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GEORGIA AND RUSSIA: IN SEARCH OF WAYS FOR NORMALIZATION

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**GEORGIA AND RUSSIA: IN SEARCH OF
WAYS FOR NORMALIZATION**



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FOREWORD

Since Georgia's independence and the emergence of the Russian Federation as a successor of the Soviet Union on the international stage, the relations between the two states have not been good. The tensions and disagreements, mainly about foreign policy orientation and priorities, have resulted in a number of indirect and direct military confrontations in break-away regions of Georgia. While Georgia has tried several times to reaffirm its western cultural and political orientation, Russia has searched for reasons and ways to keep the neighboring country under its influence. While Georgia has been struggling for its independence for the last two centuries, and has never reconciled with the idea of being part of another nation, the Russians believe that Georgia and Georgians have been deliberately integrated and actually form part of their great civilization. Any separation of Georgia from Russia is thought to be artificial and an "inorodnaia" (alien by nature) idea. These incompatible attitudes fuel the deep sense of justification of their own positions, with both sides believing that they are right and expecting the opposing side to make a concession and step back from the established position. Indeed, polls and studies carried out in both countries show that not just the governments but also public opinion is quite rigid in its established visions. While Georgia has no intention of compromising on independence, freedom of choice of its security alliances or vector of economic and political integration within European and Euroatlantic arrangements, Russia is confident in its right to "reintegrate the territories lost" as a result of the defeat in the last cold war, citing the illegality of western "penetration" into the deep space of the Russian traditional influence.

GFSIS has been conducting projects with the participation of Russian and Georgian experts for years. Previous projects have resulted in a considerable number of successful confidence-building meetings and publications, always focusing on areas of common interest between Russia and Georgia. We believe the ideas expressed by the authors of the publications and by the participant opinion-makers have influenced, to a certain extent, the dynamics of Russia-Georgia relations, which appear to have become at least less explosive in the last few years.

Marking the fundamental differences for the wider public, including elites, in attitudes towards the causes of conflict between the two countries, the project carried out by GFSIS, with the financial support of the Ebert Foundation and the Swedish Government, has been focusing on finding ways to stimulate positive interest and cooperation between Russia and Georgia, to overcome the contradictions and to look forward from the perspective of mutually beneficial opportunities. Our approach aims to increase interest and inspire hope that we can overcome those contradictions and shape a peaceful future of relations between the neighboring nations.

In this edition, the reader can find articles written by the participants of our recent Russian-Georgian expert dialogue, held during summer and fall 2016, in Tbilisi. The invited experts discussed topics related to regional conflict and the international dynamics in Europe, the Middle East, Ukraine and the Caucasus, with emphasis being put on analysis of political and economic processes in Russia and Georgia. Prospects of economic cooperation and the freedom of movement of people merited special interest during the dialogue. The considerations and ideas discussed have influenced the views and attitudes of the authors, a fact reflected in the presented publications.

We hope that the analyses offered by Russian and Georgian experts in this publication contribute to the readers' understanding of the wide range of issues existing between the two countries and at least encourages thoughts of ways to overcome them.

Kakha Gogolashvili
Director of the Project

HOW TO IMPROVE RUSSIA-GEORGIA TALKS?

Paata Gaprindashvili

Director, Georgia's Reforms Associates (GRASS)

Georgian Dream

One can hardly remember a time in the relations between Russia and Georgia when Moscow and Tbilisi were hailing with such warmth the improving relations between them even in the absence of any kind of agreement or breakthrough. Paradoxically enough, the two countries did occasionally manage to come to important agreements, and even breakthroughs, as a result of months of discussions, if not years of long and intensive negotiations against the background of their tense relations. It would be good to have both good agreements and breakthroughs alongside ever improving relations but at this point, we can only dream of efforts which could lead to negotiations between Russia and Georgia aimed at concluding a framework agreement that settles all the differences between the two countries.

Given Reality

Can Russia use force against Georgia? Can Russia annex South Ossetia and Abkhazia? Trying to answer these questions one needs to take into consideration recent developments in Syria and Russia's war on the side of Bashar al-Assad's regime as well as the annexation of Crimea in 2014 and the aggression against Georgia in 2008. Since 2008, the Kremlin has increasingly been pursuing a strategy to make sure nothing can be done in global affairs without Russia's involvement. Sergey Lavrov, in his 3 March 2016 article, entitled "Russia's Foreign Policy: Historical Background," has paraphrased the statement of Alexander Bezborodko, who was Chancellor under Catherine the Great: "Not a single canon in Europe could be fired without Russia's consent" and identified the following as the backbone of Russian foreign policy: "Not a single European issue can be resolved without Russia's opinion"¹.

In pursuing this strategy, Russia has attempted to undermine Euro-Atlantic institutions, backed political parties in Europe from left to right and tried to meddle in America's presidential election. And it has once again used the threat of nuclear arms to blackmail the West². It is not only Georgia and its current government which is not immune to Russia's influence or its penetration into domestic politics but this is something which is also increasingly felt from country to country in Europe and in the US. In Germany, for example, Russia has long been masterminding to help Angela Merkel, one of the staunchest supporters of economic sanctions against Russia, to be defeated in the general elections next year. Tactics being used there are the same as in France state sponsored propaganda coupled with channelling funds to forces both left and right as well as waging cyber warfare. Recently, I participated in a conference at which a French panellist was talking about the increasing popularity of Putinism in France.

The threat from Russia is more eminent for Georgia and Ukraine but Russia also poses a real threat to other countries of the former Soviet Union, even including the Baltic States. Recently, Lithuania updated its civil defence booklet for the third time, in which it tells citizens what to do in the event of a Russian invasion³. Russia has increasingly become a threat to Europe's security and stability. As NATO's former Secretary General, Anders Fogh Rasmussen, put it in 2015: "The Russia of today is more dangerous than the Soviet Union. An increasingly unpredictable Russia is engaging in a 'hybrid

1 Lavrov, S. (2016). Russia's Foreign Policy: Historical Background. *The Ministry of Foreign Affairs of the Russian Federation*, 3.

2 The Economist. *Inside the Bear*. At www.economist.com/news/special-report/21708879-when-soviet-union-collapsed-25-years-ago-russia-looked-set-become-free-market.

3 BBC. *Lithuania issues updated Russian invasion advice booklets*. At www.bbc.com/news/world-europe-37805970.

war' with Europe, seeking to destabilise states from within and is more dangerous now than during the days of the USSR"⁴. Just recently, European Council President Donald Tusk, said: "It is clear that Russia's strategy is to weaken the EU. We have a sober assessment of the reality and no illusions"⁵.

In arena after arena, Russia is not only violating the rules but is trying to break international order, and splinter anyone or any group that might hold it to account⁶. Russia vetoed a decision to establish an international tribunal under the UN to investigate the tragedy of the downing of the Malaysian Airlines flight over Ukraine that killed 298 innocent people. In Syria, a ceasefire that had taken months to negotiate took only hours to be unravelled by Russia by a deliberate attack carried out by its aircraft on an aid convoy. There is every reason to believe that the Russian-backed war in Syria will be further prolonged and produce more and more casualties and human suffering- and more refugee flows into Europe are inevitable.

Russia's Attitude vis-à-vis its Immediate Neighborhood

As Russia's Foreign Minister put it at the Munich Security Conference some years ago, Russia's policy, after years of humiliation, was to "defend" the geopolitical space between Russia and the West from its being seized by the West⁷. This geopolitical space should include Ukraine, Georgia and Moldova as well as the Baltic States.

"Defending" this geopolitical space also means Moscow not living up to the commitments it made regarding Georgia and Ukraine. Russia is in breach of the EU-brokered 12 August 2008 cease-fire agreement. Moreover, it has questioned its validity by pointing out from time to time that this agreement is no longer binding. Russia has been undermining the Minsk Agreement in the case of Ukraine since its very signing.

In Georgia, the armed forces of the Russian Federation occupy 20 percent of Georgian territory. Russia illegally recognised the independence of ethnically cleansed South Ossetia and Abkhazia and set up military bases on these territories where it has deployed over ten thousand soldiers therein. The ongoing build-up of offensive military capabilities includes the deployment of command and control systems, tanks and rocket-propelled artillery as well as the training of assault and special operations troops.

Conflict-affected communities continue to be divided by the combined Russian-Abkhaz-Ossetian forces. Freedom of movement between communities is restricted and kidnappings of locals living across the dividing lines by the Russian and South Ossetian "border guards" for allegedly crossing the "state border" have become almost a daily routine. Furthermore, following the annexation of Crimea, Russia has pursued an annexation policy vis-à-vis Abkhazia and South Ossetia as well. Recently, Moscow made the inhabitants of Abkhazia and South Ossetia participate in the State Duma elections together with the Crimean population. Powerful voices in Russia demanding the incorporation of South Ossetia into the Russian North Ossetia, and Abkhazia into the Russian region of Krasnodar, have increased.

It may annex these two entities unless timely and adequate steps are not taken by Georgia as well as by the international community. Although there is no eminent threat to Georgia from Russia now, the threat of a Russian military incursion in Georgia still remains. Moscow has not made a commitment of non-use of force against Georgia. Due to the economic slowdown and the increasing authoritarianism in the country, Russia will eventually face more and more upheavals internally and the danger is that Mr Putin will continue to pursue his tactics of responding to internal problems

4 NEWSWEEK. Russia Engaging in "Hybrid War" with Europe, Says former NATO Chief. At www.europe.newsweek.com/former-nato-chief-says-europe-hybrid-war-putin-322293?rm=eu

5 Politico. EU leaders shy away from new Russia sanctions. At www.politico.eu/article/eu-leaders-consider-new-sanctions-against-russia-theresa-may-donald-tusk-european-council/

6 The Economist. *Russian dirty tricks*: Doping and hacking At www.economist.com/news/leaders/21702755-russia-waging-silent-war-international-order-doping-and-hacking

7 Speech by Sergey Lavrov at the 51st Munich Security Conference. At www.newcoldwar.org/speech-comments-russian-foreign-minister-munich-security-conference-feb-7-2015/

with his external “endeavours.” As the *Economist* recently put it: “Mr Putin has sought to offset vulnerability at home with aggression abroad”⁸.

It is not surprising that Putin has never perceived NATO as a threat to Russia’s security per se. It developed by and large in response to changes in Russia and the former Soviet republics. When Mr Putin became president in 2000, he showed no overt hostility towards America or the West despite the then recent NATO bombing raid on Belgrade without a UN resolution. In his interview, he said: “I cannot imagine my own country in isolation from Europe so it is hard for me to visualise NATO as an enemy”⁹. Russia, he said, might become a member of NATO if it were treated as an equal partner. Even when the three Baltic States joined NATO in spring 2004, Mr Putin insisted that relations with the defence organization were “developing positively” and he had “no concerns about the expansion of NATO”¹⁰. There was an even warmer attitude towards the EU. Again in 2004, Mr Putin said: “If Ukraine wants to join the EU and if the EU accepts Ukraine as a member, Russia, I think, would welcome this because we have a special relationship with Ukraine”¹¹.

It is clear that neither Georgia nor Ukraine alone cannot resist the Russian policy of forcing Europe and the world to recognise fait accompli - Moscow’s sovereignty over Crimea as well as over South Ossetia and Abkhazia as well as recognise a Russian sphere of influence in the former Soviet Union. Strong support and solidarity from the EU and the US are needed as never before.

Russia-Georgia Talks

Relations between independent Russia and Georgia have almost always been frosty and tense. After the 2008 Russia-Georgia war, diplomatic relations were broken off between the countries and in March 2009, Switzerland assumed the role of representing Georgia’s diplomatic interests in Moscow and those of the Russian Federation in Tbilisi.

During these years of being independent and sovereign states, representatives of Russia and Georgia from different fields have conducted a great deal of negotiations and talks; however, very few of them have resulted in real outcomes in terms of their significance. I would single out two of them: one was concluded in 1999 in Istanbul (Joint Statement of the Russian Federation and Georgia signed in Istanbul on 17 November, a part of the Final Act of the Treaty on Conventional Armed Forces in Europe) and the other agreement on customs administration between Russia and Georgia was signed (Agreement between the Government of Georgia and the Government of the Russian Federation on the Basic Principles for a Mechanism of Customs Administration and Monitoring of Trade in Goods) on 9 November 2011 in Geneva after diplomatic relations were cut off.

These two agreements are different in substance but what unites them is that both were the results of international engagement as well as national interests, although divergent, and the political will from Russia and Georgia to come to an agreement. These agreements represent the product of mutual compromises.

Format of Talks between Russia and Georgia

Currently, Russia and Georgia have three channels of communication. They have been talking to each other within the format of the Geneva International Discussions since 2009. In 2013, talks started and continue in the so-called Abashidze-Karasin or Prague bilateral format. And, last but not least, the delegations of the two countries can meet and talk through Swiss mediation.

8 The Economist. *The threat from Russia*. At www.economist.com/news/leaders/21709028-how-contain-vladimir-putins-deadly-dysfunctional-empire-threat-russia.

9 The Economist. *The fog of wars*. At www.economist.com/news/special-report/21708880-adventures-abroad-boost-public-support-home-fog-wars.

10 At www.economist.com/news/special-report/21708880-adventures-abroad-boost-public-support-home-fog-wars.

11 Press Conference Following Talks with Spanish Prime Minister Jose Luis Rodriguez Zapatero. At www.en.kremlin.ru/events/president/transcripts/22742

In the bilateral format of talks, Mr Zurab Abashidze is the Special Representative of the Prime Minister of Georgia and Mr Gregory Karasin is the deputy foreign minister who also happens to represent Russia in the Geneva International Discussions where Georgia has a different representative also at the level of the deputy foreign minister. Messrs Abashidze and Karasin are mandated to talk and promote trade relations, transport, communication and humanitarian-cultural relations between two countries. Meetings can also be joined by delegations of respective agencies as well as representatives of the business communities from both countries. What is interesting as well is that, according to the mandate of this format, it can also address “other possible spheres of cooperation”¹².

So far, and since the launch of this bilateral format of talks, their importance has been highly valued by the governments of Russia and Georgia. According to one of the recent statements of the Russian Foreign Ministry: “Both countries are willing to continue their dialogue on ways to boost bilateral relations in areas where progress is possible despite the absence of diplomatic relations, such as trade, transport and culture”¹³.

It further highlights the “encouraging results of the efforts to normalize bilateral relations over the past four years”¹⁴. According to the statement, bilateral trade increased by 17 percent in January through September 2016. Russia remains the second largest trade partner for Georgia and the main market for its wines: this year, Georgian wine deliveries to Russia went up 36 percent. The combined (air and motorway) passenger flow exceeded 400,000 people this year. At the same time, practical cooperation between the transport authorities of the two countries has improved. Russia expressed its hope that the planned meeting of Russian and Georgian business people, which is being sponsored by the countries’ chambers of commerce and industry, will help further strengthen economic ties between Russia and Georgia. Russia welcomed the record-high number of Russian tourists – over one million people – which will visit Georgia this year and also praised Georgian resorts.

Most importantly, the statement ended with optimism that Russia and Georgia have reaffirmed their resolve to carry on a pragmatic policy of gradual normalization of bilateral relations, which all of us want¹⁵. I for one, can hardly remember such appraisal of our bilateral relations.

The Georgian side has gone even further in praising the results of these talks. According to Mr Abashidze, these talks, apart from bringing economic benefits to the people of Georgia and Russia and improving the relations between these countries, have also contributed to the deepening of the ties between Georgia and Europe¹⁶.

Although these talks are largely limited to issues of economic cooperation, from time to time this format has also been and is used to defuse tensions and address issues such as violations of human rights in South Ossetia and Abkhazia, incidents across the dividing lines, and releasing prisoners, among others.

Notwithstanding the progress made, both sides admit that there are limitations to this format and, therefore, according to Mr Abashidze, there should not be excessively high expectations for these talks – alone, they cannot normalise relations between Russia and Georgia¹⁷. Indeed, unless issues like the liberalization of the visa requirement for citizens of Georgia is decided sooner rather than later (the recent statement of the Russian MFA included non-committal words on the visa issue that Russia will continue working on visa liberalization for Georgian citizens¹⁸), the implementation of the agreement on customs administration and the monitoring of trade in goods starts without further delay, encouraging the freedom of movement of people across the dividing lines and the eventual opening up of South Ossetia and Abkhazia for trade and transit and supporting different projects of

12 N39 Decree of the Prime Minister of Georgia. At www.gov.ge/index.php?lang_id=GEO&sec_id=273&info_id=35945

13 Briefing by Russian Foreign Ministry Spokesperson Maria Zakharova. At http://www.mid.ru/en/foreign_policy/news/-/asset_publisher/cKNonkJE02Bw/content/id/2503312

14 www.mid.ru/en/foreign_policy/news/-/asset_publisher/cKNonkJE02Bw/content/id/2503312

15 www.mid.ru/en/foreign_policy/news/-/asset_publisher/cKNonkJE02Bw/content/id/2503312

16 Kviris Palitra at www.kvirispalitra.ge/politic/32047-qerthi-ori-angazhirebuli-eqspertis-gantsyobaze-politikas-ver-avagebthq.html

17 At www.kvirispalitra.ge/politic/32047-qerthi-ori-angazhirebuli-eqspertis-gantsyobaze-politikas-ver-avagebthq.html

18 www.mid.ru/en/foreign_policy/news/-/asset_publisher/cKNonkJE02Bw/content/id/2503312

a confidence-building nature between the communities across the dividing lines, this very format may reach its limits in terms of deliverables and become a softer version of a hot line between Moscow and Tbilisi and, eventually, become redundant. It should be also noted that Mr Abashidze has pointed out several times that although a change in the Prague format is not foreseen in the near future, its possibility cannot be excluded if needed¹⁹.

In general terms, the divergent positions and interests of Georgia and Russia are clear, and bridging them will not be conceivable for many years to come. There is a so-called “new regional reality” created by Russia in the forms of the “independent states” of South Ossetia and Abkhazia and the ongoing occupation of these regions. The situation is further exacerbated by the threat of the annexation of South Ossetia and Abkhazia respectively to the North Ossetian and Krasnodar regions of the Russian Federation. The use of force by Russia against Georgia cannot be ruled out either. These fundamental issues need to be addressed further and Georgia alone cannot handle them.

Following the 2008 war and the signing of the six-point cease-fire agreement between Russia and Georgia brokered by the EU, the Geneva International Discussions format was put into place as a result of multiple compromises from different stakeholders. However, attempts to change this international format of talks have never stopped mainly due to various attempts to upgrade the status of Abkhazia and South Ossetia. In this context we should remember that there are two extremely important ‘holy’ assets to be found in this format. First is the cease-fire agreement. This is the only international legal basis on which this format is built. If the cease-fire agreement is lost, the format is lost, and if participants withdraw from the format, there is high risk of losing the cease-fire agreement.

The Geneva International Discussions on its side has its own limitations and has not made a breakthrough so far in fulfilling its mandate in relation to the non-use of force and establishing international security arrangements in Abkhazia and South Ossetia, nor in relation to the return of refugees and IDPs. However, this format has proved that it has a means to mobilise efforts and the political will of the international community as well as of Russia and Georgia and that it can deliver. The agreement on establishing an Incident Prevention and Response Mechanism with a hotline is one of the best examples. According to the position of Russia’s deputy foreign minister Karasin, “Geneva has fulfilled and continues to fulfil a safety-net role²⁰.”

It is of paramount importance, therefore, to make all of the necessary efforts in order to strengthen the Geneva International Discussions. The times for its relevant application may eventually come.

Other Steps to be Considered

An indefinite fragmentation of the dialogue with Russia can eventually undermine the importance and deliverables of the Geneva International Discussions as well as dilute and weaken the Prague format of talks. If not supported, the Geneva International Discussions can increasingly be perceived both domestically and internationally as a poisoning of the relations between the different stakeholders and not an instrument for their betterment.

One ‘umbrella,’ or one package (which can have different formats) for a dialogue with Russia should be given serious consideration. This would also mean that all formats should be led by the same authority/person as is the case from Russia. Against the background of improving relations as is claimed by Moscow and Tbilisi, it should be made clear and both countries should recognise that they should not let any poisoning of topics bring the dialogue down but, rather, they should ensure the dialogue proceed even with such topics.

Russia increasingly finds itself in international isolation and sanctions imposed on it by the wider international community are not going to be removed in the foreseeable future unless Russia

19 At www.kvirispalitra.ge/politic/32047-qerthi-ori-angazhirebuli-eqspertis-gantsyobaze-politikas-ver-avagebthq.html

20 Personal Notes from Geneva International Discussions. 21st Round. 10-11 October, 2012.

cooperates responsibly on Ukraine and Syria (although Russia's actions in Syria are not yet formally linked to sanctions). So far conflict between the Russian Federation and Georgia has not played any role in sanctions imposed on Russia by the West. Although progress, albeit limited in the Prague format, has been evident, this might eventually create a somewhat misleading impression for the West that Georgia and Russia alone can make sustainable steps for the normalization of their relations.

Georgia and Russia, as well as the EU and US, should be "reminded" about the recent past that only through interacting with each other and exercising compromises by using different means, including finding status-neutral formulas, can one assemble sustainable steps for improving relations. One of the products of the process of interlocking interests and an example of "everybody talking to everybody" is the Agreement between the Government of Georgia and the Government of the Russian Federation on the Basic Principles for a Mechanism of Customs Administration and Monitoring of Trade in Goods, concluded on 9 November 2011 in Geneva whereby Georgia and Russia signed a package of documents in the framework of negotiations on Russia's accession to the World Trade Organization (WTO) mediated by the Swiss Confederation.

Start Implementation of the Agreement

This was an important document for both countries for a number of economic and political reasons. First of all, it made clear that the two countries can have a meaningful dialogue with the help of international actors even in times of major turmoil in their relations. By concluding this agreement with Georgia, the last obstacle for Russia's joining the WTO after 18 years of negotiations was removed. According to the World Bank's estimation, in 2011, Russia's membership in the club could bolster its annual gross domestic product as much as 11 percent over the long term²¹. This agreement gave Georgia transparency regarding trade between Russia and Georgia, including trade to and through South Ossetia and Abkhazia.

In the presence of interest and political will, both sides have made compromises by applying the status-neutral formula in setting up trade corridors between the customs terminals of the two countries in the areas which were fixed in the agreement with their geographical coordinates and not by their geographical names. It is important that if these geographical coordinates were put on the map, it would mean that three trade corridors should be established between the Psou-Zugdidi, Roki-Gori and Lars (currently operating) customs terminals. The international monitoring of trade between Russia and Georgia would be conducted by a neutral private company (SGS) chosen by a neutral third party – Switzerland.

The start of the implementation of the agreement has been delayed and Russia has yet to complete its contract with the company of the neutral third party. Recently, after meeting with his counterpart, the Special Representative of Georgia's Prime Minister expressed his cautious optimism by highlighting that "according to the Russian position, they express their readiness for making a few concrete steps as well to clarify a number of details²²." However, as the saying goes, "the devil is in detail" and, of course, it still remains to be seen if the Russian Federation will stick to its obligations under the agreement. If, for instance the clarifying of a few remaining details would include Russia's demand to change the agreed coordinates for the trade corridors, then the good potential of this agreement will be lost. If there are no other alternatives, Tbilisi should use all of the available means under the agreement (the Joint Committee of which consists of Russia, Georgia and Switzerland as well as the Arbitral Tribunal and the WTO's dispute settlement mechanism) to ensure that obligations of the agreement are respected.

21 Wall Street Journal. Russia to Join WTO. At www.wsj.com/articles/SB10001424052970204224604577027810930153038

22 InterPressNews. At www.interpressnews.ge/ge/politika/402914-zurab-abashidze-shveicariul-kompania-sgs-sthan-gasafornebel-dokumentze-mushaoba-dasrulebulia-da-rusethisgan-bolo-detalebis-dazustebas-velodebith.html?ar=A

Therefore, the start of the implementation of what was agreed in Geneva may also have a direct bearing on the ongoing talks between Russia and Georgia in Prague as well as on the Geneva format. Although the freedom of movement of people and goods and trade are a matter of a security arrangement, it is also a humanitarian issue addressed in both formats. If the start of the implementation is delayed indefinitely and the agreement eventually collapses, it could negatively affect the positive dynamics in Prague as well as in Geneva and further dilute their substance.

The importance of this agreement and its implementation cannot be overestimated. It has the potential to increase economic ties between the peoples of both countries and help reduce tensions in the region if fully utilized. It has the potential to open up South Ossetia and Abkhazia for international trade and transit, including resuming the railway connection between Russia and Georgia through the territory of Abkhazia. Although the status-neutral formula in negotiations was successfully applied when the IPRM was agreed among the participants of the Geneva International Discussions, it has so far failed to contribute significantly to the freedom of movement of people and goods and trade facilitation. Barriers from both sides of the dividing lines, and the status issue, have minimized progress to this end. By starting to implement the Russia-Georgia agreement on customs administration, this can boost the Geneva process in terms of reaching an informal agreement/code of conduct similar to the IPRM which, while leaving the underlying status-related issues untouched, could at least guarantee a civilized and dignified way of crossing for the local population.

Non Use of Force and Non-Annexation

As I indicated above, I can hardly remember such an appraisal of the bilateral relations as we have now. There could be an opportunity to take advantage of these new political dynamics.

If further meaningful steps are taken by Moscow and Tbilisi and, objectively, there are no fundamental obstacles for these steps not to be taken towards visa liberalization, the start of implementation of the customs agreement, ensuring safe and civilized freedom of movement for the war-torn communities based on a status-neutral approach, encouraging confidence-building projects and interaction between them in the fields of trade, education, healthcare, the prevention of natural and technological disasters, and the rehabilitation of critical infrastructure, among others, then the atmosphere might further improve to create an opening.

Although Moscow and Tbilisi will not be able to either solve or bridge the fundamental differences that divide them, namely, the status issue, a window of opportunity can be worked out by the leaders of the dialogue for shaping a pledge on the non-use of force against Georgia and the non-annexation of South Ossetia and Abkhazia. This can be done without crossing a political 'red line' of the sides.

There is a way to move forward and improve Russia-Georgia talks – Moscow and Tbilisi, with the encouragement of the international community, should have a clear vision and the political will and the opportunities that could be given now should not be saved for the indefinite future.

THE RUSSIAN-GEORGIAN VISA PARADOX: A LONG PATH TO NORMAL

Sergey Utkin

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For travelers crossing the state borders, the existence of a visa regime with their destination country where is of importance. A formality designed to filter out a small percentage of real or perceived offenders and undesirable persons ultimately affects law-abiding citizens, often pushing them towards more simple, visa-free travel. Countries may either retain visa formalities with each other, or mutually agree to abolish them. The principle of reciprocity is believed to allow each of the parties to evaluate the costs and benefits of various scenarios of the development of visa issues based on their own experience and, thus, to contribute to a balanced solution. In practice, reciprocity does not mean equality. The countries of the world differ in their demographic weight, geographic location, political and economic interests that, *inter alia*, determine their position in visa-related negotiations. In cases where these differences are quite significant, and political conditions permit, tourism-dependent countries often introduce the visa-free regime unilaterally. In this sense, the current situation between Russia and Georgia, when Georgian citizens need a visa to enter the Russian Federation and Russian citizens may enter Georgia without a visa, is not unique. However, the politically sensitive relations between Russia and Georgia determine the specific nature and role of the visa issue between the countries.

Evolution of Approaches

Russia introduced a visa regime for Georgia at the end of 2000 within the context of an acute phase of the Chechen conflict. Though the need for tighter border-crossing procedures was justified by these local circumstances, the very decision to start negotiations on this issue gave rise to speculation about a possible refusal of visa-free travel within the Commonwealth of Independent States (CIS) as a whole¹. The Georgian side reluctantly accepted the change proposed by Moscow². When asked about the motivation of the Georgian position, head of the Georgian Border Department V. Chkheidze, in particular, noted: *“The USSR didn’t have only negative impact on the lifestyle and psychology of peoples. There were good things as well. We’ve had both close economic and purely human relations. A Georgian who goes to Russia or Ukraine doesn’t say he’s going abroad. This is a different concept.”*³

In March 2001, in the background of the visa regime already introduced by Russia, Georgia made the decision to switch to a principle of reciprocity⁴. President Vladimir Putin once again tied the visa regime directly to the situation in Chechnya and called it a temporary measure that was welcomed by Official Tbilisi.⁵

The temporary position actually became permanent and was associated not so much with Chechnya but rather with tense Russian-Georgian relations. At the end of 2003, in the context of the victory of the “Rose Revolution”, Russian Foreign Minister Igor Ivanov pointed out that the visa regime “caused discomfort both to Russian and Georgian citizens,” and the problem “would be resolved

1 End of Visa-Free Regime in CIS // *Nezavisimaya gazeta*. 05.11.1999.

2 Tbilisi is Concerned by Persistence Expressed by Moscow // *Nezavisimaya gazeta*. 16.06.2000; Tbilisi Supports Visa-free Regime *Nezavisimaya gazeta*. 12.09.2000.

3 “Introduction of the visa regime won’t solve any problems”, says Head of State Border Department Valeri Chkheidze// *Nezavisimaya gazeta*. 26.09.2000.

4 New Difficulties Faced by Georgians and Russians // *Nezavisimaya gazeta*. 23.02.2001.

5 New Difficulties Faced by Georgians and Russians // *Nezavisimaya gazeta*. 23.02.2001.

to the extent the other questions related to the Russian-Georgian relations would be addressed.”⁶ The new Georgian government, for its part, decided to speed up the process. Prior to his visit to Moscow in July 2004, President Saakashvili made a decision on visa liberalization⁷ that envisaged the issuance of visas at the airport. A year later, the Georgian President unilaterally abolished visas for US and EU citizens stating: *“Our budget will lose up to \$1 million of consular fees, but it is an amount worth sacrificing for the sake of strengthening ties. The next is Russia. We need to restore a common human space.”*⁸ Saakashvili did it only in 2012⁹, a year of important parliamentary elections, after the military conflict, after Moscow’s recognition of the independence of Abkhazia and South Ossetia, and the subsequent severance of the Russian-Georgian diplomatic relations.

The severance of diplomatic relations was initiated by Georgia and was motivated not so much by the armed conflict as by the new Russian approach to Georgia’s territorial integrity. With the disappearance of a full diplomatic mission in Tbilisi, Russia decided to tighten the visa regime for Georgian citizens, who lost their opportunity to get a Russian visa except for humanitarian reasons and through official invitation. Immediately following the 2008 conflict, the visa issue was one of many elements that reflected the general state of the dramatically deteriorated Russian-Georgian relations. But as contacts were normalized to a certain extent when there were still no diplomatic relations, the lack of progress in the visa issue once again attracted attention. At the end of 2015, Russia facilitated the visa regime to a standard one that allowed the obtaining of a visa at the invitation of a wider range of people.¹⁰ The day before, Vladimir Putin, in response to the question of a Georgian journalist who asked him to describe his understanding of the dynamics of Russian-Georgian relations, briefly stated at a press conference: *“With regard to the visa regime: yes, we think we are ready to cancel the visa regime with Georgia.”*¹¹

Meanwhile, Georgia achieved significant progress towards the visa-free regime with the countries of the Schengen Zone. After lengthy preparations, the EU approved the decision on visa-free entry for Georgian citizens once additional provisions were adopted that allow the easy restoration of the visa regime, if necessary¹². All procedures are expected to lead to the desired result at the beginning of 2017.

What’s more, the Russian Deputy Foreign Minister G. Karasin, who is responsible for dialogue with Georgia, said: *“In principle, we do not exclude the possibility of a visa-free regime with Georgia. And, of course, the relevant processes between the EU and Georgia should be taken into consideration in the approach to this issue. Georgia unilaterally abolished visas for EU citizens back in 2006. After Brussels agreed to start negotiations on mutual visa liberalization in 2012, a detailed action plan was developed, on the implementation of which Tbilisi regularly reported for several years. So, we are talking about a significant and laborious job that is expected to include close inter-state collaboration between foreign and other agencies. This involuntarily begs the question how realistic it is to establish such work between Russia and Georgia in the current situation when there are no diplomatic relations?”*

Deadlock

If one literally interprets the position articulated by the representative of the Ministry of Foreign Affairs of Russia, Georgian citizens might be entitled to visa-free short-term travel to the EU by 2017. But lengthy negotiations would be needed for visa-free entry to Russia that might be initiated by restoration of diplomatic relations, unlikely in view of the differences on the issue of Georgia’s

6 Putin Made Burjanadze Wait // *Nezavimaya gazeta*. 26.12.2003.

7 Saakashvili Hastily Flies to Moscow// *Nezavimaya gazeta*. 01.07.2004.

8 Putin Was Invited to Taste Georgian Wine // *Nezavimaya gazeta*. 06.06.2005.

9 Saakashvili Opened Borders for Russians // *Nezavimaya gazeta*. 01.03.2012.

10 Russia Lit Green Light // *Nezavimaya gazeta*. 24.12.2015.

11 Big Press Conference of Vladimir Putin. 17.12.2015 (www.kremlin.ru/events/president/news/50971)

12 Georgia Gets Green Light for EU visa-free Travel. *EU Observer*. 5.10.2016 (www.euobserver.com/justice/135372)

territorial integrity. On the terms of territorial integrity, Putin said at the above press conference that “it should be decided by the Georgian, South Ossetian, and Abkhazian people. [Georgia] has to work with them, we will accept any decision [that Georgians, South Ossetians and Abkhazians would elaborate and agree upon].”¹³ However, currently, one can hardly find any sufficient grounds to believe that such a tripartite dialogue would be constructive. The rigid position of Sukhumi and Tskhinvali apparently assumes that any substantive questions can be considered after the recognition of their independence by Tbilisi, whilst the Georgian government, in its turn, considers such move as politically unrealistic and, no less importantly, as one promising Georgia no clear tangible benefits, including in the negotiations between the parties to the frozen conflicts. Moscow’s logic in the visa issue may be similar. The visa-free regime is regarded as one of the most important cards that can potentially bring some benefits in the political game but to date has not evolved. The humanitarian considerations alone are rarely the driving force of politics. In a broader context, if Russia decided to introduce a visa-free regime, it would not have made any progress in addressing such important issues for Russia as the status of Abkhazia and South Ossetia, cooperation of Georgia with NATO, and development of regional transport infrastructure. The expected introduction of a visa-free regime between the EU and Georgia significantly devalues the Russian visa-free travel card. Nevertheless, this does not mean that Russia will unconditionally agree to the abolition of visas. The security considerations, taking into account instability in the Middle East, NATO and other factors, may again play a role. The value of the visa-free regime of Georgia with the EU may, in practice, be lower than expected. Short-term travel to the EU does not grant the right to work and the level of income in Georgia in the coming years will allow only a few to regularly use the possibility of visa-free entry. In view of the growing migration fear in EU countries, a growth in the number of unpleasant incidents related to the abuse of visa-free entry and excessive rigidity of EU border services cannot be excluded.

Evolution of approaches to the visa issue in Russian-Georgian relations clearly shows that cautious statements to normalize relations do not mean that normalization can be expected in the near future. The parties can afford not to change their principled positions on the visa regime and the restoration of diplomatic relations in the foreseeable future. The losses resulting from this approach may be rated as a loss of expected profits and, accordingly, will be less noticeable against the background of other public concerns.

It should also be considered that during the entire post-Soviet period, and especially after the 2008 conflict, a significant and influential part of Georgian society did not seek a rapprochement with Russia, but, on the contrary, considered excessive rapprochement as a contradiction of national interests. This was the reasoning behind the Georgian leadership’s attempt to demonstrate a lack of interest in negotiations on the visa-free regime with Russia if they are not accompanied by a change in Russia’s position on Abkhazia and South Ossetia. Another source of controversy is an interpretation of the entry into Abkhazia and South Ossetia directly from the territory of Russia as a violation of Georgian legislation.

Consequences

The statistics to evaluate the consequences of visa facilitation for Georgian citizens, if introduced by Russia, will appear with time. At present, it is possible to assess the impact the unilateral strict visa regime has had on communication between Russia and Georgia. For neighboring countries, frequent cross-border movement is typical. In general, citizens of CIS countries occupy the first line in the list of people entering the Russian Federation¹⁴. Georgia stands out in a negative direction. In 2013 - 2015, it rose from 40th to 33rd place (49,000 entries), while Armenia was in 9th place (672,000 entries), Moldova in 11th (606,000 entries), Mongolia in 13th (372,000 entries), Abkhazia in 15th (314, 000 entries), and Turkmenistan in 37th place with 41,000 entries.

13 Big Press Conference of Vladimir Putin. 17.12.2015.

14 Top countries in terms of visits to the Russian Federation. *Federal Agency for Tourism*. (www.Russia tourism.ru/contents/statistika/statisticheskie-pokazateli-vzaimnykh-poezdok-grazhdan-rossiyskoy-federatsii-i-grazhdan-inostrannykh-gosudarstv-strany-lidiruyushchie-po-kolichestvu-pribytiy-na-territoriyu-rossiyskoy-federatsii/)

The Russians, in their turn, actively use the visa-free entry to Georgia, a country deservedly considered an attractive tourist destination. In 2015, Russian citizens entered Georgia 926,000 times, 14% more than the previous year¹⁵. In this regard, only Armenia, Azerbaijan, and Turkey (about 1.4 mln each country) exceeded Russia. In addition, Russia is the leader by a number of visitors entering the country for tourism purposes.

In terms of remittances from Russia, Georgia (\$466 million in 2015) is behind Moldova by approximately one third, Armenia- twice, and Kyrgyzstan- thrice.¹⁶ It should be considered that many Georgian citizens or relatives of Georgian citizens constantly residing in Russia and making money transfers can hold Russian citizenship and face no legal obstacles in their work.

For Georgia, arrival of an increasing number of Russians means not only a growth of the tourism sector, but also the strengthening of “soft power”. In Russia, a positive image of Georgia is being formed at the household level, though it can hardly be considered as a sufficient safeguard against excesses in interstate relations. In Georgia, Russia is often seen through the prism of high politics and household perceptions of the nineties. For many, this is a country with no sufficient reason to travel to, and moreover, such travel is perceived as potentially dangerous. Preserving and strengthening the mythologized perceptions should probably worry Russia more than the Georgian political elite.

A Way Out

A necessity to protect an implemented policy often leads to the exaggerated rationalization of the current state of affairs. Thus, abolishment of the visa regime appears to be impossible both for political reasons and for reasons of security. The visa fees and stability of the existing procedures are also taken into account. In some countries the visa regime, possibly in an optimized form, can be justified by these considerations. However, in the case of Georgia, a long-term preservation of the visa regime with Russia is more a negative legacy of the bilateral relations than a justified rational choice.

Currently, 3.7 million people reside in Georgia. Nearby is Armenia with a population of three million and Azerbaijan with nine million, both of whom have a visa-free regime with Russia. A visa-free regime is also held with Ukraine, which has a population of forty million people, though the conflict in the Russian-Ukrainian relations was beyond any limits in a certain period of time. Visa-free travel is also maintained with the Central Asian CIS member states with a total population of around 60 million people. In this context, even taking into account the situation in the North Caucasus, it is difficult to talk about the visa regime with Georgia being a necessity due to security reasons.

Presently, more and more countries are beginning to rethink the nature of visa procedures. Modern databases and communication technologies make it possible to organize the collection of required information about visitors via internet or transport companies. There are more opportunities to be rid of the known encumbrances that accompany visas – paperwork, queues, and conflicts with consulate staff. The biometric technologies that allow the reliable establishment of the identity of a visitor also play a big role. A more flexible but technically advanced procedure can provide the best security measures and, at the same time, make the system unobtrusive to the end user. For Georgia, considering the new passport system modernized in cooperation with the EU, even a simplified electronic visa scheme may be excessive.

The visa-fee-generated revenue from the citizens of a small country is not a critical consideration. Moreover, the conclusion of agreements on a visa-free regime by Russia with various countries of the world in recent years leads us to believe that maintaining a visa regime is not a priority for the Russian leadership.

But there remain political and diplomatic obstacles that are often more difficult to overcome than technical ones; the key issue here being the severed diplomatic relations. A visa-free regime in the

15 Georgian Tourism in Figures. Structure & Industry Data. 2015 (www.gnta.ge/wp-content/uploads/2016/06/2015-eng..pdf)

16 Cross-border Money Transfers of Physical Persons (Residents and Non-residents). *Central Bank of Russia*. (www.cbr.ru/statistics/Default.aspx?Prtid=tg)

absence of diplomatic relations is possible, as demonstrated by Georgia in its approach to Russia. However, it is not by chance that diplomatic relations remain the most important instrument of intergovernmental cooperation, both between countries in a situation of conflict and, for example, between EU countries whose representatives see each other every day in Brussels, though this does not replace bilateral ties. Since the rupture of diplomatic relations, Russia and Georgia have passed a significant distance to normalization of economic relations and political dialogue. The internal political situation in Georgia has also undergone a certain evolution. Yet the frozen conflicts remain a major stumbling block.

Neither in Russia nor in Georgia is there the expectation that restoration of diplomatic relations will happen simultaneously with the settlement of the frozen conflicts. Yet the absence of diplomatic relations moves the parties one step further from a meaningful search for possible compromises. Restoration of diplomatic relations could be accompanied by a special declaration recognized by both parties. The declaration may state that the parties retain different positions on the principal issues and they understand these differences. It is hardly worth expanding a package of agreements related to restoration of diplomatic relations: such restoration won't be seen as a gift by either of the parties, but it would create a space for more substantive discussion on further steps.

The visa-free regime between Russia and Georgia is only one of the issues on the agenda concerning the future of free movement in the Caucasus. It is well known that the political contradictions that exist in the areas of the frozen conflicts on a regular basis cause major obstacles for the residents. In the absence of mutual trust it is not necessary to rush events, but normalization of the Russian-Georgian visa relations can be followed by a lowering of pressure in the most volatile areas. The experience of other conflict regions shows that a high degree of freedom of movement can be achieved even if issues related to the status remain unresolved. The de-politicization of daily communication between people living in the region could become an essential tool to move forward on the settlement of other problems.

The generational change in Georgia is important for the future of Russian-Georgian relations. In their attitude to Russia, young people carry highly negative political baggage accumulated over the past decade and lose the experience of cultural exchange retained by the first post-Soviet generation. The Russian language is less spoken, even when taught at schools, as the young generation lacks experience in its practical application. Russia is a country that is difficult to visit and with which young people in Georgia have no links. Meanwhile, even with the more intensive engagement of Georgia and the EU, relations with Russia - the nearest most populous neighbor - will inevitably continue to play an important role. Neither Georgia nor Russia, are likely to believe that these relations can be wholly positive, but increased opportunities for communication between people are a prerequisite to have at least a chance for such development.

* * *

The political will of the parties, necessary for the restoration of diplomatic relations and to move towards mutual visa-free communication, should not be considered as a synonym for the emotional attitude of political leaders. The declared public position is based, one way or another, not on emotion but on political calculations that may often be wrong. The reliance on the disappointment of Georgia in the European integration process is unlikely to justify itself. The development of relations between Georgia and the Western alliance has its reasoned logic. But this process may complement rather than replace Russia-Georgia relations, which can be brought out of the deadlock. It is quite possible that the strengthening of the Georgian Dream party in the 2016 parliamentary elections, a political power known for its pragmatic approach to the development of relations with Russia, will create new opportunities for mutually beneficial solutions, while the visa-free travel opportunities to the EU enjoyed by Georgian citizens will push Russia to prevent the continued lowering of relations between it and Georgia.

NORTH CAUCASUS AND OPPORTUNITIES FOR COOPERATION BETWEEN GEORGIA AND RUSSIA

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Establishing an atmosphere of friendly, neighborhood relations and cooperation with Russia constitutes a geopolitical imperative for Georgia. Unfortunately, without overcoming the consequences of the war in 2008, this task remains insurmountable; however, there is another provision, needing to be taken into account - that of Russia's and Georgia's neighbors, which, independently of the overall political context, generate problems and require solutions. As they say, geography is a stubborn thing.

We were faced with the issue of assessing the likelihood of identifying ways of cooperation and where this cooperation could be forged. Naturally, Georgia's immediate neighborhood - the North Caucasus region - was selected as the first platform for discussion. It is based on the review of relations between Georgia and the North Caucasus that we will attempt to answer this question in the present essay.

North Caucasus – a General Overview

The North Caucasus acceded to the Russian Empire in the 19th century as a result of the Caucasian War.

The region constitutes 2.1% of Russian territory, but is home to 11.8% of the population of Russia. The region consists of seven republics historically populated by North Caucasian ethnic groups.

The Georgian and the North Caucasian peoples are interlinked by a centuries-strong history of communication and cooperation. Throughout the long period of coexistence, they became natural allies.

Russia's conquest of the Caucasus commenced with the annexation of Georgia in 1801. Georgian soldiers enlisted in the Russian military service took part in the long battle waged by the Russian Army against the North Caucasians, including Imam Shamil.

Notwithstanding these circumstances, the Georgian and the North Caucasian peoples preserved mutual ties in the 19th century.

Gaining Cooperation Experience

As paradoxical as it may sound, the Soviet era proved to be the most productive in terms of acquiring positive experiences in Georgian-North Caucasian relations. At the time, the North Caucasus nations and Georgia found themselves circumscribed by one authoritarian state and were hit with the most severe repression carried out by the Soviet regime. However, since, in accordance with Soviet national policy, their cultural relations have been politically sanctioned, both sides employed this opportunity to the fullest.

Tbilisi State University became a true center for such cooperation. The first Caucasian language course introduced in the university was Abkhaz. Since 1924, the course has been supervised by the founder of Abkhaz literature, Dmitry Gulia.

To this day, Tbilisi State University (TSU) is the only higher education institution in the world offering courses in all groups of Caucasian languages: Abkhaz, Adyghe, Vainakhish, and Dagestanian. TSU also provides a course in the extinct Ubykh language, which has no analogue on a global scale.

North Caucasian students in Georgia also enriched their knowledge in the arts and culture. They studied at the Tbilisi Academy of Arts, the theater university and the Conservatory.

Cooperation between Georgia and the North Caucasus was not solely limited to culture and education. In 1989, on Georgia's initiative, a Pan-Caucasian environmental and cultural movement "The Caucasus - Our Common Home" was launched along both sides of the Caucasus Range. In 1996-1997, active discussion was undertaken around the establishment of the so-called "Caucasus Convention" to be established on the basis of the "Alpine Convention," the primary objective of which would have been the sustainable development of the Caucasus mountain regions, preservation of ecosystems, and, tentatively, the establishment of cross-border protected areas.

The Georgian and North Caucasian cooperation in the spheres of tourism and alpinism is also renowned.

From the 1950s to 1990, hundreds of tourist groups were organized in the North Caucasus - Karachay-Cherkessia, Kabardino-Balkaria, Ossetia, Dagestan, and Chechnya. Led by local guides, instructors and mountaineers, these groups crossed over into Georgia via mountain passes.

The two regions also engaged in intensive cross-border trade. Georgia held a long-term lease of the Kizlyar pastures of the Dagestan Autonomous Republic, where sheep would weather the winter.

Thus, throughout the 20th century, the cohabitation of the Georgians and the North Caucasians laid the groundwork for the revival of the traditions of neighborly, mutually beneficial cooperation.

The North Caucasus as a Factor in Contemporary Georgian-Russian Relations

The history of Georgian-Russian relations spanning the last two decades (following the collapse of the Soviet Union and the Georgian declaration of independence) corroborates the distinguished and dramatic role played by the North Caucasus in the development of these relations.

From the 1990s, in contrast to Russia's other regions, the North Caucasus was the hub of the most active centrifugal processes, however, over time, the struggle for independence gradually tapered off. Today, some researchers postulate that ethnic separatism in the region no longer exists and that it has now found leeway in religious separatism.

Specialists note that Islamic fundamentalism was exploited to fuel anti-Russian sentiment throughout the entire North Caucasus. At present, an alleged "Islamic underground" operates in the region, a force whose character has garnered an array of starkly differing assessments. Yet, despite these differences, all researchers consider religious extremism one of the key challenges in the region and concur that it remains the hotbed of terrorism in Russia. Certainly, all of the above also posed a constant threat to Georgia.

In 1990-1993, the two conflicts taking place on Georgian territory triggered an intense confrontation with the North Caucasus: the Ossetian conflict spurred a rivalry with North Ossetia, and clashes over Abkhazia directly antagonized the Adyghe-Circassian ethnic group, and with it, the entire North Caucasus, since this war embroiled representatives of nearly all North Caucasian ethnic groups fighting for Abkhazia, both volunteers and mercenaries. The involvement of Kabardian and Cossack militia units, as well as Russian regular troops, in the hostilities was substantial. The North Ossetian battalion also fought on the side of the separatists. The Georgian loss in the Abkhazian war led to numerous casualties and displaced 250 thousand people.

Despite this trauma, Georgia attempted to re-engage its historic neighbors. The country managed to avoid entanglement in the Russia-Chechnya confrontation. Although Georgia has not recognized Chechnyan independence, both Eduard Shevardnadze and Aslan Maskhadov endeavored to establish renewed relations between Chechnya and Georgia.

In August 1997, Aslan Maskhadov visited Tbilisi and held meetings and talks with the country's senior officials. In the same year, the Chechen parliamentary delegation also came to Tbilisi. Maskhadov expressed regret at Chechen participation in the Abkhazian conflict.

More severe consequences ensued from Georgia's neutral position in the Second Chechen War. According to experts, this sparked the escalation of Georgian-Russian relations, which ultimately culminated in a full-blown military confrontation.

The Recurrent Problem of Common Security

As mentioned above, towards the end of the first decade of the 21st century, ethnic separatism gave way to religious extremism in the North Caucasus. It became the primary source of terrorism and thus, the situation in the region has not been entirely defused.

Matters deteriorated even further upon the escalation of events in the Middle East and the emergence in the international political arena of such terrorist "internationals" as the so-called "Islamic State" (ISIS/ISIL or Daesh). Daesh declared the entire Caucasus, including the North, as its target territory and began the mobilization of volunteers and the promotion of its ideology in the area, thus rendering an already unstable security situation even more precarious. This event once again linked together developments in Russia and Georgia. The appeals of the Islamic State found acclaim in the Muslim population of Georgia. Followers of Jihad in Georgia also joined the ongoing hostilities in the Middle East. Despite the fact that, according to expert data, the numbers of Daesh combatants from Georgia and Russia are incomparable, this has no bearing on one, perhaps more important, aspect of the problem. A forthcoming issue in both countries - the fate and future activities of the Jihadists returning to their homelands after the end of the hostilities in the Middle East - may coalesce into a serious challenge.

This issue may spawn a possibly even more painful aspect for Georgia. Tbilisi recalls Russia's entirely baseless and aggressive military action, the so-called "Epic of Pankisi," perpetrated against Georgia during the Second Chechen War. Thus, it is difficult to foresee who will take note of this impending "influx" of Jihadis in Moscow, how it will be perceived, and what steps "suspicions" of Georgia's possible role in this process may lead to. This calls for thorough preventive measures.

"A Peaceful Caucasus"

In the mid-90s, when the First Chechen War was concluded with the so-called "Khasavyurt Accord" and a temporary, fragile balance was established between the opposing forces in the South Caucasus, the idea of joint Caucasian cooperation resurfaced, leading a potential basis for stability in the region. Evidently, each of the regional actors considered this notion through the lens of their own political interests and aspirations.

The first such initiative was proposed in February 1996 by the President of Georgia, Eduard Shevardnadze. The initiative, titled "Peaceful Caucasus," implied six principles of regional stability and cooperation: 1. Territorial integrity and the inviolability of existing borders; 2. Protection of human rights under any circumstances; 3. Protection of transport and other communications and the preclusion of their obstruction; 4. Cooperation in environmental protection and the elimination of the consequences of natural disasters; 5. Ethnic and religious tolerance, rejection of all forms of nationalism and xenophobia; 6. All-round support for investments and international projects in the Caucasus. The initiative also implied the active engagement of the North Caucasus.

The initiative gained support from all leaders of neighboring countries, without exception. What's more, the Turkish President Süleyman Demirel proposed a special multilateral agreement on securing the stability of the Caucasus, while the Azerbaijani and Armenian leaders suggested the

idea of establishing the OSCE Caucasus. At a later stage, the United States and the European Union also expressed interest in the establishment of a security and stability system in the Caucasus.

Russian officials assumed an active stance with regard to the new initiatives at the outset. On June 3, 1996, at the invitation of the Russian President, the town of Kislovodsk hosted the Azerbaijani, Georgian, and Armenian presidents in a so-called “Caucasus Four” meeting. The leaders of twelve North Caucasian republics and districts (with the exception of Chechnya) were also invited to participate. At the meeting, the Declaration on the “Accord, Peace, and Economic and Cultural Cooperation among the Caucasus Nations” was signed. This was the first such case when, in the discussion of common Caucasian issues, the voice of the North Caucasians was also heard.

The same format was repeated in 1997, while since 2000 the meetings have taken the form of quadrilateral intergovernmental consultations, to which North Caucasus delegates are no longer invited.

Indeed, the implementation of the idea for a “Peaceful Caucasus” and subsequent initiatives was unable to traverse beyond political statements; however, the notion of a common Caucasian format has been and remains one of the viable approaches to the establishment of a cooperation platform between Russia and interested international partners, including Georgia.

Conclusions and Recommendations

As we have seen, Georgia boasts a history of cooperation with the North Caucasus and this constitutes a resource which may also be applied in practice.

The first issue needing immediate attention and practical steps is regional security, the prevention of challenges brought about by the return of the participants of the current developments in the Middle East, and the curtailment of possible damage. It is clear that none of the sides will manage to successfully handle the task independently. Moreover, in order to achieve success in this endeavor, broader international cooperation cannot be circumvented. The initiation of discussions around the issue and the development of a relevant action plan is needed urgently.

The encouragement of Georgian and North Caucasian economic, educational and cultural cooperation is also listed among urgent issues. The potential of Georgian scientific and educational centers can be harnessed towards joint efforts in the protection of the unique natural environment of the Caucasus, and its application in the economic development of the region. Such cross-boundary projects have already been developed in the past; however, due to the escalation of tensions in the region, they failed to materialize. These projects can now be revived and implemented.

Cooperation with the aim to jointly develop the spheres of tourism, resorts, and alpinism also harbors serious potential.

All of the above calls for bilateral political will and substantial political, economic and technical international assistance. The political conjuncture in today’s world has transformed the Georgian-Russian confrontation into a fundamental issue of disagreement among global political actors.

Thus, the mending of Georgian-Russian relations is not only in the interests of the two political subjects directly involved in the matter. Accordingly, the international community should actively contribute to the de-escalation of existing tensions between the two countries.

It is under these circumstances that Georgia’s participation in this process may become beneficial and, most importantly, instead of exacerbating confrontation, this may lead to the establishment of a space for positive cooperation between the two countries.

CATCH THE TRAIN TO THE PAST: WHY ABKHAZIA FAILS TO SUCCEED?

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Twelve years ago, in January 2005, not recognized at that time by any country in the world, the Republic of Abkhazia overcame a serious political crisis caused by the protracted presidential elections. This crisis almost brought Abkhazia to the brink of open, armed confrontation between supporters of the presidential candidate Sergei Bagapsh and his opponent Raul Khajimba¹. However, democratic procedures appeared to be more important than the numerical strength and firepower of potential supporters of each party. The crisis itself was triggered by concerns regarding the quality of the vote counting procedures, as if it were a presidential election in Florida, rather than in Abkhazia. Finally, a compromise solution was found: the two rival candidates come together to the new elections as a team (presidential and vice presidential candidates), expectedly win, and learn to live in a complex cohabitation regime² simultaneously trying to achieve civil consent in a divided society.

It looked like an institutional success. In 2005, during the parliamentary elections in Georgia, it was possible to meet people in Tbilisi who reservedly agreed with certain institutional progress achieved by Abkhazia as compared to another violent transfer of power in Georgia in the course of the “Rose Revolution” in 2003.

Now, twelve years later, many things are perceived differently, and the Abkhaz institutional maturity is seen as an illusion – this is acknowledged even by pro-Abkhazian researchers³. The political crisis of 2004 - 2005 was rather an attempt to make a shift from the institutional confusion of the first postwar decade towards democracy based on the unconditional respect of the procedure. It would be an exaggeration to say that this attempt succeeded: an appeal to the procedure actually brought armed supporters of the two rival groups to the streets of Sukhumi, and confrontation between them was avoided only thanks to the informal intervention of Russia. In fact, Russia implemented the interim administration in Abkhazia under the control of the General of Ministry of Emergency Situations of the Russian Federation, Nodar Khashba, who was formally appointed by Vladislav Ardzinba, and who organized emergency talks between Sergei Bagapsh and Raul Khajimba; the talks resulted in the separation of potential parties of the armed conflict and a political deal to participate in the elections as the presidential and vice presidential candidates. Cohabitation - i.e. Khajimba as Vice President and his political opponents as President and Head of Cabinet of Ministers - lasted as long as 50 months, but it did not bring the results the architects of the Abkhazian nation-building were looking for: political reconciliation and civilian consolidation. The 2009 presidential election actually “made” the recognition of Abkhazia by Russia. The situation in Abkhazia by the presidential election of 2011, necessitated by Sergei Bagapsh’s premature death, was very similar to the crisis of 2004 - 2005: irreconcilable differences, return of political players who had a significant influence in Abkhazia under Ardzinba, and significant Russian influence on the course and results of the election campaign. The presidential elections of 2011 were highly competitive and smoothly and orderly conducted as viewed by different observers including the election headquarters of the failed candidates.

In fact, these elections transferred power within a team that had been in power since 2005. The Russian influence again played a key role in this transfer from the legitimation point of view - its importance may be compared to the role of direct voting. Moreover, from the Russian point of view, it was more of an emergency transfer of personal power from a partner who was, in general,

1 For clarity, the author proposes to use political terminology adopted in Abkhazia, but, of course, taking into account non-recognition of Abkhazia’s sovereignty by Georgia, and relatively, the legitimacy of Abkhazian political institutions.

2 The term that means a mode of constitutional interaction of Parliament and the Cabinet of Ministers of Georgia, where the United National Movement lost its majority with President Saakashvili’s administration is deliberately used.

3 For example, Anton Krivenuk, www.facebook.com/permalink.php?story_fbid=10211393575421630&id=1429191186 – last used on October 17, 2016.

acceptable for Russia to a partner who was difficult to be similarly characterized. Thus, one of the pillars of the Abkhaz de facto legitimization of the presidency in the 2011 electoral cycle was characterized by impaired functionality from the very beginning, and despite Ankvab's efforts to build up an acceptable relationship with the Presidential Administration of Russia, he did feel he had "a secure rear". Thus, the electoral cycle of 2011 can hardly be considered as an achievement in institution building – rather, it was a critical point for the regime of political patronage that Russia provided Abkhazia. The Abkhazian political system not only failed to get the opportunity to improve its own quality, but also failed to enjoy benefits from the partial dependence on Russia, though this dependence was increased after partial recognition in 2008. This combination of factors logically led to a further increase in uncertainty and turbulence in the Abkhazian political system that resulted in the May 2014 coup d'état. Despite the fact Raul Khajimba's team has managed to generally control the situation, no institutional success has been achieved by Abkhazia since then. On the contrary, Abkhazia faces an institutional regression. If we review the situation in Abkhazia using terms of the well-known debates on successes and failures of the economic policy of Georgia under Mikhail Saakashvili, we may say that Abkhazia failed. What are the factors that caused this, to put it mildly, unsuccessful path of development?

Many years' experience observing the political processes in Abkhazia allow us to assume that there is a systematic mistake in the understanding of the structure of the modern nation state, and, in a broader context that is likely to be more important, in self-identification of the post-Soviet political subjects.

First, it is a widely-discussed difference between the understanding of the nation adopted by modern political theorists (who think in terms of the paradigm of constructivism and define the nation as a construct and as "imagined community" of citizens) and by the post-Soviet "practitioners" who, by inertia, adhere to the Soviet definition of the nation as the ethnic group at a certain stage of political development.

Abkhazia is not the only but it is one of the most crystal clear cases of substitution of the idea of formation of a civic nation by the idea of ethnocracy. Ethnocracy can be understood as the political domination of one ethnic group over the other in a multi-ethnic society, the ethno-demographic structure of which is subject to change, including violent change. The pre-war Abkhazia was an ethnic puzzle, consisting of unequal fragments, most notable among which were Georgian (more than 45% of the Abkhaz ASSR according to the 1989 census) and Abkhazian components (17.76% as of 1989). The non-Abkhaz and non-Georgian population of Abkhazia also formed a significant group: there were more Russians and Armenians living in the pre-war Abkhazia than ethnic Abkhazians (14.58% of Armenians and 14.27% of Russians). As a result of five tragic years (1989 – 1993), the Georgian component did not disappear completely, but was significantly reduced. The military actions and subsequent forced displacement of Georgians outside Abkhazia also contributed to this state of affairs. Nevertheless, the Abkhazian censuses conducted in 2003 and 2011 respectively recorded 21.35% and 19.26% of the Georgian population (in most cases, mostly Megrelians and Svans living in the areas adjacent to the de facto Abkhaz-Georgian border). According to the Abkhaz censuses, other non-Abkhaz groups experienced mixed trends: for example, a number of Russians faced a percentage decrease (from 14.27% in 1989 to 10.88% in 2003 and 9.17% in 2011), while Armenians reached a peak in 2003 (20.84% in 2003, 17.34% in 2011).

The most interesting and expressive segment as presented by the Department of Statistics of the Republic of Abkhazia is the share of ethnic Abkhazians. In 2003, their number increased only by 1,300 people compared to 1989, but now it is not 17.76%, and makes up almost 44% of the population of the destroyed, ethnically cleansed, and depopulated region. In 2011, under President Sergei Bagapsh, a new census, finally awarded the ethnic Abkhaz with a demographic "control packet" – 122,069 people, i.e. 50.71% of the population.⁴

4 Here and above, data of the 1989 Soviet census, published data of the Abkhazian censuses of 2003 and 2011.

These statistics should be critically analyzed. For example, there exists no significant reason to believe that in 2003 - 2011 the ethnic Abkhazian community increased by one third due to natural reproduction and repatriation. At the same time, observers at all Abkhazian elections conducted from 2004 to 2014 found it impossible to exactly verify a number of registered voters despite the convincing efforts of the Central Electoral Commission of the Republic aimed at eliminating fictitious voting. In addition, one of the most significant political claims made by the opposition to Sergei Bagapsh was an attempt to intensively issue Abkhazian passports to the Georgian-speaking population: the opposition leaders feared that granting of political rights to the Abkhazian Georgians may destroy or at least jeopardize the exclusive rights of the ethnic Abkhazians. Therefore, it was particularly important for Bagapsh's Administration to secure a safe and secure situation for the ethnic Abkhazians – and, to some extent, the 2011 census was a demonstration of this state of affairs.

But these figures, as well as the necessary comments on why they should not be taken for granted, tell a researcher of Abkhazia almost everything he needs to know about the ethnocratic regime established there. The Abkhazian political project arose from the frustration of the ethnic Abkhazians to get access to administrative, economic, and other resources of the autonomy. It led to a dramatic conflict with the ethnic Georgians and Georgia as a political system and turned into a manifestation of the rights of the ethnic Abkhaz for Abkhazia. The Abkhaz political project in its current form began in the late 1980s, i.e. a time that motivated Benedict Anderson to release the second edition of his "Imagined Communities"⁵: in the light of the "parade of sovereignties" in Eastern Europe and the collapse of the USSR that was gradually gaining critical mass in the nationalist movements at the outskirts, he re-evaluated his findings made at the beginning of the same decade when analyzing wars between the socialist countries of Asia. Anderson's book became and still remains one of the key attempts to explain the phenomenon of the nation state through a political structure in which the bearer of sovereignty is a nation. Anderson defines the nation by various constructivist tools from a common information space, "maps, censuses and museums," to the memorials to honor people killed in wars (modern Abkhazia more or less had, and has, all these tools, including memorials: there are not many political constructions on the world map where the latest war has played such an important role for self-identification).

But some of Anderson's postulates can't be applied to the Abkhazian political reality⁶.

The first concerns a difference between ethnic and national – the boundaries of the ethnic group do not coincide with the boundaries of the nation. Abkhazia never manifested ethnic exclusivity - "Abkhazia only for Abkhazians"- on the contrary, political leaders always tried to emphasize that Abkhazian society is a society where Abkhazians, Armenians, Russians, and everyone who still lives on the Abkhazian land enjoy equal rights. But it was different for Georgians: a significant part of the Georgian-speaking Abkhazian population remains deprived of their rights, and the return of the ethnic Georgians who fled Abkhazia as a result of events that took place in 1992 – 1993 is excluded at all levels, be they in rhetoric or political decisions. It is interesting that the Abkhazian Administration (mainly under Sergei Bagapsh and Alexander Ankvab) took certain action to integrate the Georgian-speaking population, tried to carry out passportization of Megrelian communities in the Gali district, and worked on the extension of the Megrelian component in the law enforcement system of the relevant municipalities.

However, these steps caused the most violent reaction of the opposition that again and again focused its attention on the inadmissibility of concessions, in other words, defending the idea of the Abkhazian ethnocracy. Any Abkhazian Administration has a limit to maintain pressure on the opposition, as the opposition, as well as the government, to a large extent still consists of the aged combatants of the 1991 - 1993 war and relies on their support, including military. While the generational representation in politics is like this, no leader can convince his supporters, not to

5 Benedict Anderson. *Imagined Communities: reflections on the origin and spread of nationalism.* – London: Verso, 1991.

6 And more broadly, to realities of the post-Soviet space.

mention opponents, that ethnic preferences for Abkhazians put Abkhazia itself face to face with the same risks that confronted Abkhazia with Georgia in the early 1990s: currently, we have a situation that tends to become worse when significant minorities do not have, lose, or risk to lose their representation in the political system. And a space to minimize these risks is limited by the continuing significant, actual, and symbolic role of the 1992 – 1993 war participants who view the current political system as a war trophy and are still ready to defend it. The argument of the greater stability of the political system under equalization of representation opportunities does not convince them. But they themselves represent such a significant social force to actually endanger relations with Russia which are of utmost importance to Abkhazia: a ban to make any real estate transactions without an Abkhazian passport factually eliminates Russian investments to the economy, two major segments of which are the recreation industry and agriculture. The debates about possible elimination of this restriction that may undoubtedly change the economic and social situation in Abkhazia, legalizing already concluded transactions and opening opportunities for new ones, has been a constant subtext of all political conflicts in Abkhazia since 2009, when it was recognized by Russia. Today, image risks that Russian companies try to avoid by refusing to work in the partially recognized Abkhazia are much less important for the Abkhaz investment landscape than a ban to conclude real estate transactions with persons not holding a Abkhazian passport. This prohibition is rhetorically motivated by the impossibility to sell at auction land for which the living 1992-1993 war participants fought, and informally - that the admission of Russian passport holders to the market will create not only a threat related to the return of Georgians who naturalized in Russia over the last 23 years (they cannot be technically separated from other Russian passport holders), but in the medium term, it will create a certain danger for economic assimilation of the Abkhazians and their displacement to the periphery of the economy in the process of economic modernization paid by a potential Russian investor.

It is difficult to imagine a more striking example of a situation, where formation of the nation state is replaced by the establishment and protection of ethnocracy. However, a list of factors to define the current state of Abkhazia is far beyond a difference between Stalin's understanding of the nation and the modern definition of a nation state.

Anderson, like many other authors who have written about the phenomenon of nationalism in the 1980s, explains the phenomenon of the nation state based on examples of the last centuries, beginning from the last quarter of the eighteenth century, and examines cases of formation of nations not only in old European countries but also in resettlement countries. Despite the journalistic parallel with the modern nationalist movements, Anderson does not construct a universal timeless frame for the nation state and nowhere claims that because various nation states were actively formed at the turn of the eighteenth - nineteenth centuries, this process would be similar two hundred years later. Moreover, Anderson inseparably links the formation of the nation state with a specific combination of economic circumstances and technological innovations - a constellation that is difficult, if not impossible, to project at the turn of the 20th and 21st centuries.

The economic, social, and political circumstances of the collapse of the USSR, the products of which, one way or another, are all political systems functioning in this "part of the world," are so different from the economic, social, and political circumstances of the era of formation of nation states that it raises a legitimate question of the admissibility of applying the relevant conceptual apparatus to describe the existing political reality. The program of nation-building declared by Abkhazia during and after the 1992 -1993 war is not much different from similar programs declared by all the post-Soviet countries, but it is possible that at the time of declaration, most of these political programs were morally obsolete.

It is not only that the post-Soviet political practices of manifesting and protecting the national sovereignty were and are opposite to global trends as based on factually no longer existing social and economic constructs of industrial times. This gap still forms a political appearance of post-Soviet space and dictates a mode of relationship between post-Soviet countries and others. It is also the

fact that the post-Soviet political practices in many if not all cases exclude the obvious difference in the quality of modern national sovereignties from its judgment related to a place of national sovereignty in the modern world. The post-Soviet political systems silently recognize the inclusion of actors equal to the political systems of the “first world”, i.e., political systems of old Europe and a number of resettlement countries. This, however, does not reflect the circumstances of the recent political history of the post-Soviet political systems.

Although Robert Jackson, with his concepts of positive and negative sovereignty,⁷ does not cover the post-Soviet political systems in his discussions, he offers the relevant framework description for a part of the processes that occur in this region without any reference to the ethically irreproachable Marxist division of countries and communities in the core, periphery, and semi-periphery. Jackson discusses quasi-states in the global South - countries granted sovereignty in the course of decolonization due to changing ideas about justice. According to Jackson, these quasi-states have a negative sovereignty - one that is recognized by other states, but do not have a positive sovereignty - one that would enable them to provide the basic functions of a sovereign state, and under certain circumstances to project their positive sovereignty to the political systems that do not have them or have them to a lesser extent.

A researcher is faced with limited choice to include these political systems in the orbit of postcolonial studies when applying Jackson’s conceptual framework to the political systems of the post-Soviet space. However, the recent political history of Abkhazia⁸ shows that this approach may be significantly more relevant than attempts to find analogies between frozen conflicts in the post-Soviet space and events of the 1989 - 1990 “Velvet Revolutions” in Central and Eastern Europe. This approach will help, for example, to include a factor of external (in this case, Russian) influence in the analysis of the situation in Abkhazia and enable a discussion of it not within an extremely simplified framework, where the phenomenon of Abkhazian nationalism and separatism is entirely explained by Russia’s political will, but in a wider context, i.e. understanding this influence as part of a post-colonial burden and / or as Russia’s attempt to practice its positive sovereignty in a limited area where it has an opportunity to do so.

This approach envisages at least two directions for further research.

Firstly, especially at the level of the region under study, a question related to the most active actor in the Abkhazian nation-building process arises automatically, i.e., whether Russia (if it is that actor), really sets a goal to achieve institutional success in Abkhazia and whether the institutional success of Abkhazia is compatible with the maintenance and development of formal and informal management practices which Russia applied in relation to Abkhazia when recognizing it as a part of Georgia (until 2008) as well as recognizing the sovereignty of Abkhazia.

Secondly, at the level of analysis of the political processes in the former Soviet space there arises an inevitable question about the extent to which the post-Soviet political systems generally have positive sovereignty. And for Russia and Georgia it is not only a look at Abkhazia, but also a look in the mirror. Strictly speaking, our common future in the mid-term perspective depends on an honest answer. A positive response creates space for collaboration and cross-border cooperation even in a world which decided that globalization was a somewhat premature illusion. A negative response typology brings us all, unrecognized and partially recognized politics and the powers of the nuclear club, closer to the likes of sub-Saharan Africa- and this typological convergence does not promise a bright future for any of the participants.

7 See, e.g, Jackson R. H. *Quasi States, Dual Regimes, and Neoclassical Theory: International Jurisprudence and the Third World// International Law and International Relations*. Ed. by B.A.Simmons & R.H.Steinberg. – Cambridge, NY: Cambridge University Press, 2007. – p. 205 – 232.

8 The author assumes that regardless of a formal legal recognition, Abkhazia has a negative sovereignty, in particular, demonstrating the ability to argue that it is not Georgia for more than twenty years - no more and no less.

TRANSFORMATION

ON THE ROLE OF GEORGIAN-ABKHAZIAN AND GEORGIAN-OSSETIAN CONFLICTS IN GEORGIAN-RUSSIAN RELATIONS

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It is believed that the knot of problems related to conflicts in Georgia – the Georgian-Abkhazian and Georgian-Ossetian – is the main apple of discord between Russia and Georgia. At the same time, these conflicts initially served more as a *tool* of Russian influence on Georgia, rather than a real *cause* of the year after year deteriorating bilateral relations. After all, for Russia, it does not matter much whether Abkhazia and South Ossetia become part of Russia or not; what matters is to prevent Georgia distancing itself from Moscow by moving towards the Euro-Atlantic space. At every stage Russia used these conflicts to manipulate Georgia with the obvious *goal* of keeping it in the Kremlin's orbit and fixing it within the geopolitical area that Kremlin firstly called its "near abroad" and later "sphere of privileged interests"¹. The reason is exactly here – in the area of spatial and value orientation where differences between Russia and Georgia were steadily growing. As for the tool, at different times and in different circumstances, it was used either by the sharp or blunt edge; used with bigger or lesser success; but it was and still is within the arsenal of Russian policy.

In the first years following the end of the military phase of the Georgian-Abkhazian and Georgian-Ossetian conflicts, the then-leadership of Georgia still had the illusion it would be possible to restore the territorial integrity of the country with Russia's help. In July 1995, the Georgian and Abkhazian parties (with direct involvement of the Russian Federation) signed the Protocol on Settlement, but the Abkhazian side immediately withdrew its signature. Two years later, it was Georgia's turn not to sign a protocol (meanwhile modified not in its favor), and since then Tbilisi and Sukhumi have not come that close to finding a formula for conflict settlement. In 1998, President of Georgia E. Shevardnadze and South Ossetian leader L. Chibirov seemed to agree on the outlines of the decision on South Ossetia, but in this case parties failed to sign the document either. There is certainly a long and complicated way from signing the agreement to a comprehensive settlement of the conflict, but it will be impossible to reach the goal without a binding political framework defining a clear path forwards.

It seems that at the time Russia either applied little effort or was overzealous (in terms of its own interests), in other words – either did not pressure Sukhumi and Tskhinvali enough or put too much of it on Tbilisi, or both. As a result, gradually and inevitably the abovementioned illusions began to dissolve in Georgia; not only in terms of timing – expectations faded that all will turn well *soon*, but also in terms of essence – it started to be understood that any settlement model with the exclusive participation of Russia would be in Russian interest and therefore damage that of the Georgians (see above). At the same time, there was a growing awareness that Russia – though an inevitable participant of the process, *is not a partner*. Therefore, it was necessary to look for partners that can if not outweigh, at least counterbalance Russia. And eyes naturally turned to the West.

The second half of the 1990s and early 2000s was a period of "institutionalization" of the Western vector in Georgian foreign policy. During this period, Georgia became a member of the Council of Europe and the WTO but did not join the CSTO. The country reached an agreement on the withdrawal of Russian military bases and border guards from its territory, actively developed relations with the NATO², and signed the "Contract of the Century" (the Baku-Tbilisi-Ceyhan oil pipeline, a political

1 In this case the CIS history (established in December 1991) is typical. Initially, Georgia didn't join the CIS; only in fall 1993, when events in Abkhazia (and west Georgia) developed dramatically, E. Shevardnadze declared that Georgia would join the CIS as an attempt to please Moscow. The decision on membership was approved on March 1, 1994, whilst on August 14, 2008 Georgia left the CIS (author's comment).

2 President E. Shevardnadze officially declared Georgia's will to join NATO at the Prague Summit in 2002

component of which is likely more important than its economic benefits). Although the unresolved conflicts remained on the agenda, the intensity of the issue decreased. It is noteworthy that in the course of the “Rose Revolution” (the parliamentary elections in November 2003 – early presidential elections in January 2004 – the repeated parliamentary elections in March 2004), the issue of unresolved conflicts was left far behind³.

Russia faced difficult times in the same period. In the light of the 1998 default, the end of the reign of Boris Yeltsin, the second Chechen War, and Putin’s first presidential cadence when he was just exploring his own priorities and style of governing, attention towards the conflicts on the former Soviet space declined in Russian political discourse as well. During this period, Russia preferred to use the “Chechen” context (Pankisi Gorge) as a tool of pressure on Georgia (including aerial bombardment of the near-border Georgian territory). Although many events of different scale and significance took place in these years in terms of the Georgian-Abkhaz and Georgian-Ossetian conflicts, while the various formats of dialogue between the parties gained momentum (with the effective support of Western non-governmental organizations), it was then that a controversial term “frozen conflicts” started to be widely applied to the situation.

A new stage began with the change of power in Georgia (fall 2003 - spring 2004), the election of Vladimir Putin for a second term (February 2004), and S. Bagapsh coming to power in Sukhumi (winter 2004-05). Saakashvili and Bagapsh, unlike their predecessors (Shevardnadze and Ardzinba, respectively), were not directly associated with the bloodshed in Abkhazia, nor did they bear the direct burden of responsibility for casualties and ethnic cleansing. They were met with expectations of novelty and change in the Georgian and Abkhazian societies. In an attempt to determine the possibility of improving bilateral relations in general, and “unfreezing” the conflicts in particular, President Saakashvili paid his first official international visit to Moscow, where he made a number of unexpected (not to say – surprising) statements and received counter-compliments from Putin⁴. Apparently, Putin’s words that Russia was ready to interact with Tbilisi on almost any issue were taken too literally by the Georgian President. In any case, his “humanitarian assault” on Tskhinvali in the summer of 2004 was clearly counterproductive: it set Georgian-Ossetian relations, quite tolerable for an unresolved conflict, back a decade, awoke concerns in Sukhumi and disappointed Putin who, in general, is not too inclined to trust his counterparts.

As mentioned above, Georgian society did not expect or ask for their new authorities to solve the problem quickly while the international community lacked a clear *practical* idea on how to resolve these conflicts and thus obviously preferred a “freezing” to a relapse. In such a situation, by putting too much focus on the “frozen” conflicts without the urgent political need to do so, by wasting the initial image acquisitions related to a number of reasonable initiatives in terms of Sukhumi, and by making promises to restore the integrity of the country in a short time, Saakashvili became a hostage of his own impulsiveness. Moscow quickly realized that Abkhazia and South Ossetia had once again become a trump card: already on August 7, 2004, it was reported that the State Duma was considering the adoption of South Ossetia into the Russian Federation, and the Chairman of the Duma’s Committee of CIS Affairs and Relations with Compatriots, A. Kokoshin, connected this issue with the “development of the situation in Kosovo.”⁵ It seems that this message was directed not only towards Tbilisi...

Thereafter, events began to snowball. Convinced by his own experience (the experience of predecessors was of no importance for Saakashvili) that Russia was *not a partner* in resolving these conflicts on terms acceptable to Georgia, he tried to present the matter as if the Georgian-Abkhazian and Georgian-Ossetian conflicts did not exist as such, but there was only a Georgian-Russian fundamental conflict causing problems in Georgian-Abkhazian and Georgian-Ossetian relations; problems that could be settled painlessly, should Russia be excluded from the process. However,

3 See: “Abkhazia in the Pre-election Menu of Georgian Politicians”, Conciliation Resources, Tbilisi, 2004

4 “Rossiiskaya Gazeta” 12.02.2004 www.rg.ru/2004/02/12/saakashvili.html

5 “The State Duma is ready to include South Ossetia in the Russian Federation, its members need only a historical precedent” 07.08.2004 www.big.newsru.com/russia/06aug2004/osetduma.html

it was unclear how to oust Russia from the process, especially as its peacekeepers remained to be deployed under the umbrella of the CIS in the conflict regions. Talks of increased international involvement in the process remained merely talks, as no one was willing to replace Russia, and Russia itself never gave any thought to such replacement. Saakashvili also did not bother to formulate any meaningful message to Sukhumi and Tskhinvali, where other considerations prevailed over the priority of factors that ignited the conflicts.

Against the escalation of the confrontational rhetoric by the leaders of the two countries, and unfriendly actions taken by both sides in 2006, the Georgian-Russian bilateral relations simply collapsed. This was instantly and appropriately reflected in the Russian policy towards Abkhazia and South Ossetia. The process of “passportization” – issuing Russian Federation passports to the residents of these regions (that began in 2002) – intensified notably. The Russian railway troops began to restore the railway to the south-east of Sukhumi in Abkhazia which, under the existing circumstances, had no practical use other than a military one. From the Georgian side, the main negotiators and consistent supporters of the exclusively peaceful methods of conflict resolution were left out of the process, while military spending began to increase extensively. Meetings between representatives of the civil societies of the conflicting parties became less intensive and contacts of official representatives (in an informal format – track 1.5 diplomacy) ceased altogether.

Based on the logic of the development, the likelihood of the August 2008 War (even if avoidable) was increasing with every passing day and event. And then it happened, dramatically breaking not only the fifteen-years-long status quo in Abkhazia and South Ossetia, but also changing the perception of the conflicts as a whole. Firstly, it turned out that Russia had prepared for an invasion of Georgia ahead of time. “It is not a secret plan, we had a plan and we acted accordingly,” said Putin. “It was developed by the General Staff at the end of 2006 - beginning of 2007 and was agreed with me. Within this plan, we prepared the South Ossetian militias”⁶. And secondly, the invasion from two directions was motivated not by “humanitarian purposes” but selfish geopolitical interests: “If we had wavered in 2008, there would have been a different geopolitical layout in the world, and a number of countries that were tried to be artificially dragged into NATO, probably would have been there,” said Prime Minister Dmitry Medvedev (former President and Commander in Chief at the time of war) in November 2011. D. Rogozin (who was the Special Representative of the President of the Russian Federation to NATO in 2008) clarified that they meant Georgia and Ukraine⁷. Thus, the thesis that the conflicts in Abkhazia and South Ossetia were used by Russia as a deterrent to Georgia’s Euro-Atlantic aspirations got first-hand confirmation.

For clarity, here are three comments on the statements of the Russian leaders:

1. Nobody has the right to forbid Russian (or any other) General Staff to develop plans of military operations; it is one of its duties. But “training the South Ossetian militias” is a direct violation of the fundamental principles of peacekeeping, which was formally performed by the Russian side in South Ossetia.
2. It is possible to speak about the actions of the Russian military against *the Georgian military* in South Ossetia, but there is no “justification” for the Abkhazian case, as Georgia did not perform any military actions in that direction⁸. Thus, Russian troops entering Abkhazia and advancing into the nearby Georgian regions, as well as the Russian-Abkhaz joint military operation in Kodori Valley, was an act of an open aggression.
3. Nobody is “dragging” Georgia into NATO; on the contrary, some are doing their best to prevent Georgia’s accession into the Alliance.

6 www.lenta.ru/news/2012/08/08/putin/ 08.08.2012

7 www.izvestia.ru/news/507366 21.11.2011

8 See: Report of Independent International Fact-Finding Mission for Conflict in Georgia (Tagliavini Commission), v.I, p.11 www.mpil.de/en/pub/publications/archive/independent_international_fact.cfm

Failure to fulfill the 5th point of the Sarkozy-Medvedev Plan of settlement of the military conflict in Georgia in August 2008 (the article states: “Russian troops return to the lines they held before the start of the military operation”) meaning occupation of Abkhazia and South Ossetia by the Russian Federation, followed by recognition of Abkhazia and South Ossetia as independent states, led to the severance of diplomatic relations between Georgia and the Russian Federation. In other words, Russia’s actions in the conflict regions of Georgia in August 2008 resulted in the “clinical death” of the Georgian-Russian relations, becoming the point of the formal transformation of the tool into the cause.

The events of August 2008 provided additional argument to those who, like Saakashvili, had tried to make it look as if there was only a comprehensive conflict between pro-Western Georgia and anti-Western Russia, and that problems in Georgian-Abkhaz and Georgian-Ossetian relations were only side effects of this conflict. Indeed, the first invasion of the Russian army into the neighboring state after the collapse of the USSR overshadowed local conflicts on the territory of the small post-Soviet country and attracted attention even of those who could hardly find Georgia on the map. But the “eclipse” of the object does not, in any way, mean that it disappeared altogether, i.e. the Georgian-Abkhazian and Georgian-Ossetian conflicts did not go away, as the number of obstacles in the way of their settlement increased significantly in the changed configuration. At the same time, they actually fell under the “shadow” of the already fully exposed and comprehensive Russian-Georgian conflict.

However, this by no means implies that the conflicts in Georgia serving as a tool of pressure for years became the cause overnight. As a tool of the Russian influence on Georgia these conflicts were also naturally the cause of worsening problems in Georgian-Russian relations. Similarly, since 2008 the conflicts have remained as a tool of Russian policy to deter Georgia’s Euro-Atlantic aspirations. But a qualitative shift in the “tool-cause” combination in favor of the latter in August 2008 is obvious, and this greatly complicates the problem. As the cause is the fundamental category on the basis of which the whole logic of actions is formed, i.e., the policy is built on. While the tool is used for a specific purpose in a particular situation, but it may be useless in others. Whereas a tool may or may not be used; can be kept in the closet, the attic, or thrown away as a useless item, it is impossible to act similarly with the cause. The latter cannot be removed out of sight, and you can’t stop using it: it can only be eliminated, liquidated.

The state of “clinical death” in Georgian-Russian relations remained for more than four years. During this period, Russia blocked extension of the international missions in the conflict regions of Georgia (UNOMIG – in Abkhazia and the OSCE – in South Ossetia), and the EU mission established after the war was not allowed on the territory of Abkhazia and South Ossetia. Moscow gained sympathizers that recognized the independence of Abkhazia and South Ossetia, although their list, even at the beginning not long or particularly presentable (Venezuela, Nicaragua, Nauru, Tuvalu, Vanuatu), later shortened (at the expense of Tuvalu and Vanuatu). Despite the loud assurance and even relevant records in important official documents, it can be assumed that Russia did not fully use its foreign policy (or financial) resources to expand a club of countries that recognized the independence of Georgia’s conflict regions. Moreover, the West not only declared, but also consistently adhered to a policy of non-recognition towards Abkhazia and South Ossetia, although the Ukrainian crises served as case for (complete? temporary?) enlightenment. Finally, the “skeletons in their own closets” discouraged some European countries (and not only) from opening “Pandora’s box”.

Meanwhile, Georgia adopted (in October 2008) the Law on the Occupied Territories and recognized (in May 2011) the genocide of Circassians by the Russian Empire that occurred a century and a half ago. The number of countries voting in the UN General Assembly for the Georgian draft resolution (of non-binding character, however) on the situation of IDPs from Abkhazia and South Ossetia is growing by the year (starting 2009). At the same time, even under Mikhail Saakashvili, Georgia introduced a visa-free regime for Russian citizens and Russian business strengthened its position in the country. However, contact on the official level (at the level of the Deputy Ministers) is only in the framework of the so-called Geneva International Discussions on Security and Stability in the

South Caucasus (the format and purpose of which each participant interprets in its own way); the main achievement of the last 38 rounds being the 39th round to be held a few months later. Thus, in the first postwar years, there was a new “freezing” of the Georgian-Abkhaz and Georgian-Ossetian conflicts, but in a modified (again, not in favor of Georgia) condition.

The signs of exit of Georgian-Russian relations from the state of “clinical death” emerged after the change of power in Georgia in fall 2012. The new Prime Minister established the position of a special representative for relations with Russia (Z. Abashidze), and Moscow nominated Secretary of State and Deputy Foreign Minister (G. Karasin) as his counterpart. In the trade, economic and humanitarian spheres negotiators achieved progress, but the issue of unresolved conflicts (as well as other issues of “big politics”) are left outside their discussions (so-called “red lines”).

In general, the efforts of the parties to reanimate relationships appeared to be asymmetrical: Georgia, for example, sent its team to the Winter Olympics in Sochi, and even contributed to the maintenance of its security. It annually receives a growing number of Russian tourists and stopped “pedaling” the issue of North Caucasus, so uncomfortable for Russia. But the country did not change its strategic course of Euro-Atlantic integration. In response, Russia intensified a process of “borderization” of South Ossetia and militarization of both conflict areas, and signed an agreement with Abkhazia on Alliance and Strategic Partnership, and with South Ossetia on Alliance and Integration. The issue of a referendum in South Ossetia on its entry into the Russian Federation is pending and can be actualized any time Russia considers it appropriate.

* * *

In light of the current sorry state of affairs between Russia and the West, there is no reason to believe that there will be any noticeable positive dynamics in Georgian-Russian relations; it is not likely to occur in the Georgian-Abkhaz and Georgian-Ossetian conflicts as well. In this situation, it might be wise to be guided by a minimalist but rational approach of “do not harm,” keeping another experienced political postulate – never say never – in mind.

In one form or another, all parties to the conflicts have to live side-by-side in the future; therefore, in the absence of the political potential for positive dynamics, it is necessary to minimize the space for negative dynamics and to prevent any further alienation of societies, leaving an open window through which it is possible to see the true face of the neighbor.

ECONOMIC LINKS OF RUSSIA AND GEORGIA AND THEIR POTENTIAL FOR IMPROVING BILATERAL RELATIONS

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Summary

The article considers economic links between Russia and Georgia as an opportunity to improve bilateral relations overall. The first section provides information on the current trade turnovers and investments of the partners. The second section examines factors conducive to the development of economic relations. The third section analyzes the factors having a negative effect on economic ties. The sum of these factors leads to the conclusion that contemporary economic relations between Russia and Georgia are sufficient to be maintained in the medium term with a sluggish development of trade and investment for the mutual slow socialization of Russians and Georgians, but not for a radical breakthrough in relations between Moscow and Tbilisi.

Current Economic Links

Russia and Georgia are not the largest economic partners for each other. The Georgian share in the foreign trade of Russia has not even approached the level of 1% this century (see Figures 1 and 3) while the share of Russia in the foreign trade of Georgia has gradually decreased to the current 7-8% (see Figures 1 and 2). Yet Moscow is second only to Azerbaijan and the United States by exports from Georgia and to Turkey, China and Azerbaijan by imports. In relative terms, trade with Russia is more important for Georgia than vice-versa. The Georgian trade balance with Russia is also negative. For Abkhazia and South Ossetia, Moscow is the major economic partner.

The political difficulties that led to multiple restrictive measures from Russia have contributed to the reduction of interdependence between Moscow and Tbilisi. Yet reciprocal trade has grown steadily over recent years. Georgia exports to Russia (by importance in value terms), mineral water, wine, ferroalloys (mainly carbon ferromanganese), spirits, nuts and a number of less important items. The main items Russia supplies to Georgia include oil and oil products, electricity, natural gas, wheat, and cigarettes.

Trade in services between Russia and Georgia is also gradually increasing. Tourism, booming as a result of visa-free entry to Georgia for Russian citizens, lack of language barriers, as well as relatively attractive prices, contribute to this. The statistical data is good evidence of a steady increase in passenger traffic between Russia and Georgia.¹

Another important indicator is the mutual investments of partners. Foreign investments are usually difficult to assess as the origin of the capital is not always obvious, especially when it comes from privileged jurisdictions, such as the Netherlands or Cyprus. It is difficult to analyze the balance of capital imports and exports and it is not always clear what should be considered as foreign investment. In addition, political problems between Russia and Georgia distort the official picture. It is also challenging to evaluate the investments of Georgians with Russian passports or with permanent residence in Russia.

¹ Source: Gazeta.ru (www.gazeta.ru/business/2016/08/25/10158905.shtml).

Figure 1. Georgian and Russian trade turnover, thousands of USD ²

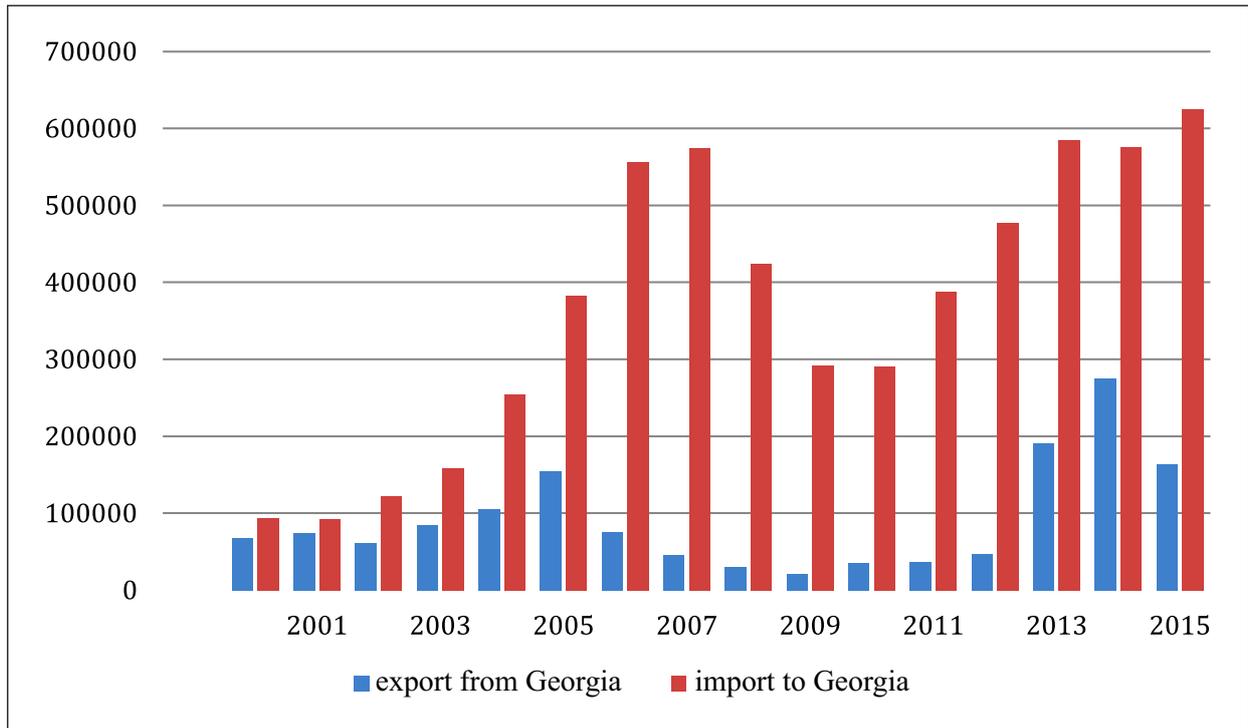


Figure 2. Russian share in the foreign trade of Georgia ³

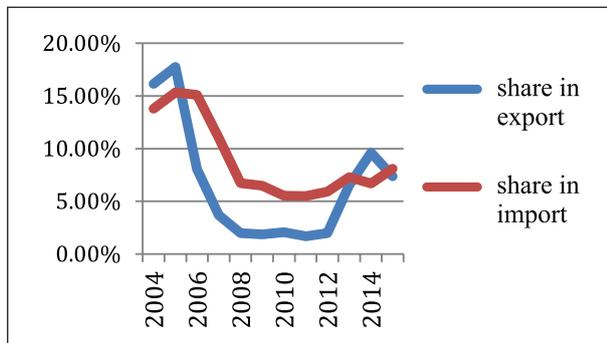
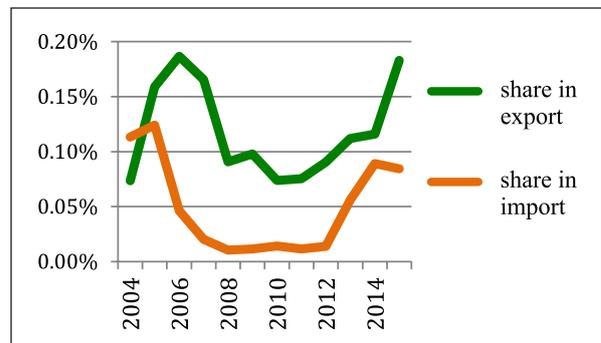


Figure 3. Georgian share in the foreign trade of Russia ⁴



Georgian investments in Russia are mentioned in a number of works (all of which note the domination of Russia in the pairing of Russia – Georgia), but the official statistics of Russia regarding this issue are unavailable. The situation with Russian investment in Georgia is more transparent (see Figures 4 and 5). Despite a recent drop from 12.5% to 3%, the absolute volume of investments is growing steadily (although a relative decline is accounted for by capital inflows from other countries).

Russian investments are often made in strategic industries that are associated with the national security of any state. The first example is typically the electric-power industry. Russian **InterRAO** controls Telasi distribution company, Mtkvari TPP, HPP Khrami Khrami 1 and 2, and also manages HPP Enguri. HPP Dariali, Lars, Shilda, Avani, Algeti, Zhinvali are also controlled by Russian citizens. Georgian Water&Powers, which supplies water and electricity to the capital city, belongs to Russia. Finally, the transit networks of Sakrusenergo are controlled jointly by Russian and Georgian parties.

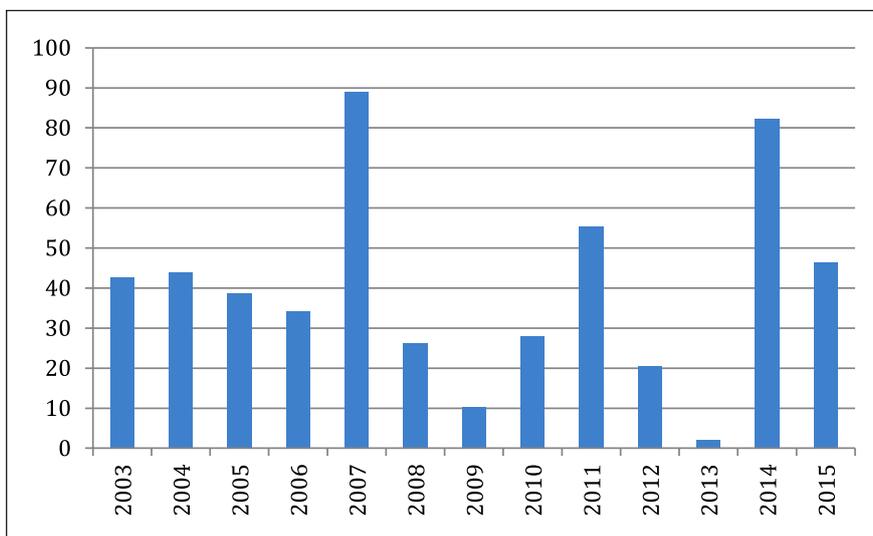
² Sources: Central Bank of Russia (www.cbr.ru) and Department of Statistics of Georgia (www.geostat.ge).

³ Source: Department of Statistics of Georgia (www.geostat.ge).

⁴ Sources: Central Bank of Russia (www.cbr.ru) and Department of Statistics of Georgia (www.geostat.ge).

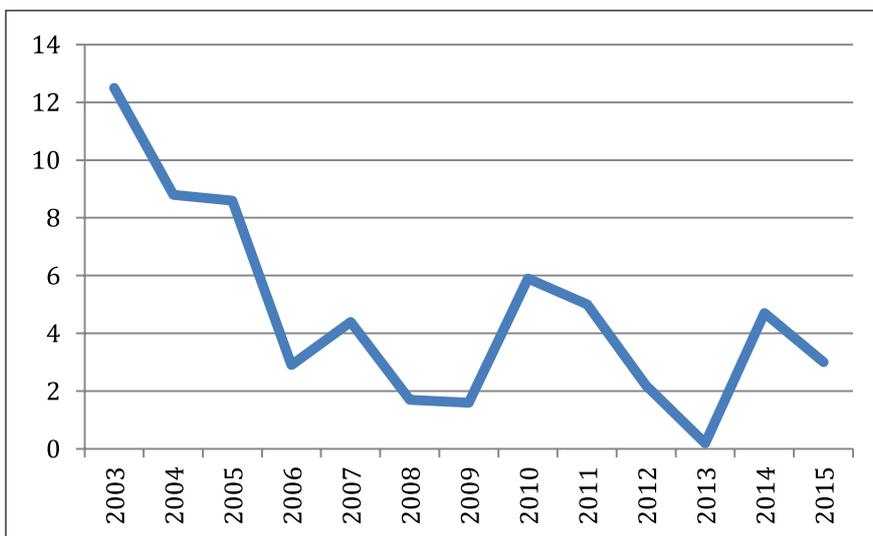
Another illustration is the oil sector. **Lukoil Georgia** belongs to the Russian Lukoil and supplies fuel from Bulgaria to 62 petrol stations throughout Georgia. In December 2014, **Rosneft**, through offshore companies, acquired 49% of **Petrokas Energy Limited**, managing the oil terminal of Poti, as well as the network of gas stations around Georgia.

Figure 4. Russian investment in Georgia, thousands of USD ⁵



Major investment assets of Russians also include **VTB Georgia** (97% owned by the Russian **VTB**, one of the 19 banks in Georgia), **RMG Gold** and **RMG Copper** - non-ferrous metal producers, mobile operator **Mobitel / Beeline** (owned by VimpelCom, it controls about 23% of the Georgian market) **Carlberg Georgia LLC** (owned by **Baltic**), winery **Tifliski Vinni Pogreb** (the owner - Russian J.V. **Dionysus**), **IDS Borjomi (Alfa Group)** mineral water producer, and dairy plants (**WBD-Georgia**). 90% of all investments in Abkhazia and South Ossetia are also of Russian origin.

Figure 5. The share of Russian investment in the foreign investments of Georgia, %



Can these economic assets ensure improvement of the Russian-Georgian political relations? How will they be affected by the new Association Agreement between Georgia and the European Union (AA) that suggests the gradual building up of a deep and comprehensive free trade area (DCFTA)? In this article, we will try to respond to these two questions, structuring our arguments in two sections, with the first section discussing positive factors for the development of economic relations and the second examining negative factors.

⁵ Source: Department of Statistics of Georgia (www.geostat.ge).

Factors Favorable for the Development of Economic Relations and Their Positive Impact on the General Context of Russian-Georgian Relations

At least five factors speak in favor of the further development of economic relations.

First are the historical ties between the two countries that have formed over the last few centuries; a good understanding of each other based on long-term intercourse, a long common history and reciprocal attraction between the two peoples. There are general standards of goods generated during the Soviet period still in place. These will of course be affected by the AA. However, Russia itself, both within the framework of bilateral relations with the EU and in the dialogue between the EU and the Eurasian Economic Union (EAEU), already approximates its standards with those that are set out in the AA, and Georgia (unlike Ukraine or Moldova) cautiously perceives harmonization with the EU in agriculture that accounts for the bulk of its exports to Russia. Therefore, the potential of historical ties (including in standardization) is likely to have a positive effect on economic links between Russia and Georgia. Moreover, in transition to the new standards, an exchange of experiences may even take place.

Secondly, Russia and Georgia have complementary foreign trade structures. As shown above, Russia exports energy and wheat. Georgian food products are familiar to Russians, while ferroalloys are required by Russian industry. At the same time, the EU as an export market for Georgia is less attractive. Indeed, it is larger than Russia, but its agricultural segment is the most protectionist, as perceived in relation to cultural heritage and social protection of farmers. Mineral water and wine, fruit and vegetables are traditional products for the EU, while in Russia the winemaking traditions are undeveloped, as this sector of the economy has grown less creatively compared to Georgia in recent years.

Thirdly, a geographical proximity certainly has a positive impact on the relationship of partners. Unlike the EU, with which Georgia does not have a direct land border, Russia is in the vicinity. Moreover, Georgia provides a unique opportunity to link Armenia with Russia and hence with the EAEU. And it is necessary for trade in all kinds of goods, and especially for steady power supply of Armenia provided from Russia. Note: In exchange for transit, under the 2016 agreements, Georgia can receive up to 300 mln. cubic meters of gas from **Gazprom** annually.⁶

Fourth, the overall attitude in Georgia, and now also in Russia, has a positive effect on the development of economic ties. Even after 2008, Tbilisi did not restrict Russian investments and unilaterally liberalized entry for Russian citizens. At present, Russia, too, in its dialogue with third country partners, focuses on the need to maintain business contacts and a dialogue between companies. Russian flirting with Western investors, as in the St. Petersburg International Economic Forum that became an external policy event, is a good illustration of this trend. Interestingly, Russia did not respond to Georgia's accession to one of the EU restrictive measures - abandonment of economic relations with Crimea. In contrast to the negative rhetoric on the AA between the EU and Ukraine (and even Moldova), the attitude of Russia to the AA between Georgia and the EU is surprisingly calm, almost neutral.

It is clear that both sides now understand the importance of the economy in stabilizing political relations. It not only creates a framework for mutual interest among politicians, but also among entrepreneurs; ordinary citizens who form the so-called network of transnational relations, while also socializing people with each other.

At the same time, it is far from clear whether economic relations actually play the role of a stabilizer of relations and of a springboard for restarting them. The case of Russian-EU relations is rather negative. While the EU accounts for nearly half the external trade of Russia, and Russia is a major energy supplier to the EU, it could not prevent mutual hostility between the two, or the growing conflict. On the contrary, a series of restrictive measures one after another has had a damaging effect on economic relations, both new and the old.

⁶ Source: Official website of Gazprom www.gazprom.ru/press/news/2016/june/article276707/

There are several reasons for this failure of economic relations to prevent or at least mitigate EU-Russian political difficulties. The first is the divergence between Russia and the West regarding fundamental aspects of the European security system, as well as the principles of formation of economic regulation. In terms of security, it concerns the non-inclusion of Russia in Western institutions, and in terms of the economy, its inequality in development of the rules and regulations (which does not mean actual disagreement with the rules). The second reason for the failure of the economy to stabilize relations between the West and Russia is the high proportion of Russian intervention in the economy, the lack of independence of businesses, especially large businesses. Finally, the fomentation of hysteria regarding economic relations with Russia in the West should be mentioned, along with the threat of US sanctions for all companies violating the restrictive measures of Washington.

How do Russian-Georgian relations stand? Unlike the EU, Moscow does not perceive Georgia as a normative adversary defining the regulatory framework in the continent. Moreover, in the absence of political engagement, business seems to be more independent in Russian-Georgian relations, despite the presence of Russian energy giants close to the government. Moscow's choosing to ignore the partial accession of Georgia to the anti-Russian sanctions of the EU, to not associate it with a negative context of relations with the West, is also a positive aspect, providing grounds to hope for stable development of economic relations between Russia and Georgia.

Finally and paradoxically, the AA, with the DCFTA rules, may also serve to benefit relations between Russia and Georgia. Georgia's economy has already been liberalized in the course of accession to the WTO, so the AA is unlikely to produce any fundamental changes (not incidentally for Georgia, in contrast to Moldova and Ukraine, no transition period for liberalization of trade in goods and services has been envisaged).

Negative aspects could hardly be expected from adoption of the provisions of the AA in the key sectors of Russian investment. In the energy sector, further liberalization is anticipated, with some exceptions due to the fact that Georgia has no land borders with the EU or other countries of the Energy Community (this last it is going to join in the near future). But the Russian companies have already adapted to liberalization of the electric power and oil industry (adequate measures are taken in Russia, too), and learnt to operate on the competitive natural gas market. No radical upheavals are expected on the telecommunications market or in the mineral extraction sector. Meanwhile, the agrarian region of Georgia, where minor Russian investors are also present, involves lengthy transition periods.

In fact, the AA between Georgia and the EU will be more positive for Russian investors. This is a more predictable model of economic regulation (and similar to that known in the EU). It is also an opportunity for those companies that have not yet reached the EU market to learn to operate by new rules on a familiar marketplace. Finally, it provides opportunities for Russian investors working in Georgia to enter the EU market thanks to the trade liberalization.

Thus, at least five factors indicate that current economic relations between Russia and Georgia can only get stronger, including in the context of the contemporary political situation and the AA signed between the EU and Georgia. However, there are as many factors suggesting the opposite. These will be considered in the next section.

Factors Hampering Development of Economic Relations and Positive Impact on the General Context of the Russian-Georgian relations

There are at least five aspects neutralizing the above-referred factors for favorable economic contacts.

Firstly, despite the readiness for mutually beneficial economic relations on the part of Russia and Georgia, politicization of all aspects of the dialogue is still high, being more a mundane confrontation than a normative and conceptual competition, as is the case with Russia and the West.

The inherent politicization of economic relations by Russia is notable. The use of access to its internal market for political pressure is de facto translating **Rosprotebnadzor** into an external policy tool to the extent it prohibits access to the Russian market for Georgian goods whenever any political difficulties arise. This is added to by interruptions of energy supplies that often coincide with the worsening of the political dialogue and a leisurely removal of restrictive measures against Georgian goods requiring separate treatment for each product and a requirement for use of domestic goods on the Russian market.

All this cannot but give rise to opposition from the Georgian side. As a result, any attempt to deepen economic ties with Russia is politicized and becomes a subject of internal political conflict, speculation and heated public debates. Good evidence of this may be an objection to the entrance of **Rosneft** to Georgia in 2014-2015 (operation of its subsidiary in Abkhazia was advanced as the main argument) and highly divisive debates on whether to increase purchases of natural gas from Gazprom in 2016. In fact, it dates back to the wider problem of trust between Georgia and Russia.

Another politicizing factor is Georgia's participation in various schemes bypassing the territory of Russia in transportation of hydrocarbons from Central Asia to Europe (Baku - Tbilisi - Ceyhan oil and Baku - Tbilisi - Erzurum gas pipelines). Although today Russia has become used to these infrastructural projects, their existence must be an irritation to Russia.

The current factors of politicization of relations include the participation of Georgia in restrictive measures of the West imposed on Russia as a result of the Ukrainian developments of 2014. While Tbilisi would not join the EU and the US in blacklisting or in the so-called sectoral measures (the embargo on deliveries of military and dual-use goods to Russia, limited access to financial markets and energy technologies for Russian companies), it did join the measures restricting economic contacts with Crimea (although it was noted in Moscow that this fact did not result in any reciprocal steps).

Tbilisi obviously got caught between the Scylla of rapprochement with the EU (including foreign policy issues) and the Charybdis of retaining economic relations with Russia, and hence opted for a half-hearted support of sanctions. However, this will be negatively interpreted by Russia and even without an official reaction, it will mean impossibility for Georgia to take advantage of the currently truncated economic relations of Russia with the rest of the world to strengthen economic ties (interestingly, the Balkan countries have maintained friendly relations with Russia and even intensified their trade with it in defiance of the process of accession to the EU).

Secondly, many of the issues of intensification of economic relations of Russia and Georgia require if not a solution of the Abkhazian and South Ossetian problem (neither party hopes to attain this in the medium term), then at least development of a scheme of involvement of these territories into economic relations. After all, trade and mutual investment are expected to reduce the degree of severity of the political dialogue in the medium-term perspective. Development of a participation scheme for Abkhazia and South Ossetia is also necessary for launching railway communication and intensification of automobile traffic. However, both sides demonstrate a lack of creativity. Russia continues to insist on Georgia's negotiating directly with Abkhazia and South Ossetia, and Georgia refuses to accept the last as equal partners or for instance, to acknowledge the results of the activities of their customs authorities.

To this end, admission of these formations to the EAEU, for example, as associate members or members with a special status, would be instrumental, allowing the Eurasian Economic Commission to conduct negotiations with Georgia on their behalf. However, this is an option for the long-term future, since it requires not only admittance of these two formations to the EAEU (which might be objected by the EAEU members non-recognizing Abkhazia and South Ossetia), but also the strengthening of the powers of the EAEU and its institutions, and allocation of competences to them, for instance, on implementation of the energy and transport policies.

The rhetoric of Moscow experts that, in the absence of reconciliation with the West, the next step of Russia could be unification of the North and South Ossetias, might have an expected effect of complicating the dialogue by imposing new political restrictions on economic relations.

Third, while Georgia is not perceived as a subject of normative competition with Russia, it remains a party to the EU and Russia / EAEU competition. It is in the very region of common neighborhood in which two integration processes still conflict rather than interact. At the same time, the specificity of Georgia is that it is located in the way of transit of goods between the EAEU countries. Moreover, some sociological surveys show that possible difficulties with accession to the EU technical regulations and accreditation standards are provoking the increasing interest of the citizens of Georgia towards Eurasian integration.

In this context, Russia could not refrain from raising traditional Russian objections against the DCFTA between Georgia and the EU. Above all, it is the possibility of illegal circumvention by the EU goods of the Russian Customs (as Georgia signed a free trade zone agreement with the CIS countries in 1994). This objection is artificial, since the free trade zone does not mean absence of customs control, and the WTO rules clearly define the cases in which goods can be considered Georgian. Another objection of Russia against the DCFTA is that the Russian market will be flooded with goods incompatible with EU standards. However, with the present structure of production in Georgia and its trade with Russia, it is hard to imagine what these goods are. Despite the apparent artificiality of both points, competition between EU and EAEU integrations and a lack of concurrence between Moscow and Brussels on conceptual building up of economic regulation will periodically lead to difficulties in Russian-Georgian relations.

In this situation, the Georgian political elite may have taken the only possible decision: to use the opportunity to expand economic ties with Russia as leverage to influence its other partners. A striking example of this is negotiations with **Gazprom** in the first half of 2016 to increase supply of the natural gas, which led to better conditions of natural gas supplies from Azerbaijan (SOCAR company). This tactic will most likely be repeated, but in the long run it will serve the politicization of economic relations between Russia and Georgia, and virtualization of trade and investment.

Fourth, retaining Russian visa restrictions for citizens of Georgia, beyond all doubt remains an obstacle for intensification of economic links. Despite some loosening in early 2016, maintaining an entry permit into Russia is limiting the potential of business contacts.

The last negative factor for economic relations between Russia and Georgia is the current economic situation in Russia - the lowering of incomes of Russian citizens and, hence, reduction in their purchasing power and capacity to travel (including to Georgia), as well as limited financial resources, restricting opportunities for foreign investment. Finally, the present status of relations between Russia and the West have resulted in the emphasis on import substitution, including agricultural production, which also holds back advancement of the traditional Georgian products on the marketplace.

In general, the negative factors for the development of economic relations are significant and will continue to impede development of trade and investment between Georgia and Russia and therefore a positive effect of economic relations on the general context of dialogue between the two countries in order to reduce tension and establish political relations.

What are the Prospects?

The previous sections analyzed five background factors contributing to the development of economic relations between Russia and Georgia, and five factors that hinder it. The first includes historical proximity; complementarity of commodity structures; geographical proximity; political elites of both countries oriented to the economization of relations and the AA between Georgia and the EU, the latter comprised of persistently marked politicization on both sides; lack of a formula of

involvement of South Ossetia and Abkhazia in economic relations; maintaining of the EU and Russia/EAEU competition within the common neighborhood; as well as visa restrictions of Russia and its current economic policy, including lowering the incomes of Russians.

Striking a balance between the pros and cons allows us to suggest that the context of economic relations between Russia and Georgia, for a small increase in mutual trade and investment, will continue smoldering in the medium term, however, without a radical breakthrough that would affect political relations. At the same time, keeping up the economic links and their slow improvement will lead to socializing Georgian and Russian societies towards each other, facilitating the recovery of the historical rapport.

A lack of decisions regarding the scheme of economic involvement of Abkhazia and South Ossetia, continued severe politicization on both sides, as well as the ongoing competition of the EAEU and the EU initiatives on building up neighborly relations, also imply limited prospects for Georgia to become a pilot project to test the interaction between the EU and the EAEU.

TRADE AND INVESTMENTS: AREA FOR COOPERATION

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In the modern world, there may exist between countries a political and even military-political tension, yet at the same time a high level of trade and economic cooperation. The cases of the US and China, and China and Japan are most illustrative in this regard. Such economic interdependence, as demonstrated by the history of the XX century may be unable to prevent wars and conflicts, but is able to expand the area for dialogue between two countries, creating a positive experience of combining national interests and contributing to the overall socio-economic development.

Georgian-Russian relations long ago “hit bottom” with Russia’s recognition of the independence of Abkhazia and South Ossetia marking a certain “point of no return” in relations between the two countries. Nevertheless, the historical neighborhood of the two countries, established economic and humanitarian ties, and certain (geo)political processes in the South Caucasus are gradually pushing Moscow and Tbilisi to create an area of de-politicization in bilateral relations, in which political conflicts will be taken outside the “brackets”.

At the same time, this area cannot be completely isolated. Its boundaries will be continually violated by the attempts of certain political groups, especially in Georgia, to also re-politicize trade and economic cooperation with Russia, referring to the inviolability of the national interests and inadmissibility of the expansion of cooperation with Moscow in the most sensitive areas such as energy and transport sectors.

Geopolitical and Geoeconomic Context

The conflict between Russia and Georgia in 2006-2008 largely took place at the level of personal relations between leaders of the two countries. Therefore, only a new election cycle with new political forces coming to power could change the situation. Here is what happened: the victory of the Georgian Dream coalition party in the 2012 parliamentary elections, and the election program of considered normalization of relations with Russia, led to significant shifts in relations between the two countries. Russia, seeing the change of tone in Tbilisi, responded by abolishing key trade restrictions in respect of Georgia and allowing the export of Georgian wines and food products into its market.

A positive aspect for the development of Russian-Georgian relations is the fact that the October 2016 parliamentary elections will maintain the current balance of political forces in Tbilisi. A key opponent of the Georgian Dream, the United National Movement, informally led by Mikhail Saakashvili, retains a high degree of anti-Russian rhetoric and participates in all major initiatives to organize street protests and parliamentary debates against the expansion of cooperation with Moscow.

In addition, an important political moment for Russian-Georgian relations was the question as to whether Moscow would introduce any new restrictions on Georgian exports following the signing and coming into force (from July 1, 2016) of the Association Agreement between Georgia and the European Union as was done in the case of Ukraine and the Republic of Moldova.

Let us recall that Kiev and Chisinau were faced not only with a negative diplomatic reaction from Russia, but the MFN regime (a significant increase in import duties to the level of duties determined by the WTO framework) was operationalized against them. In addition, the export of the two countries’ food products and alcohol to Russia was banned. At the same time, Moldova and Ukraine formally continue to be parties to the 2011 CIS Agreement on a Free Trade Zone. With Georgia,

Moscow chose to maintain the positive dynamics and decided not to politicize this issue. In fact, re-export, which served as a key argument against Kiev and Chisinau, was not even discussed in the context of Russian-Georgian relations.

For Russia, rapprochement with Georgia has a political purpose. Let's try to define the key Russian interests in this regard. Firstly, Moscow is trying to preserve its status as an integration core in the post-Soviet space. In this context, a key role is played not only by the Eurasian Economic Union, but also by a system of free trade zones with the countries that did not join the EAEC - both within the framework of the CIS free trade zone, and bilateral preferential trade agreements. Despite the severance of diplomatic relations, a free trade agreement signed in February 1994 between Russia and Georgia is still operational. Georgia's withdrawal from the CIS significantly hit the integration ambitions of Russia, for which the post-Soviet space remains an important frame for the determination of its key interests in the world. Therefore, the return to normality of the integration in relations with Tbilisi is essential for Moscow.

Secondly, due to its geographical location, Georgia plays an extremely important role for the political interests of Russia in terms of Armenia. Armenia does not have a common border with the countries of the Eurasian Economic Union that it joined in January 2015. In this regard, Georgia has to play the role of a transit country for the development of trade, transport and social ties between Armenia and the EAEC (Russia). In addition, it is in Moscow's interest to take an active part in the development of trade and economic relations between Armenia where Russia has a significant position in the energy sector and Iran, as well as to build up a dialogue in the Moscow - Yerevan - Tehran triangle. Due to the gradual lifting of sanctions, Iran will play an increasingly important role, especially in the South Caucasus, where Tehran has had significant political and economic ambitions. Therefore, cooperation with Iran in the framework of joint projects is of great interest for Moscow both in terms of the development of a positive trade cooperation and to balance the influence of a new key player in the region.

Thirdly, normalization of relations with Tbilisi is a tool for Russia to prevent the real expansion of NATO military infrastructure in the South Caucasus. Maintaining political conflict will further attract the attention of Western countries and encourage them to seek mechanisms to "support" Georgia and "deter" Russia. This motive plays a special role in the light of the Ukrainian crisis, due to which many politicians and military officials in the West feel a need to "deter" Russia along the whole perimeter of its borders with Eastern European countries. In particular, the idea of the so-called "Intermarium" project is again being discussed.

In terms of Georgia, both economic and political motives to normalize relations with Russia are important. From an economic point of view, Russia by the size of its domestic market and the demand for classical Georgian exports, is a logical economic and trade partner for Georgia. Russian investors gladly work in Georgia, successfully adapting to the local conditions and enjoying the benefits, including a more favorable tax regime. The Russian tourists represent, on average, no less than 15% of the total number of tourists visiting Georgia. The Georgian tourism industry especially benefited from the temporary closure of the Egyptian and Turkish destinations for Russians. Let us not forget that more than half of remittances to Georgia come from Russia, indicating that the humanitarian and family ties continue to exist regardless of the political context. Another increasingly important role of Russia for Georgia is energy security, both in the gas and electricity sectors. Tbilisi made significant progress in diversification of energy supplies from international markets, but it has clearly become one-sidedly dependent on Turkey and Azerbaijan in recent years. In turn, it is obvious that Azerbaijan cannot ensure an uninterrupted supply of the required volumes of gas to Georgia. In addition, Tbilisi needs to have price competitiveness to purchase commercial gas on the most favorable terms. With regard to electricity, despite the development of hydro and thermal power, the Georgian power system needs the international market in order to cover the deficit and sell the seasonal surplus.

Georgia's geo-economic interests are also related to the use of its transit potential in light of the development of trade and economic relations between Russia, Yerevan, and Tehran. In this regard, cross-border infrastructure projects are gaining more importance. At the same time, Tbilisi will need to balance, bearing in mind the reserved and even negative attitude towards the development of relations with Armenia from Turkey and Azerbaijan, and with Iran from the USA. Nevertheless, Armenian-Georgian and Iranian-Georgian cooperation in the sphere of trade and investment are set to grow.

Georgia's political interests primarily lie in balancing the one-sided dependence on Turkey and Azerbaijan that has serious negative implications for the national security of Georgia. Baku and Istanbul are actively expanding their influence among the Muslim population of Georgia that may have a destructive impact on the maintenance of peace among different ethnic communities, particularly in the regions with a high Muslim population.

In addition, in terms of Georgia's strategic development, the threat of its transformation into a "buffer", "grey" area of world politics is becoming increasingly evident. It is unlikely that NATO and the European Union will offer Tbilisi serious integration formats in addition to the existing ones (visa liberalization, Deep and Comprehensive Free Trade Area, and restrained political-military cooperation) in the foreseeable future, due to both internal problems and a reluctance to begin large-scale confrontation with Russia in Eastern Europe. Maintenance of intensive conflict status in relations with Russia will not speed up the Euro-Atlantic integration of Georgia but will only damage its socio-economic development, stimulating constant internal political instability.

Trade Relationship

Georgia has a significant trade deficit. The share of export in the \$10-11 bln total foreign trade turnover is only \$2.2 bln (as of 2015). With a weakly developed local market this makes it necessary to look for additional opportunities to expand Georgia's exports of goods and services.

In this context, it is necessary to note the significant increase in Georgian exports to Russia after Moscow lifted the trade restrictions, increasing from \$47 mln in 2012 to \$275 mln in 2014. These numbers well exceeded the indicators of 1990-2000s (prior to the introduction of trade restrictions by Moscow). Thus, the maximum number of exports to Russia during this period was recorded in 2005 (\$154 mln). In 2015, there was a decrease (to \$163 mln) that was mainly caused by the economic crisis in Russia and, accordingly, a decline in demand for food products. The growth in supplies did not happen at the expense of re-export (in particular, cars, as was the case in an earlier period) but the goods produced in Georgia - wine and drinking water. As a result, Russia again became one of the leading trade partners of Georgia: as of 2015, it occupied the fifth place in terms of imports of Georgian goods after Azerbaijan, Bulgaria, Turkey, and Armenia. In the case of restoration of positive dynamics of Russian economic growth, Georgia has serious chances to significantly increase its presence on the Russian market, where Georgian products have the necessary image and sales channels. Development of trade relations with Russia has a special role for Georgia as the establishment of the Deep and Comprehensive Free Trade Area with the European Union will be unable to significantly increase exports to EU markets, at least in the short-term perspective. Georgia's foreign trade turnover with the EU countries has increased over the last ten- fifteen years. This is explained by the fact that Georgia has been a beneficiary country of the EU's Generalised System of Preferences (GSP) since 1999 and of the Special Incentive Arrangement for Sustainable Development and Good Governance (GSP+) since 2005, making it possible to import Georgian products to the EU at no, or reduced, custom duties. Export volume grew by gradually increasing supply of agricultural products to different EU countries, as well as copper ores and nitrogen fertilizers (mainly to Bulgaria). In 2013, the volume of Georgian exports to the EU exceeded the \$600 mln threshold and reached \$645 mln after the signing of the EU-Georgia Association Agreement. It was especially important that in 2015 exports to the EU insignificantly increased, whilst to other countries it (except for China) dropped significantly, sometimes by double.

Nevertheless, the prospects for further growth of exports to the EU are related to the need for significant investments in the modernization and expansion of agricultural production in Georgia that cannot happen overnight. In addition, the EU markets for such goods as wine and bottled water are highly competitive whereas in Russia, Georgian wine, for example, can successfully compete with Crimean and Cuban wines.

A traditionally sensitive issue in the bilateral relations is the trade of gas. Since 2006, Azerbaijan has occupied almost a monopolistic position on the Georgian market, supplying up to 90% of Georgia's gas imports. Thus, in 2014, Azeri SOCAR supplied to Georgia 2.1 bln cubic meters of gas. The remaining 10% (0.3 billion) was provided by Russia which transmits gas to Georgia in payment for transit to Armenia- 2 bln cubic meters in 2014.

At the end of 2015, Russian provider Gazprom tried to raise the issue of transfer of payments for gas to a full-scale commercial basis. Gazprom wanted to increase supplies to Armenia to launch the fifth energy unit of the Razdan TES, when the pipe in the direction of Armenia was loaded only by 20%. The Georgian opposition perceived this proposal as "an ultimatum" because of their fears that under certain circumstances Moscow can take advantage of the supply of gas to put political pressure on Tbilisi. As a result, negotiations failed, and the barter scheme is ongoing.

At the same time, Georgia expressed a desire to buy additional "commercial gas" from Russia due to the growth of its energy needs, limited possibilities of gas supplies from Azerbaijan and in the interest of price competition. Tbilisi offered Gazprom the chance to sell gas directly to private Georgian companies. Despite the negative local political context, the CEO of Gazprom, Alexey Miller, and head of the Georgian company GASCO+, Giorgi Mamaladze, signed an agreement to supply 100 mln cubic meters of gas in the second half of the year to the consumers of West Georgia, at the St. Petersburg International Economic Forum (SPIEF 2016).

For Gazprom, it is extremely important to restore the supply of commercial gas to the Georgian market that it lost after 2006. These relations could be transferred on a permanent basis in the near future with a perspective to conclude mid-term contracts. As for commercialization of the main gas supplies for internal political reasons it is a "red line" for Tbilisi that is not likely to be crossed.

Investment Cooperation

In spite of the political context, Russian investments in Georgia are significant. Their dynamics depend first on the situation in the global and regional markets then on the state of the Russian economy. Unlike Western investments, Russian investments in Georgia increased following the 2008 conflict: whereas in 2003-2008, 13 large investment projects were implemented, in 2009-2015 that number increased to 17. To date no information is available regarding any serious obstacles for Russian companies in Georgia.

The key sphere of the Russian capital is energy. Currently, Inter RAO Group owns 75% of the shares of JSC Telasi. JSC Telasi is one of the largest Georgian network companies engaged in distribution and sale of electricity in the capital of Georgia and its suburbs. It employs more than 2,100 people. In addition, Inter RAO owns hydroelectric power stations Khrami-1 and Khrami-2 with an installed capacity of 113 MW and 114 MW, respectively.

Nevertheless, Inter RAO in 2016 sold its thermal power assets in Georgia, namely, shares of Mtkvari Energetika. The company owns thermal power plant Mtkvari, part of TbilGRES and located in the area adjacent to the town of Gardabani 40 km from Tbilisi. Inter RAO explained its withdrawal from the Georgian power system as a "desire to concentrate on the development of its Russian assets".

In addition, the PJSC Federal Grid Company of Unified Energy System owns 50% shares in the joint Russian-Georgian company JSC UES SakRusenergo. The main goal of the company is the organization and optimization of the flows of the electricity market and provision of a reliable uninterrupted transmission (including transit transmission) of electricity in accordance with the agreed regime of

operations of the Unified Energy System of Russia and the energy system of Georgia. SakRusenergo is to play a key role in the planned synchronization of the electric power systems of Georgia, Russia, Armenia and Iran.

In addition, a number of private investors from Russia are actively investing in the Georgian hydropower sector. The companies Lukoil, Rosneft and VTB also own assets in Georgia.

Mikhail Friedman owns mineral water company IDS Borjomi Georgia. The company produces mineral water *Borjomi* and *Likani*, as well as drinking water *Borjomi Water* and *Bakuriani*. The company was previously owned by the family of Badri Patarkatsishvili. In early 2013, Borjomi company was sold to Alfa Group, one of the largest investment companies owned by Friedman.

In addition, there is an increase in the number of Russian private investments in other sectors as well, especially in tourism. In May 2016, it became known that the founder and owner of the Medi clinic network, Tamaz Mchedlidze, who works in St. Petersburg, plans to build a premium wellness resort in Georgia, namely, in the recreation area of Kodjori. It is estimated that investments in the resort amount to at least \$30 mln.

The income tax in Georgia is 15% and a reform is planned in 2017 to abolish profit tax in case of reinvestment of assets into production, with only payable dividends being taxable. In addition, the new state program 'Host in Georgia', launched for developers and owners of existing hotels, makes it possible to have the State itself as a co-investor and pay the franchise fee of international hotel brands with financial support from the State.

Perspective Infrastructure Projects

In the area of strategic infrastructure development, Russia and Georgia could implement a number of large projects that on the one hand can promote their economic interests and on the other hand build up a confidence at the governmental level without crossing the "red lines". Due to the impossibility of a political compromise on the status of South Ossetia and Abkhazia, a project to restore a railway connection through Abkhazia cannot be implemented, but this is not the only case for a bilateral agenda in this regard.

Firstly, Georgia itself initiated a project to develop the North-South energy corridor aiming to combine the energy systems of Russia, Georgia, Armenia, and Iran. This initiative to create an energy corridor with a total capacity of up to 1,200 MW was launched in December 2015 at a meeting of energy agencies of the participating countries held in Yerevan. In April 2016, the energy ministers of four countries signed in Yerevan a road map of the project that envisages joint development of a feasibility study as well as a memorandum of understanding for cooperation in the electricity sector. The agreement on the development of the feasibility study for this project was signed on September 16, 2016 in Batumi at a meeting of the Coordinating Council for Studying North-South Energy Corridor Initiatives. The following companies participated in the meeting: Electric Power System Operator (Armenia), High-Voltage Electric Networks (Armenia), Georgian State Electricity System, Iran Power Generation Transmission & Distribution Management Company, Iran's Electricity Network Management Company, PJSC Russian Networks, PJSC Inter RAO, and OAO System Operator of the Unified Energy System. The Georgian State Electricity System acts as a customer and funder of the project feasibility study and will select a contractor for its implementation from the relevant reputable European companies.

In addition, it was announced in the summer of 2016 that the energy agencies of Russia, Azerbaijan, and Georgia had also reached an agreement to set up a united energy system after long negotiations and several rounds of consultations, including high-level consultations. State-owned companies of the three countries agreed to develop the proper mechanisms and approaches to regulate hourly flows and deviations in the sections Russia - Georgia, Russia - Azerbaijan, and Georgia - Azerbaijan that compose «puzzles» of the united electricity system. This will make it possible to make a decision on the feasibility and conditions of the electricity ring circuit for the long-term perspective.

The restoration of the historical Avaro-Kakhetian road by building a new highway from Dagestan to Kakheti (east Georgia) may be the second perspective of Russia and Georgia. The implementation of such a project will be beneficial to all parties. The Avaro-Kakhetian road may ensure uninterrupted transit between Armenia and Russia (EAEC). Moreover, this project will be of particular importance taking into consideration construction of road infrastructure from Iran to Armenia making it possible to connect Iran and Russia through Armenia and Georgia. This project also has an important humanitarian role for connecting the kindred peoples of Dagestan and Kakheti. Both Russian federal authorities in the person of Vladimir Putin and the leadership of Dagestan showed particular interest in the construction of the Avaro-Kakhetian road. For that reason, it would be advisable to intensify efforts to revive this initiative.

THE RUSSIAN SOFT POWER VS. RUSSIAN PROPAGANDA – THE GEORGIAN CASE

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Background

The term Russian Soft Power by default reminds many of the Kremlin controlled TV stations, internet trolls and beautiful Russian girls secretly working for foreign intelligence services. However, Russian Soft Power may evoke more positive images, too: Russian rock-stars, poets, actors, and even journalists that inspired the Soviet Union in the late 80s (when Perestroika was launched) and the former Soviet Union in the 90s. Those were different journalists working for different NTV as its political talk shows and news coverages set standards for TV stations of most of the former Soviet republics. Those were artists like Andrey Makarichev and Yuri Shevchuk but in different circumstances – in the 90s they were adored in Russia as they sang about freedom, while nowadays they are regarded as dissidents and sometimes even as enemies in Russia as they criticize the Kremlin's policies. In the late 80s and 90s, the Russian Soft Power looked much more like the typical American one – stemming not from state propaganda but based on ingenious singers, artists and popular TV shows.

The purpose of this paper is not simply to criticize the Russian Soft Power (as it is traditionally understood nowadays) as the Kremlin's tool for spreading its political influence. It also aims to assess Russia's capacity for creating Soft Power tools that will not serve (at least directly) the Kremlin's political goals but rather strengthen Russia's cultural dominance in the former Soviet Union where the Russian language remains the lingua franca. Of course, this sort of Soft Power will not be limited to cultural dominance alone and may lead also to strengthening Russia's political influence, too – once again just like typical American Soft Power.

Georgia is a very special case for studying the influence of Russian Soft Power over the former Soviet Union. First of all, Georgia was by all means the closest non-Slavic kin-nation for Russia; the Georgian cultural elite was not just associated with but sometimes integrated into that of Russia. The likes of Giorgi Danelia (famous Georgian/Russian/Soviet filmmaker) greatly contributed to the development of Russian-language culture during Soviet times. Further, Georgia was viewed as a kind of paradise for the Russian cultural elite.

Another reason that makes Georgia a special case is the fact that Georgia remains one of the troublemakers for Russia whereas Russia is viewed as a main security threat in Georgia. The two countries came to blows shortly after the collapse of the Soviet Union. In the early 90s Russia openly supported the Abkhazian side in the Georgian-Abkhazian war leading to the embitterment of Georgian public opinion towards Russia. Since then, relations between the two countries have failed to improve and from the mid-2000s even deteriorated sharply, resulting in the 2008 war. Now bilateral relations have somewhat improved but politically the two countries still remain at odds while Georgia is striving to integrate with the EU and NATO and Russia is trying to regain influence over the former Soviet Union.

Based on the above, the study of the influence of the Russian Soft Power over Georgia can be roughly divided into two parts: from the late Soviet period until the mid-2000s and from the mid-2000s to the present. The case of the country culturally close to and at the same time antagonized by Russia should make a telling story.

The late Soviet period until the mid-2000s

Georgian historians still argue about the decision of the last king of Georgia to intensify ties with Russia. The king asked the Russian Tsar to make Georgia Russia's military protectorate but ultimately Russia annexed Georgia. This is what makes the decision controversial. However, no-one questions one thing – Russia served as a bridge to the West and at least in this way Georgia benefited from becoming a part of the Russian Empire.

Russia can be Georgia's friend as long as it serves as a bridge to the West – this is the main paradigm for Georgian-Russian relations (seen from the Georgian side). This explains the influence of the Russian culture over Georgia. In Soviet times every self-respecting Georgian not only spoke good Russian but also knew Russian literature very well. Sophisticated Georgians interested in European and American writers would read their works in Russian translation. Plus, European and American movies were available in Russian translation only, which once again made Russia (and the Russian language) indispensable. The Soviet/Russian movies also influenced Georgians – filmmakers like Eldar Ryazanov and Leonid Gayday were idols for the whole Soviet Union and Georgia was no exception in this, especially when such filmmakers managed to remain free of Soviet propaganda clichés and delicately touch on the most problematic issues of the Soviet regime.

After launching Perestroika, the Russian Soft Power gained even greater momentum in Georgia. This may sound like a paradox since already by the late 80s Georgians were coming to the streets to demand independence from the Soviet Union. But at the same time hardly any Georgian could imagine him/herself without Russian TV stations and books in Russian. Before Perestroika, the Russian (more accurately central) TV stations were watched simply because there was hardly anything else to watch, but after Perestroika they became extremely popular thanks to TV shows like *Vzgliad* (Viewpoint) and *Do I Posle Polunochi* (Before and after Midnight). Those talk shows covered issues that were taboo in the Soviet Union – crimes of the communist regime, problems of youth, poverty. There was also a TV show, called *Programa A*, that covered news of rock music. This was something really special because rock music was de facto banned in the Soviet Union. Hardly any central TV station would dedicate even a minute to any rock group. Of course, people still managed to listen to recordings of the Beatles or Pink Floyd (the recordings were copied to tape) but seeing them on a TV screen was a dream that was never likely to come true. Even the legendary Russian rock group Aquarium was banned. Perestroika not only finally allowed the Western and Russian rock groups onto the TV screen but also helped to create the atmosphere of freedom and liberty that gave birth to new Russian legends like DDT, Kino and Nautilus Pompilius – new rock groups that along with Aquarium captured the minds and hearts of Georgian youth. Now it was not only the Beatles and Pink Floyd, but Russian rock groups, too.

One may argue that the above was true of the whole Soviet Union and that Georgia was no exception. Yet Georgia was a republic where the ideas of communism were never taken seriously and one which always viewed the West as a haven for freedom and well-being (this explains why, in the late 80s, Georgians demanded they break away from the Soviet Union). The atmosphere in Georgia was free compared to that in Russian, Ukraine or Central Asia (let's say the whole Soviet Union with the exclusion of the Baltic States) and this was yet another reason for the Russian poets and artists to make Georgia their favorite destination. It was no accident that *Repentance* (a famous Soviet movie about the crimes of Stalinism) was made in Georgia in the early 80s when the Perestroika has barely begun. It may be no accident that Georgia nowadays is far more advanced in terms of democratic development than most other post-Soviet states.

So Georgians were demanding independence but at the same were as attached to the Russian Soft Power as never before. It looked like Russia was becoming a champion of liberty and freedom. When, in August 1991, the Muscovites came to the streets and defeated the coup d'état it looked like the hated communist regime was finished forever and that Russia was to be ruled by politicians like Boris Yeltsin, Anatoly Sobchak and Gavril Popov. Russia would breed not only brilliant rock groups and TV hosts but also liberal politicians.

The first big shock came with the war in Abkhazia. As soon as the conflict broke out, the Russian TV stations labelled the Georgian armed forces “occupants” and, throughout the war, openly sympathized the Abkhazian side. They would never admit that Russian mercenaries and even regular Russian troops fought on the Abkhazian side. The Georgian public was deeply offended and lost confidence in mainstream Russian media.

However the Russian TV stations still remained popular throughout the 90s. They were highly professional (especially compared to the Georgian TV stations) and still offered ingenious TV shows. What is most important – they criticized the Russian authorities which meant that they were still free. NTV was especially popular thanks to TV shows like Kukli (Dolls – a puppet show picturing Russian politicians). From the Georgian viewpoint, the Russian media was biased when it covered Georgian affairs but otherwise was still indispensable. RenTV became very popular as it aired The Simpsons. Once again, thanks to Russia, Georgians were exposed to the West. The Simpsons – the famous American show, a brilliant example of American Soft Power – became popular in Georgia thanks to Russian media. No matter how biased the Russian TV channels were when it came to Georgia’s national interests, they still offered more than the Georgian ones.

The change began in the early 2000s with the crackdown on TV stations. TV6 first, then NTV itself. All of a sudden shows like Kukli were no more. The Russian TV stations became increasingly nationalistic and anti-Western. Russia could not play the role of champion of liberties anymore as it slid towards authoritarianism. The Georgian public slowly turned its back on Russian media. This crackdown was preceded by the introduction of a visa regime for citizens of Georgia. It hurt ordinary Georgians, such as labor migrants, quite strongly and further embittered the public towards Russia. Hardly anyone believed in the official statement that visas had been introduced to prevent the infiltration of Chechen terrorists from Georgia – it was clear that Georgia was being punished for not being loyal to Russia.

The changes gained momentum after the Rose Revolution which ushered in a generation of young, strictly pro-American and ambitious politicians led by Saakashvili. Reforms were undertaken at a rapid pace, Western capital, along with Western businessmen and advisors, rushed into Georgia. More people got access to internet, more people started to travel to Europe and the US. Georgia was exposed to the West without Russia. Russia was losing Georgia and no one in the Kremlin seemed to realize how to stop this (or maybe did not consider it of much importance). No one thought about reintroducing a visa free regime. The likes of Sergey Karaganov spoke about the necessity of providing students from the CIS generous grants and scholarships in leading Russian universities but this advice was not heeded either. Russia had its own agenda for reasserting itself in the former Soviet Union and it was to be achieved through different means, through hard rather than Soft Power.

The Saakashvili government itself did its best to undermine the Russian Soft Power: the Russian language lost its obligatory status in high schools, in public service doors were widely open for Georgians with a Western education while many elder people lacking a good command of English found themselves out of business. Plus, Georgia was rapidly modernizing, corruption was fought ruthlessly and quite soon the country was to become something of an opposite to a typical post-Soviet model as had been exemplified by Russia.

From the mid-2000s to present

The events of 2006 were a turning point in bilateral relations. The Georgian law enforcement services detained a group of Russian military intelligence officers and publicly exposed and shamed them in front of the cameras. Russia retaliated instantly as thousands of Georgian illegal labor migrants were expelled from Russia and trade embargo was imposed on Georgia. The Russian media became as hostile toward Georgia as ever before. In public opinion polls Georgia entered the Top 5 of “the most anti-Russian nations.” But it was only the beginning. Within two years, Georgia and Russia went to

war. As, following the conflict, Russia recognized Abkhazia and South Ossetia as independent states, Official Tbilisi abandoned the Commonwealth of Independent States, broke off diplomatic relations with Moscow and switched off Russian TV stations on its controlled territory.

The following four years could be considered a kind of a break-point for bilateral relations. The authorities saw to it that the Russian language lost position and many kids simply refused to learn the “language of the enemy.” The authorities cracked down on Russian agents of influence and tried to discredit elder Georgian artists (that had made their careers in the Soviet Union) that talked about reconciling with Russia.

The 2012 elections changed things in some ways. The new Georgian authorities renewed the broadcasting of Russian TV stations over Georgia-controlled territory. Plus, a Russian language TV station controlled by the Georgian government was shut down (it was viewed as a propaganda tool aimed at the North Caucasus that was unnerving Moscow) and Georgia agreed to participate in the Sochi Olympic Games. In return, Russia reopened its market to Georgian goods. Russian tourists and journalists started to arrive in Georgia in increasingly large numbers and it started to look like Russia would regain its influence over Georgia, as pro-Russian organizations and media sources mushroomed in the country. Next, the Russian TV stations the local media sources started to demonize the West and promote Putin’s Russia. More than a few people started to suspect that the new Georgian authorities were secretly working for the Kremlin even as they condoned the Russian propaganda.

However, the alarmists were proved wrong. The new Georgian authorities were definitely less anti-Russian than the Saakashvili government used to be. Yet they continued to work with NATO and especially with the EU. Georgia soon received the Association Agreement and in parallel with rebuilding commercial ties with Russia, got a step closer to the EU. Even if Georgian authorities had any secret plans to return their country to Russia’s sphere of influence, the Kremlin did everything possible not to let it happen. It goes without saying that the Russians did not make any kind of concessions over Abkhazia and South Ossetia – some Georgians naively hoped so after 2012 though hardly anyone in the government had any such illusion. But what frustrated both the Georgian authorities and ordinary Georgians was Moscow’s behaviour along the de-facto border (the administrative border between South Ossetia and the rest of Georgia): soon after normalizing bilateral relations it started to move the border deeper into the Georgia-controlled territory, depriving the desperate locals of their land and property and mounting barbed wire fences there. Every week a few more thousand square meters were cut off and a few more Georgian families lost everything they possessed. Georgia protested but in vain – Russia did not even try to make excuses and would simply explain that it was the South Ossetian authorities that were drawing a state border with Georgia. Even the most naïve Georgian would never believe that “the South Ossetian authorities” were capable of doing such a thing.

The Russian propaganda also turned out to have its limits. It reached out only to the elder part of the population while the new generation simply ignored the pro-Russian sources. Actually, even the elder generation was not so easily lured by the Russian TV stations anymore – after the four year break they sounded much more aggressive and nationalistic than they used to be. This was hardly the Russian TV that Georgians watched in the 90s or early 2000s, and it did not affect even the elder Georgians as much as it was supposed to. If the pro-Russian sentiments did increase in Georgia at some point (according to public opinion polls it almost reached 30% in 2015 but then it went down again sharply) it was achieved mainly through the Georgian language media sources that fed the audience with anti-Western conspiracy theories about freemasons and sexual perverts secretly ruling the West and dreaming of destroying Russia and Georgia – fellow orthodox nations. But, of course, such propaganda has its limits.

In Lieu of Conclusion

As Georgian democracy is slowly but irreversibly moving ahead and as Russia is becoming increasingly authoritarian; and as Russia still remains the main security challenge for Georgia, it is doubtful Russian propaganda will succeed in Georgia. At the same time humanitarian ties are intensifying: more Russian tourists visit Georgia and many Georgians are pleasantly surprised to find out that Russians can actually be very nice people. But Georgians and Russians were always attracted to each other, with reciprocal sympathies ending up as close friendships and marriages. However, that did not solve political differences: under the Russian empire Georgians deplored the loss of autonomy of Georgian Orthodox Church, under the Soviet Union Georgians deplored the annexation of 1921, repressions of 1930s and loss of the Sochi region to Russia. Now Georgians have even more reasons to be unhappy with Russia's policies. Russia, on the other hand, views Georgia as something of a prodigal son that never appreciated the special treatment it received from the Empire... but this is different topic...

As for our topic, we may conclude that the Russian Soft Power worked in Georgia only as long as it was a Soft Power in the classic understanding. As Russia switched to aggressive propaganda it almost lost the chance to influence Georgia simply because the two countries are on different sides of development – Georgians enjoy access to other media sources and they want to see themselves in the community of democratic nations. The Russian Soft power definitely had and still has huge potential: even after losing the war in Abkhazia in the 1990s, Georgians were still attracted by Russia, and Moscow definitely had a chance not only to reconcile with Georgia but actually make Georgia its close partner and ally. But this would have happened if Russia had helped Georgia to regain control over Abkhazia in some form and if Russia had remained a model of development for Georgia. As none of this was done, Georgia went ahead in a different direction. Now the task of reconciliation looks much more difficult especially when Russian propaganda hardly has any chance to win the hearts and minds of the Georgians.