

Commercial Contact and Conflict Prevention: The Georgia-Abkhaz Case

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Introduction

This article explores opportunities for interaction between Georgians and Abkhaz. Recommendations are based on the belief that private sector representatives are well suited to take a cooperative approach to engagement and that, even in the most intractable conflicts, the private sector is primarily interested in market access and a stable environment for doing business. The article does not address questions regarding the political status of Abkhazia nor does it explore security arrangements. Politics and security are considered only to the extent that they impact economic issues.

History/Context

Abkhazia, a territory located on the Black Sea in the northwest corner of Georgia, broke away from Tbilisi's control after the conflict of 1992-93. More than 250,000 ethnic Georgians were driven from their homes in violence that the international community characterized as "ethnic cleansing." The conflict remained frozen until the war between Georgia and Russia in 2008.

After the 2003 "Revolution of Roses" brought President Mikheil Saakashvili to power, the Government of Georgia (GoG) initiated dramatic political and economic reforms. Development and democratization were aimed in part at advancing the reintegration of Abkhazia and South Ossetia. Georgia became an economic success story. In 2007, Georgia's economy grew 12% from a boom in the telecom, construction, transport, financial and tourism sectors. Trade increased 39.9% between 2006 and 2007. Exports increased 32.5% and imports by 41% during the same period. Georgia saw an overall improvement in its GDP, fiscal balance, current account balance, and real exchange rate. Positive structural changes included improvements in the banking system, position of the central bank and increasing rates of tax collection. Foreign direct investment was \$1.8 billion in 2007, a 40% increase from the previous year and 19.8% of GDP.¹ Georgia also benefited from its membership in

the World Trade Organization, as well as its location on the Eurasia Silk Road.

Russia resented Saakashvili's pro-Western positions and launched a propaganda and harassment campaign aimed at undermining the GoG. It also took steps against Georgia's statehood by providing Abkhaz separatists with diplomatic and military support. In March 2008, Russia withdrew from the CIS declaration banning military assistance and imposing sanctions on Abkhazia. It also established legal connections between its ministries and their counterparts in Abkhazia, opening fifteen new checkpoints along the cease-fire line between Georgia and Abkhazia.

War between Georgia and Russia erupted on August 7, 2008. In response to Russian and South Ossetian provocations, Saakashvili ordered the shelling and deployment of Georgian troops into Tskhinvali, South Ossetia's capital. By August 9, Russia's disproportionate land, air, and sea assault overwhelmed Georgia's armed forces. Operations extended from the port of Poti in the west to Gori just 40 km from Tbilisi. Russian forces occupied the Kodori Gorge, to the northeast of Abkhazia. Ossetian militias, often in collusion with the Russian military, burned and looted Georgian villages around Tskhinvali.² Civilian economic costs are estimated at \$1.2 billion.

Acting on behalf of the EU Presidency, France's President Nicolas Sarkozy negotiated a ceasefire on August 12, 2008. The agreement required a withdrawal of forces to pre-war positions and access by humanitarian and monitoring missions to the conflict areas. Russia has repeatedly violated the ceasefire by, for example, refusing to withdraw troops or dismantle checkpoints and unilaterally creating a 12 km buffer zone around South Ossetia. Citing "new realities," Russia established diplomatic relations with Abkhazia on August 26, 2010. Only Russia, Venezuela, Nicaragua, and Nauru have recognized Abkhazia and South Ossetia. Every other

1. Interview by the author with U.S. Ambassador John Tefft in Tbilisi, June 18, 2008.

2. Tavernise, Sabrina. "Survivors in Georgia Tell of Ethnic Killings," *New York Times*. August 19, 2008; C. J. Chivers, "In Battered Villages, Georgians Speak, if They Dare." *New York Times*. August 18, 2008.

country views Abkhazia and South Ossetia as part of Georgia.

More than \$4.5 billion over three years was pledged to the GoG at a conference of donors on October 22, 2008. The package consisted of \$2 billion in aid and \$2.5 billion in loans, including an 18-month stand-by agreement with the IMF worth \$750 million.³ Making Georgia one of the largest per capita recipients of foreign aid, the U.S. pledged \$1.06 billion. Assistance helped bolster investor confidence, sustain private capital flows, and provide sufficient liquidity to the banking system. It also helped the GoG maintain a stable exchange rate and adequate level of international reserves.⁴

Engagement Strategy

The GoG published its “State Strategy on Occupied Territories” on January 27, 2010. The State Strategy rejects violence as a tool for resolving conflict with Abkhazia and South Ossetia, or addressing status issues. It seeks instead to promote interaction aimed at improving the socio-economic conditions on all sides.

The State Strategy and Action Plan provide a roadmap for implementing Georgia’s “Law on Occupied Territories.” Adopted on October 15, 2008, the Law is the primary bulwark supporting the GoG’s policy of non-recognition towards Abkhazia and South Ossetia. The Law regulates diplomatic contact, commercial activity, travel to the territories, and travel by Abkhaz and South Ossetians who do not use Georgian passports. It condemns Russia’s violation of the ceasefire agreement, its refusal to extend the UN Mission Observer in Georgia, and the deployment of the Federal Security Service along administrative dividing lines, which prevents the EU Monitoring Mission from fulfilling its mandate.

By mentioning “Occupied Territories” in its title, the State Strategy gives no ground on recognition. Its preamble states that the goal of the State Strategy is to “reverse the process of annexation by the Russian Federation.”⁵ The State Strategy is a political text prepared for multiple audiences including hardliners in Georgia, directly affected parties in Abkhazia and South Ossetia, and the international community. While text of the State Strategy mirrors the legislative intent of the Law on Occupied Territories, the documents have different objectives. The State Strategy seeks to engage Abkhaz and South Ossetians, while the Law is punitive in seeking to isolate them.

3. “Cheney calls on west to rally behind Georgia,” *Financial Times*, September 5, 2008.

4. “IMF Mission Reaches Agreement in Principle on a US\$750 Million Stand-By Arrangement with Georgia,” *IMF*, September 3, 2008.

5. State Strategy on Occupied Territories: Engagement through Cooperation, 2010, p. 49.

Archil Gegeshidze, Senior Fellow of the Georgia Foundation for Strategic and International Studies, commends the State Strategy for “denying coercion and offering opportunities to engage in mutually beneficial projects.” But he believes “[i]t is badly packaged.” Gegeshidze notes, “The Strategy may impress the outside world but not the Abkhaz. Georgia needs to openly refrain from making claims on territory if it wants the Abkhaz to go along.” The State Strategy and subsequent Action Plan were rolled out with much fanfare.⁶

Abkhazia’s Economy

Abkhazia covers an area of 8,700 square kilometers.² According to the 1989 census, Abkhazia’s population was 525,000 people, of which Georgians represented 45.7% and ethnic Abkhaz 17.8%. Other groups included Armenians and Russians. After the 1992-93 conflict, however, Abkhazia’s current population decreased to about 180,000.⁷

In the 1980s, Abkhazia’s economy included 500 industrial enterprises, primarily power engineering and machine manufacturing.⁸ Gagra, with its beautiful white sand beaches, was a celebrated tourist destination. Other tourist spots included Sukhumi, Gudauta, Pitsunda, Lake Ritsa, and Novyi Afon, home to one of the world’s most beautiful and historic monasteries. After the 1992-93 conflict, Sukhumi’s hospitality industry virtually disappeared. Its storied seaside grew dilapidated, its coastline polluted, and infrastructure neglected.

Mild and sub-tropical, Abkhazia’s economy is seasonal with more than 200 sunny days each year. These conditions are ideal for citrus, tea, and tobacco, which occupy 40% of the land under cultivation. After the 1992-93 conflict, Abkhazia grew dependent on humanitarian assistance and subsistence farming. Accelerated by the CIS embargo (1996-2008), Abkhazia’s productive capacity collapsed. Industrial production decreased tenfold; underinvestment and neglect undermined Abkhazia’s transport and energy infrastructure. The Gali district and other parts of Eastern Abkhazia were deserted as ethnic Georgians were driven from their homes. Tea, citrus and tobacco production plummeted, and poaching depleted Abkhazia’s rich forests of its chestnut, oak, box, and yew stock.⁹ According to Abkhaz authorities, Abkhazia lost \$13 billion as a result of the conflict.

6. Interview by the author with Archil Gegeshidze at the Georgia Foundation for International Studies in Tbilisi, May 11, 2010.

7. *From War Economies to Peace Economies in the South Caucasus*. International Alert. 2004. Chapter 4: David Chkhartishvili, Roman Gotsiridze and Bessarion Kirsmarishvili, p. 123.

8. Butuzova, Lyudmila, and Roman Mukhametzhonov, “Abkhazia Revisited,” *Moscow News*, no. 36 (September 13, 2007).

9. Feyzba, Y. and O. Shamba. “National Economy of Abkhazia” (Alashara Publishers 2000).

Abkhazia's economy is currently rebounding. Russia is building roads, expanding the utility grid, and developing a water supply system. A new highway was recently completed between Sukhumi and southern Russia. Abkhazia has functioning ports: Sukhumi, Gagra, Gudauta and Ochamchira. Abkhazia's hospitality industry is expanding. Abkhazia is also developing natural resources, including coal from Tkvarchel. It is working with Rosneft to explore oil reserves. Logging and agro-industries involving hazelnuts, persimmons and viticulture, kiwi also have growth potential.¹⁰

Economic Cooperation

The GoG's State Strategy and Action Plan can potentially boost Abkhazia's economic recovery. Commercial contact can also serve as a tool for conflict mitigation, while laying the ground for long-term rapprochement between Georgians and Abkhazi. Russia would also benefit from regional economic development.

Current and historical examples exist of mutually beneficial economic activities for Georgians and Abkhaz including the Enguri Hydroelectric Power Station, which generates 1.3 million kw from the Inguri River and marks the administrative border of the conflict zone. The reservoir is located in Georgia while the plant and distribution transformer is in Abkhazia. 60% of the electricity goes to Georgia with the balance transmitted to Abkhazia.

The Khudoni Dam and Hydro Station is located 40 km upriver from the Inguri Dam. Started in the 1980s by the Soviets, construction is about 30% complete. Finishing construction will cost \$2 billion. Given the site location and the development of Georgia's high voltage transmission system, generated electricity could be transmitted to Krasnodarsky Krai, a region in Russia with Sochi as its largest city, or to Turkey.

Black Sea Infrastructure Development proposes the Enguri Sand and Gravel Export Project, which will dredge the dry-bed of the Inguri River 62 km from Anaklia and 40 km upstream from the Khudoni site. Up to 500 million cubic meters of product will be immediately loaded onto barges and transported downriver, bound for markets across the Black Sea where gravel for cement is urgently required.

Suitcase trade of commodities and agricultural goods is conducted by many of the 1,800 persons who cross the Enguri River each day. Medical equipment and pharmaceuticals are also procured in Georgia for sale in Abkhazia. As a member of the World Trade Organization

(WTO), Georgian imports goods at a much lower cost than Russia does making Georgian-origin products less costly. Agro-enterprise activities have involved tea, tomatoes, citrus and apple products, and hazelnuts.

There are many examples of commercial contact as a tool for conflict mitigation: the Southeast Europe Economic Cooperation Initiative promoted stability after Yugoslavia's breakup. The Greek-Turkish Business Forum catalyzed bilateral agreements on trade, tourism, maritime and environmental issues. And trade between China and Taiwan has helped reduce tension across the Taiwan Straits.

Sochi Olympics

The 2014 Sochi Olympics, just 35 km from Abkhazia, represent another opportunity for economic cooperation benefiting Georgians and Abkhaz, as well as Russia. The Games are in serious trouble due to construction delays and cost overruns. Originally budgeted at \$8-13 billion, the current cost is estimated at \$37 billion.

There are serious obstacles to building facilities for the Games. Since the Sochi area lacks raw materials, barges are bringing sand and gravel from Turkey. Russia has tried to build a port at Sochi, but has encountered engineering difficulties. Even when raw materials are available, laborers are in short supply. Abkhaz are concerned about the surge of up to 50,000 foreign workers, who will be employed to build the Olympic Village and related facilities. They are also worried about the ecological impact of a huge Russian cement plant under consideration for Abkhazia at a cost of \$170 million.¹¹

Transport and hospitality infrastructure are also major problems. Sochi also lacks a major airport. Russia hopes to use Sukhumi's Babushera Airport as a transport hub. However, the GoG has protested to the International Civil Aviation Organization. Facing a crisis in hotel capacity, Russia wrote the International Olympic Committee to propose that athletes stay on boats in the Black Sea.

Civic Initiatives

People-to-people activities – also called “track two activities” – represent a form of cooperation engaging business representatives and other non-governmental actors. People-to-people activities create space for civic engagement while building bridges through practical forms of cooperation that, based on dialogue and joint analysis, derive mutual benefit. They can also help transform conflict conditions through confidence building

10. Beslan Baratelia. “Economic Development of Disadvantaged Areas of Abkhazia.” *Georgian and Abkhaz Perspectives on Human Security and Development in Conflict Related Areas*. CIPax. Toledo International Center for Peace. May 2009. pp. 77-82.

11. International Crisis Group. “Abkhazia: Deepening Dependence.” February 26, 2010, p. 8.

by reducing misperceptions and combating negative stereotypes that undermine mutual understanding. People-to-people activities are not a substitute for official diplomacy, but they can change the climate in which diplomatic efforts occur. They can also add value by developing innovative policy initiatives based on common approaches to shared problems.¹²

Track two activities involving Georgians and Abkhaz are constrained by bitterness and distrust. They also suffer from inadequate resources, as well as failures by both the Georgian and Abkhaz sides to create a permissive environment for interaction. Abkhaz especially oppose activities that can be manipulated to advance Georgia's goal of reintegration. Abkhaz civil society representatives believe that the GoG's current engagement strategy is too politicized and has little chance of occurring. They prefer regional frameworks for cooperation on business and environmental issues such as the Caucasian Forum on Provincial Cities in the South Caucasus.¹³

Going forward, the GoG is exploring innovative ways to facilitate freedom of movement. It plans to offer laissez-passer travel documents and identification cards to Abkhaz. That could make travel easier and allow Abkhaz to benefit from social services available in Georgia, such as health care and education, which are of higher quality and lower cost than in Abkhazia. The GoG also hopes that social interaction will help reduce tensions and set the stage for rapprochement over the long-term.

Abkhaz Perspective

This section of the article describes Abkhaz perspectives. It is based on the author's meetings in Sukhumi with Abkhaz authorities, members of parliament, and civil society. While the author does not necessarily associate himself with the statements in this section, they are provided so that the reader may have a fuller understanding of the divergent views of Georgians and Abkhaz.

Abkhaz authorities, including Prime Minister Sergei Shamba, have many grievances. Most of all, they deeply resent Georgia's Law on Occupied Territories. Shamba maintains that the GoG rejects "new realities." He complains about Georgia's efforts to block air, land, and sea access, and its lobbying of Western countries to prevent visas from being issued to Abkhaz with Russian passports. Abkhaz are also upset by the GoG's efforts to

disrupt commercial contacts citing its undermining of deals with Nokia and Benetton.

In addition to the Law on Occupied Territories, Abkhaz authorities criticize the State Strategy for referring to "occupied territories, de-occupation and non-recognition." According to Shamba, the State Strategy is "a device to bring Abkhazia back to Georgia." Nadir Bitieff, the National Security Adviser, maintains: "If Abkhazia is built and then decides to rejoin Georgia, so be it. But that won't happen. It's too late."

They dismiss confidence-building measures as "unrealistic." Deep distrust between Georgians and Abkhaz is rooted in historical memory. According to Shamba, "We barely survived. Georgians stole everything – cars, factory equipment, furniture in houses – after attacking us in 1992." Abkhaz authorities want an agreement with the GoG on the non-use of force as a first step to restoring trust. The GoG rejects Abkhaz overtures; it believes that entering into an agreement with the Abkhaz authorities would imply recognition. Instead, the GoG offers to sign a non-aggression pact with Russia, but only after Russian troops withdraw from occupied territories.

Regarding Russia's role, Shamba adds: "Why engage [with Georgia] when we have a strategic partnership with great and huge Russia? We are ready for relations with all countries except Georgia."¹⁴ He points out, "By isolating us, the international community creates the situation where we are dependent on Russia and then criticizes us for being a puppet regime."

Shamba welcomes the "breathing space" provided by Russian troops. "The constant threat of war forced us to spend all our resources on security. Now people have confidence for the future. They know aggression will be prevented." He describes the Russian presence as an economic opportunity. "Help, tourists, television all come from Russia." Regarding "bilateral agreements" allowing Russian bases in Abkhazia, "We had very tough arguments with Russia and always tried to defend our national interests." He adds wryly, "We have a long history of fighting foreign domination. Maybe that is why there are only 100,000 of us."

Batal Tabagua, head of the Central Election Commission, represents Abkhaz hardliners with deep antipathy towards the West. "The United States is our main enemy," he says; "Everybody is afraid of the U.S., so it thinks it can do what it wants. It threatens countries that want to recognize us." Shamba tries to temper

12. This paragraph draws on "Confidence building and the role of civil society as a key element for conflict resolution" by Jonathan Cohen. Conciliation Resources. January 2010.

13. Interview by the author with Liana Kerchiela in Sukhumi, May 11, 2010.

14. Abkhaz perspectives are drawn primarily from interviews with Prime Minister Sergey Shamba in Sukhumi on May 11 and 12, 2010. Other persons interviewed include Nadir Bitieff (Adviser to the President), Maxim Gunjia (Deputy Foreign Minister), Batal Tabagua (Head, Central Election Commission), the Chairman of the Abkhaz Parliament's Defense Committee, and NGO representatives associated with the Center on Humanitarian Issues.

Tabagua's comments adding, "There is no hatred at the societal level. We have very good attitudes towards the American people and culture."

Turkey is seen as both an alternative and additional partner to Russia. Turks currently come to Abkhazia via Sochi. Abkhaz authorities want direct ferry service between Trabzon and Sukhumi. Shamba plans to set up a special ministry to encourage repatriation of the Abkhaz Diaspora from Turkey. He wants to replicate Israel's "Aliyah" policy. Abkhaz authorities also plan to study how other non-recognized states have gained credibility by opening trade and cultural liaison offices.

Abkhaz feel that time is on their side; they believe that international recognition is inevitable. Bitieff acknowledges that communications are the key to better understanding. "We want Georgia to recognize us. That would allow refugees to come home or get compensated." He also believes that normalizing relations with Georgia would be a boon for business. "The more money comes, the stronger our civil society." With pride he adds, "It's more free here [than in Georgia]. Abkhazia is an open society that wants to interact with the world. Georgian society is more like Russia's — Bolshevik and imperial."

Stakeholders

Opportunities for cooperation between Georgians and Abkhaz require the encouragement of major stakeholders whose interests are affected by developments in Georgia and the South Caucasus.

The United States

Affinity between Georgia and the United States goes back to the period when Eduard Shevardnadze served as the Soviet Union's foreign minister. Shevardnadze attained iconic status in the West for his pivotal role managing the dissolution of the USSR, as well as negotiating German reunification. Shevardnadze served as head of state from 1995 to 2003. Under his leadership, Georgia steered a pro-Western course, becoming both ally and friend of the United States.

Georgia's location makes it an important trans-Eurasia energy transit country. The East-West Corridor transports vital oil and natural gas supplies from the Caspian via Georgia to Western markets. The Baku-Tbilisi-Ceyhan pipeline cost \$3.5 billion and now delivers a million barrels of oil each day to Western markets. The South Caucasus gas pipeline, which follows the same route, and the smaller Baku-Tbilisi-Supsa line are other Caspian pipelines not under Russia's control. Estimated to cost \$12 billion, the Nabucco pipeline will expand trans-Caspian projects by transporting natural gas from Azerbaijan and Turkmenistan through Georgia to Turkey. These supply routes are essential to diversifying energy sources for consumers in the West.

Georgia emerged as a high-value ally after the events of September 11, 2001. President George W. Bush and Saakashvili developed a close personal relationship based on shared values and Georgia's support of Bush's war on terror. Saakashvili embraced liberal democracy after the "Rose Revolution of 2003." Representing the possibility of a democratic post-Soviet state outside of the Baltics, Bush heralded Georgia as a beacon of democracy.

Since 2007, however, Georgia has struggled to consolidate its democratic development. Addressing Georgia's parliament, Vice President Joseph R. Biden, Jr. called for "significant, concrete steps that need to be taken to deepen democracy." He added, "Your Rose Revolution will only be complete when government is transparent, accountable, and fully participatory; when issues are debated within this chamber, not on the streets; when you fully address constitutional issues regarding the balance of power between the parliament and the executive branch, and leveling your electoral playing field; when the media is totally independent and professional, provide people with the information to make informed decisions, and to hold their government accountable for the decisions it makes; [and] when the courts are free from outside influence and the rule of law is firmly established."¹⁵

Regarding security cooperation, the Pentagon launched a Train and Equip Program to enhance Georgia's counter-terrorism capabilities in April 2002. Georgia was one of the first countries to join the multinational force in Iraq. The United States led efforts to establish the Partnership for Peace Program between NATO and Georgia. The Bush administration also championed Georgia's NATO membership. A decision on MAP for Georgia was deferred at NATO's Bucharest Summit on April 4, 2008. However, the final communiqué affirmed, "We agreed today that these countries [Georgia and Ukraine] will become members of NATO."

Though the Obama administration continues security cooperation with the GoG, it declined Georgia's request for assistance in rearming after the 2008 War. Instead, it is working with the GoG to modernize its military, focusing on training, planning, and organization of Georgian forces to be deployed in Afghanistan.¹⁶ In response to President Barack Obama's appeal for more forces in Afghanistan, Georgia pledged approximately 1,000 troops. The southern line of the Northern Distribution Network supplying troops in Afghanistan runs through Georgia. The GoG also provides over-flight rights to NATO. Adopted in 2009, the "U.S.-Georgia

15. Remarks by Vice President Joseph Biden to the Georgian Parliament, July 23, 2009.

16. Cory Welt. "How Strategic is the US-Georgia Strategic Partnership?" Presented at the Harriman Institute, Columbia University. March 11, 2010, p. 2.

Charter on Strategic Partnership” affirms support for Georgia’s “legitimate security and defense needs” as well as “regional peace and stability.” It does not, however, provide a U.S. security guarantee.¹⁷

U.S.-Russia relations have rebounded since their low point during the Bush administration. Pressing the “reset button” has enabled the U.S. and Russia to work more effectively together on a range of issues, including non-proliferation as well as multilateral initiatives before the UN Security Council. The Strategic Arms Reduction Treaty was signed on April 8, 2010. A new cooperative approach to Russia was announced at NATO’s Lisbon meeting in November 2010. To assuage the GoG’s concerns, U.S. officials affirm that rapprochement with Russia does not come at Georgia’s expense. According to Biden, “We stand against the 19th century notion of spheres of influence ... We will not recognize Abkhazia and South Ossetia as independent states. And we urge the world not to recognize them as independent states. We call upon Russia to honor its international commitments clearly specified in the August 12 ceasefire agreement, including withdrawal of forces to their pre-conflict positions, and ultimately out of Georgia.”¹⁸

While the strategic partnership between Georgia and the U.S. endures, today’s relations are more straightforward and based on strategic objectives. These include preventing conflict between Russia and Georgia that would put the U.S. in a position of having to take sides.

Russia

After recognizing Abkhazia, Russia signed a “bilateral military cooperation agreement” with Abkhazia formalizing the deployment of 3,800 Russian troops and 1,000 FSB members on the administrative border.¹⁹ In addition, Russia and the Abkhaz authorities signed a 49-year lease for the naval base at Ochamchira, where naval/coast guard forces will be stationed, and for the Bombora Air Base near Gudauta where 1,700 troops will be posted. Beginning in August 2009, the Sevastopol-based Russian Navy started patrolling the Black Sea to prevent Georgian Coast Guard vessels from interdicting Turkish ships. Russia deployed sophisticated S-300 missiles to Abkhazia on the two-year anniversary of the war, which further heightened tensions.

On his first post-war trip to Abkhazia, Putin pledged \$470 million to support the Russian armed forces in Abkhazia and reinforce the administrative dividing line at the Enguri River. Putin also announced \$340 million for

social support and as stimulus for the Abkhaz economy, including \$65 million in direct budgetary support in 2009 and a slightly higher amount in 2010. In addition, Russia agreed to pay \$17 million in pensions to Abkhaz holding Russian passports.²⁰ Russia’s assistance came at a time when its economy is adversely affected by the global economic crisis and declining energy prices.

Russia is a dominant force in Abkhazia’s economy. Approximately 80% of all goods consumed in Abkhazia come from Russia.²¹ Russia is financing the set-up of Abkhazia’s banking system.

Russia’s state railway is leasing the Abkhaz railroad. Negotiations are underway for Russia to assume operation of the airport and a port near Sukhumi.²² Major Russian television stations are broadcast in Abkhazia and Internet access in Abkhazia is provided via Russian Internet service providers. Prominent Russians have acquired properties on the Black Sea coast, including the oligarch Oleg Deripaska and Moscow’s Mayor Yuri Luzhkov, who built a mansion on a spectacular bluff in Gagra.

Though Abkhaz welcome their strategic partnership with Russia, they also have a long history of resisting Russian imperialism. Abkhaz want independence. They do not want to be assimilated or annexed by Russia. The Russian State Duma passed a resolution on February 17, 2010 heralding “the 200th anniversary of Russia’s patronage over Abkhazia.”²³

Russia’s relations with Georgia remain tense and acrimonious. Though Georgia and Russia severed diplomatic relations after the 2008 War, each maintains an interests section at the Swiss embassies in Moscow and Tbilisi. The GoG maintains it cannot resume relations until Russia abides by ceasefire commitments. Russia’s disparaging of Saakashvili further impedes resuming relations. The GoG adamantly insists that it will not agree to restore full diplomatic or consular relations until Russia rescinds its recognition of Abkhazia and South Ossetia and withdraws troops from these territories. The GoG believes that normalizing relations would send the wrong signal to countries it is lobbying to hold the line on non-recognition. According to Medvedev, Russia will eventually restore relations with Georgia, but not until Saakashvili leaves office.²⁴ Georgia and Russia are at loggerheads; Moscow has no intention to compromise.

17. Ibid.

18. Remarks by Vice President Joe Biden to the Georgian Parliament, July 23, 2009.

19. Ibid.

20. International Crisis Group. “Abkhazia: Deepening Dependence.” February 26, 2010, p. 6.

21. Ibid.

22. Isabel Gorst. “Moscow Tightens Grip on Abkhazia.” FT.com. February 17, 2010.

23. Radio Free Europe/Radio Liberty. February 17, 2010, www.rferl.org/content/Russia_Gains_Military_Base_In_Abkhazia/196545.html.

24. Isabel Gorst. “Moscow Tightens Grip on Abkhazia.” FT.com. February 17, 2010.

Despite acrimony, Russia remains a major investor in Georgia. Most Georgians want the GoG to take a more business-like approach towards Russia. A public opinion poll on April 11-26, 2010 found that 52% of those surveyed disapprove of Georgia's current policy towards Russia; 82% support a resumption of direct flights between Tbilisi and Moscow.²⁵

Turkey

Turkey has extensive ties to both Russia and Georgia. As part of Turkey's "Zero Problems with Neighbors Policy," President Abdullah Gül visited Moscow and Tbilisi several times in 2010 to mediate a rapprochement. Though Turkey's proposal for a South Caucasus Stability Pact floundered, Turkey believes it is well positioned to act as mediator given its close ties with each.

Medvedev and Gül signed 17 cooperation agreements including an agreement on nuclear power on May 12, 2010. As a result, bilateral trade volume currently valued at \$30 billion is expected to surpass \$100 billion. Most of the increase will come from the energy sector via a pipeline from Samsun on the Black Sea to Ceyhan on the Mediterranean. "South Stream" further consolidates Russia's energy influence in Eurasia advancing one of Moscow's strategic objectives: an outlet to the Mediterranean via Turkey.

Turkish construction workers are employed across Russia, and Turkish construction companies were contracted to build Russia's military bases in Abkhazia. The Trabzon-Sochi maritime link is important commercially. About 5.5 million Russian tourists visit Turkey each year; tourism will increase with plans to lift visa requirements for visits of less than a month.²⁶

Georgia is Turkey's window to the Caucasus and the Caspian countries. Turkish hubs on the Black Sea coast are linked to Batumi in Ajara, a former Ottoman province now serving as the primary East-West route from Turkey to Central Asia. Turkey is one of Georgia's top trading partners. Trade volume was \$1 billion in 2009. Turkey ranks second in Foreign Direct Investment valued at \$165 million in 2008. Turkey is Georgia's largest export market, accounting for 17.6% of exports in 2008. The value of goods imported from Turkey by Georgia is 14.9% of total imports.²⁷ The two countries signed a Free Trade Agreement and cooperate militarily via weapons sales from Turkey to Georgia and training of Georgian military personnel.

In addition, Turkish freighters supplied Sukhumi despite efforts by Georgia's Coast Guard to impose

a maritime blockage. Under the Law on Occupied Territories, the Georgian Coast Guard arrested three ships by mid-2009 carrying goods between Turkey and Abkhazia.²⁸ At least 300,000 ethnic Abkhaz, even more ethnic Georgians, and untold numbers of North Caucasians (mostly Circassians) live in Turkey.²⁹ As a result of this diaspora, Turkey is Abkhazia's second largest trading partner behind Russia.

European Union

Georgia currently participates in the EU's Eastern Partnership Initiative (as does Ukraine, Armenia, Azerbaijan, Moldova and Belarus). Georgian passport holders benefit from a Visa Facilitation Regime with the EU. A Visa Liberalization Dialogue is also underway. Georgia also enjoys GSP+ (General System of Preferences), allowing it to export without tax or quota to EU Member States.

Additionally, Georgia is negotiating a Comprehensive Free Trade Agreement with the EU. Its advantages are mostly political, sending a positive signal to international financial institutions and private investors. In May, the EC issued a directive allowing the start of negotiations on a Stabilization and Association Agreement (SAA) for all countries in the South Caucasus "when conditions are correct." Georgia is at the head of the queue.

Russia resents the EU's involvement in Georgia and its staunch non-recognition policy towards Abkhazia and South Ossetia. Russia impeded deployment of the EU Monitoring Mission with FSB forces. The EU also participates diplomatically as a co-chair of the Geneva process. Russia is suspicious of the EU. It sees the Eastern Partnership Initiative as a way of weaning countries from its influence. If Georgia gets an SAA, then Russia's efforts to assert control over its near abroad will be further undermined.

Recommendations

This article presents a hopeful, yet steely-eyed view of the situation. Collaborative activities can only go forward with concurrence by the GoG and Abkhaz authorities. Commercial contact will not occur in the current climate unless both sides make a strategic decision that it is in their interests to allow it.

Georgia's State Strategy and Action Plan embody the right approach. Engagement addresses immediate basic human needs, while potentially reducing tensions. It can also potentially diminish the distrust and acrimony that pervades relations between Georgians and Abkhaz, thereby setting the stage for long-term rapprochement.

25. "Poll Shows Decrease in Support for NATO Membership." *The Georgian Times*. May 10, 2010, p. 4.

26. Sebnem Arsu, "Turkey's Pact With Russia Will Give It Nuclear Plant," *The New York Times*, May 13, 2010, p. A12.

27. CIA Factbook 2008.

28. "Turkey May Help Abkhazia Reintegrate With Georgia Through Direct Trade," *The Georgian Times*, May 10, 2010, p. 6.

29. *Milliyet* "Unlu Portreler," January 18, 1996.

Practical benefits of the State Strategy can be maximized by depoliticizing it and by emphasizing regional cooperation.

Engagement must take into account intractable, core positions on all sides. Georgia wants to engage without legitimizing the Abkhaz authorities or seeming to support Abkhazia's goal of independence. Abkhaz will only engage if engagement does not undermine their goal to gain greater global recognition as an independent and sovereign State. Progress requires a flexible, long-term and realistic approach. It must be based on the GoG's recognition that Georgia's interests are best served when Abkhaz prosper via commercial contact with Georgians as well as through regional links in the Caucasus and with littoral states of the Black Sea. The GoG is adamant about non-recognition. Therefore, it will only pursue this course if it believes that infrastructure and regional economic development do not advance recognition efforts by the Abkhaz authorities.

Russia is indispensable to Abkhazia. It provides security, funds, and access. While Abkhaz recognize Russia's indispensable role, they are wary of being annexed by Russia or having their identity overwhelmed by Russians. It is in the interest of both Georgia and Abkhaz to strengthen Abkhazia, thereby reducing the possibility of absorption by Russia. A self-confident and empowered Abkhazia may be more willing to discuss some kind of association with Georgia in the future.

There is not a lot of common ground. The delicate balance between Georgian and Abkhaz interests could easily be upset without gradual and carefully calibrated steps that benefit all parties, including Russia. Even when everyone benefits, there is a question that hangs over cooperation between Georgians and Abkhaz: does Russia have incentive to allow it?

Business proposals

Business is the common language. There are several opportunities with the potential to derive mutual benefit. Most noteworthy is the Inguri Sand and Gravel Export Project (and related activities). This private sector initiative can be launched immediately as a win-win for Georgia, Abkhazia, and Russia.

Pending negotiations and agreement with affected parties, the Project will produce raw material urgently needed by Russia for construction of the Olympic facilities. Abkhaz will receive royalties in exchange for guaranteeing security and safe passage of barges down the Inguri to the Black Sea. Georgia will benefit from the upgrading of roads, railways, and nearby bridges by the developer. In addition to creating 250 jobs, the Project also presents an opportunity for tourism and agro-industries.

This article proposes an enterprise called "Black Sea Resorts," which would build and operate a hotel, gaming and recreational facility at the site. As part of its cruise and tourism package, Black Sea Resorts would also develop facilities in Western Georgia and Russia, including locations that could be used for the Sochi Olympics.

Bridges and infrastructure at the dredging site will facilitate commercial contact between Georgians and Abkhaz. Restoring tea plantations in Gali and setting up a tea collection and processing center on the east side of the Inguri would facilitate interaction. The same model could be explored for other agro-industries linking Georgians and Abkhaz (e.g. hazelnuts, tomatoes, citrus, and apple products). In addition, it would be desirable to establish the equivalent of a free trade zone near the project site where other commodities, machinery, and equipment could be sold.

The Project's realization would be a cause for celebration. On this occasion, Yevgeny Yevtushenko could participate in a collaborative cultural event such as a "poetry concert" for an audience of Georgians and Abkhaz. Yevtushenko is revered as an artist and moral icon by Georgians and Abkhaz alike. Now 80 years old, he has ties to Abkhazia, where he kept a home that was destroyed during the 1992-93 conflict.

Policy Proposals

The following policy proposals promote contact between Abkhazia and the international community, including Georgia.

- Upgrade the Action Plan: The donor community can assist by establishing an "Action Plan Affinity Group" offering resources to private sector initiatives in the form of project financing, loan guarantees, risk insurance, and grants for worker training and other benefits. The Action Plan can best be achieved through a more relaxed regulatory environment which calibrates modifications in the Law on Occupied Territories with Sukhumi's cooperation. Without a quid pro quo, the United States could provide Georgia with a Free Trade Agreement as incentive to modify the Law on Occupied Territories.
- Empower the Coordinating Commission: A reliable communications and liaison channel exchanging information and assisting project development is essential to implementing the Action Plan. Led by a Special Representative on Shared Interests, the Coordinating Commission should have the tacit approval of both the GoG and Abkhaz authorities. However, it must not accept funds from either side lest financing

from one compromise its credibility with the other. The cost of staff and facilities should be fully covered by a member of the international donor community, such as the EU, that has experience funding activities in Abkhazia. To ensure the Commission's independence, it could be established under UN auspices.

- Enhance freedom of movement: It would be best if the Abkhaz authorities had "no objection" when Abkhaz travel in Georgia or internationally using laissez-passer documents issued by the GoG. If they do object, the GoG needs a fallback position: allow mutual recognition of civil documents, such as birth certificates, driving licenses, and professional degrees, to allow freedom of movement and facilitate commercial contact between Abkhaz and Georgians, including those displaced by the conflict.
- Reduce the isolation of Abkhaz: Civil society interaction can identify practical areas for cooperation, thereby building confidence. Donor funds should be allocated to dialogue initiatives engaging Georgians and Abkhaz. In addition, the U.S. can help connect Abkhaz civil society with the international community via existing Fulbright scholarships, IREX university exchanges, and participation in the State Department's International Visitors Program. Abkhazia's isolation would be further reduced through the participation of civil society representatives in the "Forum on Provincial Cities in the South Caucasus."
- Expand Turkey's role: The GoG should waive customs requirements for Turkish cargo ships putting into Abkhaz ports. Rather than requiring them to dock first in Poti or Batumi, a notification protocol could be developed informing the GoG of their cargo and route. Links between Turks and Abkhaz would also be enhanced by developing a direct land route from Turkey to the Gali region, as well as via restoration of the Vesoloye-Sukhumi railway linking Russia, Abkhazia, and other parts of Georgia. Opening commercial ferry service between Sukhumi and Trabzon would stimulate trade and tourism. Ankara should assure the GoG that direct contact between Turks and Abkhaz does not represent a process of "creeping recognition."

Conclusion

It would be wrong to underestimate Russia's role in fomenting conflict and sustaining divisions. But just as Russia is a source of the problem, it can also contribute to progress. Improved Georgia-Abkhaz relations can be

achieved by improving relations between Georgia and Russia.

The GoG currently rejects cooperation until Russia rescinds recognition of Abkhazia and South Ossetia, and withdraws forces from occupied territories. The GoG would be best served through a non-confrontational approach. It should not let its national pride interfere with its national interests. When Russia lifts its boycott of Georgian water, wine and other goods, Georgia should support Russia's membership in the WTO. Russia's membership is also in Georgia's interest as it will require Russia to abide by WTO regulations and provide a forum to redress trade embargos. Resuming direct flights between Tbilisi and Moscow would be a step towards normal travel and trade relations between Georgia and Russia.

As Georgia's strong supporter, the United States is best placed to counsel Georgia on ways to mitigate conflict and move forward. More than "strategic patience," the United States should proactively promote peace and progress in Georgia and the region. Anything less could be interpreted as abandoning Georgia to Russia's sphere of influence, which would be detrimental to both Georgia and the United States.

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