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Analysis of Incentives and Capacity for Poverty Reduction and Good Governance in Georgia

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1. Introduction

Among the newly independent states (NIS) of the former Soviet Union, Georgia has undergone one of the most turbulent paths to independent statehood, second only to Tajikistan in terms of the extent of violence and fragmentation. The symptoms of this fragmentation are multiple. Two successful bids for secession in 1990-1993 have literally fragmented the state, resulting in the death over of 20,000 combatants and civilians and the forced displacement of some 250,000 internal refugees. At the Georgian centre, the republic's first legally elected president was forcefully deposed in 1992 by a coalition of former apparatchiks, liberals and warlords, leading to the complete collapse of state institutions and civil peace. Parallel to these developments the Soviet Georgian economy endured a near-total collapse, recovery from which has to date been limited. Political practice in the post-Soviet Georgian state continues to be dominated by legacies from Soviet rule: venality, corruption and weak institutions of civil society, resulting in a pervasive disillusionment with democratization. Georgia's experience of integration into the world international system has been that of a rump state, subject to external influences and dependent on the goodwill of Western donors. These factors notwithstanding, since the low point of 1994 Georgia's recovery has been impressive. Rather than a 'failed state', Georgia has emerged as a 'weak' state displaying some of the formal attributes of a liberal democracy. Civil peace has been restored to most of the republic, and a relatively lively civil society is developing, at least at the centre. Following an earlier nationalist and internationally isolationist policy, the Georgian state now actively pursues international integration and a more inclusive vision of the republic's political community. Significant challenges nevertheless continue to confront Georgia, above all feeble state capacity, the establishment of the rule of law and the building of an effective economic base, as well as continued stalemate in the resolution of secessionist conflicts.

2. Long-term Contextual Factors

2.1 History of State-Formation

The history of state formation in Georgia may be understood in terms of a fundamental and enduring rupture between polity and culture. Periods of integration into common political institutions were tenuous and short-lived, and precipitated by accidents of dynastic inheritance and imperial collapse rather than a contractual relationship between ruler and ruled. Where political continuity is lacking in Georgian history, however, continuity of culture compensates. A Christian Georgian civilization, based on the Georgian Orthodox religion and the Georgian language, has existed since the fourth century AD. The longevity of this culture explains the prominence of motifs of continuity in popular understandings of history among Georgians themselves.

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The first united Georgian state emerged in the tenth century, leading to a Golden Age of Georgian culture lasting some two hundred years. In the twelfth century Georgia became the strongest Christian State in the Near East, which was laid from Nicopsia (nowadays Tuapse) to Darubandi.¹ In the later medieval period, fragmentation between rival kingdoms and principalities amid increasing involvement by surrounding imperial states was the dominant trend. Opting for protection from co-religionist Russia in 1783, the Georgian lands were eventually annexed piecemeal into the Russian empire over the first half of the nineteenth century. As a result of the collapse of the Russian Empire in 1917, an independent Georgian state emerged in 1918. Independence was both chaotic and short-lived, however, and in 1921 Georgia was again annexed by its northern neighbour, this time in the guise of the Soviet Russia .

Soviet rule established Georgia as a nominally federal republic, containing three autonomies associated with cultural groups situated in border regions: Abkhazia and South Ossetia bordering Russia to the north-west and centre respectively, and Ajara to the south-west. Implicit in this hierarchical arrangement was dominance at the republican level of the Georgian nationality, best placed to reap the benefits of Soviet affirmative action policies for ethnic groups. By the 1980s Georgians dominated the republic's political, economic and cultural institutions to an extent unmatched by any other national republic of the Soviet Union (except for mono-ethnic Armenia), resulting in comparatively low levels of russification among the Georgian population. This had numerous consequences significant for the post-Soviet context. Firstly, Soviet nationalities policy underscored the importance of ethnicity rather than citizenship as the key passport to social and political mobility. Secondly, Georgia's minorities experienced Soviet rule in terms of Georgian (rather than Russian) domination, creating heightened insecurity as Georgia moved towards independence in 1989-1991.

The election in 1991 of ardent nationalist Zviad Gamsaxurdia as Georgia's first president precipitated a rapid decline in both interethnic relations and civil peace in the republic. More concerned with independence than state-building, Gamsaxurdia bullied minorities hesitant to support Georgian sovereignty (see below, territoriality) and contributed to an increasingly violent political culture leading to the transformation of conflict in Abkhazia and South Ossetia into violence. Paramilitary groups led by Gamsaxurdia's former supporters eventually removed him from power after the two-week 'Tbilisi war' at the close of 1991. Serious state-building efforts only began with the return of Eduard Shevardnadze (former First Secretary of the Georgian Communist Party 1972-1985) in 1992, leading to a gradual political stabilization of the republic, though not before an uprising by Gamsaxurdia's supporters in western Georgia in late 1993. This was quelled with assistance from Russia in return for which Georgia was forced to enter the Commonwealth of Independent States (CIS). Thus, Georgia is not only a post-socialist state but also a post-conflict society. This allows political actors to frame numerous issues originating in other problems of state

¹ The most powerful Georgia was during the King David IV the Builder (1089-1125) and the Queen Tamar (1184-1213). It was the time of strengthening and developing Georgian politics, culture and economy. Georgia's territory and population were at their largest. In that period was written history of whole Georgia ('Kartlis Tskhovreba') and various philosophic tractates, was created the legal basis for jurisdiction, were built Alaverdi, Bagrati, Bana great temples, Gelati monastery complex, Vardzia Cave Town, etc.

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incapacity and economic decline in terms of 'ethnic tension', playing on nervousness at the centre over new separatist bids.

In many ways it is useful to approach contemporary Georgian politics in terms of a mid-point between the relatively successful development of democracies and civil societies in the Baltic states and the resilience of Soviet-era practices in Central Asia. Like the Baltic states Georgia aspires to be 'European' and democratic, but did not enjoy the prolonged period of statehood experienced in the Baltic states prior to Soviet annexation. Soviet penetration of Georgian society was more profound, yet compared to Central Asia the prior existence of a vibrant national culture and a separate political identity moderated the impact of Soviet transformation. With regional exceptions the autocracy characteristic of political culture in post-Soviet Turkmenistan or Uzbekistan has less of a social basis in Georgia.

2.2 Geopolitical Factors

Despite its key geopolitical position at the heart of the Caucasian isthmus and the hub of an emergent Eurasian space, Georgia has emerged as one of the weakest geopolitical players in the region. There are several reasons for this apparent paradox, both internal and external. Most importantly, Georgia lacks the significant resource base that has given Central Asian states and Azerbaijan some degree of influence in the post-Soviet re-arrangement of geopolitical power. Georgia's reserves of natural resources are insignificant compared to its eastern neighbours, particularly in the politically important field of energy. This in turn has led to Georgian dependence on energy imports, making it particularly vulnerable to external developments. Secondly the unresolved status of its own internal conflicts in Abkhazia and South Ossetia has diminished its attractiveness as a conduit for resources and as a site for foreign investors who crave stability. Externally, the Armeno-Azerbaijani conflict in Nagorno Karabakh, the Ossetian-Ingush conflict in Prigorodny *krai* and above all the Russo-Chechen conflict have seriously limited the potential for the economic development of the Caucasus as a whole. These are processes over which Georgia has little practical influence (indeed they form part of a web of conflict in which Georgia's position is disadvantageous to say the least). More recently, the advent of America's 'war on terror' has brought a new focus on Georgia, although with mixed consequences.

Georgian political elites have played up the idea of Georgia as an important geo-strategic link for oil and gas between Asia and the West. An important step in realizing this ambition was taken in 1999 when the Baku-Supsa export oil pipeline was commissioned. It represents the operating Western Route transit pipeline transport of Georgia. This is a modern construction complex with unique facilities and equipment. The overall length of the 530 mm diameter pipeline is 830 km of which the length of the pipeline section running across Georgia constitutes 370 km. Design throughput of the pipeline is 6 mln t/year. At this point in time the East-West Energy Corridor is used for transportation of relatively small quantities of Caspian oil. The Baku-Supsa pipeline infrastructure have already approached the design markers being a serious indicator of the competitiveness of the energy corridor. At the same time, the Baku-Tbilisi-Ceyhan Main Export Oil Pipeline and the Baku-Tbilisi-Erzurum South Caucasus Gas

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Pipeline projects² are already in the implementation stage. The infrastructure constructed in compliance with the contemporary standards as well as the high level of management organization will create all the pre-requisites for the retention of the competitiveness of the energy corridor and the subsequent growth thereof. This is particularly noteworthy with regard to oil transit. Especially as Kazakhstan has already expressed its preparedness and willingness to actively use the south Caucasus route for the export of its oil. In a longer term it is not to be ruled out that a part of the crude collected in Novorossiysk will be carried via Baku-Tbilisi-Ceyhan pipeline and this will require the construction of a connecting pipeline running across Abkhazia. Regardless of the fact that in all three cases prior expectations regarding the economic effect arising from the realization of the aforesaid projects were very high, the actual benefit for Georgia in light of the strategic importance of these projects, is completely in line with the long-term interests of the country.

Russia is undoubtedly Georgia's most important and most problematic geopolitical influence. Several factors have marred Georgian-Russian relations in the post-Soviet era. There is firstly the issue of Russian involvement in the conflicts in Abkhazia and South Ossetia. This is to date a hotly disputed issue, yet the perception in Georgian society that separatism is Russian-sponsored and supported is unchallenged.³ Russia continues to be the separatist regimes' most powerful, if distinctly unreliable, external ally, a fact recently underlined when the inhabitants of Abkhazia were permitted to apply for Russian citizenship.⁴ At the same time, Russia was able to exploit Georgia's fragmentation in 1993 to force it into joining the Commonwealth of Independent States. It was only with the outbreak of the Russo-Chechen conflict that Russian pressure on Georgia was (temporarily) alleviated. Secondly, the continued existence of three Russian military bases⁵, all of them in politically sensitive areas, has been an enduring bone of contention. While Russia technically agreed to vacate these bases in 1999, its projected timeline for doing so far exceeds that demanded by the Georgian authorities; Russian strategists view these bases as important assets in their pursuit to maintain leverages of influence over Georgia and despite periodic assurances to the contrary are not keen to withdraw them. Thirdly, Georgia's overtly pro-Western orientation⁷ under Shevardnadze, which has times included statements

² The commissioning of these projects are scheduled for 2005-2006 allowing for the transportation of large quantities of energy carriers to international markets.

³ There is no doubt that Russian military units were engaged against Georgian forces during the fighting in South Ossetia and Abkhazia. Yet there is little evidence of a concerted strategy of the sort popularly claimed in Georgia, and in terms of arms sales all sides benefited from the Russian presence.

⁴ This takes the form of a stamp in the older Soviet-era passports that allows the bearer passage to the Russian Federation, a legal right hitherto formally withheld from inhabitants of Abkhazia.

⁵ At November 1999 OSCE Summit in Istanbul Russia in response to Georgia's demand signed a Joint Statement on the reduction of treaty limited equipment (TLE) and withdrawal of military bases. Russia has had four military bases remaining in Georgia from the Soviet days. In endless negotiating rounds, Russia has closed its base in the Vaziani military airport and has insisted on retaining partial control of the Gudauta base, which would be run by Russian "peacekeeping" troops in Abkhazia. Russia also wants a 15-year lease on the two largest bases – at Batumi and Akhalkalaki.

⁷ This approach includes: (a) seeking Western mediation of the conflicts in the Georgian regions of Abkhazia and South Ossetia; (b) courting Western investment; (c) seeking Georgia's participation in European and Euro-Atlantic security structures; (d) promoting Georgia as a transit country for commerce between the West and the states of Central Asia and the South Caucasus;

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of intent with regard to NATO membership, has been an irritant to Russia encouraging it to maintain its levers of pressure on Georgia. Nevertheless, despite fraught political relations Russia is Georgia's principal post-Soviet trading partner.

After a flirtation with an internationally isolationist position under Gamsaxurdia, the Shevardnadze administration has actively pursued a pro-Western orientation. This has resonated strongly with Georgians' own cherished self-perception as Europeans and has made good use of Shevardnadze's considerable status in the West. Georgia succeeded in institutional integration with western institutions. In 1996 a Partnership and Cooperation Agreement between Georgia and the European Union was reached, finally ratified by all parties in 1999. In 1999 Georgia's membership of the Council of Europe was secured, followed by membership in the World Trade Organization in 2000. In 1999 Georgia also became an associate member of the North Atlantic Treaty Organization (NATO), and in 2000 joined the World Trade Organization (WTO). Georgia is an enthusiastic supporter and beneficiary of the European Union-sponsored TRACECA (Transport Corridor Europe-Caucasus-Asia) project. A liberal trade regime has encouraged commerce with European states and the United States, although these remain marginal compared to regional partners.

Despite the myriad of problems, including those related to the deteriorating performance of state institutions, Georgia still matters for the West. A number of factors count:

International Prestige of the Political Leader. President Eduard Shevardnadze has proved himself to be genuinely committed to the idea that Georgia should become a democratic country. To the West, he is the only ruler in the region to encourage the development of a new generation of elites⁸ and one of the principal guarantors of stability in and around South Caucasus. Shevardnadze has been extremely instrumental in promoting Caspian pipeline projects and developing Georgia's pro-Western foreign policy. Yet, as his presidential term expires⁹, the role of "Shevardnadze's factor" will go into a decline while international community designs its policy towards Georgia.

Containing Russia. Despite encouraging rapprochement between Russia and the West that has taken place in the aftermath of the September 11th terrorist attacks on the United States, the new partnership still has to be regarded as premature. However critical and productive the coordinated fight against international terrorism may be as a factor for building genuine strategic alliance, the full incorporation of Russia into Western community will not be accomplishable until it unreservedly accepts the civilized norms of conduct both domestically and internationally. Russia's conduct in Chechnya and, more importantly, its policy towards South Caucasus demonstrate to what extent the nostalgia for imperial might is still overwhelming there. Georgia, as a pivotal country of the region, has long suffered from the most pressure from Moscow¹⁰. This is the primary reason why Georgia seeks close security ties with the

⁸ Olcott, M., 'Provisions for Succession in the Caspian Region', In *Succession and Long-term Stability in the Caspian Region*. Cambridge, MA: BCSIA, 2000

⁹ E. Shevardnadze has been elected as President for the second term in April 9, 2000. According to the Georgian Constitution the President serves a five-year term.

¹⁰ Baev, P., 'Russia Refocuses its Politics in the Southern Caucasus', Caspian Studies Program's Working Paper Series, Cambridge, 2001

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West and, vice versa, why does the West regard Georgia as a bulwark of containing Russia's illegitimate ambitions in the South Caucasus. As Russia, hopefully, evolves into a genuine democracy, Georgia will willingly part with this role.

Promoting Peace in the Region. Georgia's pragmatic and friendship-based foreign policy is a significant factor for peace in the region. The normal, and in most cases accentuated friendly relations with neighboring countries determine Georgia's unique potential for promoting peace. Not surprisingly, Georgia has launched several peace offensive initiatives aimed at ending confrontation in the region, and engaging in mutually beneficial cooperation. Meantime, the very stability in Georgia itself is an essential condition for peace in the entire Caucasus and beyond, including volatile Southern Russia. This has not passed unnoticed. International community gives high priority to enhancing peace-promoting potential and stability of Georgia, since it is increasingly contributing to settling conflicts in Abkhazia and South Ossetia, and supporting any of Georgia's undertakings on regional cooperation.

A Gateway to East-West Transport Corridor. Georgia has been the first to strongly advocate developing the concept of, what is called, the Eurasian Transport Corridor and the New Silk Road¹¹. These efforts had stimulated subsequent launching of the EU-led TRACECA¹² regional program and the Caspian pipeline projects. As in forthcoming decades the Caspian will play an increasing role in uninterrupted supply of oil and gas to international markets, Georgia as a key transit country will remain a major player in East-West trade relations, including Caspian pipeline politics. More so, if and when the conflicts in Abkhazia and Nagorno-Karabakh settle, Georgia will emerge as a transport hub for North to South trade as well.

Diffusing Democracy into Eurasia. Oil and natural gas development and related pipeline activity in the Caspian region, including the Caucasus and Central Asia, cannot be isolated from politics. Much is at stake, and both Russia and the West recognize that. It is a struggle for influence, for political linkage, and it is taking place in Russia's back yard. Like the Balkans, Middle East, South and South-East Asia, the region of the Caucasus and Central Asia is a proving ground where tools and models of settling conflicts, building democratic institutions, market economy, as well as breaking old stereotypes and establishing new values are being tested. The pattern of the new world order that is still taking shape largely depends on the developments in these increasingly important areas. The Caspian pipeline politics is a façade of much broader and long-term strategy. Pipeline projects as an iceboat bring into the Caspian investment, new business ethics, Western interest and, ultimately, consolidate liberal values. This will increasingly gain importance as new challenges of globalization, including international terrorism, emerge. Despite blemishes, Georgia has so far proved to be most susceptible to democratic change in the region. Improved record would allow Georgia as a role model country to significantly contribute to diffusing democracy further to the East. As the region of the South Caucasus and Central Asia will need unchallenged peace and stability far beyond the era of fossil fuels, the new "corridor of values" would work for that future.

¹¹ Gegeshidze, A., 'The New Silk Road: issues and perspectives', *Marco Polo Magazine*, no. 4-5, 1999

¹² An acronym for Transport Corridor Europe-Caucasus-Asia

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Significance of most of these factors will vary in time depending on Georgia's success in exploiting resources available both domestically and internationally

The United States' 'war on terror' brought a new focus on Georgia as a potential haven for terrorist activities linked to al-Qaida (see below, Pankisi). Russia's attempts to portray Georgia as a 'soft touch' for Chechen militants and 'terrorists' precipitated a security crisis in Georgia's Pankisi valley, south of the Georgian-Chechen border and were used to legitimate a number of violations of Georgian air space by Russian warplanes in late 2001-2002.¹³ In March 2002 the U.S. launched its 'Train and Equip' programme, allocating \$64 million to train Georgian security forces in anti-terrorism and counter-insurgency measures.¹⁴ Shevardnadze has been an enthusiastic supporter of the war on terror, more recently numbering among the Coalition members in the war on Iraq. In Georgia it is hoped that U.S. support will provide a much-needed boost to the republic's dilapidated security structures, while contributing some leverage in Georgia's tense relations with Russia. Nevertheless there is also domestic concern over the continuation of Cold War rivalries by proxy in Georgia, in which the West's willingness to bail Georgia out is (rightfully) seen as contingent upon its interests in natural resource supplies in the Caspian region.

In the regional arena, both Turkey and Iran have sought to support the sovereignty and cohesion of the three Caucasian states and to find markets for their export-led manufacturing industries. Geography gives Turkey the edge as the regional actor best placed to profit from reconstruction and development in Georgia, and in 2000 Turkey briefly emerged as Georgia's major trading partner. This has also made Georgia vulnerable to crises in the Turkish economy, such as that in the first half of 2001. Turkey pursues close relations with the autonomous republic of Ajara on its border, which negotiates customs and other trade issues without reference to Tbilisi. Yet Turkish and Iranian influence in Georgia has been largely limited to the economic sphere; neither state seeks or has the capacity to compete with Russia for political hegemony in the Caucasus.

Relations with Armenia and Azerbaijan are strongly constrained by the continued salience of internal conflicts. Proposals for deepened multilateral cooperation are periodically made and formally welcomed, but founder on the radically opposed political priorities of the three Caucasian states. In attempting to contain their internal conflicts Georgia and Azerbaijan champion the principle of territorial integrity, deploying blockades (on Abkhazia¹⁵ and Armenia respectively) to support their cause, and seek to counter Russian influence in the region. Armenia has a diametrically opposed view on territorial integrity in view of its engagement in Nagorno Karabakh, and both historically and today looks upon Russia as its most important regional guarantor against Turkish aggression. Armeno-Georgian relations are formally friendly, necessitated by Georgia's key role as the sole transport corridor to Armenia from Russia and by the presence of a substantial Armenian minority in southern

¹³ Bombs were also dropped in these sorties on the mountain villages of Omalo and Shatili, as well as the Pankisi valley.

¹⁴ *The Guardian*, 20 March 2002.

¹⁵ According to the provisions of the January 19, 1996 CIS summit resolution Abkhazia formally is a subject to soft economic sanctions which makes reference to the *blockade* regime irrelevant.

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Georgia.¹⁶ For both states any ethnic conflagration would be catastrophic, to which end Armenia has consistently disowned any rumblings for autonomy in the region.

The South Caucasus as a region is disintegrated largely due to existing ethno-political conflicts, which prevent individually weak and small Georgia, Armenia and Azerbaijan from combining efforts to jointly address challenges that the region faces. Also, as foreign policy priorities of the South Caucasus's countries often diverge, they tend to build strategic and security ties with different global and regional powers whose policy agendas in the region are based on conflicting objectives. Obviously, however significant the big power rivalry may be as a factor, the future of the region will ultimately be determined by the developments within the countries and their ability to cooperate. As yet, no substantial regional cooperation outside of the Caspian pipeline projects has been undertaken. More so, it has been even argued that trans-regional pipeline projects encourage polarization in the South Caucasus as the high profile of Baku-Tbilisi-Ceyhan project and the geopolitical importance attributed to it have helped solidify a strategic alliance among beneficiaries (Azerbaijan, Georgia, Turkey, and the United States) and fuel the creation of an opposing bloc consisting of losers (Russia, Iran, and Armenia)¹⁷. Evidently, the South Caucasus needs a comprehensive strategy of major change that would transform the region from an area of confrontation into an open geo-economic system, where instead of conflicting interests, there will be a mutual accommodation, or even coincidence, of those interests. Shared vast natural and human resources based on developed infrastructure would allow the region fully utilize its competitive advantages that the states in the region individually possess.

The emergence of pan-regional structures has been limited, suggestive of the continued and at bottom unchallenged influence of the region's more traditional external players. In 1996-1997 a new alignment between Georgia, Ukraine, Azerbaijan and Moldova, subsequently joined by Uzbekistan, produced GUUAM, an association dedicated to deepened political, security and economic cooperation. The members of GUUAM signed a free trade agreement in mid-2002, and members regularly participate in bi- and multilateral military exercises.

Georgia has therefore emerged as a weak player in the international state system. Its scope for autonomy in foreign policy orientation is sharply constrained by both internal and external factors. Its imports-orientated economy further necessitates caution in the international arena. Georgia is peripheral to the major re-configurations of geopolitical interests in the region, although at times, to its cost, it acts as a proxy field of competition between larger powers. Unlike the resource-rich states of the Caspian region, the Georgian state will not in the future be able to depend on substantial externally derived revenues without negotiation with internal society. In the long term this points favourably towards the development of a more internally representative and participatory political culture in Georgia vis-à-vis its eastern neighbours.

¹⁶ Having said that, negative stereotypes attaching to Armenians are more prominent in everyday talk in Georgia than any other group. This speaks of a profound sense of historical rivalry experienced by Georgians vis-à-vis their Armenian neighbours, a rivalry that has its roots in Armenian domination of Tbilisi in the nineteenth century. The Armenian bourgeoisie historically played an equivalent role to the Jewry of Eastern Europe, and constituted a plurality in Tbilisi until well into the twentieth century.

¹⁷ Ruseckas, L., 'US Policy and Caspian Pipeline Politics: The Two Faces of Baku-Ceyhan' In *Succession and Long-term Stability in the Caspian Region*. Cambridge, MA: BCSIA, 2000

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3. Territoriality

Georgia presents an extreme case of the compromised governmental control over territory that characterizes several post-Soviet republics. In the Georgian case this takes two distinct forms. There are firstly the seceded territories of Abkhazia and South Ossetia (comprising over 15% of the state's territory), where conflict resolution processes have been internationalized and Tbilisi exercises limited influence to negotiations. Abkhazia and South Ossetia count among a number of unrecognized 'statelets' in the Caucasus, facing international pressure to integrate with recognized states but as yet lacking compelling incentives to do so. Secondly, there are regions where governmental control is purely formal, real power being exercised by local fiefs. Ajara presents the most developed example of this pattern, formally committed to Georgia's territorial integrity yet pursuing its own form of economic separatism.¹⁸ Other regions, such as Armenian-populated Javaxeti and, to a lesser extent, Azeri-populated Kvemo Kartli, present cases of extremely weak integration with the Georgian state due largely to state incapacity.

The reasons behind conflict and its transformation into violence in Abkhazia and South Ossetia are complex, and are beyond the scope of the discussion here. Very broadly speaking, the factors leading to conflict may be understood in terms of the Soviet legacy of Georgian hegemony in the republic, while the outcome of violence is strongly linked to contingent factors within the context of transition. In both cases, the decline of the state's monopoly of the legitimate use of force and the concomitant rise of warlordism played a central role. In Abkhazia, the United Nations-sponsored negotiations process began in November 1993, followed by a ceasefire on 1 December 1993. This led to the deployment of a peacekeeping force in April 1994 mandated by the Commonwealth of Independent States. In South Ossetia, a ceasefire agreement was concluded on 24 June 1992, followed by the deployment of a tripartite Georgian-Ossetian-Russian peacekeeping force.

The consequences of conflict in Abkhazia have been more severe. Most of the region's Georgian population (some 245,000 people, formerly 45% of Abkhazia's population) were displaced to other parts of Georgia as a result of the conflict. Referred to as the IDP (internally displaced person) community, the refugees are a highly vocal – but ineffectual – element in Georgian politics. Rather than promoting the integration of this community into Georgian society, the government has displayed more of a cynical attitude towards them, keeping them in 'holding centres' for use as a bargaining chip in the negotiating process.¹⁹ Return to Abkhazia, exclusively to Gali district, has been spontaneous rather than organized and limited in numbers. In May 1998 the outbreak of renewed violence in Abkhazia resulted in a second displacement for some 30,000 returnees.

Within Abkhazia, the only territory under Georgian control is the Kodori valley in the east. Several Georgian paramilitary organizations, reputedly acting with the tacit support of Tbilisi, operate along the Georgian-Abkhazian cease-fire line. These

¹⁸ A useful comparison may be made by contrasting variants of separatism aimed at independence in Chechnya, and economic regionalism in other national republics of the Russian Federation, particularly Tatarstan.

¹⁹ This is an indication of the weak hand that Tbilisi holds in the negotiation process, which is more reliant on invocations of territorial integrity as recognised by the international community than concrete incentives for secessionist groups to accept Georgian sovereignty.

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activities include assassinations of Abkhazian security forces, abductions and smuggling, in which criminal networks on both sides are involved. A further region of tension is Abkhazia's southern-most Gali district, almost entirely populated by Georgians.²⁰ To date Gali has been the only site of refugee repatriation in Abkhazia.²¹ The Abkhazian authorities do not object in principle to Georgian return to Gali, in contrast to the rest of Abkhazia where it is an Abkhazian political imperative to preserve an Abkhazian demographic plurality. The main impediment to return in Gali has been practical: the absence of security guarantees. Without either party able to impose control over the region, Gali exists in an uncertain and unstable gray zone in which criminality has flourished.²²

The situation in South Ossetia is less tense and is dominated by the economic incentives of large-scale smuggling, particularly of petrol, over the border with Russia. The resolution of this conflict is marginal to Georgian state politics in comparison with that in Abkhazia. This is partly due to the lower number of refugees, and the fact that in contrast to Abkhazia, ordinary Georgian citizens can pass into and out of South Ossetia more easily.²³ At the popular level narratives of conflict between Georgians and Ossetians are less salient than in Abkhazia, yet this has not translated into progress in the resolution of the conflict.

In both cases these territories hold their own parliamentary and presidential elections, unrecognized by the international community, and possess their own extremely weak state structures implementing 'state' policies. These structures provide an ineffectual political overlay for complex informal networks sustaining *de facto* independence. In both Abkhazia and South Ossetia the role of illicit 'war economies', from which local actors from all sides benefit, is one of the major obstacles to resolution, and one which is typically obscured by the broader discourse over identity and sovereignty.

Resolution processes have remained stalled over the past decade. In Abkhazia the main stumbling block has been the assertion of rival priorities by the parties to the negotiations. The Georgian side has demanded that any lasting peace settlement must be contingent on the return of the entire displaced population to Abkhazia, while the Abkhazian side has insisted on the determination of Abkhazia's political status as a pre-requisite of any settlement. In early 2002 the 'Boden paper', advanced by Dieter Boden, Representative of the UN Secretary General to Abkhazia, was proposed as a solution based on a federal-type distribution of powers between Tbilisi and Sukhum/i.

²⁰ Gali Georgians bear a strong regional identity based largely on their vernacular language, Mingrelian, which is spoken here and throughout the neighbouring province of Mingrelia. Mingrelian is closely related to, though not mutually comprehensible with, Georgian.

²¹ 'Return' is a fluid concept, and estimates of numbers vary. The Abkhazian authorities cite a figure of 60,000, while Georgian authorities put the figure at 40,000. Many refugees continue to be registered as resident in the neighbouring province of Mingrelia, where they are eligible for (meagre) state benefits, crossing over into Gali on a temporary or seasonal basis. The returnee population also tends to be dominated by the elderly and children of school-going age, so that Gali is to a significant extent bereft of a working-age population. A portrayal of life in contemporary Gali can be found in the film *Hoping for Peace*, a Georgian-Abkhazian collaboration filmed in 2002 by Studio Re, Tbilisi.

²² A curfew continues to be imposed in Gali, amid the very weak capacity of law enforcement agencies. Some 1,500 Gali residents are thought to have been killed since the ceasefire as a result of retaliatory actions by the Abkhazian police and the general lawlessness of the Russian peacekeeping force.

²³ For example, NGO activists from Georgia have little problem getting into South Ossetia, whereas two weeks' notice and government approval is required to get into Abkhazia. Ordinary Georgian citizens regularly travel into and out of South Ossetia to trade.

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Hailed by the 'Friends of Georgia' group, a lobbying group consisting of the United States, France, Germany, Britain and Russia, the document has not thus far elicited a positive response in Abkhazia, which continues to pursue integration with Russia. In October 2001 Abkhazian Prime Minister Anri Djergenia announced that Abkhazia had petitioned Russia to become an 'associate member' of the Russian Federation (an as yet non-existent relationship in Russia's Constitution). More recently, there has been greater emphasis on reducing the economic sanctions on Abkhazia, which has in any case proved to be relatively soft. The South Ossetian peace process has also remained stalled, with a strong sense amongst South Ossetian leaders that no agreement should be concluded before one is reached in Abkhazia.

The autonomous republic of Ajara presents a different scenario where the local leadership remains formally committed to Georgia's territorial integrity, but pursues a form of economic separatism.²⁴ Ajara retains its Soviet-era institutional configuration as an autonomous republic within Georgia. Situated on the Georgian-Turkish border the Ajarian leadership derives considerable revenue from border traffic, which is retained rather than passed on into the central state budget. Tensions between Tbilisi and Batumi are rooted in elite competition for concessions from the centre rather than the expression of mass mobilization.

In Georgia's southern tier, the Armenian-populated region of Javaxeti and to a lesser extent the Azeri-populated region of Kvemo Kartli are sometimes portrayed as further sites with potential for ethnic unrest. The real problem in these regions, however, is more one of economic distress and integration with the rest of Georgia than ethnic hostility *per se*. In Javaxeti the presence of one of Georgia's Russian military bases, providing the principal source of employment to the local Armenian population, further complicates the issue. Both regions suffer from stagnant economies, a problem dating back to the Soviet period, and a lack of empirical Georgian statehood in the form of integration policies in the fields of education, language planning and conscription. The Georgian government has understandably been cautious in its dealings with these communities, in which it has been supported by the governments of Azerbaijan and especially Armenia, for whom any Georgian-Armenian clash in Javaxeti would be disastrous.²⁵

Territoriality and the accommodation of conflicting regional and ethnic claims has proved perhaps the key challenge to post-Soviet Georgian statehood, a challenge which it has manifestly failed to meet. Regionalism and the rationalization of politics will continue to be a salient trend in Georgia for the foreseeable future; in some senses this may be seen as a 'return to history' after the gross centralization of the Soviet period. It is unlikely, however, that Georgia will face further separatist challenges along the lines of Abkhazia and South Ossetia. These two internationally isolated, economically stagnant and politically stifled regions provide a negative

²⁴ The question of identity is much less salient in Ajara. The autonomy was created in 1921 nominally on the basis of its population's Islamic orientation. In the context of the Soviet Union's aggressive atheism this was highly anomalous, and the real reason lay in international negotiations with Kemalist Turkey over the fate of the three provinces of Ajara, Kars and Ardahan. Islam in Ajara today is largely restricted to highland areas, where it is enjoying a limited revival. The Ajarian political leadership does not, however, advance any claims on the centre based on religious difference.

²⁵ Desires for autonomy in Javaxeti have been voiced by a nationalist organisation, Javakh, which have consistently failed to draw any support from Yerevan. Furthermore, the internal clan politics behind the Javakh movement remains murky, and makes many of the statements emanating from the organisation incoherent.

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'demonstration effect' for potential separatisms elsewhere. The Ajarian model is likely to prove more attractive, a model which for all its faults is rooted in a form of political negotiation between centre and periphery.

4. Medium-term Institutional Factors

4.1 Constitutionality, Legislation and Respect for the Rule-of-law

Securing a rule-of-law state in Georgia, as elsewhere in the former socialist space, has proved especially difficult. Georgia does have a small corpus of historical indigenous law, although this has been more of symbolic than practical importance in creating a new legal culture. Rather, the entrenchment of constitutionality in Georgia has to deal with the legacies of the Soviet era: legal institutions acting as 'window-dressing' for party rule, the consequently low prestige of the judiciary and low public expectations of its capacity or effectiveness and the correspondingly high expectations of political actors that they can act with impunity. To a significant extent these legacies are still very much in evidence in Georgia, and a democratic legal culture is embryonic to say the least. Inherited from the Soviet period the legal nihilism has firmly taken root in the majority of populace, which undermines trust towards democratic institutions set up by the 1995 Constitution. There have, however, been instances where public mobilization and the prerogatives of the judiciary have combined to limit the degree of legal impunity which political actors can assume.

In a formal legal sense, Georgian law enshrines the key freedoms and rights that define a liberal democracy. The Georgian Constitution, adopted in 1995, defines fundamental human rights, including basic freedoms of equality, speech and representation in accordance with international legal standards (articles 12-47). The state undertakes to guarantee equality of development between the different ethnic groups inhabiting Georgia (article 38), although the precise definition of the territorial structure of the state was left undefined pending resolution of the conflicts in Abkhazia and South Ossetia (article 2). The Constitution recognizes the "special role of Georgian Orthodoxy in Georgia's history", but stipulates freedom of confession and the separation of church and state (article 9). Judicial power is formally independent and court proceedings are held in public (articles 82-91).

The past decade has also seen the introduction of a vast body of legal and regulatory frameworks covering virtually all areas of state and society. There is, however, a yawning gap between the creation of legal frameworks and their enforcement. While basic laws have been written and approved covering private enterprise development or language planning, for example, these remain empty frameworks in terms of implementation and adherence. Furthermore a wide range of political actors, including many in the top echelons of the state, flagrantly disregard the letter of the law or seek to have it adjusted in their favour. This further deepens distrust of people towards government and civil servants, thus undermining efforts to build a rule-of-law state.

4.2. The Economy

From being one of the more prosperous Soviet republics, Georgia underwent what was probably the sharpest decline of any republic. Georgia shared with other NIS the

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many problems associated with the shift from a command system to a market economy: hyperinflation, a huge drop in output, prolonged shortages of key commodities, the absence of a social safety net and an obsolete infrastructure. In addition, Georgian economic development has been further hampered by the impact of both its domestic conflicts, producing an economic wasteland in the period 1991-1994, and the constraints imposed by conflicts both internal and external on economic cooperation in the wider Caucasian region. Further obstacles to recovery include prolonged energy crisis, the slow pace of reform and the deep penetration of commercial and political activities by corruption.

Georgia is resource rich country: There are approximately 300 known mineral ores, a bit more than half of which are currently utilized. The principle mineral resource is manganese. There are also substantial reserves of carbonates and clay for production of cement and other construction materials. About 40% of the land area is agricultural, and 40 % is forested. Georgia is a producer of high quality agricultural products, particularly citrus and dry fruits, tea, mineral water and wine. In Soviet times Georgia also possessed a high quality tourist industry, the infrastructure of which is now largely defunct. Domestic energy resources are limited. Total coal reserves are 400 million tons. It is estimated that Georgia has some 540 million tons of oil (over half under the Black Sea), yet to be exploited but marginal compared to larger reserves in the Caspian and Central Asia. Domestic production of natural gas is also insignificant; most domestic energy production is hydroelectric and thermal. Georgia also has competitive products on international markets in scrap base metals, ferro-alloys, gold and chemical fertilizers, and also produces military aircraft for export mainly to Turkmenistan and Azerbaijan. Particularly important throughout the Soviet period and today is the shadow economy. This provided the basis for both an indigenous tradition of entrepreneurship and a tradition of autonomy from the state, both of which are felt today.

Price stability was maintained in Georgia until 1990; following the Soviet collapse, inflation rose sharply, output fell dramatically and amid continued territorial and civil conflict, the country went into steep economic decline in 1991-1994. Official estimates in 1994 put the contraction in GDP compared to 1989 at 70%, the most severe in any post-Soviet republic. In 1995 macroeconomic stabilization policies, a wide-ranging programme for privatization and structural reform and a new currency, the lari, were introduced, paving the way for an energetic though precarious recovery, with double digit GDP growth until 1998.²⁶ The stability of the lari nevertheless remained dependent on foreign investment, credits and donor support of current-account deficits and vulnerable to changes in the Russian economy. At the end of 1998 the lari underwent a dramatic depreciation as a result of financial crisis in Russia. After the 1998 crisis GDP growth slowed to less than 2% in 2000, though it has recovered since then to 4.1% for quarters one through three of 2002.²⁷ GDP per capita in 2000 was \$591, less than 40% of what it was in 1991.

Recovery was initially most substantial in the agricultural sector, although this has tailed off in the last two years, hampered by small farm sizes, lack of resources, outmoded equipment and mainly manual labour. Agriculture accounted for 19.5% of

²⁶ Russian rubles remain the main or alternative currency in Abkhazia, South Ossetia and parts of Georgia's southern regions.

²⁷ *Georgian Economic Trends*, 2002, No.3.

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GDP in Q1-Q3 of 2002, comparing with 20.3% accounted for by industry and 54% accounted for by service industries.²⁸ Performance in the industrial sector is strongly linked, however, to the performance of certain key industries. Georgia received 228,000 visitors in Q1-Q3 of 2002, and tourism accounted for 10% of GDP in that period.

Unemployment and under-employment is very high in Georgia: the majority of the working age population is without a stable job or indeed any kind of employment. Subsistence employment in agriculture plays a dominant role in the labour market. The latest available figures on unemployment relate to 2001, at the end of which national employment stood at 10.3% according to the International Labour Association's 'strict' methodology, and 15.1% according to ILO 'loose' methodology.²⁹ However, official data reflects only the registered unemployed, and has little bearing on the actual extent of unemployment. Self-employment dominates the Georgian labour market (61% of total employment in 2001). Rural self-employment accounts for 84% of this category, over half of which consists of unpaid family workers receiving no cash income from their labour. The prominence of this form of labour points to the inefficiency of agriculture and obscures the fact that although technically employed, representatives of this form of labour are at high risk of poverty.³⁰ Hired employment accounted for only 20% of employment in 2001, two-thirds of which was made up of public sector employment. Hired employment is the most important source of income for urban households, but nevertheless provides substantially less than a subsistence income.

The average monthly salary across the economy in 2001 was 98 lari (approximately \$42), representing nominal growth on the previous year but decline in real terms; especially for public sector employees salaries have become occasional and largely symbolic.³¹ Social protection is non-existent for the vast majority of the population. The entire system needs to be overhauled if a viable social safety net is to be created. The paucity of state revenues precludes the funding of even very low levels of state pension (14 lari per month, equivalent to about \$6.5), of which the state accrued huge arrears in 1998-2001. Reform of the pension system is a priority. Unemployment benefit is payable for six months on a rising scale from 14 lari (\$6.5) for the first two months, 16 lari for the next two and 17 for the last two months. Registration is a complicated procedure which many unemployed do not see as justifying the meagre benefits available.

Economic survival for many in Georgia consequently owes much to the informal economy, comprising unrecognized, unrecorded and unregulated small-scale activities, the extent of which remains substantial yet ill defined. Official estimates for 2002 suggested that the informal economy represented 35-40% of GDP, possibly an under-estimate, and is especially active in urban contexts. The shadow economy

²⁸ *Georgian Economic Trends*, 2002, No.3, p.8.

²⁹ The ILO 'loose' methodology includes 'discouraged' workers, those who are not actively seeking employment. Discouraged workers over time lose their competitive advantage to be employed (their qualifications) as well as networks that would provide them with information on jobs available.

³⁰ According to Georgian law families owning 1 or more hectares of land are legally considered self-employed.

³¹ In yearly terms, the average annual salary for 1999 was 810 lari. In industry the figure was 1,089 lari, while in agriculture it was 329 lari. IMF, *Georgia: Recent Economic Development*, 2001, p.101.

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undoubtedly mitigates the impact of unemployment and under-employment, effectively displacing the role of the state as a social safety net.

One of the chronic problems facing the Georgian government has been its incapacity to collect domestic revenue. Between 1992 and 1997 tax revenues in Georgia consistently stood at less than 10% of GDP. More recently this figure has improved marginally to comprise nearly 14 %. An increasing disparity between the numbers of registered and active taxpayers has been a consistent feature of Georgia's taxation regime. The major problems with tax revenue collection are multiple: inadequate prediction of tax revenues expected, the narrow tax base institutionalized in the tax regime itself and the impunity with which transgressions of the system are tolerated.³² In 1997 Georgia adopted a single integrated Tax Code that broadened the taxation base by eliminating some (though by no means all) exemptions. The taxation regime that it introduced contained numerous problems, most importantly the penalization of lower-income earners relative to higher earners. Furthermore, between its introduction and April 2001 there have been 113 amendments to the Code adjusting both taxation rates and base with a significant revenue impact. While some of these amendments have been made in the interests of some of Georgia's poorer regions, most of them benefited specific sectoral interests in the Georgian economy. They are therefore a reflection of the lobbying power particularly of natural gas and energy enterprises, and the politically sensitive agricultural sector.

CIS states as a group are the most important trading partner for Georgia, accounting for 40% of imports (followed by the European Union at 26% and Turkey at 13%) and 48% of Georgian exports (followed the European Union at 19% and Turkey at 16%) in January-September 2002. A further failure in revenue collection is customs tax. The Georgian government exercises firm control only over its northern entry point at Q'azbegi, the Armenian and Azerbaijani borders and the port of Poti on the Black Sea. To the north (South Ossetia) and north-west (Abkhazia) border transit is in the control of secessionist authorities or regional cliques. These two zones provide highly lucrative corridors of contraband, flooding Georgia with cheap goods that have not been taxed. To the south-west, Georgia's borders are under the control of the leadership of Adjarian Autonomous Republic and, as a rule, customs revenues collected there never reach the Georgia central budget.

In September 2002 Georgia's outstanding debt stood at over \$1.7 billion (32% of GDP) split roughly down the middle between multilateral debts arranged with international financial institutions (mainly the World Bank, International Monetary Fund, and the European Union) and bilateral debts with individual states (mainly Russia, Turkmenistan, Austria and Turkey). Ninety per cent of this amount was incurred before 1994 and had already been rescheduled until 2002. Although Georgia has successfully kept up with interest payments, debt servicing accounts for up to 20% of total budget spending (\$58 million in the first nine months of 2002) and principal repayment presents a major problem threatening to use up most of Georgia's hard currency revenue. The issue of rescheduling foreign debt is still on the Government's agenda for 2003. Furthermore, it is exacerbated by the fact that the IMF has suspended its program in Georgia. Without such a program in place, the

³² For a detailed discussion of these problems see United Nations Development Programme, *Human Development Report. Georgia* (Tbilisi, 1999), pp.25-36.

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Government of Georgia will not be allowed to request another rescheduling of foreign debt in the Paris Club.

In the field of privatization and reform, some progress has been achieved but has in recent years stalled. There is a huge discrepancy between the achievement of stated objectives through the introduction of privatization and regulatory frameworks and progress towards the business environment these changes are designed to produce. Thus while advances have been made in regulatory reform, banking sector restructuring, trade liberalization, judicial reforms and health sector reforms, outstanding shortfalls include the completion of initiated reforms, especially in the privatization of the telecommunications and energy sectors, an improvement in the business climate and investments in public infrastructure and services. A number of big privatization projects are lined up to follow the highlight of privatization thus far, that of Tbilisi's Telasi Power Company at the end of 1998, 75% of its shares being sold to US investor AES. In general the privatization of small enterprises has been the most successful. Many tenders for medium and large-scale enterprises have failed to attract bids and the enterprises have been left unsold. The privatization process itself has been fraught with illegalities, from tenders not being announced as law requires to large numbers of tenders involving only one candidate.

Corruption remains perhaps the principal obstacle to reform, and has increasingly dominated the domestic political agenda. The International Monetary Fund identifies three patterns of corrupt practice as salient in transition economies: administrative corruption, where illegal/informal payments are made to public officials to obtain a particular administrative/regulatory outcome; state capture where payments are made to 'purchase' laws and regulations; and third, cases where firms influence policy making without making resource to payment of officials.³³ According to these criteria, Georgia falls into the 'high corruption' category relative to other CIS states. As a gauge of administrative corruption, surveys of company practice indicate that Georgia is above the CIS average with more than 4% of Company revenue expended as bribes to officials.³⁴ The police, traffic police, tax and customs authorities and energy sector companies are widely regarded as being the most corrupt.

The series of amendments to Georgia's Tax Code since its adoption in 1997 referred to above provides evidence of the strength of sectoral lobbying for preferential treatment, reducing the taxation base and resulting revenues. Shevardnadze has undertaken a number of high profile anti-corruption measures since 2000, including the creation of an anti-corruption council, yet these have yet to bear significant results beyond the declaratory condemnation of corruption.

Although under the pressure from the Anti-Corruption Council, the President had to fire some high-level governmental officials, in most instances the Council's initiatives are of pro-forma nature and the Council does not have enough authority and qualification to root out economic foundations of corruption. Corruption is likely to loom as an increasingly significant political issue in the forthcoming parliamentary and presidential elections. Understandings of corruption in Georgia are further extended

³³ IMF, *Georgia: Recent Economic Development*, p.22.

³⁴ The CIS average is just over 3.5%. The survey puts Georgia marginally behind Ukraine and Uzbekistan, Armenia at over 4.5%, Kyrgyzstan at over 5% and Azerbaijan at nearly 6%. Hellman, J., G. Jones and D. Kaufmann, 2000, 'Seize the State, Seize the Day: State Capture, Corruption, and Influence in Transition', World Bank Policy Research Working Paper 2444 (<http://www.worldbank.org/wbi/governance/>).

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to mean the involvement of high-ranking officials in kidnapping and trafficking, focusing in particular on Georgia's zones of lawlessness in Abkhazia, South Ossetia and the Pankisi valley. Recent years have seen a rapid rise in the number of kidnappings (and murders) of both citizens and high-profile Western workers in Georgia. The failure of security agencies to resolve most of these cases points to the involvement of state officials at the highest levels.

Georgia thus presents an unfavourable business environment characterized by porous borders allowing influxes of cheap and illegal goods, monopolistic restrictions, additional costs and transactions required by corrupt practices and poorly enforced regulatory frameworks. These conditions continue to severely compromise local industrial activity, and privilege short-term investments over mid- to long-term commitments. In social terms, Georgia's economic predicament is extremely serious with no prospect for marked alleviation in the near future.

4.3 Social Structures

4.3.1 Family, Class and 'Clan'

General trends of development, especially since 1998, do not make for formation of stable social constituencies or classes in Georgia. Like many other post-socialist states, the salient trends are the enrichment of a tiny political and economic elite and the impoverishment of the larger mass of the population. Categorizations of the population into different 'classes' has never been tried here considering conceptual and methodological problems and character of existing data. Still preliminary figures of 2002 population census provide some interesting information on income generating activities of the local population. Only 40, 1% of local residents were employed at the time of census. Only 0, 75% of those employed received income from enterprises they own and might be formally considered as entrepreneurs. 57, 7% of all employed received their income from land and 33, 7% more were hired personnel, overwhelming majority of those employed by various government agencies.³⁶ On the other hand 21, 2% of total population received some kind of support from the government, mainly in kind of pensions. All this only indicates a process of deterioration of the old Soviet social structures still without a trace of emergence of constituencies relevant to a new type of modern, productive economy.

Another indicator of a general stagnation is a stable level of poverty that fluctuates to 1-2 percentage points from 50% of population since mid-1990s when it started to be calculated.³⁷ Average per capita income in 2002 was 60, 8 Lari or less than \$ 1 per day that is considered as an absolute poverty line by the World Bank.³⁸ The country

³⁶ Almost 9/10 of these living from agricultural activities said that they receive their income from "private subsidiary plots of land" i.e. were not commercial farmers.

³⁷ It is calculated as share of population living below a monthly subsistence level, which was 117,3 Lari in June 2003 for an average adult consumer.

³⁸ The State Department of Statistics of Georgia provides regional poverty data as well, but it fluctuates to such extent from region to region and from year to year that its virtue is rather doubtful.

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also loses its position in the world as measured by the Human Development Index. It moved 12 places from 76th in 1999 down to 88th in 2003 among UN member states.

Beneath official Soviet social framework Georgia retained key features of a patriarchal and in some senses clan-based social system. To a considerable extent these informal, personalized networks suffused the formal structures of the state in Soviet Georgia under the conditions of enforced shortage, and have therefore been well placed to appropriate the state and its assets in the post-Soviet arena. This was reflected in the fact that the *tolkach*, the traditional ‘fixer’ in the Soviet economic system, had no equivalent in the Georgian economy or language: “[I]t is a function that is dispersed and is always latently active within personal networks. Every Georgian is a potential *tolkach* in his own interest or in the interest of network”.³⁹ This observation is still valid today.

Continuity with the Soviet era is thus more salient than change or renewal, and ‘corruption’ needs to be understood in terms of a long-standing cultural system for resource distribution, albeit exaggerated by post-Soviet conditions, rather than the decay or subversion of a more egalitarian pre-existing system. The informal economy is itself a ‘social structure’, closely tied to specific cultural values, which has expanded in post-Soviet Georgia to fill additional roles previously played by the state.

In post-Soviet Georgia the salience of the shadow economy amid the collapse of official structures has lent a new relevance and vitality to informal networks. While at the everyday level, ordinary Georgians attach great significance to family networks for the procurement of work, revenue and other social goods, a more generalised ‘clan’ politics is present at every level of society. ‘Clan’ is an ambiguous concept and its usage in the Georgian context differs from that of Central Asia, where it is often used to evoke a more kinship-oriented understanding of politics. Kinship or lineage identities (themselves social constructs rather than ‘real’ genetic formations) in the Central Asian sense are largely non-existent in Georgia.

‘Clan’ in Georgia assumes a less rigid meaning of an informal network united by a common patron, control over a particular resource base, a regional or ethnic identity or simply common interests, often featuring as kind of “mutual-assistance” societies. Sometimes such groups consist of people working together in influential Communist party organizations back in the Soviet era. For instance officials working under the current mayor of Tbilisi in the Central Committee of Young Communist League back in 1980s (and very proud of the fact) figure prominently in the actual decision making in the capital, although no one of them occupies a high-ranking position in the local government.

³⁹ Mars, G. and Y. Altman. 1983. “The Cultural Bases of Soviet Georgia’s Second Economy”. *Soviet Studies*, 19, no.4 (October), p.557.

⁴⁴ A draft law formally equalizing concepts of citizenship-nationality (ethnicity) was discussed and given favourable consideration in Georgian parliament during 2003 spring session, but for unclear reasons never adopted.

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While clan networks are omnipresent, they grow in salience and political influence with distance from the Georgian centre. Thus while clans have to compete for power at the centre, in some peripheral regions single clans hold unrivalled control. This is the case in Ajara, where the clan of Aslan Abashidze enjoys unchallenged hegemony, but also to some extent in other parts of Western Georgia, namely in Samegrelo and especially in Svaneti.

Patron-client ties structured by clan affiliations infiltrate all areas of governance and result in the profound personalization of processes and transactions as diverse as political party formation (see below, political parties), privatization and electoral fraud. Patron-client ties structure, for example, relationships between central and regional government. Negotiations between different patrons or clans pay scant regard to official legal or ideological considerations and provide an informal structural network through which real power is negotiated and exercised.

4.3.2 Ethnicity and Religion

Following its disastrous politicization under Gamsaxurdia, post-conflict political elites have been extremely wary of ethnicity as a political platform. The past few years have seen a marked effort to introduce a civic nationalism rooted in political institutions and citizenship rather than ethnic identity. This has been abetted by the fact that the two most serious scenarios of ethnic confrontation in the early 1990s, Abkhazia and South Ossetia, are now outside of government control, and to all intents and purposes quite removed from Georgian society. Although many Georgians see the idea of nationalism (often equated by Georgians with Zviadism, the nationalist ideology advanced by former President Gamsaxurdia) as a discredited one, this has not reduced the salience of ethnicity as a marker of personal and group identity. This may be attributed first to the resilience of Soviet categories and understandings of nationality as ethnicity, and secondly to the fact that in conditions of heightened insecurity ethnic identities often enjoy renewed legitimacy as identities derived from belonging and not achievement.⁴⁴

Ethno-demographic change in post-Soviet Georgia was profound (see table). Obviously a significant rationalization of the population in favour of the Georgian ethnic group has taken place to a large extent due to the influx of Georgian IDPs and factual secession of Abkhazia and South Ossetia. Among the minorities formerly living in Soviet Georgia which have depleted in numbers Russians and Greeks feature the most prominently. In both cases their out migration was further encouraged by relaxed naturalization regimes in external homelands. For most groups, migration has been motivated by economic rather than political reasons. Greek migration strongly altered an ethnic structure in Southern Georgia, namely Tsalka district, a former area of their compact settlement, while Russians, as well as Armenians, migrated mainly from the leading urban centres, namely the capital. In majority of cases migration was directed towards Russia. Georgian economic migration has also been significant, and remittances from family members working abroad (mostly in Russia, Turkey, Greece and elsewhere in Europe) are a vital lifeline for many families in Georgia. Some predominantly Georgian districts were virtually left without active age population as a result of such migration, for instance Tianeti district near Tbilisi, where the majority of an able populace has found an employment in Spain of all other places.

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Comparative Ethnic Structure of Population of Georgia, years 1989-2002

	1989		2002		2002/1989
	Thousand persons	% of total	Thousand persons	% of total	
Total population	5408,0	100,0	4371,5	100,0	80,3%
Georgians	3787,4	70,1	3661,2	83,1	96,7
Armenians	437,2	8,1	248,9	5,7	56,9
Russians	341,2	6,3	67,7	1,5	19,8
Azeri	307,6	5,7	284,8	6,5	92,6
Ossetians	164,1	3,0	38,0	0,8	23,2
Greeks	100,3	1,9	15,2	0,4	15,2
Abkhaz	95,9	1,8	3,5	0,1	3,6

Source: Census of population year 1989, year 2003 (preliminary data).

Georgian is the official state language, but state incapacity in the field of language planning means that for non-Georgian speakers there are as yet few incentives or opportunities to acquire the language.⁴⁵ The provisions of the 1989 Georgian State Language Programme have remained unfulfilled, a fact recognized in a presidential decree in September 1997, "On Measures to secure the functions of the State Language in conditions amenable to the Study of Native Languages among National Minority Populations" (note the phrasing of this decree). Work also began at that time to draft a language law, but it was never completed. The lack of tuition in Georgian is widely recognized as being acute in Armenian-populated Samtskhe-Javakheti and Azeri-populated Kvemo Kartli. On the other hand an actual process of learning Georgian by the minority populations depends on the inclusion of these people into the mainstream socio-economic processes leading to contacts with Georgians. Azeri population, which plays a prominent role in providing goods for Tbilisi agricultural markets and cross-boundary trade has promptly discarded Russian and replaced it by Georgian as a second language, although an actual literacy remains doubtful. As to Armenians in Southern Georgia, who are virtually isolated from the rest of the country and depend for their livelihood on Russian military base situated there as well as on seasonal work in Russia, Georgian is of a little value and neglected. Position of Russian even in the capital where it always maintained a prominent position has reduced to a minimum (it is now taught as a foreign language and has no official status), and is being replaced by English, at least among the young Georgian elite.

Georgia is outstanding for the absence of ethnically based national minority political parties. This is in large part to the 1997 Law on Citizens' Political Associations, which bans the creation of regionally based parties and reflects continuing nervousness of regional movements. It also reflects low levels of social and political mobilization among Georgia's national minorities. This in turn may be attributed to the existence of contiguous homelands for Georgia's largest minorities (Armenians and Azeris), which have acted as alternative sources of social goods (such as native language education materials) to the Georgian state.⁴⁶

⁴⁵ According to the Constitution it shares official status with Abkhaz in Abkhazia, although this remains purely hypothetical pending Abkhazia's re-integration.

⁴⁶ Textbooks in non-Georgian schools (mainly Russian language, especially in the capital) that amount to 17% of total are provided free of charge by the respective governments and children are being instructed by the respective curricula as well. Now the Ministry of Education of Georgia conducts negotiations to make these countries

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Ethnicity is closely correlated with religion in Georgia, although actual adherence to Georgian Orthodoxy is nominal among many Georgians. A notable trend in the past years has been the rise of religious intolerance.⁴⁷ A series of attacks by vigilantes against both non-Orthodox organizations and NGO offices promoting religious freedom have gone unpunished, and indeed enjoy the support of the more conservative wing of public opinion.⁴⁸ This may act as a reminder that although civil society has laid roots in Georgia, conservative views quite inimical to pluralism and the exercise of basic freedoms remain strong in Georgian society.

On the other hand existing evidence suggests that it may be the over-simplification to attribute these processes entirely to xenophobia and religious nationalism. There is no evidence that any misunderstanding has taken place with traditional religions present in the country, including Islam. All intolerance and violence is directed towards modern Western religious sects that operate here since mid-1990s. The vast majority of new recruits by these organizations are from those who traditionally belonged to Georgian Orthodox Church. Here we deal with a classic case of struggle for redistribution of spheres of influence. In this struggle the local church occupies an obviously disadvantaged position. As organization it was to a great extent weakened by struggling under the Soviet regime, possesses little material and financial resources, have lost tradition of actively competing for a flock, lack younger, progressively thinking clergy. On the other hand their opponents are often world-wide organizations, much better financed and organized, some with more than a century of experience of aggressive proselytizing on a global scale. Thus the worries of local conservatives could be understood, although methods used by extremists can not be justified.⁴⁹

4.3.3 Gender and Age

Soviet era emancipation means that women in Georgia are not actively discriminated against despite society's often patriarchal tendencies. While women may be less prominent in the more ritualized aspects of social gatherings, real responsibility for the running of households lies more with women than with men. Wives and mothers often share this responsibility with grandparents, and particularly in rural contexts large households with multiple generations are common.

Prolonged economic crisis has seen an expansion in the economic roles played by women, so that many women are now responsible for both organizing households and earning income. Although comprehensive survey data is lacking, a common pattern has been the assumption of sole responsibility for bread-winning as husbands have been made unemployed. For many representatives of both genders the shift from qualified and guaranteed work in Soviet times to the vagaries of petty

provide schools with textbooks developed in Georgia in their native languages, requesting to start teaching at least history and geography of Georgia immediately.

⁴⁷ For an overview see U.S. Department of State, *Annual Report on International Religious Freedom: Georgia*, September 1999.

⁴⁸ See L. Fuller, 'Who is protecting Georgia's Maverick Priest?', *RFE/RL Caucasus Report*, Vol.5, No.25, 18 July 2002.

⁴⁹ Recently a local law has taken some faltering steps towards bringing to justice these extremists. For instance, their leader, a break-away priest is currently hiding from criminal prosecution, but what actual results this may lead to, remains to be seen.

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entrepreneurialism has been extremely difficult. Working in markets involves long hours, demanding physical conditions and a lack of any kind of protection. Split families are very common in Georgia, with usually male members working abroad for extensive periods. Fertility and marriage indicators have declined over the past decade. Infant mortality has fluctuated, undergoing a distinct rise in 1992-1994, but settling to late Soviet-era rates by the end of the 1990s.

Those of pensioner age in Georgia are one of the hardest-hit social groups by economic crisis. In 2002 pensioners represented 16, 7% of the population, drawing on a range of pensioners' and disabled benefits. Even if these still formally exist in the post-Soviet Georgia, their actual amount is currently 17 Lari per month or 0,15th of the subsistence level. Besides these pensions are usually paid in arrears, often up to 24 months.⁵³ Even such irregular process has virtually come to a standstill in 2003 when pensioners outside the capital ceased to receive this money at all. This is forcing pensioners to find income through petty trading, often begging and/or depend on wider family networks.

4.4 The Government Apparatus (executive, judicial and legislative)

Despite the transformation process, public administration institutions maintain features characteristic of the 'soviet' structure: autocratic management, weak delegation of authority, poor communication with the general public, incomplete execution of functions, weak horizontal links between the public institutions, orientations less to do with solving current problems of public importance and more related to the implementation of particular interests. Such institutions express mistrust towards innovations, thus having a damaging overall impact that is needed to establish modern structures. They tend to use non-traditional governance methods and in most cases take irrelevant decisions.

Economic factors have the strongest influence on the work of the government and among them the issues of financial management are the most important. The process of

⁵³ Besides a process of distribution of pensions through the designated private banks is organized in such a way that discourages the people from obtaining money at all even when it is available. People often have virtually to fight for pensions with an unruly crowd since a period of their distribution is limited to just 3 days per month. It often leads to unrest and even deaths were registered. It is alleged that money "saved" this way is used for illegal financing of local business and/or political parties.

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transformation of governmental structures should include fundamental improvement of financial management.

Another factor that determines the poor performance of the government is failed attempts to undertake reforms. No consistent and comprehensive strategy for reforming public administration has ever been designed, which is quite natural, since the country has not yet decided what kind of government structure it wants to have. Institutional changes that have been implemented since 1995 reflected shifts of power distribution within the government, rather than the political will of the government to improve the policymaking process or the government structure. Most of the public administration reforms were cyclical: the government would implement a reform, and then instead of building on the reform, it would revert to the previous position. This happened in a number of ministries, which merged and separated several times; the most notorious examples include tax and customs administration, and the Ministry of Finance and the various ministries concerned with economic issues.

Although the legislative framework has changed significantly during the last decade, implementation of reforms remains a serious problem. Partly due to this problem, no sub-laws have been enacted to facilitate their implementation, nor was there sufficient will from inside or pressure from outside to implement the General Administrative Code, the Law on Civil Service, the Law on Conflicts of Interest and Corruption in Civil Service, etc.⁵⁴

What follows are the primary areas where concrete steps need to be made to improve the situation:

1. **Civil Service Management.** One of the reasons for the spread of corruption in civil service is the lack of a unified system of personnel management. It is recommended that a law be drafted that would require civil service employee ranking, increase the role of the Civil Service Bureau, and mandate that it coordinate and monitor personnel departments at various state agencies.
2. **Decrease in number of civil servants** (*According to the various sources there are 34,000-35,000 civil servants in Georgia, which are evenly split between state administration and local governance. It is believed that the national budget cannot sustain this number. It is expected that 25-30% of the civil servants will be fired within next 3-5 years*). A decrease in the number of civil servants and optimization of structure of civil service will increase efficiency and create a possibility for increasing salaries. So, it is recommended to reduce the number of public employees by 25%, based on the optimal structure and priority level of a given agency, not by applying universal percentage criteria.
3. **Qualification of Civil Servants.** Low professionalism and lack of skills are seen as one of the factors driving corruption. Current lack of funds does not allow organizing training programs for the civil servants. It is recommended to elaborate a long-term program with the aim of creating highly qualified public servants.

⁵⁴ For an overview of the public administration reforms and the legal environment see “Assessment Study on Capacity Building and Cooperation in Public Administration in the Caucasus”, GFSIS, Tbilisi, 2002; www.gfsis.org

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4. **Rules for Recruitment and Promotion of Civil Servants.** Job competition is not mandatory. It is the discretion of head of agency to decide to hold a competition. It is recommended to establish a strict procedure for mandatory competitions. Ways to facilitate publicity for competitions are to create a web-page that would display vacancies and promotions of civil servants, and to give the Civil Service Bureau (CSB) more competences in monitoring promotions (*currently, promotion of civil servants is at the discretion of the head of a given agency*).
5. **Status and Guarantees to Civil Servants.** Civil service in Georgia is not associated with high prestige or a stable career. General and obvious requirements should be established, and all civil servants should pass relevant tests. Increases in civil servant qualifications should occur regularly. The promotion of civil servants should depend on achieving the higher standards. On the other hand, job security of civil servants should be strengthened. The firing of civil servants should only be allowed for concrete and proven violations.
6. **Improvement of the system of salaries.** Both the corruption and low prestige of the civil service are closely associated with low salaries. The average monthly salary of civil servants is lower than the consumer basket (*low ranking servants get 40-70 GEL, highest ranking 160-220 GEL; the consumer basket varies, but is usually about 110-115 GEL*). It is recommended that civil servant salaries be at least as high as the consumer basket. In case of salary arrears, employees should be paid compensation. A group of high-ranking executives should be selected who will be paid substantially higher salaries (1000 GEL) with the aim of enlarging the group every year (*however, when this idea was discussed in the Parliament, MPs demanded that they should all be included in the list*). The mechanism of material and criminal responsibility should be imposed on those whose actions create wage arrears.
7. **Allowing secondary employment.** The civil servants whose salaries are lower than the consumer basket should be allowed to work elsewhere. At the same time, the Law on Conflict of Interests and Corruption should remain in force;
8. **Standards of Behavior (Ethical Code) of Civil Servants.** An ethical code has a substantial role to play in preventing corruption. There is no single legal act currently that enforces an ethical code for civil servants in Georgia. The Law on Conflicts of Interest and Corruption is not working yet. It is recommended to codify norms of behaviors for civil servants, establish penalties for violations, and to create internal inspections.
9. **Financial Disclosures.** Although public officials regularly submit financial disclosures, the current system of verification is not very efficient. It is recommended to improve the verification system and establish penalties for submitting incomplete information.

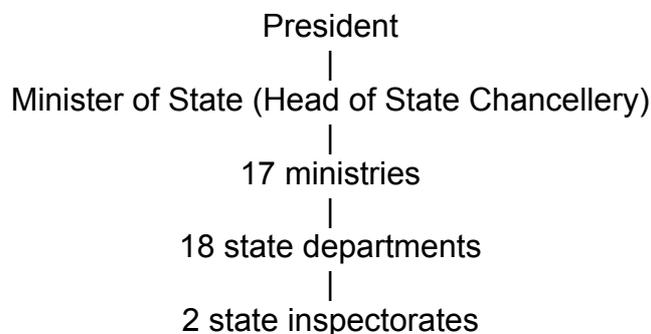
The implementation of the given recommendations requires strong political will from the top leadership of the country.

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4.4.1 The Presidency

The presidency is the most important political institution in Georgia. The position is elected by universal suffrage for a five-year term. According to the Constitution, the president determines foreign and domestic policy, issues decrees that have normative legal status, appoints ministers (with the approval of the Parliament) and major officials within the executive, presents the budget to parliament and is responsible for state security. The executive branch in Georgia has been characterised, as elsewhere in the former Soviet space, by a high degree of institutional instability. Prior to 1995 the executive took the form of a cabinet of ministers headed by a prime minister. The 1995 Constitution abandoned this arrangement in favour of an American-style presidency, with power concentrated in a State Chancellery headed by a Minister of State rather than a cabinet arrangement. What follows is a structure of the executive defined by a law in 1997:⁵⁵

Figure 1. The Georgian Executive



The Presidency rules largely by the issue of presidential decrees, while ministries have limited policy-making remits of their own. The executive arm of government extends into the sphere of regional government through the appointment of regional governors and administrators (see below, regional government). This has served the Presidency well at election times, when presidential appointees have been able to influence results in the incumbent's favour. While the Presidency dominated the political process in the mid- to late-1990s, as Shevardnadze's popularity has waned, the Presidency has increasingly ceded importance to the Parliament as the centre of negotiations over the re-distribution of power between rival groups and factions in the succession struggle.

4.4.2 The Legislative

Four parliamentary elections have now been held in Georgia since the demise of Soviet power. The Georgian parliament consists of 235 seats, elected for a four year term; 150 are elected from party lists proportionally according to those parties that pass the 7% threshold for representation and 85 of which are elected in constituencies corresponding to Georgia's districts (*raionebi*) on a first-past-the-post system (article 49 of the Constitution). The Georgian Parliament has grown in political stature since its inception, and has in recent years proved itself increasingly capable of standing up

⁵⁵ The April 15, 1997 Law of Georgia "On the Executive Power Structure and Regulations of its Activities"

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to the presidency. Nevertheless, presidential influence in the parliamentary electoral process, compromised elections and the transparently corrupt (to use an oxymoron) character of many of its deputies means that it falls far short of comprising an effective representative body. In a system where political parties are often more representative of personalized interests (see below, political parties) than political constituencies the fractiousness of the parliament needs to be understood in terms of the rise and fall of political interests external to institution of parliament itself.

4.4.3 The Judiciary

According the 1995 Constitution, judges of general courts are appointed for a period of not less than 10 years; the procurator's office is the institution of the judiciary and the general Procurator is proposed by the President for Parliament's approval for a term of 5 years (article 86 of the Constitution). A Constitutional Court is responsible for constitutionality and the protection of human rights. It consists of a team of 9 judges (3 selected by the President, 3 by the Parliament and 3 by the Supreme Court of Georgia). The tenure of the members of Constitutional Court is 10 years (article 88 of the Constitution). The judiciary suffers from a number of serious problems in Georgia, the most acute being the lack of qualified judges, the influence over it of the executive branch, corruption at the heart of the system and the low prestige of the legal system in society at large. As a result of the judicial reform, carried out since 1997, most of the court body with Soviet mentality and background have been replaced by young judges. Due to the reform, over time, parts of the system have shown themselves to be independent, the Supreme Court winning its first important battle when it overturned as unconstitutional the closing down of the Rustavi-2 television channel by Ministry of Communications. Still, this type of cases is an exception and corrupt practices and the decisions made under the pressure of the Executive prevail.

Figure 2 The Georgian Judiciary

Constitutional Court of Georgia

↓
responsible for constitutionality
and the protection of human rights

The general Courts System⁵⁶

Supreme Court of Georgia

Supreme Courts of Ajara and Abkhazia (Appellate courts of Ajara and Abkhasia)	Appellate Courts of Tbilisi (East Georgia) and Kutaisi (West Georgia)
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↙ ↘
First Instance General (district and city) Courts

4.4.4 Regional government

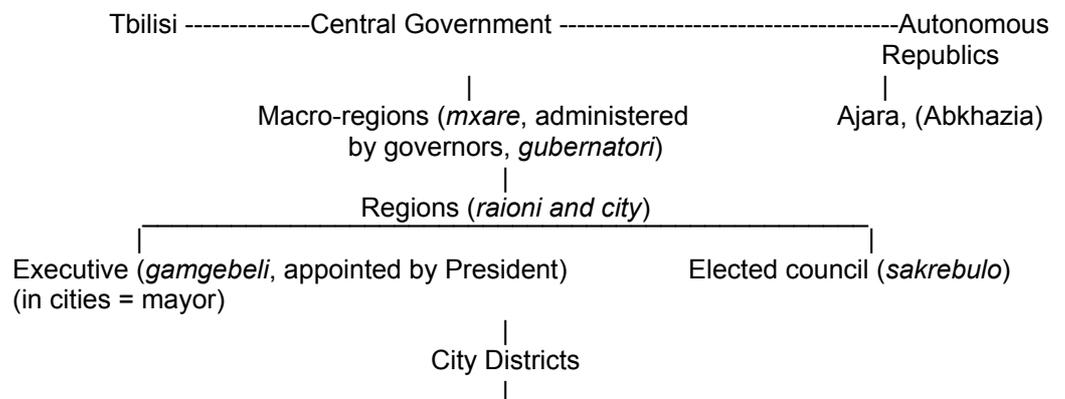
⁵⁶ Determined by the June 13, 1997 organic law "On General Courts".

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Regional government and the territorial organization of the state has been the defining problem accompanying the devolution of power in the late Soviet period. The success of secessionist bids in Abkhazia and South Ossetia, and 'budgetary disobedience' in Ajara has instilled a strong desire for a centralized, unitary arrangement of the state at the same time as underlining the impotence of central government to impose such an arrangement. The Georgian Constitution does not define the territorial structure of the state, as it was decided to wait until the restoration of Georgia's territorial integrity before formalizing any federal or autonomous arrangements. This produced a state of paralysis in centre-periphery relations as resolution processes failed to bear fruit. More recently, Ajara has succeeded in securing its legal status, while Abkhazia has in absentia been recognized as an autonomous republic within the Georgian state. In the meantime, a point should be made that a number of articles of the Georgian Constitution include clauses of federal state. Accordingly, Georgia is thus in legal terms a federation, although this has no meaning in practice.

Institutional arrangements of regional government have undergone a number of changes over the past decade with the result that there is considerable ambiguity over institutional prerogatives and rights. Presidential decrees emanating from the centre have dominated the system rather than effective or autonomous local government. The system descends in hierarchical order (Figure 3) from the centre to macro-regions (*mxare*, an innovation dating from 1993), administered by governors (*gubernatori*)⁵⁷, to regions (*raion*) and cities, where local government is divided between an elected council (*sakrebulo*) and an executive administrator (*gamgebeli*; in cities - mayor). The President appoints both governors and administrators. It has been suggested that the *mxare*-level of administration may act as a precursor to the creation of federal units, although in the immediate term this innovation has been more concerned with centralization.⁵⁸ Regional administrators have limited powers and effectively represent the President's will in the provinces. They are instrumental at election times in 'ensuring' that the correct results are returned to the centre.

Figure 3 Regional Government in Georgia



⁵⁷ In 1993 the first governor was appointed in Kakheti region. Rights and duties of governors are determined by the law "On the Executive Power Structure and Regulations of its Activities" (articles 32-34) and the October 16, 1997 organic law "On Local Self Government and Government" (articles 42-43).

⁵⁸ The nine *mxare* are Kvemo Kartli, Shida Kartli, Mtskheta-Mtianeti, Samtskhe-Javakheti, Imereti, Mingrelia and Zemo Svaneti, Racha-Lechxumi and Kvemo Svaneti, Guria and Kakheti.

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Communities (*temi*)
|
(*daba*)
|
Village (*sopeli*)

4.4.5 Political Parties

In contrast to the increasingly authoritarian and repressive political climate in Central Asian states, Georgia exhibits a more individualist political culture in which criticism of the government is open and tolerated (though usually producing no after-effects). Nevertheless it is important to recognize that while liberty may exist in Georgia, this does not translate into democracy. The formal framework of the multi-party politics belies a profound personalization of party politics in which notions of stable political constituencies are largely irrelevant. Rather than a multi-party system where political parties occupy contrasting positions on an ideological spectrum, Georgian party politics is an inchoate and highly fluid admixture of competing clan, regional and economic interest groups. Processes of party formation and fragmentation represent manifestations of client-patron ties rather than the expression of consolidated political constituencies. The field of Georgian party politics has been aptly dubbed a “clientelistic party non-system” in which networking practices of the Soviet era continue to structure party configurations, a problem much more deep-rooted than the political immaturity of a nascent democracy.⁵⁹ This means that although Georgian party politics is pluralistic, it is far from being either ideologically coherent or uniformly representative. Furthermore, Georgia has not enjoyed yet peaceful transition of power from one political party (coalition) to another as well as of presidential power. Thus the most precise definition for Georgian reality is “party-and-a-half-pluralism”: a ruling presidential party unilaterally governs the country, allowing other parties to exist and even to criticize – but not to participate. The illusion of political pluralism is kept alive, but the government can easily engineer the outcome of elections, regardless of the will of the voters. Such a system, in principle, bars the opposition from coming into power. Thus, the party of power constitutes one unit, while the rest taken together are just a half.⁶⁰

Parliamentary representation is dependent on crossing the electoral threshold, which was raised from 4% in 1990 to 5% in 1995 and 7% in 1999 of the national vote; that means that the vast majority of Georgian political parties (of which there are dozens) are not represented.⁶¹ As a result of the 1995 parliamentary elections only three parties overcame the threshold – Citizens’ Union of Georgia (22,3%), National-Democratic Party (7,8%) and Revival bloc (7,5%), while the parties and blocs that did not get into the Parliament, accounted for almost two thirds of the votes. In 1999

⁵⁹ S. Kjeldsen, ‘Georgia – a Clientelistic Party Non-system: Party System Theory Applied to the Caucasus’, *Slovo*, 11 (1999): 79-102.

⁶⁰ The imposition of the threshold, designed to result in more consolidated political parties, has not had the desired effect. Rather, electoral blocs composed of groups often radically divergent in orientation form to contest elections and having served their purpose rapidly dissipate in the aftermath of elections. Alexander Iskandaryan, “State Construction and the Search for Political Identity in the New Transcaucasian Countries”, *Central Asia and the Caucasus*, No.4, 2000, 172-179

⁶¹ 1992 parliamentary elections were held on the basis of “mild” preferential system without electoral threshold providing parliamentary representation to 26 parties.

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elections again only three electoral entities – CUG (41,75%), Revival (25,18%) and Industry Will Save Georgia (7,08%) overcame the threshold. An increase of the threshold, designed to result in more consolidated political entities, has not had the desired effect. Rather, electoral blocs composed of groups often radically divergent in orientation form to contest elections and having served their purpose rapidly dissipate in the aftermath of elections. E.g. “Revival” electoral bloc in 1999 elections included Revival Party representing interests of the leader of Ajara Autonomous Republic – Aslan Abashidze, leftist Socialist Party, rightist Union of Georgian Traditionalists, and one of the numerous groups of the followers of the first president of Georgia – Zviad Gamsaxurdia. As the 2003 parliamentary elections are approaching, the Socialist Party this time has entered into alliance with the CUG while the Traditionalists are still in search of new ‘patron’.

Party configurations are not stable but dependent on the political fortunes and will of the individuals around whom party structures are clustered. “None of the three political forces that entered the parliament as a result of 1999 elections are based on any system of values”.⁶⁷

Due to a lack of the ideological backbone and the traditions of intra-party democratic decision-making, majority of political groups in Georgia are usually neither predictable nor transparent. The career of the CUG is a case in point. Formed in 1993 (first registration in 1994) as a support base for Shevardnadze, the CUG *has* been virtually the ruling party since then. As a “presidential party”, it became attractive because of power, privileges and most-favoured treatment it promised its members, and embodied a broad coalition co-opting numerous disparate (and from an ideological point-of-view incompatible) interests.⁶⁸ As Shevardnadze’s popularity and prestige has waned, the antagonisms within the CUG became more and more obvious. Shortly after the 1999 parliamentary elections a few wealthy businessmen led by David Gamkrelidze broke away from the CUG and established the New Rights Party. The former leader of the CUG parliamentary faction and ex-Minister of Justice Mikheil Saakashvili and a group of his associates were the next who quit the CUG and established the National Movement for Democratic Reforms.⁶⁹ Finally, former Speaker of the Parliament Zurab Zhvania and his followers also left the CUG and founded the United Democrats’ Party. The latest news is that acting speaker of Georgian Parliament Mrs. Nino Burjanadze, elected to the parliament through the CUG party list in 1999, also sounds out the possibilities for creation of a new political organization

⁶⁷ L.Berdzenishvili, “A step Forward, Two Steps Aside”, in the brochure: What Kind of Country Do We Have after These Elections? Edit. G.Nodia, CIPDD, Tbilisi, 2000

⁶⁸ I.Haindrava, “Looking Beyond Shevardnadze”, Problems of Post-Communism, Vol.50, No.1, January-February 2003; 22-28.

⁶⁹ Shortly after its formation, the National Movement established a political bloc with Republican Party and the Union of National Forces – two smaller rightist parties.

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under her leadership. All of these groups represent today opposition to Shevardnadze and the remainders of his CUG.

Mess in the CUG culminated in its poor performance in June, 2002 local elections. The CUG party list failed to overcome electoral threshold in the capital-city of Tbilisi and has no representatives in the city legislature. The attempt to fill up the gap after the break off of the several groups and to make ruling elite competitive for the coming elections resulted in the strained alliance with the Socialist and National-Democratic parties and semi-voluntary recruiting of new party members from among bureaucracy and state workers. Still, if the coming elections are more or less fair, CUG's chances look rather vague.

One more noticeable actor of the past few years on the Georgian political scene is the Labour Party. Its charismatic-populist leader Shalva Natelashvili is widely supported by the frustrated 'have-nots'. Labourists have had a remarkable success in 1998 and 2002 local elections but members of the party tend to desert to those in power while the party obviously lacks intellectual resources.

The fact that major parties in Georgia are clustered around key personalities and regional interests is an indication of their shallow foundations. Blocs formed for the purposes of fighting elections typically fragment after the vote, which reflects the instrumental rather than ideological logic of party and bloc formation. None of the numerous electoral blocs and political alliances formed during a dozen of years and electoral campaigns proved to be viable.

Party funding remains obscure. In some cases, such as the Revival party, there is no distinction within Ajara between the party and the state since their ruling cadres are coterminous. To a certain extent the same may be attributed to the CUG as well, though the situation in Tbilisi is more competitive than in Batumi. In other cases, such as Industry Will Save Georgia and the New Rights party (or even Socialist and Labour parties), business interests have funded party formation and activities. Other more credible parties suffer from serious funding problems, since supporter subscription is an alien concept and quite unrealistic on a mass level in the current environment.

4.4.6 Civil Society Organizations

Following international opprobrium leveled at the autocracy of the Gamsaxurdia era, the importance of maintaining democratic appearances in the eyes of the West has been a major factor supporting the emergence of a small but energetic civil society in post-Soviet Georgia. The late 1990s were characterized by a climate in which material impoverishment was more problematic for the media than censorship, and in which the number of non-governmental organizations flourished. As elsewhere in the former Soviet Union, understandings of civil society as an autonomous space between state and society where disparate interests can be articulated have been slow to develop. Moreover, the NGO sector in Georgia is highly dependent on Western donors and overwhelmingly concentrated in Tbilisi. Some NGOs have also proved to be spurious confections of government or personal interests. Nevertheless, Georgia now has a small but experienced cadre of NGO activists, a number of professional associations and research institutions and a wide range of organizations dedicated to specific causes. Among other problems that the NGO community faces, it is noteworthy to mention that: (a) they lack communication between each other; (b)

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researchers and common citizens lack access to the body of research and information generated in the civil sector; (c) CSOs still have to overcome an 'island mentality' – a propensity to create the outputs for internal use of a single organization or the fellow CSOs only; (d) they lack of knowledge to market their information and make it as usable as possible; (e) there is a lack of data collection standards. Fortunately, the situation changes and CSOs gain more strength and voice in shaping public opinion. Also, unlike early 1995, there are technical and professional possibilities for developing CSO information database and facilitating better outreach. Unfortunately, though, these gains have been compromised by a number of recent developments, including the intimidation of independent media, an increasingly intolerant stance on religious diversity (see above, ethnicity and religion) and the failure to consolidate basic freedoms in law. The scale of popular demonstrations in defense of independent media, which led in November 2001 to the resignation of the government, also shows, however, that constituencies in support of civil society and capable of mobilizing in defense of statutory freedoms are forming.

While all media outlets in Georgia have faced severe financial constraints over the past decade, independent media have experienced much greater degrees of financial difficulty than state-funded outlets.⁷⁰ Major problems throughout the first post-Soviet decade included the independent print media's dependence on state-controlled printing facilities, bad journalistic practice inherited from the Soviet era and the politically flavoured sponsorship of newspapers by either businessmen or politicians. Independent broadcast media have suffered from limited coverage networks, leaving only the state-controlled Channels 1 and 2 offering universal coverage. Rustavi-2 was the first independent channel to broaden its coverage base and challenge the monopoly of state channels. It was banned twice (in 1995 and 1996), though its license was returned after an eight-month trial in the Georgian Supreme Court.

While officials are tolerant of policy critique in the media, tolerance of revelations of corruption or illegal business dealings is much lower. The late 1990s saw a number of law suits filed against journalists by leading officials (including State Minister Niko Lekishvili and Shevardnadze's nephew Nugzar Shevardnadze) after they had published investigations of financial impropriety. Anonymous threatening phone calls to independent media outlets, harassment and even beatings were also characteristic infringements of media freedom. In July 2001 Giorgi Sanaia, a journalist and anchorman with the popular independent TV station Rustavi-2 was murdered in what many in Georgia have seen as a shot across the bows of independent media. This was the first case in Georgia of a murdered journalist. Later the same year the station's offices were raided by police, prompting mass demonstrations in defense of Rustavi-2. This has added an overtly political dimension to the already considerable material struggles of Georgia's independent media. A press bill strengthening provisions on libel and defamation has been raised by conservative elements in the Parliament, while the legal requirement for the free disclosure of information by the state continues to be routinely flouted.

Nonetheless, direct interference is entirely absent. Some forms of indirect influence on the media are still visible. The above-described case of Rustavi 2 illustrates how the

⁷⁰ For an overview of the media situation in Georgia see Z. Ch'iaberashvili, "The Legal Framework for the News Media in Georgia: Structures and Problems" (Tbilisi: Caucasian Institute for Peace, Democracy and Development, 2000).

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government or local authorities may use certain administrative levers. However, it is only a disturbing aberration in a country where the trend over the past year has been towards ever greater freedom for the independent media.

What remains is self-censorship. This is most likely to be more profound within state-controlled media. Journalists may, for instance, cut particularly radical statements when editing an interview with an opposition political figure, or balance a controversial opinion with a statement by Shevardnadze. This is not to imply that the phenomenon of self-censorship is confined to the state-controlled media; but in the case of the independent media the rationale is less likely to be fear of offending the national leadership as of running foul of other influential structures in society.

Outside of Tbilisi, independent media outlets are more vulnerable to local political interests. In Ajara in particular, independent outlets critical of the local administration have been harassed or closed down.⁷¹ This creates pressures for local media outlets to accommodate local authorities and thereby compromise journalists' freedom in their choice of reporting.

Civil society institutions in the seceded territories are much weaker and more prone to the vagaries of local powers than in Georgia. The sector is more developed in Abkhazia, where is a very small but experienced core of civic activists that is tolerated by the de facto government. Civic dialogue with Georgian organizations takes place through a variety of formats, and is much more energetic than that with South Ossetian organizations. Some Georgian civic activists attribute this disparity to the nature of local incumbents in Sukhum/i and Tskhinval/i. Funding differentials are also key.

Underlying the growth of civil society has been a process of increasing estrangement of the ordinary citizen from the political process. Very high levels of mobilization and election turnout have fallen away over the past decade as political institutions have lost legitimacy. The rush to steal the state by political elites, in conjunction with their failure to uphold the Soviet tradition of a paternalist state that provides for its citizens, has seriously compromised interest or belief in politics among everyday citizens. The widespread violations recorded in the 1999 parliamentary elections and the foregone conclusion of the 2000 presidential election have added to this political lassitude. It is likely, however, that the Shevardnadze succession question will galvanize political mobilization over the next year and a half in Georgia, as this will present a key threshold for the re-organization of power for the following period.

4.5 What is the basis of political mobilization and competition

Georgia has a mixed presidential-parliamentary system with the emphasis on the former. Relative stability in the Georgian context is more a reflection of the personalization of politics and political appointments. Institutions, from the presidency to political parties,

⁷¹ For example a news programme entitled *axali ambebi* ('New News') was closed in Ajara for the duration of the presidential elections in April 2000 and the owners forced to hand over a majority of the backing Channel 25's shares to Mixeil Gagoshidze, Head of Communications in the Ministry of Security of Ajara. European Institute of the Media, *Monitoring the media coverage of the April 2000 presidential elections in Georgia. Final Report* (Dusseldorf: European Institute for the Media, 2000), p.18.

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are only as stable and predictable as the figures that head them. Thus the period 1995-2003 is likely to be hailed historically as a period of stability due to President Shevardnadze's tenure in power, rather than the consolidation of key political institutions. A further problem with the clan arrangement of politics is that tenure is closely linked to the political career of one's patron. This encourages officials to take maximum advantage of tenure through rent-seeking activities while they are in office, and therefore to take a predatory approach towards both state assets and state-society relations. Public servants, particularly at the lower levels of the state bureaucracy, thus prey upon the public they are nominally supposed to serve, while patrons at the higher end of the scale distribute largesse to personal constituencies. To a significant extent state positions may be bought and sold, but personnel change is more often a function of clan rivalries. When a patron falls, his clan is also necessarily removed, resulting in instability in the composition of official cadres. In some cases the fallen clan may regroup within an alternative or rival political institution or party, explaining to a significant extent otherwise illogical institutional and political party proliferation.

Of course it is difficult to speculate on the incentives motivating political actors. Yet it seems reasonable to conclude that a major incentive for a career in politics or the state bureaucracy is to have a stake in the resource distribution mechanism that the political system represents. In a context where official salaries are symbolic and backpaid, corruption in the form of rent-seeking is an integral component of this system. This is not to suggest that there are not politicians or political actors of integrity in Georgia, yet a politician's standing in terms of integrity is usually in inverse proportion to their actual power.

Power is formally acquired and legitimated by parliamentary and presidential elections. The emphasis, however, is on 'formally'. On the surface elections are taken seriously in Georgia, with great efforts expended to ensure that they take place, that international observers are present and elections are seen to be legitimate. In practice widespread fraud and manipulation have increasingly characterized elections in Georgia. This disparity is curious, and points to an alternative function of elections: the demonstration of fealty by clients in the regions to patrons at the centre. This is particularly true of the presidential elections, where regional governors and heads of local administrations – *gamgebelis* – appointed by the president sought in 2000 to demonstrate their loyalty (and thereby secure their tenure) by returning 'appropriate' results to the centre. This is reflected in the headline of the preliminary statement on the 2000 presidential election issued by the chief domestic observer organization, ISFED: '*gamgebelis* elect president'.⁷² "Considering the widespread cynicism and apathy among voters, the official results (especially the turnout), it is obvious that the strained credulity is beyond the breaking point. Despite Shevardnadze's denials of chicanery, even his advisors and allies concede – some publicly, some privately – that the tallies were falsified, and blame local officials eager to present Shevardnadze with a landslide".⁷³

⁷² International Society for Fair Elections and Democracy, 'Preliminary Statement on monitoring results of Presidential Elections of Georgia April 9, 2000'.

⁷³ Report on the Presidential Elections in Georgia, April 9, 2000, Prepared by the Staff of the Commission on Security and Cooperation in Europe, USA Congress, Washington, DC, 2000

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This configuration of power acquisition goes some way towards explaining the deterioration in the standards of electoral practice since independence. While the presidential and parliamentary elections of 1995 were deemed generally free and fair, those of 1999-2000 were widely criticized by both international and domestic observers.⁷⁴ “The last parliamentary and presidential elections strengthened the positions of those already in power and are widely seen as a setback for democratic development.”⁷⁵

In the regional context of Ajara a different (or exaggerated) form of political authority is exercised, more reminiscent of Soviet practices and comparable to current developments in Central Asia. Under the repressive and authoritarian control of the autonomous republic’s chairman, Aslan Abashidze, open opposition is not tolerated. Elections in Ajara feature implausibly high turnouts and invariably return overwhelming victories for Abashidze and his Revival party machine. In 1999 parliamentary elections 241,515 were officially reported to participate from total registered voters of 254,030 in Ajara. Thus, the turnout exceeded 95%, while the figure for turnout in Georgia, as a whole, was 67.9%.⁷⁶

An exception to this pattern was the 2000 presidential election when Abashidze withdrew his candidacy the day before the election and results in Ajara endorsed Shevardnadze as president. Following the election a number of concessions confirming Ajara’s autonomous status and economic sovereignty were announced.⁷⁷ This points to a further function of elections as opportunities for ‘barter’ between the centre and periphery. Where regional elites are able to control electoral results, they are able to push for concessions from the centre in return for formal endorsement of the centre’s authority – and thereby the integrity of the state – in their regions. This points to the weakness of the centre and its opting for ad hoc arrangements with powerful regional elites, and suggests that for as long Georgia remains fragmented elections will continue to provide heightened periods of negotiation over centre-periphery relations.

Unrealistically high turnout figures are not restricted to Ajara. In Kvemo Kartli region the President and the ruling party secure for themselves actually the same “unanimous support” as Abashidze does in Ajara. In the 1999 parliamentary elections the turnout in Marneuli district was reported as 98.6%, in Bolnisi district - 95.4%.⁷⁸ While national turnout in 2000 presidential elections was officially reported as of 75.86%, in Kvemo Kartli region the turnout was over 94%. Observers in the Marneuli district reported a number of cases where turnout exceeded 90 percent by lunchtime

⁷⁴ Author’s interviews with Nugzar Ivanidze, International Society for Fair Elections and Democracy, 5 and 11 April 2000. Undoubtedly the view that Shevardnadze’s continued tenure was critical to Georgia’s stability tempered international criticisms of the 2000 election.

⁷⁵ Nations in Transit 2001, Edited by A.Karatnycky, A.Motyl and A.Schnitzer, Freedom House, 184-195

⁷⁶ Georgia Parliamentary Elections 31 October & 14 November 1999, Final Report, Office for Democratic Institutions and Human Rights (ODHIR), Warsaw, 7 February 2000.

⁷⁷ Following Abashidze’s withdrawal, Shevardnadze polled 70% of the vote. After the election, it was announced in Tbilisi that Ajara’s status would now be reviewed and the Constitution amended in order to formally define the republic’s autonomous status. *Alia*, 20-21 April 2000, p.4; *RFE/RL Caucasus Report*, 21 April 2000. One week later it was announced in Tbilisi that a free trade zone in Ajara would be “economically expedient”. *RFE/RL Caucasus Report*, 5 May 2000.

⁷⁸ Georgia Parliamentary Election 31 October & 14 November 1999, Final Report, ODIHR, Warsaw, February 7, 2000

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on the voting day. In one case, 2,733 of the 2,747 registered voters had voted by 14:00, one voter every 11 seconds. Overall, the Marneuli district recorded a turnout of 98 percent from 86,000 registered voters of whom 99 percent voted for Eduard Shevardnadze.⁷⁹ This simply means that the great deal of population in the Kvemo Kartli region (where ethnic Azeris constitute majority) is left out of political process in Georgia. So is the political opposition (like in case of Ajara), which is deprived of a chance to compete both with Abashidze and his Revival party in Ajara and with Shevardnadze and his CUG in the Kvemo Kartli region.

No elections in the period since 1990 have taken place across the entire territory of the former Soviet Georgian republic. Ethnic Abkhazian and Ossetian elites in Abkhazia and South Ossetia successfully boycotted the elections to the Georgian Supreme Soviet (Parliament) and presidency in 1990-91, and since the de-facto secession have held an independent and internationally unrecognized elections within the territories under their control. This differentiates Georgia from the Bosnian case, where post-conflict elections formed a central component of the peace agreement bringing a formal conclusion to hostilities. In the Georgian context no single institutional or political space exists as yet, for which the post-conflict elections could contribute to resolving the question of who governs it.

Only free and fair elections can push Georgia ahead towards legitimate and credible power, accountable government, and transformation of fragile stability into stable political and economic development. Thus, the upcoming November 2003 parliamentary elections and presidential elections in April 2005 (when Shevardnadze's last presidential term expires) acquire outstanding importance. Not surprisingly, international organizations and Western leaders encourage president Shevardnadze to ensure fairness and transparency of the coming elections. The recent visit of the ex-State Secretary Jim Baker to Georgia at the request of the President of the United States is a clear indication of the USA commitment to fair elections in Georgia. Mr. Baker assisted Georgian government and the various opposition parties to agree on a number of issues (Revival party and Industry Will Save Georgia objected the agreement). The most important of them are as follows:

- Government will develop transparent compilation of accurate, computerized voter registry lists to be displayed publicly in all polling stations and on the Internet by September 1.
- Government will ensure equal access to media outlets, including state media, for all candidates effective immediately.
- Government will support and facilitate a parallel vote tally to be conducted by independent election observers.

But the crucial one may be the agreement on the composition of election commissions, which provides ruling party with 5 seats and opposition parties with 9 seats, while the chairperson of the Central Election Commission is to be appointed by the OSCE. Baker's initiative lays foundation for improving electoral process in

⁷⁹ Republic of Georgia Presidential Elections 9 April 2000, Final Report, ODIHR, Warsaw, 9 June 2000

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Georgia. Still, it is not a guarantee of fairness of the coming elections – too much is to be done by all parties involved.

4.6 How is power shared

Despite the existence of the classic scheme of power distribution between executive, legislative and judicial branches, in fact, real power leans towards the President who, through various means, can take advantage over the other two "equal" branches of the government. There are loopholes in Georgian legislation, which allow this to happen; President submits the draft budget to the Parliament and the latter can either approve the overall figures, or reject it completely. The Parliament does not have the right to correct the budget without presidential consent.⁸⁰ Even if the overall budget is not approved, the executive branch continues to operate with the figures from the previous year and does not risk facing non-confidence. The Parliament can not vote for non-confidence of the government or any minister on any other matter, unless there is a charge in the violation of the constitution, treason, or in criminal offence. In this case, the Parliament starts quite complicated procedure of an impeachment, which is rather difficult to achieve. (It also implies the consent from the supreme or the constitutional court). At the same time, certain high rank officials of the executive branch are not formally responsible before the Parliament, since they are not appointed by the legislature. It refers to rather influential Secretary of National Security Council, presidential assistants and heads of independent state departments (for example, head of the Department for State Border Defense, head of the Special State Protection Service). President has the decisive voice in appointing judges of various levels.

Problem is also the general nature of the broad range of Georgian laws, when the details are to be defined by the executive orders of the President. But probably the main shortfall of the Georgian political system in general, and the structure of the powersharing in particular, is widespread lawlessness, disrespect to the written laws and procedures. Sometimes, the mood is set by the President himself; In 1998 he employed military forces against rebels in western Georgia without consulting with the Parliament, without declaring the emergency situation; In 2001, until the very last moment, he did not inform the Parliament about the presence of foreign (Chechen) fighters on Georgian soil, which later caused international scandal and further deteriorated relations with Russia. He generally ignores parliamentary resolutions concerning the issues of Russian-Georgian relations and/or the Georgian-Abkhaz conflict. Despite the fact that General prosecutor's office is legally a part of the judicial branch of the government, the President directly controls and orders its activity.

In 1992-1993 armed groups were quite influential and rather autonomous political and economic actors in Georgia. Not only the Parliament but also the Head of the State (predecessor of the presidential post) had problems in controlling them. Gradually, however, law enforcement agencies and military became tightly subordinated to the President who is the Commander in Chief of the Georgian armed forces. In order to ensure his supremacy, the President also employs a technique of 'divide and rule': Military forces of Georgia, counting approximately 35-

⁸⁰ The Constitution of Georgia, Article 93, clause 3s

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40 thousand men, are dispersed through 3-4 agencies, which are rather independent from each-other and are coordinated essentially only by the President. Seven independent agencies can investigate economic crime. Law enforcers and military are reported to be rather corrupted institutions although the same is believed about the other, civilian branches of the government. Today Georgian security and defense establishment, as well as police and prosecutor's office is undergoing reforms aiming at increase of their effectiveness, strengthening civilian democratic control. Assistance and decisive insistence for the reforms comes from the US, EU, NATO. The US is conducting so called GTEP (Georgian Train and Equip Program) for Georgian armed forces, EU states are active in technical assistance for police, security, including border security. However, breakthrough still remains to be seen. Against the background of total shortages of budgetary funds, it has become very difficult to overcome corrupt practices within these systems and ensure improvement of their professional skills.

Self-government in Georgia is undeveloped. In local elections of 2002 the level of self-government has been increased but mostly on the level of provincial towns and villages, which do not have any substantial financial autonomy. On the other hand, role of the central government is quite limited in Ajara autonomous republic. But it is done more through disobedience of the local leader, than through constitutional delineation of the competencies. Central government is rather cautious in its attempts to make Ajara obey national rules and decisions: especially against the background of two unresolved conflicts in Abkhazia and South Ossetia and taking in to account that Ajarian leader has good relations with Russia and its military stationed in the region.

With regards to economy and business sector, one has to note that Georgia has advanced in privatization farther than some other post-Soviet states. The problem is that in many cases the government fails to ensure equal starting positions for various business groups. Georgia has the law on conflict of interests, not allowing state officials to meddle in business but in reality it happens frequently. The fault line between business and politics in Georgia are rather blurred. Many laws adopted in the Parliament serve to particular interests of business groups. Debates about corruption, bribery in the executive branch and in the Parliament are quite widespread. In order to ensure the safety of one's business, one has to have influential personal protectors in governmental circles. Power agencies, such as police, security service etc., play very active and illegal role in business. Many MPs, ministers are shareholders in trade, construction or any other commercial enterprises directly or through friends and relatives. One can speak about the emergence of powerful clans or oligarchy in Georgia.

However, the good news is the development of civic organizations, watchdogs, working for democratization and liberalization of the Georgian society and political system. NGOs and independent media are ensuring a real freedom of speech in Georgia. Currently, not without the pressure from the West, Georgian government pays much more attention to the opinions of non-governmental sector and media than it was the case in the past. Civil society of Georgia achieved the most noticeable result, when the President was forced to fire previous security and police ministers, who were widely known as being involved in corruption and other forms of illegal activity (e.g. unlawful relations with Chechen terrorists and criminals, etc.). But

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another, risky development can also be seen: not without passive or indirect encouragement from governmental circles, criminal, xenophobic, extremist religious groups are gaining strength. Currently one of the most acute problems of Georgia, constantly noticed by foreign observers, is an existence and activity of the orthodox fundamentalist groups. They openly violate basic rights of the representatives of non-traditional denominations and basically go unchecked and unpunished by law enforcers. On the other hand, certain groups of professional criminal world feel rather safe in Georgia. Some of them acquire real estate throughout the country and try to enter politics.

4.6.1 Security Forces

Georgia's independence has been characterized by extreme instability in the field of civil-military relations. The late Soviet period was dominated by the rise of a number of 'warlords' controlling their own paramilitary organizations, the most notable of which was the *mxedrioni* (Horsemen), responsible for removing Gamsaxurdia from power. Although President Shevardnadze effectively neutralized these elements, the continued vibrancy of an illegal arms market in the Caucasus has meant that there is continued scope for armed insurrection by local actors and paramilitary activities in regional contexts. In 1998 a renegade former supporter of Gamsaxurdia staged an armed march on Georgia's second city, Kutaisi. The insurrection was quickly dispersed, but it clearly illustrated the vulnerability of the Georgian state to security crises. Paramilitary activity continues to be a critical factor in continued tension in Abkhazia, where two groupings in particular, the White Legion and the Forest Brothers, actively carry out assassinations of Abkhaz security forces as well as the smuggling of contraband. Border incidents occur on a weekly basis at Georgia's 'weak points', the Gali and Kodori regions of Abkhazia, the Pankisi gorge and the frontier with Chechnya, and also along Georgia's southern borders with Azerbaijan and Armenia.

The Georgian security forces consist of the Ministry of Defense, the Ministry of the Interior and the beleaguered State Department for Frontier Defense. The armed forces constitute approximately some 27, 000 men (a nominal figure which includes what are thought to be over 3,000 deserters) and some 70, 000 reserves. Employees of the security forces, like other state employees, have seen their salaries fall into arrears for up to one year. This has forced police, soldiers and especially officers to fund themselves by alternative means, which includes the re-sale of provisions intended for military consumption, arms trafficking and embezzlement. At all levels from training colleges to the upper echelons of military command, the entire structure is crippled by the lack of resources. Rather than state funding, the Georgian armed forces are more dependent on international donors for items as diverse as uniforms, equipment and English tuition (the United States and Turkey are the principal donors). Conscripts have to enact their duties in the most basic of conditions; a number of conscript suicides have been reported in the last few years. Conscientious objection has risen dramatically in recent years, and has been linked to the rise of non-Orthodox sects since many objections are lodged on grounds of membership of these religious organizations. There is law stipulating an alternative of non-military service dating from 1997, but this has yet to function in practice. In Ajara territorial conscription is practiced, so that Ajarian conscripts only serve within Ajara. Despite their current

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predicament the armed forces provide enthusiastic electoral support for President Shevardnadze, 98% participating in the 2000 presidential election, often in conditions inaccessible to election observers.

The Ministry of the Interior is the most important security institution, and the President has traditionally always appointed a trusted figure to the post of Interior Minister. This made the November 2001 resignation of Kaxa Targamadze, following media revelations of his criminal engagements and security force raids on Rustavi-2 TV station all the more remarkable. The force of popular dissent against Targamadze and the violation of media freedom, expressed in the first large-scale street demonstrations in Tbilisi for several years, effectively forced President Shevardnadze to sacrifice Targamadze.

5. Short-term Contingent Factors

5.1 Trafficking

The trafficking of arms, drugs, and other illegal goods through Georgia is a phenomenon that increasingly attracts international attention. Georgia is thought to form part of a so-called 'Caucasian Route' that carries goods from the Caucasus and possibly beyond through Turkey to Europe. This phenomenon has its roots in illegal weapons sales at the time of the collapse of the Soviet Union, and has been since bolstered by the continued existence of unrecognized and un-policed secessionist territories. Weapons trafficking is thought to be contained at the Caucasian rather than international level due to discrepancies between Western and Soviet weapons calibres. More recently Russia has accused Georgia of providing conduits for Western weapons to find their way into Chechnya, a growing cause for concern in the light of American plans to supply Georgian security forces with military equipment.⁸¹ Illegal networks are also a salient feature of the war economy sustaining the de facto statelets of Abkhazia and South Ossetia. Abkhazia is thought to be a significant conduit for drugs to find their way into Russia, an operation that the Abkhazian authorities are both unable and unwilling to curtail.⁸² From the Georgian side the political imperative of Abkhazia's non-recognition makes the de facto Georgian-Abkhazian frontier difficult to police as a frontier. Trafficking in the Pankisi valley (see below, Pankisi) and spill-over of trafficking and network conflict into the region of Mingrelia from Abkhazia provide further evidence of the spread of contraband activities. There is no doubt that many figures within Georgian law enforcement agencies, not to mention the Georgian guerrillas operating in Abkhazia, are actively involved in this trade.

Georgia is believed to be a secondary transit route for heroin smuggled from Afghanistan to Europe. Afghan morphine base destined for Turkey is also presumed to transit Georgia. Given Georgia's geographic location and its ambition to be a key element in a future overland trade corridor between Europe and Asia there is a

⁸¹ K. Liklikadze, 'Are Illegal Weapons Transited through Georgia'. *The Army and Society in Georgia* September-October 2001 (http://www.cipdd.org/cipdd/_a&s/a&s2001/m0501.htm).

⁸² S. Closson, 2003, 'The Perpetual Quasi-State of Georgia: Economic Functions of Violence', paper presented at the 8th Annual Convention of the Association for the Study of Nationalities, New York.

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possibility it could also emerge as a major drug trafficking route. No reliable statistics on the current domestic or transit drug traffic in Georgia exist.

Additional trafficking to Georgia from Russia through South Ossetia and from Azerbaijan is believed to feed the domestic Georgian drug market. It was previously believed that these drugs were repackaged in the Pankisi Valley. Georgian law enforcement operations in Pankisi during 2002 are believed to have diverted drug flow through Pankisi to other neighboring areas of the country without reducing the flow of drugs. While involvement in drug trafficking by Georgian nationals remains limited; cigarette, fuel and alcohol smuggling are major illegal activities in Georgia. Interdiction efforts are hampered by Georgia's lack of control of all its territory and its borders, some of which are under separatist control. Border Guards and Customs officials are poorly paid and, despite recent efforts at reform, Customs remains liable to corruption.

Georgia is a source country for women trafficking primarily to Turkey, Greece and UAE, with smaller numbers trafficking in Israel, Portugal and the United States for the purposes of sexual exploitation, domestic servitude and forced labor. Thousands of children living in the streets and in orphanages are vulnerable to trafficking. The Government of Georgia does not fully comply with minimum standards for the elimination of trafficking and it is not making significant efforts to do so. While the government made some efforts to strengthen law enforcement coordination and advanced closer to amending its criminal legislation, its efforts were unorganized and lagged behind those of NGOs.

5.2 Pankisi

The Pankisi valley lies on the Georgian side of the Georgian-Chechen border, and is an area where organized crime activities have intersected with the wider politics of the United States' and Russia's respective 'wars on terror'. The valley, historically inhabited by a Chechen-related minority, the Kist, has turned over the past few years into a security vacuum where organized crime networks engaged in smuggling, hostage-taking and trafficking have acted with relative impunity.⁸³ The onset of the second Russo-Chechen conflict and the 'war on terror' brought a new focus on Pankisi through Russia's claims that Chechen militants and Islamic radicals were hiding in camps located in the gorge for populations displaced from Chechnya. These claims were later enlarged by Moscow and American diplomats in Georgia to include the presence of Al-Qaida operatives in the gorge. The situation was radicalized by the Moscow theatre siege, leading to a Georgian 'security sweep' through the valley in September 2002 and a clumsy crackdown on Chechen refugees in Tbilisi. Pankisi in effect presents a source of Russian leverage on Georgia, which it uses to try to portray Georgia as an inherently unstable state demanding external interventions.

In the meantime, the overall situation in the gorge, according to both the Georgian officials and international experts,⁸⁴ has become stable. No major clashes occur in the gorge since last September, when the most active phase of the anti-crime operation

⁸³ For an account of developments in Pankisi up to spring 2002 see C. Blandy, 2002, 'Pankisskoye Gorge: Residents, Refugees & Fighters', The Conflict Studies Research Centre.

⁸⁴ E.g. on April 27 delegation of the NATO Parliamentary Assembly paid a fact-finding visit in Pankisi to evaluate "a possible danger coming from the gorge".

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was conducted. The Georgian troops carry out a round a clock patrolling in the gorge.⁸⁵ While the Georgian law enforcers are on high alert in anticipation of the fighters' possible new incursion in Pankisi gorge, Chechen refugees living in the gorge complain regarding social hardship and security concern and demand resettlement to the third country. Chechen refugees refuse to go back in Chechnya now as there is no security guarantee.

It seems more justified to see the Pankisi problem as one of weak and corrupt security enforcement by the Georgian state, which demands internal police reform rather than military intervention.

5.3 The Succession Struggle

Georgian politics is already dominated by the question of who will succeed President Shevardnadze. Shevardnadze's period in power may be understood in terms of the principle of 'government by the path of least resistance'. He has presided over an impressive stabilization of politics in Georgia compared to the conditions he confronted when he came to power in 1992. As time has gone on, however, his reluctance to risk political confrontation through structural and political reform and the curtailing of corruption has transformed him from being part of the solution to instability to being part of the problem of endemic corruption and poor governance. At present there is no obvious successor among the different groups vying for power, which can be broadly labeled as nationalists, democrats and oligarchs.

The parliamentary elections scheduled for autumn of this year will also be dominated by the broader succession struggle. Although there is speculation that the elections may see a return to populist nationalism, this seems unlikely in view of the near complete failure of nationalist elements to secure representation in the 1999 parliamentary elections.

5.4 Exodus

New figures suggest Georgia is losing some of its best people in a massive migration crisis. Georgia's population has shrunk by one-fifth - a million people - in the 13 years since independence, according to census figures just released.⁸⁶ The much-delayed census results highlight for the first time the full extent of the country's migration crisis. The figures were released on May 6, more than a year after the census was held. They show that Georgia now has a population of 4.4 million. The last census in Soviet Georgia in 1989 recorded a population of five and a half million people.

Government and independent experts agree that the main reason for the disastrous figures is a mass exodus of people, mainly of working age. Statistical and anecdotal evidence suggests that the country is losing its most valuable people - professionals, people with a higher education, and men and women aged between 20 and 50 who

⁸⁵ NATO MPs Satisfied with Situation in Pankisi, Civil Georgia, May 8, 2003 <http://www.civil.ge/pankisi.shtml>

⁸⁶ State Department of Statistics of Georgia, 2003

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could be having children. As a result, the birth rate in Georgia has halved since 1992, and a disproportion has grown up between the sexes, with women making up 52.8 per cent of the population and men 47.2 per cent.

Sociologists point out that most migrants leave the country looking for work and many of them would like to return at some point.

The first wave of emigrants to leave independent Georgia did so mainly between 1993 and 1995. They mainly came from the country's ethnic minorities and left for their "historical homelands," meaning Russia, Ukraine, Armenia, Greece, Israel and Germany.

The second big wave of emigration began in 1999, and this time those leaving were mainly Georgians. The experts suggest that these people had waited for 10 years for their lives to improve, but they had finally run out of patience.

Russia remains the main destination for migrants, with up to 750,000 Georgians believed to be living there now. It is a natural place for them to go - it is a country they know well, which has higher living standards, and a language they understand. However, many Georgians work in Russia either semi-legally or illegally for lower than average wages. Some are victims of illegal people trafficking (see above, trafficking).

The government of Georgia has so far made only limited steps in trying to restrict irregular migration and suppress trafficking. Certain government officials have vested financial interests in the operation of tourism firms and employment mediators, which could serve as an explanation of why irregular migration can still operate with virtual impunity.

Another class of emigrants consists of young Georgian men, who go abroad to escape two years' military service in the country's miserable and underfed armed forces.

Georgia is on the brink of a demographic catastrophe. The government prefers to give the most implausible arguments to explain the dramatic fall in the number of citizens, rather than admit to its own incompetence. And that's the reason that there was a 13-year gap since the last census.