

COST OF CONFLICT: Core Dimensions of the Georgian-South Ossetian Context



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CONTENTS

COMMENTS FROM THE EDITORS

Dina Alborova, Susan Allen, Nino Kalandarishvili 5

THE INSTITUTIONAL DIMENSION

Institutional Costs of the Georgian-South Ossetian Conflict:

The Transformation of Political Institutions in South Ossetia

Dina Alborova 7

The Conflicts and Georgian National Institutions: Time for Rethinking?!

George Kanashvili 15

THE HUMAN DIMENSION

Costs of Conflicts in Georgia and Obstacles to its Development

Medea Turashvili 23

Understanding the Impact of Armed Conflict in

South Ossetia on its Social Capital and Networks

Svetlana Valieva 31

THE ECONOMIC DIMENSION

The Financial Side of Conflict: The Case of the Georgian-South Ossetian Conflict

Vakhtang Charaia 38

Cost of Conflict: The Economic Aspect

Fatima Dzhioeva 46

INTERNATIONAL VIEW

The Cost of the South Ossetian Conflict on Russian-EU relations

Sabine Freizer and Varvara Pakhomenko 52

Russia and South Ossetia: Formation of a New Status Quo and the Cost of Stability

Sergey Markedonov 58

The Cost to the United States of the August 2008 War

Cory Welt 67

COMMENTS FROM THE EDITORS

We, as editors of this volume, have gathered this set of articles in order to provide a range of materials for discussion of the Costs of Conflict in the Georgian-South Ossetian context. From the theoretical perspective, Costs of Conflict can be assessed in many ways, drawing on many different scholarly approaches. The loss of human life is a measure of one of the gravest types of destruction caused by war. When we see the numbers of dead after a war, it is clear that irreversible destruction has changed families who lost loved ones. Another measure is migration. Populations uprooted by fighting or the threat of violence may never return. Or, significant efforts will be required to ease repatriation for those that wish to return once the fighting has ended. These humanitarian measures of death and migration provide a stark picture of the immediate human costs of conflict.

However, as we look at the August 2008 war, and the previous fighting in 1989 and the early 1990s, we see that there are other costs to conflict, too, even beyond the tragic loss of life and the uprooted families. For example, other human costs include the social costs such as widespread trauma, lost educational opportunities, and barriers to visiting relatives, funerals, weddings, and graves. And, there are institutional costs, such as the realignment of financial and political systems. Finally, there are significant financial costs, such as lost business, access to land, workplaces, reconstruction needs, and lower levels of investment in conflict zones.

Of course, conflicts also bring some form of benefit, to a few of those involved. Theory tells us that certain criminal forces can operate effectively in areas where the instability of war and post-war uncertainties provide opportunities. Furthermore, politicians can mobilize support by pointing fingers at external enemies. Other countries may provide aid to conflict victims, in the form of state financial, security, or political support. And, one group may see a benefit where others see a cost; wars can lead to new arrangements that are perceived by some as reinforcing security and by others as undermining security.

In this collection, we have gathered articles that reflect a broad range of approaches to considering the cost of conflict. The articles also reflect a broad range of perspectives on Georgian-South Ossetian relations. Some authors write with a pro-Ossetian perspective. Some write with a pro-Georgian perspective. And, the volume also includes western and Russian perspectives.

All the authors study the cost of conflict with an intention to learn from the past. It is our sincere hope that by considering the various aspects of costs of conflict from very different perspectives, we can learn how to better address the ongoing costs and prevent future fighting and destruction, both in this specific context and, perhaps to some extent, in other conflicts worldwide, too.

We believe that the very different, sometimes diametrically opposed, interpretations of events, and treatments and understandings of what at first glance seem to be obvious factual chronologies of events is itself actually one cost of conflict that societies have incurred. As editors, we feel that the main strength of this publication lies in its inclusion of widely different and sometimes incompatible points of view on many points regarding the Georgian-South Ossetian context. Together, these points of view give a fuller picture of the Georgian-South Ossetian context. For this reason, the geographic terminology used by authors was not edited, nor were any edits made to the factual representations authors included in their articles. Each of us editors has our own individual views on terminology, facts, and the interpretation of events, but we were careful not to edit away any of the author's own individual views.

The volume begins with a review of institutional costs (and benefits) in the Georgian-South Ossetian

context. Dina Alborova's "Institutional Cost of the Georgian-South Ossetian Conflict: Transformation of Political Institutions in South Ossetia" examines stages of institutionalization of political life in South Ossetia, noting ongoing challenges of the current stage of integrating security structures with Russia while developing other institutions in the context of partial recognition. Giorgi Kanashvili's "Conflicts and Government Institutions of Georgia: Time for Reconsideration?" critiques the Georgian institutional responses to the conflict and offers suggestions for more constructive ways forward. Together, these articles provide insights on the direct effects of conflict and war on the institutions that directly affect our lives.

Next, we turn to considering the human costs of the conflict. Medea Turashvili's "Cost of Conflicts in Georgia and Obstacles to its Development" presents the conflict as a lose-lose conflict, at least from the perspective of the human costs, but offers some hope that these human costs will be addressed in the future. Svetlana Valieva's "Understanding the impact of armed conflict in South Ossetia on its social capital and networks" focuses on the social fabric and its tears and repairs since the war, examining the human costs in light of social network theory. These two approaches acknowledge that we are social beings, and our human costs of war include the loss of our social structures.

Economic costs are considered by Vakhtang Charaia and Fatima Dzhoieva. Charaia's "The Financial Side of the Conflict: Case of the Georgian-Ossetian Conflict" includes a Strengths-Weaknesses-Opportunities-Threats (SWOT) analysis for both the Georgian and South Ossetian economies, and considers future prospects for the economies. Dzhoieva's "Cost of Conflict: An Economic Aspect" focuses on the South Ossetian economy exclusively, but considers it in the context of the Russian economy and prospects for developing the economy in the near future. By considering the economic costs in these ways, the question arises: what will it take to award both Georgians and South Ossetians with a peace dividend?

The volume then turns to consider three international views of the costs of the Georgian-South Ossetian conflict. Together, Freizer and Pakhomenko present a review of Europe's and Russia's shifts during and after the 2008 war, highlighting shifts in policy that include shifts in the European-Russian relationship. Sergey Markedonov presents a Russian perspective that considers the costs of stability, a core Russian concern, and asks how Russia can both normalize relations with Georgia while also supporting South Ossetia. Cory Welt presents an American perspective that questions whether the August 2008 war might be seen as a prelude to the 2014 events around Crimea, thus expanding the potential geopolitical costs under consideration.

We have constructed this as a unique volume that brings diverse perspectives together. Throughout the collection, there are reflections from laypeople on their personal costs of the conflict. These stories remind us that it is not only the larger context that matters, but also the fate of each individual, too. The editors have not interfered in the content of any article or story. Rather, we present these diverse views as written by the authors, in hopes that readers will find the diversity of perspectives useful in increasing understanding. While we editors may disagree with authors and with each other about many issues, we agree that we respect each other's rights to hold different perspectives.

Dina Alborova, Susan Allen, and Nino Kalandarishvili

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INSTITUTIONAL COSTS OF THE GEORGIAN-SOUTH OSSETIAN CONFLICT: THE TRANSFORMATION OF POLITICAL INSTITUTIONS IN SOUTH OSSETIA

By Dina Alborova¹

INTRODUCTION

When the Soviet Union began perestroika in the 1980s, the air of freedom and weaknesses of the Communist Party brought to light many ethnic conflicts that had been concealed and tightly controlled by the Soviet regime. In a situation of political and economic crisis, the inability to effectively respond to such crises led to ethnic and ethno-political conflicts.

Unfortunately, this was the case for South Ossetia as well, whose state institutions have been in the process of formation and transformation since the late 1980s to the present day. South Ossetian statehood was formed in difficult conditions alternated amongst armed conflicts, relatively stable periods of peace, and political crises. This article presents an analysis of the main stages in the development of political institutions in South Ossetia throughout the Georgian-South Ossetian conflict, as well as an analysis of the current stage of it, in the absence of broad international recognition of the country.

THE DISMANTLING OF THE SOVIET SYSTEM AND THE ADVANCE OF NATIONALISM

The beginning of perestroika coincided with the rise of nationalist sentiments in almost all Soviet republics: in December of 1986 there were riots with casualties in Alma-Ata, the Armenian-Azerbaijani conflict developed into a full-fledged war in Nagorno-Karabakh, and the political rally in Tbilisi in April of 1989, held under the slogan "Independence of Georgia," was tragically dispersed by security forces.

Against this background of exacerbating nationalist and separatist sentiments in the Soviet republics, local national movements arose, the purpose of which was the creation of sovereign nation-states. The same process took place in Georgia, whereby a radical form of Georgian nationalism began to fight against ethnic minorities and autonomies. Nationalistic Georgian voices emphasized their importance over others, claiming the autochthonous nature of the Georgian people and claiming that Ossetians were merely guests on the Georgian land who had arrived not too long ago. These Georgian nationalist voices proclaimed the uniqueness and greatness of the Georgian people and the insignificance of representatives of non-Georgian ethnic groups.

"Any nationalism tends to refer to ancient contradictions and differences. The appeal to ancient and noble historic roots has become a distinctive feature of any nationalism, and, through this appeal, it aims to extend and deepen the ancestry, just as a tree roots itself in the soil and does not grow from its own roots.

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Something similar happens with historical roots: they are constantly being deepened in the historical strata of time.”²

In early November 1988 the newspaper "Comunisti" published a program draft on the development of the Georgian language. According to this project, all educational institutions were now adopting Georgian language as the official language, instead of the Russian language. For Ossetians, this meant:

1. A return to illiteracy, similar to the one in the recent history of the South Ossetian Autonomous Region in the '40s, which was an extremely negative chapter in the history of South Ossetians.
2. Ossetians could no longer pursue a professional career, especially political, or occupy high positions, given that not all Ossetians knew Georgian language, and those who did, mostly knew the informal Georgian and could not maintain official documentation in it.

This project was deeply disturbing to the public and caused unrest among Ossetian intellectuals. From that moment on, the South Ossetian Pedagogical Institute-based student club "Nykhas" was holding regular meetings. Among topics discussed were then-current events, the political situation in South Ossetia, relations with Tbilisi, publications in nationalist Georgian media, and intentions of new Georgian leaders, primarily Zviad Gamsakhurdia, who rapidly gained wide popularity among Georgians.

These meetings gained more and more popularity and began to attract not only local intelligentsia and students, but other social groups as well. As a result, the socio-political movement "Ademon Nykhas" was formed on the basis of the student club "Nykhas" and played an important role in the struggle for the independence of South Ossetia and the construction of new political institutions.

A dual power system was formed in the late 1980s: Soviet institutions still existed *de jure*, however weak their work and influence were in the society, while, on the other hand, "Ademon Nykhas" was becoming a major political force *de facto* as the movement most trusted by the people. It was only after the elections to the Supreme Council of South Ossetia on December 9 of 1990, when the majority of seats were won by candidates from "Ademon Nykhas", that the party moved from the "streets" to the Parliament, thus acquiring legal authority as well. The First Parliament Assembly, convened on November 2 1993 adopted the first Constitution of South Ossetia.

As for Soviet government institutions, such as regional councils, city councils, district councils, regional executive councils, etc., almost all of the party bureaucrats had left their seats, and many of them left South Ossetia in the early 1990s. Not all of them could take the side of the people at the time, as their political and professional allegiances were stronger than that to the nation. Under these circumstances, the population began to nominate their own leaders at all levels. A striking example was the district level offices, which were still called district councils, but the nature of their work has changed; they no longer represented the party. Their main focus now was management of various projects, such as self-defense and logistical projects, including food supply, safety, evacuation, and during peaceful times they dealt with economic issues, such as sowing, logistics, etc. After a while they changed their names as well. Thus, the content of work of these institutions changed faster than their terminology. This was the first stage in the transformation of political institutions in South Ossetia.

FORMATION STAGES OF POLITICAL INSTITUTIONS IN SOUTH OSSETIA

The first stage

The formation of state institutions was greatly influenced by militias. Back in the late 1980s and early 1990s, during the times of the threat to the very existence of Ossetian people, people began to self-organize in order to defend their homeland. These groups were organized spontaneously on the basis of friendship, kinship, neighborhood ties, etc. Since the beginning of hostilities in South Ossetia, they began to transform into more stable paramilitary groups and played an active role during the war. In addition, they enjoyed wide popularity in society, and of course wanted to participate in political life and influence

² Gunther Schlee, "Managing Conflicts: Theory and Practice", Moscow, 2004, p. 12.

it. Therefore, when the Chairman of the Supreme Council Torez Kulumbegov resigned on September 17 1993 and a new nominee had to be announced, the decision to nominate Ludwig Chibirov had to be coordinated with these military groups. The candidacy of Ludwig A. Chibirov, the provost and professor of the South Ossetian Pedagogical Institute, seemed to be the most reasonable compromise, especially given that his nomination was assumed to be only temporary. By then, open hostilities had subsided, the Sochi Agreement was signed,³ and peacekeeping forces had entered the conflict zone,⁴ all of which created an illusion of peace, when South Ossetia finally resumed normal life and entered negotiations on the Georgian-Ossetian peace settlement. Therefore, it made sense to nominate a candidate representing civil society, a scientist with a big name, numerous titles, and awards.

Here it should be noted that, along with the entry of peacekeepers, South Ossetia began a very complex and ambiguous process of forming state institutions. Until now, all efforts were directed at the survival of the nation and therefore combat units were prioritized, but, with the entry of peacekeepers, there was no longer the need to fight. Meanwhile, members of military groups, having enormous respect for the people as national heroes, were assumed to take on a more active role in forming state institutions. During those difficult times of transition from war to peace, the first serious clashes erupted between military leaders and often ended tragically. On the other hand, in accordance with the Sochi Agreement, regulating demilitarization, disarmament, and the withdrawal of heavy weapons, the issue of dismantling military groups arose. In order to achieve that, it was necessary to answer an important question of what to do with these groups, which were not going to give up their weapons. They would not give up their weapons, as the conflict had not been resolved and there were no guarantees it would not resume again, regardless of the peacekeeping force's presence. It was decided to create official structures that would include these armed units. This was, in fact, the creation of South Ossetia's own army on 22 February 1993 by the Ministry of Defense of South Ossetia, which was formed primarily from these armed groups. Valery Khubulov, one of the military leaders, became the first Minister of Defense.

Elections to the Second Assembly of the Supreme Council were held on March 27 1994, and the Communist Party of South Ossetia received the most votes. Having secured the support of the Communist Party, nonpartisan Chibirov was re-elected as the Chairman of the Supreme Council of South Ossetia. The Second Assembly adopted laws on citizenship and national symbols. In addition, the Supreme Council worked on the transition from a parliamentary form of government to a presidency, with corresponding amendments to the Constitution. By this time, all the post-Soviet countries were transitioning from a parliamentary to a presidential form of government. The latter seemed more attractive as the President was voted for by all people, while the Supreme Council deputies went by a single-member system, in which people of only one district voted for a deputy, instead of a nationwide vote. A Chairman of the Supreme Council was then elected from among these deputies accordingly. Meanwhile, Georgia had been voicing an opinion that the Supreme Council of South Ossetia was merely a junta that ceased power and was headed by the leader chosen by the same junta. In the summer of 1994, the country underwent a serious political crisis, when the Chairman of the Supreme Council was pressured and, as a result, resigned in August, but the majority of deputies did not support his resignation, and Chibirov remained to serve as the Chairman. It was decided to move toward a presidential form of government so that the citizens of South Ossetia themselves could elect the President of the country. The society was dealing with difficult socio-economic issues, given the enormous damage resulting from the war, which included logistical, financial, economic collapse, the destruction of infrastructure, more than 100 destroyed villages, problems with refugees, economic migration, brain drain, etc. Since the country's President was to be elected by

3 Agreement on Principles of Settlement of the Georgian-Ossetian Conflict", Sochi, June 24, 1992, signed by the Boris Yeltsin and Eduard Shevardnadze.

4 Joint peacekeeping force, made up of Georgian, Ossetian, and Russian peacekeepers, entered the conflict zone on July 14, 1992, in accordance with Agreement on Principles of Settlement of the Georgian-Ossetian Conflict, signed on June 24, 1992 in Sochi, and stayed in conflict zone until August of 2008.

popular vote and not from among the Council deputies, this excluded the possibility of lobbying pressure by the ex-combatants who indirectly influenced all political issues, including key government posts. Yet the idea to create a new political institution did not enjoy the unequivocal support of the Supreme Council. Some deputies expressed vehement disagreement against this move, while referring to traditional forms of parliamentary self-governance rooted in Ossetian culture. They were not supported by the majority of the Supreme Council and had to leave the Assembly in disagreement (Znaur Gassiyev and Nafi Dzhussoyty). On November 10 1996, South Ossetia held its first presidential election, won by Ludwig Chibirov with 52.6% of the vote.

THE SECOND STAGE

The second stage of institutional development of South Ossetia was marked by the emergence of new institutional developments. These include: developing the institution of the presidency with extensive powers, the Supreme Council becoming the Parliament, and civil society beginning to form, represented by non-governmental organizations and political parties. While in 1993 there was only one officially registered political party, the "Communist Party" of the Republic of South Ossetia, other political parties were beginning to emerge around 1999. It can be argued that the new political parties would have emerged much later, if the parliamentary system was not reformed by 1999; if before it was a majority system, the third Parliament elections were based on a proportional representation system. It is most likely that the Communist Party of South Ossetia supported this change, thinking of its own interests, to make it easier for their general lists of candidates. But, on the other hand, the move to a proportional representation system ignited the process of creating new, ideologically different political parties.

Although at the end of the 1980s "Adaemon Nykhas" was a powerful social and political movement in the life of the society, it failed to develop into a political party, or to consolidate itself as a political entity. Upon the completion of its historic mission, it left the socio-political arena of South Ossetia. On May 2 1999, the elections to the Third Assembly of the Parliament of South Ossetia were held. The Communist Party won the elections by receiving 47.70% of votes and 12 seats out of 29.

1990 was a period of economic survival for the people of South Ossetia. People were left to fend for themselves and everyone survived as best they could. The main source of survival was rural farmsteads, although urban residents also engaged in subsistence farming on the land distributed by the state. By the end of the 1990s, a transit highway, crossing throughout South Ossetia and connecting Russia with the South Caucasus countries, Turkey, and Iran, was actively used. Therefore, customs duties on goods transported across South Ossetia became the main source of income for the state budget, which was then used to compensate state employees, comprising almost the entire adult population of the country. At this point, ordinary people from South Ossetia and Georgia began to develop personal connections, small business thrived, and, by mid-1990s, on the border between South Ossetia and Georgia, a spontaneous market in the village of Ergnet appeared. Part of this market was on Georgian territory, while another part on the territory of South Ossetia. A large transit point was organized for the consumer goods that were coming from the South Caucasus, Turkey, and Iran to Russia and vice versa, while enriching the domestic South Ossetian market. The Ergnet market was primarily serviced by the residents of nearby areas, who began to revive old personal and business ties and form new ones.

Mikhail Saakashvili, who came to power in the aftermath of the "Rose Revolution" in Georgia, issued a decree to close the Ergnet market down. This decision was explained by the fact that the market had been declared a place of thriving smuggling and corruption activities, which then funded criminal groups controlling it. The situation flared up again, politically and economically. A large number of people, for whom this market was the only source of income, were stripped of their livelihoods.

The Joint Supervisory Commission, established under the Sochi Agreement of 1992 and comprised of Russia, South Ossetia, Georgia, and North Ossetia, played an active role as a mechanism for the settlement

of the Georgian-Ossetian conflict in the 1990s. This period was also a time of the strengthening of state institutions, whereby all ministries and executive departments were operational, legislative committees were created, courts of all levels were functional, with the exception of the Constitutional Court, which has not been created to this day, in violation of the Constitution of the Republic of South Ossetia. International organizations also began to work in South Ossetia under the umbrella of the UNHCR in the second half of the 1990s. Their presence stimulated the emergence of the first NGOs in South Ossetia.

THE THIRD STAGE

It should be noted that until 2008, all political institutions of South Ossetia aimed at mobilizing. Unrecognized sovereignty and unresolved conflict created a sense of living in a state of emergency with uneasy expectations of impending hostilities. Under these circumstances, the rights and freedoms of citizens were limited. Citizens agreed this as a temporary security measure. For example, curfews during the state of emergency, and limitations on freedom of movement, were agreed upon since the situation was recognized as dangerous, etc. 2002 was marked by an escalation of sniper attacks and a wave of terrorist attacks throughout South Ossetia, etc. In a situation when decisions had to be made quickly because of rapidly changing events, the power was now concentrated in the hands of the leader, the President of the country. This arrangement proved to be quite effective during wartime. Despite the fact that all branches of government were subordinated to the President, human rights and violations of freedom took place, including arbitrary arrests, etc. This was justified by the state of emergency and the need to tackle security issues.

The third stage of institutional development of the Republic of South Ossetia began after the August War and recognition of South Ossetia's independence by the Russian Federation.

With agreements signed between South Ossetia and Russia and the Russian military base having been created, according to the "Friendship, Cooperation and Mutual Assistance Treaty between the Russian Federation and the Republic of South Ossetia"⁵, the issue of security became irrelevant. In the absence of war and with strengthened security, the population had high expectations for a speedy recovery from socio-economic problems, thriving education and health systems, legal reforms that would protect the rights and freedoms of all citizens, and building an inclusive society for all. These expectations were bolstered by the general feeling that the time for serious reforms for the country's institutions had come. But the authorities of South Ossetia were not ready for that.

1988. I was... 12-13 years old. I remember our closest neighbor, the deputy chief of police, and they often visited him... at that time they were called "leaders." For another 20 years, this word was the worst word for me that meant people who come, insult and kick people out. Our family several times defended this man, for which once my father and once my uncle were beaten up. In the end, the family did not leave the area. His wife was a Georgian, and they stayed. But for them all this was an insult –people came swearing at them, threw things at them, and yelled, anyways ... Then I remember that the children left our class. And we tried our best to say that we are sorry that they left us. They were Ossetians. I remember one of my classmates, a guy, said how much he did not want to leave, but they went to Vladikavkaz, and their lot has been a hard one. At school we were those who were firing things up. There were those who said that it was unnecessary. I can't say that even one person tried saying that "it is none of your business kids" and it would be better if you just get an education. Nobody, nobody told us that minor students should not participate in political events.

Leningor Resident, female

⁵ <http://archive.kremlin.ru/text/docs/2008/09/206582.shtml>

The country did not have this kind of experience. What it had were two types of experiences: the experience of the Soviet system, that did not exist physically any longer and would not be helpful if it did, and military experience of mobilizing a self-defense system, which was no longer needed. At the same time there was a lack of desire to share power and to delegate it to relevant institutions. Moreover, when the issue of security disappeared, a large number of unresolved during the war issues came to the fore: destroyed infrastructure, undeveloped economic sector, absent mechanisms for legal redress, serious issues in education and health systems, psychological trauma, social insecurity, etc. All these overlapping issues were not solved and were compounded by the issue of corruption. The one billion rubles that came from the Russian Federation for the purpose of restoring South Ossetia after the August 2008 war presented a great temptation to the political elite at the time, as the political system was not transparent and made it hard to investigate corruption schemes. As a result, most of the funds were misused. This caused an outrage among the population of South Ossetia, which was negatively affected by the consequences of war, such as destroyed housing and crumbling infrastructure, dirty and dusty streets that were continuously under construction and excavation, constant talk of kickbacks and millions in bribes among political elites, and incessant pressure from the security forces. In the winter of 2011, widespread dissatisfaction and distrust among the people resulted in a mass protest on the central square. The protest was named the "Snow Revolution." The main demand of the protesters was the resignation of the President and his allies. This was a sign that the system no longer worked. With the recognition of the independence of South Ossetia, the population had high expectations. Most importantly, the population expected the development of a socially oriented state governed by law, and fundamental improvements in socio-political and socio-cultural conditions. South Ossetian society anticipated greater consolidation of elites and the public in jointly addressing these issues in order to increase cooperation while working creatively on processes that require transparency and a willingness to share responsibility for them. But the elites were afraid to let go of their habit of closely controlling social processes. It turned out that the society progressed and carried a considerable modernization potential, while the government system was outdated, afraid of changes, and could not keep up with the society. The "Snow Revolution" resulted in new elections, and change of political elites, while the political system remained intact.

THE CURRENT STAGE

As of today, the transformation of social and political institutions has not been completed; moreover, it has entered into a new phase, associated with the signing of the "Alliance and Integration Agreement between the Russian Federation and the Republic of South Ossetia."⁶ Under this agreement, it can be assumed that such transformations will continue. Article 2 of the Agreement states that the Russian Federation and South Ossetia now form a joint defense and security space. The Russian Federation now takes over the South Ossetian state border protection, assures its defense and security. For this purpose, some units of security and armed forces of South Ossetia became a part of the relevant structures representing Russia. This means that security and defense institutions will be transformed, if not disappearing altogether by being integrated (or dissolved) in corresponding Russian bodies.

Article 4 of the same Agreement talks about the creation of the Joint Information and Coordination Center within Internal Affairs institutions in order to fight organized crime and other types of criminal activities. This means that a new institution will be established. While the cross-departmental agreements are not finalized and carried out, it can only be stipulated what type of institutional changes this will cause in South Ossetia.

⁶ <http://kremlin.ru/supplement/4819>

THE DEVELOPMENT AND ESTABLISHMENT OF POLITICAL INSTITUTIONS IN THE CONTEXT OF NON-RECOGNITION

The development of the country's institutions is affected by external factors and international recognition. In order to get a better understanding, we must ask the question: what does the state of non-recognition mean? It means:

1. A lack of stable security. People do not think about living in their country over the long-term.
2. A poorly developed economic sector, when investments are needed, but are very rare. Potential investors are interested in generating profit and not so much in charity. Investors want to secure their investments, but this can be done only by international mechanisms. Yet unrecognized countries are not part of the international legal framework *de jure* and investments in unrecognized countries cannot be guaranteed by international law. This presents an enormous risk and responsibility for an investor.
3. Markets for trade are also very limited. Local products require available local markets even though external markets may often seem more appealing. But, external markets almost impossible to attain legally, because the goods must be certified and have bar codes, which they do not. This gives rise to the illegal import of the goods to another country, thus generating corruption schemes within the customs structures of the bordering countries.
4. A weak banking system that is not capable of implementing its functions, such as transfers, credit, financing, operations with securities, intermediary transactions, property management, etc. In this case, the banking system is reduced to managing savings and issuing small loans under a certain percentage, since it is not connected to the global banking system. It is virtually impossible to make transfers to these bank accounts from other countries. This institution is no longer the powerful economic lever it must be.
5. It is virtually impossible to protect human rights. There is no direct access to international institutions upholding human rights, for example, the Strasbourg court, etc.
6. Restrictions on the right to freedom of movement due to the non-recognition status, as well as documents issued on the territory of unrecognized or partially recognized states.
7. An inability to defend the position in the international arena (UN, PACE, OSCE, etc.), where unrecognized states are not allowed to participate due to their unrecognized status, despite the fact that the issue could be on the agenda, directly related to that country. Will the international community have an objective picture of what is happening there in this case? The answer is no, given the absence of participation and understanding of the other side.

In any case, these countries, whether recognized or not, exist and are a part of the world. Therefore, the civilized world should recognize the value in seeing these countries as part of the democratic world in order to develop mechanisms and traditions of democracy, when rule of law institutions are strengthened by sharing experiences and providing direct access to each other's institutions and mechanisms. As of today, the state institutions of South Ossetia are in transition; preventing them from getting access to international institutions and mechanisms strips South Ossetia of acquiring valuable experiences that would allow it to advance much faster. It can be argued that it is necessary to help countries such as South Ossetia to build a rule of law-based society, to reform public and strengthen civil society institutions, and to establish mechanisms of maintaining institutional transparency and civil society control over government institutions.

CONCLUSION

The refusal to recognize the status of countries such as South Ossetia, prevents their access to international institutions that would help them develop local democratic institutions and mechanisms, triggers isolation and self-isolation processes, which adversely affects not only the society itself, but regional dynamics as well. The international community will end up with a new set of authoritarian regimes that

declare themselves to be democracies, yet lack properly functioning mechanisms, and which are unstable since they rely on force to maintain power which is source of serious internal conflicts. The greater is the pressure, the greater is the resistance, which adversely affect the stability and security of the region in general. The international community must clearly separate the two concepts: recognition and access. If access is granted, then recognition becomes not so critical.

It should be noted that the initial emergence of institutions in South Ossetia was due to the dismantling of the Soviet Union and socialist system. But, the evolution of these institutions, with difficulties carrying out reforms, intensifying isolation of South Ossetia, discrimination against civil society, and limitations on freedom of movement, etc., are the institutional price, which South Ossetia has paid as a result of 20 years of the Georgian-Ossetian conflict.

THE CONFLICTS AND GEORGIAN NATIONAL INSTITUTIONS: TIME FOR RETHINKING?!

*Giorgi Kanashvili*¹

INTRODUCTION

Ethno-political conflicts have been Georgia's headache since day one of the country's independence. The need to establish institutions focused on regulating the conflicts had emerged in the period after the armed phase of the Georgian-Ossetian and Georgian Abkhazian conflicts. In fact, many of the numerous agencies set up by the Georgian government during this period remain active to this day. However, circumstances have changed as time passed, and one would expect that these changes should also affect these institutions.

As of today the core of the problem lies in the fact that there are far too many governmental structures working on the same set of problems. This has led to an obvious overlap of functions, complicated coordination and increased competition within these agencies. This, in turn, has a negative impact on the implementation of their objectives.

Desk research has also revealed that organizations working on the conflicts and the mitigation of their effects cost the government a fortune, to be more precise, **88,586,000 GEL**. It is worth noting that the sum does not cover those organizations whose work is not limited to the conflicts. Financial and material resources are coupled with human and intellectual resources, which are of no less significance and should be exploited as rationally as possible in such a small country as Georgia.

The present paper attempts to describe and analyze the work carried out by state organizations as well as to highlight those shortfalls which need to be addressed to ensure a smoother operation of the latter. It should also be mentioned that the paper serves to test the waters in this direction, while much voluminous research is required in order to provide deep insight into this issue.

STATE INSTITUTIONS WORKING SPECIFICALLY ON CONFLICTS

The office of the State Minister for Reconciliation and Civic Equality

The Office of the State Minister for Reconciliation and Civic Equality is a key governmental institution responsible for developing and implementing policies regarding the conflicts.

The objectives of the office include, but are not limited to the following: develop proposals and formats supporting peace processes in Abkhazia and the former autonomous district of South Ossetia; develop and support the implementation of a mechanism for the return of internally displaced persons in safety and dignity; develop and submit recommendations, a policy paper and a strategy related to ongoing processes in the conflict regions to the government of Georgia.²

¹ Giorgi Kanashvili is the Executive Director of the Center for Culture Relations Caucasion House. The opinions expressed in this article are those of the author only, and do not reflect the views of the Center.

² The official webpage of the Office of the State Minister for Reconciliation and Civic Equality. Available at: <http://new.smr.gov.ge/detailspage.aspx?ID=4>

This is how the functions of the office look from a legal perspective. In practice, it translates into the following: the office is involved in each and every international and local format (Geneva International Discussions, Incident Prevention and Response Mechanism) dealing with Abkhazian and South Ossetian themes; the State Minister is a co-chair of the interim governmental commission for responding to the needs of the conflict affected communities; the office coordinates all state funded programs which are designed to respond to the problems facing the communities residing in Abkhazia and South Ossetia (i.e. healthcare, education etc).

As already mentioned above, the Office of the State Minister is the venue which should coordinate the development of the national strategy for the conflicts in cooperation with other governmental agencies. However, a great number of organizations working on conflicts and the poor status of the office itself make this objective hard to achieve. Granting the State Minister the status of a Vice Prime Minister may provide one of the potential solutions to this problem (which is the case in Moldova).³ Such a change could improve the State Minister's political reputation and make the strategy a more coordinated effort.

In addition, due to the significance and complexity of the issue, it is very likely that many actors and stakeholders will continue providing ongoing input to the development of the policy. However, it is of utmost importance that all interested individuals or organizations both in and outside the country can identify the 'door' which they have to knock on when it comes to the conflicts in Georgia.

Note background information that, as of today, there are up to 40 employees in the office⁴ while its budget for 2015 amounted to 1,686,000 GEL. There have been almost no changes to the budget for the past few years.

THE MINISTRY OF INTERNALLY DISPLACED PERSONS FROM THE OCCUPIED TERRITORIES, ACCOMMODATION AND REFUGEES OF GEORGIA

The Ministry of Internally Displaced Persons from the Occupied Territories, Accommodation and Refugees of Georgia also deals with the elimination of the consequences of the conflicts. However, unlike the Office of the State Minister for Reconciliation and Civic Equality, the Ministry is mainly concerned with responding to social problems facing the communities of internally displaced persons from Abkhazia and South Ossetia (i.e. providing accommodation, creating conditions for adaptation and integration, taking social protection measures, etc).⁵

The Georgian-Ossetian, Georgian-Abkhaz and Georgian-Russian conflicts forced hundreds of thousands Georgian citizens out from their place of residence to seek shelter all over Georgia. Because of the scale of the problem, the Government had to come up with a policy and a viable institution to ensure its implementation. The committee on refugees and accommodation was set up for this very purpose in 1992, and after three years was transformed into the ministry in 1995.

Every country facing the problems of accommodating a large number of internally displaced persons at different times needed to set up similar institutions. However, it is also worth noting that these countries chose different paths. In neighboring Azerbaijan, issues related to refugees and internally displaced persons fall under the responsibilities of the State Committee for Refugees and IDPs, while the Chair of the

3 A similar idea has already been voiced in a joint publication by the Institute for the Study of Nationalism and Conflict and the Caucasian House titled - Conflicts in Georgia: Ongoing Challenges and Ways to Solution. Author's note.

4 The official webpage of the Office of the State Minister of Georgia for Reconciliation and Civic Equality. Available at: http://new.smr.gov.ge/Uploads/_2f23f21a.pdf

5 The statute of the Ministry. Available at: <http://www.mra.gov.ge/geo/static/197>

Committee is also a Vice Prime Minister, which points to the great significance attached to the committee in Azerbaijan.

For comparison, consider that according to official data of the Azerbaijani government 1,200,000 individuals were internally displaced as a result of the conflict in Nagorno-Karabakh⁶ while there are 70 staff for the committee. In spite of the fact that the number of IDPs in Georgia is significantly smaller than that of Azerbaijan, there are 308 staff members in the ministry (excluding 40 freelancers).⁷

The same refers to Moldova and Ukraine, where there are no specific ministries deal with the issues of IDPs. The number of IDPs is not great in Moldova, unlike Ukraine where 1,382,000 persons have lost their homes to the annexation of Crimea and armed confrontations in the South-East of the country.⁸ Ministries with different profiles deal with the issues of IDPs in both countries with ministries of labor, health and social protection, and regional development being the ones which are most often responsible for taking care of IDPs.⁹ In the Ukrainian case, in addition to the two aforementioned agencies, there is a state agency for the rehabilitation of Donbas, which is responsible for coordinating the activities and operations of international organizations and the local and central authorities.¹⁰

It is beyond the limits of the paper to ascertain which approach is more relevant: the coordination of IDP related matters through a single ministry or the distribution of functions across various agencies? In spite of this, it could be said that in light of scarce resources as well as the severe social background in the country, the Georgian government needs to constantly think of further improvement and cost-effectiveness of operations undertaken by these agencies.

Note background information that the ministry's budget for 2015 was 70,000,000 GEL.¹¹ Expenses of the ministry as well as the number of staff have increased as compared to previous years, possibly due to wide scale projects implemented in 2015 aimed at improving the living conditions of IDPs.

SOUTH OSSETIAN DIRECTION

South Ossetian Administration

Often times the Georgian-South and Georgian Abkhaz conflicts are viewed from the same angle even though there is substantial difference between the two. This ambivalence has impacted the Georgian state institutions dealing with conflicts.

In fact, the so called 'war of laws' between Tbilisi and Tskhinvali,¹² ended on December 11, 1990 with the abolition of the autonomous district of South Ossetia by the Georgian Supreme Court. Consequently, mandates of both legislative and executive structures of the Autonomous District of South Ossetia were suspended. This led to the fact that, unlike Abkhazia, there were no institutions in exile working on the South Ossetian direction.

The so called Dagomis Accords concluded between Georgia and Russia in June 1992 ended the mil-

6 The official webpage of the State Committee of the Republic of Azerbaijan on Deals of Refugees and Internally Displaced Persons. Available at: <http://www.refugees-idps-committee.gov.az/en/pages/11.html>

7 The official webpage of the Ministry of Internally Displaced Persons from the Occupied Territories, Refugees and Accommodation. The number of employees at the Ministry for 2015. Available at: <http://mra.gov.ge/res/docs/2015022313104918815.pdf>.

8 The official webpage of the Office of the United Nations High Commissioner for Refugees. Available at: <http://www.unhcr.org/pages/49e48d4d6.html>

9 Titles of the ministries vary across countries. However, functionally these are major entities (Author's note).

10 The Vice Prime Minister of Ukraine on setting up the agency and its functions. Available at: <http://en.glavnoe.ua/news/n235651>

11 Fiscal year 2015. The official webpage of the Ministry of Finance of Georgia. Available at: <http://mof.ge/4742>. 2015

12 A stage of a legal-political conflict between Tbilisi and Tskhinvali whereby legislative bodies of the parties adopted colliding resolutions (author's note).

itary phase of the conflict,¹³ and soon a joint control commission was set up to become a venue for discussions concerning every issue related to the conflict by Georgian, Russian, South Ossetian and North Ossetian parties for many years to come. The Georgian team was led by a special envoy of the president of Georgia. This function, alongside the development of policies towards conflicts, was later on handed over to a state minister.¹⁴

However, in 2006 the Georgian government started reviving the structures in exile and setting up new parallel institutions. This policy targeted several goals and persons of interest: a) the international community was expected to recognize that not all feelings and perceptions in the problematic regions were secessionist, but that there were also those who favored Tbilisi (manifested by respective authorities); b) the introduction of individuals with a relevant ethnic background in the parallel structures would help to secure the buy-in of some parts of the local population; and c) the inclusion of exiled and parallel institutions in the negotiation and dialogue formats was ostensibly to beef up Tbilisi's positions in such processes.

In line with this particular policy, the Kodori gorge of Abkhazia, then under effective control of the Georgian authorities, was renamed as Zemo (upper) Abkhazia and became home to an administration of Abkhaz government in exile in this area. Within the same period, more specifically in 2007, an administration of South Ossetia was set up in order to serve the agenda above. Dmitry Sanakoev, an ethnic Ossetian who in the past had worked in a de-facto government of South Ossetia in quite high rank positions was elected as a head of the administration.

However, in the aftermath the Georgian-Russian war of 2008 and the Russian occupation of Georgia's additional territories, the South Ossetian Administration, as the Government of Abkhazia, became exiled and lacked land. This circumstance failed to provide enough justification for both Saakashvili and the incumbent government to retract the administration of South Ossetia. This can be explained by several possible reasons: a) for Saakashvili's government this was a matter of principle, while the retraction of the institution would mean that this policy was inherently flawed; b) the incumbent Georgian government has been shying away from giving additional food for criticism to the opposition, while the potential retraction of the administration is considered as a potential bargaining chip to use in negotiations with the de-facto authorities; c) many sources suggest that the South Ossetian administration is quite effective in carrying out its responsibilities (see below).

The South Ossetian administration leads in several directions: education, relations with IDPs, culture and sports, healthcare and social protection.¹⁵ Within those directions, the administration takes care of IDPs from South Ossetia and ethnic Ossetians living in the rest of the country, to provide assistance (both short and long time), organize sports events, promote the Ossetian culture etc.

At the same time, the healthcare and social protection unit of the administration acts as a kind of a broker between the Georgian Ministry of Labor, Health and Social Protection on the one hand, and Ossetian patients from across the South Ossetia who are eligible to free medical treatment under the state referral program, on the other. Besides, the growing number of individuals from Abkhazia and South Ossetia seeking medical care in Georgia proper further emphasizes the importance of the effective management of the program.

Therefore, despite its original purpose, the administration of South Ossetia has managed to adapt to a new reality and develop as a functional institution. However, like any other state structure, the administration should be subject to relevant state supervision and thus prevent the state from becoming a hostage to the symbols that it created. Any institution which does not fit into the present reality, or fails to perform its functions, should not become a financial burden for the state budget.

13 On the principles for the regulation of Georgian-Ossetian conflict. See *On the Causes, Dynamics, Searching for the Resolution and Potential Directions of the Georgian-Ossetian Conflict*. Available at: <http://www.nplg.gov.ge/gsd/cgi-bin/library.exe?e=d-01000-00---off-0period--00-1---0-10-0---0---0direct-10---4-----0-11--11-ka-50---20-about---00-3-1-00-0-11-1-0utfZz-8-00&a=d&c=period&cl=CL1.7&d=HASH01dc15a267fb4bea1d0d9d23.1>

14 The title of the Office of the State Minister has changed on numerous occasions. Its current title reads as the Office of the State Minister for Reconciliation and Civic Equality (Author's note).

15 The webpage of the Administration of South Ossetia. Available at: <http://soa.gov.ge/geo/mtavari/8/>

In this respect, a considerable amount of resources were expended to promote the administration and attract human resources, as well as for the development of infrastructure projects initially. The administration's budget has largely remained the same for the past few years and 2015, with the total budget of 3,500,000 GEL was no exception.

THE ABKHAZ DIRECTION

The Government of the Abkhaz Autonomous Republic

The completion of the military phase of the Georgian-Abkhaz confrontation in 1993 was followed by the displacement of the local population and government loyal to Tbilisi. Consequently, the Abkhaz government moved its seat to Tbilisi.

The Law on the Structure, Authority and Rules of Operation of the Autonomous Republic of Abkhazia reads as follows:

‘The government of the Autonomous Republic of Abkhazia is the supreme executive body of the Autonomous Republic of Abkhazia, which exercises the executive authority and determines the key directions of the executive branch of the Autonomous Republic of Abkhazia’.¹⁶

As of today, the structure of the government of Abkhazia consists of the Head of Government, Ministry of Education and Culture, Ministry of Finance and Economy, Ministry of Health and Social Protection, the Office of the Minister for Confidence Building and Reconciliation of the Abkhaz Autonomous Republic, Department of IDP issues, Department of Justice, and Department of Agriculture, Environmental protection and Natural Resources.

Quite an extensive list of agencies is complemented by the office of the government of Abkhazia and representations in all those regions where IDPs from Abkhazia live in collective settlements: eastern Georgia, Imereti, Samegrelo-Zemo Svaneti and Zemo Abkhazia (which was occupied in 2008, but the position of a representative was not abolished).

When considering international experience, it becomes evident that there is no exact analogue to Georgian institutions (the government of Abkhazia and the Supreme Council). In Azerbaijan the displaced population is represented by the *Azerbaijani Community of Nagorno-Karabakh*¹⁷ which, in spite of its involvement in international dialogue formats, still functions as a public union.

As for Ukraine, a structure of a similar type is led by the president's permanent envoy to the Crimean Autonomous Republic located in the town of Kherson with a staff of 28 members.¹⁸

As already mentioned above, the Abkhaz government sits in Tbilisi and has no access to the territory of Abkhazia. Therefore, its functions are limited to taking care of the IDP communities and participating in various dialogue formats.

However, dealing with these issues is also under the competences of other structures as well. For instance, accommodating the needs of the IDP communities falls under the responsibilities of the *Georgian Ministry of Internally Displaced Persons from the Occupied Territories, Accommodation and Refugees*, while the *Office of the State Minister for Reconciliation and Civic Equality* deals with negotiations and the development of policies related to the conflicts. *The Ministry of Foreign Affairs* is yet another governmental body which is involved in these processes.

Presumably, an excessive number of structures working in the same direction further complicates coor-

¹⁶ On the Structure, Competences and Rules of Operations of the Autonomous Republic of Abkhazia. Available at: http://abkhazia.gov.ge/index.php?lang_id=GEO&sec_id=25

¹⁷ A full title reads as follows: Azerbaijani Community of Nagorno-Garabagh region of Azerbaijan Republic. Available at: <http://www.karabakh.az/>.

¹⁸ УКАЗ ПРЕЗИДЕНТА УКРАЇНИ №17/201 [Decree of the President of Ukraine]. Available at: <http://www.ppu.gov.ua/dokumenti/>

dination, leads to an overlap of functions, and ultimately negatively affects both the state budget and the attainment of the set objectives.

Smoothly functioning structures are one of the prerequisites for Georgia to develop into a modern nation-state. This process cannot bypass the Abkhaz government while the Georgian authorities need to answer the following questions through a series of public discussions: A) What is a role of the Abkhaz government in the country's strategy for conflicts? B) If the Abkhaz government serves as merely a political symbol, how expedient is it to spend a fortune on it? C) Would the distribution of some of its functions among other sectoral ministries make its management easier (while the spared funds would be spent on responding to actual needs of internally displaced individuals)?

THE SUPREME COUNCIL OF ABKHAZIA

The Supreme Council of Abkhazia was elected in 1991 and after the 1992-1993 conflict its members had to leave Abkhazia together with the most of its population. For this very reason, no elections of the Council's members have been held since 1991 and under a decree of the President of Georgia signed in 1996, the Council's authority was extended until the restoration of Georgia's jurisdiction in Abkhazia.¹⁹

Pursuant to the Constitution of Abkhazia, the supreme representative body is the Council. The Council is responsible for adopting the constitution of Abkhazia and making relevant changes, passing laws and approving the budget, appointing the head of the government and the cabinet of ministers etc.²⁰

As of today, there are 22 members in the Supreme Council of Abkhazia who, in turn, form four permanent commissions on de-occupation, international relations, education and culture; legal and procedure issues; constitutional and human rights; fiscal-budgetary and sectoral issues. The operations of the Council are supported by the office and seven departments.

As mentioned above, the members of the Council were elected in 1991 and the constitution of the Council still remains the same after 25 years. This fact begs a question regarding the legitimacy of the members of the Council. The legitimacy issue aside, most of the members are quite senior citizens and presumably their number is likely to decrease as time passes. I believe these two issues require thorough rethinking and require a timely and relevant decision.

For the year 2015, the budget of the Autonomous Republic of Abkhazia amounted to 13,400,000 GEL²¹ about 1,700,000 GEL of which was spent on the needs of the Council, while the rest was spent on the government. As of today, more than six hundred individuals work in the structures of the Autonomous Republic of Abkhazia²² and a large part of the budget is allocated for their remuneration.

19 Decree on the Prolongation of terms of Authority of the Supreme Council. Available at: <http://scara.gov.ge/ka/2010-03-17-12-49-55/2010-03-17-13-51-32/78-dadgenileba-umaghlesi-sabtcos-uflebamosilebis-vadis-gagrdzelebis-shesakheb.html>

20 The Constitution of the Autonomous Republic of Abkhazia. Chapter 11, Article 93. Available at: <http://scara.gov.ge/ka/2010-03-17-12-48-03/2010-03-17-13-48-11.html>

21 On the budget for the year 2015 of the Autonomous Republic of Abkhazia. Available at: http://abkhazia.gov.ge/files/documents/biujeti_2015.pdf

22 Ibid

INSTITUTIONS WHICH ARE WORKING ON CONFLICTS BUT ARE NOT LIMITED ONLY TO THEM

Being one of the greatest challenges to the country, conflicts (approximately 20 per cent of the country's territory is beyond Tbilisi's effective control and three hundred thousand individuals are internally displaced) are being dealt by almost every ministry to a varying degree. The present section provides a review of those actors which are, directly or indirectly, involved in conflict related policymaking and implementation.

The Ministry of Foreign Affairs has always been involved in various processes with regard to the conflicts. However, it was not until 2008 that the Ministry was charged with greater importance after the inter-state confrontation snowballed into a full-fledged conflict.

At this stage, the Ministry fulfils two important functions: on one hand, the deputy minister leads the Georgian delegation at the Geneva International Discussions, and manages the non-recognition policy on the other. In spite of the considerable support Tbilisi has been receiving from its friends in pursuing the non-recognition policy, the latter still requires substantial time, energy and financial resources.

"... I am an old man and this is what I do everyday. I have one cow and a calf, and I take care of them. Now slowly I restore the garden, I planted grapes, and I plant new trees. I work little by little, and try to do something. But the problem is that there is no water. And what can a farmer do without water? Ossetians do not allow water to flow in our direction. It is hard. But I often think that we should move forward –both Ossetians and us. After all, we should not go back, right? I do not know how it would be. Maybe they also will change their minds so that we will be together and live in peace. I watch TV and see that in parliament also they don't get along. If there is not peace and harmony in the parliament, how can there be peace in the country? And what should we, the ordinary people, do? Really? Nothing depends on us? Is it really everything that depends on the government and they have to solve all the problems? And so it turns out –what can the peasants do? No matter how much I talk –nothing will work? No one wants to listen to the ordinary people? They only eat and make the air bubble. I'm not afraid of them, what do I have to fear, I have nothing to lose. I'm not a supporter, and not the opposition. I am there where the good and kind people are ... "

Resident of the village Zardiaantkari, Gori Municipality

Since 2008, in order to counter Russia's efforts, Georgia has made greater diplomatic efforts all over the world. It became evident that only working through the UN and existing embassies could not ensure an effective non-recognition policy. Therefore, the ministry identified so called 'risk zones'²³ and later on opened representations in a series of countries. For instance, in such important countries as Brazil and Argentina, Georgian embassies were opened as late as 2010²⁴ and 2012 respectively.²⁵ Presumably, neither Brazil nor Argentina belongs to the risk zone, unlike other Latin American countries, which are covered by the two embassies mentioned here.

At the same time, even though the opening of Georgian embassies was initially thought to serve a different goal, it is very likely that, from a mid-term perspective, this decision will contribute to strengthening economic, cultural and other ties between Georgia and the respective regions, which, in turn, will balance the costs incurred at the initial stage.

The Ministry of Defense is not in charge of developing the policy towards the conflicts. However, it has to focus on these very factors while planning for the country's defense capacity, as conflicts remain the key

²³ The regions and countries which were likely to recognize the independence of Abkhazia and/or South Ossetia (Author's note).

²⁴ The official webpage of the Embassy of Georgia in Brazil on bilateral relations. Available at: http://brazil.mfa.gov.ge/index.php?lang_id=GEO&sec_id=809&info_id=15933

²⁵ The official webpage of the Embassy of Georgia in Argentina on bilateral relations http://argentina.mfa.gov.ge/index.php?lang_id=GEO&sec_id=934&info_id=17625

security challenges for Georgia.²⁶ At the same time, the occupation of Abkhazia and South Ossetia has had an ostensibly odd effect on the defense expenditure of Georgia. What is implied here is the discrepancies between the 2008 and 2015 budgets of the ministry. There has been a lot written and said around this issue, both reasonable and far from it, however, I believe the correlation between the defense budget and the state policy towards conflicts is too obvious to go unnoticed.

The conflicts have had effects on the country's legislative authority as well. Because of the high priority attached to these issues, a *Temporary Commission on Territorial Integrity* was set up in the parliament. In addition, the National Security Council, State Security and Crisis Management Council, State Security Agency and the Ministry of Internal Affairs also participate in policy development and take part in delivering specific proposals to decision makers. The interest of the Public Defender of Georgia towards and measures taken for the protection of human rights of conflict affected communities has increased drastically for the past few years.

One would expect that the number of agencies involved in these processes would contribute to the accumulation of knowledge, high quality analysis and well developed policies, but reality provides a drastically different picture. However, this issue belongs to another category of problems and neither this paper nor a voluminous book would have sufficed to undertake its analysis.

CONCLUSION

One of the key characteristics of a successful state is well developed, cost effective and tuned-up institutions. Even though Georgia has made considerable progress in this direction, there is yet a long way ahead.

I believe the paper managed to demonstrate the complexity of the functions of various institutions and the overlap affecting their effectiveness. It is also evident that costs of sustaining these institutions are quite high. However, for the sake of fairness it should be noted that transferring the functions to other profile ministries may not necessarily cut back the cost considerably.

Sensitivity attached to conflict related issues further restricts the possibility for any revision in this direction. Retraction of any institution, or reduction of functions may be perceived poorly by the public. Therefore, an effective communication strategy needs to be developed by the authorities prior to making such decisions.

In spite of the above mentioned impediments, it is apparent that Georgia is in need of effective institutions. Otherwise, rethinking conflicts and implementing effective policies will be close to impossible. Therefore, the sooner we start thinking in this direction, the higher is the probability that we will start making progress towards regulating our conflicts.

²⁶ Expenses allocated for Georgia's defence purposes amounted 1,547 billion GEL in 2008, while for 2015 it dropped to 667 million GEL. Available at: <http://mof.ge/4586>; <http://mof.ge/4742>

COST OF CONFLICTS IN GEORGIA AND OBSTACLES TO ITS DEVELOPMENT

*Medea Turashvili*¹

“The essential act of war is destruction, not necessarily of human lives, but of the products of human labour. War is a way of shattering to pieces, or pouring into the stratosphere, or sinking in the depths of the sea, materials which might otherwise be used to make the masses too comfortable, and hence, in the long run, too intelligent.”

George Orwell, 1984

I. INTRODUCTION

Georgia was plagued by conflicts and instability after independence. In the early 1990s, the country suffered two bloody secessionist wars, both of which were lost by the central government. These conflicts produced two zones of unresolved conflict in the form of two unrecognized entities, Abkhazia and South Ossetia, that together constitute nearly fifteen per cent of the country’s territory. Since then, there were constant skirmishes in both conflict zones, which culminated in August 2008 with the direct military confrontation of the Georgian and Russian regular armies.

When discussing conflicts in Georgia, two important components should be taken into account: the wars of the 1990s in South Ossetia and Abkhazia were a combination and in fact a logical culmination of distrust between the leadership of the central government and various ethnic groups living in independent Georgia, the inexperience of the central and local ruling elite to handle ethnic diversity and manage crises and the non-existence of democratic institutions that would have enabled opposing groups to resolve their differences through non-violent means. Secondly, Russia played an important role in sustaining the status quo of frozen conflicts and retaining leverage to escalate the situation, as was the case in 2008. Arguably, the 2008 Georgian-Russian war did not really change the two-dimensional nature of the conflicts; it merely elevated the degree of Russian influence and involvement in the Georgian conflicts which in turn, overshadowed their ethnic component.²

Some conflicts can be characterized as zero-sum or win-win games, but, there are conflicts where both parties are going to lose and it is just a matter of question who is going to fare worse. Georgian conflicts fall in the latter category. This article will illustrate the cost that Georgian, South Ossetian, as well as Abkhazian societies incur due to unresolved conflict of 25 years, and will analyze the lost resources and potential for progress and development. This analysis aims at helping to understand the missed opportunities, but also suggests reverse scenarios which could develop with normalization and peace.

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2 Medea Turashvili “Georgia’ Conflict Resolution Endeavours and Lessons Learned” in *Ukraine’s Strategy for Building Relations with the Population of Crimea and Donbass. Lessons Learnt from Georgia for Ukraine*, Institute of World Policy and Caucasian House, 2015, available at <http://iwpp.org.ua/eng/public/1544.html>

II. ARE THERE WINNERS OF THE CONFLICTS?

All agree that conflicts have negative consequences, however, conflicts also could offer some benefits for certain societies and individuals. These benefits are often calculated in monetary terms, however, the importance of conflicts in shaping the societies should not be underestimated.

Conflicts help in identity construction and nation-building, because conflicts construct group boundaries by helping individuals recognize their common interest and threats, conflicts maintain group cohesion against an “enemy” and unify societies for a common cause. Once the concept of ‘otherness’ has become established, then terms like the enemy, foreigner, ethnicity, nationality, etc. start to perpetuate and divide people on different identity lines.³ As one scholar puts it “The products of the wars of Soviet succession are not frozen conflicts but are, rather, relatively successful examples of making states by making war.”⁴

In this sense, conflicts and wars can be functional and instrumental. “Elites foment ethnic violence to build political support; this process has the effect of constructing more antagonistic identities, which favors more violence”.⁵ “By actively provoking and creating violent incidents, leadership constructs an image of overwhelming threat to the group from the outside and of themselves as saviors of the ethnic nation.”⁶

Conflicts in Georgia have definitely contributed to the identity formation of Georgians, Ossetians and Abkhazians and have pitted them against each other as mutually exclusive phenomena. Any ethnic Georgian and Ossetian living in Shida Kartli region of Georgia will tell you that they could never tell each other apart in their daily life before the wars in the 1990s. But, during the course of the war, they started to become self-conscious of their ethnicity and form group boundaries on an ethnic basis. Ethnicity became so much cemented in the minds of people that it even became grounds for attacks, discrimination, hatred, etc. Violent incidents further reaffirmed “the Georgianess”, “Ossetianess”, “Abkhazianess”, their “uniqueness”, “antiquity”, “supremacy”, etc. In short, conflicts and armed struggles in the early 1990s did bring ethnic “awakening” of Georgians, Ossetians and Abkhazians. It helped them in the nation-building projects based on ethnicity.

Political elites played an important role in this process. The Georgian Nationalist movement of early 1990s and its leadership often focused on “Georgian antiquity”, “guests on our soil”, “Islamization” or “Tatarization” of Georgia.⁷ These discourses were also counter-combated by discourses from Ossetian and Abkhaz leaders with “enemy against us”, “Georgian imperialism”, “Georgian fascism”, “survival of our nation”, “independence as a guarantee for ethnic survival” etc.⁸ Eventually, ruling elites both in the centre and autonomous entities actually benefited from these conflicts. Many military leaders turned into politicians after the war and many of them now are national heroes in their respective societies.

3 Vivien, Jabri. (1996) *Discourses on Violence: Conflict Analysis Reconsidered*. Manchester and New York: Manchester University Press.

4 Charles King, (2001) *The Benefits of Ethnic War: Understanding Eurasia's Unrecognized States*, *World Politics*, Volume 53, Number 4.

5 James D. Fearon and David D. Laitin (2000) *Violence and the Social Construction of Ethnic Identity*, *International Organization*, Volume 54, Issue 04.

6 Jolle, Demmers. (2012) *Theories of Violent Conflict: an introduction*. London: Routledge.

7 Nodia, Gia (1996) “Political Turmoil in Georgia and the Ethnic Policies of Zviad Gamsakhurdia” in Coppieters Bruno (ed.) *Contested Borders in the Caucasus*, Vub Brussels University Press; Cornell, Svante. (2002) *Autonomy and Conflict: Ethno-territoriality and Separatism in the South Caucasus – Cases in Georgia*. Department of Peace and Conflict Research, Report No. 61. Uppsala: Uppsala University.

8 Kaufmann, Stuart J. (2001) *Modern Hatreds: The Symbolic Politics of Ethnic War*. Ithaca, NY: Cornell University Press.

III. COST OF THE CONFLICT

A. Humanitarian aspects and social fabric

Naturally, conflicts have more costs than benefits and a conflict does not simply end with the number of victims killed or injured. Rather, conflicts have lasting effects on societies, including and not limited to war traumas, migration and forced displacement, social difficulties, radicalization, limited freedoms and civic liberties, etc.

Together, various waves of conflicts in Georgia cost around 20,000 lives⁹ and more than 260,000 Internally Displaced Persons (IDPs),¹⁰ some 20,000 refugees¹¹ and other forcibly displaced who have not acquired any official status, as well as great material destruction, and economic hardships, which further contributed to the ongoing political instability.

The Georgian, South Ossetian and Abkhazian societies are still haunted by the consequences of those conflicts. Figures of migration, which are both direct and indirect results of the conflict, are shocking:

- The population of Georgia, excluding resident of South Ossetia and Abkhazia has declined from 4,789,226 to 3,729,635 in 1989-2014: 14 % decrease;
- The population of South Ossetia has declined from 86,454 to estimated 20,000-30,000 in 1989-2010/12: roughly 65-77 percent decrease;
- The population of Abkhazia has declined from 525, 061 to 240,705 in 1989-2011: 54% percent decrease.

This decline can be assessed as a demographic catastrophe for all societies. Socio-economic hardship and a lack of development opportunities immediately after the wars in 1990s led many to relocate abroad. This process naturally means a brain drain, brain waste and the loss of human capital. Studies show that migrants from Georgia have a high level of education and professional qualification. The share of university degree holders is up to 55%, however, most of these college graduates are employed in positions that do not require university qualifications or are irrelevant to their areas of specialization. Furthermore, most emigrants (between 70% and 80% according to different surveys) are in the ideal working age bracket, namely, 20 to 50 years.¹³ Undoubtedly, this is a great loss for the development of Georgian society.

Conflicts and ethnic nationalism also adversely affected the ethnic make-up of Georgian, South Ossetian and Abkhazian societies. Georgia witnessed significant out-migration of ethnic minorities, as a result of which the number of ethnic minorities living in Georgia has decreased from 30% of 1989 to 17% of 2002.¹⁴ The same is true for Abkhazia and South Ossetia, where the change of the ethnic mosaic happened largely with the ethnic Georgian population who were expelled during the war. According to 1989 census, the total

9 Human Rights Watch 1995 report estimates the death toll as 10 000-15 000 for the conflict in Abkhazia. Around 1000 casualties are estimated in South Ossetia in 1991-1992 and some 1000 more in 2008. Human Rights Watch (1995) Georgia Abkhazia: Violations of the Laws of War and Russia's Role in the Conflict, Human Rights Watch Arms Project, March, Vol. 7, No. 7. Available at: <https://www.hrw.org/reports/pdfs/g/georgia/georgia953.pdf> [accessed 12 January 2016].

10 262 186 is registered as IDPs in Georgia in 2014. Special Report of the Public Defender of Georgia on Human Rights Situation of Internally Displaced Persons in Georgia, 2014. Available at: <https://drive.google.com/file/d/0BzKRMBDU8J3dSWWhHWIRRUdNqUGs/view> [accessed 12 January 2016]; But this figure does not include the population who migrated to other countries and their number remains unknown.

11 By December 2004 their numbers and those of forced migrants from Georgia registered in North Ossetia were 19,025. International Crisis Group (2005) Georgia-South Ossetia: Refugee Return the Path to Peace, Europe Briefing N°38.

12 International Crisis Group (2010) South Ossetia: The Burden of Recognition, Europe Report N°205.

13 European Training Foundation (2013) *Migration and Skills in Armenia and Georgia: Comparative Report*. Available at: [http://www.etf.europa.eu/webatt.nsf/0/226927FBAE4DA4E2C1257B4D0043A93E/\\$file/Migration&skills_Georgia.pdf](http://www.etf.europa.eu/webatt.nsf/0/226927FBAE4DA4E2C1257B4D0043A93E/$file/Migration&skills_Georgia.pdf) [accessed 12 January 2016]; Caucasus Research Resource Centres- Georgia (2008) *Migration and Return in Georgia: Trends, Assessments, and Potential*. Available at: http://www.crrc.ge/uploads/files/research_projects/CRRC_MigrationReport_FINAL_23JAN2008.pdf [accessed 12 January 2016].

14 Detailed analysis of 2014 census is not yet available, but it is highly likely that the number of ethnic minorities has further decreased.

population of the Abkhazian Autonomous Republic was comprised of 45.7 per cent ethnic Georgians, 17.8 per cent ethnic Abkhazians, and the rest of the population was Russians, Greeks, Armenians, etc. A 2011 Abkhazian census showed that Abkhazians constitute 50.71% of current population of the entity, Georgians 17.93%, Armenians 17.39%, and Russians 9.17%.¹⁵ The total population of the South Ossetian Au-

“My daughter and grandchildren are now in Tskhinvali. The more time passes, the more you realize the loss. I'm not talking about the economic and material losses. I worry about my land, about my region. I don't remember my house anymore. I suffer the most from the fact that the closest people became so distant and inaccessible. This soul pain is a heavy injury. It should not be like this! The mother should have right to visit her daughter freely, and the daughter should have the right to see her brothers and relatives. And I am not the only one. Many experience a similar pain and suffering. Many leftparents on the other side, or vice versa. So many people live with such pain. How can I not say that my rights are violated, if I cannot see my daughter. It has been nine years that I have not seen my grandchildren. Is this not a violation of human rights?...”

IDP settlement resident in the village of Karaleti

tonomous Oblast (region) was comprised of 66 per cent Ossetians and 29 per cent Georgians according to 1989 census. Today, no more than 2,500 ethnic Georgians remain in South Ossetia, mostly in the Akhalkgori district¹⁶, which is approximately 8-12%.

The figures illustrate that the social fabrics of these societies have been

heavily affected. As noted above, South Ossetia and Abkhazia have lost significant parts of their ethnic Georgian communities, resulting in the disruption of family and relative links, especially in South Ossetia, where an estimated 40% of the population were mixed families. This means that many traditions of inter-ethnic co-existence, and community events, which were a way of life, were also uprooted. Neighbors no longer spend time together, marriages fall apart, and friendships break down.

Displacement forced people to change jobs, residence, and leisure activities and adopt new and dangerous survival strategies. For IDPs, the tradition of celebrated religious holidays has changed. They are no longer able to visit graveyards of family members and honor them on Easter for example, a tradition which provides Georgians with a link to the family and the past. The cycle of detentions on the South Ossetian ABL shows that the rate of detention actually increases during religious holidays, because people try to cross it regardless of increased Russian scrutiny.¹⁷

The weakening of social ties and restricted interactions provoke feelings of fear and mistrust among Georgians, South Ossetians and Abkhazians. These feelings manifest themselves in people's behavior and attitudes towards each other, especially in areas where they live in close proximity to each other. The social fabric of the population of both sides of the division line has been weakened by suspicions and resentment towards individuals or families suspected of having supported the armed groups or “participated in the war efforts.” According to a story of an elderly villager from Zardiaantkari, Gori municipality, his house was torched by South Ossetians he knew from neighboring village, because they believe he led the Georgian army to the conflict zone in 2008.¹⁸

B. Human dignity, human rights and Democracy

The high numbers of victims, feelings of insecurity and distrust, as well as ethnic antagonism during and after the armed conflicts, all promote intolerance, radicalism and increase the risks of authoritarianism

¹⁵ The population of Abkhazia stands at 240,705, AbkhazWorld, 29 December 2011. Available at:

<http://abkhazworld.com/aw/current-affairs/534-the-population-of-abkhazia-stands-at-240705#sthash.L5taTsfT.dpuf> [accessed 12 January 2016].

¹⁶ International Crisis Group (2010) South Ossetia: The Burden of Recognition, Europe Report N°205.

¹⁷ Ibid.

¹⁸ Author interview in Shida Kartli 2015.

and corruption. In fragile situations of conflict and post conflict, democracy is the main victim. This is due to by various actors who make rational calculations aimed at increasing their legitimacy and support base. Military or political leaders can successfully use the situation to legitimize violence and their power, for example, portraying the whole nation as enemy or identifying ‘we vs. they’, by associating ‘our’ side with the survival and well being of all “our” people, while stressing that the “other” party is an “existential threat”.¹⁹ Combating these threats naturally requires special measures, which can be ignorance of laws, justification of violence and human rights violations.²⁰ An image of overwhelming threat to the “ethnic collective” is particularly helpful in silencing dissent, especially if dissenters can be branded as traitors.²¹ Collective fear of the “other” can explain people’s submissiveness, so people comply with authoritarian rules that are imposed on them and tolerate violence and human rights violations.

Democratization was always a declared policy of the Georgian government, but as soon as the ruling elites felt a decrease in popularity, they would usually refer to external threats to mobilize the support base and justify their undemocratic rule. After the November 2007 protests in the Georgian capital, which were the first major anti-government street demonstration after the Rose Revolution, ruling elites reacted by claiming a Russian conspiracy and claiming that “dark forces” were responsible. According to a scholar, “the specter of Russia had become a lifeline for President Saakashvili when his political fortunes were down”.²²

In addition, the rise of foreign security threats was usually coupled with the deterioration of the human rights situation in Georgia. This became especially evident in the aftermath of the 2008 war, when government and ruling party representatives often argued that it was difficult to protect human rights “when the enemy is 40 kilometers from the capital.”

This tendency is articulated even more in South Ossetia and Abkhazia, where Georgians as a nation and the Georgian state is portrayed as an existential threat to the “ethnic survival” of a “small nation.” And, in this situation any dissent or critical opinion is interpreted as “betrayal” while Georgians are demonized. No wonder, intolerance, discrimination, curbing of personal freedoms and civil liberties have become a normal practice in these entities. The absence of international scrutiny over the human rights situation in these entities strengthen the non-democratic rule, leaving the political or civil activists in isolation.

“... Twice because of my cow I went there and was caught by Russians. The third time I was caught when my friend died, an Ossetian, on the other side. I went to the wake ceremony, and then decided to attend the funeral the next day. After all, it was my friend who passed away. I took money both for the funeral reception and also for those who were going to detain and jail me, so that I could pay the fine just in case...and so I was caught when going to the funeral. Here where pine trees are growing - I was caught there. I said I was going to the funeral. First, they did not believe me, then they believed me, but still detained me. I said that I have money and can pay, so let’s speed up the trial so that I can make it to the funeral. I was taken to the investigator. Then I was taken to Djava. I was fined two thousand rubles and they wanted to send me back home. But, I had to be at the funeral and not home – this is why I came here. They told me that it is not possible. Their president Tibilov was present at the funeral at that time. My friend’s children told him that their father’s friend, an old man that was coming from here to the funeral, was caught. When he learned it, he called. And I was taken in his car to the house of my late friend. So, I made it to the funeral. After the funeral, I stayed another half an hour for the funeral reception. Then, again in their car, I was taken back... That’s it. I won’t go there anymore, enough....”

Resident of the village of Chvirnisi, Kvareli municipality

19 Schröder, Ingo W. and Bettina Schmidt. (2001) “Introduction: Violent Imaginaries and Violent Practices” in Schröder, Ingo W. and Bettina Schmidt (eds.) *Anthropology of Violence and Conflict*, London and New York: Routledge.

20 Buzan, Barry, Ole Wæver, and Jaap de Wilde (1998) *Security: A New Framework for Analysis*. Boulder, CO: Lynne Rienner.

21 V.P. Gagnon, Jr., (1994) *Ethnic Nationalism and International Conflict: Case of Serbia*, *International Security*, Volume 19, Issue 3.

22 Scott Radnitz (2012) *The Politics of Foreign Intrigue in the Caucasus*, PONARS Eurasia Policy Memo No. 243.

One Tskhinvali based interlocutor explained about the situation in South Ossetia: “There is dominant thinking among the population here that they should follow whatever the government says, and that any dissenting opinion is directed against the state. Accordingly, there are virtually no people with dissenting opinions. If there are any, they are silent, hoping that the shadow of the conflict will wither away and dissenting opinions will no longer be perceived as harmful to the state”.²³

Silencing independent media and civil activists who speak out about problems within societies is another strategy to justify undemocratic rule in conflict and post-conflict settings. South Ossetian and Abkhazian activists and independent journalist are constantly presented as traitors, or even foreign agents whose main aim is to undermine the fragile status quo of de facto independence.²⁴ According to an influential human rights organization, in South Ossetia and Abkhazia “people cannot speak freely or associate to stand up for their rights, especially where even the most legitimate criticism of the authorities is presented as treachery.”²⁵

This policy has ensured that those who wish to organize peace groups or peace movements are under constant threat and are incapable of effecting social or political change. Accordingly, peace movement has not become large a influential in Georgian, South Ossetian, or Abkhazian societies.

In short, conflicts can be said to be the main cause of the lack of democracy, the denial of human rights and suppression of different opinions. An International Federation for Human Rights report finds that in all conflict torn entities of the former Soviet Union (Abkhazia, South Ossetia, Nagorno-Karabakh, Crimea, and Transnistria) very basic rights of inhabitants are denied, in the situation when “national mechanisms are unavailable because de jure authorities have little if any leverage over de facto authorities. A lack of rule of law and high levels of corruption render local laws and courts in the disputed entities largely ineffective... Ombudsman Offices ...are not independent and are highly politicized; citizens have little legal awareness and are therefore ill-equipped to demand their rights.”²⁶ This tendency should definitely be seen within the context of unresolved conflicts.

C. Human Development

Conflicts and armed violence disrupts markets, and destroys social infrastructure. In the midst of undemocratic, unaccountable governance these become difficult to recover, not only due to lack of finances and conflict’s negative effect on economy, but also due to corruption and the self-interest of officials.

There can be various explanations as to why conflict affected societies are more prone to corruption: weak civil society, including media which cannot keep the government accounted, lack of trust in government institutions also creates a situation when individuals seek to use their access to public office to accommodate their own needs; Many in power might also have little incentive to give up the power and profit they have secured during the hostilities; Breakdown of the rule of law tend to result in enhanced opportunities for the flourishing of corrupt practices.²⁷ Accordingly, problems such as poverty, social inequality, low standard of living, lack of education, access to medical and social services become endemic problem during protracted, unresolved conflicts.

Conflicts had major consequences in all aspects of human development in Georgian, South Ossetian and Abkhazian societies, while the unresolved nature of the conflict has been sustaining the low level of human development. This has especially been negatively reflected on the Administrative Boundary Line (ABL) and IDP communities. Although direct military activities stopped in 2008, local communities near

23 Author interview, 2015.

24 International Federation for Human Rights (2014) Assessing Human Rights Protection in Eastern European Conflict and Disputed Entities. Available at: https://www.fidh.org/IMG/pdf/rapport_disputed_entities_uk-ld3.pdf [accessed on 12 January 2016].

25 Ibid.

26 Ibid.

27 The Center for Stabilization and Reconstruction Studies (2006), Post Conflict Institution Building: Beating Corruption. Available at http://edocs.nps.edu/npspubs/scholarly/Proceedings/csrs/2006/csrs_dec06.pdf [accessed on 13 January 2016].

the ABL continue to pay the highest price for unresolved conflict. The post-conflict recovery process has been prolonged due to the inability of the parties to agree on vital humanitarian issues, such as drinking and potable water supply, access to agriculture lands and pastures, freedom of movement across the ABL, etc. As a result, locals lost traditional sources of income in these areas: land cultivation and animal husbandry. According the 2014 Ombudsman report, some villages on the ABL with South Ossetia lost access to up to 50-60% of village lands as a result of borderization.²⁸

The same is true for IDPs, who live with the trauma of war and displacement and experience socio-economic hardship, including low levels of employment, and problems with access to adequate housing, health care and quality education.²⁹ The situation for IDPs, especially for those displaced in the early 90s has now become a vicious circle. Decreased access to quality education leads to decreased employment opportunities. That, in turn, leads to poverty, poor health and decreased opportunities for quality education for children.

The situation is far worse in Abkhazia and South Ossetia, arguably not only due to destruction caused during the war, but also due to endemic corruption. For example, Russian aid to South Ossetia from the 2008 war to 2010, was \$840 million, about \$28,000 for each resident, but, residents complained of the slow pace of reconstruction, largely due to corruption.³⁰ Although no systematic study has been undertaken to review social problems in Abkhazia and South Ossetia, it is a widely accepted fact that medical care, pre-school and school education is in a difficult state in both entities.

Indeed, the EU-Georgia Association Agreement as well as planned visa liberalization with Shengen states do provide better chances for human development in Georgia. In the long run, this would mean a decrease in poverty and the elimination of social inequality, better access to education and health care, freedom of movement, etc. However, it remains to be seen to what extent residents of South Ossetia or Abkhazia will use of this opportunity.

IV. CONCLUSION: ENDING THE VICIOUS CYCLE

The aim of this article was to show some aspects of development that Georgians, Abkhazians and South Ossetians missed due to unresolved conflicts, thus missing the opportunities for peace. The article intended to demonstrate that conflict that causes destruction, authoritarianism, human rights violations and underdevelopment also leads to conflicts and escalation. All have lost from the conflicts and more so from unresolved conflicts. South Ossetians and Abkhazians declared independence, without the majority of their pre-war population and rejoiced the Russian recognition, but, this has brought little improvement to lives and rights of local residents, while making them more and more dependent on Russia and isolated from the rest of the world.

Georgia's territorial integrity is violated. It has lost a vast part of its pre-war population, received a huge number of IDPs, and continues to face significant security challenges that often become grounds for the government to justify human rights violations and undemocratic rule. Although one might argue that

28 Special report of the Public Defender of Georgia 2014, Human Rights Situation of Conflict-affected Population in Georgia. Available at: <http://ombudsman.ge/en/reports/specialuri-angarishebi/human-rights-situation-of-conflict-affected-population-in-georgia.page> [accessed on 13 January 2016].

29 Johns Hopkins Bloomberg School of Public Health and the Institute for Policy Studies (2012) Aging in Displacement: Assessing Health Status of Displaced Older Adults in the Republic of Georgia. Available at: http://www.jhsph.edu/research/centers-and-institutes/center-for-refugee-and-disaster-response/publications_tools/GEORGIA%20PRM%20OLDER%20ADULT%20STUDY%2001May2012.pdf [accessed on 13 January 2016]; Institute for Policy Studies, Association "Dea"(2014) Needs and Priorities of IDP and Conflict-affected Women and Girls available at: http://www2.unwomen.org/~media/field%20office%20georgia/attachments/publications/2014/idp%20%20conflict-affected%20women_geo.pdf?v=1&d=20150410T195129 [accessed on 13 January 2016].

30 International Crisis Group (2010) *South Ossetia: The Burden of Recognition*, Europe Report N°205.

the degree of democracy and human rights observance has increased since the change of government in Tbilisi in 2012, this achievement needs to be consolidated. Georgia continues to pay high financial cost for unresolved conflicts.

This is a vicious cycle that needs to be ended; miscalculations of the 1990s and 2008 should be changed with pragmatism. Structural reforms, in terms of democratization, protection of minorities and human rights, access to justice, rule of law and elimination of poverty are needed in order to prevent the escalation of tensions in the future and ensure stability and peaceful coexistence of various groups.

This is a difficult but very much needed task for the political leadership, as well as for civil society. They should be very conscious that discourses of exclusion polarize people on ethnic, class, race, color, religion or any other trait basis, thus they should employ discourses of inclusion that unite and bring people together around a common cause of peace and stability.

A fundamental change of attitude and political culture is required in all societies in order to achieve stability and peace between different groups. There will be no peace without democracy, because democracy is an instrument of peaceful negotiations, compromises, non-violent mechanisms of dispute resolution and respect to differences. Democracies are at a lower risk of civil war and other forms of violence.³¹

On the other hand, there will be no social, economic and political development without peace, because development and prosperity requires a peaceful environment for policy making and structural reforms that address human rights, human needs and human security. As one scholar noted “Peace is development in the broadest sense of the term”.³²

31 Several scholars show empirical evidence that ethnic or civil wars are indeed unlikely to occur in democratic societies and if a state has democratic neighbors, it is less likely to become embroiled in an internal ethnic conflict. See Harvard Hegre and Martin Austvoll Nome (2010) Democracy, Development, and Armed Conflict, Paper presented to the 2010 Annual Meeting of the American Political Science Association, Washington DC. Available at: https://hvardhegre.files.wordpress.com/2013/09/hegre_nome_apsa2010.pdf [accessed on 13 January 2016]. Sambanis, Nicholas (2001) Do Ethnic and Non-ethnic Civil Wars Have the Same Causes?, *Journal of Conflict Resolution* Volume 45, Issue 3.

32 Eduard Azar (1990). *The Management of Protracted Social Conflict: Theory and Cases*. Hampshire: Dartmouth; and J. Burton (1990). *Conflict: Human Needs Theory*. London and New York: Macmillan and St Martin's Press.

UNDERSTANDING THE IMPACT OF ARMED CONFLICT ON SOCIAL CAPITAL AND NETWORKS IN SOUTH OSSETIA.

*Svetlana Valieva*¹

A key to an individual's welfare rests in society and how it organizes itself. Correspondingly, the main intention of armed conflict is the dissolution of the cohesiveness of a social group under attack. Armed conflict in South Ossetia has undoubtedly become a collective trauma for all witnesses and matters of security have dominated the minds of the South Ossetian society over the last twenty years. Now that the focus has shifted to reconstruction, state-building and economic development, South Ossetia is faced with the challenge of rebuilding of its social structures and healing the effects of uncertainty brought upon by conflict.

With loss of lives, permanent injuries, population displacement, destroyed infrastructure, political instability, and ensuing insecurity comes the flight of human capital from a conflict-affected locale. Human capital has been described as "a central mechanism in economic growth and development processes."² Distinct from physical capital, defined as accumulated physical and financial wealth and typically emphasized by classical economics, assets in the forms of human capital and social capital "are now being seen as having as much, if not more, significance for economic growth."³ Social (and institutional) capital is vested in relationships between individuals, whereas human capital includes education, experience, and natural talents.⁴

In a place of a relatively small size such as South Ossetia, dense patterns of social ties are formed within communities and act as sources of new knowledge and resources. Such social networks transmit information about opportunities and allow for mutually beneficial collaborations through conjunctures of events. During the conflicts over the last two decades these functional communities have been demolished, along with the social capital embedded in these networks. South Ossetia can be characterized by the presence of dense networks, which are generally prevalent in smaller groups, making it a perfect example for analysis of social networks and capital.

This article focuses on the impact of violent armed conflict on the contextual conditions of social networks in South Ossetia, with implications on economic performance. The article begins with an overview of social capital and network theory followed by application in the context of South Ossetia. Next, specifics of the post-war environment are reviewed. Finally, recommendations are provided for further research, followed by conclusions.

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² Galor, Oded, and David N. Weil. 2000. "Population, Technology, and Growth: From Malthusian Stagnation to the Demographic Transition and Beyond." *American Economic Review* 90(4): 806-828. DOI: 10.1257/aer.90.4.806.

³ Karl Marx defined capital "as the inputs which share in the residual profit."

⁴ Piazza-Georgi, Barbara. 2002. "The role of human and social capital in growth: extending our understanding." *Cambridge Journal of Economics* 26 (4): 461-479. DOI: 10.1093/cje/26.4.461

SOCIO-ECONOMIC CONSIDERATIONS OF SOCIAL CAPITAL AND NETWORKS REVIEWED

We were living together, and so quickly everything collapsed. But to rebuild all these... Our children don't understand who Georgian are. They don't live among Georgians. They don't interact with them. They grow up with notion that Georgians are the enemy, and Georgian children grow up with the notion that Ossetians are killers and terrible people. How can we change that? Many, many years are required for all these to be forgotten. Generations are needed. Probably, we will never forget this. I never wished them bad, even during the war. I can't wish Georgians bad, I can't! Because I grew up among them, I got my education there. I can't hate them, I can not help but love them, I do not wish ill for the Georgian people, and I never had. Although there have been times when loved ones were killed. At those times I had terrible thoughts. As a human ... If I loved someone from my friends, Georgian relatives, nothing has changed in my mind. I love them the same, I interact the same, and, the same way I see them at least once a year. But when we meet - by chance or by accident-we try not to touch the painful issues. We protect each other. But I am also an Ossetian from Georgia, and I also have something that I lost there ... And they lost something here too. So we all lost something, something important in this life, and we tried not to talk about things that can bring us pain.

Resident of Tskhinval

An export from sociological theory, the concept of social capital, in the form of mobilized social ties, represents a relational resource of individual actors fundamental to the establishment of social cohesion and economic stability. The social capital hypothesis holds that those with better social capital are better able to realize their goals through networks of exchange.⁵ In the sphere of socio-economics, the aspect of relationships on value co-creation is achieved through coordinated action allowed by social networks.

The concept of social capital went from being “an individual asset to a feature of communities and even

nations.”⁶ Collective social capital rests within the structures of communities and is shaped through exchange of social support among households. The collective good aspect of social capital on a wider community can be seen through relations between two individuals having external effects on other persons and by creating trust. Social structures also, in turn, shape actions of individuals.

Social network analysis is an approach related to, but distinct from, social capital. Social network analysis assumes the interdependence of social actors, allowing for the examination of the structures of relationships between them. Taking into account the context within which individuals shape one another's actions, social network analysis studies patterns of relations, with outcomes caused by unique constraints, opportunities and perceptions.

Social networks are constructed through social interactions and meeting of obligations of reciprocity, leading to development of norms and their subsequent institutionalization of group relations. Such group norms and culture also have the ability to “shape skill and productivity.”⁷ These group relations, with their structure and dynamics influenced by the interaction of their

⁵ Flap, Henk and Beate Völker. *Creation and Returns of Social Capital*, Routledge, Aug 2, 2004.

⁶ Eric L. Lesser, *Knowledge and Social Capital: Foundations and Applications*, doi:10.1016/B978-0-7506-7222-1.50001-5.

⁷ Mark Granovetter, “The Impact of Social Structure on Economic Outcomes,” *Journal of Economic Perspectives* 19, no. 1 (2005): 33–50, <http://www.jstor.org/stable/4134991>.

elements, serve as usable as reliable sources of benefits. In shaping economic as well as collective action,⁸ social ties build a collective capacity, or social capital at a collective level.

Due to their dynamic nature, social networks create opportunities and allow for productive integration through the establishment of contacts with counterparts. By connecting expertise and desires, networks use social ties to act as sources of new knowledge and resources in today's postindustrial society where ideas serve as capital and offering analytic advance. Moreover, markets develop through "their origination phase of social networks,"⁹ which make access to economic resources through social resources possible.¹⁰

Flow and quality of information determine the impact of social structures on economic outcomes.¹¹ Through larger and more efficient information dissemination, social networks serve as sources of innovation and its diffusion. Social networks are also at the heart of the networked information economy, bypassing the limitations of the market-based production places and organized in a decentralized pattern in today's considerably more complex and service-oriented economic systems.

Although "much of social life revolves around a non-economic focus," the mixing of society and economics is what produces the effect of social embeddedness of the economy.¹² Embedded in individual and organizational networks, social capital is measured by the available resource links and an actor's control over those links.¹³ The productivity of social capital at a collective level can be considered in terms of reduced production, transaction, and monitoring costs.

THE ROLE OF SOCIAL CAPITAL IN THE SOUTH OSSETIAN CONTEXT: IMPLICATIONS FOR NORMS, GOVERNANCE, AND THE ECONOMY.

Social relations in South Ossetia

Large shocks such as armed conflicts tend to produce profound restructuring of existing social norms and distributional arrangements.¹⁴ South Ossetia's ubiquitous collectivistic worldview permeates all spheres of life, solidifying relationships both within and outside of households. A close look at the social structure in South Ossetia points to the existence of a tightly-woven community. Cooperation, based on considerations of sharing a common future and past experiences, influences all spheres of community activities.

⁸ Brian Uzzi, "Social Structure and Competition in Interfirm Networks: The Paradox of Embeddedness," *Administrative Science Quarterly* 42, no. 1 (1997): 35-67.

⁹ Jason Potts, Stuart Cunningham, John Hartley, and Paul Ormerod, "Social network markets: a new definition of the creative industries," *Journal of Cultural Economics* 32, no. 3 (2008): 167-185.

¹⁰ Alejandro Portes, "Social Capital: Its Origins and Applications in Modern Sociology," *Annual Review of Sociology* 24 (1998): 1-24, <http://www.jstor.org/stable/223472>

¹¹ Granovetter, "The Impact of Social Structure on Economic Outcomes," 33.

¹² Granovetter, "The Impact of Social Structure on Economic Outcomes," 35.

¹³ Henk Flap and Beate Völker, eds., *Creation and Returns of Social Capital* (Routledge, 2004).

¹⁴ Patricia Justino, "The Impact of Armed Civil Conflict on Household Welfare and Policy Responses," Department of Economic and Social Affairs of the United Nations Development Policy Analysis Division, (2008), http://www.un.org/en/development/desa/policy/wess/wess_bg_papers/bp_wess2008_justino.pdf

One major benefit of denser networks is the greater ability to emphasize trust by molding individual behavior. Since norms play a large role in establishing a “moral community” with a threat of “collective punishment,”¹⁵ they tend to be easier to enforce within denser networks. Besides serving a source of family support, social capital created by tight community networks is also useful in rule enforcement and thus bears a social control function.¹⁶

The overall damage caused to the social fabric post-conflict encompasses the less tangible and measurable costs compared to the physical harm of war.¹⁷ The population data for South Ossetia indicate that there have been dramatic changes since 1991. In the fall of 2015 a census was undertaken in South Ossetia, with final results to be published in mid-2016. The preliminary results point to the permanent population of a little over 51 thousand people, with Tskhinval alone containing 30 thousand inhabitants.¹⁸ The previous census was conducted in 1989, at which point 98.5 thousand inhabitants were reported with 42.3 thousand living in Tskhinval.¹⁹

Impact of social coherence on state-building and institutions

Social capital plays a significant role in the overall governance environment and the efficacy of government institutions.²⁰ In turn, “effects of networks seem to be conditioned by institutions.”²¹ Thus, the mutually reinforcing relationship between society and its institutions cannot be underestimated.

Social capital enables people to solve collective action problems through the presence of well-performing political institutions, thereby promoting political efficacy, maintaining peace and contributing towards post-conflict recovery and local development. Correspondingly, “organizations, as institutional settings, are conducive to the development of high levels of social capital.”²² Therefore, it is not surprising that profound effects of conflicts on the distribution of social capital among individuals translate to the way communities relate internally and externally.

Traditions and focus on communal ties serve an important role in socio-political self-organization in Ossetia, as seen within older forms of communal order and those of the more recent past. An earlier example of a shock rearranging the socio-political self-organization of communities was seen following hostile incursions into territories inhabited by Ossetians taking place in the 13th and

¹⁵ James E. Rauch, “Business and Social Networks in International Trade,” *Journal of Economic Literature* 39, no. 4 (2001): 1177-1203.

¹⁶ Eric L. Lesser, *Knowledge and Social Capital: Foundations and Applications* (Butterworth-Heinemann, 2000).

¹⁷ Deborah J. Warr, “Gender, class, and the art and craft of social capital,” *The Sociological Quarterly* 47, no. 3 (2006): 497–520, DOI: 10.1111/j.1533-8525.2006.00056.x.

¹⁸ Управление государственной статистики РЮО [Office of government statistics of the Republic of South Ossetia], “Охват переписи в Южной Осетии составил более 51 тыс. человек [Scope of the census in South Ossetia included more than 51 thousand people],” <http://ugosstat.ru/ohvat-perepisi-v-yuzhnoy-osetii-sostavil-bolee-51-tys-chelovek/> (translation by author).

¹⁹ Этнокавказ [Etnokavkaz], “Этносостав Южной Осетии в 1886-1989 [Ethnic make-up of South Ossetia in 1886-1989],” <http://www.ethno-kavkaz.narod.ru/rnsossetia.html> (translation by author).

²⁰ Jonathan Isham, Thomas Kelly, and Sunder Ramaswamy, *Social Capital and Economic Development: Well-being in Developing Countries* (Edward Elgar Publishing, 2002).

²¹ Flap and Völker, *Creation and Returns of Social Capital*, 3.

²² Janine Nahapiet and Sumantra Ghoshal, “Social Capital, Intellectual Capital, and the Organizational Advantage,” *The Academy of Management Review* 23, no. 2 (1998): 242-266.

14th century, which forced Ossetians to retreat into more mountainous areas.²³ At that time, an older method of governance actualized through a gathering called ‘nykhas’ returned, serving as a reversion from a feudal system of organization, and actualizing the communicative principles of the traditional political culture in Ossetia.²⁴

Organizing the daily life of the community, the ‘nykhas’ served as the coordinator of power relations within political-economic unions of settlement groups. Showing importance of public opinion in exercising authority, the ‘nykhas’ as a council held a democratic essence and socializing potential by modeling many aspects of meaningful conduct. Although the ‘nykhas’ lost its initial importance in the public sphere of Ossetian societies towards the end of the 19th century²⁵ it remains an important example for the analysis of the communicative aspect of the political culture of the Ossetians.

The ‘nykhas’ as a form of societal self-organization was prevalent during periods of isolation of the Ossetian societies. Similarly, the conditions of economic and political isolation of South Ossetia prior to 2008 precipitated a return to a process of social networks formation based on blood-relative relations. As a result of this transformation, and a reduction in social and political capital, the main structures of political system began to exhibit a de-facto communal character and the political behavior, to a large extent, became determined by the factor of communal belonging.

With the partial recognition of statehood post-2008, the nature of internal and external decision-making in South Ossetia, particularly in connection with the distribution of the externally received resources, became the source of skepticism towards the effectiveness of the existing state structures and political governance. Moreover, the question of how the new government should be built following the decades of conflict is a sensitive issue when it comes to the perceptions by the outside world, for which an interest in portraying the process of state-building in South Ossetia as unsuccessful and statehood as unrealized may exist.

The conflicts in South Ossetia have undoubtedly lowered the state’s ability to solve problems and hampered its functioning. The results of the lowered administrative potential were mirrored by the low-rating of the politicians from the previous administration, largely due to embezzlement of reconstruction assistance,²⁶ which were captured by a survey conducted in 2011 on the eve of the

²³ Naumov, et al. “South Ossetia in the Conditions of Structural Changes: Societal Processes and Conflict Potential,” (Saratov: Povolzhskaya Academy of Public Service P. A. Stolypyn. 2010. P. 28.

²⁴ Хадикова А. Х., Дауева Т. Т., "Коммуникативный аспект традиционной политической культуры осетин [The communicative aspect of traditional Ossetian political culture]," *Современные проблемы науки и образования* [Modern Problems of Science and Education], no 6 (2013), <http://cyberleninka.ru/article/n/kommunikativnyy-aspekt-traditsionnoy-politicheskoy-kultury-osetin> (translation by author).

²⁵ Хадикова А. Х., Дауева Т. Т., "Коммуникативный аспект традиционной политической культуры осетин," 3.

²⁶ Б.К. Харебов и К.Г. Дзугаев [B.K. Harebov and K.G. Dzugaev], "Республика Южная Осетия после признания: Проблемы и перспективы [Republic of South Ossetia after recognition: Problems and perspectives]," *Южная Осетия в условиях структурных преобразований, Южная Осетия в условиях структурных преобразований: Общественные процессы и конфликтогенный потенциал [South Ossetia during structural transformations: Societal processes and conflict potential]*, Поволжская академия государственной службы, Саратов, 2010.

presidential election campaign.²⁷ These sentiments, reflecting the dissatisfaction of the South Ossetian residents with the work of the post-war administration, echoed dissatisfaction with economic and other dimensions of welfare.

The survey, intended to obtain public opinion on the socio-economic and political situation in South Ossetia, made a connection between existing socio-economic problems and the mass population exodus. Experts who participated in the survey²⁸ alluded to the ineffective work of state structures in South Ossetia and assessed the economic development of South Ossetia as low due to the current demographic situation.²⁹ The main problems reported included unemployment, poverty, quality of medical services, corruption and lack of opportunity for the young.³⁰

While conflict negatively affects the institutional ability to shepherd the economy, provide basic social services, and maintain socio-economic stability,³¹ further compounding the problems in South Ossetia is the lack of a strong civil society. Social capital in the political sphere is highly associated with civil society, as it produces a dense civil society, balancing the power of the state and reducing the reliance of the populace on the state.³² Although a stronger civic society presence could help increase transparency and mitigate some of the effects of the conflict, the line between the state apparatus and civic society is rather blurred.³³ Development of independent civil society groups would bring a higher degree of attention to socio-economic issues and promoting cooperation between individuals.

Economic development trends in South Ossetia post-conflict

Destruction entailed by warfare, combined with the erosion of institutions, typically leads to a deterioration of the economic environment. The economic disruption and isolation as a result of violent armed conflict and tension over the last twenty years has produced severe negative long-term social and developmental consequences in South Ossetia.

Economic institutions evolved as social constructions and economic activity is coordinated by groups of people rather than isolated individuals,³⁴ further emphasizing the embeddedness of

²⁷ The survey was undertaken by the Center for Social and Market Research 'SOCIUM' in cooperation with the North Ossetian Center for Social Research of the Institute for Socio-political Research.

²⁸ 661 respondents and 10 experts took part in the survey. The expert group consisted of leading economists, political scientists, historians, representatives of the administrative apparatus, journalists, education sector representatives, entrepreneurs and other residents of South and North Ossetia. The survey took place in Tskhinval and all four rural districts of South Ossetia.

²⁹ Дзуцев Хасан Владимирович, Геворкян Артем Самвелович [Hasan Dzutsev and Artem Gevorkian], "Общественное мнение о социально-экономической и политической ситуации в Республике Южная Осетия накануне предвыборной кампании президента [Public opinion on socio-economic and political situation in the Republic of South Ossetia]," *International Journal of Russian Studies*, no. 2 (2011): 134-162, http://www.ijors.net/issue2_2_2013/pdf/___www.ijors.net_issue2_2_2013_article_1_dzutsev.pdf (translation by author).

³⁰ Дзуцев Хасан Владимирович и Геворкян Артем Самвелович, "Общественное мнение о социально-экономической и политической ситуации в Республике Южная Осетия накануне предвыборной кампании президента," 161.

³¹ Patricia Justino, "The Impact of Armed Civil Conflict on Household Welfare and Policy Responses," *IDS Working Papers* 01/2009; 2011(12). DOI: 10.2139/ssrn.1425043.

³² Francis Fukuyama, *Social Capital and Civil Society*, IMF working Paper No. 00/74, April 2000.

³³ International Crisis Group, "South Ossetia: The burden of recognition," *Europe Report* no. 205, June 2010.

³⁴ Mark Granovetter, "Economic Institutions as Social Constructions: A Framework for Analysis," *Acta Sociologica* 35, no. 1 (1992): 3-11.

economic activities in social structures. Transactions take place through loose collections of individuals who maintain ties, thereby facilitating embeddedness.

Since economic action is embedded in social structure, with the decimation of the population goes the undermining of the basis of the economy and crumbling of statehood. Conflicts also change social relations in ways that affect also the non-asset, but economically relevant quality of life and welfare. The events of the last twenty years reversed the economic and social development achieved prior to the start of the conflict in 1989.

The last decades of the Soviet period saw an improvement in the economic and social development of South Ossetia within the framework of a program providing funds to nationalities inhabiting the peripheral regions of the Soviet Union. This program countered the minimal opportunities for self-sufficiency and development afforded by the central government of the Georgian SSR³⁵ and was responsible for an increase in the number of industrial and social infrastructure objects in South Ossetia.

It is also important to note that the adverse economic shock of the 1991 war in South Ossetia was compounded by the collapse of the Soviet Union, thereby presenting a separate developmental challenge. Armed conflicts during the period of transition from a planned economy significantly hampered the process of necessary economic and political reforms. Furthermore, many of the social problems during the transitional period were exacerbated by the destruction of infrastructure for data collection and the resultant absence of reliable information which would aid in such reforms.

The deterioration of the economic environment due to conflict contributes to a reduction in the desired levels of factors of production, as some mobile factors (such as physical and human capital) are more able to leave than others (such as land), giving rise to a gradual exodus of these more mobile factors.³⁶ The flight of human capital goes hand in hand with a reduction in economic interdependence both within the local economy and with outside trade partners. Similar to the period prior to the dissolution of the Soviet Union, South Ossetia's reliance on the Russian Federation still continues particularly when it comes to external trade.

Economic problems were found to be felt so acutely in South Ossetian households that 24 percent of residents surveyed in 2010 expressed a desire to move out of South Ossetia.³⁷ Of those, more than half are interested in immigrating to Russia in search of better economic opportunities.³⁸

³⁵ К.С. Мокин и Н.А. Барышная [K.S. Mokin and N.A. Baryshnaya], "Южная Осетия и Абхазия: Формирование государственности и становление идентичности [South Ossetia and Abkhazia: Formation of statehood and identity]," *Южная Осетия в условиях структурных преобразований: Общественные процессы и конфликтотенный потенциал [South Ossetia during structural transformations: Societal processes and conflict potential]*, Поволжская академия государственной службы, Саратов, 2010 (translation by author).

³⁶ Paul Collier, "On Economic Consequences of Civil War", *Oxford Economic Papers* 51, no. 1 (1999): 168-83.

³⁷ Vladimir Kolossov and John O'Loughlin "After the Wars in the South Caucasus State of Georgia: Economic Insecurities and Migration in the 'De Facto' States of Abkhazia and South Ossetia," *Eurasian Geography and Economics* 52, no. 5 (2013): 631–654. DOI:10.2747/1539-7216.52.5.631.

³⁸ Vladimir Kolossov and John O'Loughlin "After the Wars in the South Caucasus State of Georgia: Economic Insecurities and Migration in the 'De Facto' States of Abkhazia and South Ossetia."

Another 2010 survey of South Ossetians determined that almost all households surveyed have family members in Russia,³⁹ further solidifying the dependence on the Northern neighbor.⁴⁰

Besides the loss of valuable human capital resulting from casualties, migration, and displacement of people, the removal of private funds which could have been used for investment is another reality of post-conflict states.⁴¹ Confirming this trend is the fact that the public sector currently represents the largest employer and source of income in South Ossetia.⁴² With both the private and public sectors not leaving much in the way of options for the youth of South Ossetia, approximately half of those graduating secondary-level schools and wishing to continue their education leave for Russia.⁴³ This trend exacerbates the challenge of maintaining the minimal population count in South Ossetia for the necessary level of activity for economic self-sustainability.⁴⁴

RECOMMENDATIONS

Social capital and networks are areas suggested for empirical study in South Ossetia, particularly when it comes to tie formation and dissolution. Examining the impact of human and social capital loss in South Ossetia would require extensive collection and review of data. Taking into account the manner in which social capital is distributed among individuals as well as its creation and returns, such collection of network data could show social relations and examine different mechanisms through which social systems affect economic action. A thorough assessment of households across South Ossetia would also reveal a more complete picture of the social costs of conflict and its dimensions, and may offer insights into how best to further encourage the post-war recovery and mitigate the disruption of non-linear dynamics of economic activity.

The role of the state as the abstract mediator resolving a society's fate is the ultimate one in deciding the proper allocation of resources in a post-conflict situation. Despite given limitations, the current situation in South Ossetia presents a chance for carrying out bold reforms through comprehensive systematic changes, not the least of which is increasing the transparency of public institutions. Although the government of south Ossetia is facing a significant challenge of simultaneous reform and removal of the social consequences of war, creating factors that empower collective action, coupled with access to resources provided by the state, can serve to build new businesses. Government policies can also stimulate the growth of collective social capital and rebuild the structure and quality of societal relations.

Since social capital influences social mobility, with institutions of higher education making decisive contributions to structural dynamics of a society, the importance of improving the

³⁹ Gerard Toal and John O'Loughlin, "Inside South Ossetia: Survey of Attitudes in a De Facto State," *Post-Soviet Affairs* 29, no. 2 (2011): 136-172.

⁴⁰ The survey included respondents from Tskhinval city, Tskhinval rayon, Znaursky rayon, Java rayon, and Leningor rayon, and was conducted by Professor Khasan Dzutsev of the Institute of Sociology, Russian Academy of Sciences center in Vladikavkaz, North Ossetia.

⁴¹ Justino, "The Impact of Armed Civil Conflict on Household Welfare and Policy Responses," 15.

⁴² International Crisis Group, "South Ossetia: The burden of recognition," 5.

⁴³ International Crisis Group, "South Ossetia: The burden of recognition," 6.

⁴⁴ Коста Дзугаев [Kosta Dzugaev], "Национальная идея осетин: история и современность [National idea of Ossetians: History and modernity]" Информационно-аналитический ресурс "ИР" [Informational-analytical resource "IR"], <http://iarir.ru/node/70> (translation by author).

educational opportunities presented in South Ossetia cannot be underestimated. To stem the flow of the youth graduating from South Ossetia's secondary schools to Russian universities, the South Ossetian university complex can be engaged in such an effort. The youth of South Ossetia should be able to obtain specialized education and knowledge with an emphasis on new technologies and professions, in order to increase their chances on the labor market and to claim their rightful place as the main driving force in the restoration of the economic activity in South Ossetia.

The university complex' plan to adopt the Russian experience of forming networked structures to ensure the creation of a strategy for socio-economic growth of innovative potential science and professional training could facilitate such processes.⁴⁵

Taking into account the regional specificity, new integrative relations between the South Ossetian State University and the other local educational and industrial organizations could be realized for economic development.

When I lived in Tbilisi, I had a neighbor, a friend, with whom we were friends from early childhood. And we are talking via Internet periodically. They are fine. They seem fine. I did not ask her about all these events, because we I am friends with her, and I did not want to discover something new in her. I'm afraid to ask her. What if she shares the same opinion as the government?! That's why we talk on neutral topics. And she never asks me such questions, because she knows that if she does I will answer directly about what I think. She also, perhaps does not want to hear that. And this is how we talk ... About family, about children, remembering our childhood. Politics is a forbidden topic for us.

Resident of Tskhinval

Tied with the need for the strengthening public institutions is the necessity in improving the business environment in order to stimulate economic development and offset the high level of unemployment that currently permeates South Ossetia, as the youth is also more likely to take risks and to start businesses. According to a recent survey, the youth of South Ossetia has been characterized as being aware of their potential and realistically assessing their abilities. The survey of 142 working and studying young people (ages 18-25) concluded that the youth holds an interest in their future and exhibits a presence of adequate goals for self-development.⁴⁶

CONCLUSION

As humans we represent diversely-motivated beings – striving for material gain as well as psychological well-being and social connectedness. External structures such as communities and organizations are necessary for individual development through their potential of fostering an ability “to act freely and effectively.”⁴⁷ Therefore, when there are major disruptions such as

⁴⁵ Джагаева Татьяна Ерастовна [Dzhagaeva Tatyana Erastovna], “Иновационные процессы в университетской деятельности республики Южная Осетия [Innovative Processes in the Performance of University of South Ossetia],” Вектор науки Тольяттинского государственного университета [Vector of science of the Tolyatti state university] no. 2 (2014): 73-75, <http://cyberleninka.ru/article/n/innovatsionnye-protsessy-v-universitetskoy-deyatelnosti-respubliki-yuzhnaya-osetiya> (translation by author).

⁴⁶ Khabaeva L.M., Abaeva I.V., Krupnov D.Y., Psychological Analysis of Life-meaning Orientations of the youth of South Ossetia, *Современные проблемы науки и образования*, Выпуск № 5 / 2014.

<http://cyberleninka.ru/article/n/psihologicheskij-analiz-smyslozhiznennyh-orientatsiy-molodezhi-yuzhnoy-osetii>

⁴⁷ Yochai Benkler, *The Wealth of Networks: How Social Production Transforms Markets and Freedom* (Yale University Press, 2007), p. 20.

population loss and reorientation of the economy we can expect both the available resource links and the actors' control over those links to diminish.

Conflict exposure undoubtedly affects human development and the multi-dimensional notion of quality of life. In South Ossetia the exposure to conflict lead not only to loss of lives and inhibited psycho-social well-being, but also the disruption to the non-linear dynamics of economic activity. Recommendations for how to address the societal cost of conflict that South Ossetians continue to bear must await the analysis of more complete data to determine the factors for the longer-term recovery strategy. However, there are clear recommendations that emerge from this study with regard to what further research would be useful.

THE FINANCIAL SIDE OF CONFLICT: THE CASE OF THE GEORGIAN-OSSETIAN CONFLICT

*Vakhtang Charaia*¹

The Georgian-Abkhaz and Georgian-Ossetian conflicts represent key elements contributing to instability not only in Georgia but across the whole region. At first glance, all players within the region are interested in stability. However, this interest is not as unequivocal as it seems, at least due to the fact that Russia, the region's largest (per territory) and most powerful economy, has been one of the key contributors to the destabilization both directly and indirectly over the course of 25 years. Its actions risked not only Georgia (a country which is 20 times smaller than Russia) but also Russia's own reputation, international confidence and economic perspectives. Conflicts have claimed tens of thousands of lives and inflicted sufferings for hundreds of thousands more. Material losses worth billions of dollars have been sustained, invaluable time wasted and opportunities missed that could have been used for building an affluent future.

An increase in unemployment, a socially oriented budget overlooking the importance of economic growth, permanent political instability, a decreased level of national security and its constant exposure to persisting threats as a result of the deployment of the Russian military bases on the occupied territories – this is a humble list of the problems which Georgia has managed to pick up through several wars for the past 25 years. Potential solutions to these problems lie not so much in the political resolution of the conflict, but rather depend on financial-technical assistance provided by the international community.

There are more than enough examples suggesting that small and conflict ridden countries with lasting tensions (Israel, South Korea) have successfully managed to use their geopolitical location for greater benefits through building international relations in a thoughtful manner. Thanks to these tactics, countries who could not boast any distinction or achievement just a few decades ago have managed to re-emerge as powerful and advanced world economies. Georgia has this type of potential.

Georgia's economic retardation compared to the Baltic countries is indicative of how far the country could actually have gone. However, it should be noted that achievements of the country (reviewed in the next section) which, for the past 25 years, has lived through armed conflicts in Abkhazia and South Ossetia/Tskhinvali Region and war with Russia, the civil war, suffered from hyperinflation and heavy concentration of crime and corruption, several attempts of coup-d'état, the political revolution and a series of other problems (Jones S., 2013) are doubly impressive and deserve respect. Most importantly, they demonstrate that the country has the potential and the right to success.

Being a country with little territory and a small economy, and two parallel conflict areas, Georgia needs to pursue careful policies towards Abkhaz and Ossetians. It has become evident (especially after 2008) that any prospect of the integration of the two conflict territories without considerably positive relations with the population, seems, in fact, infeasible. Moreover, these are the minimum but not sufficient requirements for building a shared state.

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ACHIEVEMENTS OF GEORGIA AND SOUTH OSSETIA FOR THE PAST 25 YEARS

The Georgian economy has been progressing for the past 25 years as corroborated by official statistics, World Bank data, as well as indicators of various international organizations. In a nutshell: according to the World Bank data, in 1995 per capita GDP was less than 600 USD but rose to 3.7 thousand USD in 2015 while assets of banking sector increased 90 times (from 276 million USD to 24.4 billion USD) within the same period of time (source: National Bank of Georgia). The World Bank estimates that Direct Foreign Investments increased from 10 million USD in 1996 to 1.35 billion USD in 2015. According to GEOSTAT the average wage increased 60 times from 13.5 GEL in 1995 to 818 GEL in 2014. The same period saw drastic growth of the volume of export (20 times) from 155 million USD to 2.9 billion USD.

Georgia's other achievements are of no less importance: 1. Combating pervasive corruption: According to Transparency International, in 2003 Georgia was 124th-129th among 133 countries in the rating of perceived corruption alongside Cameroon, Angola, Tajikistan and Azerbaijan. By 2014 it had moved up to 50th place out of 175 countries; 2. Unprecedented scale of fighting crime and 80 per cent of confidence and trust in police by population (Georgian authorities); 3. The World Bank's ranking of economies in their ease of doing business: 24th in 2015; 4. Georgia hit the list of countries with economic freedom compiled by the Heritage Foundation (11th ranking in 43 European countries and 22nd internationally). These and other achievements have contributed to Georgia's leap to a dimension drastically different from that of the 1990s.

At the same time, the South Ossetian economy with a minimum level of development within production and service sectors, has remained largely the same for the last 20 years. The level of salaries and public savings is insignificant while tourism and agriculture sectors remain underdeveloped. The investment volume (only from Russia) is minimal while finding extremely poorly paid jobs at Russian military bases is the only remedy to pervasive unemployment. Tax revenues to the budget of South Ossetia totaled just 500 million rubles (less than 10 million USD) in 2014 and GDP is below 1000 USD per capita which is one of the lowest indicators all over the world (together with Congo, Malawi and Nigeria).²

However, even though the economic capacity of South Ossetia is quite limited, we should be mindful of the fact that it is backed up by Russia, whose financial assistance to the South Ossetian budget through co-funding exceeds 10 or 11 times over the local revenues to the budget of 5.6 billion USD.³

In other words, without financial support from the Russian Federation, the South Ossetian economy is critically fragile. However, it is worth noting that because of deeply entrenched corruption both in Russia and South Ossetia only one tenth of official 'assistance' reaches the communities (an expert evaluation) and therefore, it has failed to positively influence the lives of ordinary citizens but rather benefits some clans or individuals close to these clans.

Although some indicators suggest that the problem also exists in Georgia to some extent, however, in general it is evident that if economic cooperation is to be established between South Ossetia and Georgia, the former is likely to experience a positive 'forging effect' and enjoy the opportunity to overcome a series of social-economic problems. However, due to the current state of affairs, no documents exist either in Georgia or South Ossetia which would allow for the improvement of economic cooperation of the parties. This circumstance hampers the development of both sides, and adds up to the immense losses sustained for the past 20 years.

2 The World Bank Group <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>

3 REGNUM Info Agency. <http://regnum.ru/news/polit/1749839.html>

1. COST OF CONFLICT (GEORGIA)

A) Expenditure on Defense

According to the Ministry of Finance of Georgia the incumbent Georgian governments for the past 10 years (2006-2015) spent up to 7 billion USD to uphold the high defense potential and continuous increase in its quality. The sum constitutes an average of 5.3 per cent of the country's GDP while annual shares are even higher: 2007 – 9.2 per cent, 2008 – 8.5 per cent, 2009 – 5.6 per cent.⁴ For the sake of comparison, the average expenditure on defense in European countries totaled 1.5 per cent of GDP in 2014 (Austria – 0.7 per cent, Germany – 1.2 per cent, France – 2.2 per cent).

Taking into account Georgia's relatively moderate capacity in comparison with western European countries (expenditures on defense in 2007 were 40 per cent of the state budget)⁵ the rate of spending is unjustified. Even more so when such spending does not help but rather contributes to the increase in the number of occupied territories. Consequently, if Georgia's expenditure on defense is to be gauged for the last 10 years, the cost of conflict amounts to at least 5 billion USD (if Georgia's defense expenditure would otherwise have been equal to European average – 1.5 per cent of GDP instead of 5.3 per cent).

B) Loss of Internally Displaced Persons, as a private sector

By the end of 2013 the International Displacement Monitoring Center estimated that Europe homed 2.2 million displaced persons.⁶ As a result of several waves of conflicts, mostly in 1992-1993 and 2008, the number of internally displaced persons in Georgia amount to 450,000, which would have been a huge challenge not only for small Georgia but also for any larger European state. As a result of the Russian-Georgian war, which (officially) even experts failed to see coming (Cornell S., Starr F., 2009; Asums R., 2010), a new wave of displaced persons hit up to 25,000 individuals. The UN data suggest that the number of IDPs from South Ossetia totals 20,000 (15,000 out of whom from 2008 war while 5 thousand from the conflict in the 1990s). If property of households is to be estimated (considering there are 4 members in an average household) at 20,000 USD, it appears that the loss sustained only by the private sector of Georgia's IDPs amounted to 100 million USD and even partial compensation of this sum costs the Georgian state much more. If putting together all the losses sustained by all IDP households in Georgia, the cost if these losses will be estimated at 2 billion USD.

C) Projects in Support of IDPs (Accommodation and Social Assistance)

According to data available in March 2015, the country had 263,598 IDPs (7 per cent of total population) with 122,383 males and 141,215 women. Most of these IDPs reside in Tbilisi (39 per cent) and Samegrelo-Zemo Svaneti region (32 per cent).⁷ There are 2000 compact settlements in Georgia, the largest being Tserovani with 6421 settlers, followed by Batumi (2231) and Poti (2145) new districts.⁸

It is worth noting that only 18,679 IDPs out of the total number of 263,598 (with the share (90 per cent) of those from Abkhazia) have received housing property (7 per cent of the total number). In monetary terms, this amounted to 20 million GEL (12 million USD). In addition, a fourth of IDPs were granted property rights in the accommodation where they were actually living at that time, or were given financial compensation (10,000 USD). Consequently, providing the rest of IDPs with accommodation will cost the Georgian

4 The World Bank Group <http://data.worldbank.org/indicator/MS.MIL.XPND.GD.ZS/countries/1W-GE-EE-LV-LT-AM-AZ?display=default>

5 The World Bank Group <http://data.worldbank.org/indicator/MS.MIL.XPND.ZS/countries?page=1>

6 international Displacement Monitoring Centre <http://www.internal-displacement.org/assets/library/Europe/Georgia/pdf/1-IDMC-HRC-Georgia-2013.pdf>

7 Ministry of Internally Displaced Persons from the Occupied Territories, Accommodation and Refugees of Georgia <http://www.mra.gov.ge/geo/static/55>

8 Institute for Development of Freedom of Information <https://idfi.ge/ge/number-of-provided-living-areas-for-idps>

government an additional 100-150 million USD. However, it is worth noting that this kind of compensation is a far cry when compared with losses sustained by the internally displaced persons.

Pursuant to the Law of Georgia on Persons Displaced from the Occupied Territories, every IDP is eligible for a monthly allowance of 45 GEL (provided that a person's monthly salary does not exceed 1250 GEL). Though increased to compare with monthly 28 GEL allocated in previous years, the allowance is far from being sufficient. Up to

600 million GEL has been paid to the IDPs as a monthly allowance. However, it is worth noting that the monthly amount is 4 times less than Georgia's living minimum totaling 160 GEL per capita. If taken separately, total amount of money spent on providing a monthly allowance for IDPs from South Ossetia has totaled 15 million USD.

Perhaps my generation, the generation of the 1980's, suffered the hardest. We have witnessed many conflicts - April 9, 1989, the conflict of 1992, constant fear, the period from 2004, when there was constantly shooting, tensions, and 2008. Sometimes with my classmates we joke that we were born in war, grew up in war and got our education in war, and probably will create a family also in war. I went through many stages after the war, and in 2010 came to an informational meeting of the women's association. They offered free computer training courses. The population demanded that, since the computer entered our lives and everywhere computer literacy is required. The training was necessary. I was offered a training and payment if I trained others afterwards. Of course, I accepted the offer with great joy. In 2010, I started working. In this organization, I have learned so much, as if I graduated from second and third universities. I went through many trainings, seminars; learned how to help other people, how to use my own knowledge, how to identify problems, how to conduct research, how to gather active people around myself. We set up an office, which is equipped with internet. There is a photocopier. And all of these services are free of charge for people. All this, and our work experience increased the confidence in the community as well. So now are some type of mediators between the government and local authorities. The path that I walked over the years, I think, helped me to become the person I am today. And what I say may sound very ambitious, but I believe that today I am a successful person."

Resident of the village Nikozi, Gori Municipality

2. "BENEFITS" OF CONFLICT

A) Grants and loans from international organizations;

At a flash appeal conference held in 2008, 67 countries and members of the international community expressed their commitment to provide assistance to Georgia and pledged 4.5 billion USDs for the next 3 years (USA – 1 billion USD, International Monetary Fund - 750 million USD, EU Commission - 650 million USD, Japan - 200 million USD...). The assistance was expected to improve the socio-economic standards of IDPs as well as to address the needs of the banking sector, contribute to effectiveness of infrastructural projects and stabilize the state budget. It is worth noting that 60 per cent of the assistance (2.5 billion USD) is a loan given at concession which Georgia is responsible to return after a certain period of time. The remaining 40 per cent (2 billion USD) accounts for grants. Therefore, it can be assumed that 2 billion USD is a 'benefit' which Georgia received as a result of the conflict.

B) International Organizations and Projects;

From 1992 to 2008 before the closure of the international observers mission under the aegis of the UN (United Nations Observer Mission in Georgia – UNOMIG) by Russia, the mission had spent 397

million USD.⁹ The biggest share of this sum was spent on accommodating the needs of the mission itself rather than on direct interventions aimed to improve the quality of lives of internally displaced persons. However, apart from financial assistance, the mission had rendered a very strong support to Georgia, in particular at the initial stage of statebuilding.

On October 1, 2008, after the closure of UNOMIG (Popescu N., 2011) EU monitors (EUMM counts approximately 200 monitors as of today) opened their office in Georgia under the legitimation of all EU member states.¹⁰ Even though, it is widely perceived that EUMM failed to fully replace UNOMIG, according to data provided by the European Commission, the mission has already spent approximately 150 million EURO (approximately 200 million USD) on the needs of the project in Georgia which, in turn, has had a positive impact on the Georgian economy.

SWOT Analysis – Cost of Conflict for Georgia

Strength	Weaknesses
<ol style="list-style-type: none"> 1. Financial assistance of the international community, 2. The presence of respective missions of the UN and EU taking into account Georgia’s interests. 	<ol style="list-style-type: none"> 1. Costs of military actions and the mitigation of their effects 2. Severe socio-economic conditions, 3. Disempowered economy and limited opportunities for its development, 4. Problems related to NATO and EU integration and damages inflicted upon the investment climate.
Opportunities	Threats
<ol style="list-style-type: none"> 1. Visa free regime of movement with the EU member states, 2. Free trade regime with the EU. 	<ul style="list-style-type: none"> • Risk related to potential escalation of new conflicts as a consequence of the existing geopolitical reality, • Long term instability, • Deterioration of social-economic imbalance with the rest of the world, • National security weaknesses.

COST OF CONFLICT (SOUTH OSSETIA)

1. EXPENDITURES ON CONFLICT

A) Disempowered economy

At first glance, expenditures on the conflict in absolute terms are not high and total approximately several tens of million USD. However, when examined against South Ossetia’s economic capacity, it becomes evident that the above mentioned estimate is in fact an extremely heavy burden hampering the region’s socio-economic development. Interestingly, this kind of expenditure provides an excellent opportunity for certain individuals to accumulate wealth.

⁹ United Nations <http://www.un.org/en/peacekeeping/missions/past/unomig/facts.html>

¹⁰ EU Monitoring Mission in Georgia http://eeas.europa.eu/csdp/missions-and-operations/eumm-georgia/pdf/facsheet_eumm_georgia_en.pdf

The average salary in South Ossetia in 2015 (according to data available to the author) was less than 10 000 rubles (less than \$ 130) (in Georgia approximately - \$ 350). Statistics on employment are virtually nonexistent, but according to experts it is not more than 2,000 people out of a population of about 30,000.

As of today, trade relationship exists only with the Russian Federation via the Roki Tunnel which is the only link connecting the region with Russia. The volume of export is very small and often does not go beyond small shipments of agricultural products. Therefore, the trade balance of South Ossetia is negative.

Issues related to the disempowered banking sector stand out as the most acute ones because of its significance as a catalyst for the development of any economy. The data provided by South Ossetia suggest that deposits amount to 3 million USD (compared to Georgia's 4.5 billion USD), while credits account for just one million USD (compared to Georgia's 6.3 billion USD). In other words, prospects for economic development at the local level are dim while financial support provided by Russia falls short to support stable and sustainable economic progress.

THE COST OF INDEPENDENCE

It has been long recognized that the war of 2008 served as grounds for recognizing the independence of South Ossetia and Abkhazia by the Russian Federation which was later joined by a few countries such as Nauru (which shortly after revoked the recognition), Nicaragua and Venezuela. It is evident that prospects of the partnership with any of these countries except for Russia are almost infeasible. Subsequently, signing agreements on visa liberalization, opening representations and meetings among the heads of governments are futile efforts leading to wasted resources for regions that suffer from a lack of financial capacities.

Moreover, the Russia's recognition of independence has not entailed changing the status and the integration into international organizations including the financial and economic structures, which is one of the crucial indicators of an independent state.

Even control over the so called state borders of Abkhazia and South Ossetia is being exercised by the Russian Federation. This situation adds up to a volume of loans allocated to Abkhazia and South Ossetia, the return of which is not only hard to imagine but also not anticipated in the foreseeable future. This state of affairs is an omen of 'independence' turning into 'dependence' the extent of which is likely to be unprecedented for the past 20-25 years.

1. BENEFITS OF THE CONFLICT

A) Financial Assistance from the Russian Federation (Investments)

According to Russian sources, from 2008 to 2015 Russia transferred around 100 million USD to South Ossetia on an annual basis. In 2016 financial transaction from Russia hit 8.7 billion rubles (approximately 130 million USD). In other words, for the past ten years South Ossetia has received financial support totaling almost 1 billion USD which, in light of the size of population not exceeding 30,000 residents, accounts for more than 30,000 USD per capita. However, surprisingly, the lives of ordinary residents of South Ossetia have remained largely unchanged for the past ten years.

SWOT Analysis – Cost of Conflict for South Ossetia

<p style="text-align: center;">Strengths</p> <ul style="list-style-type: none"> • Financial support provided by the Russian Federation, • Employment opportunities on Russia’s labor market. 	<p style="text-align: center;">Weaknesses</p> <ul style="list-style-type: none"> • Deterioration of socio-economic conditions affecting the population
<p style="text-align: center;">Opportunities</p> <ol style="list-style-type: none"> 1. Visa free regime with the Russian Federation. 	<p style="text-align: center;">Threats</p> <ol style="list-style-type: none"> 1. The recognition of ‘independence’, 2. Constant exposure to a social-economic trap, 3. Exposure of the local communities to a risk of becoming ethnic minority as a result of the replacement of those who has left the country with representatives of other ethnic groups; 4. Transfer of mechanisms of local governance to the Russian Federation.

FUTURE PROSPECTS FOR BOTH SIDES

A) Transit Trade SGS (Société Générale de Surveillance)

In the beginning of the 1990s, after losing its control over Tskhinvali and Sukhumi, Georgia had no valid mechanism to calculate the movement of cargo and goods to and from South Ossetia and Abkhazia.

In 2012, as an exchange for some compromises taken by the Russian Federation, Georgia agreed to give its consent to Russia’s accession to the World Trade Organization (WTO). The compromise enabled Georgia to acquire instruments, such as SGS, for monitoring the turnover of goods on the conflict territories. In turn, Russia ‘positioned’ this step as non-recognition of Georgia’s territorial integrity and as a support to Abkhaz and South Ossetian independence as monitors were to be deployed not on the most contested conflict territories, but on those which were effectively controlled by Russia and Georgia.

In the end, it turned out that Georgia, given the opportunity to place neutral (Swiss) monitors in the sections from Vladikavkaz to Gori (for South Ossetia) and Zugdidi-Adler (for Abkhazia), would still have incomplete control of the situation. Airfreights have never been considered (in spite of the fact that currently there are no airfreights, it is possible that this practice may be introduced in the future) while such important means as sea freights, which account for 20% of all freights (International Alert, 2014) have been taken off the table by Abkhazia. Moreover, Georgia has no control over the movement of freights (Vladikavkaz-Gori and Zugdidi-Adler sections) on either of so called borders, which, as some Georgian experts argue, is a strength rather than shortfall of the project, as Georgia should not recognize any border when it comes to its occupied territories.

It is evident that SGS per se is not likely to regulate the conflict, however, on the other hand, it certainly provides new opportunities for sustaining tight links and improving the socio-economic background of the region. At large, the project will enable Georgia to diversify transport and trade communications and simultaneously obtain three routes for land transportation connecting the country with Russia (under adherence to universal legal norms). South Ossetia (and Abkhazia) will enjoy additional revenues from transit and the development of the tourist sector.

B) Visa Liberalization and Free Trade with the EU

It is evident that under no circumstances do Georgia's territorial issues have a direct influence on its prospects for a visa free regime (from the second half of 2016) and free trade with the EU. However, for the EU this is an apparent chance to make its own positive contribution to the Georgian state. Visa free regime with the EU will not allow Georgian citizens to work in EU countries. However, this arrangement will certainly serve as an incentive for both businessmen and ordinary Georgian citizens.

Signing the Agreement on Deep and Comprehensive Free Trade with the EU gives Georgia an opportunity for improving socio-economic effects within the country, contributing to increased income and technological progress. In the long run Georgian GDP is anticipated to increase to 4.3 per cent, export is expected to reach 7.5 percent and salaries - 3.6 percent. On the other hand, the arrangement is expected to contribute to cutting back of consumers' costs to 0.6 per cent (ECORYS, 2012). Under constructive cooperation, these results will positively influence both Georgia and South Ossetia

Even though the Association Agreement has not been fully ratified (with Italy remaining the only EU state to ratify) its benefits are already felt in Georgia. According to the data provided by the Tbilisi State University's Centre for Analysis and Forecast for the first eight months of 2015 net export (export without re-export) of Georgian goods, compared to the same period of 2014 increased to 40.1 per cent (up to 342 million USD). The same period saw an increase in import of 2.3 per cent (up to 1569 million USD). The growth of net export for January-August 2015 affected the following goods: copper and concentrates – 24.2 percent, walnut – 18.5 percent, crude oil – 14.5 percent, nitrogen fertilizers - 8.9 percent, ferroalloys – 4.1 percent, vehicles – 2.5 percent. It is worth noting that the growth of net export to EU member states is an irreversibly positive occurrence while the growth of import from these very countries indicates to increased demand by Georgian customers for high quality goods (not limited to food commodities). Positive trends such as decreasing the rate of unemployment and consumers prices, increasing the number of jobs and wages, attracting investments in various sectors of the economy, etc. may also have positive effects on the South Ossetian economy, provided that it interacts with the Georgian economy.

CONCLUSIONS

According to official data, Georgia's expenditures on the conflict are far higher than those of South Ossetia. However, if above mentioned sums are to be compared from the perspective of the economic capacity of the parties, it is evident that these expenditures have had detrimental effects on the general development.

On the other hand, 'benefits' brought by the war of 2008 for Georgia were also quite significant. However, in the long run, they could not obviously outnumber the massive losses inflicted by the conflict. As for South Ossetia, Russia's allocations since 2008 per capita could have been enough to turn the former into an 'economic heaven', but corruption schemes have completely destroyed such an opportunity. Financial benefits of Georgia from the regulation of South Ossetian issues in a short term perspective are practically non-existent. However, when considered from a long term perspective, these benefits will certainly prevail and bring powerful economic effects (provided that the conflict with Abkhazia will also be regulated).

COST OF CONFLICT: THE ECONOMIC ASPECT

*Fatima Dzhioeva*¹

THE ECONOMY OF SOUTH OSSETIA BEFORE THE PERIOD OF WAR

Seven years ago, after claiming her independence and partial international recognition, South Ossetia was set on the path of development. During this period, the republic went through positive changes in terms of overcoming the consequences of the Georgian aggression, the economic rehabilitation and improvement of the quality of life. The process of 'revival' of the local population as well as the building of a new state has been slow and difficult. This can be justified by objective and subjective conditions, including demographic, economic, social and psychological factors.

Over the past 25 years, the state has gone through the process of "demographic aging": the population is dominated by elderly people as many youth were killed and many have left the country. Existing knowledge, including technical skills, which is the main instrument of economic development, has also become outdated. Continuity of generations, with respect to engineers and technical workers has been broken. In fact, the majority of engineers and technical workers are now gone.

During the years of stagnation, the economy was virtually paralyzed, as economic potential had been completely destroyed. This applies to both industrial and agricultural enterprises and infrastructure, including roads, railway, and power, water, and gas supplies.

Permanent war with Georgia negatively affected the entrepreneurial initiative of citizens. All forces and resources were directed at the protection of the local population from physical extermination.

The Economy of South Ossetia before the War

In the 1990s, before the beginning of the Georgian-Ossetian conflict, the industry of the Autonomous District of South Ossetia consisted of 27 small and medium sized enterprises, with the total annual turnover of commodity production amounting to 120 million rubles². Despite the relatively small volume of production, the economic structure of the district had been sufficiently diversified: the industry was represented by enterprises for the mining of non-ferrous metals, machinery production, wood processing and the production of construction materials as well as light and food industries.

Despite the controversial evaluations, the development of South Ossetia during the Soviet period was characterized by the general growth of the national economy, which, over time, went through profound quantitative and qualitative changes; in particular: an increase in production capacity, improvement of technical equipment of the national economy, increase in the number of production and social infrastructure enterprises, etc. The total volume of commodity production in 1982 increased 163 times compared with that of 1922, and by 362% from 1965. In addition, the growth in 1981 was estimated to be 9% while in 1982 it hit 13%³.

Over the course of four decades stretching from the 1940's to the 1980's, South Ossetia transformed from a predominantly agricultural region into an agro-industrial one. Yet, the agricultural sector continued

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2 Chugayenko. Yu.A.. «Georgia – South Ossetia: Historical rootcauses of the conflict» Kiev, 2013 (in Russian)

3 Dzidzoev V.D., Dzugaev K.G. «South Ossetia in retrospect of the Georgian-Ossetian relations». - Tskhinval: Iriston; SOIGiSI, 2007.- 272 p. (in Russian)

to play a significant role in the economic development of the Autonomous District of South Ossetia. By early 1990, the agro-industrial complex of South Ossetia included 32 collective farms, 15 state farms and 3 farmers' unions. It also included a poultry factory in Tskhinval, a grain depository, a meat and dairy plant and a fruit processing factory located in the city of Tskhinval and Leningor region, as well as the Tskhinval Beer and Fruit Juice Factory. In 1989 the total cost of basic production assets was estimated 79.6 million rubles, the industry included 525 tractors, 52 combine harvesters, 570 trucks and more than 600 units of tractor trailers, plows, seeders, cultivators and other equipment⁴.

The agro-industrial complex produced about 50% of gross production, concentrated more than 15% of production capacity and employed more than 40% percent of labor involved in material production. In total, the agro-industrial complex produced more than 80% of food products⁵. From 1922 to 1982 the grain production increased from 9000 to 12800 tons and meat from 700 to 3500 tons. Total agricultural output increased by 65%⁶.

In addition, Kvaisinskoe Rudoupravlenie (Kvaisian Mine) was put into operation in the Autonomous District of South Ossetia for the mining of lead and zinc ores under Soviet jurisdiction. This particular mine was one of the first large enterprises that played a significant role in the development of the South Ossetian economy: it contributed to the increase in employment, which was of vital importance for the region with its excess labor resources while the construction of Tskhinval – Kvaisa road linked the remote mountainous collective farms with the district center.

The production of building materials increased substantially. This development was characterized not only by the positive dynamics of limestone and ground talc production, but also by transition to the advanced form of production, in particular the production of building blocks, precast concrete structures and details as well as flooring materials. Capital construction also developed rapidly, which increased the number of people employed in material production.

As a result of industrialization, South Ossetia became a region of advanced machinery production. Construction of such plants as *Elektro Vibro Mashina* and *Emal Provod*, which produced unique equipment for mining and mineral processing, vibration machines, enameled wires, lead and zinc concentrates and ground talc for the entire country suggested the formation of an advanced electric engineering sub-sector. Considering the fact that mechanical engineering is quite a labor-intensive field of industry, this particular direction of industrialization had become a key source for employing the excess labor force and building the capacity of the South Ossetian workforce.

Thus, South Ossetia transformed into a region with sufficient potential for creating preconditions for the development of new sectors of industry. In the 1970-80's the total volume of machinery production and metal processing amounted to 24-25% of South Ossetian industrial production.

In addition heavy industry sectors in South Ossetia, food and light industries, the respective share of which amounted to 27.0% and 24.4%, also played an important role. Food industry rapidly developed due to a favorable raw materials base including meat and dairy processing, winemaking, and a cannery⁷.

The opening of a garment factory was quite significant for the Autonomous District of South Ossetia in terms of providing the population with the goods produced there and increasing the employment and civic engagement of women⁸

The industrialization of South Ossetia led to the redistribution of the population employed in the national economy to different sectors of industry. As mentioned above, if previously South Ossetia was considered an agricultural region, from 1970 16% of the population was already employed in agriculture

4 The national economy of South Ossetia in 1989. Tskhinvali, 1990 (in Russian)

5 Soviet South Ossetia. Tskhinvali. 1975. (in Russian)

6 The national economy of the South - Ossetian AO.1922-1982. Jubilee statistical compilation. Tskhinvali, 1983 (in Russian)

7 The national economy of the South - Ossetian AO.1922-1982. Jubilee statistical compilation. Tskhinvali, 1983 (in Russian)

8 Dzagoev Z. L. Question on the strategy of socio-economic development of South Ossetia [electronic resource]. – <http://www.vestnik-vnc.mwport.ru> (in Russian)

and 3% was employed in construction. In 1985 the share of these two sub-sectors increased by 26%. The share of transport and communication also increased sharply. In 1985, it amounted to 11%, while in 1970 it was as low as 5%.

Industrial development, diversification of industrial activities, and a rise in the volume of freight transportation all supported an increase in the number of people employed in the industrial sector. If in 1960 the average annual number of employed workers amounted to 15.8 thousand people, in 1985 it increased to 43.7 thousand or 2.7 times. From 1970 to 1985 this index increased 1.5 times⁹.

This period saw considerable attention paid to the training and preparation of highly qualified specialists. Thus, the number of engineers and economists with higher education increased 22 and 17 times respectively. In addition, the number of specialists with secondary vocational education increased as well. The numbers of inventors and rationalization proposals also rose, leading to positive economic effects. From 1971 to 1985 the positive effect caused by rationalization proposals amounted to 2,385,000 rubles (in 1985 prices)¹⁰.

Automatization supported increased production, as did automatic and mechanical flow lines with automatization tools. From 1971 – 1985 the number of mechanical flow lines was tripled while that of automatic flow lines increased from 4 to 9 units. The

The 1990s was a very difficult period. There was constant fear, because there was uncertainty, as soon as it gets dark, the rockets started flying every night. But over time, it is also became usual! Even my child, who was two and a half years old, would sit at the window all the time, and when these "Alazan" flew in our direction, he would count them—this night this many shells were fired, yesterday that many. There was no light, gas, it was hard with food, but somehow we survived. Perhaps, we lived in the village, we grew some things and had cattle at least. We cooked food on a wood-burning stove. Not everything was good with the firewood as well, because it was scary go into the forest: you never knew what could happen. All these years we waited for that torment to end, the truth to prevail, and to begin to live like human beings. To live 18 years in tension and fear is very difficult. Uncertainty - what will happen tomorrow? How will we be? The best years of my life were spent in this uncertainty, this fear. Human life, it is short. I would have done a lot during those 18 years, but I have fallen behind in everything - both materially, morally, and spiritually. Yes, and raising three children in a destroyed country, it is not so easy. Today, I am hurt and sad that there is nobody to hold accountable.

Resident of Znaur region

number of complex mechanized and automated stations increased from 20 to 35 units, although the fully automated workshops/plants did not appear until 1987. The branches of machinery production and food and light industries were automated to the greatest extent¹¹. Thus, despite the fact that according to the volume of capital investments the Autonomous Republic of South Ossetia was the most underdeveloped region of the Georgian Soviet Socialist Republic, the district was still developing dynamically.

THE ECONOMY OF SOUTH OSSETIA DURING THE WAR

‘Perestroika,’ acclaimed by the president of the USSR, Mikhail Gorbachev, led to the growth of nationalist sentiments in Georgia. Ossetians living in the Autonomous Republic of South Ossetia were

9 Dzhioeva I.K. The transformation of the socio-economic processes in the border region (on the example of South Ossetia) [electronic resource]. – http://dibase.ru/article/28122009_dzhioevaik/5 (in Russian)

10 Chugayenko. Yu.A.. «Georgia – South Ossetia: Historical rootcauses of the conflict» Kiev, 2013 (in Russian)

11 Dzhioeva I.K. The transformation of the socio-economic processes in the border region (on the example of South Ossetia) [electronic resource]. – http://dibase.ru/article/28122009_dzhioevaik/5 (in Russian)

declared “aliens” illegally occupying the territory, and so on. Provocations were started from the Georgian side; cattle were stolen and men were detained. Ossetians and their opinions were completely excluded and ignored at the state level. South Ossetia effectively separated from Georgia in the 1980s. From 1991, the conflict became militarized.

The damage inflicted upon South Ossetia by the Republic of Georgia as a result of the aggression in the beginning of the 1990s is colossal. 117 Ossetian villages were completely plundered and burnt, and 15% of the housing stock of Tskhinval was affected. During the conflict, roads and bridges were destroyed, cattle was stolen, private and state property, including machinery, equipment, materials, vehicles and construction materials were taken out of the borders of the district. The total damage amounted to 1.4 million rubles (in 1992 prices)¹².

But the greatest damage was caused to the population of South Ossetia and its labor resources. From 1989 to 1992 up to 1000 people were killed, most of whom were children, women and elderly. More than two thousand people were wounded or maimed. Dozens of people are still unaccounted for.

The Georgian armed aggression on August 8, 2008 was the harshest and the most bloody in the history of the Georgian-Ossetian conflict. As a result of shootings 26 multi-apartment municipal buildings were burned and destroyed only in Tskhinval, while 226 were partially demolished. 231 private houses were destroyed while 442 were damaged to the extent that they were written off. More 674 houses were damaged to an average extent. Overall costs incurred as a result of these losses were estimated at 10 billion rubles¹³.

The economy of the Republic of South Ossetia has been affected gravely. The factories of “Elektro Vibro Mashina” and “Emalrovod” were damaged significantly.

How did we live in the 1990s? For example, someone had a birthday. We took food to each other, shared a piece of bread. For example, there was a time when butter was distributed by stamps. If someone from my friends had a child, for example, I could never imagine that I could eat the butter myself ... I shared the butter with friends who had children. How could I eat that butter, when my friends had two and three kids?! At that time there also was not heating. We stoked with wood. Let's say you go to visit someone, you would take them a pack of firewood. People survived somehow, as they could.

Resident of Tskhinval

The buildings of the Parliament, Ministry of Foreign Affairs, the main campus of the state university and a central department store were burned down. The buildings of the Ministry of Internal Affairs and of the state television were also partially destroyed. Three out of nine schools of general education were burned to ashes. The

premises of pre-school education institutions were also damaged. The republican hospital, city out-patient care facilities, republican and local libraries were also exposed to shooting. The five-day war claimed the city’s infrastructure, communications, plumbing system, gas pipes and electric networks. The private sector was inflicted gravely with most production and trade entities burned down as a result of the attack.

Serious damage was caused to the rural areas of the Republic, especially in the Tskhinval region, including the most densely populated villages of Pris, Tbet, Khetagurovo, Dmenis, Satikar and Sarabuk. Most of the houses in these villages were ruined. Grain crops were destroyed, and 80% of the cattle was stolen or killed. Before 2008, the public economy included more than 300 heads of cattle, as of today there are only 90 left; 66 of whom are reared in Artseu farm, 15 in Dmenis and 9 in Khetagurov¹⁴.

The given data represent only a small fraction of the damage inflicted on South Ossetia. As a result of an aggressive policy of the Georgian leadership, the economy of South Ossetia was set back by decades. The

12 Kharebov B. The economic rehabilitation of South Ossetia: Current challenges and development strategy. Georgian-Ossetian conflict: Researching peace. Collection of articles of the South Ossetian authors. 2011. http://www.gfsis.org/media/download/library/articles/Georgian-South_Ossetian_Conflict_OSS_Ru.pdf (in Russian)

13 Ibid.

14 Ibid.

processes of development of the region were replaced by the processes of economic recovery from square one. The situation was further worsened by the fact that the conflict coincided with a) the disintegration of the USSR, making it hard for the economy to return to its traditional tracks of development and b) the collapse of the old economic system and its transition to a market economy.

As any other occurrence, the Georgian-Ossetian conflict has both negative and, to some extent, positive consequences, and in economic terms, it brought both losses and gains.

LOSSES

- 1) Destroyed infrastructure, including the gas supply, electricity networks and railway communications, leading to predatory deforestation to collect firewood;
- 2) Disrupted economic and industrial ties with Georgia, which caused serious loss of markets and a decrease in production volume, including the “brand” products (Ossetian beer, cheese, etc.);
- 3) Destroyed agricultural production associated with the loss of cattle. There is a reason to believe that in August 2008 the Georgian side used uranium-tipped bombs. Unfortunately, no relevant research was conducted, although the growing number of people with oncological diseases presents indirect evidence of the contamination of the agricultural land, soil and ground with shell remains;
- 4) Massive outflow of the South Ossetian population, negatively affecting the number and quality of the workforce (many educated, young, experienced and capable people with entrepreneurial skills left South Ossetia);
- 5) The economy was set back by decades and instead of development the population is fighting for survival;
- 6) Many of those killed during and after the conflict were potential entrepreneurs, managers, patriots and leaders;
- 7) The absence of economic relations leads to increased prices of agricultural products, mainly imported from the Russian Federation.

BENEFITS

1. The independence of the Republic of South Ossetia and its partial recognition offers opportunities for defining its national development strategy;
2. Strategic partnership with the Russian Federation offers new opportunities for economic development, education, training and retraining of personnel;
3. Alternative sources of gas and electricity supply from Russian Federation have been made accessible (construction of a unique gas pipeline between Dzuarikau and Tskhinval);
4. From a long term perspective, the construction of the rail link with Alagir (North Ossetia - Alania) will support revitalization of traditional industries, in particular, mining of lead and zinc ores in Kvaisa, cannery, juice, winemaking and other plants; it will also encourage the revival of machinery production and the development of new industries;
5. In the future, after the signing of a Peace Treaty with Georgia, the South Ossetian Republic can use its advantageous geopolitical position and become a transit country for commodity products from Asia Minor and the trans-Caucasus to the Russian Federation.

CONCLUSION

The signing of the Treaty of Friendship, Cooperation and Mutual Assistance between the Russian Federation and the Republic of South Ossetia on September 17, 2008 and the subsequent placement of Russian military bases and border services on the territory of South Ossetia has been a guarantee of

security that has led to a definite positive effect¹⁵. The demographic situation is being equalized. There is a growing birth rate, and young people who have been educated in Russian universities are returning to South Ossetia with the up-to date knowledge and a desire to cultivate their creativity. Each year, within the set limit, 80 people are sent to target locations to study at the best Russian universities. This contributes to renovating the pool of specialists, including those with technical education. The moral and psychological social environment is improving. National values and traditions are being revived. Some educational and medical services have achieved a certain level of development. In addition, security guarantees are attracting investments, including those of ethnic Ossetians operating business enterprises in Russia. During the past years, most Russian financial assistance was directed at rebuilding infrastructure, as its development is the main foundation of economic growth.

After partial redevelopment, the "Elektro vibro mashina" and "Emal Provod" plants were put into operation again; the garment factory *VTK-4* was reopened. In 2016 funds allocated within the framework of the investment program for state co-funding of development projects of the real economy amounts to almost 533 million rubles. For these purposes the Russian Federation created an investment agency, which will provide loans to interested investors at an annual rate of 10%. There are plans to construct a meat processing complex in Tskhinval as per agreement with *Eurodon* Company, Europe's largest producer of turkey meat. Dairy farms are being built and gardens planted. The population is taking an interest in entrepreneurship. In the end, all this should ultimately lead to a multiplicative effect.

15 Treaty of Friendship, Cooperation and Mutual Assistance between the Russian Federation and the Republic of South Ossetia of 17 September 2008

THE COST OF THE SOUTH OSSETIA CONFLICT ON RUSSIA-EU RELATIONS

*Sabine Freizer and Varvara Pakhomenko*¹

INTRODUCTION:

The conflict over South Ossetia had no major immediate cost for either the EU or Russia, but it challenged the regional security balance, and made long-existing regional and Russia-West problems more visible. The long-term effect, particularly on foreign policy, is considerable. Russia and the EU became more active in their common neighborhood, developing their own integration projects, while trust in bilateral cooperation was undermined. Moscow demonstrated a commitment to implement its stated interests in opposing a leading Western role in the world or at least in the Eurasian region. For the European Union, the 2008 conflict gave renewed urgency and focus to its European Neighborhood project, and led to the 2009 creation of the Eastern Partnership that has become increasingly focused on security and foreign policy issues.

The Ukrainian crisis became the logical continuation of the 2008 conflict. The five-day war in August 2008 increased the Russian domestic audience's demand for Russia to return to its great power status, able to achieve military success abroad. Increased military spending, the burden of expenditures on South Ossetia, Abkhazia and the much bigger Crimea and Donbass regions, along with heavy effect of Western sanctions, make the financial costs quite considerable for Russia. At the same time the intervening years between the South Ossetia conflict and the take-over of Crimea, made the EU better prepared to reach consensus on its policies vis-à-vis Russia, and facilitated the agreement on EU sanctions that had been lacking back in 2008.

The South Ossetian conflict may have seemed like a small and isolated event in August 2008, but ultimately it turned into a major turning point in the development of EU-Russia relations, which eight years later it is difficult to imagine will be easily reversed.

THE COST OF THE SOUTH OSSETIAN CONFLICT ON EU FOREIGN POLICY

On the surface, the 2008 conflict in and around South-Ossetia had very little cost on European Union (EU) member states. It caused no new refugees, stopped no large-scale investments, did not affect European border security and was barely a topic covered by European media after the 5 days of August fighting. But whereas in the immediate, the visible cost was minor, the longer-term political cost was great. August 2008 created a deep distrust between the European Union and Russia that only deepened in subsequent

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years. EU member states' inability to reach the political consensus needed to take strong political decisions vis-à-vis Moscow had a deep effect on European leaders' sense of pride and confidence in their common ability to act. The inability to respond effectively to the 2008 conflict, paradoxically made more likely EU member states' consensual decision making to develop a more focused policy framework vis-à-vis its eastern neighborhood from 2008-2014, and its imposition of stringent economic sanctions on Russia in February 2014 after the Russian operation in Crimea.

Initially the 2008 conflict provided an opportunity for the EU to use an array of tools from its Common Foreign Security Policy (CFSP) toolbox. The EU Presidency, at the time led by France's President Nicolas Sarkozy, quickly stepped in, carrying out shuttle diplomacy to broker a six-point ceasefire plan on 12 August 2008 and an implementation agreement on 8 September 2008 that launched the Geneva International Discussions. France, Germany and Finland, which held the OSCE Chairmanship at the time, worked closely together. On 13 August 2008 the French government hastily brought EU foreign ministers back from their summer holidays to approve the ceasefire. EU foreign ministers agreed on further steps on 1 and 15-16 September 2008, the Commission convened an international donors' conference on 22 October 2008 that secured US\$4.5 billion in post-war aid including €500 million from the EU, and the EU Monitoring Mission (EUMM) was swiftly deployed with some 266 monitors on the ground by early October.²

Nevertheless these steps were not sustained with strong political action. As many past observers have pointed out, even though member states responded quickly and comprehensively, they failed to muster the political will necessary to assign sanctions to Russia (Whitman and Wolff, 2012, p.98; Delcour, 2011, p.189; Sinkkonen, 2011, p.271). The EU suffered from the lack of coherence between its member states' diverging approaches to Russia, as they were divided into sharp critics – the Baltic states, Poland and Sweden – and those advocating a more conciliatory approach, including Germany and France. The latter overcame the policy debate and in November 2008, EU member states decided to unconditionally resume with Russia negotiations on a new partnership and cooperation agreement (PCA) even though Russia had just recognized South Ossetia and Abkhazia³ as independent states and refused to abide by its ceasefire commitments to “return of Russian forces to their pre-conflict positions”.

Subsequently no new sanctions were agreed, though Russia took other steps contrary to their 8 September agreement. They blocked OSCE monitors from resuming their pre-war work in South Ossetia, did nothing to support the return of some 20,000 ethnic Georgians to South Ossetia homes, maintained an estimated 7,000 to 9,000 combat, security and border forces in the entities, and financed 99 per cent of South Ossetia's budget and more than half of Abkhazia's (ICG, 2010, 2013). The EUMM was supposed to have full access to the conflict zone (including parts of Abkhazia and South Ossetia) but it was never granted by Russia.

The conflict in South Ossetia largely ended any talk of closer EU-Russia ties as were being discussed earlier in 2008. Not only had the EU and Russia launched talks for a new comprehensive bilateral agreement to replace the 1994 Partnership and Cooperation Agreement (PCA) in June 2008, but the creation of a new “Euro-Atlantic collective security system from Vancouver to Vladivostok” as called for by at that time President Medvedev was also being considered (ICG 2008, p.19). A strong coalition of EU member states were keen to inaugurate a new era of EU-Russia relations covering political cooperation; the perspective of deep economic integration; a level playing field for energy relations based on the principles of the Energy Charter Treaty; and closer relations in the fields of freedom, security and justice as well as the mutual opening of the educational and scientific systems. In 2001-2008 there was also talk of a Common European Economic Space; this talk never resumed after the South Ossetia conflict. Trade between the EU and Russia, which had been growing quickly until mid-2008 and the conflict in South Ossetia began to decrease.

2 See Presidency Conclusions, Extraordinary European Council, Brussels, 1 September 2008; Council of the European Union, Council Conclusions on Georgia, 15 and 16 September 2008.

3 Only Venezuela, Nicaragua, Nauru and Vanuatu (on and off) have also recognized their independence.

Instead, the conflict in and around South Ossetia, and the failure to secure new political, security and economic cooperation framework with Russia, gave impulse to the creation of a new “eastern dimension” to the pre-existing European Neighborhood Policy (ENP). European policy makers decided in Fall 2008 to create the Eastern Partnership (EaP), to which the six states east of the EU were invited to join, as a regional sub-project of the ENP and apparently at least partially as a response to Moscow’s increased assertiveness in the region.⁴ Renewed attention was put on conflict issues and the EaP was given the aim “to promote stability and multilateral confidence building” even though Russia was not expected to join (Eastern Partnership Summit, 2009, p.6). In subsequent years EU decision makers agreed that more effective “joined up use” of CFSP and other EU instruments was essential to address the “persistence of protracted conflicts affecting a number of partner countries [and which] is a serious security challenge to the whole region” (Commission, 2011, p.5). By 2014 the EU’s ambition was through the ENP to serve as a “diplomatic actor and provider of security” whereas “The EU, and its Member States through bilateral efforts, have a strong role to play based on the EU’s comprehensive approach to external conflict and crises, aimed at preventing and managing conflicts and their causes.” (Commission, 2014, p.16-17)

By 2014 the EU was also committing to cooperate more comprehensively and ambitiously in the provision of security and stability to Georgia. In the EaP’s Association Agenda (2014-2016) between Georgia and the EU, that helps prepare Georgia to implement the Association Agreement by creating a list of priorities for joint work, under the section “foreign and security policy” 11 points were included to facilitate “peaceful conflict resolution.” Steps reaffirm both parties’ commitment to the 2008 six points ceasefire, the Geneva International Discussions, the EUMM, and various dialogue efforts. But the EU and Georgia also pledge to consult on “establishing ways for appropriate involvement of Georgian regions of Abkhazia and Tskhinvali region/South Ossetia in the deepening of EU-Georgia relations,” including “seek[ing] ways to share the benefits and opportunities stemming from the EU-Georgia Visa Liberalization Dialogue, political association and economic integration process, inter alia from the Association Agreement, with the populations across the administrative boundary lines.” Russia is not mentioned, though Georgia considers it to be its biggest security threat (Association Agenda, 2014).

The lack of a post 2008 “reset” with Russia, the establishment of closer ties with the six former Soviet countries via the Eastern Partnership, and the adoption of a more ambitious foreign and security role, made EU member states more prepared for common action vis-à-vis Moscow. Faced with the annexation of Crimea and subsequent Russian intervention in eastern Ukraine, EU member states had a much stronger basis on which to agree in February 2014 to the imposition of sanctions on Russia, which were expanded and deepened throughout the year.⁵ This represented a significant change compared to the EU’s response after the 2008 Georgia-Russia ceasefire.

THE COSTS OF THE SOUTH OSSETIA CONFLICT ON RUSSIA’S POLICY

The consequences of the Russia-Georgia conflict of 2008 are important for both Russia’s domestic and foreign policy. The contours of ideology of the revival of great power used by Russian authorities to maintain their popularity domestically became obvious at that time, even though it was too early to predict the future full scale crisis in Russia’s relations with the West, which broke out in 2014, six years later.

The successful military campaign and the ensuing recognition of South Ossetia and Abkhazia’s independence, despite protests from the US and the EU, gave tremendous support to the Russian government

4 The European Council of June 2008 invited the Commission to prepare a proposal for an “Eastern Partnership” and this work was “accelerated, responding to the need for a clearer signal of EU commitment following the conflict in Georgia and its broader repercussions.” European Commission (2008), Eastern Partnership, COM (2008), 823 final, 3 December.

5 Restrictive measures targeting persons and entities for threatening or undermining Ukraine’s sovereignty and territorial integrity were first adopted in March 2014 and were repeatedly strengthened thereafter. On 29 January, member states agreed to extend the sanctions until September 2015, when they were renewed again until the end of 2015.

and President Putin personally and helped them overcome the 2008 economic crisis. According to the Levada Center, Putin's approval rating has greatly fluctuated in last 16 years, reaching 84-89% four times - in 1999, 2003, 2007-2008 and 2014-2015. Three times he was most popular during ongoing military operations - in Chechnya, Georgia and Ukraine, and each time – while confrontation with the US over Yugoslavia, Iraq, Georgia and the Crimea was occurring.⁶

The population demanded the government's "great power" agenda. At the time of the Ukrainian crisis, you could often hear from Russians that they are proud of their country's foreign policy, which only a great power can conduct, and they prefer "to be hated by the West, than to be ignored". This sentiment was first so clearly manifested by ordinary people in 2008, when they repeated state TV's comment that Russia is finally "rising from its knees." In 2008 already, the protection of the needs of Russian citizens living abroad was used to justify military intervention. In 2014 Russia was defending ethnic Russians in Crimea and later allegedly in Donbas. Many saw the war in Georgia as a turning point for the Russian army: after losing in Afghanistan and the First Chechen war, a very controversial victory in the Second Chechen conflict didn't help build pride in the state. But, the war over South Ossetia was the Russian army's first clear victory in decades.

ARMED FORCES REFORM

The war, according to Russian chief military commanders, identified "a number of serious shortcomings in the development of the armed forces" and became the catalyst for a costly reform, announced on 14 October, 2008. Tactical skills and methods of warfare, acquired in the course of counter-terrorist operation in Chechnya, were ineffective in a battle with a regular army. Lack of coordination between different troops on the battlefield was identified as a main cause for battlefield losses.⁷ According to official figures, these amounted to 64 killed, 3 missing, 283 wounded soldiers and four aircraft lost. According to independent experts, Russia lost 6 to 8 aircraft, and 22 heavy military vehicles, including tanks.⁸

The South Ossetian conflict therefore helped kick start Russia's military reform. The armed forces were reduced from 1.2 million to 845 thousand people by 2014; a four-tiered command system was replaced by a three-tiered one; the period of compulsory service was reduced from 2 to 1 year. According to human rights activists, after the changes they receive far fewer complaints of violations of soldiers' rights. The level of popular support for the army grew from 37% in 2008 to 64% in 2015, the institution is the second most popular after president.⁹ Military spending increased to 84.5 billion dollars, turning Russia into the highest military spender after the US and China.¹⁰ "Polite people" - the Russian military personnel who carried out the unexpected loss-free operation to annex Crimea – became a symbol of Russian power for the majority of Russian citizens. The only battlefield losses during almost six-month military campaign in Syria were the aircraft shot down by Turkish fighter aircraft and a helicopter searching for pilots of the downed plane. Even with the 2015 economic crisis, there is no popular criticism that defense spending grew by 33%, to 4.2% of GDP compared to 1.5% in 2010.¹¹

6 <http://www.vedomosti.ru/opinion/articles/2015/12/09/620191-86-putina>

7 <http://svpressa.ru/war21/article/46638/>

8 <http://www.interfax.ru/russia/64717>; <http://lenta.ru/news/2010/08/04/casualties/>

9 <http://www.levada.ru/old/archive/gosudarstvennye-instituty/armiya/v-kakoi-mere-zasluzhivaet-doveriya-armiya>, <http://www.levada.ru/old/07-10-2015/rossiyane-stali-bolshe-doveryat-armii>

10 <http://books.sipri.org/files/FS/SIPRIFS1504.pdf>

11 https://slon.ru/economics/pushki_vmesto_masla_ili_militarizatsiya_rossii-1171969.xhtml

CHANGING BOUNDARIES

Russia's engagement in 2008 in South Ossetia also foresaw a significant policy shift. While Russia previously focused on the sanctity of state sovereignty and territorial integrity, its recognition of the independence of Abkhazia and South Ossetia in 2008 represented a sharp change in approach that few policy analysts could predict. But Russia's support of the two entities is now no longer exceptional. Russia annexed Crimea in March 2014, militarily and financially backs separatists in Eastern Ukraine and has developed official contacts with Moldova's regions of Transnistria and Gagauzia. More recently, Moscow extended its support to "self-determination movements" beyond the former Soviet Union. On September 20, 2015, Moscow hosted and funded an international anti-globalisation conference titled "Dialogue of nations: the Right of nations for self-determination and organization of a multipolar world." The event brought together representatives of self-determination movements from Western countries. One of the key speakers of the Rodina (Homeland) party, founded by Russia's Deputy Prime Minister Dmitry Rogozin, called on conference participants to create "a system of support for the liberation movement globally" and a "worldwide front of resistance to Washington, [...] penetrating the state structures, using the methods of legal and illegal struggle, using loyal media".¹² Syrian Kurds have registered a representative office in Moscow in a bid to obtain more military and political support and seek an alternative to their alliance with the US, which does not support Kurdish political aspirations. Financial and military support of these regions is becoming more tangible. In 2015 Russia, subsidized 70% of Abkhazian budget of 11.7 billion rubles (214 million dollars) and 90% of South Ossetia budget of 6.6 billion rubles.¹³

While supporting separatists abroad, Moscow is suppressing them at home. Recognition of South Ossetia and Abkhazia was seen as a signal by other national movements in the neighboring North Caucasus that the status quo could be changed. National movements in the region had gradually revived before USSR disintegration but became much more silent after the brutal suppression of Chechen separatism.¹⁴ In 2008 the Ingush reaffirmed their demand for the Prigoridny district of North Ossetia-Alania, and related to Abkhaz Circassians started to speak again of a Great Circassia. But officials reject this rhetoric, warn of the threat of separatism supported by external forces, subject national movements to pressure. Ultimately in 2014 incitement to separatism was criminalized.

INTEGRATION AND COMMUNICATION PROJECTS

The 2008 war contributed to the definition of rivaling pro-EU/US and pro-Russian blocks in the region. Georgia became the first country to quit the Commonwealth of Independent States in 2009, just as the EU was developing its Eastern Partnership. That same year, Russia stepped up work on its Custom Union, which in May 2014 led to the establishment of the Eurasian Economic Union. In 2013, a new Russian Foreign Policy Concept was released, defining the country as an independent center of power in a multipolar world. Moscow invests more in the promotion of its soft power by supporting pro-Russian or anti-Western NGOs and, reportedly, political parties, information and propaganda projects, such as the recently launched "Sputnik".

The conflict over South Ossetia also affected Russia's integration into the world economy. For several years, until 2011, Russia's WTO accession was delayed, as Georgia opposed it. Two of the four transport routes connecting Russia with Transcaucasia are still blocked since they pass through the territory of

¹² <http://www.rbc.ru/politics/21/09/2015/55ffcb089a7947a5cfbcc9a8>

¹³ <http://www.vedomosti.ru/opinion/articles/2015/10/29/614743-cto-delat-yuzhnoi-osestiei-abhaziei>

¹⁴ <http://www.crisisgroup.org/en/regions/europe/north-caucasus/220-the-north-caucasus-the-challenges-of-integration-i-ethnicity-and-conflict.aspx>

Abkhazia and South Ossetia. The Transcaucasian Highway connecting North Ossetia with the South, is the shortest route from Central Russia to Turkey and Iran.

CRISIS WITH THE WEST

While Vladimir Putin's speech at the Munich Conference in February 2007, when he spoke about the inadmissibility of the unipolar world and NATO's violation of its guarantees that it would not expand eastward, signaled a turning point in Russia's relations with the West, the war in South Ossetia was the first confirmation of Moscow's commitment to use force to implement these ideas.

The quick "victory" in South Ossetia and Abkhazia probably set the stage for annexation of Crimea. Moscow hardliners saw the West's 2008 reaction as weak, giving them *carte-blanche* to act further. "Crimea was like a piece of cake on the plate, why wouldn't we take it?" – a former senior Russian official said. However the decision to annex Crimea was made probably based on many factors including the complex relations between Moscow and its allied South Caucasus entities. One of the most challenging issue is the question of control over security forces of South Ossetia and Abkhazia. Moscow faces some resistance from Tskhinvali and Sukhumi elites when it tries to establish full control. Probably Moscow wanted to avoid similar problems with Crimea, a much bigger region with a Black Sea fleet base, so it annexed it to also guarantee that security forces on its territory would be controlled by the federal center.

Although the 2008 crisis did not result in sanctions against Russia, relations with the US and EU never returned to their previous level. Even good will efforts such as the Medvedev-Merkel memorandum of 2010, which attempted to establish a Russia-EU foreign and security policy Committee and solve the Transnistrian crisis, failed. In 2011, Russia did not support UN Security Council resolution for military intervention in Libya, although it did not veto it. The Ukrainian crisis led to further polarization. When Russian air strikes in Syria began, a senior diplomat in Moscow said, "Russian and US officials have less contacts, than ever in the Cold War period". What some in Russia consider as diplomatic success¹⁵ costs Russia economically with a set of anti-Russian sanctions, lack of access to Western financial markets, and increasing military spending at the expense of a lower quality of life for its citizens.

CONCLUSION

Unresolved conflict in tiny South Ossetia and the broader Russia-West crisis deepened the split between Russia on one side and EU and US on the other. It contributed to full-scale war in Ukraine with almost 10,000 victims six years later. Now, the lack of trust significantly affects issues such as the Syrian or Libyan conflicts, energy security, the refugee crisis, problems of Islamist radicalization and others. Ironically the EU-Russia cooperation in August 2008 to end the fighting in and around South Ossetia was symbolically the most quick and efficient partnership they shared in many years, but it tolled the bells for almost any future cooperation in the economic, political and security fields.

¹⁵ <http://www.newtimes.ru/articles/detail/81593>

RUSSIA AND SOUTH OSSETIA: FORMATION OF A NEW STATUS QUO AND THE COST OF STABILITY

*Sergey Markedonov*¹

SOUTH OSSETIAN PRECEDENT

August 26, 2015 was the seventh anniversary of Russia's recognition of the independence of South Ossetia, a former autonomous district of the Georgian Soviet Republic.²

This event was the starting point for the formation of a new geopolitical status quo in the Greater Caucasus. It was also the first ever violation of the Belovezh Accords and its core principle safeguarding the reciprocal recognition of the territorial integrity of former Soviet Republics as new independent states of the post-Soviet space. For the first time since the collapse of the Soviet Union, 2008 saw the recognition of not former Soviet republics, but autonomous entities. It is worth elaborating here: de-facto Georgia lost its control over a considerable part of its former South Ossetian autonomous district (which provided grounds for the formation of an unrecognized statehood of South Ossetia) in as early as 1992. However, up until August 26, 2008 no state, including Russia, had recognized the independence of the Republic of South Ossetia.

From 2008 to 2015 four member states of the UN recognized the independence of the former Georgian autonomous district; Nicaragua (September, 2008), Venezuela (September, 2009), Nauru (December, 2009) and Tuvalu (September, 2011) followed Russia in recognizing South Ossetia's independence. However, in March, 2014 Tuvalu revoked its recognition.³ At first glance, the number is a far cry compared to the recognition rate of the former Serbian autonomous district of Kosovo. By the end of May, 2015 Kosovo's independence was recognized by 108 member states of the UN (which accounts for approximately 55 per cent of all UN member states). However, five EU member states (Greece, Spain, Cyprus, Slovakia and Romania) with four of them being NATO member states (except for Cyprus) and two permanent members of the UN Security Council (Russia and China) remain committed to support Serbia's territorial integrity.⁴ In addition, compared to the Turkish Republic of Northern Cyprus, a de-facto entity occupying 38 per cent of the conflict ridden island which managed to win just one supporter of its independence (Turkey) from 1983 to 2015, South Ossetia certainly enjoys some quantitative advantage.

Thus, a precedent for the international legitimacy of Georgia's former autonomous district exists, thanks

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2 The South Ossetian Autonomous District had been revoked by the Georgian central authorities a year before the collapse of the Soviet Union with a decision made by the Georgian supreme council on December 11, 1990. Pursuant to the Law of Georgia on Occupied Territories (Article 2, Paragraph B) South Ossetia is referred to as *Tskhinvali Region* (the territory of former South Ossetian Autonomous District). (See the Law of Georgia on Occupied Territories. Available at: <http://www.smr.gov.ge/docs/doc216.pdf>). The official webpage of the Georgian State Ministry's Office for Reconciliation and Civic Equality uses both South Ossetia and Tskhinvali Region (Available at: <http://new.smr.gov.ge/smr/FileList.aspx?ID=16>).

3 Tuvalu retracts Abkhazia, S. Ossetia recognition. March 31, 2014 (Available at <http://civil.ge/eng/article.php?id=27093&search=>):

4 Russia's approach to Kosovo is somewhat different from that of the People's Republic of China. Moscow expressed its readiness to recognize the independence of former Serbian district provided that official Belgrade agrees to do this first. This decision was voiced in the beginning of December 2013 by the Russian Ambassador to Serbia Alexander Chepurin (Available at: <http://www.svoboda.org/content/article/25163955.htm>)

to Russia. As laid down in the foreign policy concept of the Russian Federation (2013) ‘assistance to the formation of the Republic of Abkhazia and the Republic of South Ossetia as modern democratic states, strengthening of their international positions, ensuring sustainable security and their social and economic recovery remains among Russia’s priorities.’ In addition, normalization of bilateral relations with Georgia seems to depend on the ‘consideration of the existing political environment in Transcaucasia’, which implies a new status recognized by Russia beyond South Ossetia and Abkhazia.⁵ In spite of the commitment demonstrated by the great majority of the nation-states to support Georgia’s territorial integrity, South Ossetia managed to gain recognition to a limited extent. In this regard its status (together with Abkhazia) is different from that of the two other de-facto states within the post-Soviet area - Republic of Nagorno-Karabakh (a recognized part of Azerbaijan) and Moldovan Republic of Transnistria (de-jure part of Moldova) which have not been recognized by any of the states so far.

For the past seven years Russia has drastically changed its position regarding Georgian-Ossetian ethnopolitical conflict. All the way up to August 2008, Moscow, in spite of a significant evolution of its policies and from the point of a formal-legal view, had largely remained a participant in the peacekeeping operation and a broker for the regulation of opposition. However, from the very moment of the recognition of South Ossetia’s independence, Russia transformed into a military-political and social-economic patron of the two de-facto states, as well as a guarantor of their security and self-determination (not in its general meaning but implying the secession from Georgia).

These acts undertaken by Moscow ousted the whole pre-existing Russian policy towards South Ossetia and overshadowed those factors which had influenced its evolution. In 2008 and beyond, these actions have been largely considered as an emotional response to policies pursued by President Mikheil Saakashvili of Georgia (2004–2013). Relatedly, policies of the Russian Federation throughout the post-Soviet period have never been carved in stone but rather subjected to fluctuations within external and internal settings.

The paper aims to provide an overview of:

- Major stages of Moscow’s policy towards South Ossetia and influencing factors,
- Interests of the Russian Federation in the republic beyond the recognition of its independence,
- Contradiction between South Ossetia’s declared independence and growing dependence on Russia’s social, economic and political influence.

In the long run, the paper seeks to answer the question as to what is Russia’s ‘cost’ for its influence over a partially recognized entity, and what the pros and cons of this choice have been in the seven years since it was made.

MOSCOW’S SOUTH OSSETIAN POLICY: EVOLUTION OF THE APPROACH

Realpolitik of the Russian Federation towards South Ossetia was tightly linked with the dynamics of Georgian-Ossetian conflict. Russia’s engagement in this conflict took start from the first days it broke out. Firstly, the ideology of the South Ossetian national movement, unlike the one in Abkhazia, rested not as much on the secession from Georgia, as on the unification with Northern Ossetia (originally an autonomous republic within the Russian Soviet Federation and afterwards a national-state entity within the Russian Federation).⁶

5 Foreign Policy Concept of the Russian Federation (Available at: http://archive.mid.ru//brp_4nsf/0/76389FEC168189ED44257B2E0039B16D). 18 February, 2013

6 On January 19, 1992 a referendum on the secession of South Ossetia from Georgia and unification with North Ossetia, in fact with Russia, was held in South Ossetia. However, Georgians residing in abolished South Ossetian Autonomous District did not vote in this referendum. More than 90 per cent of voters who showed up at the referendum voted for the secession of South Ossetia from Georgia and unification with Russia. On May 20, 1992 Supreme Council of South Ossetia passed the *Act on the Declaration of Independence of the Republic of South Ossetia*. Legislative acts adopted by this unrecognized state have been recognized as the only source of the law. The text of the Act is available at: http://osinform.ru/1646-akt_provozglashenija_

Secondly, because of the conflict ongoing on South Ossetian soil in the beginning of the 1990s, more than 43,000 refugees from both South Ossetia and Georgian districts, ended up being involved in yet another ethnopolitical confrontation between Ossetia and Ingushetia (over the territorial disputes around Prigorodni district).⁷

Confronted with a *parade of sovereignties* within Russia (Chechnya and Tatarstan's struggles for self-determination), Moscow supported Tbilisi's efforts to restore its territorial integrity. This position was stated at the meeting held between then chairs of Supreme Council of Georgia and Russia in Kazbegi in March 1991. In addition, in the beginning of the 1990s North Ossetian developments were not controlled directly by the Kremlin. Moreover, Vladikavkaz demanded that Moscow support (in one form or another) South Ossetia as a prerequisite for signing a federal accord. By the end of May 1992, North Ossetia blocked a pipe which channeled gas to Georgia.⁸

On June 24, 1992 president Boris Yeltsin of Russia and Georgian president Eduard Shevardnadze signed the Dagomys (Sochi) Agreements on the principles for the regulation of Georgian-Ossetian conflict.⁹ On July 14 a peacekeeping operation took off involving Russian, Georgian and North Ossetian peacekeeping battalions and a joint control commission was set up (consisting of representatives of the Russian Federation, Georgia, South Ossetia and North Ossetia) to monitor the implementation of the ceasefire agreement.

In such a way the armed conflict became 'frozen.' However, Moscow was still convinced that the solution to resolving the conflict lay in the restoration of Georgia's territorial integrity, with Russia undertaking a peacekeeping operation and supporting the status-quo assuming at the same time that the final solution of this conflict (as well as the Abkhaz resistance) would be safeguarded by its decisive role. At the same time, Moscow would be the guarantor of Georgia's integrity.

In February 1994 the Russian Federation and Georgia signed a series of agreements envisaging Russia's support for the empowerment of the Georgian army, defining locations of Russian peacekeepers and most importantly authorizing Russia to deploy its military bases in Georgia. In 1994 Georgia joined the Agreement on Collective Security (signed on May 15, 1992) and the Commonwealth of Independent States (CIS). In 1996 Russia responded with harsh statements to the introduction of the institution of the presidency in South Ossetia.¹⁰

Russia's position towards Georgia went through a major breakthrough in 1998 when Georgian authorities unilaterally and without taking into account Russia's interest attempted to derail the status quo and 'defreeze the conflict'. These efforts were taken in May 1998 in Gali district followed by similar actions in September 2001 in the Kodori gorge. (This was the notorious raid undertaken by infamous Chechen field commander Ruslan Gelaev). The aftermath of Russia's defeat in the first Chechen war brought a change in the position of the official Tbilisi towards the authorities of the separatist Ichkeria. Georgian leaders re-evaluated 'Russia's weakness' taking its bad luck as a beginning of wide-scale geopolitical withdrawal from the Caucasus. As a consequence, many Georgian experts and political scientists (especially in private conversations) admitted that inaccurate calculations were made.

As for the international context, since the end of the 1990s Georgia's aspirations towards NATO had surfaced, accompanied by not only certain rhetoric but also linked to attempts to minimize Russia's influence on the process of conflict regulation and in Transcaucasia in general. One of the foreign policy slogans of Shevardnadze's pre-election campaign pledged 'knocking on NATO's door' in 2005.

nezavisimosti_respubliki_juzhnaja_osetija_5032.html May 229, 2007

7 Georgia – South Ossetia: the Return of the Refugees – a Road to Peace. Policy brief. International Crisis Group. Europe N38. Tbilisi. Brussels. 2005. April 19.

8 For more detail see Markedonov, C.M. De-facto States of the Post-Soviet Area: Twenty years of statebuilding. Yerevan. 2013.

9 For the text of the agreement see: Conflicts in Abkhazia and South Ossetia: Documents 1989-2006 Russian Panorama, 2008. PP. 252-253.

10 Skakov. A. Y. South Ossetia: демография, экономика, политика Demographics, Economy, Politics//Georgia: Problems and Prospects. Russian Institute for Strategic Studies. 2001. P. 172.

Consequences of this approach showed themselves in the situation created in Pankisi gorge (2002) which had become a sanctuary for Chechen field commanders by the end of the 1990s and the beginning of the 2000s. Georgian authorities defiantly chose Washington rather than Moscow to fight back the terrorist threat.¹¹

At the same time, against all odds and the above described deteriorations, Moscow largely continued its support to the status-quo with regard to South Ossetia. Firstly, the peacekeeping mission was being undertaken jointly by Georgian and Russian battalions. Secondly, the rehabilitation of the conflict zone was secured by a series of important documents adopted by the parties. In May 1996 the Memorandum on Measures to Ensure Security and Reinforce Mutual Confidence between the Parties to the Georgian-Ossetian Conflict was signed followed by the procedure on the Voluntary Return of IDPs and Refugees Resulting from the Georgian-Ossetian Conflict to their Permanent Place of Residence in February 1997. A special commission was set up to oversee the implementation of these agreements on the return of refugees. In 2000 Russia and Georgia signed an intragovernmental Agreement on Cooperation for the Rehabilitation of the Economy in the Georgian-Ossetian Conflict Zone and Return of Refugees. Thirdly, the president of North Ossetia Alexandr Dzasokhov (in office from 1998 to 2005) played a significant role in the regulation of the conflict through his personal relations with his former fellow member of the Political Bureau of the Communist Party's Central Committee Eduard Shevardnadze. All these circumstances contributed to sparking the situation.

Moreover, significant positive potential in the process of conflict regulation had been accumulated for over 12 years of joint activities. Unlike Abkhazia, South Ossetia was not affected by wide-scale ethnic cleansing of the Georgian communities. All the way up to August 2008, Georgians and Ossetians maintained shared life, while the constitution of the self-declared republic of South Ossetia recognized Georgian as a language of the minority. In light of the ceased shooting incidents, blockades and provocations, relative peace had been achieved. Direct public transport connected Tbilisi and Tskhinvali while trade venues (e.g. the Ergneti market) were used jointly by Georgians and Ossetians, and the plate numbers of vehicles were mutually recognized. It is worth noting that under post-war conditions contraband was the core of the economy of the territory with 'a pending status' with both ethnic communities involved in smuggling. It was this shadowy economy that tightly linked South Ossetia to Georgia, contributing at the same time to confidence building between the conflicting communities through informal means.¹²

However, developments unfolding during Spring-Summer of 2004 in South Ossetia served as a watershed. On May 31, 2004 special forces of the Georgian MIA (300 persons) were sent in South Ossetia allegedly to combat smuggling without prior notification to the Joint Control Commission. Consequently, these actions were interpreted as an attempt of the Georgian authorities to restore order in its internationally recognized territory. Many commentators then and now tend to ask a pathetic question implying that 'Georgian authorities could not have acted differently' and 'nobody other than the Georgian government had the agency to restore order on their own territory'. However, one needs to be mindful of an important detail: while signing the ceasefire agreement in 1992, Georgia had agreed to yield a part of its sovereignty to the Joint Control Commission.

It was the Commission (with representatives of Georgian authorities together with Russian and South and North Ossetian counterparts as its members) which was authorized to exercise control on the 'demarcation corridor'. The content of the Agreement strictly prohibited all parties (including Tbilisi) from imposing economic sanctions or blockades, or impeding humanitarian activities or the return of refugees. Moreover, peacekeepers were authorized to 'take all measures to localize armed clashes and eliminate paramilitary groups in districts and villages of the territory of former South Ossetian Autonomous District beyond the

11 Markedonov, S.M. North Caucasus Map of Georgia. //Free Opinion. 2010. № 12. P. 45.

12 Kolstø P. Blakkisrud H. Living with Non-recognition: State- and Nation-building in South Caucasian Quasi-states //Europe-Asia Studies. 2008. № 60 (3). P. 483-509.

boundaries of conflict zone and the security corridor’.

The breach of this agreement (followed by ignorance of and tampering with all its terms) paved the way to ‘unfreezing the conflict’. The events of 2008 were just a logical finale of this process. Sadly, the international community had yet to adequately assess the process of ‘unfreezing’ (2004-2008) even though this very process accounts for Moscow’s adopting harsher and emotional attitude towards Abkhaz and South Ossetian issues. Finally, Moscow chose to recognize the two former autonomous entities. Since that time, this decision has served as an argument by the West, blaming Moscow for revisionism as well as unilateral support of separatists.

Direct military confrontation between Russia and Georgia leading to the complete destruction of the status quo ante, the recognition of Kosovo’s independence (for the first time after the collapse of the Socialist Federal Republic of Yugoslavia an autonomous rather than a unionist entity was recognized), as well as controversial interpretations of agreements, more specifically the Medvedev-Sarkozy agreement¹³ had pushed Russia to recognize Abkhaz and South Ossetian independence.

INDEPENDENCE FROM GEORGIA OR RUSSIAN PROTECTORATE?

Socio-political life in South Ossetia over the past seven years has been characterized by fundamental discrepancies between its declared independence and Russian’s strengthening military-political and social-economic positions in this partially recognized republic, while the secession of the latter from Georgia was firmly secured.

Thanks to Russia’s military support, South Ossetia has substantially improved its geopolitical condition. In 2008 Akhagori (Leningor district) fell under the control of South Ossetian authorities. However, asserting control on the so called Liakhvi Corridor is the most significant achievement. The Liakhvi Corridor includes four villages of Kekhvi, Tamarasheni, Kurta and Achabeti. Previously by maintaining control over the corridor, Tbilisi managed to cut off the capital Tskhinvali from the Roki Tunnel and Java district (a direct pathway to Russia). On April 7, 2010 the Russian Federation and South Ossetia concluded an agreement on the integration of the Russian military based on South Ossetian territory.

Since Spring 2013 South Ossetia, with the support of the Russian Federation, has been installing signs and barbed wire fences on the line of divide with Georgia. In July 2015 as a result of the installation of new border signs on the line between Khurvaleti and Orchosani, a small section of the strategically important Baku-Supsa oil pipe happened to fall under the control of Tskhinvali.¹⁴

As of today scenarios similar to a ‘small war’ in Gali district (1998), raids in Kodori gorge (2001), deployment of internal troops and creating an administration loyal to Tbilisi (2006) or ‘freezing’ conflict in South Ossetia (2004-2008) seem practically infeasible.

Moreover, Moscow has been providing financial support for the rehabilitation of South Ossetia, and remains the major contributor to its budget. The volume of Russia’s financial support to South Ossetia in 2008-2013 amounts to 34 billion rubles (slightly above 1 billion US dollars).¹⁵ In 2014-2015 South Ossetia’s budget received 6.7 billion rubles from Russia while in 2015 Russia allocated 6.6 billion rubles for the same purpose. As of 2016 the South Ossetian budget is estimated 8.9 billion rubles. The share of the

¹³ The reference is made to a plan for peaceful regulation of the military conflict between Russia and Georgia signed on August 12, 2008 in Moscow. The original plan consisted of 6 points. However, consultations held with President Saakashvili of Georgia, the thesis envisaging discussion of the status of South Ossetia and Abkhazia at an international level was removed from the plan.

¹⁴ Гамцелидзе Д. *Why Georgia is Disappointed with pro-Western Course?* Available at: <http://carnegie.ru/publications/?fa=60818> July 23, 2015.

¹⁵ Khloponin: The volume of Russia’s financial support to South Ossetia has been estimated 34 billion rubles since 2008. Available at: <http://www.newsru.com/finance/19jul2013/sosetiarumoney.html> July 19, 2013.

Republic's own revenues totals 8 per cent, with the rest coming from Russia. This was the case in previous years as well, when the share of the revenues of South Ossetia to its own budget ranged from six to eight per cent.¹⁶

Russian support has led to drastic changes to the role of the Georgian factor in South Ossetia's political life, with Georgia becoming a shadow. In the 1990s it would be more than enough to link any South Ossetian or Abkhaz politician to Georgia to put an end the latter's ambitions. Attacks on Eduard Kokoiti's rivals during 2001-2012 well illustrate this. As of today, playing out a Georgian card is not effective anymore as demonstrated by the presidential elections of 2011-2012 in South Ossetia while in Abkhazia scandals and black PR campaigns on this ground have been far more intense. However, all attempts to use a so called Georgian trace against Ala Jioeva failed, even though in the end Jioeva could not make it to the presidency. A precedent of peaceful change of the government in South Ossetia had nevertheless been created. Nor did the Georgian theme come to the fore during the parliamentary elections of 2014, which ended up with victory of United Ossetia party. On the contrary, political discussions revolved around defining South Ossetia's prospect under Russia's aegis. In the end, the party promoting the idea of South Ossetia's unification with North Ossetia and ultimately within a single subject under the Russian Federation managed to gain greater support.¹⁷

In 2012 the Georgian Dream Coalition led by Georgian billionaire Bidzina Ivanishvili ascended to power as a result of the parliamentary elections and a year later the coalition's candidate Giorgi Margvelashvili replaced Mikheil Saakashvili as the president of Georgia. New authorities have pledged to normalize bilateral relations with Moscow and already made first moves towards this direction. Georgia chose not to boycott the winter Olympics in Sochi. Georgian goods (wine and mineral water) has returned to Russian markets and since December 2012 representatives of Russia and Georgia (Gregory Karasin and Zurab Abashidze) have been holding regular direct negotiations. However, in spite of these developments, Russian authorities have repeatedly declared that they are not going to retract the recognition of Abkhazia and South Ossetia as a cost of normalizing relations with Tbilisi. Also, at his 'big press-conference' (held on December 17, 2015) Vladimir Putin did not completely exclude the possibility of an agreement between Georgia and the two partially recognized entities (Abkhazia and South Ossetia) based on a compromise.¹⁸ However, this verbal hypothesis of President Putin has nothing to do with the revision of the recognition of South Ossetia and Abkhazia. Nor does it imply any 'new reality in Transcaucasia as it is formulated in Russia's foreign policy concept.

At the same time, it would be extremely naïve to believe that abstract love for small nations of the Caucasus and their aspirations for self-determination lies in the core of Russia's political course. Moscow's logic is grounded in rigorous policies to uphold its own national interests. In his exclusive interview, the head of presidential administration of the Russian Federation Sergey Ivanov clearly and unambiguously voiced this priority: 'we have brought everything in compliance with rules and procedures of the Russian budgetary legislation. It is not a secret that we have been spending billions to support Abkhazia and South Ossetia. This is our tax money rather than a 'wishlist' of the republics' authorities and we are determined to have every ruble accounted for'.¹⁹

16 Incomes from Russia to the South Ossetian budget amounts to 92.2 per cent. Available at: <http://www.kavkaz-uzel.ru/articles/274855/> 23 December, 2015.

17 After collecting more than 44 per cent of votes, United Ossetia Party won 20 from 34 seats in the Parliament of South Ossetia and Anatoli Bibilov became the speaker of the Parliament. Available at: <http://south-osetia.kavkaz-uzel.ru/articles/243970/>

18 Annual press-conference of the President of Russia. Available at: <http://www.kremlin.ru/events/president/news/50971> December 17, 2015.

19 'I won't deny it – I tend to be sneaky from time to time'. Available at: http://www.gazeta.ru/politics/2013/09/30_a_5675153.shtml October 1, 2013.

RUSSIA'S INTEREST AND A CONTROVERSIAL PARTNERSHIP

So what has Moscow actually wanted, judging by his actions for the past seven years? Russia would have been interested in maintaining loyalty within its internal policies. In addition, there has been a clearly marked interest towards strategically important objects such as the railway and Ochamchire Black Sea coast in Abkhazia where a Russian military-naval base will be deployed and a resort complex built. On the other hand, South Ossetia without an entry to the sea is attractive in its own way. The republic is located in immediate proximity of Georgia's capital city Tbilisi. As of today Russian-South Ossetian checkpoint is located only within 450 m (!) of a highway of Trans-Caucasian importance, connecting Azerbaijan, Armenia and eastern Georgia with the latter's Black Sea ports and Turkey.²⁰

However, in order to maintain its outpost in the South Caucasus, Moscow has to resolve key problems facing the partially declared republic, or at least make a considerable progress in this direction. As of today low demographic potential in light of geographic and international isolation is one of the most significant challenges facing South Ossetia.

As a result of Georgian-Ossetian ethnopolitical conflict the population of South Ossetia has significantly shrunk. However, it would be extremely difficult to adequately assess the dynamics of these changes. The 2002 census of the Georgian population covered only those areas of the former South Ossetian Autonomous District which remained under the control of Tbilisi after armed confrontation came to an end in 1992. At that point of time 7730 residents were registered by the Georgian statisticians.²¹

From September 15 to 30, 2015 the first ever population census after the collapse of the Soviet Union was conducted in the Republic. The findings suggest that as of today, more than 51,000 people call South Ossetia home.²² According to the Office of the State Minister for Reconciliation and Civic Equality 'the region is practically depopulated. As of today the population of Tskhinvali Region/South Ossetia totals 15-20 thousand residents'.²³

Today's South Ossetia has been affected by a series of negative factors. Firstly, the rehabilitation of South Ossetia after the 'five-day war' is yet to be finalized and the provision of accommodation, heating and water still remains a challenge. Secondly, the Republic suffers from the lack of employment opportunities and an underdeveloped labor market. Thirdly, South Ossetia has been experiencing problems related to the production sector (in fact the industrial base maintained to this day in the republic was built in the Soviet era). Such business as transit trade between Russia and Georgia (with all its costs in the form of shadowy schemes) ceased as a result of 'unfreezing' the conflict during 2004-2008. The business has never been resumed even after 2008 because of ambivalent relations between Moscow and Tbilisi. As of today, prospects for resuming this kind of business seem highly unlikely. Consequently, it has become impossible to attract wide-scale investments (unrecognition of the republic at the international level also contributes to this problem). A series of challenges drastically increases the dependence on Russian funding, which cannot be secured even in the amount received in previous years considering a financial-economic crisis within Russia and increased expenses for the maintenance of Crimean infrastructure.²⁴ Director General of the Economic Expert Group Alexandr Andryakov argues that 'expenses on Crimea are record high and none of the North Caucasians republics has ever received such amounts from the Federal budget'.

To a considerable extent, it is this social-economic exhaustion and the risk of transforming into

20 Gamtsemlidze, D. Ibid.

21 Ethnic groups of major administrative-territorial units [of Georgia] Available at: http://upload.wikimedia.org/wikipedia/commons/9/92/Georgia_Census_2002_Ethnic_group_by_major_administrative-territorial_units.pdf

22 Census: More than 51.000 reside in South Ossetia. Available at: <http://ugosstat.ru/perepis-v-yuzhnoy-osetii-prozhivayut-bolee-51-tysyachi-chelovek/> November 13, 2015.

23 Tskhinvali Region/South Ossetia. Available at: <http://new.smr.gov.ge/Detailspage.aspx?ID=42>

24 Hundred million will not suffice. Available at: <http://www.vedomosti.ru/newspaper/articles/2014/05/20/100-mlrd-ne-hvatit#ixzz3Iqu5jG8P> May 20, 2014.

an administrative territory receiving budgetary allowances in light of the popular negativity of recognizing the legitimacy of the Georgian state, that pushes both politicians and the population of South Ossetia to fight for a 'unifying idea'. Thus, a unified Ossetia within the Russian Federation is viewed as a project which promises a better future than Moscow's military-political forepost in the Caucasian region. This is where a fundamental difference from the Abkhaz project lies. Abkhazia has focused on the construction of its own state (the feasibility of this idea to become a reality is a whole new question).

Signing agreements with Russia was the key event in the political life of Abkhazia and South Ossetia in the past two years. The Russian-Abkhaz agreement on alliance and strategic partnership was signed on November 24, 2014 while the Russian-South Ossetian agreement on alliance and integration was signed on March 18, 2015.

Together with shared characteristics, the two agreements are also different in their ways. The Abkhaz side craved for revising the document in such a way to safeguard their own preferences (for instance, Russia was not granted the right to Abkhaz citizenship and to the acquisition of property in Abkhazia and the word *integration* was taken away from the above document). The South Ossetian side, on the other hand, had a keen interest in becoming deeply integrated with Russia, even to the extent of joining the Federation (following Crimea's example).

However, Moscow is not rushing to accelerate developments and multiply the Crimean case across the Caucasus. The breakdown in Russian-Ukrainian relations during 2013-2015 has not led to a total disruption of previously adopted approaches by the Russian Federation. These approaches continue to be tailored not to the universal scheme, but to individual positioning. When feeling threatened by looming changes to a status-quo favored by Russia (as happened in Abkhazia and South Ossetia in 2008 or in Crimea in 2014), the latter turns to escalation and resorts to revisionist instruments. On the other hand, if there is the hope to sustain the state of affairs (i.e. cases of Transnistria, Nagorno-Karabakh, Abkhazia and South Ossetia after 2008) Moscow plays it slow and does not rush to change the rules of the game. The total revision of borders within the post-Soviet space will lead to more aggravated sanctions and deepened confrontation with the West. In light of the economic crisis and already imposed pressure through sanctions, it is evident that incumbent Russian authorities are not willing to take additional risks.

Consequently, supporting the status quo under which South Ossetia remains a partially recognized entity being 'more than a usual subject of the Russian Federation but less than an independent state' is perceived by Moscow to be the best possible option. At the same time, Russia continues to fund South Ossetia's budget and support its rehabilitation (even though the effectiveness of these measures begs questions even for official representatives of the Russian authorities),²⁵ Integration the defense system and security and will play the role of a broker in internal political processes (in particular, during elections). First and foremost, the control over South Ossetia allows Russia to establish itself as a key player across the Caucasus and set its own agenda without taking into account other players (the US and EU) and secondly, South Ossetia's geographic proximity to Tbilisi and strategically important communications of Georgia, Armenia and Azerbaijan puts Russia in an advantageous position when it comes to potential risks (as it happened during unfreezing the conflict in 2004-2008) while it also tries to 'insure' against these risks. Thirdly, the undetermined status of South Ossetia serves as leverage on Georgia in case the latter's Euro-Atlantic aspirations are reactivated.

Nevertheless, Russia is in need of a new agenda towards South Ossetia which would not necessarily be linked with wider geopolitics: it should not be focused on the *Georgian threat* (which is not topical at the moment), but rather on those challenges pertaining to the relations between Moscow and Tskhinvali, starting from the quality of budgetary spending all the way up to issues related to the republic's rehabilitation

25 South Ossetia must advance to a new economic level – Surkov. Available at: <http://regnum.ru/news/polit/1740930.html>
December 4, 2013

process. It is essential that a transition from a conflict and rehabilitation paradigm to a paradigm of development take place as soon as possible. At least new resources for the Republic's development are required.

Thus, putting together a well-informed formula for normalizing relations with Tbilisi is of utmost importance. Terrorist threats and challenges (posed in particular by the Islamic State which has already started infiltrating the North Caucasus and the Georgian border areas adjacent to them) can be responded to effectively only if there is cooperation between Moscow and Tbilisi, regardless of unresolved controversies over the status. However, every sign of the normalization of relations between the Russian Federation and Georgia is seen cautiously (if not negatively) in Tskhinvali. The question remains: how can cooperation with the partially recognized entities and normalization of Russian-Georgian relations be fused within a holistic system of these controversial relationships?

THE COSTS TO THE UNITED STATES OF THE AUGUST 2008 WAR

Cory Welt¹

To assess the question of what kind of costs the 2008 war imposed on the United States or to U.S. foreign policy, we need to distinguish between a few meanings of the word. First, there are the “costs” the United States bore willingly to support Georgia, a pro-Western strategic partner, in its time of need. Second, there is the “cost” to a core element of U.S. policy toward Georgia: the promotion of conflict resolution policies that could result in the reunification of South Ossetia and Abkhazia to Georgia. Finally, there are more ambiguous geopolitical “costs” that resulted from Russia’s armed resistance to Georgian reunification and its subsequently enhanced military position in the Caucasus-Black Sea region. The severity of these costs ultimately depends on how tight a link one finds between the 2008 war and the one six years later in Ukraine, when the United States truly identified these costs and reacted accordingly.

THE “COSTS” OF SUPPORTING A U.S. PARTNER IN ITS TIME OF NEED

The first set of costs involve the expenses – economic and diplomatic – that the United States invested as a result of the conflict. These are expenses that the United States would not have incurred in the absence of conflict, but they are costs it willingly bore and which were seen as necessary for supporting, and showing solidarity with, a close international partner in its time of need, as well as for years beyond.

These costs were primarily economic. In the wake of the conflict, the United States immediately provided over \$38 million in humanitarian aid and emergency relief, utilizing U.S. aircraft and naval and coast guard ships.² Subsequently, the United States pledged a far more substantial assistance package to Georgia worth \$1 billion. With total budgeted assistance to Georgia in FY2008-2009 totaling just over this amount, this package amounted to approximately four times the average annual assistance the United States had provided to Georgia over the previous decade; in dollar amounts, this meant nearly \$390 million a year for two years in extra assistance that otherwise would not have been allotted. This included \$250 million in direct budgetary support and over \$175 million in financing for a variety of consumer mortgage and construction projects, as well as sizeable funds for humanitarian assistance and infrastructure development.

The United States also committed new diplomatic resources to Georgia. These included the establishment of a U.S.-Georgia Strategic Partnership Commission, which convenes annual plenary sessions as well as meetings of four working groups to address political, economic, security, and people-to-people issues. In addition, a senior State Department official regularly participates in the Geneva International Discussions, convened quarterly by the OSCE, EU, and the UN to address issues related to the conflict. Finally, the United States has maintained support for a close military-security relationship with Georgia, both bilaterally and via NATO. While this support has largely been reciprocation for Georgia’s own security

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2 <http://2001-2009.state.gov/p/eur/rls/rm/109345.htm>.

commitments in places like Iraq and Afghanistan, it also stems from the United States' commitment since 2008 to help reinforce Georgia's security.

THE "COST" OF WAR: DASHED HOPES FOR CONFLICT RESOLUTION

The above "costs" are relatively straightforward to assess. It is rather more difficult to assess more amorphous costs to U.S. policy. To do this, we need to determine the degree to which the war itself was responsible for imposing relevant costs. We also need to determine not only what matters to the United States but also how much.

One seemingly significant cost, for example, concerns the prospects for promoting conflict resolution policies that could lead to the reunification of South Ossetia and Abkhazia to Georgia. Since Georgia's independence, the United States has been broadly supportive of the country's territorial integrity in the borders bequeathed to it by Soviet collapse. Within this framework, it has also been supportive of peace plans that provide federal or autonomous status to the breakaway regions (like the 2001 UN "Boden Document" for Abkhazia).³ After the Rose Revolution, the U.S. government supported Georgia's plan to establish constitutionally-based autonomy for South Ossetia.⁴ In 2005, the State Department underlined U.S. readiness to work with Georgians, South Ossetians, Russia, and the OSCE "in pursuit of a settlement that ensures the South Ossetians autonomy within a unified Georgia," initially pledging \$2 million in support of relevant confidence-building measures and economic rehabilitation projects.⁵

The 2008 war put an end to such efforts at conflict resolution. First, the war underlined Russia's resolve to separate the breakaway regions from Georgia once and for all; if in the past Moscow left open the possibility of reunification, it now sought to create – and force acceptance of – a "new reality" of lasting secession from Georgia. Russia's recognition of these regions' independence is not a permanent obstacle to reunification, but it is a sign that if it is to occur it will be a generational project. Recognition not only indicated Russia's own commitment to protecting the secession of South Ossetia and Abkhazia but it has also eliminated the need (or, arguably, opportunity) for Ossetians and Abkhaz to even consider discussing a negotiated settlement to the conflicts that would involve reunification with Georgia. An apt comparison is Northern Cyprus. Turkish recognition of Northern Cyprus as an independent state in 1983 did not hinder Northern Cypriots from eventually voting on reunification with Cyprus, but that vote took place only after twenty years of *de facto* independence (and was rejected by Greek Cypriots).

Relatedly, the 2008 war drove a further wedge between South Ossetians (and Abkhaz) and Georgians. Hostilities that unfolded even before the outbreak of the war heightened tensions that ultimately escalated to the Georgian assault and temporary takeover of Tskhinvali; Russia's invasion, air attack, and temporary occupation of territories outside South Ossetia; the deaths of several hundred soldiers, militia, and civilians on all sides; and the ethnic cleansing of South Ossetia's Georgian population, destruction of their villages, and a redrawing of the lines of control. The conflict also led to the hardening of the boundary lines of South Ossetia and Abkhazia; a heightened Russian military presence; and increased limitations over transborder movement. In the case of South Ossetia, virtually all transit outside the reoccupied district of Akhalkgori was eliminated. All these costs were grave in and of themselves, but they were also costs for conflict resolution. They hardened divisions in ways that prevent populations from developing linkages that could help maintain a sense of integration that, in turn, could facilitate future efforts at reunification.⁶

Third, the 2008 war eliminated the Georgian demographic and state presence in South Ossetia. At base, this concerns an estimated one-third or more of the region's population that remained loyal to Tbilisi. But

3 On U.S. support of the Boden plan, see the U.S. Department of State, "United States Participation in the United Nations – 2001 – Part 1, Political and Security Affairs," p. 30. <http://www.state.gov/documents/organization/18959.pdf>

4 <http://www.coe.int/T/E/Com/Files/PA-Sessions/janv-2005/saakashvili.pdf>; <http://www.osce.org/pc/16801?download=true>; http://gfsis.org/media/download/GSAC/resources/South_Ossetia_Road_Map.pdf

5 <http://2001-2009.state.gov/r/pa/prs/ps/2005/55768.htm>; <http://2001-2009.state.gov/r/pa/prs/ps/2006/67900.htm>.

6 For more detail, see Charap and Welt 2011.

it also concerns the state structures that enabled Georgia to claim territorial control – Georgian police and security forces in Georgian-populated areas and, from 2006, the “alternative” South Ossetian government run by the region’s former defense minister Dmitry Sanakoev, who had pledged loyalty to Tbilisi. On the one hand, this presence strained relations with the de facto government of South Ossetia and contributed to the escalation of a local security dilemma prior to the outbreak of war.⁷ On the other hand, it enabled Georgia to maintain integral links to at least parts of the region, keeping alive the possibility of the eventual reunification of its remaining parts.

Finally, the 2008 war eliminated the international presence in South Ossetia, which also played a role in keeping the door open to a mediated settlement. The conflict led to the closure of the OSCE Field Office in South Ossetia (together with the entire OSCE Mission to Georgia). The OSCE had engaged in valuable monitoring; liaising with various parties; and promoting confidence-building measures between Ossetians and Georgians. The loss of the international presence in South Ossetia helped reduce the prospects for promoting integration – or even just sustaining communication – between Ossetians and Georgians (admittedly a challenge in the wake of the ethnic cleansing of the region’s Georgian population).

These factors helped to eliminate, at least for now, possibilities for the negotiated reunification of South Ossetia (and Abkhazia) with Georgia. Given that this was a core goal of U.S. policy toward Georgia, we can see them as costs.

That said, our evaluation of such costs might depend, first, on how important Georgia’s reunification was for U.S. policy. To be sure, it was a stated goal for almost two decades. However, it is fair to ask whether it was such a priority that its failure should count so strongly as a cost to U.S. policy.

A more serious objection stems from an assessment of what exactly might have been achieved in the absence of the war. If the war destroyed the definitive prospect of reunification, for instance, we might consider its costs to be far greater than if it only foreclosed unspecified possibilities.

From this perspective, we again might argue that the costs of 2008 were not that great. The prospects of reunifying the whole of South Ossetia, let alone Abkhazia, with Georgia were dim even before August 2008. By then, it had been long evident that Russia supported South Ossetia’s secession from Georgia and had no intention of facilitating its reunification, at least so long as Georgia was committed to a course of Western, in particular NATO, integration – a foreign policy decision to which Russia was staunchly opposed. As long as Georgia’s conflicts remained unresolved, Russia would be able to hinder this course.

Still, the war did eliminate opportunities to build bridges between communities and to develop more innovative and sustainable policies of conflict resolution. The policies of the Saakashvili government had created strains with regional authorities as far back as 2004, when Tbilisi first sought to reestablish control over South Ossetia: inserting a greater force presence in the region, shutting down illegal trade, and seeking to bring about local regime change.⁸ It was after these policies failed and brought Georgia to the brink of war that Tbilisi turned to establish Sanakoev’s alternative government.

If the 2008 war had not intervened, such policies could have been recalibrated under Saakashvili or his successors. After the war, Saakashvili’s government introduced a plan to considerably step up engagement with South Ossetia and Abkhazia that on paper was promising but was unveiled far too late to make a difference.⁹ In the absence of the war, the introduction of such a plan to encourage greater trade and transit would have been a valuable step forward. Even if Saakashvili’s government would not have made such a move, or de facto authorities in Tskhinvali and Sukhumi would have resisted, successors in Tbilisi could have had a greater opportunity to build links with the breakaway regions. Moreover, while Russia would have continued to oppose reunification, it would have had a difficult time opposing greater social interaction, trade, dialogue, and the building of relations. In this respect, the 2008 war was a lost opportunity at conflict resolution.

But there is another, possibly more controversial, way to understand the cost of the war. Consider that Georgia’s attack on Tskhinvali might actually have succeeded in securing the region’s reunification with minimal violence beyond the initial assault, if Russia had decided not to resist. Once Georgian forces

7 See Welt 2010.

8 Ibid.

9 See Charap and Welt 2011.

entered Tskhinvali, it is unlikely that Ossetians alone could (or would) have engaged in sustained armed resistance. With a rapid cessation of hostilities and the replacement of de facto authorities with a local – autonomous – government, South Ossetia might have been reintegrated to Georgia with relative ease. If this is a possibility, then Russia's decision to prevent such an outcome by going to war truly imposed high costs on the prospects of Georgia's reunification.

THE AMBIGUOUS GEOPOLITICAL “COSTS” OF 2008

The 2008 war arguably imposed other, more geopolitical, costs to U.S. policy. Similar challenges arise, however, when evaluating those costs.

First, the war made clear that NATO enlargement to Georgia (and possibly other post-Soviet states) could only be achieved in the long term at best. Just four months before the war, NATO members fatefully pledged at an April 2008 summit in Bucharest that Georgia (together with Ukraine) would eventually “become members” of the alliance. In the absence of the war, Georgia was not assured of obtaining membership in an accelerated timeframe, but there could have been a firmer and ever increasing commitment to that goal, particularly if Georgia managed to make headway in resolving its ethnoterritorial conflicts. Arguably, the need to avoid this newly concrete possibility played a major role in Russia's decision to go to war. Almost eight years later, NATO members insist the pledge remains in force, but it is an empty one, devoid of any road map or deadline.

Second, the conflict forced the United States to confront the fact that Russia was not willing to accept its place in an international system that required it to earn, rather than impose, regional influence. One month after the conflict, U.S. Assistant Secretary of State Daniel Fried argued that U.S. Russia policy had been built for almost two decades “on the assumption that Russia – perhaps in fits and starts, imperfectly and in its own way – sought to become a nation integrated with the world...strong, to be sure, but strong in the measure of power for the 21st century, not the 19th century.” Russia's invasion of Georgia suggested that it was opting instead “to be a nation whose standing in the world is based not on how much respect it can earn, but on how much fear it can evoke in others.”¹⁰ It was now clear that U.S. policy toward Russia had been based on not entirely sound foundations. While leaving the door open to strategic cooperation and a Russian change of heart, the United States was going to have “to prepare to resist Russian aggression where we must.”

The costs of such a policy shift appeared to be heightened, at least in the Caucasus-Black Sea region, due to Russia's increased military posture there. Initially, there was hope that Russia would abide by the terms of the August 12 ceasefire agreement that mandated the return of all military forces to their prewar positions, leaving behind at most the small peacekeeping contingents Moscow had previously dispatched to Abkhazia and South Ossetia. However, it soon became clear that while Russia intended to pull back from areas outside the regions that it had temporarily occupied, it also planned to transform and beef up its military presence in both regions (as well as retain control over territories within the regions that were previously under Georgian jurisdiction). This enhanced Russia as a military power south of the Caucasus mountain range, as well as along the Black Sea coastline. It also underlined Georgia's acute vulnerability to Russian military force, now positioned miles from Tbilisi and even closer to the country's central East-West highway, and in direct control of around half the country's Black Sea coastline.

Again, however, the costs of these developments to the United States are debatable.

First, NATO membership for Georgia was never a certain outcome, particularly given the reluctance among many European members to consider it due to Russia's stiff opposition. Detractors pointed to NATO's 2005 “study on enlargement” that held that the resolution of “ethnic” or “internal jurisdictional disputes...would be a factor in determining whether to invite a state to join the Alliance.” The decision to eventually accept Georgia (together with Ukraine) as a NATO member at the 2008 Bucharest Summit was a poorly conceived compromise. Ultimately, Georgian membership into NATO was – and is – of

¹⁰ <http://2001-2009.state.gov/p/eur/rls/rm/109345.htm>.

relatively low significance to U.S. policymakers. The United States may support Georgian membership into the alliance, but U.S. policy in the region does not hinge on the expansion of Western military power into the Caucasus and other post-Soviet areas. U.S. policymakers tend to see the cost of Russian denial of this objective to be relatively low.

Second, the war imposed relatively few costly shifts in U.S. Russia policy. Particularly under Barack Obama's new administration, U.S. policymakers concluded that the 2008 war was more an anomaly than a sign that Russia had tacked away from becoming a "21st century" state. They did not view the war as having changed the fundamental dynamic present in Georgia or the wider region for years, whereby Russia sought to resist a further loss of influence to the West but through at most a limited use of force. The 2008 war was ultimately viewed as the extreme manifestation of this use of force and one, moreover, that had been facilitated by the Georgian government's own misguided use of force. The war did not result in a change in Western military posture, sanctions, or any other serious severing of relations. On the contrary, just seven months later it gave way to the Obama-Medvedev "reset" in U.S.-Russian relations, by which the United States was determined to engage Russia in a number of areas to achieve productive "win-win outcomes."¹¹ This was not the gloomy picture Assistant Secretary Fried painted half a year before.

Finally, the United States did not consider Russia's enhanced military posture in the Caucasus-Black Sea region as a fundamental change to the status quo ante. As much as this posture posed an increased threat to Georgia, U.S. policymakers did not see that Russia's increased military presence in the region (or its recognition of the regions' independence) had much of an impact, either in forcing a change to Georgia's own policies – which remained pro-Western – or in encouraging and enabling similar military action in other states. There were still serious limitations to Russia's use of military power, and the United States viewed engagement as a better instrument for encouraging restraint than containment and isolation.

FROM GEORGIA 2008 TO UKRAINE 2014?

In September 2008, Assistant Secretary Fried warned of the possibility that Russia would "choose to continue its aggressive course, particularly against neighbors who have aspirations for closer security relations with us and NATO." He specifically cited the case of Ukraine.

Indeed, the geopolitical costs that were forewarned in 2008 – but still appeared minimal at the time – emerged in full force in 2014. While the United States in 2008 ultimately dismissed the prospect that Russia would reject "21st century" mores and downplayed Russia's military resurgence, in 2014 it perceived Russia to be adopting "19th century" means of aggression while posing a serious revanchist threat to its neighbors. The harsher response of the United States – including the imposition of sanctions and the enhancement of NATO's military posture in Eastern Europe – reflected this change in perception.

To determine the geopolitical costs of the 2008 war, then, requires us to assess the strength of the link that exists between Russia's actions in Georgia in 2008 and its actions six years later in Ukraine. Seen in isolation, the 2008 war imposed relatively little geopolitical costs on the United States (and the West). But if we view the 2008 war as prelude to the annexation of Crimea and the generally far more destructive conflict in Ukraine, we would have to conclude that the war imposed the greater geopolitical costs U.S. officials feared at the time – costs that for years remained underappreciated.

¹¹ <https://www.whitehouse.gov/the-press-office/us-russia-relations-reset-fact-sheet>.

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"... Somewhere, deep inside in my consciousness, I admit the possibility that the war could really start again. So I am not sure that it will never happen. Nobody knows what tomorrow will bring. My generation grew up in war. We got used to it. We became accustomed to it. At certain times we even feel more comfortable with the fighting than with civilian life. During the fighting, we clearly understand how and what we do, as opposed to a peaceful life. And yes, I understand, this is how we grew up. And it's wrong. It should not be like this. I do not want future generations to also grow up with arms and do the same as we did. And I'd rather do more than allow that them to grow up with arms again. Because, if each generation grows up with arms, then we don't move forward, but rather go back ... Recently, I often see dreams. Sometimes, these are just dreams about fighting. Sometimes, I see the events and those days when there was actual fighting. In these dreams sometimes I get killed, but more often I kill, or those who are around me get killed. I do not want to call these dreams prophetic, I don't want them to happen in reality. Let it all be just a dream. There you can be reborn as in a computer game. You cannot worry about those who are near you. But the fact that these dreams come more often than in the past, suggests the idea that something could begin again. Something that I ... really, really... do not want ... "

Tskhinval resident

"... You are talking about the cost of the conflict? The cost of conflict is huge. All paid a heavy price. I talk less about the material costs, although those are also very high. I want to talk more about the psychological cost. I personally went through significant trauma. All the best I had, the best years of my life, my youth, I gave to this conflict. So many nerves and emotional stress went into this conflict. All my life and, probably in the future until the conflict is settled, I will be haunted by thoughts about why this conflict started and how to resolve it. In my opinion, this is the biggest cost. The soul hurts the most because our children, the next generation will be alienated from each other. They will never know and never will believe in the warmth and love that existed between Georgians and Ossetians. For example, I am very hurt and sad that my school, the fourth middle school in Tskhinvali, was burnt down. My best memories are related to my school. I will never be able to come to my school and remember the best years of my childhood. After all, this certainly is a very high cost. And not to be biased, I would say that the same price was paid on the other side, because I'm sure that a lot of people also think as I think. And they also believe that the world has no alternative. The price that both sides paid was huge. The war has a big belly, and, to feed it, both Georgian and Ossetian sides had to pay a huge price ... "

Dvani resident

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