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NOTE FROM THE EDITOR-IN-CHIEF

August 2009 has arrived, and events in the Caucasus continue to move quickly, with some notable developments to mention. Negotiations on the Nagorno-Karabakh conflict between Armenia and Azerbaijan intensified, which has ramifications for not only the two countries but also for the attempts to normalise relations between Turkey and Armenia. Both issues are fraught with complications: despite the initial activation phase in May and June, the latest Moscow meeting between both presidents did not manage to produce a framework agreement, much hoped for and hyped by the Minsk Group in advance. The talks seem to get stuck primarily on the modalities of an eventual “legally binding expression of will” on the final legal status of the region and its interim status. Also, the phased withdrawal of Armenian forces from the seven occupied districts surrounding Nagorno-Karabakh according to the 5+2 scheme appears to be a topic of contention. Meanwhile, the Minsk Group has worked out an updated version of the so-called Basic Principles which is expected to be discussed at the Autumn meeting between both presidents. Whether it will be possible to come to terms on the contentious issues and sign a framework agreement before the end of 2009 remains to be seen. If no progress is achieved in the current year, 2010 will be much more difficult due to the fact that there will be parliamentary elections in Azerbaijan. As the long history of negotiations indicates, it is usually impossible to produce any tangible results in negotiations in election years. As regards the Turkey-Armenia relationship, Azerbaijan indirectly plays a key role, wishing to ensure that normalised relations ensue and do not precede the final resolution of the Nagorno-Karabakh conflict in order to avoid any toughening of Armenia’s negotiating positions.

Meanwhile, Georgia continues to be in the spotlight, receiving a high-profile visit by Vice-President Biden, who reiterated US support for Georgia and explicitly acknowledged its NATO aspirations in a positive light. This may have appeared rather contradictory for Russia, especially after Obama’s “reset” visit to Moscow in which sparks of hope for improved relations were kindled. And concerning the Georgian-Russian conflict, Moscow in the meantime has failed to garner any international support for the recognition of Abkhazia and South Ossetia – even from such traditional allies as Belarus and Armenia, which demonstrates the fiasco of Russia’s plans for repeating the Kosovo scenario and presages the continuation of the international isolation of both breakaway regions even after their recognition by Russia.

The intergovernmental agreement on Nabucco signed in Ankara raised hopes for the gas pipeline’s prospects. However, Turkmenistan’s recent renewal of its claims to two oil fields already developed by Azerbaijan in the Caspian Sea (and the unexploited one located on the borderline between the sectors of both countries), and its plans to sue Azerbaijan again shadow this problematic energy project, so essential for Europe’s long-term energy security. After successful mutual top level visits during the last years both countries seemed to have smoothed their dissonance stemming from the 1990s. Hopefully, it will be possible to reach a settlement, thus avoiding placing additional stones on an already rugged path for the project.

In addition to these and other happenings, such as tensions mounting in the North Caucasus after a new spate of attacks launched by insurgents, and political upheaval in Iran (all of
which are presented weekly and in critical detail by our *Caucasus Update*), now more than ever is the time for in-depth analysis of Caucasian affairs – and the Summer 2009 edition provides a wealth of it. A meticulous assessment of the international media coverage of the Georgian-Russian war of August 2008 is presented alongside scientifically rigorous papers on the systemic impacts of the global financial meltdown on Georgia, and the poverty reduction problems in Georgia. Also, remaining true to our coverage of neighbouring regions, we present profound analyses on the recent intensification of Russian efforts to reinforce the Collective Security Treaty Organisation and its stronghold in Central Asia, on the rationale behind the merging of regions in Russia, and on the possible consequences of regional elections on the Kurdish issue in Turkey. In addition, a review of a book on China’s energy geopolitics in Central Asia and two interviews with experts are also presented.

Following the publication of the last issue, the CRIA is proud to announce that we have been added to Columbia International Affairs Online’s (CIAO.net) exclusive list of academic journals, an outstanding indication of CRIA’s contemporary salience and merit, as well as of the collective work of all our contributing staff and authors. The CRIA has continuously strove to increase its readership, and the coming months will be no exception. Our audience can count on the CRIA being able to keep pace with developments in the Caucasus and beyond, and we thank our staff, editorial and advisory boards, our authors, and all those who come to us for attaining a better understanding of the region.

It is, therefore, with great pleasure that I present to you the Summer ’09 edition, and we look forward to your comments, questions, and continuing support.
Abstract

This paper reports on an ongoing media research project that examines the coverage of the Russian-Georgian war in August 2008, in selected Russian, Georgian, and Western print media. Using computer-assisted content analysis, it presents evidence that print outlets display distinct patterns of either balanced reporting or partisan attitudes, which also vary over time. The effects of possible “spin” in independent print media have remained marginal and ephemeral. At least as far as US media are concerned, this could be the result of soul-searching following the war on Iraq.

Keywords: Georgia, Russia, media coverage, South Ossetia, computer-assisted content analysis

Introduction: Background & Rationale

According to a well-known truism, the first victim of war is truth. Nevertheless, since there are different wars and different societies, truth follows a variety of trajectories until it is established as dominant historical view. To start a war is a difficult choice for any government. Governments are naturally interested in proving that their decision was right and that the threat they claimed led to the war existed and left them no other choice.

Free democratic societies curb some basic rights in times of war, but never all of them. For societies that place freedom of the press high on the agenda, efforts are certainly made by governments to win over the free press for their cause, but as a rule, there is no overt censorship or hard pressure on the media. Dictatorships use an external threat as justification for controlling the media so that a real war does not change the situation very much. One

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*** This investigation is the product of an institutional partnership between the Russian Institute (Russkii Institut, Moscow) and the International Center for Advanced and Comparative EU-Russia/NIS Research, Vienna, and pursues no political agenda. The teams were coordinated by H.G. Heinrich and K. Tanaev, respectively. The present paper is an interim report, since in-depth analysis and additional analytical work, including a Georgian team, is under way.
would expect, therefore, that press coverage of ongoing and past wars would reflect the character of politics in a specific country. Alas, empirical evidence shows that much more is involved than just unabashed censorship or pressure on the media to fall in line with their government’s cause. The second remarkable fact about media coverage of wars is that so little systematic empirical evidence has been collected. When it comes to the US-led war on Iraq, for example, there was no systematic investigation of the elite media until 2008. Gelb and Zelmati carried out a comprehensive study of what they termed “elite media” (e.g. *New York Times* (NYT), *Washington Post*, *Wall Street Journal*, *Time*, and *Newsweek*) and arrived at the conclusion that the “ultimate centurions of our democracy” failed to live up to their critical function: “For the most part, the elite print press conveyed Administration pronouncements and rationale without much critical commentary.”

It appears that when it comes to public opinion in times of war, the government’s job to convince the citizens is, as a rule, easy.\(^2\)

The question as to why what may be the world’s freest and most independent press fell in line with a government which patently used subterfuge to get the blessing of democratic institutions and international organizations for its power projection schemes is controversial, but it may be reasonably explained by the shock which had gripped the US following 9/11. It is far more intriguing to observe the coverage of the Georgian war of such prestigious and critical press outlets as the *New York Times* and the *Washington Post* and ask: Have they learned from past mistakes?

In this respect, there are only partial investigations into the role of the media in the Georgian-Russian War. A comparison between the coverage of European and Russian media (print media and web blogs from Germany, Great Britain, and France) was conducted by Dennis Liechtenstein and Cordula Nietsch.\(^3\) Roman Hummel interviewed journalists on the ground during the conflict. He found a striking difference between the “global players” who operate with enormous technical support and the “stand-alone war reporters.”\(^4\)

Another question is who has “won” the media war on Georgia. Although most observers agree that the Western press initially accepted the Georgian government’s position, and became more critical only after some time, the consensus is that the Georgian government used the technical possibilities to spin public opinion more skillfully.\(^5\) The Georgian government had hired its own PR firm, Aspect Consulting, which also works for Exxon Mobile, Kellogg’s, and Procter & Gamble. In addition, President Saakashvili has a background that includes a Columbia University education, familiarity with Western culture, and attempts to “pass” as a

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credible Western democrat. The Russian PR firms GPlus and Ketchum could not offset the combined effect of the Georgian president, who appeared as defending European values and was skillfully portrayed as a beacon of democracy.

The question who won the media war must not be confused with the quest for truth and the issue of legitimacy and justification. Facts are often high-jacked by perceptions, and there is always room for doubt. Nevertheless, it seems reasonably clear that the Georgian army started shelling Tskhinval[i] on the night of 7/8 July 2008, apparently before Russian regular troops crossed the Roki tunnel. According to documents that were leaked to *Der Spiegel*, a majority of the members of the EU’s independent international fact-finding mission (“Truth Commission”) arrived at the assessment that Georgian President Mikhail Saakashvili started the war by attacking South Ossetia on 7 August 2008. This would refute Saakashvili’s claim that his country became the innocent victim of “Russian aggression” on that day.\(^6\)

Whether the attack on Tskhinvali was a necessary response to the shelling of Georgian villages, and whether this was tolerated, aided and abetted, or simply not prevented by the Russian peacekeepers (which consisted of detachments of the regular 58th Army stationed in the region), and the degree to which the war was “planned” in Moscow beforehand, is an altogether different story. The EU “Truth Commission” will produce its own diplomatically smoothed version of the events leading up to the war.

This research project is not about the “true” facts. It seeks to draw conclusions from the way in which the war was covered by Russian, Georgian, and Western media. Specifically it seeks to identify the turning points that mark significant departures from previously used arguments and views. It took the Georgian opposition media a surprisingly short time to spell out openly that Georgia had suffered military defeat, and to turn against the president. On the surface, this would point to a sufficiently high degree of press freedom in a fledgling democracy. On the other hand, there is a deep distrust toward the media and politics as such, so that an infringement of the media space controlled by the government is not viewed as a serious threat. Georgian citizens have experienced a variety of governments and leadership personalities since the break-up of the Soviet Union and are used to changing narratives. Furthermore, the war was short and did not fundamentally change the status quo; the breakaway provinces Abkhazia and South Ossetia had been independent on a de facto basis for a long time. This certainly had not escaped the attention of the rank-and-file citizens, irrespective of officials’ spin version of events.\(^7\) By contrast, the major Russian opposition paper, *Novaya Gazeta*, did not change its rather balanced view. In its first edition after the opening of hostilities, on 13 August 2008, Pavel Felgenhauer, the paper’s military expert, wrote, “This was no spontaneous, but a premeditated war.” He holds that the war started because of a joint South Ossetian-Russian provocation.\(^8\)

**Methodology**

The investigation is based on a computer-assisted text analysis of the following press outlets:

- NYT

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\(^6\) The chairman of this Commission, Ambassador Heidi Tagliavini, has distanced herself from these allegations and referred to the final conclusions to be published at the end of July viz. Nov. 2009. See *Zerschmetterter Traum* [Shattered dream], *Der Spiegel*, No. 25 (June 15, 2009).


\(^8\) Pavel Felgenhauer, “*Schem Gruzia podoshla k voine*” [How Georgia prepared for the War], *Novaya Gazeta*, August 11, 2008. Needless to say, this is Mr. Felgenhauer’s personal opinion.
Between twenty and forty articles per press outlet were selected, resulting in a total of 371 articles. The selection was guided by the consideration that leading world press outlets should be included in the sample as well as papers representing the government and the opposition views in Russia and Georgia. Additionally, a sample of speeches and the declarations given by the Russian and the Georgian presidents were used to provide a blueprint of the official narrative. The time span covered was from 3 July to 30 December (2008). During this time, several reversals in opinions were identified.

The software used was SPSS. Simstat/wordstat 5.1 was used for control and external validation.

The key variables were as follows:

1. Source
2. Identifier
3. Date
4. Genre (article, commentary, other)
5. Status (pro-government, opposition, independent)
6. Style (balanced/biased, 10-point scale)
8. Pro-Government Stance taken (10-point scale; for Western outlets – pro-Georgia)
9. Opposition (soft/medium/hard)
10. Aggressive tone (10-point scale)
11. Invectives (10-point scale)

The data were collected and analyzed by a joint Russia-Austrian working group.

**The Official Narratives**

**Georgia**

During the early stage of the war, President Saakashvili justified military operations thus:

- A necessary response to South Ossetian forces shelling Georgian villages, which led to the “liberation” of large swaths of South Ossetian territory by “Georgian law enforcement agencies;”
- The response to “large-scale aggression” by Russia;
- The Georgian resolve “not to give up its territories;”
• The defense of Georgian “freedom and sovereignty” (President Mikheil Saakashvili, Speech in Tbilisi, 8 Aug. 2008).9

Russia

President Medvedev gave the following justification:

• Response to “Georgian aggression against Russian peacekeepers and the civilian population in South Ossetia” and thus to a “gross violation of international law;”
• Prevention of a humanitarian catastrophe in South Ossetia;
• The protection of “the lives and the dignity of Russian citizens” in accordance with Russian legislation;
• The “punishment of the perpetrators” (President Dmitry Medvedev, Press Conference, Moscow, 8 Aug. 2008).10

A content analysis (simstat/wordstat 5.1.) with all available and relevant official statements by both presidents, including speeches, press conferences, and interviews (number for Medvedev is 31; Saakashvili, 21), shows the differences in the rhetoric of both presidents.

Table 1

<table>
<thead>
<tr>
<th>Reason for War</th>
<th>Medvedev</th>
<th>Saakashvili</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reason War</td>
<td>54.6%</td>
<td>40.8%</td>
</tr>
<tr>
<td>Reason War / International Law</td>
<td>20.4%</td>
<td>18.4%</td>
</tr>
<tr>
<td>Reason War / Kosovo</td>
<td>3.1%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Reason War / Peace Security</td>
<td>1.3%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Reason War / Peacekeepers</td>
<td>1.3%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Reason War / Kosovo</td>
<td>3.1%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Reason War / Protection of Citizens</td>
<td>3.1%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Reason War / Protection of Peacekeepers</td>
<td>3.1%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Reason War / Peacekeeping</td>
<td>3.1%</td>
<td>1.3%</td>
</tr>
<tr>
<td>EU Official Line</td>
<td>1.0%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Aggressive Tone</td>
<td>4.6%</td>
<td>13.2%</td>
</tr>
<tr>
<td>Aggressive Tone / Invectives</td>
<td>5.3%</td>
<td>13.2%</td>
</tr>
</tbody>
</table>

9 For the full text, see appendix.
10 For the full text, see appendix.
11 All tables in this paper have been generated by the authors.
Unsurprisingly, both presidents justify the war with the necessity to re-establish peace and security. Saakashvili’s references to NATO imply that Georgian NATO membership would have prevented the war; Medvedev mentions NATO as a factor contributing to the tensions in the region (“regrettably, our proposals to conclude an agreement banning the use of force went unheard by NATO…”). Since both are lawyers, there is a high frequency of references to international law. The Russian president chose a more moderate tone than his Georgian counterpart.

Comparison

General Results

Barring the results of in-depth and more detailed analysis, the picture of the media landscape is fairly distinct. While Western media can hardly be classified as pro-government and opposition, they nevertheless pursued a specific line at various points in time. Rossiiskaya Gazeta, a government-owned daily in Russia, stood out with its consistent pro-Russian line. The Georgian Messenger, though presenting an independent image, resembled a pro-government outlet with its anti-Russia orientation.

A straightforward comparison of means (“Pro-Georgian Orientation”), by and large, yields the expected results:

<table>
<thead>
<tr>
<th>Source</th>
<th>Mean</th>
<th>N</th>
<th>Std. Deviation</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>NYT</td>
<td>2.0833</td>
<td>24</td>
<td>3.33514</td>
<td>.0000</td>
</tr>
<tr>
<td>Standard</td>
<td>4.3704</td>
<td>27</td>
<td>3.83454</td>
<td>4.0000</td>
</tr>
<tr>
<td>Georgian Messenger</td>
<td>5.2143</td>
<td>14</td>
<td>4.88606</td>
<td>6.0000</td>
</tr>
<tr>
<td>Novaya Gazeta</td>
<td>2.7692</td>
<td>13</td>
<td>3.58594</td>
<td>.0000</td>
</tr>
<tr>
<td>NZZ</td>
<td>1.6667</td>
<td>27</td>
<td>2.96129</td>
<td>.0000</td>
</tr>
<tr>
<td>Washington Post</td>
<td>4.4444</td>
<td>18</td>
<td>4.71820</td>
<td>3.0000</td>
</tr>
<tr>
<td>Handelsblatt</td>
<td>3.8000</td>
<td>25</td>
<td>3.97911</td>
<td>2.0000</td>
</tr>
<tr>
<td>Guardian</td>
<td>1.7308</td>
<td>26</td>
<td>3.31732</td>
<td>.0000</td>
</tr>
<tr>
<td>Rossiiskaya Gazeta</td>
<td>.0000</td>
<td>32</td>
<td>.00000</td>
<td>.0000</td>
</tr>
<tr>
<td>Total</td>
<td>2.6311</td>
<td>206</td>
<td>3.76632</td>
<td>.0000</td>
</tr>
</tbody>
</table>

Conversely, the comparison of means for the variable “Pro-Russian Orientation” shows significant differences among the Western media. The Guardian led the list with a value of 3.4 on a 10-point scale. Der Standard appeared to pursue a fairly consistent anti-Russian line. The standard deviations, especially of the variable “Pro-Georgian Orientation,” indicate a policy to print commentaries and reports across the ideological and attitudinal board. In order to capture the level of possible bias in favor of one or the other side, we used an

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13 In all cases, the results are highly significant (α = .000).
indicator ("Media bias") that is obtained by subtracting the values of the variables “Pro-Georgian Orientation” from “Pro-Russian Orientation.”

The results (Table 3) should reflect the degree to which an editorial policy of openness was realized. (Positive values suggest bias toward the Georgian side; negative values, a tendency to support the Russian side.)

**Table 3 - Media Bias**

<table>
<thead>
<tr>
<th>Source</th>
<th>Mean</th>
<th>N</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>NYT</td>
<td>1.0417</td>
<td>24</td>
<td>4.04839</td>
</tr>
<tr>
<td>Standard</td>
<td>3.7407</td>
<td>27</td>
<td>4.58755</td>
</tr>
<tr>
<td>Georgian Messenger</td>
<td>5.2143</td>
<td>14</td>
<td>4.88606</td>
</tr>
<tr>
<td>Novaya Gazeta</td>
<td>1.0000</td>
<td>13</td>
<td>5.90198</td>
</tr>
<tr>
<td>Le Monde</td>
<td>1.6429</td>
<td>14</td>
<td>4.71670</td>
</tr>
<tr>
<td>NZZ</td>
<td>0.1154</td>
<td>26</td>
<td>4.13112</td>
</tr>
<tr>
<td>Washington Post</td>
<td>3.2222</td>
<td>18</td>
<td>6.49484</td>
</tr>
<tr>
<td>Handelsblatt</td>
<td>3.5200</td>
<td>25</td>
<td>4.47325</td>
</tr>
<tr>
<td>Guardian</td>
<td>-1.6923</td>
<td>26</td>
<td>5.66935</td>
</tr>
<tr>
<td>Rossiiskaya Gazeta</td>
<td>-8.1875</td>
<td>32</td>
<td>3.61393</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>0.3562</strong></td>
<td><strong>219</strong></td>
<td><strong>6.16970</strong></td>
</tr>
</tbody>
</table>

Additionally, we used a variable that expressed the tendency or policy to take into account the standpoint of both sides ("Balance").

A comparison of mean values (over a 10-point scale) produced the following results:

**Table 4 - Balance (only commentaries and editorials)**

<table>
<thead>
<tr>
<th>Source</th>
<th>Mean</th>
<th>N</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>NYT</td>
<td>4.2083</td>
<td>24</td>
<td>3.45127</td>
</tr>
<tr>
<td>Standard</td>
<td>2.1852</td>
<td>27</td>
<td>2.46572</td>
</tr>
<tr>
<td>Georgian Messenger</td>
<td>1.4286</td>
<td>14</td>
<td>3.25137</td>
</tr>
<tr>
<td>Novaya Gazeta</td>
<td>3.7692</td>
<td>13</td>
<td>3.78932</td>
</tr>
<tr>
<td>Le Monde</td>
<td>7.1429</td>
<td>14</td>
<td>3.34795</td>
</tr>
<tr>
<td>NZZ</td>
<td>7.5556</td>
<td>27</td>
<td>3.16633</td>
</tr>
<tr>
<td>Washington Post</td>
<td>4.3333</td>
<td>18</td>
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<tr>
<td>Handelsblatt</td>
<td>3.6154</td>
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<td>3.53358</td>
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<tr>
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<td>4.9231</td>
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<td>3.62130</td>
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<tr>
<td>Rossiiskaya Gazeta</td>
<td>0.8438</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3.8914</strong></td>
<td><strong>221</strong></td>
<td><strong>3.89253</strong></td>
</tr>
</tbody>
</table>

The high diversity of opinions in Western media is corroborated by the analysis of stylistic characteristics (simstat/wordstat).
Overall, the analysis has produced evidence that there is a considerable amount of variation over the group that contains “Western media.” The same is true of Russian print media:

**Table 6: Pro-Government Orientation (10-point scale)**

<table>
<thead>
<tr>
<th>Source</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Novaya Gazeta</td>
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<tr>
<td>Kommersant</td>
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<tr>
<td>Pravda KPRF</td>
<td>1.5</td>
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<tr>
<td>Izvestia</td>
<td>0.7</td>
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<tr>
<td>Sankt-Peterburgskie Vedomosti</td>
<td>0.3</td>
</tr>
<tr>
<td>Krasnoyarskii Rabochii</td>
<td>0.0</td>
</tr>
<tr>
<td>Komsomol’skaya Pravda</td>
<td>0.0</td>
</tr>
<tr>
<td>Rossiiskaya Gazeta</td>
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</tr>
</tbody>
</table>

**Table 7: Degree of opposition to official gov’t line (10-point scale). Zero values are invisible.**

<table>
<thead>
<tr>
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<td>Rossiiskaia Gazeta</td>
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<tr>
<td>Novaia Gazeta</td>
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</tr>
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</table>
Variation Over Time

As the following table illustrates, only Rossiiskaya Gazeta showed a consistent coverage pattern over the four periods. The NYT started out moderately critical of Russia, changed to a distinct pro-Georgian attitude between 9 August and 15 August, and began to criticize the Georgian leadership after this point of time. Der Standard became more critical of Russia over the entire period in a linear fashion, which coincides with the pattern observed in the Novaya Gazeta. The Georgian Messenger became very critical of the Georgian government only at the beginning of September.

Table 8

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<th>Source</th>
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<tr>
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<td>Handelsblatt</td>
<td>July-15 Aug</td>
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<td></td>
<td>July-15 Aug</td>
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<td>3</td>
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The Washington Post emerged as an outlier in terms of “Western” media due to the fact that it invited contributions by Georgia-friendly personalities such as Saakashvili and Robert Kagan.
We also found a distinct variety of reasons mentioned to justify or to support the analysis of the war. The “loyal” media followed the official rhetoric rather closely (see appendix, Table 10).

**Individual Print Media**

**The New York Times**

This flagship of journalism in US, which trails in circulation only the USA Today and The Wall Street Journal and has a track record of fighting for free speech, took a clear position against what it perceived as the threat emanating from an aggressive Russia. While reports in general were balanced, commentaries minced no words to warn against Russia’s neo-imperialism. “The list of ways a more hostile Russia could cause problems for the United States extends far beyond Syria and the mountains of Georgia,” stated a commentator on 22 August 2008. “The gulag and the enslavement of wide swaths of Europe by the Soviet empire burden Moscow with a historical responsibility for the freedom of its neighbors,” stated another commentary on 1 September 2008. Nevertheless, a commentary published on 19 August held that “Russia did not want this war.” The NYT forcefully supported Georgia’s NATO membership: “At the NATO foreign ministers’ meeting in December, it should replace Bucharest blather with basics: a Membership Action Plan for Georgia and Ukraine” (20 Sept. 2008). The change in this stance only began in early November, when the paper began to “raise questions about the accuracy and honesty of Georgia's insistence,” and noted that “Georgia’s actions in the conflict have come under increasing scrutiny” (5 Nov. 2008). This was seconded by critical comments on the state of the Georgian army, which showed a poor record during and after the war, despite massive US support and investments. Georgian military leaders were attested a “pure grasp of military intelligence” (17 Dec. 2008). Still, the well-grooved anti-Russia line was upheld: “Attempting to turn back the clock to the days when Moscow held uncontested sway” (20 Dec. 2008).
Neue Zürcher Zeitung

Renowned for its conservative circumspection in reporting and its commitment to the ethical code of journalism, the Neue Zürcher Zeitung, nevertheless, published lopsided commentaries. While it wryly remarked before the actual war: “Exclusively ‘good guys’ and ‘bad guys’ cannot be identified … in this conflict” (3 July 2008), its first analysis of the war squarely attacked Russia: “The muscular remarks of the strongman Putin … are to justify the Russian excesses, which we recognize from Chechnya” (11 Aug. 2008).

However, Georgia was also criticized for good measure: “The Georgian government somehow still acts in a traditional voluntarist and Stalinist mind-set” (14 Aug. 2008).

Another commentator was forcefully in favor of NATO enlargement: “A hardened stance is the only logical option, and it includes a clear vote for NATO membership” (16 Aug. 2008). Another writer criticized the West for its “subservient tolerance in the face of the Russian power drive” (16 Sept. 2008).

Der Standard

This left-liberal Austrian daily invited commentators from across the ideological board, and is read primarily by the white-collar class. Nevertheless, there is a clear tendency to criticize what is viewed by commentators and analysts as “Russian neo-imperialism” in tandem with pronounced anti-NATO attitudes: “In South Ossetia the stakes are no less than the defense against a post-soviet imperialism” (9 Aug. 2008); “Provocative strategy of Russia” (11 Aug. 2008); “Moscow wants the subjection of the former Soviet republic” (11 Aug. 2008); “Russian imperialism is re-emerging” (16 Aug. 2008).

Other statements included: “… revanchist, revisionist Russia whose conduct reminds us of the Soviet Union” (16 Aug. 2008); “The Baltic states and Ukraine will be the next” (16 Aug. 2008); “Saakashvili’s US advisors had their fingers in the pie” (22 Aug. 2008); and “EU provides better conditions for security and stability than NATO” (19 Sept. 2008).

There were, of course, also critical voices against the Georgian leadership: “The coup in South Ossetia turned out to be a catastrophe; what made Saakashvili risk this cliff-hanger?” (14 Aug. 2008).

The Georgian Messenger

This periodical claims to be independent and self-financed. Nevertheless, the anti-Russian attitude and the support for the Georgian leadership’s foreign policy were clear and consistent: “Hitler was not stopped in the years leading up to World War II” (28 Aug. 2008); “The best way to avoid this would be if Ukraine joined NATO immediately” (8 Aug. 2008); “According to a Georgian folk tale, the cruel giant has many heads. The hero has to behead them all, one by one” (12 Aug. 2008); “Putin the Terrible” (15 Aug. 2008); and “… the Kremlin’s criminal duet” (28 Aug. 2008).

Only after the first critical voices appeared in Western media, the military defeat was openly admitted and the issue of political responsibility addressed: “… these only highlight the scale of the defeat Tbilisi has suffered” (15 Aug. 2008).
The coverage of the British daily was characterized all along by the attempt at conveying the interests of all sides and at presenting a balanced view. Early in the conflict, on 8 August, a background analysis was published which elucidated the positions of both parties. Following the escalation, on 9 August, a commentary warned against blaming Russia alone for the war out of a “cold war reflex” and engaging in inappropriate comparisons such as Prague 1968 (e.g. “Not every development in the former Soviet Union is a replay of Soviet history”). The commentary clarified that the South Ossetian population expected protection against ethnic cleansing from the Russian troops. President Saakashvili’s democratic conduct is called into question, as was the legitimacy of the drive to arm regions in Russia’s backyard. Saakashvili’s assumption that NATO would come to his help was classified as a strategic mistake of the Georgian president which has undermined his credibility. References to the West’s double standards, which implied the different approach taken in the Balkans, were also criticized.

There were also contributions that criticized Russian conduct. On 12 August, an author accused Russia of threatening European democracy so as to provoke Europe and to test its malleability. The article was a call to support Georgia against Russia. Other articles attacked Europe for leaving Georgia in a bind by not promoting its NATO integration. Another author writing in the same edition criticized Saakashvili for his rhetoric and for portraying himself as a victim, thus denying the authoritarian features of his rule.

An article on 16 August warned of the “Finlandization” of Georgia by Russia and interpreted the Russian campaign as retaliation for Kosovo. This article was set off by one (20 August) which lambasted NATO as “useless.” Russia’s feeling of being provoked by the organization was deemed justified. In a similar vein, a 9 September commentary criticized the knee-jerk Western support for any country which opposes Russia.

Generally, the Guardian provided room for a broad spectrum of opinions. Authors of different ilk and positions were given equal possibilities. A distinct and consequential policy stance could hardly be identified.

Washington Post

A favorite print medium of US liberals, the Washington Post is known for its pluralist and tolerant attitude toward dissenting opinions. Among its staff writers are authors spanning the ideological and partisan board. In its coverage of the war, it published commentaries by Saakashvili and Gorbachev. Nevertheless, commentators who oppose Russia were dominant, which explains the relatively high Media Bias value. Examples included: “This war did not begin because of a miscalculation by Georgian President Mikheil Saakashvili. It is a war that Moscow has been attempting to provoke for some time” (Kagan, 11 Aug. 2008); “If the international community allows Russia to crush our democratic, independent state, it will be giving carte blanche to authoritarian governments everywhere. Russia intends to destroy not just a country but an idea” (Saakashvili, 14 Aug. 2008); “The threat to Georgia, Russia’s other democratic neighbors and America ultimately arises from a lack of democracy within Russia” (Sharansky, 14 Sept. 2008); “We view the events as confirmation of the dangerous challenge posed by an authoritarian regime unwilling to recognize the sovereignty of its former imperial possessions” (16 Aug. 2008); “The West spent a good part of the past 17 years worrying about Russia’s dignity – expanding the Group of Seven industrial nations to the G-8, for example – and it's not clear such therapy had any effect” (17 Aug. 2008); and “Russia's invasion of
Georgia was a highly organized assault that now appears to have been planned for months” (19 Aug. 2008).

On the other hand, Gorbachev (12 Aug. 2008) wrote, “The Georgian military attacked the South Ossetian capital of Tsikhinvili with multiple rocket launchers designed to devastate large areas. Russia had to respond.” Another article stated: “Some Western diplomats now privately say that the Georgian leadership or military made a serious and possibly criminal mistake last week by launching a massive barrage against the South Ossetian capital of Tsikhinvili, which inevitably led to major civilian deaths and casualties” (13 Aug. 2008).

**Handelsblatt**

*Handelsblatt* is the leading German economic daily. It represents corporate interests and cooperates closely with the *Dow Jones Edition*. This is illustrated by its coverage of the war, which was slanted toward the Georgian standpoint: “The Georgian military operations provided a pretext for Putin to hone his legacy” (12 Aug. 2008), and “[Putin] wants to re-establish Russia’s traditional zone of influence” (13 Aug. 2008).

Sometimes the blame was put on both sides, for instance: “Russia has profited from the opportunity that Georgia’s silly offensive gave her” (15 Aug. 2008). Or it was put squarely on the Georgian president: “A firebrand like Saakashvili” (11 Aug. 2008), and “Georgia’s future president should not be such an unguided missile as Saakashvili” (17 Aug. 2008).

Analyzing the power structures in Russia also served as a tool to shift the blame on Russia: “Putin and Medvedev: ‘Good cop-bad cop’ ” (12 Aug. 2008).

**Le Monde**

*Le Monde* has a left-liberal orientation which combines the anti-Soviet and anti-American heritage of the French left-wing with its ethics of promoting enlightenment. While the first articles that covered the conflict were strictly factual and balanced, commentaries minced no words in unmasking the truth behind the war: “This is Moscow’s revenge … the preventive war” (12 Aug. 2008); “A more aggressive Russia is a menace for European energy security” (13 Aug. 2008); “Putin’s aggression against Georgia” (16 Aug. 2008); and “Faced with Moscow’s will to annex Georgia, the Europeans exhibit an absurd paralysis which they must shed” (21 Aug. 2008).

Some commentaries, however, took the opposite position: “The Cold War – a misleading analogy” (14 Aug. 2008), and “The convenient image of a poor little Caucasian republic oppressed by its huge neighbor does not hold in the face of the facts” (22 Aug. 2008).

**Rossiiskaya Gazeta**

*Rossiiskaya Gazeta* had a pronounced and consistent pro-Russian line, which echoed the style and the content of official statements: “Saakashvili turned rapidly … from a unifier of Georgian territories to the grave-digger of Georgian statehood” (9 Aug. 2008); “The US thinks that if they turn the Caucasus into a powder keg, they strengthen their influence in the region and decrease that of Russia” (12 Aug. 2008); “Saakashvili was betting on a blitzkrieg” (13 Aug. 2008); and “Saakashvili’s criminal policies” (15 Aug. 2008).

However, it criticized the Russian government for its passivity in the propaganda war: “There were no Russian statements in the leading channels of the world for two days” (11 Aug.
2008). In this context, the preponderance of Western media was deplored: “Many Western channels have become the mouthpiece of Georgia’s bellicose propaganda” (20 Aug. 2008), and “When the Russian troops struck back, the US state agitprop engaged in a storm of outrage” (22 Aug. 2008).

Another point of criticism was the apparent unpreparedness of the Russian army: “Why did the war … take us by surprise?” (21 Aug. 2008).

Novaya Gazeta

This well-known opposition paper (owned by former president Gorbachev and the businessman Lebedev) offered a broad spectrum of opinions on the war. Saakashvili was criticized along with the Russian government: “… such politics is nothing but adventurism” (11 Aug. 2008), and “This is a Georgian crime; the Russian crime was invading the territory of a sovereign state.”

Frequently, contributors conjured up the grave consequences of the military campaign for Russia: “Palestinization of the Caucasus” (25 Aug. 2008), and “The awakening of our daydreamers may be rather rude” (5 Sept. 2008).

Conclusion

In their coverage of the Russia-Georgia war, the print media under analysis showed a wide range of patterns. The Georgian Messenger and the government-run Rossiiskaya Gazeta were very closely in line with the official stance and the rhetoric of the Georgian and Russian presidents, respectively. Critical contributions were published after some delay and concerned the insufficient preparations (Rossiiskaya Gazeta) or the fact that the decision to attack South Ossetia was made by a small group of people without broader consultations (Georgian Messenger). Russia’s leading opposition paper, Novaya Gazeta, criticized the Russian government harshly for having provoked the war and for its negligence in preparing the army for it.

European and US media generally provided room for various opinions. Nevertheless, a majority of commentaries published in the New York Times, Washington Post, Handelsblatt, Neue Zürcher Zeitung, Le Monde, and Der Standard showed a preference for the Georgian standpoint, while the Guardian was predominantly critical of it.

Unlike the coverage of the Iraq war, there was no split between European and US media. Media “spin” by both warring governments produced only negligible effects.
Appendix

Declaration of Universal Mobilization by Georgian President Mikheil Saakashvili:

“My dear fellow citizens, I would like to brief you about the events that took place last night. As you all know, we initiated military operations after separatist rebels in South Ossetia bombed Tamarasheni and other villages under our control. Most of the territory of South Ossetia has been liberated and is now under the control of Georgian law enforcement agencies. Last night, Georgian law enforcement agencies liberated the Tsinagra region, the Znauri region, the village of Dmenisi (one of the biggest village in the region), Gormi, and Xetagurovo. They also have surrounded Tskhinvali, most of which has been liberated. As I speak, fighting is taking place in the city center. The fighting was initiated by the separatist regime. Aircraft entered Georgian airspace from the territory of the Russian Federation and the attack was carried out from the North. I also would like to address the international community. A large-scale military aggression is taking place against Georgia. Over the past few minutes and hours, Russia has been bombing our territory and our urban areas. This can only be described as a classic international aggression. I would like to address the Russian Federation. Cease your bombardment of peaceful Georgian towns immediately. Georgia did not seek confrontation. Georgia was not the aggressor, and Georgia will not give up its territories. Georgia will not renounce its freedom and sovereignty. We have mobilized tens of thousands of reserve officers, and the mobilization process continues. We all have to unite in this very important and difficult moment for our homeland, when our future and our freedom are under threat-when others are trying to hijack our future and our liberty. We all have to unite. We should not be afraid. We should not be afraid of their bombs, of their attacks, of their aggression – we are stronger than that. This is our homeland. We are defending our country, our home. Georgia-and we are defending Georgia’s future. We must unite. All of us, hundreds of thousands of Georgians here and abroad, should come together, unite, and fight to save Georgia. We are a freedom-loving people, and if our nation is united, no aggressor will be able to harm it. We will not give up, and we will achieve victory. I call on everyone to mobilize. I declare, here and now, a universal mobilization of the nation and the Republic of Georgia. I hereby announce that reserve officers are called up-everyone must come to mobilization centres and fight to save our country. We will prevail, because we are fighting for our homeland, our Georgia. If we stand together, there is no force that can defeat Georgia, defeat freedom, defeat a nation striving for freedom-no matter how many planes, tanks, and missiles they use against us. Long live Georgia, and may God save her and all of us.”

Statement on the Situation in South Ossetia by President Dmitriy Medvedev:

“As you know, Russia has maintained and continues to maintain a presence on Georgian territory on an absolutely lawful basis, carrying out its peacekeeping mission in accordance with the agreements concluded. We have always considered maintaining the peace to be our paramount task. Russia has historically been a guarantor for the security of the peoples of the Caucasus, and this remains true today.

Last night, Georgian troops committed what amounts to an act of aggression against Russian peacekeepers and the civilian population in South Ossetia. What took place is a gross violation of international law and of the mandates that the international community gave Russia as a partner in the peace process. Georgia’s acts have caused loss of life, including among Russian peacekeepers. The situation reached the point where Georgian peacekeepers opened fire on the Russian peacekeepers with whom they are supposed to work together to carry out their mission of maintaining peace in this region. Civilians, women, children and old people, are dying today in South Ossetia, and the majority of them are citizens of the Russian Federation. In accordance with the Constitution and the federal laws, as President of the Russian Federation it is my duty to protect the lives and dignity of Russian citizens wherever they may be. It is these circumstances that dictate the steps we will take now. We will not allow the deaths of our fellow citizens to go unpunished. The perpetrators will receive the punishment they deserve.”

<table>
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<th>Le Monde</th>
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GEORGIA AND THE SYSTEMIC IMPACT OF THE FINANCIAL CRISIS

Marco Giuli*

Abstract

This paper analyses the potential effects that the systemic developments stemming from the global financial crisis and the August war are likely to have in Georgia, within a context of hegemonic stability theoretical fundamentals. According to this perspective, both events have undermined the role of the US as the sole world hegemon. As a result, the Western strategic priorities toward the Caucasus are likely to shift, to the detriment of the special relationship between the Saakashvili administration and the US. To demonstrate this, the analysis will focus on the case study provided by energy- and transit-related Foreign Direct Investment (FDI), as the Georgian political and economic dependence on a geopolitical rent is strongly connected to them and is likely to disappear in the aftermath of the recent events.

Keywords: Georgia, Financial crisis, Russia, War, Hegemony, Nabucco, FDI

Introduction

The Russia-Georgia war of August 2008 and the sudden acceleration of the global financial crisis are considerably affecting Georgia’s international position and its economy. A reconsideration of Georgia’s international position is needed because of its strong relationship with the US – considered here as a “declining hegemon” within the current system of international relations – and the huge impact of this relationship on Georgian capital inflows.

The first section will focus on the political effects of the combination of the two crises on Georgia. The interconnectedness between the two events will be explored in the light of the theoretical framework provided by the hegemonic stability theory. In this respect, the impact of the August war and the credit crunch on the perceived ability of the US to provide international public goods, allowing the current “unipolar” international system to work, will be briefly described. This description will place the evolution of Georgia’s international position into a context characterized by the likelihood of the hegemon’s progressive disengagement from the Caucasus, aiming to reallocate political and physical

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resources towards issues widely considered as more urgent. Several examples of such an evolution will be provided by taking into consideration the recent developments concerning the issue of the Euro-Atlantic institutions enlargement.

The second section will describe the economic impact of the financial crisis on Georgia. This issue will be approached by comparing the fundamentals of the Georgian economy to the other Former Soviet Union (FSU) countries that are experiencing financial turbulence. This approach will allow for deciphering, despite some basic differences, how Georgia may suffer the same outcomes because of peculiar imbalances connected to strong dependence on Foreign Direct Investment (FDI) and to an underdeveloped industrial base, which is undermined by a version of the so-called Dutch disease that has to do with the specific political stance of the country on the international stage.

Finally, the third issue will provide a case study of the combined political and economic effects of the August war and the financial crisis by addressing energy-related investments. It is necessary to evaluate whether the Georgian “geographical rent,” due to its status of being the sole transit corridor for Western-backed diversification projects, will continue to be profitable, given both the new US Administration’s supposed need to re-engage Russia and falling hydrocarbon prices, which may reduce the prospects for expensive investments.

Georgia and the Systemic Crisis: A Hegemonic Stability Perspective

The aim of this section is to figure out the interrelation between the August war and the global financial crisis to explore its political impact on Georgia. The context will be framed according to the theoretical perspective provided by the hegemonic stability, since both events are seen as signs of the crisis of the role of the US as the sole world hegemon. This view has been widely suggested by the Russian rhetoric according to a traditional approach to the international relations.1 Apart from political provocations, the two events seem to have something to do with each other in fostering the downsizing of the US power within the international system so that Georgia will unavoidably be affected by the consequences of these developments because of the widely recognized support provided by Washington to the Georgian re-positioning within the international stage in the aftermath of the Rose Revolution of 2003.

The hegemonic stability theory dates back to the work of Charles Kindleberger about the Great Depression. According to his study, for an international system of trade and finance

1 Such an attitude reflects the relatively low level of integration of Russia within the main schemes of economic interdependency, and the mistrust of the Moscow’s political and military elite against a globalization perceived as a tool for US dominance over the world. President Medvedev declared during his State of Nation Address that the South Ossetian conflict and the financial crisis have the same origins, and both have the effect of destabilizing the basics of the world order (see Dmitriy Medvedev, “Poslanie Federal’nomu Sobraniyu Rossiiyskoy Federacii,” [Speech to the Federal Assembly of the Russian Federation] November 5, 2008, available at http://www.kremlin.ru/appears/2008/11/05/1349_type63372type63374type63381type82634_208749.shtml].) Karaganov underlined these points, according to the concept of the US “imperial overstretch” (Sergey Karaganov, “Mirovoy Krizis: Vremya Sozdat’,” [The World Crisis: a Time for Creation], Rossiya v Global’noy Politike, vol. 6:4, (2008): 8-16).
to work smoothly there must be a hegemon. This happens due to the fact that there is a collective action problem in the provision, regulation, and institutionalization of trade and finance-related public goods, such as well-defined property rights, common standards of measures including an international reserve currency, consistent macroeconomic policies, proper actions in case of economic crises, and stabilized exchange rates. The collective action problem stems from the fact that these collective goods are international public goods to the extent that they are non-excludable – others can benefit from these goods, even if they do not contribute to providing them – and non-rival: one actor’s use of the good does not seriously decrease the amount available to the others. As a result, the presence of a hegemon is the solution to this collective action problem, since, given the anarchic nature of the international system, no one would procure gains from providing public goods without enjoying a dominant position within the system. In other words, the aforementioned public goods are ensured by a state holding a technological advantage, desiring an open trading and financial system to penetrate new markets. To ensure these public goods, according to Keohane, the hegemon needs to possess the ability to create and enforce international norms, the willingness to do so, and decisive economic, technological, and military dominance. This last feature can be considered as the necessary tool to enforce the international norms upon which the hegemony relies. Nye explored common characteristics of hegemons, stressing that they have a structural power at their disposal, termed as soft power, through which the hegemon has the ability to shape other states’ preferences and interests. This implies that the need to mobilize the raw power resources a hegemon has at its disposal in a direct and coercive manner means a weakening – or a crisis – of the hegemony. This theory can be classified as belonging to the realist tradition because of its focus on the importance of power structures in international relations. In other terms, a realist interpretation of the hegemonic stability theory allows for interpreting the institutions of globalization as a tool aimed at preserving US hegemony and the integrity of the unipolar order that emerged after the collapse of communism. Nevertheless, power alone cannot explain the reason why the other actors sometimes acquiesce to one hegemon while opposing another. The hegemonic stability has to be integrated by the concept of legitimacy, referring to the perceived justice of the international system. In sum, to be stable, hegemony needs all three criteria identified by Keohane – plus legitimacy.

But how does hegemony decline? The debate about the hegemonic decline focuses on both domestic and external reasons: the cost of defending the system militarily could rise excessively to national savings and productive investments; the hegemon becomes

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*GEORGIA AND THE SYSTEMIC IMPACT OF THE FINANCIAL CRISIS*
frustrated with the “free-riders” enjoying more gains than it does; or more efficient, dynamic, and competitive economies rise, undermining the hegemon’s international position. In crude realist terms, the actors will accept the dominance as long as the hegemon maintains a preponderance of power, as challenging it means running the risk of retaliation.\(^7\) According to the said theoretical criteria, the August war and the global financial crisis undermined the US hegemony, as far as both power and legitimacy are concerned, to the extent that the hegemon’s might and the willingness to use it is no longer perceived by the system’s other actors as a deterrent, while the international financial architecture is no longer perceived as fair.

The Caucasus war demonstrated that for the first time after the emergence of the “unipolar moment”\(^8\) in the early 1990s, Russia – considered as a great power, according to Buzan’s classification\(^9\) – has been able to use force beyond its borders without fear of retaliation by the hegemonic power. Since a hegemon must have the capability to enforce the rules of the system, the willingness to do so, and decisive economic, technological, and military dominance, the Caucasus war cast a huge shadow over the US ability to exert the structural power that makes the hegemon able to shape other actors’ preferences and interests,\(^10\) as far as the first two criteria are concerned. The Russian reaction, a deep military penetration into the territory of a close ally of the hegemon, clearly reflects a strong belief that the dominant power is no longer able to underwrite the rising costs of the hegemony, with empirical evidence showing that these costs escalate, reducing the hegemon’s surplus.\(^11\) In this case, the preferences of a great power have not been influenced at all by the evident hostility of the hegemon to such a move. Indeed, the idea of a declining hegemony due to its rising costs described as an “imperial overstretch” has been in use since the late 1980s.\(^12\) More recently, several scholars identified the crisis of the unipolar moment, led by the American global power with the Bush Administration’s switch to a unilateralism, which turned out to undermine the multilateral pillars of globalization upon which the US hegemony relied.\(^13\) In this regard, the weakening of institutions such as the UN – and paradoxically, even NATO – coming from the US strategy against transnational terrorism in the aftermath of September 11 has been widely considered as the end of soft power and the beginning of an imperial attitude, naturally leading into a crisis of hegemony. But even if the concept of the falling hegemony has been around for the last two decades, the Russo-


\(^{8}\) This concept has been suggested for the first time by conservative columnist Charles Krauthammer to describe the emerging unipolar order as a stable and long-lasting one according to the fundamentals of the hegemonic stability theory (See Charles Krauthammer, “The Unipolar Moment,” *Foreign Affairs*, vol. 70:1 (1990-91); also available at: [http://www.foreignaffairs.org/19910201faessay6067/charles-krauthammer/the-unipolar-moment.html](http://www.foreignaffairs.org/19910201faessay6067/charles-krauthammer/the-unipolar-moment.html)).


Georgian war has a fundamental meaning as a linchpin of the decay of the American primacy within the international system.

A reading of the August events in the Caucasus as a turning point for the imperial overstretching process because of the Russian use of force abroad is enhanced by the presence of another episode implying a systemic effect in terms of hegemony crisis: the global financial downturn. According to many scholars and commentators, the current crisis is an existential threat to US hegemony in that it unveiled the unsustainability of a world financial architecture suited to ensuring the American leading role. According to the early formulation of the hegemonic stability theory, the financial crisis could be interpreted as the outcome of the growing mistrust in the US ability to provide international public goods that allow the current international system of trade and finance to function. This mistrust is basically due to the specific nature of the collapse, widely described as the result of the interaction between the external imbalances of the US economy\textsuperscript{14} and the bursting of the housing bubble. The manifestation of the hegemony crisis lies in the need to revise the US strategy of growth without savings, a strategy that allows it to play a hegemonic role by relying on the outsourcing of the financial resources necessary to provide international public goods. As a result of this unavoidable revision, the forthcoming years could witness a shift to increasing multipolarity due to the growing significance of the emerging powers’ role in rewriting the institutional structure of global capitalism.

Is this mistrust – potentially leading to a shift of the global distribution of power – based only on the perception of a bad macroeconomic management of the system on the part of the hegemon? According to this brief introduction of the two crises, they seem to show the emerging hegemon’s inability to provide security and financial stability. As the hegemonic stability theory historically assumes that for an international system of trade and finance to work properly, there must be a hegemon, it can be surmised that there is an interrelation between the war and the financial crisis: the war demonstrated that certain public goods, such as the preservation of the system from some other great power’s revisionist attitude,\textsuperscript{15} can no longer be provided by the hegemon’s deterrence, already under the strain of two ongoing wars. To this extent, it might have contributed to the acceleration of the crisis by fostering mistrust. One could underline the fact that by analyzing the stock market trends on monthly basis, the reactivity of the international stock market indexes to the Caucasus events has been much more impressive than the reactivity of the single Russian indexes.\textsuperscript{16}

Of course, this does not provide any evidence, but the fact that military might

\textsuperscript{14} The trade and fiscal position of the US worsened dramatically during the last few years due to the strain of two wars, as well as tax cuts.  
\textsuperscript{15} This is a problematic point, as with reference to the South Ossetian issue, Russia was a status quo actor, of course. By taking the systemic level into account, Russia is one of the more revisionist powers of the system given its relatively limited interaction with it (e.g. compared to the level of China’s interdependence with the hegemon) and its widely recognized push for multipolarism.  
\textsuperscript{16} In dramatic fashion, the acceleration of the downturn took place in the month of September with the fall of Lehman Brothers and after a steady and low pace of decline dating back to the 2007 subprime crisis. Russian RTS index started to fall dramatically in May 2008 – several months before the war – and continued its path of decay during the following months. In the aftermath of the war, Russia suffered from capital outflows much more than the stock market decline. For stock market data, see www.rts.ru and www.djindexes.com.
tool to ensure the international security as a public good in order to allow international markets to work) is considered by the rating agencies as a component to assess the US debt solvability\(^\text{17}\) should enforce this view. Thus, the systemic dimension of the Caucasus war, highlighting the impossibility of preventing a great power from using the force abroad – notably against a close hegemon’s ally – cast a shadow over the US military factor as a last resort to ensure a sound international environment for the system of trade and finance.

What are the consequences, then, for Georgia? Of course, the given systemic impact of the financial crisis does not suit the Georgian elite, because a weakened US could decide to disengage (totally or partially) from the Caucasus. Many Georgian analysts are showing considerable concerns in their speculations about the Caucasian policy likely to be undertaken by the Obama Administration, stressing that it is supposed to defuse tensions around the world – including the difficult US-Russia relationship – by withdrawing from some international military and diplomatic battles. Despite emphasis on the likelihood of persisting preferential relations with the US,\(^\text{18}\) Georgian commentators are unanimous in admitting that Georgia will have to follow suit in the approach of the new US leaders by softening Saakashvili’s tough foreign policy line vis-à-vis Russia. The strong links developed by the Georgian officials with Republican candidate John McCain demonstrated Tbilisi’s preference for a confrontational approach toward Moscow, shown by the assertive McCain’s calls for isolating Russia by suspending its G8 membership. Some events may be considered as proof that Georgian commentators are right irrespective of the previous or current US Administration. Between the 2\(^\text{nd}\) and 3\(^\text{rd}\) of December 2008, both the EU and NATO kept Georgia at bay. The EU offered to strengthen cooperation but avoided any reference to membership. Georgia was included in a group of Eastern neighbors (Eastern Partnership Initiative - EaP) with no mention of the August war. The EaP, which is supposed to go beyond the traditional European Neighborhood Policy (ENP), implied the introduction of Association Agreements (AA) as the contractual framework for stronger engagement, without reference to membership.\(^\text{19}\) As far as NATO is concerned, the Membership Action Plan (MAP) for Georgia was denied during the December summit in Brussels. The Ministers concluded that “both Georgia and Ukraine have made strides forwards but both have significant work left to do.”\(^\text{20}\) At the same time in Nice, the EU restarted the EU-Russia negotiations launched in Khanty Mansiysk before the August war, whilst the NATO-Russia dialogue has been fully restored.


\(^{18}\) Deputy Foreign Minister Giga Bokheria emphasized that “President Obama […] expressed very explicit and crucial support and I’m sure this friendship, which is based on strategic interests, is going to continue.” Even the Tbilisi State University Rector Giorgi Khubua noticed that Senator Biden was among the early proponents of a billion-dollar post-war aid package for Georgia. (Both quoted in Giorgi Lomsadze, “Georgia: Tbilisi Contemplates How the Obama Administration Will Approach Caspian Basin,” Eurasia Insight, November 6, 2008, [http://www.eurasianet.org/departments/insightb/articles/eav110608a.shtml](http://www.eurasianet.org/departments/insightb/articles/eav110608a.shtml).)


These events can be interpreted as an outcome of the two crises on the systemic level, with Georgia finding itself in a very weak position. The first steps of the Obama Administration on this issue suggest that the importance of NATO enlargement towards the FSU will be scaled back. If we assume the financial crisis as depriving the US hegemony of a considerable degree of legitimacy and capabilities, a predictable approach will be to withdraw from a front (the Caspian basin) whose importance will be necessarily downgraded by the global developments of the last months of 2008, even in the light of the impact of the financial crisis on the energy markets that will be explored in the third section. Perhaps the US will finally get rid of the inconsistencies of the Clinton policy ("Russia first", but attempting to separate the destiny of the other FSU countries from the influence of Moscow mainly through the diversification of energy routes) and the Bush policy 21 (requiring the FSU countries’ cooperation to fight terrorism, but attempting at the same time to undermine their authoritarian regimes) by looking to restore a sound relationship with Russia, which is needed to tackle issues such as Iran and Afghanistan, perceived by the US as much more urgent than the Caucasus. Though the latest visit of Vice President Joe Biden to Georgia served to underline the policy of continuing to support Georgia, it seems that the US attitude toward its domestic problems will be rather different from the one shown by the previous Administration. For instance, Biden made clear that there will be no military way to reassert control over Abkhazia and South Ossetia, giving the impression that the current Administration is not going to give an unconditioned endorsement to Saakashvili’s future decisions in this regard. 22 Such a development is definitely undesirable for the Georgian government.

After this brief description of the systemic implications of the financial crisis for Georgia, it is possible to assess the economic impact on the country in the light of its critical and politically controversial integration in the global economy. The peculiarities of this integration and notably the Georgian dependence on foreign capital inflows widely mirror the relevance of the political rent from which Georgia has benefited so far due to the Western geopolitical priorities in the region.

Georgian Economy in the Midst of Turbulence

The financial crisis raised concerns about several transitional economies, notably in the FSU. The Kazakh economy, for instance, began to suffer in the summer of 2007 in the aftermath of the US subprime crisis, which heavily affected the Kazakh real estate sector and turned into a proper banking crisis in 2008 as a result of the overexposure to the construction sector. Foreign borrowings, half of which came from US banks involved in hedge funds, led the foreign debt to reach 42% of Kazakh exports. 23 In Ukraine the impact has been even worse due not only to the banks’ exposure to the “bubbling” real estate

sector but also to the collapse of the global demand for steel. After the drain of 3 billion USD from the Central Bank foreign reserves to defend the local currency, the IMF arranged an emergency package of 16.5 billion USD, the size of which was impressive compared to the Ukrainian economy and provides some information about the degree of concern, widespread among the financial institutions as far as the impact of the crisis on the FSU is concerned. Even in Russia the crisis was displaying its effects: foreign reserves were dwindling at a rate of 22 billion USD per week, slumping from the peak level of 597 billion USD in August to 453 billion USD at the end of November, leaving the authorities with the choice between draining the reserves further still or letting the currency float freely with a considerable risk of overshooting.

The case of Georgia seems to be rather different, which leaves ample room for debate among optimists and pessimists. According to experts, the Georgian real estate market is not significantly exposed to international turbulence, as the main players have limited access to the world capital and debt market. Hence, the backwardness of the Georgian banking sector is turning out to be, ironically, its saving grace. Further, some insist that the distance from the US, considered as the crisis’s epicenter, means that trade volumes between the two countries are too limited for any potential consequences resulting from an US recession. Unfortunately this is only one part of the story. The Georgian economy is considerably different from many other CIS countries as it is not that dependent on natural resources, but this means that there are different fragilities likely to emerge under the strain of the global financial crisis. In the aftermath of the Rose Revolution (2003), many commentators celebrated the impressive economic performance of the country’s new leadership, which comprises a shocking reform agenda focused on the removal of bureaucratic barriers, as well as lowering taxes and properly collecting them. With growth rates peaking during the last two years between 10% and 12%, both the authorities and financial institutions were right in describing the country as a success story for neoliberal “orthodox” reformism. Nevertheless, a closer look at the fundamentals reveals some considerable imbalances that emerged during these bright years, which may create severe problems as the global financial crisis casts its shadow on the prospects for growth. Most of the concerns are raised by the excessive Georgian dependence on FDI, which has been the main growth component during the last five years. Figure 1 shows that private foreign investments, massive private donors’ outlays, and foreign aid made capital net inflows account for 88% of GDP in 2007. This data is not shocking; it makes Georgia an outlier

25 The loan accounts for almost eight times the size of the Ukrainian contribution to the IMF. See Roman Olearchyk & Alan Beattie, “IMF Outlines $16.5bn Ukraine loan,” Financial Times, October 27, 2008.
26 Although, in theory, Russia is supposedly financially well placed thanks to the lonely and unpopular crusade of Aleksey Kudrin (Russian Minister of Finance), albeit with the same problems of banks’ undercapitalization and reliance on collapsing raw material prices.
with respect to the CIS countries’ average net capital inflows, which accounted for 9.6% of CIS GDP in 2007.  

**Fig. 1: FDI net inflows in Georgia (2003-2007)**

![Graph showing FDI net inflows in Georgia (2003-2007)](source)

**Source: UNCTAD, 2008**

Some causes for concern emerged well before the global financial breakdown. Since 2004, Georgia began to experience a peculiar version of the so-called Dutch disease. According to this theory, when exchange rates are not fixed, raw materials-exporting countries may experience a crisis of competitiveness of other exports due to fast appreciation of the local currency, stemming from the export of natural resources. Georgia is not a raw materials exporter, but it experienced such an appreciation as a result of massive foreign capital inflows. The trend of appreciation of the Lari began due to investments related to the Baku-Tbilisi-Ceyhan (BTC) pipeline.  

During the last five years, FDI dramatically grew, along with increasing international aid, sometimes coming from private donors linked to the new political elite and emigrants’ remittances, which reached 403.1 million USD in 2005 (accounting for 60% of total inflows). At the same time, the Lari nominal exchange rate strengthened by 2.3% in 2003 and 11.9% in 2004, with the rate of appreciation slowing

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down in 2005, showing a steady growth over the following years.\textsuperscript{31} The effects of this appreciation on trade have been huge. \textit{Figure} 2 shows the impressive degree to which the trade deficit, encouraged by the aforementioned exchange rate dynamics, grew over the last five years, exceeding the GDP in 2004 and reaching the record level of 173\% of GDP in 2007.

\textbf{Fig. 2: Trade deficit in Georgia (2003-2007)}

![Graph showing trade deficit in Georgia (2003-2007)](image)

\textit{Source: Department for Statistics of the Ministry of Economic Development of Georgia, 2008.}

Even if one-fourth of Georgian exports have not been severely hindered by the Georgian version of Dutch disease, since it focuses on internationally traded commodities such as scrap metal and non-ferrous metal, the remaining three-fourths consisting of wheat, flour, sugar, medicine, and motor cars have been seriously damaged, while the balance between tradable and non-tradable sectors has been disturbed. In normal conditions, any macroeconomic imbalance stemming from FDI and international aid is supposed to be temporary, but in these times conditions are all but normal. Due to the financial turmoil, FDI inflows – again, the component of growth accounting for almost 90\% of GDP – dropped to 300-400 million USD in the second half of 2008 as opposed to the huge level of 1.5 billion USD in the first half\textsuperscript{32} so that they are unlikely to continue to finance the Georgian commercial deficit. Despite the optimism shown by former Prime Minister Lado


\textsuperscript{32} Isabel Gorst, “Georgia Seeks Aid Pledges to Plug Foreign Investment Gap,” \textit{Financial Times}, October 4, 2008.
Gurgenidze in repeating that the downturn will only have an impact on the Georgian economy indirectly.\(^{33}\) the World Bank estimates that 3.2 billion USD of international aid is needed over the next three years, allowing Georgia to land softly from the FDI shock stemming from the combined effects of the August war and the global financial crisis. Furthermore, the argument of the weak trade and financial links with the US is a poor one. Most of Georgia’s regional trade partners – namely Turkey,\(^{34}\) Russia, and Ukraine – have been hit hard, and Georgian authorities would be advised not to rely on them, taking into account that given the poor industrial basis it is hardly credible that foreign trade will rescue the country. In any case, if the Lari is going to devaluate, there is room for some improvement as far as competitiveness is concerned. Unfortunately, in the aftermath of the war the Central Bank opted for a strategy of “imperceptible devaluation” instead of consistently allowing devaluation. Given the emergence of panic, which turned into a massive withdrawal of deposits and conversion to dollars, the effort required 300 million USD to be drained from the foreign reserves. The strategy was successful to the extent that the Lari lost only 2.5% against the dollar. What is questionable is the whole strategy of defending an overvalued currency that, on the one hand, does not allow for the reduction of the trade deficit yet, on the other hand, is not reducing the inflationary pressures stemming from the choice to avoid a banking crisis by renewing the commercial banks refinancing and cutting interest rates.\(^{35}\)

**Energy-related Investments as a Case Study: Toward the Marginalization of the Caucasus?**

Much of the FDI in Georgia during the last five years is related to the transport infrastructures for hydrocarbons. The previous section already underlined the impact of the BTC-related capital inflows in triggering the Lari’s over-appreciation path. Until now, Georgia benefited from its geographical position, making the country the only outlet for Caspian resources to reach the Western market, bypassing politically detrimental alternatives such as Russia and Iran. This position provides a geopolitical rent, defined as the ability to obtain political and economic gains from major international actors thanks to a strategic geographical position.\(^{36}\) These actors provide an amount of a resource to the rentier state, reducing many constraints limiting the government’s room for maneuvering,

\(^{33}\) According to Gurgenidze, the foreign aid is needed mainly to recover from the infrastructural damages of the war, as the global financial meltdown is supposed to have turned the corner and the reduction of the FDI is going to affect the entire world and not only Georgia. Further, Georgia is not planning interventions in the real sector and is instead getting stand-by facilities to increase the central bank’s reserves in times of financial uncertainty (Lado Gurgenidze, “Putting Georgia on a Path of Recovery,” *IMF Survey Online*, October 21, 2008, [http://www.imf.org/external/pubs/ft/survey/so/2008/INT102108A.htm](http://www.imf.org/external/pubs/ft/survey/so/2008/INT102108A.htm)).


\(^{35}\) The basic interest rate has been reduced by 2 points (from 12% to 10%) in order to reduce the incentives to buy Central Bank securities (Vladimer Papava, “Post-war Georgia’s Economic Challenges,” *Central Asia-Caucasus Institute Analyst*, November 26, 2008, [http://www.cacianalyst.org/?q=node/4991](http://www.cacianalyst.org/?q=node/4991)).

both internally (ability to reduce the tax burden and building a consensus damaging for democracy) and externally (perception of political credit, providing incentives for a more assertive foreign policy). This kind of rent, like other rents such as the oil one, is rather unstable and dramatically dependent on the strategic priorities of these major actors that provide resources to the rentier. Moreover, the rent enjoyed as a strategic energy-transit country strongly depends on the profitability of investments, the strategic perception of the energy resources necessary for transit through the rentier territory, and the evolution of the international position of the alternative transit countries. Due to this position, Georgia has been able to procure political and economic gains thanks to strained US-Iran and US-Russia relations, and because of the high price of hydrocarbons, which make the development of the Caspian resources profitable. This section will describe how these gains are at risk of disappearing in the coming years because of the systemic impact of the financial crisis and the August war on the decisions concerning energy-related investments in the Caspian basin.

As regards the politics of energy, it is useful to consider a historical perspective to decipher the strategic relevance of Georgia for the Western interests. Since the early 1990s, the US Administration laid down dual role regarding Caspian basin hydrocarbons: at a global level, reducing the global energy dependence on the Gulf to increase US foreign policy options in that area; and at a regional level, encouraging the FSU countries to find alternative export routes in order to emancipate their transition path from the influence of Russia. This approach was arguably inconsistent with the “Russia first” policy of the first Clinton Administration, but some consistency can be found with Brzezinski’s assumption, which implies that this strategy was necessary to help Russia shed the burden of a self-damaging imperial legacy. The EU followed suit by providing several institutional frameworks to its infrastructural strategy, such as the INOGATE program (operational since 1999) and the Baku Initiative of 2004. In the early 1990s, viewing the Caspian as the “oil Eldorado” strongly influenced the Western approach during the following decade. The Western pressure on regional regimes and international oil companies (IOCs) to invest in multi-pipeline strategies, despite the IOCs rising skepticism about the region’s potential, led many commentators to talk about a new Great Game, with politics always trumping economic considerations. In the end, the Caspian basin turned out to be anything but an Eldorado. The amount of hydrocarbons in the region is far from impressive and will never be able to replace Gulf oil. Moreover, given the climatic and morphological complexity of

40 The Baku Initiative involves the European Commission’s Directorate-General for Transport and Energy and Directorate-General for External Relations along with 14 third countries, including Russia as an observer. It is aiming at the progressive integration of the Black Sea and Caspian Sea region energy markets with the EU markets. Such a process implies progressively converging energy policies on issues of trade, transit and environmental rules as well as standards (See http://www.inogate.org/inogate/en/baku-initiative).
the region, the cost of extraction is substantially higher than other oil provinces.\textsuperscript{42} The main achievement of the Western strategy has been the BTC, finally profitable thanks to the rising oil prices of the last years as well as – in a very long-term perspective – the possibility to channel oil from North Caspian Kashagan field through the pipeline.\textsuperscript{43} Into the framework of this petro-political game, Georgia benefited from the possibility of attracting Western attention by relying – among other factors – upon its geopolitical rent, because its status of a sole transit country allowed Caspian basin resources to bypass Russia (helping the EU to curb its energy dependency) and Iran (complying with the US interests, since an EU dependent on Iranian gas would be a geopolitical nightmare). The Western attention towards Georgia peaked with the 2003 Rose Revolution, strongly supported by the Republican administration, which, even more than the previous one, invested US prestige and money in Georgia by marking a significant upgrading of the US policy in the area.\textsuperscript{44} Over the last few years, the energy side of the strategy, aimed at channeling Caspian hydrocarbons through Georgia, lied in the active promotion of the Nabucco pipeline and the revival of the Trans-Caspian Pipeline (TCP) project, aimed at filling Nabucco with the Turkmen gas. Both projects – standing or falling together\textsuperscript{45} – meet the opposition of Russia, which undertook several responses: first, striking a deal with Turkmenistan to ensure that future exports will fill the Prikaspiyskiy branch of the Central Asia-Centre (CAC) system by promising to buy the Turkmen gas at the European netback price.\textsuperscript{46} Second, inconsistently trying to prevent Azerbaijan from filling Nabucco by promising to buy all Azerbaijani gas coming from Shah Deniz\textsuperscript{47} and threatening, in the past, to cut off the Russian gas supply to Azerbaijan to push the country to use the Shah Deniz gas to meet the rising domestic demand, instead of exporting it westwards.\textsuperscript{48} The latter approach is no longer effective since Azerbaijan has finally stopped Russian gas imports, but the first one has achieved a considerable result with the agreement between


\textsuperscript{43} The main option is to increase trans-Caspian shipments through the Kazakh Caspian Transportation System to Baku. The system was envisaged to bring an additional 500,000 bbl/d, to be raised up to 1 million bbl/d as of 2011 in case of a considerable expansion of the BTC capacity (IEA, “Perspectives on Caspian Oil and Gas Development,” working paper, IEA, December 2008).

\textsuperscript{44} By carrying 1 billion barrels of crude oil per day, the BTC is not making a serious dent in the world’s thirst for Gulf oil (Nicolai N. Petro, “Prisoners of the Caucasus Unite,” \textit{Herald Tribune}, August 20, 2008).

\textsuperscript{45} Moreover, its ability to help the Caspian FSU countries to reduce their dependence on the centralized Soviet infrastructural panorama did not result in a clear political emancipation of these countries, as multivectorial and balanced foreign policy is still going on in Azerbaijan, Kazakhstan, and Turkmenistan.


\textsuperscript{47} The agreement was reached at presidential level on May 12, 2007. It is part of a broad package, including a 25-year gas purchasing contract (Vladimir Socor, “Russia Surging Farther Ahead in Race for Central Asian Gas,” \textit{Eurasia Daily Monitor}, May 16, 2007, \texttt{http://www.jamestown.org/edn/article.php?article_id=2372168}).

\textsuperscript{48} The latter approach is no longer effective since Azerbaijan has finally stopped Russian gas imports, but the first one has achieved a considerable result with the agreement between

Russia and Azerbaijan signed in July 2009 on the purchase of 500 mcm of Azeri gas per year by Gazprom as of 2010. These developments clearly show the Russian determination to maintain a grip over the Caspian gas grid.  

The question is now if the systemic change stemming from the financial crisis is likely to occur according to the previous sections’ perspective, the political support for controversial energy projects might weaken considerably. As the new US Administration is expected to have a strengthened dialogue with Russia, aimed at keeping the Russians in the multilateral solutions of more relevant issues, pressures for projects able to weaken Russia and to exacerbate its feeling of encirclement might decrease. However, so far, this does not seem the case in the light of the aforementioned intergovernmental agreement of the 13 July 2009 between the Nabucco transit countries to give a legal basis to the pipeline, but it has to be noticed that the US Special Envoy for Eurasian Energy Richard Morningstar stressed that Russia is free to supply gas to the pipeline reiterating the American opposition to any eventual Iranian participation.

If the combined effect of the financial crisis and the August war is likely to weaken the political support for investments in South Caucasus aimed at freeing the Caspian resources from the Russian control, it is even more likely to undermine the economic viability of these investments that has already been questioned because of the insecurity of the supply of gas. With the emergence of the financial crisis, international hydrocarbons prices dropped significantly from 142 USD/bbl to 48 USD/bbl within less than four months. OPEC gave an early warning by assessing to which degree the collapsing world prices are threatening the investments, and it assumed that a price between 70 and 80 USD/bbl would make them profitable. Remarkably, more than 10 strategic projects worldwide, although not clearly identified, are expected to be hindered by any price lower than 60 USD/bbl. Despite the abovementioned agreement of the 13 July, the Nabucco pipeline still faces some perplexity due not only to the security of supply, but even to impact of the crisis on private investors. The European Investment Bank reiterated its willingness to ease credit, but the partial coverage is still subordinated to persisting doubts about technical and economical soundness and the security of the private participation is part of it.

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Although oil prices are growing, it could be useful to provide some calculation considering a price between 55 and 60 USD/bbl. Assume that gas prices drop to 0.165 USD/cm, a price which is consistent with the aforementioned long-term level of oil prices (though they could rise again). According to a positive scenario, with Nabucco shipping 8 bcm/y between 2013 and 2015 and 31 bcm/y as of 2016, four and a quarter years would be needed to cover the 10.3 billion USD investment cost. According to a pessimistic scenario, between 3 and 5 bcm/y could be carried from 2013 to 2015, and 20 bcm/y as of 2016. In this case, the investment coverage would require between five and a half and 6 years. With the high prices on the energy markets before the financial turmoil, three years would be needed to make the investment profitable. Obviously, this simple calculation has no scientific value and does not take into account several crucial additional variables, but it is sufficient as far as the sensitivity of investments in the Caspian basin to the hydrocarbons’ international prices is concerned. In this respect, even a non-exporting country relying only on a transit rent like Georgia would be dependent on high hydrocarbons prices to attract investments and benefit from a “geopolitical rent”.

Added to these concerns is the growing risk associated to infrastructural investments in Southern Caucasus in the aftermath of the war. Although Russian bombers did not target any energy facilities, the coincidence of an explosion in the Turkish section of the BTC close to the Georgian border a few days prior to the military operations raised some concern about the possible targeting of the pipelines.55 This is strongly connected to the systemic implications explored above, as the war demonstrated that the Western guarantees for Georgia lacked substance, and the integrity of the oil and gas corridor depended simply on Russian good will.56 A clear sign of this came from the BP decision to temporarily stop the oil flows through Georgia to divert part of them through the Russian facilities, while Kazakh Prime Minister Karim Masimov ordered KazMunajGaz to study whether the domestic market could absorb the exports envisaged for transit via Georgia. Even the Azerbaijani company SOCAR re-directed a portion of its exports, normally sent through the Georgian terminal of Kulevi, towards the Iranian port of Neka during August and September 2008.57 As a result, many commentators argue that the weakness of the Western deterrence will raise serious doubts among lenders and investors facing higher insurance costs by reducing the viability of both Nabucco and TCP,58 and the strategic relevance of Georgia within Western agendas.

Conclusion

According to a hegemonic stability perspective, both the global financial crisis and the August war in the Caucasus can be interpreted as signs of the decay of the unipolar order

57 IEA, “Perspectives on Caspian Oil and Gas Development,” (working paper, IEA, December 2008).
emerging from the collapse of the USSR. The Georgian attempt to reassert control over South Ossetia by force and the consequent Russian invasion demonstrated the inability of the hegemon to deter a great power from using force beyond its borders and its unwillingness – or inability – to exert retaliation. According to the theoretical framework, this event is connected to the acceleration of the global financial crisis to the extent that the hegemon’s military might, which is a crucial tool to ensure international security as a public good, allowing international markets to work properly, turned out to be insufficient to prevent the Russian invasion by casting a huge shadow over the confidence in the systemic equilibrium and the legitimacy of a trade and financial system articulated in order to ensure the hegemonic interest of an actor of the system. This does not mean that the Caucasus war triggered the global financial crisis. It only contributed – among other factors – to reveal structural weaknesses affecting the hegemonic international position of the US, no longer able to provide credible deterrence as a pivotal international public good. If these events are likely to accelerate a shift toward a multipolar order, the consequences for Georgia could be detrimental. The new US administration is showing the willingness to address some relevant issues on a multilateral basis. The US needs Russian cooperation to cope with the Iranian nuclear program and the Afghan crisis; thus the US could be forced to reduce their engagement in Georgia and the FSU. Both NATO delaying the MAP for Georgia and Ukraine and the EU’s post-war strategy can hardly please the Georgian government.

Georgia is expected to suffer a huge economic impact because of the financial crisis, as the global meltdown is likely to unveil the “dark side” of the impressive economic performance of the last years. Due to the wide political capital retained by the Saakashvili administration in the light of the international re-positioning of Georgia after 2003, the net capital inflows – including FDI and private aid – have been disproportionately dominating the GDP. This led to an over-appreciation of the local currency, to the detriment of exports. As a result, even if Georgia is not a raw material exporter suffering from the negative impact of the crisis on the hydrocarbons’ international prices, its economy is going to suffer the same effects currently affecting the raw materials-addicted FSU countries, in terms of the drain of foreign reserves that is aimed at defending the local currency. Moreover, Georgia is experiencing a slump in FDIs inflows due to both the financial crisis and the investors’ post-war perplexities, as the systemic impact of these events may determine a loss of the political capital on which the Georgian imbalanced growth strategy depended.

Energy provides a good case study to assess the aforementioned trends. As Georgia benefited from a geographical rent because of its status of sole corridor to move the Caspian hydrocarbons westwards by emancipating the Russian control (to reduce the EU’s reliance on Gazprom) and preventing a potential Iranian role (to comply with the US interests), it may suffer from a shift in Western political priorities, following the impact of the financial crisis, the August war and rise to power of a new US administration. As both the Obama administration and the EU are supposed to be willing to build a critical but less confrontational attitude toward Russia, they could reduce their political support for infrastructural projects expected to exacerbate the Russian perceptions, or water down their original anti-Russian nature by promoting the Russian participation to them. From an economic point of view, the level of oil prices resulting from the global financial crisis are
posing a serious threat to several investments. The reduced profitability of the investments stemming from the prices’ declining dynamics is linked to rising insurance costs because of the risk associated with the weakened Western deterrence of the Russian attacks. Empirical evidence has shown the high degree of sensitivity of the investments in the Caspian basin to oil prices. Given the high costs of extraction and refinement, projects like Nabucco or TCP – already relying on an uncertain gas supply – could be left in the cold by reducing the strategic role of Georgia as a transit country for Western energy strategies.
RUSSIA, EU, NATO, AND THE STRENGTHENING OF THE CSTO IN CENTRAL ASIA

Irina Ionela Pop

Abstract

Central Asia is a region with great geopolitical and geo-economic significance. Although the war on terrorism brought the USA, the EU, and NATO into Central Asia, after the 2005 Andijan event, Russia has been resurgent in the region. This paper analyses the Russian political-military strategies toward the Central Asian states, focusing both on bilateral and multilateral security cooperation. The strengthening of the CSTO (Collective Security Treaty Organisation), especially through the creation of the Rapid Reaction Forces, should not be neglected in Europe. According to Russian officials’ speeches, the CSTO requires equal partnership with NATO in Afghanistan. This would strengthen the importance of the CSTO in Eurasia and would limit bilateral dialogue between the former Soviet republics and EU or NATO.

Keywords: Central Asia, Russia, CSTO, Rapid Reaction Forces, military bases, EU, NATO.

Introduction

Central Asia is often described by a set of characteristics, from which there are five of critical importance: (i) the post-1991 power vacuum in which a complex geopolitical game occurs, first between Russia, China, India, the US, and the European Union, as well as Turkey, Iran, Pakistan, South Korea, Japan, the United Arab Emirates, and others; (ii) a strategic area of energy resources; (iii) an important part of the Islamic world in which, because of low living standards, ethnic tensions and the oppressive nature of the political regimes often create a fertile area for terrorism, drugs and weapons trafficking, and organised crime; (iv) a region at the crossroads of the great trade routes and pipelines; and (v) a buffer zone between countries with nuclear arms (or those developing the potential), e.g. Russia, China, Iran, India, and Pakistan.

Having Russia as a neighbour and the being landlocked has always limited the Central Asian countries in choosing their partners for cooperation. The deterioration of the security situation in Afghanistan, the European Union’s energy dependence on Russia, and the Russo-Georgian war have led to the perception that the Central Asian states have much less room for manoeuvre than other CIS (Commonwealth of Independent States) members, the Russian influence being

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noticeable on political, military, and economic levels. The strengthening of the Collective Security Treaty Organisation (CSTO) is both a result of these processes and an instrument to further enhance Russian supremacy in its “Near Abroad.”

**Russia’s Policies Toward Central Asia**

Following the dissolution of the Soviet Union, on December 26, 1991, Russia tended to neglect its relations with the former Central Asian republics. Its foreign policy seemed to have a pro-Western orientation, and Central Asia occupied the second or even the third place among Russia’s interests. But Russia became more actively involved in Central Asia as a result of the civil war in Tajikistan, especially because of the large Russian minorities in the region.

In 1993, Moscow decided to promote renewed “special relations” between Russia and Central Asia. The Russian National Security Council articulated the new policy in “Main Aspects of the Foreign Policy Concept of the Russian Federation” (April 1993). The document asserted that Russia could not leave Central Asia without endangering its southern borders. Consequently, the Russian control over CIS borders in Central Asia was a desirable objective. Other priorities included: the Russian troops and their military bases in the region; the development of economic relations; Russia’s contribution to conflict prevention and resolution through efficient peacekeeping mechanisms; and no interference from third parties in Central Asian affairs.¹

Already in 1995 were the public speeches of the Russian officials changing. They insisted on pragmatic policies in Central Asia, taking into account the contracts of the Western energy consortiums in the CIS, as well as NATO’s Partnership for Peace programme. The strengthening of Russia’s position in Central Asia was in part made possible by then-Prime Minister Evgheni Primakov’s initiatives, which promoted closer relations with Central Asia’s neighbours – Iran, China, and India – in order to weaken relations between the Central Asian states and the West; an approximation process within the CIS through the Group of Four (Russia, Belarus, Kazakhstan, and Kyrgyzstan); and the settlement of Tajikistan’s civil war.

Vladimir Putin took the presidency in 1999 with the objective of Russia’s reemergence as great power, following the model used by Prince Aleksandr Gorchakov in the nineteenth century that was based on internal reforms and flexible foreign policy.² Putin could develop a coherent and pragmatic foreign policy with clear priorities and well-structured interests, concentrating on Russia’s “near abroad.”

The new foreign policy concept, from 28 June 2000, asserted that Russia’s geopolitical role as one of the largest Eurasian powers came with the responsibility of maintaining security in the world, both at global and regional levels.³ The first visits Putin made were to Turkmenistan and

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Uzbekistan in May 2000, the states which had gone further in developing political and economic relations with the West.

Putin’s strategy went in two directions. First, his administration looked to build a consistent strategy regarding the development of political and economic relations with Central Asia. The introduction of a customs union (1996) and the decision to allow the free movement of citizens between several of the former Soviet republics, which altogether resulted in the creation of the EurAsEC (Eurasian Economic Community) in October 2000, strengthened the inclination toward cooperation. Second, every official statement emphasised the dangers of Islamic fundamentalism and international terrorism, which took on a special urgency after the 9/11 terrorist attacks in the US. Russia was thus able to receive further Central Asian support for its military actions in Chechnya.

In 2003, President Putin developed a new foreign policy concept. The policy instruments became more diverse: support for and personal relationships with local leaders, military cooperation, investments in energy and infrastructure, scholarships for attending Russian universities, and the huge influence over the mass media of the region, whereby Russia became the most important source for news in Central Asian countries.

Between 2005 and 2007, Putin spoke frequently of several issues, including the requirement of treating Russia on the same level as the developed countries, a multipolar world order, the rejection of “exporting democracy,” the development of the CSTO, and Russia’s right to retain “special interests” in the CIS. His Munich speech of February 2007 abounded with criticism against the US policies in this regard.

On March 27, 2007, the Russian Ministry of Foreign Affairs published a document about the revision of the foreign policy. It stated that Russia’s most important achievement was its new independent foreign policy. It centred on the importance of the energy exports and the economic recovery, the enhancement of the military power, the West’s engagement in other regions of the world, and the settlement of Chechnya conflict. The document underscored the importance of the Single Economic Space (SES), Collective Security Treaty Organisation (CSTO), Shanghai Cooperation Organisation (SCO), and EurAsEC. The bilateral relations between Russia and Central Asian states were described separately. Kazakhstan was considered Russia’s most important strategic partner in Central Asia.

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Similarly, the foreign policy concept of Russia from July 2008 emphasised the bilateral relationship with Kazakhstan and the necessity to develop the SES, CSTO and EurAsEC. The new approach took on a more critical tone toward the US and was followed by the first military intervention in a CIS member state (Georgia) after the disintegration of the Soviet Union (7 August 2008).

In an interview on August 31, 2008, President Dmitry Medvedev presented the Russian foreign policy in five points: (i) Russia recognises the primacy of the fundamental principles of international law; (ii) the world should be multipolar; (iii) Russia does not want confrontation with any other country, has no intention of isolating itself, and will develop friendly relations with Europe, the United States, and other countries as far as possible; (iv) protecting Russian citizens, wherever they may be, is an unquestionable priority, and Russia will respond to any aggressive acts committed against them; and (v) Russia has privileged interests in certain regions (former Soviet Union).

The Birth of the CSTO

According to Weber, international relations in the former Soviet Union are distinct: the common Soviet past is influencing the present; therefore, within the regional organisations dominated by Russia, there are visible cooperation impulses and disagreements.

In 1995, President Boris Yeltsin asserted in the document “On Affirming the Strategic Course of the Russian Federation with the Member States of the Commonwealth of Independent States” that Russia’s policies planned to form a single security space, but also a defence alliance in the CIS. The initial objectives were thus: a single security structure under Russia’s command, the control of the Soviet army goods, Russian military units stationed within the CIS, a common defence space, and an integrated mechanism for conflict resolution on the territory of the former Soviet Union.

The Minsk Agreements and the Declaration of Almaty, from December 1991, set the foundation for a common security policy. The civil war in Tajikistan and the incapacity of the Central Asian countries to preserve their security led to several agreements regarding peacekeeping operations and conflict resolution. These documents paved the way for the “Protocol on the Temporary Procedure for the Formation and Use of Collective Peace-Keeping Forces in Zones of Conflict between or within Member States of the CIS,” and led to the Collective Security Treaty (CST), signed in Tashkent on May 15, 1992, by the heads of state and government of Russia.

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Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, and Armenia.\textsuperscript{10} The treaty was later joined by Azerbaijan, Georgia and Belarus.

The Collective Security Treaty sets up a defensive alliance, forbids joining any military alliance or group of states against other members, and considers that aggression against one member is aggression against all. In spite of this, all CIS member states established national military structures during and up to the end of 1992. Azerbaijan, Georgia, and Uzbekistan withdrew from the Collective Security Treaty in 1999.

In order to enhance the Treaty’s effectiveness, the heads of state ratified a number of documents in May 2000 in Minsk. For example, the “Memorandum on Increasing the Effectiveness of the CST and its Ability to Adapt to the Present Day Geopolitical Situation” and “A Model for a Regional Security System” both promoted the fight against terrorism and the need to build rapid deployment peacekeeping forces. The Council on Collective Security, one of the high-ranking bodies of the treaty, also decided to define three distinct security regions: European, Caucasian, and Central Asian.

The Bishkek meeting in October 2000 decided to establish a collective security force within the subsequent five years. Therefore, in Yerevan (May 2001), the CIS members created a Collective Rapid Deployment Force (CRDF) in order to be able to provide a collective response to terrorist attacks or incursions. The CRDF for Central Asia, according to an August 2001 decision, would comprise Russian, Kazakh, Kyrgyz, and Tajik units, totaling around 4,000 persons.

In May 2002, the Collective Security Treaty became the Collective Security Treaty Organisation, and the CSTO Charter entered into force on September 18, 2003. According to Nikolai Bordyuzha, the Secretary General of the organisation, the CSTO focused on three important areas: foreign policy, opposition against threats and challenges, and the military dimension.

Beginning in 2004, Russia promoted the systematic cooperation within the CSTO. In June 2004, the members of the Council on Collective Security and of the Council of Defence Ministers laid out plans for the military component of the organisation. The “Plan for the Construction of the CSTO’s Military Coalition Forces through 2010” proposed the establishment of military ties on an interstate level and the formulation of a structure for political cooperation, as well as a second phase of the integration of the military forces on a macro-level.\textsuperscript{11}


exercises, it was organised on the premise of pre-emptive strikes. Rubezh-2005 and Rubezh-2007 were held in Tajikistan, while Rubezh-2006 took place in Kazakhstan.

The EU and NATO’s Security Interests in Central Asia

The European Security Strategy (December 12, 2003) identified the following major threats for the European Union: terrorism, proliferation of weapons of mass destruction, regional conflicts, failing states, organised crime, and recognised the energy dependence as a special concern for Europe. Although Central Asia was not specifically mentioned, all these challenges from the international environment are valid for this region.

The EU’s interests in Central Asia are geopolitical and geo-economic: growing stability and the capacity of these states to manage the threats; support of the military operations in Afghanistan; tackling drug-trafficking and organised crime; prevention of states from failing and enhanced capacity of crisis management; non-proliferation of weapons of mass destruction; and migration and energy security. Although the Central Asian countries have not been included in the European Neighbourhood Policy (ENP), they could be involved in its regional programmes. The ENP and the EU’s relationships with the Central Asian states reinforce each other. Consequently, the concepts of “wider neighbourhood” or “the neighbours of the EU’s neighbourhood” are often considered to be of great importance.

According to its 2007 political strategy, the European Union has a strong interest in a peaceful, democratic, and prosperous Central Asia, because the strategic, political, and economic developments, as well as trans-regional challenges, affect the EU in some capacity, whether directly or indirectly. These are ideas that were also emphasised by EU officials in their speeches.

Regarding the security initiatives, in January 2001 the European Union set up the Central Asian Drugs Action Programme (CADAP). Its objective was the development of drug control strategies in Central Asia in line with EU anti-narcotics strategies. Initially, CADAP covered Kazakhstan, Kyrgyzstan, Turkmenistan, and Uzbekistan, offering equipments and trainings, while Anti-Drugs Measures in Tajikistan (ADMIT) has functioned in Tajikistan.

The Border Management in Central Asia Programme (BOMCA) was launched in April 2003 in order to strengthen border control and to facilitate transit and legal commerce. CADAP and BOMCA have received a similar budget since February 2004. BOMCA also has the support of

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the US, OSCE, and UNDOC (the UN’s Office on Drugs & Crime). Additionally, BOMCA 8 and 9 will try to introduce the concepts of an integrated border management (IBM) and a corridors approach, which were also embraced by the SCO and EurAsEC. In Central Asia, BOMCA projected two corridors: the Ferghana Valley and the North-South transit corridor in the west of Central Asia. The European Commission stated that progress was limited because of the insufficient expertise of the local institutions, uncontrolled border areas, corruption, and lack of political will.

The topic of the insecurity of Central Asia was approached in other international organisations as well. Within the OSCE, Austria, Denmark, France, Germany, Hungary, Ireland, Netherlands, and the United Kingdom promoted projects regarding police reform, water management, anti-terrorism, the fight against organised crime, weapons and drugs trafficking, and crisis management in Central Asia. On September 18, 2008, the EU-Central Asia Forum on Security Issues was launched by the EU French Presidency.

NATO has formal relations with all Central Asian countries, which entered the North Atlantic Cooperation Council (1992), Euro-Atlantic Partnership Council (1997), and Partnership for Peace programme (1994). The cooperation in the framework of the latter programme is developed proportionally with individual interests, needs, and capacities. Partner states can choose various activities, such as: defence reform, defence policy and planning, civil-military relations, education and training, military cooperation, common exercises, civil emergency planning and disaster response, and science and environment – all in order to prepare an Individual Partnership Action Plan.

Since 2006, Kazakhstan has an Individual Partnership Action Plan. Beginning in 2002, Kazakhstan, and then Kyrgyzstan in 2007, have participated in the Planning and Review Process. Tajikistan, Turkmenistan, and Uzbekistan have limited relations with NATO, but all five Central Asian states have established diplomatic representation at NATO’s headquarters at Mons (Belgium). Kazakhstan, Turkmenistan, and Uzbekistan are also represented in the so-called Partnership Coordination Cell. Additionally, the Euro-Atlantic Disaster Response Coordination Centre (EADRCC) supported Kyrgyzstan and Uzbekistan in 2003, 2005, and 2006. NATO has an information centre in Almaty, and cooperates with universities, NGOs, and local media in Kazakhstan, Kyrgyzstan, and Tajikistan in order to improve its visibility in the region.

The Madrid Foreign Ministers’ Session, on June 3, 2003, confirmed NATO’s long-term commitment in Central Asia, which plays a crucial role for the NATO-led International Security Assistance Force (ISAF) in Afghanistan. The Istanbul summit (June 2004) further strengthened these political-military relationships. NATO set up the position of “Special Representative for the South Caucasus and Central Asia” and established two liaison officers for each region.

The Central Asian countries, however, prefer bilateral security relations with the United States of America and other NATO members, such as Germany, France, and Netherlands. They supported the operations in Afghanistan with military bases for Western forces. Germany has an air base with 300 men in Termez (Uzbekistan); US has an air base in Manas (Kyrgyzstan); France had troops in Kyrgyzstan and one logistic centre in Dushanbe (Tajikistan), while the Netherlands had an agreement with Kyrgyzstan, allowing the use of Bishkek airport by its F-16 airplanes.

Russia is carefully watching the developments within NATO. The Foreign Policy Concept (July 2008) has a few important sentences to this effect. “Russia maintains its negative attitude towards the expansion of NATO, notably to the plans of admitting Ukraine and Georgia to the membership in the alliance, as well as to bringing the NATO military infrastructure closer to the Russian borders on the whole […]” Additionally, “Russia will build its relationship with NATO taking into consideration the degree of the alliance’s readiness for equal partnership.”20

Although the Russian officials consider NATO the only structure capable of denying Russia’s ability to establish its dominion over its “near abroad,” CSTO Secretary-General Nikolai Bordyuzha has persistently called for a direct CSTO-NATO dialogue, including joint stabilisation activities in Afghanistan. Sergei Lavrov (Foreign Minister of Russia) and Sergei Ivanov (Deputy Prime Minister) have also made declarations in this respect in 2006 and 2007. The CSTO-NATO cooperation would strengthen the importance of the CSTO in Eurasia and would limit bilateral dialogue within the Partnership for Peace framework between the former Soviet republics and NATO.

According to Allison, the CSTO-NATO competition can be identified in:

[T]he recent idea to turn the CSTO from a military-political organization into a universal international structure that can collectively react to all challenges and threats; the loose notion of a “zone of CSTO responsibility”; the October 2007 decision to create joint “CSTO peacekeeping forces” […] the efforts by the CSTO to develop its own security relationship with Afghanistan, involving training, arms supply and counter-narcotics, assisted by a CSTO Working Group on Afghanistan.21

The Strengthening of the CSTO after the Russo-Georgian War

Russia’s Foreign Policy Concept announced on July 17, 2008, stated:

[Russia] will promote in every possible way the Collective Security Treaty Organization (CSTO) as a key instrument to maintain stability and ensure security in the CIS area, focusing on adapting the CSTO as a multifunctional integration body to

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the changing environment, as well as on ensuring capability of the CSTO Member States to take prompt and effective joint actions, and on transforming the CSTO into a central institution ensuring security in its area of responsibility.\textsuperscript{22}

The Russian-Georgian war accelerated the militarisation of the CSTO. The Moscow Declaration of the Collective Security Council of the CSTO (September 5, 2008) was considered “the first real consolidated position of the alliance, a view on international politics and the place of CSTO in it.”\textsuperscript{23} The document mentions: concerns about “Georgia’s attempt to resolve the conflict in South Ossetia by force;” concerns about “the growing military capabilities and escalating tensions in the Caucasus region;” “the situation in Europe, the proliferation of medium- and short-range ground-based missiles; strengthening the role of the United Nations as well as the situation in several conflict zones; the situation in Afghanistan; the situation around Iran; the prospects of establishing relations between the CSTO and NATO on a number of issues; and support for the initiatives of the Russian Federation relating to a treaty on European security.”\textsuperscript{24}

During a press conference, following the Moscow CSTO summit on February 4, 2009, President Medvedev stated that “the Collective Rapid Reaction Force should be an effective, all-purpose instrument that can be counted on to realize security objectives throughout the CSTO. And these would include resisting military aggression, conducting special operations to eliminate terrorists and extremists, the fight against organized crime and drug trafficking, as well as dealing with the consequences of natural and industrial disasters.” The Collective Rapid Reaction Force will have “the same sort of training as the troops of the North Atlantic Alliance”.\textsuperscript{25} According to Stratfor, it would comprise 16,000 troops, with Russia providing 8,000 troops, Kazakhstan 4,000, and Tajikistan, Belarus, Kyrgyzstan, and Armenia 1,000 troops each. Of the 16,000, Russia will consider deploying 5,000 troops to Central Asia.\textsuperscript{26}

There were some underlying tensions at the CSTO summit. Kazakhstan showed strong commitment to the project, but Tajikistan and Uzbekistan had concerns over the legal issues and the precise terms under which the new force structure could be used within Central Asia. Uzbekistan secured a separate protocol limiting its participation in CSTO operations and will make military forces available for CSTO operations under certain conditions, depending on the political decision made at the time.\textsuperscript{27}

President Medvedev concluded:

[T]he Russian Federation and other member states of the Collective Security Treaty Organization, Central Asian states, are ready for full and comprehensive cooperation with the United States and other coalition nations in combating terrorism in the region. This fight should be comprehensive and modern, and based on military and political components – only in this case will it have a chance of success.  

On 16-17 April 2009, the Council of Ministers of Foreign Affairs of the CSTO held a session in Yerevan to discuss international security issues, the potential for cooperation within other multilateral structures, the situation in Afghanistan, and the progress toward establishing the CSTO Rapid Reaction Forces. Uzbekistan declined the invitation to the meeting, and Kazakhstan did not attend the session either. Uzbekistan advocates a more equal distribution of forces, especially among the larger members (Russia, Kazakhstan, and Uzbekistan), which has not yet materialised.

The agreement on the formal creation of the Rapid Reaction Forces, and a number of documents regulating their activity, were signed at the CSTO summit in Moscow on June 14, 2009. Belarus did not sign the agreement, partially because of Russia’s restrictive commercial measures and abusive practices in the energy sector against it. Uzbekistan signed the documents with reservations attached, limiting its participation in future CSTO activities, while Armenia’s position is not clear. However, although Belarus contested the validity of the summit decisions, President Medvedev indicated that the door remained open to Belarus to sign the agreement at a later date.

Central Asia’s Military Bases in Russia’s Strategic Planning

The Central Asian countries have received, on a bilateral basis, mutual military assistance from Russia. In the 1990s, the majority of the Central Asian military and technical elites were Russians working on a contract basis. The Russian military academies continued to train Central Asian officers. Furthermore, Russia offered weapons and equipment at Russian market prices for the CSTO units. In the spring of 2003, Kazakhstan, Kyrgyzstan, and Tajikistan signed mutual defence treaties with Russia. After the Andijan event, Uzbekistan and Russia signed the Treaty

of Strategic Partnership (June 2005) and the Treaty of Alliance (November 2005). Russia has also initiated, in 2005, to establish an international naval force in the Caspian Sea (CASFOR).

But the bases and transit rights were the most important. Taking into account the EU’s and NATO’s enlargement and the foreign military bases in Central Asia, Moscow launched a diplomatic offensive to strengthen its positions.

The meetings between Putin and the presidents of the Central Asian republics paved the way for the Russian base at Kant (Kyrgyzstan), inaugurated on October 23, 2003. This would have housed over 500 Russian personnel deployed under CSTO auspices. Since 2003, the Kant base has gradually been expanded to include SU-25 ground-attack aircraft, SU-27 fighter aircraft, AN-26 transport aircraft, and helicopters.

For a few years, Kyrgyzstan was the only country in the world that had on its territory both a Russian and an American base, only 30 km from each other. In May 2005, Bishkek began negotiations with Moscow for a second military base in Osh. In 2006, Russia announced plans for considerable military investments in Kyrgyzstan, and the Kyrgyz government decided to raise the rental price of the Manas Air Base used by the US. Washington D.C. had paid $65 million per year for the Manas Air Base, established in 2002, while injecting another $150 million through economic incentives.

On February 3, 2009, Russia and Kyrgyzstan signed an agreement worth $2 billion, representing Russian assistance to the Kyrgyz economy in crisis, which was followed by the announcement that Kyrgyzstan would permanently close the Manas base. Bakiev said he was ejecting US forces after repeated requests for increased rent payment had been ignored.

In the aftermath of the announced closure of the Manas Air Base and the expected activation of the CSTO Rapid Reaction Forces, a unit of 30 Russian Railroad Troops arrived at the Kant Air Base, on 20 February 2009, to carry out road and railroad repairs. The major objective was to connect existing Russian military facilities within the country. As Eurasia Daily Monitor noted “[I]n a crisis situation, Kant can be reinforced by air, rail, and road, facilitating the rapid movement of Russian troops and supplies. It would probably offer emergency access to the former Soviet air base at Osh”.

Recently, Russia and Kyrgyzstan negotiated a new 49-year lease for the Russian airbase in Kant (May 2009), which will allow for automatic 25-year extensions. There are many factors that will continue to push Kyrgyzstan toward Russia: political ties, labour migration, Russian investments, fear of Chinese expansionism, and resentment about the Western assistance.

During the civil war in Tajikistan (1992-97), Russian forces, under the aegis of the CIS, gave support to President Emomali Rakhmonov. Today Russia has the 201st Motorised Rifle Division at Dushanbe (opened at the end of 2004) and Russian officers in the Federal Border Guard Force.38

Tajikistan’s President Rakhmonov has tried to maximise potential financial dividends from the Russian base at Dushanbe, Additionally, at a bilateral meeting on November 2008, President Medvedev explored the possibility of opening a second Russian base in Tajikistan, at Ayni, where India has also had a temporary air base since 2002.39

In Uzbekistan, Western criticism of the brutal suppression of riots in Andijan led to the closure of Karshi-Khanabad basing privileges of the US. Russia and China supported Uzbekistan’s decision, through the SCO Declaration on July 5, 2005. Additionally, Uzbekistan was reintegrated into the CSTO in June 2006.40

Conclusion

The establishment of the CSTO Rapid Reaction Forces should be viewed as an extension of the Russian influence in Central Asia. Emphasising the threats coming from Afghanistan and NATO’s problems in managing the situation, Russia attempts to portray itself as a better security solution for the Central Asian countries.

NATO’s activity in the CIS has always been regarded by Moscow rather as a threat than as factors of stability or security cooperation. Therefore, limiting the organisation’s activities was Russia’s constant objective. It has been helped by NATO’s internal uncertainty: first, the organisation had difficulties in finding adequate motivations and activities for the Central Asian states’ security needs, and, second, the security assistance programmes offered limited financial resources.

Russia’s success in influencing the CIS, through the strengthening of the CSTO, as well as its renewed interest in Afghanistan, means costly failures of the European and American strategies.
in these areas. If the EU, NATO, and the US wish to maintain influence in Central Asia, they must be prepared to demonstrate their flexibility and coordination; to understand Russian foreign policy and to try to cooperate with Moscow; to cooperate with other actors; and to invest heavily in the region.
Turkey: Regional Elections and the Kurdish Question

Ekrem Eddy Güzeldere

Abstract

The results of Turkey’s regional elections of 29 March 2009 were ambiguous, with no definite winner in the southeast. The ruling AKP got 38.34% and the Kurdish DTP, 37.4%. Both are major players in shaping Kurdish policies, and this result can be interpreted as a call for cooperation in the region, and between Ankara and the southeastern provinces. Though vital for improving the economic situation, attracting public and international investments, and finding common political solutions for the Kurdish question, the AKP has ignored the DTP, and Ankara continues to neglect the DTP-run municipalities. During the AKP’s reign, since 2002, important steps toward granting more rights to Kurds have been undertaken, for example, the 24-hour state channel TRT 6 in Kurdish, launched on 1 January 2009. However, these policies remain incomplete since there are no constitutional changes fully guaranteeing the use of languages other than Turkish in broadcasting and education. Kurdish politicians are still accused of speaking Kurdish, and private TV stations are banned from broadcasting in other languages more than 45 minutes a day. These questions could be settled in a new civil constitution, which has been on the agenda since August 2007. Whether these election results will be able to revitalize discussions on the new constitution remains to be seen.

Keywords: Turkey, Regional Elections, Kurds, AKP, DTP, PKK, TRT 6, Diyarbakır

Introduction

In the campaign for the regional elections, Diyarbakır, the symbolic Kurdish capital, was of special importance for Prime Minister Erdoğan and the AKP (Justice and Development Party). The mayor’s office in Diyarbakır plays a significant role in defining and nationally dominating Kurdish policies. Mayor Osman Baydemir’s (Democratic Society Party (DTP)) metaphor for Diyarbakır – a fortress that would not fall – was challenged by the AKP, which set out to besiege and conquer it. It was a tough election campaign between the DTP and the AKP; both of them were present and active on the ground. However, neither the promise of improving the economic situation nor the initiatives concerning cultural rights, such as the

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introduction of Kurdish television, nor the distribution of refrigerators, rice, and noodles, paid off for the AKP. In Diyarbakır the result was clear: 65.4% for the DTP versus 31.6% for the AKP in the mayoral election, and 59.4% (DTP) to 32% (AKP) for the city council.\textsuperscript{2} Diyarbakır province has seventeen constituencies, of which the DTP won fourteen and the AKP only one, with the other two going to the CHP (Republican People’s Party) and the DSP (Democratic Left Party).\textsuperscript{3} In the entire southeastern region, the AKP is still the strongest party, but compared to the outstanding results there in the parliamentary elections in 2007, with 52%, the new 38.34% total marks a significant drop. The DTP won in eight provinces in Eastern and Southeastern Anatolia, and regained the provinces of Van and Siirt, but did not manage to win in Mardin or Bitlis. The overall result for the DTP was 37.4% in the nine southeastern provinces.

What does this mean for the region and for Kurdish policies? Will the confrontations between Ankara and Diyarbakır, and the AKP and the DTP, continue, or will a dialogue begin which could bear fruit both for the economy and the political solution to the Kurdish question. To answer this, the past two years will be shortly reviewed.

2007 and 2008 have been turbulent years even by Turkish standards: Mass demonstrations against presidential candidate Abdullah Gül; a huge election victory for the AKP in July 2007; the election of Gül to the presidency in August 2007, followed by a closure case filed against the AKP; investigation against the alleged terrorist network Ergenekon; and increased anti-PKK military actions inside and outside Turkey throughout 2008. The result was a paralyzed political system, a near standstill for reforms.

In Turkey, regional elections are held nationwide at the same time and, therefore, usually reflect trends in national politics. In total, more than forty-eight million voters were registered for the last regional elections, meaning an increase of roughly six million voters since the July 2007 parliamentary elections. The Supreme Election Committee (YSK) explained that this was a result of the new registration system in operation.\textsuperscript{4}

Regional elections held after parliamentary elections usually function as a vote of confidence for the incumbents. The AKP already passed such a test with great success: After its first electoral victory in November 2002 the results of the March 2004 regional elections, in which the AKP increased its strength, served as a reaffirmation of popular support for the AKP’s policies. In the July 2007 parliamentary elections, the AKP was again reaffirmed and strengthened, winning almost 47%. The base of this success was the broad support from conservative-religious Turks in Central Anatolia, their relatives in large cities, and the Kurds in Southeastern Turkey, where the AKP was by far the strongest party. This was due to a policy that successfully represented an alternative to the Kurdish-nationalistic DTP, that of accepting cultural rights of Kurds while pushing for economic improvements.

However, since autumn 2008 the AKP changed its rhetoric, becoming increasingly Turkish nationalist and in compliance with the ideas of the armed forces. This gave the DTP another chance to present itself as the sole “Kurdish” representation in the region, but it might also

\textsuperscript{3} Ibid.
have contributed to the altered tone of the CHP toward the Kurds after many years. How did the major parties position themselves, and what does the election result say about the future of the Kurdish question?

The Kurdish Question in Turkey

Turkey as the successor state of the Ottoman Empire also inherited its multiethnic Muslim population. In terms of population, the second largest ethnic group, after the Turks, is the Kurds. One of the most respected studies on the Kurds is van Bruinessen’s “Agha, Sheikh and State,”\(^5\) which estimated the percentage of Kurds to be 19\% of Turkey’s population in 1975. Taking into account that population growth in Eastern Turkey is higher than in the western provinces, this percentage can be assumed to be at least 20\% today. In a population of 70.6 million,\(^6\) this would mean that there are around fifteen million Kurds in Turkey.\(^7\)

During the Ottoman Empire, the Sunni Kurds enjoyed in present-day Southeastern Turkey a certain degree of autonomy and, in the rest of the empire, were allowed to have their associations and foundations and use their languages.\(^8\) The situation of the Kurds vis-à-vis the state changed completely with the foundation of the republic in 1923. After the Turkish War of Independence, the Lausanne Treaty was signed on 24 July 1923,\(^9\) and only non-Muslims were recognized as minorities with guaranteed rights. The Kurds were not mentioned. The goal of the state elite was to transform a multiethnic and multireligious empire into a homogenous nation-state in which every ethnic group could be “Turkish”. However, no solution was foreseen for those who were not ready to give up their ethnic identity and did not want to become Turks: “This, in a nutshell, was the problem of a significant portion of the Kurdish population.”\(^10\)

The Kurds’ refusal to “become” Turks led to numerous rebellions between 1925 and 1938, which were all defeated. It then took another generation to start a cautious debate in the Southeast; student associations got involved and the Left made it a topic in form of solidarity with poorer regions of the country. This phase ended abruptly with the military coup of 12 September 1980, which led to further restrictions, neglect, and policies of repression. After 1980, the military leadership, under General Kenan Evren, banned the use of Kurdish completely, as well as in private, and persecuted Kurdish intellectuals and activists.\(^11\) The worst conditions of all were those in the military prison in Diyarbakir, where thirty-four

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\(^7\) However, this population group called “Kurds” is anything but homogeneous. There are Sunni Muslims and Alevi, Kirmanci and Zaza speakers, Ezidis (with a distinct syncretistic religion), and there are solely Turkish-speakers, which is true for many Kurds in Western Turkey who have a Kurdish identity but do not speak the Kurdish language anymore.

\(^8\) For the situation of the Kurds during the Ottoman Empire, see: Altan Tan, *Kürt Sorunu* [Kurdish Problem] (Istanbul: Timaş Yayınları, 2009), pp. 73-166.


inmates died under torture, many more left crippled. This had a far-reaching consequence, according to Kurdish intellectual Altan Tan: “PKK (Kurdistan Workers Party) was born in the period after 12 September.” In 1984, the PKK added its paramilitary dimension, and the war between the PKK and the Turkish Armed Forces caused an estimated 37,000 deaths, most of them Kurds, and at least one million displaced people, close to 3000 destroyed villages, a long lasting state of emergency in the Kurdish provinces, massive human rights violations, terrorist attacks in Western Turkey, and a massive increase in the military budget and cross-border operations.

Official policy started changing its rhetoric toward the Kurds for the first time in 1991. The then Prime Minister Süleyman Demirel spoke of a “Kurdish Reality,” the restrictions concerning the private use of Kurdish were lifted. The state of emergency in the southeastern provinces was gradually lifted, and, with the capture of PKK leader Abdullah Öcalan in 1999, a cease-fire was announced, which lasted until 2004 and improved the security situation.

The Kurdish Question and the Ruling AKP

The AKP has managed to become Turkey’s only nationwide successful party with a broad spectrum of different voter groups. The largest and most oft-mentioned contingent are conservative Turks in Central Anatolia or in the outskirts of the big cities that practice Islam and support a secular order yet, for example, want the right for women to study at universities with a headscarf. The smallest supporter groups are liberals, intellectuals, and students, mainly in western big cities, who voted for the AKP because its program was the least nationalistic and the most pro-EU and pro-democratization among the parties with a chance of obtaining more than 10% of the vote needed to be represented in parliament. The Kurds, especially in South East Anatolia, where they represent a majority in thirteen provinces, joined this odd couple. The Kurds were mostly attracted for the same reasons as were the other two groups.

Kaya pointed to the fact that many influential Kurds have been active in the religious Milli Görüş (National Outlook) movement, where many of the AKP founders began their political careers: “The election of the AKP in 2002 also had a significant impact on the region and on the Kurdish movement. In the Milli Görüş movement, from which the AKP stems, Kurds have occupied important positions.”

With this personnel and program, the AKP became the only noteworthy rival to the Kurdish DTP in the Southeast. In 2002, the AKP won 26% of the vote in the southeastern provinces. In August 2005, Prime Minister Erdoğan made a historic statement in Diyarbakır, being the first Turkish Prime Minister to admit that the state had made mistakes in the past in its

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relations with the Kurds: “The Kurdish problem is everyone’s problem and mine in particular.”

Erdoğan’s strategy paid off during the July 2007 national elections. The AKP won 52% of the vote, 5% more than their national average, whereas the DTP, which decided to run with independent candidates, ended up with 25%. In Diyarbakır, the AKP raised their share of the vote from 16% to 41%. Together the AKP and DTP reached almost 90%, and other parties have hardly any representation. Commenting on this result, Prime Minister Erdoğan said that the Kurds are best represented by the AKP, not by the DTP. Erdoğan was referring to the seventy-five Kurdish AKP MPs, whereas the DTP won 20 parliamentary seats.

Such results after five years in power might be interpreted as demonstrating that the Kurds know, or at least hope, that the AKP will improve their economic and political situation and be more receptive to their demands for increased rights in terms of the use of Kurdish language and in the area of culture. In addition, the first month after the July 2007 elections seemed to prove them right. Shortly after the elections, a draft for a new “civil” constitution was presented, where some important changes for the Kurds were also foreseen, whereby Kurdish in education and broadcasting would comply with the constitution, and the reference to ethnic Turks in the current constitution would be changed to “citizens of Turkey.” Then in March 2008, a debate was begun on a “new Kurdish plan” when Erdoğan gave an interview to The New York Times. However, neither the new constitution nor the so-called new plan became concrete policies, what became concrete, instead, was the AKP turning more nationalist in the election campaign.

The 2008–09 Election Campaign

Already in February 2008, more than a year ahead of the elections, there were debates on the importance of the elections in Diyarbakır: “Prime Minister Recep Tayyip Erdoğan has frequently mentioned to members of his party that he ‘wants Diyarbakır.’ The DTP and its Diyarbakır mayor, Osman Baydemir, also underline quite often that ‘the city is the fortress and cannot be allowed to fall.’”

This tone did not change during the election campaign. On 4 December 2008, AKP Deputy Prime Minister Yazici told Akşam Newspaper: “For us to win the elections in Diyarbakır is as important as Istanbul and Ankara. Every province is important but Diyarbakır is still different.” On 18 December 2008, a DTP parliamentarian from Diyarbakır, Selahattin

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Demirtaş, noted that the DTP was way ahead of the AKP: “1000 people want a beauty, but only one can get her. We are working to get into power with at least 70% in Diyarbakır.”

The AKP After the Closure Case

For the entire political system, the closure case against the AKP was one of the most important political events in 2008. In Turkey, many parties have been closed in the past decades, but never the ruling party, and never has a political ban been sought for the incumbent prime minister. July 2008 was especially tense, with arrests of former four-star generals within the framework of the “Ergenekon” investigation against an alleged terrorist network. The Constitutional Court made a decision on 31 July, in favor of not banning the AKP with the margin of just one vote. This not only relieved the AKP and its leading politicians, but the whole country took a deep breath after narrowly avoiding a profound political crisis.

The AKP had two alternatives after this decision:

1) To continue with the reforms as stated and planned on a new constitution, Article 301 of the Penal Code, and minority rights, which would lead to continuous conflict with the armed forces and the bureaucracy.

2) To reach a “cease-fire” with the Armed Forces, meaning that the AKP would not push though sensitive reforms, and the Armed Forces would leave the AKP in peace.

In the final two months of 2008, there were several signs that the AKP opted for the second alternative. On 3 November, Erdoğan visited the eastern province of Hakkari to deliver a speech at a conference of the local AKP branch. In Hakkari, with its DTP mayor who received almost 60% of the vote in the 2004 municipal elections, DTP supporters held street protests and closed stores, objecting to Erdoğan’s presence. In his speech, he used a phrase akin to the vocabulary of the Nationalist Movement Party (MHP): “We have said, ‘one nation, one flag, one motherland and one state.’ Those who oppose this should leave.” Erdoğan received support from pro-state intellectuals for his stance against the protesters but was harshly criticized by liberal intellectuals. Ahmet Altan commented on Erdoğan’s speech on 5 November 2008: “Now he presents himself perfectly as statist, nationalist, chauvinist, giving credit to violence and almost praising those ‘getting out the gun’ against protesters, saying in a puzzling manner that there is ‘an end to patience.’”

Erdoğan’s statement was followed by a series of nationalist comments by AKP politicians. On 10 November, Defence Minister Vecdi Gönül asked in Brussels, “if there were still Greeks in the Aegean and Armenians in many places in Turkey today, would it be the same nation-

On 12 November 2008, AKP MP Abdulkadir Akgül said in parliament during the debate on the 2009 budget, referring to a DTP demonstration in Istanbul: “I think that justice in this country is applied too equally. I enjoy shooting those who commit crimes against my state or nation.”

The AKP’s strategy seemed to have been to win among ethnic Turks in the west and among Kurds opposed to the DTP’s Kurdish-identity discourse. Altan Tan, a Kurdish intellectual, told Today’s Zaman that the “calculations of the AK Party go like this: If we defeat the DTP, we will defeat the PKK. If we defeat the PKK, the Kurdish question will be solved. All of these things – the DTP, the local elections, the PKK, driving the PKK down from the mountains – are related to each other, but they are not the same at all.”

TRT 6

The AKP’s statements in late 2008 were not very appealing to the Kurds, but they still had one trump card in their hands that they played on 1 January 2009: The first state-run Kurdish-language channel, TRT 6, was launched. Erdoğan spoke at the opening of the channel, ending his speech in Kurdish: “TRT şê bi xêr be” (May TRT 6 be beneficial). The channel broadcasts twenty-four hours a day in Kurmancî. The preparations concerning the new channel began more than a year before the launch. TRT 6 contacted Kurdish intellectuals, such as Ümit Firat, to get their opinion and to reach to potential contributors. To be able to broadcast in Kurdish, the Act on the Radio Television Supreme Council (RTÜK) had to be changed. The sentence “the institution can broadcast in languages and dialects other than Turkish” was added to the current act in a vote in parliament on 11 June 2008.

The overwhelming reactions to the channel were positive. On 3 January, Hürriyet’s Hadi Uluengin called it “a Kurdish TV Revolution,” and Cengiz Candar used in Radikal a Kurdish title saying “Welcome TRT 6, welcome Kurdish.” Hasan Cemal called it in Milliyet
“a positive development: the Kurdish TRT channel,” and even Hürriyet’s editor-in-chief made a “neutral” comment entitled “Kurdish broadcasting.”

However, statements by the opposition parties concerning the launch of the new channel were rather negative. Deniz Baykal, leader of the biggest opposition party, the CHP, said on 3 January 2009 in a programme on CNN Türk:

'It is not right to spend the money of the state and seventy million people in line with the ethnic demands of a certain group of our citizens. The duty of the state is not to encourage ethnic identities. Turkey is heading in the wrong direction.'

Oral Calislar criticized Baykal in the daily Radikal:

'Aren't the Kurds citizens of this country? How can it be seen as unnecessary spending to broadcast in the native language of millions of citizens? What was done by the state was to put into place a duty towards its citizens.'

Many Kurds welcomed TRT 6 and told stories of their families in the Southeast, who for the first time could watch TV in their own language, such as Mehmet Ulas who was quoted in Hürriyet on 7 February 2009:

'[Previously], we had to translate the words on television into Kurdish. “I don't need your translation, son, anymore,” said my mother to me on the phone. “Now I understand.” It was really a nice thing to hear.'

However, there was also harsh criticism by DTP politicians and the PKK. DTP Batman mayoral candidate Necdet Atalay said:

'For years, Kurdish was recorded in police records as an “unidentified language.” They used to tell us that Kurds do not exist. Now they are going to tell us that there is no such thing as Kurds in Kurdish.'

Ahmet Türk, chairperson of the DTP, was not that critical, but was skeptical whether this was a genuine move:


There is a need for a broadcasting policy that understands Kurds and meets their demands. We are carefully observing the process. We will see in time whether this is something that was initiated with the elections in mind.  

The PKK launched what can easily be called a smear campaign against the new channel. Murat Karayilan, a PKK commander, called for a boycott against the channel, and PKK leader Abdullah Öcalan commented twice on the channel via his lawyers on 2 and 8 January 2009. In both statements, he said it was a US-driven policy: “These are all impositions by America. These are part of their view of the Kurdish solution.”  

Mutlu Civiroglu, a Kurdish freelance writer, analyzed the contents and use of language of the new channel. His verdict is generally positive:

The channel is continuing a sophisticated and orderly broadcast which is composed of nice cultural, musical, literary, social, and documentary programs. [...] TRT 6 also offers several enjoyable cartoon films for children that create opportunities for children to watch cartoons in their mother language and at the same strengthens channel’s claim of being a family channel.

One part of the criticism of the channel was that the AKP uses it to promote its policy and its view on the Kurdish question. Two events proved the critics right (but two events in three months of broadcasting have to be put in perspective, too). On 8 February 2009, it became known that singer-poet Ozan Yusuf was not allowed to sing the songs “Amed” and “Berfin”. ‘Amed’ is the old name of Diyarbakır and ‘berfin’ means snow, but for TRT 6 these words were too closely linked to the usage of the PKK. While it is still forbidden to use Kurdish in political rallies, TRT 6 broadcasted Erdoğan’s visit to Diyarbakır live on 21 February 2009 and interpreted it simultaneously into Kurdish. TRT 6 has not broadcasted any other party rally nor simultaneously interpreted one. However, the biggest blow to the new channel came when moderator-singer Rojin stepped down because of pressure and censorship concerning the contents of the channel. Rojin presented the most popular and prominent show, called Rojname, of debates and music with a focus on women’s issues. She commented on her decision in an April 2009 press statement: “The pressure on myself and the program became huge; there was an effort to deprive the show of any content and bring it to an end.”

Still, the introduction of TRT 6 is an important conciliatory move toward the Kurds and a sign of how the language policy of the state has changed. However, what is needed to complete this step concerning broadcasting is to allow private radio and TV stations to broadcast in

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39 David Romano, “Turkey Addresses PKK Challenge with Kurdish Language Reforms,” The Jamestown Foundation, January 15, 2009, 
40 Ümit Firat, “Kar Kurttan TRT Sese” [From Kar Kurt to TRT 6], Birikim, February 2009, 87-88.
Kurdish, not only state television, and to introduce a legal basis for broadcasting in languages other than Turkish. When the trial broadcasts started on 26 December 2008, Bianet declared: “Broadcasting in Kurdish was allowed to the State, but banned to the Kurds.” In addition, on 15 January 2009, a commentator on Radikal said of the current situation “it is paradoxical that this language can still not be used in other fundamental areas of societal life and there are still obstacles for that.”

There is still no full-fledged legal basis for TRT 6 to broadcast twenty-four hours a day in Kurdish. So far, according to the regulations of the Supreme Council of the Radio and Television (RTÜK), TV channels can broadcast in local languages only four hours per day, and they need to have subtitles in Turkish, which TRT 6 does not have. As long as the constitutional and legal guarantee is not established, the channel can easily be removed again by the ruling party. Moreover, as long as it is only possible to speak Kurdish on TRT 6 and not on private channels, Kurds regard the channel as another means of an assimilation policy.

The DTP and the Struggle for the Kurdish Identity

The ingredients for the election struggle in the Southeast were to determine whether the AKP or the DTP would be the representative for Turkey’s Kurds. The DTP is often seen as the political arm of the PKK, having the same goals but using different means. In 2006, Aliza Marcus, in her book about the PKK, wrote: “The political Kurdish party, which is supported by the PKK, [is] currently the DTP […].” A year later, in August 2007, the European Union Institute for Security Studies stated in a report: “It is an obvious secret that DTP is connected to PKK in a way and PKK is a terrorist group.” However, the DTP refuses to call the PKK a terrorist organization and refers in a friendly and often praising manner to PKK founder Abdullah Öcalan, for instance, as during the party conference in Diyarbakir in October 2007 as “the leader of the Kurdish people, Abdullah Öcalan.” Another recent sign of the continuous closeness of the DTP to the PKK was the election party outside the DTP headquarters in Diyarbakir on 29 March 2009. No DTP slogan was shouted; only PKK and Öcalan slogans, and when the first election result was shown on a big screen, the crowd

47 Informal discussions of the author with citizens in Diyarbakir (in the Sur and Yenisehir districts) on 29 and 30 March 2009.
48 PKK (Partiya Karkeren Kurdistan) has been on the EU’s list of terrorist organizations since May 2002. It is also on the lists of both the US and NATO.
49 Aliza Marcus, Kan ve İnanç [Blood and Belief, English original in 2006], (Istanbul: İletisim Publisher, January 2009), 406.
shouted “PKK!” and “Long live leader Öcalan!” while Öcalan posters and PKK flags were held by supporters from the building’s windows.\(^{53}\)

In 2008, PKK terrorism seemed to play a more important role again. After the capture of its leader, Öcalan, in 1999, terrorist attacks largely disappeared during a cease-fire, until 2004. Since then, terrorist and military activities are back in the Southeast. “First it was a devastating attack in Dağlıca [September 2007]. Now it is Aktütün [May 2008]. In addition, countless other attacks occurred in between. Outlawed Kurdistan Workers’ Party (PKK) terrorism is back.”\(^{54}\) So are cross-border military operations. İhsan Kamal, commander of the border guards’ operation room in Iraq’s largely autonomous Kurdistan region, said on 28 December 2008: “This is becoming routine, Turkish warplanes targeting the border area. We are not worried about civilian casualties because these areas are deserted.”\(^{55}\)

According to figures released by the General Staff of the Turkish Armed Forces, 1049 PKK members were “neutralized” in 2008, including 670 killed, 214 captured, and 165 surrendered.\(^{56}\) However, the PKK is increasingly under pressure not only from the Turkish Armed Forces but also from the Northern Iraqi Kurdish government. For the first time Ankara and Erbil agreed in early November 2008 to cooperate in the fight against the PKK.\(^{57}\) This might be the beginning of closer cooperation, as Ankara knows that disarming the PKK is only possible with the help of the Iraqi Kurds, because only Barzani’s own 100,000-strong militia is capable of rendering the PKK militarily harmless in Iraq.

In addition, the EU and the US are increasingly siding with Turkey in the fight against the PKK. Mehmet Ali Birand commented on 4 December 2008: “The European Parliament’s sometimes much bothering attitude toward the DTP and PKK is progressively changing. Maybe there are still some who support the PKK and perceive them as ‘warriors of freedom,’ but the majority takes Ankara’s side.”\(^{58}\) In late December 2008, Gilles de Kerchove, the EU’s Counter-terrorism Coordinator, and Turkish intelligence officials discussed PKK activity in Europe. The two sides focused in particular on ways of cutting off financial resources to the PKK, an important part of the PKK’s system. Further, the US has long highlighted the importance of curbing financial resources to the PKK. “Observers say that with de Kerchove’s visit, the EU has become a fourth party, along with Iraq, Turkey and the US, on the front against the PKK.”\(^{59}\)

With its back to the wall, the PKK’s strategy is to increase its terrorist activities and present itself as the only alternative to state policy. Arguing that the PKK loses when there is peace, and wins when there is war, analyst Ibrahim Kalin comments:

\(^{53}\) Observed by the author during the visit to Diyarbakır from 28 to 30 March 2009.


The PKK will use its most deadly weapon: identity politics. This means provoking the sentiments of ordinary citizens and forcing the government and the military to take tough action in Kurdish-populated areas. This, in turn, will lead to more tension and reactions in Kurdish cities. This means a more fertile ground for recruitment, more of an arsenal for ideological battles, more reason for actual killing.\[60\]

The PKK also wants to extend this war across the border into Iraq to internationalize the conflict. A real border war would get the United States involved – the US does not want to see the last peaceful area in Iraq turn into a battlefield between the Turks and the Kurds. In addition, in the end this might lead to a US-led peace conference, in which Turkey would have to accept the PKK, at least indirectly, as a negotiating partner.\[61\] This seems utopian, but it is currently the PKK’s strategy.

However, during the first three months of the 2009 election campaign, there were no terrorist attacks anywhere, and even in Diyarbakır there was a calm and relaxed atmosphere with very little gendarmerie and police presence.\[62\]

What could the DTP do in such a situation? It seems as if the party also opted for a tougher campaign stance, focusing on a discourse of nationalist identity. In November 2008, several DTP politicians toured the southeastern towns and villages. The DTP’s deputy chairwoman, Emine Ayna, said in Muş, on 1 December 2008, that the DTP is the only party in favor of peace, whereas the AKP, the CHP and the MHP are in favor of war. But she also made an ethnic reference: “The AKP candidates should not come out with their Kurdishness, they are not Kurds.”\[63\]

Besides stressing that only the DTP will be the true representative of the Kurds in the election, there was a clear strategy of confrontation toward the AKP. In DTP-run municipalities, Erdoğan was “greeted” by town centers that were closed for business and had uncollected rubbish overflowing in the streets. The situation was tense because a lot was at stake: Who will attain the power to shape Kurdish politics in the coming years? Professor Mümtazer Türköne, agreeing that the local elections in March would turn out to be a referendum for the DTP and the PKK, adds that if the AKP wins, the Kurdish question will evolve:

\textit{For them, the victory of the AK Party, especially in Diyarbakır, will be a nightmare. If the AK Party wins in Southeastern Anatolia, the Kurdish question will enter a new phase. The PKK and the DTP will not remain the sole powers designing pro-Kurdish politics. Pro-Kurdish politics will be “pluralized”}\[64\]


\[62\] This was observed by the author during two visits to Diyarbakır from 9-13 March and 28-30 March 2009.


Concerning Kurdish language, the AKP scored some points with TRT 6. On 24 February 2009, however, Ahmet Türk, DTP chairperson, equaled the score for the DTP when he spoke in Kurdish to his parliamentary group in the Grand National Assembly on the International Day of the Native Language: “Kurds have long been oppressed because they did not know any other language. I promised myself that I would speak in my mother tongue at an official meeting one day.” Türk’s move was largely welcomed as another way to normalize the situation of Kurdish in Turkey. Cengiz Çandar titled his column: “The Kurd Ahmet Türk did it very well.”

**The CHP: In Search of New Voters**

The CHP is the biggest opposition party in parliament and gained 19% of the votes in July 2007 and 18% in the latest regional elections in 2004. The CHP voters largely live in Western Anatolian cities or central districts of big cities, belong to the upper middle class, and are strong supporters of the status quo concerning secularism.

The party knows that the core voter group is for almost 20% exhausted. Therefore, the CHP is in search of new voters. The surprise initiative toward veiled women started on 21 November 2008, at a party-meeting in Istanbul’s Eyüp district, where party chairman Baykal welcomed as new party members women in black chador. This was surprising because the CHP is vehemently against veiled women at universities or in public offices. This was not the only move toward new voter groups.

The Diyarbakır branch of the party prepared a report two weeks before the party conference on 21 December 2008, where they suggested that the “Kurdish identity should be recognized,” and “instead of being Turkish, being a citizen of the Turkish Republic should be emphasized. Kurdish language courses should be elective courses in primary and secondary education. Universities should open Kurdish language and literature departments. Formulas should be developed for the integration of outlawed Kurdistan Workers’ Party [PKK] members.” The report also referred to an older (1989) CHP report on the issue, in which the party demanded school education in one’s mother tongue.

However, at the conference on 21 December 2008 the party was not as outspoken as this report. The word “Kurdish” was not mentioned, and the reference to different ethnic identities was limited, appearing only in a speech by Baykal. In the approved program it reads: “Different ethnic identities are an asset. Different ethnic groups’ rights to learn, teach and broadcast in their mother tongues will be safeguarded.”

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The conciliatory moves toward veiled women and the cautious approach toward the Kurds were accompanied by an approach toward non-Muslims, who traditionally see the CHP in a very critical light. All of these moves were surprising because all three groups seem out of reach for the CHP. Therefore, it was hard to estimate whether these would serve to win the CHP new voters among veiled women and their conservative husbands, Kurds, and non-Muslims. Concerning the Kurdish initiative, Sezgin Tanrıkulu, from the Diyarbakır Bar Association, wisely stated: ‘The CHP does not represent anything in the region. This report or any initiative can only be meaningful if the party is able to establish a relationship with Kurds based on trust. For now, the CHP says one thing in Diyarbakır and the exact opposite elsewhere.’ As the election results show, the CHP were clearly unable to increase its share of the vote in the Southeast; in Diyarbakır the party remained at 0.5%, but it could still win an overall percentage of 28.2%, increasing its share by almost 8% and winning most of the provinces in Thrace and the Aegean, traditional strongholds of the party.

Conclusion

The evaluation in the press after the elections concerning the national result was relatively clear. The AKP won 40.1% in the mayoral elections and 38.8% in the city councils, significantly less than in the 2007 national elections (46.6%), and less than in the last regional elections in 2004 (41.7%), but it still finished as the party with the largest percentage of the vote by far. At national level, the CHP won two percent more, as compared with 2007, and received 23.1%, followed by the MHP having 16.1%, compared to 14.3% in 2007. The national results also reflect a kind of referendum on the AKP’s policies, since July 2007, under the effects of the global economic crisis, which brought the record growth of the past five years to an end, and increased unemployment.

However, in the Southeast the elections carried the additional factor of deciding who will be the major actor in the Kurdish cities. In addition, this result is not as clear-cut as the Diyarbakır result suggests. In Diyarbakır, Osman Baydemir (DTP) crushed Kutbettin Arzu (AKP), 65.4% to 31.6%, and became the mayor of the city. In the elections to the Diyarbakır city council, however, the gap was between 59.4% (DTP) to 32% (AKP) (meaning that more people voted for Baydemir than for the DTP), but this is not consistent for the whole region.

The DTP could win back Van and Siirt from the AKP; the latter city involves the added nuance that Erdoğan’s wife was born there, and Erdoğan was elected after the 2002 elections from Siirt to parliament, and Iğdır from the MHP, but it didn’t succeed in Mardin, Bitlis, Muş, Şanlıurfa, or Ağrı in the wider region. The overall result for the nine regions of Southeastern Anatolia shows that even there the AKP still won 38.34%, slightly stronger than the DTP with 37.4% in the municipal councils. And the share of the vote for the AKP is much more even in the region, ranging from the lowest percentage of 27.2% in Mardin to the highest of 49.2% in Adıyaman, whereas the DTP did not participate in Kilis and received only five percent in Gaziantep, and a high in Şırnak of 60.75%.

Against the backdrop of these results, a confrontation strategy between the two parties, the DTP and the AKP, in the region in conjunction with the exclusion and neglecting policy from Ankara vis-à-vis DTP politicians can only mean the continuation of the problems, be they

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70 The provinces are: Adıyaman, Batman, Diyarbakır, Gaziantep, Kilis, Mardin, Şanlıurfa, Siirt, and Şırnak.

71 Personal calculations taken from the election results in the provinces.
economic or political. The election result is a clear call to cooperate, in the region and in the many local councils where the two parties share power, but it is also a call for Ankara to cooperate with the DTP municipalities. The AKP’s strategy in stressing economic benefits and investments while downplaying the Kurdish aspect failed, as did, in the comment by Jenkins, the “attempted appeal to Muslim solidarity over ethnic identity. But whether the AKP will be willing or able to formulate a new policy to address Kurdish aspirations remains unclear.”72

For the DTP, the lesson must also be that while it is possible to win in Diyarbakır with a popular candidate and to win high results in strongholds such as Sıraç (60.75%) or Hakkari (in the East Anatolia region, 73.2%), in the region as a whole, even in favorable times for opposition parties during an economic crisis, it did not manage to become the strongest party, and that is not to mention its ongoing inability to attract Kurdish voters in provinces outside the core Kurdish regions, while its national result remains at five percent.

The coming months will determine whether the parties draw lessons from this result. Not only for the Kurdish question but for the whole democratization process, a new civil constitution would be of utmost importance. This could also help in removing the obstacles to the use of Kurdish in broadcasting, education, and for political parties. The new civil constitution has been on the agenda since the national elections of 22 July 2007, but although there has been a finished draft since August 2007, it has never been debated in parliament.

The new constitution, equal rights for Kurds using their native language, and opening the debate on more powers for the municipalities are disliked by the military, the old elites, and the bureaucracy. To pursue democratization, these resistances have to be overcome. For Tan, the biggest obstacle to a solution is “politicians’ lacking courage.”73 If the government really wants to change something beyond economic development and infrastructural improvement, it has to act independently from the military and proceed despite its opposition.74

Another important question will be how the closure case against the DTP will play out. The Constitutional Court announced that a decision is expected after the elections, since as of 19 December 2008 150 court cases against the DTP still required a verdict.75 However, to date no decision has been made yet. The result will also certainly influence the ongoing debate about the so-called “roof party,” which will include not only Kurds but liberal Turks, Alevi, and other non-Turkish/Sunni groups. The current AKP policy could also open up the debate on a moderate Kurdish party, perhaps issued from the Islamic conservative movement as an alternative to the DTP.

As long as the other parties persist with a policy of Turkish nationalism, they will remain insignificant in the Kurdish-populated region. The CHP’s results in the Southeast show that a...
cautious, half-hearted approach is unconvincing. Both parties (AKP and DTP) saw that aggressive rhetoric does not pay off, and that their election victories also have their limits. No single party is the only representative of the Kurds, and none is the only one holding the key to the solution. The coming months will show whether the AKP will again be more committed to the reform process that made it strong and saw it achieve overwhelming support from the Kurds in 2004. If not, the DTP can finally hope to be the dominant force in the upcoming elections.
POVERTY REDUCTION
THROUGH PRIVATE SECTOR DEVELOPMENT IN GEORGIA:
POLICY, PRACTICE AND PERSPECTIVES

Vladimer Papava*

Abstract

This paper deals with the experience gained in the area of poverty reduction and private sector development in Georgia. The Economic Development and Poverty Reduction Programme approved by the President of Georgia in 2003 has never been implemented because the Georgian Government had neither the will nor the ability to launch its implementation. During the Presidential and Parliamentary elections in 2008, the Government’s electoral slogan was “An Integrated Georgia Without Poverty!” Unfortunately, however, even this slogan did not prepare the grounds for the Government to develop a more-or-less complete poverty reduction programme. The post-revolution Government was not always consistent in its endeavours to support private sector employment programmes. Very often its steps were populist rather than practical. Poverty reduction may be achieved as a result of co-ordinated efforts of the government and the private sector: however, this kind of co-ordination requires the active involvement of trade unions and civil society.

Keywords: Georgia, Rose Revolution, poverty reduction, private sector development, UNDP, The IMF, The World Bank

Introduction: Problem Statement

Ten years have passed from the time when poverty reduction became a global objective. It is understandable, given the fact that poverty has become a problem affecting more and more people worldwide over the last decades. At the end of the 20th century, it became clear that the world could not have survived without developing some special poverty reduction programmes. The UNDP and the World Bank have worked together extensively to initiate such programmes and to develop some integrated conceptual schemes. Eradication of extreme poverty and hunger is one of the key UN millennium development goals.

Poverty reduction must be achieved not by the redistribution of incomes but, rather, through a country’s economic development. Under the conditions of a market economy, a country’s

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economic development is unthinkable without the proper development of a private sector. It is private sector development which entails the enhancement of employment and the growth of employees' incomes which, eventually, pave the way for poverty reduction.

In this context, one needs to consider a “Pro-Poor Growth” approach, which has won much popularity amongst economic experts recently. Under this approach, any pro-poor growth may have two meanings; absolute and relative. Whilst the incomes of the poor must grow according to the former meaning, their incomes must grow more quickly than the average incomes according to the latter meaning. Such growth may be achieved by the development of a private sector which means that greater numbers of the poorer population will be employed and, thereby, will be given opportunities to improve – with their own hands – their living conditions and those of their families.

For Georgia, like for the rest of the world, poverty reduction always was and remains one of the biggest problems facing the country. Although it has already gained some experience in how to address the challenges, it is unfortunately difficult to argue that the Government has completely realised the essence of the problem and has taken any decisive steps to solve it.

The Current Situation

In late 2000, with a joint initiative of the World Bank and the UNDP, the Georgian Government started working on a poverty reduction programme, with some independent experts and NGOs invited to take part in the development of the programme. As a result, a more-or-less complete draft of the work plan was outlined. Then, with the help of some external experts from a number of international organisations, a final version of the document was put on the table. In June 2003, President Shevardnadze approved the Economic Development and Poverty Reduction Programme (EDPRP) of Georgia. It must be underlined that the programme was immediately praised by various international organisations. It was decided that the international financial institutions (the IMF and the World Bank) would continue working with Georgia on the basis of this very document.

Unfortunately, neither the adoption of the programme nor its international recognition had any influence over the Georgian Government at that time, which had neither the political will nor the ability to launch its implementation (nor that of some other programmes as well).

In November 2003, the Rose Revolution took place and the Shevardnadze Government stepped down. Because the start of the programme implementation was constantly delayed and some

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important institutional changes were put in place after the revolution, it became necessary to make some significant changes to the programme. Instead of working on such changes, however, the post-revolution Government decided that the programme was an unnecessary burden and put it on the shelf.

Despite this, and for reasons unknown, the international financial institutions continued to believe that the Georgian Government still had a poverty reduction programme and continued working with the central administration upon the basis of this programme. Furthermore, in September 2007, the IMF solemnly declared that it had successfully concluded the poverty reduction programme in Georgia. The programme was “finished” (ostensibly even successfully), but poverty remained.

However absurd it appeared, a situation developed wherein the post-revolution Government refused to recognise the Shevardnadze-approved EDPRP, on one hand, and the international financial institutions continued working with the Georgian Government upon the basis of this very declined programme, on the other.

In November 2007, President Saakashvili was forced to resign and order an extraordinary Presidential election. Poverty reduction became one of the key points of his electoral campaign. This may be explained by the following: the key driving force of the mass protests in the fall of 2007 was the self-esteem of the Georgian public, which believed that it had been humiliated by the government. To neutralise this, Presidential candidate Saakashvili made an attempt to shift the public’s focus towards social hardships and poverty within the electoral marathon. This attempt, it can be said, was successful.

During the Presidential and Parliamentary elections in early 2008, the Government’s electoral slogan was “An Integrated Georgia Without Poverty!” This catch-phrase was later “fleshed out” by a so-called programme with the same title which was approved by the Parliament of Georgia in late January 2008, when it gave a vote of confidence to a newly appointed government. This document may be labelled as a “programme” in name only: it consists of some catch-phrases set forth on a few pages. In this already “fragile” document, the problem of poverty is mentioned not more than once within the words: “In the next five years, poverty will be reduced significantly.” Clearly, this short statement is no justification for the title of the document whose promise is that there will be no poverty in Georgia. Judging by the text of the document, the significant reduction of poverty is aimed to be reached through a 50% decrease in the number of social beneficiaries; that is, recipients of the Government’s allowances.

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Within the framework of the five-year governmental programme “An Integrated Georgia Without Poverty!”, the Government’ created a 50-Day Action Plan which was scheduled for implementation within the first five months of 2008; that is, from January to May for a total of 152 days. Some projects in the Plan are directed towards economic development and, consequently, reducing the level of poverty whilst others are more questionable. Thus, within the framework of the Government’s 50-Day Action Plan, a so-called ‘revolutionary’ economic package of laws was developed with the aim of turning Georgia into a global financial centre by offering tax exemptions on income to large financial companies whose activity in Georgia does not exceed ten percent of their financial turnover. This ‘revolutionary’ package also provided for a significant reorganization of the National Bank of Georgia (NBG), the country’s central bank, by subordinating it to the Government. This meant that exceeding a threshold level of annual inflation would allow the Government to demand the resignation of the President of the NBG through Parliament.

Within the framework of the Government’s 50-Day Action Plan was the issuance of Eurobonds of $500 million with a maturity of five years and with a coupon set at 7.5% in April 2008. Unfortunately, the Government did not make clear public announcements on the purposes of increasing the foreign debt of Georgia by half a billion dollars. Firstly, it said that the money was needed for implementing new energy power projects, but afterwards the plans were changed and it was said that all the money would be channelled to the Fund of Future Generations (the Fund is mainly set up for the economic rehabilitation of Abkhazia and South Ossetia after they are reintegrated into Georgia) and the Fund for Stable Development (this Fund was set up specifically for preventing crisis developments in the economy). Finally, it was said that these Funds would get only half of the money received from the Eurobonds and a decision would be taken at a later date as regards the purpose for the other half of the amount. Thus, the Government either does not know what the purpose is of increasing the country’s foreign debt by $500 million, or it is concealing its intention from the taxpayers who will pay this debt with interest. Thus, during and after the 2008 Presidential and Parliamentary elections, the Government implemented several large-scale projects whose economic viability is doubtful or certainly poorly thought out.

As one can see—and however regrettable it may sound—the Georgian Government did not have any sort of realistic poverty reduction programme in the period following the elections. Moreover, it has not even fully realised what the meaning of poverty is and how it may be addressed.

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After the Rose Revolution, the Government gave some informal instructions to some private firms to set up a broad network of free catering facilities to attempt to mitigate the plight of the country’s poorest.

In 2006, in support of employment in the private sector, the post-revolution Government embarked upon a so-called National Employment Programme\textsuperscript{15} which was rather populist by nature and actually brought no results other than the further growth of inflation. This programme was reproduced by the Government in late 2007 and early 2008.

Under the programme, businesses were imperatively “requested” to create some three-month-long jobs for the unemployed. In exchange, the unemployed would get National Budget donations to the amount of GEL\textsuperscript{16} 150 per person per month in 2006 and GEL 200 per person per month in 2007 and 2008. Thus, as a result of wasted tens of millions, a few people actually acquired employment. In most cases, however, employers and new “employees” reached a mutual consensus: the former were ready to sign whatever document was necessary to show that some employee was working whilst, in fact, he was not. The unemployed, at the same time, were happy because they received GEL 450 or even GEL 600 for doing nothing at all. At times there were even more dishonest collusions wherein some businessmen demanded half of the salaries in exchange for their signatures attesting to the fact that such “jobs” were being performed. In the end, tens of millions of lari spent from the National Budget funds, ostensibly designated for creating jobs, were by nature nothing more than allowances for the unemployed. These amounts were thrown out to the consumer market even though no adequate amounts of goods and services were produced which, as a result, naturally encouraged the growth of inflation\textsuperscript{17}.

In the spring of 2006, Moscow closed the Russian market to Georgian wines and mineral waters which put Georgian producers in a very difficult situation. In the fall of the same and subsequent years, the Government called upon all private companies (and not only them), irrespective of their business orientations and interests, to take part in the grape harvest and fund wine bottling businesses. Georgian companies were forced to use some part of their working capital for different purposes other than their own business plans, which caused the slowdown of their development to a certain degree.

From the Georgian Government’s other initiatives, one should distinguish a so-called “cheap loan” programme under which some low-interest credits were extended to newly established businesses. In theory, such loans should have stimulated private sector development. The essence of the Government’s mistake in the implementation of this programme, however, was that the cheap loans were administered by the Government itself and there was little room in this process for commercial banks and other private lending institutions. Eventually, this led to little efficiency in the distribution of loans (given the fact that the government is a political body not a lending institution).

The government’s legislative efforts in the areas of private sector development and poverty reduction have also been controversial. As far as legislative initiatives are concerned, one must draw attention to those which, on the one hand, may stimulate the private sector development but, on the other hand, by no means lead to poverty reduction.


\textsuperscript{16} International code for Georgian national currency \textit{Lari}

Amongst positive steps, one should mention the enactment of a new tax code in January 2005 by which the overall number of taxes was reduced from 21 to 7. Accordingly, the overall tax burden diminished as well. Furthermore, to encourage competitive practices in the country, the import tax on all kinds of imported goods—with the exception of agricultural produce and construction materials—was abolished. Procedures for obtaining business start-up licenses and permits were simplified and the requirement for such licenses and permits was removed with respect to some businesses. Property rights registration procedures were also significantly liberalized. All of the foregoing must be regarded as encouraging measures for private sector development.

The adoption of a new labour code is considered one of the “achievements” of the post-revolution Government. Presently, this code gives employers the maximum rights which one might think of and leaves employees with literally no rights at all. The Government justified the need for such labour relationships with the desire to make Georgia rather more attractive to foreign investors. It is true that endowing employers with maximum powers may encourage private sector development but depriving employees of all rights makes no room for legislative guarantees and job security which will block the way towards poverty reduction in the long run.

In 2006, the President of Georgia proposed combining a 20% social tax and a 12% income tax into a single 25% income tax. Despite the strong resistance from the trade unions, the President’s legislative initiative was passed and the new tax amendments went into effect in 2007. Because social tax and income tax are calculated based upon different tax bases, it is impossible to combine the two in principle. As a result, Georgia is facing the situation that whilst a 20% social tax payable by employers was cancelled, a 12% income tax payable by employees was raised to 25%. The abolition of the 20% social tax does encourage private sector development, whilst the raising of the former 12% income tax to 25% in no way stimulates poverty reduction.

In late 2008, it was decided that the income tax rate would be reduced from 25% to 20% as of January 2009 which, of course, represents a positive decision for employees. It should be remembered, however, that the tax rate was as low as 12% some two years ago.

The level of involvement of civil society in the process of poverty reduction through private sector development is clearly inadequate. In the main, however, it is a problem of civil society itself which in the aftermath of the Rose Revolution had to deal with some serious difficulties.

Gaps and Opportunities

Amongst the existing gaps, one should mention, first of all, the fact that the Georgian Government has no clear understanding of the meaning of poverty reduction. Moreover, the Government seems to not have counted the actual number of people living below the poverty line in the country.

Obviously, there is no country in the world wherein poverty does not exist. Even in the United States, some 12% of the country’s population lives below the poverty line (in the US, an average family of four people whose annual income is not more than $20,000 is considered poor). By

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international standards, in the most underdeveloped countries of the world, any person who subsists on no more than $2.50 a day is considered poor and those who subsist on no more than $1.00 a day are considered amongst the poorest.

It must be remembered, however, that every individual country, based upon its own level of development, has its own criteria for measuring the poverty standard. One, therefore, has to answer the question of whether or not poverty as such can ever be eliminated. This problem is closely associated with the poverty line criterion. Of course, to the extent that there is a sound economic policy, it may be possible - by using a preliminarily established poverty criterion - to reduce the number of people below the poverty line to zero. It must be remembered, however, that it may be necessary to revise the criterion itself depending upon the current level of economic development. Poverty - to a great degree - is a relative value and some people who were not considered poor by the previous criterion may become poor based upon the new one with the growth of the country’s wealth.

The best illustration of this is the above information about the poverty standard in the US: presently, any Georgian family of four which has an annual income of $20,000 by no means can be considered poor. After the passage of a certain amount of time, however, the above amount of income may become the poverty line such as it currently is in the US. It is impossible, therefore, to eliminate relative poverty just like it is impossible to create a perpetuum mobile. Consequently, the slogan “Georgia Without Poverty” is both incorrect and unrealistic.

In the summer of 2003, when the President of Georgia approved the EDPRP, it was established that 52% of the country’s population lived below the poverty line and 25% were the poorest part of the population.

Changing the methodology by which poverty was defined became one of the most “effective” tools of the post-revolution Government’s fight against poverty. Firstly, it diminished the calorie-capacity of the subsistence minimum products. Secondly, it replaced retail prices with wholesale ones. As a result, the Government proudly announced that the poverty rate in 2004 had been reduced to 35%. Interestingly enough, the poverty assessments of 2005 showed that the percentage of the poor grew to 39% which was a fact that was not only unexpected but also unacceptable for the Government. For this reason, the Government refused to make any poverty statistics public in 2006, because the poverty line further increased and reached 42% according to unofficial sources. In December 2007, when the Presidential campaign was underway in the country, some top Government officials claimed that as few as 28% of the population lived below the poverty line. If all the previous indicators of the poverty line in Georgia had been based upon the calculations of a subsistence minimum, this 28% was artificially produced by counting just those people who had received allowances from the Government. Obviously, the Government needs to develop a realistic and consistent poverty reduction programme which would be based upon global experience in this area.

As far as private sector development is concerned, the post-revolution Government has also made numerous serious mistakes. The most unacceptable one is the regular infringements upon the rights of private property owners. Under the law-enforcement’s pressure, many owners were forced to “wilfully” concede their properties to the state. This process was labelled as “de-privatisation” ostensibly required to remedy the Government’s mistakes committed during the privatisation programme before 2004. In reality, the Government’s interference with the owners’ rights pursued the only purpose of redistributing formerly public properties to so-called elite businesspeople who were on good terms with the Government. The already bad situation was
further worsened by unlawful demolitions of numerous privately-owned buildings. Each individual case amounted to a blatant violation of property rights\textsuperscript{20}.

To ensure the proper protection of property rights, it would be insufficient to only improve the existing legal basis. The Government must also show a strong political will that no such infringements upon private owners’ rights can ever take place. Moreover, every person who was illegally and forcibly deprived of his property, or whose property was destroyed, must be paid a fair compensation.

Another serious hurdle along the path of development faced by the private sector in Georgia is the Government-solicited “voluntary contributions” to the Government’s electoral campaigns and other mass initiatives which puts obstacles in front of private sector development.

The privatisation of state-owned property is a matter of great importance for private sector development. From 2004 onwards, a large-scale privatisation has been underway in Georgia although the process has unfortunately developed in gross violation of the law. It is no wonder that this is exactly how Russian, Kazakh and Arab capital entered the Georgian market. Often, the prices indicated in the sales contracts signed by the Government and the new investors were by far lower than those announced in the invitations for bidding. Often, too, brand new companies with suspicious founders and suspicious capitals were established right before the start of a privatisation process with a sole specific purpose of taking part in tenders. Strangely enough, these brand new companies were often the winners of the tenders.

The privatisation of state-owned property must be conducted with maximum transparency so that every interested person can have access to information about the founders of particular companies taking part in the privatisation process. It is recommended that the Georgian economy be closed legislatively for any companies registered in the offshore zones.

It is common knowledge that competition is a great stimulus for private sector development, which is why any measure which may block competition must be unacceptable. In late 2004, instead of taking all efforts to encourage the development of sound competition in the country, the post-revolution Government—ostensibly aiming at further enhancement of market-oriented reforms—abolished the antimonopoly legislation which led to the drastic growth of the level of monopolisation of the Georgian market.

However absurd as it may sound, the President of Georgia assigned the Ministry of the Interior to carry out some antimonopoly regulatory functions in the market of salt, sugar and other similar products in October 2007 during a Governmental meeting. It is undisputable that these kinds of regulatory functions have nothing to do with the police or state security agencies. There is no doubt that one more indispensable step which needs to be taken for private sector development is to adopt a new antimonopoly legislation and establish a new pertinent Government agency in the nearest time.

To make Georgia more attractive to foreign investors, the Government decided to establish a special industrial zone in the Poti area\textsuperscript{21}. By its legal nature, a special industrial zone is the same as a free economic zone (which means that it is an area wherein economic agents may enjoy


various tax exemptions unlike in the rest of the country). The Government intends to establish similar zones in Batumi and Kutaisi as well.

The bad news is that today—like before and especially after the August-2008 war between Russia and Georgia—the Georgian economy suffers a serious shortage or “hunger” for foreign investments. Under such circumstances, establishing free economic zones will even worsen the feeling of this investment “hunger” and eventually lead to the further slowdown of the country’s economic development. Tax exemptions will push not only foreign but also domestic investors to invest their resources exclusively in the free economic zones. It is, therefore, expected that investments will go exclusively to the Poti, Batumi and Kutaisi free economic zones in the future with no investor having any enthusiasm to invest his money in any other region of Georgia. In other words, Poti and other adjacent areas will be developed at the expense of the rest of Georgia. As a result, beyond the free economic zones, there will be far less attractive environments for private sector development. Furthermore, extensions of free economic zones to different regions of Georgia will have a negative impact upon the national budget whose revenues will decrease drastically.

The Russian aggression in August 2008 caused extremely serious damage to the country and its economy with the private sector (especially the construction business, which has been one of the fastest growing sectors in post-revolution Georgia) not being excluded. The negative impact of the global economic crisis further exacerbates the problem. Both of these problems have also caused serious damage to the system of small-business lending by private banks and other lending organisations, which was rather well developed. What partially mitigates the situation is that Georgia is to be allocated some $4.55 billion in financial aid by 2010, as was pledged at the donors conference in Brussels on 22 October 2008. A significant portion of this amount will also be provided for private sector development.

Today, business associations which are independent from the government do not exist. The most famous one, the Georgian Federation of Businessmen, suspended its activities in 2007 following Governmental pressure.

In conclusion, it must be stated that the existing situation in the areas of poverty reduction and private sector development is quite poor overall and requires some serious remedy.

**Conclusion**

The goal of poverty reduction through private sector development cannot be accomplished without the active involvement of all stakeholders.

The key role is to be played by the Georgian Government, which has to fully realise the severity of the problem and develop an appropriate long-term economic programme which will be based upon broad international experience in this area. To this end, it is necessary that the Statistics Office ensure the regular publication of accurate and realistic information about the subsistence minimum and the number of people living below the poverty line. The Government has to accept this information as one of the key indicators of its performance.

There are different organisations which are able to provide the Government with some technical assistance in developing such a programme. In this connection, an important role may be played by the UNDP, which has the unique capability for generalising global experience and providing broad technical assistance for the Georgian Government.

The IMF and the World Bank may also play an indispensable role in helping the Georgian Government to achieve the goal of poverty reduction through private sector development. These two cannot only provide the Government with some technical assistance for developing such a programme, but can also allocate some important monetary resources which may be necessary for the programme’s implementation. Furthermore, depending upon the results of the programme implementation monitoring, the decision for providing more funds may be made, which will make the Georgian Government be more effective in addressing the problem of poverty reduction through private sector development.

Transition to a free trade regime with the EU and the US may also be a very important incentive for private sector development. It will push potential investors to consider manufacturing high-quality goods in Georgia which would be capable of being competitive in the European and American markets. If the question of transition to a free trade regime with the US is still in its embryonic stage, Georgia will need to change its labour code to make it compatible with the European standards in order to obtain this privilege from the EU whilst also passing brand new antimonopoly and consumer-rights protecting legislations. These are some of the clearly defined conditions that Brussels has set for Tbilisi.\footnote{Vladimer Papava, “Is Georgians’ European Dream Any Part of Government Policy?,” The Georgian Times, December 15, 2008, \url{http://www.geotimes.ge/index.php?m=home&newsid=14166} (accessed June 5, 2009); Vladimer Papava, “Post-War Georgia’s Economic Challenges,” Central Asia-Caucasus Analyst, Vol. 10:23, November 26, 2008, \url{http://www.cacianalyst.org/?q=node/4991} (accessed June 5, 2009).}

It is also very important that the Government and private sector conduct a continuous mutual dialogue. This will enable the Government to be permanently informed of those difficulties which may be encountered by the private sector.

For its part, the private sector needs to establish and make more effective various associations which may provide for the protection of its interests. Businesspeople need to have a forum where they can meet each other and advocate for and lobby their collectively developed proposals to the Government.

Poverty reduction must become the result of the mutual and co-ordinated efforts of two key stakeholders: the Government and the private sector. In the process of this co-ordination, the interests of employees need to be protected which, of course, is the task for the trade unions. The role of trade unions, therefore, must be expanded so that employers’ interests can be protected and the advancement towards the goal of poverty reduction could be supported.

The involvement of civil society in the process of decision-making as concerns the problem of poverty reduction is of particular importance. To this end, the role of the mass media should be increased in that it must ensure a greater coverage of issues and events relating to poverty reduction and private sector development.

It is advisable to develop a grid of NGOs which will carry out the monitoring of poverty-reduction-oriented steps of both central and local governments in different regions of Georgia.
THE MERGING OF RUSSIA’S REGIONS AS APPLIED NATIONALITY POLICY: A SUGGESTED RATIONALE

COMMENT BY
Matthew Derrick*

Abstract

The policy of ukrupnenie (“merging”), which combines multiple federal subjects of the Russian Federation into unified, enlarged political-territorial units, is the latest phase in the Kremlin’s bid to restore central authority over its internal periphery. To date, this policy has reduced the number of Russia’s regions from 89 to 83, and more mergers are slated for the future. Vladimir Putin, along with the Russophone press, states that ukrupnenie is intended to reduce the severe interregional socio-economic inequalities in Russia by linking poorer regions to wealthier neighbors. This article refutes this stated rationale. In the process of analyzing mergers that have already taken place and those that are planned for the future, it is asserted that ukrupnenie in fact should be viewed as part of Moscow’s nationality policy, in turn a de facto continuation of Soviet nationality policy.

Keywords: Russia’s federalism, merging, ukrupnenie, political-territorial units, Moscow’s nationality policy

Introduction

The latest phase in Moscow’s campaign to restore central authority over its regions is the policy of ukrupnenie (“merging”), which amalgamates multiple federal subjects1 into unified, enlarged political-territorial units. Since late 2005, a series of five mergers has reduced the number of federal subjects from 89 to 83, quite some distance from the ultimate goal of 40 or 50.2 Russian President-cum-Prime Minister Vladimir Putin insists that the purpose of ukrupnenie is to “solve social-economic problems” in impoverished regions by linking them to wealthier neighbors, in

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1 The constituent political-territorial units of the Russian Federation are generically referred to in Russian as “subjects” (sub’ekty). This is in light of a hierarchy of classifications addressed in this article below.

the process slashing resource-draining regional bureaucracies.\textsuperscript{3} The Muscovite press echoes this justification, asking \textit{who} is “next in line for merging?”\textsuperscript{4} and \textit{how} “many subjects does the federation need?”\textsuperscript{5} Glaringly absent from the discussion is a critical \textit{why}?

The aim of this contribution is to redress this missing \textit{why} with the assertion that any discussion concerning system-wide change to Russia’s political-territorial structure \textit{tout court} should include a consideration of its nationality policy. It would be remiss to suggest that Russophone observers ignore the connection between ethnicity and center-region politics. Indeed, it is frequently claimed that the Kremlin’s current regional policies are crafted in response to the political-territorial chaos of the 1990s, a period when many of Russia’s ethnic republics operated virtually independently of the federal center.\textsuperscript{6} Missing from these analyses however, is the recognition that the present grappling over federalism, and the role which nationality plays in shaping its future, is not merely a Putin-era answer to the Yeltsin-era “parade of sovereignties,” the devolution of power which, in the process of creating major regional wealth disparities, challenged the territorial integrity of the federation. Rather, as I contend, the merging of regions should be seen as a continuation of a much longer-standing nationality policy.

### Setting the Stage

A cursory overview of Russia’s political-territorial structure is necessary. The Russian Federation is comprised of a hierarchy of units that can be separated into two basic categories: ethnically-defined republics and autonomous \textit{okrugs}, and non-ethnic \textit{oblasts} and \textit{krais} (see the map in the appendix). The former are designated as the historic homelands of non-Russian titular populations, bestowing important national minorities with certain privileges.\textsuperscript{7} The latter, inhabited almost exclusively by ethnic Russians, traditionally have enjoyed no special status. This ethnicity-infused federal structure is a Soviet legacy. The Bolsheviks granted the country’s most important national minorities \textit{autonomous republics}, which, while distinguishing them from the fifteen \textit{union republics} (i.e. the Baltic republics, Ukraine, Belarus, etc.), were created to give Russia’s minorities a veneer of statehood that papered over strict political, economic, and cultural centralization.\textsuperscript{8} With the demise of the USSR, however, the more powerful ethnic

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\textsuperscript{6} For example, see \textit{Izvestia}, “Natsional’nye respubliki protiv ukrupneniya regionov” [National Republics against the Merging of Regions], April 20, 2005, \url{http://www.izvestia.ru/politic/article1637892/} (accessed June 3, 2009).

\textsuperscript{7} For example, Russia’s ethnic republics are permitted to have their own presidents and state symbols, and, according to Yeltsin-era legislation, have the right to decide their own state languages. Typically, the ethnic republics declared their native language and Russian as the state languages.

\textsuperscript{8} The hierarchy of constituent units that was created after the 1917 Revolution loosely mirrored the Marxist-Leninist conception of nationhood, which made a distinction between a “nation” (\textit{natsilia}) and a “nationality” (\textit{natsional’nost‘} or \textit{narodnost‘}). A nation was viewed by Bolshevik theoreticians as a more developed cultural entity than a nationality and as one that warranted a greater deal of self-government.
republics and autonomous okrugs used their accoutrements of statehood to leverage varying degrees of de facto autonomy from a weakened center. In short, the federation Putin inherited was a system of extreme “economic, ethnic, and territorial asymmetries.”

The policy of merging regions is only the most recent in a string of decisive moves made by Moscow since 2000 to reassert central primacy over its internal periphery. The first was the creation of seven federal districts, each headed by a Kremlin-appointed representative to oversee the harmonization of regional laws with federal constitutional norms. In the process, many functions previously carried out by regional institutions, such as tax collection, statistical data gathering, certain court procedures, etc., were taken over by federal agencies. In 2008, it was estimated that “the ratio of federal to regional powers over regional policy became roughly 70 percent to 30 percent,” a figure roughly inverse to what it was prior to Putin’s ascent to the Russian presidency. Following the Beslan school hostage crisis in September 2004, a tragedy resulting in the deaths of more than 300 people, Putin canceled popular elections of regional governors and republic presidents, decreeing that thenceforth all regional heads must be approved by the Kremlin. Unable to appeal to their constituencies, governors suddenly became more amenable to the merging of their regions with neighboring subjects.

It should be noted that, judging by the referendums which have preceded the political-territorial mergers, affected populations generally have responded favorably to ukrupnenie. In each of the completed referendums, significant majorities have approved of plans to join up with neighboring subjects. However, as in Russia-wide parliamentary and presidential elections, campaigns preceding the referendums on merging should not be considered fair and open. State-controlled media, along with other governmental resources, were mobilized to drive home the message that the merging of regions would lead to greater economic performance; countervailing opinions were excluded from the discussion. This vision of economic prosperity was repeated by regional governors who had gained the Kremlin’s favor, including Krasnoyarsk Governor Alexandr Khloponin, who said the merging of his region with two neighboring autonomous oblasts would lead to a “new industrialization of Siberia.”

Evaluating Putin-Era Regional Reforms

What can one make of Putin’s territorial-political reforms? If, as the Kremlin has repeated, the primary aim of the reforms indeed was to improve the economic performance of poorer regions vis-à-vis wealthier regions, they can be considered an unequivocal failure. According to the 2007 United Nations Human Development Report, regional inequalities in the Russian Federation...

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11 The Kremlin has cajoled previously obstinate heads of regions slated for ukrupnenie into cooperation by offering them promotions in federal government. For example, the former governor of Tyumen recently was appointed to Putin’s cabinet for helping to orchestrate the imminent merging of his oblast with neighboring autonomies.
have grown, not subsided, under Putin’s watch.\textsuperscript{13} The Russian Ministry of Regional Development itself reports that the industrial output of the top ten regions outpaced that of the bottom ten by 33.5 times in 2006, a ratio that increased to 39.1 the following year.\textsuperscript{14} The widening gap, according to several observers, is attributable to the functionary replacement of regional bureaucracies by federal cadres who, though empowered with significant central subsidies, are unresponsive to the actual needs of local citizenry.\textsuperscript{15}

Such explanations of growing regional inequality are likely to be accurate. However, they are posited on the error of taking Moscow’s declared aim at face value. If the main goal in fact were to improve the socio-economic status of the country’s neediest areas, then one reasonably would expect the policy of \textit{ukrupnenie} to be guided foremost by the principle of urgency, defined by population size (the larger, the more urgent) and relative poverty. Following these criteria, at the head of the line would be the \textit{oblasts} of the central and northwest federal districts suffering from the effects of prolonged deindustrialization, the poverty-stricken Muslim republics of the North Caucasus, and the poorest ethnic enclaves of the Middle Volga Basin, such as Mari El and Mordovia.\textsuperscript{16} However, to date none of these regions has been merged, and none is slated for merging in the immediate future.

\textbf{Analyzing Completed Mergers}

A brief examination of regional mergers already accomplished indicates that a rationale based on ethnicity, not primarily on socio-economic concerns, underpins the policy. In each case, one or two ethnically-defined autonomous \textit{okrugs} were merged into one or two non-autonomous neighbors, resulting in a single, larger \textit{oblast} or \textit{krai} (see Table 1).

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|c|}
\hline
\textbf{Referendum Date} & \textbf{Merger Date} & \textbf{Merging Subjects} & \textbf{New Merged Subject} \\
\hline
December 7, 2003 & December 1, 2005 & Perm Oblast + Komi-Permyak Autonomous Oblast & Perm Krai \\
\hline
April 17, 2005 & January 1, 2007 & Krasnoyarsk Krai + Evenk Autonomous Oblast + Taymyr Autonomous Oblast & Krasnoyarsk Krai \\
\hline
October 23, 2005 & July 1, 2007 & Kamchatka Oblast + Koryak Autonomous Oblast & Kamchatka Krai \\
\hline
April 16, 2006 & January 1, 2008 & Irkutsk Oblast + Ust-Orda Autonomous Oblast & Irkutsk Oblast \\
\hline
\end{tabular}
\caption{Table 1}
\end{table}


\textsuperscript{14} Minregionov, \textit{Osnovnye Tendentsii Razvitiya Regionov Rossii v 2006-2007 Godakh (Sbornik Materialov)} (Moscow: Minregionov, 2008).


Erased from the resulting subjects is any indication that an area within them previously was considered a historic homeland of a non-Russian nationality. Whereas indigenous populations formed outright majorities in two of the previously autonomous regions (Komi-Permyak Autonomous Oblast and Agin-Buryat Autonomous Oblast), and more than a quarter of the population in another two (Koryak Autonomous Oblast and Ust-Orda Buryat Autonomous Oblast), they form small, nearly insignificant minorities in the resultant mergers (see Table 2).

**Table 2**

<table>
<thead>
<tr>
<th>Merged Krai/Oblast</th>
<th>Assimilated Nationality</th>
<th>Autonomous Population</th>
<th>Merged Population</th>
<th>Autonomous Percentage</th>
<th>Merged Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perm Krai</td>
<td>Komi-Permyaki</td>
<td>80,327</td>
<td>183,832</td>
<td>59.0%</td>
<td>6.2%</td>
</tr>
<tr>
<td>Krasnoyarsk Krai</td>
<td>Nentsy</td>
<td>3,054</td>
<td>6,254</td>
<td>7.6%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Kamchatka Krai</td>
<td>Koryaks</td>
<td>6,710</td>
<td>14,038</td>
<td>26.7%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Irkutsk Oblast</td>
<td>Buryats</td>
<td>53,649</td>
<td>134,214</td>
<td>39.6%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Zabaykal Krai</td>
<td>Buryats</td>
<td>45,149</td>
<td>115,606</td>
<td>62.5%</td>
<td>9.4%</td>
</tr>
</tbody>
</table>

**Source:** Generated by the author

Stated rationale is further undermined when considering economic situations of the pre-amalgamated subjects. Taking comparative capital investment figures as an indicator, it is seen that only in two instances did formerly autonomous regions merge with (only marginally) wealthier oblasts or krais (see Table 3).

**Table 3**

<table>
<thead>
<tr>
<th>Merged Subject</th>
<th>Pre-Merged Subjects</th>
<th>2005 Per Capita Capital Investment (Rank Among All Federal Subjects)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perm Krai</td>
<td>Perm Oblast</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Komi-Permyaki</td>
<td>54</td>
</tr>
<tr>
<td>Krasnoyarsk Krai</td>
<td>Krasnoyarsk Krai</td>
<td>39</td>
</tr>
<tr>
<td></td>
<td>Evenk Autonomous Okrug</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Taymyr Autonomous Okrug</td>
<td>8</td>
</tr>
<tr>
<td>Kamchatka Krai</td>
<td>Kamchatka Oblast</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>Koryak Autonomous Oblast</td>
<td>28</td>
</tr>
<tr>
<td>Irkutsk Oblast</td>
<td>Irkutsk Oblast</td>
<td>58</td>
</tr>
<tr>
<td></td>
<td>Ust-Orda Autonomous Oblast</td>
<td>87</td>
</tr>
<tr>
<td>Zabaykal Krai</td>
<td>Chita Oblast</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td>Agin-Buryat Autonomous Oblast</td>
<td>38</td>
</tr>
</tbody>
</table>

**Source:** Generated by the author
In the case of the formation of Krasnoyarsk Krai, resource-rich Evenk and Taymyr autonomous okrugs were subsumed by a significantly poorer – albeit geographically larger – subject, in the process forfeiting formal recognition of their cultural distinctiveness. Future mergers will immediately result in the disappearance of remaining autonomous okrugs, but also discussed are eventual mergers to erase ethnic republics, first of all the impoverished republics of Buryatia, Altai, Adygea, and Ingushetia. It can be assumed that after the economically lagging ethnic republics have been erased, the policy of ukrupnenie will be targeted at the more prosperous among them.

Conclusion

Discussing the merging of ethnic autonomies, Boris Makarenko, a Kremlin-associated pundit, contends that this regional policy will “logically correct … historical accidents,” i.e. the Soviet-era formation of minority homelands within the greater Russian expanse. The more fundamental accident, however, is viewing ukrupnenie as a correction to history when in fact it should be seen as a continuation of Soviet nationality policy. As cultural-political geographer Ronald Wixman effectively argued more than two decades ago, Soviet-era nationality policy had as its primary goal “the maintenance of the territorial integrity of the USSR and the political power of the Soviet state.” Whenever that integrity was threatened, the Soviet regime would grant temporary freedoms to its minority groups, but as soon as that threat dissipated, those privileges were revoked.

This same basic principle guides post-Soviet nationality policy. Much as Lenin granted territorial autonomy within the USSR to certain non-Russian nationalities as a strategy to reconstruct the Tsarist Empire, so too Yeltsin ceded unprecedented freedoms to ethnic autonomies to keep them from exiting the Russian Federation. Once they had established firm control over the Soviet territory, Stalin and his successors rescinded prior freedoms as they carried out de facto Russification schemes. And it is from this historical vantage point that the policy of ukrupnenie should be viewed. As ethnic autonomies are merged into larger oblasts and krais, so too are minority ethnic groups merged into a vaster ethnic-Russian nation.

17 That autonomous okrugs are slated for disappearance first should come as no surprise. Most were created as historic homelands for small-numbered shamanist-animist peoples of the Siberian north. They first appeared on the map in the 1920s and ’30s as “matryoshka” subjects, i.e. a small political-territorial units contained within larger oblasts or krais, apparently intended to recognize the areas as historic homelands of indigenous peoples without affording them the full administrative rights of ethnic republics. It was only in the 1990s that the autonomous okrugs, like the republics, took significant control of their territories.


Appendix

National Republics and Autonomous Regions of the Russian Federation, before December 1, 2005

Map reproduced by author from Michael Bressler, ed., Understanding Contemporary Russia, (Boulder: Lynne Rienner Publishers, 2009), 30
Since 1993, China has been a net importer of oil. With its unparalleled economic growth over the past two decades, it developed a huge hunger for resources to sustain its industrial production. Taking a glance at the interrelation between the economic growth and the legitimacy of the Chinese communist regime, it becomes obvious: securing resource flows is a highly political issue. In his book *China’s Energy Geopolitics: The Shanghai Cooperation Organization and Central Asia*, Thrassy N. Marketos places Beijing’s energy problem in the broader framework of its geopolitical situation in relation to the Central Eurasian states as well as Russia and the USA.

The author vividly explains China’s main political interests. Besides the task of energy security through diversification of energy suppliers and transportation routes, there are two additional tasks of particular importance for Chinese strategic planners.

First, regional stability, especially in the turbulent Xinjiang province and its Central Asian neighbours, is a serious issue. The Communist Party of China views the claims for autonomy stated by the Muslim majority of ethnic Uyghurs in Xinjiang as a direct threat to its territorial integrity, similar to the Tibet and Taiwan questions. The fact that potential future energy transportation routes from the resource-rich Caspian basin will have to cross Xinjiang aggravates this problem.

Second, China, as well as Russia, promotes a multipolar world order in its foreign policy strategy. Accordingly, the direct military presence of the USA in Central Asia since 9/11 is seen as another stepping stone of the USA for encircling China. On the other hand, China is aware of the fact that the involvement of international forces in the “war on terror” adds to the stability in the region.

In addition to those strategic paradigms of the Chinese regime, Marketos explains Beijing’s different policies vis-à-vis the other regional actors. It becomes clear that Chinese energy policy follows mostly geopolitical rather than economic considerations. He explains in detail
the energy resources of the producing countries Russia, Iran, and the Central Asia states, as well as the needs of consuming countries such as China, Japan, and those in the West. Subsequently, he assesses potential and currently planned options for major transportation routes and their strategic implications.

The constellation of interests under analysis provides the necessary framework for examining the Shanghai Cooperation Organization (SCO) in terms of its possibilities and limitations. Marketos argues that in spite of some competing interests in the strategic perceptions of the SCO members, the situation is far from being a zero-sum game. There are several issues in which the members have strong converging interests, e.g. regional stability. According to Marketos, today the SCO is the sole institution with the potential to become a nucleus of a broader regional cooperation regime. However, for such a development the SCO has to open up, both in terms of its agenda and its membership. The United States, in particular, should be granted observer status, since even in this part of the world, formulating effective regional policy without the US is difficult.

Marketos provides us with an insightful book. To understand the rise of China and its emergence as a regional power with potential superpower ambitions is essential for strategic thinkers around the world, especially in the West. The book shows how closely energy politics and geopolitics are interrelated in the Central Asian region and how important the region is for Chinese planning, particularly with regard to Xinjiang. This year, the deterioration of the security situation in Xinjiang has proved this assumption correct.

Furthermore, the author’s vote for a strengthening of regional cooperation mechanisms, with rather than against the United States, could be a very reasonable means for absorbing geopolitical tensions related to China’s rise.

Unfortunately the rich content could have been presented in a more easy-to-read fashion. The complex analysis is subdivided in only five chapters, and there are repetitions from time to time. Some graphs, charts, and tables for the complex data on energy resources, needs, and transportation opportunities would also have been helpful.

Nonetheless, this book can be recommended to academics and experts with a special interest in energy, Central Asia, China, and geopolitical relations in this important region.

About the author:

Dr. Thrassy N. Marketos is a writer-analyst specialising in Eurasia geopolitics. He works for the Hellenic Ministry of Foreign Affairs and is a lecturer in the Athens, Greece, branch of the Diplomatic and Strategic Studies Centre (C.E.D.S. – Paris).
“WIDESPREAD DISCONTENT IN RUSSIA IS INEVITABLE AND MAY WELL LEAD TO FURTHER RESENTMENT TOWARDS GROUPS OF CAUCASIAN ORIGIN”

Interview with Katerina Strani*
Researcher, Greek Parliament

Conducted by Jesse Tatum, Interview Editor of CRIA

CRIA: How currently attractive is Russia for job seekers/migrant workers from the Caucasus (and other ex-Soviet republics)?

Strani: According to official statistics, Russia is the second-largest immigration country after the USA, with over 160,000 migrants annually. As the largest, most industrialized country and the most dynamic economy of all the former soviet states, Russia is certainly more attractive for job seekers from those areas, at least in principle. In Moscow, for instance, salaries can be from 5 to 15 times higher than in some CIS countries, with the exception maybe of Kazakhstan. However, it all depends on three crucial factors: firstly, the immigrant’s country of origin, secondly, the host city and thirdly, the job sought and the skills required.

The immigrant’s country of origin determines the obstacles he or she may face, both at an official administrative level, and at an unofficial everyday level. In general, job seekers from CIS countries would prefer to move to Russia mainly for economic as well as historical/cultural reasons. In 2005 alone, 95% of registered migrant workers came from the CIS. Georgia is a case in point. The arrest of Russian officers in Georgia on grounds of espionage back in 2006 had resulted in large-scale deportation of Georgians from Russia. Recent developments in South Ossetia and Abkhazia, including the August war and the recognition of these regions as independent states by Russia, exacerbated tension between Russia and Georgia. The Russian government imposed (short-lived) visa restrictions on Georgian nationals. Russia is still attractive for Georgians, as the difference in salaries is certainly not negligible; however, strained relations between the two countries inevitably have an impact on the workers’ everyday lives.

The host city is equally (if not more) significant. Moscow has always had a special status, both as a metropolis within the USSR and within the Russian Federation. Moscow’s current population is estimated at 10.5 million according to the 2002 census. Despite an overall population decline and an increase in poverty, Moscow’s population seems to be increasing due to internal migration and its economy seems to be resisting national recession. On the one hand, this makes it even more attractive for job seekers from Russia and the CIS. On the other hand, registratsiya, a stamp indicating a permanent address on someone’s internal

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passport, which is a measure imposed in order to monitor legal and illegal residents and population growth, constitutes a significant obstacle for job seekers, especially from the Caucasus. *Registratsiya* is costly and time consuming, and many job seekers opt for smaller towns where this measure is not in place and the movement of people is less controlled.

Lastly, Russia in principle attracts and is in need of unskilled as opposed to highly qualified workers. The overwhelming majority of immigrants from the Caucasus are working in markets, in the agricultural sector, or in retail trading. Most of the market stalls in big cities are operated by people from the Caucasus and Central Asia, who earn about ten times as much as they would in their home countries.

**CRIA**: What kind of visa restrictions do they face, especially compared with those of the EU, the US, and other “western” alternatives? What sort of legality issues are at play, in terms of obtaining proper work/study permits, particularly after recent legislation (April 2007) limiting foreign workers’ rights?

**Strani**: As mentioned above, visa restrictions were used in the past as sanctions in cases of war or deteriorating relations. The 2007 legislation barring foreign workers from most retail sectors was presented as a measure against illegal immigration and in order to place quotas on the number of foreign workers. In actual fact, most markets and street kiosks became empty within days, as they were operated mainly by Azerbaijanis and Georgians. These people did not have a choice but to leave the country, unable to work, even if they had obtained legal residency status. Limiting those workers’ rights did not result in a crackdown on illegal immigration, but in a crackdown in all immigration, particularly from Azerbaijan, Georgia, and other regions of the Caucasus.

Even before the 2007 legislation, however, obtaining the necessary documents for travel, residence and work was not an easy task for immigrants from the Caucasus. The procedure has always been costly and time-consuming, and police corruption and red tape only make matters worse. In conversations I had with two Georgian illegal immigrants in Moscow, they had stated that it was impossible for them to register in Moscow, because no one would provide them with the right papers and instructions on what procedure to follow. In the end, one of them told me that he preferred to bribe the police with 30 rubles and be left alone rather than “go through the hassle” of applying for a *registratsiya* which cost 500 rubles at the time. These are the sort of legality issues that are at play.

**CRIA**: In light of Russian’s shrinking population, and of poor economic situations in the Caucasus, how important will an ongoing influx of migrant labour be in the next few decades?

**Strani**: Russia has been suffering from a low birth rate and an ageing population for the last 10-15 years and, according to some sources, its population is decreasing by 700,000 each year. This has resulted in a shrinking working population unable to maintain economic growth. The question is whether this could be offset by an influx of foreign labour. In larger cities such as Moscow, Saint Petersburg, or Voronezh, internal migration is significant and there is a noticeable rural exodus. Rural areas are getting poorer and emptier, while big cities are getting overpopulated and richer. As a result, we have workers from the Caucasus having to compete for jobs with Russians migrating from the rural areas in big cities. So the issue of a shrinking working population is now replaced by unemployment, at least in big cities. And unemployment breeds discontent, intolerance, and xenophobic attitudes.
An effective migration policy cannot be put in place unless economic imbalances within the country are addressed. As long as Moscow grows to the detriment of smaller cities and rural areas, it will attract more foreign workers who it may not be able to support. Instead of limiting those workers’ rights and kicking them out of the country, both metaphorically and in some cases literally, they must be encouraged to migrate to rural areas or areas where they are mostly needed. An ongoing influx of migrant labour is indeed important for Russia’s economic growth, as long as it is directed towards areas where it can be most effective, not by force, but by means of social benefits and support.

CRIA: Does Moscow enact sufficient measures to ensure that immigrants are smoothly integrated into society?

Strani: In a word – no. Many immigrants from the Caucasus become disillusioned after moving to Moscow in search for a better life, and it is difficult for them to go back. Their home countries are significantly poorer and in most cases politically unstable. Those who work illegally in Moscow without a registratsiya often become seasonal workers, frequently returning to their home countries. Moscow Mayor Yuri Luzhkov had conducted meetings with minority representatives in the past; however, these did not seem to lead anywhere. By contrast, humanitarian organisations keep accusing him of xenophobic practices ever since he introduced the registratsiya system in Moscow, replacing the propiska (internal passport stamp denoting residence) in Soviet times, which was against the newly established constitution granting every citizen of the Russian Federation freedom of movement with its territory. I guess that one of the relics of the USSR that is still alive and well is the notion of “order over freedom.”

I remember my time in Moscow back in 2000. Because of my dark hair and eyes and skin complexion, I was almost always mistaken for Chechen, Georgian, or Azerbaijani. I was called chiornaya (=black) on the streets, and I was checked by the police on practically every street corner. The fact that I spoke Russian with an allegedly Georgian accent (I have no idea where I picked that up, as I’d never visited Georgia) and I held a Greek passport was very suspicious for them, and I was constantly interrogated by police on the streets. One day, I decided to speak English instead of Russian, and they left me alone, joking about Greek football. As a Greek speaking English, I was fine. When I spoke Russian, it made them suspicious that I was Caucasian with a stolen Greek passport. It was this sort of attitude and the ensuing fear that was instilled in me that prompted me to research “Kavkazophobia” in Moscow.

CRIA: Do you see any potential backlash/flashpoints, e.g. ones that could be similar to the recent riots in France’s ethnic quarters or the anti-Caucasian riots in Karelia (Sept. 2006)?

Strani: At the moment, Russia is suffering from rising unemployment, an already anemic economy in recession and a problematic migration policy. Widespread discontent is inevitable and may well lead to further resentment towards groups of Caucasian origin. But then again, the same applies to all ethnic groups across Europe.
CRIA: Finally, what are some of the key factors in the post-Soviet rise of Russian nationalist sentiment? Are immigrants treated in similar ways, for instance, in larger cities, such as Moscow, as they are in smaller urban centers or towns?

Strani: The post-Soviet Russian psyche is troubled and confused when it comes to dealing with issues of tolerance towards other nations and ethnicities, because this was not ingrained in Soviet consciousness. Everyone was in the same boat; all were equal in the eyes of Law and State. Suspicion, rejection of anything “foreign,” and national (Soviet) pride were characteristic of that identity. Russians never had to be tolerant; they had never experienced liberal democracy before and have now reached a point where they have to adapt their political culture, largely influenced by (tsarist and Soviet) authoritarian regimes, to fit Western standards. Suddenly the world demands of them to show tolerance towards other nationalities and religions, to adopt and implement a fair and effective immigration policy; this is an immense task for them. And while ex-Soviet republics are now considered as countries of the “near abroad,” they are still regarded as foreign. And of course there is the issue of poverty and unemployment, which also gives rise to a sense of “otherness” and of “us” against “them”. When this happens, it does not matter whether the immigrant is from the Caucasus, Central Asia, or Africa; a poor immigrant has no identity. The situation seems to be better in smaller urban centers or rural areas, where it is easier for immigrants to strike deals with the local police; however, this is not absolute, and there have been cases of clashes with the local officials or with the local mafia.

What is crucial, in this case, is that tolerance may be considered both a behavioural as well as an attitudinal issue; however, intolerant behavior may not necessarily derive from essentially intolerant attitudes, but from a false perception of the importance of respect for political pluralism and for human rights and democracy. Discrimination and unfair treatment mean different things for different people. During my own research in Moscow, I conducted several interviews both with officials and with people on the streets. Most officials categorically stated that there is no such thing as discrimination against immigrants from the Caucasus in Moscow, only insults or jokes at a personal level and the occasional check by the police. . . If these are not acts of discrimination, then what is? For most Russians whom I interviewed, at least, discrimination refers to an official political line or official government practices against certain groups of people; anything done unofficially, at an everyday level, is merely an insult or a bad joke.

This brings me to my last point. Attitudes and behaviour do not always overlap in the Russian case. Scholars specializing in Russian political culture agree that in every Russian there exists a dual persona: a public persona, which expresses attachment to perceived official values, and a private persona that secretly opposes them. Yuri Levada famously referred to the Russians’ incredible ability to hold two contradictory opinions at the same time as reminiscent of Orwell’s “doublethink.” In this case, certain Moscow residents I had interviewed during my research, both Russian as well as immigrants from the Caucasus, had not only argued that there was no such thing as ethnic and religious discrimination in Moscow, and in Russia in general, but also that “discrimination and xenophobia are all unfounded claims by western organizations who establish themselves in Russia in order to spy on us and undermine our country.” The police checks and the humiliation that I had to face being mistaken for Azerbaijani, Georgian or Chechen were testimony that such claims were not completely unfounded. But Russian residents of Moscow did not want to admit to an “outsider” that they were facing problems, as they prefer to deal with their own issues themselves without external intervention. And residents from the Caucasus were mostly...
afraid to voice any concerns to “outsiders.” Most of the immigrants I interviewed declined to state their real names. I remember in spring 2000 a Chechen head of a humanitarian organization, whose name I do not wish to disclose, stated with absolute conviction that relations between Chechens and Russians in Moscow are friendly, that there are no problems neither at an official nor at an everyday level, and that there is no such thing as discrimination. His wife, who was bringing the coffee at the time, raised her finger and corrected him: “don’t forget that they still refuse to register me in Moscow!” The conversation continued while the man was constantly trying to save face. In the end, he was the one who said that in Russia they prefer to settle their affairs on their own, amongst themselves without outside interference.