviks and the Dashnaks were exterminating civilians irrespective of their political convictions and social status. Later, in an effort to justify the crimes, Soviet historians offered the following explanation: "This left the Baku Soviet with only one course of action: it had to seek support of one national group to fight the other and to exploit the already existing ethnic contradictions."¹⁶

¹⁴ See: A. Balaev, op. cit., p. 164.

¹⁵ S. Shauamian, *Izbrannye sochinenia*, Vol. 2, Moscow, 1978, p. 271.

¹⁶ *Bol'sheviki v bor'be za pobedu sotsialisticheskoy revoliutsii v Azerbaidzhane. Dokumenty i materialy. 1917-1918*, Baku, 1957, p. 333.

The Bolsheviks with their allies, the Dashnaks, did not limit themselves to Baku—they went further into the provinces; in fact, massive extermination of the capital's peaceful population was a prelude to even wider plans to exterminate all Azeris throughout their own country.

This is fully confirmed by the fact that mass killings in Baku were synchronized with a blood-bath in Shamakhy. In the early morning of 31 March, 1918, the Bolshevik-Dashnak forces shelled the practically defenseless city to later burst into it, set houses on fire, and kill the inhabitants seeking safety outside their burning homes. In the evening, the resistance ceased and the invaders moved on to the second stage: plunder and pogroms.¹⁷ Nearly the entire male population, including infants and boys, was exterminated; women were raped in front of husbands and parents. The city was completely ruined and burned down: out of five thousand buildings only the non-classical secondary school remained standing; none of the mosques survived.¹⁸

The same lot was in store for the populations of Guba, Lenkoran, Salyan, and Kyurdamir. Two thousand people in Guba were murdered by the Bolshevik-Dashnak units (the latter forming the striking force) under notorious Dashnak Amazasp. Contrary to what Soviet historians have been saying for several decades, two thousand people lost their lives not for the sake of Soviet power—they fell victim to the executioners' hatred of the Azeris. In front of the local people Amazasp made no secret of his true aims: "I am a hero of the Armenians and the protector of their interests... I was ordered to exterminate all Muslims from the Caspian shores to Mt. Shahdag and raze your dwellings to the ground."¹⁹

The massive extermination of Azeris in March 1918 allowed the Bolsheviks and Dashnaks²⁰ to come to power in Baku for a while, however its remote consequences proved to be less favorable: their political prospects in the region were buried.

The Dashnaks and their allies never achieved their strategic aim, that of routing the Azerbaijanian National Movement: its main forces concentrated in the regions survived. Strange as it may seem, the March events strengthened the social basis of the national forces and resulted in political consolidation in the Azerbaijanian National Movement. Confronted with the threat to their continued national existence, the Azeri deputies of the Seym and various political factions closed their ranks. From that time on national independence became the main aim of all the political forces of Azerbaijan.²¹

The position of the Transcaucasian Seym during the March events and the problems that emerged during the peace talks with Turkey deprived this structure of the last vestiges of confidence the political forces of Azerbaijan had had in it. The Azeris persisted in their negative attitude toward the structure even after 9 April, 1918 when it declared the independence of Azerbaijan, on which the Azeri deputies insisted. It was growing clearer by the day that the three main factions—the Azeri, Georgian, and Armenian—could not find a common language or adopt a common program. Each of the nations was openly moving toward its own strategic, and often widely different if not opposing, aims. The Georgians relied on Germany to realize their national aims. The Armenians remained loyal to their pro-Russian orientation, while the Azeris were seeking Turkey's support.

The Armenians resisted the disbandment of the Seym until the last minute because "the Armenians needed the Transcaucasian Federation more than their neighbors." The Dashnak leaders feared that once freed from the Federation the Georgians and the Azeris would soon find a common language with Turkey, "leaving the Armenians alone to face the Turkish army. Russia (neither Bolshevik nor anti-Bolshevik) would have been unable to help even if it wanted."²²

The disbandment of the Transcaucasian Seym and state independence of Azerbaijan and Georgia left the Armenians with no other option than declaring their own state independence. In this way,

¹⁷ SARA, rec. gr. 1061, inv. 1, f. 3, sheet 56.

¹⁸ *Ibidem*.

¹⁹ SARA, rec. gr. 1061, inv. 1, f. 95, sheets 5-6.

²⁰ See: A. Balaev, *op. cit.*, p. 179.

²¹ *Ibidem*.

²² Ov. Kachaznuni, *op. cit.*, p. 27.

by late May 1918, three independent states—Georgia, Azerbaijan, and Armenia—appeared in the Transcaucasus.

On 29 May, 1918, the National Council of Azerbaijan passed a decision on ceding Irevan to the Armenians: “To set up a state the Armenians need a political center; Erivan is the only option since Alexandropol now belongs to Turkey.”²³ Azeri historians offer all sorts of explanations of this obviously erroneous decision by the ADR National Council. All details apart, one thing is clear: in contemporary history, the Armenian state emerged on historical Azeri territory with its capital in Irevan, an ancient Azeri city.

C o n c l u s i o n

The Transcaucasian Sejm proved unable to govern the very specific and turbulent area living amid ethnic clashes and in a state of war with Turkey. Anarchy and chaos were mounting. An eyewitness wrote: “The Sejm, the representative body, was nearly inactive, it was stalling. What was happening inside had nothing to do with the outside events during the stormy and most painful period of Transcaucasian developments... One could not but feel that everything that took place in the Sejm had no meaning and that the Sejm itself was not prepared to discuss the main and most disturbing issues; that the main developments were unfolding in the wings of each party and each group separately, and that there was no chance they could act together.”²⁴

This structure was doomed. Its self-disbandment on 26 May, 1918 was a logical outcome of the regional political processes and another confirmation of the fact that the three Transcaucasian republics could not coexist within one state.

²³ SARA, rec. gr. 970, , inv. 1, f. 1, sheets 51-52.

²⁴ A. Stavrovskiy, *Zakavkazie posle Oktiabria*, Moscow, Leningrad, 1925, p. 49.

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AZERBAIJANI-JEWISH RELATIONS: *REALPOLITIK* EMBEDDED IN HISTORY

A b s t r a c t

The long-standing tradition of tolerance and historical cross-pollination between the paths of the Azerbaijani and Jewish peoples also creates a fertile milieu for strategic cooperation between the two countries. The mutual tolerance and amity

of Azerbaijani and Jewish peoples affects not only diplomatic and public discourse, but penetrates the deeper realms of the national psyche of both of the Azerbaijani and Israeli peoples and policy makers as well as the Jewish Diaspora.

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

The common respect, trust and historical amity between the Azerbaijani and Jewish peoples contrast sharply with their perceptions of distrust and suspicion regarding their Arab neighbors, Persians and Armenians. The Jews suffered historical persecutions in the neighboring Iran and Armenia, a Russian Mountain province of Daghestan. Even though Persian Jewry was the oldest Diaspora community, having an uninterrupted existence of 2,700 years, it faced many forced relocations to the territory of present-day Azerbaijan and other areas, in particular to Central Asia. In this context, the collective memory of shared existence between Azerbaijanis and Jews for many centuries reinforces rational “realpolitik” calculations and geopolitical perceptions of Azerbaijani-Israeli common interest.

Historical Background of the Interrelations

The first such resettlement was recorded during the rule of Sasanid Shah Yiezdigerd II (435 CE-459 CE).¹ In the Talmudic period, between the 4th and 9th centuries, the Jewish community in Persia prospered and developed a high culture. By the 12 century the Persian Jews created a corpus of Judeo-Persian literature. The contemporary vernacular of the Mountain Jews preserved a form of Judeo-Persian, which is spoken today by the Jews of Azerbaijan and Daghestan. But Persian Jewry was constantly exposed to waves of persecution by the host community.² Throughout its millennial history, the Persian Jewish community suffered from mass slaughter, expulsions, forced conversions and the destruction of sacred books. These sufferings made one observer to comment, “Yet in no other country of [Eastern] Diaspora have the Jews suffered from so many centuries of unrelenting oppression and mortifying legal restrictions as did the Jews of Persia.”³

In the Hellenistic period, Jews were known to live in Armenia, but no continuous Jewish presence persisted into the modern era. Despite the Armenian claims that their royal family descends from the Herod of Judea, Jews were banned from settling in Armenian urban centers beginning with the adoption of Christianity circa 301 CE.⁴ According to the *Abridged Jewish Encyclopedia*, anti-Semitism was endemic among Armenians throughout history, and Jewish sources often identify Armenians as “descendants of Amalek,” i.e. the enemies of Jewish people.⁵ Due to this historic animos-

¹ See: R. Musabekov, *Stanovleniye nezavisimogo azerbaidzhanskogo gosudarstva i etnicheskie menshinstva*, available at [http://www.sakharov-center.ru/publications/azrus/az_012.htm].

² See: K. Blady, *Jewish Communities in Exotic Places*, Jason Aronson Inc., Northvale, N.J., 2000, p. 56.

³ *Ibidem*.

⁴ See: “Armenia,” in: *Kratkaya evreyskaya entsiklopedia* (hereinafter—*KEE*), Vol. 1, Keter, Jeruslaem, 1976, col. 202.

⁵ See: *Ibid.*, col. 203.

ity only in the 19th century Persian and Ottoman Jews as well as some Ashkenazi Jewish refugees, settled on the territory of the modern-day Armenia. From the medieval times the Persian Empire supported the Armenian Apostolic Church, a largest Monophysite splinter branch of the Orthodox Christianity. The support of Armenians during the medieval period in the Caucasus by Iranians, as today, is caused primarily by geopolitical calculations of Iran. It is noteworthy that Armenians constitute the largest Christian community of the Islamic Republic of Iran.⁶ As a result the Jewish population of Armenia is minuscule, estimated in 1970 to consist of 1,048 persons, half of whom were in mixed marriages with Armenians.

In neighboring Daghestan, the history of the persecution of Jews has deep historic roots. In particular, these persecutions increased in modern times. Since the suppression of the Shamil mutiny (1834-1859), the Mountain Jews of Daghestan have been perceived as agents of Russian government by local population. This notion was caused by a petition, which called on Tsar Nicholas I to resettle the Jews from mountainous enclaves in "possession of Tatars (the rebellious Muslims) to large urban settlements," i.e. "settle in Russian-controlled and stable zone."⁷ During the Civil War of the 1920s in Russia, Mountain Jews joined the Red Army, i.e. the Soviet armed forces, which came to sovietize "the unruly highlanders" of the Caucasus. The Daghestani Mountain Jews perceived the local anti-Bolshevik rebellion as a replay of the Shamil mutiny during which so many of their ancestors were killed. This only increased the antagonism of Daghestani population toward the Jews. There were pogroms in Daghestan in 1926 and 1929. In the ensuing decades, anti-Semitism has remained a distinct feature of Daghestani society. As late as 1960, the Soviet Kumyk newspaper *Communist* made Blood Libel allegations against the Jews.⁸

As a result of the conjuncture of history and its geographic position at the crossroads of many trade and strategic routes, ancient peoples, who confessed different religions, coexisted for centuries on the territory of the modern Azerbaijan. The majority of the current population of Azerbaijan belongs to the Sh'a branch of Islam. But throughout its multi-faceted history, Azerbaijani society experienced the influences of different religious movements such as Zoroastrism, Christianity, Buddhism and Judaism. The history of multiple military conquests of the territory and religious pluralism led to a great popular tolerance toward peoples of other faiths and assimilation of different religious traditions. Due to its multi-ethnic character, the Azerbaijani society today inherits a legacy of tolerance and hospitality toward many ethnic groups and religious confessions. This tolerance led to the high level of multi-ethnic integration and political stability in the pre-nationalist period in the contemporary Republic of Azerbaijan. Jews, who experienced many waves of persecution in the Persian Empire and later in the imperial Russia as well as the Slavic regions of the Soviet Union, fled to this land of asylum at the imperial frontier. In particular, in the last three centuries, Azerbaijan provided a welcome place of refuge for Persian and Russian Jews. This atmosphere of prosperity and tolerance, which Jews throughout history experienced in Azerbaijan, should be contrasted with the intolerance of the societies to the north, Russia in general, and Daghestan in particular, and neighboring Armenia. The Canadian Immigration and Refugee Board Documentation Center report quotes a former Jewish resident of Baku stating in January 1992 that Azerbaijan, of the former Soviet republics, is "perhaps the best place for Jews to live."⁹ The historical memory of amicable treatment, an absence of anti-Semitism and popular acceptance, even today, affects the perceptions and dispositions of foreign policy elites both in Israel and Azerbaijan

⁶ See: "Armenian Apostolic Church," in: *Wikipedia*, available at [http://en.wikipedia.org/wiki/Armenian_Apostolic_Church].

⁷ "Gorskie evrei," in: *KEE*, Vol. 2, 1982, col. 184.

⁸ See: *Ibidem*.

⁹ Arye Wasserman in: *The Jerusalem Post*, 4 January, 1992 (quoted from: *CIS, Baltic States and Georgia: Situation of the Jews*, Immigration and Refugee Board Documentation Centre, Ottawa, Canada, July 1992, p. 21).

toward each other. This perception is shared by the organized American Jewish community, which is influential in some aspects of American foreign policy.

Jews by some accounts lived in the territory of Azerbaijan from 5th century BCE. The traditional view of indigenous Jews is that their ancestors arrived in the territory of Azerbaijan following the destruction of Jerusalem by Nebuchadnezzar, the Babylonian king, in 586 BCE. Nebuchadnezzar deported the great number of population of the ancient Judean kingdom to his northern possessions, which included the territory of Azerbaijan. King Cyrus, the great founder of Achaemenian Empire (580-529 BCE), brought Jewish settlers into his new empire. After the Persian Emperor captured the Babylonian possessions in 539 BCE, he decreed the return of the Jews to Jerusalem, but a sizable community of Jewish settlers remained.¹⁰ As a result, a significant Jewish Diaspora formed within the boundaries of the Persian King. At the same time, Persians extensively utilized the cultural, legal and administrative traditions of the conquered nations in their empire building measures. Some Jewish subjects joined the bureaucratic and economic elites of Persia, which included Media (653-625) (modern southern Azerbaijan) as its northern frontier. An important historical source, the Murashu family documents from Babylonia (the present-day Iraq), which back to 6th century BCE, describes the activities of Jews in the region. These documents contain evidence that Jews were active in renting agricultural lands and other possessions which belonged to the Achaemenid throne and members of the Persian royal family.¹¹ Under Shapur I (241-272) Jews were allowed by Sassanid authorities to establish their communal institutions and adopt formal leadership by an Exillarch or Rosh Ha Gola ("The Head of the Diaspora"). Jewish population centers were also found in the provinces of Shirvan and Derbent of Persian Empire. An important archaeological proof of the Jewish presence in historical Azerbaijan was provided by the discovery of a 6th-century synagogue during excavations of Shabran township.¹² Other Jewish centers in early medieval Azerbaijan were located in Hoy, Salmas and Tabriz. Islam came to the Azerbaijan society with the Arab conquests of Persia and the Caucasus in the middle of 7th century. In Azerbaijan, the pace of conversion to Islam was uneven. The southern Azerbaijan became a part of Umar Caliphate in 639. In the northern Azerbaijan, the Albanian kingdom at first became a vassal state of the Caliphate, where the predominantly Zoroastrian, Christian and Jewish populations, as *Ahli-Kitaba* (the Peoples of the Book), were forced to pay non-Muslim Jizya tax, locally known as *haraj*. Albanian kingdom rebelled against the Arab imposition, so new caliph Usman (644-656) send Arab armies to convert the local population by force.

In the Islamic tradition, conversion by force is undesirable and thus a converted population always remains suspect and not "pure" in the eyes of Ulema, Muslim religious authorities. According to this tradition, Azerbaijanis are considered as "impure" Muslims. However, Jews found the stability provided by the Caliphates appealing. During the Abbasid Caliphate (750-803) Jewish settlements were found in the region of Zargelan (the modern day aul Kubachi) and Semender (the modern day aul Turki) in Daghestan. After the collapse of the Caliphate, Quba-Khacmaz province became a part of the Shirvanshah Emirate (799-1063) with its capital in Shabran, a town with significant Jewish population.

But the medieval Jewish community reached the zenith of its influence during the rule of Ilkhanides over Azerbaijan. Mongolian Ilkhans ruled an empire that extended from the Caucasus to the Persian Gulf from the 13th through the 15th century. It included the present-day Iraq, Iran,

¹⁰ See: M. Bekker, *Evrei Azerbadzhjana: istoria i sovremennost*, Ozan, Baku, 2000, p. 10.

¹¹ See: M. Price, *A Brief History of Iranian Jews*, September 2001, available at [http://www.iranchamber.com/religions/history_of_iranian_jews1.php].

¹² See: M. Bekker, *op. cit.*, p. 13 (for more detail, see an Interview with Shirin Manafov, "Pechalnaia uchast drevnego Shabrana," available at [http://www.azerros.ru/modules.php?op=modload&name=PagEd&file=index&topic_id=28&page_id=121]).

Afghanistan, and Azerbaijan. Hulegu Khan (1256-1265) chose Azerbaijan to be the center of his empire in the second half of 13th century. During Ilkhanide dynasty Azerbaijan included the region of Gilan, cities Urmiya, Hoy, Salmasa, Maraga and Ushnia, and Sheki region, including Derbent. All these areas had significant Jewish populations in the twelfth century. Under the dynasty, early rulers of which professed Buddhism, Azerbaijan experienced a period of great religious tolerance and revival of economic activity.¹³ Buddhist Ilkhans attracted Jews into their higher echelons of civil service and bureaucracy. The Jewish ad-Dawla dynasty dominated the political sphere during the rule of Ilkhanide Argun Khan (1284-1291). His first vizier was Saad ad-Dawla. Saad ad-Dawla controlled both domestic and foreign policy of the empire. His relative, Muhaziim ad-Dawla, was a governor of one of Ilkhanide capital cities, Tabriz. Later, a Jewish potentate Labid en Abi-I-Rabi ruled the whole province of Azerbaijan.¹⁴ After the conversion to Islam of Khan Mahmud Ghazan (1295-1304), an anti-Jewish faction rose to power in the Ilkhanide Empire. At the instigation of this faction Saad ad-Dawla was arrested. At the time, a series of Jewish massacres occurred in Tabriz and Hamadan. As a result many Jewish courtiers converted to Islam, including Rashid al-Din Tabib. He was the first vizier in 1298 and served as a court historian and geographer under Khan Mahmud Ghazan.¹⁵ Tabib authored *Jamiat Tavarikh* (The Collection of Chronicles), a compendium of history and geography. His chronicle is one of the most comprehensive sources of Oriental historiography in Persian language. He was killed on the orders of a Shari'a court in 1318.

By the 17th century Jewish auls (villages) formed a band of settlements from Derbent to Quba. Western travelers attest to a substantial Jewish presence in the eastern Caucasus during that period.¹⁶ During the Shirvanshah rule, the majority of the Jewish population of Azerbaijan concentrated in Quba-Khacmaz Khanate. After several waves of anti-Jewish persecutions and forced conversions of the 16th and 17th centuries, the Jewish population of the Persian Empire dwindled. Fear of persecution led a large group of Persian Jews to resettle in Quba-Khacmaz Khanate in the 17th century. These Jewish settlers came from Gilan and Tehran. During a struggle over the possession of northern Azerbaijan between the Ottoman and Persian Empires, indigenous Jews experienced persecution and destruction of their property by the invading armies. Shortly thereafter, a significant portion of Persian-speaking Jews migrated to the Khanate of Quba during the rule of Huseyn Ali Khan. Jews also fled from Daghestan and other Azerbaijani khanates to seek protection of the benevolent Huseyn Ali Khan (1711-1712). Particularly harsh reprisals against Jews were unleashed by the Persian Nadir Shah (circa 1736-1747). At this period the Jews established a new Jewish settlement near the Quba khanate's capital. Qizil Qasbasi ("Red Colony" or Krasnaia Sloboda as it was known in Russian) was founded on the place of the destroyed Jewish town of Kulgat.¹⁷ In 1797 Surhay Khan of Kazikumyks (from Daghestan) also destroyed another Jewish township, Aba-Saba, in 1797. The Jewish community experienced a true renaissance under benign rule of Fatali-Khan of Quba (1758-1789). Fatali-Khan provided protection to the Jewish community and attracted numerous Jews from outlying regions of Daghestan, Baku and Gilan. Jewish artisans, silk weavers, gardeners and merchants contributed significantly to the economy of the khanate under his rule. Fatali-Khan left an indelible mark of gratitude in the memory of Azerbaijani Jews so that his name is commemorated in the name of the main street of Evreyskacia Sloboda (the former Krasnaia Sloboda), which has survived the Soviet period.¹⁸ The Jews settled in Qizil Qasbasi and

¹³ See: "Azerbaijan," in: *KEE*, Vol. 1, col. 57.

¹⁴ See: M. Bekker, op. cit., p. 14.

¹⁵ See: "Azerbaijan," in: *KEE*, Vol. 1, col. 58.

¹⁶ See: "Gorskie Evrei," in: *KEE*, Vol. 2, col. 183.

¹⁷ See: M. Bekker, op. cit., p. 21.

¹⁸ See: *Ibidem*.

formed particular quarters on the basis of their place of their origin, e.g. Gilan, Tehran, Turkey and Daghestan.¹⁹

All these waves of Jewish migration formed a nucleus of the Gorskie Evrei or the Mountain Jews of Azerbaijan and Daghestan. Their self-name is *Juhur*. They are speakers of the Tat language, a dialect of Persian language. As mentioned above, the internecine wars between Persia, Turkey and Russia over possession of the northern Azerbaijan khanates in the first half of 18th century, had reduced the plight of Mountain Jews in this period. In 1806 northern Azerbaijan was annexed to the Russian Empire (the status that was officially confirmed by the Treaty of Gulistan of 1813). The colonial Russian rule marked a new chapter in the history of Azerbaijan and its Jewish population. This period was characterized by development of capitalism, westernized (“Russified”) education and the integration of the local economy into international market system. The strong non-Muslim colonial ruler elicited strong reactions from the traditional Muslim religious elites in the Caucasus. The Russian settlement in Daghestan exacerbated popular perceptions of foreign invasion and occupation stirred by more radical interpretation of Islam among Naqshbandiyya, a Sufi tariqate, led by Shayh Shamil. Shamil raised a rebellion of the Murides, his followers, in Daghestan and Chechnya. During the anti-Russian Shamil mutiny, which enveloped some regions of northern Azerbaijan, there were numerous bloody attacks on the Jewish population. Shamil practiced forced conversion as a part of the jihad and thus whole Jewish auls were converted to Islam.

The main economic activity of Mountain Jews was agriculture. The population primarily was involved in wine-making, forbidden to Muslims, fisheries; and medium scale madder cultivation. Madder was the main source of textile dyes in the region. The first Jewish millionaires in Azerbaijan, the Hanukaevs, were major producers and exporters of wine to Russian and Western markets. Another family of local Jewish tycoons, the Dadashevs, also owned wineries and fisheries on the Caspian. During the first oil boom of 1880s, they owned shipping and dock facilities in Baku.²⁰ As a result of the development and penetration of Western industrially-produced aniline dyes, the madder growers became pauperized or turned to small-scale trade or became seasonal workers in Baku and Derbent. The Jews of Azerbaijan excelled in wine growing even during the Soviet period, when they were organized in *kolhozs*, the Soviet collective farms.

In the 1820s-1830s the Gorskie Evrei (Mountain Jews) established the first contacts with Russian-speaking Ashkenazi Jews and started sending their young to Russian centers of education. In the late 19th century, the Gorskie Evrei became active in the process of the Jewish settlement of Palestine. A delegation of Mountain Jews took part in the Second Zionist Congress in Basel in 1898. Assaf Pinkhasov translated from Russian to Judeo-Persian a book by Dr. Yoseph Sapira *Zionism* in 1903. This book, published in Vilno, was the first book published in Tat language.²¹ Zionist political and Jewish cultural activities flourished in Azerbaijan for a short period between the two world wars. In the 1920s, 200 Jewish families moved to Palestine, while Jewish publications in the Tat language appeared such as a Baku newspaper *Tobushi Sabahi* (The Dawn). By 1922, all Zionist activities were suppressed by the Soviet authorities and most Mountain Jews were collectivized. They formed several kolkhozs based on viticulture. By 1927, 250 families of Gorskie Evrei became members of collective farms. In 1922 a first Soviet-style newspaper *Kor-soh* (The Worker) appeared. In 1948-1953 as the result of anti-religious and anti-Semitic campaigns, Tat education in schools was banned and publication in Judeo-Persian was suppressed. The sovietization and Russification of the local population denigrated the role of the Tat language

¹⁹ Personal Communication with a Mountain Jew elder in Krasnaia or “Evreyskaia” Sloboda, 6 August, 2004.

²⁰ See: “Gorskie Evrei,” in: *KEE*, Vol. 2, col. 184; M. Bekker, op. cit., p. 21.

²¹ See: “Gorskie Evrei,” in: *KEE*, Vol. 2, col. 187.

in the social life of Gorskie Evrei, but some of them preserved it and still use it as vernacular in the family circle.²²

As Western and Russian industrialists began intensive exploration and development of oil resources of northern Azerbaijan in 1870s, a significant number of European Jews came to Azerbaijan. Jewish financiers and bankers formed one of the pillars of international trade, which brought Baku from its relative obscurity to the attention of world capitals. During the period of this infusion of international capital, Baku became the focus of national aspirations of Azerbaijani intellectuals. The migration of (European) Ashkenazi Jews into Azerbaijan positively affected the economic and intellectual life in Azerbaijan's modern capital, Baku. The first Ashkenazi Jews, who were Tsarist Kantonist soldiers, settled in Baku, then a military and prison fortress, in 1832. At the time, the total population of Baku was 2,154.²³ After oil was found in 1864, an economic and social boom followed. Many upwardly-mobile Jews saw advantages of settling in a more liberal Southern periphery of the otherwise restrictive Russian Empire. They were mostly representatives of the professional class: engineers, scientists, accounts and doctors. By 1898 Azerbaijani oil production reached 8 million tons, exceeding oil production in the United States. By 1901 the Baku oil industry supplied more than half of the world's oil (11 million tons), and 95 percent of all Russian oil.²⁴ International oil barons made substantial investments into the early Azerbaijani oil exploitation including the Nobel Brothers, the Rothschilds, and Vishau. The Western oil magnates were by joined indigenous oil tycoons such as Zeinalabdin Tagiev, Musa Naghiyev and Shamsi Asadullayev, who settled primarily in Baku and its environs. The Jewish professionals formed a part of the burgeoning middle class. The flight of Ashkenazi Jews to Baku had increased after the Kishinev (1903) and Kiev (1904) pogroms. The Jewish population, dominated by Ashkenazis, reached 9,689, or 4.5% of the city's population in 1913. Among them a number of Jewish prominent oil venture capitalists came to explore the potential of Baku oil.

Baron Alphonse Rothschild (1827-1905) came to play a seminal role in the first Caspian oil boom of the threshold of the 20th century. After his death, ownership of his company was passed to his younger brother Edmond. Alphonse Rothschild, the largest magnate of banking capital in France, provided a loan for construction of the Transcaucasian railroad that connected Baku and the Black Sea port of Batum. The railroad was completed in 1883. This transportation corridor provided access to the landlocked Caspian sea and spurred a rush of international and Russian investments. As of 1 January, 1916, the four main companies, which led the Baku oil industry, included the Nobel Brothers; the Russian General Oil Corporation; the Transnational Trust Royal Dutch Shell, and the financial oil corporation Neft.²⁵ In 1883 Alphonse Rothschild founded the Caspian-Black Sea Company (CBSC), which became the leading company of the Baku Oil Council (or the Cartel). The Baku Oil Council was a syndicate of private companies, which were involved in mining, refining and processing of oil. As the result of mergers and acquisition of smaller refineries, the Rothschild firm in 1888 supplied 64 million gallons of kerosene, which corresponded to 58.6% of all Russian exports.²⁶ Jews occupied prominent positions in the Rothschild's oil concern. Alphonse Rothschild nominated George Aron, a Jewish engineer and a former engineer of the Parisian Rothschild Brothers House, to be the chief technical officer of CBSC. Of the three directors of the company was Moris Efrusy (À. Rothschild's son-in-law). The others were Prince G.A. Gruz-

²² See: *Ibid.*, col. 184.

²³ See: M. Bekker, *op. cit.*, p. 23.

²⁴ See: Mir Yusif Mir-Babayev, "Baku Baron Days: Foreign Investment in Azerbaijan's Oil," *Azerbaijan International*, Summer 2004 (12.2).

²⁵ See: *The Review of the Baku Oil Industry for 1915*, Vol. 2, Baku, 1916, pp. 235-331.

²⁶ See: Mir-Yusif Mir-Babayev, "Bakinskaia neft i Rotshildy," *Neftegazovaia promyshlennost*, January 2002 (see also detailed account in: V.À. Nardova, *Nachalo Monopolizatsii Neftyanoy Promyshlennosti v Rossii, 1880-1890*, Nauka Publishers, Leningrad, 1974).

inskii, and Arnold Feigl, Esq.²⁷ Such engineers as Kazimir Bardski, Adolph Gukhman, David Landau, M. Fin, I. Pilkevich held management positions in CBSC. Other prominent Jewish oilmen were G. Polyakov of Polyakov and Sons, A. Dembo and H. Kogan of Dembo & Kogan; and Baron Horatio Ginzburg, a member of the Russian Duma until 1892, and a major patron of arts.²⁸ By 1913-1914 Jewish oilmen controlled 44% of production of kerosene in Baku oil concessions. Kerosene was a principal source of lighting and heating in the first half of the twentieth century. In the described period, an important technological breakthrough in oil refining technology was made in Baku by a Jewish chemical engineer A. Beilin.²⁹

Ashkenazi Jews quickly integrated into the cosmopolitan atmosphere of *fin-de-siècle* Baku.³⁰ Many members of the secularized Jewish community joined the local elite. As an illustration of the prominent status that Ashkenazi Jews attained in Baku, the case of the Landau family deserves some attention. David Landau, a gifted engineer, who fled the Kiev pogrom, was promoted by the Rothshchilds to represent CBSC at the Baku Oil Council. Landau produced a number of technical patents in oil refining technology. His wife Lyubov (nee Harkaby) was a medical doctor and had a popular practice. Their son, Lev Landau, born in Baku on 22 January, 1908, was a precocious student and was admitted to the Baku Gymnasium. The admission of Jews into the gymnasium was regulated by a Tsarist anti-Jewish 5 percent quota. This gymnasium had on the Board of Directors, among others, Zeinalabdin Tagiev and the student's father, David Landau. After graduating from the Physical Department of the Leningrad University at the age of 19, he pursued his scientific career in Ukraine, Germany, Switzerland, England and, especially, in Copenhagen under Niels Bohr. For his contributions to nuclear physics, Lev Landau was awarded the Nobel Prize in 1962.³¹

In the aftermath of the Bolshevik Revolution of 25 October, 1917, the Transcaucasian Federation was formed in February of 1918. It united three Transcaucasian republics. The first independent Azerbaijan Republic was proclaimed on 28 May, 1918. Jews participated in the political life of the young republic as members of Zionist and other movements. During this short-lived Azerbaijani republic, a Jewish member of Milli Mejlis was Moisey Gukhman, the son of a CBSC engineer. Some Jews became ministers in the government of the first democratic republic in Asia. K. Lisgar was a minister for Food Provisions, R. Kaplan was a minister of Religion, E. Gindes, was a minister of Health, and M. Abesgauz was a deputy minister of Treasury. A Zionist activist A. Bushman was an elected member of Mejlis. Three Jewish Russian language publications *Kavkazsky Evreisky Vestnik*, *Palestina* and *Molodezh Siona* were widely circulated in Azerbaijan.³²

During the Russian Civil War (1918-1920) many Jewish refugees from Ukraine and Belorussia came to Baku. They were forced to flee by the massacres of the Jews instigated by the Ukrainian nationalist Simon Petlura and the Russian General Denikin. By the time the Red Army entered Baku in April of 1920, its Jewish population reached 137,000.³³ During the Soviet period

²⁷ See: Mir-Yusif Mir-Babayev, "Bakinskaia neft i Rotshildy."

²⁸ See: M. Bekker, op. cit., p. 31.

²⁹ See: "Baku," in: *KEE*, Vol. 1, col. 283.

³⁰ See discussion of the growth of Baku in: R. Badalov, *Baku: Gorod i Strana*, available at [http://www.sakharov-center.ru/publications/azrus/az_008.htm].

³¹ See Lev Landau's Nobel Prize Winner biography, available at [<http://nobelprize.org/physics/laureates/1962/landau-bio.html>]. Despite his arrest during the Stalinist purges, Lev Landau took an active part in the Soviet nuclear bomb project. For his work on the Soviet atomic and hydrogen bombs Landau was awarded two Stalin Prizes (1949 and 1953, respectively) and a Hero of Socialist Labor award (1954) (see: G. Gorelik, "Lev Landau, Prosocialist Prisoner of the Soviet State," *Physics Today*, May 1995, pp. 11-15).

³² See: M. Bekker, op. cit., p. 37.

³³ See: *Ibid.*, p. 39.

that followed (1920-1991), Ashkenazi Jews actively pursued careers in science, medicine, culture and industry. Exposed to rapid process of assimilation, Ashkenazi Jews intermarried with Azerbaijanis. If before 1917, there were only eight cases of inter-marriage among ten thousand of Ashkenazi Jews, in the following period it became a common practice.³⁴ The Mountain Jews, who continued to live as a compact community in Quba, maintained a stronger Jewish identity. The Baku Jews were actively involved in development of Azerbaijani theater and music. As a Jewish Azerbaijani historian notes, "A very interesting symbiosis of cultures of different peoples was established in Baku. This led to appearance of such a unique phenomenon as a 'nation' of *Bakinets* (a resident of Baku.)"³⁵ A Baku composer and musicologist G. Burshtein made an important contribution to the study of Azerbaijani folk *melos* (folklore). Jewish musicians taught in the Baku Conservatory. They educated a whole generation of such Azeri composers such as Tofiq Quliev, Gambar Guseynly, Farhad Badalbeyli and Zakir Bagirov. By 1959, 29,716 of European and 13,000 Mountain Jews lived in Azerbaijan.³⁶ It is noteworthy that even under the Soviets, the Jews in the Soviet Azerbaijan were not exposed to the widespread discrimination in higher education that was typical in other Soviet republics, especially in the Russian Federation. As a result, the Ashkenazi Jews formed a significant part of intellectual and technocratic elites in the Soviet Azerbaijan.³⁷

During the twilight years of the Soviet empire, Jewish activism increased in Azerbaijan. An Azerbaijan-Israel Friendship society was organized in 1990. Major cultural figures of Azerbaijani culture and academics became board members of this society. The society hosted an Israeli brigadier general Haim Bar-Lev and an Israeli minister of Energy and Science Yuval Neeman in 1992. Israel recognized the independence of the Azerbaijan Republic very shortly after the official dissolution of the Soviet Union. In December of 1991 Israel and Azerbaijan concluded aviation and technical agreements. This one was of the factors which prompted Turkey to raise bi-lateral representation to ambassadorial level.³⁸

Azerbaijan Republic and the State of Israel: Modern Stage and Prospects of Interrelations

Israel established diplomatic relations with Azerbaijan on 17 April, 1992, following the diplomatic recognition by the Russian Federation. Turkey was the first state to recognize Azerbaijan and established diplomatic relations on 14 January, 1992. The Jewish community in Azerbaijan serves as an important factor in Azerbaijani bilateral economic and diplomatic relations with Israel and the United States. Currently 26,000 Jews live in Azerbaijan. The majority concentrates in Baku, while Quba is the second largest Jewish population center with a population of 4,000 persons. Over the last fifteen years due to the anomy and breakdown of society as well as a brief upsurge of xenophobia

³⁴ See: *Ibid.*, p. 40.

³⁵ *Ibid.*, p. 41.

³⁶ See: *Ibid.*, p. 46.

³⁷ Personal Communication of Boris Trepnin, 12 February, 2004.

³⁸ See: G. Gruen, "Turkey's Relations to Israel," in: *Studies on Turkish-Jewish History*, Sepher-Hermon Press, 1996, New York, p. 124.

caused by an inter-ethnic war in the Nagorno-Karabakh, an estimated 40,000 persons left for Israel, the United States and Canada.³⁹ The Azerbaijani authorities granted with a special provision a dual citizenship to Israeli citizens of Azerbaijani origin. The former Azerbaijani Mountain Jews live compactly in Israel. The largest Azerbaijani communities are in Haifa and Acco. These new Israelis carefully preserve their family and economic ties based on their deep-seated Azerbaijani identity and centuries-long history of extraordinary coexistence.⁴⁰ According to Eitan Naeh, the Israeli ambassador in Baku, the Azerbaijani Jews in Israel, “could provide the basis for strong commercial ties.”⁴¹ As an Azerbaijani historian notes, “The majority of [Quba’s] Jews are involved in [international] trade, mastering anew ‘the Great Silk Road.’”⁴² The local business community actively trades with Israel, China, Russia and other states of the CIS.

The establishment of diplomatic relations with Turkey and Israel is noted as having a special significance for the independence of Azerbaijan in 1992.⁴³ The timing of this recognition was especially important for Azerbaijan since the state experienced diplomatic isolation imposed by the Russian Federation under influence of pro-Armenian Russian politicians. Both pro-Western Turkey and Israel, the key American ally in the Middle East, carry a significant weight in the strategic calculations of Azerbaijani policy-makers since the country gained its independence.⁴⁴ Both Turkey and the State of Israel as American allies were capable of promoting Azerbaijani interests in the international arena. In 1990 only two countries, Israel and Turkey diplomatically supported the Azerbaijani position in its struggle against the Armenian secessionist forces in Nagorno-Karabakh.⁴⁵ Israel and Turkey were the two out of only 18 states with representation at an ambassadorial level in Baku by 1997. This diplomatic breakthrough inaugurated an era of good feelings between the both countries. Israeli-Azerbaijani cooperation from 1992 through 1995 had a low-key and often informal character because both countries were in the “diplomatic vacuum.”⁴⁶ During the period of the Nagorno-Karabakh war (1991-1993) Azerbaijan experienced a period of diplomatic isolation from the West. In this period in particular Azerbaijan sought allies which would counter-balance the military and diplomatic pressures of Russia and Iran. Israel proffered its military know-how and diplomatic support to Azerbaijan. But Israeli diplomacy maintained a low profile during this period.⁴⁷ Difficult regional situation in the Southern Caucasus makes Israeli diplomats sensitive to Azerbaijani strategic concerns. As Israeli ambassador in Baku, Eitan Naeh concludes, “dangerous neighbors and a history of being oppressed—make Azerbaijan and Israel logical allies.”⁴⁸ Initially the official bi-lateral relations were limited to cooperation in the field of agriculture, as

³⁹ See: “Israeli Ambassador Lauds Treatment of Jews in Azerbaijan,” available at [<http://www.internationalspecialreports.com/ciscentralasia/01/azerbaijan/israeliambassador.html>].

⁴⁰ See: E. Wohlgelemer, “Jews Come Down the ‘Mountain’ in Tel Aviv to Preserve Culture,” *Jerusalem Post Service*, 21 February, 2003.

⁴¹ R.A. Greene, “Shared Feelings of Isolation May Make Israelis and Azeris into Friends,” *Jewish Telegraphic Agency*, 28 April, 2002.

⁴² *Azerbaijan: The Status of Armenians, Russians, Jews and Other Minorities*. U.S. Department of Justice, INS Resource Information Center, Washington, D.C., 1993, p. 17.

⁴³ See: M. Bekker, op. cit., p. 67. In general, Abulfaz Elchibey, the first President of Azerbaijan viewed Turkey and Israel as models for building a modern Azerbaijani society. Both in Turkey and Israel, the young Azerbaijani leaders saw two successful nation states built on the basis of commonality of language, strong nationalist orientation and rapid westernization surrounded by the hostile neighbors.

⁴⁴ Personal interview with an Azerbaijani diplomat Sultan Malikov, 15 February, 2005.

⁴⁵ See: *Khalq Gezeti* (Baku), 16 January, 1992, p. 2.

⁴⁶ A. Veliev, “Treugolnik Izrail-Turtsia-Azerbajjan: Realnost i Perspektivy,” *Zerkalo*, 3 September, 2004.

⁴⁷ See for details of the cooperation in: “Good Relations between Azerbaijan and Israel: A Model for Other Muslim States in Eurasia?” *Policy Watch* #982, The Washington Institute for the Near East Policy (co-author Soner Cagaptay), 30 March, 2005.

⁴⁸ R.A. Greene, op. cit.

Israeli private firms were involved in 1993/1994 in USAID-funded agricultural projects. But beginning from 1995, both Israel and Azerbaijan started to enhance their bilateral relations, because, as an Azerbaijani foreign policy expert pointed out, "both sides sympathize with each other." According to Veliev, the mutual sympathy has a historical basis. It is known that Azerbaijani leadership always took a pre-eminent role in condemning any manifestation of anti-Semitism in the post-Soviet space. President Heydar Aliiev stressed the historical nature of Azerbaijani-Israeli amity in his diplomacy. In a speech addressed to Israeli diplomats, Heydar Aliiev said, "The friendship between Azerbaijan and Israel has deep roots. For centuries Jews lived continuously in Azerbaijan as equal citizens. Azerbaijanis never consider them foreigners."⁴⁹ He stressed the special role which the Ashkenazi Jews came to play in the history of the modern Azerbaijani state: "Our people will never forget that the Jews, who came to settle in Azerbaijan in the end of the 19th and the beginning of the 20th centuries and until today, have greatly contributed to the development in Azerbaijan of such sectors as science, culture, health, economics, industry, and left an indelible trace."⁵⁰

C o n c l u s i o n

The historical memory and continued amity of Azerbaijani society toward Jews, which was atypical in the European parts of the Soviet Union, continues to affect the "atmospherics" of Azerbaijani-Israeli relations. An American diplomat, who worked in Baku in from 1992 through 1994, commented that the opening of an Israeli embassy was "the most natural thing because of the cosmopolitan elite which included many Jews ... that characterized Baku for more than hundred years."⁵¹ Jews were part of this elite during the first Azerbaijani independence (1918-1920) and the Soviet era." As an experienced statesman, Heydar Aliiev realized the import of the good will shared by Azerbaijani Jews and such influential diasporic community as the American Jewry. As a result of the Azerbaijani diplomatic efforts, "...The [American] Jewish Diaspora, which is tightly linked with Israel, always reciprocates by lobbying for Azerbaijani interests in the United States."⁵² The main focus of American Jewish community activism was placed on the annual suspension of the Section 907 of the Freedom Support Act. This legal device prevented any U.S. government assistance being provided to the Azerbaijan Republic. In 1992 U.S. Congress enacted the Section 907 of the Freedom Support Act; this piece of legislation effectively prohibit assistance "to the Government of Azerbaijan until the President determines, and so reports to the Congress, that the Government of Azerbaijan is taking demonstrable steps to cease all blockages and other offensive uses of force against Armenia and Nagorno-Karabakh."⁵³ Obviously this is one of the priority issues in Azerbaijani-American relations and Azerbaijani foreign policy in general, because American assistance was very substantial (compared to European aid) in volume and had broader international repercussions for the former Soviet republic. By the same token, the American Jewish leadership saw in their support for Azerbaijani interests a powerful way to leverage its influence on Capitol Hill in not only maintaining good graces of the Azerbaijani government toward its Jewish residents but also to benefit the Turkish-Israeli

⁴⁹ President Heydar Aliiev's speech at Israeli Embassy in Baku, 11 May, 2000.

⁵⁰ Ibidem.

⁵¹ Personal Interview with an American diplomat, Philip Remnik.

⁵² A. Veliev, op. cit.

⁵³ Quoted from: S.N. MacFarlane, L. Minear, "Humanitarian Action and Politics: The Case of Nagorno-Karabagh," *Occasional Paper #25*, Thomas J. Watson Institute for International Studies, Providence, R.I., 1995, p. 52.

alignment. The Israeli and especially Turkish diplomats actively sought the assistance of the American Jewish community in defeating this discriminatory legislative measure against their new strategic partner, Azerbaijan.⁵⁴

⁵⁴ Personal interview with Barry Jacobs, the American Jewish Committee, 24 February, 2004.
