

Corridor of Power: The Caucasus and Energy Security

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Abstract

This article examines one of the key drivers of the South Caucasus's escalating international significance, its role as both a source of and transit route for hydrocarbons. Energy security has become a significant factor driving deepening international engagement with the South Caucasus and there is a need to ensure reliable and stable export routes for hydrocarbons from the Caspian Sea region. Whilst the development of new pipeline infrastructure has brought many benefits to the area, it is still beset with unresolved conflicts that threaten to undermine the progress made in terms of economic and political stability, as well as regional co-operation.

Keywords: South Caucasus, energy security, Caspian Sea, EU, Russia, Iran, USA

Introduction

The key strategic location of the Caucasus, squeezed between the Black and Caspian Seas, Iran, Russia and Turkey, make it an area of growing importance in the contemporary security environment, particularly given regional instability and the potential threat to western economic interests because of its energy resources and transport infrastructure. Energy represents one of the most important aspects of the growing international significance of the Caucasus region, and organisations such as the European Union (EU) consequently have a keen self-interest in the development of stability and security in the Caucasus.¹ In May 2003, Nato Secretary-General Lord Robertson described the Caucasus as an 'area of crucial importance to [Nato's] common security', describing the countries of the Caucasus as front-line states in the battle against threats such as terrorism, proliferation and regional instability.² The European Parliament's 2004 Gahrton report also recognised the region's growing importance, particularly that of the south, stating that 'due to its geographical location, the South Caucasus can play an increased role in strengthening international security; whereas if it is instead left out of the evolving networks of

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¹ The Tannock report on the European Neighbourhood Policy (ENP), published in December 2005, described energy policy as an important aspect of the EU's policy as 'the EU is surrounded by the world's largest oil and natural gas reserves (Russian and the Caspian basin, the Middle East and North Africa) and many countries in the neighbourhood...are suppliers or...transit countries'. *Report on the European neighbourhood policy* (2004/2166(INI)), European Parliament, Committee on Foreign Affairs, Rapporteur: Charles Tannock, 7 December 2005, A6-0399/2005, p. 10. This reinforced the opinion of the earlier Gahrton report, which asserted that the South Caucasus region would become increasingly important for energy supply to the EU.

² Speech by Lord Robertson delivered at the French University, Yerevan, Armenia on 15 May 2003, www.nato.int/docu/speech/2003/s030515a.htm.

interdependence and co-operation, the susceptibility of the South Caucasus states to the danger of export of instability from neighbouring regions would increase'.³

This article will examine one of the key drivers of the South Caucasus's escalating international significance, its role as both a source of and transit route for hydrocarbons. The region constitutes a vital land bridge between Asia and Europe, physically linking the Caspian Sea region and Central Asia with the Black Sea and Western Europe. Its role as a critical link between East and West is demonstrated most vividly by its increasing importance as a transport and communications corridor, particularly as a transit route for hydrocarbons from the landlocked Caspian Sea region to international markets. This role has been boosted with the commissioning of the Baku-Tbilisi-Ceyhan (BTC) and South Caucasus (SCP) export pipelines, essential elements in developing the hydrocarbon base in the Caspian basin. The Caspian is set to become an important source of oil and gas both for EU member-states and Asian countries as they seek to diversify sources to secure supply and avoid over-reliance on any one country. By 2020 it is estimated that two-thirds of the EU's energy requirements will be imported, with European gas consumption in particular set to grow dramatically over the coming decades as indigenous reserves decline. Consequently, EU member-states are going to become increasingly reliant on suppliers located on the organisation's periphery, particularly to the East and South.

In addition to deepening engagement with the South Caucasus on the part of European countries and organisations, there has also been greater cooperation between the region and countries in Asia, where economic growth is fuelling a voracious appetite for oil and gas. With no significant reserves of their own and a serious oil habit to feed, many countries in the region are dependent upon imports of oil and gas.

Thus, energy security has become a significant factor driving deepening international engagement with the Caucasus region and there is a need to ensure reliable and stable export routes for Caspian hydrocarbons. Energy security, particularly the challenge of transporting resources to global markets, has emerged as an issue of great importance in recent decades, as countries have become increasingly reliant upon imports of hydrocarbons rather than indigenous resources.⁴ Security of supply impacts on the wider concept of state security and supply disruption can seriously undermine a country's economy and its stability. The Caucasus is consequently tied into the wider network of international economic security, providing a vital route for the export of oil and gas from the Caspian region to international markets. In the future it is hoped that it will be a key part of a fully integrated transportation system, the 'new Silk Road' that will include pipelines, railways, fibre-optic cables and power transmission grids linking Western China with Europe.⁵

Caspian Resources

³ *Report with a proposal for a European Parliament recommendation to the Council on EU policy towards the South Caucasus* (2003/2225(INI)), European Parliament, Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy, Rapporteur: Per Gahrton, 2 February 2004, A5-0052/2004, p. 7.

⁴ In recent years the G8, EU, US Congress and White House have all put energy security back to the top of their agendas. For a comprehensive analysis of the issue of energy security see Daniel Yergin, 'Ensuring Energy Security' *Foreign Affairs*, Vol 85, No 2, March/April 2006, pp. 69-82.

⁵ For further details, see S Frederick Starr (ed.), *The New Silk Roads: Transport and Trade in Greater Central Asia* (Washington DC: Central Asia-Caucasus Institute & Silk Road Studies Program, 2007)

Following the collapse of the Soviet Union in 1991, the Caspian region was heralded as the Middle East of the future. However, the euphoria and optimism that accompanied the initial involvement of foreign investors in the region has been tempered by difficult operating conditions, both political and geological. Although the Caspian has been lauded as the new Middle East, current proven reserves indicate a greater similarity with the North Sea than with the Persian Gulf (see table below).

Comparison of Proved Reserves in the Caspian and Middle East, 2006

	Proven Oil Reserves (billion barrels)	Share of Global Total %	Proven Gas Reserves (trillion cubic metres)	Share of Global Total %
Azerbaijan	7.0	0.6	1.35	0.7
Kazakhstan	39.8	3.3	3.0	1.7
Russia	79.5	6.6	47.65	26.3
Saudi Arabia	264.3	21.9	7.07	3.9
Iran	137.5	11.4	28.13	15.5
UK	3.9	0.3	0.48	0.3

Source: Figures taken from *BP Statistical Review of World Energy*, June 2007, www.bp.com.

The North and South Caspian basins are very different. The North is comprised of shallow waters, which are ice-bound during the winter months, presenting a serious technical challenge for energy companies. The South is deeper, but is not thought to contain as much oil. Exploratory drilling in the South Caspian basin has significantly reduced estimates of future oil potential and foreign companies have begun to adopt a more moderate attitude towards the development of the Caspian's hydrocarbon reserves. Some results suggest the Azeri part of the Caspian may be more gas- than oil-prone. Nevertheless, Azerbaijan has become increasingly important to the economic security of the West as international oil companies have spent vast sums of money on exploration and development in the wider Caspian region, which is expected to be producing three million barrels of crude oil per day (150m tonnes per year) by 2010. In 1994 the Azeri government concluded its first international oil agreement, the so-called 'contract of the century', with a consortium of global oil companies. The US\$ 8 bn deal established the Azerbaijan International Operating Company to develop the Azeri, Chirag and Guneshli offshore fields in Caspian Sea. Recent exploration in the Azeri sector of the Caspian Sea has been disappointing, with the exception of the BP-led Azeri-Chirag-deepwater Guneshli (ACG) superstructure, and several wells have been plugged.⁶

Consequently, it is estimated that two-thirds of future oil production will be from the North Caspian basin, predominantly from the giant offshore Kashagan field being developed by the Agip KCO consortium. It is hoped that Kashagan will prove to be one of the world's largest offshore fields and also provide a reliable indicator of the Caspian's potential oil supply. Exploratory drilling has indicated that the field holds up to 38 billion barrels of oil, of which approximately 25 per cent (7-9 billion barrels) can be produced. However, the

⁶ The Azeri-Chirag-Guneshli concession is the largest international project in Azerbaijan and comprises three fields with total reserves estimated to be at least 5.4bn barrels of recoverable oil. BP, the operator, believes that the fields will reach optimum output between 2008 and 2010, with production amounting to over one million barrels per day. For further details see BP Caspian, www.bp.com/lubricanthome.do?categoryId=6070&contentId=7013331.

issue of how to export oil from the field, once production commences in 2010, has been much-debated and Kazakhstan has been seeking to keep its options open in terms of export routes. Currently, all export routes that run out of Kazakhstan along the east-west axis are controlled by Moscow.

In June 2006, the presidents of Azerbaijan and Kazakhstan signed a bilateral agreement on exporting Kazakh oil to international markets through the BTC. This was followed at the beginning of 2007 with the signing of a memorandum on the development of a Kazakh Caspian Transportation System. The agreement, signed with Agip KCO, the operator of the giant offshore Kashagan field, and the TCO joint venture, which is developing Tengiz, intends to develop oil shipment routes to deliver crude from Kashagan and Tengiz to the BTC.⁷

Comparison of Oil and Gas Production in the Caspian and Middle East, 2006

	Oil Production (bpd)	Year-on-year change %	Gas Production (Bcm)	Year-on-year change %
Azerbaijan	654,000	+44.9	6.3	+18
Kazakhstan	1,426,000	+5.6	23.9	+2.7
Russia	9,769,000	+2.2	612.1	+2.4
Saudi Arabia	10,859,000	-2.3	73.7	+3.5
Iran	4,343,000	+1.2	105	+4.1

Source: Figures taken from *BP Statistical Review of World Energy*, June 2007, www.bp.com.

Pipeline Politics

As can be seen, countries in the Caspian region such as Azerbaijan and Kazakhstan have considerable hydrocarbon reserves and hope to become major players on the world energy market. However, even if they increase the production of hydrocarbons significantly, there is still the difficulty of transporting products from the remote, landlocked Caspian region to lucrative international markets. Limited export options, as well as reliance upon the Russian pipeline network and neighboring countries, have so far served to restrict the ability of countries in the Caspian to profit from their extensive oil and gas reserves.

During the Soviet era, the routing of pipeline infrastructure was not a prominent issue for oil-producing areas of the USSR – pipelines were constructed to serve the needs of the Union and thus republics such as Azerbaijan were part of the national network, which generally flowed towards western Russia and Moscow. However, independence has meant that the question of how to get oil and gas out of a relatively isolated area to lucrative international markets has progressively risen to the top of the agenda for producers in the Caspian region. Until recently, countries in the region were reliant upon the Russian network of pipelines to reach European consumers, undermining their political and economic autonomy and giving Moscow substantial leverage. In 1997 Azeri President Heydar Aliyev announced that his country was ‘no longer prepared to be totally dependent upon Moscow’ for the transit of its oil.⁸ Consequently, there has been considerable investment in new international export pipelines over the past decade.

⁷ See www.kmg.kz.

⁸ Quoted in *Nezavisimaya Gazeta*, 16 August 1997.

Two new pipelines came on-stream at the end of the 1990s to transport Azeri oil from the Caspian to the Black Sea: one linking Baku to Novorossiysk on Russia's Black Sea coast, and another linking Baku to Supsa on Georgia's Black Sea coast. Transit via the Baku-Novorossiysk pipeline has in the past been subject to disruption by the ongoing conflict in Russia's North Caucasian republic of Chechnya, meaning that the Georgian line from Baku to Supsa has been pumping at full capacity.⁹ However, these two pipelines increased the volumes of oil flowing to Black Sea ports and consequently increased the burden on the already congested Turkish Straits. There was a need to develop new pipelines that bypass the Black Sea in order to reduce shipping congestion in the Straits, which pass through Istanbul and are one of the most crowded and hazardous waterways in the world.¹⁰

In May 2005 the controversial Baku-Tbilisi-Ceyhan (BTC) oil pipeline came on-stream, transporting oil from Azerbaijan via Georgia to the Turkish deepwater port of Ceyhan on the Mediterranean, a vital element in expanding oil production in the Caspian basin.¹¹ The transnational pipeline was not only a triumph of engineering, its construction also represented the successful culmination of years of regional and international collaboration. The 1,768-kilometre pipeline will allow a million barrels of oil a day to be exported from the Caspian and is expected to bring significant benefits to the wider region. The 692-km South Caucasus Pipeline (SCP) runs parallel to the BTC and transports gas from the giant offshore Shah Deniz field in the Azeri sector of the Caspian Sea through Georgia to Erzurum in Turkey, where it connects with the Turkish domestic supply network. Once it reaches full capacity the pipeline will be able to export 16 billion cubic metres of gas per year.

The commercialisation of the BTC and SCP pipelines has created substantial revenues for the transit countries, and will help strengthen economic and political links between Azerbaijan, Georgia, Turkey and the West. In addition to providing the region with direct access to world energy markets, bypassing Russia, they will provide economic benefits in the form of transit revenues. According to a recent study, oil transportation tariffs will rise from US\$0.89 to US\$1.86 per ton, adding US\$62.5m per year to Georgia's national budget.¹² This can only boost the country's economic security and, as a result, increase stability.

⁹ In an attempt to alleviate the threat from the Chechen conflict, a 312-km bypass around Chechnya through Dagestan was constructed. However, the Baku-Novorossiysk route is less favourable as it is longer and more expensive than the Western route to Supsa. Furthermore, it mixes AIOC crude with other, poorer quality crudes during transit, thereby reducing its value.

¹⁰ The Straits constitute a key 'chokepoint', a point that is critical to the global oil trade because of the amount of crude that passes through, but which could easily become blocked, either as the result of an accident or a terrorist attack. There are also major concerns about the environmental risks posed by further growth in oil-related traffic along the Bosphorus through the heart of Istanbul. For further details see Christopher Slaney, 'Turkish Concern for Bosphorus Complicates Oil Transport Scenarios' *Washington Report on Middle East Affairs*, Vol 23, Issue 4 (May 2004), pp. 34-41.

¹¹ A total of 10 million barrels of oil from the Azeri-Chirag-Guneshli fields in the Azeri sector of the Caspian Sea were required to complete the filling of the pipeline and the first cargo of oil transported through the pipeline was exported from Ceyhan in June 2006.

¹² S. Frederick Starr & Svante E Cornell, *The Baku-Tbilisi-Ceyhan Pipeline: Oil Window to the West* (Washington DC: Central Asia-Caucasus Institute & Silk Road Studies Program, 2005), p. 87. The study also estimates that the pipeline will lower the level of unemployment by over 30 per cent and contribute to a rise in GDP.

The region has also benefited from increased cooperation between states as a result of the construction of the pipelines. The successful completion of the BTC and SCP pipelines has given renewed impetus to a project to connect the rail networks of Azerbaijan, Georgia and Turkey and open the way for a possible link from China, through Central Asia and the Caucasus, to the European Union. The Kars-Akhalkalaki railway line has been under discussion for over a decade, but little progress has been made on the project to date. A feasibility study was conducted in 2005 and in November 2007 the presidents of Azerbaijan, Turkey and Georgia launched construction with a groundbreaking ceremony in southern Georgia.¹³ The 98-km link between Kars in Turkey and Akhalkalaki in Georgia would be the final link in the region's network, connecting Baku with Istanbul. Akhalkalaki in southern Georgia is currently very isolated and would benefit from greater integration both into the national and regional economy. It is located in the Samtskhe-Javakheti district of Georgia, which is populated by an Armenian majority of over 90 per cent. The Georgian government has been making efforts to rebuild links between the region and the centre, and the Kars-Akhalkalaki railway is key to this.¹⁴

Transnational infrastructure projects such as the BTC require states to work together to address threats that may jeopardise the development, thus regional cooperation and security integration is boosted. Furthermore, the fact that much of the Caspian region is landlocked, particularly key oil producers such as Azerbaijan and Kazakhstan, means that countries have been forced to rely upon their neighbours to cooperate in order to transport their resources to market. It also means that the benefits of these resources have been shared to some extent with those countries who do not possess them, contributing to greater stability in the region. The challenge is to overcome tensions and resentment from those who do not stand to profit. Armenia's isolation in the Caucasus region, the result of the ongoing conflict with Azerbaijan over Nagorno-Karabakh (see below), means that it will not benefit at all from the so-called 'wall of money' brought in by the new pipelines and development of Caspian resources, which could only serve to further destabilise the volatile region.

Both the BTC and SCP pipelines have considerable symbolic significance, providing a direct link between the Caspian region and Europe. The BTC has been described by one observer as an 'umbilical cord', anchoring Azerbaijan and Georgia firmly within the European perspective.¹⁵ It also gives Europe direct access to Central Asia. Pipelines are the most tangible manifestation of the growing connections between the Caucasus region and Europe, but they are fraught with geopolitical significance. Construction of the BTC was heavily backed by the US, which was keen to ensure that east-west export routes from Central Asia and the Caucasus bypass Iran and Russia, thereby weakening their influence

¹³ Starr (ed.), *The New Silk Roads*, pp. 312-3.

¹⁴ Poor communication and transport links with the rest of Georgia, combined with a nearly homogenous ethnic composition, have reinforced the region's sense of isolation and tension in the region has been growing. Akhalkalaki is the site of one of the two remaining Russian bases in Georgia, which is one of the dominant employers in the region. The impending closure of the base, in line with a detailed timetable agreed with Moscow in 2006, has raised concerns about the economic impact and loss of jobs, and the consequences this could have for an already tense region. The Kars-Akhalkalaki railroad could go some way to dissipating these concerns and tensions. Azerbaijan has agreed to provide a US\$220 million loan to finance the construction and reconstruction of the Georgian portion of the railway. In addition, a new road from the Turkish border to Georgia and passing through Samtskhe-Javakheti is under construction, financed by the US Millennium Challenge Account. For further details see *Minorities in the South Caucasus – Factor of Instability?*, 166 CSCDG 05 E, Nato Parliamentary Assembly, Committee Reports, 2005 Annual Session, Rapporteur: Bert Middel (Netherlands), <http://natopa.ibicenter.net>.

¹⁵ Cornell and Starr, p. 17.

in the region. Not only does the pipeline bypass both of these traditional rivals for influence in the Caucasus region, it also underpins relations with Turkey.¹⁶ Its construction has significantly altered the balance of power in the region, strengthening the political and economic autonomy of Azerbaijan and Georgia, reducing Russian dominance and cementing the involvement of Western actors such as Europe and the US.

Some Russian observers have described the issue of pipelines in the Caspian region as a 'battle for domination', particularly on the part of the US, which 'is seeking to accelerate the process of the political and economic isolation of former Soviet republics from Russia'.¹⁷ According to this analysis, the battle between Russia on the one hand and Turkey, Azerbaijan and the US on the other, over the transport of oil from the Caspian region is not just about securing transit revenues, it is predominantly about securing geopolitical influence in the region. Whilst this view ascribes little autonomy of action to the states involved, who are seeking to protect their fledgling independence, it does highlight the suspicion with which Moscow regards growing Western (particularly US) influence in the Caucasus and Caspian region.¹⁸

Elizabeth Jones, Assistant Secretary of State for European and Eurasian Affairs, hinted in 2003 at future US plans in the South Caucasus in a speech that made it very clear the Bush administration has no plans to disengage from the region, reaffirming its commitment 'in the strongest terms...', as a stable and prosperous Central Asia and the Caucasus will mean a more secure world for the American people and a more prosperous future for the people of the region'.¹⁹ In June 2003 the Pentagon unveiled plans to increase the number of US troops in the Caucasus region to 'assure the long-term viability' of Caspian energy resources. The proposal, part of the redeployment of American forces from western Europe, would see as many as 15,000 troops moved to the Caucasus, with some rotating through bases in Azerbaijan and possibly Georgia.²⁰

¹⁶ The Iranian route down to the Persian Gulf would have been the shortest route and would also have offered direct access to Asian markets. However, the idea of Iran profiting from Caspian resources was unpalatable to the US administration. For further details of US interests in the Caspian region see *The Caucasus and Caspian Region: Understanding US Interests and Policy*. Hearing before the Subcommittee on Europe of the Committee on International Relations, House of Representatives, 107th Congress, First Session, 10 October 2001 (Washington D.C.: US Government Printing Office, 2001).

¹⁷ SS Zhil'tsov, IS Zoni & AM Ushkov, *Geopolitika kaspiskogo regiona*. (Moscow: mezhdunarodnyie otnosheniya, 2003), p. 110.

¹⁸ Russian successes in the region, such as the subsea Blue Stream gas pipeline, are considered to be the result of the 'failure of American pipeline strategy in the Caucasus and Central Asia as a whole'. Zhil'tsov *et al*, p. 131. Georgia in particular has witnessed a veritable flood of assistance from the US: financial support to date totals over US\$1bn. The US\$64m 'Train and Equip' (GTEP) programme, which ran from 2002 to 2004, has been replaced by a 16-month, US\$64m Sustainment and Stability Operations Programme (SSOP) launched in 2005.

¹⁹ 'We are committed to long-term engagement in the countries of Central Asia and the Caucasus – through both diplomacy and assistance. Counterterrorism will remain a prominent and integrated element of our assistance. We plan to put more resources into counter-narcotics and law enforcement cooperation across the region, where porous borders and weak law enforcement have created significant opportunities for terrorists and those trafficking in illicit weapons and drugs... The United States is wholly committed to intensive engagement and dialogue with each of the nations of this pivotal region of the world.' *US Engagement in Central Asia and the Caucasus: Staying our Course Along the Silk Road*. Remarks by Elizabeth Jones, Assistant Secretary of State for European and Eurasian Affairs, at 'Central Asia: Its Geopolitical Significance and Future Impact' Conference. Conference hosted by Title VI Undergraduate International Studies and Foreign Language Programme Directors, University of Montana, Missoula, Montana, 10 April 2003, www.state.gov/p/eur/rls/rm/2003/19606pf.htm.

²⁰ *The Wall Street Journal*, 10.6.03, internet version, www.wsj.com

Moscow is seeking to retain its influence over former Soviet states such as Moldova and Belarus, believing that it has ‘lost’ Georgia and Ukraine to the West. President Vladimir Putin has insisted that Moscow will continue trying to influence affairs in former Soviet states, dismayed at perceived Western attempts to ‘manufacture democracy’ in what it considers to be its own ‘strategic backyard’.²¹ As a result, Moscow has been seeking to re-assert its waning hegemony by means of political posturing and sabre-rattling, attempting to manipulate separatist conflicts as foreign policy instruments.

War and peace

Regional leaders hope that the development of several oil and natural gas export pipelines will bring peace and prosperity to the Caucasus, which is crucial to ensure the uninterrupted supply of oil and gas to world energy markets. As discussed above, the new pipelines will strengthen the economies of the transit countries, boost environmental security in the Turkish Straits and enhance regional co-operation. However, the pipelines cross a very volatile part of the world, both in political and geological terms, and the stability of the Caucasus and, thus the security of energy supplies, is threatened by the unresolved conflicts which divide the region.

Problems within the Caucasus can no longer be regarded as extraneous to the security of the West: separatist conflicts in Nagorno-Karabakh, Abkhazia and South Ossetia, as well as the long-running conflict in Chechnya, have implications not only for stability in the Caucasus region, but also for Europe and the wider international community. Although these unresolved conflicts are unlikely to physically impact upon energy infrastructure such as pipelines, continued instability in the region could deter future investment.²² The conflicts undermine wider regional stability, not just because of the threat of a renewal of fighting, but because they have created ‘black holes’ without government control, providing ideal conditions for security challenges such as terrorism, organised crime and illegal trafficking to flourish. Furthermore, the conflicts undermine efforts to boost regional co-operation, hampering economic development and further destabilising the region.

Conclusion

A whole series of issues have greatly elevated the strategic importance of the South Caucasus in recent years: regional instability, the threat to Western economic interests, and its key strategic location make the region of increasing importance in the contemporary security environment. But it is the region’s role as a key transit route for the export of hydrocarbons from the landlocked Caspian Sea region that have really put it on the

²¹ Vladimir Putin, *Annual Address to the Federal Assembly*, 25 April 2005, The Kremlin, Moscow, www.kremlin.ru. The democratic ‘revolutions’ in Georgia, Ukraine and Kyrgyzstan were viewed as part of a Western conspiracy to usurp Russian influence, an opinion expressed in the government-controlled newspaper *Rossiiskaya Gazeta* in December 2004, which argued that ‘Russia cannot afford to allow defeat in the battle for Ukraine’ as it ‘would mean velvet revolutions...in Belarus, Moldova, Kazakhstan, Kyrgyzstan and possibly Armenia’. *Rossiiskaya Gazeta* (internet version), 2.12.04. www.rg.ru. Quoted in Graeme P Herd, ‘The “Orange Revolution”: Implications for Stability in the CIS’ *Conflict Studies Research Centre*, January 2005. (Camberley: 2005)

²² For example, the BTC is buried at least one metre below the surface as it transits Azerbaijan.

international map and tied it into the global economic system. However, this role has proven to be something of a mixed blessing.

The BTC and SCP pipelines have strengthened the economic security of both Azerbaijan and Georgia, helping the two countries move away from the Russian sphere of influence and more firmly orient themselves towards the West. They have also boosted the political security of the two countries, by strengthening their political and economic autonomy and boosting the involvement of external actors in the region. However, as Azerbaijan and Georgia seek to move away from the Russian sphere of influence, they are becoming more influenced by Western powers such as the US and EU. While they might be small countries in terms of territory, they are at the same time increasingly important as energy corridors. The region is playing a key role in enabling European countries to reduce their dependence on Russian energy and should also enable Asian countries to diversify and reduce their reliance on the Middle East.

Hopes that Russia's stranglehold on Caspian energy supplies could be further reduced were dashed in May 2007 with the announcement that Moscow had reached an agreement with Kazakhstan and Turkmenistan to construct a pipeline around the shore of the Caspian Sea in order to boost exports of Turkmen gas to Russia. This planned pipeline will connect with the Central Asia-Centre (CA-C) link that joins Central Asia to Russia. The agreement dealt a blow to Azerbaijan and Georgia, who had been hoping to export Turkmen gas via the South Caucasus. There appears to be a major division opening up between supporters of Russian and non-Russian export routes, which has the potential to produce new dividing lines in an already unstable region.

Nevertheless, the South Caucasus' increasing importance in terms of energy security could also prove to be a curse for the region, not least because of the risk of further conflict fuelled by petrodollars, as discussed above. Any future conflict in the region could have an impact on energy production in the Caspian Basin and could ultimately impact on supplies to the international market. The dangers were highlighted in a communication from the European Commission in December 2006, which called on the EU to be more active in addressing frozen conflicts in the South Caucasus as they threaten to produce 'major spillovers for the EU, such as illegal immigration, unreliable energy supplies, environmental degradation and terrorism.'²³ Organisations such as Nato and the EU need to redouble their commitment to stability and democracy in countries in the region, as well as their involvement in the search for acceptable solutions to the long-running conflicts. Peaceful settlement of the three conflicts would boost stability in the region, strengthen regional security and co-operation and, in the long run, improve energy security.

²³ *Communication from the Commission to the Council and the European Parliament on strengthening the European Neighbourhood Policy*, COM (2006) 726 Final, 4 December 2006, p. 2.

Governance, the State, and Systemic Corruption: Armenia and Georgia in Comparison

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Abstract

Endemic corruption has been a destructive legacy of Soviet rule for most successor states of the Soviet Union. Yet as the two cases of this study demonstrate, corruption has manifested itself in different ways. While the smooth transition of power in the early 1990s has allowed Armenia's political leaders to use corruption to consolidate firm control over the state apparatus, Georgia's tumultuous transition has caused the disintegration of the state apparatus into feuding groups that abuse their official positions for private gain. Rebuilding central political authority has therefore been an arduous journey vulnerable to sudden ruptures. This path has had disastrous consequences for Georgia's economy. In contrast, Armenia's economy has fared relatively well under a more centralized form of endemic corruption. However, while Georgia's chaotic form of corruption has offered room for democratic change, Armenia's political system is stable but more strongly authoritarian.

Keywords: *Armenia, Georgia, systemic corruption, state authority, informal institutions, political transition, economic development*

Introduction

Almost twenty years after the disintegration of the Soviet Union (SU), it is safe to assume that widespread corruption has been a lasting legacy of Soviet rule.¹ Several studies of Soviet-era corruption demonstrate that bribery, embezzlement, abuse of authority, etc. were widespread practices in the SU.² Similar illicit practices remain prevalent in most Soviet successor states (the

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¹ I adopt the seminal definition of Joseph Nye: "Corruption is behavior which deviates from the formal duties of a public role because of private-regarding (...) pecuniary or status gains; or violates rules against the exercise of certain types of private-regarding influence." Nye, Joseph S., *Corruption and Political Development: A Cost-Benefit Analysis*, American Political Science Review, vol. 61, (1967): pp. 417-427.

² Kramer, John M., *Political Corruption in the U.S.S.R.*, The Western Political Quarterly, vol. 30, (1977): pp. 213-224; Simis, Konstantin, *The Machinery of Corruption in the Soviet Union*, Survey, vol. 22, (1977): pp. 35-55; Schwartz, Charles A., *Corruption and Political Development in the U.S.S.R.*, Comparative Politics, vol. 11, (1979): pp. 425-443; Lampert, Nick, "The Whistleblowers: Corruption and Citizens' Complaints in the USSR", in: Clarke, Michael (ed.), *Corruption - Causes, Consequences, and Control*, pp. 268-287. New York: St. Martin's Press, (1983); Clark, William A., "Crime and Punishment in Soviet Officialdom: Combating Corruption in the Political Elite, 1965-1990", Armonk, M.E. Sharpe (1993).

Baltic States are the exception). Now and then, corruption is *systemic* - that is, endemic and highly institutionalized. When I say institutionalized, I mean that informal rules and norms constrain and enable the behavior of corrupt officials and citizens. These informal rules and norms (i.e., institutions) are embedded in a myriad of informal networks that permeate the state apparatus and scramble the boundary between public and private spheres.

This legacy has not spared post-Soviet Armenia and Georgia. Although Armenia fares slightly better, Transparency International (TI) has repeatedly ranked both countries near the worst in its Corruption Perception Index.³ However, as I will argue in this article, the Armenian and Georgian governments have had differing levels of success trying to hold sway over the informal networks of corruption. While presidents Levon Ter-Petrosian and Robert Kocharian of Armenia have been able to manage these networks to their own political and material advantage, Georgia's erstwhile and long-time president Eduard Shevardnadze largely failed in this regard. His successor, Mikhail Saakashvili, has declared his intention to eradicate systemic corruption. Yet it remains to be seen how sincere and successful Saakashvili's fight against corruption will be.

I contend that the extent to which post-Soviet governments have been able to exert control over systemic corruption has been largely influenced by the type of transition that these countries experienced in the late 1980s and early 1990s. Armenia has experienced a negotiated transition from Soviet rule, which has facilitated the (re)emergence of a *centralized system of corruption*. In contrast, Georgia's tumultuous transition brought with it a temporary collapse of central authority, which made it difficult for President Shevardnadze to (re)impose control over the networks of corruption. The outcome has been a *decentralized system of corruption*.

The second argument that I advance in this article is that the type of systemic corruption (centralized or decentralized) has significantly influenced subsequent political and economic developments in both countries. *Ceteris paribus*, a country without corruption will do better than a country in which corrupt practices are widespread. However, a centralized system of corruption is less likely to undermine the coherence and effectiveness of the state apparatus than a decentralized system of corruption. This distinction has consequences for economic growth and the degree of political competition. Armenia's centralized system of corruption has shown higher growth rates and more political stability than Georgia's, but also increasing levels of authoritarianism.

The article begins by laying the conceptual and theoretical foundation for understanding systemic corruption as an *intervening* variable in post-Soviet transitions - the *independent* variable being the type of transition and the *dependent* variables being successive political and economic developments. In the second section, I will show how and why Armenia and Georgia's systems of corruption diverged in different directions. The third section discusses the political and economic consequences of different types of systemic corruption in the two countries, relying on my own research as well as quantitative data provided by the World Bank, the European Bank for Reconstruction and Development (EBRD), and the Bertelsmann

³ Transparency International, "*Corruption Perception Index*", http://transparency.org/policy_research/surveys_indices/cpi [accessed February 28, 2008].

Transformation Index (BTI). I conclude by considering the long-term implications of systemic corruption in Armenia and Georgia.

Conceptualizing Systemic Corruption

The two defining characteristics of systemic corruption are the degrees to which it is (a) endemic and (b) institutionalized. Under conditions of systemic corruption, corrupt activities are the norm rather than the exception. From the bottom to the top of the state apparatus, officials routinely engage in corrupt practices, and citizens are well aware that bribes are crucial for receiving extra favors (e.g., an advantageous court ruling) or simply what they are legally entitled to (e.g. the timely issuing of business licenses). The rules of the game are usually known in advance and regularly followed by all sides. Myriads of networks are built within the state apparatus and between public officials and private citizens; their main purpose is the facilitation of corrupt exchanges. For instance, patron-client networks connect lower to higher officials. Lower officials usually buy their positions and will later share illicit gains (bribes, embezzled funds, etc.) with their superiors. In return, superiors protect their subordinates from the occasional anti-corruption crackdown. Money thereby flows all the way up the official hierarchy, and protection is granted top-down. An informal hierarchy of clientelism overlaps with the official state hierarchy. Networks are also built between businesspeople and officials to further each other's interests. Often public officials' involvement in private business and entrepreneurs' political aspirations are so extensive that the boundary between public and private spheres is permeable and ambiguous.

As Keith Darden succinctly shows in the case of Ukraine, systemic corruption can thereby reinforce official hierarchies and/or substitute for weak official rules and norms that fail to constrain the behavior of state officials. Higher officials can secure subordinates' loyalty by allowing them to augment their often meager salaries with illicit income and by gathering compromising material, which can always be used against disobedient lower officials.⁴ If these unofficial hierarchies extend all the way up to the political leaders of a country, like in Ukraine under President Leonid Kuchma, we can speak of a highly centralized system of corruption, allowing for hierarchical control and therefore state coherence. However, when these networks of corruption do not extend all the way to the top of the state apparatus and/or operate relatively autonomous from each other in various state departments and regional/local administrations, systemic corruption is more decentralized.

The type of systemic corruption inevitably affects political and economic developments. Any political leadership that seriously attempts to stay in power will counteract a decentralization of systemic corruption. The tragedy of the commons is a likely outcome in a decentralized system of corruption, stifling economic growth and depriving the state of revenues. Hordes of kleptocratic officials who maximize their personal gains in competition with each other "overgraze" the economy, as entrepreneurs who are overwhelmed by requests for bribes either

⁴ Darden, Keith, *Blackmail as a Tool of State Domination: Ukraine under Kuchma*, East European Constitutional Review, vol. 10:2/3, (2001): pp. 67-71; Darden, Keith, *The Integrity of Corrupt States: Graft as an Informal State Institution*, Politics & Society, vol. 36:1, (2008): pp. 35-59.

close down or revert to the black economy. Either way, tax revenues are lost. Embezzlement and corrupt tax and customs officials further deprive the state of income.⁵ Yet a state without a reliable stream of revenues is a failing state, and few political leaders would find the idea of a disintegrating state structure particularly appealing.

In addition to being able to avoid a collapse of the economy and a sharp decline of revenues, maintaining tight control over the networks of systemic corruption has political benefits. A dependable state apparatus whose loyalty derives mainly from the distribution of illicit gains is a key ally during election times. Fearing the loss of lucrative positions, state officials probably do not even need to be coerced to manipulate election results.⁶ In addition, the political leaders' ability to centralize control over corrupt state agencies induces the business elite to close ranks behind the government, as any attempts to bypass the leadership by striking corrupt deals with lower officials or, even worse, with the opposition is likely to be punished. The support of the business elite is crucial for political leaders to assure a steady stream of revenues and illicit gains. Moreover, wealthy entrepreneurs are also important allies during elections, as they can secure the votes of thousands of employees and ordinary citizens who benefit from the generosity of entrepreneurs-turned-patrons.

In short, if offered a choice between a centralized and a decentralized system of corruption, rational political leaders prefer the former to the latter. Yet certain political developments can deprive a new political leadership of this choice. Interruption in the system of corruption caused by lapses of political authority leads to decentralized corruption. Under these circumstances, new governments find it subsequently difficult to convince the heads of the various networks (or clans) to succumb to the new rulers.⁷ Unless the new political leadership can credibly threaten the use of force, the loyalty of the heads can be bought only through shady deals. Over time, these deals might develop into durable patron-client relations. At least in the short term, however, leaders of corrupt networks are likely to defect if doing so is in their material or political interests.

Thinking about the types of political developments that might cause a rapid and lasting decentralization of systemic corruption, regime collapses especially in the wake of civil wars come to mind. A regime collapse implies the (at least) temporary suspension of political authority. This suspension can potentially last a long time if non-state actors have acquired large amounts of weapons, as is common during and following civil wars. As I will show in the next section, Georgia experienced regime collapse in the early 1990s and a successive decentralization of systemic corruption. Armenia, on the other hand, experienced a peaceful

⁵ Bardhan, Pranab, *Corruption and Development: A Review of Issues*, Journal of Economic Literature, vol. 35:3, (1997): pp. 1320-1346. Shleifer, Andrei and Robert W. Vishny, *Corruption*, Quarterly Journal of Economics, vol. 108:3, (1993): pp. 599-617.

⁶ Keith Darden (fn 4) argues that the political elite use compromising material to secure state officials' loyalty during elections. In contrast, I argue that electoral defeat does not only threaten the political leadership but also the economic interests of corrupt officials who might be replaced by a new government. Officials are therefore willing accomplices in the manipulation of elections.

⁷ Clans are essentially networks that are based on mutual material interests *as well as* kinship ties. For a further discussion of the clan concept, see: Collins, Kathleen, *The Logic of Clan Politics. Evidence from the Central Asian Trajectories*, World Politics, vol. 56:2, (2004): pp. 224-261.

transition, as communists and their challengers negotiated a mutually beneficial transfer of political authority.

Armenia and Georgia in Transition

Soviet officials in the Caucasus and Central Asia were notorious for being corrupt. If the number of convictions gives any indication, the level of corruption in Georgia's state apparatus and Communist Party was closely followed by Armenia and Turkmenistan.⁸ Moreover, corruption in Soviet Armenia and Georgia was not only systemic but also highly centralized. Under the rule of the first secretaries of the republics' communist parties, Karen Demirchian (1974-88) and Vasily Mzhavanadze (1953-72), the communist leadership maintained tight control over the sale of public offices, everyday bribery, and embezzlement.⁹ Yet the dramatic political, social, and economic changes of the Gorbachev era allowed for countless opportunities for personal enrichment outside the established networks of corruption. Especially the formation of nationalist movements and their paramilitary groups undermined the authority of the communist leadership in Armenia and Georgia.¹⁰ However, the uninterrupted transfer of power in Armenia allowed the political elite of independent Armenia to counteract these tendencies. In contrast, the tumultuous transition in Georgia made recentralization of systemic corruption an arduous task for President Shevardnadze.¹¹

In Armenia, the transition from Soviet rule was relatively smooth, being negotiated by the communist elite and the Armenian National Movement (ANM) under the leadership of Levon Ter-Petrosian. In fact, top Soviet bureaucrats began to switch sides already in the late 1980s. As Edmund Herzig argues, this negotiated transition facilitated the emergence of a small corrupt clique at the helm of the newly independent state.¹² The new government lost no time purging state ministries of disloyal officials. Moreover, Minister of Interior Vano Siradegian swiftly eradicated emerging criminal syndicates and allegedly brought their illegal businesses under the control of his ministry. The ANM was thereby able to (re)create extensive patron-client networks that tied bureaucrats and business leaders to Ter-Petrosian's government. An internal coup that swept Ter-Petrosian from power in 1998 temporarily threatened to undermine the coherence of this system of corruption. However, the new President Kocharian and his close ally, then Defense Minister and later Prime Minister Serge Sargsian, swiftly co-opted the political and economic elite through a mix of coercion and material incentives. Following the example of his

⁸ Clark (fn 3).

⁹ Simis, Konstantin M., *USSR: the Corrupt Society. The Secret World of Soviet Capitalism*, New York, Simon and Schuster (1982). Suny, Ronald Grigor, *The Revenge of the Past: Nationalism, Revolution, and the Collapse of the Soviet Union*, Stanford, Stanford University Press (1993).

¹⁰ Dudwick, Nora, "Political Transformation in Postcommunist Armenia: Images and Realities", in: Dawisha, Karen and Bruce Parrott (eds.), *Conflict, Cleavage, and Change in Central Asia and the Caucasus*, pp. 69-109. New York, Cambridge University Press, (1997). Solnick, Steven Lee, *Stealing the State: Control and Collapse in Soviet Institutions*, Cambridge, MA, Harvard University Press (1998); Bardhan (fn 6).

¹¹ For a critique of this argument, see the review of my book (fn 1), in: Robinson, Neil, *The Political Is Personal: Corruption, Clientelism, Patronage, Informal Practices and the Dynamics of Post-Communism, Europe-Asia Studies*, vol. 59:7, (2007): pp. 1217-1224.

¹² Herzig, Edmund, *The New Caucasus. Armenia, Azerbaijan and Georgia*, London, Royal Institute of International Affairs (1999).

predecessor, Kocharian further centralized power through a series of constitutional changes. These changes allowed him to direct the nomination of judges, top police commanders, prosecutors, and the head of the country's anti-corruption agency. Kocharian has thereby been able to monitor members of the state apparatus and business elite, using compromising material if necessary to punish disloyalty.¹³

In contrast, the Georgian transition from Soviet rule caused the collapse of political authority, leaving the newly independent country without an effective leadership for approximately three years. While Georgia's first president, Zviad Gamsakhurdia, enjoyed popular support due to his former involvement in the dissident movement, he was despised by the old communist elite and young reformers alike. Most importantly, he was an ineffective leader who was unable to prevent the rise of paramilitary units, which financed the acquisition of weaponry through racketeering and other criminal activities. Less than a year into his presidency, Gamsakhurdia was driven from power in the midst of a short but bloody civil war (1991-92). Following the ouster of Gamsakhurdia, the Georgian state was at the brink of collapse, as the paramilitary groups and separatist movements in South Ossetia and Abkhazia defied any political authority. At this point, the new government invited the former first secretary of Georgia's Communist Party, Eduard Shevardnadze, to assume political leadership, calculating that he would have the experience and respect to restore political order.¹⁴

Shevardnadze was indeed able to (re)establish political authority by cutting deals with various political factions, including the former communist nomenklatura and Western-oriented reformers. Yet this strategy came at a high price. The return of the nomenklatura assured the continuation of widespread corruption in key state ministries and departments such as interior, fuel and energy, and the tax and customs departments. While he tried to counterbalance these forces by promoting young reformers to government positions, his plan backfired. The reformers in his government, supported by a liberal media and a vigilant civil society, were at times able to force the resignation of corrupt or incompetent state officials. Corrupt officials therefore rightly concluded that Shevardnadze was either unable or unwilling to protect them. Two assassination attempts and regular mutinies further indicated the president's political frailty. These officials therefore tried to steal as much as possible, as fast as possible. Widespread corruption in the legal system ultimately assured that they would never go to jail. Moreover, liberal reforms had limited the authority of the president over the procuracy, police, and courts, depriving Shevardnadze of the power to gather and use compromising material against disloyal and utterly corrupt members of the state apparatus. In response to increasing levels of corruption, Shevardnadze's popularity rapidly declined, further accelerated by the fact that members of his own family were involved in major corruption scandals. The reformers eventually turned against the president and ousted Shevardnadze in the 2003 Rose Revolution. Since then, Shevardnadze's successor, Mikhail Saakashvili, has tried to curb corruption but with mixed results.

¹³ For sources and further details, see: Stefes (fn 1), esp. Chap. 4.

¹⁴ Ibid.

Systemic Corruption and Its Consequences: Armenia and Georgian in Comparison

A decentralized system of corruption undermines political leaders' ability to use the state apparatus in order to further the government's political, economic, and social goals. In the Weberian sense of the concept, the state barely exists, as it has disintegrated into feuding groups that abuse their formal authority for their own enrichment at the costs of the public good. In contrast, a centralized system of corruption implies that the leadership controls the state apparatus, being able to employ state authority effectively. In order to show that Armenia and Georgia support this hypothesis, I rely on data included in the BTI 2003, the last year of Shevardnadze's presidency.¹⁵ In addition to assessing the progress that has been made in the areas of political and economic transformations, the BTI includes a "Management-Index", which reflects states' ability to shape the economy and society. The BTI ranks Georgia at the bottom of the index with little management success (barely above Afghanistan and Haiti), while Armenia ranks significantly higher, on a par with countries such as Ukraine and Singapore. Given Georgia's fragmented state apparatus under President Shevardnadze, this abysmal ranking does not come as a surprise.

Table 1: State Capacity in Comparison

	Armenia	Georgia
Management-Index	5.1	2.3
Ranking (out of 116)	39	95
Predictability	6	2
Effective Use of Resources	5	2
Ability to Transform	6	2

Source: BTI 2003 (fn 15)

Notes: With the exception of the ranking, all numbers are on scale from 1 (worst) to 10 (best). *Predictability* relates to the degree to which governments follow consistent and coherent reform policies that give citizens some assurance about the future. *Effective Use of Resources* concerns the ability to implement reform policies and curb corruption. *Ability to Transform* refers to the skillfulness of the political elite and their authority.

A centralized system of corruption should generally exhibit lower degrees of corruption. Indeed, in its 2003-2005 indices, TI has ranked Georgia lower (more corrupt) than Armenia in its widely published corruption index.¹⁶ Yet what might matter even more for political and economic development is not the quantity but the quality of corruption. My interviews with businesspersons from both countries indeed suggest a different quality of corruption. Unlike their Georgian counterparts, entrepreneurs in Armenia found the business environment at least somewhat predictable. Georgian entrepreneurs in contrast expressed their frustration with legions of greedy and unreliable state officials, indicating that decentralized systemic corruption had

¹⁵ Bertelsmann Stiftung, "Bertelsmann Transformation Index" (2003), <http://bti2003.bertelsmann-transformation-index.de> [accessed March 05, 2008].

¹⁶ Transparency International (fn 4)

evoked the tragedy of the commons. Data from the World Bank’s Transition Economies Enterprise Survey (BEEPS) and the EBRD confirm this first impression. Armenian entrepreneurs usually know whom to bribe, how much they had to bribe, and what they would get for it. This predictability was not true for Georgian businesspeople under Shevardnadze’s rule.

Table 2: Types of Systemic Corruption and Business Climate

	Armenia	Georgia
Percentage of entrepreneurs who do not consider corruption an obstacle for their businesses (1999)	57.5%	10%
Percentage of entrepreneurs who always or frequently know in advance how much to bribe (1999)	42.5%	30%
Percentage of entrepreneurs who believe that an ‘additional payment’ always or most of the time secures the delivery of a certain service (1999)	62.5%	42.5%
Percentage of time senior managers spent dealing with public officials (2002)	3%	12%
Percentage of companies that consider organized crime to be no threat.	70%	25%

Sources: EBRD, “Transition Report 2002”, London (2002); EBRD, “Transition Report 2005”, London (2005); World Bank, “Transition Economies Enterprise Survey”; <http://info.worldbank.org/governance/beeps/> [accessed February 13, 2005].

Although it would be reductionist to relate economic growth and state revenues solely to one variable, the impact of corruption can hardly be ignored. In terms of domestic and foreign direct investment, Georgia has lagged considerably behind Armenia, as the anarchic nature of corruption in Georgia deterred potential investors. Overall growth patterns have accordingly been considerably more stable in Armenia than in Georgia (even though the distribution of growth has been more unequal in the former than the latter). Moreover, Armenia’s revenue share of GDP has been considerably higher for the past ten years, allowing the country to spend more money on social services and public salaries than Georgia did during the Shevardnadze years.¹⁷ The economic situation in Georgia further deteriorated due to the cutbacks in foreign aid and loans, as international organizations and Western governments steadily withdrew their support for the Shevardnadze regime in response to the appalling levels of corruption. These differences inevitably influenced the political developments in both countries.

During his second term, President Shevardnadze faced mounting pressure from the street, and corruption was often a major cause of public discontent. Due to massive embezzlement schemes in the energy sector, Georgians routinely suffered from blackouts, which gave rise to spontaneous neighborhood demonstrations throughout the capital. Low pensions and public salaries as well as corruption in the higher-education system mobilized students, state employees, and retired people against the Shevardnadze regime. Shevardnadze’s party, the Citizens’ Union of Georgia, was unable to tie the economic elite to the regime. When the president’s fortunes

¹⁷ For data and sources, see Stefes (fn 1), Chap. 5.

rapidly declined, Georgia's oligarchs quickly swung their support behind various opposition parties. When demonstrations eventually culminated in the 2003 Rose Revolution, the state apparatus offered almost no resistance, signaling a complete lack of loyalty of officials toward the president. A defining characteristic of a decentralized system of corruption is that loyalty does not extend much further than to the immediate superior. During the Rose Revolution, demonstrators "were supported by policemen from the local precinct, because one of their bosses...was among the protestors."¹⁸

When the Kocharian regime in Armenia faced public upheaval a year later, the state's response was swift and effective. Well-trained and loyal security forces dispersed tens of thousands of demonstrators who protested against the outcome of the presidential election that had taken place in 2003. Before and during these elections, the tight alliance between the political and economic elites paid off, as oligarchs used their wealth, bodyguards (who attacked opposition politicians and critical journalists), and control of the media to secure Kocharian's victory.¹⁹ The Armenian analyst Alexander Iskandarian aptly summarizes the difference between Georgia and Armenia.

The Shevardnadze regime was so weak that its police force would not have obeyed an order to break up the demonstrations. In Armenia, in contrast, the alliance of convenience between army generals, business barons and regional leaders was sufficiently strong for them to feel that their interests would be threatened if Robert Kocharian...were to be overthrown.²⁰

The ruling Republican Party thereby serves as an intermediary between the government and the business elite. Most Armenian oligarchs are not only members of parliaments but also members of the Republican Party. At the same time, disloyal state officials and members of the economic elite are effectively disciplined through embezzlement charges and tax audits. President Kocharian thereby "rules from a strong yet narrow power base made up of oligarchs and influential power-brokers..., [moving] Armenia along a course of increasingly clan-based rule that has done little to strengthen democratic institutions or the rule of law."²¹ While Armenia's centralized system of corruption has done little to strengthen formal institutions, Kocharian's power base has nevertheless been strong enough to move the country's economy forward and hold the opposition down. His Georgian colleague Shevardnadze never commanded such a power base, being unable to establish firm authority over either the formal or the informal hierarchies in- and outside of the state apparatus.

Conclusion

The Rose Revolution thoroughly restructured Georgia's formal system of authority as well as the informal political system of corruption. If there is anything positive about a decentralized system of corruption, it is its propensity to aggravate public discontent while weakening the state's

¹⁸ Aprasidze, David, *The Bureaucratic-Patrimonial State in Georgia: Has The "Roses Revolution" Given It a New Lease of Life?*, *Central Asia and the Caucasus* (online), vol. 1:25, (2004).

¹⁹ Danielyan, Emil, "Armenian Oligarch Makes Bid for Power with New Political Party", *Eurasia Daily Monitor* (online) 13 January 2006.

²⁰ Iskandarian, Alexander, "Analysis: Armenia's Battle of the Weak", *Institute for War and Peace Reporting* (online) 28 April 2004..

²¹ Giragosian, Richard, "Armenia 2002: Two Steps Forward, One Step Back", *Transitions Online* (online) 2003.

ability to contain this discontent either by dispersing public goods or by cracking down on opposition forces. Shevardnadze's successor, Mikhail Saakashvili, rose to power on his promise to root out corruption. Since his election in 2004, he has indeed lost little time in making good on his promise. Dozens of former oligarchs and corrupt officials were arrested. He has ordered almost the entire replacement of the corrupt traffic police, recruiting a new generation of professional and well-paid police officers. His security apparatus has broken up several criminal groups that engaged in the lucrative drug, arms, and contraband trade. Finally, his government has lowered taxes and sharply reduced the number of licenses needed to establish a business. These measures have shown almost immediate success. Citizens and entrepreneurs have found new trust in the government, the economy has recovered from sluggish growth, and state revenues have quintupled.²²

Yet there is also a dark side, questioning Saakashvili's motives and the sustainability of his anti-corruption drive. First, his attack on oligarchs, criminals, and corrupt officials has often taken place in blatant disregard of the rule of law. Torture has been allegedly used to extort confessions, and fair trials have rarely been granted.²³ Even more concerning are claims by the opposition that these measures have been used not to eradicate corruption but to recentralize control over the system of corruption, shoring up political loyalty and amassing personal wealth. In fact, residents of one of Georgia's border regions assert that whereas in the past almost everyone was able to trade in contraband, today the routes are controlled by a few high-ranking officials of the Saakashvili government.²⁴ Given last year's political unrest and wealthy businesspersons' increasing support for opposition parties, it might indeed be tempting for Saakashvili to follow the example of his Armenian counterpart. Today, establishing tight control over the networks of corruption is a real option for the president, taking into account that he has pushed through constitutional changes that further concentrate power in the presidency (e.g. exclusive authority to appoint judges). It is difficult to predict what he and his successors will do with this power. Yet the division of power has been severely curtailed, which bodes ill for a sustainable fight against corruption.

In Armenia, the recent political turmoil following the presidential elections, which pitted Prime Minister Sargsian against former president Ter-Petrosian, has once again demonstrated that political and economic power has remained firmly in the hands of the ruling elite. Sargsian, replacing Kocharian, who had to step down due to constitutional term limits, won the election in the first round with more than 50 per cent of the vote. Although international observers argued that the elections were held in a relatively free and fair manner, the opposition rightly pointed towards massive irregularities prior to election day, as state and private media, predominantly owned by the country's oligarchs, were overwhelmingly biased in favor of the prime minister's candidacy. Moreover, state agencies frequently disrupted the political campaigns of the opposition.²⁵ When the opposition staged massive street protests in the aftermath of the election,

²² Stefes (fn 1), Chap. 6.

²³ Human Rights Watch, *Agenda for Reform: Human Rights Priorities after the Georgian Revolution*, New York: Human Rights Watch, (2004).

²⁴ Freese, Theresa, "Georgian Defense Minister Distances Himself from Corruption Scandal," Eurasianet.org ([online](#)) 17 March 2005; Vilanishvili, Nana, "Special Report: Smuggling Row Hits Georgian Town," Institute for War and Peace Reporting ([online](#)) 21 April 2005.

²⁵ Institute for War & Peace Reporting, Caucasus Reporting Service No. 429, 30 January 2008.

the state apparatus once again demonstrated its loyalty to the leadership by brutally repressing demonstrations around the capital, leaving several protestors dead and dozens injured.

At the same time, the recent anti-government demonstrations have included significantly fewer people than the protests that followed the last presidential elections. While in 2004 Armenians sensed that the opposition offered a clear alternative to the country's corrupt leadership, Ter-Petrosian has convinced only a few that he would and could turn Armenia into a law-based (instead of clan-based) country, taking into account that his former presidency was marred by corruption scandals involving his family and close allies. It is therefore safe to assume that of the 5,000 demonstrators, most have been former followers of Ter-Petrosian who had lost their influential and lucrative positions in the economy and the state apparatus after Kocharian and Sargsian's coup in 1998.

Under the current circumstances, Armenia is unlikely to experience major political change – not to mention, *democratic* change. Under the country's centralized system of corruption, political power and economic resources have merged, allowing the leadership to choose from a variety of instruments (e.g. state repression, control of the media, and material inducements to voters) to stay in power. Yet centralized systems of corruption have unraveled in the former Soviet Union and other parts of the world. Kyrgyzstan under the leadership of President Askar Akaev is a good example. Here, competing centers of loyalty developed in the first half of the 2000s, which eventually culminated in Akaev's downfall in 2005. Akaev's fate is therefore comparable to Shevardnadze's rapidly unraveling fortunes. On the other hand, Armenia and Kazakhstan demonstrate that a centralized system of corruption can weather significant challenges, keeping its leadership firmly in place. Given the importance of informal institutions and structures for the political and economic developments in this and other regions of the world, more research is needed to reveal how formal and informal institutions interact, how this interaction stabilizes or destabilizes regimes, and when systems of corruption are likely to consolidate or unravel. We have just begun to look beyond formal state institutions and political organizations.

Fluid Party Politics and the Challenge for Democracy Assistance in Georgia

Max Bader*

Abstract

Party politics in Georgia since independence has suffered from a complete lack of institutionalization, reflected most visibly in the high rate of turnover of parties. Furthermore, Georgia's elusive party system has been affected by regime changes and by abuses of executive authority. This article highlights the dilemmas inherent to studying fluid party systems such as that of Georgia and identifies a number of underlying reasons for the lack of party system institutionalization. Over the course of a brief overview of international political party assistance in Georgia, it is argued that party assistance by western actors has not been responsive to the structural problems of party and party system development.

Keywords: Georgia, political parties and party systems, authoritarianism, democracy promotion

Introduction

The institutionalization of a party system enhances the prospects for democratic consolidation in states moving away from a recent authoritarian or totalitarian past. Whether or not party system institutionalization is also a necessary condition for democratic consolidation, at the very least it is believed to have a number of significant positive consequences for the quality of democratic governance.¹ It is therefore apt that Georgia's tumultuous post-communist political trajectory has been matched by equally tumultuous party system development. The two changes of head of state that have occurred since 1991 were accompanied by a radical realignment of the political party landscape. For the most part, parties have entered and left the political arena at dazzling speed between elections. As a result of the ever-changing supply of parties, voters have been confronted with a radically different set of parties and electoral coalitions from election to election. Not only are Georgia's political parties often transient, they also have persistently failed to satisfactorily perform functions that are associated with political parties in established democracies, such as representing groups in society, aggregating interests, or mobilizing voters. Those parties that were not mere 'flash parties' were either parties of power, whose existence was contingent upon the regime's durability, or parties that generally were not very influential. In

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¹ Birch, Sarah. *Electoral Systems and Party Systems in Europe East and West*. in: Perspectives on European Politics and Society 2:3 (2001), pp. 355-377

Also see: Mainwaring, S., and E. Zoco. *Political Sequences and the Stabilization of Interparty Competition: Electoral Volatility in Old and New Democracies*. in: Party Politics 13:2 (2007), pp. 155-178

this highly volatile environment, a range of international actors since the mid-1990s has attempted to assist Georgian political parties in transforming into stable, responsive and democratic organizations, as these actors have in almost all post-communist states of Central and Eastern Europe and the Former Soviet Union.

In this article, the activity of these actors will be considered against the background of political party (system) development in Georgia since independence. The first section demonstrates the inherent difficulties of studying parties in conditions of fluid party politics and political ambiguity. The second and third sections consecutively argue which are the main characteristics of party development and which factors explain why political parties and the party system are such weak institutions in Georgia. On the basis of preliminary research findings, the concluding section will argue how there has been a disconnect between the efforts of international actors to assist parties and the actual shortcomings of party development.

Studying Parties in the Former Soviet Union

Political parties in Georgia have not grown out of social cleavages, do not represent large segments of society (though they may articulate their sentiments) and are difficult to identify on the left-right spectrum of classical political ideologies. Concepts from the study of parties in western societies often travel poorly to non-western contexts.² A significant literature has developed on party politics in Eastern and Central Europe, partly using old concepts from the study of political parties in western states, and partly inventing new ones. In Central and Eastern Europe, the degree of party system institutionalization is lower than in established democracies, but generally increasing against the backdrop of consolidated liberal democracy or firm democratic consolidation. Much less attention has been directed toward political parties in the former Soviet Union, where the level of party system institutionalization is even lower than in Eastern and Central Europe and party development mostly takes place under (semi-)authoritarian regimes or in a context of uncertain democratization at best. Understandably, it merits asking whether it is of much use to study parties in a political and party system as volatile and unstructured as that of Georgia.³

No systematic analysis of party politics in Georgia exists, and, except for large quantitative surveys, Georgian political parties are left out of cross-national comparative studies. The difficulty of studying parties in circumstances of fluid party politics becomes apparent when we attempt to apply common analytical concepts to party development in Georgia. Three basic characteristics of any party system are its size plus shape (or fragmentation), its degree of ideological polarization, and its degree of institutionalization.⁴ The first two of these form

² For a discussion of this with regard to African political parties, see: Erdmann, Gero. *Party research: Western European bias and the 'African labyrinth'*. in: *Democratization* 11:3 (2004), pp. 63-87.

³ Sartori argued 1976 that studying unstructured party systems is of little use, see: Sartori, Giovanni, "*Political Parties and Party Systems*", New York, Cambridge University Press (1976). For an argument on why and how parties can be studied even in a highly volatile environment, see: Wolinetz, Steven. *Party System Institutionalization: Bringing the System Back In*. Conference paper prepared for the Annual Meeting of the Canadian Political Science Association, p. 15

⁴ Siaroff, Alan, "*Comparing Political Regimes: A Thematic Introduction To Comparative Politics*", Peterborough, Ontario: Broadview Press (2005), pp. 184-5. Also see: Mainwaring, Scott, *Party Systems in the Third Wave*. in: *Journal of Democracy* 9:3 (1998), pp. 67-81

the basis of Sartori's influential classification of political parties, while the third characteristic features more often in more recent analyses of party systems.⁵

The most commonly used indicator for party system institutionalization is Pedersen's index of electoral volatility, which primarily reveals aggregate changes in support levels for parties between subsequent elections.⁶ Any discussion of electoral volatility in Georgia, however, would have to start with the observation that the volatility score of the Georgian party system results more from the whims of elites than from changes in voters' preferences. The high turnover rate of parties as well as incessant changes within parties and electoral alliances render calculating electoral volatility for Georgia since independence a very complicated and ultimately rather futile undertaking.⁷ Moreover, official elections results may not reflect the actual relative strength of parties given the alleged occurrence of electoral fraud. Those who do calculate scores of electoral volatility in Georgia for the purposes of large cross-national studies of post-communist countries find that it is either average⁸ or one of the highest in their sample.⁹ If one wants to assess party system institutionalization in Georgia by applying other popular indicators, such as party age or stable roots in society,¹⁰ then this would *ex ante* lead to the conclusion that the level of party system institutionalization in Georgia is extremely limited.

While political polarization, primarily around the pro-regime/anti-regime fault line tends to be quite high in Georgia, ideological polarization is not. Most relevant parties, if you ask them, position themselves as centre-right, speak out in favor of pro-market reforms, and consider Euro-Atlantic integration as the top priority of foreign policy. Only the Labor Party states it is left-of-centre, while the ruling United National Movement purports to be 'non-ideological' and to 'represent the whole population'.¹¹ Ostensibly, differences between parties in Georgia do not hinge on different ideological positions, and, to the extent that differences in ideological positions are discernable are they of secondary value in informing voters' choices.

⁵ Particularly so since the path-breaking volume of Scott Mainwaring and Timothy Scully about party system institutionalization in Latin America. Mainwaring, Scott, and Timothy Scully. "*Building Democratic Institutions: Party Systems in Latin America*", Stanford: Stanford University Press (1995)

⁶ Pedersen, Mogens, *The Dynamics of European Party Systems: Changing Patterns of Electoral Volatility*. in: *European Journal of Political Research* 7 (1979), pp.1-26

⁷ Andrew Wilson and Sarah Birch likewise make the point about the uselessness of calculating electoral volatility when party turnover is excessively high with reference to Ukraine: Wilson, Andrew, and Sarah Birch, "*Political Parties in Ukraine. Virtual and Representational*", in: Paul Webb and Stephen White (eds.) *Political Parties in New Democracies. Trajectories of Development and Implications for Democracy*. Oxford: Oxford University Press, (2007)

⁸ Tavits, Margit, *The Development of Stable Party Support: Electoral Dynamics in Post-Communist Europe*, in: *American Journal of Political Science* 49:2 (2005), p. 285

⁹ Bielasiak, Jack, *Party competition in emerging democracies: representation and effectiveness in post-communism and beyond*, in: *Democratization* 12:3 (2005), p. 341

¹⁰ The indicator of stable roots in society is applied by Mainwaring and Scully in their influential study. Mainwaring, Scott, and Timothy Scully. "*Building Democratic Institutions: Party Systems in Latin America*", Stanford: Stanford University Press (1995)

Kuenzi and Lambright use party age as an indicator of party system institutionalization. Kuenzi, Michelle, and Gina Lambright, *Party Systems and Democratic Consolidation in Africa's Electoral Regimes*, in: *Party Politics* 11:4 (2005)

¹¹ IDEA, Georgia: *Country Report based on Research and Dialogue with Parties* (2006), p. 7, [http://www.idea.int/parties/upload/Georgia_report.pdf]

The degree of party system fragmentation is given by computing Laakso and Taagepera's Effective Number of Parties (ENP) score, where the strength of parties is either determined by their vote share or by the percentage of seats they occupy in the legislature.¹² As with electoral volatility, it is not obvious what the best strategy is to calculate the ENP for the Georgian party system due to the high turnover of parties, the abundance of unstable electoral coalitions, the incongruence of parliamentary factions and political parties, and the high number of independents in parliament, among others. Bielasiak finds that that the Effective Number of Parliamentary Parties between 1992 and 2004 on average was 4.5.¹³ This however conceals major fluctuations over the concerned time period, from a high point of 21.16 in 1992 to a low point of only 2.60 in 1999.¹⁴ More crucially, as Bogaards has demonstrated, 'different party constellations can hide behind the same effective number of parties'.¹⁵ With regard to the Georgian party system, then, it seems more important to identify the constellation of the party system, established by the shape of the system and mode of competition within the party system, which over the last fifteen years almost consistently has been that of a dominant ruling party versus a fragmented and disunited opposition.

Apart from the fact that conventional concepts for the analysis of party politics travel less readily to the fluid politics of Georgia than to most of Eastern and Central Europe, party politics in Georgia must also be viewed as inherently different compared to when the regime context is that of liberal democracy or transitions to liberal democracy. Under each of the three presidents' regimes since 1990 have there been serious restrictions on the observance of full political rights. Leaders have tended to tilt the political playing field in their favor by abusing their executive authority, but hardly ever to such an extent that pluralism and competitiveness were entirely thwarted. Although little consensus exists over the nature of the political regimes under Shevardnadze and Saakashvili, in part due to the lack of scholarship on modern Georgia, it is clear, and attested by democracy indices such as Freedom House's, that they should be regarded as highly defective democracies in terms of the degree to which full political contestation was inhibited.

Party politics in such a 'competitive authoritarian', 'semi-authoritarian' or 'illiberal democratic' setting should be expected to display a different dynamic than in a setting in which fair contestation can be taken for granted, among others for the following reasons, which all apply to Georgia. First, a 'party of power' is often established in (semi)authoritarian regimes in order to organize support for the regime. Such a party of power enjoys electoral advantage over opposition parties since they are habitually propped up by state resources. Second, competition between parties is often less about policies than about the rules of the political game, and primarily runs along a pro-regime/anti-regime division. Anti-regime parties will often declare democratic convictions as an important motive for their struggle against the incumbents, and organize anti-systemic protests against government decisions or election results. Third, clientelist and neo-patrimonial practices which are more common to authoritarian states than to democratic ones may also infect party

¹² Laakso, M., and R. Taagepera, *Effective Number of Parties: A Measure with Application to West Europe*, in: *Comparative Political Studies* 12:1 (1979), pp. 3-27.

¹³ Bielasiak, Jack, *Party competition in emerging democracies: representation and effectiveness in post-communism and beyond*, in: *Democratization* 12:3 (2005), pp. 331-56.

¹⁴ The figures have been derived from: Dawisha, K., and S. Deets, *Political Learning in Post-Communist Elections*, in: *East European Politics and Societies* 20:4 (2006), p. 691.

¹⁵ Bogaards, Matthijs, *Crafting competitive party systems: Electoral laws and the opposition in Africa*, in: *Democratization* 7:4 (2000), pp. 163-90.

politics, especially among parties close to the regime, and thereby have an impact on party development and interparty competition.¹⁶ Finally, the party system configuration under authoritarianism mostly lasts only as long as the regime lasts, since regime change often leads to a radical shake-up of the party landscape. Hence, party system change is conditioned upon the regime's capability of survival, instead of, for instance, gradual changes in voters' preferences as a result of shifting cleavage structures.

Continuity amid Fluidity

The previous section argued why studying party politics is replete with difficulties when the party system is to a very large degree unstructured and democracy is not 'the only game in town'. This begs the question whether it is worth at all to study relations between parties in these fluid, unstructured systems. Still, even in such cases patterns of continuity can be identified and analyzed. On the level of individual parties, it is possible to identify dominant types of parties, whereas on the level of the party system one can look into continuity and changes in the mode of competition between parties.

As noted, during most of the last fifteen years the power balance within the party system was that of one dominant force and a great number of mostly small opposition parties. Parties of powers have dominated legislatures both under the Shevardnadze (Citizens' Union of Georgia) and Saakashvili presidencies (United National Movement). Over the course of the second half of Shevardnadze's presidency a second party of power was present, pointing to the existence of an alternative centre of executive power outside of Tbilisi, in this case in the autonomous region of Adjara, ruled by strongman Abashidze, and in many ways until 2004 a de facto independent entity which unlike Abkhazia and South Ossetia did not seek full secession.

The dominance of parties of power is not only reflected by control over the legislature through a majority of seats, but also by the electoral advantage parties of power enjoy as a result of their proximity to or coincidence with ruling circles. The existence of a party of power is common in presidential regimes with authoritarian leanings, and is especially a hallmark of politics in many former Soviet republics. In Russia, Kazakhstan and Uzbekistan, among others, parties of power have been established by regime actors, mostly from the presidential administration, to prop up incumbent regimes. If parties of power are successful in electoral terms, then they contribute to the regime's stability by bringing together people who are interested in the regime's survival and by granting the regime some degree of popular legitimacy.¹⁷ Parties of power tie political and administrative elites to them by assuming the key functions of a patronage network; jobs, economic gains and other goods are distributed as a reward for proven loyalty to the party and hence the regime. Parties of power are an instrument of (semi-)authoritarian politics, and should be regarded as non-pluralistic in that they seek to dominate the political playing field through employing state resources to their benefit, thereby undermining full electoral contestation.¹⁸ Regime change in

¹⁶ Erdmann, Gero. *Party research: Western European bias and the 'African labyrinth'*. in: Democratization 11:3 (2004), pp. 63-87

¹⁷ Brownlee, Jason, "Ruling Parties and Durable Authoritarianism." Center On Democracy, Development, and The Rule of Law, Working Papers number 23 (2004)

¹⁸ The pluralist versus proto-hegemonic opposition is derived from Gunther and Diamond's typology of political parties. Gunther, Richard, and Larry Diamond, *Species of Political Parties: A New Typology*, in: Party

authoritarian states is often brought about by splits within political elites.¹⁹ Around the turn of the century, the Citizens' Union of Georgia lost its ability to unite the political elite, when influential young politicians such as Saakashvili, Zhvania and Burjanadze defected and started creating their own opposition parties. The political forces of these politicians subsequently were at the forefront of the Rose Revolution. The party of power should be regarded as a distinct party type. With regard to the other parties in Georgia, it is useful to consider Kitschelt's popular typology of programmatic, clientelistic, and charismatic parties, developed specifically for the analysis of party politics in the post-communist world. According to Kitschelt most parties in Eastern and Central Europe can be seen as combining programmatic, clientelistic, and charismatic elements in different proportions.²⁰ Since most opposition parties in Georgia neither boast discernable ideological platforms nor dispose of credible grassroots organizations or sufficient material means to be able to act as clientelistic networks, their main appeal to voters is of a charismatic, personalistic nature. Looking at the current set of parties in Georgia, many of them are first and foremost political vehicles for their leaders: Natelashvili, S. Zurabishvili, Davitashvili, Okruashvili, K. Gamsakhurdia, to name a few. These individuals are, as the literature on African party politics calls them, *big men* (only occasionally women) who would not accept a second spot in other parties and whose parties are close to inconceivable without them.²¹ This is not to say that these parties do not have serious political programs, but these programs are hardly ever their defining feature. The liberal Republican Party, one of a few parties which have experienced an orderly leadership succession, and the populist left-wing Labor Party, perhaps come close to the programmatic party type, which is associated with the old mass parties of Western Europe. The fact that personalistic parties exist at the discretion of their leaders obviously can be an important source for a high rate of party turnover. Often, leaders have moved quickly to abandon their parties when these did not meet certain electoral targets. The lack of classical programmatic parties does not necessarily bode ill for democratic development, as there seems to be evidence that democracy can endure in the absence of a core of strong programmatic parties.²²

Sources of Weak Party System Development

Most explanations for variations of party systems can be divided in sociological (broadly defined) and institutional ones.²³ While the former stress the primacy of cleavages and historical legacies as the main formative factors of party systems, the latter concentrate on institutional traits such as regime type, the electoral system, and political party legislation. On the sociological side, initial conditions of the postcommunist period in Georgia were clearly hostile to the development of a stable party system around recognizable societal divisions. The social structure of society left behind by socialism did not provide for the type

Politics 9:2 (2003), pp. 167

¹⁹ Geddes, Barbara, "Authoritarian Breakdown." Los Angeles, CA: UCLA Department of Political Science, January 2004

²⁰ Kitschelt, Herbert, "Party Systems in East Central Europe: Consolidation Or Fluidity?", Centre for the Study of Public Policy, University of Strathclyde (1995)

²¹ On the phenomenon of 'big men' in party politics, see for example: Van de Walle, Nicolas, "Presidentialism and clientelism in Africa's emerging party systems," in: *The Journal of Modern African Studies* 41:2 (2003), pp. 297-321.

²² Kitschelt, Herbert, *Linkages between Citizens and Politicians in Democratic Polities*, in: *Comparative Political Studies* 33:6-7 (2000), pp. 845-879

²³ Ware, Alan, "Political Parties and Party Systems", Oxford: Oxford University Press (1996)

of cleavages that had once been decisive for the formation of party systems and their subsequent ‘freezing’ in Western Europe.²⁴ Nor did Georgia have a pre-communist legacy to fall back on in this regard, as some Central European states did. Moreover, the social fabric that was there at the onset of multiparty politics was gravely affected in the years immediately following the dissolution of the Soviet Union by the end of the socialist system, extreme economic deprivation, and bouts of armed conflict at the time of the Gamsakhurdia ouster and around the secession of Abkhazia and South Ossetia.

The Leninist legacy and its Soviet variant of patrimonial communism bequeathed on Georgia traditions of state-society relations that, according to Kitschelt, were inimical to the formation of strong programmatic parties.²⁵ Elements of the patrimonial-communist legacy include a weak civil society, systemic corruption, and patron-client relationships in governance. Under such conditions, the creation of parties from below by groups in society on the basis of well defined interests was unlikely to occur, while the emergence of the phenomenon of the party of power appears rather natural.

Turning to institutional factors, there is a reasonable degree of consensus among scholars of regime types that presidential systems are less conducive to democratic consolidation than arrangements with strong legislatures when states are in the initial stages of post-authoritarian democratization.²⁶ Among others, the ‘perils of presidentialism’ include the personalization of power, the often limited check on executive authority, the blurring of authority and accountability between the executive and legislative branches, and the lack of accountability of presidents due to their fixed terms of office.²⁷ As in most other former Soviet republics, but in contrast to the majority of Eastern and Central European states, the constitution of 1995 establishes Georgia as a republic with a strong presidency. After the Rose Revolution, presidential powers were further increased simultaneously with the introduction of formal semi-presidentialism through the creation of the post of prime minister. Strong presidential power in combination with weak parliamentarism has the following negative consequences for party development and party system institutionalization. First, the relative weakness of the legislature means that the main prize of political competition is for control over the executive, which takes away much of the incentive for creating strong and durable parties. Second, the fact that cabinets in Georgia are formed not on the basis of a majority parliamentary coalition, but directly by the president, further decreases the importance of parties.²⁸ Finally, presidents in strong presidential regimes often prefer to present themselves as standing above party politics and similarly tend to appoint

²⁴ Lipset, Seymour, and Stein Rokkan, “*Cleavage Structures, Party Systems, and Voter Alignments*”, in: Seymour Lipset and Stein Rokkan (eds) *Party Systems and Voter Alignments: Cross-National Perspectives*, New York, Free Press (1967)

²⁵ For the impact of the ‘leninist legacy’ on post-communist political transformation, see: Jowitt, Kenneth, “*New World Disorder: The Leninist Extinction*” Berkeley: University of California Press (1993)

Kitschelt distinguishes between three types of communist rule: bureaucratic-authoritarian, national-accommodative, and patrimonial, and associates the Soviet Union with the latter type

Kitschelt, Herbert, “*Divergent Paths of Postcommunist Democracies*.” in: Richard Gunther and Larry Diamond (eds) *Political Parties and Democracy* (2001), pp. 299–323.

²⁶ Bunce, Valerie, *Comparative Democratization: Big and Bounded Generalizations*, in: *Comparative Political Studies* 33:6-7 (2000), pp. 710-1.

²⁷ Linz, Juan, J., “*The Perils of Presidentialism*.” in: *Journal of Democracy* 1:1 (1990), pp.51-69.

and Fish, M. Steven. “*Stronger Legislatures, Stronger Democracies*” in: *Journal of Democracy* 17:1 (2006), pp. 5-20.

²⁸ D’Anieri, Paul, “*Understanding Ukrainian Politics. Power, Politics, and Institutional Design*” Armonk, NY: M.E. Sharpe (2007), p. 55

non-partisan politicians to government posts.²⁹ This circumstance leads aspiring high-rank politicians to refrain from seeking party affiliation, as a party affiliation could hamper their careers.

With regard to electoral legislation, the following elements that probably have been damaging to party development can be singled out. First, elections in Georgia since 1995 have been conducted according to a mixed electoral formula, with around two thirds of parliamentarians elected from one countrywide electoral district through party lists, and the remaining third from single member districts (SMDs). Instead of delivering the ‘best of both worlds’ of PR and the majoritarian principle the mixed system in Georgia rather manifested itself, in Sartori’s formulation, as a ‘bastard-producing hybrid that combines their defects’.³⁰ Probably the main reason why the mixed system did not stimulate healthy party system development in Ukraine is because it created an alternative route, via SMDs, for parties and individuals into parliament.³¹ Especially parties with a limited popular base had reasons to try their luck in SMDs, thereby neglecting the national race. Small, unviable parties which otherwise would not be able of gaining representation could also team up with other parties in electoral alliances. These alliances would mainly be created for electoral purposes and rarely grew into durable coalitions. Both the opportunity to contest SMDs and to join electoral alliances created a major disincentive for these small parties to dissolve and formally merge with other parties.

Also damning for party development has been that electoral laws have been subject to a great number of amendments from election to election, making it difficult for parties to anticipate to electoral rules.³² Changing electoral rules have concerned, among others, the presence and height of an electoral threshold, the electoral formula, assembly size, and the composition of election management bodies. In many respects, each new parliamentary election marked the creation of a new party system and a new electoral system. In addition to electoral laws, legislation regulating the creation and operation of parties has set the threshold for party creation very low, contributing to undue party system fractionalization.

International Political Party Assistance

Assistance to political parties is one type of external involvement through which western actors aim to foster democratic development in not yet consolidated democracies. The underlying assumption of party assistance is that the existence of viable, democratic parties is an important, if not crucial element of democratization. Western actors have assisted political parties in Georgia since the mid-1990s. Most organizations that implement party assistance programs are affiliated with political parties in western countries. The National Democratic Institute for International Affairs (NDI) and the International Republican Institute (IRI) in the

²⁹ Meleshevich, Andrei, “*Party Systems in Post-Soviet Countries*” New York, NY: Palgrave MacMillan (2007), p. 69

³⁰ Sartori, Giovanni, “*Comparative Constitutional Engineering: An Inquiry Into Structures, Incentives, and Outcomes*”, New York, NY: NYU Press (1997), pp. 74-5

³¹ D’Anieri, Paul, “*Understanding Ukrainian Politics. Power, Politics, and Institutional Design*” Armonk, NY: M.E. Sharpe (2007), p. 159

³² Herron, Erik S., and Irakly Mirzashvili, “*Georgians Cannot Help Being Original’: the Evolution of Election Rules in the Republic of Georgia.*” in: In Christopher Waters (ed.), *The State of Law in the South Caucasus*. London: Palgrave (2005)

United States are affiliated, albeit loosely, to the Democratic Party and the Republican Party, respectively, and typically provide assistance to a comprehensive range of political parties from mainstream ideological stripes and both from the opposition and from pro-regime forces, as long as these parties meet minimal criteria of viability and adherence to democratic values and non-violence. Until the Rose Revolution, the offices of NDI and IRI in Georgia were simultaneously involved in party assistance without a clear division of labor. Out of keeping with its mandate, NDI was directly engaged in coalition-building efforts among the opposition. The large majority of parties with which NDI and IRI worked before the Revolution no longer exist or are no longer relevant. After the Revolution it was agreed that from that moment NDI would only work with parties within the framework of its parliamentary program, while IRI continued working with parties outside parliament.

Important actors in party assistance are a number of political foundations (*Stiftungen*), each linked to one of the main political parties in Germany. Often, though far from exclusively, do these foundations provide assistance to individual parties that are considered partners in ideological terms. In Georgia, only the liberal Friedrich Naumann Foundation has selected a counterpart, the Republican Party of Georgia, while the other German foundations are either not active in Georgia or refrain from setting up a party assistance program because natural ideological partners cannot be identified and on the whole the party system is too unstructured.³³

Since 2005, a large multiparty project is carried out by the Netherlands Institute for Multiparty Democracy (NIMD) in partnership with a local NGO and the Office for Democratic Institutions and Human Rights of the OSCE. The project comprises six parties, including the party of power United National Movement and five opposition parties, that were deemed to be the most viable parties after the Rose Revolution. The main component of the projects is a program of training events to party activists on relatively conventional topics. The multi-party format was chosen to stimulate dialogue between parties, especially between the ruling party and opposition parties. The severe political tension of 2007-2008 however has eroded much of the potential for constructive relations between different parties. Additionally, it is not evident anymore that the set of five opposition parties that were selected at the onset of the project still constitute the core of opposition forces. Parties may have lost significance, while others have become more prominent.

Three important conclusions which can be derived from Thomas Carothers' writings on party assistance are: first, party assistance programming resembles a template which is copied to countries without necessary attention to local specifics of party systems; second, funders and implementers of party assistance have naive ideas of the virtues of party systems in western democracies and of the extent to which party system types, borrowed from a rather mythical image of party systems in Western European countries, can be replicated elsewhere; third, the effects of party assistance, if any, are mostly residual rather than transformative.³⁴ These conclusions appear to apply well to the case of Georgia. Favorite topics of party trainings in general as well as in Georgia are fostering intra-party democracy, promoting youth, and teaching campaign skills. While these are valuable matters in and by themselves, they hardly answer to the most pressing shortcomings of party development and party system development in Georgia, as described above. Moreover, they reveal a certain view on what

³³ Author interview with Konrad Adenauer Foundation official

³⁴ Carothers, Thomas, "*Confronting the Weakest Link: Aiding Political Parties in New Democracies*" Washington, D.C, Carnegie Endowment for International Peace (2006).

parties should be that is informed by a typically western experience. While this view may very well be justifiable, it is of little value with regard to the real problems that the Georgian party system faces. Party assistance by international actors clearly has not had a transformative effect on parties in Georgia. Most of the parties that were assisted before the Revolution, are no longer at the forefront. The lament about Georgian political parties, particularly concerning their personalism, lack of constituency and lack of discernable program, moreover to a large extent resembles what it was ten years ago. Among the residual positive effects of party assistance are that thousands of individuals, many of them of young age, have been exposed to democratic ideas. As a result of this norm diffusion, democratic values are now probably more widely accepted and more deeply ingrained in society.

One reason for the discrepancy between the actions of providers of party assistance and the structural weaknesses of party development is that the political situation in which democracy assistance programs are carried out, at least in the post-communist world, has been mostly assumed to be one of progressive transition towards democratic consolidation. As we have seen, however, party development in Georgia has been heavily affected by (semi)authoritarian tendencies. A second element in party system development that has been difficult for providers of party assistance to deal with is the rapidly changing supply of political parties. Consequently, the impact of party assistance on parties, if any, is often lost quickly when parties cease to exist or become irrelevant.

Conclusion

The most important features of party development in Georgia since independence that distinguish it from party development in a majority of the Eastern and Central European states are the highly unstable supply of parties and the semi-authoritarian or politically ambiguous background against which multiparty politics has evolved. An implication of this is that concepts used for the study of party politics in Eastern and Central Europe and in established democracies often cannot be replicated when studying the party politics of Georgia and other fluid, inchoate party systems. Initial explanations for the weakness of party development in Georgia can be found in a number of sociological and institutional factors, such as the legacy of Soviet communism, the strength of the Georgian presidency, and the electoral system. A cursory overview of international political party assistance in Georgia reveals a disconnect between the structural weaknesses of party development and efforts by western actors to assist Georgian parties. Ongoing research by the author will shed more light on the scope and impact of international factors on Georgia's party system.

US Missile Defense Shield and Russia: Second Cold War as a Farce

Rashad Shirinov*

Abstract

Karl Marx used to say that history repeats itself, first as tragedy, second as farce. In line with this, the entire recent idea of a missile defense shield that the US has been willing to install in Eastern Europe is reminiscent of that of the Cold War era, when two major superpowers were targeting their strategic missiles towards each other. And although in 1972 both global powers agreed on not using anti-ballistic missiles, after two decades US had reexamined its thinking on the issue. The United States has decided to deploy radars and interceptors in the Czech Republic and Poland as part of a missile defense shield against possible Iranian or North Korean attacks. From the very start, Russia has been seeing the shield as directed towards itself. However, it doesn't look like the installation of an American missile defense shield in Europe would lead to a major security crisis between the US and Russia since there is sufficient evidence of softening tensions as US-Russian high level negotiations go ahead. This is perhaps where the farce lies.

Keywords: *missile defense shield, deterrence, Russia, Iran, Anti-ballistic Missile Treaty, Missile Technology Control Regime, interceptor, radar*

Introduction

The relations between Russia and United States have undergone different stages of mistrust, frustration, and also rapprochement throughout the last two decades. Although there has been a significant leap forward in these relations in various fields, some attributes of Cold War thinking seems to be still persisting in the security field. The obvious thing is both sides still see each other as a threat in one way or another. Russians have always been preoccupied by American actions, which “engulf” Russia and constrain its foreign policy behavior. Americans are more worried about Russia’s cooperation with so-called “rogue” states, particularly in the field of arms sales. The US has also been expressing constantly its concern with insecurity at Russian nuclear facilities and the possibility of nuclear weapons leaking into hands of terrorist organizations as well as rogue states. This particular concern was not shared by Russian authorities and it has even become a matter of tension between two states after Soviet collapse, as Russians believed they have always had adequate security and safety at the nuclear, biological, and chemical facilities.

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The recent events around the proposed US defense missile system in Eastern Europe are quite illustrative in the light of the issues mentioned above. Moreover, the timing of the negotiations around missile proliferation and the installation of missile defense systems coincides with US political, diplomatic and economic pressure on Iran, a country Russia enjoys good relations with. Everything happens amid alleged American preparations for possible military action against this country.

This paper will try to analyze recent US-Russian missile defense negotiations. The aim is to discover underlining factors of disagreements between the Russian and American position on the so-called “rogue states” threat of missile attack. The paper aims to analyze whether those different perceptions of Iranian nuclear and missile threat are bound by different political approaches and the different nature of the respective countries’ relations with Iran and North Korea.

We will start with tracing back US policies regarding missile defense and will try to understand the shift from the policy of deterrence to deploying a ballistic missile defense system.

US View On Missile Defense And Changing Threats After First Iraq War

In order to understand US ambitions of installing a missile defense shield in Eastern Europe it is important to trace back the history of the ABM initiative and the reasons why later on the American Congress decided to alter the policy the United States had been pursuing for almost twenty years (from 1972 when the US signed the Anti-Ballistic Missile Treaty) and demanded the deployment of a limited ballistic missile defense system in November 1991. For a long time, the conventional wisdom dominated Washington, which favored deterrence over missile defense. Deterrence meant containing aggression at all levels with the threat of nuclear retaliation, or “massive retaliation” as American strategists termed it once. President Eisenhower’s famous intemperate quote explains candidly the essence of the deterrence through retaliation: “If they start anything we will blow the hell out of them in a hurry”¹

This wisdom resulted in the US and USSR signing the Anti-Ballistic Missile Treaty, which had prohibited the signatories from deploying anti-missile systems.

Although President Ronald Reagan returned to the issue of installing a missile defense system for the first time in 1983, it was the first US-Iraqi war which brought the system critically onto the security agenda. The first Gulf War made a shift in US foreign policy and security thinking, giving more credit to those who were claiming that America is, in fact, unprotected in the face of a large-scale missile attack. Besides invading Kuwait on August 2, 1990 and having been very well positioned to attack Saudi Arabia (a key US ally in the Middle East) any time, Saddam Hussein did also possess a frightening missile arsenal. At the same time, as a result of limitations set by ABM treaty by 1990 the entire stockpile of US anti-tactical ballistic missile (ATBM) interceptors consisted of only three experimental Patriot rockets. Allegedly, Iraq had developed

¹ K.Scott, McMahon. *Pursuit of the Shield. The US Quest for Limited Ballistic Missile Defense*, University Press of America, 1997 pp.13-24

several systems with the range from 70 to 900 km with the possibility of some of them being armed with chemical weapons. Moreover, in 1989 Iraq had test-launched 48-ton, ICBM-class rocket and had also developed two types of missiles: the Al-Hussein (600 km range) and the Al-Abbas (900 km range), both of them being modified versions of Scud with increased propellant tank capacities and reduced payloads².

Obviously, the lessons learned from Desert Storm for the US was that the missile danger should be met with “multiple and redundant countermeasures”. These countermeasures include: international non-proliferation regime, deterrence and diplomacy, intelligence gathering, counterforce operations and active and passive defenses. With regard to active defenses, they have not played a vigorous role in US international security policy after signing ABM Treaty, preference being given to deterrence measures.³

However, Saddam’s behavior challenged the concept and application of the deterrence outside superpower context. The lesson learned here was that the threat of being punished by force was not enough to discourage Saddam’s regime as Americans would have expected.⁴

In 2001 President Bush announced that United States would withdraw from ABM Treaty. On June 13, 2002 the withdrawal formally took effect. President Bush emphasized that he was “committed to deploy a missile defense system as soon as possible to protect the American people and our [US] deployed forces against the growing missile threat”. He also mentioned that ABM Treaty prohibited the very important task of defense against this threat. In addition, President Bush brought up the agreement between himself and President Putin of Russia about their intention to look for ways of cooperation on missile defenses⁵.

Missile Proliferation Regime

The Missile Technology Control Regime (MTCR) was established in 1987 by G-7 governments as an international export control policy with arrangement to limit the proliferation of nuclear capable missiles. In 1993 missiles capable of delivering biological and chemical weapons were added to the regulations. The regime limits the transfer of missiles able to carry 500 kg to the distance of 300 km or more. The biggest disadvantage of the regime has been its design as a voluntary agreement and not a formal treaty. After it has been established, numerous proposals were made for transforming the regime from an export control regulation into a universal regime. This foresees a radical transformation of the agreement leading to a different arrangement eliminating missiles from national military forces⁶. After two years of its announcement, having

² Pursuit of the Shield, pp 56-57

³ Pursuit of the Shield, p.63

⁴ Pursuit of the Shield, p.66

⁵ Statement by the President Bush, June 13, 2002

<http://www.whitehouse.gov/news/releases/2002/06/20020613-9.html>

⁶ *Limiting Proliferation of Ballistic Missiles*, produced by CNS, Monterey Institute of International Studies, http://www.nti.org/f_wmd411/f1a5_2.html

faced criticism about the failure to attract new governments to the regime, G-7 countries decided to expand massively⁷.

MTCR has been under criticism for the failure to halt missile proliferation. Despite the fact that it has had some important success, North Korea and China have made exports of missiles and missile technology in the past to India, China, Syria, Libya, and Pakistan.

The role of Russia in MTCR has been particularly contentious. Russia has joined MTCR as “a major missile power without the ability, and perhaps without the will, to limit its missile related exports”. Russia continued its exports after joining MTCR too. Oddly enough, Russian membership provided Russian companies with safeguard against US sanctions. Russian exports for Iran’s ballistic missiles program became a major issue between United States and Russia⁸.

Russian - Iranian Relations And Arms Sales

One of the important aspects of Russian-Iranian relations is that Russian political and military elite, in contrast to those in United States, does not see Iran as a threat. Just an opposite – Iran along with several other “rogue states” like Libya and North Korea (the concept of “rogue state” being officially rejected by Russian Federation) used to be clients of Soviet Union. Particularly, in the issue of deployment of ballistic missiles by Iran, Russia does not perceive the same threat as US – neither on its territory nor for the troops stationed abroad. Therefore, it appears that Russian rhetoric of proliferation being an evil thing is nothing but a lip-service to politically correct western discourse of non-proliferation.⁹

The US has been trying to discourage Russia from arms sales to Iran by applying pressure through diplomatic channels as well as by using sanctions against particular Russian institutions and enterprises engaged in the arms trade. According to Stockholm Institute of Peace Research, between 1995 and 2005, 70 % of Iranian arms import was from Russia. Russian arms sales to Iran started before the Soviet collapse, between 1989 and 1991, when Soviet Union had agreed to sell MIG-29 and SU-24 fighter aircraft, aircraft missiles, S-200 air defense complexes, three diesel submarines and hundreds of tanks and armored vehicles. Sales and shipments continued from 1992 to 1996. During the period of 1995-2000 the Russian government, in order to get support from US in the elections, agreed to suspend its arms trade with Iran. However, it has been restored with Putin’s coming to power¹⁰. Notwithstanding the fact that the Russian elite considers Iran as a market for weapons and there is a significant amount of arms trade going on between these two countries, Russians are careful in not approaching Iran very much, especially right now when the international community and especially USA are asking the UN for more sanctions against Iran.

US Missile Defense Shield In Eastern Europe

⁷ Speier, Richard, *Can the Missile Technology Control Regime Be Repaired?* In: *Repairing the Regime*, ed. Joseph Cirincione, Routledge, 2000 pp. 205-216

⁸ *Can the Missile Technology Control Regime Be Repaired?* p.209

⁹ Mizin, Viktor, *Iran-Russia Missile Cooperation. Russian View* In: *Repairing the Regime*, ed. Joseph Cirincione, Routledge 2000, p.192

¹⁰ Kasyanova, Alla, *Russian Arms Sales to Iran: Why They Are Unlikely to Stop*. PONARS Policy Memo No.427

United States officials have recurrently mentioned Iran and North Korea as countries, which could threaten the US homeland and deployed troops abroad, with their missile potential. The Missile Defense Program Overview presented by Lt Gen Trey Obering, Chief of Missile Defense Agency in March, 2007, mentions only Iran as a source of ballistic missile threat¹¹.

United States plans to locate its missile defense shield in Eastern Europe, which is going to consist of 10 interceptor missile systems in Poland and a radar in Czech Republic. The motivation behind choosing Czech Republic and Poland stems from the estimates by specialists that any possible Iranian missile targeting the US would be flying over Central Europe. Therefore, the deployment of interceptors and a radar in Czech Republic and Poland would be effective from the operational point of view¹². Moreover, there seems to be also a political reason for that as, apparently, the majority of the “Old Europe” nations disagree with American threat perceptions about Iran. European and Russian specialists reject the view that there is a ballistic missile threat from “rogue states”¹³. Therefore, for the Bush administration it has been always easy to negotiate this with those countries dubbed by Donald Rumsfeld as the “New Europe”. These Eastern European countries are more aligned with US foreign policy objectives. Indeed, the President of Poland Lech Kaczynski loudly expressed his support for a US missile defense system, emphasizing that this would contribute to European security vis-à-vis “dangers, which result from the fact that not all the countries of the contemporary world are responsible”. It is worth mentioning that Kaczynski added that he did not mean Russia by this.¹⁴

Russian Response To American Missile Defense Shield Initiative

Russian leaders have not concealed their fierce opposition to the US proposed shield. The Russian leadership clearly stated that the shield targeted Russia and in this case a Russian response would not be late. In June 2007, President Putin threatened to target Europe with nuclear ballistic or cruise missiles if the proposed defense system moved ahead. One of the arguments the Russian government holds against the shield is that defensive interceptors may be turned into offensive weapons. Theoretically as well as practically it seems possible¹⁵. However, experts agree that Russian leaders use the argument as a propaganda tool, whereas, in fact, they are more concerned with the possible increase of the American missile defense shield in the future¹⁶. Along with threatening to aim missiles at Europe, the Russian side came up with another proposal to the US. At the G-8 Summit in Germany in June 2007 President Putin has

¹¹ *Missile Defense Program Overview for The National Defense Industrial Association*, Lt Gen Trey Obering, Director, National Missile Defense Agency, March 5, 2007

¹² Eshelç David, *US Missile Shield in Europe: Logic or Mere Provocation?* In: *Defense Update*, June 6, 2007 <http://www.defense-update.com/newscast/0307/analysis/analysis-150307.htm>

¹³ Mizin, Viktor, *Russia's Approach to the US Missile Defense Program*. In: NTI Issue Brief, February 2003 http://nti.org/e_research/e3_26a.html#fn7#fn7

¹⁴ Crawley, Vince, *Bush Thanks Poland for Missile Defense Support*. USINFO, 11 June 2007

¹⁵ India converted space launched missile (SLV) to “Agni” short range ballistic missile (SRBM) and SA-2 became a basis for offensive missiles in China, India, Iran, Iraq and Serbia. see *Can the Missile Technology Control Regime Be Repaired*, p.211

¹⁶ Interview with Nikolai Sokov, Senior Research Fellow, Center for Nonproliferation Studies, Monterey Institute of International Studies. November 21, 2007

offered Russian-rented radar in Azerbaijan to be jointly used by Russia and the US. The radar station was a part of an early-warning system, designed to detect possible missile attack on the Soviet Union. The government of Azerbaijan has been leasing the radar to Russia after the dissolution of Soviet Union and in 2002 two governments have agreed on another 10-year period lease. Vladimir Putin has offered Gabala Radar Station to be jointly used by the US and Russia. At the same time, Russian government has also tried to assure the Iranian side that joint use would be of no harm to Iran. Later, the Iranian ambassador to Baku expressed his confidence that Russia and Azerbaijan would never use Gabala against his state. Reportedly, official Iran has had little doubt that the Americans would accept the Russian initiative.

The US responded to the offer by stating that Gabala RLS could be used in addition but not instead of a future defense shield in Europe. President Bush said the Polish and Czech deployments were "integral" to the system but he agreed to work with the Russians as well¹⁷. After recent talks between Russia and the US in Moscow Americans seemed to have agreed to halt the installation of a radar and interceptors in Eastern Europe. A senior US defense official stated that the US will continue negotiations with Czech Republic and Poland, but would leave the system switched off until US and Russia would agree that Iranian ballistic missiles pose a threat¹⁸. US Secretary of Defense, Robert Gates, has offered an option of not activating the system until the threat was obvious, meaning until Iran or any other Middle Eastern state had tested a missile capable of hitting Europe. According to Gates, Putin referred to the proposal as a constructive one.

Latest news concerning negotiations came from the NATO Summit in Bucharest and immediately afterwards from the Bush-Putin meeting in Sochi, Russia. Obviously, the US traded NATO's offering on long expected Membership Action Plans (MAP) to Georgia and Ukraine for Russia's softening its posture on deployment of radars and interceptors in Eastern Europe. At the same time, Russia considered this a political and diplomatic victory due to the fact that it has managed to achieve discrepancy within NATO on Georgia's and Ukraine's further NATO aspirations. Admittedly, European addiction to Russian energy has played its role. However, neither did the US leave the summit with empty hands. The American achievement was Russia's noticeable compromise on a missile defense shield. Although Russia still does not buy US claims about missile defense directed against threats posed by the "rogue" states such as Iran, admittedly, there have been some positive movements recently. As Putin stated, he had "cautious optimism with regard to final agreement" and that he believed it was possible¹⁹.

Conclusion

Deeper investigation of the latest tensions between US and Russia exposes underlying fundamental reasons for this. The United States realized after the first Gulf War that the

¹⁷ Q&A: US Missile Defense, BBC News, October, 12, 2007 <http://news.bbc.co.uk/2/hi/europe/6720153.stm>

¹⁸ *US offers Putin deal over missile shield*. Financial Times, October 17, 2002

¹⁹ Buckley, Neil and Dombey, Daniel, *US-Russia optimism on missile shield deal*. Financial Times, April 7, 2008 http://www.ft.com/cms/s/0/19f41168-043b-11dd-b28b-000077b07658.html?nclick_check=1

deterrence strategy it had relied upon during the Cold War was no longer effective. Saddam Hussein's personality proved that classical understanding of containing an enemy with the threat of retaliation was insufficient. The threat perception, thus, shifted from bigger subjects to the multiple small ones. The US has become more cautious about limited missile attacks from different "rogue" regimes, which have lately been developing their missiles. Russia is seen more as a proliferation threat rather than direct threat. Russian arms sales to Iran have increased this perception significantly.

Russia, in turn, has had different perceptions of security enjoying much better relations with all US adversaries, particularly Iran and North Korea. Supposedly, it was this disagreement in perceptions that resulted in recent tensions, since although the US and Russia have developed better relations after the end of Cold War, still both have dissimilar visions and views on international relations and security.

We can consider Russian opposition to a missile defense shield in Eastern Europe from several aspects. First, Russians are in agreement that American claims of Iranian threat are exaggerated or at least premature. Second, some Russians suspect that the number of interceptors and radars could grow with the time and ten interceptors in Eastern Europe is just a launch of something that could grow bigger increasingly.

However, notwithstanding harsh opposition from the Russian side and American assertiveness at the beginning, it appears that both sides are nearing compromise, as President Putin said that the last US proposals were constructive.

Indeed the recent NATO Summit in Bucharest brought up the missile defense shield issue again. Surprisingly enough, against the background of previous harsh opposition, Russian leadership has been more lenient and interested in even discussing joint operation of missile defense shield.

Although at the beginning the jargon reminded that of the Cold War, further negotiations proved that this prediction was exaggerated. Perhaps, some additional developments in the field might be expected after presidential elections in the United States this year given the fact that Democratic Party has a different stance on the missile defense issue.

The New Face of Central Asia

An Essay

by Ambassador (ret.) Michael W. Cotter*

Abstract

For the first time in centuries, the region from Western China to Iran and from the Steppes of Russia to Northern India can and, this essay argues, should be viewed as an entity. Possessed of significant natural resources, and forming the backyard of five important world powers, the region has great possibilities for economic development, but it also contains the potential for conflict among nuclear-armed neighbors. One of the great challenges of the 21st century will be to ensure that the region becomes an engine for growth, not for conflict.

Keywords: *Central Asia, Afghanistan, Pakistan, Iran, India, Russia, Turkmenistan*

Introduction: Who Rules the Heartland Rules the World

In the complicated world that has emerged since the end of the Cold War, many developments that will have a significant influence throughout this century have gone virtually unnoticed by both professionals and the public at large. The re-emergence of Central Asia as a key region is one such development.

In 1904, Sir Halford Mackinder submitted a seminal article to the Royal Geographic Society expounding his “Heartland” theory. He summarized the theory in an oft-quoted statement: “Who rules East Europe commands the Heartland; who rules the Heartland commands the World-Island; who rules the World-Island controls the world.”¹ He predicted that control of the heartland by any one power could be a springboard to world domination. Mackinder’s theory was much derided at the time because the heartland of Euro-Asia was divided between then-imperial powers. A century later Mackinder’s theory bears rethinking. Eastern Europe is now largely integrated into the European Union, but the true heartland of Asia, the region extending from Iran in the West to the Xinjiang region of China in the East and from the Russian steppes in the North to Northern India in the South, is once again in play for the first time in centuries.

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¹ Mackinder, Sir Halford John, “*The Geographical Pivot of History*,” Royal Geographic Society, London (1904)

The New Paradigm: Viewing Central Asia As An Entity

The re-emergence of Central Asia as the keystone of the “World-Island” began with the disappearance of the great European empires, the independence of the Indian sub-continent, and the reappearance for the first time in a millennium of a unified Persia. With the demise of the Soviet Union, the entrance on the world stage of independent republics in the Caucasus and Central Asia, the emergence of China and India as political and economic powers, and the resurgence of the Russian Federation, the new political landscape of the heartland is complete. And at the center is Afghanistan, for centuries the focal point of conflict between regional powers seeking dominance of the continent.

Academic and popular analyses of geo-political change since the end of the Cold War have largely dealt with developments in Asia in discrete contexts. The former Soviet republics in the Caucasus and Central Asia are viewed in terms of their own conflicts and their efforts to strengthen their political and economic independence. Russia is analyzed with reference to its relationship with Europe and the U.S. China and India are usually considered individually as economic powers or perhaps in terms of the potential competition between the two. Focus on Pakistan concerns its internal political trials, its connection to the ongoing conflict in Afghanistan, and its relationship with India. Iran is considered, in the U.S. at least, a Middle-Eastern country. Unfortunately, there has been little analysis of the current and potential interplay of those countries to either achieve dominance over the heartland or to avoid dominance by another power.

The Key: Competition for Access to Resources and Control of Trade Routes

On one level, there are significant economic issues at stake. The region is divided quite evenly between countries possessing significant hydrocarbon resources (Russia, Iran, Kazakhstan, Azerbaijan and Turkmenistan) and countries that sorely need access to those resources (India, China, Pakistan and the other Caucasus and Central Asian republics). Given the intense current and prospective world demand for raw materials, the region’s significant known mineral deposits, and undoubtedly even greater deposits that await only modern exploration and development technology, are increasingly in demand.

The ability to move relatively freely across the region for almost the first time since the demise of the Silk Road opens other economic possibilities. All told, these countries are home to probably half of the world’s population, much of which is only now aspiring to become consumers of more and better products. The demands of trade bring with them demands for improved communication. Old divisions still prevent railroads from crisscrossing the region, but that will happen. Road transportation is now open, but only over highways that are often rudimentary and still subject to blockages and significant bureaucratic delays. Electricity is already flowing from Turkmenistan to Turkey via Iran, and the region’s hydrocarbon and hydroelectric resources mean that potential for greater trade in that commodity is enormous.

The Dominant Players

Politically the equation comes down to whether any of the more powerful countries in the region will be able to dominate it. This competition has not yet really begun, and all of the regional powers appear for the time being more intent on ensuring their place at the table in order to prevent any other power from achieving such dominance. China covets the region's resources, but fears that the spread of independence will serve as a powerful attraction to many in its remote Xinjiang Province. India, too, needs those resources, and remains concerned lest increased Pakistani influence in the region changes the still-volatile strategic balance between those two countries. Russia, still redefining its national identity, has the resources which the others covet, resources often located thousands of miles from its European power center, and fears the potential for unrest among its large, often poorly assimilated ethnic minorities. And Iran also is rich in resources but still engaged in its internal revolution.

Critical to this equation is the fact that four of the large regional powers – Russia, China, India and Pakistan – possess nuclear weapons, and a fifth, Iran, appears determined to acquire nuclear weapon technology. In fact, much of the analysis of Iran's apparent desire to acquire nuclear technology focuses, incorrectly in my view, on the implications of that development for the U.S. and Israel. I would argue that Iran is motivated at least as much by its awareness of developments in Central Asia and its status as the only non-nuclear power in the region. After all, the heartland of the continent is Persia's traditional power base, and all Iranians are aware of their country's history of dominance in much of that region.

The Smaller Players and the Region's Diversity

The smaller countries in the region differ significantly from one another, but share an important common interest: ensuring that they remain politically and economically independent. For many of them political support and economic assistance from outside the region have been critical to their independence to date, assistance which is subject to vagaries outside of their control. All of them also must pay particular attention to their relationships with the regional power to which they are closest geographically. Thus the Caucasus countries are more concerned about relations with either (or both) Russia or Iran. Turkmenistan also is most concerned about its relationship with its southern neighbor. Kyrgyzstan and Tajikistan on the other hand border on China and have more to gain or lose from that propinquity. And, of course, Afghanistan continues to suffer from its location at the epicenter and from the centrifugal forces caused by its ethnic diversity.

In fact, Afghanistan is a microcosmic reflection of the extraordinary ethnic and religious diversity in Central Asia that serves both to bind the region together and to divide its inhabitants. Farsi-related Urdu is the dominant language in Afghanistan, but Turkic languages dominate in the north. Conservative, Sunni Islam as practiced by rural Pashtun tribesmen conflicts both with Shi'a Hazara ethnic group and the more liberal Sunni practices of the formerly nomadic Uzbek and Turkmen peoples.

These differences pervade the region. Turkic languages are spoken in much of the north and east, from Azerbaijan to Xinjiang; while Farsi and associated dialects dominate in the south and west, from Iran to northern India. Although Islam dominates, as noted in the case of Afghanistan, it serves more to differentiate between ethnic groups than to unify them. Central Asian Islam continues to reflect syncretic influences from Zoroastrianism to Sufism, and ranges from the extraordinarily conservative practices in rural Afghanistan to mainstream forms of both Shi'a and Sunni branches in the major cities.

Outside Players

Two significant countries outside of the region have played and will play important roles in developments there. Turkey has worked assiduously to exploit its cultural ties to Azerbaijan, Turkmenistan, Uzbekistan, Kazakhstan and Kyrgyzstan to its own advantage, seeking both to acquire raw materials and expand the market for its technology and manufactures. It also has an interest in preventing ancient rivals Russia and Iran from dominating the region and cutting it off from resources. As long as Turkey sees its future in the West, and in membership in the European Union, its interest in Central Asia will remain limited. Should Europe shut its door to Turkey, the Turks will have little choice but to become more engaged in the competition for influence in Central Asia.

The other key player has been the United States. The U.S. was one of the first countries to recognize the new states born from the ashes of the USSR and has played an important role in shoring up their economic and political independence. With its military involvement in Afghanistan, the U.S. is also playing an active, if unrecognized, role in shaping political dominance in the region. Some American commentators have suggested that the U.S. will play an important long-term role in the region. I suggest that this is unrealistic. Central Asia is far from the U.S. and beyond its determination to eliminate Al Qaeda, America has few vital interests in the region. Hydrocarbon or mineral resources are largely fungible, and while those from Central Asia are unlikely to find their way to America, their addition to world supplies will free up others for consumption here. Politically it is becoming clear that the world of the 21st century will not be uni-polar, dominated economically and militarily by the U.S. Rather, the emergence of other important countries, perhaps not on a par militarily with the U.S. but still capable of dominance in their own regions, suggests that this century will be characterized by a balance of power. In the heartland of the “World-Island,” that balance will be among the emerging Asian powers with the U.S. playing at best little more than a supporting role.

Conclusion

The process of evolution that is underway in this reborn heartland of the Asian continent will play itself out over decades. Given the ethnic, linguistic, religious differences, and the sheer diversity of size among the political entities that inhabit it, how Central Asia will develop is

uncertain. The global demand for limited resources ensures that the competition for comparative advantage will be intense. The possession of nuclear weapon technology by the major regional powers can be a matter of concern, but can also serve to ensure that power sharing remains balanced. As long as that remains the case, the competition will play out in more positive ways.

Europeans learned to live, although often not peacefully, with a balance of power among competing states. The states of Central Asia, many of which have existed in their current form for less than half a century, are now facing a similar challenge. For them to meet that challenge peacefully, the international community must develop new, equitable standards to ensure that the competition for influence in Central Asia remains peaceful and contributes to improvement in the human condition.

Licensing Afghanistan's opium: solution or fallacy?

Pierre-Arnaud Chouvy*

Abstract

For almost two decades Afghanistan has been the world's largest illicit opium producer. Decades of war, droughts, poverty, and political incapacities have driven up the country's opium production despite counter-narcotics programmes ranging from forced eradication to alternative development. In 2005, that is, a few years after the replacement of the Taliban regime by the Karzai administration, the licensing of Afghan opium for the production of legal medicines such as morphine and codeine was proposed as a solution to address illicit Afghan opium production. This proposal benefited from a very positive stance of the world press, in spite of its many inaccuracies and fallacies.

Keywords: *Afghanistan, opium, illicit production, licensing, solution, morphine, economy, development.*

Introduction

Afghanistan has been the world's primary producing country of illicit opium since 1991, when it surpassed Burma (Myanmar) in total annual production. Both the Taliban regime (1996-2001) and the Karzai administrations (from 2001 on) inherited an illicit drug economy that has been stimulated by two decades of war but that also fuelled the country's war economy. However, just as the Taliban regime successfully, but counterproductively, prohibited opium production in 2000, bringing opium production from 3,300 tonnes in 2000 to 185 tonnes in 2001¹, their regime was toppled by the U.S. military intervention in response to the September 11 terrorist attacks. Then, in a rather chaotic Afghanistan, opium production resumed and grew back to normal in a matter of only one year (3,400 tonnes in 2002). Since then, despite national and international pledges, eradication threats, bargain deals with opium farmers, and international development aid, Hamid Karzai's new democratic Afghanistan has failed to curtail or even stabilize opium production. Much to the contrary, after six years of peace-building, state-building, and economic growth, Afghanistan broke two successive all-time records of opium production, in 2006 (6,100 tonnes) and again in 2007 (8,200 tonnes).

When interdiction, eradication, and development have failed to solve the "opium problem" in Afghanistan, because interdiction without development is counterproductive and amounts to further deterioration of the livelihoods of opium farmers, and because alternative development is far from having been implemented with adequate economic means and political determination, a rather new, but unrealistic, proposal has emerged in 2005: the licensing of Afghan opium for production of pharmaceutical morphine. Described as "a truly

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¹ All opium production estimates are from the United Nations Office on Drugs and Crime surveys and reports: www.unodc.org.

winning solution” by many (countless favourable editorials were published in the world’s press), the proposal of the Senlis Council, a self-dubbed “international drug policy think tank”² based in Paris, consists of licensing Afghan opium for the production of legal medicines such as morphine and codeine as a way to respond to the urgent need to significantly reduce Afghanistan’s illegal opium production and trade, but also as a way to overcome the “significant global shortage of opium based medicines such as morphine and codeine”, a problem “felt most acutely in the developing world”³. However, this proposal, later renamed as “Poppy for Medicine”, is based on false or inexact premises, on at least two levels: regarding the world market for licit opiates on the one hand, and national and local opium farming communities on the other hand⁴.

About Supply And Demand Of Pharmaceutical Morphine

According to the International Narcotics Control Board (INCB), the body in charge of examining on a regular basis issues affecting the supply of and demand for opiates used for medical purposes, the supply of such opiates has, for years, been “at levels well in excess of global demand”⁵. As yearly stocks continue to be more than sufficient to cover yearly global demand, the INCB even recommends reducing the production of opiate raw materials. Nevertheless, the INCB stresses that “the low consumption of opioid analgesics for the treatment of moderate to severe pain, especially in developing countries, continues to be a matter of great concern”, explaining that “in 2003, six countries together accounted for 79 per cent of global consumption of morphine” while “developing countries, which represent about 80 per cent of the world’s population, accounted for only about 6 per cent”⁶. Thus, for the INCB, the urgency is more “to raise awareness of the necessity to assess the actual medical needs for opiates” in the world than to increase the production of legal medical morphine by authorizing more countries, including Afghanistan, to legally grow opium poppies. This is all the more understandable since most of the world’s national governments do not respond to the INCB questionnaire on their medical needs and because information about one half of the needs of the world’s population has long been insufficient.

However, simply raising levels of morphine production, whether by licensing opium production in Afghanistan or by increasing the yields of current producers, is unlikely to increase the medical consumption of morphine and codeine in the world. The recommendations of the World Health Organization (WHO) that morphine and codeine be used as analgesics are too often impeded by obstacles that are not, or not only, supply-related: concerns about drug addiction and drug diversion, restrictive national laws, insufficient import or manufacture, but also deficiencies in national health-care delivery systems, insufficient training, etc. In addition, the demand for modern analgesics is also related to the importance of conventional or allopathic medicine with regard to local traditions and beliefs. In China for example, according to WHO, traditional herbal preparations account for 30 to 50 per cent of total medicinal consumption, while in Africa up to 80 per cent of the population uses traditional medicine for primary health care. In fact, a 2007 report prepared by Help the Hospices, a British charity that trains hospice workers and supports hospices in poor countries, “has produced a disturbing portrait of the difficulties in offering pain relief to the

² http://www.drug-policy.org/modules/events/modules/media_centre/press_releases/46_news

³ Senlis Council, 2005, *Feasibility Study on Opium Licensing in Afghanistan for the Production of Morphine and Other Essential Medicines*, Initial Findings, September 2005, Paris: Senlis Council: 5.

⁴ Pierre-Arnaud Chouvy, 2006, “Afghan Opium: License to Kill”. *Asia Times Online*, 1 February 2006.

⁵ International Narcotics Control Board, 2004, *Report 2004*, Vienna: International Narcotics Control Board: 23.

⁶ International Narcotics Control Board, 2004, *Report 2004*, Vienna: International Narcotics Control Board: 25.

dying in poor countries”⁷. Out of the 300 questionnaires that were sent to hospices and end-of-life specialists in poor countries only 69 were returned, showing that the chief reasons cited by respondents for the shortages were “restrictive national drug laws, fear of addiction, broken-down health care systems and lack of knowledge by doctors, patients and policy makers”⁸. According to David E. Joranson, director of the Pain Policy Study Group at the University of Wisconsin’s medical school, the reason why morphine is not more available to patients in poor countries is “the intense fear of addiction, which is often misunderstood”. Joranson, who aims at changing drug laws around the world, denounced the fact that “pain relief hasn’t been given as much attention as the war on drugs has”⁹. In a very significant way, morphine is almost impossible to get for most of the population of India (with the exception of the state of Kerala), despite the fact that the country is the only one in the world to legally produce opium gum for export for the pharmaceutical industry. In fact, “legal morphine use in India plummeted 97 percent after 1985”, that is, after the Narcotic Drugs and Psychotropic Substances Act, designed to curb drug trafficking, was passed and corresponding state laws were enacted: “the book outlining them is 1,642 pages, and even minor infractions can mean 10-year sentences”¹⁰.

Thus, obviously, the world’s medical consumption of opiates is far from being directly dependent upon supply and demand, and price contingencies, as was actually hinted by the Senlis Council itself when it stressed that, “in 2002, 77% of the world’s morphine was consumed by seven rich countries: USA, the UK, Italy, Australia, France, Spain and Japan”, but that, according to official figures, “even in these countries only 24 per cent of moderate to severe pain relief needs were being met”. The fact that medical consumption of opiates is low even in rich morphine-producing countries clearly shows that the consumption of opiate-based pain-killers is determined by factors much more complex than the laws of the market. A 2007 report produced by the Macfarlan Smith, one of the world’s oldest pharmaceutical companies and the world’s largest morphine producer, severely criticises the declarations and proposal of the Senlis Council notably by stressing the fact that “the actual consumption data of morphine is strongly influenced by cultural attitudes” and not only by price of availability: in 2005, while 2,559 kg of morphine were consumed in France, only 1,699 kg were consumed in the United Kingdom, 388 kg in Spain, and 184 kg in Italy. Therefore, the Macfarlan Smith report stated: “We would strongly argue that morphine stocks are not a controlling factor for world demand”¹¹.

Indian Licit Opium Production Vs. Afghan Illicit Opium Production

The licensing of the illicit opium supply is very unlikely to bring economic development to Afghanistan and its opium farmers. Firstly, it is important to understand that while legal opium poppy cultivation is undertaken for pharmaceutical use by at least nineteen countries in the world (Australia, Austria, China, the Czech Republic, Estonia, France, Germany, Hungary, Japan, India, the Netherlands, Poland, Romania, Slovakia, South Korea, Spain, Macedonia, Turkey, and the United Kingdom) only four of them produce opium: China, India, Japan and South Korea. Among these India is the only exporter of opium. The other countries actually grow opium poppies, harvest the poppies (“poppy straw”), and produce

⁷ Donald G. McNeil, “Painkillers in Short Supply in Poor Countries”, *New York Times*, 9 October 2007.

⁸ Ibid.

⁹ Donald G. McNeil, “Drugs Banned, Many of the World’s Poor Suffer in Pain”, *New York Times*, 10 October 2007.

¹⁰ Donald G. McNeil, “In India, a Quest to Ease the Pain of the Dying”, *New York Times*, 11 October 2007.

¹¹ “Afghanistan poppies”. Unpublished Macfarlan Smith report, September 2007.

concentrate of poppy straw (CPS) in the context of a modern mechanised agriculture that resorts for the most part to combine harvesters on large tracts of cultivated land. Because opium harvesting is a long and arduous manual process it requires a numerous and, above all, cheap local workforce if the opium and morphine production process is to be economically viable. This, along with international agreements derived from the role of the opium economy in the country's colonial past, explains why India is the world's sole legal producer of opium for export.

But Indian opium production is also viable because it benefits from a preferential access to the large US market in spite of very high opiates production costs: in 1999 the production costs for the equivalent of 1 kilogramme of morphine was US\$ 56 in Australia, under the CPS system, compared to US\$ 159.77 in India. In Afghanistan, the production of one kilogramme of morphine equivalent is approximately US\$ 450¹². At such a price legal Afghan opiates could hardly be marketed. Afghan CPS production is also very unlikely because shifting to the CPS method would only increase national agricultural unemployment and poverty. In any case, such a shift would be most difficult to implement for CPS production requires considerable water inputs not readily available in Afghanistan.

Of course, since many countries already produce raw opium materials to make morphine, codeine and thebaine, and have significantly increased the concentration of alkaloids in opium poppy plants, the INCB, pursuant to the 1961 Single Convention on Narcotic Drugs, wishes "to avoid the proliferation of supply sites" in order to prevent diversion of opium licitly produced poppy plants and seeds to the illicit market. Needless to say, diversion from the licit to the illicit market occurs much more easily with opium than with concentrate of poppy straw, as the Indian case amply illustrates.

In India, legal opium production occurs in selected areas of the states of Madhya Pradesh, Uttar Pradesh, and Rajasthan. The Indian Central Government sets an Opium Minimum Qualifying Yield (MQY) according to the yields reported by farmers in previous years. During the 2004-2005 crop year (8,770 licensed hectares) MQY of 58 kg/ha in Madhya Pradesh and Rajasthan, and of 49 kilograms in Uttar Pradesh had to be achieved by opium farmers to be eligible for the renewal of their license in 2005-2006. Cultivators are issued a license for growing poppies and the entire opium produced by all farmers is purchased by and only by the Central Bureau of Narcotics (CBN) at a price fixed by the Central Government. The price paid to the farmers depends on the yields achieved, with farmers producing more opium getting paid a higher price per kilogram. In 2004-2005, the minimum price paid per kilogram was 750 rupees (US\$ 17) for yields up to 44 kg/ha. The maximum price paid was 2,200 rupees (US\$ 50 /kg) for yields above 100 kg/ha. The average national yield was 56 kg/ha and was paid at a price of 1,150 rupees/kg (US\$ 26)¹³. However, it is important to bear in mind that in an effort to better prevent diversion to the illicit market, in 2004-2005 the maximum licensed area to be cultivated in opium poppies per productive unit was 0.10 hectare. Therefore, the maximum income that Indian farmers can derive from legal opium production is restricted by fixed prices and by limiting the size of the area that each one of them may cultivate.

¹² David Mansfield, 2001, "*An analysis of licit opium poppy cultivation: India and Turkey*": 7. Unpublished document available on www.geopium.org.

¹³ Ministry of Finance, Government of India: http://finmin.nic.in/the_ministry/dept_revenue/revenue_headquarters/nc-I/index.html (visited on 7 January 2006).

With such low prices paid to the Indian opium farmers¹⁴, diversion to the illegal market, where opium can fetch prices as much as 4 to 5 times higher than the minimum government price, clearly takes place (there is no reliable estimate of such diversion). The 2005 International Control Strategy Report of the US Department of State stresses that “in 2004, the Government of India discovered and shut down six morphine base laboratories in India’s opium growing areas; four in Uttar Pradesh and two in Madhya Pradesh”. The fact that the Central Government raises the MQY and the official price paid to farmers is clearly not enough to keep some farmers from diverting part of their harvest to the illegal market. It is worth noting that the CBN recently tightened its control on opium farming and against diversion, drastically lowering the number of hectares licensed (from 21,141 in 2003-2004 to 8,771 in 2004-2005) and the number of farmers licensed (from 105,697 in 2003-2004 to 87,682 in 2004-2005)¹⁵. Yet, large-scale diversion of its legal opium to the illicit market is not the only problem in India since illicit opium poppy cultivation is also very prevalent: 6,200 hectares of illegally grown poppies were eradicated in West Bengal State alone in 2007. The same year, 800 hectares were eradicated in Arunachal Pradesh out of an estimated 2,000-hectare cultivated surface. In 2007 again, Maoist rebels allegedly resorted to illicit poppy cultivation on 8,000 hectares in Jarkhand state¹⁶. As illicit cultivation is most likely larger¹⁷ – yet unaccounted for by UNODC in its global estimates – than licit cultivation in a country such as India, where the state is in a much stronger position than in Afghanistan, it is difficult to see how licensing Afghanistan’s opium production could prevent more poppies to be grown for the illicit market¹⁸.

The Shortcomings Of Opium Licensing In Afghanistan

The proposal to license opium production in Afghanistan thus raises an important question: would prices paid to opium farmers be high enough to provide them with sufficient net returns and to enable the development of Afghanistan’s rural economy while, in the mean time, prevent opium diversion from the licit to the illicit market? In Afghanistan, opium prices have varied greatly during the last decade, ranging from US\$ 23 to US\$ 350 per kilogram of fresh opium at harvest time. In 2005, the average farm-gate price of fresh opium at harvest time was US\$ 102 per kilogram (average yield: 39 kg/ha) and 309,000 families, or about 2 million people (8.7 per cent of the population) were involved in opium poppy cultivation, itinerant workers not included. Such prices, which are far from enriching Afghan opium farmers but allow them to simply cope with poverty, only need to be compared to Indian prices to realise that licit opium production in Afghanistan could not compete with

¹⁴ In late December 2007, the Indian press reported that poppy growers from Uttar Pradesh were increasingly switching from opium to vegetable production, not only because of advantageous returns but also because of smaller constraints and pressure from the narcotics department and from smugglers and traffickers: Indo-Asian News Service, “*Farmers abandoning opium cultivation in Uttar Pradesh*”, 30 December 2007.

¹⁵ Government of India (GOI), 2006, *Annual Report 2005-2006*, Ministry of Finance, New Delhi: 113-116.

¹⁶ Sanjay Dutta, Pradeep Thakur, “*6,000 hectares of opium crop destroyed in WB*”, *Times of India*, 5 May 2007; Surajit Khaund, “*800 hectare of opium cultivation destroyed in Arunachal*”, *The Assam Tribune*, 16 July 2007; Amarnath Tewary, “*India rebels turn to poppy for funds*”, *BBC News*, 29 May 2007.

¹⁷ The Indian Central Bureau of Narcotics revealed in 2008 that, in 2007, the country’s illicit opium poppy cultivation was more important than licit cultivation, indicating that 7,753 hectares of illicit poppy cultivation had been eradicated in 2007 when only 6,300 hectares had been licensed for legal cultivation: Pradeep Thakur, “*Illicit Opium Trade Thriving in India: Narcotics Bureau*”, *The Times of India*, 7 March 2008.

¹⁸ See : Frédéric Grare, 2008, *Anatomy of a Fallacy: The Senlis Council and Narcotics in Afghanistan*, The Centre for International Governance Innovation, Working Paper n° 34, February 2008.

illicit opium production, that most opium farmers would still have to give up opium production while the others would see their revenues plummet, and that, considering the limited writ and power of the Afghan authorities, diversion from the licit to the illicit market would be unavoidable and would reach much higher proportions than in India.

In the Afghan sharecropping system, opium poppy cultivators keep only a small share of the revenue generated by opium cropping: 30 per cent of the crop goes to the landowner, 10 per cent goes to the Islamic tithes (*ushr*), and 15 per cent to 25 per cent goes to seasonal harvesters that labour intensive opium harvesting requires to hire. Still, most of the poor opium poppy cultivators sell the crop in advance at prices that are often around half the harvest price. In such a case, a sharecropper typically ends up receiving only half of the third of the opium crop that is left after the aforementioned deductions have been made. Considering the average licit Indian prices and opium yields, and the fact that Afghan opium cultivators produce opium on average on only one fifth of a hectare, licit opium production is very unlikely to be a solution since it would basically require maintaining opium farmers into poverty to be economically viable.

Conclusion

Licensing opium production in Afghanistan would clearly not be more successful than eradication or alternative development at addressing the causes of the recourse to illegal opium production and would thus fail to fulfil the international community's objective: the suppression of illegal opium production. If crop substitution proved to be a failure in the past, why would the substitution of an illegal opium production for a legal opium production work better by reducing farmers' income and not addressing the structural factors causing illegal opium production?

It is crucial to understand that, contrary to what has often been denounced here and there, opium production is more a consequence of Afghanistan's lawlessness, instability, and poverty than its cause. As this paper has tried to show, opium production clearly proceeds from poverty and food insecurity, from Afghanistan to Burma and Laos, where it is a coping mechanism and a livelihood strategy. Opium production is a vital element in livelihood strategies of part of the Afghan rural population, providing peasants not only with a source of income, but also with access to land and credit. More than opium production as such, it is therefore poverty and the shortcomings of the Afghan agrarian system that should be tackled if illicit opium production is eventually to be curtailed.