

# **Missed Windows of Opportunity in the Georgian-South Ossetian Conflict – The Political Agenda of the Post-Revolutionary Saakashvili Government (2004-2006)**

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## **Summary**

*This essay focuses on the performance of the Georgian side as main actor in the Georgian-South Ossetian conflict and identifies windows of opportunities that the Georgian central authorities did not seize during the first two years of the first incumbency of President Mikhail Saakashvili. The text refers mainly to comments and background analyses of Georgian experts in order to avoid a possible Western bias. The final part of the text elaborates on the question, whether or not some of the missed opportunities could be reanimated in the context of the current post-conflict situation.*

## **Introduction**

Learning from history implies the search for missed opportunities. Conflicts erupt in a context of wrong decisions, omissions and misinterpretations. The history of the Georgian- South Ossetian conflict<sup>1</sup>

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<sup>1</sup> A precedent to the later Georgian-South Ossetian conflict can be traced back to early Soviet times, when Ossetian clans joined the Russian Soviet Republic in 1918, refusing to become part of the newly-created Democratic Republic of Georgia (1918-1921). In response, Georgia launched several punitive expeditions into Ossetia. The existing historical frictions deteriorated in the winter of 1989-1990 after the South Ossetian Autonomous Region declared on 10 November 1989 separation from the Georgian SSR and unification with the North Ossetian Autonomous SSR in response to nationalist policies of the then Tbilisi leadership. Uncontrolled military actions continued for three months and were stopped by the Soviet Army. During the

is riddled with human errors. The current international discourse on the reasons and factors of the five-day war of August 2008 focuses primarily on political developments shortly before the outbreak of the far-reaching violent conflict. The following text concentrates on the years 2004 to 2006 to trace various missed windows of opportunity for a durable peace-building process. During this period, the newly elected Saakashvili government emerged as driving force in the ongoing negotiation process and was in the favourable position to create a new framework for the political settlement of the Georgian-South Ossetian conflict. In this context, the essay elaborates on the main features and shortfalls of the peace agenda, put forward by the post-revolutionary Georgian government.<sup>2</sup>

## Retrospective on the Shevardnadze era

Already during the era of the Georgian President Eduard Shevardnadze (1992 – 2003), the Georgian-Ossetian conflict was perceived by international observers as “frozen”. Despite a full decade of political stalemate climate with the occasional exchange of harsh official

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presidency of Zviad Gamsakhurdia (1990-1991), Tbilisi toughened its "*Georgia for Georgians*" policy and attempted to solve "*the Ossetian Problem*" militarily. On 9 December 1990, the Supreme Soviet of Georgia abolished the South Ossetian Autonomous Region and declared a state of emergency.

An offensive of the Georgian Interior Ministry troops, which started on 6 January 1991, resulted in an escalation of the conflict, during which thousands of Ossetians and Georgians were killed or wounded. On 20 January 1991, the Georgian units, having encountered tough resistance, left Tskhinvali. On 22 May 1992, the Supreme Soviet of South Ossetia adopted an Act of State Independence. The conflict remained frozen under president Shevardnadze after signing of the Dagomys Accords in Sochi, on 14 June 1992. In consequence to the Accords, the stationing of Russian, Georgian and Ossetian peacekeepers as tripartite peacekeeping force was agreed upon.

<sup>2</sup> On 22 November 2003 massive anti-governmental street protests connected to election results falsification during parliamentary elections of 2 November 2003 led to the forced interruption of the constituting parliamentary session by opposition members (entering the building with roses in their hands) and the resignation of President Shevardnadze on 23 November 2003. Those events are referred to as the “Rose Revolution”. New Parliamentary elections were held on 28 March 2004, with a large majority won by the Saakashvili-supporting National Movement - Democrats.

statements, all sides involved adhered to existing dialogue mechanisms to avoid further complication of the status quo.<sup>3</sup> It might be argued that the situation remained stable during the governance of President Shevardnadze due to the effective mechanism of the quadripartite Joint Control Commission (JCC)<sup>4</sup>, which was initiated in 1994, on the one hand and the Georgian-Ossetian treaty, signed in 1996 on the non-use of force, on the other hand. Yet on closer examination, a well-balanced “tit for tat” policy among the conflict stakeholders outside the established framework of international conflict resolution mechanisms appears as the overarching stabilisation factor. To put it more precisely: Georgian authorities, Tskhinvali de-facto authorities together with representatives of the Russian Federation were relying on well-functioning unofficial communication channels related to common “grey economy” activities<sup>5</sup> – i.e. large-volume cross-border trading – until the fall of the Shevardnadze government. Against this background, the cultivation of a

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<sup>3</sup> Heinrich, Hans-Georg: OSCE Conflict Management in Georgia: The Political Context. In: Institute for Peace Research and Security Policy at the University of Hamburg (Ed.): OSCE Yearbook 2001. Baden-Baden 2001, pp. 211-215.

<sup>4</sup> The Joint Control Commission (JCC) was set up as a result of the Dagomys Accords of June 1992. The JCC included Georgian, Russian, North Ossetian and South Ossetian representatives. Under JCC mandate the Joint Peacekeeping Forces (JPKF) with Georgian, Russian and Ossetian soldiers was established, limited to 500 soldiers from each entity.

<sup>5</sup> Regulatory economic procedures like tax and customs were administered in a way that allowed officials to extract illicit payments from private enterprises and individuals. Border-crossing commerce was regarded as being riddled with corruption. See: Papava, Vladimir/ Kaduri, Nodar: On the Shadow Political Economy of the Post-Communist Transformation. In: Problems of Economic Transition 40(6)/1997, pp.15-34.

Darchiashvili, David/ Tevzadze, Gigi: Ethnic Conflicts and Breakaway Regions in Georgia. Discussion Paper 9, International Institute for Democracy and Electoral Assistance. Stockholm 2003.

Chkhartishvili, David/ Gotsiridze, Roman/ Kitsmarishvili, Bessarion: Georgia: Conflict Regions and Economics. In: Champain, Phil/ Klein, Diana/ Mirimanova, Natalia (Eds.): From War Economies to Peace Economies, International Alert. London 2004, pp. 120-157.

Kukhianidze, Alexandre/ Kupatadze, Alexander/ Gotsiridze/ Roman: Smuggling Through Abkhazia and Tskhinvali Region of Georgia (American University Transnational Crime and Corruption Centre, Georgia Office). Tbilisi 2004.

“hidden” common agenda proved to be fertile soil for a general climate of mutual trust.

## **The First Missed Window of Opportunity: Trust Building Measures**

Within four months after the presidential elections in January 2004<sup>6</sup>, after Mikhail Saakashvili assumed office, the newly installed Georgian government succeeded in regaining control over Adjara, one of the breakaway regions in West Georgia.<sup>7</sup>

In early May 2004, Tskhinvali followed the ousting of Aslan Abashidze, the local potentate of Adjara, with utmost concern, since a continuation of Tbilisi’s ambitious territorial restoration policy seemed likely. Despite high-level Georgian-Ossetian meetings<sup>8</sup> and a public statement of President Saakashvili, offering autonomy to South Ossetia within a federal state<sup>9</sup>, the general perception on the South Ossetian side was that Tbilisi was going to apply the “Adjara scenario” to South Ossetia.

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<sup>6</sup> On 4 January 2004, Mikhail Saakashvili won an overwhelming victory in the Georgian Presidential election and was inaugurated as President of Georgia on 25 January 2004. With a voter turnout of 86,2% Saakashvili received 96,3% of the votes cast. As in previous elections no polling took place in Abkhazia or South Ossetia.

<sup>7</sup> Mikhail Saakashvili was refused entry into Adjara to campaign for the regional presidential elections on 28 March 2004. In response Saakashvili put the Georgian armed forces on alert. On 2 May 2004 Adjarian leader Aslan Abashidze ordered the demolition of two bridges linking Adjara with the rest of Georgia. In response Georgian authorities gave the province ten days to disarm its militias. On 4 May 2004, Adjarian security forces broke up protests against Aslan Abashidze in Batumi, the capital of Adjara. The following day, street protests intensified, Abashidze resigned and left Adjara, flying to Moscow with his family.

<sup>8</sup> According to the testimony of Erosi Kitsmarishvili before a Georgian parliamentary commission on 25 November 2008, Irakli Okruashvili – appointed as Interior Minister on 10 June 2004 – was engaged in informal direct talks with Eduard Kokoity between May and August. 14-16 July 2004, Georgian Minister for Conflict Resolution, Giorgi Khaindrava, met with representatives from North Ossetia and South Ossetia in the framework of the JCC in Moscow.

<sup>9</sup> On 26 May 2004, President Mikhail Saakashvili outlined in a presidential statement his commitment to discuss a solution based on a federal state granting South Ossetia

At this point, trust building measures would have been of decisive importance for any further developments in the Georgian-South Ossetian peace-building process, creating sort of an introductory blue print for the newly installed government. In this regard, the new government was in the rather privileged position to start from a partly “*tabula rasa*” situation since Moscow initially showed itself open for a new agenda.<sup>10</sup>

As a matter of fact, the new Georgian leadership did not meet the challenge to lessen fears on the Ossetian side and to create a durable negotiation basis with Russia. Another shortcoming was the lack of “patience” at the negotiation level, as the young Saakashvili team did not pay appropriate attention to the necessity of displaying diplomatic continence vis-a-vis its Ossetian opponent. The position of Tskhinvali’s leadership in regard to the political status of the breakaway region had not changed for more than one decade. Therefore, any assumption that South Ossetia would quickly drop its aspirations for sovereignty in favour of a federal state solution was unrealistic.

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autonomy status within a sovereign Georgian state. In response, South Ossetian Foreign Minister Murad Djioev declared that South Ossetia was a sovereign state and while the Tskhinvali leadership was ready for talks on resolving the conflict it should not lead to the creation of a unified state.

<sup>10</sup> “In February 2004 in a capacity of the Georgian President’s special envoy I [ Erosi Kitsmarishvili ] was sent to Moscow to organize the first meeting between President Saakashvili and then Russian President Vladimir Putin; ...The first thing Russians told us was that they were starting relations with the new authorities in Tbilisi with an empty paper, because it was a totally new government, which came into power through the peaceful revolution; so Russians were telling us that they wanted to build formats for resolving those problems, which existed between the two countries for years”.

See: Civil Georgia Online: Ex-Envoy’s Hearing at War Commission Ends in Brawl (25 November 2008). <<http://www.civil.ge/eng/article.php?id=20026>>, accessed on 30 April 2009.

On Russian position see also:

Champain, Phil/ Klein, Diana/ Mirimanova, Natalia (Ed.): From War Economies to Peace Economies in the South Caucasus. International Alert. London 2004.

Starting with 31 May 2004, the Saakashvili government engaged in a confrontational strategy vis-a-vis Tskhinvali and Moscow<sup>11</sup>, which reached its climax in August and September. It was not before late September 2004 that first substantial trust-building efforts were initiated from the Georgian side. Yet, the once open window of opportunity was already closed. The unexpected and sudden crack-down on black market commerce, starting in May 2004 together with the mobilisation of Georgian special forces had left traces in the collective consciousness of the South Ossetian population and significantly lessened the effect of any trust-building efforts, which were later initiated by Tbilisi.

In regard to the uncompromising performance of the Saakashvili government shortly after the fall of Abashidze, critical observers point in the first place at the lack of governance experience of the newly installed political leadership:

“One of the flaws of the new authorities is that they continue to use the revolutionary style and apply the principles of revolutionary expedience in solving the problems (...)In the case of Adjara, the revolutionary style worked, but later, continued use of this style created serious problems in terms of governance and administration. The activities which were conducted informally, behind closed doors, which neglected the law and prompted the misuse of power by officials ended in a serious failure, for example, in breakaway South Ossetia. We can openly say that the government’s campaign failed in South Ossetia”<sup>12</sup>.

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<sup>11</sup> On 31 May 2004 Georgia deployed 300 Interior Ministry troops to the Georgian populated village Tkviavi in South Ossetia following an alleged threat from the commander of the Russian contingent of the three nation peacekeeping force. On the same day, an “Anti Smuggling Operation” started and street blockades were erected at Nikozi, Tkviani, Pkvenisi and Eredvi villages.

On anti-smuggling operation see: Mirimanova, Natalia/ Klein, Diana (Eds.): Corruption and Conflict in the South Caucasus. International Alert. London 2006. The so-called “South Ossetian military campaign”, launched on 18/19 August 2004 with approximately 3 000 troops deployed ended in failure. According to the Georgian military expert Kakha Katsitadze, the campaign was not planned effectively.

<sup>12</sup> Civil Georgia Online: Interview with legal expert Davit Usupashvili (1 November 2004). <<http://www.civil.ge/eng/article.php?id=8231>>, accessed on 30 April 2009.

Even though some members of the new Saakashvili government team like Giga Bokeria, the Vice Foreign Minister of Georgia, have been aware at an relatively early stage that it was advisable to implement goodwill measures in regard to the South Ossetian issue<sup>13</sup>, the official rhetoric on the idea of trust-building remained focused only on the South Ossetian population and excluded the political leadership of the breakaway region.

In sharp contrast to previous Shevardnadze authorities, the new Saakashvili cabinet directed its efforts towards undermining the political standing of the South Ossetian de facto President Eduard Kokoity instead of pursuing dialogue.<sup>14</sup>

The Georgian observer, Archil Gegeshidze, offers the following explanation for the failure of this delayed as well as one-sided trust-building strategy:

“Current Georgian President Mikhail Saakashvili’s previous attempt in 2004 to break a twelve-year deadlock and take another step to restore Georgia’s territorial integrity by undermining the regime in Tskhinvali was misguided,

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<sup>13</sup> “We intend to strengthen our policy towards holding dialogue with the people. However it would be rather unrealistic to speak about particular dates now. The situation in the Tskhinvali region completely differs from that which was in Adjara. In Adjara, 99% of the population identify themselves with the Georgian state. Abashidze’s regime was the only problem existing in Adjara. Therefore, we did not need much campaigning among the local population there. ...As for South Ossetia, we have to convince our Ossetian compatriots of the goodwill of the Georgian authorities and the Georgian people; we have already made serious progress in this regard. At the same time, the civil society is significantly weak there, as compared with Adjara”. See: Civil Georgia Online: Q&A with MP Giga Bokeria over South Ossetia (26 July 2004). <<http://www.civil.ge/eng/article.php?id=7489&search=Q&A%20with%20MP%20Giga%20Bokeria%20over%20South%20Ossetia>>, accessed on 30 April 2009.

<sup>14</sup> Ibid.: “Simultaneously, we are working towards establishing ties with those who serve in Kokoev’s administration. To be sure, among them are many persons who wish this regime to be changed. We work in this direction very actively and the results will become obvious very soon, however it will need some time. ...The fate of Eduard Kokoev depends only on him. However, I do not think that he will change his opinion regarding the current situation. Kokoev rejects any dialogue over the status of the breakaway region within the Georgian state. Hence, we have to talk with the Ossetian people by bypassing him; there are many people in his regime who wish to talk with us”.

ignoring the fact that only a comprehensive approach to conflict resolution will result in a sustainable peace.

The Georgian approach failed in large part because it was based on a limited analysis of the causes of the conflict. It falsely considered that South Ossetia's de facto president, Eduard Kokoity, had little democratic legitimacy or popular support and that the people would rapidly switch loyalties from Tskhinvali to Tbilisi"<sup>15</sup>.

When Mikhail Saakashvili presented the so-called "three-stage" peace plan on the settlement of the Georgian-Ossetian conflict at the 59th Session of the UN General Assembly on 21 September 2004, the South Ossetian leadership claimed not to have been consulted on the plan.<sup>16</sup>

Tskhinvali was more than reluctant to react in favour of the "three-stage" plan, which was presented in a revised and expanded form by President Saakashvili, speaking at the Parliamentary Assembly of the Council of Europe on 26 January 2005. The South Ossetian response came in late December 2005, after the first version of the peace plan was already drafted into a detailed "Action Plan", presented by the Georgian Prime Minister Zurab Noghaideli to the OSCE Permanent Council in Vienna in October 2005. According to the time schedule of this "Action Plan", a final political solution was envisaged by the end of 2006.

Kokoity's peace plan version rejected the idea of conflict settlement within the short period of one year, included all points, unveiled at the UN General Assembly in 2004 and coincided with Tbilisi's three-stages proposal, which called for demilitarization of the conflict zone, confidence-building and security guarantees during the first stage, social-economic rehabilitation at the second stage and a political settlement during the third stage. It should be mentioned at this point that the Ossetian initiative could only materialise with Moscow's explicit approval of Georgia's peace plan; Kokoity's request to absorb

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<sup>15</sup> Gegeshidze, Archil: Conflict in Georgia: Religion and Ethnicity. In: Kilpadi, Pamela (Ed.): Islam and Tolerance in Wider Europe, Open Society Institute. Budapest 2006, pp.62-69, citation p. 63.

<sup>16</sup> The full text of the peace plan was posted on the official website of President Saakashvili in late March 2005 (<http://www.president.gov.ge>).



South Ossetia into the Russian Federation had been rejected by Moscow authorities on several occasions.

However, Russian officials, having been involved in the Georgian-South Ossetian peace process, indicated that during the second half of 2005, the Saakashvili government started to pressure for a comprehensive political settlement at an earlier stage than at “Stage Three”, as scheduled in the activity timeframe of the initial “three-stage” peace plan.<sup>17</sup>

In fact, such kind of substantial strategy change on the Georgian side towards settling the Ossetian issue proved to be continuous reason for a rather limited trust level and renewed armed tensions. At the beginning of the year 2006, the representatives of the Joint Control Commission were once again confronted with the danger of a renewed armed conflict like in summer 2004.

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<sup>17</sup> “The Georgian side understands that it is counterproductive to hold essential talks over political settlement without resolution of the issues of the first two stages”. See: CAUCAZ.COM Breaking News: JCC to Discuss Kokoity’s Peace Proposals (25.12.2005). <[http://www.caucaz.com/home\\_eng/depeches\\_detail\\_imprim.php?idp=482](http://www.caucaz.com/home_eng/depeches_detail_imprim.php?idp=482)>, accessed on 30 April 2009.

“There’s no need to invent something new here. The approximate guidelines were voiced by President Saakashvili in September 2004 at the 59th UNGA Session, where he formulated a three-stage scheme for settlement: the economic and social rehabilitation of the conflict zone, its demilitarization and decriminalization and the determination of South Ossetia’s status. The three-stage principle received development in the counter-initiatives of Eduard Kokoity. In December 2005 the South Ossetian leader proposed that a working group be set up within the JCC to prepare a program of peaceful settlement based on this principle (demilitarization coupled with trust restoration and security guarantees; socioeconomic rehabilitation; political settlement). The working group was formed exactly two years ago and was ready to operate. But the Georgian side preferred to backpedal immediately”. See: Interview with Yuri Popov, Russian Co-Chair of the JCC for Georgian-Ossetian Conflict Resolution. In: *Izvestia*, 28.5.2008.

## **The Second Missed Window of Opportunity: Ergneti Market**

South Ossetia is connected through the Roki Tunnel<sup>18</sup> with North Ossetia-Alania in the Russian Federation. Even before the Kazbegi-Verkhni Lars customs checkpoint along the Georgian Military Road was closed in June 2006, the constant heavy transport flow through the Roki tunnel connection was of high economic importance for the political leadership in Tskhinvali. During the Shevardnadze era, the de facto South Ossetian authorities had used tolls levied on tunnel traffic as one of their main sources of revenue and developed South Ossetia into a lucrative North-South trafficking conduit.

One of the main destinations for the smuggled goods from the Russian Federation was the Ergneti market, considered as the main trading point in the South Caucasus region.

For more than one decade the Ergneti market, located one kilometre south from Tskhinvali and 20 kilometres north from Gori (main town in Shida Kartli region), had served as a shipment hub for untaxed goods from Russia, mainly food and petrol. According to the estimate of Mikhail Kareli, governor of Shida Kartli region between 2004 and 2006, the illegal market reached its peak with an annual turnover of 120 million US dollars, with 80% of the trade conducted by Ossetians and the rest by Georgians.<sup>19</sup> Against this backdrop, Tskhinvali was cut off from its economic lifeline, when the Georgian tax police department erected street blockades and deployed police staff in May 2004.

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<sup>18</sup> The tunnel, completed by the Soviet authorities in 1985, is one of the few routes that cross the North Caucasus Range. It is at about 2 000 meters altitude and 3 660 meters long, and near the Roki Pass at about 3 000 meters altitude, which can only be used in summer.

The Old Ossetian Military Road, which crosses at Mamison Pass from Georgia to North Ossetia is not passable for trucks and therefore negligent. In breakaway Abkhazia the Gantiadi-Adler crossing connects with the Russian Federation.

<sup>19</sup> Vilanishvili, Nana: Smuggling Row hits Georgian Town (22 April 2005).

<[http://www.iwpr.net/?p=crs&s=f&o=239752&apc\\_state=henicrs200504](http://www.iwpr.net/?p=crs&s=f&o=239752&apc_state=henicrs200504)>, accessed on 30 April 2009.

The introduction of a vigorous tax collection system was one of the economic policy pillars of the newly consolidated Saakashvili government. As a consequence, one of the first target groups for the newly introduced tax enforcement were local officials and businessmen in Gori, which were known to gain huge profits from Russian and Ossetian trade connections. In this context, the large-scale anti-smuggling operation of late May 2004 was not merely directed against South Ossetia and its leadership. A more detailed analysis reveals that at least two population segments on the Georgian side lost their income basis as a result of the closure of the Ergneti market: wealthy entrepreneurs in the transport and distribution sector together with rank and file citizens in the retail sale sector. Thousands of Gori residents and Hundreds of Tbilisi residents had made a living of frequently driving to Ergneti market and purchasing tax-free cigarettes, alcohol or food items in order to sell untaxed import goods on the street.<sup>20</sup>

Further, it should not be overlooked that anti-smuggling initiatives also started to be carried out along the Armenian-Georgian border in Samtskhe-Javakheti region and at Georgian-Azerbaijani border check points in the Kvemo Kartli region. Insofar, the initiative along the South-Ossetian trading route was part of a country-wide conducted “anti-corruption” viz. “anti-contraband” campaign. This campaign was orchestrated by publications which portrayed the target regions like Abkhazia and South Ossetia as criminalised societies:

“The self-proclaimed republics created zones with high concentrations of weapons among the population, and first of all among criminals. Smuggling through Abkhazia and the Tskhinvali Region takes place in an atmosphere of rooted violence, innumerable assassinations, kidnappings, hostage takings, and numerous other serious crimes”<sup>21</sup>.

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<sup>20</sup> A significant percentage of IDP households from the Abkhaz war 1992-93 derived their income from selling tax-free products in the streets of Tbilisi and other big towns, unable to integrate in limited local labour markets. One economic reform measure of the early Saakashvili government was the prohibition of street kiosks outside market areas. This policy aimed at gaining control over the urban retail commerce, but as a consequence deprived hundreds of Georgian households of their main income source.

<sup>21</sup> Kukhianidze, Alexandre/ Kupatadze, Alexander/ Gotsiridze, Roman: Smuggling Through Abkhazia and Tskhinvali Region of Georgia. American University Transnational Crime and Corruption Centre, Georgia Office. Tbilisi 2004, p.6.

When the Georgian Prime Minister Zurab Zhvania and South Ossetian President Kokoity met on 5 November 2004 in Sochi to discuss ways to lessen ongoing tensions, the Georgian side refused to consider the withdrawal of the Financial Police from the Tskhinvali-Gori border region claiming that such a move would lead to the restoration of the Ergneti market. Yet, a few months later the establishment of “free economic zones” in South Ossetia was already added as a viable option to President Saakashvili’s peace plan, presented to the Council of Europe in January 2005.

In late 2006, a series of political scandals brought to light that large scale smuggling was a still ongoing phenomenon on the route between Vladikavkaz, Tskhinvali and Gori. The time-tested trafficking routes had been simply taken over by stakeholders of the new political elite.<sup>22</sup> It then became public evidence that the Vladikavkaz-Tskhinvali-Gori trading route had developed its own specific networking dynamics, which were not to be stopped by occasional governmental campaigns or arrests. In other words, the broadly campaigned “anti-contraband” campaign of 2004-05 had failed in the South Ossetian case.

When identifying the Ergneti market as a missed window of opportunity, two reasons have to be highlighted: firstly Ergneti market had been a highly valuable venue for inter-ethnic encounter and Ossetian-Georgian co-operation at all levels; secondly the existing trading networks around Ergneti market could have served as a starting point for a future step-by-step integration into the legal national market.

As for the first, second-track diplomacy is frequently quoted as peace-building means against the scenario of frozen conflicts. In fact, the Ergneti market was a perfect example for well functioning people’s

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<sup>22</sup> “Local people say the smuggling is still going on, but that its nature has changed. The shops in Gori still openly sell duty-free cigarettes, butter, flour and other food products which are clearly contraband. As many smuggled goods are coming in as ever”, said Gori President Gaioz Tsereteli. “Only one thing has changed. Before, it was normal villagers who dealt in it, whereas now four or five influential people have taken over”.

See: Vilanishvili: Smuggling Row hits Georgian Town.

diplomacy in a situation, where the ruling elites had failed to reach a solution in their inter-state viz. intra-state conflict. Until the year 2004, the peace process was mainly sustained by creative energies of citizens from both sides, building on areas of convergence to improve daily life. Without doubt, the Ergneti market was the key area of convergence.<sup>23</sup> The newly installed Saakashvili team lost valuable time, before it came to realize the full importance of a market place, which brought the Ossetian and Georgian ethnicities closer together.

In regard to the second reason, the unique chance of gradually transforming the Ergneti market into a free economic zone had already vanished by 2005, as the venue had been closed in June 2004. The remaining alternative for later years boiled down to the possible reactivation of a dead market venue or the opening of a new market.<sup>24</sup> The creation of one or several free economic zones was addressed repeatedly in regard to the South Ossetian issue in the years 2005-2006. But in the following years this economic trust-building option was apparently dismissed by Saakashvili authorities.<sup>25</sup>

Vladimer Papava, economic expert and senior fellow at the Georgian foundation for Strategic and International Studies (GFSIS) offers a clear hint, which considers that the current Georgian government might have stepped back from the initial idea of “free trading zones” in South Ossetia:

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<sup>23</sup> The author of this text visited the Ergneti market several times (1999 -2002) and had the opportunity to observe the location. At that time, car traffic between Tskhinvali and Ergneti was hardly controlled at the South Ossetian administrative border check point.

<sup>24</sup> Wennmann, Achim: Renewed Armed Conflict in Georgia? Options for Peace Policy in a New Phase of Conflict Resolution. PSIO Occasional Paper 3/ 2006, Geneva.

<sup>25</sup> A presidential draft law on “Free Industrialized Zones” submitted to the Georgian parliament and approved in May 2007 named only Poti and Batumi harbour area. The draft included the provision that companies operating in such zones would be exempted from profit tax, property tax and VAT. Export from the zone or transport to other parts of Georgia would be custom-free.

See Civil Georgia Online: President Submits Draft Law on Free Economic Zone (1.5.2007).

<<http://www.civil.ge/eng/article.php?id=15046&search=President%20Submits%20Draft%20Law%20on%20Free%20Economic%20Zone>>, accessed on 30 April 2009.

“The following threats are anticipated: the operations carried out on these territories [free economic zones] will be less controllable by the central authorities. Regions with large numbers of ethnic minority population, which border with our neighboring states, will try to get involved in this process. A certain capital will start to flow there under the cover of western capital to carry out the interests of some of our neighboring states and naturally, this will not always be acceptable for us”<sup>26</sup>.

## Conclusion

To put the main conclusions of this essay in a nut-shell: State-building measures overshadowed trust-building measures between 2004 and 2006, and the already achieved high level of people’s diplomacy disintegrated under the impact of a faulty diplomacy of the political elites. During the rigorously implemented state-building process of the early Saakashvili government, the informal Georgian-Ossetian relations immediately lost momentum.

The question remains, whether or not some of the missed opportunities could be reanimated in the context of the current post-conflict situation. As for the first missed window of opportunity, only a newly elected Georgian government team would be in a position to launch a “goodwill” campaign vis-a-vis the South Ossetian leadership that might be well received.

Regarding the second missed window of opportunity, the undeniable spirit of economic pragmatism on the side of the South Ossetian leadership is going to heal the wounds of the recent war quickly. Nevertheless, the political status quo has changed significantly and therefore future negotiations on a “free trade market” or “free trade zones” along the Georgian-South Ossetian administrative border line will have to be conducted in an atmosphere of “inter-state” diplomacy. Drawing on last year’s developments, Tskhinvali will definitely not accept the labelling of such negotiations as an “intra-state” initiative.

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<sup>26</sup> CAUCAZ.COM Breaking News: JCC to Discuss Kokoity’s Peace Proposals (25.12.2005). <[http://www.caucaz.com/home\\_eng/depeches\\_detail\\_imprim.php?idp=482](http://www.caucaz.com/home_eng/depeches_detail_imprim.php?idp=482)>, accessed on 30 April 2009.

The final recommendation refers again to the idea of people's diplomacy and is based on observations of Georgian as well as South Ossetian non-governmental organisations<sup>27</sup> over several years. In the Georgian-South Ossetian peace-building process until the year 2004 it was primarily the local population that launched common practical initiatives to improve living conditions, that was active in neighbourhood self-help initiatives or made a living on the inter-ethnic shadow market.

In contrast, the supposedly warning voice of civil society organisations of both conflict sides was hardly heard during the critical periods of violent clashes and armed interventions in 2004, 2006 and 2008. Georgian as well as South Ossetian NGOs did neither organise peace rallies, nor hold press conferences or organise any other public events, in order to foster Georgian-Ossetian peace-building and raise the voice against further conflict escalation. Most civil society organisations in Georgia are still located at elite level, partly affiliated with governmental institutions, rely on external funding and have not yet nested in the main sections of their society.

In this sense, it is recommendable for current international peace-building efforts in the region not to overestimate the role of local civil society organisations for the time being. Of course, the time will come when Georgian and South Ossetian NGOs will be effective implementing partners in reducing inter-ethnic tensions, calming dangerous conflict situations and changing public attitudes.

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<sup>27</sup> Vogl, Doris: The Idea of Civil Society – The Cultural Limits of a Western Concept. The Cases of the Republic of Georgia and People's Republic of China. In: Central European Political Science Review 3(7)/ 2002, pp.62-69.

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