THE CAUCASUS & GLOBALIZATION

Journal of Social, Political and Economic Studies

Volume 4
Issue 1-2
2010

CA&CC Press®
SWEDEN
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In the post-Soviet period, the Caspian region has gradually been gaining geopolitical and geoeconomic weight. It is no longer seen as closed and static, but as an element of dynamic global geopolitical interaction. At the same time, however, it can be described as a fragment or a center of tension in the system of the current worldwide geopolitical processes.

In the early 21st century, the number of countries with geopolitical and geoeconomic interests of their own in the Caspian increased substantially, which has inevitably affected the entire region. The combination of the region’s geographic location and the increasing value of its energy resources...
has made the Caucasus and the Caspian even more important for world, and European, security. It comes as no surprise that in 1997 Xavier Solana, speaking in Baku, deemed it necessary to point out that Europe would never achieve security while the Caucasian countries remained outside its security system.

France, Germany, China, Japan, Pakistan, Saudi Arabia, Israel, and several other countries are already involved in the region’s political and economic sphere, where they have joined the traditional geopolitical players—Russia, the U.S., U.K., Turkey, and Iran. This has inevitably complicated the situation; their relations are determined, among other things, by their desire to control the fuel and energy resources and transportation means.

In the 1990s, the Caspian (located in geopolitical terms in the very center of the post-Soviet expanse) became part of the new Big Game played according to the classical geopolitical rules.

The Caucasian “Knot:”
A Multi-Move Geopolitical Game

The Contract of the Century signed in Baku on 20 September, 1994 relating to the offshore oilfields of Azerbaijan started the ball rolling: the Caucasian and coastal states were gradually drawn into the geopolitical game the world and regional powers were playing on the Caspian chessboard, with Russia and the West being the two main players.

Armenia, Russia’s traditional outpost in the region, has been and remains an important strategic factor in the Caspian. Russia regards it as the main base from which it can check the pressure applied by NATO and Turkey, which wish to penetrate the region. Some Russian experts predict that Armenia “is doomed to an eternal alliance with Russia” and state that “the traditional Russian vector dominates Armenia’s geopolitical code.”

Armenia, in turn, is doing a balancing trick in an effort to cooperate with Russia and integrate with the West. In recent years, Erevan, with Moscow’s consent and Washington’s active support, has been normalizing its relations with Turkey. On 11 October, 2009, the two countries signed Armenian-Turkish protocols in Zurich which testify, among other things, to Ankara’s desire to be more actively involved in the Caucasus.

Georgia, the only Caucasian country with a Black Sea coastline, is equally important for Russia and the West; moreover, it is crossed by trans-Caucasian transportation routes (railways and highways), as well as recently built oil and gas main pipelines.

In the fall of 2008, Georgia, the pro-Western orientation of which had become even more obvious after the Rose Revolution of 2003, discontinued its purely formal CIS membership. In the post-Soviet period, Russia used the Abkhazians and Ossets to put pressure on Georgia to force it to drop its NATO-related plans; in fact, Moscow knew only too well that Georgia, which had associated its future with the West, was an important link in the chain along which Western influence was reaching Central Asia through Turkey and Azerbaijan.

It comes as no surprise that Russia had no qualms about applying most harsh measures against Georgia: introducing a visa regime and trade embargo, followed by the “accidental” bombing of bor-
der areas, etc. In August 2008, when NATO membership for Georgia had become too real, Russia resorted to the use of force, which separated Abkhazia and South Ossetia from Georgia. In the fall of the same year, Georgia left the CIS.

Russia, in turn, first expanded the sphere of its influence on the Black Sea; second, it drew the line on NATO’s expansion to the East and the Caucasus; and third, these events revealed that the West’s position in the Caucasus was weak. The 2008 developments threw the contradictions inside the EU and between “old Europe” and the United States into bolder relief. The latter limited itself to all sorts of statements of concern and highly ineffective diplomatic moves. Finally, the other Soviet successor-states (outside NATO) received a clear and stern signal that their persistent desire to join NATO might cause a war and that they might lose parts of their territories.6

On the other hand, the 2008 August crisis allowed Turkey to step up its involvement in the Caucasus: it moved forward with the Caucasus Stability and Cooperation Platform for five Caucasian states: Turkey, Russia, Azerbaijan, Georgia, and Armenia. At the same time, Ankara resumed its efforts (cut short in 1993) to improve its relations with Erevan. Turkey obviously intends to capitalize on the Caucasian crisis to fortify its position and upgrade its status as a regional power center. Russia, in turn, tends to support the Caucasus Stability and Cooperation Platform initiative if Iran is included in the project (which would limit America’s and the European Union’s influence in the region).7

The Geopolitical Processes in the Caspian: The Iranian Factor

Iran, a regional power of the continental type and an anti-American, anti-Atlantic, and geopolitically active country, is working toward having greater influence in the region, where its interests coincide, in many respects, with those of Russia. The West is unlikely to manage to keep Iran away from the Caspian projects: for geographical reasons, it is one of the key geopolitical links for the newly independent states of the Caucasus and Central Asia. Iran, and Armenia for that matter, is Russia’s main strategic partner, which checks NATO’s eastward expansion.

It is extremely important for Tehran to prevent the pro-Western forces able to block its access to the strategically and economically important region from exerting any greater influence. On the other hand, its greater influence in the Caucasus and Central Asia will strengthen Iran’s regional status and force the West to take it into account on the international arena. In its Caspian policy, Tehran is placing its stakes on Russia as a real force which stands opposed to the Western onslaught.8

While supporting, as a matter of principle, international cooperation in the Caspian region (up to and including its energy and biological resources), Iran is dead set against the non-regional countries’ military presence. At the same time, under certain circumstances, its own interests might destabilize the situation; this applies, first and foremost, to the legal status of the Caspian Sea controversy. At first, Iran’s position was very close to Russia’s: the sea and its resources should be treated as the coastal states’ common property without borders and sectors. Later, however, in an effort to profit from the Soviet Union’s disintegration, Tehran claimed a greater share of the Caspian Sea.

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pian: instead of the original 13 percent (accepted by most of the coastal states), it wanted 20 percent of the water area.

Meanwhile, in May 2003, Russia, Kazakhstan, and Azerbaijan divided among themselves 64 percent of the sea’s northern part (Kazakhstan received 27 percent; Russia, 19 percent, and Azerbaijan, 18 percent). Iran and Turkmenistan were invited to divide the remaining 36 percent between themselves.\(^9\)

On the whole, the special position of Tehran and Ashgabad is keeping the Caspian status issue in an impasse. The interests of Iran, Azerbaijan, and Turkmenistan clash in the sea’s southern, and oil-rich, part. Despite the two decades of fairly intensive talks among the three capitals, the issue’s conflict potential has not yet been exhausted.

The energy transportation routes are another sphere in which the interests of Iran and Russia clash to a certain extent. Iran is inviting the Caspian states (Kazakhstan and Turkmenistan in particular) to move part of their exports across its territory using the functioning infrastructure (ports, terminals, and oil refineries in the Persian Gulf). Under another option, the country’s north will receive energy resources from the Caspian region, while Iran will sell, in their name, the same amounts of energy resources it mines on its territory. This would undermine Russia’s role in the region. The United States is very open about its position: it believes that Iran plans to “interfere, in the future, in the free movement of energy resources in the world.”\(^10\)

Despite the fact that neither Iran nor Russia has considerable oil resources in their sectors of the Caspian, in the past few decades, the consecutive U.S. administrations (of Bill Clinton, George W. Bush, and Barack Obama) have been stepping up their pressure. It is no wonder that the two countries moved closer on several important issues related to the Caspian and prevention of Western domination there in particular.

Iran’s nuclear program and its continued implementation might provoke the West (the U.S. and Israel in particular) into taking inappropriate steps, which will upset the present military-political situation in the Greater Middle East. Its loud geopolitical echo will reverberate in Iran and Russia, to say nothing of the other Caspian states.

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**Turkey’s Geopolitical Maneuvering: Looking into the Future**

Turkey stands apart from the geopolitical actors with key roles to play in the Greater Middle East and which are directly influencing the geopolitical shifts in the post-Soviet expanse, particularly in the Caucasus. In 1991, the new post-Soviet geopolitical configuration in the Caucasus and Central Asia gave Turkey a real chance to strengthen its geopolitical influence in both regions.

In the new geopolitical context, Turkey exploited its special geostrategic position of a country situated both in Europe and Asia, as well as its ties with the Euro-Atlantic military-political structures and the ideology of a highly Europeanized and modernized, yet traditionally Muslim country.

In the new century, it is working hard to adjust its foreign policy in the Caucasus and the Caspian to step up its relations with Russia and Iran, in the energy sphere among other things.

It should be said that, on the whole, Turkey, just as Iran, has no adequate military-political and economic instruments to ensure its domination in the Caspian and elbow Russia and the West out of the region.

\(^9\) See: A. Lukoianov, “The Tehran Summit, Or the Russian President’s Visit to Iran,” *Central Asia and the Caucasus, No. 1 (49),* 2008, p. 70.

\(^10\) KASPIYSKIY UZEL (Geopoliticheskiy kontext “aktii vozmezdia SShA v Afghanistane), No. 2 (425), 8 January, 2002, available at [http://www.zavtra.ru/cgi/veil/data/zavtra/02/425/31.html].
In the last two decades, China has become much more interested in the Caspian than before, mainly because Beijing, first, fears American geopolitical control over the region which will bring the U.S. dangerously close to its own borders and, second, because in the last few years the country has been importing much more oil and oil products than before. Beijing is obviously out to confirm its access, at least partial, to the Caspian oil and gas reserves as part of its general task of ensuring its energy security.

China has its own serious geoeconomic and geopolitical interests in the region, which means that it will step up its involvement, especially in the eastern part of the Caspian region. Its cooperation with Kazakhstan and Turkmenistan is intended to expand the raw-material base of the Chinese fuel and energy sector. America’s involvement in Central Asia might upset these plans; this explains China’s revived interest in Russia’s energy resources. In the new century, China insists on active cooperation with Russia and the Central Asian states both on a bilateral basis and within the SCO.  

In the last two decades, the Caspian has acquired tremendous geopolitical importance for the West, the United States in particular. By the mid-1990s, the U.S., still deprived of a pretext for active involvement in the post-Soviet expanse, identified three favorites—Ukraine, Azerbaijan, and Kazakhstan—and formulated a geopolitical goal—erect a barrier to the spread of Russia’s influence in three key directions: to the Balkans (Ukraine); the Caucasus (Azerbaijan); and Central Asia (Kazakhstan).

On 1 October, 1998, Azerbaijan, Georgia, Armenia, Ukraine, Belarus, and Moldova were included in the responsibility zone of the United States European Command (EUCOM). “As long ago as 1999, the Pentagon recognized the increasing geostrategic importance of the Caspian region by reassigning senior command authority over American forces in Central Asia from the Pacific Command to the Central Command… This move was described by Michael Klare as ‘a rare alteration of military geography.’”

In the course of Operation Enduring Freedom launched on 7 October, 2001 when the counter-terrorist coalition occupied Afghanistan, the Pentagon acquired permission to use military bases and airfields in Uzbekistan, Kazakhstan, Kyrgyzstan, and Tajikistan; American military contingents were deployed at some of them. Washington also intensified its military contacts with the Caucasian countries.

The people in Washington regard Caspian oil as an additional source to be used if the deliveries from the Persian Gulf are endangered. America’s interests in Central Asia and the Caspian are heated by its desire to preserve its influence on the allies, the European Union and Japan. More than that: the United States wants to separate the Central Asian countries from Russia and, finally, to remove them from the zone of Russia’s influence, thus depriving it of a chance of challenging America in the future.

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The mounting influence of the United States in Central Asia, which became especially prominent after 9/11 and the counterterrorist operation in Afghanistan, gave Washington geopolitical advantages over China, Iran, Southwest and Southern Asia, to say nothing of Russia. Washington’s strategy in Eurasia aims to link Central Asia to the “geographic belt” composed of Turkey, Saudi Arabia, and Pakistan with the help of the so-called Islamic fundamentalism and extremism factor. This can hardly be done without drawing in the Caspian countries, Azerbaijan, Kazakhstan, and Turkmenistan in particular.

The European Union in the Caspian Region: Quenching the “Energy Thirst”

Unlike the United States, the European Union is pursuing mainly economic interests in the Caspian. It is seeking energy security for the 21st century; oil and gas from Azerbaijan, Kazakhstan, and Turkmenistan will decrease, to a great extent, Europe’s dependence on Mid-Eastern and Russian oil. The EU core countries are also seeking to preserve and develop their own oil industry with the help of their oil companies working on rich oil fields outside their own territories.

In 2004, after another EU eastward expansion, the three Caucasian countries were included in the group of 17 countries involved in the cooperation programs with the European Union. In October 2006, the European Union signed new Partnership and Cooperation Agreements with them as part of the European Neighborhood Policy, the Action Plan within which was tailored to meet the interests of each of the Caucasian states.

Russia in the Caspian: Face to Face with the Geopolitical Realities of the 21st Century

For at least two reasons Russia cannot but be concerned with the recent developments in the region. On the one hand, in the 1990s, it was not quite sure of its interests in this part of the post-Soviet expanse, which allowed the West to penetrate some of the Caspian countries and become entrenched there. On the other, its considerably weakened economic potential did not allow the Kremlin to effectively defend its geopolitical and geoeconomic interests there. In fact, Russia’s Caucasian border was pushed back to the early 19th century; in Central Asia, to the mid-19th century. Its geopolitical expanse in these regions shrank, which cost Russia its role as key geopolitical center in the Caspian.

Under Yeltsin, when Russia was not certain either of its domestic or foreign policy priorities, its Caspian policy, likewise, was sporadic and inconsistent. The Kremlin refused to pay attention to the region’s specifics and the interests of the Caspian states. In the 1990s, Moscow, after finding itself bogged down in Chechnia (previously used as the main export route for Caspian oil and the place where the oil pipelines from Azerbaijan and Kazakhstan met), had complicated its position in the Northern Caucasus even more.

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Late in 1994, when Moscow moved to the active phase of the war, the link between the Chechen events and the pipeline rivalry came to the fore. It became obvious that Russia might lose its geopolitical foothold in the region; the geostrategic consequences of this were likewise obvious.

On the whole, “at that time Russia lacked a synthetic, future-oriented, national position on the Caspian.”

Under Vladimir Putin, Russian diplomacy acquired pragmatism and consistency; the foreign policy doctrine of the Russian Federation revealed a trend toward flexible coalitions: long-term alliances with any state were avoided for the sake of stable bilateral and multilateral relations in the post-Soviet expanse fitted to meet specific geopolitical and geoeconomic objectives.

The official visits of President Putin and, later, President Medvedev to the Caspian countries over the past ten years demonstrated that Russia was seeking normal relations with all the Caspian states. The visits produced several important political and economic agreements.

Under Putin, Russia fortified its position in the Caspian and was more actively involved in the struggle for regional resources.

Military Games in the Caspian

Demilitarization of the Caspian region can be described as one of the pivotal issues of the present and future. So far, the coastal states, which are building up their naval capabilities, are doing nothing good for the region: they are merely destabilizing the situation with unpredictable consequences.

On 22-23 March, 2001, at the London Caspian Oil and Gas Summit, Russia voiced its concern over international terrorism and extremism, as well as the regional and local conflicts which, it insisted, threatened the region and explained its presence, including military presence, there.

The first few years of the new century, however, made the U.S. and NATO step up their involvement in the geostrategically important regions: under the pretext of “fighting international terrorism,” they established their military-political control there. Washington’s geostrategic plan known as the Greater Middle East (expected to bring together Northern Africa, the Near and Middle East, the Caucasus, and Central Asia) served as the centerpiece of these efforts.

In 2003, the Pentagon offered the Caspian Guard project, a by-product of its plans of military action against Iran. It suggested that Special Forces should be set up together with military bases in the region to ensure security in the Caspian basin. These units were expected to promptly respond to emergencies, up to and including terrorist threats against the oil facilities.

Moscow and Tehran are unanimous in their negative response to Washington’s intention to move its military presence to the Caspian as threatening their defense interests in the region.

In 2003, Russia, in turn, formulated its initiative of a five-sided Caspian naval group for operational cooperation (CASFOR) patterned after BLACKSEAFOR. It was devised as an operational military group based on the fleets of the Caspian states. Some of the coastal states, however, refused to be involved.

The conflict-prone situation in the Caspian has not yet developed into a crisis. However, the stiff rivalry between the budding geostrategic centers might turn the region into an important theater of war, part of the Atlantic-Eurasian geopolitical confrontation of the 21st century.

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16 Iu.G. Burgosov, Kaspisy v mezhdunarodnom prave i mirovoy politike, IMEMO RAN, Moscow, 1998, p. 64.
18 See: Ekho (Baku), 14 April, 2005.
19 Ibidem.
A new world order is being born in the geopolitical struggle unfolding in Central Eurasia: control over it means control over the Black Sea-Caucasian-Caspian geopolitical expanse, Central Asia, and the Greater Middle East with the ensuing geostrategic advantages.

Zbigniew Brzezinski is very open about the geostrategic and geoeconomic goals of the West in the richest oil and gas regions of the Persian Gulf, Iran, and the Caspian: “Since reliable access to reasonably priced energy is vitally important to the world’s three economically most dynamic regions—North America, Europe and East Asia—strategic domination over the area, even if cloaked by cooperative arrangements (italics mine.—P.D.), would be a globally decisive hegemonic asset.”

On the whole, the United States’ interests are not limited to the local natural riches: Washington also seeks to prevent Russia’s domination in this geopolitical expanse. Russia should not be allowed to fortify its position there; in fact, America wants a situation in which none of the powers could claim control there, while the West would enjoy unlimited access to its financial and economic sphere. At the same time, for the sake of preserving stability (otherwise, military-political repercussions might become unpredictable), Russia should not be driven away altogether.

From the military-strategic point of view, “the powerful and exclusive U.S. military presence in the Persian Gulf region and the effective U.S. monopoly of significant long-range warfare capabilities give America a very considerable margin for unilateral policymaking,” writes Brzezinski. And further: “It is difficult to envisage how the United States alone could force Iran into a basic reorientation.” After all, adds he, “Iran is a nation with an impressive imperial history and with a sense of its own national worth” to say nothing about its 70-million strong population.

Washington relies on the international situation created by the counterterrorist operations in Afghanistan and Iraq to enlarge its direct and indirect (through NATO) presence in the post-Soviet expanse. In fact, the United States has launched the Anaconda geopolitical strategy, which bore fruit during the Cold War.

On the other hand, in the 21st century, the West is obviously working on a vast geopolitical salient stretching from the Baltics across the Black Sea to the Caspian and further on to Central Asia.

The Caspian in the Global Geo-economic Processes

Today, when global economic actors have penetrated the Caspian, it has not merely preserved its weight in world economy, but has also attracted much more global attention to its natural riches and generated many more purposeful global efforts to incorporate it into the vast geo-economic projects.

The developments of the turn of the 21st century and the mounting importance of energy resources in world politics forced the world to revise some of the traditional approaches to the Middle East. The book *Energy Superbowl* published by the Nixon Center describes the area between the Volga mouth and Oman as a strategic “energy ellipse” to which the oil fields of Iran and the Middle


21 Ibid., pp. 72-73.
East as a whole stretch. It contains two thirds of the world’s explored oil reserves and 40 percent of the proven reserves of natural gas. In this context, the Caspian basin and the Gulf look like a single whole.

This means that huge oil and gas resources have determined the balance of geopolitical forces in the Caspian. According to Russian experts, the region contains over 25 billion tons of oil (out of the world’s total 150 billion); other Russian experts insist that the Caspian basin contains from 15 to 20 billion tons, or no more that 10 percent of the world’s oil reserves; Russia possesses 6 to 10 percent; and the Middle East, 60 percent. OPEC experts estimated the Caspian reserves at no more than 23 billion tons.

The West believes that Caspian oil will be important for Europe as an alternative to Gulf oil if and when oil production in the North Sea dwindles. According to certain sources, only Kazakhstan, Azerbaijan, and Turkmenistan have over 100 billion barrels of oil. This means that the Caspian as an oil-rich region comes third after the Gulf and Siberia.

The U.S. Department of Energy regards the Caspian basin as an area with the world’s largest undeveloped hydrocarbon reserves; the explored reserves are estimated at between 17 and 33 billion barrels of oil and about 232 trillion cubic feet of natural gas. The region’s potential reserves might be as much as 200 billion barrels of oil and up to 350 trillion cubic feet of natural gas.

Independent experts offer the following assessments for individual countries. By the first quarter of 2007, the proven oil reserves of Azerbaijan were quoted at 7 billion barrels; Kazakhstan, 30 billion barrels; Turkmenistan, 600 million; Iran, over 136 billion, while Saudi Arabia has over 262 billion barrels of proven oil reserves.

The Caspian region stands a good chance of becoming one of Europe’s key gas suppliers, which is described as an important geo-economic factor. According to BP experts, Turkmenistan, Kazakhstan, and Azerbaijan together possess 5.85 trillion cu m of gas. The potential of the Caspian states is confirmed by the volumes of natural gas reserves (35 to 40 trillion cu m, or 26 percent of the world’s total). This means that they possess three times more gas than the proven reserves of Algeria, Egypt, Nigeria, and Libya put together.

According to expert assessments, an adequate infrastructure that would make it possible to fully tap the Caspian’s potential and extract and move the local oil and gas to the world markets will cost some $200 billion.

This makes the Caspian one of the world’s key centers of geo-economic power. Stephen Blank has offered the following comment: “U.S. and Russian companies remain the major players in the

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22 See: A. Magomedov, “The Struggle for Caspian Oil and Caspian Transit: Geopolitical Regional Dimensions,” Central Asia and the Caucasus, No. 1 (31), 2005, p. 82.
contest to develop and export energy resources in Central Asia and the Caspian basin. However, Chinese and Indian entities have become increasingly competitive in recent years.”

The Americans, on the whole, do not exclude stiff competition between the combined potential of Azerbaijan, Kazakhstan, Turkmenistan, and the OPEC countries some time in the future. Back in the mid-1990s, former U.S. Secretary of State James Baker predicted that in the 21st century, “Caspian oil may eventually be as important to the industrialized world as Middle East oil is today.”

Since that time, globalization has merely heated up the political and commercial rivalry over the Caspian energy resources; Russia has been joined there by the world power centers represented by the United States, the European Union, China, and the Greater Middle East countries.

Legal delimitation of the Caspian is attracting a lot of attention and has already started latent and open rivalry not merely among the coastal states, but also among the world and some of the regional powers. This avid interest and stiff rivalry are not fortuitous: from the geoeconomic point of view, involvement in developing the Caspian oil and gas resources and the routes to the world markets hinges on the delimitation issue.

Caspian Oil and Gas Pipelines: Geo-economic Aspects

Its geographic location is gradually turning the Caucasus into a link formed by the transcontinental communication system of the future (Nabucco and other projects). Indeed, no really efficient system of trans-Eurasian communications can bypass the Caucasus. At the same time, the huge energy resources need an efficient pipeline system to move them to the world markets.

The following geoeconomic systems will appear in the foreseeable future: the horizontal ones which will go to the West (the Caspian-Black Sea-the Mediterranean-Atlantic) and to the East (the Caspian-China-the APR), while the vertical ones will go to the South (the Caspian-the Persian Gulf and the Caspian-the Indian Ocean). Combined with the functioning oil and gas main pipelines and those being laid (Baku-Supsa, Baku-Novorossiisk, Tengiz-Novorossiisk, Korpeje-Kurdku, Baku-Ceyhan, etc.), this new system will bring the Caspian’s resources to the world market and help the Caspian states integrate into the new globalizing energy system of our planet.

The Contract of the Century signed in the fall of 2004 launched considerable geopolitical changes in the Caucasus and partly in the Caspian region and put the transportation routes issue on the agenda. The Russia military elite described that as “one of Russia’s most acute geopolitical problems” and was obviously concerned about the prospect that “it will be resolved by British-American oil companies that are gradually but surely moving toward transnational control over the Caspian natural resources.”

Seen from Moscow, the West, which signed the Contract of the Century, has acquired certain geopolitical advantages and made the Baku-Tbilisi-Ceyhan main pipeline possible. It was believed, first, that the West would fortify its economic position in geopolitical regions highly important for Russia; second, that it would promote horizontal consolidation of the Central Asian and Caucasian states around the new and connected communication lines, thus depriving Russia of control over them; third, the related in-

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34 Quoted from: Geopolitics of Resource Wars, ed. by Philippe de Billon, Frank Cass, 2005, p. 146.
vestments would consolidate the still fragile statehoods of the Soviet successor states; and, fourth, they would acquire a powerful economic and military political alliance in counterbalance to Russia.37

It should be said that all other transportation alternatives—Russia-Kazakhstan-Turkmenistan-Iran-Afghanistan-Pakistan—the Indian Ocean and Western Kazakhstan—the Xinjiang-Uighur Autonomous Region of China—will draw new actors into the Caspian Big Game (China, Pakistan, and Japan, to name but a few) and bring Caspian oil and gas to the APR markets.

The BTC pipeline commissioned on 25 May, 2005 was of double—geopolitical and geo-economic—importance. First, Azeri oil reached Turkey via Georgia; potentially, all Caspian oil will be moved to the West by this route; and second, Russia’s position in the Caspian was undermined.

In the spring of 2007, Russia picked up the West’s “geo-economic gauntlet”: it actively promoted alternative gas pipelines in the Caspian’s eastern sector. In May 2007, during his six-day visit to Kazakhstan and Turkmenistan, President Putin signed an agreement on a Caspian gas pipeline “in the direction of Russia.” Russia was obviously parrying what the United States and the European Union were doing to remove the Central Asian countries from the Russian sphere of influence by laying pipelines outside its territory.

The West responded with the idea of a trans-Caspian gas pipeline laid on the sea-bottom and intended to join Turkmenistan to the planned Nabucco gas pipeline system in the near future.

It must be admitted that monopolized transportation of Caspian oil and gas is translated into geopolitical control over the entire region. This explains why the West sees unhindered access to the Caspian and Central Asian oil and gas resources for American and West European companies as one of its geo-economic priorities to decrease its dependence on Mid-Eastern oil and lower the world fuel prices.

The European Union, in turn, looks at the Caspian both as a strategically important source of energy resources and a foothold to be used to move to the Central Asian and Iranian energy resources.

The TRACECA and the INOGATE projects faithfully reflect the European approach to the region and its future. In fact, the pipeline system can be used as part of the EU’s enlargement strategy.

In the 1990s, the United States and the European Union attached special importance to the East-West Eurasian corridor. In 1995, the European Union put a project for the Venice-South Italy-Poti-Batumi-Tbilisi-Erevan-Baku-Turkmenbashi-Bishkek transportation route on the table, which repeated, to a great extent, the Great Silk Road of antiquity.38

The North-South transportation corridor officially opened in St. Petersburg in mid-2002 is intended to link Russia’s North and the north of Europe via the Caspian basin with the Gulf countries, India, and Pakistan. According to Russian experts, this route is three times shorter than the one via the Suez and is, therefore, 30 to 40 percent cheaper.39

China has stepped up its involvement in the Caspian because its, the world’s second largest, economy needs the rapidly growing amounts of energy resources, oil and gas in particular. Inside the country, the Great Pipeline of China project, a gigantic gas pipeline system which will receive fuel from Russia, Kazakhstan, and Turkmenistan, is seen as part of the energy security strategy.40

Conclusion

In the emerging world order when the talassocratic West represented by the United States, its unrivaled leader, has finally approached a total geopolitical victory over the tellurocratic East, the

38 See: Rossia i Zakavkazie: realii nezavisimosti i novoe partnerstvo, ZAO Finstatinform, Moscow, 2000, p. 44.
Atlanticists are concentrating on their main aim: to prevent Russia’s domination in Central Eurasia and the resource-rich Caspian region as its part. This put the region on a par with the Balkans and the Middle East, two geopolitical centers of the turn of the 21st century, and intensified the rivalry not only between Russia and the United States (NATO), but also between Turkey and Iran, two regional powers.

The problem of moving the Caspian resources to the world markets (which has acquired special importance in the last decade) has been commented on as follows: “The geography which geopolitical thought is dealing with is not physical geography of landmass and seas; it is a geography of communications of world trade and world war. History has taught us that trade communications at the world crossing points may acquire military and strategic importance: trade routes turn into war paths.”

This makes the strategically important oil and gas pipelines and transportation routes stretching in all directions from the Caspian region (especially to the West and the East) the “geopolitical and geoeconomic weapons” of the 21st century.

On the whole, the accelerating geostrategic rivalry over one of the most desirable “geopolitical and geoeconomic prizes” of the 21st century—the Caspian region—might change the geopolitical landscape of the Greater Middle East.


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ALGORITHMS OF DEMOCRATIZATION IN A TOTALITARIAN SOCIETY (A CASE STUDY OF GEORGIA)

Abstract

The author relies on Georgia’s experience to demonstrate the specifics of the democratic changes in the post-totalitarian countries and concludes that a combination of democratic and authoritarian administrative methods is inevitable at the early stages of democratic changes.

Introduction

The Soviet Union’s disintegration created newly independent states, all of them being in an identical position from the legal point of view. Over the course of time, however, after nearly twenty
years of democratic processes of different intensity, they began to look fairly different. We should not exclude national specifics, their previous experience of independent development, the geopolitical situation, etc. On the other hand, the logic of democratization does not depend on the above.

Democratization goes on slowly, there being no clear idea about its logic: in such cases, the underestimated risks put an end to the democratic changes. This has already happened in some countries.

Compared with other Soviet successor-states, democratization in Georgia is occurring more or less successfully, albeit painfully: the friends and foes of democracy are locked in a political struggle caused by the country’s geostrategic specifics. Indeed, the interests of the leading actors of world politics are intertwined in the country to an extent that makes Georgia a laboratory in which the democratization algorithm of totalitarian society and its “focal” and potentially hazardous points can be studied in the minutest detail.

If the government and society fail to recognize the risks, Georgia might join the ranks of the “failed states” which missed the turn on the road of progress, democracy, and economic revival.

**Shaping Democratic Values**

An analysis of the democratization algorithms should begin at the beginning, which means that we should, first and foremost, trace the evolution of political awareness in post-totalitarian Georgia. The law as a regulator of social relations is effective when it is obeyed by all; otherwise it degenerates into a formality.

As such, it becomes an instrument of lawlessness manipulated by those who usurp the right to decide when to apply it and against whom (and vice versa—when and against whom it should never be applied). Formal law disadvantages the law-abiding population.

Indeed, while keeping some people within certain limits, the law places no restraints on others. Unable to realize his aim, the law-abiding individual is driven to lawbreaking. This creates a situation in which lawbreaking becomes inevitable.

In this context, the law-abiding majority is forced to break the law for the simple reason that this has become the rule. In other words, everyone forces each other to do what nobody wants to do. At first, it looks as if society is manipulated by an “invisible hand”; the fog gradually dissipates to reveal the truth.

It becomes clear that even though everyone breaks the law, not all of them have the “right” to do this: this right belongs to those with power, the right connections, high posts, money, and patrons in the corridors of power. To acquire this, one must know the unwritten laws and abide by them even though they are unfair and immoral—but efficient. The majority diligently studies them and lives by them rather than by the legal norms.

This means that society lives by unfair, immoral, and frequently cruel unwritten laws accepted as the real regulators of social relations. Some people being able to do what others cannot creates a gap between the rich and the poor. Injustice breeds social tension, conflicts, and instability.

A very narrow social group with the financial and administrative resource monopolizes power; it imposes unwritten behavior norms adjusted to its interests on the rest of the nation. Bit by bit this group establishes its dictatorship: it controls TV; encroaches on freedom of speech and manipulates public opinion; staffs the courts of justice to be able to decide how the laws are used; controls the legislature to be able to impose its laws on society; and, most important, controls the election campaigns and supervises elections (“those who count the votes always win”).

The nation stops being a source of power: this function is usurped by those who falsify the election results, that is, the people at the top. This creates a vicious circle: by falsifying the election results, the authorities endow themselves with power and use their powers to do this. The ruling elite no
longer depends on the will of the nation and no longer pays attention to its interests. It develops interests of its own: power and the concomitant privileges.

This leads to a conflict of interests: either the people replace the ruling elite or it “reforms” the people. The former leads to a regime change; the latter to a situation in which the people will be subjugated by the repressive state machine; they will be intimidated into submission and taught to love a “strong hand.” The future depends on the extent to which the nation is freedom-loving; what sort of power it is prepared to accept and what will be rejected.

In authoritarian societies, everyone violates the law, which means that they are all lawbreakers. Those who rebel against the regime will be punished; the same fate awaits those prepared to violate the unwritten laws, to speak openly about what everyone knows but keeps mum about, and to go against the bans the ruling regime imposes on people. Gradually the nation develops into a frightened and suppressed society. People fear not so much the law as the powers that be which have assumed the right to do what others are not allowed. This creates a society based on arbitrary rule and submission.

Morality inevitably degenerates; certain social groups no longer feel themselves part of the whole; they are alienated from society. Universal values and behavior norms are rejected; society becomes anomical, something which Emile Durkheim wrote about in his time: “Those actions are most blameworthy, are so often excused by success that the boundary between the permissible and the prohibited, between what is just and what is unjust, is no longer fixed in any way, but seems capable of being shifted by individual in an almost arbitrary fashion.”

Widespread lawlessness stirs up protest and the desire to restore law and order. Society is aware of the fact that freedom and justness are possible where the law reigns supreme and where social relations are regulated by laws adjusted to public interests rather than by unwritten behavior norms imposed on the nation. This means that the people should elect those who will write such laws and ensure them. In other words, society gradually realizes that it needs democracy; this awareness, however, does not reach all social strata simultaneously.

Different social groups look differently at the democratic values, while society is moving away from the authoritarian to the democratic regime; this explains the wide gap between what different groups think about democratization.

Part of society (mostly the urban intellectuals) proves ready to embrace the democratic values, while other groups associate law and order, social protection, and justice with an authoritarian regime. The politically indifferent, and probably the largest, social groups are more concerned with the standard of living rather than with their country’s political course. Post-Soviet political reformers (in Georgia as well as elsewhere) have failed to take this into account.

The Algorithms of Democratization

In some of the Soviet successor-states, democratic reforms followed the logic of the economic changes, which means that Western laws and institutions were merely planted in post-Soviet soil irrespective of whether society was ready to accept them or not. This was a “shock therapy” of sorts rather than the much needed gradual changes (so-called gradualism). The ignored local specifics took revenge by producing numerous problems.

The newly planted and deeply rooted (Western) democracies deal with different problems. In the West, the government has to keep the democratic system functioning; the new democracies have to create a democratic system; it cannot be borrowed from the West in the form of laws.

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Setting up a democratic system and keeping the already functioning system alive are two different tasks; they call for different laws, different degrees of concentration of power, and a different format of redistribution of the rights and duties between the government and society.

Democratic societies demonstrate a highly developed law awareness; their law-abidance is based on the feeling of civic duty and the behavior stereotypes inculcated during the education process. Democratic institutions take shape through evolution and interaction with the formation of democratic awareness.

The countries that are still moving toward democracy cannot boast a high level of law awareness; the Western laws and institutions do not work in such countries and, therefore, should not be applied there to ensure more or less efficient management of social relations. On the other hand, when fear and coercion, rather than civic duty, are used as the main instruments of law abidance, the government needs more powers and a larger repressive machine to cope with the tasks at hand. This explains why merely borrowing Western laws in the post-totalitarian republics is fraught with numerous problems.

In extreme situations, people are prone to lawbreaking, which means that the scope of lawbreaking in democratic and transition countries differs greatly. In Georgia, for example, at the early stages of the reforms, lawbreaking was extensive in the form of tax evasion, non-payment of gas and electricity bills, embezzlement of state property, illegal appropriation of land, crimes, etc. Today, the scope of the above is much smaller.

It stands to reason that centralization of the government, the administrative methods used, and the powers of the law-enforcement structures cannot be the same in a country where 5 to 10 percent of the population breaks the law and in one where 80 to 90 percent are lawbreakers. The same democratic laws and institutions function differently depending on how developed civic awareness is in a society and on what behavior stereotypes, moral norms, and traditions function there.

The government can offer wider democratic rights, but it cannot imbibe society with a greater awareness of its responsibility. The latter depends on the level of civic self-awareness, which is inadequately developed in a society that is still reforming itself.

This is where the collision between civil rights and obligations emerges. It is relatively easy to broaden or contract these rights; it is much harder to develop civil responsibility and respect for the law. This requires time and adequate conditions.

Civil responsibility and democratic awareness require power-regulated democratic rights, which means that democratic awareness requires a democratic environment in the form of laws, freedom of speech, an independent judiciary, free elections, etc.

A society deprived of democratic rights will never learn democracy; it will never develop democratic awareness and the corresponding skills. Excessive rights at variance with the level of civil responsibility end in a hazardous contradiction between an abundance of rights and scarce responsibility. We all know that this creates anarchy and leads to dictatorship, which means that efficient democratic reforms call for carefully measured democratic rights that the government should issue bit by bit to match the developing democratic awareness and responsibility.

As soon as the government discovers that at any given stage of the reforms “excessive” democracy is contraindicated and might undermine the reforms, it becomes aware of this reality and the ensuing risks. When civil rights outstrip democratic awareness, the government becomes aware that it is losing its grip on the processes and its possibilities. This happens not only because society (and the government) lacks adequate democratic experience, but also because anti-democratic forces, which are still strong in transition societies, exploit the democratic mechanisms for their undemocratic purposes.

In these conditions, democracy should be limited to a certain extent; executive power should become more concentrated; and personal loyalty should become the main criteria of personnel policy. This is typical of authoritarian regimes. In the transition countries, the ruling regime has to combine democratic and authoritarian methods, which means that the political convictions of people at the helm (either democrats or confirmed authoritarians) become doubly important.
In fact, to score their aims, democrats need authoritarianism in the same way as authoritarians need democracy. When the latter are in power, limited democracy helps preserve the authoritarian regime; the former, on the other hand, rely on elements of authoritarianism to preserve democracy.

Authoritarians look at democracy as a means of coming to power, with an authoritarian regime being their final aim. They demand wider rights (freedom of speech, free elections, and independent courts) to change the regime. When in power, they will encroach on democratic rights to remain in power. This is their logic of a power struggle.

This explains what, at first glance, looks paradoxical: once in power, many of the authoritarian regimes that came to power in a democratic way kill off democracy. This is one of the risks of democratic laws functioning in a society with undemocratic awareness.

In the case of the democrats, the situation is different: they treat the authoritarian methods as a means, while democracy remains their aim. They had to rely on authoritarian methods until the democratic process reached the point of no return, which means that the authoritarians and the democrats alike have to rely on authoritarian methods in the political struggle. This explains the so-called pro-Western authoritarianism in Georgia and Ukraine, which looks like a contradiction in terms. The terms, indeed, are mutually exclusive. We should bear in mind, however, that the ruling elite is pro-Western because it is moving toward democracy. At the same time, it is authoritarian because not infrequently it has to rely on authoritarian measures to keep at bay the forces ready to question the country’s pro-Western orientation and the related democratic values. At the early stage of democratic development, the danger is real.

Today, the media and political techniques can shape public opinion, which means that having assumed control over the media, the government can tailor public opinion accordingly. In other words, a society that is led in the desired direction retains the illusion of its freedom and remains convinced that it is acting independently.

In a transition state, a democratic government might feel that control of the media is advisable. In the conditions of hardly developed civic awareness, criticism of political rivals degenerates into abuses. What is even more important is the fact that slander and aggressive slogans are liberally used to the delight of a great part of the scared and embittered post-totalitarian society. The election results bear witness to this, which largely explains why democrats are not alien to manipulating public opinion.

The leeway, however, is narrow: the larger part of society is fairly adaptable, but there are limits beyond which authoritarianism cannot be accepted. Likewise, democratic rights and freedoms have their limits, beyond which they might develop into anarchy and force the democratic government to (temporarily) trim democracy. These are the two extremes between which the political pendulum swings. In the final analysis, both are determined by the extent to which public awareness is developed and to which the political elite is aware of its responsibility.

At a certain stage of democratic changes, public awareness might reach a point beyond which the authoritarians stand no chance. At the same time, there is the danger of a puppet government coming to power through democratic procedures to serve the interests of another state. Today, the danger is real: pro-Russian authoritarians might come to power in Georgia amid the economic and psychological turmoil caused by poverty and the war; on the other hand, the democratic procedures provide a chance of channeling the nation’s discontent against the people at the top. Much depends on who will win: authoritarianism or democracy might be established for a long time to come; people might vote for Russia’s diktat or for independence. The ruling elite of a transition state, motivated by political expediency (which is never declared), might be tempted to falsify the election results.

The West, from which the transition state borrows its laws, is free from such temptations. The danger of authoritarian rule is minimal in any of the Western countries for the simple reason that the

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2 By a quirk of fate, the authoritarians accuse the democrats of using authoritarian methods.
level of democratic awareness is more or less the same in all social groups. Society has reached a consensus on democratic values. Generally speaking, in the West, the voters have to choose between the good and the better—not between good and evil. Democracy, independence, and freedom of speech are well-rooted; consent on these issues goes back into history. Indeed, America is not very much concerned with whether the next president will be a Democrat or a Republican; for a new democracy, however, the political makeup of the people in power is a question of life or death.

In extreme conditions, political and intellectual elites come to the fore since the voters a priori are not absolutely free in their choice even if the elections are absolutely honest and transparent. I have written above that the nation is living under the psychological pressure of the war, poverty, and social vulnerability, which means that false hopes of a better life might prevail over the national interests associated with the country’s future. In all transition states, the indifferent, poor, and barely educated part of the nation easily enticed by election demagogy about high pensions, low taxes, and free health care presents the greatest problem.

In these conditions, the government might be reluctant to let the people choose the country’s geopolitical orientation, an issue of vital importance. The people at the top might be tempted to manipulate the media and falsify the election results.

Democratization in Georgia

In Georgia, it is more or less widely believed that the people in power are responsible for the problems created by democratization and that the problems will disappear once those in power are replaced with others. This is a gross oversimplification.

The reformers have obviously failed to take account of certain objective factors for the simple reason that in Georgia changes in regime have so far never followed a democratic procedure and been accompanied by violence. At first, the nation pins its hopes on the new president who has the absolute majority on his side; later, after discovering that he failed to justify its hopes, the majority joins the opposition. This has been happening in the country’s recent history again and again.

It should be said that the three presidents fulfilled their historical missions:

1. Zviad Gamsakhurdia awakened national self-awareness. It was under him that Georgia became independent and regained its status as an entity of world history;
2. under Eduard Shevardnadze Georgia joined international organizations and acquired the foundations of state structures, elements of a market economy, and democratic institutions;
3. under Mikhail Saakashvili Georgia accomplished systemic shifts without which its further development would have been unthinkable.

In other words, the three presidents, having fulfilled their missions, became stumbling blocks on the road to progress. The opposition closed ranks; confrontation increased; and an undemocratic regime change followed. In case of Mikhail Saakashvili no regime change has occurred so far, but political tension in Georgia is very tangible.

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3 The current problems will be resolved relatively promptly while the development vector will remain for a long time to come.
4 In case of Mikhail Saakashvili no regime change has occurred so far, but political tension in Georgia is very tangible.
From the very first days of independence, the democratic changes in Georgia have been unfolding amid negative circumstances. Here is a list of the problems (some of them have been resolved, others are still pending): the war with Russia; occupation of a fifth of the country’s territory; the civil war; the paralyzed economy; the empty state coffers; the destroyed electric power system; dire poverty; systemic corruption; crime; massive tax evasion; terrorist acts and political assassinations.

No democratic government in any democratic country could remain devoted to democratic governance if placed in a similar quandary; it would have been forced to use harsher laws and establish a harsher regime. In the absence of such laws, they will be adopted to add legitimacy to a regime that has to govern in emergency circumstances.

For these reasons, the three Georgian presidents had to centralize power. Their political pragmatism suggested that they should assume responsibility for this by violating the law in order to redistribute the rights and obligations among the branches of power and the top officials and invest the defense and security structures with extraordinary powers. They placed themselves above the law and, driven by the logic of the objective processes, concentrated power in their own hands. In view of the fact that they did this in violation of the law, their governance became an ugly form of authoritarianism rather than a regime adequate to the emergency circumstances.

Indeed, democratic methods were useless against the authoritarian regime in Adjaria. The regime supported (for different reasons) by the population’s majority could not be removed otherwise. No democratic laws could defeat the systemic corruption in society, most of which was potentially corrupt because the law was violated by those who were expected to defend it.

In this legal environment, any physical or juridical entity (the state structures included) had to break the law because everyone else was doing the same. This kind of society cannot be reformed with the help of laws borrowed from the West and admonitions to follow them. In these conditions, nothing could be done without a centralized government that relied on authoritarian methods, but this was one of the bricks of democracy. On the other hand, these methods cannot be legitimized since they can be used just as successfully to build up an authoritarian regime.

In an undemocratic environment massive lawbreaking is inevitable (this is true of the people in power) because otherwise the desired aims will never be achieved. For this reason, the government can accuse any physical or legal person of lawbreaking; and society, in turn, can accuse the ruling elite of the same. Much depends on the nation’s “tolerance threshold” and on when its confidence in the government becomes exhausted.

When the rights and obligations of any of the top people are determined by the supreme ruler rather than by the law, these rights are easily abused for the simple reason that total control is impossible. The domino effect spreads the violations of the law initiated by the supreme ruler throughout all the power structures; the defense and security structures present special hazards. Indeed, when real power is handled by the supreme ruler rather than the law, personal loyalty and trust become the main criteria of personnel policy.

In any case, members of the ruling team use their special powers to address the tasks at hand; many of them succumb to the temptation to use them in their personal interests. This can be done because the supreme ruler is physically unable to keep everyone under his personal control. Society, in turn, is very ambiguous about the government: some of its members believe that the people at the top are concerned about the state’s interests; others are convinced that they are pursuing their own aims. In fact, there is probably a combination of both.

When the tasks which called for the special powers of structures and officials are resolved, the special powers are no longer needed. Deprived of them and in the absence of any other experience, these structures will be unable to function efficiently (and they will find it hard to renounce their special powers).

This means that the ruling elite resorts to methods of “limited authoritarianism” to address the tasks of state importance; at the same time, it becomes authoritarian to a certain extent. It paves the
way to democracy, which creates new tasks to be addressed. In the new conditions, the government loses its former efficiency for the simple reason that it lacks the necessary skills. At the same time, the number of blunders and breaches of the law committed by the government makes it unacceptable to a large part of society and the opposition. The resultant political crisis calls for radical changes.

Today the ruling elite of Georgia has two options. It should either (1) become even more authoritarian to suppress the protests and tighten its grip on the unfolding processes (which can hardly be done in a society with a much higher level of democratic awareness), or (2) move away from “limited authoritarianism” toward wider democratic rights (freedom of speech, elections, etc.) which, amid the massive discontent, might threaten the government itself. The choice will clarify the true aims of the top crust in Georgia—either democracy or staying in power.5

Today, the government is accused, from all sides, of suppressing democracy, but obviously the protest rallies and the corresponding publications in the media signify that we are living in a democratic society. Where there is no democracy, there is no protest not only because protest can only be demonstrated in democratic societies, but also because the very need for democracy only develops when and where there is democracy. In authoritarian countries, society never develops this need, which explains why nobody protests against suppressions of democracy.

It should be said that the criticism of the Georgian leaders is partly justified: democracy is being encroached upon in the country and many other things go on that are inadmissible in a democratic society. Indeed, the very fact that there is talk about falsified presidential elections, dispersal of the November rally, the very much discussed cases of Zhvania, Girgvliani, and Robakidze, corruption, etc. can be described as negative. There is a bright side to the above: these are isolated incidents rather than repeated abuses typical of the previous regime (total falsification of elections, numerous acts of terror and political assassinations, the huge scope of crime, total corruption, etc.). The fact that the present rulers of Georgia deposed the previous regime, within which no progress was possible, and opened the road to democracy and democratic awareness, as well as realized the need for its further development, should be described as positive.

C o n c l u s i o n

The powers that be cannot be more democratic than the level of public awareness in the country. In its absence, the ruling class is unable to rely on democratic methods. At the same time, this makes it impossible to develop democratic awareness. It means that concerted efforts are needed to gradually overcome authoritarian consciousness and build democracy. Without this, the gap between society and the government will widen making conflict and another revolution inevitable. History will repeat itself: society will elect a new government by an absolute majority and then depose it by an equally large majority.

In post-Soviet Georgia, the government was necessarily centralized and developed into authoritarianism. Zviad Gamsakhurdia, Eduard Shevardnadze, and Mikhail Saakashvili came to power to build a Western democracy; none of them planned to become an authoritarian leader. Very soon, however, they had to rely on authoritarian methods not so much because of personal choice, but because society was not democratic enough.

Political pragmatism suggested that the undemocratic society should be ruled by adequate methods. Over the course of time, the government became partly authoritarian merely because it had no opportunity to acquire different skills. In the final analysis, it is society that pushes the authorities toward partial authoritarianism; after a while it begins criticizing its leaders and even overthrows them.

5 The latest events demonstrated that the second alternative was preferred.
Today, the government is more criticized than ever before for suppressing democracy in Georgia. This means that either it will be democratically replaced with a more democratic government or the people in power will resort to radical measures to widen democratic freedoms in order to adjust them to social expectations. In any case, this shows that despite the numerous problems the democratic process in Georgia is moving ahead.

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RUSSIA AND AZERBAIJAN: THE SPECIAL FEATURES AND MAIN VECTORS OF INTERSTATE COOPERATION IN THE POST-SOVIET PERIOD

Abstract

This article takes a retrospective look at the development of Russian-Azerbaijani relations and at the special features of their current state. The main obstacles preventing the establishment of bilateral relations include the consequences of the collapse of the union-wide economy, the events in Chechnia, the search for a new route for exporting Caspian oil, and the Armenian factor. The author is of the opinion that both the Russian political leadership and the country's business community understand the importance of a genuine strategic partnership with Azerbaijan. He also believes that this year we should expect significant progress in the settlement of the Nagorno-Karabakh problem and in the talks on the Caspian’s legal status.

Introduction

Russian-Azerbaijani relations today are an important component of the multilayered structure of the world community. Despite the seemingly regional nature of cooperation between the two countries, it is having a considerable influence on the resolution of not only energy, but also military-political security issues at the global level. Iran, Iraq, Pakistan, and Afghanistan, each of which is distinguished by a high level of instability, are geographically close to Azerbaijan. This determines the special role Russian-Azerbaijani cooperation is called upon to play in resolving their problems.
Problems of the First Decade:
The War in Chechnia, 
the Choice of Export Route for Caspian Oil, 
and the Armenian Factor

In the first years after the collapse of the Soviet Union, Russia, which was busy establishing order inside the federation, did not take any active political steps in the Southern Caucasus, viewing it as a zone of its irrefutable influence. Its military presence in Georgia and Armenia, enforced by intergovernmental agreements, gave rise to the hope that Tbilisi and particularly Erevan would follow obediently in the wake of Russia’s policy. However, the political configuration in the region was rapidly changing; the new ruling elites declared other development priorities oriented toward extra-regional nations and underpinned their choice with specific interstate documents that created a legal basis for filling the Russian vacuum.

Azerbaijan’s relations with Russia in the first years of independence were not friendly. They were predominated by mutual complaints and reproaches (usually extremely emotional). Moscow and Baku found it hard to change their old habits and way of living.

Taking into account the hostilities in Karabakh, the most difficult issues in the negotiation process between Azerbaijan and Russia proved to be defining the status of the Russian troops, divvying up the inventory of the Soviet army and Caspian naval flotilla, as well as the talks on border defense. Mercenary activities became an unexpected and very arduous problem, since many servicemen from the former Soviet army fought on both sides in the Nagorno-Karabakh conflict. The situation around a major military facility, the Qabala Radar Station built in Soviet times 250 km from Baku, became a source of nervous tension.

By the time Heydar Aliev had returned to power in the summer of 1993, both states were in a state of confrontation. Mutual accusations and reproaches, as well as an exchange of messages and notes of protest went on without end.

On 5 September, 1993, Heydar Aliev left for Moscow to hold talks with the leadership of the Russian Federation. Before takeoff, he said that he did “not consider the republic’s independence to be a reason for breaking off political, economic, cultural, and purely human relations with Russia. The current level of relations between the two states is in need of serious adjustments, and more than that, I am convinced that they should be given a higher status. This is primarily in the republic’s interests, which is experiencing serious difficulties at present because of the breakdown in inter-economic relations.”1 In Moscow, Heydar Aliev met with Boris Yeltsin and held a series of talks with the Russian leadership. His meeting with Chairman of the Supreme Soviet Ruslan Khasbulatov had positive repercussions. During this meeting, Heydar Aliev gave him the text of a resolution by the Milli Mejlis consenting to hand over six Russian servicemen, five of whom had been sentenced to death by the Military Collegium of Azerbaijan.

The sides signed an intergovernmental agreement on settling legal successor issues regarding the external state debt and assets of the former Soviet Union. According to the document, Russia pledged to pay Azerbaijan’s share of the former Union’s external state debt as of 1 December, 1991. At the same time, Azerbaijan handed over the share of its assets of the former Soviet Union to Russia.

After the country joined the CIS on 26 September, 1993, the Azerbaijani leadership counted on Russia helping it, on honorable conditions, to stop the war in Karabakh, which was preventing order from being established in the country, political stability from being reinforced, and urgent economic undertakings from being carried out. But the passivity of the Russia leadership in the summer and fall

of 1993 in putting an end to the Karabakh war, followed by the Armenians seizing more Azerbaijani territory, significantly dampened these hopes, which was one of the reasons Baku began moving toward the West.

A certain role was also played by the fact that Russia, with its ruined economy, could not render any real assistance to Azerbaijan’s economic revival or, what is more, compete with the West’s offers in developing the oil fields of the Caspian shelf. It should also be admitted that the Russian side did not have a precise strategy at this time regarding the Transcaucasus, making vague, often half-baked, and unjustified decisions that only made its position in the region even more precarious.

On 12 December, 1994, the Russian army began making active moves to establish constitutional order in Chechnia, and on 19 December, the Russian government adopted resolution No. 1394 On Measures to Temporarily Restrict Crossing of the Russian State Border with Azerbaijan and Georgia, which resulted in the Russian border with Azerbaijan being unilaterally closed. Rail, sea, and road traffic was halted in the northern direction. Russia had reasons for taking this action. It accused Baku of rendering military assistance to Chechnia by allowing foreign fighters and cargoes of weapons and ammunition to pass through its territory, supplying Azeri fighters, and permitting the unhindered treatment of Chechen fighters in Azerbaijani field hospitals, thus providing permanent residence for many Chechen families.

Official talks were held with the Chechen leadership on the joint building of an oil pipeline through the Caucasian Mountain Range to the Georgian coast of the Black Sea. The Ichkerian leadership carried out its foreign political contacts through Azerbaijan.

This pro-Chechen position on the part of Baku was largely explained by the struggle that had begun over guaranteed, unrestricted export of Caspian oil, the only source of currency acquisition for stabilizing the socioeconomic situation in the country and rebuffing Armenia’s military advance in Karabakh.

The active moves “to establish constitutional order” in Chechnia led to Western companies investing large amounts of money in the Caspian fields, having become disillusioned once and for all in the northern route (Baku-Grozny-Tikhoretsk-Novorossiisk), on the exclusive use of which Russia insisted. Although Russia and Azerbaijan signed an interstate treaty on transit of Azerbaijani oil through the Russian Federation in Moscow on 18 January, 1996, it became clear that the route of the main export pipeline would bypass Russia. The powers interested in undermining Russia’s position in the Caucasus had no qualms about playing the Chechen card.

The Russian side tried to put the blame for non-fulfillment of its obligation to transit oil through the Chechen section of the pipeline (153 km) on the Azeri side, which, naturally, was not guilty.

Moreover, during the discussions between the Azeri and Russian delegations about transporting Azeri oil through Chechnia, it was revealed that the Russian leadership was not of a unanimous opinion on the status of the Chechen side. Russia was unable to ensure the oil pipeline’s security.

The armed conflict in Daghestan in 1999, along with the antiterrorist operation in Chechnia that was revived the same fall, only enforced the unfavorable situation for Russia and provided additional arguments for those in favor of isolating the country in pipeline matters. Largely due to these circumstances, the U.S. and Turkey succeeded in reaching a political decision at short notice to finish building the new Baku-Supsa oil pipeline. It became clear that Azerbaijan needed another oil pipeline passing through Turkey to the Mediterranean Sea.

A constant irritant in Russian-Azerbaijani relations was and remains Moscow’s military cooperation with Erevan, which Baku regards as an attempt to destabilize the situation in favor of Armenia. To be fair, it should be said that the Russian side has repeatedly given grounds for such suspicions.

On 14 February, 1997, Russian Minister of Cooperation with the CIS Countries Aman Tuleev said that between 1994 and 1996 Russia secretly gave Armenia large amounts of weapons and military hardware.
The Azerbaijani side reacted very sensitively to this information. It was particularly concerned about the fact that these deliveries, including of heavy armored tank hardware, as well as of SKAD short-range attack missiles, were being carried out after the cease-fire agreements of 12 May, 1994 had been reached.

On 21 February, 1997, Azerbaijan’s Ministry of Foreign Affairs made a statement in which it drew the attention of the world community and the Russian leadership to the fact that “such illegal actions are contrary to the corresponding resolutions of the U.N. Security Council and OSCE decisions on the Armenian-Azerbaijani conflict that prohibit military deliveries to the states involved in the conflict as promoting its escalation and continuation of the occupation of Azerbaijani territories.” It was also pointed out that Russian military deliveries to Armenia being carried out in violation of the Treaty on Conventional Armed Forces in Europe were undermining Russia’s authority as a mediator in the settlement of the Armenian-Azerbaijani conflict. Azerbaijan’s Ministry of Foreign Affairs insisted on the need for conducting a comprehensive investigation of the presented facts in order to clarify the degree to which Russian officials were involved in the illegal activity and punish the guilty.

But the Russian side, while officially denying the accusations against it, continued to reveal facts to the contrary. For example, soon thereafter Aman Tuleev publicized a letter from Russian Defense Minister Igor Rodionov of 28 February, 1997 which essentially admitted that unsanctioned deliveries of Russian military hardware to Armenia were made in 1994-1996. The Russian Federation State Duma conducted an investigation, entrusting its committees on defense, security, and CIS affairs to carry out a careful inspection of the presented facts.

On 5 March, 1997, Heydar Aliev sent Boris Yeltsin a message which expressed “particular concern” about the statements on deliveries of Russian arms to Armenia and contained a request to “deal with these facts and take effective steps regarding them.” On 14 March, Heydar Aliev sent another message to Boris Yeltsin about this, while a statement also came from Azerbaijan’s Ministry of Foreign Affairs. The Azeri side expressed the hope that as a result of the investigation conducted, the officials involved in illegal deliveries of Russian weapons to Armenia would be exposed and punished, and, most important, the relevant steps would be taken to confiscate and remove these weapons from Armenia.

On 28 March, Heydar Aliev raised the question of the weapons deliveries at a meeting of the Council of Heads of CIS States, and the next day, 29 March, this problem was a topic of discussion at a personal meeting between the presidents of Russia and Azerbaijan. As a result, a compromise agreement was reached about carrying out a thorough inspection of all the circumstances related to this incidence, as well as about the sides refraining from public statements on this subject until the inspection had been completed (the Azerbaijani side was later to repeatedly violate this agreement). The Russian leadership entrusted the Main Military Prosecutor’s Office of Russia with carrying out a thorough investigation of this case, while the Russian State Duma created a special commission.

On 11 April, after listening to a report by Chairman of the Defense Committee Lev Rokhlin at a closed sitting about the illegal deliveries of weapons, military hardware, and military property to Armenia for a total of $1 billion, the State Duma adopted a resolution On Measures to Adhere to Russian Federation Legislation Regarding Deliveries of Weapons and Military Hardware to Foreign States. The deputies asked Boris Yeltsin to take the necessary political and diplomatic steps to prevent possible interstate complications regarding the illegal deliveries of weapons and military hardware to Armenia, as well as carry out exhaustive measures to prevent similar violations of the law when delivering weapons to other countries and bring the people involved in these violations to personal account.

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In these extremely unfavorable circumstances, on 2-4 July, 1997, President of the Azerbaijan Republic Heydar Aliyev made his first official visit to the Russian Federation.3

Preparations for the talks were made in a tense atmosphere. In order to downplay the negative influence of the Armenian factor, the Russian Ministry of Foreign Affairs drew up drafts of almost identical treaties on friendship, cooperation, and mutual assistance, which were to be signed by both Azerbaijan and Armenia. But on the insistence of the Azerbaijani side, the obligations on mutual assistance were removed from the treaty draft, and the treaty itself was given a different name.

On 3 July, Heydar Aliyev and Boris Yeltsin signed the Treaty on Friendship, Cooperation, and Security between Russia and Azerbaijan. In contrast to a similar document of 1992 (which was never ratified by the sides), the updated Treaty envisaged in particular mutual steps to maintain security in the event of threats to one of the sides and to prevent regional conflicts. The document calls for not employing any military, financial, or economic measures aimed against the other side. The Treaty was to be in effect for 10 years, and with the mutual consent of the sides can automatically be extended for another five years. At the same time, the sides signed an impressive set of intergovernmental agreements.

Some time later (29 August, 1997), Russia, as planned, signed the Treaty on Friendship, Cooperation, and Mutual Assistance with Armenia. The Azerbaijani side assessed this document as an attempt to “establish a military alliance between the two states.” Among the accusations against Russia there were also assertions that its obligations “ensuing from the documents signed in one case with Armenia and in the other with Azerbaijan are contradictory to each other.” In the document signed with Azerbaijan, Russia declares its willingness to be guided by the principles and regulations of international law during settlement of the Armenian-Azerbaijani conflict, while in the document signed with Armenia, it pledges to be guided by a search for a mutually acceptable decision. Azerbaijan assessed this as failing to correspond to Russia’s status as co-chairman of the OSCE Minsk Group.

The reaction of the Russian side to the above-mentioned accusations was just as sensitive. The Russian Ministry of Foreign Affairs reminded everyone that during preparation of the updated Treaty between Russia and Azerbaijan, the Azerbaijani side did not agree with its proposals to expand relations in the military-political sphere.

The intensity of the exchange of notes and the pitch of the mutual accusations reached such a peak that on 7 October, 1997, Russian Minister of Foreign Affairs Evgeni Primakov came to Baku. However, he was unable to defuse the tension.4

On 2 April, 1999, Heydar Aliyev made an official statement at a session of the Council of Heads of the CIS States about the weapons delivered to Armenia. According to him, one of the main reasons preventing full-fledged and effective cooperation within the Commonwealth is the unsettled armed conflicts in the territories of the CIS participating states, which create an atmosphere of distrust and tension and block efficient cooperation and interaction in all other spheres. “In these conditions,” stressed Heydar Aliyev, “the actions of the Russian Federation governmental structures to militarize Armenia are entirely impermissible. I also deem it necessary to note that the situation that has developed in the Transcaucasian region entirely contradicts the provisions of the CIS Collective Security Treaty of 15 May, 1992.”5

By the fall of 1999, Russian-Azerbaijani relations had ultimately reached an impasse. The mutual accusations and notes of protest continued. Azerbaijan kept close tabs on Moscow’s contacts with Erevan and reacted severely to the injudicious, to put it mildly, statements by high-ranking Russian military officers about Russia’s contribution to Armenia’s defense capability. Moscow, in turn, justifiably pointed out that several hundred Chechen militants were being treated in Baku’s hospitals

4 See: Bakinskiy rabochiy, 8 October, 1997.
5 Bakinskiy rabochiy, 3 April, 1999.
and health centers, and field commanders and foreign envoys were flying to Western Europe and the U.S. through the capital’s airport.

It is no secret that at that time anti-Azerbaijani moods were widespread and the idea that the Azerbaijani mafia had taken over the whole retail trade network had become firmly ensconced in the minds of the Russian public.

The question of introducing a visa regime with Azerbaijan became of practical significance—on 5 November, 1999, the Russian Ministry of Foreign Affairs suggested beginning talks on introducing a visa regime for citizen trips and sent a corresponding delegation to Baku. According to unofficial data, at the time approximately 2 million Azeris (up to 30 percent of the adult male population) worked in semi-legal conditions in Russia. Annual money transfers home amounted to between $2.5 and 4 billion (the volume of Azerbaijan’s export for 2002 was no higher than $2.16 billion).

Aggravation of the political climate also had an effect on the reciprocal trade turnover indices. In the summer of 1999, the volume of Russian-Azerbaijani trade turnover compared to the same period for 1997 dropped by 33%, while Russia’s share in Azerbaijan’s trade turnover decreased to 18%.

January 2001 can by rights be considered the beginning of a new stage in the development of relations between Russia and Azerbaijan. This was when, during the Russian president’s first official visit to Baku during the entire post-Soviet period, Heydar Aliiev and Vladimir Putin managed to remove many irritants that had accumulated in bilateral relations.6

The talks, which were friendly and constructive, became an important stage in establishing a regular political dialogue at the highest level. The dynamics bilateral cooperation was imbied with in 2001 are undergoing a new boost today.

It is no secret that the nature of the contacts between the leaders is also largely determined by the level of cooperation between the countries. As President of the Azerbaijan Republic Ilham Aliiev said at a meeting in Moscow on 17 April, 2009 with Russian President Dmitry Medvedev, “It is gratifying that the presidents of Russia and Azerbaijan also enjoy the same friendly relations that are currently seen between the two countries. We use every meeting to its fullest advantage and discuss in a very open and sincere atmosphere everything that needs to be discussed. And each time we see for ourselves that the issues requiring immediate intervention are becoming fewer and fewer. There are no problems between our countries, and the issues that need to be discussed and resolved are dealt with rapidly.”

The Declaration on Friendship and Strategic Partnership adopted by the presidents of both countries in Baku on 3 July, 2008 forms the legal foundation of the current stage in Russian-Azerbaijani relations. It notes that both sides, based on previously signed documents, will continue comprehensive development of equal, mutually advantageous, and constructive bilateral relations that are of a strategic nature.

At present, more than 80 interstate and intergovernmental agreements have been entered between the sides.

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7 Official website of the President of Azerbaijan [www.president.az].
8 Official website of the President of Russia [www.Kremlin.ru].
There are so many contacts at the highest level that they defy enumeration. We will mention just one—Dmitry Medvedev’s working visit to Baku on 29 June, 2009, during which the presidents signed joint statements on the Caspian Sea and on the fundamental principles for completing delimitation of the state border and distribution of the water resources of the Samur River, as well as the Main Conditions of a Buy-Sell Contract for Azerbaijani Natural Gas.

Similar dynamics at summit meetings are having a positive effect on interparliamentary and interdepartmental cooperation.

Over the past few years, Chairman of the Federation Council of the Russian Federation Federal Assembly Sergey Mironov has visited Azerbaijan three times, there have been meetings with State Duma Chairman Boris Gryzlov, and Chairman of the Milli Mejlis of the Azerbaijan Republic has visited Russia.

Contacts between the ministers of foreign affairs and consultations between the two country’s foreign ministries are enjoyed on a regular basis. Russian Minister of Education and Science, Minister of Regional Development, Minister of Internal Affairs, and Minister of Defense go to Baku regularly. Working relations are maintained between the leaders of the security and defense structures.

Military and military-technical cooperation are an ongoing part of political cooperation. On 27 February, 2003, an intergovernmental agreement was signed in Baku on military-technical cooperation, and on 4 December, 2006, an intergovernmental agreement on mutual protection of rights to the results of intellectual activity used and obtained during bilateral military-technical cooperation.

On 29 July, 2008, the second sitting of the Russian-Azerbaijani intergovernmental commission on military-technical cooperation was held in Moscow. There is a regular exchange of visits between the leaders of the defense departments of both countries.

The proposal made by Russian President Vladimir Putin on 8 June, 2007 at the G-8 summit in Heiligendamm on using the Qabala Radar Station in the ABM system developed by the U.S. was supported by the Azerbaijani leadership, which viewed it as a specific contribution to strengthening stability and security in the region.

Border cooperation is an important component of Russian-Azerbaijani relations.

Regular contacts are maintained between the Russian and Azerbaijani border departments. On 25 January, 2002, an Interdepartmental Agreement on the Activity of Border Representatives was signed. The border services of both countries cooperate on the basis of annual joint action plans. An agreement on opening official representative offices of the respective border departments in the territory of both countries is at the coordination stage.

Work is continuing on delimitation of the state border with Azerbaijan. On 29-30 January, 2008, the 15th round of talks was held in Moscow. A 301.1-km-long stretch of the border, of a total of 336.5 km, has been coordinated and registered in working reports and cartographic and descriptive documents, that is, 90% of the border has been delimited.

There is a high level of cooperation between the law-enforcement and judicial structures of both countries. Agreements have been signed and are in effect between the Russian Ministry of Internal Affairs and the Azerbaijani Ministry of Internal Affairs on Cooperation of the Internal Affairs Departments of the Border Areas, a Memorandum on Interrelations in Fighting Terrorism, protocols on cooperation, and a Memorandum on Cooperation between the Russian Ministry of Internal Affairs and the Azerbaijani Ministry of Internal Affairs in Ensuring the Safety of Transit Cargo.

When analyzing the current state of bilateral political cooperation, the noticeably growing interest of the Russian side in settling the Armenian-Azerbaijani Nagorno-Karabakh conflict cannot be ignored.

On 2 November, 2008, Russia initiated holding a trilateral meeting among the presidents of Russia, Azerbaijan, and Armenia, during which a Declaration on Peaceful Settlement of the Nagorno-Karabakh conflict was signed.

9 For more detail, see the document “Rossiisko-azerbaidzhanskie otnoshenia” on the official website of the Russian Ministry of Foreign Affairs [www.mid.ru].
Karabakh conflict was signed. The document implies legally binding international guarantees for settling the Nagorno-Karabakh conflict. For the first time since 1994, the leaders of the two conflicting sides—Armenia and Azerbaijan—signed a document on political settlement of this conflict (here it is also appropriate to mention that after long and bloody fighting a cease-fire was reached on 12 May, 1994 in Bishkek with the mediation of the CIS Interparliamentary Assembly).

In the Declaration, the presidents state that “they will promote improvement of the situation in the Southern Caucasus and ensure the establishment of stability and security in the region by means of political settlement of the conflict on the basis of the principles and regulations of international law and the decisions and documents adopted within this framework in order to create favorable conditions for economic development and comprehensive cooperation in the region.”

The declaration notes that the heads of Azerbaijan and Armenia “have agreed to continue working, including during further contacts at the highest level, on coming to terms regarding the political settlement of the Nagorno-Karabakh conflict and have entrusted their ministers of foreign affairs to take further active steps in the negotiation process in cooperation with the co-chairmen of the OSCE Minsk Group.” The final paragraph of the declaration says that the presidents “consider it important to encourage the creation of conditions for implementing measures to strengthen trust in the context of regulation efforts.”

The Armenian-Azerbaijani Nagorno-Karabakh conflict has been one of the most difficult issues to resolve primarily because Armenia and Azerbaijan have entirely different approaches to its settlement. The positions of both countries cannot be correlated without each of them making serious concessions and without a willingness to compromise, that is, to step down from their original precepts. In so doing, the conflict can only be settled if the leaders of the conflicting sides find a way to coexist that suits them both.

All the arguments that the West or Russia will “give” Nagorno-Karabakh to Azerbaijan “out of gratitude” for oil, deployment of a military base, participation (or non-participation) in the military operation against Iran, opening of the Turkish-Armenian border, or any other advantages are deprived of all meaning. In this context, it is important to note that the Azerbaijani leadership, in contrast to many Azeri experts and political scientists who believe that Russia should “ultimately determine” who is more important for it, Armenia or Azerbaijan, understands that Moscow cannot build relations with Azerbaijan to the detriment of its relations with Armenia, and vice versa.

The high level of political interaction is having a positive effect on the development of trade and economic cooperation.

Trade relations between Russia and Azerbaijan are regulated by the Agreements on Free Trade of 30 September, 1992 and 15 April, 1994. The interstate Treaty on Long-Term Economic Cooperation until 2010 and intergovernmental Agreement on the Fundamental Principles and Vectors of Economic Cooperation signed on 25 January, 2002 are important elements in forming a qualitatively new foundation for developing trade and economic relations between the two countries.

The Intergovernmental Commission on Economic Cooperation (IGC) is the working mechanism that regulates the resolution of specific issues of Russian-Azerbaijani trade and economic relations at the state level; Ministry of Energy Sergey Schmatko has been appointed chairman of the Russian side of the IGC, while First Deputy Prime Minister Yagub Eiubov represents the Azerbaijani side.

Both countries are traditionally concentrating on increasing the volumes of and diversifying reciprocal trade, in addition to developing a regulatory legal base of bilateral cooperation. Further improvement of the contractual-legal base of Russian-Azerbaijani relations plays a very important role in developing mutual cooperation. In this context, an intergovernmental Agreement on the Stimulation and Mutual Protection of Investments must be signed as soon as possible since its absence is having a negative effect on the level of Russian-Azerbaijani investment cooperation.

10 Official site of the President of Russia [www.Kremlin.ru].
Since Russia is a leading exporter of machine-operated and technical commodities, building materials, lumber, rolled non-ferrous metals, and chemical products to Azerbaijan, which account for more than 90% of Russian export, a further increase in delivery volumes of these Russian items can be forecast.

The dynamics of trade turnover are positive—the volume of reciprocal trade turnover in 2008 increased to $2.4 billion, of which Russian export to Azerbaijan accounts for about $2 billion. Import from Azerbaijan has reached $411.4 million. The successful pre-crisis development of Russian-Azerbaijani trade and economic relations and increase in trade turnover was largely possible thanks to interregional and border cooperation. More than 30 documents on trade and economic and cultural cooperation have been signed at the interregional level, and another 9 regions intend to sign similar agreements. More than 500 branches and representative offices of Russian companies are currently operating actively in the Azerbaijani market.

The Russian side is expecting an increase in Azerbaijani export due to deliveries to the Russian market of foodstuffs that traditionally enjoy demand and meet the quality standards, primarily fresh vegetables and fruit, wines and cognacs, fruit and vegetable juice, animal and vegetable oils, nuts, tea, and many other commodities.


In 2008, Russian investments in the Azerbaijani economy amounted to $12.4 million, which shows that efforts must be stepped up in this area. The creation of joint enterprises in oil machine-building, medication manufacture, the processing and storage of agricultural products, as well as in the financing and banking spheres appears very promising.

Cooperation with Azerbaijan in developing the North-South international transport corridor is of strategic importance for Russia in order to organize continuous rail transportation from Europe via Russia, Azerbaijan, and Iran to India and the Southeast Asian countries. Implementation of this project will make it possible for the participating states to obtain significant dividends from transit shipments, the volume of which will reach 15-20 million tons in the future.

More than 170 companies with 100% Russian capital and another 237 joint ventures currently operate in Azerbaijan, which proves that Russian businessmen are extremely interested in its market. The increase in the number of enterprises registered in Azerbaijan that have a share of Russian capital is largely due to the improvement in the investment climate in the country. In 2008, the Russian Baltika Company purchased the Baku-Kastel beer-brewing plant and invested $20 million in its modernization, which is a graphic example of the interest of Russian business in the Azerbaijani market. Russian companies would like to increase their share in the second stage of developing the Shah Deniz gas field, which has natural gas supplies of up to 1.2 trillion cm.

Other promising spheres of possible interest of Russian businessmen are investments in Azerbaijani’s non-ferrous metallurgy, as well as participation in the privatization of small hydropower plants and enterprises for storing and processing agricultural products.

According to Russian Minister Elvira Nabiullina, two criteria become of vital importance in the context of the world crisis in economic cooperation issues between partners of any level. They are pragmatism and mutual benefit. In Russia’s case, it should cooperate in those spheres, the end product of which still enjoys demand even in a crisis. Take the fuel and energy complex for example, where the Azeri side needs deliveries of oil and gas equipment and implements, as well as drilling and well repair services, and so on, while the Russian side is able to meet these needs. Other mutually beneficial spheres can also be found. For example, implementation by Russian enterprises of a large contract by Azerbaijan’s Caspian Shipping Corporation for building dry-cargo freighters and tankers or purchasing special Russian-manufactured aviation technology for the Azerbaijani Ministry of Emergencies. It would be expedient to create joint enterprises in the light industry and medication manufacture, as well as licensing companies, and also the companies for servicing agricultural and road-

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11 Interview of E. Nabiullina with the Azerbaijani Information Agency Trend Capital, 29 July, 2009.
building technology. Cooperation in nanotechnology would also be lucrative, and both sides are already looking at potential vectors of interaction in this sphere.

Both the supreme leadership of Azerbaijan and Russia and specific state departments and non-governmental structures are also focusing their attention on humanitarian cooperation.

Relations at the interstate level are being coordinated within the framework of the Russian-Azerbaijani Program of Cooperation in the Humanitarian Sphere for 2007-2009.

Education and science are among the promising areas of cooperation. At present, 5,755 Azeri citizens are studying at Russian higher education institutions, while 1,420 of them have their education paid for from the Russian Federation budget. On 27 February, 2008, a branch of Lomonosov Moscow State University opened in Baku. Now in its second year, almost 200 students are attending it. More than 1,200 people are studying at another Russian education institution in Azerbaijan—a branch of Moscow State Open University. More than 15,000 students are obtaining an education in Russian at Azerbaijani higher education institutions.

C o n c l u s i o n

Summing up this brief analysis of the current period in Russian-Azerbaijani cooperation, it is important to emphasize its creative nature and striving to expand interaction in different spheres. The leaders of Russia and Azerbaijan have defined the strategies, while practical implementation of the coordinated plans is being entrusted to diplomats from both sides, among others.

Russia and Azerbaijan are united by the common historical destiny of their people and their invaluable political, economic, and spiritual potential. Life has confirmed that Russia still needs Azerbaijan, just as Azerbaijan still needs Russia. The relations between these two sovereign states, Russia and Azerbaijan, have acquired a pragmatic, business-like, and mutually advantageous nature that takes particular account of the national interests of each country.

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GEORGIA IN A NEW WAVE OF TRANSFORMATION

A b s t r a c t

The twenty-year cycle of political transformation did not bring stability to Georgia; the country is still oscillating between authoritarian rule and democracy. Initially, discourse that merged the Soviet legacies and Western liberal and democrat-
The third wave of democratic transition is over. For the post-Soviet expanse, this means that the epoch that started about 20 years ago has ended. Those countries that did not manage to complete their democratic transition have either become established as open autocracies or have acquired political systems that are neither a democracy nor a full-fledged autocracy. Georgia is one of them. At the same time, “democratization” as a project supported by the corresponding discourse and democratization policies has exhausted itself in its capacity to provide ideological momentum for fostering democracy promotion policies. This means the following: imagine that democracy development is a function of two independent variables, but only one of them is given substantial attention. At some point, all the improvements that could be achieved from this variable alone were brought to fruition. But the situation is far from either sufficient or stable because the other dimension is also essential. Further progress cannot follow from efforts that push in the old direction; the trajectory needs to shift. It is true that the “democratization” inspired by the neoliberal paradigm alone has expired; but there are still other ways of developing democracy that may and should help to find a way out of the deadlock.

Since the institutional transformation of the past decades has been called democratization, a new direction can only be introduced into the process by recalling that democracy itself has more than one meaning, although all the individuals participating in the process may see it differently. This diversity should legitimize the specificity of its forms and arrangements in various countries, allowing societies to deliberate on their vision instead of closing this question in advance. A similar approach has been formulated by Guillermo O’Donnell: modern democracy is the product of an uneasy tension among three (rather than two) political traditions—democracy, liberalism, and republicanism, which created specific institutional arrangements in different countries, depending on their political culture, socioeconomic development, and historical past.

This article argues that the 20-year development cycle was dominated by a teleology directed toward the majoritarian and liberal (or Anglo-Saxon) meaning of democracy, which did not allow it to capture all of these traditions. Liberal and majoritarian components overshadowed the republican element, producing political systems trapped in an irresistible confrontation between authoritarian rule and chaos, with Georgia oscillating today between these two polls. However, Georgian society has recently been demonstrating a certain capacity for innovation.
“Democracy” seemed quite an obvious notion in Georgia about 20 years ago, when democratization started. The external example of “the West,” especially of the U.S., was taken for granted, blurring various essentially different things, such as democracy, the market economy, prosperity, etc. into one vision of the desirable “good life” named in short “democracy.” So the question of democratization was not so much about “what,” but mostly about “how” and “when.”

The first thing, however, that came with the transformation was not democracy, but freedom. Freedom was granted by historical chance and experienced with excitement. Different individuals might have different opinions about why they need this freedom, while this diversity linked the sense of freedom with another value—the will. This will was very post-modern in its nature—it neither legitimated itself in natural law, nor in utilitarian teleology. It was simply the will per se, following the saying of popular Soviet showmen: “if something is prohibited, but strongly desired, then it is allowed.” This simplistic desire for freedom drove the national independence movement, economic enterprises, migration, and freedom of speech that boosted and trespassed over the remaining constraints of the old regime.

During the first years of the transformation, this freedom was exercised extensively and spontaneously, producing a kind of the Hobbesian “state of nature”: civil wars, economic collapse, state failure, and fragile independence from Russia. This non-institutionalized exercise of freedom was somehow constrained in 1995 when the Constitution of Georgia established a formal framework for democracy. However, between 1995 and 2003, despite a certain amount of political stabilization, in which basic democratic institutions were in place, democratization was considered unaccomplished and its further promotion was dominated by critical voices against the government.

During this period, the pro-democracy discourse was also fueled by democratization promotion efforts from the West. The “liberal” (mostly American) model of democracy directed its institutional vision. First, it envisaged structural differentiation among civil society, the economy, politics, and the state. As for political power per se, three dominant aspects were considered to be formative for its institutional transformation—the division of power, political competition through elections, and majority rule. Such aspects of democracy, as the rule of law, human rights, freedom of speech and other rights and liberties, although constantly in the focus of public attention, were logically placed as exterior elements in this political arrangement. This approach—the liberal components of democracy separated from its political substance and rule by the will of the majority—allowed the external democracy promoters (the West) to legitimate their financial and moral support of them without being accused of interfering in the internal political affairs of the sovereign state.

Some aspects of this arrangement were not challenged by the post-Soviet political culture. The Soviet system considered itself a majoritarian rule, pretending to be a “people’s democracy,” in which the ruling party represented the vanguard part of the people. Political competition, which was a novelty, also appeared to be well supported by the legacy of Marxism-Leninism, which understood politics as a zero-sum, conflict-based realm. Attempts to differentiate between civil society and the political community, while never fully established, allowed for an elitist version of such competition, in which traditionally irresponsible and politically passive citizens easily adopted the role of observers, participating only occasionally in elections. Differentiation of the political realm from civil society was also in line with the legacy of the highly cynical Soviet version of politics, where ends radically prevailed over means.

The teleological vision of development, dominant in the logics of democratization, also contributed to the continuity of certain mental constructions. The radical split with the past in favor of the “bright future,” whatever this future may be—communism, democracy, or the West—placed “democracy” as a teleological goal substituting for “communism” in the public discourse long before the
Rose Revolution, thus explaining much of the Bolshevik-style behavior of the “pro-American” Georgian leaders who came to power in its aftermath.

This combination of new institutions and old mental constructions has gained a strong appeal in society. As every political ideology, the pro-democracy discourse provided society with ready answers to all the problems that troubled it. Why is there high unemployment? Because the government is not democratic and the elections are fake. Why is there a shadow economy? Because Shevardnadze’s government extracts bribes from businesses. Why is the quality of the media low? Because there is not enough media freedom. Why is society unhappy with the slow pace of development? Because it has not enough say in government. The deficit of democracy, rule of law, and human rights continued to be a major concern of the public discourse. Other kinds of policy debates that would be less zero-sum and more productive in terms of good governance were blocked from both sides; the government was unable to provide any meaningful leadership that would justify its resistance to change, while the opposition had good reason for avoiding cooperation—the greater the distance from the ineffective and corrupt government, the better things are for acquiring more public support.

Old legacies and new trends merged in that period not only in mental patterns, but also in their product—the institutional framework of the 1995 constitution. Its arrangements resulted from a compromise between the opposite sides of political divisions. Those who wanted to see Georgia headed by a single and responsible leader got a presidential system of governance. Others who preferred more say in government got quite a proportional assembly which did not have much influence on executive power, but nor did the president. Actually, this arrangement helped to calm down the sharp political struggles of the first years of transformation, but in essence it only postponed the crisis until the leading figure of the period, Shevardnadze, finished his term in power. This system was quite well balanced but very ineffective. Unable to dissolve the parliament, the president could not move further toward more authoritarian rule. At the same time, the parliament was strong enough to block executive power without sharing any responsibility for the unresolved problems. This combination of majority rule with the substantial freedom of political enterprise reached a critical point during elections, when all aspects of democracy—the will of majority, the political rights of individuals, and the aspirations for change—merged. The Rose Revolution acquired its public meaning from these values: victory of the Georgian people, a pro-Western shift, and a complete split with the past.

Democracy is about Georgia

During his visit to Georgia in June 2009, U.S. Vice President Biden met with children displaced from their homes in Abkhazia and the Tskhinvali Region. These children were chosen for the meeting by the government. “How did it happen,” he asked politely, “that all of you here are so fluent in English?” This may be an extremely diplomatic way to say that America is not only about personal achievements, computer skills, and fluency in English, but also about equality, humanity, and democracy. This episode demonstrates quite well that something has happened in Georgia since the Rose Revolution with respect to the monistic identity “West = democracy.” Two camps emerged, separated by their values and their visions: the right-wing government, which respects the U.S. for its power and achievements-oriented culture, and left-wing society, which still struggles for democracy but feels disappointed and inclined to equate democracy more with anti- and alter-globalism than with the West.

When presenting this outcome of the Rose Revolution, it should be keep in mind that whatever the values behind it, the Rose Revolution was first of all a revolution, meaning a zero-sum transfer of
power from one elite group to another, followed by all kinds of repressions against the former elites. “This is a counterrevolutionary attempt [to oppose change of the state flag to new five-cross one] and, correspondingly, the methods that the state uses against it will be those that counterrevolutionaries deserve” (Vano Merabishvili, 14 January, 2004, parliamentary session). “Those political groups who found themselves siding with Shevardnadze or, during the November events, were on the other side of the barricades ... have committed political suicide. This is not going to change any more” (Giga Bokeria, 12 January, 2004, TV Imedi). This kind of radical rhetoric was followed by polarization between the ruling elite and its opponents, which gradually evolved into polarization between the government and most of society, as public support of the government decreased over time.

Despite its pro-Western stance and liberal underpinning, the Rose Revolution did not bring democracy to Georgia. Division of power (both horizontal and vertical) and the rule of law, which restricts the tyranny of the majority in the U.S., never developed, quite the contrary. After the Rose Revolution, political power started to be concentrated more and more in the hands of the president, trespassing the constitutional limits and encroaching everywhere—in the economy, civil society, and judicial system. Strong majoritarianism well exceeded the weak attempts to defend liberal values: “I am not interested in personalities; it is the Georgian people who should stand with me. I need the people’s support, I have the people’s support and ... with the people’s support I will bring the fight against the mafia to a [victorious] end” (Mikhail Saakashvili, 4 February, 2004). This is how the Rose Revolution, instead of promoting democracy, caused its decline. This decline manifested itself in public opinion long before it led to election falsification and political repressions.5 Institutional transformation followed gradually,6 leading to termination of the social contract; in 2008, the opposition refused to acknowledge the election results as they considered the elections neither free nor fair.7

However, the decline of democracy did not mean that the government changed its pro-Western orientation, or that the West reduced its support of Saakashvili. In vast areas of policy reform, the government started to speed up new approaches, programs, and its capabilities. Compared with the previous rule, it demonstrated a capacity for speedy and sometimes authoritarian actions; its style of leadership became achievement-oriented and strong. The new policies of the government can be described as neoliberal and even libertarian in some cases. “...This Act [On Economic Freedom] is very ambitious, because after its adoption Georgia will become the world’s leading country in terms of observance of economic liberalism,” said Saakashvili when proposing a set of amendments to the constitution, which involves, among other things, setting the maximum ratio of budgetary expenditures to GDP at 30%.8

In 2007, the political struggle took a very dramatic and sharp turn. Mass mobilization was fueled for various objective and subjective reasons. Many suffered personally, since the impressive figures of economic growth were accompanied by an increase in unemployment and inequality. No less important was the sense of voluntaristic and arbitrary rule, which affected everybody. The hubris, which directed the government’s attitude toward its opponents, caused shared need for the nemesis that brought the people into the streets demanding that Saakashvili resign. Accusations against the government were once more articulated and legitimated in the familiar terminology of violations,

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5 The number of respondents who were satisfied with how democracy was developing in Georgia dropped from 77% to 38% in the course of three years (source: [www.iri.org.ge]), changing from the post-revolution optimism (beginning of 2004) to the radical demand for Saakashvili’s resignation (in 2007).

6 The institutional decline of democracy is not well-documented, except for major milestones such as the constitutional amendments of 2004, the new system of local governance in 2005, the events of November 2007, and the elections of 2008. Though there were many less significant developments that add substantial information for completing the picture.

7 See: OSCE/ODHIR observation mission’s reports on the quality of the elections.

corruption, and crime, while the demands centered on the rule of law, free and fair elections, and democracy. However this time, the claim for democracy could not be the same as it was before the Rose Revolution: in contrast to that period, when only one mainstream public opinion was dominant, this time the media propaganda, as well as public opinion, had split into two camps that sharply opposed each other.

The monistic vision of democracy that existed prior to the revolution started to transform soon after it. It differs from the previous period in that now it has become clear that being pro-Western does not necessarily mean being democratic; the government’s controversial performance also demonstrated that all aspects of development could not be attributed to a single explanation that paints the world outlook in black and white. The former “democrats” found themselves in a situation where they had to form their political preferences in accordance with a difficult choice of values: either become liberal autocrats who believe that the government, however guilty it may be in many respects, is still preferable because of its commitment to the West, or join the parochial democrats who took the side of unprotected society and valued democracy for the power that it would give to the common sense of ordinary individuals. Given that political support from the West was still on the side of the government, or, at least, the West was not revealing any open support this time of the democratic movement, the latter began perceiving themselves increasingly in isolation: “...our struggle, the struggle of the Georgian people, is not simply against the Saakashvili regime; it is a struggle against world geopolitics, a struggle against American interests. That is why this struggle is difficult... We would have changed this government had the elections been free and fair” (Levan Gachechiladze’s address to supporters, 26 May, 2008).9

This split demonstrated that the institutional consensus built by Shevardnadze between the aspirations for majority rule and liberal rights and freedoms appeared to be fragile. Initially, the post-revolutionary regime built its legitimacy on the fantastic combination of pro-Western reforms and Soviet-styled leadership and propaganda. After popular support decreased and found itself in the minority, the regime had to strengthen the authoritarian methods of governance, while pretending to remain a democracy at the same time.

Neither were the opponents of the regime successful. The mass democratic movement that started in 2007 experienced a chain of failures over the following two years, demonstrating its inability to make a difference and fostering even more consolidation of the antidemocratic features of governance. On 7 November, 2007, when the government used violence against the protestors for the first time, the leaders of the opposition arranged several waves of mass mobilization with various demands. But all of these attempts were defeated by a combination of latent violence, open neglect, election falsification, and political repressions on the part of the government.

Failure of the new movement may at least be partly attributed to the fact that its leaders had no other rhetoric at their disposal than what they used during the Rose Revolution. Appealing for elections, the rule of law, and human rights, they failed to unite larger shares of society around any political vision that would be different in substance. In other words, they did not have any specific political ideology; rather they were appealing for standard values, demanding justice and equality per se. This demand, as experience has so far demonstrated, cannot win on its own, because it lacks the more selfish components that make mass movements stronger. In short, freedom and majority rule alone are not sufficient to produce democracy. This was the second time in Georgian history when democracy did not follow from their combination.

Now Georgia is into its third year of political crisis based on radical polarization within society and the political elite. The opposition, by demanding (at various stages of the crisis) a shift toward the parliamentary system, various power-sharing instruments, and referendum, tried to avoid the same “winner-takes-all” approach that caused this crisis. However, we can assume that against

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9 [http://civil.ge/eng/article.php?id=18387&search=].
the background of the deep polarization existing in society, this declarative commitment for more cooperation might be forgotten if a change in power really happened. The government, in turn, uses all leverages, especially the election code, to decrease any signs of proportionality in the existing system: a recent example is the shift toward the first-past-the-post rule in the spring of 2010 election of Tbilisi mayor. Despite the direct demand from the West that the opposition and the government settle their relations through cooperation, no signs of such cooperation have yet emerged. All attempts at compromise have failed, since there can be no compromise between the choice of “staying in power” or “going to prison.”

**One West or Two: Comparing the Anglo-Saxon and Continental European Models**

This backlash of democracy after the Rose Revolution has once again demonstrated that zero-sum, majoritarian, and teleological approaches do not help to build democracy. At best, in a partly free environment, they create one-shot, revolutionary cycles of legitimization—de-legitimization games, which those in power cannot afford to lose, since they have no chance of return. In contrast, cooperative and positive-sum logic, which builds a social contract and public regulations of procedural ethics, reciprocity, and solidarity within and between the elites and the general public, has been the most difficult to develop so far.

Thinking of further democratization policies, we must distinguish, however, between positive-sum competition and consensus-building cooperation. These are not the same strategies in terms of democracy development, nor do they have an equal chance of institutionalization in the specific post-Soviet context. The first could be realized if the basic rules of the game are observed, meaning that competition itself remains within the framework of regulatory restrictions. But these regulatory restrictions have to develop from competition alone, which is not realistic. The democracy promoters in Georgia made several attempts to change the agenda of the political discourse and make it more policy-oriented. The failure of these attempts is sometimes attributed to the quality of the political elites and the weak representative capacity of the existing political parties. “This explanation does not seem sufficient, superficially substituting outcomes for reasons.

Majority will and liberal rights and freedoms are necessary but not sufficient components of democracy. If the social contract and republican values of solidarity and reciprocity are missing, nothing will make democracy work. Moreover, continuous attempts to build democracy from competition alone could undermine society’s ability to establish this contract, since the logic of competition, which is linked to periodic elections, may make any attempts at cooperation irrational for the political actors. As for liberal values, in the absence of social cohesion, nothing will help to distinguish between liberal values and Bolshevik traditions, take, for example, the liberal value of freedom of conscience versus the Bolshevik tradition of freedom of conscience. In actual fact, in the post-Soviet context, the latter too often substitutes for the first.

Democratization policies that stress political competition as the main tool necessary for democratization seem to emerge out of a latent wrong perception about the nature of post-Soviet societies. Since the dominant Soviet ideology was based on collectivist values, it was supposed that societies were also dominated by collectivist values and practices. Thus, the promotion of individualistic values and institutions was envisaged as the main challenge. As a matter of fact, historically, liberalism has always accused all of its opponents of certain collectivist values. However, Western democracies never developed from liberalism alone. In contrast to Bolshevism, liberalism always coexisted with other political and cultural traditions, which made Western societies open and pluralistic.
The reality of post-Soviet societies was far from this simplistic collectivist stigmatization. The Soviet Union left its societies lacking not only in freedom, but also in solidarity. These societies were anomic, consisting of atomized individuals incapable of any kind of social cohesion. Although not all of them were similar. In this regard, Georgia had a much better developed social structure compared, for example, to Russia. This helped Georgia to achieve a higher level of democracy than Russia. However, society is still lacking in the institutional mechanisms that would give it the informal power to keep the government under control and restrict the hubristic voluntarism of its rulers. In Soviet times, everything beyond the front door of the family apartment belonged to the state; now, when the state has minimized its involvement, the space between private individuals and the state is almost empty in the institutional sense. There are the authorities, on the one hand, and relatively free individuals, on the other, but no power formation mechanisms in-between.

Thus, giving power to society rather than to individuals is the task of “republicanization,” which may help to fill in the blank spots of the previous period. This task may be difficult to support from the outside, however some aspects may be promoted. To do so, the democracy promoters should pay more attention to Europe’s historical experience of democracy-building, since it is different from the Anglo-Saxon experience in those respects that are important for our consideration.

America’s formal constitutional arrangement developed democracy based on the context provided by the American people, and not vice versa. When society is not powerful, it is difficult to achieve a workable model of democracy from constitutional engineering alone. However, when comparing the two regimes that have functioned in Georgia during recent years, under Shevardnadze and Saakashvili, respectively, we can assume that some constitutional arrangements may be preferable to others. The constitution of 1995 had weaknesses, but it also had its strong sides. If in 2003 the constitution had been transformed into a parliamentary proportional model, similar to that in continental Europe, the subsequent regime would have been better protected from its extreme hubristic attitudes. Instead of being demanded, cooperation among the political elites could have been imposed on them by means of proper constitutional engineering.

Constitutional constraints on the power of authoritarian leaders are often ineffective because such leaders have enough leverages to overcome them. “Constraints” are usually associated with such mechanisms as the division of power, or power dividing. Power dividing however, is one, but not the only, constitutional instrument that restricts the tyranny of the majority. Power sharing (or proportionality as other authors put it) is another one, which plays just as important a role, especially in shaping continental parliamentary democracies, where power does not belong to the majority but to “as many people as possible.” Instead of placing the origins of cooperative and positive-sum rational political logic within the political environment, these democracies provide them with formal institutional arrangements within the political system. The boundary between the political realm and civil society becomes blurred, rather than differentiated, and political cooperation within the system is as equally important as competition. Equality of positive political rights, rather than equality of negative freedoms, plays an important role in their basic settings.

Concentrating on the quality of elections, recent democracy promotion efforts in Georgia were once again directed toward the same goals of fair competition for offices. Instead, the new pro-democracy policies should be based on substantially innovative approaches and methodologies. At some time in the future, the current regime will go and Georgia will acquire another opportunity to decide about its political system. In the deeply polarized context, no one can guarantee that the rule of

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law and division of power will be institutionalized quickly to ensure that the winning majority will not try once again to use its advantage against the losers. Institutional and discourse settings should be developed to promote more cooperative rational political behavior at all levels of the political system.

Conclusion: Bringing Society Back

Georgian experience has demonstrated that freedom cannot be sustained without solidarity, and democracy cannot be promoted from the outside. Even when granted by historical circumstances, freedom and democracy depend on the power of society acting in their defense. Strengthening society may not be a realistic goal if considered in the short time perspective. For the last 20 years, the legacies of atomization and anomie were the most difficult problem to overcome in establishing a civil society. However this process of society-building is underway. It started in a new fashion about two years ago when a new wave of the pro-democracy movement began. This direction was somehow enhanced, rather than weakened, by the absence of external promotion. In contrast to the previous wave of democratization, those who opt for democracy and freedom now feel that they have no external "referee" to whom they can complain, as was the case before. Institutionally, in the absence of an external "referee," competitive games with positive outcomes become impossible. This time, civil society is developing on its own, which may take longer, but may yield surer results. The fate of freedom and democracy in Georgia is still unclear, but the new trend of development is becoming more and more salient.

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AZERBAIJAN: STRATEGY OF ETHNOPOLITICAL SECURITY IN THE MODERNIZATION CONTEXT

Abstract

The author takes an in-depth look at the top priorities in the ethnopolitical sphere of national security, namely the field in which ethnopolitical processes and security problems overlap to form a “borderline” zone. He convincingly ties together these priorities and the tasks of national importance the country faces in the wider modernization context.
I have already substantiated¹ the thesis that the problem of Nagorno-Karabakh and the conflict over it should be strictly separated:

- The Nagorno-Karabakh problem should be regarded as a geopolitical problem created first by Russia and, subsequently, by other actors of world politics seeking sustainable geostrategic control over the Greater Caucasian-Caspian Region, a gateway of sorts to the Middle East;
- The Nagorno-Karabakh conflict between Armenia and Azerbaijan is rooted in an ethnopolitical matrix; today, as in the past, it remains a trigger for many global geopolitical and geo-economic processes:
  — it contributed to the Soviet Union’s disintegration;
  — as an axis area, it might plunge practically all the regional states into war. The Daily Telegraph offered a historical analogy: “Nagorno-Karabakh is the Schleswig-Holstein question of today”² (in the past, three wars were waged for the duchies of Schleswig and Holstein);
  — as one of the key zones, it might contribute to the geopolitical struggle for the zones of influence within the so-called New Big Game.

It should be said that today the academic and analytical communities are concentrating on the Nagorno-Karabakh conflict. The issue, the regional and worldwide importance of which is obvious, has already been discussed at numerous bilateral and multilateral conferences; and many intermediary missions have already tried their hand at its settlement. What is suggested looks very much like palliatives: the conflict is mostly discussed outside the entire context of the factors of and threats to ethnopolitical security and is divorced from the country’s national strategy.

This means that Azerbaijan’s political science and practice should offer a set of measures designed to neutralize the threats and sources of danger in order to achieve a climate of national harmony and tolerance in society and the state and create conditions conducive to the free development of all the nationalities living in the republic.

This brings us to the stage at which we should formulate scientifically substantiated strategic priorities of the Republic of Azerbaijan. The choice, however, should be systemic, which means that a heap of disjointed and internally unconnected values and tasks, no matter how correct and important, will be absolutely useless. The task goes much deeper: each and every priority of state policy (separately and taken all together) should be correlated with the country’s strategic course aimed at modernization.

A strong economic base, which will help to gradually adjust mass consciousness and the national-cultural layer to democratic values, can be described as the conceptual core of modernization; the country should be transformed into an active entity of international relations.³

There are three large groups of priorities—geopolitical, geo-economic, and ethnocultural—identified in the strategy of ethnopolitical security seen through the prism of modernization.

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² [http://www.telegraph.co.uk/comment/telegraph-views/6633842/Nagorno-Karabakh-danger-in-the-Caucasus.html].
The Geopolitical Priorities

The geopolitical priorities of the strategy of ethnopolitical security of Azerbaijan include:

- Returning the occupied territories by diplomatic and military-political means.
- Identifying the future status of Nagorno-Karabakh within the Azerbaijan state system and abolishing Nakhchivan’s exclave status.
- Keeping foreign bases and troops away from the republic’s territory, while its political cooperation should remain limited to the already functioning military-political blocs (NATO and CSTO); the state’s military potential should be built up along with a course aimed at demilitarization of the Caucasus and the Caspian.
- Reaching a final decision on the status of the Caspian, which should be demilitarized to become a nuclear-free zone.
- Rejecting, as a matter of principle, all versions of geopolitical exchanges “Karabakh for the Caspian,” “Karabakh for Southern Azerbaijan,” “Karabakh for Georgian territories,” etc.
- Consistently democratizing social life and its ethnopolitical sphere.
- Consistently and actively upgrading the status of the compact ethnic groups in all states of the region; this should be combined with confidence-building measures to prevent revision of their sovereignty and territorial integrity.
- Initiating a viable system of regional security and cooperation (an Organization for Security and Cooperation in the Caucasus, for example), which in the long run and under favorable circumstances could be transformed into an integration alliance, a Caucasian Union.

The above fits the foreign policy strategy which President Ilham Aliev has described as follows: “A stronger international position and maximum protection of Azerbaijan’s national interests are two major goals of our foreign policy.” Both tasks belong to the Nagorno-Karabakh set of problems, which should be interpreted within the context of a fundamentally important statement by the head of the Azerbaijani state: “The territorial integrity of Azerbaijan has never been a subject of discussion. The territorial integrity of Azerbaijan must be restored. The occupying troops must be withdrawn from all the occupied lands and Azerbaijan’s citizens must return there. All supply lines must be open. Azerbaijanis must return to Nagorno-Karabakh and Armenians and Azerbaijanis must live in conditions ensuring a high level of autonomy. The future, which may happen either tomorrow or in a hundred years or may never happen, will show the nature of this status.”

It seems that the future broad autonomy of Nagorno-Karabakh should not be an isolated act: it should become an element of a set of measures and means designed to oppose the ethnopolitical threats. The exclave nature of the Autonomous Republic of Nakhchivan, as one of the most important issues, must be dealt with, while the forms, legal formats, and territorial aspects of a future solution remain unclear. However, one thing is absolutely clear: the decisions on the future corridors between Armenia and Nagorno-Karabakh, on the one hand, and Azerbaijan and Nakhchivan, on the other, should be made simultaneously within a common political and legal field.

This is another aspect which Azerbaijani experts tend to ignore when passions run high and which Michael Günther, Professor of Political Science at Tennessee Technological University, deemed necessary to point out: “In view of Armenia’s geographic location time plays into the hands...”

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2 [http://www.news.az/articles/11936].
of Azerbaijan… It should not ‘turn away’ from the Minsk process and should not ignore other possibilities. There have already been cases when time and changing international situations were enough to resolve problems very similar to that of Karabakh.”

The problem of regional integration structures calls for patience: we should always bear in mind that the expert community expected too much of GUAM, a fact graphically reflected in the Special Issue of the Central Asia and the Caucasus journal called GUAM: From a Tactical Alliance to Strategic Partnership and by the international conference on Basic Principles for Settlement of the Conflicts in the Territories of the GUAM States (Georgia, Ukraine, Azerbaijan, Moldova) held in Baku on 15-16 April, 2008 on the eve of the August 2008 events.

The Geo-economic Priorities

The geo-economic priorities of Azerbaijan’s ethnopolitical security strategy are:

- Taking due account of the ethnopolitical aspects of national security every time the country is involved in regional economic projects designed to ensure international energy security.
- Promoting effective economic reintegration of the liberated Azerbaijani territories to ensure economic involvement of the Armenian population of Nagorno-Karabakh.
- Offering an attractive model for Azerbaijan’s economy; higher rankings of economic freedom, business climate, innovative nature, etc.
- Encouraging the economic reintegration of Nagorno-Karabakh.
- Ensuring active involvement of Azerbaijan’s capital in economic projects in neighboring regional states.
- Providing economic support to the “new regionalism strategy”—a Single Economic Space (SES) of the Caucasian Region, Customs Union, Unified Energy System, and coordinated tariff and banking policies, etc.

There are two important problems—reintegration of the liberated territories and fresh approaches to regional cooperation in the Caucasus—which should be treated as priorities of the utmost importance.

Large-scale preparations are underway to deal with the first group of priorities: the newly-liberated territories will present a set of multidimensional problems: mine clearing, restoration of the transport and social infrastructure, as well as of everyday services, etc.

So far, the second set of priorities is dominated by historical-geographic ideas based on similar natural conditions, histories, and cultures produced by the academic and political interpretations of regional cooperation in the Caucasus. Today, however, globalization and the emerging new world order, which coincide with the gradual disintegration of the old economic and cultural development types in the Caucasian states, have created a need for new economic-geographical complexes. They reject the local-territorial economic type; the ties in the new complexes are very complicated and sometimes fairly vague. The emerging complexes (of various types, energy and transport, among others) serve as the economic cornerstones of the globalization era.

In full accordance with the Marxist dictum that the basis determines the superstructure, the increasingly extraterritorial economies of the Soviet-successor states will give rise to transterritorial forms

7 See: GUAM: From a Tactical Alliance to Strategic Partnership, Special Issue of Central Asia and the Caucasus, No. 3-4, 2008.
of power. These new political and economic forms, the results of self-structuring, will inevitably rotate around a “region-forming core.” The analytical community has agreed that this role might belong to Azerbaijan, which means that the logic of globalization has invested Azerbaijan, as the uncontested regional leader, with the historic mission of formulating and implementing truly ambitious integration projects.

**Ethnocultural Priorities**

The following can be described as the *ethnocultural priorities* of the republic’s strategy of ethnopolitical security:

- A civilizational mission;
- A national ideology or national idea;
- An ethnocultural identity;
- Ethnopolitical and ethnoconfessional stability;
- A civilian nation;
- Ethnocultural reintegration of the Armenian population of Nagorno-Karabakh;
- Humanitarian aid to Azerbaijan’s ethnic areas in the neighboring states on the principles of non-interference in internal affairs, de-politicization, transparency, and openly declared aims in the “new regionalism” context.

Azerbaijan’s civilizational mission was one of the pillars of the ideological content of the country’s course toward modernization, two others being a national ideology and identity.

1. The civilizational mission. The logic of globalization has already drawn Azerbaijan, the generally recognized leader of the Caucasian region, into a competition of civilizational attractions. Its civilizational mission is manifested in two ways:

- as an objective trend in the form of Azerbaijan’s stabilizing mission in the region without which development and sustainability of the other national economies are hardly possible;
- as an aim of the country’s modernization designed to strengthen its international status and promote regional integration. Today, fragmentation of national states has already exhausted itself in many respects; a ‘new wave’ of large viable macro-regional structures in all corners of the world is mounting to replace the fragmentation trends. This means that Azerbaijan needs efficient mechanisms to cope with the new trend.

2. The national ideology. Nikita Moiseyev said the following about the role of the national idea of society: “Any nation will find it hard to survive without national ideas and a more or less clear picture of its future, nor will it be able to preserve its national culture. Society and the nation will become vulnerable.” R. Mekhtiev has supplied a detailed description of Azerbaijan’s national ideology: “A national idea as the central element of the modernization of Azerbaijani society will be an important element of the new political culture which is taking shape in Azerbaijan… The philosophy of Azerbaijan-ism, which combines the idea and the ideology, is identified, as an immutable conception of the development of the state and the nation, with the sociopolitical and economic modernization of the republic. Very much like the cultural-historical layer of national development, it identifies the main routes and trends of

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strategic development and is reflected in the immutable nature of the national language, the priority of national culture, and the importance of national values. Taken together, it embodies the entire complex of the national ideological model, which has taken into account the country’s changing role on the regional and global scene.”

Azerbaijani society has not yet arrived at a consolidated position: “Today,” writes Prof. Rauf Husseinov, “there is no and cannot be any systemic base for a national idea-ideology-policy in the Republic of Azerbaijan.” Political scientist Rovshan Husseinov has offered an alternative, and highly illustrative, opinion: “We still lack the most important thing. I have in mind a national idea with which the state should arm itself and which should be realized across the country in the form of a clear program. I think that reinstatement of the occupied Azerbaijani lands should become the strongest stimulus for uniting the people.”

A national ideology as a synthesis of logically interconnected national-ethnic ideas helps a nation (ethnic group) to recognize its social-ethnic community as a single organism and an entity of rational-axiological and emotional-perceptible descriptions. National ideology, as a result of systematization and generalization of the national interests performed by the political elite, serves as the foundation of self-determination of all the people in sociopolitical and spiritual life. In this context, several transformational vectors are possible, while the genetic basis of the national ideology (its basic ideas, postulates, and values) remains immutable:

— the ethnic component of a national ideology may become absolute either as nationalism or as so-called macro-nationalism (the positive and negative aspects of which are covered in the classical works by Louis Leo Snyder Global Micro-Nationalisms: Autonomy of Independence and Macro-Nationalisms: A History of the Pan-Movements;

— the sociopolitical component may prevail in a national ideology when individual national-ethnic ideas are integrated into the political ideology of a single state system, that is, when a national ideology is transformed into state ideology as an instrument for realizing the interests of the entire polyethnic nation.

Ethnonational ideologies as a continuation of instrumental (mobilizing) and motivational functions of ethnicity in the Soviet successor-states have already exhausted their potential. Today, a national-state ideology is a means through which the national ideal is attained; an instrument for scoring economic and political goals; a criteria of their compatibility with ethnosocial interests. This is applied to an efficient state able to formulate its long-term perspectives; it is not a ship of which Seneca said, “For those who do not know which harbor they want to reach, no wind is favorable.”

3. Identity problems. From the very first day of its independence, Azerbaijani society has been trying to answer the question: “Who are we?” The wide range of opinions formulated within the academic community and outside it can be reduced to two basic theses:

— we are Turks and “the national idea of Azerbaijan cannot be formulated unless we restore its time-tested self-name ‘Turks’ of the titular nation.”

— we are Azerbaijani and “in the conditions of global transformations, it is highly important to preserve our national image, traditions, language, history, and the sociocultural background of the Azerbaijani people… A nation which fails to grasp the full meaning of its history and culture is not ready to embark on the road of development.”

It seems that the academic and practical value of these discussions is nil; in the final analysis, both (fairly widely accepted) models of ethnosocial identity—the ethnocentric (uncritical preferential treatment of an ethnic group and individual self-identification with it) and ethno-dominating (which prefers one ethnicity over others) created no modernization-related advantages.

It is much more important to concentrate on the parameters and innovation content of national development, which will help us to escape social and cultural degradation and marginalization of the nation, on the one hand, and fit into the global world and find a niche of our own in it, on the other. Those nations that enjoy the tradition of ethnocultural and religious tolerance stand a much better chance of self-identification; this explains why the developing Azerbaijani state system deliberately relied on the traditions of tolerance. Rabbi Abraham Cooper, Associate Dean of the Simon Wiesenthal Center, put this in a nutshell: “…many countries hold forth about their tolerance; this is an excellent political gimmick, yet genuine tolerance remains outside the reach of many. Your country is an exception: little is said about tolerance, yet it is a national feature of your people… Tolerance in Azerbaijan is an inexhaustible category.”

President Ilham Aliyev deemed it necessary to point to the inborn ethnoconfessional tolerance of the people of Azerbaijan: “Azerbaijan has never known and, I am sure, will never know national and ethnic conflicts and confrontations. In our country, all nationalities and the followers of all religions live as one family. They are actively working for the sake of Azerbaijan and, as its worthy citizens, contribute to its all-round development… Azerbaijan has become a center of dialog between religions and civilizations.”

To sum up, I can say that the set of priorities of the country’s ethnopolitical security points to certain key trends of its development in the context of the country’s changing global and regional status.

First, the steadily widening geopolitical and geostrategic component of the republic’s ethnopolitical security which rotates around the most burning issues: the Nagorno-Karabakh conflict; normalization of Armenian-Turkish relations; the status of the Caspian; interconnection of military and oil-and-gas diplomacy; Nabucco and the projects aimed at creating a regional security system for the Caucasus. These issues are intertwined into a knot of ethnopolitical complementarity and geostrategic pragmatism.

Second, the Georgia-Russia war of 2008 has demonstrated that the ethnopolitical conflicts across the post-Soviet expanse, and in the Caucasus as its part, can no longer be described as internal and belonging solely to “the Center-the separatist region” sphere; they are emerging as external conflicts between states. When applied to the Caucasian geostructure, this spells the relative nature of the political and state structure: the nations remain a constant, while the borders between them become a variable. The vows and promises of the key international actors

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that the Kosovo experience will never develop into a precedent to be applied in the Caucasus notwithstanding, Zbigniew Brzezinski’s thesis about “Balkanization of the Caucasus” has not yet been removed from the agenda. The leaders of Azerbaijan and the public fear, with good reason, that the republic’s borders are in danger—those who nurture these plans should know that other variants (related to Armenia, Georgia, Iran, Turkey, and even Russia) are not excluded.

Third, the analytical community has already registered an ebb of the “wave of ethnicity” and the emergence of another, ethnoconfessional, wave. Applied to Azerbaijan, this means that the axiological-normative and ideological aspects of ethnopolitical security will come to the fore to be realized by means of the strategic course aimed at the country’s economic, political, and technological modernization expected to create a successful social and ethnic model of a polyethnic society attractive to all.

Fourth, in the context of the New Big Game, the Greater Middle East, the Caucasian Chessboard, and other geopolitical projects, the Republic of Azerbaijan should switch to a combinatorial strategy of its national security as a whole, and of ethnopolitical security in particular.

Fifth, the emerging regional geopolitical realities make it possible to add vigor to Azerbaijan’s ethnopolitical strategy. The nearly 20-year history of the Nagorno-Karabakh conflict has shown that it looks different when seen from outside the country (from the West) or inside it. In the West, the “oil for land” formula sounds very much like a “commodity for commodity” deal and is unsuitable for strategic moves. Azerbaijan’s stronger sovereignty and its political, economic, and military might make it possible to convert the old formula into a new one: “energy security of the West in exchange for ethnopolitical security of Azerbaijan;” this has moved the old formula into a qualitatively new system of coordinates, i.e. “value for value.”

Conclusion

This analysis of the ethnopolitical security priorities of the Republic of Azerbaijan has demonstrated that they are determined not only by the nature and configuration of the main threats, but also by the integrated approach to the national development strategy. This format of national-state development and the security system is not related to the “external challenge-internal response” formula, but is shaped within the policy of historical responsibility for the formulation and realization of the country’s real, rather than imagined, interests; it is geared at the best possible opportunities conducive to the best possible results and sustainable development of the region. This places Azerbaijan’s ethnopolitical security structure in a class of its own: it differs radically from the dissipative nature of similar systems in neighboring countries. Unlike Azerbaijan, which relies on its internal strength and the primordial nature of its ethnic and confessional characteristics, its neighbors preserve their stability by relying on certain destructive principles: clerical radicalism in Iran; ethnocracy in Georgia; and national-chauvinism in Armenia.

In the first decade of the 21st century, Azerbaijan, which has already developed into a “region-state” (to borrow a term from Kenichi Ohmae) and is a driving force behind globalization, is pulling the other national territories of the Caucasian region behind it. This is a great responsibility and should be underpinned by a well-substantiated integral strategy.

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In the early 1990s, Georgia regained its independence, but state building in the country was a complex and contradictory process. Along with successes, there were also negative results: a threat to territorial integrity, a drop in production, a decline in living standards, etc. The country was faced with the inevitability of economic reform, including reform in the financial and banking sectors. The rapid liberalization of the economy implemented at that time was associated with social differentiation, corruption, lack of a competitive market, economic instability, growing external debt, and sharp financial and monetary contradictions. The main purpose of the present study is to examine these problems. There are many interesting works on this subject. 1 Materials from the Statistics Depart-
ment, the National Bank and the Ministry of Finance of Georgia, and also from the Budget Office of the Georgian Parliament were also used in this paper.

**General Economic Situation in Georgia**

The past two years were a difficult period for the Georgian economy: the war with Russia in August 2008 and the world economic crisis had a negative impact on the country’s economy. The annual inflation rate surged in the first half of 2008, registering a decline in the second half of the year. This was due, among other things, to the fall in the prices of goods in the world market. In the first half of the year, the country had a floating exchange rate.

**Table 1**

<table>
<thead>
<tr>
<th>Gross Domestic Product (GDP), 2000-2009</th>
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<tbody>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Nominal GDP</strong> (millions of lari)</td>
</tr>
<tr>
<td>2000</td>
</tr>
<tr>
<td>Q1</td>
</tr>
<tr>
<td>6,043.1</td>
</tr>
<tr>
<td><strong>GDP per capita</strong> (lari)</td>
</tr>
<tr>
<td>2000</td>
</tr>
<tr>
<td>Q1</td>
</tr>
<tr>
<td>1,362.5</td>
</tr>
<tr>
<td><strong>Industrial output</strong> (millions of lari)</td>
</tr>
<tr>
<td>2000</td>
</tr>
<tr>
<td>Q1</td>
</tr>
<tr>
<td>1,793.4</td>
</tr>
<tr>
<td><strong>Agricultural output</strong> (millions of lari)</td>
</tr>
<tr>
<td>2000</td>
</tr>
<tr>
<td>Q1</td>
</tr>
<tr>
<td>1,857.2</td>
</tr>
<tr>
<td><strong>Real GDP growth rate (%)</strong></td>
</tr>
<tr>
<td>2000</td>
</tr>
<tr>
<td>Q1</td>
</tr>
<tr>
<td>101.8</td>
</tr>
</tbody>
</table>

* December of the previous year is taken as the base for the consumer price index.

**Source:** Statistics Department of the Ministry of Economic Development of Georgia, Ministry of Finance of Georgia, and National Bank of Georgia.

In order to ensure financial stability, the National Bank of Georgia (NBG) tried to maintain the lari (GEL) exchange rate and temporarily pegged it to the dollar, with a one-off devaluation of the lari in November (as a result, its value against the dollar fell by 16%). Later on, the supply-demand balance in the foreign exchange market was restored. The devaluation of the lari reduced the negative impact on the country’s foreign exchange reserves. Foreign direct investment declined as well, and the GDP growth rate was 2.1% (see Table 1).

GDP growth was significantly affected by such sectors as trade, construction, transport and public administration. The share of industry and agriculture in GDP declined, while that of trade, telecommunications, public administration and education increased (see Table 2).

<table>
<thead>
<tr>
<th>Structure of GDP (by value added)</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry and fishing</td>
<td>11.2</td>
<td>9.2</td>
<td>8.9</td>
</tr>
<tr>
<td>Industry</td>
<td>12.4</td>
<td>11.5</td>
<td>11.1</td>
</tr>
<tr>
<td>Processing of products by households</td>
<td>2.5</td>
<td>2.7</td>
<td>2.4</td>
</tr>
<tr>
<td>Construction</td>
<td>6.9</td>
<td>6.7</td>
<td>5.3</td>
</tr>
<tr>
<td>Trade</td>
<td>13.6</td>
<td>12.8</td>
<td>13.9</td>
</tr>
<tr>
<td>Hotels and restaurants</td>
<td>2.3</td>
<td>2.1</td>
<td>2.1</td>
</tr>
<tr>
<td>Transport</td>
<td>8.0</td>
<td>7.2</td>
<td>6.6</td>
</tr>
<tr>
<td>Posts and telecommunications</td>
<td>3.6</td>
<td>3.1</td>
<td>3.4</td>
</tr>
<tr>
<td>Financial activities</td>
<td>2.1</td>
<td>2.2</td>
<td>2.1</td>
</tr>
<tr>
<td>Real estate transactions, research, commercial activities</td>
<td>3.3</td>
<td>3.4</td>
<td>3.4</td>
</tr>
<tr>
<td>Public administration</td>
<td>8.5</td>
<td>12.8</td>
<td>14.9</td>
</tr>
<tr>
<td>Education</td>
<td>3.7</td>
<td>3.2</td>
<td>3.5</td>
</tr>
<tr>
<td>Health care and social services</td>
<td>4.3</td>
<td>4.1</td>
<td>4.1</td>
</tr>
<tr>
<td>Other areas</td>
<td>5.0</td>
<td>5.0</td>
<td>4.8</td>
</tr>
<tr>
<td>Net indirect taxes</td>
<td>12.6</td>
<td>14.0</td>
<td>13.4</td>
</tr>
<tr>
<td>GDP</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance of Georgia.

Exports of domestic products were adversely affected by a significant decline in metal prices in the world market. A positive impact on the Georgian economy was made by budget policy and improvements in tax and customs administration. In particular, 2008 budget revenue exceeded the target, but the country’s external debt increased. International reserves rose due to privatization revenues, an IMF tranche, a budget grant from the United States, financial assistance from EU countries, etc.

Against the background of the war with Russia, there was an outflow of deposits from commercial banks; part of them eventually returned to the banking sector. The increase in deposits was almost...
entirely due to deposits in domestic (national) currency. Monetary policy was liberalized. Interest rates were reduced, and commercial banks were allowed to redeem securities (certificates of deposits) before maturity. Special credit instruments were introduced.

Public Finance

As noted above, budget policy and improvements in tax and customs administration helped to increase and mobilize budget revenues. In recent years, budget revenues and corresponding expenditures increased significantly. In 2008 and in the first six months of 2009, taxes made up 74.4% and 79.2%, respectively, of total budget revenues (see Table 3).

<table>
<thead>
<tr>
<th>Table 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>State Budget Revenues and Grants, 2003-2009</strong></td>
</tr>
<tr>
<td><em>(millions of lari)</em></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Revenues and grants</td>
</tr>
<tr>
<td>Total revenues</td>
</tr>
<tr>
<td>Of which: Tax revenues</td>
</tr>
<tr>
<td>Ratio of tax revenues to total revenues and grants, %</td>
</tr>
<tr>
<td>Income taxes</td>
</tr>
<tr>
<td>Profit taxes</td>
</tr>
<tr>
<td>Value added tax (VAT)</td>
</tr>
<tr>
<td>Excise taxes</td>
</tr>
<tr>
<td>Customs taxes</td>
</tr>
<tr>
<td>Non-tax revenues</td>
</tr>
<tr>
<td>Grants</td>
</tr>
</tbody>
</table>


In 2008, state budget revenues (including grants) totaled GEL 5.5 billion. In the first half of 2009, they amounted to GEL 2,556.9 million, and expenditures, to GEL 3,146.4 million (see Table 4).

In the structure of tax revenues, the share of indirect taxes exceeded that of direct taxes (on income and profits), although the latter grew faster than indirect taxes. Consequently, the tax burden was heavier for consumers than for producers.
State Budget Expenditures and Net Lending, 2003-2009

(\textit{millions of lari})

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009 H1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditures and net lending</td>
<td>1,207.1</td>
<td>1,930.2</td>
<td>2,618.6</td>
<td>3,821.4</td>
<td>5,237.1</td>
<td>5,517.7</td>
<td>3,146.4</td>
</tr>
<tr>
<td>Of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General public services</td>
<td>272.9</td>
<td>301.7</td>
<td>264.0</td>
<td>397.3</td>
<td>762.0</td>
<td>1,389.8</td>
<td>652.1</td>
</tr>
<tr>
<td>Defense</td>
<td>60.4</td>
<td>158.7</td>
<td>389.3</td>
<td>720.1</td>
<td>1,500.3</td>
<td>1,548.4</td>
<td>402.8</td>
</tr>
<tr>
<td>Public order and security</td>
<td>107.6</td>
<td>237.4</td>
<td>267.6</td>
<td>369.0</td>
<td>684.5</td>
<td>983.5</td>
<td>432.4</td>
</tr>
<tr>
<td>Education</td>
<td>41.0</td>
<td>65.3</td>
<td>77.7</td>
<td>348.4</td>
<td>384.0</td>
<td>420.5</td>
<td>198.4</td>
</tr>
<tr>
<td>Health care</td>
<td>10.3</td>
<td>54.8</td>
<td>165.3</td>
<td>205.5</td>
<td>240.7</td>
<td>283.9</td>
<td>147.6</td>
</tr>
<tr>
<td>Social protection and social security</td>
<td>287.8</td>
<td>456.8</td>
<td>529.1</td>
<td>622.7</td>
<td>777.6</td>
<td>1,106.4</td>
<td>601.2</td>
</tr>
<tr>
<td>Culture and sports</td>
<td>25.0</td>
<td>39.2</td>
<td>41.7</td>
<td>71.9</td>
<td>94.2</td>
<td>—</td>
<td>60.6</td>
</tr>
<tr>
<td>Fuel and energy complex</td>
<td>36.9</td>
<td>78.4</td>
<td>230.3</td>
<td>241.7</td>
<td>—</td>
<td>93.1</td>
<td>—</td>
</tr>
<tr>
<td>Agriculture, forestry, fishing and hunting</td>
<td>14.7</td>
<td>29.2</td>
<td>48.4</td>
<td>71.3</td>
<td>—</td>
<td>78.5</td>
<td>45.0</td>
</tr>
<tr>
<td>Transport and communications</td>
<td>47.9</td>
<td>67.4</td>
<td>125.9</td>
<td>181.2</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other expenditures</td>
<td>302.7</td>
<td>441.2</td>
<td>479.3</td>
<td>592.2</td>
<td>793.9</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

\textit{Source:} Ministry of Finance of Georgia; Statistics Department of the Ministry of Economic Development of Georgia.

Increasing budget revenues led to an increase in expenditures to GEL 5.6 billion. In 2008, the ratio of state budget expenditures to real GDP was over 1/3. This means it had a significant impact on domestic demand and price rises. On the revenue side of the budget, there was a significant increase in defense spending (in 2007, it stood at 7.5\% of GDP).

The actual deficit of the state budget was GEL 358.0 million (in 2008), which was due to insignificant revenue growth and expenditures in excess of the approved budget. One of the sources for covering the budget deficit was revenue from the privatization of state property. Excluding this amount, according to NBG data, the budget deficit in 2008 reached GEL 927 million (see Table 5) or about 5\% of GDP.

In 2008, government deposits increased to GEL 433.0 million. In that period, the country received GEL 350.0 million from external sources, including in the form of soft loans. At the same time, public and publicly guaranteed debt reached about GEL 3.7 billion by the end of the year (rising by GEL 1.3 billion). The country’s total external debt was 21.5\% of GDP (compared to 17.5\%)
in 2007); there was an increase in debt to the IMF, the World Bank and the Asian Development Bank (see Table 6). External debt has not reached a critical point, but the government should be more cautious in ensuring proper and effective use of these funds, because the debt should be repaid as a result of efficient functioning of the economy. It would be well to channel funds into infrastructure projects, but today a significant part of these funds should better be used in the real sector (industry, agriculture).

The results of the global financial crisis and the war with Russia had a negative effect on Georgia’s foreign trade as well. In 2008, exports of goods totaled $1.5 billion (17.6% more than in 2007), and imports, $6.3 billion (17.3% more than in 2007). The trade deficit in 2008 was $4,808.5 million, or about 47% of GDP (see Table 7). This is a critical indicator causing a decline in employment and a massive outflow of funds and labor. Parallel to liberalization of the economy, including customs tariffs more attention should be paid to developing a competitive national economy.

Imports were significantly affected by the decline in world prices for oil products, although the declining price trend had a stronger effect on exports of goods (ferrous and non-ferrous metals).
According to data from the Statistics Department of the Ministry of Economic Development of Georgia, the main imports were energy resources (16%) and passenger cars (7.6%), while the main exports were ferroalloys (17.8%), ferrous scrap (8.6%), copper alloys and concentrates (7.9%), nitrogen fertilizers (7.0%) and crude gold (6.7%). Georgia’s major export partners are Turkey, Azerbaijan and Canada, and its major import partners are Turkey, Ukraine, Azerbaijan, Russia, U.S. and Germany.

Remittances to the country remain an important factor affecting the state of the consumer market. The point is that a substantial proportion of Georgian citizens work abroad, so that both the social status of their families and overall demand in the country is heavily dependent on their remittances. In 2008, remittances rose by 16% compared to the previous year.

In addition, the country is strongly dependent on foreign investments and funds received from international financial institutions and individual countries. In 2008, for example, the IMF provided $256.8 million in support of the balance of payments. Foreign direct investment in Georgia in the first half of 2008 was $847.1 million, and in the second half of the year it was close to $338.3 million. The total for the year as a whole was $1,185.4 million, or 32% less than in 2007 (see Table 8).

The inflow of transfers was particularly large in the second half of the year, mainly due to assistance from donor countries in the period after the August war with Russia. International reserves increased as well (by $1.5 billion).

The Georgian stock market is still in the initial stages of development and is not a significant source of funds for companies operating in the country. For example, the trading volume on the Georgian Stock Exchange in 2008 was only GEL 256.6 million.

The domestic foreign exchange market is also a reflection of events in the country, although it is marked by a significant increase in turnover. According to NBG data, turnover on the Tbilisi Interbank Currency Exchange in 2008 was GEL 2,246 million, with the share of NBG interventions constituting 90.5%. The trend toward an appreciation of the national currency (lari) was caused by the inflow of large amounts of foreign currency in recent years. After the August war, the inflow of for-
Foreign currency was sharply reduced, and NBG interventions were mainly conducted to meet excess demand for foreign currency.

**Monetary Policy and the Banking System**

The NBG’s main task is to ensure price stability in the country. Naturally, monetary policy oriented toward price stability serves to improve the investment environment, protect household income levels and boost GDP growth. The inflation target for 2008 was 8%, with possible deviations in the event of exogenous shocks. Considering these circumstances, average annual inflation in 2008 was 10%.

Based on the expected dynamics of economic growth, monetization, de-dollarization and other factors (given the priority of price stability), reserve money growth was originally planned within the limits of 10%. In the first quarter of 2008, foreign exchange interventions (dollar purchases) increased in order to avoid wide fluctuations in the lari exchange rate against the background of massive foreign capital inflows. This spurred the growth of reserve money and, consequently, of the total money supply in the economy. Simultaneously, the NBG took measures to mop up excess liquidity through certificates of deposit (GEL 467 million). In these conditions, a 12% discount rate was used to tighten monetary policy.

During the global financial crisis, Georgian commercial banks found it difficult to obtain credit in international markets. They withdrew funds from NBG certificates of deposit, with a resultant increase in the annual growth rate of reserve money. So, a tight monetary policy was necessary to bring the growth rate of the monetary aggregates back within the target range.

The August events and the escalating global financial crisis posed a new challenge to monetary policy, leading to an outflow of deposits from the banking system. In order to meet depositors’ demand without delay, commercial banks were temporarily relieved from compliance with even the minimum reserve requirements (later lowered from 13% to 5%). As a result, tight monetary policy was replaced by an expansionary policy.

The change in monetary policy made it necessary to introduce a new monetary policy instrument: a 7-day refinancing facility (refinancing loans). This instrument, first, enabled commercial

### Table 8

<table>
<thead>
<tr>
<th>Year</th>
<th>2008 by quarter</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>492.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>452.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>1,170.1</td>
<td>Q2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>1,750.4</td>
<td>Q3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>1,185.4</td>
<td>Q4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009 (Jan-Aug)</td>
<td>226.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Statistics Department of the Ministry of Economic Development of Georgia, *Quarterly Bulletin I*, p. 47; other data from the same source.
banks to manage their liquidity more effectively; and second, changes in the interbank lending rate were a signal for the NBG to gear its monetary policy to the needs of the economy and influence the expectations of economic agents.

These measures proved insufficient to revive bank lending or economic activity in general during the liquidity crunch. That is why the NBG provided additional resources to commercial banks in the amount of GEL 136 billion.

In late 2008, the demand for foreign currency rose in expectation of a decline in the lari exchange rate, and this had an effect on reserve money and ultimately on other monetary aggregates, causing their contraction. According to NBG data, the annual rate of reduction in reserve money was 8% and in the M2 money supply 13.3%; the amount of lari in circulation fell by 1.5%, and the rate of increase in M3 was 7% (see Table 9).

<table>
<thead>
<tr>
<th>Year and quarter</th>
<th>Broad money M3</th>
<th>Money supply M2</th>
<th>Reserve money M1</th>
<th>Cash outside banks M0</th>
<th>Deposits in domestic currency</th>
<th>Deposits in foreign currency</th>
<th>Lari in circulation</th>
<th>Share of M0 in M2</th>
<th>Share of M0 in M3</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>1,521.6</td>
<td>847.2</td>
<td>866.7</td>
<td>616.0</td>
<td>231.2</td>
<td>674.4</td>
<td>676.2</td>
<td>72.7</td>
<td>40.5</td>
</tr>
<tr>
<td>2005</td>
<td>1,924.9</td>
<td>1,071.0</td>
<td>1,007.4</td>
<td>736.3</td>
<td>334.8</td>
<td>853.9</td>
<td>811.4</td>
<td>68.8</td>
<td>38.3</td>
</tr>
<tr>
<td>2006</td>
<td>2,689.9</td>
<td>1,392.8</td>
<td>1,272.1</td>
<td>827.4</td>
<td>565.5</td>
<td>1,297.0</td>
<td>929.5</td>
<td>59.4</td>
<td>30.8</td>
</tr>
<tr>
<td>2007</td>
<td>4,027.5</td>
<td>2,149.3</td>
<td>1,781.8</td>
<td>1,152.1</td>
<td>997.2</td>
<td>1,878.2</td>
<td>1,310.5</td>
<td>53.6</td>
<td>28.6</td>
</tr>
<tr>
<td>2008</td>
<td>4,305.1</td>
<td>1,862.5</td>
<td>1,642.1</td>
<td>1,082.6</td>
<td>779.9</td>
<td>2,442.6</td>
<td>1,290.7</td>
<td>58.1</td>
<td>25.2</td>
</tr>
<tr>
<td>2008 Q1</td>
<td>4,075.9</td>
<td>2,276.1</td>
<td>1,731.2</td>
<td>1,132.1</td>
<td>1,144.0</td>
<td>1,799.8</td>
<td>1,296.3</td>
<td>49.7</td>
<td>27.8</td>
</tr>
<tr>
<td>Q2</td>
<td>4,234.1</td>
<td>2,432.5</td>
<td>1,901.1</td>
<td>1,239.0</td>
<td>1,193.5</td>
<td>1,801.6</td>
<td>1,416.9</td>
<td>50.9</td>
<td>29.3</td>
</tr>
<tr>
<td>Q3</td>
<td>4,017.8</td>
<td>2,280.4</td>
<td>1,836.9</td>
<td>1,204.0</td>
<td>1,075.5</td>
<td>1,737.4</td>
<td>1,407.6</td>
<td>52.8</td>
<td>30.2</td>
</tr>
<tr>
<td>Q4</td>
<td>4,305.1</td>
<td>1,862.5</td>
<td>1,642.1</td>
<td>1,082.6</td>
<td>779.9</td>
<td>2,442.6</td>
<td>1,290.7</td>
<td>58.1</td>
<td>25.2</td>
</tr>
<tr>
<td>2009</td>
<td>4,696.8</td>
<td>2,139.5</td>
<td>1,875.0</td>
<td>1,229.4</td>
<td>910.0</td>
<td>2,517.3</td>
<td>1,457.9</td>
<td>57.5</td>
<td>26.4</td>
</tr>
</tbody>
</table>

Source: Statistics Department of the Ministry of Economic Development of Georgia, Quarterly Bulletin I, p. 69; NBG.

A certain role in the implementation of monetary policy was also played by the exchange rate, because it had a considerable effect on inflation expectations. In order to avoid panic buying, the lari was pegged to the dollar. This coincided with a significant appreciation of the dollar.
against other currencies, which caused a deviation of the lari exchange rate from equilibrium. Expectations of a decline in the value of the lari increased, and this created additional demand for foreign currency.

In response to speculative demand for foreign currency, in early November 2008 the National Bank stopped pegging the lari, followed by a sharp one-off drop in its exchange rate (from 1.42 to 1.66 lari per dollar). Later on, the demand for foreign currency in the foreign exchange market stabilized (see Table 10).


<table>
<thead>
<tr>
<th>Year and quarter</th>
<th>lari/dollar</th>
<th>lari/euro</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>end of period</td>
<td>middle of period</td>
</tr>
<tr>
<td>2004</td>
<td>1.8250</td>
<td>1.9170</td>
</tr>
<tr>
<td>2005</td>
<td>1.7925</td>
<td>1.8127</td>
</tr>
<tr>
<td>2006</td>
<td>1.7150</td>
<td>1.7767</td>
</tr>
<tr>
<td>2007</td>
<td>1.5916</td>
<td>1.6707</td>
</tr>
<tr>
<td>2008</td>
<td>1.6670</td>
<td>1.4902</td>
</tr>
<tr>
<td>2008 Q1</td>
<td>1.4760</td>
<td>1.5558</td>
</tr>
<tr>
<td>Q2</td>
<td>1.4180</td>
<td>1.4460</td>
</tr>
<tr>
<td>Q3</td>
<td>1.4050</td>
<td>1.4091</td>
</tr>
<tr>
<td>Q4</td>
<td>1.6670</td>
<td>1.5499</td>
</tr>
<tr>
<td>2009 Q1</td>
<td>1.6700</td>
<td>1.6715</td>
</tr>
</tbody>
</table>

Source: Statistics Department of the Ministry of Economic Development of Georgia, Quarterly Bulletin I, p. 70.

According to NBG data, as a result of a slowdown in the demand for money the monetization of the economy declined relative to GDP from 22.6% to 9.8%. Factors affecting the demand for lari—budget transfers, transaction needs of households—continued to operate. An important source of demand for lari was the increased state budget for 2008. The rising incomes of the part of the population that depends on public funds became a factor contributing the monetization of the economy.

The degree of dollarization of bank deposits fell from 65.3% to 60.2%, although subsequent phenomena and rising expectations of a weakening lari led to an increase in the degree of dollarization to 75.8% (see Table 11).

The main priority of exchange rate policy was to dampen the sharp fluctuations in the lari exchange rate and build up international reserves while keeping the exchange rate under control. Exchange rate policy was implemented within the selected exchange rate regime. Currency interventions were designed to avoid exchange rate volatility. In order to reduce the sharp exchange rate fluctuations, the gap between the demand for foreign currency and its supply was covered by the National Bank. For this purpose, it sold $1,211,236 thousand and bought $821,748 thousand (see Table 12).
Dollar Trading on the Tbilisi Interbank Currency Exchange

(\textit{thousands of dollars})

<table>
<thead>
<tr>
<th></th>
<th>Dollars sold by NBG</th>
<th>Dollars bought by NBG</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>1,211,236</td>
<td>821,748</td>
</tr>
<tr>
<td>January</td>
<td>108,020</td>
<td>23,817</td>
</tr>
<tr>
<td>February</td>
<td>33,713</td>
<td>181,070</td>
</tr>
<tr>
<td>March</td>
<td>34,850</td>
<td>210,729</td>
</tr>
<tr>
<td>April</td>
<td>114,030</td>
<td>44,135</td>
</tr>
<tr>
<td>May</td>
<td>75,080</td>
<td>129,450</td>
</tr>
</tbody>
</table>

Dollars sold by NBG | Dollars bought by NBG
---|---
June | 11,750 | 95,900
July | 24,070 | 71,340
August | 188,888 | 1,600
September | 46,550 | 46,507
October | 216,520 | 7,450
November | 187,155 | 9,250
December | 170,610 | 500

Source: NBG.

The average lari exchange rate against the dollar in 2008 was 1.4902, and at the end of the year it was 1.6670 (see Table 13).

At the end of 2008, NBG international reserves rose to $1,480.2 million. This increase was due to funds obtained from privatization ($121 million), an IMF tranche ($240 million), a budget grant from the U.S. ($250 million), other grants from donor countries, etc.

Table 13


<table>
<thead>
<tr>
<th></th>
<th>End of month</th>
<th>Monthly average</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>1.5870</td>
<td>1.5921</td>
</tr>
<tr>
<td>February</td>
<td>1.5540</td>
<td>1.5664</td>
</tr>
<tr>
<td>March</td>
<td>1.4760</td>
<td>1.5098</td>
</tr>
<tr>
<td>April</td>
<td>1.4620</td>
<td>1.4549</td>
</tr>
<tr>
<td>May</td>
<td>1.4440</td>
<td>1.4549</td>
</tr>
<tr>
<td>June</td>
<td>1.4180</td>
<td>1.4281</td>
</tr>
<tr>
<td>July</td>
<td>1.4080</td>
<td>1.4096</td>
</tr>
<tr>
<td>August</td>
<td>1.4100</td>
<td>1.4123</td>
</tr>
<tr>
<td>September</td>
<td>1.4050</td>
<td>1.4050</td>
</tr>
<tr>
<td>October</td>
<td>1.4210</td>
<td>1.4127</td>
</tr>
<tr>
<td>November</td>
<td>1.6500</td>
<td>1.5827</td>
</tr>
<tr>
<td>December</td>
<td>1.6670</td>
<td>1.6554</td>
</tr>
</tbody>
</table>

Source: NBG.

The supply of money (see Table 9) is determined, among other things, by money demand factors, while the demand for money is created by real economic growth rates, changes in the public...
sector, inflation and exchange rate dynamics, and also by changes in foreign currency balances and seasonal factors.

Before the August 2008 war, the money supply (M2) grew rapidly, but at the end of the year it shrank by 23.4%. The reserve money indicator (M1) in 2008 fell as well: by GEL 139.7 million (7.8%) to GEL 1,082.6 million at the end of the year. The supply of money was mainly determined by money inflows from abroad, the state budget and NBG interventions. The demand for money was created by economic growth and seasonal factors.

Foreign currency deposits in the banking system increased in 2008 (compared to the previous year) by GEL 564.4 million (23.1%) to GEL 2,442.6 million. They accounted for the entire increase in total deposits, because deposits in domestic currency fell by GEL 217.3 million (21.8%) to GEL 779.9 million.

Slow growth in the deposit base affected the lending capacity of commercial banks, which in turn affected the amount of credit to the economy and pushed up interest rates from 19.3% to 22.9% (see Table 14).

![Table 14](attachment:image.png)

As the NBG tightened its monetary policy, it also used such instruments as certificates of deposit (CDs) and overnight loans. Later on, when the NBG eased its monetary policy, it introduced new instruments: refinancing loans.

The main instrument used to absorb excess liquidity in 2008 was a three-month and one-week certificates of deposit. According to NBG data, in January-August 2008 seven-day CDs worth GEL 1,150.2 million and three-month CDs worth GEL 692.6 million (approximately) were sold at auctions.
With the easing of monetary policy and the introduction of a new instrument (refinancing loans), the minimum annual interest rate on seven-day refinancing loans became the NBG’s policy rate.

Refinancing loans were issued by means of auctions against collateral. The average interest rates at these auctions coincided with the monetary policy rate or slightly exceeded it.

The impact of the policy rate was limited because the interbank market in Georgia is insufficiently developed and such loans were not issued every day. At the same time, there was a shortage of participants in market transactions and, consequently, low competition. Ultimately, according to NBG data, the correlation of the policy rate with the TIBR-7 (seven-day loans) and TIBR-1 (one-day loans) indices was 0.58 and 0.56, respectively.

The interest rate on overnight (one-day) loans is usually higher than on longer-term loans. According to NBG data, in 2008 commercial banks obtained overnight loans worth GEL 3,409.2 million (compared to GEL 90 million in 2007).

According to NBG data, in the first half of 2008, with the development of the banking sector, there was an increase in the amount of funds raised by banks and, accordingly, in the amount of required reserves. At that time, the required reserve ratio was 13%. The second half of the year brought a decline in bank lending; there was an outflow of deposits from banks, which seriously reduced their liquidity. In view of this, commercial banks were initially fully relieved from compliance with reserve requirements; later on, they had to maintain 25% of required reserves, and from 2 October the reserve ratio was lowered from 13% to 5%.

Georgia has a two-tier banking sector: the National Bank of Georgia (first tier) and commercial banks (second tier). At present, the banking system includes 20 banking institutions (compared to 19 in 2005, 17 in 2006, and 19 in 2007). Of these, 18 are banks resident in Georgia, and 2 are branches of a Turkish and an Azerbaijani bank. Out of the 20 commercial banks, 17 are banks with foreign capital. Four of the existing banks have an authorized capital of less than GEL 10.0 million, and the rest, more than GEL 10.0 million.

The banking sector grew much faster than other sectors of the economy. According to the 2009 NBG data, in 2008 the total assets of the banking system increased from GEL 7.2 billion to GEL 8.9 billion due to an increase in money funds and net loans, as well as in fixed and intangible assets. The total tax outstanding loans of commercial banks rose by 31%, exceeding GEL 6 billion. The amount of attracted deposits increased as well. In the first half of 2008, the amount of deposits in domestic currency rose from GEL 997.2 million to GEL 1,193.5 million, while the amount of deposits in foreign currency fell from GEL 1,878.2 million to GEL 1,801.6 million. In the second half of the year, this trend was reversed. For example, during the August war the amount of domestic currency deposits fell by 10%.

As a result of economic and financial difficulties in the second half of 2008, bank profitability declined. The total losses of the banking sector in 2008 amounted to GEL 215.7 million. This was mainly due to additional provisioning for loan losses: provisions were increased to 9% of total loans (in 2007, the figure was 3.6%).

At the beginning of 2009, the largest Georgian banks were faced with the need to repay maturing foreign debts. In some cases, they managed to extend the repayment period, but in view of the global financial crisis it was feared that foreign lenders might cease to provide loan extensions.

In order to avert the expected threat, international financial institutions allocated additional funds to Georgian banks. In late 2008, Georgian commercial banks reached agreements to that effect with the International Finance Corporation, the European Bank for Reconstruction and Development, the U.S. Overseas Private Investment Corporation, the German Kreditanstalt für Wiederaufbau (KfW), and the Netherlands Development Finance Company (FMO). Accordingly, excess liquidity in the amount of GEL 150-300 million was transferred to their accounts. These
loans were in the main sufficient to enable banks to repay their foreign debts without reducing their own lending.

The Georgian banking sector in 2008 mostly maintained the required capital adequacy ratios. Despite a decline, according to NBG data, they remained above the legally required 12% and constituted 13.9%; the liquidity ratio in the banking sector, measured as total liquid assets divided by total liabilities, fell from 39% to 28% (the required ratio is 20%).

Overall, the Georgian banking sector has passed a difficult test: none of the commercial banks went bankrupt. This is due, on the one hand, to the relative independence of the banking system from attracted funds because of strict supervision requirements and, on the other, to the relatively low impact of the financial crisis.

Conclusion

Despite the financial crisis and the grave consequences of the war with Russia in August 2008, Georgia has so far maintained positive GDP growth rates (+2.1%), relative stability of the national currency, target inflation rates, an effective monetary policy, and public finance stability. Not a single commercial bank has failed. These results have been achieved due to domestic resources and massive financial assistance from the United States, EU countries and international financial institutions; part of this assistance has been utilized, and the rest is to be utilized in the near future.

Even so, analysts expect a slowdown in economic growth, a further decline in foreign investment, a growing trade deficit, difficulties in the development of the real sector (industry, agriculture), and a rise in unemployment. These and other unresolved problems will sharpen financial and monetary contradictions. In order to deal with the expected problems, in 2009 the Georgian government developed a medium-term strategy for 2010-2013, which is fragmented and imperfect. The adopted document should be reworked and completed so as to take the form of an action program designed to meet the expected challenges.

Ruzi MAMEDOV

Editor-in-Chief, Banks and Business magazine
(Baku, Azerbaijan).

ON THE ECONOMIC COMPETITIVENESS OF AZERBAIJAN

Abstract

This article examines the parameters of Azerbaijan’s economic competitiveness based on the reports of the World Economic Forum. To complete the picture, Azerbaijan’s economic indicators are compared with those of countries similar to it in
Introduction

Competitiveness cannot be measured directly or expressed in absolute terms. The level of a country’s economic competitiveness, like that of an enterprise or an industry, is a relative indicator that can be measured only in comparison. Its dynamics over time (several years) make it possible, on the one hand, to determine the quality of economic growth and the economic development trends in a particular country (as well as on a global and regional scale) and, on the other, to define the tasks that can be regarded as particularly relevant in the coming years.1

There are several methodologies for measuring national economic competitiveness, each of which has its strong and weak points. These methodologies are seriously affected by the political orientation of the research centers that develop them. In analyzing various cross-country comparative studies in the field of competitiveness, it is important to take into account that the vast majority of research centers engaged in such studies hold right-of-center views and, accordingly, advocate the maximum possible reduction of government intervention in the economy.

One of these centers is the World Economic Forum (WEF), a Switzerland-based international non-profit organization. Its annual analytical reports on relative national economic competitiveness are generally recognized as the most objective reports in this area. These reports, first, cover a sufficiently representative number of countries and, second, analyze a sufficiently wide range of indicators, which add up to provide a more or less comprehensive picture of national economic competitiveness. An undeniably positive feature of the WEF methodology is that it does not overlook the so-called physical infrastructure of the economy, as most other similar studies unfortunately do.2

The latest WEF report in this series was published in the fall of 2009 and is available to the public.3 In this article, Azerbaijan’s economic competitiveness is analyzed based on that report.

Best and Worst Performers

An analysis of changes in national economic competitiveness in recent years shows that the list of the world’s top performers in this area is more or less stable, at least at the present stage. Since 2008, the top 10 countries have remained the same, with some changes in rank among them. In particular, Switzerland has changed places with the United States to become the world’s most competitive economy; Canada has strengthened its position, for the first time moving up to 9th place, in various respects: Georgia, Russia, Kazakhstan, Turkey, Ukraine and Armenia. The article presents analytical comparisons for 12 pillars of competitiveness, showing the strengths and weaknesses of Azerbaijan’s competitiveness. It also considers the business environment in the country, which helps to identify the most problematic factors for doing business in Azerbaijan based on the opinion of business executives.

while Denmark and the Netherlands have dropped in the rankings (see Table 1). It should be noted that the average competitiveness index score for the top 10 countries has declined from last year’s 5.51 to 5.45 (out of a maximum possible score of 7). This is clearly due to the impact of the global economic downturn on the economy of these countries.

Table 1

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</table>

The 10 lowest-ranking countries include Tajikistan, Kyrgyzstan, Paraguay, Nepal and several African countries.

Basic Premise:
Classification of Countries by Level of Economic Development

The WEF methodology is based on the indisputable fact that countries with radically different economic development levels cannot be compared using the same competitiveness measures. That is why the starting point is an appropriate classification (grouping) of countries/economies based on two criteria: quantitative (GDP per capita adjusted for purchasing power parity) and qualitative (sectoral structure of the economy determined by the structure of exports).

As for GDP per capita growth rates, over the past 15 years Azerbaijan has been one of the world’s best-performing countries. This conclusion is confirmed not only by national statistics, but also by data from various international sources, although these data do not always coincide (see Fig. 1).

Figure 1 shows a clear acceleration of GDP per capita growth in Azerbaijan since 2003. Taking into account the absolute level of this indicator, the WEF divides all countries of the world into three groups ("stages"): countries whose competitiveness is driven by factors of production (Stage 1), efficiency (Stage 2) and innovation (Stage 3). In accordance with the WEF’s quantitative criteria and taking into account IMF data (these data are used to classify countries), from 2007 Azerbaijan should have moved to Stage 2, and from 2010 it should have been classified as a country “in transition” between Stages 2 and 3.

But this did not happen. The obstacle here was the second (qualitative) criterion: the share of oil and oil products in total exports is still high and is variously estimated at 75-85% (see Fig. 2). Given the country’s excessive dependence on oil and gas exports, it was included among countries in transition from Stage 1 to Stage 2.

Even without further analysis it is clear that providing incentives to increase the share of non-oil products in total exports is now one of Azerbaijan’s main tasks in order to improve, among other things, the country’s economic competitiveness. It is only natural that this task was clearly formulated by Azerbaijan President Ilham Aliev.6

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6 See, for example: Decree of the President of the Azerbaijan Republic approving the Long-Term Strategy for the Management of Oil and Gas Revenues, available at [http://www.oilfund.az/old/index_az.php?id=100].
Cross-country comparisons have constructive potential only if they are made for countries that are somehow comparable. This comparability can be due to similar economic systems (as in comparing transition countries), the size of the economy (measured by universal indicators such as GDP or GNP volume or the size of the domestic market), similar sectoral structure of the economy (as in comparing countries dependent on raw material exports), common national-spiritual values (as in comparing Muslim countries), location in the same region (as in comparing countries of the Caucasus), and other factors such as common foreign markets, etc.

Considering all these factors, in this article Azerbaijan’s economic competitiveness is compared with that of Georgia, Russia, Kazakhstan, Turkey, Ukraine and Armenia.

According to the latest WEF report, Azerbaijan is the leader in national economic competitiveness in its own region (Central Caucasus) as expressed by the Global Competitiveness Index (GCI). Azerbaijan, Georgia and Armenia hold the 51st, 90th and 97th places, respectively, in the overall GCI rankings. Whereas Azerbaijan has improved 18 places since the previous year, the ranks of Georgia and Armenia have remained the same.

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Competitiveness Structure of Azerbaijan and Countries in the Comparison Group

1. Institutions
2. Infrastructure
3. Macroeconomic stability
4. Health and primary education
5. Higher education and training
6. Goods market efficiency
7. Labor market efficiency
8. Financial market sophistication
9. Technological readiness
10. Market size
11. Business sophistication
12. Innovation

The GCI is determined based on an analysis of 12 economic parameters (“pillars”). For a more detailed examination of Azerbaijan’s competitiveness and its comparison with the other six selected countries, we can use a graphical method based on the distance from the center (see Fig. 3). The smallest area of the shaded part of the chart indicates the best position in the GCI rankings. This chart gives an idea of the country’s performance in each of the 12 pillars of competitiveness.

Factor Analysis

An analysis of national economic competitiveness has the obvious advantage that it helps to identify the country’s international comparative advantages and potentialities. For this purpose, each of the 12 pillars listed above should be considered separately.

1. Institutions. The advocates of the theory of international competitiveness believe that each country’s economic competitiveness is ultimately determined by the competitiveness of its companies, while the success of the latter primarily depends on institutional factors. For their assessment, the WEF uses two criteria (subpillars), distinguishing between public (government) and private institutions.

In both subpillars, Azerbaijan is the leader among the countries compared, holding strong positions in the protection of property rights, especially intellectual property rights. In assessing the development level of private institutions, the WEF takes into account two components: corporate ethics and the degree of economic transparency (“accountability of private institutions”). In both of these, Azerbaijan is highest in the rankings (see Fig. 4).

**Figure 4**

![Public and Private Institutions](image-url)
A relatively weak spot, in the opinion of the authors of the report, is security. But this is easily explained considering that a significant part of the country’s territory is still under occupation, while violations of the ceasefire regime by the Armenian armed forces have become more regular. All of this undoubtedly increases the likelihood of a resumption of large-scale hostilities.

2. **Infrastructure** is regarded as the 2nd pillar of national competitiveness. The report distinguishes between general and specific infrastructure. General infrastructure includes infrastructure elements that influence the development of all sectors of the economy, often playing a key role in this process. As for so-called specific infrastructure, its level is assessed based on survey data on the quality of roads, railroads, ports, air transport, electricity supply and some other infrastructure systems. The WEF also uses a number of statistical indicators (hard data) measuring the availability of telephone lines or the “density” of passenger air transportation (“available seat kilometers”).

In terms of the development of general infrastructure, Azerbaijan is first among the countries compared, and in specific infrastructure it is outranked only by Turkey and Russia (see Fig. 5).

![General and Specific Infrastructure](chart.png)

3. **Macroeconomic stability.** The economic downturns of recent years have once again confirmed the importance of macroeconomic stability for the international competitiveness of entire countries and their companies. Macroeconomic balance enables market actors to base their decision-making on a more solid foundation.
For a comparative assessment of macroeconomic stability, the WEF analyzes hard data on government budget balance (deficit or surplus), national savings rate, inflation, interest rate spread and government debt. In the first two indicators, Azerbaijan’s positions are quite strong: it ranks first in the world in national savings rate and is among the world’s top 10 countries in government budget balance. Government debt (relative to GDP) is insignificant. In terms of this indicator, Azerbaijan is among the top 20 countries in the world, although in the comparison group it ranks slightly below Russia and Kazakhstan. The only cause for concern is inflation (for which the WEF uses 2008 statistics) and the interest rate spread. At the same time, it should be noted that in most countries compared these indicators are even worse than in Azerbaijan: for example, in terms of the interest rate spread Azerbaijan is ahead of all other countries in the group except Turkey and Russia. The results of the study of macroeconomic stability are shown in Figure 6.

4. Health and primary education are included among the basic (primary) factors of competitiveness (“basic requirements”). In this pillar, Azerbaijan ranks 96th in the world. This is the country’s lowest ranking for any of the 12 pillars (see Fig. 7). Much work lies ahead to improve all the components of this pillar. These include: infant mortality, life expectancy, HIV prevalence, malaria and tuberculosis incidence, and also the quality of primary education, primary enrollment and education expenditure.
5. Higher education and training. This pillar has three subpillars:

(a) quantity of higher education;
(b) quality of higher education and
(c) on-the-job training.

The first subpillar is calculated from statistical data on the relative number of citizens receiving a secondary and higher professional education (“secondary and tertiary enrollment”). In these indicators, Azerbaijan is unfortunately the lowest-ranking among the countries compared. The problem is compounded by lax hiring practices since employers prefer to hire and retrain employees. The quality of education (as well as on-the-job training) is determined from survey data taking into account the quality of the educational system (especially of math and science education), the quality of management schools, and Internet access in schools. Azerbaijan’s performance in these areas, except Internet access, can hardly be regarded as satisfactory. In the comparison group, it is ahead of only Georgia and Armenia and is in the second half of the world rankings, as in the previous subpillar.

As for on-the-job training (training and retraining of staff), the report uses survey data to assess the local availability of specialized research and training services and the extent of staff training in companies. In this indicator, Azerbaijan ranks first in the comparison group.

The results of the WEF study of this factor are shown in Figure 8.

6. Goods market efficiency is analyzed based on two subpillars: competition (subdivided into domestic and foreign competition) and quality of demand conditions (see Fig. 9). Domestic competition is assessed depending on its intensity, dominance of local companies in domestic markets, effectiveness of anti-monopoly policy, total tax rate, extent and effect of taxation, number of procedures and time required to start a business, and agricultural policy costs.
Figure 8

Higher Education and Training (rank)

Figure 9

Goods Market Efficiency (rank)
Judging by the first three components, Turkey has a freer market than Azerbaijan. This is quite natural: a market economy in that country was created over a long period of time, while the former socialist countries had virtually no time at all. Azerbaijan’s positions in these three components (105th, 89th and 116th in the world rankings, respectively) indicate the need for serious reforms to improve market mechanisms. As for the extent and effect of taxation, the number of procedures required to start a business and agricultural policy costs, in these components Azerbaijan ranks second in the group, and in total tax rate it is 64th in the overall rankings, which is a natural result of its socially oriented budget policy.

In the area of foreign competition, the situation is contradictory. In terms of the impact of trade barriers on imports (“prevalence of trade barriers”) and the average level of tariff rates (“tariff barriers”), Azerbaijan is significantly behind the other countries compared, whereas in three other components (prevalence of foreign ownership, business impact of rules on foreign direct investment and burden of customs procedures) it is significantly ahead of many of them.

In overall competition (domestic and foreign), Azerbaijan ranks third in the group behind Turkey and Georgia.

The quality of demand conditions is one of the most interesting and, at the same time, difficult-to-measure indicators analyzed in WEF reports. It is assessed based, first, on companies’ treatment of consumers (“degree of customer orientation”) and, second, on buyer sophistication. The latter takes into account the degree of customers’ awareness of their rights and how demanding they are with respect to supply. Both these indicators are known to be highly subjective, so that Azerbaijan’s top ranking in the comparison group for these components is all the more encouraging.

7. Labor market efficiency as interpreted by the WEF reflects the productive use of the country’s labor resources, i.e., the best possible use of people’s skills and abilities. In this context, the report analyzes two subpillars. The first one characterizes the flexibility of the labor

![Figure 10](image-url)
market and includes cooperation in labor-employer relations, flexibility of wage determination, ease of hiring and firing workers, and firing costs. In these indicators, Azerbaijan is second in the group, outranked only by Georgia.

The second subpillar (efficient use of talent) includes dependence of pay on productivity, reliance on professional management, brain drain, and female participation in labor force. According to the report, reliance on professional management in Azerbaijan is relatively low (95th place in the world rankings). But one should take into account the mental peculiarities of Azerbaijani entrepreneurs, most of whom prefer to run their own business. This may have a negative effect on the quality of management, but at the same time it prevents so-called depersonalization of ownership, which often leads, judging from the experience of a number of economically developed countries, to even more significant negative consequences. Azerbaijan’s position in the efficient use of talent can be regarded as satisfactory (in the comparison group, it is only slightly behind Russia and Kazakhstan).

The overall results for labor market efficiency are shown in Figure 10.

8. Financial market sophistication. The current financial crisis has shown once again the importance of financial markets for overall national economic stability. The WEF analyzes this pillar using two subpillars. The first one (efficiency) includes financial market sophistication, opportunities for financing through local equity market, ease of access to loans, venture capital availability, restriction on capital flows and strength of investor protection. In all these indicators (except possibly restrictions on the free movement of capital), Azerbaijan’s positions are sufficiently strong. In the overall result for the efficiency subpillar, it is second among the countries compared.

The second subpillar (trustworthiness and confidence) includes soundness of banks, regulation of securities exchanges and a so-called legal rights index. In these indicators, Azerbaijan is the leader in the comparison group (see Fig. 11).
9. **Technological readiness.** This pillar measures the relative level of an economy’s “openness” to new technologies. For this purpose, the WEF analyzes such indicators as the availability of latest technologies and the agility with which companies adopt these technologies (“firm-level technology absorption”). A kind of infrastructure background to this is provided by laws regulating information and communication technologies (ICT) and foreign direct investment. In addition, the WEF uses a number of simple statistical data on the relative number of mobile telephone subscriptions, personal computers and Internet users, including broadband Internet subscribers. Somewhat unexpectedly, Azerbaijan ranks below most comparison group countries in the indicators related to personal computers and the Internet, although in the other components of this pillar it is either in the lead or is in second place behind Turkey.

10. **Market size** is assessed from the size of both the foreign and the domestic market. Such indicators (GDP, exports, etc.) in the context of universal relative competitiveness are of conditional importance, because they are determined, in the first place, by the size of the economy as a whole. Clearly, the larger the country the larger is its market (all other qualitative indicators of economic growth being relatively equal). Nevertheless, a large market is an obvious economic advantage. Figure 12 gives an idea of the size of the market in the countries compared.

![Figure 12](image)

11. **Business sophistication** concerns, first, the quality of interaction between companies and supporting (supplying) industries (“networks and supporting industries”). It also takes into account the state of cluster development in the country. The second subpillar is the sophistication of firms’ operations and strategy, which is assessed based on the nature of their competitive advantage, production process sophistication, the quality of marketing strategies, etc. In both subpillars, Azerbaijan is second among the countries in the comparison group, outranked only by Turkey (see Fig. 13).
Innovation. In this pillar, Azerbaijan is the leader among the countries compared. This is particularly important given the set of indicators used by the WEF to compare countries in terms of innovation. These include: capacity for innovation, quality of scientific research institutions, company spending on R&D, university-industry collaboration in R&D, government procurement of advanced technology products, availability of scientists and engineers, utility patents, and intellectual property protection.

It is easy to see that most of the factor indicators of national economic competitiveness simultaneously characterize the quality of the national business environment (primarily infrastructure) for doing business. At the same time, the WEF analyzes business conditions by holding surveys among business executives. Their purpose is to identify the barriers to business (“the most problematic factors for doing business”) in a particular country.

For this purpose, WEF experts have compiled a list of the 15 most widespread (universal) barriers, whose importance is determined in the course of the survey. This makes it possible to draw up a list of the most problematic factors for doing business in each particular country and to rank them in order of decreasing importance. An advantage of this approach, among other things, is that it helps to assess the dynamics of changes in the business environment over time, i.e., to compare the importance of various problematic factors in different years. These comparisons are very useful for determining how promptly the country’s government responds to the real situation, adjusting its methods of economic regulation.

In 2009, for example, Azerbaijani business executives believed that the five most problematic factors for doing business in the country were corruption, inflation, tax rates, access to financing and inefficient government bureaucracy. These five factors added up to 66.5% of all problematic factors,
while the share of the five lowest-ranking factors (i.e., the least problematic for the country) was only 7%. In 2010, we find serious changes in the five most problematic factors, although corruption remains “in the lead.” Today it is followed by an inadequately educated workforce, tax rates, tax regulations and inefficient government bureaucracy. The total share of the first five factors is 57.6%. Inflation, which was ranked second based on the results of the previous survey, has largely lost its significance. The results of the latest WEF survey are given in Figure 14.

**Conclusion**

In its latest study, the WEF has assessed the relative economic competitiveness of 133 countries. For each competitiveness factor, all countries are divided into two groups: countries ranked from 1st to 50th are considered to be advanced on this criterion, and the rest are included among lagging countries.

According to the latest WEF report, Azerbaijan has competitive advantages in 38 factors (i.e., in these factors it is among the top 50 countries in the world). This is the best indicator for the countries compared. It automatically implies that Azerbaijan has the smallest number of competitive disadvantages. From this perspective, the least favorable situation is in Armenia and Kazakhstan (see Table 2).
Despite the successes of recent years, in the near future Azerbaijan will have to implement even larger-scale projects to enhance economic competitiveness. An analysis of the results obtained by WEF experts makes it possible, among other things, to prioritize these programs. In this context, the purpose of government intervention can be formulated as maintaining and strengthening the country’s competitive advantages, on the one hand, and steadily improving the indicators that point to competitive disadvantages, on the other. The latter include, according to the WEF report, inflation, education in the field of management, anti-monopoly activity, etc. (see Table 3).

**Table 2**

<table>
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<tr>
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<th>Turkey</th>
<th>Russia</th>
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**Table 3**

<table>
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<td>Inflation*</td>
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<td>Quality of management schools</td>
<td>117</td>
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<tr>
<td>Effectiveness of anti-monopoly policy</td>
<td>116</td>
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<tr>
<td>Prevalence of trade barriers</td>
<td>113</td>
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<tr>
<td>Infant mortality*</td>
<td>112</td>
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<td>State of cluster development</td>
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<tr>
<td>Imports as a percentage of GDP*</td>
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<td>Regulation of securities exchanges</td>
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<td>Soundness of banks</td>
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<tr>
<td>Intensity of local competition</td>
<td>105</td>
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<tr>
<td>Education expenditure*</td>
<td>102</td>
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</table>

* Hard data; the other indicators are based on survey data.

At the same time, it should be taken into account that this list is not always an accurate reflection of the current state of affairs. For example, the inflation indicator used by the WEF, as noted above,
relates to 2008. Later on, inflation in Azerbaijan slowed significantly under the impact of a number of factors, primarily the global financial crisis. In January-December 2009, the consumer price index rose by only 1.5% compared to the same period of the previous year.9

Questions also arise about the low, in the opinion of WEF experts, share of imports in GDP, which is known to be an indicator of economic openness. On the whole, the ratio of a country’s foreign trade (both imports and exports) to its GDP is an indicator pointing to the degree of globalization of its economy. But the share of imports considered without regard to the sectoral structure of the economy and exports, the dynamics of the country’s international reserves and other similar indicators is hardly representative enough for assessing national competitiveness. This is well illustrated by Azerbaijan, where the low share of imports in GDP certainly does not indicate their relative (let alone absolute) insufficiency. Even with full satisfaction of the country’s import requirements its international reserves continue to increase rapidly due to its huge (by the standards of the national economy) oil and gas revenues.

But on the whole the results of the WEF study are very useful for identifying the “weak spots” in national competitiveness and in this sense have great constructive potential.

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**REGIONAL FACTORS OF EMPLOYMENT GROWTH AND THEIR INFLUENCE ON ECONOMIC DEVELOPMENT (GEORGIAN CASE STUDY)**

**Abstract**

This article takes a look at the external and internal reasons for the low employment level in Georgia. It analyzes ways to improve employment structure in terms of type of occupation and region.
Georgia is one of the few countries still suffering from the consequences of the post-Soviet economic collapse, even though GDP growth rates have been climbing recently, and some sectors of the economic infrastructure have been undergoing development. All the same, economic revival and employment growth have been stymied by the need to overcome the consequences of the August 2008 war and the impact of the global financial crisis, which later became a general economic crisis.

The serious consequences of the global financial and economic crisis can only be avoided and the task of raising employment accomplished if the country reacts adequately to its signals. This can be achieved by increasing internal trade turnover (within the country, within the regions, and between the regions) in addition to developing export-oriented production plants (in a small country, the economy is much more open and a significant increase in the export of goods and services is required to rectify the extremely negative export-import balance). In addition to measures that stimulate a further increase in production, workers must also be provided with a sufficiently high salary and the population with the possibility of obtaining additional income (in the form of interest from bank deposits and bonds, dividends from shares, and so on). Another way to increase the number of entrepreneurs and their income is to render small and medium enterprises, and not only big business, as much support as possible. This can be achieved by creating a favorable investment and competitive environment in the country and its regions for those wishing to engage in business.

Ways to Raise Employment in Present-Day Conditions

The current world financial and economic crisis has taken a greater toll than any other recession since the end of World War II. The main reason for its emergence was the gradually growing imbalance between the financial and real sectors of the economy, which was accompanied by a delay in institutional and sectoral restructuring in both the financial and real sectors. Restructuring is a gradual and ongoing process. It is powered by incorporating scientific and technical achievements into the economy, thus generating a corresponding increase in the productivity of labor and technology and an overall percentage drop in the material- and energy-output ratio of manufacture.1 One of the reasons for the delay in restructuring was the decrease in value and drop in quality of securities quoting on the U.S. stock exchanges (and then throughout the rest of the world), this country being the main driving force behind the development and introduction of scientific-technical innovations.2

This generated a sharp increase in unemployment in many countries, while a level of labor productivity and technology that meets the latest standards, given adequate organization of the institutional (including state and market coordination of redistributional processes) and technological structures in terms of type of occupation, makes it possible to reduce unemployment to the minimum. Some countries, the U.S., for example, have instituted anticrisis programs and there are already signs of gradual economic recovery.

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2 The U.S. is the leading country in the world in terms of the development and export of new technology, spending large amounts of money on their development and receiving large amounts from their sale (see, for example: V. Kushlin, “Faktory ekonomicheskogo krizisa i bazis ego preodolenia,” Ekonomist, No. 3, 2009, p.6; E. Semenova, “Vozmozhnosti innovatsionnogo tipa razvitiia,” Ekonomist, No. 3, 2006, p. 100; S. Liubimtseva, “Innovatsionnaia transformatsiia ekonomicheskoy sistemy,” Ekonomist, No. 9, 2008, pp. 31-33.
Georgia, like several other small countries (although there are some exceptions), has been less affected by the current financial and economic crisis. The main reasons for this are as follows: the assistance it received from developed countries, its high percentage of rural residents, and the close-down of many enterprises after the beginning of the reforms (workers either emigrated, changed their field of specialization, or remained unemployed, the number of whom amounted to approximately 13% of the economically active citizens at the beginning of the crisis). But the crisis nevertheless took its toll both in the financial sphere (for example, many bank employees, as in several developed countries, lost their jobs) and in the real sector, particularly in some sectors that has been enjoying a definite economic revival in previous years, for example, the construction industry. Investors were leery of the crisis and to a certain extent of the August war, which was reflected in a decrease in foreign investments for creating new enterprises in the real sector of the economy. But there are already signs of a gradual improvement in the situation in this sphere.

In order to prevent the global crisis from having an even more serious impact on the country’s economy and to rectify its consequences in employment, as well as to create conditions for ensuring a maximum employment level, Georgia needs to engage in institutional and technological organization of the financial and real sectors of the economy that meets current needs both nationwide and in its regions.

Market competition (in the goods and services markets and stock markets) is the driving force behind scientific and technical progress, the manifestation of which leads to an increase in the productivity of technology and labor and helps to develop resource-saving technology. This process brings about a gradual restructuring of production, that is, a change in the correlation (proportions) of industry, agriculture, the service sphere (including the rehabilitation of durable goods), R & D, and others. Along with this, the demand for workers in various sectors and spheres of activity changes (for example, the proportions between industry and the service sphere change in favor of the latter). The demand for workers with high-tech skills grows, as well as for workers engaged in intellectual activity.

An increase in the productivity of labor in the context of production volume growth sometimes causes the redundancy of other workers in some sectors. At the same time, in contemporary conditions, the number of those employed in R & D, as well as in auxiliary sectors of the service sphere (including financial and non-financial organizations and enterprises, environmental protection, and others), constantly rises. Admittedly, due to the current crisis, the number of those employed in the financial sector, as noted, has decreased, but it should recover again after ensuring the relevant institutional and production-technological restructuring of the financial systems—fiscal, financial and credit, investment and fund, along with their monitoring and control components. In addition, some of those employed in R & D, and in the introduction of its results are concentrated in industry, construction, as well as in those auxiliary enterprises that promote the development of agriculture. And this supports an increase in employment.

Analysis of the Employment Structure

In order to draw a conclusion about the state and quality of the employment structure in Georgia and its regions and more precisely formulate the regional factors of its growth, the corresponding statistical information must be studied and the other circumstances influencing its current state taken into account.

The collapse of production in 1991, as well as the breakdown in traditional production-cooperative and commercial ties with the post-Soviet countries, caused an unprecedented rise in unemployment, particularly in the cities. Some of those made redundant were forced to change their profession, some migrated to other countries, and some moved to the villages.
At the beginning of the 1990s, the employment situation was also aggravated by the inflow of refugees from the Abkhazian region as a result of the ethnic cleansing of the indigenous Georgia population in most regions of Abkhazia. In 2008, they were joined by indigenous Georgian residents from the Tskhinvali region.

A comparison of Georgia’s unemployment index with the indices of other countries provides some information about the employment situation in Georgia. The Statistical Yearbook of Georgia gave unemployment indices for several countries (post-socialist countries, Western European countries, the U.S., China, and Japan). In 2006, according to official data (on average for the year in percentage of the size of the economically active population), a very high index of 13.6% was registered in Georgia, although in previous years this index was even higher in some countries. Of those countries presented in the statistical yearbook, Georgia’s index is comparable to the index for Poland, 13.8%, and Slovakia, 13.4%. In Belgium this index is equal to 8.5%, in Latvia to 9.0%, in Finland to 8.7%, in Kazakhstan to 7.8%, and in the Czech Republic to 6.0%. In neighboring Azerbaijan (where the unemployment index is only taken into account among urban residents, which, generally speaking, is high in most countries compared to the mean urban and rural index), the level of unemployment is only 1.3%.3

The fact that the size of the population has dropped in all Georgian cities (apart from Zugdidi, where the inflow of refugees swelled the size of the population from 49,600 in 1989 to 72,100 in 2008, which amounted to 145.4% of the 1989 level) shows that the number of employed has dropped in Georgia and its regions. Although refugees have settled in other cities as well, the size of their population has dropped. For example, in Tbilisi, the population in 2008 amounted to 1,106,000 people, which is 89.0% of the 1989 level. In Rustavi, the population amounted to 117,300 people in 2008, or 73.8% of the 1989 level. The size of population has particularly decreased in cities that specialize in one type of production: in Chiatura from 28,900 to 13,700 (which is 47.4% of the 1989 level), and in Tkibuli from 22,000 to 13,900 (63.2%).

If we keep in mind the significant drop in urban population, it becomes clear that the number of jobs has dropped much more severely than can be surmised from the official unemployment data, where the percentage is calculated based on the economically active population left in the cities, since migration mainly occurred due to redundancy.

It is clear from the correlation between the unemployed registered at employment agencies and the available vacancies that the employment problem is acute in Georgia: in 2006, there were 66 registered unemployed for every vacancy. In 2005 alone, 34,300 people were registered at employment agencies (they were joined by the unemployed who were registered before but had not yet found a job), while only 3,400 people found work through the employment agency.4

The production structure must be improved taking into account the current restructuring trends and by ensuring the highest possible employment growth in order to increase employment and raise personal income throughout the country as a whole and in its regions.

Let us take a look at the employment structure in terms of type of occupation. The total number of employed fluctuates within a small range (at least it did before the world financial and economic crisis)—in 2000, the number of employed amounted to 1,877,700 people, in 2005 to 1,744,600, in 2006 to 1,747,300 people, and in 2007 to 1,704,300 people.5 In agriculture (including hunting and forestry), the percentage of employed amounted to 54.3% in 2005, to 53.4% in 2006, and to 53.4% in 20076 (in most developed countries, the number of employed in agriculture is no higher than 10%).

The number of those employed in the mining industry continues to drop. In 2000, the employment level was 0.4%, but over the past four years it has been fluctuating within the range of 0.2-0.3%.

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3 *Statistical Yearbook of Georgia*, 2008, p. 43.
4 Ibid., pp. 44-45.
Unfortunately, this trend is also seen in such a strategic sector as the manufacturing industry (including sectors that produce high-tech items or their components and the processing branches of the agricultural industry). In 2000, it was 5.9%, in 2006, 5.1%, in 2006, 4.7%, and in 2007, 4.9%, and this is when this branch is the main source of income and particularly of export earnings in many countries.

The increase in employment in construction is to some extent a good sign. But recovery from the current world crisis can only be accomplished if several different methods are used to renew the economic structure. The main efforts should be aimed at creating new jobs and redistributing the employed among different spheres of activity. This is a foreign economic factor that requires coordinating the development of construction taking into account contemporary world economic processes. The domestic economic factor, on the other hand, requires paying more attention to industrial, infrastructural (with respect to production infrastructure), and hotel-recreation construction, in addition to the office and housing sector, as well as construction in the villages (both residential and various types of production facilities, whereby without causing damage to farm land).

The percentage of those employed in transport and communications fluctuated between 4.0% in 2005 and 4.2% in 2007. In developed countries, as we know, this percentage, taking into account the dissemination of computer and information technology, is rather high.

A slight trend toward an increase in employment can be seen in the municipal, social, and personal services sphere. In 2007, it amounted to 2.6%. This index is also increasing in commerce and the repair of cars, household appliances, and personal items (unfortunately, the commerce and repair sectors, that is, spheres of different types of activity, although both belong to the service sphere, were lumped together in the yearbook), their share amounts to 10.8%.

It is obvious from the indices presented that carrying out serious restructuring and ensuring both an increase in personal income on this basis and employment in the regions is the main prerequisite of Georgia’s economic development. The current structure of the economy is very backward. The percentage of the manufacturing industry compared with the 1990 index and the index for developed countries is extremely low. The reasons for this are as follows: the large amount of outdated non-competitive technology that had accumulated by 1990, which cannot be used since it is impossible to sell the products it manufactures, the squandering of technology still suitable for at several enterprises (for example, selling equipment as scrap metal, which for a long time occupied first place in the list of export commodities), and the abrupt collapse of technological and, consequently, many commercial outlets for selling consumer goods (incidentally, the latter was typical of all the post-Soviet countries and even affected some capitalist countries that had close economic relations with the Soviet Union). Only a few enterprises survived (for example, those that manufactured Azot fertilizers, cement factories, bread-baking and a few other enterprises of the food industry), the products of which enjoyed a steady demand in different markets.

Recently, due attention has not been paid to creating enterprises of the processing industry and the necessary infrastructure for their functioning. If we compare the number of employed in terms of type of occupation with the added value created in these spheres, it turns out that one employee in industry (unfortunately with an abrupt drop in its volume and number of workers employed in it) accounts for approximately 10-fold more added value than in agriculture. This shows, first, that the products put out by households are not precisely accounted for; second, the number of those employed in agriculture is overestimated; and, third, the productivity of labor in agriculture is low (due to the absence of equipment, auxiliary, consultative, and other necessary production plants, and other circumstances).

In Georgia, the high level of unemployment is caused, among other things, by the insufficient rate at which the mechanisms for ensuring a rise in employment in terms of the types of occupation most in demand in countries with a market economy operate. In contemporary conditions, the lag in the introduction of state-of-the-art technology is one of the main reasons many local manufacturers (without the appropriate assistance from state and private institutional-financial structures and other
necessary measures to promote business) are unable to compete with imported products. The pressure import places on local competitive commodities is such that the import volume amounts to $4 billion, or is more than four times higher than the export volume.

Information about the income of the employed in terms of region deserves attention (unfortunately, the statistical yearbooks of recent years (after 2004) do not present such data). In 2004, throughout Georgia, the average nominal salary of workers for hire was 156.8 lari\(^7\), whereby in terms of region, it was 218.7 lari in Tbilisi, 155.1 lari in the Ajar Autonomous Region, 89.0 lari in Guria, 110.3 lari in Imereti, 83.7 lari in Kakheti, 89.2 lari in Mtskheta-Tianeti, 69.3 lari in Racha-Lechkhumi and Lower Svaneti, 103.8 lari in Samtske-Javakheti, 142.8 lari in Kvemo Kartli, and 112.0 lari in Inner Kartli.\(^8\) Although this information relates to 2004, it is still of some immediate interest today. The data presented shows that there is a significant variation in the level of income among those employed in different regions (whereby it is obvious that the proportions have not changed very much in recent years). So this information deserves attention when drawing up and conducting a policy aimed at raising and effecting a certain regional alignment in household incomes during restructuring of the Georgian economy. It is obvious that more detailed information is required by region about the size and characteristics of the economically active population in order to draw up a justified strategy of employment growth and increase the income of the employed, as well as attract new technology to the regions and increase product export from them, and so on.

We can also follow the dynamics of the changes in the average salary of those employed in different types of activity over the past few years. In 2004, the average monthly wage of those employed in the economy was 156.8 lari, in 2008—534.9 lari, including 68.0 and 299.3 lari, respectively, in agriculture, hunting, and forestry; 60.1 and 211.1 lari, respectively, in fishing; 179.5 and 808.9 lari, respectively, in the mining industry; 183.8 and 510.5 lari, respectively, in the manufacturing industry; 259.2 and 738.3 lari, respectively, in the manufacture and distribution of energy, gas, and water; 264.5 and 597.3 lari, respectively, in construction; 107.9 and 510.6 lari, respectively, in commerce, the repair of cars, household appliances, and personal items; 70.3 and 333.6 lari, respectively, in hotels and restaurants; 229.1 and 667.7 lari, respectively, in transport and communications; 739.3 and 1,343.5 lari, respectively, in financial activity; 125.5 and 540.1 lari, respectively, in real estate, rental, and service operations; 192.4 and 869.5 lari, respectively, in state administration; 88.7 and 243.7 lari, respectively, in education; 80.3 and 305.8 lari, respectively, in public health and social security, and 123.2 and 408.7 lari, respectively, in the municipal, social, and personal service sphere.\(^9\)

In recent years, the wage level in all spheres has been on the rise. But it is insufficient to ensure the participation of broad strata of the population in dynamic trade turnover, without which efficient development of the economy of the country and its regions is impossible.

### Regional Employment Growth Factors and Rationalization of Employment Structure

We believe the regional growth factors to be the following: the expansion of state and market coordination for developing business and the socioeconomic sphere; the creation and functioning of

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\(^7\) The lari exchange rate to the dollar has recently been fluctuating within the range of 1.62-1.67 lari to the dollar.


an efficient mechanism of the regional financial system (fiscal, financial and credit, and investment-fund); the conducting of regional production diversification in the cities and villages; the development of a commodity-promotion infrastructure (including for export purposes) in the regions; and the promotion of sales based on the specific conditions of the regions and the economic situation, the practice of professional retraining, and so on.

These factors can be divided into action factors, which ensure the implementation of the designated strategy, and circumstance factors, which must be taken into account when drawing up and implementing a regional development strategy.

Action factors that should ensure an increase in employment and rationalization of its structure:

1. **Expanding the functions of regional state and market coordination** is one of the most significant factors for promoting an increase in employment in the regions and rationalizing its structure in terms of type of occupation. This is expressed in a certain decentralization of management (broken down into certain functions) with increased rights and responsibility of the territorial state administration structures (and a simultaneous increase in control functions by the center, particularly with respect to the use of those funds that are allotted by the central state structures for implementing certain programs at the territorial level). Development of the functions of market coordination, on the other hand, is expressed, for example, in the creation and functioning of various associations of businessmen which enter contracts with the state structures that set forth their mutual obligations (for example, the institution by the central or territorial state structures of tax or other preferences for businessmen in exchange for an increase in their export potential or the creation of additional jobs; whereby such contracts can also be entered with individual large companies), or in the creation of such associations of businessmen that, within a set framework, define the conditions of fair competition (for example, when determining the average prices for certain products in certain markets for a certain period of time). Or those same associations could initiate measures for improving the conditions in a particular market (for example, to increase employment, develop innovation activity, and so on).

2. Establishment in the regions of an efficient mechanism of financial support. In developed countries it covers three main branches—fiscal, financial and credit, and investment-fund systems (the last two systems include special joint funds that accumulate state and private resources, banks or their regional branches, markets of shares, bonds, and other securities, venture capital).

3. Regions or other territorial units that specialize in the production of one or several products often find themselves in a depressed state. For example, the Georgian cities of Tkibuli and Chiatura, which specialize only in raw material production (coal and manganese), have lost a larger percentage of their population than the country’s other cities.

In developed countries, this fact has long been taken into account and, in order to prevent this kind of economic depression from emerging, a mechanism for stimulating regional diversification of production is incorporated into the systems of regional develop-

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ment coordination. In the village, this is expressed taking into account the natural conditions, the country’s needs for a particular product, the export possibilities, and the need for crop rotation or the retention of valuable perennial crops. In the city, it is expressed taking account of the need of the regions and the country as a whole for the commodities produced, as well as of the need for technology renewal.

From the above, it is obvious that diversification of regional production is an important factor in increasing employment and keeping it at a high level.

(4) In the village, institutionalized structures should be created that will make it possible to intensify agriculture, as well as manufacture, to the extent possible, environmentally pure products. This will help to provide work and income for quite a large number of the country’s economically active population.

In some regions, state and, particularly, private auxiliary centers and farmsteads (consultative, selection, pedigree, and so on) should also be created and developed. More attention should also be given to the use of intellectual potential, for we know that the corresponding skills are required in order to efficiently use both new and traditional technology in private enterprises.

(5) Development of the above-mentioned regional centers (including the creation of special economic innovative and export-industrial zones) should be stimulated, where, along with basic production facilities, numerous auxiliary structures should also function (both financial and non-financial). These centers could become the main driving force behind an increase in employment.

(6) Development of commodity-promotion infrastructure in the village and city. First, this will help to increase sales possibilities and commodity optimization; second, it will promote an increase in product competitiveness; and third, it will provide jobs in the corresponding structures for a certain number of workers, including marketing experts.

Special note should be made of the need to create commodity-promotion organizations in the commodity-promotion infrastructure. They will enhance the export of goods and services, be responsible for purchases, and provide consultation on marketing questions and on the drawing up of a corresponding strategy for gaining access to foreign markets (for which corresponding organizations exist in developed countries, in particular research institutes).

(7) In order to accelerate and equalize development of the regions, as well as promote an increase in employment in them, special programs are often drawn up in developed countries with the corresponding financial support for assisting their implementation.

(8) The development of technology, as well as the obsolescence of some occupations, requires the creation of retraining centers. In some developed countries, they are envisaged by the

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15 See: V. Dobrosotskiy, “Gosudarstvennoe regulirovanie prodovolstvennogo rynka (zarubezhnyy opyt),” World Economy and International Relations, No. 9, 2000; E. Semenova, op. cit.

law, supported by corresponding organizations and finances, and are established and function both at the state (primarily regional) and at the corporate level. In some countries, the state offers even workers with stable jobs the free opportunity to acquire alternative fields of specialization. This makes it possible for them, should they lose their job, to quickly find a job in another sphere of activity. At present, retraining is a factor that ensures a high level of employment in the regions even in the event of crisis phenomena in some spheres of activity.

9) Development of municipal, communication, and other facilities of auxiliary production (for example, land improvement services in the villages) of both national and regional significance also promotes employment growth (a job can be found both in the construction of these facilities and in their operation).

The following factors that reflect the circumstances (trends, special features, demands) should be taken into account when drawing up social and economic development strategies for the country and its regions, keeping in mind employment growth and rationalization of employment structure.

1) The globalization factor. In the globalization context, the possibilities and ways of regional coordination of socioeconomic development are expanded (both with respect to those regions that cover a few countries, and, what is particularly important for our study, in terms of the internal regions of particular countries). The possibility of transferring (disseminating) state-of-the-art technology and installing them in different regions of particular countries intensifies the competition between countries, and between regions within the countries, for introducing advantageous production plants in all spheres of economic activity (financial, industrial, the processing of agricultural produce, innovation, and so on). Making use of these globalization advantages can help Georgia to create new jobs and equalize to a certain extent the technological level among its regions.

2) Accelerated implementation of the innovations generated by scientific-technical progress in all countries is giving rise to the need for constant restructuring of the economy as a whole and in terms of region in particular. It is giving rise to the need for many medium and particularly small businesses. This, in turn, by increasing labor demand, is creating the opportunity for the employees’ efficient distribution in terms of sphere of activity.

The restructuring process both nationwide and at the regional level is the most important element, if correctly coordinated, of employment growth and rationalization of its structure. This element is a circumstance factor (generated by the scientific-technical progress and globalization), which is essentially a prerequisite for transferring to a new production-technological structure. It is also an action factor, the realization of which, in conditions of close cooperation between state and market mechanisms in the regions, requires the drawing up and implementation of a corresponding program.

3) The intensification of agricultural production and application of new technology usually leads to a reduction in the percentage of rural residents in the total size of the population. But in Georgia, the change in the ratio between the urban and rural population has its special traits. First, Georgia does not generally engage in seasonal labor; second, maximum use of natural fertilizers is needed to produce relatively environmentally pure agricultural products, the processing of which requires additional labor; and third, the difficult relief of Georgia’s regions requires constant soil strengthening and improvement (terrace farming is being introduced in some regions of Georgia), which creates the need for additional labor. So pursuing the correct economic policy may help to avoid an abrupt change (as happened

in developed countries) in the ratio between the urban and rural population and ensure that this process is carried out gradually.

(4) At the regional level, an increase in population should be ensured in the cities, particularly in the regional centers. Production can be developed in them using new competitive technology, without which economic growth and an increase in the number of employed and their income is impossible.

Regional development 18 of growth centers or growth poles, 19 as well as of special (export-industrial and innovation) economic zones, should be encouraged. In the context of a sophisticated structural policy, this could help to increase the percentage of regional employment in both scientific-intensive and other pertinent spheres of activity.

Ways to Develop
the Regional Economy Keeping
in Mind the Local Factors of
Employment Growth and
Rationalization of
Employment Structure

At present, a policy should be carried out in the country’s regions that ensures an increase in employment and rationalization of its structure keeping in mind all the circumstances promoting the achievement of efficient employment (restructuring, jobs for young people, registration of the unemployed, training and retraining alternatives, job security, and so on). This requires special organizations that are engaged in drawing up regional socioeconomic development strategies in the regional power structures 20 (in our opinion it would be expedient to include sub-departments for preparing and implementing employment support programs). Diversification of regional production, the strategy of which should be drawn up by local government structures with the cooperation of scientific research organizations, is an important factor of employment growth and its stability both in the village and in the city.

Cities often experience a state of depression, if they specialize in one type of production, due to a drop in market demand for a particular product (or raw material). In the village, however, this situation could be caused by unfavorable natural circumstances or damage to a particular crop or type of livestock from natural pests (fungi, bacteria, caterpillars). In post-Soviet countries, such reasons for economic depression as the use of outmoded technology that produces uncompetitive products, backwardness in R & D, and the absence of auxiliary production units ensuring the introduction and operation of new technologies have not yet been fully eliminated.

It is clear that a mono-product and mono-crop economy, both in the city and in the village, cannot ensure stable economic development, particularly in globalization conditions. In these conditions, diversification of production and the creation of a mechanism that ensures the timely renewal of technology are the main ways to achieve a high level of both urban and rural employment.

If an efficient mechanism of financial support and economic stimulation is not established in the regions, it will be impossible to undertake other measures aimed at increasing employment. This system in developed countries includes the following main branches: a regional fiscal system, the revenue of which also includes the government transfers, and a financial and credit system (banks or their regional branches, special regional funds, in which state and private resources are mobilized). They are partially contiguous and all play an important role in servicing the real sector of production. Mechanisms that promote interaction between the financial systems and real production sectors should be built in such a way that they ensure and encourage the timely introduction of new and the renewal of current technology.

An auxiliary non-financial infrastructure should also be created in the regions, without which the development of contemporary competitive production both in the city and village and, consequently, employment growth will be impossible. In the city, this infrastructure should consist of consulting centers (including those that assist agricultural activity), engineering companies, marketing and other organizations, community-promotion enterprises, business incubators, and professional training centers. In the village, this infrastructure should include selection and pedigree stations (companies), long-term storage facilities (refrigerators, elevators, potato warehouses, and so on), service companies that support irrigation, drainage, and recultivation, environmental protection technical servicing, and so on.

The above-mentioned structures cannot be reliably established without the development of regional growth centers. Growth centers are the main nucleus for the establishment of enterprises, not only of the main, but also of the auxiliary sector. In the past few decades, new types of growth centers have appeared in the regions of many countries—technopolises, export-industrial zones, and technoparks. The first two can be compared with growth poles. Technoparks can be created both in growth centers and in specific areas suited to this purpose. The creation and development of these structures will require capital, including foreign.

Such centers are an important element of economic growth and regional employment, as well as for improving the country’s export-import balance. Product competitiveness and the timely renewal of technology cannot be achieved without creating such structures.

**Conclusion**

At present, employment growth and improvement of employment structure in terms of type of occupation in Georgia and its regions are being hindered by several external and internal circumstances, among which are both problems that have still not been resolved during post-communist reform and problems that are associated with the global financial and economic crisis. Moreover, the world economic crisis was caused by several circumstances that are pointing to the need to transfer to a new technological structure, the functioning of which should be ensured by the adequate development of economic mechanisms.

In this respect, it is necessary, keeping in mind the development of each region, to draw up and implement special strategies and programs for ensuring the establishment of competitive production plants in the real sector of the country’s economy. Specific goals of regional economic and social development should be designated here, and mechanisms and tools of state and market assistance in creating a contemporary technological structure in the cities and villages must be determined. Measures ensuring the efficient use of regional potential (including labor and intellectual) and the coordinated renewal of efficient traditional technology, principles, and mechanisms for establishing the

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21 See: M. Nikitina, op. cit.; E. Semenova, op.cit.
22 See: R. Abesadze, V. Burduli, op.cit.
most promising production plants must be envisaged. Success will largely depend on the correct choice of corresponding institutional forms of organization and interaction between the production plants and mechanisms for stimulating the development of small and medium enterprises. We believe that employment growth and employment rationalization nationwide and in the Georgian regions can only be achieved by carrying out such comprehensive measures.

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EMPLOYMENT PROBLEMS AND SHORT-TERM ECONOMIC BENEFITS IN POST-COMMUNIST COUNTRIES (GEORGIAN CASE STUDY)

Abstract

Based on a case study of Georgia, this article takes a look at a modified market model of full employment and analyzes the following:

(1) the microeconomic aspects of employment in present-day Georgia, which are

the formation of a labor market, a balance between labor supply and demand, the cost of labor, and a labor cost formation mechanism; and

(2) the short-term economic benefits related to employment.

Introduction

In Georgia, as in the other post-communist countries, the market model of full employment is a modification of the socialist model of full employment and the market model of full employment. It reflects the special traits of employment generated by the crisis state of the economy, as well as those inherited from the past. In particular:

(a) in the economy’s crisis state, measures that encourage widespread employment, protection of the unemployed, stimulation of labor demand, etc. are of top priority;

(b) of the traits inherited from the past, the post-communist countries have retained the state’s active role, the population’s mindset, and labor motivation. The benefits from these three elements are long-term;
(c) their impact on labor supply and demand in different areas is of vital importance: in order to raise labor demand, new jobs must be created, business enhanced (small enterprises established), remunerated occupations organized, jobs created for disabled people, and so on. As for labor supply, it can be increased by systematically raising the level of professional skills, developing self-employment, regulating migration processes, and so on.

Special Features of the Modified Market Model of Full Employment in Post-Communist Georgia

The models of classical full and market full employment differ from each other.¹

The model of classical full employment functioned in the former socialist countries. At that time, there was no unemployment. The entire able-bodied population, with a few exceptions, was employed. Employment of the population was guaranteed by the state, which created jobs, distributed them among the working population and paid them a salary. Salaries were the main source of livelihood for the employed and the members of their families.

In contrast to the model of full employment, in which the state was the only employer and the labor of those employed was paid through a salary fund (a component of the national revenue) on the basis of so-called scientifically justified rates, the market model of full employment reflects the dependence between employers and the employed formed on the basis of a work contract. The employed are paid from their employers’ income in compliance with the quantity and quality of the work they perform taking into account the end results of their labor.

According to the market model of full employment, the balance between labor supply and demand is primarily accomplished through market mechanisms, whereby unemployment is also possible in addition to employment, and it is the state’s responsibility to maintain unemployment at a natural level, keeping in mind the active role of trade unions and the high level of professional and territorial mobility inside the country.

In post-communist countries, including in Georgia, the model of classical full employment was replaced by the modified market model of full employment.² This modification is associated with the macroeconomic past of employment, the economic crisis of the post-Soviet period, and microeconomic present and future employment.

As for the macroeconomic past, the state as the monopoly property owner and only employer, the population’s mindset, and labor motivation were the three most important factors with long-term benefits. Their impact on the functioning of the labor market and employment was and remains significant today.

In view of the impact of the economic crisis on employment, the following must be noted: in post-communist Georgia, the economic crisis has been aggravated by reform of the sociopolitical system, as well as the breakdown in economic ties, inflation processes, and the aggravated social background. The old enterprises closed down, and new ones were not built. Most of the able-bodied


population found itself without a job. This took its toll on the market model of employment, created an imbalance in supply and demand, and changed the labor cost formation mechanism.

As for the microeconomic aspects of employment, they include the formation of a labor market, a balance between labor supply and demand, the cost of labor, and a labor cost formation mechanism.

In present-day Georgia, it can be unequivocally said that the labor market does not yet have a corresponding infrastructure, that it is in the process of spontaneous formation. The labor market is being formed against an aggravated social background and in the conditions of an economic crisis with all the ensuing consequences. In addition, the labor market is distinguished by an imbalance in labor supply and demand. At the initial stage of the economic crisis (in 1990-1994), when old enterprises ground to a halt en masse and no modernization was forthcoming, most of the employed found themselves redundant. There was surplus supply, the social background became aggravated, as well as artificial increase in the number of jobs; along with legal unemployment, so-called illegal unemployment appeared. Among the unemployed were engineers, physicists, doctors, and highly qualified specialists of other profiles. Due to the mindset that had become deeply entrenched in the public consciousness over several years, they could not imagine working as shopkeepers, nannies, chauffeurs, waiters, and so on, that is, occupying posts that did not require a higher education.

The surplus labor supply was the main reason for the extremely aggravated social background that developed. The government took active steps to overcome it. Measures were implemented in the country designed to stabilize the economy with the help of the IMF and WB. In 1994, the Georgian Parliament of the first convocation adopted a set of very important laws, including the law on entrepreneurs. Reform of the monetary system was carried out, foreign economic relations were activated, and there was demand for professional and territorial mobility, which grew even more as a result of the economic reform.

This yielded results. In 2003-2007, new jobs were created in the law-enforcement agencies, the education system, the government structures, and so on, which often demanded employees with new specialized skills. As a result, in certain regions and in certain fields of specialization, the demand for workforce was even higher than supply. This became obvious as people vied to fill the vacancies that appeared. Incidentally, this local imbalance whereby workforce demand exceeded supply in certain regions and in certain fields of specialization is not a new phenomenon for the country. For example, in the mountainous regions, the demand for teachers, doctors, and employees with other special skills of this type has almost always been higher than the supply, including in years when the employment level dramatically dropped.

Business enhancement, particularly encouraging the creation and functioning of small enterprises, organizing remunerated social work, and employing disabled people, is an important way to increase labor demand.

When generating supply, special attention should be given to ensuring the corresponding level of professional qualifications of those workers in demand. In Georgia, this became extremely problematic when many of the old enterprises ceased to function, and correspondingly many professions became superfluous and unnecessary. Many people were forced to change their profession, becoming accountants, chauffeurs, or shopkeepers. Teachers were in need of serious advanced professional training due to reform of the education system, as well as doctors, policemen, and people with other special skills. New professions also appeared—managers, market researchers, and others. Training specialists to meet the new demands of the market infrastructure will continue to be top priority task in the future.

It is generally recognized that self-employment, which only goes back fifteen years in Georgia, plays an important role in generating supply. The number of self-employed in the country is rising from year to year and is much higher than the number of workers for hire. The measures being imple-

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mented to encourage self-employment include issuing privileged loans, particularly in agriculture, and providing tax benefits.

The most important vector for present-day Georgia when generating labor supply is regulation of the internal and external migration processes. At the initial stage and during the subsequent periods of the economic crisis, many Georgian citizens went abroad in search of work. Many of them were illegally employed. The high index of external migration is another indication of the imbalance between labor supply and demand.

As for the cost of labor and the labor cost formation mechanism, in Georgia they are far from perfect. Salaries do not perform any of their functions: reproductive, social, or regulating. Current salaries are creating a discriminating environment in the labor market. Salaries do not even satisfy the physiological needs of citizens and their families, and there can be no talk of reproductive and stimulating functions. This situation indicates an economic crisis. The fact that salaries in the country do not perform the function of balancing labor supply and demand and they are defined by means of a contract between certain forces in the labor market also points to an economic crisis.4

It is well known that there is a functional dependence between the production volume and production factors (labor and capital). When demand for a certain commodity rises, the natural reaction of manufacturers is to increase its production volume. The first thing they do is increase the number of employed, that is, they try to gain short-term benefits by raising production capacities as much as possible. Then production is expanded on the basis of existing enterprises by acquiring additional technology, production lines, and so on. The end results are achieved in the mid-term by increasing the amount of investments. If successful, widespread expansion of production continues, which implies both the opening of new enterprises and the reconstruction and modernization of old ones. In this event, the end results may be a long time in coming.

Ways to raise production volume by increasing the number of employed and maximizing production capacities in the short term differ from each other in different spheres of the economy, in different branches, and in enterprises and companies of different profiles:

(a) in the case of existing enterprises, providing there is stable economic development, burgeoning sales are guaranteed during an increase in demand. Encouraged by the burgeoning sales, the production volume is increased even more by stretching production capacities (for example, increasing the length of shifts). Enterprises have a real opportunity to obtain additional profits, mainly by means of internal resources and additional labor;

(b) in the case of existing enterprises, in the conditions of an economic crisis, when the unemployment level is higher than its natural level, thus generating surplus labor, an increase in production volume, given increased demand, should not present any problem. In reality, however, despite the fact there is demand and supply, the situation is rather serious—an economic balance cannot be achieved because the producers and consumers are unable to reach an agreement on cost.

In post-communist Georgia of the 1990s, many enterprises closed down. This was caused by the breakdown in old economic ties and the absence of new ones. It was impossible to supply enterprises with raw material or sell the commodities they produced. In Georgia, the products manufactured could not be sold because of their low quality and the cost formation mechanism in effect at that time.

The closedown of most enterprises led to an increase in unemployment. A surplus of unemployed labor appeared in the country. It was impossible to expand production to the desirable proportions. In order to shed more light on the matter, let us take a look at the situation in the medical service system.

It is obvious that the country has a surplus number of both highly qualified physicians and those in need of medical services, that is, in the medical service sphere there is both demand and supply. The problem lies only in the consumers and suppliers of these services reaching an agreement on the cost of the aforesaid.

There is a similar situation in tourism, particularly local, as well as in the resort industry, education, and other spheres.

The banking sector is the topic of a separate discussion. From the viewpoint of employment, it deserves particular attention. In the past few years, banks appeared, first, as the most attractive employers and, later, as organizations that made large numbers of young qualified specialists redundant.

In Georgia’s case, problems in the banking sector were created in the context of the hostilities in 2008. In particular:

1. the population tried to withdraw their funds from their bank accounts;
2. most of the amount withdrawn was not returned;
3. inflation expectations became aggravated and not without reason—inflation expectations have made money a less attractive asset;
4. in those regions inflicted by the hostilities, the property of legal and physical entities, banks included, was destroyed.

It has become practically impossible to return issued loans, which has created additional problems in the banking sector.

It stands to reason why banks are reluctant to issue loans. The personnel policy they are conducting is based on objective considerations and will not improve in the future.

As for the enterprises operating in Georgia, they should be divided into two groups: enterprises oriented toward the domestic market and enterprises oriented toward export. The enterprises oriented toward the domestic market have all the prerequisites for increasing production and obtaining short-term benefits by means the larger workforce. The risk is also minimal in those enterprises that are oriented toward export, for the simple reason that

1. they produce primarily raw products,
2. the index of Georgian export in the foreign market is insignificant, and
3. most importantly, Georgia enjoys immense international support.

From the viewpoint of achieving short-term benefits, agriculture and trade occupy a special place among the branches of the economy. In these branches, naturally, it is possible that the anticipated result will be achieved in less than a year. As for costs, they are mainly labor-generated and insignificant compared with other branches, even at the initial stage of activity.

In Georgia, agriculture is a field of traditional specialization in producing grains, vegetables, legumes, and so on. In addition to the fact it can produce vitally important products, this branch also enjoys reserves for increasing the level of employment in a short period of time.

Trade has drawn the attention of experts since as early as Soviet times, since the second half of the 1980s. At that time, the economic reform program known as perestroika envisaged cooperation

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with foreign partners in a simplified regime, abolition of state monopoly on foreign trade, and introduction of new forms of international economic cooperation. Within the framework of perestroika, planned economic reform set itself the goal of bringing foreign investments into the country and stimulating the import of production means. Optimization of the import structure and foreign investments was to promote further development of the production sphere. In reality, this expectation was not justified. Foreign investments went into the service sphere, rather than production, and joint ventures and enterprises with a share of foreign capital emerged among the new forms of foreign economic cooperation. From this time until the present, trade has been most popular service sphere. There are two reasons for its popularity: first, it takes less capital to begin operating and, second, the end results are not long in coming.

In present-day Georgia, the high interest of specialist-theoreticians, practical experts, and the whole of society in short-term economic benefits is related to the interdependence between these benefits and the larger workforce. The rapid onset of the end results of economic activity is also important, while an economic crisis is going on in the country and there is still an extremely tense social background.

**Conclusion**

In present-day post-communist Georgia, the labor market is in a state of spontaneous formation, there is an imbalance in labor supply and demand, and the cost of labor along with the cost formation mechanism are far from perfect.

In these conditions, while trying to overcome the economic crisis, a healthy competitive environment must be created, discrimination abolished and not permitted in the future, a balance in labor supply and demand achieved, demand stimulated primarily by creating new jobs, and supply stimulated by helping the unemployed to find jobs, on the one hand, and by protecting the rights, choice, and interests of the employed, on the other.

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**THE COMPETITIVENESS OF HUMAN RESOURCES: EVIDENCE FROM GEORGIA**

**Abstract**

The goal of this paper is to provide insight into how Georgia can increase its productivity and give its human resources and companies specialized advantages. In this study, the current situation and reforms in relevant areas such as eco-
nomic development and education are described. The existing problems and opportunities in these spheres, as well as the role of each stakeholder and their potential to contribute to the enhancement of Georgia’s human resource competitiveness are identified. On the basis of the analysis, some policy recommendations for both the government and the private sector are elaborated.

Problem Statement

Gaining a competitive edge is one of the central tasks facing Georgia on the path of economic development. Competitiveness is the capacity of a nation to attain higher productivity levels and gain large shares of both export and domestic markets. Worldwide experience suggests that the prosperity and development of nations—especially small, developing economies—depends not so much on their initial natural resources as on their ability to gain a competitive advantage through continuous innovation and upgrading of domestic industries. This ability in turn depends on how well a nation can provide a “home base” for the businesses which “…will be the location of many of the most productive jobs, the core technologies, and the most advanced skills.”1 Human resources are among the key factors that constitute such a “home base” and thus determine the competitiveness of a country.

The competitive potential of a country’s human resources means not only the number and cost of personnel, but also the sophisticated skills acquired through higher education and advanced research and training, the creativity and commitment of managers in deploying resources, and the ability of managers to convert human capital into a superior consumer good and achieve customer satisfaction.

A variety of factors determines the competitiveness of a nation’s human capital. These are: general socioeconomic factors, such as the macroeconomic situation, economic development policy, poverty and equality; the reliability of health and education systems; and the efficiency of human resource strategies employed by individual companies. Various actors or stakeholders are responsible for ensuring that these factors are in place. Thus, competitiveness in the field of human resources requires close cooperation among the main stakeholders, i.e. the government, the private sector, and the labor force.

The goal of this paper is to provide insight into how Georgia can increase its productivity and give its human resources and companies specialized advantages. We will start by describing the current situation and reforms in relevant areas such as economic development and the secondary, vocational, and higher education systems. Second, we will identify the existing problems and opportunities in these spheres. Third, the role of each stakeholder and its potential to contribute to the enhancement of Georgia’s human resource competitiveness will be discussed. Fourth, some policy recommendations for both the government and the private sector will be elaborated.

The Current Situation

In this section, we will take a look at the current situation in areas that determine the competitiveness of human resources.

Economic Situation: During the period following the breakup of the Soviet Union in 1991 and gaining independence, Georgia faced severe shocks from disruptions in its trade relations and energy imports. In the mid 1990s, the Georgian authorities achieved macroeconomic stability through implementing a “stabilization program” and, later, the 2003 Rose Revolution provided a new stimulus for economic development. The ambitious reform program launched by the government was focused on combating corruption, improving governance, and enhancing the business environment in Georgia.

The high rankings Georgia received from the World Bank, as well as the stable rates of real GDP growth, indicate that significant advances were achieved in the reform of the business environment.

The recent economic upsurge, however, has not resulted in a serious enhancement of employment variables. The main trends in the employment sphere remained a decrease in the labor force participation rate and an increase in the unemployment rate. It should be mentioned that the Georgian employment structure underwent significant changes during this transition period. The first effect of the transition process on employment patterns is reflected in the reduced influence of the state-owned sector on employment. Second, the share of the self-employed in the employment structure has been increasing substantially at the expense of the share of those officially employed. Another important change in the employment structure was the shift from industry and services (broadly defined) sectors to the agricultural sector. During the period under review, the employment share of agriculture more than doubled, while the share of industry dropped substantially.

It is important to understand that growth in employment, particularly self-employment, in advanced transition economies and developing countries is usually associated with the expansion of small and medium businesses. Economic reform reduces or eliminates bureaucratic obstacles, hence making it possible for small and medium businesses to expand their operations, create new jobs, and increase employment and output. But this was not the case in Georgia. Unlike other advanced transition economies, the increase in the share of self-employment in Georgia is related mainly to activities in the agricultural sector. Taking into account the fact that these activities are oriented mainly toward self-consumption and that a significant portion of “self-employed agriculture workers” are unpaid members of farm families, we can conclude that increased self-employment in Georgia in fact only reflects disguised unemployment.

In the context of recent developments in the labor market, it is not surprising that the economic upsurge has had negligible effect on poverty and inequality. Both the absolute poverty level—percent of the population living below the subsistence minimum—and inequality decreased only slightly during the period under review. Georgia still has one of the poorest performances among Central and Eastern European countries (CEE) and the former Soviet Union (FSU) republics on both counts. We believe that this is mainly due to the fact that recent economic growth failed to stimulate formal employment and to alleviate the unemployment problem.

One important factor in attaining international competitiveness is productivity growth. Productivity reflects the level of education of the labor force and advances in technology and is a good measure of the sustainability of economic development. While in recent years Georgia showed positive rates of labor productivity growth, the efficiency of the Georgian economy is still very poor. The GDP per capita in Georgia remains at one of the lowest levels among transition economies. The average per capita income in Georgia is lower than other former Soviet Union republics and significantly lower than that of the Central and Eastern European or Baltic countries. Georgia’s labor productivity is also weaker than that of other transition economies. For instance, labor productivity in Georgia is approximately a third of that in the CEE countries (the Czech Republic, Hungary, and Estonia) and a sixth of that in advanced developing countries (Hong Kong, Singapore) and developed countries (USA, Germany, and Japan). This low value of labor productivity explains why Georgia’s economy is not competitive and also does not speak well of the country’s economic sustainability. The competitiveness of economies is increasingly dependent on the availability of a qualified and entrepreneurial workforce. Thus the important factors that can improve national productivity levels and enhance employment variables are the quality of skills possessed by workers and the level of knowledge provided by the education system.

**Education**: Education plays a crucial role in providing human resources with skills and knowledge, factors which are important in promoting competitiveness and attaining the nation’s sustainable

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economic growth. Education and knowledge have been highly valued in Georgia throughout its history. One vivid illustration of this is the country’s very high overall education index (0.91) and 100 percent adult literacy rate.\footnote{See: UNDP. Human Development Report 2008, available at [http://hdrstats.undp.org/countries/data_sheets/cty_ds_GEO.html].} However, the socioeconomic transformation process launched in Georgia in the early 1990s plunged the country’s education system into a deep crisis. Economic hardship led to a substantial decrease in funding for education, which had a very negative impact on the whole education system, such as deterioration of the education infrastructure, low motivation of teachers and other personnel, corruption, lack of teaching materials and equipment, and outdated curriculum. Moreover, the transition to a new socioeconomic system has not been accompanied by a relevant change in education strategy and methods. Instead of fostering problem-solving and critical thinking skills and abilities in students, the education system has been using routine teacher-centered methods aimed at drumming information into students’ heads.

Realizing the social inefficiency of the educational system, the Georgian government, with the support of the World Bank, launched an ambitious reform program at the beginning of the current decade. The goal of the reform was to establish advanced educational standards in Georgia using new methods of management, financing, and quality control. These reforms laid the legislative groundwork for the Law on Higher Education, adopted in 2004, the Law on General Education, adopted in 2005, and the Law on Vocational Education, adopted in 2007.\footnote{For more detailed information on reform of education system in Georgia see: Georgia Human Development Report 2008: The Reforms and Beyond, UNDP, Tbilisi, Georgia, 2008.}

Ambitious reform programs in all spheres of education, however, have faced serious obstacles. As a result, the outcomes of the reform sometimes fall short of the desired aim.

- One of the main pillars of the reform was decentralizing the education system and providing educational institutions with “autonomy.” But in reality the state management of the whole public sector of science and education is still extremely centralized. The avowed “autonomy” of educational institutions remained a mere declaration that has little relevance to the real situation. MES still has strong political instruments to exercise discretionary power over the functioning of educational institutions even at the operational level.

- There are some obstacles in the education system that impede opportunities for lifelong continuous professional career-building. For example, students pursuing a vocational education who enter professional centers without a diploma from a secondary educational institution (which the Law allows) will not be able, according to the Law, to continue their education at the next higher technical education level, as doing so does require a secondary school diploma. For these students, the chosen path becomes a dead end, as they cannot complete their secondary education at a professional center.

- The central objectives of the ongoing reform of the education system were to replace the traditional methods, forms, organization, and structure of the education process with new “progressive” ones that would assure the quality of education. In many places, such changes were of a strictly “formal” nature and had only a negligible effect on the quality of the education processes.

- This is especially true for graduate programs, which are often not even provided with the relevant textbooks and materials. Moreover, in many cases there are no substantial differences in content between undergraduate and graduate programs. The quality of education at the doctorate level has even decreased compared to the pre-reform period.

- In general, higher education institutions fail to provide learning environments that stimulate independence, creativity, and an entrepreneurial approach—all of which are very important to human resource development.
An analysis of developments in the labor market reveals a substantial mismatch between the competency of graduates as they emerge from universities and other educational institutions and the qualifications and skills in demand in the market. This indicates a lack of cooperation between educational institutions and private business.

Overall, the education system, despite the ambitious reform efforts, still fails to nurture well-educated and skilled human resources capable of adapting rapidly to the changing environment.

Gaps and Opportunities

An analysis of current situation allows us to identify the following two broad groups of factors that inhibit the formation of competitive human resources in Georgia: the “demand” and “supply” factors.

The main gaps on the demand side are related to the inability of the government to provide a sustainable economic development environment, in which businesses flourish, investments based on innovations and advanced technology transfer are attracted, jobs are created, and there is a demand for skilled and competitive human resources.

Georgia has implemented major reforms aimed at improving the business environment and attaining high rates of growth. However, the quality of economic growth remains low with respect to economic and social sustainability. In particular, this growth is related neither to innovations and investments in high-tech industries, nor to expansion of activities of small and medium businesses, nor to an increase in the number of jobs and equity in income distribution, nor to a reduction of poverty. Although the improvement of the business climate has increased gross output, growth in Georgia has been mostly associated with excess absorption and credit expansion, as well as with foreign investments, mainly in the tradable sectors. The low quality of growth means that it will be very hard to sustain it in the future, especially when the privatization process, and the accompanying capital inflow, comes to an end. We identified two broad categories of factors that preclude the achievement of sustainable economic development in Georgia. These factors are “market failures” and “government failures.”

Market failures reflect the fact that the Georgian economy is stuck at a low-level equilibrium characterized by insufficient investment in innovation and technology and thus poor prospects for development. Neither market forces nor a government policy based on the laissez-faire principle can provide the push necessary to achieve a high-level equilibrium and, therefore, sustained economic growth.

Government failures in Georgia mainly concern problems in establishing and maintaining the rule of law in society and ensuring the independence and efficiency of the judicial system. Lack of confidence in the rule of law hampers incentives for long-term investment in technology development and innovations, fails to provide equal opportunities for all economic agents, and thus inhibits sustainable economic growth.

In such an economic environment, companies’ motivation to acquire state-of-the-art technologies and nurture highly valued human skills is low. Solving the existing problems, i.e. elaborating an economic development policy focused on innovation and advanced technology transfer, providing equal conditions for all economic agents, and ensuring a competitive environment represents an opportunity per se to develop demand for high-skilled, competitive human resources.

The reverse side of that coin is the failure of the economy to ensure the supply of skilled human resources even in cases when such a demand does exist. For instance, a significant portion of foreign direct investment (FDI) has gone to large infrastructure projects (the Baku-Tbilisi-Ceyhan pipeline) or real estate (hotels, recreation facilities), where the construction work was implemented mainly by “imported” labor force. The fact of the matter is that the local labor market failed to provide human resources with the skills required to fulfill these projects. Despite the higher costs, foreign investors preferred to use adequately skilled “imported” workers rather than cheap local human resources not equipped with the relevant skills. Thus the failure of the Georgian education system to provide the
required world class skills or to respond quickly to new market demands in part explains why recent enormous FDI inflows and accompanying real GDP growth have not created jobs or reduced poverty.

Another good illustration of the inadequacy of the Georgian education system in providing advanced skilled human resources is the situation in the Georgian wine industry. A recent competitiveness analysis of this industry, which is so important for the Georgian economy, revealed that despite favorable natural conditions, the industry has a limited ability to gain a competitive advantage in the global markets. One of the key factors that hampers the competitiveness of the wine industry is the lack of advanced human skills. While Georgia appears to have an advantage in low-skilled labor, both in terms of cost and availability, there is a substantial disadvantage with regard to the availability, quality, and cost of high-skilled human resources. First of all, there is a major lack of highly qualified wine technologists, vineyard managers, and marketing specialists. The shortage of skilled workers is to a large extent interrelated with poor vineyard management and the inability to fully exploit Georgian land advantages. Though there are special research institutes, such as the Institute of Winemaking and Winegrowing and some specialized educational institutions in Georgia, their impact on the efficiency of the wine industry has been very low, according to experts. The more advanced companies prefer to train specialists and acquire advanced knowledge and technologies from abroad. This partially explains the Georgian wine industry’s lack of skilled human resources, advanced technologies, and vineyard management practices. It is noteworthy that the situation in other Georgian industries with respect to the availability of advanced skilled human resources is about the same as that facing the wine industry.

We have already discussed the main deficiencies and gaps in the Georgian education system in the previous section. Clearly, the enhancement of this system represents a major opportunity to ensure more competitive human resources. However, we would like to stress one opportunity that is very important for providing productivity and competitiveness of human resources. We think that establishing strong links between the private sector and educational institutions will significantly facilitate the growth of human resources equipped with the skills and competences that are in demand in the market place.

We will discuss the role of each stakeholder in this process in the next section.

Potential Role of Each of the Relevant Stakeholders

As worldwide experience suggests, in order to successfully nurture a nation’s competitive human resources, cooperation among the main stakeholders, i.e. private business, the government, and the labor force, is required. An analysis of the business environment in Georgia suggests that the relations among the main stakeholders are governed by distrust rather than cooperative values. Each actor tries to maximize its own benefit (i.e., the government—tax revenues, labor—salaries, private business—short-term profits) at the expense of maximizing the benefits for the whole network. Thus promoting cooperation among the main stakeholders to create joint values, activities, and policies focused on achieving long-term competitiveness is one more opportunity for human resource development. Below we shall discuss the role of each stakeholder in this process in more detail.

The government should play an important role in the promotion of a collaborative network aimed at fostering competitive human resources, affecting both “demand”- and “supply”-sides.

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The demand-side policies assume that the Georgian government will refrain from the laissez-faire principle and pursue an active economic development policy oriented toward the dynamic transformation of the production structures. The government must also create a business and legal environment that will encourage the emergence of efficient market mechanisms and provide equal opportunities for all the economic agents to expand. These measures will create a strong demand for advanced skills and highly productive human resources.

The supply-side policies influence the ability of the economy to provide competitive human capital. Taking into account the fact that the social value of education significantly exceeds private profits, under a laissez-faire system there will be a deficit of relevant education and learning. To deal with this market failure problem, the government should be a major investor in the education sector. The government should ensure the operation of a set of institutions that provide educated and creative human resources and facilitate rapid and sophisticated research and development. The government should also stimulate companies and the labor force to invest in education and human resource development.

Private business can play just as important a role in developing human resource competitiveness. Georgian companies should significantly increase their spending on staff education and training, shifting their orientation from short-term profits (using low-cost, unskilled labor) to long-term competitiveness (based on employing advanced, skilled, and highly productive human resources). Private business can also support educational institutions, providing them with the list of skills and competences badly needed in the marketplace. Another important way that private businesses can contribute to the competitiveness of the labor force is through employing advanced human resource management practices and strategies.

Like private businesses and government, the labor force must also share the responsibility for developing human resources and investing in the skills and knowledge that yield the greatest private returns. To ensure workers maintain positive attitudes and remain involved in the process of skills acquisition and productivity enhancement, the social aspect must be emphasized. It is well known from business and managerial literature that the productivity and creativity of human resources is determined by the perception of their stake in business and their perception of social justice. In this context, the Georgian Labor Code, which deprives workers of their rights in favor of employers and thus provides a basis for social injustice, could have a negative impact on the involvement of human resources in the productivity and competitiveness enhancement process.

Significant assistance in facilitating cooperation among the government, management, and labor can be provided by international organizations like the World Bank, UNDP, and others. These organizations have great worldwide experience and can directly assist the main stakeholders in developing programs that provide improved education opportunities and enhance the productivity and competitiveness of existing human resources. One good example of such assistance is the World Bank’s Enterprise Restructuring and Management Assistance project (CERMA), implemented in Georgia in the mid-1990s. This program provided an invaluable contribution to private sector development in Georgia, supplying local businesses with advanced managerial skills and increasing their competitiveness.

Recommendations

On the basis of the above analysis, we elaborated two broad groups of recommendations corresponding to the two aspects of the human resource competitiveness problem. The first group of recommendations is focused on the demand-side factors and aims to further the economic development process in Georgia by eliminating the obstacles created by both market failures and government failures. In particular:

- The Georgian government must shun the laissez-faire principle and pursue an active economic development policy oriented toward the dynamic transformation of production struc-
tures. The implementation of this policy requires: identifying the sectors that will represent the basis for industrial development (this should be non-traditional export-oriented sectors, involving new technologies and knowledge); elaborating a development strategy focused on stimulating and attracting investments in selected sectors of industry; and ensuring the sound implementation of industrial policy, which means performing strict oversight of the performance of enterprises and imposing discipline.

- The government must create a business environment that will encourage the emergence of efficient market mechanisms by stimulating the competition processes and the creation of new enterprises; providing free access to the market; actively implementing anti-trust policies; re-establishing the anti-trust agency and empowering it with sufficient authority and status to efficiently implement competition policy; establishing clear rules for market conduct for all economic agents without exception and thwarting any opportunity for non-productive or predatory activities; and eliminating any opportunity for the government to take part in the process of property redistribution.

- Improving the rule of law by enhancing the functioning of the legal and judicial system is essential for Georgia today if it is to achieve long-term economic development goals.

The second group of recommendations is focused on the ability of the Georgian economy to supply human resources equipped with advanced and in-demand skills and competences. In particular:

- The government should substantially increase investment in education, first of all making basic education accessible to everyone. Special policies must be elaborated to improve education and reduce drop-out rates. All of these measures are important in order to equip people with the necessary competences, including the basic skills and learning that are prerequisites for the further upgrading of skills.

- The government should provide special incentives for the business sector to expand its participation in education and human resource development. For instance, corporate tax cuts could be tied to incentives for increased reinvestment in training and equipment.

- To increase the productivity of human resources, the social protection of workers must be ensured. Amendments that empower workers in their relations with their employers must be made to the Georgian Labor Code. These changes in legislation must also ensure that employees receive continuous training and educational opportunities.

- Entrepreneurial culture must be promoted at educational institutions; this requires serious changes in the governance and leadership methods of these institutions. These changes are necessary to ensure the ability of educational institutions to generate new skills in response to the nature of the new jobs, as well as to improve the adaptability of human resources.

- The learning methods and curricula in educational institutions must be substantially changed by introducing transferable skills into the curricula at all levels of education; using better examination and quality control methods; enhancing the interdisciplinary nature of education and research; raising the social and economic relevance of learning programs; and improving the quality of programs, especially at the graduate level.

- Close cooperation between private businesses and educational institutions must be promoted in order to eliminate the mismatch between the skills and competences offered and the skills and competences demanded. To this end, a favorable environment for cooperation between educational facilities and business must be created. Such cooperation should become a part of the strategy of the educational institutions while, in turn, private business should establish a special council to interact with educational institutions that will help to continuously identify and update/upgrade the skills demanded in the marketplace and support the advancement of education programs.
The education system must ensure continuing education opportunities by eliminating the existing obstacles in the legal and regulatory framework, e.g. by providing better transitions between secondary education and vocational education, and then higher education.

Private business must employ advanced human resource management methods oriented toward improving managerial skills and enhancing the training and development opportunities at work, e.g. skills-charting and competence-mapping methods.

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THE MIDDLE CLASS:
A NEW CONCEPTUAL FRAMEWORK AND
A BRIEF APPLICATION TO THE CAUCASUS

Abstract

The role of the middle class in the evolution of societies, their economies and their politics is one of the oldest topics in political economy. In this paper we suggest a new conceptual framework for the study of the middle class in an ef-
In his *Politics*, Aristotle states that the wealth of a state depends on the wealth, size and constitutional protections of its middle class. Aristotle offered this empirical observation without any theoretical foundation. In this paper we provide a theoretical argument as to why the middle class may be so central to economic development. If this is the case, we expect utility maximizing governments to protect the property rights of the middle class, and when we study determinants of the wealth of nations we may want to pay closer attention to institutions and conditions that protect the property rights of the middle class.

The neglect of the role of the middle class in sustainable economic growth is due to the prevalence of the neo-classical school of economics emanating from Adam Smith’s *Wealth of Nations*.\(^1\) It is due to the omission, in this approach, of the distinction between the structure and the performance of the economy\(^2\) and the offhand treatment of structures of property rights, their distributional effects and the importance of the quality of their enforcement.\(^3\) Without an understanding of institutional structures, it is hard to account for variance in economic performance. Douglass C. North brought to the forefront of economic research the observation that this is a giant omitted variable that accounts for most of what we care to know about societies and their economies.\(^4\)

The neo-classical economic school acknowledges the critical role of property rights to the function of markets, but for too long tried to incorporate this external determinant of social order into the “friction free” competitive market framework denying any role for central government enforcement. Considerable effort was made to explain “spontaneous” emergence of property rights using variations of repeated game logic\(^5\) by which, in equilibrium, unconstrained agents without any external (government) enforcement mechanism, would settle on some self-enforcing governance of property rights to avoid a failure in cooperation that would lead to disastrous consequences to all. Research of the late 1990s challenged this argument. First, it was established that self-enforcement is unlikely in most realistic environments. Even relatively small group(s) of agents with moderate levels of future discount factors can hardly hope for sustainable self-enforcement of

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property rights structures. Then it was shown that governments are reliable enforcers of property rights under a wide range of realistic conditions. Furthermore, it is easy to show that societies fare better with governments that protect the property rights of their citizens than without them. This established a straightforward clear role for governments to play: protect the property rights of their constituents.

Governments are expected to be inefficient. As a monopoly that grants and protects property rights, it is bound to apply monopolistic pricing so that property rights would be undersupplied and overpriced. Taxes levied by governments are likely to be too high for efficient markets. Also, governments are motivated by distributive and redistributive rather than efficiency incentives. And yet, government grant and protection of property rights seems a necessary condition for markets to emerge and prosper, with all the generic inefficiency associated with their monopolistic and redistributive motivations. If governments protect property rights to maximize their expected utility, what kind of property rights should they protect? In this paper we argue that if property rights structures are erected by utility maximizing governments, they should protect first and foremost the economic viability and strength of the middle class.

First, a strong middle class is critical for the economic prosperity of any government whose welfare rests on tax revenues. Second, only a strong middle class has the incentive to help governments protect those property rights against the abuse of external and internal threats.

Helping the poor without protecting them with a generic structure of property rights is bound to lead to the well-documented inefficiency of philanthropy. Overprotecting the rich, is bound to lead to underutilization of human capital. Keeping a large proportion of society out of the wealth and comfort of health care, education and attractive job prospects, is bound to reduce the potential of productivity in any society.

Structure of the paper: In the next section we articulate our theoretical argument. In the third section we present some cross sectional data, consistent with our theoretical argument. In section four we trace a research program that will further this original line of investigation and conclude with some remarks on the application of our findings to the Caucasus and caveats on what we have done and the whole lot that remains to be done.

2. The Wealth of Nations Depend Primarily on the Wellbeing of the Middle Class

The importance of the middle class to the economy is a rather conventional wisdom. But, there is little theoretical basis for this wisdom. In this section we provide a neo-classical foundation

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7 See: I. Sened, op. cit.
8 This role of government is still commonly ignored due to prejudice against the role of government shared by many neoclassical economists. An unfortunate reality that awaits it correction by a new, more realistic generation of scholars that would be better tuned to science and less obstinate with ideological prejudice.
9 See: I. Sened, op. cit.
for this argument in three steps. We begin with a short review of the literature. Next, we explain that no economy can thrive solely or mainly on the wealth of a small group of the very rich. We then argue that helping the very poor may be normatively appealing but not sustainable for economic and societal long-term success. We conclude with a simple argument as to why the middle class is most likely to generate sustainable economic growth and social wellbeing. We complete the argument with a note on the role of political institutions in the protection of the wellbeing of a middle class.

2.1. A Short Literature Review

Traditionally, much attention was paid to the negative effect that reducing income inequality may have on economic growth. This argument follows two lines of reasoning.

- Firstly, greater equality may have a negative impact on aggregate savings. If income is redistributed by transfers from individuals capable of saving to individuals with little propensity to save, then in the aggregate, the level of savings will be lower, thereby decreasing the level of investment and economic growth.\(^{13}\)

- Secondly, governments promote redistributive policies to favor poor people to alleviate political pressures through progressive taxes. These taxes, imposed at the margin, should affect the incentives for investment and translate to a negative effect on the rate of growth.\(^{14}\)

Empirical studies, however, aimed at testing the effects of income inequalities on growth yields non-conclusive results at best. Rigorous recent studies show, consistently, an inverted U-shaped relationship between income inequality and economic growth.\(^{15}\)

Probably more troubling than the failure to fit the data is the state of the art of these theoretical foundations themselves. Banerjee and Duflo recently summarized the theoretical state of the terms of three traditional arguments: “In one, new entrepreneurs, armed with a capacity and a tolerance for delayed gratification emerge from the middle class and create employment and productivity growth for the rest of society… In a second, perhaps more conventional view, the middle class is primarily a source of vital inputs for the entrepreneurial class: it is their “middle class values,” their emphasis on the accumulation of human capital and savings, that makes them central to the process of capitalist accumulation [of wealth]… The third view, a staple of the business press, emphasizes the middle-class consumer, …who is willing to pay a little extra for quality. It is the demand for quality consumer goods that feeds investment in production and marketing, which, in turn, raises income levels for everyone…”\(^{16}\)

All of these arguments assume some generically distinctive feature of the middle class as such that seems ad-hoc at best. Not surprisingly, Banerjee and Duflo find no significant empirical support for any of them in their in-depth 13 countries study. What they do find is a tendency of the middle class to have less children and invest more in their education, health care and other individual foundations that translate into higher paying jobs and longer life expectancy amongst others.\(^{17}\)


\(^{17}\) See: Ibid., p. 22.
2.2. A New Theoretical Foundation for the Role of the Middle Class

The theory of the middle class and its role in economic growth and social prosperity that we are submitting here, rests on two basic principles of the neo-classical economics. A diminishing returns argument and an acknowledgement of the role of property rights structures as determinants of economic performance. On the empirical side, it explains the inverted U-shaped relationship between income inequality and economic prosperity.

Excessive wealth in the hands of few is likely to result in two types of inefficiencies. First, the logic of diminishing returns suggests that those who accumulate immense sums of money use investment strategies with quickly diminishing returns. Second, the property rights of the very rich are difficult to protect and manage. In particular, the huge financial conglomerates that protect and manage the financial assets of multi-billionaires must suffer, generically, from major X-inefficiencies more commonly associated with the conduct of central governments. Enjoying near or perfect monopoly power in major areas of their activities and sustaining huge administrative apparatuses, they tend to invest their capital and manage it as inefficiently as central governments. Recent figures on corporate earnings clearly indicate how widespread this phenomenon is. Much attention has been directed to the excessive salaries of many of the corporate leaders who run these corporate conglomerations often with little or no success to show for it. The mismanagements and management failures of many of these major corporations has been widely discussed in the media in the context of the 2009 economic recession and need no further elaboration here.

At the other end of the spectrum, transfers to the poor are likely to confirm worries of the ineffectiveness of political transfers. Even if some savings and entrepreneurial gests occur, this segment of the population is the least likely to be able to benefit from basic protections of property rights, with little if anything to protect, with poor education, poor health and little property. Crime-infected neighborhoods and deprivation of health care and other modern protection against destitution are detrimental not only to the productivity of the poor, and therefore to any long-term investment, but also to whatever assets they may accumulate. Hence the limited prospects to philanthropically motivated redistribution toward the poor.

2.3. A Ticket to the Middle Class—A Property Rights Approach

Economic fortune is often measured in terms of income and assets. This definitional myopia goes to the heart of our theoretical argument. Even if membership in the middle class is defined purely in terms of income and assets, the diminishing returns argument still gives us some leverage. It would still be the case that the middle class is more likely to make a better use of its assets than the very rich, but even here we may run into potent objections. Frank Knight \(^{18}\) seems to have argued that the rich enjoy an unexplainable quality of dealing with uncertainty that explains the origin of profits in a way that the general equilibrium model cannot. Knight “saved” the profits in the competitive market model that would, otherwise, predict the dissipation of all profits by the competitive forces that are assumed to make those markets work. He also left us with a belief that has never been proven or shown to be true, that the rich know better how to spend their money, generic to the “trickle down” economic school and flat taxation schemes. A critique of Knight’s theory is beyond our scope, but we draw attention to the tension between the diminishing returns principle and the “rich know better” argument.

The former is backed by theoretical and empirical support, the latter remains implicit in most cases and has not gotten much theoretical or empirical corroboration.

On the diminishing returns argument alone, transfers to the very poor are easily justified. School subsidies and basic health care should all go to the poor where they are likely to have the most beneficial effect. Therefore, it is important to appreciate to dual basis of our theory. Diminishing returns is only half of the story. The ability to protect those returns against potential threats is a necessary complement. What makes the middle class the central building block of the society is its ability to protect and preserve the fruit of labor on a large scale. It is critical to appreciate how difficult it is to protect the rights of the very rich and the very poor. The challenge with the rich is the multi-layer principle agent problems associated with the indirect protection of assets and their use. The problem with the poor is the challenge of erecting a comprehensive enough bundle of rights to allow them to benefit from the little they have.

While the diminishing returns argument is a useful complement, our argument is founded, first and foremost, on the idea that a structure of property rights that protects the middle class is bound to be conducive to economic and social prosperity. This leaves us with two interconnected challenges. First, we need to articulate the bundle of individual and property rights that are necessary for the wellbeing of a large and prosperous middle class. Second, we need to further articulate why the welfare of the middle class so critical to the wellbeing of society as a whole. Since the bundle of property rights is mostly a measurement issue we delay our discussion of it to the next section. Here we continue to articulate why our property right theory implies that a strong middle class, protected by a solid structure of property rights is key to economic prosperity.

The middle class must use a fair amount of its free income to reinvest in its own economic development as well as in the development of the society as a whole. Given the fact that middle class investors usually depend on their savings and investments for the education of their children and for retirement and health related expenses and given the somewhat limited resources that each family in this group in society has at its disposal, this class of citizens are likely to manage their finances carefully and invest wisely and efficiently. This class of individuals usually possesses the information and skills to succeed in their efforts to invest wisely and protect their investments against different threats and risks. Additionally, a strong middle class should be able to affect political institutions so as to better protect its wealth. Such institutions will in turn impact the security of more members of society that, with some help from government and financial institutions, can join the middle class and further strengthen it.

Our argument mirrors the classic argument of Douglass C. North of how economic firms affect the evolution of political institutions. North, however, overlooked the fact that strong segments in society can affect the evolution of political institutions not through the economic leverage they control, but as private individual citizens through the political process. An important means by which individuals may resist the predation of their governments is through the use of their political institutions. Monarchs, military juntas, presidents, and other executives tend to attempt to acquire and control as much of the resources from their societies as is feasible. In the absence of constraints on these actors, property rights become less secure and the incentive for investment diminishes.

The empowerment, that seems possible only through the persistent support of a strong middle class, of institutions outside of the executive branch, forms a bulwark against abusive governance. A primary responsibility of a legislative branch, for instance, is to oversee the operations of the government and to hold executives and subordinates accountable. Likewise, a critical function of an effective judicial branch is to permit individuals to receive an impartial adjudication of their complaints vis-à-vis their governments and others parties. In this way, these branches of government encourage


“good governance” and the “rule of law.” Legislative bodies also help strengthen the state by improving policy outputs and by further integrating society.

It is well known that the weakness of the poor as a segment in the political constituency of a state is its tendency not to participate in the political process. The middle class is always the politically active class and the larger and more diverse it is, the better the functional representation is and, ceteris paribus, the stronger we should expect the state to be. It remains to be seen what buys an individual a ticket to this exclusive club of this very potent middle class, which is the subject of the next section.

3. A Ticket to the Middle Class Club—The Measurement Issue

The middle class remains a muddy concept. Like many social entities, the middle class does not appear in the world in the same way as plants or animals. It is also an aggregate concept: no single characteristic makes an agent a member of the middle class.

Three components must reside in any useful definition of the middle class.

- First, it must propose an appropriate set of measures—such as income, social status, employment, education, or property ownership—for researchers to test for.
- Second, a definition must provide cut points on the lower and upper tails of the distribution.
- The third component must identify a theoretical explanation why those included in the middle class are to be expected to behave differently than those who are not included.

It is striking how often this component is left out or scantly dealt with in definitions of the middle class. Our theoretical approach allows us to be more careful in this respect.

Below, we canvass attempts to define the middle class, examining the relative strengths and weaknesses of each approach. All four approaches scrutinized are found wanting. The following section outlines our approach to measuring the middle class and explains how it combines strengths of previous attempts while avoiding their weaknesses.

3.1. Three Measures of the Middle Class

One quite common way of defining the middle class is by identifying middle class with middle income. Birdsall, Graham, and Pettinato suggest that “households with per capita income in the range of 75 and 125 percent of the median household per capita income” should be defined as “middle class.” This approach has three advantages.

- First, it allows the number of middle class individuals to vary over time. Measures that count middle quintiles or middle deciles fix the size of the middle class. Birdsall et al.’s measure corrects for this important shortfall.

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23 Ibid., p. 8.

Second, it avoids the opaque and highly variable occupational or industrial categories (e.g. manufacturing or managerial jobs).

Finally, it can be used to compare the middle class across countries.

In terms of the three definitional components outlined above, the definition presents income as a measure and the cutoffs points are also clear. However, when it comes to the third component Birdsall et al. offer no reason why one should treat an agent at 75 percent of the median income differently than one at 74 percent, or why individual earnings more than 125 percent of the median income should be excluded from the middle class. Without such justifications, the concept of the middle class is vacuous. Definitions of the middle class should explain not only what it means to be rich or poor but also why these categories are theoretically different from being middle class.

Alongside the weak theoretical foundation is a problem of comparability across countries. Median incomes vary drastically from country to country. For example, the middle class of the United States, with a median income well above $40,000, is strikingly different in character than the middle class of Burundi, where the median income hovers around $700. When it comes to creating a unified conception of the middle class that is as relevant to an individual in the United States as it is to an individual in Burundi, the Birdsall et al. approach is flawed.

Like Birdsall et al., Eisenhauer’s “economic” definition of the middle class begins with household income as a measure. Eisenhauer, however, fasten the cut points and endow them with a theoretical grounding. Eisenhauer adopts the poverty line as the appropriate bottom cut point. Eisenhauer identifies the top cut as made of individuals that can subsist above the poverty line in perpetuity without working. He constructs the upper bound with crude financial measures: the poverty rate, a family’s total net worth, and the risk-free rate of investment. Hypothetically, if one could liquidate all of one’s assets and deposit the proceeds from those assets in an interest-bearing but relatively risk-free account (e.g. US treasury bonds) and survive above the poverty line for one’s life, then that person is sufficiently wealthy so as not to belong in the middle class.

Eisenhauer’s definition rests on more solid theoretical ground but is problematic on other accounts. First, if one takes Eisenhauer’s upper bound seriously, the middle class is likely to be, in most countries, significantly narrower than the middle class as discussed in ordinary language. If one adopts the U.N.’s standard of $1 per day for absolute poverty, one assumes a risk-free rate of investment of 4 percent, then anyone with an annual income above approximately $10,000 is considered wealthy beyond inclusion in the middle class. Clearly this is too narrow to be compatible with ordinary understandings of the middle class. If one keeps Eisenhauer’s original U.S. Census Bureau poverty line, this is much less of a problem—for a household of 3, the “wealthy line” jumps to over $400,000. Even then, many would not consider a family with a net worth of $400,000 ultimately wealthy. Many middle class families in the U.S. are worth more while behaving and consuming like other middle class households.

Eisenhauer’s theory suffers from a deeper theoretical flaw. His upper bound is based on the distinction between those who have to work to avoid poverty and those who do not. We may ask if falling below subsistence is the only kind of economic insecurity with which one might be concerned. One may want to continue working until at least minimal access to physical security, health care, and education are secured in perpetuity.

Banerjee and Duflo look at “13 developing countries to describe consumption choices, health and education investments, employment patterns and other features of the economic lives of the “middle classes” defined as those whose daily consumption per capita is between $2 and $4 or between $6 and $10.” Banerjee and Duflo reach a few unsurprising conclusions on this front: that the “average

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26 See: A. Banerjee, E. Duflo, “What is Middle Class about the Middle Classes Around the World?”.
27 Ibid., p. 1.
middle class person is not an entrepreneur in waiting,” that “the single most important characteristic of the middle class seems to be that they are more likely to be holding a steady job,” and finally that those in the middle class are likely to “have fewer, healthier, and better educated children.” The chief problem with Banerjee and Duflo’s is the absence of any theoretical foundation. Why should we consider those whose daily consumption is between $2 and $10 as the middle class? Like all the other definitions Banerjee and Duflo’s pick income as the appropriate measure (component one). They choose a more conventional lower and upper bounds at $2 and $10 as the right cut points (component two). These cut points suffer from the arbitrary nature of the other definitions. But most importantly, Banerjee and Duflo provide no explanation why those bounds are appropriate (component three).

3.2. A Property Rights Theory of the Middle Class

We believe that our property rights approach can greatly improve on the earlier efforts discussed above. Our goal is to select a set of proxies that most closely delineate the set of all members of the middle class based on the association between the middle class and the property rights that protect it.

We define the middle class as the set of all people who have secure access—or in our language some protected property rights over the access—to the goods required to be productive in a modern industrial economy—namely: subsistence goods, basic healthcare, and at least some post-secondary education—but do not have sufficient wealth to self-insure access to these goods. The theory thus is one of publicly secured property rights or public goods. Those in the middle class rely on those well defined, properly secured property rights to provide themselves with the goods most critical to participate in the marketplace—they cannot do it alone and simply purchase these goods on the open market, they depend on their central economic and political institutions to secure these accesses and, thus, have a vested interest in paying the cost of securing and improving the institutions and their commitment to the security of the property rights upon which they depend. Such institutions may be government based, like broad networks of social safety nets; market based as insurance and securities trading institutions and anything in between like non for profit research and education institutions in the U.S. or NGOs of many kind and structural forms. Table 1 is a first cut summary of how the measures of the middle class can be organized to enable rigorous study of the issues discussed here.

<table>
<thead>
<tr>
<th>Measure</th>
<th>Potential Proxies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to Health Care</td>
<td>Number of women receiving mammograms, number of men receiving colonoscopies, number of children receiving vaccinations, number of children with access to psychiatric care</td>
</tr>
<tr>
<td>Access to Education</td>
<td>Primary, secondary and tertiary enrollment and attainment; Number/% in population with 13 years of education or more</td>
</tr>
<tr>
<td>Access to Capital</td>
<td>Interest rates, mortgage rates, debt per capita</td>
</tr>
</tbody>
</table>
### Table 1 (continued)

<table>
<thead>
<tr>
<th>Measure</th>
<th>Potential Proxies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing</td>
<td>Average home size, number of homes with (non-dirt) floors, homelessness rate,</td>
</tr>
<tr>
<td></td>
<td>government expenditures on public housing</td>
</tr>
<tr>
<td>Wealth</td>
<td>Mean income, median income, income distribution</td>
</tr>
<tr>
<td>Employment</td>
<td>Government expenditures on unemployment insurance</td>
</tr>
<tr>
<td>Insurance</td>
<td></td>
</tr>
<tr>
<td>Clean Water</td>
<td>Number of people with improved water source</td>
</tr>
<tr>
<td>Sanitation</td>
<td>Number of people with improved sewer and sanitation</td>
</tr>
</tbody>
</table>

### 4. What We Hope to Achieve and What We May Say of the Current Political Economy of the Caucasus?

It will take years to develop the database to help us figure out the institutional determinants of the strength and sustainability of the middle class and the effect that these determinants may have on social, economic and political welfare of states. In order to justify this immense effort, we need to show some preliminary results that are suggestive of the benefit of getting this complex matrix right.

One proxy measure of the middle class is the Gini coefficient. By construction, states with high Gini coefficients have a small middle class (e.g. Bolivia, Bosnia, Brazil, and Namibia all with $G > .55$). However, countries with relatively low Gini coefficients may be countries of mostly poor people (Belarus, Croatia, and Czech Republic all with $G < .3$) or rich countries with a very large middle class (Denmark, Norway, France, and Germany all with $G < .3$). Countries with reasonably sizeable and strong middle classes would almost always have moderate Gini coefficients (Israel, Russia, and Singapore all with $\sim .4$). But very poor countries can have similar numbers (Malawi, Senegal, and Morocco all $\sim .4$). So the negative correlation between the Gini and the size of the middle class is only due to the correlation between high values of the former with low values of the latter. For the sake of the discussion later is worth pointing out that the Caucasus is relatively low with Georgia at .4, Azerbaijan at .36, and Armenia at .41). 28

Sened, Thompson, and Walker find an inverse U-shaped correlation between the Gini coefficient and different measures of economic growth. They also note however a U-shaped correlation between the Gini and measures of state failure. 29 Fig. 1 summarizes the dual effect of the Gini on economic growth and state failure.

The interpretation of the result is straightforward. Countries with no middle class have a strong elite and a large poor class that does not threaten the ruling elite. Countries with relatively low Gini coefficient are also rich countries with very strong middle class where state failure is very unlikely but

28 All Gini coefficients are taken from the CIA—The World Factbook as customary.

economic growth is also moderated by the investment in the sustainability of this large middle class. It is the states in the middle range where larger values of inequality are potential incentive for faster growth, but the weakness of the middle class may translate into state failure.

The lesson for the Caucasus is straightforward. In the last two decades since becoming independent, the Caucasus are struggling with inequality measures that put them at relatively high risk of state failure while trying to build larger and better protected middle class while maintaining reasonable economic growth. The oil industry has helped Azerbaijan stay on a relatively steady course, but both Georgia and Armenia have experienced their fair share of turmoil as the analysis suggests they should.

5. Concluding Remarks

In this article we develop a new approach to the study of the middle class that relies directly on neo-classical economic foundations instead of ad-hoc measurements. We propose an extensive research program that will rely on the theoretical foundations that tie the middle class not so much to its arbitrary place in the middle but to a set of property rights and induced incentives that explain both the determinants of its strength—the property rights institutions that protect it—and the positive effects many speculate it may have on political stability and sustainability, economic growth and social prosperity.

The research program we espouse here has only a skeleton theory. We associate the middle class with protected property rights. We state that governments have an incentive to grant some property rights to enhance economic activity to increase tax base and other benefits to them. We then suggest a Northeen circle consisting of petitions from the middle class to protect their property rights in return for political support and expected social welfare gains by more or less marginal improvements of the structure of property rights institutions by the governments as a response to those petitions.\(^{30}\)

Much theoretical development and data collection are still needed before the actual merits of this tentative effort can be genuinely appreciated.

\(^{30}\) For a detailed account of this dynamic interplay between governments and constituents, see: I. Sened, op. cit.
We submit the paper in the context of globalization and the Caucasus as a particularly good fit where the combination of the size of the theoretical questions and the very actual challenges facing the region may be fitting the innovative effort characterization of the question we propose in this essay.

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FACTORS AFFECTING THE SCALE AND PATTERN OF GENERATION CAPACITY EXPANSION AND AZERBAIJAN’S ENERGY SECURITY

Abstract

This article examines the factors affecting the development and use of modern energy technologies. The authors attempt to analyze the mutual influence of current generation capacity expansion and Azerbaijan’s energy security.

Introduction

Among the problems addressed as part of systems research in the electric power industry, projecting the development of energy facilities (generation capacity expansion) is the most difficult and,
at the same time, the most crucial problem. A shortage of generating capacity can cause serious threats to energy security such as premature wear of generation equipment, unacceptable power grid overload, increasingly short supply of electricity to consumers, social tensions, etc.

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Some Features of Azerbaijan’s Energy Security

In the modern world, energy security issues are a major focus of attention due to increasing energy consumption throughout the world. Economic development has now reached a level where the energy sector plays a key role in terms of its influence on such components of the economy as the social, environmental, information and other spheres of life in the country.

It is known that the main goal of the entire electric power industry is to provide consumers with energy under different conditions, while energy security reflects the extent to which this goal has been achieved to date and the accuracy of short-term and long-term forecasts given the identification of threats in each element of the power supply cycle. As a component of national security, energy security is defined as “the assurance that energy will be available in the quantities and qualities required under given conditions.” That is why energy security issues are of current importance to all countries regardless of their energy resource endowments.

Depending on the energy resource endowments of different countries, the range of energy security problems, their importance and priority change accordingly, especially when it comes to estimating future levels of energy security. Azerbaijan has sufficient recoverable reserves of oil (one billion tons) and natural gas (about two trillion cubic meters) and is thus fully provided with energy resources, producing and exporting oil, gas and electricity; it has the potential to enhance both its own and European energy security.

At present, there are no major threats to Azerbaijan’s own energy security: neither its citizens nor the country’s economy as a whole experience a serious energy shortage due to the impact of negative natural, anthropogenic, socioeconomic, foreign-policy or other factors.

The country’s main fuel and energy resources are oil and natural gas, while the share of other, alternative energy sources is insignificant. In 2009, oil production in Azerbaijan exceeded 56 million tons, with about 6 million tons refined for domestic use and the remaining 50 million tons exported to the world market. Natural gas production is around 27 billion cubic meters (bcm), of which more than 8 bcm is exported. In the near future, when the second phase of the Shah Deniz gas field comes on stream, the amount of exported natural gas will increase significantly.

The country’s government attaches great importance to increasing natural gas exports to world markets. Azerbaijan President Ilham Aliyev said at the 39th World Economic Forum in Davos: “We plan to at least double gas production in the next five years, but existing markets have yet to manifest themselves. It is very important to have a clear understanding of what our potential markets actually are.”

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In order to operate effectively in the world energy market and ensure our national economic interests, we should develop energy security indicators in all sectors of our fuel and energy complex:

(a) in the production, processing, transportation, storage and consumption of oil and natural gas; and

(b) in the production, transportation, distribution and supply of electricity.

In conditions of sufficient fossil fuel reserves, the most interesting problems in ensuring long-term energy security are those related to the development of the electric power industry, a key sector of the fuel and energy complex (FEC). Its development is determined by the phased implementation of the State Program for the Development of the Fuel and Energy Complex in the Azerbaijan Republic in 2005-2015. 5

Factors Affecting the Scale of Generation Capacity Expansion

Capacity expansion planning is an integral part of energy security, and the solution of the overall problem depends in varying degrees on the accomplishment of this key task. In this process, high demands are made on full and adequate presentation of the factors affecting the scale and pattern of generation capacity expansion.6 This includes:

- the power industry’s responsibility for reliable power supply to consumers throughout the territory of the republic; a balance between capacity and power at all points of electricity consumption;
- use of different types of energy resources under different methods of electricity production. Differences in the composition of power plant equipment lead to widely varying performance indicators for different technologies (capital intensity, efficiency, construction time, etc.);
- inventory of cogeneration capacity in order to develop heat balances in determining the most promising lines of power capacity expansion;
- dynamics of deterioration and obsolescence of existing power plant equipment. This determines the required scale of power plant upgrades presented as various options for the reconstruction of existing or the construction of new plants;
- interfuel substitution possibilities at existing thermal power plants. In the immediate future, this is assessed as potential for substitution, and in the long term, as a basis for ensuring a rational balance between different types of modern power plants (using gas, fuel oil, nuclear power, hydropower, alternative energy sources);
- strong impact of fuel prices on investment decisions for the development of different types of generation; price changes can lead to changes in project effectiveness;
- the need to meet structural requirements for greater diversification of the use of various energy resources. These requirements are determined by national and regional energy security conditions, environmental standards and obligations;

economic constraints determined by the financial capacity for developing the sector as a whole and its various components. In the general case, economic constraints on the financial feasibility of development options for the sector are determined by a detailed forecast of its financial and economic condition.

There are many influencing factors, and the uncertainty of quantitative changes in these factors in the near future, let alone in the longer term, significantly complicates long-term capacity expansion planning. That is why a very important task is to identify the most influencing factors and estimate the probable range of changes in their quantitative indicators. In our opinion, the greatest influence on the long-term generation capacity structure is exerted by the following group of factors:

- domestic demand for electricity and electricity consumption patterns (peak loads);
- amounts and regimes of electricity exports and imports;
- dynamics of heat consumption and related dynamics of new cogeneration capacity;
- dynamics of existing power plant capacity;
- long-term performance indicators and operating characteristics of different types of generation sources;
- forecast prices for various fuels and resource constraints on their use.

The impact of each factor on long-term generation capacity values differs.

The problems of determining the scale and pattern of generation capacity expansion should be addressed sequentially.

In Azerbaijan, the main factors determining the scale of generation capacity expansion are as follows:

— projected dynamics of existing power plant capacity;
— projected installed capacity requirement.

Long-term projections of existing power plant capacity are based on two main factors:

(a) the technical condition of equipment beyond its useful life;
(b) the relative effectiveness of modernization of existing equipment (life extension) and its replacement with technically advanced equipment.

These two factors differ significantly depending on the type of power plant.

Due to the long service life of hydraulic structures (over 100 years) and their high share of total cost of hydroelectric power plants (over 80%), HPPs have long life cycles and the costs of restoring and replacing outdated HPP equipment are not very high. That is why hydroelectric plants in Azerbaijan’s power system will be kept in operation for a long time through life extension measures.

The technical feasibility of continued exploitation of outdated equipment at existing thermal power plants (TPPs) is established based on the results of systematic technical diagnosis of the state of each generating unit. The obsolescence of TPP equipment is assessed by comparing the effectiveness of modernizing it (life extension) and that of replacing it with technically more advanced equipment.⁹

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The impact of the projected installed capacity requirement on the scale of generation capacity expansion is considered using three electricity consumption scenarios: minimum (pessimistic), baseline (normal) and maximum (optimistic). These forecasts are made taking into account the following basic components:

- maximum domestic consumer demand;
- electricity exports (imports);
- required power reserve—this reserve is used during both overhauls and unanticipated increases in power consumption;
- power limitations and underutilization of TPP and HPP capacity during peak load periods.

The table shows the wear rate of generating equipment at existing power plants over the long term.

**Table**

<table>
<thead>
<tr>
<th>Year</th>
<th>Wear Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>28</td>
</tr>
<tr>
<td>2010</td>
<td>13</td>
</tr>
<tr>
<td>2015</td>
<td>23</td>
</tr>
</tbody>
</table>

Fig. 1 shows the wear of generating equipment at existing power plants and electricity consumption forecasts for three development scenarios over different time periods.

**Figure 1**

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The difference between the installed capacity requirement and the capacity of existing power plants can be presented as the demand for new capacity for each type of forecast.\textsuperscript{11}

According to our estimates, by 2020 the increase in the installed capacity requirement in Azerbaijan’s power system will amount to 70-80% of the total demand for new capacity, while capacity retirements will amount to only 20-30% of the total new capacity.

Once the range of possible values of the demand for new generating capacity is determined, it is necessary to determine the structure of this capacity, i.e., the ratio between different types of power plants.

The Impact of Electricity Consumption Patterns and Operational Constraints of Power Plants on the Choice of Generation Capacity Structure

A wrong choice of the structure of generating capacity can cause the following threats to energy security: technological constraints on electricity output during off-peak night hours in winter, underutilization of the systemic effects of parallel operation of power systems, inefficient use of power plant capacity, short supply of electricity to consumers, etc.\textsuperscript{12}

The following factors have the greatest impact on the structure of generating capacity:

— the size of the various parts (slices) of daily and annual load curves and operational constraints on the use of different types of generating capacity in different load slices; this factor determines the acceptable ratio between peaking, intermediate and baseload generation;

— the relative efficiency of various energy sources (given the uncertainty of their performance indicators and fuel prices); this factor determines the efficiency of the use of different types of generation in each load slice;

— various resource constraints.

Of all the factors listed above, the greatest impact on the structure of generating capacity is exerted by the size of the various parts of the daily load curve. An analysis of its peaking, intermediate and baseload segments in Azerbaijan’s power system shows that the ratio between them is 3:20:77. This ratio characterizes the demand for the respective capacity.

Another important factor is the technical capability to use different types of generation in the daily load schedule. In this case, an analysis is made of the load curve for a winter working day corresponding to the peak load period (annual peak load). The capacity utilization requirements during annual peak demand (evening) and off-peak night hours are verified for the same day:

- hydropower plants, gas turbine plants and small thermal plants may vary their power output in the range of 0% to 100%;
- nuclear power plants must operate at 100% capacity round the clock;
- thermal plants on winter working days may reduce capacity utilization to not less than 85-90%;
- condensing plants, to not less than 50%, and combined cycle plants, to 35%.

The different technical characteristics of different types of power plants and the possibilities of their use significantly complicate the choice of generation capacity structure.


\textsuperscript{12} See: E.V. Bykova, \textit{Metody raschota i analiz parametrov energeticheskoi bezopasnosti}, Kishinev, 2005, p. 150.
An assessment of the efficiency of different types of generation takes into account the time of their operation in the respective slices of the annual load duration curve. In these slices, the duration of the use of installed capacity is distributed as follows: baseload (duration 6,200-6,500 hours per year); intermediate load (4,000-4,100 hours per year); peak load (not more than 1,500-1,700 hours per year).

Fig. 2 shows the transition from the daily load curve to an annual load duration curve for Azerbaijan’s power system:

- Slice 1 shows the number of peak load hours and the amount of peak power generated during the year;
- Slice 2 shows the annual amount of power corresponding to intermediate generation;
- Slice 3 shows the amount of baseload power generated during the year.

According to these load slices, the ratio of power output turns out to be similar to the 3:20:77 capacity ratio. An analysis of load curves for winter working days in recent years shows that the said ratio is steadily maintained (with minor deviations), and it can be assumed that this ratio will be maintained in the future as well, so that the structure of generating capacity should also be maintained at 3:20:77.

**Conclusion**

Thus, one of the most important indicators for the long-term energy security of the Azerbaijan Republic is the state of development of the electric power industry, where the scale and pattern of generation capacity expansion over different periods is of crucial importance.

In the conditions of the Azerbaijan Republic, attention should be focused on energy security objectives such as power output forecasting for different periods, capacity expansion planning and choice of the future structure of generating capacity.
TRUST AND DEMOCRACY IN THE CENTRAL CAUCASUS: DIFFERENT TRAJECTORIES, DIFFERENT DIMENSIONS

Abstract

The author takes the problem of trust as one of the pivotal issues of democratic development in the Central Caucasian countries as his main subject. He identifies three types of trust: “political,” “general,” and “private,” with the latter type predominating in the Central Caucasus. He is out to prove that while private (interpersonal) trust (trust among members of the immediate and extended family and among friends and acquaintances) is still the most widespread in the Central Caucasus, contemporary society needs a shift from private trust to a wider trust in other people and trust in the state as an unbiased and legitimate structure.

1 The article is based on a paper delivered at the symposium “Democratic Structures, Democratic Culture: The Republic of Georgia in Comparative Perspective,” Washington University, St. Louis (U.S.), 12-13 November, 2009.
The findings of a cross-cultural study carried out by a mixed group of academics from Azerbaijan, Georgia, Russia, Ukraine, Great Britain, Spain, Greece, and the Netherlands convinced the author that the Central Caucasian states need modern state institutions to raise their citizens’ trust in them.

In Lieu of Introduction

The article presents some of the results obtained in the course of a project designed to identify the level of trust of young people in the local and central political institutions and leaders and to model the relations among the identification patterns, the levels of political trust, and the perceptions of its various aspects.

The cross-cultural study covered Azerbaijan, Georgia, Russia, Ukraine, Greece, the Netherlands, Spain, and the U.K.; the sampling of 3,009 respondents consisted of boys and girls between the ages of 15 and 18 who belonged to the ethnic majorities and some of the ethnic minorities in the countries listed above.

Trust in Democracy

A respected international organization assessed the Central Caucasian countries as follows: “Most important is that although democratic forms are in place in the region, the substance of democracy—including a political culture based on trust and healthy levels of political participation—is absent.”

The above, which ties together democracy and trust, raises certain questions; this calls for closer scrutiny. Three of them can be described as the most important: How do trust and democracy correlate? What does trust actually mean? In what ways is trust developing in the region? Let’s start at the beginning.

Academic writings point to an interconnection between trust and democracy; it is frequently pointed out that the level of trust is one of the most important indicators of society’s democratic nature. One of the researchers has offered the following: “People need to trust both public institutions and other people in order to be willing to participate in politics.”

Meanwhile, there is no agreement about how to interpret trust; it has any number of definitions. Some academics insist that trust means unquestioned acceptance of official statements; others say it is

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2 The reference is to the Political Trust and Political Participation amongst Young People from Ethnic Minorities in the NIS and EU: A Social Psychological Investigation project. The empirical research upon which this paper is based was supported by a grant received from INTAS (Grant No. 03-51-3123), which was awarded to the University of Surrey, the International Center for Social Research, the Georgian Academy of Sciences Institute of Psychology, the Orthodox St. Tichon Theological Institute, The Kharkov National University, The University of the Basque Country, the University of Utrecht, the Panteion University of Social and Political Sciences and the Smolensk Humanitarian University in 2004-2007. We are greatly indebted to our colleagues who contributed to the design of this research: Evanthia Lyons, Giorgi Kipiani, Tatiana Riazanova, Valentina Pavlenko, Jose Valencia, Maykel Verkuyten, Xenia Chryssochou, and Vladimir Slivanov.

3 I refer to the following ethnic minorities: the Lezghians and Talyshins (Azerbaijan); Armenians (Georgia); Georgians and Ukrainians (Russia); Russians and Crimean Tatars (Ukraine); Surinamers, Turks and Moroccans (the Netherlands); Arabs and Gypsies (Spain); young people from the emigrant communities of Bangladesh, Pakistan, India, African countries, and countries of the Caribbean basin (the U.K.).


the level of satisfaction with what the public institutions are doing. For the purposes of my analysis I intend to deal with the following types of trust:

1. *political trust*, i.e. trust in political institutions and leaders;
2. *general or generalized trust*—trust in strangers;
3. *private trust*—trust in family members and relatives, friends, members of the same (ethnic, religious, etc.) group.

Private (interpersonal) trust is widespread in the Central Caucasian countries. None of the sociologists, psychologists or political scientists has ever looked at it as undesirable yet the obvious domination of trust in relatives and close members of one’s group over general trust cannot be described as desirable from the economic and political points of view. Susan Rose-Ackerman has written the following: “In modern societies, people need to be able to separate their roles as friend and relation from their roles as bureaucrat, politician, judge, employee, or business manager.” In other words, social modernization requires that private trust be replaced with trust in the unbiased and legitimate state.

Academic writings offer varied, or even contradictory, recommendations on how to promote trust. Here are some of them:

(A) Civil society produces trust that promotes democracy;
(B) Participation in voluntary associations does not produce trust in others and does not promote democracy;
(C) Well-functioning democratic governments can create interpersonal trust;
(D) Democracy does not generate trust.

There is no clear answer to the question; it seems that there are no universal prescriptions for developing trust: much depends on local specifics. This makes empirical studies of the region doubly important.

### The Origins and Assessments of the Level of Trust

The science of politics offers two rivaling explanations—culturological and institutional theories—of the origins of trust. Here I intend to add another, socio-psychological, explanation—the social identity theory.

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14 See: Ibidem; R. Putnam, op. cit.


The culturological theories believe that cultural norms, not politics, are responsible for the emergence of trust: those socialized in different cultures learn to trust people according to the norms accepted in their societies, which is later applied to the political institutions.

The institutional theories, on the other hand, proceed from the assumption that trust is born by what people think about the institutions of power.

The social identity theory concentrates on the role of group identity and self-identification when it comes to the development of trust; it insists that individual attitudes to other people and trust in them are born by one’s belonging to a definite social entity.

Here I have measured the following: the level of national, ethnic, and religious identification; the level of political and general (generalized) trust; and the perception by young people of the degrees of efficiency of different power structures and the level of their satisfaction with life.

I. *The level of national, ethnic, and religious identification* was measured using a 7-point scale and required answers to the following 12 questions:

1. To what extent do you believe yourself to be citizen of (followed by the name of the corresponding country)?
2. To what extent is it important for you to be a citizen of this country?
3. To what extent do you feel personally offended when someone, not a citizen of your country (the name of the corresponding country follows), criticizes the citizens of your country?
4. To what extent do you feel strong community with the other citizens of your country?
5. To what extent do you feel you resemble other members of your ethnic group?
6. To what extent is it important for you to belong to your ethnic group?
7. To what extent do you feel personally offended when someone outside your ethnic group criticizes its members?
8. To what extent are you aware of strong affiliation with other members of your ethnic group?
9. To what extent do you feel you resemble the other members of your religious group?
10. To what extent is it important for you to belong to your religious group?
11. To what extent do you feel offended when someone outside your religious group criticizes members of your religious group?
12. To what extent are you aware of strong ties with the other members of your religious group?

The medians of the points related to the answers to questions 1 to 4 indicated the level of the respondents’ national affiliation; to the questions 5 to 8, the respondents’ ethnic affiliation; to the questions 9 to 12, the respondents’ religious affiliation.

Fig. 1 demonstrates the level of national, ethnic, and religious identification of certain ethnic groups belonging to ethnic majorities and ethnic minorities in Azerbaijan, Georgia, Russia, and Ukraine.\(^1\)

The higher the index (the higher the column in the histogram), the higher the level of national, ethnic, or religious identity; the analysis of variance was based on the Kruskall-Wallis test.

\(^1\) Fig. 1 shows information relating to the following ethnic minorities: the Armenians in Georgia; the Lezghians and Talyshins in Azerbaijan, and the Crimean Tatars in Ukraine.
Fig. 1 clearly shows that different ethnic groups reveal different self-identification patterns. In Georgia, for example, the Georgian majority and the Armenian minority regard religious self-identification as the most important, while among the Azeris and Lezghians this role belongs to ethnic identification. National identification is most important among the Talyshins, which indicates that they are well-integrated into Azeri society. Russians, Ukrainians, and the Crimean Tartars, likewise, attach the greatest importance to their national self-identity.

II. To assess the level of political trust using the 7-point scale, we asked the respondents to identify the level of their trust in the following political leaders and institutions:

(a) local authorities;
(b) the president;
(c) the parliament;
(d) the police;
(e) religious leaders.
The medians of the points gathered by each of the leaders and institutions of power demonstrated the level of trust in them; this is illustrated by Fig. 2.

_Figure 2_

The Level of Trust in Various Political Leaders and Institutions

Fig. 2 shows that in Azerbaijan and Russia, the majority trusts the president; in Great Britain, the police; in Georgia, the religious leaders; in Ukraine, the parliament, while in Spain and the Netherlands, the local authorities. My further discussion calls for a clarification of the following.

- First, the degree of authenticity of the results: it is frequently doubted whether the respondents in non-democratic states are sincere enough.  
- Second, different cultures might give rise to different interpretations of answers to similar questions about trust.  

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The cross-cultural nature of the project, which concentrates on the trends displayed by different societies and relies on certain specific mathematical-statistical procedures to process information obtained, removes, to a certain extent, some of the doubts. In fact, the results were compared, when possible, with similar information obtained within other projects.

I have complemented the project’s results with a comparative analysis of the levels of political trust in Azerbaijan, Armenia, and Georgia supplied by the Data Initiative Survey—nationwide annual polls (started in 2004) under the aegis of the Caucasus Research Resource Centers in the three Central Caucasian countries.20

The respondents were asked to assess, using a 5-point scale, their trust in political leaders and institutions; for the purposes of my comparison, I calculated the data related to

(a) the parliament;
(b) the police;
(c) the president.

The median related to each of them demonstrated the level of trust. Fig. 3 shows the results.

Figure 3

The Level of Trust in Political Leaders and Institutions in the Central Caucasian Countries (2004-2008)

[Graph showing levels of trust in parliament, police, and president for Armenia, Azerbaijan, and Georgia from 2004 to 2008.]


20 [http://www.crrccenters.org].
Fig. 3 shows that while in Armenia and especially in Azerbaijan the president enjoys the highest level of trust, in Georgia he is losing the trust of the nation.

III. General (generalized) trust. It was measured in our project using a 7-point scale applied to the answers to the following questions:

(1) Generally speaking, do you believe that you can trust most people or do you think that caution is advised?

(2) Are you convinced that most people will try to take advantage of you, given the chance, or will they try to be fair?

(3) Can you say that people normally try to help others or are they mostly self-centered?

Fig. 4 shows the assessment of the level of general (generalized) trust based on the sums of the medians for the three questions; it also shows the trends of political trust in individual countries.

\begin{figure}
\centering
\includegraphics[width=\textwidth]{trust_trends}
\caption{The Trends of Political and General Trust (by country, p < .0001)}
\end{figure}

Fig. 4 shows that the lowest level of general trust is observed in Georgia; Azerbaijan comes next with a slightly higher level. Ukraine displays the highest level of general trust.\footnote{Ukraine’s relatively high level of generalized trust is confirmed by other projects with larger samplings such as World Values (WVS, 1990) and European values (EVS, 1999).}
Some of the countries combine a high level of political trust with a low level of general trust, and vice versa. Azerbaijan and Georgia display a more or less similar trend: there is a wide gap between political and general trust, with higher figures for the former.

IV. In order to measure the degree to which young people assess the degree of efficiency of different institutions of power, we asked the respondents to measure the efficiency of the following people or organizations on the basis of a 7-point scale (ranging from 1—"not effective at all" to 7—"very effective"):

- Local authorities;
- Prime minister;
- President;
- Parliament;
- The police;
- Religious leaders.

Fig. 5 shows the results.

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Fig. 5 reveals considerable fluctuations in how young people assess the efficiency of different political institutions and leaders. Young people in Ukraine and Georgia, for example, are of the lowest opinion about the performance of the institutions of power, while the young people of Azerbaijan, on the contrary, have a very high opinion of them.

V. In order to measure the degree to which the respondents were satisfied with life, they were asked to use a 7-point scale (from 1—“completely disagree” to 7—“completely agree”) to assess the level of their agreement with the following:

- I am satisfied with my life in (the name of the country).

Fig. 6 presents the results.

**Figure 6**

The Levels of Satisfaction with Life
(by country, p < .0001)

Ukraine and Georgia are the countries in which young people are least satisfied with life; the Netherlands is the country in which the youth is most satisfied with life.

VI. At the next stage, we measured the correlation between the types of trust and the earlier results. Table 1 offers the most important correlations.

We found 11 correlations, the most important of which are: political trust correlates more fully with such indices as:

1. “assessment of efficiency of political institutions and leaders” \( r = 0.79, \ p < .01 \);
2. “satisfaction with life” \( r = 0.39, \ p < .01 \), and much less with
(3) general (generalized) trust \( (r = 0.22, p < .01) \);
(4) the level of religious identification \( (r = 0.17, p < .01) \),
(5) the level of national identification \( (r = 0.17, p < .01) \), and
(6) the level of ethnic identification \( (r = 0.07, p < .01) \).

General (generalized) trust, on the other hand, is weakly correlated with all the indices:

(8) “assessment of efficiency of political institutions and leaders” \( (r = 0.22, p < .01) \);
(9) “satisfaction with life” \( (r = 0.20, p < .01) \).

A weak negative correlation was discovered with

(10) level of religious identification \( (r = –0.06, p < .01) \) and
(11) level of ethnic identification \( (r = –0.05, p < .05) \).

The weak, yet negative correlation between general trust and the level of religious and ethnic identification deserves special attention. Fig. 1 revealed that religious identification was especially important for the Armenians and Georgians. Fig. 7 presents the trends in political and general trust, which depends on the respondents’ ethnic affiliation, using the example of Georgia.

Fig. 7 shows that the ethnic, in this case Armenian, factor greatly lowers the level of general trust in Georgian society: the Armenian minority in Georgia, which has an extremely low level of general trust, reduces the already low level of trust in Georgian society.

The weak correlation between political and general trust we identified in our poll confirms the opinion of some researchers that these two types of trust are weakly correlated.\(^{23}\) James Gibson, for example, concluded that in post-communist Russia, “interpersonal trust actually has little to do with attitudes toward democratic institutions and processes.”\(^{24}\)

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More than that: there is the opinion that the trends demonstrated by these types of trust are contradictory. It is asserted, for example, that in democratic societies, political trust should not be too high since a certain degree of mistrust in the government prompts the citizens to carefully monitor what the bureaucrats are doing and control them. At the same time, the highest level of general (generalized) trust is registered in the most democratic countries.

The Central Caucasian countries (Azerbaijan and Georgia in particular) demonstrate a very specific combination of a low level of general trust and a relatively high level of trust in the president (in Georgia, however, it has somewhat lowered). A high level of trust in the president was observed in many of the post-communist East European countries.

It is interesting to note that Georgia, its considerable efforts to build a civil society notwithstanding, demonstrates a comparatively low level of general trust (even if the Armenian factor is ignored). This, and the weak correlation between general trust and the other indices, probably confirms the thesis of the cultural factor or the trust habits inherited by culture.

In societies where family relations predominate, relatives enjoy greater trust (“private” trust). The Central Caucasian countries belong to this group: people there rarely trust people they do not know (general trust). It seems that those (Fukuyama and others) who say that it is very hard to deliberately raise the level of general trust to any noticeable degree are right. It should be said that the

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25 See: R. Hardin, op. cit.; R. Inglehart, op. cit.
level of general trust in the polyethnic Central Caucasian states (Azerbaijan and Georgia) cannot be raised until the ethnopolitical conflicts in the region are resolved. This is best illustrated by the social attitudes of the Armenian minority in Georgia.

It is no wonder that, after analyzing the experience of the post-communist states, Susan Rose-Ackerman had to admit that the efforts to create general trust in the post-Soviet states never affected, in any noticeable way, the progress of democracy and market relations. The post-Soviet reality of the Central Caucasian states creates doubts about the adequacy and effectiveness of these efforts.

The strong correlation between political trust and the assessment of the effectiveness of the political institutions and leaders our project revealed fully corresponds to the findings of other researchers and supports the institutional theory that trust is rooted in what people think about the institutions of power. The authors of “Trust in Untrustworthy Institutions: Culture and Institutional Performance in Post-communist Societies” arrived at the same conclusion: they relied on information gathered in Central and Eastern Europe to verify the hypothesis offered by the institutional theories about the sources of trust.

Despite the fact that general (generalized) trust is a useful factor which contributes to social and economic development, the post-Soviet countries of the Central Caucasus need, first and foremost, effective and trustworthy modern institutions and organizations independent of the level of general trust. In other words, state and institutional development should be treated as a priority: the region’s governments should concentrate on building a “contemporary and normally functioning state.”

It is advisable to carry out the following measures:

(a) offer courses in civil society values and national identity at schools, enterprises, and offices;
(b) support voluntary and non-governmental structures (including sport organizations) in which people can learn how to communicate and cooperate, as well as to trust others;
(c) implement effective anti-corruption measures;
(d) settle the ethnopolitical conflicts in the region (the Nagorno-Karabakh conflict in particular).

We should bear in mind that democratization in a society which lacks the corresponding traditions is a long and tortuous process which calls for changes in the traditional mindset and world perception, attitude to oneself, and relationships with others, etc. The Western societies covered a long road, which took decades if not centuries of considerable changes and prerequisites, before they arrived at democracy. This suggests two positions (probably a bit simplified and generalized) which can be regarded as two strategies of social development: either support and encouragement of civil society or development of state institutions. It seems that neither taken separately can bring democratization. They should be combined, otherwise the peoples of the Central Caucasus risk becoming hostages of either democratic populism or repressive authoritarianism.

C o n c l u s i o n

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29 See: S. Rose-Ackerman, op. cit.
32 See: W. Mishler, R. Rose, op. cit.
The author looks at the main trends developing in the contemporary religious situation in the Northern Caucasus, the principles on which religious and secular morals are correlated, and the ways religious identity and the nature of religious communication are developing.

Introduction

In the 1990s, the Russian Federation lived through a period of religious resurrection of sorts inspired and instigated by the newly introduced democracy and freedom of conscience and the press. A new religious situation emerged: on the one hand, the traditional religions—Christian Orthodoxy and Islam with their centuries-long history in the Russian Empire—gained wide popularity; while on the other, they were joined by numerous Christian and non-Christian sects and groups.

The political leaders of perestroika of the late 1980s declared “freedom” with gusto and gleefully annulled the so-called Soviet ideology and Soviet morals which for many years had been imposed on the people to transform them into a “new historical community—the Soviet people.” Freed from the burdens of Soviet morality, the people began enjoying their newly found freedom until, late in the 1990s, ordinary people as well as the artistic intelligentsia and even the people in power realized that they were facing a “crisis of morality” and a “crisis of spiritual values.” The cherished freedom degenerated into anarchy, while society lost its moral landmarks. The nation obviously needed a new “post-perestroika ideology,” new spiritual values, and new moral prescriptions to guide it in the 21st century.

The ideological vacuum called for a new morality and new spiritual values rooted in religious values, which were hastily and consistently formulated.

In the Northern Caucasus, an external, international factor was also at play. This was not the first time that empires had been locked in geopolitical rivalry there. The Russian Empire had fought Western and Eastern powers to defend its right to the territory populated by numerous mountain peoples who spoke different languages; their cultures and level of sociopolitical development were likewise different. Religion was one of the instruments: Russia and Georgia had been intent on promoting Christianity among the local people, while the Ottoman Empire pushed forward Islam as a common religion for all the mountain dwellers.
In the early 1990s, the traditionally Muslim regions of the Russian Federation became free to perform religious ceremonies. The process (which is over 20 years old) attracted, at different times, Muslims from other Muslims states (Turkey, Saudi Arabia, and Syria), as well as Muslims from the North Caucasian republics and Central Caucasian states.

Religious resurrection and “religions morals” unfolded and are still unfolding spontaneously: the spiritual structures and the state are doing nothing to help or to control this process. In fact, both Islam and Orthodoxy are developing with difficulty across the Russian Federation in spite of visible state support. “Wars” and “misunderstandings” create numerous problems: Russians embrace Islam, or one of the Protestant faiths, or even join fundamentalist sects.

I am convinced that the ethnoconfessional factor, which is steadily moving to the fore, does nothing to bring citizens together: it disunites them. Members of ethnic-religious groups are moving apart; they fan hatred of followers of other religions. The fundamentalist movement (Islamic or, to be more exact, Wahhabi) is mostly responsible for this. The Wahhabites treat all non-Islamic people as unfaithful (kaffirs), who should be hated, if not exterminated. Christian Orthodoxy is not alien to radicalism either—some of its trends likewise fan hatred among people.

Today, however, the national and religious diversity of the peoples of Russia should serve as the cornerstone of a common cultural foundation of a multicultural community of the peoples of Russia; the state should cement its unity and move toward a multicultural dialog across the CIS.

The North Caucasian republics are living amid geopolitical, socioeconomic, and national-religious complications caused by the combination of different religions—Christianity in general (Orthodoxy in particular) and Islam—specific for this particular region. Russians and the autochthonous people (Orthodox Christians and Muslims, for that matter) are living side by side in all the republics; and there are new migrant communities (Chechens, Kosovo Adighes, etc.).

**Stages of Religious Renaissance in the Northern Caucasus**


In 1990-1995, religious communities, the members of which gathered for prayer first in prayer houses and later in new or restored churches and mosques, mushroomed across the region.

The process, which engulfed all social strata, unfolded simultaneously and along with the process of national resurrection. It was a time when all the North Caucasian republics acquired numerous sociopolitical movements based on national (or even nationalist) ideas.

At the second stage (1995-2000), religious renaissance gathered momentum: churches, mosques, etc. were built in great numbers, religious communities were set up, and Sunday schools were opened.

At the third stage (2000-2010), some of those who had embraced religion on the crest of the religious enthusiasm moved away, while true believers developed an even greater interest in the fundamentals of religious life, conduct, conscience, and morals.

**The Correlation between Religious and Cultural (Ethnocultural) Identity in the North Caucasian Republics**

In 1990s-2000s, religious and ethnocultural identity in the North Caucasian republics developed simultaneously and in parallel to each other.
The share of active believers (those who regularly attended corresponding religious institutions—a mosque, church, or prayer house) was fairly small.

Exact figures are not available either from academic structures, or republican authorities (the state structures responsible for contacts with religious organizations—committees for nationalities, contacts with compatriots and the media, committees for culture, sport, the media, and cooperation with public organizations, commissioners for religious affairs in the republican governments, etc.).

The participant observation method widely used by cultural anthropologists (ethnologists) and the polls conducted in the North Caucasian republics suggest that the share of active followers of any of the religions did not exceed 5 percent; normally from 30 to 50 people regularly attend services in a church, mosque, or prayer house—a tiny share of the total.

On the other hand, the fact that the religious renaissance has changed, in many respects, the moral climate in the Northern Caucasus is obvious. There is any number of those who admit that Christianity, Islam, or a Baptist community, etc. helped them abandon their former amoral or even criminal lives.

It should be said that the nature of religious life in the North Caucasian republics largely depends on confessional affiliation.

Islam. A powerful wave of the Islamic resurrection of the 1990s is subsiding. The North Caucasian Muslims can be divided into two groups: active Muslims who attend services at least once a week, on Fridays (there are few of them), and ethnic Muslims, the bulk of the mountain dwellers who rarely come to the mosque (normally once or twice a year on major holidays).

The Islamic jamaats are normally based on four categories of Muslims:

1. those who rarely attend services in the mosque yet regularly pray at home and observe fasts (mostly women);
2. those who attend services only on major holidays, never pray at home and do not observe fasts;
3. those who attend Friday services in the mosque and either pray or do not pray at home;
4. those who frequently (or even every day) pray in mosques (mainly young people).

“Ideological” and “canonical” gaps gradually developed among the North Caucasian faithful. The young Muslims tend to detach themselves from the so-called ethnic Muslims (Muslims by tradition) among whom they count those who never pray either at home or in a mosque and still call themselves Muslims. Normally, they turn to their religion on special occasions (burials, weddings, or the main religious holidays), for which reason the younger generation of Muslims brand the Islam practiced by the older generation “burial, people’s, or traditional Islam.” They describe themselves as “praying or young” Muslims who are developing new or pure Islam.

In the latter half of the 1990s, large communities fell apart into smaller ones, which can be explained by the greater number of young Islamic leaders and the mounting rivalry among them for the leading positions in Islamic society; this required new mosques: new jamaats without mosques of their own needed them.

The young leaders wanted to shape religious (Islamic) identity as opposed to national (ethnocultural) one. They looked at the Caucasian cultures, the cultures of the North Caucasian peoples, as a cultural expanse of sorts to be approached from the point of view of the Hadith, which said that the new Islamic culture should preserve those traditions that did not contradict Islam. Local academics were also involved.

Many of the Islamic ideologists believe that the ethnic revival of the North Caucasian peoples should rely not so much on the local traditions and their further development, but on shaping a new

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1 The Ossets are the only exception; the majority of them are Orthodox Christians; they have also preserved an ancient pagan stratum combined with elements of neo-paganism.
Islamic culture. The young Muslims, for example, who never supported the local ethnic dress, preferred to promote that idea of Islamic style.

Nevertheless, at first, the national leaders of the mountain peoples tried to blend the new ideology with the national, rather than Islamic, culture. The young Muslims regarded themselves as Muslims rather than members of their corresponding ethnic groups, while the old Muslims considered themselves members of their nationalities.

I should say that Islamic ideology developed and spread far and wide because of the obvious crisis of secular ideology across Russia. While in the rest of Russia the academic and artistic intelligentsia was engaged, throughout the 1990s, in a torturous quest for new cementing ideas, in the North Caucasian republics, general human values were smoothly replaced with purely Islamic values.

Christian Orthodoxy. Its revival in the region is fairly slow; it is a gradual process with 20 to 40 Sunday churchgoers in the Cossack villages. Most people go to church twice a year on holidays like Christmas and Easter.

Today, it is the Orthodox churches and clergy, which provide moral and psychological support to the Russians and the Cossacks in the North Caucasian republics, where they are being gradually squeezed out by the autochthonous peoples, the mountain dwellers.

Since practically none of the Orthodox priests live in the places where they serve (they prefer the republican capitals and have limited attendance of “their” churches to Sundays), there is no real bond between them and the congregation. More than that, this does nothing for the authority of the Orthodox Church and the Orthodox clergy in the Russian and Cossack villages.

Christian movements. They are Old Believers; Evangelical-Christian Baptists; Evangelical Christians; Evangelical Christians in the Spirit of the Apostles; Pentecostals; Seventh Day Adventists; and Jehovah’s Witnesses. There are also several smaller structures: the Evangelical Organization Iskhod, Evangelical Christians Slovo i Delo, Evangelical Christian Nadezhda, Evangelical Pentecostals Zhivoe Slovo, Church of the Cross, etc.

This is due to the deliberate intention to present the same religious values in different wrappings. Their leaders regularly get together to plan further joint actions in many directions. The majority has few followers and no influence; this does not apply, however, to the Baptists, Pentecostals, or Jehovah’s Witnesses.

Today, Christian movements are gathering momentum and weight thanks to a propaganda onslaught among the Russians and the Adighes. Christianity is gaining popularity among the autochthonous North Caucasian peoples mainly because the insistent anti-Wahhabi campaign planted fear of Islam among them. Field materials clearly demonstrate that the mountain peoples not merely turn to Christian organizations in search of spiritual support, they come to Orthodox churches and are baptized yet prefer to keep this secret; they can be described as “clandestine Orthodox mountain dwellers.”

Our polls suggest that in the North Caucasian republics, the process of acquiring religious identity is very slow: few local people describe themselves as followers of any religion. The majority prefers a cultural or rather civil (secular) identity.

The larger group of Adighes bases its identity on the national (Adighe) culture—Adighe Khabze; they are actively supported by the local artistic intelligentsia and the republican leaders.

In September 2003, M. Bejanov, a research fellow at the Adighe Institute of Humanitarian Studies (who served for some time as adviser to the Nationalities Committee at the Government of the Adighe Republic), published an article called “Adygeyskie obychai i obriady” (The Adighe Customs and Rites) in the local Adighe Mak newspaper, which triggered a discussion between the Muslims and the Adighe intelligentsia. The author was dead set against replacing the Adighe traditions with Islamic ones. Historian Asker Sokht, who headed the republican Adighe Khase, sided in the Nasha respublika newspaper he published in the Takhtamukaev District with those who stood opposed to the Islam-
ic culture. He also gave space to an article by R. Gusaruk entitled “Islamism ili adygstvo, chto voz’met verkh” (Islamism vs. Adighe Customs, What Will Prevail?). On the other hand, members of the Council of the Spiritual Administration of the Muslims of Adigey and the Krasnodar Territory took the side of the Muslims against the Adighe intellectuals.

**Religion as an Instrument of New Morality and Spiritual Values in the North Caucasian Republics**

Our discussions with religious leaders and members of the artistic intelligentsia engaged in formulating new moral norms and spiritual values convinced us that, on the one hand, the religious leaders intend to offer their communities a new morality based on spiritual values; while on the other, the intelligentsia has no sympathy with the religious leaders and their efforts: the intellectuals prefer national cultures as the cornerstone of the new morality.

The Russian intellectuals do not identify themselves with Orthodoxy—they prefer common human (secular) values; for example, the Union of the Slavs of the Republic of Adigey, a popular public structure which defends the interests of the Russian part of the republic’s population, maintains no contacts with the local Russian Orthodox structure, the Maykop Eparchy, and never writes in its newspaper about religious spiritual values.

Our polls have revealed, beyond doubt, that neither national nor religious traditions can withstand the onslaught of cultural globalization.

**Shaping Religious and Secular Ideologies**

Religious and secular ideologies are being shaped as two parallel trends. The religious organizations determined to plant religious ideology rely on the moral values of their corresponding faiths alone, which means that the North Caucasian republics are acquiring ideological diversity made up of Islamic ideology, Orthodox ideology, as well as the “Christian” morality of the Baptists, Pentecostals, etc.

Our interviews with religious leaders confirmed that they refused to base the new ideology on the common values present in practically all religious movements; each of the leaders teaches his followers that his teaching alone offers the truth and genuine moral values, while all the others contain half-truths at best.

The artistic intelligentsia, which is expected to formulate a secular ideology and morality based on common human values, rejects the positive potential of religious moral values; they are convinced that morality should be civil (secular). Artists and other creative workers of the North Caucasian republics do not support any of the religions present in the region; they prefer to rely on culture, national culture, to be more exact. What is more, they oppose it to religious morality, culture, and ideology.

**Relations among Followers of Different Religions**

The Orthodox Christians, Muslims, and members of Christian movements never abandon their attempts to promote their respective faiths among the followers of other religions. They never resort
to violence: they mostly rely on peaceful propaganda in an effort to make others “happy.” For them, their religion is the only correct one, the tenets and lifestyle of which alone can pave the way to eternal bliss. To achieve their aim, they try the following:

1. theological disputes with followers of other confessions and members of other religious organizations;
2. “peaceful” yet insistent propaganda of their religious truths;
3. propaganda of their religious teaching as the only correct one.

In everyday life, members of all confessions and religious organizations in the Northern Caucasus live side by side as good neighbors. On the other hand, their relations are marred by political factors and, in particular, the relations between the heads of confessions and religious organizations.

For example, the Muslim and Orthodox leaders in the Northern Caucasus have achieved a political agreement under which they are engaged in latent opposition to the so-called non-traditional Christian structures. They have the local administrations and security structures on their side (the republican power structures, the Federal Security Service, and the Ministry of the Interior). This is caused by an objective factor: Islam and Christian Orthodoxy are not strong enough to promote their influence and boost their authority among the locals to close the door on the non-traditional Christian teachings.

Dissemination of non-traditional Christian ideas and their structures testifies to the fact that, for various reasons, neither the Islamic nor the Orthodox organizations can defeat them ideologically. They prefer to suppress their opponents by force, with the help of the republican administrations and security structures, rather than improve their own performance to outmatch the non-traditional Christian movements.

The Christian non-traditional organizations rely on missionaries to disseminate their faiths among the Russians and Adighes. They act intelligently and efficiently through wide-scale social charities; tactics known as “love bombardment” are widely used in the North Caucasian republics (the Orthodox Church, on the other hand, collects money among its followers in the form of payment for services).

The Christian movements are based mainly in the cities, however they pursue their aims both in the cities and in the countryside, up in the mountains and in the Russian and Cossack villages.

According to the leaders of the Christian communities, the North Caucasian mountain dwellers are more receptive to propaganda even though they are actively lured into Islam, the traditional religion of the local peoples. Islam and Islamic organizations oppose, as vigorously as they can, any change of faith among the mountain dwellers. Those who dare to embrace a different faith live in fear of condemnation of their families. This explains why some of the new members of the Christian movements prefer to keep their new, non-traditional faith secret.

In fact, many of the newly converted belong to mixed families with parents or spouses of different nationalities. We met several of them. Significantly, some of the Adighe Christians descended from fathers who in Soviet times were mullahs. The fact that in pre-Islamic times, in the early Middle Ages, many of the local nationalities (Adighes being one of them) were Christian serves as a weighty argument in favor of joining a non-traditional Christian organization.

Many of the non-traditional Christian organizations run their own rehabilitation centers, for example, the Ishkod Evangelical Movement in the Republic of Adigey. The Baptists in Maykop also have a rehabilitation center in the Tulskaiia settlement where 10 men with drug and alcohol problems live side by side with “brothers” (members of the Baptist community). The Christian movements combine social support with propaganda in social institutions; Baptists, for example, work in the boarding school in the village of Shovgenovskiy.

Senior Baptist Presbyter D. Kadatskiy (in the Republic of Adigey) points out that the ideological platforms of the non-traditional religious organizations and of the other religions differ greatly: “Our life is devoted to God, therefore we cannot single out that part of it in which we could communicate with members of other religions on everyday issues.” This means that no confessional dialog
with members of other religions is possible in general. Christian organizations insist on their own religious ideology and prefer to rely solely on the moral values of their religious trend.

The traditional confessions in the Northern Caucasus are not strong enough because the religious, Islamic and Christian, renaissance has not been going on very long and because they are plagued by numerous internal problems, such as inadequately educated clergy, etc.

In Lieu of a Conclusion: Forms and Nature of a Religious Dialog Among Peoples with Different Religious Landmarks

A religious dialog should be organized at several levels among:

- religious leaders;
- rank-and-file members;
- members of religious organizations, believers, secular part of the population, and "semi-religious" people (ethnic Muslims and ethnic Orthodox Christians).

It seems that the following communication forms can help organize a positive, “healthy” dialog:

1. Members of religious communities should be taught to recognize the relative nature of the “religious truths” and different ways and methods of religious quest and should accept the right of other people to live differently than their religious brethren and to profess different truths.

2. The intelligentsia in all parts of Russia should pool forces to create a common layer of the system of human values shared by mankind and based on culture rather than on religion that is acceptable across the country irrespective of the locally dominating religions. This system could be complemented with religious values borrowed from different religions, however the foundation should remain secular and civil.

3. To blunt the edge of religious contradictions, Russia should pursue a policy of multiculturalism; it should be said that under Soviet power and in the post-Soviet period multiculturalism and cultural pluralism were always present: no other principle can bring together so many nationalities within one vast state. The Soviet slogan of “friendship among nations” is as topical as ever. Today, however, we should work hard to plant the ideas of multiculturalism in the current religious, cultural, and ideological conditions.

4. We need a field of shared secular spirituality; much can be done by local intellectuals (writers, artists, heads of local TV and radio channels, as well as theater people)—it is for them to create a new multicultural expanse which would include the history of the North Caucasian peoples, the traditions of the mountain dwellers, the Russian and Cossack traditions, Islamic values, and Orthodox values. This will help them to find a place of their own in the processes generated by the present social, economic, and political reality. The republican administrations should pay more attention to shaping a common cultural field and shared civil identity in the North Caucasian republics.

5. Religious renaissance breeds problems, which call for consistent efforts to lay the foundation for further cooperation between the state and civil society in the current religious situation in the Russian Federation. So far, the numerous religious trends that have spread far and wide have called to life all sorts of conflicts inside religions and between them (neither the clergy nor the members of religious communities have proven immune to them).
To lay the foundation of relations between the state and civil society, the concept of “traditional religions” should be specified; regulatory documents relating to teaching the fundamentals of religious life in secondary schools are badly needed.

The following types of conflicts have become a regular feature of the dialog inside religions and between them: rejection of other confessions by both the leaders and members of religious communities; and the absence in public ideology of a conception of multiculturalism and its meaning. This is responsible for the political overtones in the dialog between religions: the leaders of the traditional North Caucasian religions (Christian Orthodoxy and Islam) have closed ranks against the Christian, so-called non-traditional, religions. Both rely on the so-called administrative resource represented by the republican administrations and security structures. This is done in violation of Art 14.2 of the Constitution, which says: “Religious associations shall be separate from the State and shall be equal before the law.” Interference does nothing for the relations among the followers of different religions.

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ON MODERNIZATION IN AZERBAIJAN: THE SECULAR AND THE RELIGIOUS IN CONTEMPORARY SOCIETY

Abstract

What are the prospects for interaction between the secular and the religious in the social and political life of Azerbaijan? How are the secular and the religious changing in the world today; how are they interconnected in the legal and cultural expanse? To answer these questions, the author traces how ideas about the “indivisibility” of religion and the state in Islamic religious-political thought are developing, analyzes the latest experience of secularization in Azerbaijan, and outlines the directions in which relations between the state and the confessions are moving. The above, however, calls for a description of the geocultural paradigm which has determined the axiological trends of current modernization.

Introduction

All the social, economic, and political changes of the last two decades in Azerbaijan have been unfolding as a modernization effort designed to overcome the country’s economic and technological
backwardness; reform state administration and legislation; and create a civil society and public sphere able to efficiently cooperate with the political institutions. The process is channeled “from above” and relies, therefore, on administrative, financial, information, and other resources. Society, which has not acquired clear ideas about modernization, its nature, and its aims, cannot fully accept it.

The political elite and part of society (not all of society and not its larger part) identify modernization with Westernization and secularization of the country’s cultural development vector. Indeed, liberal-democratic values do penetrate into Azerbaijan’s cultural expanse together with other, mostly religious, ideologies and philosophical systems. While some people speak of modernization as a progressive phenomenon and a symbol of moral freedom, others resent it as a vehicle of ideological subversion and cultural enslavement. More often than not, the idea of modernization as a national development program is not considered by either group. Instead, they both tend to concentrate on the socio-economic and cultural conflicts caused by the changes in their lives.

Many developing countries have learned from experience that, to be successful, modernization, its values and standards formulated by the political and financial elite, should be accepted by the masses as legitimate. Authoritarian modernization leads to an economic crisis and a political catastrophe. This means that the future of the reforms in Azerbaijan depends on the ability of those in power to convince the nation that the changes are necessary and adequate. While democratization as a political project has practically no alternatives in sociopolitical thought, the social-cultural sphere is dominated by antagonism between those who are in favor of the Western lifestyle and those who support the Islamic tradition. A public discussion of the limits of the secular and the state’s monopoly on moral values is underway, while various factors of local and global importance add specific hues to the contradictions between the secular and the religious.

**The Geocultural Justification of Modernization and Globalization**

Modernization is commonly described as a process which transforms traditional societies into modern ones, emancipates science, encourages industrial development and capitalist production relations, generates changes in demographic behavior, etc. The modernization theory formulated at the turn of the 1960s under the impact of what Talcott Parsons and Robert Merton, two American theorists of structural functionalism, wrote at the time, served the geopolitical aims of the West, which was busy building a new system of relations with its former colonies. The architects of the new world order needed an idea that would justify their policies in Third World countries intended to perpetuate their corrupt and servile regimes. The modernization theory, which added scientific substantiation to the idea of a transfer to a Western-style industrial and democratic society, proved a handy instrument.

The modernization idea pointed not merely to West’s technological and military superiority, but also to its cultural superiority over the rest of the world. This made Western civilization the very embodiment of modernity, of everything advanced and desired—in short, an unattainable dream. Those societies that took the road of modernization borrowed, of their own free will, the Western values and Western lifestyle; they abandoned their own development course and were inevitably bound for a crisis in their civilizational identity. This blocked from the inside the prospects for political reform and economic advance. As American sociologist Immanuel Wallerstein put it, the universal conviction that all countries could achieve economic development proved to be an illusion rather than a lodestar.¹

Despite its patently contradictory nature, modernization has not lost its popularity in the developing countries and countries with so-called transition economies. The Soviet successor-states with

their fairly developed industries, science, and technology that have chosen modernization as their development course can serve as the best example of this. Some members of the academic community believe that in a world that has already entered globalization as a new phase of civilizational cooperation, modernization as a development program has lost its relevance. Globalization has opened new vistas of labor productivity, high-tech retooling, and rapid communication conducive to a single worldwide market system. The breakthrough in information technology has changed our ideas about the national economy, state borders, labor relations, and education. Financial capital has become almost totally mobile; transnational corporations are no longer tied to individual regions or states—they have become a cosmopolitan elite.

The triumph of liberalism was expected to confirm democratic values; early in the 1990s, the euphoria caused by the disintegration of the socialist camp created the temporary illusion of the "end of history:" “that is, the end point of mankind’s ideological evolution and the universalization of Western liberal democracy as the final form of human government.” It turned out, however, that when the world elite shook off its responsibility for the fate of the nations, unfair distribution of wealth became more glaring; the widening gap between the North and the South became more obvious, while the mounting corruption and violence grew more threatening. In his Globalization. The Human Consequences, Zygmunt Bauman, a British sociologist, wrote that the mobility of the financial tycoons “means the new, indeed unprecedented in its unconditionality, disconnection of power from obligations.” The powers that be have acquired enough immunity to feel safe from public opinion, economic crises, armed conflicts, and humanitarian catastrophes. Chaos has become their natural milieu, while chaos management is their means of existence and enrichment.

Globalization is not limited to total control over political, economic, and financial institutions; very much like modernization, it imparts universality to Western values and liberal morals. We should bear in mind, however, that these values and morals differ greatly from those which served as the cornerstone of Western civilization. Having legalized moral permissiveness and the cult of violence and cruelty, it moved away from its Christian roots and has already entered the last stage of theomachy. Western culture, which has turned to technological progress and material wealth, no longer cherishes what is genuinely human. Medical ethics are busy discussing active euthanasia (deliberate medical intervention to bring about a painless death). In disregard of the social and ethic consequences, genetic engineering is moving toward cloning of humans. The negative impact on human health of biotechnology, which brings transnational corporations enormous profits, is likewise disregarded.

Technology is no longer serving people—it imposes its own rules of human existence on them. A. Nazarchuk has written on this score that the biologically determined method of obtaining information and cooperation has been upturned by information technology. The human psyche replaces the real world, to which the human body and mind are adapted, with a de-materialized world. This causes depression, psychic disorders, and weakened social ties. Society, which enjoys technological achievements, but lacks spirituality and moral injunctions, cannot preserve its stability; in fact, its continued existence is threatened.

Recent decades have confirmed that emasculated moral content creates serious problems at the individual level and on the global scale: international terrorism, environmental pollution, global inequality, etc. The ecological, humanitarian, and financial crises of the new millennium have thrown into bolder relief the importance of genuine human values based, at all times, on religion. This is the Achilles’ heel of contemporary globalists and Western civilization.

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2 In his annual address to the RF Federal Assembly of 12 November, 2009, President Medvedev spoke of the need for modernization “based on the values and institutions of democracy,” available at [http://en.ria.ru/russia/20091112/156810969.html].


Elie Maynard Adams was probably right when he said that, starting with the Renaissance, Western civilization has been gradually losing its axiological landmarks. Physics was the first to embrace a conceptual system unrelated to values. Later, the Darwin conception of change and causality brought biology to the same boundary. Behaviorist psychology applied scientific methods unrelated to moral assessments to human behavior, while the social sciences did the same with respect to social changes. As a result, wrote Adams, “Western man” accepted the empirical scientific method of cognizing reality as the only one, while beliefs unconfirmed by science were dismissed as superstition.6

Having rejected religious values and traditions, Western thought created numerous utopias and ideologies which functioned, partly, as traditional religions. Religious morality was replaced with secular principles which, according to Jean Baubereau, concentrate on two things: “The idea of human dignity, which postulates the fundamental equality of human beings, and the concept of solidarity, which treats the ties between people in time and space as the highest value.”7 This, however, does not rule out the contradiction between secular morality and the doctrine of liberalism in all its forms.

Liberal democracy cherishes the cult of human freedom, which can only be limited when and if man infringes on the freedoms of others. By guaranteeing political and civil freedoms, it creates conditions conducive to the development of philosophy, science, and individual self-expression. To quote from Zbigniew Brzezinski, individual self-fulfillment generates wealth and “attracts the energetic, the ambitious, and the highly competitive.”8

Having idealized morally unhampered freedom, liberalism created a society in which pursuance of individual desires constitutes the only meaning of life. This is the other side of liberal democracy. John Milbank regards materialistic hedonism as the natural outcome of the above: “If matter is not regarded as something connected with a sacrament, it inevitably degenerates into something meaningless, a mere instrument of sorts.”9

The ease with which moral dissipation and hedonism spread in Western culture is explained by the fact that at all times it needed a balance between the material (rooted in the culture of Antiquity) and the spiritual (rooted in Christianity). The attempts to fill the void left by the spiritual with values of free enterprise and democracy failed. American academician Robert Wuthnow has written in this respect: “As public discourse has shifted increasingly toward politics, consumerism, and narrow contentious definitions of personal morality, we have lost touch with an important segment of our cultural heritage.”10 Basil Mitchell has pointed out that many people are dissatisfied with the existing models of secular morals: “What they look for in them, and do not find, is a standard that transcends the de facto preferences of individuals and societies, by which these may be judged; the recognition of ideals or principles to which a man may be seriously and continuously committed, and upon which greater emphasis is laid than would be justifiable on utilitarian grounds alone.”11

The conflict with the traditional model uncovered the limits of liberal democracy, however it was the unipolar world that shook it to its very foundations. Inspired by idealized rivalry, a certain group developed the urge to achieve total control over the political, economic, and financial institutions. The recent results have forced Western societies to give up some of their democratic values and freedoms (the struggle against international terrorism is the most convincing example of this). A retreat toward

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totalitarian principles and violations of individual freedoms, the number of which is rapidly mounting, signified a decline in social life. In his *The End of History and the Last Man*, Francis Fukuyama wrote: “This suggests that no fundamental strengthening of community life will be possible unless individuals give back certain of their rights to communities, and accept a return of certain historical forms of intolerance. Liberal democracies, in other words, are not self-sufficient: the community life on which they depend must ultimately come from a source different from liberalism itself.”

The crisis of liberal democracy led to another round of discussions about the decline and fall of Western civilization. In 2002, American politician Patrick Buchanan published his *Death of the West*, in which he developed what Spengler and Toynbee had said before him about the inevitable “decline of the West.” Even before him, in the mid-1990s, Russian philosopher Alexander Zinoviev wrote that “by becoming postindustrial, Western society is in fact becoming an obese social, and highly parasitical, organism. This will eventually impair its instinct of self-preservation.” The consumer society, driven by the desire to satisfy its requirements and to preserve the deep social gap between the poles of poverty and richness as a source of its inspiration, does not look very attractive from the philosophical and moral viewpoints. This does not mean, however, that the American politicians and their partners will renounce their claims to world domination any time soon. The “right of the strongest” still applies, while there is no one in the unipolar world capable of trimming this “right.” Today, America’s impressive material and technological headway is matched by Washington’s foreign policy course.

After losing the socialist bloc as a military-political and ideological opponent, the United States lost its interest in “democratization” of the Third World. American ideologists responded to this with “revelations” about the unique, but not universal, nature of Western culture. In *The Clash of Civilizations*, Samuel Huntington wrote: “In fundamental ways, the world is becoming more modern and less Western.” Having relieved itself of its moral responsibility for the civilizations unable to follow the Western road, the United States confirmed its role as “world sheriff” in a cruel way: witness the “humanitarian interventions” of the last two decades (Somalia in 1993, Yugoslavia in 1999, Afghanistan in 2001, and Iraq in 2003). What the United States and its European allies present as support of democracy and the free market is, in fact, an attempt to strengthen their power and geopolitical influence.

Today, modernization in the developing countries lacks a solid geocultural foundation, yet the globalists leave the national elites with no alternative: those unwilling to embrace modernization pay dearly. The choice is, therefore, limited to modernization Western style (embraced by Kemalist Turkey) or modernization which preserves the basic principles of national culture. Russia and most of the Soviet successor-states have opted for the latter; the outcome, however, is hard to predict. Much will depend on the countries which have embarked on the road of development, as well as on their leaders and their ability to cushion the ruinous effects of globalism, chart the right way, and lead their nations along it.

Correct landmarks and development priorities depend on the ability to discern the paradigm of technological and civilizational advance in the near future. In other words, one should be able to forecast “the day after tomorrow” (if this day comes). Alexander Panarin described civilizational pluralism as the culturological foundation of the so-called post-Western era. Vadim Mezhuev believed that, as distinct from modernization, global politics should “create a world order in which the collective achievements of mankind in all spheres of human endeavor become accessible to each man and each nation, that is, become individual and national property.”

Immanuel Wallerstein wrote in one of his latest works that future civilization should stand on global universality, which would provide the nations with the equal right to give and take—a world

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ruled by inequality would be the other option. This “world … will claim to be based on universal
values, but in it racism and sexism will continue to dominate…. quite possibly more viciously than in
our existing world-system.”

Will mankind move toward this “global universality”? There is no clear answer to this question,
although the present level of civilizational and religious interaction can hardly instill optimism. Ac-

number of the 14 armed conflicts going on in the world in 2009 was caused by a struggle for power. In all the other cases, religious, ethnic, ideological,
or political dimensions were present. Even if mankind pushes away the contradictions and discovers
its inner resources based on shared values badly needed to draw closer, the process itself is never like-

the crisis of liberal democracy and the end of the epoch of modernity opened a new phase of op-
position between secular and religious morals. On the one hand, the content of contemporary education,

lifestyle, education of the masses, and their labor activities is pushing aside the spiritual to give way to
the rational and sensual. While on the other, religion is playing a much greater role than before in social
life. Western societies have exhausted their secular ideologies, which were never able to create social
and ethical norms anyway. “Post-modernity interpreted religion not as a religious institution, a church
that claimed its right to dominate. By liberating religion and religiosity, post-modernity introduced a
post-secular era in ‘European cultural history.’” The conflict between science and religion interpreted
as the Church/secular science opposition lost its urgency for at least two reasons.

First, scientism has exhausted itself in the eyes of a large part of society, while science is no
longer regarded as the only source of knowledge and opinions about the world. Religious
values, which infringe on human activities to a certain extent, have preserved their attraction
mainly because people are unconsciously aware of their eternal relevance. As an ultimate
truth filled with specific historical content, they make human lives meaningful in a way that
is well beyond the reach of scientific thought.

Second, in the latter half of the 20th century, Western society became much more exposed
than before to Islam and the eastern religious systems; unlike Christianity, they never openly
clashed with science. While Islam appeals to the scientific miracles in the Koran (confirmed
by contemporary science), the Eastern religions strive to comprehend man’s inner world
rather than acquire more knowledge about the outer world and its manifestations (studied by
science). As Carl Jung, the founder of analytical psychology, wrote in his *Psychology of
Eastern Meditation*, while the European relied on the entire range of external impressions to
arrive at a conclusion about the inner world, “Indian thought and Indian art merely appear in
the sense-world but do not derive from it.”

The time when the West met the Eastern religions in their historical areas and Western culture
was represented by its active proponents has ended and will never return. Hindu, Muslims, and Bud--

nent/2004/120/kyr16.html].
Press, Princeton, 1943.
dhists have integrated into Western society and are playing an ever increasing role in social and political life. “The failure of Western civilization resolved to dominate in the East was accompanied by the triumphal march of the ‘Eastern spiritual practices’ to the West,” wrote Christian Orthodox publicist Alexander Kyrlezhev. “Civilization, which grew up on Christianity and later, during the era of secularization, on its ‘internal’ rejection is satisfying its requirement for ‘religious metaphysics’ by drawing on non-Christian religiosity.”

In the Third World, cultural globalization (Americanization) coupled with the highly unsatisfactory results of the post-colonial project of a secular state proved to be a strong impetus for religious self-awareness. Under the influence of information means and technology, many people falsely identify themselves with certain groups with which they have nothing in common. Their minds plunge into a system of alien opinions, interests, and behavior patterns, which ends in cultural conflicts and dysfunction of social institutions. Western mentality and morality, expanding amid unresolved economic and political problems, sharpens one’s awareness of belonging to one’s own nation, culture, and religion. This explains why zealous opponents of globalization are found not only in the Muslim world but also beyond it—in Russia, China, India, and even in Europe.

This means that both in the East and the West, religion is playing an increasingly greater role in culture and public consciousness, while being exposed to the fairly strong influence of postmodernism. First, against the background of a firm rejection of totalitarianism, non-traditional beliefs, the occult, and other mystical practices have acquired a new lease on life and a wider social basis. By attracting the youth, the new and highly mobile religious movements undermine the positions of the traditional confessions. Second, fundamentalist feelings are mounting inside the traditional confessions as a response to another wave of secularization raised by the “mass culture” and information and communication technology. In some cases, religious tradition, which is misinterpreted (for sociocultural, economic, and political reasons) and detached from its spiritual roots, serves as the foundation of extremist ideologies. Third, the “compressed” world changes or even abolishes the traditional religious borders, thus provoking religious contradictions, yet bringing us closer to the global culture of a dialog.

This means that religion is returning to its social expanse, in which, however, its traditional claim to exclusiveness and social preferences is challenged. The present confrontation among the traditional religions, new religious movements, and radical religious groups cannot be dismissed as an ideological or religious-political struggle. It is a struggle to possess the “truth” and establish relations with “our own” and “other” people, which will dominate in the future civilization. It is a struggle between totalitarianism and pluralism, between tolerance and intolerance, between barbarity and civility.

Does the above overstate the role of religion in contemporary civilization? In the context of the current geopolitical model, religion is regarded as the cause of clashes of civilizations and a factor of international instability. Back in the mid-1990s, Samuel Huntington pointed out that religion disunited the world and escalated conflicts along civilizational borders. Earlier, American futurist Alvin Toffler in his *Powershift: Knowledge, Wealth and Violence at the Edge of the 21st Century* described religion as one of the global gladiators that challenged the sovereign state as an entity of international relations. It would be wrong to think that religion is the main factor of disunity; this is confirmed by a 2005 sociological poll which revealed that only 6.8 percent of the Orthodox Russian respondents describe religious contradictions as the main source of ethnic conflicts; this opinion is shared by 2.8 percent of the Buddhists polled, 7.7 percent of the Muslims, 10 percent of the Catholics and Jews, and 12.6 percent of the Protestants. Up to one-third of the polled in all confessional groups pointed to the country’s worsening economy as the main cause of ethnic problems. Between one-fifth

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and one-third of the polled blamed the central government’s blunders in ethnic policy; other causes of ethnic tension and disagreements were mentioned by a negligible number of the respondents.24

So far, the peacekeeping potential of any religion remains untapped, however in recent years, religious leaders have widened the scope of the religious dialog and have pooled their forces to preserve spiritual values and oppose moral degradation, international terrorism, and drug trafficking. They are doing a lot to preserve the world’s cultural diversity and to protect the environment. “We are ready to exert every effort to prevent religious differences from being used as an instrument of hatred and discord, in order to save mankind from a global conflict of religions and cultures,” says the Final Declaration of the First Congress of Leaders of World and Traditional Religions in Astana.25 These congresses, which have become traditional, and the world summits of religious leaders (the most recent one was held in Baku in April 2010) may play an important role in strengthening international security and changing the nature of the relations between the state and the church.

Some think that the world today looks very much like Europe on the eve of the Westphalian Peace of 1648; those who think this are proceeding from a myth that says religion breeds intolerance, wars, and coups when it interferes in international relations. Scott M. Thomas has written that the world is willing to abandon the “Westphalian presumption” and that “there is a growing openness in international relations to what different religious perspectives have to offer to the world.”26 Political culture is even more receptive to religious influences. S. Lebedev has written that in the conditions of late post-modernity, religious ideology can easily assimilate secular culture, which “can offer nothing to enrich its counteragent either in the field of knowledge, values or ideals. It is equally prepared to cede its positions to any religion or any ideological system irrespective of their beliefs or social ideas.”27 The above is too categorical to be totally accepted, yet we have to admit that the correlation between the secular and the religious is changing with still uncertain results. Jürgen Habermas has written that Western societies transformed into “post-secular” are concerned with preserving religious communities in their secular environments. “Hitherto, the liberal State has only expected the believers among its citizens to split their identity as it were into public and private elements” while today it is required that both sides take up the perspective of the other and listen to the objections of opponents.28

So far, it remains to be seen whether the traditional religions manage to fortify their positions or whether the boundary between the religious and non-religious will be gradually obliterated while religious institutions are replaced with quasi-religious movements and syncretic sects. In the same way, will religious renaissance lead to aggressive secularization and bring liberal democracy to its collapse? Will the ideas of religious tolerance and diversity of religious experience be accepted by the Third World, where modernization and secularization remain pending?

Modernization in Azerbaijan: The Middle Path

Modernization in Azerbaijan coincided with the changing balance between the secular and religious forces in the West and in the East. Kulturdrift triggered by the Soviet Union’s disintegration

28 [http://www.ucc.ie/social_policy/Habermas_Faith_and_knowledge_ev07-4_en.htm].
spread to all spheres of the republic’s social life. Different peoples responded to this impact in different ways: some of them are becoming aware of their creative potential; they draw on the progressive experience of other societies to create modern axiological systems. Others prove unable to face the challenges of the times and sink back into the old time-tested values. In Azerbaijan, the tectonic shifts in the very foundations of the ideas about the world cost the state its clear idea of purpose, while the nation, without a national idea and civil consensus, became immersed in an identity crisis. Most of its citizens were not prepared to abandon Marxist ideology even though in the past their acceptance of it was only skin-deep.

The Armenian aggression and upsurge in ethnic separatism re-established, for a while, the traditional values cherished by many as the cornerstone of the Azeri statehood. At that time, the nation was convinced that its culture was unique or even superior to others. The cease-fire and the republic’s gradual involvement in large-scale transnational projects pushed society toward ideological divergence. After gaining access to the global beau monde, the republic’s political and financial elite lost no time in borrowing cosmopolitan values and moved further away from the masses still pinning after the lost empire, on the one hand, and exposed to Westernization and Islamization, on the other. The weak civil society and the crisis in the educational system added to the social disunity and ideological vagueness.

The nation badly needed an idea able to mobilize all the national resources for the sake of stronger state sovereignty, a democratic state ruled by law, economic growth, and overcoming technological backwardness. Once born in the minds of the patriotic intelligentsia, the idea should be accepted by the larger part of the polyethnic and poly-confessional country—an aim which called for consistent and purposeful reform of public consciousness. Occupation of Nagorno-Karabakh and seven adjacent districts, the plummeting living standards and persistent ideological expansion that bred moral nihilism, as well as ethnic separatism and religious extremism left no time for the national idea to develop and become generally accepted. In these conditions, the Azerbaijani reformers had to rely on the West (with Russia’s tacit agreement) to guarantee public interests and the principles of democracy and an open society. The inner resources of society, which closed ranks in the struggle for Nagorno-Karabakh, were too weak to speed up the initial stage of democratic reforms.

This explains why the liberal-democratic reforms in Azerbaijan had to be imposed “from above:” first, most of the nation never shared the axiological ideas of the reforms and could not fully understand them. Democracy was identified with social fairness; the much smaller and much better educated part of society had already embraced the ideas of civil solidarity and their own responsibility for the future of their common state. Exposed to social and economic problems which defied prompt solutions, the masses were growing even more suspicious of the liberal economic and democratic changes. Second, the still very weak democratic institutions could not oppose, let alone overcome, nepotism and bureaucratic arbitrariness, which explains why the rich profited much more from the changes than the common people.

Political awareness at the grass-roots level was developing sporadically in many, often opposite, directions. Some of the political forces which posed as democratic were a step short of anarchy. Locked in an uncompromising struggle, the government and the opposition fought frantically during elections. Political culture still remained Oriental despite the proclaimed primacy of Western democratic ideals. There was still a very pronounced desire to smooth out the contradictions between the moral and legal motivations behind the political decisions, as well as a trend toward promoting charismatic leaders, simplified forms of organization of power, etc. 29

Democratic culture was the least of the concerns of those who carried out the reforms in Azerbaijan: they had to deal with social, economic, and political tasks. Ramiz Mekhtiev has written on this score that the state dealt first and foremost with ensuring stability and security; it tried to minimize external and domestic threats, build up the country’s economic potential, and do away with social and political awareness at the grass-roots level was developing sporadically in many, often opposite, directions. Some of the political forces which posed as democratic were a step short of anarchy. Locked in an uncompromising struggle, the government and the opposition fought frantically during elections. Political culture still remained Oriental despite the proclaimed primacy of Western democratic ideals. There was still a very pronounced desire to smooth out the contradictions between the moral and legal motivations behind the political decisions, as well as a trend toward promoting charismatic leaders, simplified forms of organization of power, etc. 29

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economic inequality, "while trying to disregard as much as possible the problems of the transition stage." This probably explains the so-called nominal democracy which, the same author asserts, "is the only form of social order that allows the nation to move toward universal democracy," if state power is strong enough.

This was inevitable; in the absence of the social prerequisites for democracy and civil culture, society needed a strong state as the guarantor of stability and economic advance. On the whole, the initial period of democratic development was all-important for the country’s future: the outlines of a new political and ideological model became clear. It was based on the ideology of Azerbaijan-ism as a neoconservative system stemming from the principles of secular statehood, political democracy, and self-sufficient national traditions.

Appearing in the mid-1990s, the idea of Azerbaijan-ism rapidly acquired an ideological content. On 9 November, 2001, speaking at the First Congress of Azerbaijani of the World, President Heydar Aliyev described it as "the basic idea of independent Azerbaijan." Ramiz Mekhtiev speaks of Azerbaijan-ism as a national-state ideology which points to the aims and priorities of national development and the "perceptions and assessments of the present and future of the Azeri people."

So far, the conceptual linchpins of the ideology of Azerbaijan-ism (philosophical, geopolitical, etc.) have not been adequately developed. Some think that, so far, the ideology fails to express the hopes and philosophical approaches of all citizens, especially those belonging to the ethnic and religious minorities. Philosopher A. Ismailov has written that its inadequately elaborated functions created two diametrically opposite approaches to this ideology. It is seen either as an attempt to reduce the diversity and richness of national life to subjective descriptions of Azerbaijan-ism, or as an effort to transform it into a cliche of sorts deprived of any content and structure, and divorced from other concepts and phenomena likewise expected to consolidate the nation.

The idea, however, is popular with the political elite and the intelligentsia because it points to a certain "third road" and offers an alternative to Westernization and Islamization. The national idea should democratize mass consciousness and raise the level of civil culture, otherwise democratic changes will never come. The national idea cannot be divorced from reality; it should be the product of a natural process and reflect the ideas and preferences of a larger part of society.

To succeed, democratic development needs a special type of involved individual and a "contract" form of cooperation in all the key spheres of life, which presupposes that citizens will acquire a clear idea about the meaning and values of freedom and about their responsibility for the state and its future. In his Private Law Society and the Market Economy, Franz Böhm wrote that in a democratic society the private law order gives all citizens freedom of action and extensive powers in establishing contacts with other people by guaranteeing fundamental rights and freedoms. The state simultaneously and voluntarily abandons its primacy of the individual: from that time on it functions as a space within which an individual with a certain amount of knowledge, independent thinking, and civil consciousness is being formed. An open society is possible only if each and everyone is prepared to acknowledge responsibility for their choice and where moral power is part of their identity. "People sometimes fail to act on their moral beliefs because those beliefs are not really their own. Moral 'oughts' may then seem oppressive and refusal to abide by them liberating."
The future of Azerbaijan largely depends on the extent to which the modernized axiological system is grasped and appropriated by the broad masses, the middle class in particular. G. Nodia has written in this regard that “the modernizing project should be ideologically embedded within the national political tradition. Modernizing elites must be able to present modernization as a continuation and enhancement of a domestic political tradition or, at a minimum, as something that poses threat to it.” 37 Modernized values should not be limited to the elites—this possibility should be avoided. Today, when high-quality education and a high level of culture in general are no longer widely accessible—the sine qua non of citizens’ involvement in social and political life—the doubts about modernization’s success are well justified.

This means that the democratic changes should be tuned to Azerbaijan’s historical and cultural heritage and should stem from corresponding social and cultural prerequisites. The world knows different types of democracies not necessarily identical to the Western model, some of them exhibiting much more sustainability and durability thanks to the intrinsic combination of democratic values and moral principles in society. Financier George Soros, likewise, arrived at the conclusion that Western representative democracy is not the only form of governance compatible with an open society. He was of a different opinion before the communist bloc fell apart. 38 This means that democracy and an open society are compatible with previous identities: public consciousness should be changed by bringing together traditions and innovations; cultural tradition and liberal values indispensable for the market economy and an open society should form a dynamic whole. “The conflict of values should be resolved through positive shifts in the way we look at cultural and axiological diversity, which does not contradict the basic consensus.” 39

Culture and consciousness should concentrate on stirring up all human capabilities responsible for the nation’s spiritual and material wellbeing and its moral and intellectual health. The central role in the process belongs to the carriers of personalized consciousness, of whom S. Lurie has written that they should not move to the side but should, instead, shape the axiological orientations of the rest of society. 40 Not only that: they should correctly assess the possible consequences of transformations of national identity and identify the elements of traditional thinking which can be described as dominating and indispensable for Azeri society, as well as the measures needed to effectively combine these elements with those of liberal culture.

The intelligentsia should select the least conflict-prone principles and axiological attitudes to be used to deal with urgent social, economic, and other problems. This process should not be limited to the academic and bureaucratic communities: value reassessment should proceed through clashes of values and interests which help to overcome contradictions and misunderstandings. We should critically examine everything that is considered to be correct and should publicly discuss this problem. Today, the willingness of the larger part of society in Azerbaijan to embrace Western standards in politics, business communication, education, etc. can be regarded as the first step toward modernization. Understood as borrowing the external features of the Western lifestyle, modernization is misinterpreted both by its enthusiastic admirers and by those in whom it breeds conservative or even reactionary feelings. Not infrequently, people cannot but feel concerned: history has taught us that modernization does not necessarily produce economic growth and political stability. Much should be done to avoid negative developments: liberal reforms should not be reduced to price liberalization and privatization of economic facilities, while liberalization of consciousness to shedding moral norms and moral obligations. Individual freedom, which enjoys pride of place among democratic

39 R. Mekhtiev, Azerbaidzhan: vzory globalizatsii, p. 70.
40 See: S.V. Lurie, Metamorfizmy traditsionnogo soznaniya (Opyt razrabotki teoreticheskih osnov etnopsikhologii i ikh primenenie k analizu istoricheskogo i etnograficheskogo materiala), St. Petersburg, 1994, p. 74.
freedoms, should not be taken for an invitation to reject the state, society, and laws, but should be embraced as a moral value. Boris Kapustin has written that individual freedom is expressed in the context of social relations as equality in freedom; in the context of relations with the state as equality before the law, which guarantees individual freedom of private and public activities; in the context of attitudes to differences in public life as tolerance for everything that does not reject tolerance; and in the economic context as recognition of private property as a condition of man’s free development.\[41\]

In real life, however, liberal values do not merely contradict traditional values—they replace them. In his studies of the mutual influence of a liberal economy and morals, German philosopher Richard Münch describes financiers as “high priests” and economic laws as society’s moral code. The gross social product is seen as a measure of prudence and good behavior, while the natural and sociocultural environment is described as “a resource that must be constantly renewed to remain permanently in use.”\[42\] This means that the spiritual and cultural specifics of modernizing nations are seriously endangered by economic imperatives which spread far and wide in all spheres of life.

Liberalism is fraught with another danger—the financial-political elite tends to isolate itself from the rest of the nation; the global beau monde does not associate itself with any country and no longer needs to buy moral justifications of its lifestyle. It is enough to obey the tacit rules of the club to remain its member; not infrequently the global elite betrays its cosmopolitanism by dismissing with disdain the concepts of “nation” and “traditions.” It is no wonder that Richard Münch has written that an unwillingness to detach themselves from the nation has become a hallmark of the “weak social strata and weak regions.”

The moral and ethical code of Islam is most effective when it comes to averting these dangers within the conception of Azerbaijan-ism. Islamic values are strong enough to establish horizontal ties in society, uproot the penchant toward authoritarianism inherited from the Soviet past, instill genuine patriotism in the younger generation, unite the republic’s ethnic groups into a single Azerbaijani nation, and preserve the atmosphere of religious tolerance and confessional conciliation. It still remains to be seen whether the Muslims of Azerbaijan will overcome the limitations of their traditional mentality to completely dedicate themselves to the political and economic reforms in their country.

A traditional mentality, which presents the world as absolutely immutable, deprives man of creative impulses and the desire to change the world. Traditional values keep society together only when shared by its absolute majority—if not, suppressed mavericks are squeezed to the periphery since pluralism is only permitted within a single hierarchy of values. Not infrequently, devotion to the religious traditions turns out to be banal speculations—this happens to those who cannot or are not ready to stand up for their convictions in a transforming society. Traditionalists avoid any involvement in political activities; they may act as guardians of tradition, but devotion to some of them (with no real values in the context of cultural specifics) may cause backwardness in the broadest sense of the word.

As distinct from the traditionalists, the Muslim reformers never avoid contacts with other cultures and religions; they are always prepared to plant Islamic ideas and values in modern social and cultural soil. Former rector of the International Islamic University in Malaysia ‘Abd al-Hamid Abu Sulayman has written that this “makes reality and practice a natural outcome of the observance of Muslim norms and remains connected with the sources of the Muslim faith and thought. In the final analysis, that shapes independent scientific Muslim thinking based on its own source of knowledge.”\[44\] It is the re-

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formist approach to Islam that helps bring together the democratic reforms and traditional morals and spirituality. The process and its results, however, require in-depth examination.

Today, the Azerbaijani intelligentsia has to answer the following questions: Which liberal-democratic values are most important for civil society? How do they combine with national mentality and traditions? Which traditional values are universal and which are relative? What should be done to bring modernization values within the reach of the broad masses? The answers to the above should be sought in public discussions.

This means that civil society rather than the state should become the vehicle of modernizing reforms. Any reform is an act which gives an impetus for further development and which outlines its legal framework; the efficiency of any reform depends, to a great extent, on society’s involvement and its capabilities. This should not be taken to mean that state institutions have no important role to play since the state and it alone, its strong social and economic basis, can compensate for the negative consequences of the changed conditions of labor, market relations, etc. According to T. Matsonashvili, “it would be a fatal mistake to shift the responsibility for the social risks onto individuals.” At the same time, political and socioeconomic reforms should be synchronized with the transformations in the social sphere and the growing political significance of civil society and its structures.

This process might be accelerated if and when Azerbaijan becomes part of the European and Euro-Atlantic political and cultural expanse. A. Nazarchuk has pointed out that international democratic standards have contributed to the government’s tighter civil control and created conditions in which the political system and culture are transforming much faster than they might have otherwise. This is only partly true: more often than not outside pressure does not take the interests of the developing countries and the preferences of their populations into account. Today, the West insists, either directly or through international institutions, that Azerbaijan should adhere to principles of liberalism and democracy. The former means that it should open its domestic market to transnational capital and privatize its public sector (including some of the strategic economic facilities). This might deplete the state’s resources needed to stabilize the economy and the social sphere. The latter presupposes political and cultural pluralism in a form that promotes Western interests and, being ill-suited to the political, social, and cultural context, undermines state power. This is best illustrated by what the PACE is doing to ensure civil equality for the homosexual, bisexual, and trans-gender communities across the European continent, and in Azerbaijan in particular. On 23 January, 2010, the Azerbaijani PACE delegation refused to discuss two resolutions on the rights of sexual minorities to self-expression and on teaching respect for such communities as part of the school curriculum. Back home, the public rebelled against discussion of these subjects at the PACE level, while politicians, human rights activists, and public and religious leaders were dead set against unisexual marriages.

The political and ideological neo-conservatism of the Azerbaijani leaders rejects imitation of European experience; modernization and reforms in the republic are geared toward the nation’s traditional ideas about the world, but never ignore those principles of democracy and open society without which the country would be unable to develop into the leader of the Central Caucasus and the Muslim world (in which all regions grapple with similar problems created by globalization). The middle-of-the-road course (chosen by the republic’s leaders) is essentially the only correct one in the current geopolitical context; it is for civil society to identify the relevant mechanisms and the forces responsible for each of the specific tasks. Social reforms are not a one-way street—it is wrong to pile the entire responsibility on the state.

Modernization in Azerbaijan is secular; the Constitution of the Azerbaijan Republic describes it as a secular state; this principle is strictly observed in all spheres of public life: civil service and the constitutional-legal status of civil servants, education, etc. The state which remains equidistant from all confessions controls their activities to be prepared to defend their interests, to ensure public security and the rights of its citizens. Despite the fact that according to certain sources up to 96 percent of the republic’s population identifies themselves as Muslims (there are no relevant official figures), the Muslim clergy enjoys no privileges denied to other confessions: it carries no weight with the country’s leaders, has no special rights in state structures (schools, hospitals, military units, penitentiary system, etc.).

At the same time, modernization should not be identified with secularization: in independent Azerbaijan, religion has gained a lot of public and cultural weight. In two decades, the government has not merely accepted the religious revival—it has created conditions in which the country’s citizens could freely realize their right to the freedom of conscience, while religious associations were free to contribute to public life. Secularization presupposes that the religious communities and leaders are removed from state administration, political activities, and secular education.

The official clergy represented by the Administration of the Muslims of the Caucasus is quite satisfied with the situation and its role in public life; some of the independent Muslim leaders, however, can be described as Islamists who want greater political roles for the clergy. Some of them are promoting democratic changes and appealing to the experience of the West where religious-political parties and movements figure prominently on the political scene. Others vehemently oppose secularization and favor political involvement as an instrument for bringing the Shari’a into all spheres of life. The former group consists of highly politicized Shi’a and Nursists, followers of a pro-Turkish religious movement; the latter brings together those who want to create a “worldwide caliphate” and whose ideas are close to those of the Muslim Brotherhood and the Islamic Party of Liberation. The Islamists have not yet knocked together a more or less consistent political platform and socioeconomic program. Their reliance on religious sermons and the contradiction between the Islamic ideals and social reality attracts young protestors rather than Muslim intellectuals. In the future, the Islamist ranks might swell with “sympathizers” from among the moderates (including the Sufi and Salafi), who so far remain loyal to secular power.

On the whole, the religious revival in Azerbaijan is not spearheaded against the secular statehood. Political Islam has no roots in the Central Caucasus; people in Azerbaijan frown at the abuse of religion for secular purposes, although if the economic strategy of the country’s leaders fails, it may draw Islamist movements into politics; those harder hit than others by modernization might find their ideas highly attractive. In the latter half of the 20th century, modernization raised a wave of Islamism which extended its social support, moral guidance, material aid, medical services, education, and employment, in short everything the Muslim governments were too often unable to offer to the growing numbers of urban dwellers in the Muslim countries.

On the other hand, some people discern not only social but also civilizational prerequisites which give rise to Islamism. According to Mansoor Moaddel, Islam’s political dimension is a response to its excessive secularization pursued by the enthusiastic intelligentsia and politicians who embraced the Eurocentrist conception of rationalism and its ideas of world history.46

The correlation between the secular and the religious in the Azerbaijani modernization project, therefore, calls for cautious treatment and balanced approaches. Rash efforts to squeeze religion out of the social expanse or reduce believers “to the status of second-rate citizens” ⁴⁹ may cause a landslide in the nation’s religious-political views and end in an open confrontation. The recent history of other Muslim states (Iran, Afghanistan, and Algeria to name a few) has demonstrated that confrontation between secular regimes and Islamist movements may end in disaster.

The leaders of Azerbaijan are working toward a harmonious combination of traditional Islamic values and the principles of democracy and liberalism. The middle-of-the-road course outlines the limits of democracy and religion while preserving democracy and stronger spiritual and cultural traditions as the strategic aim. This conception of state-religion relations presupposes that religion’s potential can be used to deal with social problems and to minimize the negative consequences of economic globalization. A more or less complete idea of the prospects for middle-of-the-road modernization in Azerbaijan requires answers to two purely pragmatic questions: Does the secular principle allow religion to move into certain spheres of social life? Is separation of religion from the state completely legitimate from the point of view of traditional Islam?

Political theory knows no single model of a secular state. A. Ostanin, for example, has identified three types: indifferent, when the state separates itself from religious associations and does not enter into partnership with any them; preferential, when the state establishes dynamic relations with the dominant confession; and classical, when the state enters into partner relations with religious associations, while keeping in mind the interests of the population, without giving preference to any of them.⁵⁰

In practice, however, relations with religious associations and their funding are legally justified even in states with long and firm traditions of political secularism. In France (where the state deliberately demonstrates its equidistance from all religious groups and insists on separation of school from religion), teachers in private religious schools are paid by the state, which also bears some of the educational expenses under the Debré Law of 1959.⁵¹ According to Elizabeth A. Sewell, secular states grant direct and indirect financial and other privileges to religious associations and organizations patronized by various confessions. The state may and should compensate for the property it has confiscated from any religious organization in the past.⁵²

All interpretations of the concept of the secular and its limits aside, most experts agree that it does not necessarily mean theomachy and total rejection of religion. Igor Ponkin, for example, writes that “the secular nature of any state means a system of requirements which ensures independence and sovereignty of the state and religious organizations within their spheres of competence.”⁵³ Their boundaries depend not only on the immanent functions of the state and religion, but also on the interests and requirements of any specific society at any specific stage in its history. Those who extend the current interpretation of the secular to the acceptance of religion as “a positive component of social order on a par with science” ⁵⁴ are absolutely right.

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⁴⁹ American political scientist Peter O’Brien describes this response to the Islamic revival as hard liberalism (see: A. Sharipov, “Postmodernistkiy liberalizm—panateia ot islamofobii?” available at [http://www.islam.ru/pressclub/islamofobia/panaceyi/]).
Having found an answer to the first of the two questions, let us ask once more: Does traditional Islam accept separation of religion from the state? In other words: Will religious tradition raise an insurmountable obstacle to the democratic reforms in Azerbaijan and in the Muslim world? If Islamic tradition is antagonistic to the fundamental principle of liberal democracy, further development and strengthening of Islam will inevitably end in a clash of two philosophical systems. More than that, the idealistic and egalitarian nature of Islam encourages dissent, which might cause social and political protests.55

Today, the thesis that in Islam religion and the state form an indivisible whole dominates Islamic studies to the extent that most researchers never deem it necessary to go to its roots. Islamic political thought is based on the primacy of state/religion interaction; Muslims do not think that one opposes the other. Religion is very important for the state, just as the state is for religion. More than that: the importance of the state, which ensures observance of the Divine commandments, stems from Islam. Does this mean that the spiritual and secular power forms an indivisible whole and that a secular state is unacceptable?

According to Prof. Kerimov, the unity of spiritual and secular power underlies the Muslim doctrine: “People do not write laws but obey the Divine laws, which means that power can be executive but never legislative.”56 This idealism is best suited to the period of the Prophet because, according to the Muslim traditions, the commands and decisions of the Prophet Muhammad were confirmed by the authority of revelation. Some of the Koranic ayats say, for example: “We sent not an Apostle, but to be obeyed, in accordance with the Will of Allah” and “He who obeys the Apostle, obeys Allah” (Surah 4 “The Women,” ayats 64 and 80). The Prophet was a spiritual teacher, ruler, law-giver, commander-in-chief, and judge. The faithful addressed him with all sorts of personal questions and inquiries about social life. The Shari’a is based on the answers.

This form of governance survived under the four righteous caliphs, however their decisions exhibited traits of “human law-giving.” This was at the time when Islam spread beyond Arabia; the Muslims had to cope with problems unknown at the time of the Prophet; their lifestyle was changing. This gave rise to the tradition of ijtihad, an independent study of the Koranic texts and the Sunna to deal with problems not directly mentioned in the holy texts. Promptly appropriated by the fakihs (lawyers), ijtihad was used to correlate the new reality and problems with the life of the Prophet Muhammad; this made Muslim law highly flexible and adjustable.

Starting with the Ummayads, secular and religious power began to gradually split, even if formally both parts remained in the hands of the caliphs. Confrontation between the ruling dynasty and the religious authorities (who tried to contain the arbitrary rule of the caliphs and their vicegerents) was mostly latent with occasional armed flare-ups. Aydyn Ali-zadeh has rightly noted that religious values lost some of their former importance in Muslim societies and that the rulers deemed it expedient to replace them. After a while this brought in secularization, which, in the Muslim world, took the form of a protest “against the shameful theocratic-monarchic methods of state governance,”57 rather than a struggle of society’s most progressive members against the Divine laws.

The opposition with political power exhausted the religious leaders: they left the political scene and finally accepted the legitimacy of the monarchy as a form of governance. K. Markov offered the following comment about the mechanism of this system: “There was no formal agreement but a latent

deal under which the legislative power of the ulema and their financial and institutional independence from the government were exchanged for the ulema-sanctioned freedom for the monarch to remain a more or less absolute secular ruler. This meant that the ulema had no right to interfere in state administration in order to trim the monarch’s arbitrariness. The latter, however, was aware of the limitations imposed on him by the Shari’a, which was due in particular to the ulema’s high prestige.”

The secular and religious authorities split in the latter half of the 9th century when the Abbasid caliphs turned into puppets of the military leaders of the Guards. For several centuries, real power in the Abbasid state shifted from the top military to the Buwayhid emirs and later to the Seljuk sultans. These real rulers allowed the caliphs to remain in control of the Shari’a and adherence to it and to guarantee the régime’s legitimacy. According to Shafi’i jurist Abu al-Hasan al-Mawardi (d. 1058), this form of governance contradicted the principle of absolute subordination to the ruler, but perfectly suited the principles of following the Shari’a and religious commandments. While recognizing the legitimacy of this form of division of powers, the respected theologian explained it by the impermissibility of allowing the anarchy and troubles that might arise under a weak ruler.

Imam Abu Hamed al-Ghazali (d. 1111) likewise pointed to the need to obey the emir, who had the power and qualities indispensable for governing the country and imposing the laws. He deliberately pointed out that if a ruler was able to unite the people and impose the laws, even though he lacked all the qualities necessary for a ruler (knowledge of the Shari’a, fairness, etc.) but was still strong enough to retain power, he should be obeyed by all means: “This is not a voluntary assumption, rather necessity permits what is banned. We all know that eating dead flesh is bad, but dying is much worse. I would like to find anyone today who disagrees with this and outlaws a ruler who fails to meet all the demands: he will never manage to replace him with anyone else willing to fill the post or even anyone meeting all the requirements.”

Traditional theology looks at the form of governance as the means used to realize the functions and the aim of the state; Islam regards observance of the principles and laws of the Shari’a as the state’s main function. Mikhail Piotrovskiy wrote that “medieval Muslim society demonstrated a certain duality in the correlation between the secular and spiritual authorities. On the one hand, there is the original Islamic principle of indivisibility of the secular and the spiritual as the source of all specifically Islamic political institutions. On the other, theory has admitted, while practice has demonstrated that the two spheres of power are separate; further development is largely going in the same direction.”

Contemporary Islamic thought has preserved a traditional approach to questions of state structure, which looks at the correlation between the aims and the means and takes into account the social and political processes that swept across the Muslim world when the Ottoman Empire fell apart, the caliphate was abolished, and secular regimes became a fact. ‘Abd ar-Rahman ibn Nasir as-Sa’di (d. 1956), a prominent theologian of the 20th century, wrote in his tafsir: “Those Muslims who live in a state ruled by infidels should try to set up a republic in which individuals and the people have the right to practice their religion and organize their secular lives rather than obey a state which interferes with religious practices and pursuance of secular (material) wellbeing and which subjuges people and deprives them of their civil rights. A Muslim state ruled by Muslims is the best option. In its absence, a state which looks after the religious and secular rights of its citizens is the best choice.”

This vast quote is highly important: it explains the principle of the priority of the aims of the Shari’a, in which human rights, their protection and guarantee, figure prominently. Strictly speaking, the Muslim state is ideally intended to protect fundamental rights and freedoms. In its absence, a democratic state does not object to the Shari’a.

As distinct from Western political thought, classical Islam never developed a political conception of the state. Al-Mawardi, al-Ghazali, Ibn Taymiyyah, and Ibn Haldun touched on the problem of political power, but never developed systematized teaching about the state, its basic descriptions, functions, and institutions. Traditional ideas about the state followed the changing social and political structure of the Caliphate. Despite the fact that Islamic tradition idealizes the epoch of the Prophet and the righteous caliphs, classical Islam contains no categorical rejection of other forms of governance (different from early Islamic) if the basic aims of the Shari’a are observed.

The ideology of political Islam, which appeared in the mid-20th century as a response to European colonization and the abolition of the Islamic Caliphate, stands apart from the traditional context. It is based on borrowed and Muslim revolutionary experience; its methodological foundations are very different from the principles of Muslim law, which explains why the doctrine frequently violates the principle of priority, while means substitute the aims. For example, Indian publicist and public figure Abu al-A’la al-Mawdudi (d. 1979) wrote that “the Islamic state that Muslim political action seeks to build is a panacea for all their [Muslim] problems.” This was where the main methodological error of his political doctrine was rooted: Islam regards the state as a means which makes it possible to attain high religious aims and ideals. Neither the holy tradition nor the classics of Islam defined a Shari’a state as the final aim of Islam; nor do contemporary thinkers working on Maqāsid Ash Shari’a say this.

Sayyid Qutb (executed in 1966), another ideologist of Islamism and a leader of the Egyptian Muslim Brotherhood movement, favored a radical divorce from the existing order and called for opposing any power not based on the laws of Allah. He described societies as unfaithful in which the laws were written by people in violation of the principle of one god. Mustafa Shukri (executed in 1978), who founded the Takfir wal-Hijra (Excommunication and Exodus) movement, added his own interpretation to Qutb’s ideas. He described everyone outside his organization as unfaithful. Many of the respected ulema, including Sheikh Youssef al-Qaradawi, one of the leaders of The Muslim Brotherhood moderates, scathingly criticized Sayyid Qutb and the Takfir supporters.

Conclusion

The above suggests that the potential of traditional Islamic values can be used to preserve spiritual and moral values and to strengthen national identity during modernization. As the confrontation between spirituality and the power of instinct gains momentum, the need for Islam as a philosophical system, moral and ethical regulator, and cultural factor will also grow stronger. The course of modernization and the nature of religiosity will depend on defining the correct center of gravity between the two pillars—the secular nature of the reforms and the religious nature of the spiritual needs of man and society.

Malaysia, Turkey, and some other Muslim countries have already learned from their own experience that Islamic tradition does not interfere with political and economic progress: correctly interpreted, it helps to create an open society. Islam can and should become part of the national idea of Azerbaijan; this will help the Azerbaijaniis to preserve their very specific nature, avoid the destructive
impact of the global mass culture, and become a link between the West and the East. The outlines of
the future world order are still vague, which means that those able to forecast the geoculture of devel-
opedment sooner than others will gain a place in the global world. If mankind enters the age of “global
universalism” predicted by sociologists, those societies that have learned how to enrich their tradi-
tions without losing their cultural specifics will have an advantage over others.

Today, the value orientations in Azerbaijan, particularly among young people, are fairly di-
verse. Public discussions of the nature of the reforms being carried out by the country’s leaders and of
the role values play in the nation’s emergence and development look like the best way to overcome
social and ideological disunity. The time has come to draw a line between defense of fundamental
rights and legal nihilism and between traditionalist Islam and Islamic tradition. We should preserve
the traditional values which shape highly moral individuals and the nation’s inner world. Public con-
sciousness should be reformed to embrace values that are conducive to a stronger civil society and
which liberate the creative energy of each and everyone.

Modernization in Azerbaijan is continuing; the outcome is still vague, but the aims are clear. We
should create a nation, the voice of which will be heard all over the world and which will be able to
stand up for itself in the globalization age. It remains to be seen whether society is prepared to move
away from all forms of social and cultural mimicry, become aware of its national “Self,” and embark
on its own road of development.
SOVIET STATE TERRORISM IN AZERBAIJAN

Abstract

The author analyzes the Soviet policy of state terror pursued in 1937 and its specifics and consequences in Azerbaijan. He points out that in a relatively short period the Soviet totalitarian system reached the absolute limit in terms of human rights violations and personal insecurity of its citizens.

Introduction

For a long time Soviet, and later Russian, historians, philosophers, and writers have been interested in the “great terror” in the Soviet Union. In Azerbaijan, however, the issue and its comprehensive study have been ignored. Meanwhile, an in-depth investigation of the subject in the context of Azerbaijan and the Soviet reality of the time might lead to a better understanding of the country’s problems and their roots. It might also help to remove the numerous obstacles which still bar the road of progress for our independent republic. The absence of such studies distorts the ideas about the “great terror” in Azerbaijan and creates the illusion that the tragic events were purely local in nature; sometimes this prompts distorted ideas about the events and the roles of those involved in them.

The local approaches to the subject are inevitably marked by certain specifics. First, there is a desire to blame Mir Jafar Bagirov, who headed the republic at that time, for the scale of repressions in the republic. Some are of the opinion that practically all the Communist Party members and state officials who perished during the mass repressions were honest and staunch communists who had fallen
victim to slander and lies. It is also believed that the repressions were mainly targeted at prominent members of the Communist Party, cultural figures, and the military. The present article is intended to confirm my doubts about the correctness of the above.

**On the Eve**

Traditionally, Soviet historiography dates the beginning of “great terror” to 1 December, 1934, the day when a certain Nikolaev assassinated Sergei Kirov, one of the prominent figures of the Communist Party and the Soviet state. This triggered wide-scale repressions across the country; Azerbaijan was merely caught in the wave. A year prior to this, the republic had, once again, acquired a new leader: in December 1933, Mir Jafar Bagirov, a CHEKA man who had worked for some time in the CC All-Union Communist Party (Bolsheviks) administration, was appointed First Secretary of the CC Communist Party of Azerbaijan (CPA) and was destined to head the republic during the wide-scale repressions. It should be said that the “great terror” took some time to gain momentum; it first emerged outside Azerbaijan.

On 11-12 January, 1934, after Bagirov had been in his new post for a month, the CPA gathered for its 12th Congress. Nothing in the newly elected First Secretary’s report hinted at the bloody purges in store for the republican party organization. The First Secretary concentrated on the economic, cultural, and social progress achieved under Soviet power, as well as on party development and the need to enhance the role of its Bolshevik leadership in the republic. In other words, the new leader followed the old groove of party rhetoric. When talking about culture, for example, Mir Jafar Bagirov pointed out that much had been done to educate a new intelligentsia and adjust the old intelligentsia to the new conditions. He pointed out: “We have achieved a lot, not merely in creating new theaters, cinema houses, and radio stations, but also in educating the cadres who are part and parcel of our social context. At the same time, those who thought differently in the past have revised their opinions and feelings. Some of the formerly bourgeois Turkic writers are changing at a good pace. Look, for example, at Hussein Javid, Mushvig, and Jabarly—they are changing albeit slowly; you can see that they are changing. The same is true of the theater.”

When talking about party unity, Bagirov said that it was safe from encroachment: “The wretched remnants of the Trotskyites, solitary figures still found in some of the party cells, cannot shatter our ranks; these were disjointed efforts.” He deemed it necessary, however, to point out that these efforts would be resolutely rebuffed. There was not a trace of aggressiveness in what he said. In February 1934, the All-Union Communist Party gathered for its 17th Congress, known as the “congress of the builders of socialism.” In 1934, people went on living as usual; there was no tension and nothing was done to fan it.

Kirov’s murder changed everything overnight: there was a gradual yet clearly discernible shift toward drastic measures against those whose political reliability caused doubts. For obvious reasons, all of those who in the past had been associated with all sorts of opposition groups inside the Communist Party and those whose social and class roots caused doubts in the “vigilant” CHEKA men attracted the attention of the correspondingly instructed state security structures. On 25 December, 1934, for example, the Politburo approved, at the suggestion of the CC CPA, the decision “to administratively exile 87 families of kulaks (rich peasants.—E.I.), malicious anti-Soviet elements who in the past owned big capitalist enterprises, and fugitive kulaks from other regions of the Soviet Union to concentration camps and confiscate their property.”

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1 State Archives of the Political Parties and Public Movements of the Azerbaijan Republic (hereinafter GAPPOD), Record group 1, Inventory 74, File 17, pp. 70-71.
2 Ibid., p. 95.
3 Russia’s State Archives of Socio-Political History (hereinafter RGASPI), Record group 17, Inventory 162, File 17, p. 95.
the repressions did not reach their full scope, at least in Azerbaijan. Only extremely incautious people were caught in the machine of purges and criminal persecution. Bit by bit, however, the country, and Azerbaijan along with it, began moving closer to the bloody reprisals.

The time described in academic and publicist writings as the “great terror” in the U.S.S.R. began in the summer of 1936. The trial of the heads of the Trotskyite and Zinoviev opposition held in Moscow can be described as one of its starting points. In Azerbaijan, the “red wheel” of terror was set rolling by an article authored by Lavrenty Beria which appeared on 21 August, 1936 in all the central newspapers published in the Transcaucasus. Called “Razveiat' v prakh vragov sotsializma” (Let’s Destroy All the Enemies of Socialism), it aroused “total” indignation by explaining that the former followers of Trotsky and Zinoviev could not escape the fall into the quagmire of counterrevolution and were doomed to betray the cause of the working class and socialism. After exposing the ideological sins of the former leaders and rank-and-file members of the opposition, Beria pointed to the former opposition members in the Transcaucasian republics. He insisted that in Georgia, Azerbaijan, and Armenia the supporters of the two opposition leaders had a vast following organized into clandestine and well-camouflaged organizations. He insinuated that, engaged in clandestine activities, they were busy in all spheres of economic and cultural life trying to undermine the country’s might together with the working people’s trust in the Communist Party’s guiding role and its leaders. Their hatred of socialism and its achievements drove them to the very limits, up to and including extermination of all true communists, the leaders of the Bolsheviks, and Stalin in the first place.

Lavrenty Beria clearly indicated that those who had ever sided with Trotsky, Zinoviev, or any of the other opposition groups inside the Bolshevik Party should be repressed first. Those who read this guessed that the author was operating with facts supplied by the CHEKA to demonstrate that the former opposition members were beyond reforming. The author went on to specify: “In Baku we have exposed a counterrevolutionary Trotskyite terrorist group consisting of Bagdasarov, Krylov, Kulchin, Konevskiy, Bayramov, Babaev, and others.” And further: “It was established that after their return to Baku from exile the Trotskyites not only did not discontinue their counterrevolutionary activities but, after being restored as party members, gathered together counterrevolutionary subversive groups in Baku.” The author minced no words in saying that their restored membership in the Communist Party was ill-advised and that they remained hostile to the order created by the great Stalin.

This was one of the groups deprived, from that time on, of political trust. Another group was made up of those who belonged to the parties that had opposed the Bolsheviks in the past. It was explained that, having lost hope of taking their revenge for their defeat in the civil war, they (as could only be expected, said the author) closed ranks with the opposition inside the party. Beria argued: “The counterrevolutionary Trotskyites not merely reached an agreement on the aims and means of struggle with the Mensheviks, Dashnaks, and members of the Musavat party, but also with the White Guards and their clandestine agents who had been thrown out of the Transcaucasus. They were the organizing force and led the struggle against the victories of socialism in the Transcaucasian republics.”

The Height and Scale of the Repressions

The first wave of repressions reached Azerbaijan in the fall of 1936 to engulf the former opposition members in the Bolshevik Party and everyone suspected of lack of loyalty to the Stalinist leaders, as well as former members of non-Bolshevik parties. Much was done to identify the “mutinous” groups among the peasants (for example, people were arrested in the villages of the Alibayramly District). By the early 1937, a large group of top-ranking Party and Soviet officials had been arrested; criminal proceedings on political accusations were instituted against them. Rukhulla Akhundov,
former Secretary of the CC CPA and Transcaucasian Committee of the All-Union Communist Party, was the most prominent among those who were brought to court.

While the February-March Plenary Meeting of the CC All-Union Communist Party officially launched total repressions in the Soviet Union, in Azerbaijan this was done by the Sixth Plenary Meeting of the CC CPA in March 1937. It ruled out the immunity of any nomenklatura members; people were expelled from the Communist Party in great numbers; Party and Soviet official and top-ranking economic managers were arrested.

June 1937 saw another wave of repressions in the U.S.S.R. with impressive results: neither the courts nor even the extrajudicial system could cope with the avalanche of cases. It seems that Party officials and the secret services advised Stalin and his closest circle accordingly. The Plenary Meeting of the CC All-Union Communist Party that gathered late in June 1937 made it clear that Stalin did not intend to slow down the repressions; moreover, he was convinced that they should spread far and wide. This probably explains why the repressions accelerated. The plenary meeting set up what became known as “troikas” (three-member courts) together with the target figures for arrests and repressions.

The newly invented courts, which normally included the head of the local structure of the People’s Commissariat for Internal Affairs (NKVD), a public prosecutor or a judge of the local court, and a representative of the local Communist Party organization, were set up in the union and autonomous republics, territories, and regions. In the next four months, each of the so-called courts had to sentence a specific number of people to capital punishment, a long term in prison, or exile. On 10 July, 1937, the Politburo of the CC All-Union Communist Party issued a decision relating to the Soviet Far East, Azerbaijan, and the North-Kazakhstan Region. The part which dealt with Azerbaijan said in particular: “A troika for the Azerbaijan S.S.R. shall be set up consisting of the following members: Comrades Sumbatov, Teymur Kuliev, and Jangir Akhunzade. The following figures were confirmed: 500 kulaks and 500 criminals shall be sentenced to death; 1,300 kulaks and 1,700 criminals shall be exiled. The troika shall be allowed to deal with the cases of the counterrevolutionary insurgent organizations, 500 members of which should be sentenced to death and 750 exiled; 150 families of members of bandit groups shall be sent to NKVD camps.” This meant that 1,500 people would be executed, 3,750 sent to concentration camps, and 150 families exiled.

In this way, the NKVD Special Commission, an extrajudicial structure, was complemented with “troikas” and assizes of the Military Collegium of the Supreme Court of the U.S.S.R. with more or less identical powers. They could examine the cases of those listed by the state security structures, hold court sessions in the absence of witnesses or a public prosecutor and lawyer, and pass sentences, including the death penalty.

The number of sentences increased dramatically, however the differences among all these “judicial” structures remained. The Special Commission was limited by its attachment to the NKVD, while the assizes were conducted by judges of the Military Collegium of the Supreme Court of the U.S.S.R., which dispatched them to provinces. This could not be done frequently and sometimes took too much time. This means that the Special Commissions and assizes could not cope with the flood of the accused produced by the wide-flung repressive mechanism. The “troikas,” as the latest invention, worked like a conveyor belt. On 30 July, 1937, as a follow-up to the Politburo decisions on the troika courts and the target figures, People’s Commissar for Internal Affairs of the U.S.S.R. Nikolay Ezhov issued an order. Its introductory part justified a wide-scale operation to expose and repress “elements” as “the chief instigators of all sorts of anti-Soviet and subversive actions, both in collective and state farms and in transport, as well as in some industries.” The families of the sentenced were sent to camps, while the families of the first category of the repressed who lived in the border areas and large cities, Baku included, but were not involved in political crimes, had to be moved to other districts and cities. The order supplied

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5 Ibid., pp. 273-281.
the details of the operation, investigation, and execution of the sentences, which proves beyond a doubt that this was a frighteningly cynical and cruel act. The troikas were guided by the target figures.

The bloody Bacchanalia reached its peak when the troikas and the assizes gathered speed; this ushered in the most sinister period of the “great terror,” which went on until the fall of 1938. The repressive machine exterminated members of the Soviet nomenklatura irrespective of their rank and nationality. In 1937 alone, Azerbaijan lost 22 people’s commissars, 49 secretaries of the Communist Party regional committees, 29 chairmen of the district executive committees, 57 directors of industrial enterprises and oilfields, 95 engineers, 110 servicemen, 207 Soviet and trade union activists, and 8 professors. Nearly all of them were executed. In 1937, a troika which worked in the republic sentenced 2,792 people to death and 4,425 people to long terms of imprisonment.

In 1938, the repressive machine slowed down to a certain extent, but by November 1938 it had claimed enough lives. On 31 January, 1938, the Politburo of the All-Union Communist Party passed a decision On Anti-Soviet Elements, which offered additional figures. For example, 2,000 people had to be sentenced to death in the Azerbaijani S.S.R.; during 1938, no less than 10,000 cases were investigated. The troika alone dealt with 7,241 of them (5,061 were accused of political and 2,180 of criminal offenses). One thousand one hundred and eight people were executed for anti-Soviet propaganda. People were sent to prison or executed for terrorist, spying, or subversive intents. On top of this, more unfortunate were sentenced by the assizes of the Military Collegium, military tribunals, and regular courts.

A large group of the detained was sentenced after the troikas and the assizes had been withdrawn from the process. Their fates were sealed later, in 1939 and 1940, by the NKVD Special Commission. Practically all of them were found guilty and sentenced, normally to imprisonment rather than death. Fate treated them mildly, but irrespective of the prison term they were doomed to remain there (many never lived to be rehabilitated). After serving their terms in camp, they had to remain there under old sentences.

Those who were arrested and sentenced to concentration camps in 1937-1939 and lived to be rehabilitated in 1954-1956 spent from 16 to 19 years in incarceration. Recently, the Moscow Memorial Society published the so-called Stalin Lists with the names of those earmarked for repression (mainly death). Stalin and some of the other top figures passed the final verdict. As a rule, these lists contained the names of the highest Party and Soviet officials, people’s commissars, and top people in the economic and ideological sphere. They could only be sentenced with the consent of the country’s leaders (Stalin and his cronies).

The lists for the Azerbaijanian S.S.R. contained 870 names; about 340 of them were Azeris. This is quite natural—the ratio faithfully reflected the national composition of the republic’s elite. At that time, Azeris were in the minority in all groups; their share among engineers, managers of industrial enterprises and construction organizations, economists, mid-level officials, and even among the medical profession was negligible.

It should be said that the ordinary people suffered even more; this is especially true of the peasants. They were the easiest prey, at the expense of whom the “plan” could be fulfilled without much trouble. In Azerbaijan, the peasants were mainly Azeris, which meant that they were delivered the hardest blow.

Each of the NKVD district administrations had their quotas of repressions divided into the first (execution) and second categories, which, in turn, were allocated to the villages. Not only the arrested and accused can be described as the victims of the “great terror.” The net of repressions spread far and wide to cover all those living in the border zone stretching from Astara to Julfa. Classified as “suspicous,” they were evicted to Kazakhstan. The wives of those exterminated by the “great terror” machine likewise can be described as victims: they were moved to the north of Central Asia, and no one

\[\textit{\[http://stalin/memo.ru/spiski/pg01005.htm]\}].\]
bothered to justify this by court decisions. This fate was in store for present, as well as former wives. The divorced wife (they had separated in 1922) of Sultan Sultanov, brother of Khosrov bek Sultanov, who had gained prominence in the Azerbaijan Democratic Republic, was exiled to Kazakhstan.

On 9 April, 1938, the wife of former Chairman of the Azerbaijanian Trade Union Council Zulhaji Amiraslanov was arrested and sentenced to a term in a labor camp. This is one of the stories of great suffering which befall women during the “great terror.” She, together with her three children, was thrown out of her apartment; the expectant mother who could barely read and write was sent to prison, where her fourth baby was born. The same day, Sitara Karaeva, wife of former secretary of a district party committee Asad Karaev, was sentenced to a term in prison (where she later died). One of Karaev’s daughters was expelled from the Communist Party; the underage children were thrown out of their apartment.

Children of the repressed top figures also suffered; as a rule they were sent to orphanages; branded as “children of enemies of the people” they were long deprived of an education, decent jobs, and the chance for personal happiness. This fully applies to the children of ordinary people caught in the machine of the repressions. Every questionnaire contained a question about parents, which meant that the children of the repressed remained outcasts in the Soviet Union.

Close and distant relatives of the “enemies of the people” did not escape a similar fate: the regular purges organized before 1953 to identify people like them in Soviet and law enforcement structures cost them their jobs and, more likely than not, party reprimands. This meant that the figure of 80 to 100 thousand victims of the “great terror” in Azerbaijan in 1937-1938 quoted by some authors (which I fully agree with) is very close to the truth.

Between mid-1936 and mid-1938, 13,356 Azeris were arrested for political offences. These figures, compared with the figures of the repressed of other nationalities, do not indicate an anti-Azeri campaign. The same is true of the absolute figures and shares of the repressed in any given nationality. For example, 16,988 Armenians were arrested and 16,488 Georgians, the compatriots of “great” Stalin, were arrested. In the same period, the NKVD registered nearly 15 thousand of the arrested as Iranians. It takes no wisdom to guess that they were also Azeris. This means that the repressions in Azerbaijan were of a much greater scale than elsewhere.

Strange as it may seem, this is probably explained by the fact that the “leader of all nations,” as Stalin was frequently called, imagined himself to be an expert in Baku and Azerbaijan and practically never objected to executions of his former acquaintances in the republic. His avid attention to what was going there is confirmed by his telegrams about specific people; an unknown number of people were sent to death on the strength of his verbal orders.

Stalin’s contacts with the republic dated to prerevolutionary times and the post-revolutionary period, which can be described as the republic’s bad luck. In October 1937, at one of the regular Plenary Meeting of the CC of the CPA, Bagirov informed the gathering about two letters he had received from Stalin. The first instructed him to go to Nakhchivan to fortify the border together with Politburo member Anastas Mikoian and People’s Commissar for Foreign Affairs Maxim Litvinov. Bagirov insisted that this had been done. Another letter dealt with the fate of Secretary of the Nakhchivan Regional CPA Committee Hasan Rakhmanov, against whom a pile of compromising materials had been already gathered. It seems that this forced Bagirov to ask Stalin to remove him from his post, along with his brother Useyn Rakhmanov, who filled the post of the republic’s premier. Stalin answered succinctly and clearly: “The CC All-Union Communist Party sanctions the arrest of Useyn Rakhmanov and Hasan Rakhmanov. We also ask you to carefully purge the Nakhchivan Republic contaminated by Hasan Rakhmanov. You should bear in mind that the Nakhchivan Republic is the weakest point in the Transcaucasus. It needs genuine and tested Bolshevist leaders.”

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9 GAPPOD, Record group 1, Inventory 43, File 275, pp. 50-51.
10 Ibid., File 278, p. 144.
12 Lubianka: Stalin i Glavnoe upravlenie gosbezopasnosti NKVD, p. 380.
Stalin remained in charge of the continued repressions in Azerbaijan throughout the entire period covered in this article. On 17 January, 1938, he instructed Ezhov to persecute the former Socialist-Revolutionaries more energetically: “I deem it necessary to inform you that at one time they were very strong in Saratov, Tambov, Ukraine, the army (among the commanders of all ranks), Tashkent, and Central Asia in general, as well as at the Baku electric power stations where they are still present and engaged in subversions at oil fields.” The same note contains a question which reads like a demand: “What has been done to identify and arrest all the Iranians in Baku and Azerbaijan?”

The response was a prompt one: the Baku power stations lost many of their workers; the Red Star power station was hit worse than the others. The Iranians were not forgotten either. On 19 January, 1938, the Politburo of the CC All-Union Communist Party passed a decision which said: “It is recommended that the CC Communist Party and the Council of People’s Commissars of Azerbaijan immediately inform all citizens living along the border with Iran that within 10 days those who consider themselves Iranian subjects should register as Soviet citizens. All Iranian citizens who become naturalized as Soviet citizens should be moved, within a month, to Kazakhstan, as was done with the Kurds of the Nakhchivan Republic. All citizens who refuse to be naturalized and prefer to remain Iranian subjects should be immediately evicted to Iran; those who refuse should be arrested.”

The above is not merely cruel, it is illogical and meaningless: indeed, Soviet citizenship followed by eviction defies logic, which suggests that people would hardly accept naturalization if it meant being moved from their native residences. The document was meaningless for the simple reason that the Soviet leaders obviously mistrusted the Iranians and yet insisted on their naturalization as Soviet citizens. The head of the Communist Part and the country was obviously misled by his prerevolutionary ideas and those of the Civil War period about the Socialist-Revolutionaries and their popularity.

Soviet historical writings frequently associated the repressions in Azerbaijan with Bagirov and the way he ruled the republic. It is asserted that, free to follow his whims, he dispensed death sentences and pardons left and right. This is partly true. He was suspicious to a fault, a shortcoming shared, in fact, by many party functionaries of the time of troubles. He was whimsical—within the viceroy powers Stalin had given him—yet we should not pile the full blame on him for the abuses and crimes of the time. Those in Moscow who wrote the de-Stalinization script for Azerbaijan intended to do precisely this. Under Khrushchev and Gorbachev, the Kremlin was completely satisfied: your leader was to blame, which meant that it was up to you to settle scores with him. In fact, this explains, at least partially, his trial and execution. The role of the Center, however, which had initiated the atrocities, was obvious to all sober-minded people. One has to admit that Bagirov used the mass repressions to settle scores with his rivals. On the other hand, he might have remained within the limits had not Stalin launched the “great terror.” This inspired Bagirov and stirred him into action.

In September 1938, the serious changes introduced into the rules of the mass repressions caught many unawares. This all started in August when Lavrenty Beria was appointed First Deputy People’s Commissar for the Internal Affairs of the U.S.S.R. Stalin had probably decided to trim down the scale of the repression. On 15 September, the newly appointed official issued an important decision, under

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13 Ibidem.
14 Ibid., p. 464.
which all cases of counterrevolutionary activities started before 1 August, 1938 had to be completed by the troikas, which were expected to fold up their activities by mid-November. On 24 November, 1938, Nikolay Ezhov was replaced with Lavrenty Beria.

A joint decision of the Council of People’s Commissars and the CC All-Union Communist Party established more order in the Soviet Union’s judicial system and preliminary investigation structure. The troikas were abolished, which narrowed down the field of extrajudicial settlement. This means that November 1938 can be regarded as the end of “great terror” in the Soviet Union and Azerbaijan.

The “great terror” can be explained but hardly justified. It was intended to teach people to fear the system, to make them aware that they were defenseless in the face of the omnipotent state monster. Fear was expected to rule out protests or even banal grumbling; the state resorted to crimes to demonstrate its impudence.

Torture was legitimized for all intents and purposes. One of the Stalin’s telegrams addressed to the local party organizations said: “The CC All-Union Communist Party deems it necessary to clarify that since 1937 the NKVD has been applying physical coercion with the permission of the CC All-Union Communist Party … which believes that this method should be used in the future … in relation to open and still unrepentant enemies of the people as absolutely correct and expedient.” This hits the mark: the arrested had to admit that they were enemies, otherwise they would be forced into admission. This was done regularly, which is confirmed by numerous evidence.

In the mid-50s, former NKVD employee Fedor Goriaev described in detail the methods used during the “great terror”: “Subjected to cruel treatment and merciless repressions, the arrested, unable to stand it any longer, signed protocols worded by investigators and admitted their membership in counterterrorist organizations. Many forced to admit their guilt went on to name 40 or 50 other alleged members of anti-Soviet organizations.” Goriaev went on to provide details of the humiliation to which former party functionaries Lazarev and Mirkadyrova were subjected: Kudin and Grigorian beat up Lazarev, while Kudin and Zheltenkova took care of Mirkadyrova. Tortured to the extent that he could not be moved back to his cell and was left for several days in the investigator’s office, Lazarev admitted his guilt. Kudin later bragged that he had acquired evidence against the heads of the Kaspar Shipping Company. Mirkadyrova, on the other hand, endured the tortures, Zheltenkova described how Kudin beat naked Mirkadyrova with a rubber truncheon; the poor woman, she said, first shouted and cried, then fainted.

In 1954, former official of the NKVD of Azerbaijan S. Zykov said: “I saw how investigator Sher, Grigorian’s assistant, beat up former People’s Commissar for Education Juvarlinskiy. I informed Grigorian about this, who merely smiled.” I. Krotkov, another employee of the same People’s Commissariat, testified: “Once investigator Sher arranged 5 or 6 other investigators in a circle around Juvarlinskiy; they beat him with rubber truncheons and wet floor-cloths. Juvarlinskiy fell down, was raised, and beaten with feet and fists. Later, this became a sort of entertainment. Juvarlinskiy succumbed under the torture and, half conscious, signed everything.”

One of the former NKVD employees told about how cases were prepared for transfer to the judicial and extra-judicial structures. Late in 1937, Khoren Grigorian, the newly appointed department head, instructed the investigators to bring the cases to a point where the people’s commissar would find it easy to issue a first-category sentence, that is, the death penalty. This meant that guilt or innocence were of no importance. The investigator was free to choose the means and methods to force the accused to vilify himself and others. In the case of innocent people, this required physical violence

16 Ibid., pp. 611-612.
19 Ibidem.
and moral pressure. The final say belonged to the NKVD heads (Sumbatov, and later Raev, Borshchev, Grigorian, and several others).21

Back in 1939, investigator Aga Ragim Aliev testified: “When I worked in the Bailov prison with Garushian and Maximov, I witnessed, and was personally involved in, the beatings of arrested Iranian subjects. For example, Garushian was investigating the case of Iusuf Genjali ogly, who was accused of espionage. Together we beat him up. As a member of the investigatory group, I noticed that about 50 or 60 of the arrested supplied absolutely identical evidence about how they had been recruited by Iranian intelligence. I informed my immediate superior Perelman about this and was told that all Iranian subjects were spies anyway.” Perelman, who was interrogated at the same time, said: “Iusuf Genjali ogly died after being beaten” and added that they decided to say in the report that he had died of old age. He deemed it necessary to point out: “Khentov beat one of the arrested to death right in his own office and got away with it.”22 Indeed, the investigators Khentov and Pivovarov had beaten a certain Kovalskiy to death; several days later the local doctor issued a death certificate stating that Kovalskiy had died of heart failure.23

Many years later, Pavel Khentov supplied interesting information: after being beaten, former Chairman of the Council of People’s Commissar of Azerbaijan D. Buniatzade admitted his participation in a counterrevolutionary organization; he also said that People’s Commissar Raev and investigator Gvozdev, the latter being described as an “extremely strong man,” had personally beaten the arrested. He described “Borisov-Pavlov, Tsinman, Khoren Grigorian, and others as especially cruel.”24

In Lieu of a Conclusion

The required confessions were extorted for the simple reason that those who spurred on the investigators knew that the low level of their professionalism would inevitably cause a Bacchanalia of lawlessness. Meanwhile these people were entrusted with a political task that had to be executed in the shortest time possible. The perpetrators were guided by the primitive psychology of petty officials: the bosses knew best. In their zeal, they lost even the instinct of self-preservation: by torturing and humiliating others they, unwittingly, were moving toward their own end. In an effort to escape it, they demonstrated a lot of ingenuity; some of them failed, while others managed to escape the fire to which all of them had been adding fuel. They were punished much later; those who cleaned the “Augean stables” were appalled by the low level of investigation and the poverty of political ideas of the law-enforcers of the time.

In 1955, in a report to First Secretary of the CC CPA I. Mustafaev, Public Prosecutor of the Azerbaijani S.S.R. A. Babaev described how cases had been investigated: the impression was created that “all social groups of our republic were involved in counterrevolutionary activities and belonged to all sorts of counterrevolutionary structures. Old Bolsheviks with the record of pre-revolutionary clandestine work were described as enemies of Soviet power; the leading Party members and Soviet officials were allegedly engaged in mutual conscription into counterrevolutionary organizations. Armenians joined the Musavat Party; Russian workers were trying to set up bourgeois-nationalist power in Azerbaijan; decrepit professors were passed for terrorist fighters.”

A. Babaev, himself an experienced and highly professional jurist, was discouraged by the level of the investigatory efforts on the strength of which people were sentenced to death and to long terms in prison. He blamed the investigators’ political and cultural backwardness, “which resulted in ridiculous accusations such as manufacturing low-quality paper fly-traps, damaging a cart wheel, inten-

21 Ibid., pp. 104-105.
22 GAPPOD, Record group 1, Inventory 41, File 65, pp. 102-108.
23 Ibid., Inventory 331, File 23, p. 53.
24 The Trial of Mir Jafar Bagirov, pp. 63-64.
tions to separate Azerbaijan from the Transcaucasian Soviet Federative Socialist Republic to make it a union republic or, better still, to separate Azerbaijanian State University from the state.”

He also pointed out that the NKVD officials of that time were backward “politically and culturally”; the people in power preferred obedient instruments to high professionals. The ability and willingness to extract confessions and mainly false evidence were appreciated more than professionalism, excellent knowledge, and investigatory skills. However, the strategic aim—that of browbeating people into accepting the idea of the perfect nature of the Soviet socialist system—remained unattained. This means that state terror as a method failed. On the other hand, we must admit that it crippled the spiritual and moral potential of all the Soviet peoples, the Azeris being no exception in this respect. Fear of the totalitarian state deformed, to a certain extent, their mentality.

25 GAPPOD, Record group 1, Inventory 41, File 100, pp. 2-3.

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ABKHAZIA’S STATUS AS PART OF GEORGIA:
HISTORICAL PERSPECTIVE

A B S T R A C T

This article looks at Abkhazia’s status as part of Georgia and the establishment of the Abkhazian nation, which moved in the 15th-18th centuries from the Northern Caucasus to Western Georgia (Abkhazia); this ethnic group calls itself “Apsua,” while the Georgians call them “Abkhazians.”

I N T R O D U C T I O N

The history of the so-called Georgian-Abkhazian conflict goes back into the distant past. In the 16th-18th centuries, in order to assert its supremacy, the Ottoman Empire tried to spread Islam in Western Georgia (particularly in Abkhazia) and foment hostility between Christians and Muslims,
that is, between the Georgians and Abkhazians (Apsua). At the beginning of the 19th century, after it annexed Georgia, czarist Russia pursued the same policy.

Relying on historical sources and scientific research, we will try to answer several problematic questions in the history of Abkhazia and the Abkhazians (Apsny and Apsua).

**Abkhazia from Antiquity to Russia’s Annexation of Georgia**

Archaeological findings uncovered during digs on the Black Sea coast of Georgia and dating to the 3rd-2nd millennia BC give reason to believe that the Western Transcaucasus was mainly populated by the Kartvelian (Georgian) ethnic group (from the years indicated until the Classical times). Historical sources point to the existence of a single Colchian (West Georgian) culture there, within which individual regional and local types can be singled out, but, on the whole, it is the Colchian culture.¹

In the 2nd-1st millennia BC, the Kartvelian ethnic element was prevalent both in the highland and lowland parts of Western Georgia, to which the Georgian toponyms and hydronyms, as well as the proliferation of Georgian last names since ancient times testify.²

These conclusions are confirmed in the Greek myths about the travels of the Argonauts to Colchis and are based on linguistic studies that prove the existence of the Kartvelian language there in the 2nd millennium BC, that is, during the time of the oldest Greek-Colchian contacts.³

There are also Greek works by Hecataeus of Miletus, 6th century BC, Herodotus, 5th century BC, Scylax of Caryanda, 4th century BC, Strabo, 64/63 BC—ca. 24/23 AD, and others, which show that at that time the Kingdom of Colchis covered the entire lowland part of Western Georgia.

In so doing, the territory that stretched as far as Dioskuria (Sukhumi) was largely populated by Colchians, while an analysis of the ethnic composition of the population of the country’s northern part also mentions members of North Caucasian ethnic groups (for example, the Cercetae, who were considered to be Circassians).

When studying the ethnic map of Western Georgia, it is important to remember that 2nd century authors Flavius Arrianus (Arrian) and Claudius Ptolemaeus (Ptolemy) write about the settlement of Lazica, situated near Nikopsis (Tuapse), which Arrian calls “old Lazica.” This is indisputable proof that a Laz, i.e. Colchian (Georgian) population, lived there since ancient times.⁴

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It becomes entirely clear from the information in the ancient sources that in the 6th-1st centuries BC, the territory of present-day Abkhazia lay entirely within the boundaries of the Kingdom of Colchis; whereby Colchians proper populated the area from Apsarus (not far from Batumi) to Dioscurius (Sukhumi). Kartvelian tribes of Svans also lived to the north of the Colchians, in the mountains.  

In the 1st-2nd centuries AD, the ancient written sources in Abkhazia begin mentioning Apsil and Abazgs.  

“Apśilia,” as the authors of antiquity call it, corresponds to “Abshileti” in the Georgian sources. From the mid-8th century, they no longer mention it, since part of this region was assimilated by the Abazgs and a large part by the Laz.  

After the Kingdom of Colchis weakened and then collapsed in the 1st century, ethno-administrative units subordinate to Rome formed on the Black Sea coast of Georgia—Lazica, Apśila, Abazgia, and Sanigion.  

In the 3rd century, Lazica began to gain strength, and in the 4th century, the Kingdom of Lazica (Egrisi) emerged in Western Georgia. In the Greek sources, Lazica was described as the direct successor of Colchis. For example, Procopius of Caesarea wrote: “‘Colchis,’ which is now called ‘Lazica.’”  

In the 6th century, the Kingdom of Lazica weakened as the result of the Iranian-Byzantine wars, and Byzantium established its power over Abazgia. Its rulers were appointed by the imperial administration, while also being subjects of the King of Lazica. Abazgia brought the neighboring ethno-administrative units under its jurisdiction, thus expanding its territory as far as the River Ghalidzga. In the mid-8th century, Abkhazia and Egrisi (Lazica) united and the territory of Abazgia (Abkhazeti) encompassed the whole of Western Georgia. The ruler of the state, who was subordinate to Byzantium, was called a “mtavar” (prince).  

According to Georgian writings, the last representative of the Kartli rulers, childless Archil, gave the hand of his niece (the daughter of deceased king Mir) in marriage to Leon I, prince of Abkhazians, and handed over the crown of Egrisi (meaning the crown of the king of Lazica) to him. This gives reason to believe that the unification of Egrisi and Abkhazia, that is, the creation of a united West Georgian state, was a voluntary, dynastical act.  

Taking advantage of the difficult domestic political situation that had developed at the end of the 8th century in Byzantium, Leon II freed the empire of its vassalage, declared himself king, “and possessed Abkhazia and Egrisi as far as Likhi Ridge.”  

Abkhazia and Egrisi were Leon II’s inherited property (inherited from his mother), and he “possessed” both of these countries equally and was called “king.”

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11 See: I. Sabanisde, *The Martyrdom of Abo T bileli*, Monuments of Ancient Georgian Hagiographic Literature, I, 1963, p. 59 (in Georgian); Russian translation by K. Kekelidze; Sketches from the History of Ancient Georgian Literature, XII, Tbilisi, 1974, p. 120.  
15 See: M. Lordkipanidze, op. cit, p. 43.
There are no direct indications in the writings about the ethnic affiliation of the country’s population. Some researchers believe they were Abkhazians proper, that is, not Kartvelians, others said they were Greek, and still others called them Georgians. It should also be kept in mind that Armenian historian of the 10th century Hovhannes Draskhanakerttsi (Catholicos of Armenia) called this state “Ashkhar egaratsuts,” that is, the country of the Egrisis, and their kings, the kings of Egrisi,16 that is, our closest neighbors consider it to be a Georgian state (Egrisi), and its kings are Georgians.

Titular issues are directly associated with this problem.17 In the 9th-10th centuries, the kings of the West Georgian state called themselves only “kings” in their documents, not believing it necessary to specify where they were from. For example, “King Constantine III” (893-922), “King Georgi II” (922-957), and “King Leon III” (957-967) were considered kings of the entire state.

After the coronation of the first king of the united Georgian feudal state, Bagrat Bagrationi (975/8-1014), held in 978 in Kutaisi, they began to be called the “Kings of the Abkhazians” in Georgian written works.

Not one of the well-known written sources of the 9th-10th centuries calls this West Georgian state the “Abkhazian Kingdom.” Even an anonymous Persian historian of the 10th century, the author of “Ketabes Khudud al-Alem” (“Book of the Borders of Countries”) calls the Black Sea “the Sea of the Georgians” (“Gordzhi Daria”).18

The state that formed after the unification of Western Georgia was called “Abkhazia,” since its rulers were from the Georgian historical-geographical region of Abkhazia.

For example, Georgian writer I. Sabanisdze, who was in Western Georgia in the 780s, calls this country “Abkhazia,” and its supreme ruler “mtavar” (prince), without giving any definition.19

Of course, it would be interesting to know where they came from, but it is impossible to say for sure. Here, national self-consciousness rather than genetics is the main thing. In terms of their state activity, they were Georgian kings of the Georgian state.

Not only Georgian, but also well-known Abkhazian historians G. Dzidzaria and Z. Anchabadze believed the Abkhazian kingdom to be a West Georgian state.20

It should also be noted that one of the oldest centers of Georgian culture—the town of Kutaisi, was the kingdom’s capital, and not Anacopia (a city fortress of Abkhazia), which was the residence of the Abkhazian eristavi (dukes).

In keeping with the administrative reform carried out by King Leon (end of 8th-beginning of 9th centuries), eight administrative units (saeristavo) were created in the state, one of which was the Abkhazian eristavate, and the other seven were Georgian: Tskhum, Egrisi (center in Bedia), Guria, Racha-Lechkhumi, Svaneti, Agrveti (center in Shorapani) and the lowland of Imereti (center in Kutaisi).21

Even if we presume that the population living in the Abkhazian eristavate was not Georgian (which is highly unlikely), all the others were indeed Georgian, so this kingdom, both in terms of territory and population, was a Georgian state.22

19 See: I. Sabanisdze, op. cit., p. 59; Russian translation by K.S. Kekelidze, p. 120.
21 See: Vakhushtii, “History of Georgia,” in: Kartlis tskhovreba, Vol. IV, Tbilisi, 1979, p. 796 (in Georgian). This report by Vakhushtii is also confirmed by other sources.
22 As we know, there is no such thing as a monoethnic state, and it is possible that representatives of other ethnic groups also lived in this kingdom, but this does not change the overall picture.
The kings of Western Georgia were instrumental in withdrawing this region from the jurisdiction of the Constantinople Patriarchy in the 10th-9th centuries and making it subordinate on the Georgian Mtskhetan See.23

There can be no doubt that it was very difficult for the region to free itself from the political influence of Byzantium, but it was much more difficult to shake off the religious and cultural influence of Constantinople. For this purpose, the West Georgian kings abolished the Greek episcopal sees (mainly on the Black Sea coast and contiguous territories), which were Constantinople’s strongholds, and instead established new Georgian sees within the country which later became centers of Georgian culture.

If the Abkhazian Kingdom and its kings had not been Georgian, it is unlikely that the Abkhazian church would have been withdrawn from Constantinople’s subordination and transferred to the Georgian Catholicosate of Mtskheta. The Georgian church opposed the Greek church; and the Georgian language ultimately occupied its legitimate position throughout Western Georgia, becoming the state language and language of church service.24

Georgian hagiographic and hymnographic works, chronicles of the kings, and monuments of Georgian architecture were created in the kingdom. The Georgian lands were united after an unrelenting struggle and the unified Georgian medieval state of Sakartvelo (the country of the Kartvelians) was established.

This entire complicated process was described in the Greek (particularly in the lists of ecclesiastical sees subordinated to Constantinople) and Georgian written sources and studied in the works of several historians.25

From the beginning of the 9th century until the 18th century, only Georgian epigraphy was seen in Abkhazia,26 not counting two Arabic inscriptions.

It is extremely important that the West Georgian (Abkhazian), Kakhetian, Tao-Klarjetian, and Kartlian architectural schools that existed in Georgian medieval architecture and had some local characteristics are of a general Georgian nature.27

It should be stressed that the general characteristics inherent in the art memorials of certain independent Georgian states were manifested before a united feudal monarchy appeared there, which confirms the presence of common historical roots and affiliation with the oldest Georgian culture.

The chronicles of the eristavi and kings of Western Georgia provide evidence of the fact that the title “King of the Abkhazians” appeared from the 11th century (after the coronation of Bagrat III in 978). These eristavi and kings were called the “Divan of kings” until the reign of Konstantin III (893-912), and after Bagrat Bagrationi ascended to the throne, they were known as the “Divan of kings of the Abkhazians.”28

It should also be kept in mind that Armenian historian of the 11th century Aristakes Lastivertsi (in contrast to his predecessor, historian of the 10th century Hovhannes Draskhanakerttsi) does not call them Egrisi kings, but kings of the “Abkhazians.”29

The abovementioned facts confirm that the kings of the West Georgian state of the 9th-10th centuries belonged to the Georgian ethnocultural world; the kingdom of the “Abkhazians” was a Georgian state and was an integral part of the Georgian historical world.30

It is very clear that Bagrat Bagrationi, the first king who was officially called the “King of the Abkhazians,” was the only legitimate successor to the West Georgian throne (on his mother’s side), and his title is legal confirmation of his rights to the West Georgian, that is, Abkhazian throne. After the death of his ancestor, he, as the legal heir, acquired another title—“King of the Kartvelians,” and after the reunion of Kakhetia and Hereti, he also becomes “King of the Rans (that is, Hers) and Kakhis.”31 It is important that this title remained unchanged in the list of titles of the Georgian kings, which all in all underwent several changes over the centuries, right up until Russia abolished the power of the kings in Georgia.

Precisely because “King of the Abkhazians” holds first place in the list of titles of the Georgian kings, in several foreign and Georgian written sources, the concept of “Abkhazian” implies “Georgian” in general (Kartvelians and Iberians), while “Abkhazia” means “Georgia” (Sakartvelo). In so doing, foreign authors (Greeks, Arabs, Persians, Armenians, and Russians) are well aware that these are synonyms, and this is precisely what one of the Russian medieval sources writes: “Averians (that is, Iverians) are Obezi (Abkhazians).”32

The ancient Abkhazians (Apsil-Abshily, Aabazg-Abkhazy) mentioned in the sources were the same Georgians (Kartvelians) in the historical and cultural respect as the Egrs, Svans, and all the Kartvelian ethnic groups and played the same role in building the Georgian state and Georgian culture as all the Kartvelian ethnic groups.33

After the meaning of the terms “Abkhazia” and “Abkhazian” expanded as far as they could, the reverse process began. At the end of the 15th-beginning of the 16th century, aggravation of internal contradictions and development of an unfavorable foreign political situation resulted in the united Georgian state falling apart into three kingdoms: Kartli, Kakhetia, and Imereti. A separate princedom also emerged—Samtskhe-Saatabago (historically Meskheti).

During the 16th-18th centuries, wars were waged almost continuously between Sefavid Persia and Ottoman Turkey for greater influence on the Middle East; one of the main objectives of the fighting sides was to conquer Georgia.

The Georgian states tried to put up as much resistance as they could to the aggressors, trying to get them to clash with each other. The hostilities resulted in a significant decrease in the number of residents in the country’s lowlands (the main area of the hostilities). Georgians whose territory had in turn been occupied by migrants from the northern slopes fleeing from Russia’s rapacious policy gradually began to descend to these parts from the southern slopes of the Caucasus.

In the 15th-16th centuries, tribes migrated from the Northern Caucasus, as a result of which Lezghians (representatives of the Daghestani ethnic groups) settled in Kakheti, Ossetians (Alans) in the northern part of Shida of (Inner) Kartli, and representatives of the Circassian-Adighe ethnic groups in Western Georgia. The latter, evidently, called themselves “Apsua.” However, they did not have neither script nor literature and this self-designation has not been registered anywhere.

Since then, Abkhazia has undergone certain changes due to the undermined position of Christianity. Pagan rites and confessions were brought in by migrants from the Northern Caucasus, and the Ottoman Empire, which established its supremacy in the region, implanted Islam there.

31 M.D. Lordkipanidze, Abkhazy i Abkhazia, p. 46; L. Akhaladze, op. cit., p. 29.
32 M.D. Lordkipanidze, Abkhazy i Abkhazia, p. 47; Povest’ vremennykh let, Part II, Moscow, 1950, p. 213.
Since the 16th century, large seignories (samtavro, princedoms) of Guria, Svanetia, and Samegrelo (Odishi) gradually formed in the West Georgian state. They were legally considered part of the kingdom of Imereti, but they tried to carry out an independent policy. There was feudal strife and, in the second half of the 17th century, the Abkhazian princedom (ruled by the Shervashidze princes) separated from Samegrelo (Megrelia, Odishi) and they began to fight for territory. This resulted in Samegrelo losing some of its domains and subsequently being called Samurzakano (now the Gali District).

Since that time, the meaning of the term “Abkhazia” became narrowed down, only the Abkhazian princedom was called by that name.

In the meantime, immigration of the population from the Northern Caucasus became even more intense. Abkhaz-ization, that is, “Apsu-ization,” of the territory began, which was reflected in the narrative Georgian and foreign sources and documents, as well as highlighted in the special literature.34

In the 15th century, the documents began reporting that the Abkhazians had moved away from Christianity.35 The Georgians knew that the Abkhazians, like all other Georgians, were Christians, whereas the Circassian-Adighe tribes that migrated there from the north and settled in the highland areas had moved away from religion and made attacks on neighboring regions.

Since that time, the size of the non-Georgian population, which the Georgians called Abkhazians (since they lived and are living in Abkhazia), has been gradually growing. According to medieval customs, a foreigner who settles in Georgia is called a “khizani,” and his descendants of the third generation are considered indigenous residents (but not natives).

In the foreign sources, these people are usually called “Abaza.” A document of the first half of the 18th century witnessed that the Abkhazians profaned Christianity and rejected religion.36

So in the 16th-17th centuries, the boundaries of the West Georgian eparchy contracted, since Georgians (Christians) were gradually ousted from the land located beyond the Inguri River. It became increasingly difficult to rebuff the attacks of the migrants.

It is also very important to keep in mind that until around the 17th century, the Abkhazians did not differ socially, culturally, or confessionally from the other residents of Georgia (strictly speaking, Western Georgia).

According to foreign authors (for example, Giovanni Giuliano da Lucca, who was in Western Georgia in 1630), they did not live in towns, their living standards were similar to the Circassians, their language differed from that of their neighbors, they did not have neither script nor written laws, they lived in the woods, although they appeared to be Christians, but without any customs, and so on.37

The works of missionary of the Roman Catholic Church A. Lamberti, who lived in Western Georgia in 1633-1649, contain extremely valuable information about how the Abkhazians did not live in towns and fortresses … they lived in the forests, on the tops of mountains … others do not attack them, they attack each other.38

In the 1640s, a well-known Turkish geographer and historian Evliya Çelebi was in Georgia and provided information about a way of life and culture in Abkhazia that differed from that of the neighboring Georgians. By that time Islam predominated in the country, but, according to him, the people were

38 See: A. Lamberti, Description of Samegrelo, ed. by L. Asatiani, Tbilisi, 1938, p. 168 (in Georgian).
not familiar with the Koran and did not have any religion at all. This information does not relate to the Georgian Abkhazians, but to the North Caucasian migrants, who, as mentioned above, were called (are called) “Abkhazians,” the self-designation of whom is “Apsua.” From Evliya Çelebi’s evidence, it is clear that these people differed from the neighboring Abkhazians (i.e. Georgians).

The above information fully confirms the data of Georgian historiography on the social-cultural-religious appearance of the Abkhazian population after the 15th-16th centuries (particularly since the 17th century), which could be due to the partial change in the ethnic composition of the population.

The subject of migration from distant countries comes up repeatedly in the historical legends. The folk poem about Aigr, the god of war in Abkhazian mythology, who kept guard over the mountains and only descended to the shore in order to rob, gives evidence of living in the mountains.

Historical information on the origin of the migrants and migration processes is presented in ethnonogenetic and genealogical oral legends, according to which their distant ancestors from Arabia, Egypt, Abyssinia, and Greece first settled in the steppes on the banks of the River Kuban, and later some of them moved to the south through the mountain passes of the Greater Caucasus Range to Georgia and settled down near Mount Pskhu. They left their pagan shrines there, the grave of Ipal-Kub, a Circassian chief, whom today’s population still remembers. These holy places are the protectors of those family names whose origin is related to the north.

The Adighe legend about the invasion of the Adighes into Abkhazia under the command of Inal and his brothers-in-arms Ashe and Shashe also provides insight into the actual state of affairs.

These legends are only an oral history of a nation that did not have a written language, and they cannot provide an answer to the question of when it migrated. However, they may describe processes that took place at different times and, along with written sources, deserve due attention. After settling on Georgian land, some of the Georgian population merged with local people, and instances of the Abkhaz-ization of Georgians during the time of Russian supremacy became more frequent, which is shown by the Georgian (mainly Megrelian) names of the Apsua representatives.

The theory that the Abkhazians (Apsua) are not of South Caucasian (Central Caucasian) origin is not only based on the conclusions of Georgian scientists. Some Russian researchers wrote about this as early as the 19th century: “The Abkhazians did not always live where they live today; their legends and many historical data and customs indicate that they came from the north and squeezed out the Kartvelian tribes until they came to settle on the Inguri.”

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39 See: E. Çelebi, Book of Travels, Vol. II, translation from the Turkish, research and comments by G.V. Puturidze, Iss. 1, Tbilisi, 1971, p. 106 (in Georgian). Evliya Çelebi, like Lamberti, repeatedly pointed out that they attacked each other (Ibid., pp. 102, 105 ff.).


41 See: Sh. Inal-Ipa, Abykhcy, Sukhumi, 1960, pp. 36-38.


44 See: Sh. B. Nogmov, Istoria adygskogo naroda, Tiflis, 1861, pp. 70-71; G.F. Chursin, Materiały po etnografii Abkhazii, Sukhumi, 1957, p. 37; Sh. D. Inal-Ipa, Voprosy etnokul’turnoy istorii abkhazov, Sukhumi, 1976, p. 175, and others.


The name “Apsua” in Russian was witnessed in the 1830s, and well-known Russian scholar P.K. Uslar wrote directly that Apsua was Abkhazian.

In medieval Georgia, the Georgian, a resident of the Georgian historical-geographical region of Abkhazia, was considered Abkhazian. According to L. Mroveli’s ethnocultural conception, Western Georgia is Egrisi.

Abkhazia is not shown at all on the maps compiled by foreigners in the 16th century. The entire eastern coast of the Black Sea (approximately as far as present-day Tuapse) is designated as “Mengrelia” (by Italians Batista Agnezi, 1542, and Jacobo Gastaldi, 1561, and Portuguese Diego Homeni, 1559).

The Apsua are mentioned for the first time in the works of Pliny, a Roman historian of the 1st century, according to whom they were concentrated in the Northern Caucasus. The Apsua country (ABCVAS REGI) is shown on an Italian map of 1561 compiled by Jacobo Gastaldi as located in the Northern Caucasus, to the north of Samegrelo (Megrelia Regi), on the middle reaches of the River Kuban. And in the same place, i.e. on the same map, in the same Apsua region, on the middle reaches of the River Kuban, the settlement of Acua—the Apsua fortress—is shown. The Acua fortress is shown on a map of 1738 on the Black Sea coast near the ancient Georgian town of Tskhumi (Sukhumi). This testifies to the fact that by that time, migrants from North Caucasian Apsua were already living there (on the Black Sea coast) and had built their fortress, Acua, there. In their Apsuan language, they call Sukhumi “Acua.”

It should be noted that the Georgian socioeconomic and social structure had a certain influence on the customs of the Abkhazians (Apsua), who have largely preserved the character of their North Caucasian relatives, the Circassian-Adighe ethnic groups. Linguistic data also indicate that there is affiliation with these groups: the language of the Abkhazians (Apsua) belongs to the group of Abkhazian-Adighe languages. A linguistic analysis makes it possible to presume that the territory of present-day Abkhazia was not the original place of residence of the Abkhazians (Apsua). In this sense, the statement is worth noting that the “there are so many vibrant Abkhazian-Adighe etiquette parallels, in the broadest sense of this word, that a book about Adighe etiquette could very well be called a work on Abkhazian behavior models, and vice versa.” Present-day Abkhazians mainly emerged “as a result of the Apsua-Abazinians from the Northern Caucasus merging with the local native population, Abkhazians and Megrelians.”

Even if we agree with the opinion that the Abazgs and Apsils mentioned in the sources of the 1st-2nd centuries (as well as later) were genetically distant ancestors of the Abkhazians (which is very

50 See: P.K. Uslar, Etnografiia Kavkaza. Abkhazskiy iazyk, Tiflis, 1882, p. 121.
53 See: M. Inadze, op. cit., p. 85.
unlikely), they cannot be regarded as their actual ancestors. This is explained by the fact that they lived in the Georgian historical-cultural-political environment and over the centuries, without doubt, were assimilated by the local population.

From the 15th-17th centuries, the situation dramatically changed; there appeared a compact settlement of a new ethnic group. The Georgians called and still call these migrants “Abkhazians,” foreigners (Europeans, Ottoman Turks) call them “Abaza,” Russians say they are “Obez,” “Abkhaz” (from the Georgian “Abkhazi”), while they call themselves “Apsua,” and their ethnic community, “Apsny.”

**Abkhazia after Russia’s Annexation of Georgia**

At the beginning of the 19th century, Georgia was annexed by Russia, and abolishment of the princedoms on its territory began. The Abkhazian princedom was one of the last to be abolished—in 1864. In keeping with the administrative reform carried out in czarist Russia, Georgia was divided into two gubernias—the Tiflis and the Kutaisi, that is, the names “Georgia” (Sakartvelo) and “Abkhazia” disappeared from the geographic maps.

Abkhazia was renamed the “Sukhumi Military Department,” (after 1883, the “Sukhumi District”), which was under the subordination of the Kutaisi governor-general. Abkhazia was renamed the “Sukhumi Military Department,” (after 1883, the “Sukhumi District”), which was under the subordination of the Kutaisi governor-general. 60

Czarist Russia began an onslaught on the Georgian language, which was the only official written language, the language of state administration, and the language of church service. It also tried to drive a wedge among the Georgian population, using the “Abkhazians” (that is, Apsua) to this end.

In the mid-19th century, in order to completely eradicate the Georgian language in Abkhazia, the first attempts were made to compile a written language for the Apsua (Abkhazians). It was created in 1862 by well-known scholar P.K. Uslar on the basis of Russian (ancient Slavic) script. 61

The resolution on performing church services in Russian (“the Slavonic dialect”) served the same purpose, “in order to safeguard the Abkhazians in the most reliable way…from Georgian influence” and ensure a merging of “the indigenous population with the Russian” in the future. 62

The first book in the language of the Apsua (a collection of poems by a classic of Abkhazian literature Dmitri Gulia) was published in 1912 in Tiflis. After a whole series of changes and revisions, the Abkhazian alphabet was created in 1954 (based on the Russian script), which is still used to this day.

The government of czarist Russia also used the tragic events associated with Muhajirstvo (forced migration of Muslims from the Caucasus to the Ottoman Empire during the second half of the 19th century) to its own ends. First, Abkhazian Muslims (that is, Apsua) were forced to emigrate to Turkey, then those who wanted to were prevented from returning to their homeland (they were known as mubahajirs).

The czarist government did not allow Georgians to settle in Abkhazia; at the same time, the territory was settled with Russians, Armenians, and representatives of other nationalities. The Georgian press of that time ran reports about the efforts exerted by the Georgian intelligentsia headed by I. Chavchavadze (a well-known writer and public figure) aimed at preventing Abkhazian Muslims from being evicted to Turkey. 63

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63 These tragic processes were widely covered in a work by well-known Abkhazian historian G. Dzidzaria—Mukhadzhirstvo i problemy istorii Abkhazii XIX stoletia, Sukhum, 1982; O. Churgulia, “Makhadzhirstvo i gruzinskaya intelligentsia (vtoraya polovina XIX v.),” in: Razyskania po istorii Abkhazii/Grazi, pp. 391-408 (abstract in English); Z. Papaskiri, op. cit., pp. 150-161.
It should also be pointed out that the government of the Democratic Republic of Georgia (1918-1921) brought up the question of muhajirs in 1920 for consideration by the Supreme Council of the Entente.

The settlement of Abkhazia with Russians, Armenians, and other nationalities also actively continued in the Soviet period, which is eloquently shown by the data of the population censuses of the 1920s–1980s. At that time, the size of the Russian population in the Abkhazian Autonomous Republic grew from 1.8% to 14.3%, the Armenian from 1.6% to 14.6%, and the Georgian from 35.8% to 45.7%.64

The name “Abkhazia” abolished by the czarist government of Russia was restored by the Constitution of the Georgian Democratic Republic, and Abkhazia became part of the republic with the rights of an autonomy.65 However, the local Bolsheviks, with the support of the R.S.F.S.R., tried to undermine the independent Georgian Democratic Republic. The enemies of the Georgian state acted most vigorously in the outlying regions, particularly in Abkhazia, where demonstrations were held, which were suppressed.66

The processes that took place in Abkhazia after the annexation of Georgia by Bolshevik Russia in February 1921 are covered in a book by leader of the Abkhazian (Apsua) Bolsheviks Nestor Lakoba.67

In March 1921, at an assembly of the executives of the Transcaucasus, in which Georgian Bolsheviks S. Ordzhonikidze, M. K. Tolstov, E. Eliava took part, a decision was made to establish the Abkhazian S.S.R. The leaders of the Abkhazian Bolsheviks, Lakoba and Eshba, while demanding Abkhazia’s independence, entirely ignored the interests of the overwhelming majority of the Georgian population. The Abkhazian leaders asked that they be given temporary independence, as a cover, “in the interests of creating genuine Soviet power in Abkhazia,” to which the Georgian Bolsheviks replied that “if independence is needed in Abkhazia in the interests of creating genuine Soviet power there, it should be taken not only as a cover, but also as genuine independence.”68

The Georgian Bolsheviks did not make this compromise by accident: although talks were held after the annexation of Georgia, they needed the support of their Abkhazian colleagues, not thinking that in so doing they were encroaching on Georgia’s unity and its historical borders, for the inviolability of which the Georgian people had been fighting for centuries.

In March 1921, the Abkhazian S.S.R. (Apsny S.S.R.) was established. It was obvious that it was created artificially and that its separate existence did not meet its own political and cultural-economic interests. This was something the Abkhazian leaders repeatedly stated themselves. In November 1921, it became part of the Georgian S.S.R. as a “contractual (associated) republic.” In so doing, it should be kept in mind that in all the official documents (in the Constitution of the Georgian S.S.R. of 1922, the U.S.S.R. Constitution of 1924, and government resolutions), Abkhazia was designated as an autonomous republic that was part of the G.S.S.R. (like the Ajar Autonomous Republic and the South Ossetian Autonomous Region).

Some Abkhazian officials tried to present the situation in a different way, trying to create the impression that in 1921-1931, Abkhazia was an independent republic, while state officials of Georgian origin (Stalin and Beria) deprived it of its independence.


Abkhazia’s final status, as an autonomous republic, was approved at the 6th Congress of Soviets of Abkhazia in 1931.\footnote{See: A. Toidze, op. cit., pp. 303-308; J. Gamakharia, “Politcheskiy status Abkhazii v sostave Sovetskoy Gruzii,” in: Ocherki istorii Gruzii, Vol. II, pp. 310-322. Maybe it should also be kept in mind that in the conditions of the totalitarian Soviet regime, the republic did not enjoy any independence.} It was with this status that it reached the tragic events of the 1990s.

As of today, the situation has become even more aggravated. After Russia’s open intervention in August 2008, the Kodori Gorge was “torn away” from Georgia and given to Abkhazia. This is territory that has been populated only by Georgians (Svans) since time immemorial and on which Abkhazians have never lived.

**Conclusion**

The representatives of the almost 80 different nationalities and ethnic groups living in Georgia have never experienced oppression. Even in the conditions of anti-Semitism that existed in Russia, in Georgia, which was its integral part, Jews were never repressed (for which prominent political figure of the state of Israel Golda Meir expressed her gratitude to the Georgian people). Despite the fact that during the war in Abkhazia (beginning of the 1990s), Russians, Armenians, and the confederants (the detachments of the Confederation of Mountain Peoples of the Caucasus) fought against Georgians, there was not one instance of oppression of the representatives of these nationalities. Some time later, the republic even gave shelter to refugees from Chechnia. During the Russian-Georgian war in August 2008, when Russian tanks and airplanes attacked Georgian territory, not one anti-Russian campaign was carried out there.

Today the indigenous Georgian population and Abkhazians proper (Apsua) are being expelled from their native land. The territories of the self-declared state of Apsny (Abkhazia) are being settled by Russians and Armenians, Russian passports are being given out, and so on. Similar and other measures are placing the future of the Abkhazians (Apsua) themselves in doubt. Perhaps it is worth thinking about the position of the neighboring North Caucasian nationalities, about the fate of their closest relatives, the Ubykhs, for example.

Abkhazia is time-honored Georgian land which has always been part of the Georgian state. Today’s Apsua (Abkhazians), which have always constituted the minority of the Abkhazian population, are making claims to all of the territory of the former autonomous republic. The Apsua (Abkhazians) are a nation with a very clear national self-consciousness which has every right to live in Georgia (as it has lived), enjoy administrative self-government within the boundaries of its compact residential area, and develop its culture, written language, oral language, education, science, and art.

The Abkhazians (Apsua) and Georgians should find a common language and live together, as they have always lived, while the necessary conditions should be created for the exiled to return to their homes. The conflict must be settled peacefully, and active efforts from international organizations are needed to resolve this issue.
The 9th to the first quarter of the 13th century was an economic and intellectual heyday for the Caucasus.\(^1\) This was also a time when the Caucasus as a whole was a more or less integrated region. The Caucasus from Nikopsia (Tuapse) to Derbent and from Ossetia to Zangezur was a sin-

\(^1\) In contrast to the generally accepted concept of the Caucasus (the territories of the post-Soviet expanse—the Northern Caucasus and Transcaucasus), today the scientific literature justifiably offers a new structural breakdown of the Caucasian Region keeping in mind the historically developed parameters of the Caucasus: 1) the Central Caucasus, including three independent states—Azerbaijan, Georgia, and Armenia; 2) the Northern Caucasus, comprised of the border autonomous of the Russian Federation; and 3) the Southern Caucasus, including the provinces (iller) of Turkey that border on Azerbaijan, Georgia, and Armenia (the Southwestern Caucasus) and the northwestern provinces (ostanha) of Iran (the Southeastern Caucasus) (see: E. Ismailov, V. Papava, Tsentralnyi Kavkaz. Istoria, politika, ekonomika, Mysl, Moscow, 2007, p. 21).

The term “Zakavkazie” (Transcaucasus), which was used in czarist-Soviet times, was first used by the compilers of an economic study of the territory immediately after it was conquered by Russia. (Obzrenie Rossissikh vladenii za Kavkazom v statisticheskom, etnograficheskom, topograficheskom i finansovom otosheniiakh, St. Petersburg, 1836.) Later, with a slight alteration in its Russian spelling (“Zakavkazye”), it went into use everywhere (see: E. Muradalieva, Goroda Severnogo Azerbaidzhana vo vtoroi polovine XIX veka, Baku State University, Baku, 1991, p. 8).

The category “Transcaucasus” latently presumed that the territories south of the Greater Caucasus Range did not belong to the Caucasus proper, are located behind it, i.e., beyond it. In so doing, as the literature notes, this category was to a certain extent aimed at achieving the Russian Empire’s political goal in the Caucasus—separation of the local nationalities who lived in the northern and southern parts of the conquered Caucasus from each other. The category “Transcaucasus” was a product of the Russian foreign policy concept, which reflected the metropolis’ approach to political-administrative division of the conquered region. In so doing, the interests of the region’s nationalities, as well as the historically developed economic, cultural, and other relations in the region, were frequently sacrificed in favor of the interests of the Russian Empire (see: E. Ismailov and V. Papava, op. cit., pp. 17, 18).

Today, the Southern Caucasus is also designated as the Central Caucasus. The authors of the new structural breakdown of the Caucasian Region emphasize that the concept “Southern Caucasus,” just like the category “Transcaucasus” that preceded it, has a “Russian” geopolitical meaning, since it designates part of the Caucasian Region that has gained its independence from Russia. It is no accident that the term “Southern Caucasus” came into use and gained a foothold at the time the Soviet Union collapsed, reflecting an important aspect of the new geopolitical situation in the Caucasus—the formation of three independent states (see: E. Ismailov, V. Papava, op. cit., p. 19).
gle political and economic body. After liberation from the Arab Caliphate, the people of the Caucasus began engaging in peaceful and creative labor. States appeared—Shirvan (861), the Ganja Emirate (the dynasty of the Shaddadids—971), the Emirate of Tiflis (the dynasty of the Jafarids—beginning of the 9th century), the Kingdom of Ani (960-1045), the Kingdom of Abkhazia (beginning of the 9th century), the Kakhetian principedom (end of the 8th century), the Derbent Emirate (dynasty of the Khashimids—mid-10th century), and the states of the Sajids (879), the Salarids (941), and the Ravvadids (981). At that time, the region took active part in international trade along the routes of the Great Silk Road.

The towns of that time are an exceptional phenomenon in the history of the Caucasus. They were large, with populations of several hundred thousand people, whereby there were very few towns of this size in the world at that time. Each of them had approximately 30-40 well-developed handicraft trades. Towns had sewage and plumbing systems made of clay pipes, which showed that their living standards were sufficiently advanced. Several medieval towns were the residences of the vicegerents of the great empires.

Active trade relations promoted the high socioeconomic and political prosperity of the towns. The main Eurasian transit trade routes spread out, like an octopus, across the Caucasian region, passing through its thriving towns. It was the towns that helped to integrate the countries of the Caucasus as never before.

Such towns as Barda, Ganja, Sheki, Shamakhy, Beylagan, Derbent, Baku, Tabriz, and others were large handicraft and trade centers, and they played a fundamental part in the intensive economic integration of the Caucasian states.

Socioeconomic Shifts in Urban Life

When talking about Azerbaijan, Arabian geographer of the 10th century al-Istahri wrote in his work Book of Roads and Countries: “There is such plenty here that unless you see it with your own eyes you will not believe it.” Ibn Haukal, another Arabian traveler and al-Istahri’s contemporary, noted that the lands of Azerbaijan “are covered with wheat fields. There are rivers, orchards, and population settlements, not one inferior to the other. On the contrary, each place abounds in the bountiful blessings of Allah. Fruit is very cheap and food is essentially free.” Extensive grain fields stretched along the banks of the Kura and Araks, as well as of the Sefidrud River, in Shirvan and Sheki. The same authors tell of the abundance of almost every type of grain (wheat, barley, rice, millet, and others), different kinds of technical plants (cotton, flax), and melons and gourds. Both banks of the Kura were covered with wheat and cotton fields. In some places, two harvests a year were gathered. The residents of the environs of Tabriz, Ganja, Baku, Sheki, Shamkir, Gabala, and Shabran also engaged in farming, mainly wheat growing. In the environs of Baku and Derbent, saffron and flax were grown. Azerbaijan’s saffron was exported to other countries. Valuable kinds of rice were grown in Lenkoran and Sheki. The Barda region was rich in cochineal, a raw material for obtaining very valuable crimson dye.

As a rule, the land was ploughed using a pair of oxen or buffalo. So at that time, expressions such as “dzhut” (pair), “idti na dzhut” (go in pairs), and “dzhutchu” (plowman) were common. In

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some places, wooden ploughs were used, to which two, three, and sometimes four pairs of oxen were harnessed. According to al-Mukaddasi, in the Ardebil district, the land was plowed by eight oxen, which were driven by four plowmen. When the traveler asked whether they plowed that way because the earth was so hard, the plowmen replied: “No, we do it to catch the snow,” thus explaining the reason for the deep-cut furrows they made. This episode is interesting in that the farmers who preserved the ancient farming traditions considered deep furrows to be the best way to combat drought.

The plough they used was called a kotan, a word common in the vocabulary of all the nationalities of the Caucasus in different pronunciations, “gutani,” “gutan,” “gotan,” etc. This large plough made it possible to dig deep furrows in the soil, as well as work the hard earth, thus increasing the area of farm land. The very existence of a tool such as a “large plough” shows the significant economic progress in the region.

One of the developed branches of the economy was horticulture. After visiting many different countries, Arabian travelers wrote that no other place in the world had such varied, magnificent, and luscious fruit. The outskirts of the towns boasted innumerable orchards, where apples, pears, grapes, pomegranates, apricots, peaches, figs, quinces, cherries, plums, cornelian cherries, nuts, hazelnuts, chestnuts, and mulberry grew. In Gabala, Sheki, and in the area between the River Ganykh (Alazan) and the Greater Caucasus Range there were many different nut orchards. Nowhere else could the rare type of pomegranate that grew along the River Araks be found. Tabriz, Maraga, Khoi, Salmas, and Urmia were simply awash in orchards. In Tabriz, more than 900 qanats were built for irrigating the orchards. Ibn Haukal noted the multitude of vineyards between Derbent and Samandar. The sources of that time noted the use of water power, in particular, special mention was made of mills that operated on energy derived from hydropower.

It is worth noting that grain growing and horticulture were practiced not only by the rural population, but also by the residents of towns and their suburbs. Towns at that time were primarily an economic category, centers of handicrafts and trade. However, townsfolk also dabbled in farming. A large part of the urban population was engaged in cattle breeding. Town-dwellers kept cattle, but the sources mention more about how they were engaged in grain growing and horticulture. These agricultural occupations were a kind of appendage to the urban economy at that time. Here another special feature came into play—the towns depended heavily on an artificial irrigation system, water supply and its use. Economically, the towns could not manage without these sources. Irrigation not only provided water for the civilian population, but also fed the economy, both handicrafts and agriculture.

The birth and development of new towns was primarily related to the intensified social division of labor. The revival of production forces created favorable conditions for the emergence and development of new branches of handicrafts. Moreover, the Caucasus was rich in valuable natural resources, which also promoted the development of many rare handicrafts. According to Arabian traveler Abu Dulaf, the mountains around the town of Shiz (in the south of Azerbaijan) boasted ore mines where gold, mercury, lead, and silver were excavated. In Shiz, three types of gold were produced. Dulaf described the technique used to extract gold: the local masters watered the area where the soil contained gold and continued doing so until all the soil had been washed away and only granules of gold remained in the place watered. Then they would gather them using mercury. According to Abu Dulaf, in Shiz, gold nuggets were also found. The arsenopyrite produced in Shiz was considered a valuable raw material for manufacturing jewelry. In the town of Arran, four farsakhs from the town of Shiz, white, silver, and red gold was also produced. There were also lead mines. The traveler carried out chemical experiments there. He prepared “lead acid” and used it to obtain silver from the ores that were excavated in the area. There were also copper mines in the environs of Tabriz.

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5 The History of Azerbaijan. From Ancient Times to the 1870s, p. 226.
6 One farsakh is approximately 6-8 km.
7 See: Sources on the History of Azerbaijan, pp. 132, 133.
A handicraft called minasazy, whereby craftsmen drew patterns and different designs on precious stones, was also very popular. In some cases, items bore the names of ustads—well-known craftsmen. This type of handicraft, particularly vitrified glass, a skill that did not become known in Western Europe until the 13th century, prevailed over a fairly extensive area. This is confirmed by underwater archeological findings on the western coast of the Caspian (the littoral zone of Azerbaijan). Large amounts of pottery were found, the remnants of items borne by ships to different countries. Small ships were often caught in the violent storms that were so characteristic of the Caspian, particularly of its western coast from Derbent to Baku. So shipwrecks were a common phenomenon. The most diverse items found on the sea bed were samples of high artistic crafts.

The portrait of the towns of that time would not be complete without mentioning that the surface of buildings made of gypsum and fired brick was often covered with terracotta.

Azerbaijan was the home of cochineal, a rare raw material from which bright crimson dye was produced. It was also used in carpet weaving. This same dye formed an important link in the history of the country’s handicraft production until the 19th century. In the Arabian sources, this dye was called “gyrmyz.” Al-Istahri reported that “gyrmyz was exported from Barda to India and other places.” This author wrote that opposite the site where the River Kura ran into the Caspian, there was a large island with large reserves of cochineal. Dyers from Barda would go there to collect it. Another author, Ibn Haukal, confirmed al-Istahri’s information on the export of cochineal to India: “There is cochineal in Varzan, Barda, the environs of Bab al-Abvah, and on the island in the center of the Caspian. It is transported via the Caspian to Jurjan, and is sent from there to India. Cochineal is available throughout Arran—from the borders of Bab al-Abvah to Tiflis, along the banks of the Aras and to Jurzan (Georgia).” Arabian geographer al-Mukaddasi said that cochineal was a miracle of the climate and described the technique for obtaining dye from the insects. It is clear from the traveler’s reports that cochineal was gathered in copper pots, boiled, and crimson dye obtained from it. Al-Mukaddasi wrote: “There is also cochineal here. It is a scale insect. Women come here, gather the insects in a copper pot, and then put the pot in a tandoor (clay oven) used for baking bread.”

The fact that international caravan routes passed through the Caucasus linking the Volga Region and Eastern Europe with the Near and Middle East and with India, on the one hand, and the famous trade centers of Central Asia, China, India, and Iraq with the Mediterranean and Black Sea coast, on the other, created extremely favorable conditions for the development of handicrafts and trade. And in this seemingly boundless economic expanse of the Great Silk Road, all the necessary prerequisites were created for the growth of towns, sedentary farming, and its integral component, silkworm breeding. And to this day in the history of the Eurasian civilization there is no analogy to this supply route. All of this promoted the emergence of numerous trade centers along the Caspian coast and the banks of the Kura and Araks at the junctions of the caravan routes and transformed several population settlements into towns.

According to the Arabian authors of the 9th-10th centuries, the Central Caucasus was crossed by a multitude of caravan routes, the main junction of which was Barda. The following fixed routes existed: Barda-Derbent, Barda-Tiflis, Barda-Dvin, Barda-Ardebil, Barda-Zenjan, Ardebil-Amid, Ardebil-Maraga, and Maraga-Dvin. These caravan routes not only linked the Caucasian countries with each other, but also with the countries of Asia and Europe: Syria, Iraq, Asia Minor, and Transoxiana, as well as with the Khazars, Slavs, and Scandinavians. As a fundamental work on the history of

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8 See: Ibid., p. 126.
9 Ibid., p. 231.
10 Ibidem.
11 Ibidem.
Georgia notes, it was in the 9th century that the importance of these routes began to grow, particularly of the Eastern Transcaucasus,\textsuperscript{13} that is Azerbaijan.

The Towns of Arran

The books on historical geography of that time gave expressive descriptions of town life. Al-Mukaddasi wrote about Azerbaijan: “All the towns of this country are magnificent, rich in products and mines. There is an abundance of fruit and all kinds of meat, and they are very cheap.”\textsuperscript{14}

One of the largest towns of West Asia, according to the sources, was Barda-Partav, the ancient capital of Albania. During the long supremacy of the Arabs, Barda was the center of a large vicegerency created by the Caliphate in the Caucasus.\textsuperscript{15} The residence of the vicegerent was situated there. This fact played a positive role in turning Barda into a political center, as well as into one of the largest handicraft and trade hubs. In his work \textit{Book of Roads and Countries}, written in 930-933, Al-Istahri indicated: “Barda is a large town, one farsakh wide and long, with a healthy climate, prosperous, and enjoying abundant harvests. After Iran and Khorasan, Rei and Isfahan, this large, flourishing, and beautiful city knows no equals in terms of location and the bountiful yield of its fields. A lot of silk is exported from Barda. Silkworms feed on the leaves of mulberry trees that are there for the taking. A lot of silk is sent from here to Iran and Khuzistan…”\textsuperscript{16}

Interesting information on Barda was also supplied by ibn Haukal, who wrote the book \textit{Roads and Countries} approximately 20 years after al-Istahri. The book was written after the great tragedy that occurred in Barda in 944—seizure of the town by the Russ.\textsuperscript{17} He writes: “As for the town of Barda, it is ‘Ummu-r-Ran’ (‘the mother of Arran’) and the best region in these countries.”\textsuperscript{18} In his opinion, the town was very large, which was due to the purity of the local air, the fertility of the soil, the large amount of arable land, and the multitudinous fruit, trees, and rivers. Barda produced different kinds of silk items and sent a lot of silk to Iran and Khuzistan; the town has a beautiful Juma mosque. During the rule of the Arabs, according to the author, this was where the state treasury was situated, and there were bazaars on the outskirts of the town. Al-Mukaddasi also called Barda “the main town,” “large town,” “the Baghdad of this region.”

In Barda, handicraft production reached a high level of specialization. This is evidenced by the fact that the town was broken down into quarters and mini-quarters where handicraft workers who specialized in a particular skill were concentrated. There were rows of gunsmiths, coppersmiths, blacksmiths, jewelers, and so on. Each gradation reflected the social division of labor. Along with the handicrafts mentioned, dying and pottery became extremely well developed; primary processing of technical raw material was carried out in the town—of silk cocoons, wool, leather—and all kinds of different fabrics were made. A wide assortment of silk and cotton fabrics were exported to the towns of West Asia.

Barda was the junction where the roads from Tiflis, Derbent, Debil (Dvin), and other towns met. All the trade was concentrated in this town. Farm produce and handicrafts were brought from all over the place to the Sunday markets of Barda. They also offered goods from neighboring states, as well as

\textsuperscript{14} \textit{The History of Azerbaijan}, p. 232.
\textsuperscript{15} See: N.M. Velikhanova, \textit{Arabskii khalifat i Azerbaidzhan} (according to the works of ibn Khordadbeh and other representatives of Arabian geographical literature), Abstract of Doctor’s Dissertation, Baku, 1994, p. 78.
\textsuperscript{16} \textit{Sources on the History of Azerbaijan}, pp. 126, 127.
\textsuperscript{17} The Russ who traded with Azerbaijan along the Volga-Don-Caspian route and through the territory of Azerbaijan with the Caliphate, including with Baghdad, began to carry out predatory raids into the Caspian lands. In the Arabian sources, the armed units of Kievan Rus that carried out raids on the Caspian coast were all called “Russ.” Most of the armed forces of the Kievan state consisted of Norman knights—Varangians with Scandinavian roots.
\textsuperscript{18} N.M. Velikhanova, op. cit., p. 82.
from the countries of the Middle and Far East. The bazaars and covered markets of Barda were full of foreigners and their merchandise. “People from every country under the sun came here…,” wrote al-Istahri.

Merchants came to Barda from Iran, Iraq, and Syria, from distant India, and from Khazaria, where in exchange for silk, clothing, carpets, bedspreads, fish, cattle (mules), and cochineal (gyrmyz), they brought the products of their countries and items made by their own craftsmen. Caravans came from Barda to Tiflis, and continued on from there to more distant lands.

But after the raids of the Russ in 944, Barda was no longer able to restore its former grandeur. In the clutches of the Russ for more than six months, the town was subjected to terrible destruction, and its handicrafts and trade went into decline. The famous Barda bazaar lost its former significance. The minting of coins ceased. This destructive episode in the town’s history is described in a poem by the great Nizami Ganjavi called Iskender-name. The poet writes: “Barda is so beautiful… It has always abounded in wealth and every amenity…” Then bitterly the poet concludes: “Now the throne of this palace has been downtrodden, its brocade and silk have been swept away by the wind…. those pomegranates and narcissus have turned to dust….” Subsequently, the town essentially disappeared from the map of the Caucasus. Only its name remained, which automatically went to the population settlement that arose next to the ruins. The name remains to this day, but not the town.

Later, Ganja emerged, “which eclipsed,” as V.V. Bartold indicates, “Barda and became a very large town.” In the meantime, Ganja, as the new creation of the land of Arran between the rivers Kura and Araks, began to act as the heir to the ancient capital of Atropatene—the town of Gazaka or Janza. Just as Gazaka was once the capital and keeper of Atropatene’s treasury, now the new town inherited this name.

Ganja, which was situated at the end of the old trade routes, could indeed have become a place where products were brought from neighboring regions meant for further dispatch to other countries. It is no accident that the Arabian geographers note that Ganja was rich in products. “Ganja is full of treasures,” wrote Hamdullah Qazvini, repeating the data of his predecessors.

“Ganja” as a geographical name was widespread in the East, particularly in the Iranian domains, as well as in the Caucasus (in Azerbaijan and Georgia).

In Azerbaijan, as mentioned above, the old capital of South Azerbaijan, Atropatene, was called Ganja-Gazaka. The town of Tabriz was often called Ganja (Azerbaijani Gandzak, Gandzak-Shakhkhan). A town in the north of Azerbaijan (a region of Albania) was called Ganja, which to distinguish it from the others was often called Albanian or Arranian Ganja.

Ganja did not grow from a fortress or fortified settlement where the population took refuge during enemy attacks, but from an ancient village. This village, which was situated in a fertile area, at the crossroads of trade routes going through Karabakh to the south of Azerbaijan, Armenia, and Iran, as well as to the west, to Georgia and to the northeast to the Derbent Gates, eventually became an urban center due to the development of its production forces and commerce.

In the 9th and first half of the 10th century, Ganja was still an “insignificant [town], but flourishing and rich in arable land.” Ganja still occupied a secondary place. But at the same time, since it was on one of the main branches of the Barda-Tiflis trade route, Ganja took active part in this trade. Ganja still sent a small amount of its products, both agricultural and handicraft, to the Barda.

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19 Sources on the History of Azerbaijan, p. 128.
20 N. Ganjevi, Iskender-name, Elm, Baku,1989, pp. 188, 189.
21 V.V. Bartold, Mesto prikaspiiskikh oblastei v istorii musul'manskogo mira, Baku, 1925, p. 34.
23 See: V.V. Bartold, Istoriko-geograficheskii ocherk Irana, St. Petersburg, 1903, p. 143.
24 There are three villages around Salian (Azerbaijan) that are called Ganja: (1) Piratman Ganjeli; (2) Mugan Ganjeli; and (3) Ganjeli.
market. But it did not keep its semi-farming image for long. Ganja began to attract more and more residents, primarily those engaged in trade and handicrafts, and quickly grew economically and culturally.

From the mid-10th century, when Barda went into decline, Ganja began to take precedence. Since that time, Ganja became a well-furbished and important town. According to the sources, handicrafts had already begun to occupy a particular place in the town’s economic life. It began to move away from agriculture. The craftsmen began producing their wares for the market, for consumers they did not know. After it became a handicraft and trade center, Ganja also began climbing the political ladder. The town became the center of the Ganja Emirate, which was ruled by the Shaddadid dynasty (971-1088). V.V. Bartold notes that every ruler-sovereign of the independent dynasty tried to give its capital and court as much splendor as possible.25

There is very little information about the Shaddadid dynasty. The Georgian chronicles Kartlis tskhovreba, data from Armenian sources of Stepanos of Taron (10th-11th centuries), Samuil of Ani (12th century), and Vardan (13th century), as well as coins minted in Ganja and the Kufi inscription on the famous Ganja gates (embossed in 1063 during the rule of Shavir by blacksmith Ibrahim) are the only sources of scant information.

In the 12th century, Ganja was the capital of the vicegerents of the Seljuk Empire (1038-1157) and later one of the capitals of the state of the Atabegs (1136-1225). In terms of the number of residents, it surpassed many towns of the Orient at that time. It was also the capital of the province of Arran and this is where the throne of the Seljuk sultan, Giias ad-Din Muhammad Tapar, was situated, which served as a symbol of power for various sovereigns for more than one hundred years.26

Ganja was the “last border outpost of the Muslim world” on the border with Georgia, and so all the rulers placed top priority on its fortification.

All types of handicrafts were well developed in Ganja, but the sources particularly single out the breeding of silkworms, the processing of silk, and the manufacture of magnificent silk fabrics that were superior in quality to the fabrics of other places. Zakariya al-Qazvini gave an interesting description of the processing of raw silk: “In the town itself is a canal, to which two paths descend: one of them leads to a place called Bab al-Makbara, and the other to a place called Bab al-Barda. Residents take water from Bab al-Makbara and wash silk in it, after which its price is higher than that of the silk washed in the water taken from Bab al-Barda. If water is taken from Bab al-Makbara and transferred to Bab al-Barda, nothing comes of it, but if you do it the other way around, you get magnificent silk.”27

When the Mongols reached Ganja during their first invasion at the end of 1221, “they found out that Ganja has a lot of residents,” writes Ibn al-Asir, “who are very courageous and, moreover, have many weapons, and they decided not to capture it, but instead sent a messenger to the residents demanding money and clothing. They were given all they asked for and they retreated from the town.”28

There was an iron and a copper mine close to Ganja that promoted the development of smithing, metal-processing handicrafts, the manufacture of kitchen utensils, and minting. The Ganja craftsmen knew intricate techniques for finishing earthenware products. They drew patterns on them with a paintbrush, cut out these patterns, and filled the apertures with transparent glaze. The craftsmen covered the items with a very thin layer of white clay, then applied a transparent colored glaze to its smooth surface. Items were also made from colored glass. In order to obtain the glaze, the craftsmen used local materials—iron ore, cobalt, manganese, lead, and copper. Kaolin and clay for pottery production was available in many places in the west of Azerbaijan.

25 See: V.V. Bartold, Turkestan v epokhu mongol’skogo nashestvia, Part 2, St. Petersburg, 1900, p. 9.
27 Ibid., pp. 189, 190.
28 Sources on the History of Azerbaijan, p. 155.
The residents of Ganja spent the summer months in places situated close to Mount Khirak (present-day Hajikend), “abounding in fragrant grasses, water, and orchards. The air there in the summer is superb. Every family has a house there where they (the people of Ganja) stay until the heat abates. The nobility of Ganja have excellent houses there.”

But a terrible calamity awaited the town. At the very peak of its prosperity, Ganja was shaken by an earthquake that wrought irreparable damage on the town (1139). All the sources that describe the events of the 12th century mention this horrendous disaster. Nizami also wrote about it. The sources note that a large number of the town’s residents were killed, more than 300,000 people. Contemporary researchers note that the population of Ganja amounted to around 500,000 people before the earthquake. At that time, there were very few towns of this size on the map of the world. The earthquake was so strong that not far from Ganja, part of Mount Kiapaz collapsed, causing a huge rockslide that blocked off the road.

Thirteenth century author Kirakos Gandzaketsi (of Ganja) provides information about the formation of beautiful Lake Göygöl: “Mount Alkhanak (Kiapaz) collapsed from the earthquake, it dammed up a hollow through which a stream flowed and a lake formed. Highly-valued species of fish can be found in it…” And in the territory of the present-day Kelbajar district, the earthquake caused the mineral spring of Istisu, which is still famous to this day, to burst from the bowels of the earth. Subsequently, after it was rebuilt, the town expanded and occupied new plots of land.

Among the other events concerning Ganja, historians note that Queen Tamara’s first husband, the son of Russian prince Andrei Bogoliubsky, Georgi, who was exiled from Georgia, showed up near Ganja. Wishing to return to Georgia to restore his power, he asked Azeri atabeg Abubakr (1191-1210) for help. The latter supported Georgi and gave him a plot of land within the boundaries of Arran, where Georgi settled. He gathered together contingents from the residents of Arran and Ganja and set off with them for Georgia. But this time, too, Georgi’s attempt to return to Georgia ended in failure.

Beylagan, a well-known large town in the country of Arran (Zakhariya al-Qazvini), was situated at the junction of trade and military-strategic routes leading from Ganja to the southern districts of Azerbaijan. The medieval history of this town, as researchers note, could in many ways serve as a model for studying the history not only of the medieval towns of Azerbaijan, but also of the towns of the Orient in general.

At the beginning of the 12th century, at the peak of the internecine wars in the Seljuk Empire, the power of their viceroy in Beylagan was so weak that the town was out of control and had almost become an autonomous provincial town.

Beylagan reached the peak of its prosperity under the Eldeniz atabegs. During the rule of atabeg Abubakr and particularly Uzbek, Beylagan “was entirely built up—a multitude of palaces were built there. In the olden days, there was no water in this town and so the residents suffered; several creeks run there from the Araks. They say that this town acquired its splendor from the favorable presence of Abubakr and Uzbek. They built a multitude of buildings and the nobility settled there. The town has an abundance of amenities and a large number of bazaars.”

By the beginning of the 13th century, as many as 40,000 people were living in Beylagan, and more than 30 types of handicrafts had been developed. One of the mints of the Eldeniz was located in Beylagan.

29 Z.M. Buniatov, op. cit., p. 191.
30 Quoted from: M.M. Altman, op. cit., p. 61.
34 See: G.M. Akhmedov, op. cit., p. 84.
The sources name silk fabrics, grain, cotton, rice, pomegranates, and grapes among Beylagan’s commodities. Goods were sold in the town that were brought in from Derbent, Shirvan, and Shabran, along with oil and salt from Baku.

During the Mongol invasions into Arran, Beylagan was destroyed and the entire irrigation system was put out of operation, which meant death to everything living in the arid districts of Beylagan.

During the rule of the Seljuks and Atabegs, one of the largest centers was the town of Nakhchivan. Under atabeg Shasaddin Eldeniz, it became one of the state’s capitals. It was an important military-strategic settlement of Azerbaijan on the banks of the Araks. Along with meeting domestic demand, the fabrics, wide variety of crockery and utensils, chukha (long overshirt worn by men in the Caucasus), items of gold, silver and copper made by the local craftsmen were used domestically and also exported to foreign countries. The fortress of Alinja built not far from the town reinforced Nakhchivan’s security. In addition to the residence of the Atabegs and the state administration building, a multitude of caravanserais, madrasah, mosques, and palaces were built in the town.

Among the well-known architectural monuments of Nakhchivan are the famous mausoleums of the head of the local sheiks Yusuf ibn Kasir (Kusair) (1162) and Momine-khatun, the wife of atabeg Shamsaddin (1186), built by outstanding architect of the Middle Ages Ajami ibn Abu Bakr an-Nakhchivani.

Ardebil and Tabriz were particularly well-known among the classical towns. Ibn Haukal presents a portrait of Ardebil, the capital of the state of the Sajids (879-941) and of the state of the Salarids (941-981). “Ardebil is now the most esteemed vilayet and largest town of Azerbaijan. Ardebil is where the military camp and sovereign’s palace are located. The state covers an area of 30 farsaks.

“The buildings are mainly made of clay and fired brick. There are strong fortress walls around the town. The town’s air is fresh and goods are cheap. Close to Ardebil is Mount Savalan. It is a huge mountain, it rises to the west and seems to hover over the town. There is snow on the top of Savalan all year round. There is always an abundance of bread. You can buy 50 pitas for one dirham… Honey, melted butter, hazelnuts and other nuts, raisins, and other merchandise are very cheap, almost free, you could say.” And the author goes on to sum up that “Ardebil has acquired the fame of a town of plenty, having all the heart could desire. In terms of cheapness and high standard of living, it excels over all the other towns.” The sources noted the existence of “good bathhouses” in the town.

Tabriz was the capital of the state of the Atabegs (1136-1225). The international caravan routes from Derbent to the shores of the Persian Gulf and from the Orient to Europe met in Tabriz. So this town was an important international trade center. The town was full of foreign merchants. Caravans sent goods from here to the countries of Asia and Europe. The carpets, satin, taffeta, wide range of silk fabrics, clothing, and other commodities made by Tabriz craftsmen enjoyed great demand in the world markets. One of the Eldeniz’ main mints was located in Tabriz.

When he visited Tabriz at the beginning of the 13th century, Yakut al-Hamavi wrote: “Tabriz is the most famous town in Azerbaijan. It is a town with a large population and with strong walls made from brick and limestone. A multitude of streams run inside the town; it is surrounded by orchards, fruit is very cheap here… The houses in Tabriz are built from dyed red brick and limestone and look very beautiful… In Tabriz, fabric is woven for outer clothing. These fabrics are exported to all the countries of the East and West.”

35 Approximately 1/20 of a dinar. Dirhams were minted from silver, while dinars were made from gold.
37 *Sources on the History of Azerbaijan*, pp. 185, 186.
The Shirvan region, where the old dynasty of the Shirvanshakh rulers reigned for a millennium (from the 6th to the 16th centuries), consisted of fertile valleys with magnificent pastureland, meadows, and forests. Its proximity to the River Kura and the sea provided the residents with highly-valued species of fish.

In the 11th-12th centuries, the towns of Shirvan—Shamakhy, Shabaran, Baku, and Derbent—became well-known handicraft and trade centers in the East. There were as many as 100,000 residents in Shamakhy, the main occupation of which was silkworm breeding. Raw silk and silk fabrics were sent to other towns of the Caucasus and to several countries of the Middle East. In the 13th century, silk from Shirvan was exported in large amounts to Italy and France. The sources mention the development of carpet weaving in the towns of Shirvan. The earliest carpet of the 13th-14th centuries of the Guba-Shirvan group survived to our day.

The towns of Shirvan were famous for their production of specific commodities. For example, Baku was known for its oil and salt, Shamakhy for raw silk and silk fabrics, Derbent for saffron and flax clothing, and Shabaran for ceramics.

Shabaran, one of Shirvan’s oldest towns, was situated to the north of Shamakhy. This town was a kasaba, meaning the administrative center of the Khursan territory, one of the three districts Shirvan was comprised of in the 10th century. At the end of the 10th century, shirvanshakh Muhammad ibn Ahmad built a wall around the town of Shabaran. In the 11th century, the family tomb of the Shirvanshakh was located here. By the 15th century, the town ceased to exist. During archeological digs, wells, a bathhouse built of fired brick, brick conduits, galleries, other structures, and also a large number of household items were found—numerous remnants of ordinary and glazed ceramic dishes, a firing kiln, and a treasure trove of Shirvanshakh coins of the 13th century showing the developed economic life of the medieval town.

When mentioning Baku, most of the sources talk about the large amount of oil produced in the environs of the town, which was exported to the countries of the Middle East. In the first quarter of the 11th century, Al-Biruni said very succinctly: “Baku is a center of white oil trade.” Travelers have always waxed eloquent on the topic of oil. Arabian traveler Abu Hamid al-Andalusi al-Gariati, who traveled up and down the southwest coast of the Caspian Sea in 1131, describes the oil-bearing lands of Apsheron and a village, which it is difficult not to recognize as Surakhany with its eternal fires: “And bitumen and oil come from this black earth, black and white, and this land is not far from Bakuh, in the region of Shirvan… Bitumen is transported from here to other places.” An anony-

38 Medieval authors called the region on the western coast of the Caspian Sea, to the east of the Kura, which constituted part of ancient Caucasian Albania or early medieval Arran, Shirvan or Sharvan. Authors of the Classical times do not mention Shirvan. This name became known under the Sassanids (3rd-7th centuries).
40 See: L. Kerimov, Azerbaidzhanskiy kover, Baku, Leningrad, 1961, p. 17, Fig. 8.
41 See: S. Ashurbeili, op. cit., p. 183.
43 The town developed from a small settlement that appeared in the distant past (more than 2 thousand years ago). Oil and salt production and saffron growing, which were exported to different countries of the Orient served as an important boost to the development of Baku as a town. Oil production demanded the development of several handicrafts associated with the oil industry, in particular, making vessels from clay and seal skin for transporting the oil. This enabled the small settlement to grow into the town of Baku, the name of which was associated in the Middle Ages with oil and fires (see: S. Ashurbeili, Istoria gorodu Baku. Perioud srednevekovaia, Azerneshr, Baku, 1992, pp. 39, 40).
44 This is a reference to Surakhany oil (Surakhany is 15 km from Baku), which in natural form possessed the chemical properties of present-day kerosene and so was called “white oil.” This is fuel of exceptional quality and enjoyed great demand in the markets.
45 Puteshestvie Abu Hamida al-Gariata v vostochnuiu i tsentral'nui Evropu (1131-1153), Nauka, Moscow, 1971, pp. 55-56.
mous geographical essay in Persian written in the 1220s about Baku says: “...it is a town in the region of Shirvan on the sea coast. All night its land burns like fire; you can place a pot of water on the ground and it will boil. Its commodities are black and white oil and salt.”

West European travelers also wrote passionately about Baku oil. The first reports dates to the 13th century. The first European was the famous Venetian Marco Polo, who noted the fact of oil production near Baku.

The oil business was targeted toward external transit trade. Oil at that time was used for lighting, medical purposes, and as a military commodity—a strategic raw material. In the 10th, 11th, and 12th centuries, oil was used for military purposes. There were special vessels that were filled with oil and used for destroying various installations on war ships. Oil was widely used for medicinal purposes to treat various skin diseases, whereby both people and animals were treated. So the demand for oil was high, which boosted Baku’s growth.

There was the following practice: half of the revenue from oil and salt trade went to the residents of the town of Derbent by way of waqf, that is, tax-free contributions to the treasury. Whereby this revenue was not used to support all the population of Derbent, but was used only for its defenders, those engaged in guarding and maintaining the town. This fact again confirms Derbent’s key role in defending the northern boundaries of Azerbaijan.

Located in a narrow passage between the mountain ridges of the Greater Caucasus Range and the Caspian, Derbent occupied an advantageous military-strategic position. Throughout history, the town has had more than 20 names reflecting the geographic and strategic features of its position. The Greek-Roman sources of the classical period called the town the Caspian or Albanian gates, Caucasian medieval authors called it the Chola Gates, the Arabs, Bab al-Abvab (gate of gates) or Bab al-haddid (Iron Gates), and the Azeris, Demirgapy. In history, it is difficult to find another town that has experienced so many invasions and destruction and lived through so many upswings and declines, heydays and desolation.

As a major trade town, Derbent was mentioned in all the medieval routes. In the 10th century, famous Derbent linen items gave way to silk ones. Later, Venetian traveler Marco Polo described Derbent-Demirgapy as follows: “There is a lot of silk here, silks and fabrics interwoven with gold threads are prevalent here. You will not see such beautiful fabrics anywhere else.”

Metal processing in Derbent in the 11th century-beginning of the 12th century was marked not only by quantitative, but also qualitative shifts: work utensils were much superior to weapons.

Derbent was a large trade town. Through the Derbent port, Azerbaijan maintained broad ties with the Muslim countries, in particular with Khazaria. Its main town of Samandar, which existed until the mid-10th century, is also mentioned in all routes that link the Central Caucasus with the Northern Caucasus, Rus, Volga Bulgaria, and the Lower Volga Region.

To the north and south, the Derbent port was enclosed by walls built of stone and lead. According to Ibn Haukal, “there was a chain across the port’s winding entrance, like in Tyre and Beirut.” The chain had a lock on it, and the port superintendent kept the key. Without his permission, not one ship or one sailing vessel could enter the port or leave it.

The Derbent bazaar was renowned throughout the Near and Middle East. There was also an upswing in slave trade there. Merchants from different countries of the Orient thronged here in order

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49 Book of Marco Polo, Transl. from the old French text by I.P. Minaev, State Publishers of Geographical Literature, Moscow, 1955, p. 53.
51 S. Ashurbel, Gosudarstvo Shirvanshakhov, p. 178.
to purchase slaves brought from "neighboring infidel countries." The Juma mosque towered in the center of the market square. This mosque with its spring is still a place of worship today.

The medieval sources contain information about Derbent’s everyday life. Al-Mukaddasi’s information indicates that from as early as the 10th century a drainage system was built in the town to dispose of sewage. The suburbs consisted entirely of cultivated land and vineyards. Ibn Haukal noted that “saffron is grown [here] in large quantities” and “this town is richer in cultivated land than Ardebil.” Al-Istahri noted the same thing. “Derbent is bigger than Ardebil.”

When talking about the standard of living in the towns of Azerbaijan, the water distribution system deserves mentioned. The fortress of Gulistan was built on a mountain not far from Shamakhy. High cliffs and powerful stone walls protected the approaches to it. An aqueduct of earthenware pipes supplied spring water to the inside of the fortress. An underground passage led to the neighboring mountain pass, where a stream ran. The palace of the Shirvanshahs was located in the citadel. The Kale-y-Bugurd fortress on the Akhsu river was just as strong. Drinking water was supplied to the fortress through a long ceramic aqueduct.

Archeological digs revealed traces of a network of water pipes in other towns too—Ganja, Barda, and Beylagan. They were also discovered near bathhouses within the town limits.

According to an Arabian author, the merchants of Russ engaged in trade with countries located on the south and west coast of the Caspian Sea. They came down along the Tanais (the Don), crossed over to the Volga on skid roads, and descended to Khamlija, the capital of the Khazar, where they paid duty and sailed further on their own ships to the Caspian Sea. Merchants of Azerbaijan gathered in Trapezund and from there went to trade in Byzantium. A caravan route went from Trapezund and Asia Minor through the valley of the Araks to Azerbaijan and Iran. Baku, Shamakhy, Derbent, Ganja and Barda were located on the main branches of the international trade routes. The main route went through Mugan along the right-hand bank of the Kura to Tiflis and from there to the Black Sea and Byzantium.

The trade route along the coast of the Caspian sea to the ports of Baku, Derbent, and on through the Khazar domains to the north was of great importance. Another important route went from Barda to Ardebil and Iran and from Barda to Dvin and on to Syria and Mesopotamia.

In summary, the following should be noted about Azerbaijan’s large towns: “the main branch of the Caucasian route of the Great Silk Road passed through them. Merchants from Rus, Khazaria, Asia Minor and Central Asia, China, India, Egypt, Iran, Iraq, Syria, and other countries of the Orient came to the towns and, after selling their wares—furs, swords, Chinese silk, fine Indian hand-made wool fabrics, pearls, glassware, and other goods—returned home with caravans of oil, salt, raw silk, and agricultural products.

**Conclusion**

On the whole, the towns and urban economy of the 9th-first quarter of the 13th centuries are an exclusive phenomenon in the history of Azerbaijan. At this time, there were approximately 50 towns in the country, in each of which more than 30 handicraft trades were well developed. The towns played an instrumental role in progressive historical development. The urban economy and farming that enjoyed a well-developed irrigation system were the foundation of the country’s economy. The flourishing and emergence of new towns was explained by fact that international trade moved to the basin of the Kura River.

Moreover, it was precisely the towns that predetermined the development and blossoming of secular culture. The burgeoning towns made it possible to create the region’s cultural environment

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52 The History of Azerbaijan, p. 234.
53 See: S. Ashurbeili, Istoria goroda Baku, pp. 73-74.
and cultural life. In this cultural environment, outstanding poets Gatran Tabrizi, Mekhseti Ganjevi, and Khagani Shirvani emerged. The great Nizami was a poet of the first magnitude among the poets of the Orient. And the Orient in the 12th century was the center of world culture. Khamse by Nizami Ganjevi went down in the treasure-trove of world culture. The Book of Dede Korkut, which was documented in writing in the 12th century, is today the main source on the history of Azerbaijan, an encyclopedia of its distant past and medieval life. Just as it is impossible to study the distant past of today’s Greeks without The Iliad and The Odyssey, the history of the Europeans without The Legends of the Nibelungs and The Song of Roland, so is it impossible to study the origin of the Turkic nationalities and their ancient history as a whole without The Book of Dede Korkut.

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SOVIE T RUSSIA AND THE FORMATION OF BORDERS BETWEEN THE CAUCASIAN STATES (BASED ON A CASE STUDY OF AZERBAIJAN AND ARMENIA)

Abstract

This article looks at issues associated with the establishment of the Azerbaijan-Armenia border in 1920–1922. Based on extensive facts, it tries to shed light on the reasons for the territorial disputes between Azerbaijan and Armenia.

Introduction

The borders of today’s sovereign Caucasian states were mainly formed between 1918 and 1921. The question of what territory belonged to each of the newly formed states was extremely urgent from the very moment Azerbaijan, Armenia, and Georgia declared their independence in May 1918. The territorial disputes of that period arose from the lack of correspondence between the administrative-territorial structure of the territory and the ethnic composition of the population in the prerevolutionary period. The provinces of the South Caucasian region had quite a number of districts with an ethnically mixed population. Attempts to demarcate the region in keeping with national characteristics gave rise to territorial conflicts.
This caused the political confrontation between Armenia and Azerbaijan that characterized the relations between the two countries right up to the establishment of Soviet hegemony in the region. Soviet Russia’s policy regarding the disputed territories changed depending on its interests. But it was the claims of the Armenian side that were most frequently satisfied.

However, the establishment of Soviet power in the region did not stop, rather it intensified Armenia’s territorial claims on Azerbaijan even more. And all of this made the establishment of borders between the two Soviet republics at the beginning of the 1920s extremely urgent.

Neither this issue, nor the Soviet Russia’s role in the process, has been the subject of a separate study in either the Soviet or the post-Soviet period, rather these topics were studied in the overall context of the political events in the Caucasus.

### The State of the Azerbaijan–Armenia Border on the Eve of Sovietization of Azerbaijan

The Azerbaijan Democratic Republic (ADR) covered an area of 113,895.97 sq. km, 97,297.67 sq. km of which were not the target of any claims. It included the following territories: the Baku province (39,075.15 sq. km), the Ganja province (44,371.29 sq. km), the Zakataly district (3,992.54 sq. km), and part of the Irevan province (9,858.69 sq. km, which included the 1st and 2nd police precincts of the Sharur-Daralaiaiz district; the 1st, 2nd, 3rd, and 4th police precincts of the Nakhchivan district; and the 1st and 2nd police precincts of the Novobaiazet district). The republic’s northern border passed along the River Samur and the Greater Caucasus Range. In the west, the border with Georgia coincided, apart from a small section, with today’s border. The Azerbaijan–Armenia border passed along the former administrative border of the Surmalu district to the Araks River, through the Irevan district through the village of Agamaly, Bash-Giarny, and Imirzin, and on along the border of the Novobaiazet and Sharur-Daralaiaiz districts, turning later to cross Geicha (Sevan) Lake and dividing it in two. So the village of Chubukhly remained under Armenia’s jurisdiction, while the rest of the eastern shore of the lake was part of Azerbaijan.1 On the basis of this border, the whole of the Ganja province and all the districts—the Surmalu, Nakhchivan, and Sharur-Daralaiaiz—of the Irevan province, as well as the southern part of the Irevan district with the villages of Kamarlu, Beiuk-Vedi, and Davalu and the eastern part of the Novobaiazet district belonged to Azerbaijan. On the eve of the April revolution of 1920, Karabakh, Zangezur, and Nakhchivan belonged to the Azerbaijan Republic. Gazakh, Karabakh, Nakhchivan, and Zangezur belonged to the territories to which Armenia was making claims.

During the years of independence, the leadership of the ADR was forced to give some of its historical territory to Armenia. During the Batumi Conference (11 May–4 June, 1918), talks were held between representatives of Azerbaijan and Armenia about the borders between the two countries. The report of delegation member of the Transcaucasian Muslim Council N. Usubbekov at a special sitting of former members of the Transcaucasian Seim of 27 May, 1918 noted that “the main guarantee of the Transcaucasus’ prosperity, according to the Turkish delegation, is solidarity and unification of the Transcaucasian nationalities, which will require Azerbaijan transferring some territory to the Armenians.”2 In this way, Turkey was in favor of creating an Armenian state in the Transcaucasus and advised Azerbaijan to give up some of its territories. On 29 May, at a sitting of the Muslim National

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1 See: State Archives of the Azerbaijani Republic (SAAR), rec. gr. 28c, inv. 1c, f. 99, sheet 1.
2 SAAR, rec. gr. 970, inv. 1, f. 1, sheet 46.
Council in Tiflis, the results of the talks between the representatives of the Council and the representatives of the Armenian National Council on this issue were discussed. In his speech, member of the Muslim National Council F. Khoisky said that in order to form an Armenian federation, they needed a political center and, after Alexandropol (Gumri.—S.M.) had gone to Turkey, this role could only be filled by Irevan, so transferring Irevan to the Armenians was inevitable. In their speeches, Council members Kh. Khasmamedov, M. Jafarov, M. Magerramov, and others called cession of Irevan to the Armenians "a historical necessity and inevitable evil." During the voting, 16 votes of the total number of 28 were in favor of transferring Irevan, and the Council members were unanimous in their decision to form a confederation with the Armenians.

So the National Council, under pressure from Turkey and "wishing to help a neighboring state that had declared its independence," made such an important decision regarding the transfer of a city to the Armenians. However, as early as 1 June, 1918, at a sitting of the Muslim National Council in Tiflis, a protest was declared signed by members of the National Council (G. Seidov, B. Rzaev, and N. Narimanbekov) against cession of Irevan to the Armenian Republic. But the National Council resolved, without discussion, that the protest be appended to the protocol. The protest was not accepted, since at the talks between representatives of Azerbaijan and Armenia in Batumi, an agreement was reached on the following issues: Azerbaijan agrees to create an Armenian state within the limits of the Alexandropol province; the city of Irevan shall be transferred to Armenia on the condition that the Armenians withdraw their claims to part of the Elizavetpol province, that is, to the mountainous part of Karabakh. From the letter of Chairman of the Council of Ministers of the Azerbaijan Republic F. Khoisky, sent on 31 July, 1918 to Chairman of the Azerbaijan delegation in Istanbul M. Rasulzade, it became clear that, along with Irevan, part of the Gazakh district was also transferred to the Armenian Republic at the Batumi Conference.

But Irevan was transferred to Armenia temporarily. In January 1919, representative of Azerbaijan to Georgia M. Jafarov noted in a conversation on the borders of Azerbaijan with English General Beach that Irevan was being transferred to the Armenians temporarily, until the Turks evacuated Alexandropol. But even this transfer could not prevent further aggravation of the relations between the two republics.

The Role of Soviet Russia in Settling the Territorial Disputes between Azerbaijan and Armenia

Diplomatic correspondence between Soviet Azerbaijan and the Ararat (Armenian.—S.M.) Republic regarding Karabakh and Zangezur began from the very first days Bolshevik power was established in Azerbaijan. Moscow, in turn, after agreeing to Armenia’s proposal, took on the role of intermediary between these two republics. After declaring several territories disputed (Nakhchivan, Zangezur, and Karabakh), the Bolsheviks announced that they would be occupied by Red Army troops. But the Bolsheviks could not make up their minds about which republic certain territories belonged to and more often than not came down on the side of the Armenians. Many documents pro-
vide evidence of this. In the first days after Sovietization of Azerbaijan, Grigori Ordzhonikidze sent a telegram to People’s Commissar of Foreign Affairs of Soviet Russia Georgi Chicherin in which he wrote that the territories of Zangezur and Karabakh must remain part of Azerbaijan in order to prevent them from falling into the hands of the Ottomans.9 In one of his notes to Vladimir Lenin, Iosif Stalin, and Georgi Chicherin, Grigori Ordzhonikidze wrote that the Armenian delegation would agree to Karabakh and Zangezur immediately being joined to Azerbaijan if Azerbaijan relinquished the Sharur-Daralaiaz district and the Nakhchivan district, and that they would raise this question in Baku when talking to Nariman Narimanov.

On 9 May, 1920, Azerbaijan asked Armenia to begin talks on the border issues no later than 15 May, 1920. Armenia declined this request, since it was still hoping to receive help from the great powers in the border question. And help this time came from Soviet Russia. On 15 May, 1920, Deputy People’s Commissar of Foreign Affairs of the R.S.F.S.R. Lev Karakhan sent a telegram to People’s Commissar of Foreign Affairs of Azerbaijan Mirza Huseinov. It said that the Armenian government had asked the Russian government to intermediate between Azerbaijan and Armenia and that the Soviet government, consenting to do this, had decided to occupy the areas that Azerbaijan and Armenia were disputing with Red Army contingents.10

Grigori Ordzhonikidze’s telegram to Georgi Chicherin of 19 June, 1920 is notable, in which he said that “Azerbaijan is making claims to Karabakh, Zangezur, and the Nakhchivan and Sharur-Daralaiaz districts. Soviet power has been declared in Karabakh and Zangezur, and the above-mentioned territories consider themselves to be part of the Azerbaijan Soviet Republic. Nakhchivan has been in the control of Azeri Muslim insurgents for several months now. I do not have any information about the Sharur-Daralaiaz district.”11 In his letter to Lenin, Chicherin assured: “The Azerbaijan government has made claims to Karabakh, Zangezur, and the Sharur-Daralaiaz district along with Nakhchivan, Ordubad, and Julfa. Most of these areas are in fact under the control of the Armenian Republic.”12 But Karabakh and Zangezur could in fact not have been under Armenian control at that time, since in compliance with the Decree on District Councils of the National Economy of 28 June, 1920, the borders of the districts of Azerbaijan had been determined, in particular, the Zangezur, Jevanshir, and Shusha districts were included in the Karabakh district.13 So, according to this document, in June 1920, Karabakh and Zangezur were still part of the Azerbaijan Republic.

At this time, Sergei Kirov (member of the Caucasian Bureau of the Central Committee of the Russian Communist Party (Bolsheviks).—S.M.) sent a letter from the Caucasus to Chicherin on the state of affairs in Georgia, Azerbaijan, and Armenia, in which he wrote: ‘I have had repeated meetings with him (Mirza Huseinov.—S.M.) and with the Armenian representatives… All of this has resulted in only one thing—Azerbaijan’s willingness to transfer the Sharur-Daralaiaz district to Armenia; it goes without saying that Azerbaijan considers all the others, that is, the Nakhchivan district, Ordubad, Julfa, Zangezur, and Karabakh, to belong to it. In turn, the Armenian representatives are making categorical claims to these areas. Azerbaijan’s main reasoning is that under the ADR government these regions belonged to Azerbaijan and if they are now transferred, it will discredit Soviet power not only in the eyes of Azerbaijan, but also of Persia and Turkey. The representatives of Armenia and Azerbaijan were planning to hold a peace conference in the near future to resolve all the disputed issues, but neither side is confident that they can reach any kind of agreement at this conference. So hopeless is this issue here. I have already told you that the only solution is to have Moscow make a resolute decision, only its authority can decide the matter.”14

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10 See: SAAR, rec. gr. 28c, inv. 1c, f. 99, sheet 96.
13 See: Dekrety Azrevkoma (1920-1921), Collection of Documents, Baku, 1988, pp. 87-88.
14 See: Bor'ba za pobedu Sovetskoi vlasti v Gruzii. Dokumenty i materialy (1917-1921), Tbilisi, 1958, pp. 613-614.
In a telegram of 14 July, 1920 to Chicherin, Ordzhonikidze and Russian representative to Armenia Legran wrote: “We believe that the question must be decided in a way that could partially satisfy Azerbaijan: join Karabakh entirely and unconditionally to Azerbaijan. Zangezur is declared disputed, while the other areas (Nakhchivan, Sharur-Daralaiaz, and Ordubad) will remain under Armenian control.15

This same policy was set forth in a resolution of a session of the Central Committee Bureau of the Azerbaijan Communist Party (Bolsheviks) held on 15 July, 1920, where the question of peace with Armenia was discussed: “1. Karabakh and Zangezur should be joined to Azerbaijan. 2. Nakhchivan and the other districts should be relinquished, it should be proposed that they be occupied by Russian troops.”16

Karakkh, Nakhchivan, and Zangezur as Bargaining Chips in the Sovietization of Armenia

On 10 August, 1920, a preliminary agreement was signed in Irevan between the R.S.F.S.R. and Ararat Republic on cessation of hostilities, according to which “R.S.F.S.R. troops shall occupy the disputed areas of Karabakh, Zangezur, and Nakhchivan” until the borders between Azerbaijan and Armenia are determined.17 Azerbaijan was against declaring the territories of Karabakh, Zangezur, and Nakhchivan disputed.

After signing the above-mentioned agreement with the R.S.F.S.R., in response to the repeated requests by Azerbaijan to convene a conference for settling all the disputed issues, Minister of Foreign Affairs of Armenia Agajanian sent the Minister of Foreign Affairs of Azerbaijan a telegram that read as follows: “According to the preliminary agreement entered between representatives of the government of Armenia and authorized representative of the R.S.F.S.R. Legran of 10 August, 1920, the territorial disputes between Armenia and Azerbaijan should be settled on principles set forth in a peace treaty to be entered between R.S.F.S.R. and the Republic of Armenia in the nearest future. In view of the stated and in response to your proposal to convene an Armenia-Azerbaijan conference on 20 August, I inform you that my government considers convening such a conference before entering a final agreement with the R.S.F.S.R. to be premature.” The Armenian representatives said that the Armenia-Azerbaijan border would be established in keeping with the agreement of 10 August, 1920 between Russia and Armenia.18 According to the new agreement of 28 October, 1920 on regulation of relations with Russia, Armenia said it would reject its claims to Karabakh providing that it was transferred Zangezur and Nakhchivan and issued a loan of 2.5 million golden rubles.19

In reality, after Sovietizing Azerbaijan and taking advantage of the territorial issue, Soviet Russia was trying to draw other Caucasian states onto its side, in this case Armenia. This is clear from Stalin’s words, who on 9 November, 1920 gave a speech in Baku at a joint session of the Caucasian Bureau of the Central Committee of the Russian Communist Party (Bolsheviks), Central Committee of the Azerbaijan Communist Party (Bolsheviks), Revolutionary Committee of the Azerbaijan S.S.R., and Baku Party Committee on immediate party and Soviet work in Azerbaijan. Stalin gave the

18 See: See: SAAR, rec. gr. 28c, inv. 1c, f. 99, sheet 102.
following response to one of the written questions: “In Zangezur, there is an uprising (initiated by members of the Armenian Revolutionary Federation Party). We are fighting them. If they want to know who (disputed) Zangezur and Nakhchivan should belong to, they cannot be given to the current government of Armenia (ARF), if the government is Soviet, perhaps it will be possible.”

At the end of the war with Armenia, Turkey signed a peace treaty in Alexandropol on 2 December, 1920. According to this treaty, Nakhchivan, Sharur, and Shakhtakhty were declared to be “temporarily” under the protection of Turkey. To all intents and purposes, Turkey’s protectorate was also established over the territory that formally remained in Armenian jurisdiction.

On 2 December, Authorized Representative of the R.S.F.S.R. to Armenia Legran signed an agreement with representatives of the Armenian Revolutionary Federation on declaring Armenia a Soviet Republic. The territory of Soviet Armenia was defined as follows: the Irevan district, part of the Kars region, the Zangezur district, part of the Gazakh district, and those parts of the Tiflis province that were under Armenian jurisdiction before 8 September, 1920. In so doing, Armenia signed an agreement with Turkey and Soviet Russia at the same time, hoping to receive help from the latter. But the residents of Nakhchivan protested against the above-mentioned decisions. As early as 28 July, 1920, the Nakhchivan S.S.R. was created there. The Revolutionary Committee of Nakhchivan declared that Nakhchivan was an integral part of Azerbaijan. And so the Revolutionary Committee of Armenia was forced to recognize Nakhchivan as an independent Soviet Republic on 28 December, 1920. In January 1921, a population poll was conducted there in which representatives of Turkey, the R.S.F.S.R., Azerbaijan, and Armenia participated. Ninety percent of the population of Nakhchivan said they wanted to remain a part of Azerbaijan. The Ankara government agreed to withdraw its troops from Nakhchivan only if Russia recognized this region as an integral part of Azerbaijan. In this way, resistance of the local residents and Turkey’s position on the question of who Nakhchivan belonged to decided the fate of this territory. The status of the Nakhchivan territory was ultimately decided by the Moscow Agreement signed on 16 March, 1921 between the R.S.F.S.R. and Turkey and the Kars Treaty signed with the participation of the R.S.F.S.R. on 13 October, 1921 among the Azerbaijan S.S.R., Armenian S.S.R., and Georgian S.S.R., on the one side, and Turkey, on the other. Article 3 of the Moscow Agreement defined the status and borders of the Nakhchivan province: “Both of the negotiating parties agree that the Nakhchivan region within the borders set forth in Appendix 1(c) to this agreement forms an autonomous territory under the protectorate of Azerbaijan, providing that Azerbaijan does not concede its protectorate to a third country.” But in reality, Soviet Armenia ignored the articles of the Moscow Agreement regarding the Nakhchivan territory. A telegram of 13 July, 1921 from the People’s Commissar of Foreign Affairs of the A.S.S.R. Mirza Huseinov to Grigorii Ordzhonikidze requested that measures be taken to recall the Armenian representatives from the Nakhchivan territory, since their actions could give rise to “new attempts [by Turkey] to make claims to the Nakhchivan territory under the pretense of non-fulfillment of the Moscow Agreement.”

The decision of the Politburo and Organizing Bureau of the Azerbaijan Communist Party (Bolsheviks) regarding transfer of Zangezur to Armenia was executed as early as 1921. And this was despite the fact that the Muslim population of the territory was against joining Armenia. A report by extraordinary commissar of Karabakh and Zangezur Sh. Makhmudbekov of 24 December, 1920 says that “representatives of Lowland Zangezur, consisting of 4 sections, [came to see him] and announced their categorical decision to remain under the administration of Azerbaijan Soviet power, and if their petition was not met, they would ask to be shown where they could move.”

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20 S.V. Kharmandarian, Lenin i stanovlenie Zakavkazskoi federatsii. 1921-1923, Yerevan, 1969, p. 47.
23 See: I. Musaev, Political Situation in the Azerbaijan Regions of Nakhchivan and Zangezur and the Policy of Foreign States (1917-1921), Baku, 1996, pp. 269-301 (in Azeri).
Meanwhile, in his report at the First Congress of Soviets of the Azerbaijan S.S.R. of 9 May, 1921, Mirza Huseinov talked about Zangezur as Armenian territory. According to the data of Armenian authors, on 20 July, 1921, the Council of People’s Commissars approved a decree on the administrative division of Armenia, according to which Soviet Armenia was divided into eight districts—Irevan, Alexandropol, Echmiadzin, Idzhevan, Karaklis, Nor-Baiazet, Lori-Pambak, and Daralaiaz. Later the Zangezur district was established. In this way, the western part of Zangezur was taken from Azerbaijan by a decision of the central government and joined to Armenia.

The question of Nagorno-Karabakh was difficult to resolve. After the Sovietization of Georgia, on 2 May, 1921, a decision was made at a plenary session of the Caucasian Bureau of the Central Committee of the Russian Communist Party (Bolsheviks) about creating a commission from representatives of the Transcaucasian republics under the chairmanship of Sergei Kirov to define the borders between the Soviet republics of the Caucasus. The results were to be submitted for approval at the plenary session of the Caucasian Bureau. Even before the session of this commission began, it was noted in a resolution of the Caucasian Bureau of 3 June, 1921 that the government of Soviet Armenia should indicate in its declaration that Nagorno-Karabakh belonged to Armenia. On 12 June, 1921, the Armenian government, supposedly on the basis of an agreement with Azerbaijan, issued a decree on Nagorno-Karabakh being joined to Armenia. But this statement by Armenia aroused sharp protest in Azerbaijan. Sessions of the commission under Kirov’s chairmanship with Svanidze, Todria (from Georgia), Huseinov, Gajinsky, Rasulzade (from Azerbaijan), and Bekzadian (from Armenia) in attendance were held in Tiflis between 25 and 27 June, 1921. At the very first session, Bekzadian asked the commission members to keep in mind the czarist government’s unfair administrative division of the Transcaucasus and the extremely difficult position of Soviet Armenia and, “for the sake of general solidarity and the ultimate establishment of the most genuine and friendly relations, to make certain territorial concessions, whereby in districts densely populated by Armenians.” These concessions related to the Akhalkalaki district, to the Lori neutral zone and to Nagorno-Karabakh.

Bekzadian also noted that in Moscow, in May, Stalin fully shared this viewpoint in a conversation with him and Miasnikov. But the representatives of Georgia and Azerbaijan, proceeding from the political considerations of a struggle against internal nationalistic counterrevolution, put forward counter proposals about the impermissibility of any territorial trimmings. They were also supported by Kirov. Thus the question of territorial demarcation was not resolved favorably for Armenia, and so Armenian representative Bekzadian took it to the Caucasian Bureau of the Central Committee of the Russian Communist Party (Bolsheviks), asking it to make a decision.

On the morning of 26 June, 1921, Ordzhonikidze and Kirov sent the following urgent telegram from Tiflis to Chairman of the Council of People’s Commissar of the A.S.S.R. Nariman Narimanov: “...Please convene an urgent Politburo and People’s Commissar Council meeting and settle the question of Karabakh so that tomorrow, 27 June, the talks can be finished. If you are interested in our opinion, here it is: in the interest of finally defusing all tension and establishing genuinely friendly relations, the following principle should be used when settling the Nagorno-Karabakh question: not one Armenian village should be joined to Azerbaijan, just as not one Muslim village should be joined to Armenia.”

On 27 June, 1921, at a session of the Politburo and Organizing Bureau of the Central Committee of the Azerbaijan Communist Party (Bolsheviks), when discussing the question of borders between Azerbaijan and Armenia, it was resolved with respect to the work of the commission in Tiflis that: “On the whole, the Politburo and Organizing Bureau consider the question of Nagorno-Karabakh in

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26 See: K istorii obrazovania Nagorno-Karabahskoi avtonomnoi oblasti Azerbaidzhanskoj SSR, p. 74.
29 Ibid., p. 103.
the way it has been raised by comrade Bekzadian to be unacceptable. Due to Nagorno-Karabakh’s indisputable economic pull toward Azerbaijan, the question should be resolved in that vein. So the proposal to separate areas with Armenian and Azeri populations and give them to Armenia and Azerbaijan, respectively, is also considered unacceptable from the viewpoint of administrative and economic expediency.” 30 The same day, Nariman Narimanov sent a telegram to Ordzhonikidze requesting that Extraordinary Representative of Armenia Muravian be recalled from Karabakh. The telegram pointed out that the question of Karabakh had not ultimately been settled and the presence of an Armenian representative there was a political and tactical mistake. 31

A plenary session of the Caucasian Bureau of the Central Committee of the Russian Communist Party (Bolsheviks) was held from 2 to 7 July, 1921. On 4 July, the question of Nagorno-Karabakh was discussed at an evening sitting of the plenary session of the Caucasian Bureau. The Caucasian Bureau issued the following resolution: “Nagorno-Karabakh shall be made part of the Armenian S.S.R. and a referendum shall be held only in Nagorno-Karabakh.” But after Mr. Narimanov’s statement that “due to the importance of the Karabakh question for Azerbaijan,” he believed “it necessary to take it to the Central Committee of the Russian Communist Party (Bolsheviks) for a final decision,” the Caucasian Bureau agreed with this opinion. On 5 July, at the next session of the Caucasian Bureau, the decision to transfer the question to Moscow, to the Central Committee of the Russian Communist Party (Bolsheviks), was cancelled and a new resolution was adopted, which said: “Based on the need for national peace between Muslims and Armenians and for economic relations between Upper and Lower Karabakh, as well as its permanent relations with Azerbaijan, Nagorno-Karabakh shall remain within the boundaries of the Azerbaijan S.S.R., granting it broad regional autonomy with its administrative center in the town of Shusha.” Moreover, the Central Committee of the Communist Party (Bolsheviks) of Azerbaijan was instructed to define the borders of the autonomous region and submit its decision to the Caucasian Bureau of the Central Committee of the Russian Communist Party (Bolsheviks) for approval. 32

Establishment of the State Border between Azerbaijan and Armenia

On 15 August, 1921, after hearing the border question relating to the Soviet republics of the Transcaucasia, the plenary session of the Caucasian Bureau resolved that the chairmen of the Council of People’s Commissars and the Revolutionary Committees of Azerbaijan, Armenia, and Georgia should be asked to sign an agreement defining the borders between the three republics and a commission made up of Lukashin, Huseinov, Svanidze, and Orakhelashvili should be instructed to draw up a draft of the agreement. 33 This general agreement among the governments of the Caucasian republics was never signed. And the territorial question remained urgent throughout the 1920s-1930s.

At a session of the Presidium of the Azerbaijan Central Executive Committee of 15 April, 1922, it was resolved: “In order to settle border disputes between the Azerbaijan S.S.R. and the Armenian S.S.R., two mixed commissions shall be formed: one for the Gazakh and the other for the Karabakh district.” Chairman of the Azerbaijan Central Executive Committee Agamaly Ogly sent this resolution to the Union Council with a request to inform the Central Executive Committee of Armenia about this decision. Having been informed of this, the Central Executive Committee of Armenia reported the

33 See: S.V. Kharmandarian, op. cit., p. 110.
following in a telegram of 27 April, 1922: “By a resolution of the Presidium of the Central Executive Committee of Armenia, two commissions have been formed to settle the disputed border issues between the Delizhan and Kazakh districts... We would also like to appoint representatives of the Union Council as chairmen of these mixed commissions, for which we ask your consent.”34 At a sitting of the Union Council of 8 May, 1922, it was resolved: “To form a special commission from the Chairmen of the Union Council and the Central Executive Committees of the Azerbaijan S.S.R. and Armenian S.S.R. to clarify disputes in the border region between the aforesaid republics.”35

An order of the Extraordinary Committee for Transcaucasia of 22 August, 1922 abolished all the border posts in the territory, declared all internal borders open, and regarded the borders with Turkey and Persia as the external borders.36 This order was supposed to alleviate the border disputes among the Caucasian republics. But despite the above-mentioned decision, border disputes continued to exist. The following note was sent to Government Chairman of Armenia Dovlatov on 30 September, 1922 from representative of the Azerbaijan People’s Commissariat of Foreign Affairs Shirvani: “According to the statement of the Main Police Administration of the Azerbaijan Republic, residents of the Khaladuz and Darzhlin communities are being oppressed by the authorities of the border Kafan area of the Zangezur district in order to make them recognize the government of the Armenian Republic. Due to the fact they are part of the Kubatlu district, which means they are administratively subordinate to the Government of the A.S.S.R., I am asking the Government of the Armenian S.S.R., in your person, to compel the border authorities to cease their illegal acts.”37

At a sitting of the Presidium of the Transcaucasian Territorial Committee of the Russian Communist Party (Bolsheviks) held on 30 October, 1922, the question was discussed of settling border disputes on the Armenia-Azerbaijan (in the area of the Tauz, Gazakh, and Karavansarai districts) and the Georgia-Azerbaijan (Signakhi district) borders. The following resolution was made on this issue: “For final settlement of border disputes, it is resolved to designate a commission of the Transcaucasian Territorial Committee comprised of comrades G. Ordzhonikidze, N. Narimanov, and A. Miasnikov. The Transcaucasian Territorial Committee states that the resolutions of the Presidium of the Union Council of 20 May of this year on settlement of land disputes between the villages of Muslim Tatly and Armenian Tatlu, and the villages of Chakhmakhli and Lalakend ... have still not been executed. This is giving rise to several local disagreements, which are threatening to become acute. The Transcaucasian Territorial Committee believes it possible to establish the same land management and forest use procedure that existed locally before the formation of separate republics, whereby the question could be resolved by changing the state borders, meaning transferring some of the Armenian villages to Azerbaijan, or by acquiring Armenia’s full guarantee that from now on Azeri farmers can enjoy unhindered use of the disputed lands.”38 But not one assembly was convened in the period we are studying.

According to an explanatory note to the map of state borders of the Azerbaijan S.S.R. of 24 October, 1922, the state border between Azerbaijan and Armenia was not registered by any border agreements, but was established according to actual territorial possession after the agricultural census in the Azerbaijan S.S.R. at the end of 1921 carried out by the Central Statistics Board. Whereby the borderline drawn on the map was not plotted in keeping with the attribute “sequence of natural topographical points,” but passed along the line of several villages, the residents of which were administratively and actually subordinate to the A.S.S.R., and so its description could not be underpinned with any geographical names.39

34 SAAR, rec. gr. 28, inv. 1, f. 96, sheet 63.
35 SAAR, rec. gr. 379, inv. 40c, f. 16, sheet 5.
36 See: SAAR, rec. gr. 379, inv. 40c, f. 45, sheet 2.
37 SAAR, rec. gr. 28c, inv.1c, f. 135, sheet 15.
38 SAAR, rec. gr. 411, inv.1, f. 54, sheet 25.
39 See: SAAR, rec. gr. 28, inv.1, f. 84, sheet 3-4.
Sovietization brought about the loss of part of Azerbaijan’s historical land. Northern Azerbaijan covered an area of 113,895.97 sq. km by the beginning of 1920, while after Sovietization it lost 29,338.2 sq. km, 12,779.6 sq. km of which were transferred to Armenia. As a result of the policy conducted by Soviet Russia, the territory of Armenia, which covered an area 9.2 thousand sq. km at the time the republic was formed in 1918, increased to 28.1 thousand sq. km between 1920 and 1922.\(^{40}\) By the time of 1926 census was carried out, the territory of Armenia amounted to 30.24 thousand sq. km.\(^{41}\) That is, during the years of Soviet power, Azerbaijan lost 12,000 sq. km of its territory. Armenia was “given” the following districts: Gafan, Gorus, Sisian, and Meghri, which constitute approximately 4,504.5 sq. km.\(^{42}\) And it was only the presence of Turkish troops in Nakhchivan and the resistance of the local population that prevented Armenia from annexing this district too.

Seizure of part of historical Karabakh, Zangezur, from Azerbaijan was just the beginning of the Armenian Revolutionary Federation Party’s plans, which were consistently put into practice for decades and were aimed at annexation by Armenia of more and more of Azerbaijan’s lands. One of the party’s leaders, Ov. Kachaznuni, regarded Soviet Russia as Armenia’s only bastion. In 1923 he wrote: “The question of expanding our (Armenian—S.M.) borders can only be resolved by relying on Russia alone, for only Russia can force the Turks to retreat, and this is the only practical way to conquer land; the rest is naivety and self-deceit. So if there is any hope left here, again it rests only on the Bolsheviks…”\(^{43}\)


\(^{42}\) See: I. Musaev, op. cit., p. 328.

\(^{43}\) Ov. Kachaznuni, Dashnaktsutiun bol’she nechego delat’? Baku, 1990, p. 77.
After October 1917, Russia pulled out of World War I. This made it an enemy of its former allies, the Entente, which regarded Lenin as a German agent and was determined to squash his Bolshevist government. In need of support, Russia found a natural ally in Turkey, which was engaged in an anti-imperialist struggle against the Entente.

In May 1919, Mustafa Kemal Pasha stirred up a national-liberation movement. From the very beginning the riot in Anatolia needed money and weapons, which could only come from Russia. The Azerbaijan Republic (AR) was busy seeking international recognition with Britain’s help. Mustafa Pasha turned to Moscow.

Sovietization of Azerbaijan as Part of the Relations between the Anatolian Movement and Soviet Russia

From the very beginning of the national-liberation movement, Mustafa Kemal Pasha looked at Russia as a possible ally; on 25 May, 1919, he arrived in Havsa to meet the Soviet delegation. The Soviet delegates promised military and financial aid in exchange for Turkey’s involvement in the struggle against the Entente, their common enemy.

The Anatolian Movement, however, split over its attitude toward the Bolsheviks: some of the leaders demanded that Turkey invite the Allied Powers to joint efforts to halt Bolshevism, which was advancing on the Caucasus. Others insisted that, together with the Bolsheviks, Turkey would be able to push the foreign occupation forces away from its territory. As a result, the latter group won.

At the Erzurum Congress (23 July-7 August, 1919), Mustafa Kemal decided to side with the Bolsheviks. He instructed Kazim Karabekir Pasha, commander of the 15th Army, to establish contacts with the Bolsheviks. To get a better idea of the situation in Azerbaijan, he sent Lutfi Omar Bey and Fuat Sabit Bey to Baku; the latter was expected to continue his mission in Moscow. Later Mustafa Kemal mentioned that Fuat Sabit Bey had received oral instructions.

After arriving in Baku, they first sought a reception with AR Premier Nasib Yusifeylvi (Ussub-ev) who was very positive about the Turkish request for help. Fuat Sabit Bey, however, assisted by the Hummet Party, contacted clandestine Bolshevist circles in Baku.

He deemed it necessary to inform Ankara about his new contacts in a ciphered letter: “…I’ve met with the Bolsheviks. I asked them how they could help us in view of the fact that our country was unsuitable for Bolshevism both socially and economically; social reforms would be rejected by popular traditions. They promised all kinds of assistance, but without roads financial aid is the only practical option. They promised to give us as much as we asked for.”

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2 See: Ibid., pp. 344-345.
4 See: ATASE (Archives of the War Ministry of the Turkish Republic), A. I/4282, K. 586, D. 114-34, F. 56.
6 Ibid., p. 395.
At the Sivas Congress (4-11 September, 1919), Nuru Pasha invited Kazim Karabekir Pasha to set up a republic to preserve and defend Kars, Batum, and Ardahan. Karabekir declined and suggested that he go to Azerbaijan and from there organize assistance to the Anatolian Movement.

In September 1919, Nuru Pasha arrived in Baku, where he set up a semi-official Representative Office of the Turkish People in an effort to organize assistance to and support of the Anatolian Movement. In December 1919, the Azeri government gave Mustafa Pasha money.

In September 1919, Mustafa Pasha sent Halil Pasha (who had fought in the Caucasus during the last stage of World War I and knew the region and the Bolsheviks well) to Azerbaijan with instructions to establish contacts with the governments of Soviet Russia and the Azerbaijan Republic in the hope of obtaining material and financial support from both. He was also instructed to open a road between the Soviets and Turkey.

Halil Pasha had the following to say about the situation in Azerbaijan: “The Azeri people want to be with Turkey; some others prefer independence: they have their misgivings about unification with Turkey. There are also those who prefer to unite with Iranian Azerbaijan rather than Turkey to set up a large Azeri state… Recently I received the following ciphered telegram from Karabekir: ‘You need to join efforts with Enver Pasha and Nuru Pasha to bring a Soviet form of government to the Turkish borders. We should act consistently toward this goal, otherwise others will be the winners.’ This means that Turkey, which had been fighting tsarist Russia in World War I, had to promote the spread of Soviet power in the Caucasus and in Azerbaijan, under the pressure of unfavorable circumstances and for the sake its national interests.

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Members of the Social-Political Movements of Turkey in Azerbaijan

On 20 October, 1918, a Karakol Society was set up jointly by Kara Vasif, Kara Kamal, and Baha Sait. Later, it turned out to be a good organizer of national resistance in Turkey; it was instrumental in supplying the Anatolian Movement with arms.

The Karakol Society exerted great efforts to establish contacts with the Bolsheviks in order to organize military assistance to the national resistance in the Caucasus. The Society dispatched Baha Sait Bey (one of its founding fathers and member of its Central Committee) for the talks with the Bolsheviks. He carried a mandate of the Interim Revolutionary Government of Turkey which empowered him to negotiate with the Bolsheviks.

In November 1919, his negotiations with the Caucasian Committee of the Russian Communist Party (Bolsheviks) produced a text, which became part of the treaty signed on 11 January, 1920 by Shalva Eliava, for the government of Soviet Russia, and Baha Sait Bey, for the Interim Revolutionary Government of Turkey.

The treaty proclaimed “liberation of all Muslim countries from the yoke of the imperialists of Western Europe” as its general aim. Under the treaty, Soviet Russia pledged to supply weapons, ammu-

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7 See: Ibid., pp. 203-204.
8 See: Ibid., pp. 204-205.
11 See: S. Erosimos, The Turkish-Soviet Relations. From the October Coup to “National Resistance,” Istanbul, 1979, p. 113; B. Aslan, op. cit., p. 47 (both in Turkish).
nition, and money and to extend other assistance to the Turkish revolutionary movement. The Turkish side, in turn, promised to assist the Soviets as much as possible in fighting Denikin, Kolchak, and other enemies of Soviet power and support the anti-British uprisings in Batum, Iran, Afghanistan, and India.

Art 11 of the Treaty (which consisted of fifteen articles) deserves special attention: "...The Russian Soviet Republic and the Turkish Revolutionary Government pledge to assist the common movement unfolding in the Caucasus against the English and Russian imperialists and the present governments of Georgia, Armenia, and Azerbaijan which, under orders from and the influence of the European imperialists, are hampering it and acting against the aims and tasks formulated by this treaty. The Interim Revolutionary Government of Turkey, represented by the executive body of the revolutionary Karakol Society, pledges to help all governments that join the Sides to this treaty, the Caucasian Territorial Committee in particular, which is fighting against the three governments mentioned above..."

Arts 13 and 14 said that the treaty would be enacted when ratified, while Art 14 allowed the Sides to implement the treaty even before their respective governments responded to it.

The Turks, who late in 1919 and early 1920 were busy establishing contacts between the Anatolian Movement and the Bolsheviks in Baku in order to obtain military assistance for their countries, can be conventionally divided into two groups.

Halil Pasha headed one of them. The other consisted of Fuat Sabit Bey and his closest circle (Yuzbash Yagub, retired officers of Suleyman Nuri, several other officers, and prisoners-of-war). Early in 1920, at a unifying conference, they decided to close ranks for the sake of organizing Soviet assistance to the Anatolian Movement which was fighting the Allied Powers for its continued existence. The new structure, which operated in Azerbaijan where the local and Russian Bolsheviks were already active, was named the Turkish Communist Party. Its members included Halil Pasha, Dr. Fuat Sabit, Suleyman, Erkani Harp Mustafa, Baha Sait, Yuzbash Yagub, Kichik Talat, Salih Zeki, Suleyman Nuri, Hilmi, and others. The new structure had several departments (transportation, publishing, and propaganda) and planned to publish a newspaper. Later it appeared in Baku with the name of Novy Put (New Way).

From the very beginning, the Turkish Communist Party maintained active correspondence with the Anatolian Movement. In fact, it coordinated its activities with the directives and instructions issued by Mustafa Kemal and Kazim Karabekir, who intended exchanging the Sovietization of Azerbaijan for Soviet assistance to Anatolia. They ultimately succeeded.

It was obvious that Soviet aid could only reach Anatolia along the Zangezur-Nakhchivan route blocked by the Armenians and the “pro-British” government of Azerbaijan. This forced the Turkish Communist Party to organize an Azeri offensive against the Armenians, on the one hand, and promote the Sovietization of Azerbaijan, on the other.

Turkish–Russian Cooperation and the Downfall of the Azerbaijan Republic

Azerbaijan’s independence was recognized de facto by the Paris Peace Conference, which filled the press in Istanbul with numerous laudatory statements congratulating the leaders of the newly inde-
pendent state. On 22 January, 1920, the Ottoman parliament officially recognized the independence of the AR; on 2 February, it handed a corresponding document to the AR representative in Istanbul. Earlier, during the last stage of World War I, the Ottoman government officially recognized the independence of the Azerbaijan Republic by adopting a decision, but, due to its defeat in the war, it could not bring this decision to fruition.

Later it became clear that the Entente had not responded to the Turkish national-liberation movement and refused to send its troops to strengthen the anti-Bolshevik Caucasian Rampart the British intended to set up. This left the leaders of the Anatolian Movement with only one option: to draw closer to the Bolsheviks. Mustafa Kemal Pasha said the following in his ciphered telegram to Kazim Karabekir of 6 February, 1920: “...When the Bolsheviks triumph in the Caucasus and establish stable relations with us, Europe will find itself in a difficult situation... Since we believe that the Caucasian Rampart is intended to destroy Turkey, we are compelled to go to extremes to thwart the Entente’s plans to set it up. We have to bear in mind all the pitfalls on this road... We must mobilize the Eastern Front, either officially or unofficially, to move against the Caucasian Rampart from the rear. We must promptly establish contacts with the new Caucasian governments, especially with the Muslim governments of Azerbaijan and Daghestan, and find out what they think about the Entente’s project. If the Caucasian people decide to keep us out, we must come into an agreement with the Bolsheviks about our joint offensive against them.”

On 17 March, Kazim Karabekir sent a letter to Halil Pasha and Nuru Pasha in Azerbaijan, in which he pointed out: “In order to appear on Turkey’s borders, the Bolsheviks must immediately capture the entire Caucasus. Even if they enter Azerbaijan in small numbers and reach the Turkish borders together with the Azeris, they will be promoting Turkish interests. Their ascent to power in Azerbaijan, Daghestan, and Georgia would likewise be expedient.”

In his telegram of 18 April, 1920, Kazim Karabekir Pasha asked Mustafa Kemal Pasha to send a delegation to talk to the Soviets because, he went on to explain, the Turkish representatives in the Caucasus who negotiated with the Bolsheviks seem to have failed the job: there was no military plan, the absence of which might cause trouble when the Turkish and Russian armies meet face to face. Kazim Karabekir wrote: “Since the representative delegation seems to be late for the talks, I believe it necessary to promptly send commander of the Trabzon Regiment Minbashi Ali Ryza Bey to Baku with an accompanying officer for talks on military matters only.”

On 26 April, 1920, Mustafa Kemal Pasha deemed it necessary to send a letter to the Soviet government to prevent possible incidents when, after conquering Azerbaijan on the strength of an agreement between the Bolsheviks and the Turkish Communist Party, the Soviet army met the Turkish army. The fact that the letter was late in arriving in Moscow was of no importance because the Turkish Communist Party had been set up in Baku much earlier and was already engaged in the issues that concerned Mustafa Kemal Pasha. It should be said that Point Three of the letter “Sovietization of the Southern Caucasus on the Basis of Russian-Turkish Cooperation” appeared as Paragraph 11 of the treaty signed on 11 January, 1920 by Baha Sait Bey.

Moscow greatly profited from the fact that the Kemalists engaged in an anti-imperialist struggle with the West had to side with Soviet Russia; this helped it realize its plans in Azerbaijan.

In his letter to Mustafa Kemal Pasha dated 8 April, 1920, one of the leaders of the Turkish Communist Party Baha Sait Bey wrote that the Caucasian Committee had appointed Halil Pasha Commander-in-Chief of the Red Army. The Turks sent a courier in good standing to the Red Army Headquarters...
to find out whether Moscow had accepted Halil Pasha as commander-in-chief. The answer was negative, although the candidate himself and his closest circle never found out about this. 25

It should be said that this appointment had no legal force anyway: it was designed to camouflage what the Bolsheviks wanted to do.

In the evening of 26 April, while Halil Pasha was still on his way to Dagestan where he was to meet the Red Army, the 11th Army crossed the border of Azerbaijan and moved toward Baku; unable to wait for a coup in Baku, it invaded the republic and occupied it.

Halil Pasha and Russian Colonel Skachkov, who accompanied him to Dagestan, met with Levandovskiy, commander of the 11th Army. The Russian colonel informed him of the decision to appoint Halil Pasha commander of the Red Army. Levandovskiy, in turn, said that he had no knowledge of this and that he intended to move his army to the old Ottoman-Russian border and advised Halil Pasha to go to Moscow. 26 The Turk had to obey.

Despite this incident, Halil Pasha asked the Azeris to allow the 11th Army to move to Baku. His address said, in part: "Without resistance on the part of the Azeri army, the Red Army left the Samur, Hachmas, and Charkhi stations behind and is moving forward. There was no bloodshed. Resistance in any other place might cause bloodshed. Azerbaijan will, on the whole, remain an independent people’s republic."

"There is no reason for anxiety or panic; all should remain calm and sit tight. The Entente is an enemy of the Muslims; it wants bloodshed between us and the Soviet Red Army. The bloody events in Istanbul and Izmir demonstrated that the Brits are enemies of the Muslims," 27 During the April events in Baku, Turkish officers and members of the Turkish Communist Party addressed the disturbed people in the streets and mosques. They said that the "Russian army will stay in the city for a while," then move on to Anatolia. On the same day, however (28 April), the Azeri Revolutionary Committee sent a telegram to Moscow with an invitation "to join a fraternal alliance for the sake of a joint struggle against world imperialism and extend immediate revolutionary assistance by dispatching the Red Army there." 28 This was an official invitation for the 11th Army to occupy the country it had invaded two days earlier without permission.

In Baku, members of the Turkish Communist Party were doing their best to instill sympathy for the Bolshevist regime; this propaganda went on unabated. On 3 May, 1920, they issued a declaration "To the Azeri people from the Turkish Communist Bolsheviks," in which they called on the people to support the new, Bolshevist, regime. 29

Meanwhile, Mulazim Refet, an eyewitness of the Baku developments, reported to Kazim Karabekir Pasha: "The people of Azerbaijan respect Turkey and the Turks. All eyes are riveted on Anatolia and the Milli Mejlis. Their great respect was not shattered even by the fact that the Bolsheviks met with no resistance when they entered Azerbaijan. After seeing how Halil Bey greeted the Bolsheviks at the border, the people opened the borders to them." 30

On 1 August 1920, one of the Turkish officers involved in the April events reported: "The Bolsheviks, with no influence and respect among the local population, had to calm the people down as they advanced on Baku. They used the Revolutionary Committee to spread information that the Red Army was allegedly intending to help Anatolia, that the Turks and the Bolsheviks were allies, that their commissars were Muslims, that Rıfat Bey, an Ottoman officer, had been appointed Baku governor and commander, and that the Red Army would remain in the city for several days before marching

on Armenia. Ottoman officers and teachers drove around the streets in cars spreading this disinformation, which finally duped the people.”

Mamad Emin Rasulzade wrote: “Some of the Ottoman Turks operating in Baku misled the people by saying: ‘The Red Army is headed by a Turk, Nijat Bey; the army is staffed by Turks. Many of the soldiers are Turks from the Volga area. This Army is moving to rescue Anatolia, which is fighting its mortal enemies. Resistance to this Army would mean interference in Turkey’s rescue. From the viewpoint of pan-Turkic and Muslim unity, this will spell betrayal.’ The next day it turned out that these lofty words were nothing but a bluff; it was a political gimmick.”

Rasulzade, who well understood Russia’s true intentions, warned Halil Pasha and other Turks: “Don’t do this, leave us alone. We lived under Russia’s yoke for a century and we know it better than you do. They will come under false pretexts and will trample us down.” His warnings were never heeded.

Turkish officers serving in the Azeri army drove armored vehicles; there were also naval officers from Turkey. An Auxiliary Regiment stationed in Baku was staffed with Azeri volunteers; the officer corps, though, was Turkish; it was used to guard the parliament and other government offices. They moved onto the side of the Bolsheviks. Turkish officers helped capture many strategically important facilities, including the railway station. Major-General M.G. Tlehas, military commander of Baku, was arrested. The Turkish military patrolling the railway station prevented the government from leaving the city.

Mamad Emin Rasulzade went on to write: “On 28 April, the Azeri tricolor was replaced, in some places, with a red Soviet flag and, semi-officially, the Ottoman flag. The Turkish flag could be seen over the militia, the Auxiliary Regiment quarters, the city commander’s office, and other official buildings; orders and declarations in Turkish could be seen everywhere. This created the impression that the Ottoman Turks were being blamed for the aggression rather than the Russian army. A Turkish government replaced Musavat’s deposed cabinet; Turkish officers driving around the city were the best confirmation of the above. The leaflets issued in the name of the Turkish Commissariat announced that ‘the “pro-English” Musavat has been removed’: 1. to save Azerbaijan and 2. to ensure Russia’s support of Turkey, which is fighting for its survival.”

In April 1920, as soon as Bolshevization of Azerbaijan was complete with the active help and direct involvement of Anatolian representatives, Halil Pasha concluded: “There was nothing we could do in Azerbaijan any longer.” After receiving instructions from Kazim Karabekir Pasha, Halil Pasha and Fuat Sabit Bey sent off for Moscow, where they held talks in the name of the Anatolian Movement with the leaders of Soviet Russia. They succeeded in obtaining the Soviet assistance they needed.

Several days after the Red Army captured Baku, the Turkish “commanders” were replaced with Russians. More than that: some of the Turkish officers involved in the occupation were arrested; others were deported.

On 14 August, 1920, speaking at the Grand National Assembly of Turkey, Mustafa Kemal said: “The republic of the Bolsheviks was fighting for its own survival. As soon as it disentangled itself from the Entente is became our strongest supporter and ally; it extended us a helping hand… The 10th

31 M.B. Mamedzade, op. cit., p. 68.
33 M.B. Mamedzade, op. cit., p. 137.
37 Halil Pasha, op. cit., p. 327.
and 11th armies broke through the Eastern Front. These armies easily crossed the Northern Caucasus and entered Azerbaijan; this was our aim, our influence, and our achievement.”40

Dr. Ryza Nur, who took part in the Moscow talks of 1921, later wrote in his Life and Memories: “The Azeris are very bitter about one thing and always weep when talking about this. No matter who I meet, they all say the same thing: you inspired us and you strangled us... Unable to protect themselves, perhaps the Azeris would have subjugated themselves to the Russians; maybe their country would have been captured again. But had they fought, they would have fulfilled their duty; they might even have been able to save their independence.”41

Conclusion

On 28 April, 1920, Azerbaijan was Sovietized through the concerted efforts of Turkey and Russia and thanks to the direct involvement of Anatolian representatives. This also became possible because there were other (domestic and external) reasons which buried the AR: the extreme democracy of the government; the Cabinet crisis; the conflict in Karabakh; the local and Russian communists; the perfidy of certain Cabinet members who disorganized the government; the lifted economic embargo on trade with Soviet Russia previously introduced by the allies; the absence of real military aid to the Caucasian republics, etc.

Turkey and Russia drew closer not for ideological reasons, but because the Anatolian Movement needed assistance to be able to continue its national-liberation movement against the European occupants and win it for the sake of Turkey’s survival.