



საგარეო საკითხებისა და საერთაშორისო ურთიერთობების კვლევის ფონდი
GEORGIAN FOUNDATION FOR STRATEGIC AND INTERNATIONAL STUDIES

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**STATE-BUILDING PROCESS IN GEORGIA AFTER
THE ROSE REVOLUTION**

NATALIA KONARZEWSKA



EXPERT OPINION

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The trajectories and the anticipated outcome of the state-building process in the post-Soviet space vary considerably. Georgia has been one of the most successful reformers in the region, although obstacles in the state-building process, such as protracted ethnopolitical conflicts, considerably influence the desired outcome. State-building reforms in Georgia gained impetus after the Rose Revolution in 2004 when a group of Western-oriented young reformers, headed by Mikheil Saakashvili, took power. The post-revolutionary government undertook serious and comprehensive reforms in some strategic areas such as everyday corruption in public governance, economy, defense and, ambitiously but haphazardly, tried to tackle Georgia's ongoing problems with protracted ethnopolitical conflicts. While the scope and results of some of these reforms are impressive, the evaluation of President Saakashvili's legacy still causes controversy. Experts note that despite notable achievements, the government failed to decentralize power and reforms were actually pushed from top to bottom without taking into account public response and leading to even more centralization of power within the small and closed circle of top decision-makers. Serious human rights violations were present in the form of repressing anti-government protests, cases of selective justice, abuses of inmates in prisons and extortions from businessmen. Moreover, the period of turbulent cohabitation with the Georgian Dream government left a very negative impression when President Saakashvili tried to create obstacles for the decision-making and legislative processes.¹

The aim of this paper is to capture the changing trajectories of state-building by providing overview of the adopted policies and reforms undertaken by the previous and current Georgian government. The main assumption is that state-building has no fixed outcome which is a direct result of its rapidity as well as the influence of internal and external settings. Thus, this paper offers a comparative view on the policies undertaken by the former and current government with an evaluation effort concentrating on three crucial facets of the state-building efforts including: reforms in the security sphere and efforts undertaken in strengthening legitimacy over the state territory, reforms in the economic sphere and a new approach to the concept of the civic nation. The change of government in 2012 resulted in a policy shift which is foreseen to have a substantial impact on state-building policies. The Georgian Dream government appears to have less of a clear vision in comparison to the previous administration regarding state-building policies; moreover, it is now apparent that some of the previously undertaken reforms and institutions are being dismantled and deemed ineffectual. Nevertheless, after 2012 the process of the harmonization of domestic regulations with EU laws accelerated and resulted in

concluding the Association Agreement with the European Union in June 2014. Adopting the political and economic reforms preconditioned by the EU will definitely have a substantial impact on institution-building in Georgia as they are aimed at improving the country's performance in the field of democracy, judiciary and the economy.

State-Building Process – Conceptual Framework

State-building trajectories and strategies in the post-Soviet space vary considerably in terms of their outcomes. Some of the former Soviet republics embarked upon democratic transformation (Baltic States) while some developed and petrified highly functional autocratic regimes (Azerbaijan, Belarus, Central Asian republics) or hybrid political regimes. Additionally, post-Soviet transformation was going on peacefully in some regions while some experienced protracted ethnopolitical conflicts which to this day pose a significant challenge to the state-building process.

Scholarly debate focused on post-Soviet state transformations lists a democratic and capable state with a free market economy as a desirable outcome of the said process. The central pillar of this debate is the quality of governance with a complex set of problems and issues that undermine state capacity.² It is disputable that successful state-building should immediately generate an outcome similar to Western states (whose models in terms of political and economic development vary considerably), however it should be noted that a common denominator for post-Soviet state-building is the gradual dismantling or reshaping of the inherited institutions and adding new ones rather than building a new state apparatus.

Thus, a variety of approaches to state-building requires choosing the right conceptual approach to the empirical material on this process in Georgia. Classical definitions widely conclude that state-building is a process in which institutions are established (presidencies, legislatures, judiciary) to articulate and aggregate social interests and formulate and implement policies.³ Other approaches focus on building state capacity, seen as the *expansion of organizational capacity of the state vis-à-vis society*.⁴ These definitions seem to be especially useful as a 'weak state' or 'low state capacity' in the post-Soviet space seems to be one of the most pertinent issues.

Another useful concept of state formation in the post-Soviet space was developed by Anna Grzymala-Busse and Pauline Jones Luong who concluded that this *process is rapid, taking place over decades rather than centuries, and as yet has not reached a stable outcome, dominated as much by informal structures and practices as by formal institutions, which are used*

to varying degrees by both actors seeking to establish their authority and those seeking to resist this authority; and (3) influenced by unique international pressures, such as the pull of the European Union and the demands of globalization.⁵ Grzymala-Busse and Jones Luong's definition not only takes into account specific characteristics of the regional political culture exacerbated by the post-Soviet legacy but also proposes analyzing state-building as a process with no consolidated or fixed outcome which is especially useful in analyzing and comparing policies undertaken in the post-Saakashvili era. It also discusses the concept of the state capacity, rejecting the notion of the state as a unitary actor and underlining the importance of elite bargaining and external (international organizations) influences.⁶

The most interesting feature of Grzymala-Busse and Jones Luong's concept is the role of informal structures and practices in the state-building process. In this case, institutional analysis has some constraints and does not show the full picture. Considering the role of informal practices and institutions and their interactions with formal ones can undoubtedly shed a different light on political behavior which considerably influences the trajectories and strategies of the state-building process.

Informality understood as the prevalence of patron-client networks can have two possible effects on the state-building process. Some scholars argue that patronage networks may be useful for the regime in the process of power consolidation and integration of the state. They may also provide important links between the state and different social groups.⁷ The integrative role of patronage networks was used by Eduard Shevardnadze in an effort to counter instability and support the state-building process after the collapse of the Soviet Union. At the beginning stage of this process, Shevardnadze focused on incorporating various actors and different social groups into the national system and distributing state resources among them. These actors included leaders of paramilitary formations, regional leaders, the *intelligentsia* and nationalist groups, etc. Moreover, key political actors, such as Ajara's Aslan Abashidze, could serve as brokers between their informal networks and the state. Hence, during the Shevardnadze era, informal patronage networks were overlapping with formal institutions and served as an instrument of state control based on the institutionalized and endemic corruption, elite permissiveness and minimized influence of non-compliant actors and groups.⁸

Reforms during President Saakashvili era were aimed at creating functioning and transparent formal institutions and eradicating corruption to counter the informality which was present in virtually every aspect of political and social life. However, these reforms were only partially successful in

downplaying the role of informal networking which, on the other hand, changed its structure. According to Ghia Nodia, during resident Eduard Shevardnadze's rule, family networks played an important informal role in politics and the economy, including the resident's own close and extended relatives. On the other hand, resident Saakashvili relied on his close circle of like-minded reformers – belonging to this said circle often granted more decision-making power than a formal position. Further according to Nodia, the Georgian Dream government's rule, on the other hand, brought a much higher level of informality within the ruling elite and business circles with former Prime Minister Bidzina Ivanishvili being the real decision-making power behind the scenes.⁹ Moreover, informal networks still serve as private social safety nets where people prefer to rely on family, extended relatives and friends in times of crisis rather than on formal institutions,¹⁰ especially when Saakashvili era reforms did not contribute to a substantial reduction of poverty and social inequality.

Additionally, many state-building challenges were posed by Georgia's multiethnic structure and protracted ethnic conflicts and so the nation-building component is not any less important. Scholarly literature tends to differentiate or use both terms interchangeably. Francis Fukuyama explains that the confusion in the usage of both terms reflects the experience of the United States in which there is no need to distinguish this terminology. Fukuyama notes that in Europe there is more awareness in the distinction between 'state' and 'nation' and so he concludes that state-building is essentially an imposed project involving external influence while nation-building tends to be indigenous and draws upon existing traditions, common history and a shared culture.¹¹ Other authors, like Alexander Rondeli, argue that although nation-building transcends the process of introducing or restructuring political institutions, it cannot be separated from state-building as it implies creating democratic and secure states.¹² Additionally, Eka Metreveli notes that *in order for Georgia to succeed, the state-building process must be accompanied simultaneously by the building of the national identity which is rooted in citizenship and unified common ideas. Without fortifying these bases that underpin the Western-type nation-state model, Georgia will continue to falter as it seems to strengthen and develop its state.*¹³

In scholarly literature, there is no consensus on the state-building vs. the nation-building dilemma with the case of post-Soviet Georgia clearly showing that state-building efforts had a distinct national component. First, the ethnic minority issue is securitized which means that it is regarded by the government as a national security interest because the presence of concentrated and sizeable ethnic minorities close to their ethnic kin

across the border evokes fears of an external destabilizing influence and irredentism.¹⁴ Secondly, the prolonged ethnopolitical conflicts in Abkhazia and South Ossetia are still stumbling blocks to the restoration of territorial integrity. Thus, under the perceived threat of further disintegration, subsequent Georgian governments with mixed results tried to introduce a project which was aimed at transforming Georgia into a civic nation.

Construction of the Nation State – Challenges in the Integration of Ethnic Minorities and Protracted Ethnopolitical Conflicts

With Georgia being a multiethnic state, most challenges pertaining to the state-building process are related to the integration of ethnic minorities and protracted ethnopolitical conflicts. Thus, the process of national integration after the Rose Revolution had two trajectories and was focused on preserving territorial integrity and the reconciliation process with Abkhazia and South Ossetia as well as restoring state control over the territories inhabited by the ethnic and religious minorities.

The latest demographic census (2002)¹⁵ shows that 16.8% of the population of Georgia disclosed ethnicity other than Georgian. There are two large ethnic minorities – Armenians in Samtskhe-Javakheti and Azerbaijanis in Kvemo Kartli. According to the aforementioned census, 248,929 Armenians constitute 5.7% of the population while 284,761 Azerbaijanis – 6.5%.¹⁶

The collapse of the Soviet Union resulted in a drastic deterioration of the interethnic situation in Georgia mainly due to the legacy of the Soviet nationality policy. Soviet policy towards the nations included the territorialization and institutionalization of ethnicity which may be regarded as the underlying cause and which not only made the situation in Abkhazia and South Ossetia more predisposed to conflict and violence but also led to calls for self-determination by the respective minorities as they gained their own political and administrative institutions which were used as institutional platforms for raising their own nationalist agendas.¹⁷ Eventually, the previously granted autonomy was used by the respective minorities as a platform for secession. In contrast, other ethnic minorities inhabiting Georgia which were not granted autonomous institutions were less predisposed to secessionist ambitions.

The surge in interethnic tensions after the collapse of the Soviet Union can be also attributed to adopting the policy of ethnic nationalism by political elites under the notion that a nation is a community defined by ethnic identity and a cultural and historical heritage. The rapid process of ethnicization which subsequently took place can be described as a demographic,

linguistic and cultural domination of a particular ethnic group or nation within the structures of the multiethnic state.¹⁸ In the South Caucasus republics, ethnicization mainly took the form of the linguistic and cultural dominance of the titular nation but also meant adopting the concept of an ethnic nation which was a part of mobilizing ethnic groups and the mythologization of one's own past through the marginalization of the history of other nations inhabiting the newly created state.¹⁹

Thus, in Georgia's case, the previously granted autonomy enabled South Ossetian and Abkhazian communities to seek separation while other ethnic minorities inhabiting Georgia which were not granted such an institutional platform appeared to be less predisposed to secessionist ambitions. Nevertheless, first President Zviad Gamsakhurdia's ethnonationalistic policies severely strained relations between the state and the minorities. State policies were met by resistance and mistrust – minority communities in Samtskhe-Javakheti and Kvemo Kartli established their own ethnic organizations – Javakh, by the Armenian minority, and Geyrat, by the Azerbaijani community, to protect their rights.²⁰ Eduard Shevardnadze tried to alleviate the ethnonationalistic rhetoric of his predecessor, reformulate patriotism and introduce civic elements into the nation-state project, although with mixed results.²¹ Georgia under Shevardnadze's rule exhibited some characteristics of the 'failed state;' that is, it was unable to reassert control over its territory. Apart from Abkhazia and South Ossetia, which unilaterally declared secession, there was also the problem of the unclear jurisdiction over the Autonomous Republic of Ajara ruled by Aslan Abashidze who, although never formally rebelling against the central government, monopolized control over the region, sometimes going against Tbilisi's demands. From 1999, Tbilisi lost effective control over the Pankisi area with the problem emerging as a spillover of the Russian war in Chechnya which resulted in the flow of Chechen refugees to the area inhabited by Georgian Muslims – Kists. Pankisi soon became an area out of control for Tbilisi with a rapidly growing level of organized crime.²² Moreover, regions inhabited by other ethnic minorities were not sufficiently integrated within the state and were marked with prevalent economic and social problems. The neglectful policy of the central government was deemed in these regions as purposeful and a form of ethnic discrimination.²³ During Shevardnadze's era, the state's inability to exert control over the territory can be attributed to the incapability of the state apparatus, widespread corruption and the lack of sufficient financial and human resources. Pervasive nepotism and patron-client relations severely weakened the capability of the state apparatus and contributed to a dispersion of power and a lack of balance between informal and formal sources of power.

After coming to power, Mikheil Saakashvili introduced several reforms to strengthen state capability and made steps to restore legitimacy over problematic regions. The new administration made an effort to integrate those regions inhabited by ethnic minorities by reforming law enforcement agencies in the regions, improving the situation in economic and social spheres and undertaking anti-corruption measures.²⁴ State policy toward ethnic minorities received an additional institutional and legal framework. Georgia created the Ministry for Civic Integration and ratified the Framework Convention for the Protection of Minorities. Saakashvili's government launched local government reforms which promised minorities the ability to gain more of a decision-making influence.²⁵ In 2009, the National Concept for Tolerance and Civic Integration was adopted. This aforementioned document covered the main goals and objectives of the state policy towards minorities, including language policy, political integration and civic participation, access to information, social and regional integration and the preservation of national identity and culture.²⁶

All in all, by strengthening state-region integration and the recognition of minority rights, Saakashvili tried to transform the prevalent model of the nation based on ethnic kinship into a more inclusive community based on civic ties, shared values and the law. On the other hand, the new administration introduced a revamped nationalist agenda relying on new state symbols, state parades and patriotic youth camps, etc.²⁷

Efforts in strengthening state control and integrating the regions inhabited by ethnic minorities had several trajectories, including reforming the education system and promoting the learning of the Georgian language, facilitating access to media and information, improving social and economic conditions by promoting employment and self-employment, granting representation in the political system and promoting civic participation and reforming regional law enforcement agencies. Prior to the Rose Revolution, both in Samtskhe-Javakheti and Kvemo Kartli, the weak command of the Georgian language, widespread among minority groups, proved to be a serious stumbling block in participating in political and economic life. Educational reform undertaken by the new government in 2005 was aimed at enhancing the knowledge of the state language and increasing the integration of minorities. The Law of Georgia on General Education, adopted in 2005, stipulates that Georgian is set to be the primary language in educational institutions although it grants representatives of ethnic minorities the possibility to receive primary and secondary education in their native language.²⁸ Additionally, the National Concept for Tolerance and Civic Integration outlines several state objectives in the sphere of improving the ethnic minority education system including improving access to general

and higher education, the command of the state language and the preservation of minority languages.²⁹ Moreover, the government established the Zurab Zhvania School of Public Administration whose aim is to promote the state language among minorities and prepare civil servants.

The aforementioned language policy produced mixed results. At first, it caused a huge resistance among ethnic minorities who were afraid of losing their identity by limiting access to use native languages in the public sphere. Afterwards, the new policy was met with less resentment as representatives of ethnic minorities noticed that improving their working knowledge of the Georgian language can have a positive result in getting education and employment. Experts also note that the language policies were not coherent although introducing the 1+4 program, a kind a quota system for ethnic minorities at state-funded universities, proved to be effective in the long run as the number of university entrants has been increasing since its introduction in 2010.³⁰

A sphere for improvement also lies in media and access to information. Even though the Georgian Public Broadcaster has been obliged to prepare programs in minority languages since 2008, experts note that both in Kvemo Kartli and Samtskhe-Javakheti, representatives of ethnic minorities do not frequently watch the Public Broadcaster and depend on Russian, Armenian and Azerbaijani information providers.³¹

The new government also undertook an ambitious program in restructuring the economy and the infrastructure in the regions in order to promote employment. Economic integration was especially important in the Samtskhe-Javakheti region which, in comparison to Kvemo Kartli, was less developed economically. Moreover, measures have been undertaken to improve the participation and representation of ethnic minorities in the political system which was aimed at fostering integration and promoting loyalty towards the state.³² However, these measures have also received a mixed evaluation. For example, the new law on local government, adopted in 2005 and which was aimed at decentralization and, therefore, granting minorities more decision-making power, actually resulted in the consolidation of power at the regional level.³³

Additionally, the new administration undertook institution-building efforts in reforming law enforcement agencies in the regions inhabited by ethnic minorities. The new policy was focused on diminishing corruption, reforming the traffic police and customs and tightening tax control over commercial businesses. Nevertheless, efforts in minimizing the importance of the 'black economy' especially closing the Red Bridge and Sadakhlo markets (Kvemo Kartli) - important sources of informal income for representatives

of ethnic minorities, was met with resentment by the part of the population. are the ³⁴

After two years of ruling, the Georgian Dream government's policy towards minorities is difficult to evaluate. It is not as coherent as that of the previous government; moreover, it seems that the currently ruling coalition is more focused on the reconciliation process with Abkhazia and South Ossetia with problems related to ethnic minorities being regarded as secondary. Moreover, as experts note, the Georgian Dream government is well aware that ethnic nationalism is dangerous in Georgia's situation although some elements of xenophobic language are present in the statements of some Georgian Dream members and supporters.³⁵ On the other hand, the upcoming reform in local self-government aimed at decentralization, if implemented correctly, may extend ethnic minority participation within the decision-making process.

A recent report of the Ministry of Reconciliation and Civil Equality (July 2014) shows that the old problems in the regions inhabited by ethnic minorities are still persistent, including the poor command of the state language, a low level of participation in the political system and discrimination by public officials.³⁶ This suggests that even though Georgia has sufficient legislation to protect minority rights (and has recently adopted an anti-discriminatory bill as a part of the Association Agreement package with the European Union), a problem lies in its ineffectual implementation. The aforementioned securitization of minority issues may be partially responsible for the problem and supports the popular opinion that minorities are susceptible to external influence and thus are able to create destabilization within the country. This creates resentment, mistrust and friction in the state-minority relations and, as such, is unsupportive for the integration process.

The protracted ethnopolitical conflicts in Abkhazia and South Ossetia were one of the most pervasive problems that the post-revolutionary government had to tackle. President Saakashvili and his administration, encouraged by the success in Ajara, strengthened efforts in restoring state control over these territories by introducing a comprehensive policy towards the breakaway regions consisting of previously used state-building measures: anti-corruption and democratization efforts. The increased assertiveness towards Russia and adopting a pro-Atlanticist orientation also contributed to that fact.

The government plan outlined by Saakashvili in 2005 recalled the 'carrot and stick' policy. On the one hand, it promised extended autonomy, fiscal compensations to counter the negative effects of the war and econom-

ic aid to help the impoverished breakaway regions. On the other hand, Tbilisi increased its military budget and, in the case of South Ossetia, established cooperation with an alternative body led by Dmitri Sanakoyev to undermine the legitimacy of the then South Ossetian government headed by Eduard Kokoity who was perceived by Tbilisi as a major source of the problem.³⁷ Government efforts were met by distrust and eventually open resistance from the breakaway regions. The closure of the market in Ergeti, which was the source of informal revenue for many South Ossetians, caused huge a backlash in the population. Moreover, the attempt to intimidate the separatist government by military manoeuvres and moving military forces into the region proved to be counterproductive in efforts to win over South Ossetians. Saakashvili's government had to back off in order to avoid the eruption of a large-scale military confrontation.³⁸ All in all, the strategy of the post-revolutionary government prior to the 2008 war can be summarized as follows: efforts in the internationalization of the conflicts to show that Russia is actually a side of the conflict and not an impartial viewer undertaken to further engage the international community in resolving the disputes, reconciliatory initiatives (legal propositions, action plans promoting peace) aimed at Abkhazia and South Ossetia, and undermining the legitimacy of the separatist governments as well as promoting alternative pro-Georgian political elites.³⁹

The situation around the breakaway regions changed immensely after the 2008 war which compelled the government to reframe its approach to the conflicts. As experts note, before 2008 the government focused more on the role of the external actor – Russia – while after the war, it decided to adopt a modified approach and established the new Ministry of State Reintegration while placing more importance on public diplomacy and inter-communal cooperation.⁴⁰ It was a visible shift from the previous approach. In 2006, Georgian officials disengaged from the parallel public diplomacy component of the reconciliation process as supported by the international community which deemed it ineffectual. Tbilisi questioned the relevance of such confidence-building initiatives and regarded some of them (such as infrastructure projects) as strengthening the *de facto* regimes. Tbilisi's stance was also influenced by an inflexible approach from the breakaway territories' *de facto* governments which in 2005 had sought connection with Georgia but since 2007 started to withdraw, allegedly being influenced by their Russian 'partners'.⁴¹

In 2010, the new State Strategy on Occupied Territories was outlined to counter the isolation of these regions and draw them again into Georgia's orbit against the *de facto* annexation process undertaken by the Russian Federation. To do so, the government identified several objectives

such as promoting economic cooperation with the regions, freedom of movement and people-to-people contacts, improved infrastructure and access to better healthcare and education as well as promoting basic human rights in the occupied territories.⁴² Temuri Yakobashvili, then Georgia's Minister for Reintegration, assured that: "status and security, these are two issues which are deliberately not a part of the strategy. It's about people," thus placing confidence-building efforts and facilitating contact between the communities ahead of political resolution.⁴³

The Strategy placed visible importance on the role of public diplomacy and restoring the people-to-people contacts which used to be vigorous at the beginning of the 2000s. However, its impact was limited by the Law on Occupied Territories adopted in 2008 which severely restricted activities around South Ossetia and Abkhazia.⁴⁴ This shows that the government had a constant problem in reconciling both the engagement and non-recognition aspects of its policy towards the breakaway regions.

The new Strategy received mixed reviews. It was pointed out that, despite the claims, the government was still trying to instrumentalize public diplomacy efforts and politically capitalize on the new Strategy by underlining the objective of the full deoccupation and integration of Abkhazia and South Ossetia. Thus, Abkhazians, who initially showed interest in this proposal, especially in facilitated access to healthcare and cross-border cooperation, withdrew under the pressure of the reintegration conditionality. Moreover, statements included in the Strategy pointed to Russia's decisive role in the conflict and again putting Abkhazia and South Ossetia in an instrumental position.⁴⁵ The *de facto* governments of Abkhazia and South Ossetia dismissed the Strategy but Tbilisi's overtures seemed to have very little to do with that. For example, Abkhazian authorities facilitated access to Russian healthcare for their citizens to discourage them from seeking medical help from Georgia and deemed the new proposal as 'bribery.' Nevertheless, Abkhazians as well as South Ossetians have continued to seek medical help in Georgia as well as have benefited from cross-border cooperation (in the area of trade, for example). Moreover, Abkhazia and South Ossetia chose to rely on Moscow's economic assistance and security guarantees which made the *de facto* authorities of the breakaway regions less susceptible to Tbilisi's conciliatory efforts.

The Georgian Dream coalition government has made a radical shift in Georgia's policy towards Russia. The rapprochement process initiated with Moscow in 2012 was expected to have a substantial impact on the unresolved conflicts as any political move from Tbilisi towards the breakaway regions is conditioned by Georgia-Russia relations and vice versa.

As a conciliatory move, then Prime Minister Bidzina Ivanishvili appointed Paata Zakareishvili as Minister of Reintegration. Zakareishvili was hardly a novice in issues related to Abkhazia and South Ossetia – beforehand, he was a highly prominent figure in civil society organizations engaged in dialogue with the Abkhazian side. The newly appointed Minister declared that the policy of engagement with Abkhazians and South Ossetians would be continued. Moreover, the government again started to talk about the restoration of the Georgia-Russia railway through Abkhazia and the recognition of the documents issued by the separatist authorities.⁴⁶ While the rapprochement process with Russia produced some results for Georgia, such as a lifting of the ban on Georgian wines and mineral waters, it is clear that the key political issues pertaining to the restoration of diplomatic relations and settling the status of the breakaway territories will not be resolved any time soon.⁴⁷

Moreover, the latest crisis in Ukraine in conjunction with Tbilisi's Euro-Atlantic ambitions (signing the Association Agreement with the European Union and the decision allowing NATO installments to be built on Georgian territory) produced negative developments around the breakaway regions which are widely believed to be influenced by Russia. The 'borderization' issue in South Ossetia started well before the Ukrainian crisis but was followed by the Vilnius Summit when Tbilisi officially initialed the AA/DCFTA with the European Union.⁴⁸ The illegal demarcation of the administrative border undertaken by Russian troops was accompanied by routine detentions of Georgian citizens inhabiting areas adjacent to South Ossetia which continue to this day.⁴⁹ Apparently, Abkhazian authorities also plan to strengthen the administrative boundary with Georgia by closing an additional five border points which were opened in 2013 as a sign of 'good will' from the Abkhazian side. The one remaining checkpoint on the Enguri River will severely restrict the freedom of movement, especially for the ethnic Georgian inhabitants of the Gali region.⁵⁰ Plans to strengthen the administrative boundary with Georgia are closely related to the new friendship and cooperation agreement between Abkhazia and Russia which stipulates a deeper partnership with Moscow in security and military spheres. The Abkhazian side is said to be most interested in the joint protection of the borders.⁵¹

Moreover, recently both Abkhazia and South Ossetia have witnessed a change in their higher echelons of power and the appointment of more pro-Russian leaders widely believed to have close ties with Moscow; respectively, President Raul Khajimba, and Leader of the Parliamentary Majority - United Ossetia party, Anatoliy Bibilov. While in his official statements Khajimba rejected the notion of joining the Russian Federation, it is

clear that his appointment will be a shift-for-the worse in Georgian-Abkhazian relations.⁵² Bibilov and his United Ossetia party have taken a radically different approach and advocated for a referendum on joining North Ossetia during the electoral campaign and after the victory in the parliamentary elections earlier this year.⁵³ Another development includes the rise of Russian soft power: activation of pro-Russian NGOs in Georgia such as Eurasian Choice and the Erekle the Second Society which advocated for the restoration of diplomatic ties with Russia. As experts note, Russian soft power is aimed at capitalizing on disillusionment among society which has high expectations in fulfilling Georgia's pro-Western ambitions.⁵⁴

Against this backdrop, even the most concentrated efforts undertaken by the Georgian Dream government will produce little positive effect. Nevertheless, the government is willing to continue an alternative track of rapprochement with communities of the breakaway regions. The most successful area of cooperation has been decidedly facilitated access to Georgian medical care. Government officials plan to invigorate economic activity around the administrative border with Abkhazia, thus formalizing existing trade ties between the two communities. However, this move is predicted to be costly and dangerous in terms of the legitimization of the administrative boundary.⁵⁵ Experts are convinced that efforts undertaken in the sphere of public diplomacy should be intensified. Recommendations for the government include: facilitating intercommunal dialogue, strengthening capacity-building efforts and keeping an open mind about the linkages and joint ideas.⁵⁶

It is hard to predict whether or not these efforts will be successful in the future in taking into consideration the lack of political will from the Abkhazian and South Ossetian sides and the stalled process of normalization with Moscow. In addition, on November 24, Moscow concluded a far-reaching agreement with Abkhazia which is predicted to further curb Sokhumi's already limited independence from Russia in exchange for Russian investments and social benefits. Also, South Ossetia suggested that Moscow is planning to conclude a similar agreement with Tskhinvali. Despite a certain degree of constraint from Georgia's breakaway territories, fast-tracking the agreements suggests that Moscow intends to tighten control over Abkhazia and South Ossetia. Observers speculate that Russia may be preparing the ground for the formal annexation of the Georgian breakaway territories. Furthermore, Moscow plans to confirm its territorial expansion in the South Caucasus before its economy becomes further impoverished due to Western sanctions and so integration may become less attractive Abkhazia and South Ossetian in terms of financial benefits.⁵⁷ Tightened Russian control over the breakaway regions not only poses a sig-

nificant security risk for Georgia, as it strengthens Moscow's possibilities of interference in domestic matters, but it also puts Tbilisi's rapprochement plans toward Abkhazia and South Ossetia in peril.

Keeping the Economy in Check?

After the collapse of the Soviet Union, Georgia without any doubt experienced the deepest economic crisis from among the Soviet successor states. Following the dissolution, Georgia had to deal not only with the disastrous effects of economic transition but also with a financial burden stemming from internal instability and civil war. Thus, after 1991 the economy was rapidly shrinking and the country was left with a nearly destroyed industrial infrastructure, substantial foreign debt that amounted to 145% of the annual export and 404% of the annual state revenue in 2003 and a poverty rate of more than 60%.⁵⁸

Under President Shevardnadze, the government, with the help of the International Monetary Fund and the World Bank, adopted measures to stabilize the economy. By the end of 1998, Georgia was able to curb hyperinflation and uncontrolled government lending from domestic sources, adopt a successful currency reform and invigorate and sustain GDP growth. Nevertheless, Russian default in 1998 had a disastrous effect on the Georgian economy, especially on the national currency, which started to rapidly devalue. Prevalence for the 'black market' resulting in the existence of economic loopholes and imminent corruption resulted in a low tax revenue and a permanently overdrawn budget. Thus, from 1999 onwards the lack of fiscal discipline and the rapidly growing external debt prohibited Georgia from getting further financial help from external donors as the country did not meet specific requirements.⁵⁹ All in all, the weaknesses of Shevardnadze's regime, such as corruption and the prevailing patronage networks (oligarchy), prohibited the government from adopting serious and comprehensive reforms instead of sugar-coating the existing problems stemming from the post-Soviet transition and ineffectual economic governance.

The post-revolutionary government decided to embark on a journey to improve the regulatory environment and economic competitiveness. Firstly, anti-corruption and anti-crime measures were adopted. The government planned to erase petty bribery from everyday life, reforming the patrol police and making the recruitment process at the universities and administrative institutions more transparent, etc. High-level corruption was also targeted – some of the high-ranking officials left the country for fear of prosecution. Moreover, Saakashvili's government attempted to break up

the organized crime networks which were also contributing to sustaining the black market and the high corruption levels. A law criminalizing membership in criminal groups, passed in 2005, enabled the government to prosecute members of the criminal underworld.⁶⁰ In order to diminish corruption in public agencies and increase their efficiency, the government significantly decreased the number of employees in the ministries and favored young Western-educated candidates as well as increasing their salaries.⁶¹

The zero tolerance for corruption policy brought tangible results. For example, in the Transparency International (TI) Corruption Perception Index, Georgia was ranked at the 124th position with a very low score (1.8). In contrast, in 2007 Georgia was ranked at the 79th position with a score almost twice larger (3.4). Later, TI surveys show that this position has been gradually improving.⁶²

Eliminating corruption and improving the regulatory environment was a part of a bigger plan to create a more business-friendly economy able to attract foreign investors which Georgia, lacking in abundant natural resources and large-scale industrial complexes, desperately needed.⁶³ The regulatory environment was improved by a series of steps involving the adoption of the Labor Code which severely limited employee rights, reducing taxes and simplifying the taxation system, as well as the procedures for obtaining licenses and other permits.⁶⁴ And indeed, Georgia scored high on the World Bank Doing Business rankings (positioned in the 9th place out of 189 countries in 2013 and in the 8th place in 2014).⁶⁵ In terms of attracting foreign investment, the government's policy appeared to bring desired results in the beginning. Starting from USD 3.31 bln in 2003, foreign direct investment flows have substantially increased in subsequent years, reaching USD 20.15 bln in 2007.⁶⁶ Consequently, as FDI flows comprised a substantial part of the GDP, Georgia's impressive economic growth was sustained by external investments which made the economy dependent on the whims of foreign capital.

On the downside, the undertaken reforms produced disappointing results in terms of reducing poverty and social inequality. Rapid economic growth was not accompanied by a reduced unemployment rate. On the contrary, privatization and public sector reforms resulted in a decline in employment. Moreover, the high income from the reforms was not evenly distributed, thereby widening the gap between urban and rural areas. Saakashvili was also not much successful in tackling the oligopolies and monopolies which were produced after the Rose Revolution by the people related to his circle.⁶⁷

An over reliance on foreign direct investment had a visible impact on slowing the economy when after the Georgian Dream coalition won the 2012 elections, foreign investment flows substantially decreased, resulting in smaller growth and a pessimism felt in many industries.⁶⁸ On the other hand, the new government tried to capitalize on the social discontent related to a standard of living which was improving at too slow of a pace. In order to make up for the shortcomings of the United National Movement's economic reforms, the government increased expenditures in the social sphere, especially on the universal healthcare system and improved the pension system. Thus, due to the relocation of financial resources, many of the previously started infrastructure projects had to be abandoned.. Moreover, as previously anticipated, increased expenditures in the social sphere did not boost the employment rate with unemployment at 14.6%. Observers note that the Georgian Dream has not yet lived up to its electoral promises of decreasing joblessness, attracting foreign investors and boosting the economy with numerous enterprises financed from the Georgian Co-Investment Fund established by Ivanishvili in 2013 which to this date appears to be inactive.⁶⁹

The Georgian Dream coalition embarked on a rapprochement process with Russia which, among other issues, was aimed at reopening the Russian market for Georgian wines and mineral waters. The government's efforts came to fruition in 2013 when Russia relaxed the ban. Moreover, in August 2014 the government announced that Georgia was ready to increase the exports of wine and agriculture products to the Russian market.⁷⁰ It appeared to be a win-win situation, both for Russia and for Georgia. Moscow is seeking a way to counter the negative effects on the Russian market caused by the recently imposed sanctions and self-inflicted bans on agriculture products coming from Western countries as a response to the conflict in Ukraine. On the other hand, Georgia is trying to expand its export possibilities and satisfy the domestic producers who are solely oriented on the Russian market. Nevertheless, this market is still unpredictable for Georgia due to political reasons.

However, the most serious reforms undertaken by the Georgian Dream government are related to the Deep and Comprehensive Free Trade Area as a part of the Association Agreement package with the European Union signed in June 2014. Adopting provisions of the DCFTA means a radical economic policy reshuffle and a shift from the libertarian economic model emulated after Singapore⁷¹ to adopting more regulated, protectionist economic measures. It substantially changes Georgia's regulatory environment, harmonizing it with the EU's legislation. For example, harmonization required adopting a new Labor Code which, in contrast to the former labor legislation, substantially increases the protection of employee rights.

Further regulations which need to be implemented according to the EU's requirements include enforcing fair and predictable rules of competition which may help in tackling monopolies and oligopolies.⁷²

The DCFTA promises Georgia an easier access to the EU's market by cutting the import tariffs and assisting Georgian products in meeting European Union standards. Upon full implementation of the DCFTA, Georgia's GDP is predicted to increase by 4.3% and 6.5% in the long run. Furthermore, during the five year span, the country's export volumes are predicted to grow by 12%.⁷³ These figures, however, do not take into account the cost of approximation to EU legislation which is predicted to be high and may eventually cause the government to withdraw from some of the DCFTA provisions or delay their implementation. Moreover, there is an existing question about the level of preparedness of some of the sectors of the economy for meeting EU standards. For example, the agricultural sector, which employs 50% of the population, may not yet be ready to fully benefit from the DCFTA and needs substantial political reforms to do so.⁷⁴

Reforms in the Defense and Security Sphere

Georgia's complicated geopolitical situation and the presence of protracted armed conflicts called for deep reforms in both the defense and security spheres aimed at a modernization of the armed forces and an increasing of their efficiency. This process started in 2002 during Eduard Shevardnadze's presidency and was substantially accelerated after the Rose Revolution because transformation in the defense sphere was also vital for supporting the Western-oriented new government's ambitions of joining NATO. In 2005-2007, several documents were adopted such as the National Security Concept (2005, revised in 2012), Threat Assessment Document, Strategic Defense Review and the National Military Strategy (among others) which laid out a conceptual framework for the new direction of the security policy as well as identified security challenges coming from state and non-state actors.⁷⁵ The cornerstone document, the National Security Concept (NCS, 2005), identifies the infringement of Georgia's territorial integrity, the spillover from regional conflicts and the risk of military intervention as major challenges in the country's security environment. This document envisages enhancing Georgia's defense capabilities in accordance with NATO standards as a principal step towards ensuring the country's national security.⁷⁶ The National Security Concept was amended in 2011 to meet the challenges of the changing political and economic situation. The updated document recognized not only security and military risks but also focused on the socio-economic situation, issues pertaining to energy and transit security and strengthening democratic institutions.⁷⁷

After 2004, Georgia implemented several important reforms in the sphere of defense. The ambitious defense reform program included establishing civil control over the military, adopting Western-style management over the military, a professionalization of the army and an increase in the defense budget aimed at creating an armed forces capable of joining peace-keeping missions abroad. The enforcement structure also underwent a deep reform process in order to improve its performance. Reforms included merging the Ministry of State Security and the Ministry of Internal Affairs combined with creating a new legal base for the Ministry of Internal Affairs. This reorganized ministry was put under parliamentary oversight. Moreover, reforms also envisaged a reorganization and restructuring of the police.⁷⁸

Approximation to NATO standards leading to full membership was the principal reason behind the Georgian defense reform and the process of strengthening Tbilisi's partnership with the Alliance accelerated after 2004. Nevertheless, it soon became clear that a complex set of external and internal issues impeded this process and despite the recognition of Tbilisi's ambitions and progress in reforms, Georgia was not granted the long-expected Membership Action Plan (MAP), neither during 2008 or 2014 Alliance Summits. The geopolitical set of major issues includes the presence of protracted ethnopolitical conflicts and the state of Russia-Georgia relations. Thus, it reflects the fact that NATO members are reluctant to assist Georgia in the case of another possible conflict eruption and they are not willing to irritate Russia by offering Tbilisi a meaningful mechanism for closer integration with the Alliance.

Technical issues include the level of institutional preparedness, progress in defense and security sphere reforms and the level of interoperability in which Georgia has noted substantial success despite a few shortfalls.⁷⁹ As a result, during the NATO Summit in Wales in September 2014, Georgia received a "substantive package," instead of the MAP, as a means to enhance the country's defense capabilities. The package envisages creating the Defense and Related Security Capacity Building Initiative aimed at assisting Georgia (and several other partner countries) in reforms in defense and security spheres. Hence, despite reiterating a long-standing interest in strengthening the partnership with Tbilisi and recognizing progress in reforms, NATO did not grant Georgia a substantial mechanism allowing closer integration with its structures.⁸⁰

Reforms in the defense and security sphere carried out by the previous administration come under serious scrutiny. Experts have pointed out several shortcomings including frequent changes in administrative personnel at

the Ministry of Defense, problems with implementing a civilian oversight over the army and carrying out decentralization reforms, impediments in communication systems and the inability to find an optimal model for structuring the military reserve system. The Georgian Dream government drew conclusions from the previous administration's shortfalls. The newly appointed Minister of Defense, Irakli Alasania, decided to strengthen the civilian oversight over the armed forces, improved the management system and defined the key competences between the Ministry of Defense and the General Staff.⁸¹ Furthermore, the Ministry proposed switching to a fully professional army by 2016. However, Irakli Alasania's dismissal in November 2014 raises the question about the continuity of the undertaken reforms and the Georgian Dream government's real commitment to partnership with NATO.

Final Remarks

Former President Saakashvili's modernization policy received mixed reviews. His post-Revolutionary government undertook ambitious reforms which will serve Georgia long after the Saakashvili era is gone although it allowed serious mistakes such as, for example, using non-democratic methods towards political opponents. Critics also highlight the catastrophic consequences of the hardline policy towards Russia and Georgia's break-away regions. Moreover, the Saakashvili era was not free from the typical post-Soviet culture of informality and corruption, although blatant bribery at the everyday level was almost erased.

On the other hand, the current government seems to have a less coherent vision on state-building than its predecessors. It stems from the fact that the Georgian Dream coalition is internally conflicted which poses a serious obstacle to formulate consistent policy. Moreover, the Georgian Dream government is more concentrated on a political vendetta towards Saakashvili and his close associates, thus dismantling some parts of his legacy and correcting his perceived errors such as the non-functional social policy. Hence, the rapidity of the state building-process and its changing trajectory, the lack of a clear vision, a coalition riddled with internally boiling conflict and weak presidential and prime minister figures contribute to the Georgian Dream government's lack of effectiveness in this sphere. In addition, the most recent government reshuffle in November 2014, causing the most Western-oriented ministers to leave the cabinet and the Georgian Dream coalition, sparked debate about the government's real commitment to integration with Euro-Atlantic structures. Some analysts go as far as suggesting that the Georgian Dream government will have to align itself with more pro-Russian and conservative forces to fill the existing void and

keep the power. This may substantially influence the course and objectives of Georgia's foreign policy.⁸² This suggestion, however, seems to be too far-reaching given the advanced stage of relations with the Western organizations which Georgia has and the recent developments around Russia-Abkhazia relations. Nevertheless, it clearly shows an ongoing ambivalence of the foreign policy model that the Georgian Dream government displays which is also visible in other governance areas. Clearly, given the recent stand-off between Russia and the West, balancing between these two may not be beneficial for Georgia in the long run, especially when Moscow proved in the past that it cannot be a reliable partner for Tbilisi due to political and security reasons.

Thus, it seems that the state-building process in Georgia is not yet finished and to successfully build the state, the Georgian Dream government should reinforce a clear vision of its objectives and not get itself riddled up with internal conflicts. However, it should be borne in mind, those external factors, in case of Georgia being: Russia's hostile position and security risks in the Black Sea Region caused by the in Ukraine also have substantial impact on the outcome and shape of the state-building process.

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