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Master's Thesis

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DISCOVERING CONNECTIONS BETWEEN ECONOMIC AND  
POLITICAL DEPENDENCE IN THE CONTEXT OF  
RUSSIA - GEORGIA ECONOMIC RELATIONS

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I have written this Master's thesis independently. All viewpoints of other authors, literary sources and data from elsewhere used for writing this paper have been referenced.

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## ABSTRACT

This Master's thesis examines social dimension of the economic dependence and foreign policy compliance of Georgia to Russia in order to explain foreign policy choices of the governments of Georgia. According to the mainstream IPE scholarship, higher the economic dependence, more prone the dependent partner is to make political compromises for the benefit of the dominant. Though, this logic is not applicable to the case of the Georgia-Russia relations which is why economic nationalism - as the construction of set of discourses which define frame for the economic policy decisions - is brought into analysis to suggest better explanation of the connection between economic and political dependence. The 2003-2016 period is chosen as the time frame for the analysis where 2003-2007 and 2012-2016 years are analyzed with utmost scrutiny since they correspond to the periods when the governments of Georgia made contrasting policy actions towards relations with Russia: resisted to make compromises in the foreign policy when the economic dependence on Russia was high in 2006-2007 and turned to the concessions when the economic dependence was the lowest in the history of Russia-Georgia relations. The thesis elaborates a novel methodology combining the quantitative and qualitative techniques and finds that economic nationalism gives relevance to the economic dependence and triggers political concessions from the decision-makers.

**Keywords:** *Economic Dependence, Foreign Policy Compliance, Economic Nationalism, Georgia, Russia, Pro-Western Orientation, Constructivist IPE, Discourse Analysis, Case Study.*

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## LIST OF ACRONYMS

AA	Association Agreement
BTC	Baku-Tbilisi-Ceyhan
CC	Commodity Concentration
CRRC	Caucasus Research Resource Center
DCFTA	Deep and Comprehensive Free Trade Agreement
EEU	Eurasian Economic Union
EU	European Union
FDI	Foreign Direct Investment
FP	Foreign Policy
GD	Georgian Dream
GDP	Gross Domestic Product
GNI	Gross National Income
IDFI	Institute for Development of Freedom of Information
IPE	International Political Economy
ISAF	International Security Assistance Force
NATO	North Atlantic Treaty Organisation
NDI	National Democratic Institute
PACE	Parliamentary Assembly of the Council of Europe
TD	Trade Dependence
TM	Trade Magnitude
TPC	Trade Partner Concentration
TV	Television
UK	United Kingdom
UNM	United National Movement
US	United States
USA	United States of America
USSR	Union of Soviet Socialist Republics
WTO	World Trade Organization

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*“Today's reward may lay the groundwork for tomorrow's threat, and tomorrow's threat may lay the groundwork for a promise on the day after tomorrow”.* (David A. Baldwin)

## **INTRODUCTION**

Economic interactions between states are deepening increasingly in the world and economically powerful subjects compete with one another for the new economic partners. Economic interdependence is believed to be beneficial as it maximizes the profit by division of labour between the parties. But, since the relationship cannot be equally important for both partners, interdependence is asymmetric in nature giving one of the parties in the relationship more power over the other. This kind of economic advantage of a country can be converted to political power/influence to make the more dependent partner do what it would not have done if there was no threat of deterioration or suspension of economic relations with the economically more powerful state.

Countries of the South Caucasus region have recently become targets for the competition between the economic projects of the European Union (EU) and Russia. Both Russia and the EU have been trying to promote their own economic blocks/regimes, the Eurasian Economic Union (EEU) and the preferential regime introduced by the Deep and Comprehensive Free Trade Agreement (DCFTA) respectively. Nevertheless, the South Caucasian states significantly differ from one another, and therefore the results of the EU-Russia competition are also different: Azerbaijan successfully follows its neutral foreign policy and is unwilling to join any economic or political block owing to its relative independence in economic terms; Armenia, on the other hand, decided to join the Russia-led Eurasian Economic Union and, in this way, eliminated the possibility of having Association Agreement (AA) or the DCFTA<sup>1</sup> with the European Union (Russia today, 2014) which Georgia signed in June 2014. The EU acknowledged the choice of Armenia and modified their economic cooperation according to the given reality. On the contrary, Russia resisted the AA between the EU and Georgia by warning about its anticipation of

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<sup>1</sup> It is impossible to be part of these two different economic regimes simultaneously.

possible negative consequences for Georgia (Rianovosti, 2014). Nevertheless, Russia-Georgia economic relations kept on intensification which favored the government and the population alike in Georgia, and, at the same time, raised fears of insecurity in the country. Both reactions are based on the historical experience.

Since its independence, Georgia has had strong economic ties with Russia. Though, this relationship was asymmetric – Russia held a dominant position by being the first trading partner for Georgia in terms of the economic exchange before suspension of trade in 2006, while the share of trade with Georgia was only a small portion of Russia's international trade (Georgian Foundation for Strategic and International Studies, 2011, p.53). From 2004 to 2006, Russia used this advantage several times with the aim of influencing the Georgian government to abandon its pro-Western foreign policy direction, such as through mass deportations of Georgians from Russia, doubling the gas price, cutting transport links and by imposing sanctions on Georgian goods imported to Russia (Jafalian, 2013, p.109). Such strained economic relations lasted for six years and only began to improve when the new Georgian administration re-opened negotiations with Russia in 2012. As a result of the renewed trade, by 2014, Georgian exports to Russia made up 10 percent of total Georgian exports, which was over five times higher than in the period between the 2006 and 2012-elections and two percent higher than by the pre-embargo period in 2006 (National Statistics of Georgia). This difference raised the expectations of vulnerability of Georgian economy. In other words, in case Georgia was again subject to the economic sanctions imposed by Russia, the consequences seemed to be more serious compared to what was before, since the Georgian export to Russia is 3-4 times higher now compared to 2006 (Ministry of Economy of Georgia, 2016, pp. 1, 9).

At the same time, Russian market has been very attractive for Georgian companies and ordinary civilians in terms of trade and labour opportunities. And, this is why many Georgians still strongly anticipate to resume their old networks in Russia and to benefit from the improving Russia-Georgia economic relations. It is noteworthy that the 2006 economic crisis was more the result of the strong intolerance and adverse criticism of the then ruling government of Georgia by the Kremlin for its intense Anti-Russian and pro-Western public statements. Even though their political rankings went down in the public

opinion polls after suspension of economic relations with Russia, the Western support given to the Georgian government during and after the 2008 August war helped them rebuild some trust in the population.

Considering these developments, the case of Georgia can give new insights on how the interdependence works. The recent economic rapprochement of Georgia to Russia raised negative reflections in the local and international media as well as in expert circles that Russia is strengthening its leverage to meddle in the political affairs of Georgia, making it vulnerable to political consequences of economic pressure. These voices strongly recommended the Georgian government and its western partners to carefully estimate the costs of the effects of Russian economic policies in Georgia (Kakachia, Kakhishvili, & Minesashvili, 2014) (Newnham, 2015). It is believed that dependence on the Russian economy bears not only the threat of short/medium-term economic shocks for Georgia, but also the threat of political dependence. This argument is supported by the reiteration of the orientalist view that Georgia falls within the Moscow's privileged spheres of influence. From the economic viewpoint, an additional impetus is seen in the accession of Armenia to the EEU, believing that Russia will increase its economic activities to ensure full inclusion of Armenia in the EEU economic network (Georgia is the only transit state for Armenia and Russia). The Georgian government however has kept fending off the floating perceptions about the Georgia's dependence on Russia (Menabde, 2015).

In response to these debates, this thesis tries to answer the question: *what gives the economic dependence political and social relevance to trigger the compromises in the foreign policy*. In other words, the following research project tries to find out what gives meaning to the economic dependence seen in material terms as being significant enough to stimulate foreign policy concessions.

In answering the research question, this thesis identifies the weaknesses of the mainstream research of the issue which focuses on the material factors only and brings into analysis social factors. Based on the case study of Georgia, it aims to solidify the recently generated argument in the Constructivist IPE that ideational factors are important to study interactions of economic and political phenomena. Therefore, in order to

understand the connection between economic interdependence and political compliance theories of economic dependence, political compliance and the economic nationalism are discussed and analyzed in the theoretical part of the paper. This discussion generates the hypothesis that *it is economic nationalism of a state which impacts on the perceptions and the logic of the decision-makers in evaluation of the economic dependence, which then determines whether or not to make compromises in the politics.*

In this research, the most-likely case study method is chosen in order to test the validity of the widely-accepted theories on economic interdependence. In addition, a diachronic within-case variation is used to track and compare changes over time. In this respect, it involves empirical investigation of Russia-Georgia relations in order to understand the unusual evidences over time. Discourse analysis technique is applied and the data in the form of public statements and discussions, strategic documents and opinion polls are collected from newspapers, journal articles, surveys, webpages of the government and political parties in order to see how the economic rapprochement to Russia is perceived in Georgia. Because the pre-embargo period was characterized by the highest intensity of economic interactions between Russia and Georgia, and by non-compliance to the political appeals of the Russian government, such a development is worth looking into as well in order to reveal the conditions for the decisions of the Georgian government. This knowledge will consequently be applied in the analysis of the current situation. Therefore, data are collected for the pre-2006 and post-2012 periods to see the similarities and/or changes, but for the presentation of full picture the in-between period is also overviewed. In this thesis, economic nationalism of a country is assumed as an indicator of domestic preferences since it represents the framework for the understanding and interpretation of economic developments. Therefore, within those two periods, construction of Georgian economic nationalism is observed and identified through the method of discourse analysis.

In the end, it is expected to find that economic dependence alone cannot show how much prone a state can be to make compromises in its foreign policy, and conditions for political concessions can be better estimated by looking at the statistical as well as the social factors. Thus, economic dependence should be given the meaning by the economic

nationalism as the precondition for the FP concessions. Therefore, it can be argued that one-size-fits-all approach suggested by the mainstream IPE scholarship in assessing the potential of dependence spillover from economy to politics is discredited.

This research project is organized in six chapters which lead to the fulfillment of the main tasks and answering the research question. The first chapter begins with the review of the academic literature relevant to this thesis and introduces different approaches to the conceptualization and operationalization of the variables. In addition, the chapter provides critical analysis of the theories and suggests the direction through which the relationship of economic and political dependence can be better understood.

Following the outline of the theoretical basis, the second chapter defines the methodological design for the project which is built in a way to meet the necessities of the research tasks. The methodology presented is novel in the sense that it combines examination of social and material variables through application of qualitative and quantitative tools: Discourse analysis is chosen to identify the Georgian economic nationalism; Economic dependence is measured using the formulas suggested by mainstream IPE scholarship; Political compliance is determined by the empirical examination of the policies and decisions of the Georgian government. In addition, this chapter provides explanation on how the dataset for discourse analysis is made and sets out the case study design as well.

The third chapter presents the overview of the Russia-Georgia economic relations and the results obtained from the statistical analysis of economic dependence of Georgia. Therefore, its first part serves as the transitory section of the paper in order to show the reader depth of the state of affairs in the Russia-Georgia case. It provides historical overview of the economic relations between Georgia and Russia during 2003-2016 which lays the ground for the following investigation and analysis of the economic and political dependence. In the second part, though, economic dependence of Georgia to Russia is measured by calculations of material factors of economic interactions. It shows the comparison of the material significance of Georgia's economic dependence over the study period and identifies the factors which have the greatest influence on its variation.

The logical continuation of the previous section is determination of the foreign policy compliance of Georgia vis-à-vis Russia in the chapter four where the two sub-chapters separately describe nature of the political choices of the UNM and the GD governments of Georgia. In the end, it gives the analytical evaluation of the degree of concessions made during the two study periods.

The following fifth chapter of the research presents results of the discourse analysis and describes construction of economic nationalism of Georgia. At first, it gives main characteristics of the Georgian economic nationalism and then shows how it was modified over time. The chapter continues by drawing the conclusions about the social (re)articulation of economic processes and the economic nationalism as a whole, and on its role in the perceptions of economic dependence. After that, summary of the empirical investigation is provided which clarifies connections between variables and is followed by the concluding part of the paper which sums up the conducted research, displays main findings and outlines their relevance and applicability.

## 1. LITERATURE OVERVIEW

It is believed that if economic relations between countries are strongly asymmetric, the dominant state with greater economic resources has an effective tool against the other by being able to influence the policies of the dependent partner to yield the desired outcomes – political compromise or *concessions/compliance*<sup>2</sup> as termed in this research project. As a result of the intensified Globalization countries have become interdependent, therefore a pure dependence almost no longer exists in contemporary world. Even between small and big states, there is always a certain loss for the larger economic partner in the case of suspension of trade with the weaker one. Although, in this thesis economic relations between states is regarded as interdependent in nature, for the purpose of simplification a *dominant* and a *dependent partner* is differentiated. Hence, *economic dependence* is used to describe the asymmetrical interdependence where one partner is relatively more reliant on the other.

Since the main focus of this research project is on the relationship between economic interests and political behavior, the approaches to researching such issues are described below within the framework of IPE which consequently serves as the general theoretical base for this thesis.

International Political Economy itself represents the academic field which is characterized by diversity. In general terms, it can be identified as the discipline which connects International Economics and International Relations, but its specific definition is still debatable among scholars. The prevailing American School of IPE has multiple traditions which mainly have ‘rationalist’ and ‘interest-based’ approaches assuming that behavior of actors is guided by material interests focusing on maximization of their gains and power (Cohen, 2009). Robert Gilpin, for example, defines IPE as the discipline

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<sup>2</sup> In the literature, the term *compliance* is used to define a state when the dependent partner agrees to comply with the political demands of the dominant one in exchange for maintaining or altering its economic relations with the dominant state (Richardson & Kegley, 1980, p. 198) The term ‘concessions’ is used in this study with the same meaning as ‘compliance’.

which studies interactions between ‘market’ and ‘state’ where profit and accumulation of capital are the primary goals (Gilpin, 1987, pp. 8-11).

Besides this tradition, there also exists new emerging scholarship that focuses on the ideational factors in IPE. Interestingly, the roots of such approach lie deeply in the older works such as of John Odell (1979), John Ruggie (1982), Peter Hall (1989), Kathryn Sikkink (1991), Judith Goldstein (1993), Mark Blyth (1997), Kathleen McNamara (1998) and later in the works of Stephen Gill (2003) and Robert Cox (2003) who emphasized the significance of the role of ideas and subjective perceptions on the behavior actors (Cohen, 2009, p. 33 and Heleiner & Pickel, 2005, p. 229). Their thoughts are developed in the emerging tradition of Constructivist IPE that puts the emphasis on the non-material influence on the actors and on their political behavior. It departs from the Social Constructivist focus on the “social and relational construction of what states are and what they want” (Hurd, 2008, p. 299). Its main critique to the dominant IPE is that actors do not automatically follow a rationality in their decision-making process, rather they are guided by ideological as well as material factors which attain and change their meaning according to “the myths, identities, symbols, norms, and conventions that people construct to motivate and prioritize their actions” (Abdelal, Blyth, & Parsons, 2010).

The following sub-chapters give the overview of the specific IPE literature dealing with the interrelationship between economic and political dependence, starting with more neoliberal and realist arguments and closing by constructivist approaches. The purpose of presenting the overview of different theoretical schools of thought is to show the evolution of methods for approaching this particular phenomenon. In addition, it aims to point out why material-oriented thinking cannot be applicable in this thesis and shows the strengths of constructivist theoretical models.

### **1.1. Economic and Political Dependence in The Literature**

Economic and political dependence has long discussions in the IPE scholarship. There are two main directions of thought about the connection between the two: some consider that the more interdependence between states, both economic and political, lead to the growth, development and peace, while others argue the opposite. According to

Young “a rise in the level of economic interdependence in the world system is apt to lead to a rise in the level of political interdependence in the system”. (1969, p. 732)

The literature on economic and political dependence covers wide range of issues in the IPE, but for the purposes of this research project below is discussed influence of the economic dependence on the foreign policy.

### ***1.1.1. Connection Between Economic and Political Dependence with Regard to Foreign Policy***

Power relations and the link between economic and political dependence/compliance has been widely discussed among different scholars (Richardson & Kegley, 1980), (Nye, 2011), (Wagner, 1988), (Armstrong, 1981) and others). In the *Foreign Policy and Economic Dependence* Neil R. Richardson discusses asymmetric economic dependence measured by indicators of foreign trade, private investment and foreign aid, and bases his arguments on the following: “1. Economic transactions between rich and poor societies have asymmetrical effects; 2. These economic ties may have deep political repercussions within the poor polities; 3. The political consequences of asymmetrical economic relations extend to the foreign policy behavior of poor countries”.

Richardson elaborates these arguments in his later article *Trade Dependence and Foreign Policy Compliance* co-authored by Charles W. Kegley, exploring the possibility that, “in their foreign policy behavior, the dependencies offer support to the foreign policy objectives of a dominant state; They may be reluctant to offer this support, but they may feel compelled to do so because the dominant state has asymmetric control over the costs and benefits (long as well as short-run) to be derived from trade relations.”

The tools for acquisition of political concessions can be both positive and negative in nature. Positive instruments include financial aid and foreign direct investment given to the economically weaker state, while the economic sanctions and imposition of tariffs and quotas are regarded as undesirable policies which are considered more influential to yield political compliance of the weaker economic partner.

Generally, economic sanctions “seek to lower the aggregate economic welfare of a target state by reducing international trade in order to coerce the target government to change its political behavior” (Pape, 1997, pp. 93-94).

Some authors though argue that sanctions themselves hardly ever succeed to change the political behavior, believing that if the threat of imposition of sanctions fails and the target refuses to comply it is highly unlikely that the target will comply after the imposition of sanctions (Hovi et al. 2005 cited in (Portela, 2010, p. 6)). This supposition appears convincing regarding the Georgian case – even though before 2006 the Georgian government received continuous warnings from the Russian political elite about the consequences for the pro-western policies of Georgia, these threats did not change the political behavior of the Georgian officials. And, after the suspension of trade, sanctions have failed to yield political concession from Georgia.

### ***1.1.2. Measurement of Economic Dependence and Political Compliance***

The measurement of economic dependence itself differs from scholar to scholar and so does its componential structure. For example, Richardson and Kegley referred to the *sensitivity* and *vulnerability dependence* elaborated by Kohane and Nye according to whom “Sensitivity dependence summarizes the costs that A could suffer at B's hands before A makes compensatory adjustments. Vulnerability... refers to the longer run costs that A would experience even after it had adjusted its policies as best it could to the changes brought by B.” (Richardson & Kegley, 1980, p. 192). Richardson and Kegley argued that the *vulnerability dependence* is more related to the politics of asymmetrical interdependence, since vulnerability involves both the costs of sensitivity experienced before the change in the economic activities between the states and the costs experienced after the adjusted policies. Even though Kohane and Nye did not link the vulnerability costs with the political dependence, Richardson and Kegley conducted the cross-sectional and longitudinal Large-N study and have found the positive relationship. As the measure of trade dependence, they used the export dependence index calculated as the value of exports of A to B divided by the Gross National Product of A. Even though, they noted in the conclusion that export dependence, which they used as the measure of economic dependence, may not be the best measure for the economic dependence, they failed to

suggest alternative explanation for the relationship between economic dependence and foreign policy compliance.

Adrienne Armstrong was more inclusive in the calculation of economic dependence. From the previous studies (Blau, 1964; Knorr, 1975, 1977; Hirschman, 1945; Caporaco, 1978; Emerson, 1962; as cited in his article *The Political Consequences of Economic Dependence*, 1981, p. 402), he outlined the three most important conditions for the existence of economic dependence - “(1) a high magnitude of a nation's investment controlled by another nation; (2) the inability to find easy substitutes for a commodity or a trading partner; and (3) the intense demand for a commodity” and introduced the ‘interactive indicator of trade dependence’ including all three components in the calculation.<sup>3</sup> (Armstrong, 1981, pp. 402-411) Even though he made a big progress in this regard, his formula was not comprehensive in terms of differentiation of importance of commodities and foreign investment.

### ***1.1.3. ‘Issue Importance’ and The Economic and Political Dependence***

Adrienne Armstrong tried to determine under what circumstances an economically dominant state will succeed in influencing the political compliance of its dependent partner. According to him, the degree of importance of the political issue for the economic partners plays significant role in explaining when countries turn to comply with the dominant nation. He presented four different situations and suggested the possible scenarios for political compliance in the following table:

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<sup>3</sup> The formula for Trade Dependence (TD) is the following:  $TD = \text{Trade Magnitude (TM)} * \text{Commodity Concentration (CC)} * \text{Trade Partner Concentration (TPC)}$ . (Armstrong, 1981, p. 411)

Table 1. Four scenarios on 'Issue Importance'

		Nation B (dependent nation)	
		Low	High
Nation A (dominant nation)	Issue Importance Low	implicit use of power by nation A (1)	economic power not used by nation A (2)
	High	implicit, possibly explicit use of power by nation A (3)	explicit use of power by nation A (4)

Armstrong, A. (1981). The Political Consequences of Economic Dependence. *The Journal of Conflict Resolution*, 25(3), 406

From these four cases, he argues that the political compliance will be greatest in the third scenario when the certain policy is of high interest for the dominant (A) while of low interest for the dependent (B) because the cost of compliance for the dependent is not significant as the policy at hand is not critically important for B. With the similar logic, compliance is least likely in the second situation because of the low interest in the policy for the dominant state. Whereas, when the political issue is highly important for both states as described in the scenario four, Armstrong argues that a dominant will use overt economic tools to take control over the behavior of the dependent. In such situation, the dependent state is expected to resist the pressure and most likely will not conform. (The Political Consequences of Economic Dependence, 1981, pp. 401-402, 405-407)

The latter hypothesis gave me an impetus for studying the Russia-Georgia case because it has the similar scenario presented by Armstrong. The case can be seen appealing for the purposes of this thesis because the pro-western foreign policy orientation of Georgia was and still is crucially important both for Russia and Georgia. Nevertheless, in 2006 Georgia resisted to comply with the preferences of Russia when the economic dependence and the costs for compliance were high, whereas from 2012

Georgia showed some degree of compliance even in the absence of economic dependence on Russia. This controversy is further presented and discussed in detail in the empirical part of the paper. In addition, despite the emphasis of Armstrong on the 'issue importance', he did not explain how to determine if a certain policy is crucial for a country. Yet, in order to study a phenomenon in the framework of International Political Economy discipline it is important to have valid indicators not only for the economic variables but also for the political/social ones.

Overall, it can be argued that Armstrong's contribution was significant in terms of bringing the 'issue importance' as an antecedent variable between economic dependence and political compliance even if he failed to suggest the clear methodological model for the measurement of this variable.

#### ***1.1.4. Bargaining Power and The Economic and Political Dependence***

Harrison Wagner also explored the relations between economic interdependence and political influence through the theories of bargaining power. He started to develop the idea of bargaining power given in the 1945 book of Albert Hirschman *National Power and the Structure of Foreign Trade*, where Hirschman argues that in the case of interruption of economic relationship gains from trade become losses; Therefore, the partner which values the gains more appear in a weaker bargaining position and is more inclined to political concessions (Wagner, 1988, pp. 462-463).

Wagner explains that since determination of bargaining power is subjective evaluation of the costs of interruption of trade by the governments, one cannot easily find out the indicators they look at in their assessment. He adds that "some governments may be much more vulnerable than others to the pressure of small sectors whose interests are adversely affected by trade. And some governments may be prepared to subject many of their citizens to economic deprivation." (Wagner, 1988, p. 464)

Wagner argues that asymmetric economic interdependence alone does not enable the less dependent actor to exercise political influence over the other. For political concessions, he believes, is necessary that the dominant partner had 'unexploited

bargaining power', or in other words, there should exist some threats not yet exploited in the given relationship to interrupt trade. (Wagner, 1988, pp. 479-481)

Even though Wagner gave a significant addition to the literature in the sense of bringing the perceptions of actors into analysis, he focused on and elaborated more the unexploited bargaining power, but still left a large room for its interpretation since he did not clarify when certain unimplemented policies gain social and political relevance to the actors.

## **1.2. Importance of Ideational Factors: Economic Nationalism in The Constructivist IPE**

The approaches discussed in the previous sub-chapter do not go deeply to determine when and under what circumstances the dependent countries decide to comply to the economic pressure. Wagner even recognized this deficiency by arguing that it is very difficult to determine how countries evaluate costs of non-compliance because their estimations are the result of their subjective judgement. This pointed to the importance of studying the construction of perceptions of the actors in regard to the given political situations. But, at that time, scholars were not equipped with the necessary tools for studying the non-material phenomena.

The importance of studying the different policy decisions in the IPE by looking at the non-economic tools have become vital since the end of nineteenth century when the market liberalization began and countries entered in the different trade unions and the World Trade Organization (WTO). In addition, political choices made by the Post-Soviet countries after the collapse of the USSR seemed not in line with the logic of rational approach which dominated in the IPE. Even though the USSR countries were economically dependent on Russia, they chose different paths for future development: many of them continued close economic relations with Russia, while some took the disintegration course and established links with other markets (Abdelal, 2005, pp. 27-29). Scholars as Rawi Abdelal and Maya Eichler approached this puzzle with the tools of economic nationalism in IPE in order to find "how nationalism and national identities affect cooperation and discord in the economic relations between particular states" (Ibid.,

p. 22). Economic nationalism, according to Eichler, links political, ideological and economic aspects and shows that post-communist economic transformations were the product of economic and social struggles.

A less prominent but growing nationalist perspective on IPE departs from Friedrich List's *National Economics* theory. He argued that a state with commonly shared identity within its society could give the national meaning to its economic policies and form its national economy. From his perspective, state intervention in the economy was justified to maintain national security and strength. Rawi Abdelal continues this logic by saying that political sacrifice is easily made in the societies with shared national identities, while the "contested and fragmented national identities do the opposite: limit sacrifice, separate economic activity from national purpose, and shorten time horizons" (2001, pp. 20, 30). He further suggests that economic policies are determined according to the state identity, and as the identity is changing over time so does the economic nationalism. He defines the set of those national-identity-driven economic policies as the economic nationalism (Abdelal, 2005, p. 26).

Before continuing the discussion of modern economic nationalism, first of all, it should be noted that the term itself is rather contradictory in the literature. Realists for example, view economic nationalism as mercantilism and protectionism. The most prominent advocate of such perspective – Gilpin argues that "economic nationalism is based on the Realist doctrine of international relations"(quoted in Abdelal, 2005, p.26). After mercantilism, new economic nationalism emerged in the form of liberal-protectionism when protectionist measures from the states appeared in the liberal markets as well. But, in both cases economic nationalism was considered as a static, state-centric phenomenon recognizing "the primacy of the state and its interests in international affairs, and the importance of power in interstate relations" (Gilpin, *Global Political Economy: Understanding the International Economic Order*, 2001, p. 14).

The scholars as Andreas Pickel, Andrei P. Tsygankov, Meredith Woo-Cumings, Derek Hall, Klaus Muller, Eric Helleiner, Patricia M. Goff and Jacqui True also studied the economic nationalism and discredited its traditional realist understanding of protectionist nature. Their works can be placed within the constructivist school of analysis

as they were the first to bring constructivist approach in IPE through exploring the causal links between identities and policy outcomes (Heleiner & Pickel, 2005, pp. 230-234). They argued that the realist economic nationalism is no longer applicable in the contemporary world because nationalism is a manifestation of a “constructed societal identity” rather than of an “autonomous state”. And, since nationalism is not a product of statism<sup>4</sup> economic nationalism cannot be understood as mercantilism. So, they share the modern understanding of economic nationalism as being the “facet of national identity, rather than a variant of realism or a "protectionist" ideology. From this perspective, the study of economic nationalism involves examining how national identities and nationalism shape economic policies and processes” (Ibid., p. 221).

The proponents of contemporary economic nationalism not only contest with the older thinkers but also debate among themselves about the true importance of economic nationalism in the explanation of economic processes and policy choices. Three different groups can be identified in the literature: those who ascribe autonomous explanatory power to the economic nationalism (for example, Abdelal, 2005, Woo-Cumings, 2005 and Goff, 2005); those who doubt the explanatory significance of economic nationalism and suggest that it can only explain preferences of specific groups rather than of a nation and can be used as a methodological tool by those groups for the legitimization of their policy choices (see Eichler, 2005 and True, 2005); And those who recognize the explanatory power of economic nationalism, but who also emphasize the importance of competing interests in shaping the economic nationalism (Heleiner & Pickel, 2005). This thesis also takes the latter more in-between position prioritizing the study of not only the dominant but also the alternative discourse. In addition, economic nationalism is seen as a discourse rather than a policy, assuming that ideas and interests construct the economic nationalism the product or demonstration of which are policies implemented by the governments.

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<sup>4</sup> Statism refers to “a political system in which the state has substantial centralized control over social and economic affairs” (Oxford Dictionary). Most of the contemporary states have more than one actor who influence the developments in the country, therefore statist approaches are no longer applicable to the democratic regimes.

Summarizing the different approaches of the above-presented literature, it can be argued that it is important to study the social dimension of interrelations between economic dependence and foreign policy compliance in order to better explain what influences the perceptions and decisions of the political actors. In this respect, this thesis makes particular use of the literature on economic nationalism and assumes it as a variable worth looking at while studying the connection between economic dependence and foreign policy compliance in the context of Russia-Georgia relations. Following this argument, the hypothesis of this project is formulated: *Economic nationalism gives economic dependence social and political significance and in this way impacts on the decision of political elite whether or not to give compromises in foreign policy.*

## **2. RESEARCH DESIGN**

This chapter links the theories and concepts together and describes the methodology for their operationalization.

From the preliminary look at the empirical evidence, the logic that economic dependence yields political concessions does not work in the case of Russia-Georgia relations. Therefore, an explanatory variable of economic nationalism is introduced for the purposes of this research to assess the perception of a country of its economic dependence in the first place. It should be noted that the research design presented in this thesis is rather novel in a sense that it integrates different methodological tools which have not yet been used in combination in other similar works.

To begin with, from the analysis of the theoretical literature, the logic of the developed hypothesis is that economic dependence of country A to B can be regarded as socially and politically relevant enough for country A to concede to country B in case the economic nationalism of country A enables so. Here, the inclusion of economic nationalism is justified by the necessity to look at the social dimension related to economy in order to understand the perception and the assessment of the opportunities and vulnerabilities coming from certain economic dependence. According to the literature review, when there are certain economic interactions between states, concessions in Foreign Policy will be made only if these interactions are strongly asymmetric in material terms, making the weaker partner economically dependent on the dominant, and if the actor interprets this dependence as a fearful or strongly undesirable condition. From this perspective, economic nationalism can be regarded as the appropriate variable to look at in order to see if it enables or triggers foreign policy concessions. One may disagree about choosing economic nationalism as the explanatory variable and argue that in order to study the social dimension or perceptions of economic developments is more appropriate to look at the ideology of the ruling elite or the general debates inside the country on its economic policies. But, I reckon that economic nationalism represents the discursive structure which gives the government legitimizing power of its decisions, thus it shows

better what kind of policies the government might pursue in order to maintain public support and at the same time to follow the state interests. Therefore, economic nationalism is viewed as an independent factor ‘defining’ the economic dependence which, in turn, triggers foreign policy concessions.

In terms of the limitations of the research, it should be mentioned that this thesis does not include other variables which might have influence on the economic and political dependence since it already tries to suggest one alternative explanation to the existing theoretical linkages established by the liberal IPE scholarship. Nevertheless, this does not mean that significance of alternative variables as, for example, ideologies of the decision-makers, (political, as well as economic) support of the international organizations or powerful states to the ruling elite or the corruption on the governmental level may not bear the explanatory power in this context. But, inclusion of such variables in the present study would limit the space for the proper elaboration of the social explanation to the economic and political dependence which represents the primary aim of this thesis.

To clarify the operationalization of the variables, determination of *economic dependence* is very challenging and includes mixture of two statistical indicators suggested by Armstrong and two more added by the author of this thesis. Selection of these indicators is not random, they are chosen because they display the situations where a dependent partner has to think about sensitivity (costs of interruption of trade or losing financial aid) and vulnerability costs (costs of losing investment). Indicators include:

1. Index of Trade Magnitude;
2. Indicator of dependence on Foreign Direct Investment;
3. Indicator of dependence on International Monetary Transfers;
4. Energy Dependence.

The first two indicators represent the main determinants of economic dependence for this research project while the other two is introduced to show the general trends and to make comparisons.

Trade Magnitude is supposed to be measured according to the formula applied by Armstrong in its study of economic dependence. He also included indicators of

Commodity and the Trade Partner Concentration in his calculation, but he argued based on the previous studies that these two additional indicators were not related to the compliance (Armstrong, 1981, p. 410). Therefore, they are not included in the assessment of Georgia's economic dependence on Russia. Trade Magnitude itself is composed of two elements and is calculated as suggested by Armstrong (1981, p. 409):

$$TM = X_i Y_{ij},$$

$$\text{where } X_i = A_i / GNP_i \text{ and } Y_{ij} = A_{ij} / A_i$$

Where: TM - Trade Magnitude;

$A_i$ - The value of total exports and imports of nation i;

$GNP_i$  - The Gross National Product of nation i;

$X_i$  (Trade Importance) - The percentage of exports and imports as a part of economic production of nation i;

$Y_{ij}$  (Trade Dependence) - Amount of trade conducted with the dominant nation;

$A_i$  - The value of total exports and imports of nation i;

$A_{ij}$  - The value of exports and imports of nation j to nation i.

In the present thesis, nation i corresponds to Georgia and in nation j is meant Russia.

The FDI dependence represents the share of the Russian FDI to Georgia in the GDP of Georgia and is measured as a percentage of GDP:

$$FDI_{dep} = FDI_{ij} / GDP_i * 100$$

The indicator of dependence on International Monetary Transfers is generally neglected in the assessment of economic dependence, but it is important in the current case study because monetary transactions made from Russia account for more than 50 percent of all money transfers in Georgia. And, remittances generally represent 10 to 12 percent of the GDP of Georgia (Gachechiladze, 2016). Structurally, those transactions are

done by the Georgian labour migrants and the Russian citizens of Georgian origin who still have ties with their relatives and family members in Georgia. It should be noted that transactions represent private money exchanges and their complete interruption or drastic reduction is less likely from the dominant state because it affects the feelings of its own citizens towards the government. In any case, there is always alternative ways of transferring money to Georgia through other channels. But, concerning the labor migrants, Russia resorted to the deportation of thousands of ethnic Georgians in the end of 2006 and in the beginning of 2007 under the pretext of violation of Immigration Law of the Russian Federation. The European Court of Human Rights though pleaded Russia guilty for the violation of several articles of the European Convention on Human Rights, including the ‘obligation to furnish all necessary facilities for the effective conduct of an Investigation’ (European Court of Human Rights, 2014). Even though the amount of transactions made from Russia did not decrease significantly as a result of this relatively small-scale deportation, such precedent creates expectations that in politically urgent circumstances a mass deportation of ethnic Georgians from Russia can be applied as the source of unexploited bargaining power. This is why international monetary transactions is used in this research as one of the indicators of economic dependence and it is calculated the same way as the FDI dependence, as a percentage of the GDP of Georgia.

What concerns the energy dependence, due to the lack of statistical data about the energy exports and imports of Georgia, this indicator cannot be measured quantitatively across years. Nevertheless, as energy relations between the two countries has been very intense, this needs to be overviewed as well to have the holistic picture of Georgia’s economic dependence on Russia.

As for the third variable, since *economic nationalism* is viewed in this research project as the discursively articulated structure/practice – a set of nation-wide ideas on the national identity in relation to economy, it is defined through the prism of social constructivism by the application of the discourse analysis technique.

In the constructivism, nationalism vis-à-vis some less contested foreign policy issues is mostly studied by looking at the official discourse only, assuming that inclusion of other actors will bring no significant addition to the analysis (Hansen, 2006, p. 7). But,

the Western foreign policy direction of Georgia as the alternative choice to the pro-Russian or Eurasian is critically observed, discussed and contested at all levels, official or unofficial, political or societal. In addition, as Isaacs & Polese (2016, p. 11) put it, the process of the national identity building includes not only the “identification of possible markers” and the “choice of the most useful ones appropriate to the given context” by the state, but also the “acceptance [of those markers] by the population or an overwhelming majority as legitimate symbols of nationhood and identity”. Therefore, both dominant and alternative discourses are studied in the present study.

The dataset for the discourse analysis includes in total 82 sources which combines five official documents of Georgia (Foreign Policy Strategies, National Security Concept, Economic Policy Strategy), five doctrines and programs of the ruling and popular opposition parties, 12 annual reports and the three inauguration speeches of the Presidents of Georgia, seven statements and resolutions of the Parliament, seven interviews and public statements of the government officials, nine public debates in media including statements of 33 politicians and experts, nine speeches of the government leaders in the international organisations, 22 public opinion polls and three sources of other category. Time-frame for the selection is period between 2003-2016 years. The chosen data represent texts in different formats (written texts and videos) and are taken from the official websites of the government institutions and political parties, as well as from the popular internet newspapers, TV channels (state and private media outlets) and the social media channels. In addition, this thesis makes use of the results of the surveys conducted by the National Democratic Institute (NDI) and the Caucasus Research Resource Center (CRRC) to find out the public opinion on the politically significant developments to show public perceptions and support to the economic purpose and place of Georgia in the region or across the world, as well as to present their attitude towards the economic partnerships with other countries. The need for the inclusion of the analysis of the public opinion surveys relates to the arguments of Isaacs & Polese that people are ‘ultimate judges’ of the nation-building and it is important to study this process on micro-level as well.

The amount of the data sources collected for this thesis can be regarded as sufficient for finding the main characteristics of Georgian economic nationalism as they

cover wide-range of actors and themes. Moreover, in the discourse analysis the quality is prioritized over quantity: As Stephanie Taylor puts it, “Adding more and more data does not inevitably strengthen the links; the more important point is how they are theorized” (Taylor, 2013, p. 68).

The third variable - *FP concession* is operationalized by presenting the empirical evidence of policy actions of the government of Georgia which are not in line with the policies of its Western partners. It should be noted that policy coverage can be very wide or narrow, but since it is not possible to discuss all of the related cases and neither is easy to make an objective selection, only those policies are taken into consideration which have been the mostly covered by media and contested by the opposition parties or the public.

The methodological plan of this thesis is to use a case study method with the within-case analysis. Since the research project attempts to show that the widely-established approaches to the relationship between economic and political dependence are not valid any more, the case of the Georgia-Russia economic relations represents a *disconfirmatory crucial case* from John Gerring’s classification of case study methods (Case Study Research: Principles and Practices, 2007). Gerring also referred it as the *most-likely crucial case* method in which all the evidence indicates that the outcome can be predicted by the theory, but eventually, it does not meet the prediction. So, this method is usually used to disconfirm the existing theoretical postulates and to suggest alternative explanations for the unexpected outcomes.

In order to discern if and how the economic nationalism interprets the economic relations of Georgia with Russia, not only the economic indicators but also the domestic perceptions and the culture of policy-making should be taken into account in a systematic way. In the recent past, the Georgian government appeared on the verge of economic progress and economic deficiency in 2006 and 2012 when it had to decide whether to cooperate with Russia or not. Though, decisions made were contrasting – Georgia perceived a threat back in 2006 and chose to direct its economic partnership to other regional actors, while in 2012 Russia was listed again among the desired economic partners for Georgia. After the brief look at these two examples, it is not possible to detect

a straightforward policy-making of the Georgian government, and neither is correct to claim that leaders made their decisions spontaneously. Therefore, a *diachronic within-case*<sup>5</sup> variation is used in this research to identify the similarities and/or differences in the domestic perceptions by analyzing the two significant phases: the period from the Rose Revolution of Georgia until the suspension of economic relations with Russia (2003-2006) and the period since the change of government in 2012 when the economic relations started to restore between Georgia and Russia. In addition, the overview of the period from 2006 to 2007 is also provided in order to create logical transition between the two study periods of the thesis. On the whole, detailed description and analysis of the developments in these periods serves as a temporal approach to finding the roots of the differences and changes.

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<sup>5</sup> This refers to the observation of a certain phenomenon over time within one case study. (Gerring, 2007, pp. 21, 27-28)

### **3. ANALYSIS OF THE ECONOMIC RELATIONS BETWEEN RUSSIA AND GEORGIA**

The purpose of this chapter is to clarify the state of affairs and to present the analysis of the economic dependence of Georgia on Russia. In the beginning, in order to give the reader sufficient information for understanding of the case study, overview of the Russia-Georgia economic relations is provided which is followed by the examination of the results obtained from the calculation of economic dependence.

#### **3.1. The Period of Ups and Downs in The Economic Relations During 2003-2007**

As the former USSR member, the independent Georgia has had strong economic ties with the Russian Federation even after the fall of the Soviet Union. Their bilateral relations were guided by various international agreements including the Free Trade Agreement Between the Governments of Georgia and the Russian Federation (1994) which served as the basis for the intensification of their trade. Apart from export and import, the two countries cooperated in the field of energy and transportation as well.

The year 2003 marks one of the significant moments in the Georgian history – the Rose Revolution through which the government of the then president Eduard Shevardnadze was removed from power by the revolutionary civilians and the first pro-Western forces were elected by the population. The new president Mikheil Saakashvili and his United National Movement gave promises of building deeper and closer relations with the European Union and NATO. At the same time, he intended to keep normal relations with the Russian Federation and in 2004, during his first visit in Moscow, Saakashvili announced that one of his most important tasks as the president of Georgia was to develop good neighborly relations with Russia based on the respect of each other's interests. He intensified cooperation on the restructuring of the debt of the government of Georgia to Russia (which accounted for more than 300 million US dollars in 2004, largest portion of this debt being the electricity debt) and initiated the creation of bilateral trade commission and intensification of cooperation in energy sector (Independent International Fact-Finding Mission on the Conflict in Georgia, 2009, pp. 9-10).

Despite the relative peaceful attitude of the Russian Federation shown towards Georgia in the first few months of the post-Rose Revolution period, the Russian government still considered the rejection of pro-Western foreign policy orientation by Georgia as the condition for the maintenance of normal relations and Georgia's economic dependence on Russia was considered as the powerful instrument to challenge this undesirable trend in its 'near abroad' (Ibid., p.9). But, Georgia kept on its aspiration towards the EU and NATO and began to openly condemn Russia's involvement in the internal affairs of the secessionist Georgian Republic of Abkhazia. In addition, relations between Russia and Georgia significantly deteriorated as the result of the so-called 'spy affair' when Georgia handed four Russian spies over to the Observer Mission of the Organization for Security and Co-operation in Europe instead of arresting or expelling them to Russia (Ibid., pp.19-20). This occasion was portrayed in Moscow as the peak of its patience and the Russian government implemented set of policies aimed at the punishment of Georgia, including deportation and inhuman treatment of Georgian minorities living in Russia, prohibition of export of the Georgian agricultural products, wine and mineral waters, suspension of all kinds of communication links through sea, air, land, post and banks.

Before Russia started cutting its economic links with Georgia in the beginning of 2006, the Russian Federation represented the most important partner in the history of independent Georgia. In 2005, Russia was the first destination for Georgian exports accounting for 18 percent of the total exports from Georgia (See Appendix 1. Statistical Data Used for Calculations of Economic Dependence). Imports from Russia were also the highest in amount in comparison to the other import countries, exceeding 15 percent of total imports to Georgia (See Appendix 1. Statistical Data Used for Calculations of Economic Dependence). In addition, the Russian FDI (10 percent of total FDI of Georgia) in 2005 was the fourth largest after the one of UK, Azerbaijan and Cyprus. The biggest amount of remittances also came from Russia at that time accounting for almost 60 percent of all money transfers. As for the energy relations, Russia was the primary provider of energy resources as 53 percent of electricity and 95 percent of natural gas consumed in Georgia was of Russian origin (Independent International Fact-Finding Mission on the Conflict in Georgia, 2009).

After 2006, started a relatively low-intensity period in the Russia-Georgia economic relations which lasted until 2012.

### **3.2. Restoration of Economic Interactions After 2012**

In 2012, the United National Movement (UNM) which has been in the ruling majority of Georgia since 2004 was replaced by the newly formed coalition - Georgian Dream (GD) which won the parliamentary elections by the promise of ensuring balanced foreign policy and economic prosperity. The GD had the ambition of bringing Georgia closer to the NATO and the EU, and at the same time, aimed at the normalization of relations with Russia (Georgian Dream, 2012, p. 21).

Normalization policy mainly envisaged restoration of economic relations between Georgia and Russia and shortly after the elections the then Prime Minister Bidzina Ivanishvili created the unofficial position of Special Representative of the Prime Minister for Relations with Russia. This status was given to Zurab Abashidze who used to be the ambassador of Georgia to Russia before interruption of diplomatic relations between these two countries (Ivanishvili, 2012).

The above-mentioned initiative of Georgia was also welcomed in Russia and the so-called Abashidze - Karasin<sup>6</sup> dialogue format was established which aimed at the discussion and solution of economic, cultural and humanitarian issues. But, the success of this initiative was mostly seen in the field of economy: Georgian products have returned to the Russian market, export and import have gradually increased, communication links have also been restored and Russian companies entered and re-entered in Georgia.

As a result of renewed relations, Russia became the top second partner after Turkey by turnover in 2015 with Georgia, having almost eight percent of total turnover (National Statistics Office of Georgia, 2015, p. 13). It also became the fifth by exports (7.4 percent) and the second by imports (8.1 percent) in this same year (Ibid., p. 14-15).

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<sup>6</sup> Name of the format is obtained from the last names of the representatives from Georgia and Russia – Zurab Abashidze and Grigory Karasin who is the Deputy Minister of Foreign Affairs of the Russian Federation.

Foreign Direct Investment though, has fluctuated between two and 82 million US dollars since 2012, and in 2015 the amount of the Russian FDI was reduced by half from the previous year accounting for 46 million US dollars(almost 3 percent of total FDI of Georgia), which is mainly due to the Ruble crisis in Russia (National Statistics Office of Georgia, 2016, pp. 5-6). So, in total, since 2012 FDI from Russia have increased very insignificantly.

Before describing the Russia-Georgia energy relations, it should be noted that as the result of strained bilateral relations, Russian gas price to Georgia was significantly increased after 2006 and the Georgian government decided to gradually replace it by the Azerbaijanian natural gas which was almost four times cheaper (Civil Georgia, 2007). But, it did not intend the complete replacement of the Russian Gazprom by Azerbaijanian Socar. The goal was only to reduce dependence on the uneasy partner as was Russia. Currently, Georgia is supplied with natural gas from two different sources. The largest volume of gas is purchased from Socar for discounted price. And, the rest is the natural gas of Gazprom which gives Georgia 10 percent of its transported gas to Armenia in exchange for the transit through the Georgian territory. Because the consumption of natural gas is increasing in Georgia, the government purchased additional 75 million cubic meters of Russian gas in 2015. There were also negotiations on the purchase of gas from Gazprom to fill the deficit created by the intensification of consumption, but the parties could not agree on the conditions, and as a result, decision was made to increase the import from Socar (Civil Georgia, 2016).

As for the electricity, main source of import in Georgia is Russia and its share in the total volume is within 35-40 percent. Nevertheless, the overall electricity import is not high in Georgia because it also produces and exports its own electrical energy in neighboring countries, including Russia (on average, 58 percent of total exported electricity from Georgia goes to the Russian Federation) (Chanturidze, 2015, pp. 14-15).

The Enguri hydro power plant is the largest source of Georgian electricity, but its machine hall and substation is located in the Georgian region of Abkhazia which is not under the control of the central government of Georgia (World Experience for Georgia, 2016). It is believed, that since Russia backs and supports Abkhazia's struggle for self-

determination and recognition as an independent country, Russian side can better control the power station which is why Georgia should have very careful and thoughtful moves with regard to the Russian Federation (Ibid.).

Cooperation with the Russian Federation in the electricity field deepened at the end of 2015 by conclusion of the memorandum of understanding for the cooperation in the energy sector between Georgia, Russia, Iran and Armenia. According to this document, the ‘North-South electricity corridor’ will be developed which will help the participant countries to easily overcome the difficulties emerged in their electricity markets and to cooperate more efficiently (Ministry of Energy of Georgia, 2016, pp. 53-54). Before this agreement, the first commercial transit through the Georgian electricity system was carried out in the end of 2014 from Russia and Armenia to the direction of Turkey. And, in 2016 opened two new transit directions in the region: East-West from Azerbaijan to Turkey and the North-South from Russia to Armenia (Ibid.).

Taking into account the completely different processes in the two subsequent periods described above, the recent Georgia-Russia economic relations represent a very interesting case to have a deeper look into. Therefore, the following chapters attempt to satisfy this curiosity by fulfilling the tasks defined by the theoretical and methodological frameworks of this thesis.

### **3.3. Analysis of The Economic Dependence of Georgia on Russia**

As decided in the methodological design of the thesis, in this chapter, *economic dependence* is assessed by the interaction of different methods suggested by the IPE scholars.

In the calculations, statistical data for the years between 2003 and 2015 are included, since there are no complete numbers available yet for the present 2016 year. This gives the possibility to identify the different time slots within the period. The information is taken from the National Statistics Office of Georgia (refer to the Appendix 1. Statistical Data Used for Calculations of Economic Dependence).

The results of the calculations and their analysis are provided below:

Table 2. Results obtained from the calculations

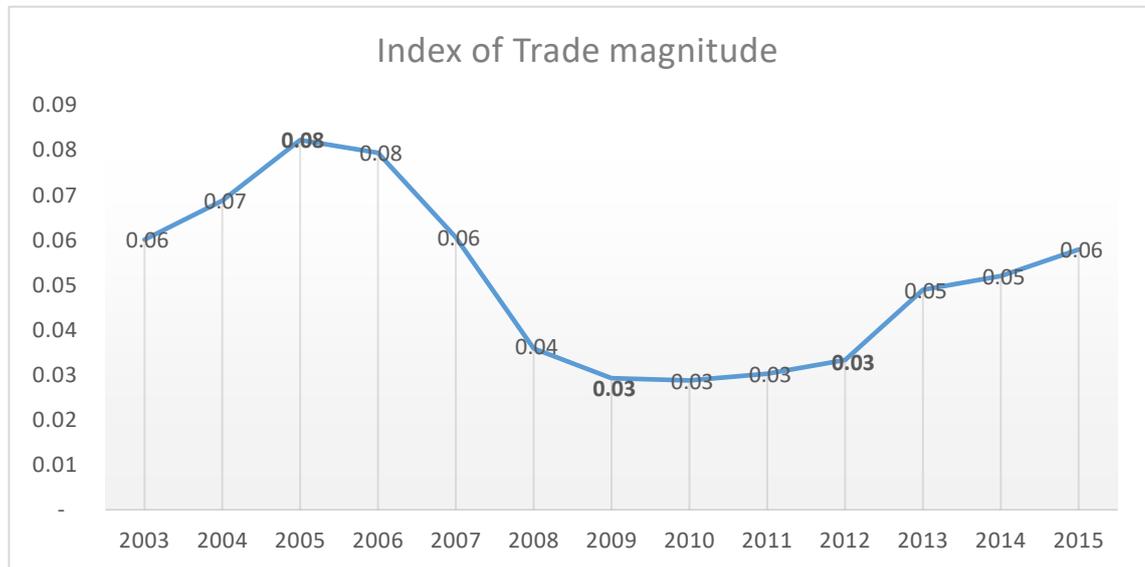
<b>Year</b>	<b>Index of Trade magnitude</b>	<b>FDI Dependence (% of GDP)</b>	<b>Transfer Dependence (% of GDP)</b>
<b>2003</b>	0.0601	1.07	1.68
<b>2004</b>	0.0688	0.85	1.77
<b>2005</b>	0.0823	0.60	3.75
<b>2006</b>	0.0795	0.44	4.75
<b>2007</b>	0.0606	0.87	5.35
<b>2008</b>	0.0359	0.20	4.95
<b>2009</b>	0.0293	0.10	4.18
<b>2010</b>	0.0288	0.41	4.77
<b>2011</b>	0.0303	0.38	4.54
<b>2012</b>	0.0334	0.13	4.29
<b>2013</b>	0.0489	0.01	4.97
<b>2014</b>	0.0520	0.50	4.30
<b>2015</b>	0.0579	0.33	3.09

*(Calculation conducted by the author of this thesis)*

For the purpose of better illustration, I provide charts which show trends over the study periods.

### 3.3.1. Trade Magnitude

Figure 1. Index of Trade Magnitude of Georgia to Russia (2003-2015)



To analyze the figure 1, in the beginning, it should be mentioned that Trade Magnitude in this case shows significance of trade with Russia to the GNI of Georgia, or in other words, it tells how important is the overall trade with Russia. Armstrong argued that trade dependence can occur only “if foreign trade is important to the country’s economy and if it conducts a large portion of its trade with the dominant nation” (1981, p. 409). Therefore, it is assumed that the TM has direct relation to the economic dependence: higher the TM, more economically dependent is a state. Taking this into account, it can be argued that highest dependence of Georgia to Russia was seen in 2005, then it started to reduce and reached its minimum in 2010, and after three years of latent period started again to increase gradually but has not become as high as in 2005.

To give this changing picture more clarity, until 2006 Russia was predominantly represented in the Georgian trade and this significantly explains the relatively high share of TM during this period. After the Russian embargo on Georgian agricultural products, imports were not affected as drastically as the exports (refer to Annex 1 for the statistical data) so that some drop has been seen with the following four-year period of less significant trade with Russia. In addition, diversification of Georgian trade partners after

2006 also impacted on this dynamic. After Russia reopened its market for Georgian agricultural exports in 2012, the TM for Georgia increased again.

It is interesting to check if the variation in TM was indeed caused by the variation in trade turnover between Russian and Georgia and not because of the GNI variance. The Figure 2 about the share of turnover with Russia in total turnover of Georgia repeats similar trend to the one in the figure 1, therefore, it can be argued that interpretation of the TM results is valid.

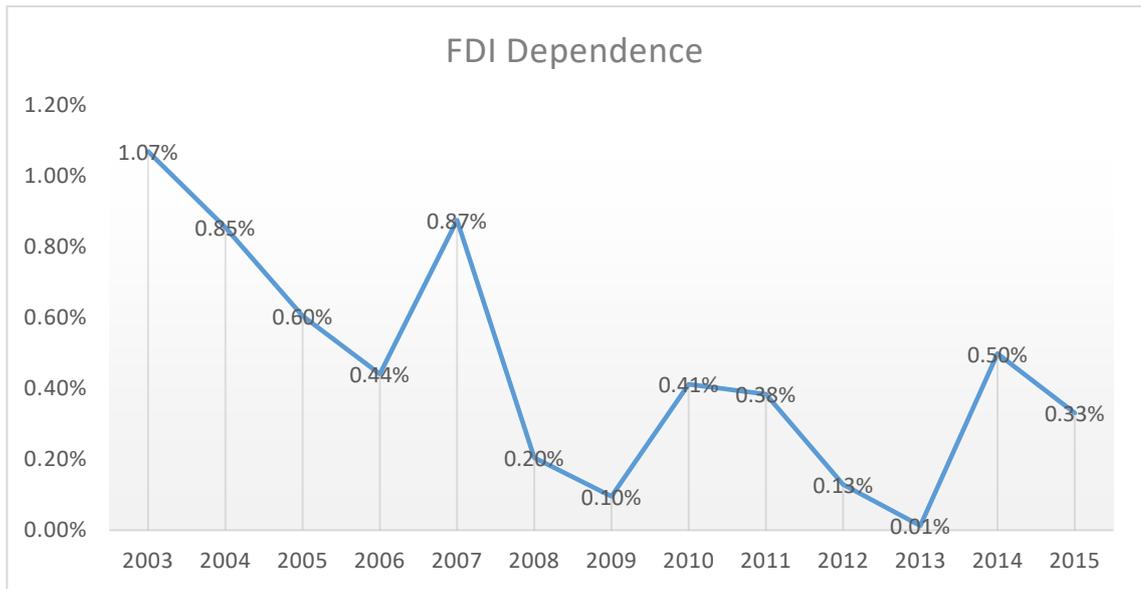
Figure 2. Share of trade with Russia in total trade of Georgia (2003-2015)



### 3.3.2. FDI Dependence

The next component of economic dependence is the indicator of FDI which is measured as the share of GDP. Figure 3. illustrates the FDI dependence over the study period:

Figure 3. FDI dependence of Georgia to Russia (2003-2015)



It is obvious that one cannot see the general trend of FDI dependence and explanation of such intense changes is rather difficult because, for example, lowest shares of the Russian FDI in 2009 and 2013 might be impacted more by the global economic crisis and Russia’s military engagement in Ukraine than by the Russia-Georgia relations. Thus, complete discussion and interpretation of the results fall out of the context of this thesis. Nevertheless, what is relevant to see from the chart is that, in overall terms, Georgia receives limited amount of FDI from Russia but, according to the recent research report, it is mainly directed to the strategically important sectors, namely, energy, transportation and telecommunications. More specifically, in the electricity field, the Russian company “Inter Rao” holds 75 percent of the Georgian energy distribution company “Telasi”, thermal power station “Mtkvari Energetics”, hydro power plants “Khrami 1” and “Khrami 2” and the management of the largest hydro power station in the Caucasus - “Enguri”. In addition, the “Sakrusenergy”, where one of the sharers is the Russian Energy System, controls the overall 603 km of electricity transmission lines in Georgia. And, one of the Russian companies - “Petrokas Energy Limited” holds 49 percent share of Poti Port. His owner also has 140 petrol stations inside Georgia. (IDFI, 2015)

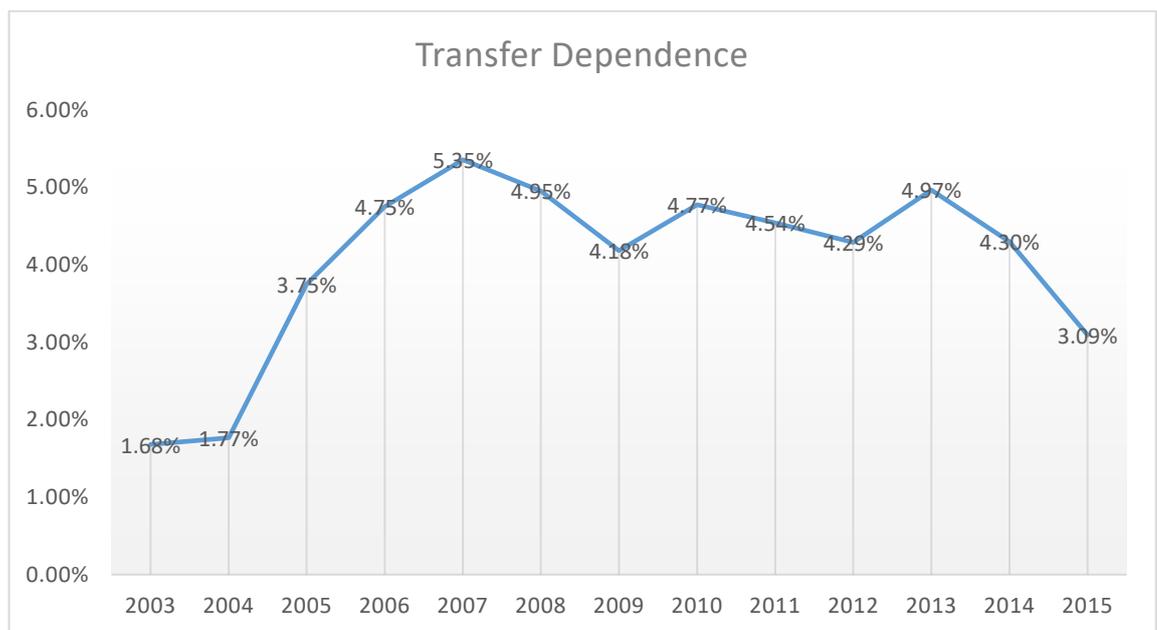
Apart from the Russian companies, citizens of the Russian federation also possess 70 percent share in the Ltd. “Energia” (owner company of the “Dariali”, “Larsi” and “Shilda” hydro power plants), the “Energy Invest” (which owns the hydro power plant “Pshavi” and is planning to build two more “Avani” and “Skurdidi” plants) and have shares in the Beeline and the VTB Bank-Georgia. (Ibid.)

Taking into account such representation of the Russian capital in the strategic fields of Georgian economy, it can be argued that even the irregular investments significantly contribute in the economic dependence of Georgia to Russia.

### 3.3.3. Transfer Dependence

The significance of money transfers from Russia to Georgia was measured similarly to the indicator of FDI dependence – as a percentage of GDP of Georgia.

Figure 4. Money transfers from Russia to Georgia (2003-2015)

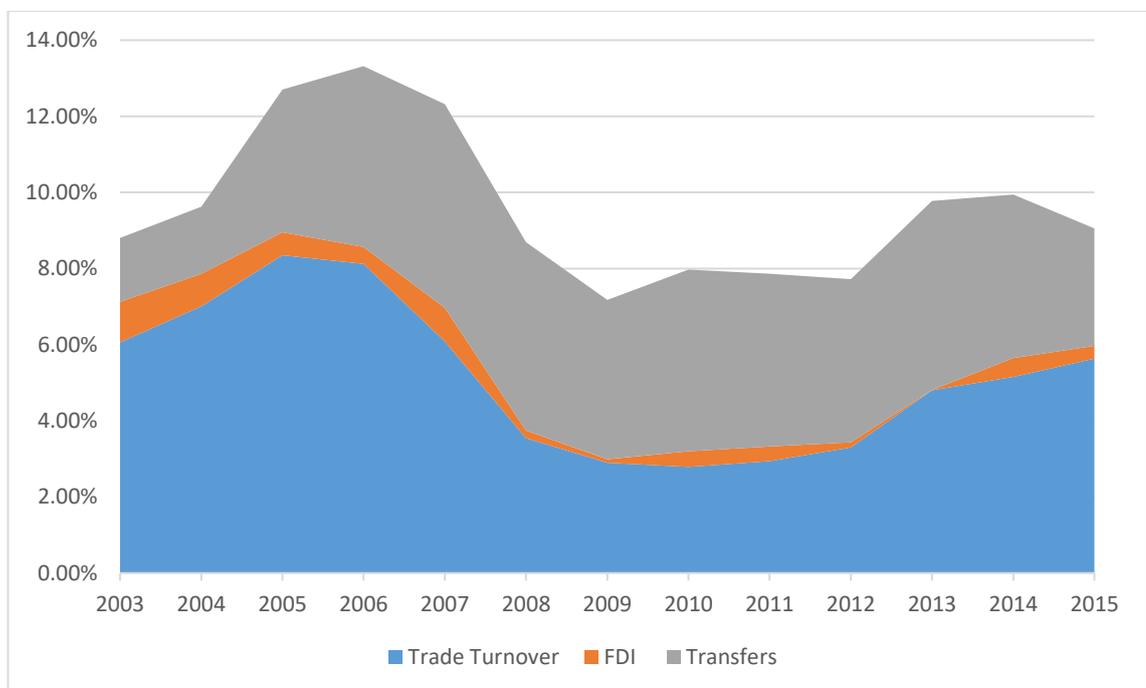


The chart shows that transfers made from Russia fluctuated roughly between four and five percent, except for the initial two years. The relative decrease in the last three years can be the result of the devaluation of the Russian currency after the Ukrainian Crisis. Overall, it can be argued that transfers from Russia represent one of the significant

sources of the GDP of Georgia and similarly to the FDI, it may be regarded as the source of dependence on Russia.

To sum up the chapter, two major conclusions can be drawn after analyzing the results: The TM underwent the most variation during the study period because of the Russian embargo imposed on the Georgian agricultural products and the August War, while the FDI and transfers dependence maintained their average levels. In addition, when combined together the shares of Russian FDI, money transfers and the turnover in the GDP of Georgia the following picture is obtained:

Figure 5. Share of the Russian FDI, monetary transfers and trade turnover with Georgia in the GDP of Georgia



For the purposes of this study, the two important points of time can be identified throughout the study period: 2005-2006 and 2012 years. The first shows the highest economic interaction between Russia and Georgia and corresponds to the period before the suspension of major economic relations between the two countries. In 2012 though, the lowest economic activity can be depicted after which starts intensification. And, this trend is related to the resumption of all kinds of communications between Georgia and Russia, including trade in agricultural goods.

## **4. FOREIGN POLICY CONCESSIONS OF GEORGIA**

This chapter describes those Foreign Policy decisions made by the government of Georgia during the two periods observed in the present research project which have been mostly criticized within Georgia. In particular, policies with the focus on the Euro-Atlantic Integration and on the relations with the Russian federation are examined to see if the government of Georgia has made any compromises starting from the year 2003 until the present date which is November, 2016.

### **4.1. Between 2003-2007**

The period between 2003 and 2007 was characterized by the rigid resistance of the Georgian government to the political interests of Russian federation towards Georgia and the entire South Caucasus.

Involvement of Russian military peace-keepers in the territorial conflicts of Georgia became one of the pressing issues after the 2003 Rose Revolution. These forces were deployed in Abkhazia and South Ossetia after the conflicts of early nineties. But, Russia's involvement in the territories of Georgia was perceived as a threat of expansion of Russian control over the country and the entire region as well. For this reason, the government strongly urged for the internationalization of peace-keeping forces in Georgia. Some Western political analysts even considered that the Russian peace-keeping forces deterred attempts of military reunification of its secessionist territories by Georgia. In Georgia, also, these forces were perceived as the mere border guards who safeguarded the *de-facto* borderline between the government-controlled and conflicting regions of Georgia. Therefore, in 2004, at the time of escalations in the South Ossetia, the parliament of Georgia criticized the Russian Federation for being one of the involved parties in the conflict. This statement was followed by the initiative of Georgia in the Organization for Democracy and Economic Development which was established in 1999 between Georgia, Ukraine, Azerbaijan, Moldova and Uzbekistan, to reconsider the format of the Russian peace-keeping forces. Ukraine was also in favor of replacement of Russians by the EU or

NATO mission. (Independent International Fact-Finding Mission on the Conflict in Georgia, 2009, pp. 15-16)

Even though Russian influence on the politics and economy of Georgia was high, the government resorted to the astute criticism of its powerful neighbor. In 2006, President Saakashvili blamed Russia in the annexation and occupation of South Ossetia and Abkhazia and demanded the withdrawal of Russian peace-keeping troops from the territories of Georgia. This happened shortly after NATO offered the framework of Intensified Dialogue on the membership aspirations to Georgia in September, 2006 (North Atlantic Treaty Organization, 2006). This was perceived as the step forward in the cooperation of Georgia and NATO which created expectations in the government of Georgia of the commitment and support of its Western partners. Nevertheless, to the surprise of the President of Georgia, US and NATO as well as the EU acknowledged the seriousness and the possibility of escalation of the situation because the progress of Georgia on its way to the West created negative repercussions in Russia. In addition, the Intensified Dialogue aimed not only the better cooperation, but also served as a preparatory framework according to which Georgia had to prepare itself for the NATO integration plan. Russia was already concerned by the fact that Georgia was the largest contributor of its troops among non-member states of NATO to ISAF mission and criticized the involvement of Georgian military forces in the NATO-led operations in Kosovo and Afghanistan (Office of the State Minister of Georgia on European and Euro-Atlantic Integration, 2016). So, the process of Intensified Dialogue needed to be developed along with the very calm and thoughtful policy with regard to Russia. But, as a result of Georgian criticism, the Russian peace-keeping troops started marching to the Georgian-controlled territory situated near the *de-facto* border of the Region of Abkhazia which was one of the locations of the Georgian youth camps. This was the onset of the military confrontation between Russia and Georgia which finally developed into the full-fledged August War in 2008 (Independent International Fact-Finding Mission on the Conflict in Georgia, 2009, p. 15).

The Georgia-EU cooperation in comparison to the NATO-Georgia rapprochement was less significant for Russia, because Georgian governance was way far from being

ready to exercise successful EU policy. At first, it needed modernization of its institutions and eradication of corruption in order to direct the EU funds and assistance in a straightforward and successful way. In addition, the ideas of the EU and Georgia about conflict resolution differed, as the EU advocated peaceful and careful measures, while the government of Georgia believed in the success of its proactive policy. (Ibid., pp. 54-57)

Apart from the military sense, noncompliance of Georgia to the Russian interests revealed in the energy field as well. As described in the previous chapter, after 2003, Georgian energy debt was high to Russia and the period itself was characterized by the provocative attempts of the Russian government to influence on the decisions of Georgians. This refers mostly to the projects of natural gas pipelines for the transportation of Asian gas to Europe through the territory of Georgia. The 2020 Energy Strategy of Russia adopted by the government in 2003 begins with the emphasis that “the role the country plays in the world energy markets determines its geopolitical influence to a large extent” (Government of Russia, 2003, p. 4). Having in mind that Russia was the largest provider of gas to European states, the construction of alternative routes was perceived by the Russian government as the sign of losing its dominant position in the region. Despite Russia’s disapproval, Baku-Tbilisi-Ceyhan project has been through by 2006 and Azerbaijanian gas began transportation to Turkey. There also was another project – the Nabucco - which aimed to transport gas from Azerbaijan to Europe through Georgia, Turkey and Bulgaria. Even though, the volume of Nabucco pipeline was relatively small, it served the purpose of differentiation of supplies to the EU, thus it would have reduced the energy dependence on Russia. The Russian government, with the goal of preventing the realization of the project, developed the alternative pipeline project of the South Stream and created all conditions to show the investors that the Corridor of Georgia was unsafe for the pipeline because of the threat of escalation of internal conflicts (Sarukhanyan, 2008).

It is believed in Georgia, that one of the purposes of the Russian Federation in the 2008 War was to destroy the image of Georgia as the safe and reliable shortest corridor for the East-West transportation by bombing the railway and the area alongside the BTC pipeline (Pannier, 2008). Nevertheless, rather than making a compromise and appeasing

Russia, Georgia continued its active participation in the development of new energy routes through its territory even after.

#### **4.2. After 2012**

Before continuing with the developments from 2012, it should be clarified that the Georgian society was tired of the burdensome legacy of the 2008 War and the deteriorated relations with Russia. Despite the strong non-compliant attitude of President Saakashvili and his government towards Russia, it was by the end of their second term when certain compromises started to show up in the foreign policy of Georgia. Specifically, in 2011, Saakashvili made an agreement with the involvement of the Swiss mediators to agree on the membership of Russia in the WTO, which Georgia was blocking since the 2008 August War (Kimball, 2011). The reason for using the veto power was that negotiations with the Russian government on the problematic economic and political issues related to the conflict zones of Georgia were not settled. During the political bargaining, Georgia aimed to open Georgian customs checkpoints in Abkhazia and South Ossetia and expected from Russia: to prevent smuggling and not to use internationally closed seawater area and airspace of the uncontrolled territories of Georgia; to respect freedom of transit, to lift the ban and open its market for the Georgian products and to remove discriminatory visa restrictions imposed on Georgian citizens (Voice Of America, 2010). Despite those demands, Russia and Georgia only reached the agreement that in exchange for the positive vote Russia would allow the international monitors work instead of Georgian state officials at the customs points of the breakaway regions (Ministry of Foreign Affairs of Georgia, 2011). However, implementation of this agreement has been prolonged and the parties are still discussing its technical details even five years after the conclusion of the document (Ministry of Foreign Affairs of Georgia, 2016).

In addition, in 2012, the Saakashvili government unilaterally lifted visa restrictions and granted the visa-free regime for short visits to the Russian citizens. Saakashvili announced that his decision had economic motivation and claimed: “We welcome economic relations with Russia. Therefore, we are ready to give a chance to peace, and so, we are coming with a new initiative to unilaterally cancel the visa regime with Russia... Let all Russian businessmen know they can come... and do business in

Georgia”. Noteworthy, this decision was not preceded by any bargaining process between the Georgian and Russian sides. (Civil Georgia, 2012)

The 2012 parliamentary elections were expected to change the country for the better as the winner coalition of GD promised to engage Russia in the cooperation and the overall vision of this party coincided with the public attitude that Georgia needed balanced policy between the West and Russia. The GD, in its founding document, proclaimed that Georgia’s Euro-Atlantic choice did not have an alternative and that the only way for the development of the country was Westwards (Georgian Dream, 2012). The role of Russia, in this document, was significant from the point of closeness and was mostly seen in the negotiations on the matters of economy, energy and the restoration of territorial integrity of Georgia (Ibid.).

In the early 2013, the Prime Minister Ivanishvili hoped for the stable relations with Russia and the West and brought the example of Armenia: “The question is whether it is possible to simultaneously restore relations with Russia and to have good relations with the NATO - to have aspiration to NATO?... I think, a good example is Armenia which we are jealous of. Armenia has excellent relations with Russia as well as with the US and NATO. Accordingly, the answer is - it is possible” (Tabula, 2013). What seems missing in his argument is that Georgia has officially declared its membership aspiration to the NATO which Armenia has never aimed for. Moreover, it represents one of the members of the Collective Security Treaty Organization since 1994 together with Russia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan, and hosts the Russian military base in its North-West (Caucasian Knot, 2015). Therefore, comparison of the two countries is inappropriate in these obvious regards.

The policies of the new government which affected on the relations with Russia and which attracted the attention and instigated concern in the public as well as in the political circles were related mainly to the Ukrainian Crisis and the issue of Georgia’s territorial integrity.

The beginning of the governance of the GD coincided with the onset of the Ukrainian Crisis which became the subject of discussion and disagreement between

political groups and among societal actors. Because the government had newly re-established links between Russia and Georgia by Abashidze-Karasin format, the ruling elite, avoiding to destroy this effort at the initial stage, tried not to anger Russia with adverse criticism and allegations for its support to destabilize Ukraine. At first, it seemed that the GD was not ready for the dilemma of balancing to side Ukraine without offending Russia and even the Western partners expressed their surprise and disappointment that Georgia who suffered similarly from the Russian aggression not long ago was not openly condemning Russia's actions in Ukraine. American Senator John McCain, for example, openly criticized the new Georgian government and expressed his fears by the following: "I am concerned about the fact that Georgia and Russia might come closer. The government did not condemn Putin's actions in Eastern Ukraine. It is incredible to me, it is unacceptable" (Meurmishvili, 2014).

For such an undecided and softened policy towards Russia, the UNM members of the parliament strongly criticized the GD and even boycotted the Parliament session of March 6, 2014 about the adoption of the resolution on Ukraine. The majority and minority groups could not agree on the part which pertained to the encouragement of the International Society to impose sanctions against the Russian government. (Civil Georgia, 2014)

Despite the disagreements within the government of Georgia, the Georgian Dream decided not to spoil its image internationally by appeasing Russia at the expense of the deterioration of Georgia's strong relations with its Western partners. Consequently, the government found the middle ground and criticized Russian actions in Ukraine officially, but did not join the 'first round' of Western sanctions against Russia. All the resolutions adopted by the parliament on the situation in Ukraine strongly condemned the action of the Russian Federation and supported the sovereignty and territorial integrity of Ukraine (Parliament of Georgia, 2014). In addition, some of the government officials also claimed that Georgia joined the policy of sanctions against Russia and has been renewing them every year since then (Rustavi2, 2015). But, soon was revealed that from the list of different sanctions the government of Georgia only agreed to ban import of the goods produced in Crimea and Sevastopol (Tabula, 2015). The special representative of Prime

Minister in the relations with Russia - Zurab Abashidze commented that sanctions against Russia was not topical to Georgia: "Our [Russia and Georgia] trade volume is so small that, I think this theme is not really relevant for us" (Ria Novosti, 2014). Neither did Georgia join the second wave of the Western sanctions against Russia. So, it can be argued that the new Georgian government partially sided and made very limited contribution to the resolution of the conflict in Ukraine. Despite this, some members of the Russian Duma still advocate for the punishment of Georgia for its anti-Russian actions, but so far Russia-Georgia economic relations have not been restricted by the Russian side (Democracy & Freedom Watch, 2016).

Apart from the abstention from the majority of sanctions, the new government appears trying to avoid any further official criticism of Russia. During the recent Parliamentary Assembly of the Council of Europe (PACE) Georgian representatives did not participate in the adoption of two resolutions on Ukraine (Timer, 2016). The resolutions passed in PACE on October, 12 pertained to the "Political Consequences of Russian Aggression in Ukraine" and "Legal Remedies for Human Rights Violations on the Ukrainian Territories outside the Control of the Ukrainian Authorities" (Unian, 2016).

In addition to the controversies around the Ukrainian Crisis, the new government also lacked firm stance on the issue of ensuring and defending the national principle of territorial integrity (it concerns to the legitimacy of the government of Georgia within the internationally recognized borders, including the regions of Abkhazia and South Ossetia). The two particularly manifest examples can be brought here: the first one related to the participation in the Sochi Olympic games and the second - about the activities of the Russian companies in Georgia.

The preparation of the 2014 Sochi Olympic games raised discussion internationally whether to boycott it or not as the response to the infringement of gay rights in Russia. But, in Georgia, the reason for the rejection was different. The public believed that by participation Georgia would show its resilience about the activities of the Russian government, namely, the unlawful accreditation of journalists from the Georgian separatist regions and granting the status of the Olympic torch-bearer to Ivan Nechaev – the Russian national hero for his merits in fighting during the 2008 August War against

Georgia (Baghdavadze, "If I Were an Athlete, I Would not Participate in the Sochi Olympics " - Grigol Vashadze, 2013). As the part of the protest, a special petition was prepared where signatories (political officials, NGO-s and citizens) urged the Georgian Olympic Committee and the Minister of Sports and Youth Affairs to boycott the Sochi Olympics (Baghdavadze, 2013). But, the government did not share the public concern and as the then State Minister for Reintegration declared it would have been “totally unacceptable to reject participation in the Olympiad just because of the [Olympic] torch carrier” (Voice of Russia, 2013).

As for the Russian companies operating in Georgia, the recent study of the Institute for Development of Freedom of Information (IDFI) revealed several companies which were suspected for the violation of the Law of Georgia on the Occupied Territories (Dzvelishvili & Kupreishvili, 2015). This publication was followed by discussions in media and the expert circles which mainly focused on three Russian companies: Rosneft, Gazgroup and Yandex (Gamtenadze, 2016). Rosneft represents the Russian oil company which entered the country in 2014, when it purchased 49 percent share of the Petrokas company which owns two oil terminals in the Poti port of Georgia. It also owns shares in the petrol stations. According to the IDFI study, since 2009, Rosneft has been illegally processing the Black Sea shelf in the territory of Abkhazia. Article six of the Law of Georgia on the Occupied Territories prohibits any type of economic activity within the territories of Abkhazia and South Ossetia which is not licensed by the Government of Georgia and establishes sanctioning of the company as a measure of punishment (Parliament of Georgia, 2008). It is noteworthy, that since the entering of Rosneft, there has been a lot of questions about the legitimacy of its activities in the country toward the government and the citizens of Georgian submitted the petition for sanctioning Rosneft (Citizens of Georgia, 2015). Nevertheless, the Minister of Economy and Sustainable Development Giorgi Kvirikashvili commented that the government was unable to prevent the transaction process as it was done through offshore zones (Mefarishvili, 2014). In addition, despite public demands, no state investigation was conducted to find out the nature of the activities of Rosneft in the Georgian occupied territory (Gamtenadze, 2016) (Ibid.).

The similar opposition was followed after the appearance of Gazgroup - the Russian automotive company and the taxi service of Yandex which also operate in Abkhazia and South Ossetia. They also violate the Georgian Law on Occupied Territories for which they should have been sanctioned, but on the contrary, they have been welcomed by the Government officials for their investment in Georgia. In addition, as the result of the participation of Gazgroup in the state procurement competitions, their products were purchased by the different governmental agencies. As for the Yandex, additional impetus for criticism was the map of Georgia on their website without Abkhazia and South Ossetia which later has been modified in accordance with the Georgian legislation, but this version of the map was only visible for the internet-users connecting from the territory of Georgia. (Palitra TV, 2016)

The examples of the policies described in the previous paragraphs clearly show that in some aspects the new Georgian government avoided activities which would cause criticism and countermeasures of the Russian officials. But, it should be also noted that alongside such concessions, Georgia did not slow down its rapprochement to the NATO and the EU. On the contrary, in the Summer 2015, the NATO-Georgian Joint Training and Evaluation Center was established with the aims to “strengthen Georgia’s defence capabilities. It will also help Georgia, as an aspirant country, advance in its preparation for membership of the Alliance and encourage closer integration through training, exercises and evaluation in national, bilateral and multilateral contexts” (North Atlantic Treaty Organization, 2015, p. 1).

In addition to strengthening its relations with NATO, in 2014, Georgia deepened the cooperation with the European Union as well by signing the Association Agreement (AA) and the Deep and Comprehensive Free Trade Agreement. The is the broad framework of cooperation which fully entered into force in July 2016, but the progress has already been made in many respects including economy: “Georgian exports to the European Union increased by 16% in 2015 and, as a direct result of the DCFTA, new Georgian exports to the EU are materializing”. (European Commission, 2016)

To sum up this subchapter, it can be argued that from 2012 Georgia experienced mixed policies from which those can be identified as concessions to the interests of the

Russian Federation which were not in strong opposition to the Euro-Atlantic aspirations of the country. Overall, the government has been having a lower tone towards Russia compared to the Saakashvili administration and seems discussing economic and foreign policy issues separately from each other.

## **5. ECONOMIC NATIONALISM: CONNECTING ECONOMIC DEPENDENCE AND FP CONCESSIONS**

This section of the paper gives description of the results drawn from the discourse analysis of economic nationalism of Georgia and connects the variables together according to the overall analysis provided in the empirical part of the thesis.

Unlike previous chapters, here clear division on Georgian economic nationalism between the two periods is not possible, therefore, at first, the general principles and characteristics are presented which have been constructing during the two periods, and after that follows the comparison of the differences.

To begin with the main strategic document, the National Security Concept of Georgia establishes the liberal-economic model as the key to the development of the country which is based on the principles of free market, open partnership, strict fiscal discipline and the healthy monetary policy. It also names the USA, the EU and the countries in the region as the most desirable for economic partnership. (National Security Concept of Georgia)

Economic dependence is portrayed in the document as one of the security issues for Georgia and it envisages that creation of “an environment for stable and high long-term economic growth is one of the top priorities of the Georgian national security policy. The Government of Georgia ensures free economic development and the broadening of the country’s international economic relationships...”. This plan is backed up by the need for diversification of Georgia’s energy supplies and the increase of the energy capacity of the country. (Ibid.)

The document openly securitizes Russia and constructs the image of a culprit from it, directly accusing for causing the economic instability in Georgia, especially through its military aggression. Nevertheless, the importance of developing good neighborly relations with Russia is also emphasized, but only in case it is based on the equality in the partnership. Russia is also perceived as the unstable and undemocratic country which

does not respect the sovereignty and territorial integrity of other states and which neglects democratic values and the principles of market economy. (Ibid.)

It is important to mention that the Foreign Policy Strategy of Georgia for 2006-2009 was not so strict towards Russia, rather it argued that “establishment of good-neighborly and equal relations with the Russian Federation was one of the fundamental priorities of Georgia’s foreign policy. Proceeding from this principle, Georgia was ready to develop mutually beneficial co-operation in the spheres of trade and economy, attract Russian investment, and conduct a dialogue on security issues”. It also viewed Russia as the partner in the conflict resolution and emphasized that “ensuring positive participation of Russia in the peaceful settlement of the conflicts and restoration of Georgian territorial integrity was one of the principal tasks of foreign policy”. (Foreign Policy Strategy: 2006-2009, p. 21)

The current version of the Foreign Policy Strategy of Georgia reiterates similar approach to the previous document with regard to Russian Federation regarding the partnership on equal ground and adds that “normalization of relations ... should be a prerequisite for the de-occupation of Georgian territory by Russia and its recognition of the Georgian regions”. In addition, it emphasizes the importance of the informal and formal talks within Geneva and Abashidze-Karasin formats. Though, it is also stressed that Georgia does not consider de-escalation of the bilateral relations with Russia as an alternative to the Euro-Atlantic integration, rather these two processes should occur in parallel. According to the strategy, “the European and Euro-Atlantic choice, which is an expression of the free will of the Georgian people, is not subject to revision”. (Ministry of Foreign Affairs of Georgia, 2011)

In the strategic documents of Georgia, great importance is placed on the EU as being not only the role model for the development, but also as the mediator in the conflict resolution between Russia and Georgia (Ibid.). Deeper cooperation with the EU is the primary goal of the 2013 economic strategy of Georgia as well which is full of references to the implementation of the AA and the DCFTA in all fields of economy and governance (Government of Georgia, 2013).

The role of Georgia as an important regional actor is seen from its location in the heart of crossroads and envisages the development of various transportation projects (railroads, roads, pipelines, etc.) passing the territory of the country: “Further development of the transport infrastructure; maximum utilization of the country’s transport, transit, and communication potential; and the full integration of Georgia into international transport systems is equally important in developing the country’s role as a regional logistical center.” (Ibid.) The rise of the logistical importance of the country is highlighted in the new economic strategy for 2020 as well, for the success of which the role of the EU and implementation of the AA is regarded as a precondition (Government of Georgia, 2013, p. 41).

### **5.1. ‘Revolutionary Economic Nationalism’ of The Saakashvili Government**

The post-Rose Revolution economic nationalism of Georgia can be identified as ‘revolutionary’ not only because it followed the civil protests, but also for the ideological reasons. The Georgian society approved the strong liberal-democratic direction of the country by empowering the UNM whose main economic ideology was neo-liberalism with open market principles. It should be argued that some aspects of the state economic nationalism during this period were the product of the predominant influence of the official discourses on the public ones and were constructed by ‘othering’ and ‘self’ representation methods.

The ‘revolutionary’ economic nationalism was characterized by the declaratory representations of Georgia as the ‘part of European family’. The official and public speeches of the political elite frequently reiterated the words of Zurab Zhvania – the Prime Minister of Georgia during 2004-2005 – at the 1999 General Assembly of the Council of Europe: “I am Georgian, and therefore, I am European!” (Zhvania, 1999). This self-representation was further developed into inaugural speeches, public addresses and state documents in forms of myths and metaphors as are ‘Georgia’s European past’, ‘return to Europe’, ‘member of the European family’ which were translated to economy as well. The best example is representation of Georgia according to its economic model as ‘Switzerland of the region with the elements of Singapore’ (Civil Georgia, 2010).

In addition to the closeness to Europe, at first, Russia was also perceived as the immediate neighbor of the country with whom Georgia should have developed close economic and political relationships (Inauguration of Mikheil Saakashvili - January 4, 2004). But, soon this attitude has changed into the strongly securitized Russia represented as the “enemy” which was the main drawback for the Europeanization of Georgia, and this discourse remained active for longer period (Saakashvili, 2012). In addition, any kind of interaction with Russia was displayed as the ‘return to the Soviet past’(Ibid.). Such narratives can be seen in many state documents of that time.

Considering the above-mentioned articulations, the neo-liberal economic ideology of this period was based on the ultra-right beliefs of Kakha Bendukidze – the Minister of Economy and the Economic Reforms Coordination in different periods, who argued that for the progressive development is necessary to minimize state involvement in economy and to ensure pure free market in the country. According to him, Georgia should have seen its development and growth in the attraction of foreign investment and privatization. As he put it, “it does not matter who buys the state enterprises - Russian, American or other businessmen. The main thing is to receive as much money and facilities from the privatization process to sell them expensively... Everything can be sold, except for honor” (Xutsidze, 2004). And, the following reforms were practical implementation of his approach.

The liberal economic principles were portrayed as deeply rooted in the history and culture of Georgia. The president Saakashvili named Ilia Chavchavadze, the prominent 19th century writer and political figure, as the first neo-liberal in the Georgian history: “Ilia was the first to preach free trade, open economy, minimal government intervention in the economy and lower and liberal taxes. We chose the path of Ilia”- he argued (Civil Georgia, 2009).

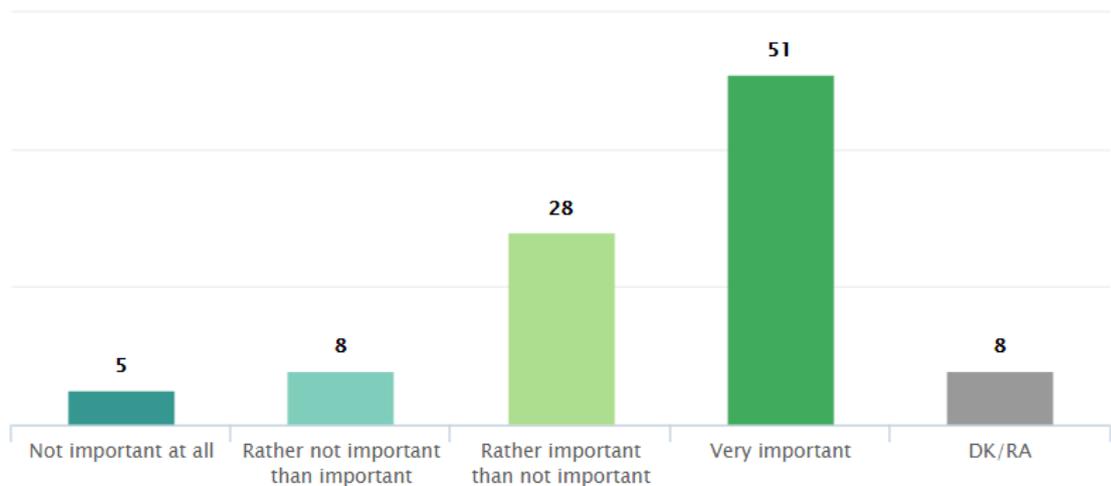
Representation of the country as free and liberal country was so strong during the post-Rose Revolution period that, during his visit in Georgia, the American President George Bush labeled Georgia as the ‘beacon of liberty’ in the region of South Caucasus and in the entire world (Khorbaladze, 2016).

It should be noted that during the governance of the UNM, economic and political priorities and threats were strongly intertwined with each other and with the national interests of the country. This was the reason for the re-definition of Georgia’s relations with Russia based on the developments from the early 2006. The followed articulations gave Georgia’s economic dependence on Russia great relevance to the public and the political elite, who especially saw the import and energy dependence as the security threat for Georgia, and redirected the economic orientation of the country to the other regional players, for example, towards Turkey and Azerbaijan.

## 5.2. ‘Constructive’ Economic Nationalism Since 2012

Modification of the ‘revolutionary’ economic nationalism into more ‘constructive’ form started somewhat earlier than 2012 when public opinion began to shift towards restoration of cooperation with Russia. As early as in 2009, slightly more than half of the population considered very important to have strong ties with the Russian Federation:

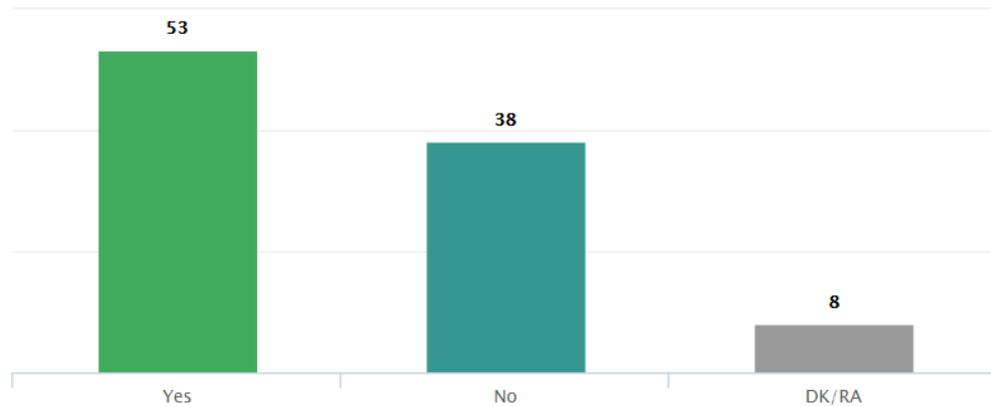
Figure 6. TIERU: Importance of strengthening ties with Russia (%)



(Source: Caucasus Research Resource Center, 2009)

Similar result was obtained when people were asked to name one of the countries with which Georgia should have had the closest economic relations:

Figure 7. GEECORU: Georgia should have closest economic cooperation with Russia (%)



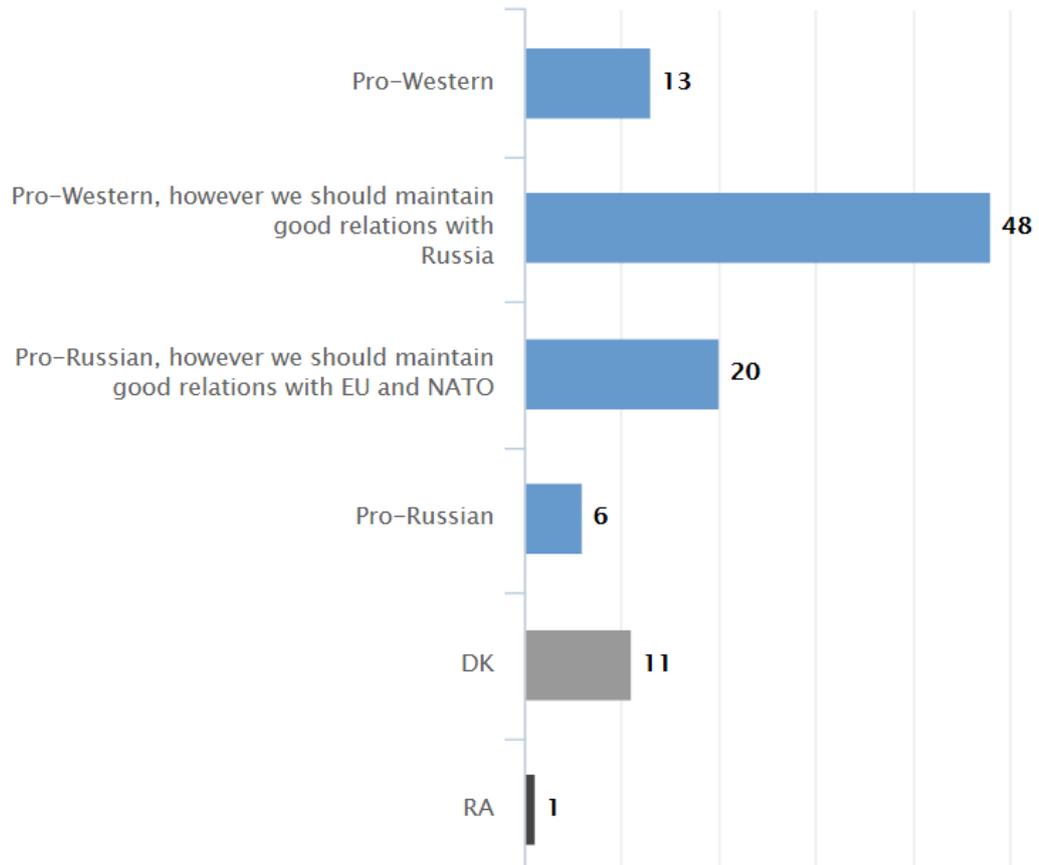
(Source: Caucasus Research Resource Center, 2009)

This tendency was not unnoticed for the government, but public sentiments were not strong enough at that moment to reshape the dominant discourse. Though, this process further intensified which was demonstrated in the shifted public support to the so called “pro-Russian”<sup>7</sup> political parties and candidates in the following elections. Specifically, in 2012, the UNM was replaced by the GD which took the constitutional majority of the votes in the 2016 parliamentary elections. And also, in 2016, together with the UNM and the GD the Alliance of Patriots entered the parliament. This political party is also known for its aspiration to the better relations with Russia (Alliance of Patriots of Georgia, 2016). In addition, it is noteworthy that the two political parties which could not enter the parliament but went very close to the barrier were the Free Democrats and the Nino Burjanadze - Democratic Movement with, respectively, 4.63 and 3.53 percent of votes, who also support normalization of Georgia’s relations with Russia (Parliamentary Elections of 2016). These results meet the shifted public attitude on the main foreign policy direction of the country which in 2016 looked as follows:

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<sup>7</sup> In Georgia, those parties are labeled as “pro-Russian” which aim to develop good neighborly relations (cultural, political and economic) between Georgia and Russia.

Figure 8. GEFORPOL: Georgia's foreign policy should be pro-Western or pro-Russian (%)



(Source: Caucasus Research Resource Center, NDI: Public attitudes in Georgia, June 2016)

Consequently, within the last six years, the main novelty in the Georgian economic nationalism was the changed representation of Russia in the public and political narratives from 'enemy' to 'frenemy'. The meaning of the latter image does not differ from the original meaning of the word which is defined as "a person with whom one is friendly despite a fundamental dislike or rivalry" (Oxford Dictionary). So, the 'frenemy' portrait of Russia was gradually formed and was discursively reproduced in the official and unofficial speeches and discussions. The narratives stressed the importance of the intensification of economic relations and the need for understanding the policies and attitudes of the Russian government towards the foreign and economic directions of Georgia. The major light motive of the current discourse is that since Georgia represents

the open market economy it should trade with as more countries as possible without any discrimination. Following this argument, trade with Russia is considered as the source for diversification of Georgia's economic links and maintenance of stability and economic security. (Pirveli Studia, 2014)

The current government of Georgia has been trying to mitigate existing alternative discourses about the fears of economic dependence of Georgia on Russia. For example, in 2016, the president of Georgia, at his Annual Report in the Parliament, portrayed the new Georgia - Russia relations as the part of the Europeanization Policy and stressed the importance of the presentation of these relations within the framework of Georgia's European Policy. He also pointed out that cooperation with the Western partners is crucial to jointly balance the growing interests of the Russian Federation in Georgia and the region of the South Caucasus as a whole (Margvelashvili, Annual Report, 2016). The president also warned the public that Georgia should not forget that Russia is willing to use economic leverage for political purposes. This rhetoric is similar to the one in the Annual Report of the President given in 2015, but the attitude towards Russia was different from his current narrative. Back then, Margvelashvili spoke about the growing Russian soft power in Georgia which aimed to discredit western values and to persuade Georgia to abandon its aspiration of the Euro-Atlantic integration (Margvelashvili, 2015). In this context, he also addressed the growing discussions about the possibilities to purchase gas from the Russian state-owned company and commented that so called 'Gazprom talks' should be held transparently, within the frame established by the mandate of the highest political authorities of Georgia (Ibid.). Different assessment of the situation was made by Zurab Abashidze - the Special Representative of the Prime Minister of Georgia. According to him, there was nothing special and fearful in the negotiations with Gazprom and justified the safety of Russian gas import by stating that Georgia was receiving natural gas from Russia since the Soviet Union period (Abashidze, 2015). This latter argument was predominantly reproduced in the narratives of the political majority as well, and the current policy of rapprochement to Russia is portrayed as the correction of mistakes made by the previous governments (Rustavi 2, 2013).

Re-articulation of the attitudes of Russia to Georgia's Euro-Atlantic path was also one of the aspects which differed from the previous discourses. In particular, the mainstream official narratives did not recognize that Georgia's economic and political closeness to Europe is dangerous for Russia and stressed on the importance of persuading the Kremlin in the benefits of having stable European country as a neighbor. (Georgian Broadcaster, 2014)

In addition to the previous representations, economic nationalism of the GD period softened the previous economic ideology of the UNM by constructive state regulation mechanisms. In other words, presently, the Georgian economic model can be identified as the liberal economy with social dimensions. This modification process in the public discourses is termed as 'transformation from Singaporean to the German economic model'. (Caucasian House, 2016)

From the analysis of the re-construction of economic nationalism in Georgia over the last six years, it can be argued that 'unbundling' of economy and politics (especially, foreign

policy) is noticeable. Georgia's Western choice is often distanced from the context of trade with Russia and is assumed to be unchangeable. It is, therefore, believed to be irrelevant to dichotomize relations with the West and relations with Russia.

### **5.3. Connecting the Variables**

Putting together the findings of the analysis conducted through the empirical examination of the three variables, it can be argued that economic nationalism of Georgia strongly impacted on the connection of economic dependence and FP concessions. The following table illustrates this connection well:

Table 3. Results of the study

Periods/Variables	Economic Dependence	FP Concessions	Economic Nationalism
2003-2007	HIGH	NO	<u>"ENEMY"</u> Securitization of economic relations with Russia - 'bundling' economy and FP
2012-2016	LOW	YES	<u>"FRENEMY"</u> Russia as a source of differentiation - 'unbundling' economy and FP

Between 2003-2007, Georgia was highly economically dependent on Russia, but, despite the high costs of noncompliance, it showed no concessions in its foreign policy for the benefit of Russia because of the internal antagonism towards Russia. Georgians perceived strong criticism of the Western foreign policy direction of the country by the Russian officials as an attempt to hinder progress and development of Georgia. They also believed that the Russian government largely appreciated a weaker neighbor in order to maintain its influence in the South Caucasus region. Such feelings significantly contributed in shaping the 'enemy' image of Russia which triggered non-compliance to its 'unfriendly' demands on abandoning the Euro-Atlantic path.

Similarly, the reason for the unexpected foreign policy concessions when the economic dependence was the lowest in history, in the 2012-2016 period, Georgian economic nationalism de-securitized economic interactions with Russia as a result of 'unbundling' economy and politics. It is believed that, since the whole world, including the EU, is trying to access one of the largest Russian market, Georgia should also benefit from trade with its northern neighbor and, in this way, differentiate the list of its economic partners.

## CONCLUSION

Main interest of the present research was to study deep roots of the foreign policy compromises made by the government of Georgia because of the economic dependence on the Russian Federation. In particular, the thesis aimed to find out how the economic dependence gains its meaning as relevant enough to decide on whether or not to compromise, or in other words, what gives such social and political meaning to it. In the pursuit of the answer, different theoretical approaches were discussed which suggested two general explanations: More Realist and Liberal scholars argued that material costs of economic dependence strongly impact on the decision to comply to the will of the dominant nation, while Constructivists stressed the importance of social perceptions in the explanation of causal links between economic dependence and political choices.

The case of Georgia-Russia relations was chosen for this study because the initial test of the dominant approaches on the economic interdependence did not fit in this context. Specifically, the government of Georgia resisted to the demands of the Kremlin to compromise its Western foreign policy orientation for the benefit of good relations and intense economic interactions with Russia in 2006 when the costs of non-compliance were high. And, surprisingly, the Georgian government made concessions to Russia when its economic dependence was on the lowest level. The second development in this puzzle may be explained by the Neo-liberal argument that motivation for the Georgian government was the potential benefit coming from the intensified economic activities with Russia. But, from the historical experience, neither government of Georgia nor the people would have assumed that the 2006 would not have been repeated again. On the other hand, the mainstream theories of IPE could not explain why Georgia decided to bear the costs of cutting trade and other communication links with Russia. These were the main reasons why inclusion of the constructivist approach was significant to address the deficiencies explained by Armstrong about the determination of perceptions of actors about the costs of compliance and the importance of the political issue where the concession needs to be made. Therefore, this thesis made particular use of the growing school of the Constructivist IPE and the theories on economic nationalism. As explained

in the theoretical part of this thesis, economic nationalism in its modern understanding, which is constantly (re)constructed and (re)articulated socially, can show the reasons for the particular policies and explain better the relationships between economic and political phenomena. In the context of the present research, economic nationalism was assumed as the structure/construction of set of perceptions/discourses which define frame for the economic policy decisions.

Based on the analysis of the literature, economic dependence and FP concessions of Georgia were linked by economic nationalism and the following examination aimed to support or disagree with the hypothesis that it is economic nationalism which gives relevance to the certain economic dependence and triggers concessions.

Since the study involved three variables of different types, methodological design was also determined accordingly, as dictated by the literature review: Economic dependence was calculated by the formula which Richardson and Armstrong applied in their works; FP concessions were identified by the logic of Armstrong's 'issue importance', by looking at the policies around the matters which were highly relevant for both Russia and Georgia; Economic nationalism was examined through discourse analysis technique.

Choice of the diachronic analysis was more or less defined by the research puzzle because in the Russia-Georgia relations, two periods stood out from the history. Therefore, time frame for the examination of the variables was defined from 2003 to 2016 with particular attention to the 2003-2007 and 2012-2016 periods when the government of Georgia made contrasting choices. Results obtained from the empirical analysis confirmed the existence and relevance of these two periods for the study. In addition, it was found that during 2003-2007, 'revolutionary' Georgian economic nationalism interpreted relations with the West as more beneficial for the development of the country than with the Russian Federation and firmly securitized Russia, which is why the high costs of deterioration of economic relations with Russia were not seen as harmful for the national purposes as the compliance to the Russian interests to stop integration with the NATO and the EU. The relatively 'constructive' economic nationalism of Georgia which has been taking its shape since 2010-2011 can be regarded as the factor which triggered

compromises of the government. Unlike the previous more radical economic nationalism which did not see the margins between issues of political and economic security, the current Georgian economic nationalism unbundled the two and, consequently, economic relations with Russia no longer were perceived as dangerous for the national interests. Thus, Georgia could keep its firm Euro-Atlantic aspiration and make other foreign policy compromises in exchange for the economic benefits from trading with Russia. In addition, the analysis showed that concessions made by the government officials are not supported by some politicians, individuals and civil society representatives. These compromise policies seem to have higher impact on the subsequent internal rather than external criticism of the government. The Georgian government officials appear trying to balance responsibilities to the EU and NATO and interests of the Russian Federation in such a way to avoid international declaratory criticism from its partners. Validity of this supposition though, lies out of the framework of the present study. It represents a mere observation which may be the subject of future research.

Speaking of the limitations, it should be mentioned that this thesis does not involve analysis of the alternative explanations (for example, political ideology of the ruling elite, international support to their administrations, corruption and etc.) of the relationship between economic and political dependence, because its primary aim is to conduct an experimental research by combining material and social approaches in order to explain the IPE phenomenon by constructivist methods. Nevertheless, the future studies may include external discourses in order to find out their role on the (re)articulation of economic nationalism.

In general, the results of the present research contribute to the growing Constructivist IPE debate by demonstrating significance of social dimension in explaining the developments which the mainstream IPE theories fail to rationalize. In addition, the conclusions of the analysis represent justification of the part of the economic nationalism literature which ascribes vital explanatory power to economic nationalism and, at the same time, recognizes its changing nature according to the discursive articulations. Besides, the novel theoretical and methodological design of the thesis can

be applicable to the cases of the post-Soviet countries, especially to those from the EU-Russia shared neighborhood.

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## APPENDICES

### Appendix 1: Statistical Data Used for Calculations of Indicators of Economic Dependence

<b>Year</b>	<b>GDP of Georgia</b> <i>(million US dollars)</i>	<b>GNI of Georgia</b> <i>(million US dollars)</i>	<b>Total Exports of Georgia</b> <i>(million US dollars)</i>	<b>Total Imports of Georgia</b> <i>(million US dollars)</i>	<b>Export of Georgia to Russia</b> <i>(million US dollars)</i>	<b>Import of Georgia to Russia</b> <i>(million US dollars)</i>
<b>2003</b>	3,990.8	4,022.1	461.3	1,139.0	83.84	157.89
<b>2004</b>	5,124.7	5,218.9	646.9	1,844.3	104.53	254.48
<b>2005</b>	6,411.0	6,505.2	865.5	2,487.5	153.72	381.56
<b>2006</b>	7,761.7	7,937.6	936.4	3,674.8	75.39	555.37
<b>2007</b>	10,171.9	10,211.8	1,232.1	5,212.2	45.34	573.88
<b>2008</b>	12,800.5	12,628.2	1,495.3	6,301.5	29.78	423.31
<b>2009</b>	10,767.1	10,649.4	1,133.6	4,475.7	21.15	290.81
<b>2010</b>	11,636.5	11,277.2	1,677.3	5,236.0	34.71	289.73
<b>2011</b>	14,438.5	14,016.1	2,186.4	7,072.3	36.61	387.96
<b>2012</b>	15,846.8	15,700.5	2,376.6	8,056.4	46.81	476.83
<b>2013</b>	16,139.9	15,835.3	2,910.6	8,022.7	190.80	583.94
<b>2014</b>	16,507.8	16,356.1	2,861.0	8,601.8	274.75	575.57
<b>2015</b>	13,988.1	13,604.6	2,204.7	7,730.1	162.89	625.12

*Appendix 1: Statistical Data Used for Calculations of Indicators of Economic Dependence (continued)*

<b>Year</b>	<b>Total FDI of Georgia</b> <i>(million US dollars)</i>	<b>Russian FDI to Georgia</b> <i>(million US dollars)</i>	<b>Total Money Transfers of Georgia</b> <i>(million US dollars)</i>	<b>Money Transfers from Russia to Georgia</b> <i>(million US dollars)</i>
<b>2003</b>	340.0701	42.659	196.635	67.019
<b>2004</b>	499.1065	43.796	259.123	90.495
<b>2005</b>	449.7848	38.738	403.134	240.209
<b>2006</b>	1190.375	34.210	553.252	368.716
<b>2007</b>	2014.842	88.997	866.156	544.633
<b>2008</b>	1563.962	26.212	1,002.122	633.919
<b>2009</b>	658.4006	10.253	841.776	450.368
<b>2010</b>	814.4966	47.881	1,052.227	555.567
<b>2011</b>	1117.244	55.435	1,268.127	655.217
<b>2012</b>	911.5643	20.486	1,217.029	679.462
<b>2013</b>	941.9026	2.047	1,477.020	801.428
<b>2014</b>	1758.423	82.242	1,440.754	709.238
<b>2015</b>	1564.5	46.329	1,079.952	432.688

## Appendix 2. Dataset for Discourse Analysis of Economic Nationalism

№	Reference of the Source	Authors/Actors Involved
<b>1. Strategic documents of Georgia</b>		
1.1.	<p><i>Constitution of Georgia.</i> (1995, August 24). Retrieved November 2016, from Parliament of Georgia:  <a href="http://www.parliament.ge/uploads/other/28/28803.pdf">http://www.parliament.ge/uploads/other/28/28803.pdf</a></p>	Parliament of Georgia
1.2.	<p>Government of Georgia. <i>National Security Concept of Georgia.</i> Retrieved from Mfa.gov.ge:  <a href="http://www.mfa.gov.ge/MainNav/ForeignPolicy/NationalSecurityConcept.aspx?lang=en-US">http://www.mfa.gov.ge/MainNav/ForeignPolicy/NationalSecurityConcept.aspx?lang=en-US</a></p>	Government of Georgia
1.3.	<p>Government of Georgia. (2013). <i>Strategy for the Socio-Economic Development of Georgia: Georgia 2020.</i> Retrieved from file:///D:/Files/Downloads/Strategy24%2012%2013%20(2).pdf</p>	Government of Georgia
1.4.	<p>Ministry of Foreign Affairs of Georgia. (2005). <i>Foreign Policy Strategy: 2006-2009.</i> Retrieved from  <a href="http://gfsis.org/media/download/GSAC/resources/115_1973_997704_Strategy_MFA2006-2009En.pdf">http://gfsis.org/media/download/GSAC/resources/115_1973_997704_Strategy_MFA2006-2009En.pdf</a></p>	Ministry of Foreign Affairs of Georgia
1.5.	<p>Ministry of Foreign Affairs of Georgia. (2011). <i>Foreign Policy Strategy.</i> Retrieved from Bilateral Relations:  <a href="http://mfa.gov.ge/MainNav/ForeignPolicy/ForeignPolicyStrategy/%E1%83%9D%E1%83%94%E1%83%9B%E1%83%AE%E1%83%A0%E1%83%98%E1%83%95%E1%83%98-%E1%83%A3%E1%83%A0%E1%83%97%E1%83%98%E1%83%94%E1%83%A0%E1%83%97%E1%83%9D%E1%83%91%E1%83%94%E1%83%91%E1%83%98.aspx">http://mfa.gov.ge/MainNav/ForeignPolicy/ForeignPolicyStrategy/%E1%83%9D%E1%83%94%E1%83%9B%E1%83%AE%E1%83%A0%E1%83%98%E1%83%95%E1%83%98-%E1%83%A3%E1%83%A0%E1%83%97%E1%83%98%E1%83%94%E1%83%A0%E1%83%97%E1%83%9D%E1%83%91%E1%83%94%E1%83%91%E1%83%98.aspx</a></p>	Ministry of Foreign Affairs of Georgia

<b>2. Doctrines and programs of the ruling and popular opposition parties</b>		
<b>2.1.</b>	Georgian Dream. (2012). <i>Founding Declaration of Georgian Dream Coalition</i> . Tbilisi: Georgian Dream. Retrieved October 2016, from <a href="http://www.ivote.ge/images/doc/pdfs/ocnebis%20saarchevno%20programa.pdf">http://www.ivote.ge/images/doc/pdfs/ocnebis%20saarchevno%20programa.pdf</a>	Georgian Dream
<b>2.2.</b>	Ivote. (2016). “ <i>Nino Burjanadze - Democratic Movement</i> ” <i>Election Program - 2016 Parliamentary Elections</i> . Retrieved October 2016, from <a href="http://www.ivote.ge/parliamentary-elections-of-2016/programs/22917-democratic-movement-united-georgia-election-program-2016-parliamentary-elections.html?lang=en-GB">http://www.ivote.ge/parliamentary-elections-of-2016/programs/22917-democratic-movement-united-georgia-election-program-2016-parliamentary-elections.html?lang=en-GB</a>	Nino Burjanadze - Democratic Movement
<b>2.3.</b>	Ivote. (n.d.). <i>Party Program of Alliance of Patriots of Georgia</i> . Retrieved October 2016, from <a href="http://www.ivote.ge/parliamentary-elections-of-2016/programs/23244-alliance-of-patriots.html?lang=en-GB">http://www.ivote.ge/parliamentary-elections-of-2016/programs/23244-alliance-of-patriots.html?lang=en-GB</a>	Alliance of Patriots of Georgia
<b>2.4.</b>	Labour Party. (2010, May 24). <i>Founding Document of the Labour Party</i> . Retrieved October 2016, from <a href="http://labour.ge/ge/%E1%83%A9%E1%83%95%E1%83%94%E1%83%9C%E1%83%A1-%E1%83%A8%E1%83%94%E1%83%A1%E1%83%90%E1%83%AE%E1%83%94%E1%83%91/%E1%83%9B%E1%83%9C%E1%83%98%E1%83%A8%E1%83%95%E1%83%9C%E1%83%94%E1%83%9A%E1%83%9D%E1%83%95%E1%83%90%E1%83%9C%E1%83%98-%E1%83%">http://labour.ge/ge/%E1%83%A9%E1%83%95%E1%83%94%E1%83%9C%E1%83%A1-%E1%83%A8%E1%83%94%E1%83%A1%E1%83%90%E1%83%AE%E1%83%94%E1%83%91/%E1%83%9B%E1%83%9C%E1%83%98%E1%83%A8%E1%83%95%E1%83%9C%E1%83%94%E1%83%9A%E1%83%9D%E1%83%95%E1%83%90%E1%83%9C%E1%83%98-%E1%83%</a>	Labour Party

2.5.	United National Movement. (2016). <i>Party Program</i> . Retrieved October 2016, from <a href="http://www.unm.ge/ge/about-us/programa">http://www.unm.ge/ge/about-us/programa</a>	United National Movement
<b>3. Inauguration speeches of the Presidents of Georgia</b>		
3.1.	<i>Georgian President Giorgi Margvelashvili's speech delivered at the inauguration ceremony.</i> (2013, November 17). Retrieved October 2016, from <a href="https://www.president.gov.ge/ge/President/Inauguration">https://www.president.gov.ge/ge/President/Inauguration</a>	Giorgi Margvelashvili
3.2.	Presidents of Georgia. (2015, September 19). <i>Inauguration of Mikheil Saakashvili - January 20th, 2008</i> . Retrieved November 2016, from YouTube: <a href="https://www.youtube.com/watch?v=F5l21QeLNyI&amp;feature=youtu.be">https://www.youtube.com/watch?v=F5l21QeLNyI&amp;feature=youtu.be</a>	Mikheil Saakashvili
3.3.	Saakashvili, M. (2015, September 18). <i>Inauguration of Mikheil Saakashvili - January 4, 2004</i> . Retrieved November 2016, from YouTube: <a href="https://www.youtube.com/watch?v=Pu16jnY47gE&amp;feature=youtu.be">https://www.youtube.com/watch?v=Pu16jnY47gE&amp;feature=youtu.be</a>	Mikheil Saakashvili
<b>4. Annual reports of the Presidents of Georgia in Parliament</b>		
4.1.	Georgian Presidents. (2015, September 24). <i>Annual Parliamentary Report of Mikheil Saakashvili - 22/04/2004</i> [Video]. Retrieved October 2016, from <a href="https://www.youtube.com/watch?v=yvyc9TO9NAA">https://www.youtube.com/watch?v=yvyc9TO9NAA</a>	Mikheil Saakashvili

4.2.	Gugava, T. (2016, January 17). Annual Parliamentary Report of Mikheil Saakashvili - 14 02 2006 [Video]. Retrieved October 2016, from <a href="https://www.youtube.com/watch?v=kvkocHUDnrg">https://www.youtube.com/watch?v=kvkocHUDnrg</a>	Mikheil Saakashvili
4.3.	Gugava, T. (2016, January 17). Annual Parliamentary Report of Mikheil Saakashvili - 07 06 2008 [Video]. Retrieved October 2016, from <a href="https://www.youtube.com/watch?v=hF5F_I9Qilw">https://www.youtube.com/watch?v=hF5F_I9Qilw</a>	Mikheil Saakashvili
4.4.	Gugava, T. (2015, January 17). Annual Parliamentary Report of Mikheil Saakashvili - 07 06 2008 [Video]. Retrieved October 2016, from <a href="https://www.youtube.com/watch?v=eHcqSsd0I4w">https://www.youtube.com/watch?v=eHcqSsd0I4w</a>	Mikheil Saakashvili
4.5.	Margvelashvili, G. (2012, February 21). <i>The annual report of the President in the highest legislative body of Georgia</i> . Retrieved October 2016, from <a href="https://www.president.gov.ge/ge/PressOffice/Documents/AnnualReports?p=8674&amp;i=1">https://www.president.gov.ge/ge/PressOffice/Documents/AnnualReports?p=8674&amp;i=1</a>	Giorgi Margvelashvili
4.6.	Margvelashvili, G. (2015, March 31). <i>The 2015 Annual Parliamentary Report of the President of Georgia</i> . Retrieved October 2016, from <a href="https://www.president.gov.ge/ge/PressOffice/Documents/AnnualReports?p=9375&amp;i=1">https://www.president.gov.ge/ge/PressOffice/Documents/AnnualReports?p=9375&amp;i=1</a>	Giorgi Margvelashvili

4.7.	Margvelashvili, G. (2016, February 3). <i>The 2016 Annual Parliamentary Report of the President of Georgia</i> . Retrieved October 2016, from <a href="https://www.president.gov.ge/ge/PressOffice/Documents/AnnualReports?p=10058&amp;i=1">https://www.president.gov.ge/ge/PressOffice/Documents/AnnualReports?p=10058&amp;i=1</a>	Giorgi Margvelashvili
4.8.	Presidents of Georgia. (2015, September 24). Annual Parliamentary Report of Mikheil Saakashvili - 10/02/2005 [Video]. Retrieved October 2016, from <a href="https://www.youtube.com/watch?v=9_h5mPhXjLs">https://www.youtube.com/watch?v=9_h5mPhXjLs</a>	Mikheil Saakashvili
4.9.	Presidents of Georgia. (2015, September 21). Annual Parliamentary Report of Mikheil Saakashvili - 15/03/2007 [Video]. Retrieved October 2016, from <a href="https://www.youtube.com/watch?v=50nfigtjZl0">https://www.youtube.com/watch?v=50nfigtjZl0</a>	Mikheil Saakashvili
4.10.	Presidents of Georgia. (2015, September 25). Annual Parliamentary Report of Mikheil Saakashvili - 26/02/2010 [Video]. Retrieved October 2016, from <a href="https://www.youtube.com/watch?v=hjA24cAstrk">https://www.youtube.com/watch?v=hjA24cAstrk</a>	Mikheil Saakashvili
4.11.	Presidents of Georgia. (2015, September 25). Annual Parliamentary Report of Mikheil Saakashvili - 11/02/2011 [Video]. Retrieved October 2016, from <a href="https://www.youtube.com/watch?v=W3WW4bSi7VY">https://www.youtube.com/watch?v=W3WW4bSi7VY</a>	Mikheil Saakashvili

4.12.	<p>Presidents of Georgia. (2015, September 24). Annual Parliamentary Report of Mikheil Saakashvili - 01/ 02/ 2012 [Video]. Retrieved October 2016, from <a href="https://www.youtube.com/watch?v=-VhPXR56R_0">https://www.youtube.com/watch?v=-VhPXR56R_0</a></p>	Mikheil Saakashvili
<b>5. Statements and resolutions of the Parliament</b>		
5.1.	<p>Parliament of Georgia. (2007, February 16). <i>Statement on the Illegal Actions of the Government of Russia against Citizens of Georgia</i>. Retrieved October 2016, from <a href="https://matsne.gov.ge/ka/document/view/44296">https://matsne.gov.ge/ka/document/view/44296</a></p>	Parliament of Georgia
5.2.	<p>Parliament of Georgia. (2008, August 28). <i>Resolution on the Recognition of Georgian Occupied Territories by Russia</i>. Retrieved October 2016, from <a href="https://matsne.gov.ge/ka/document/view/45004">https://matsne.gov.ge/ka/document/view/45004</a></p>	Parliament of Georgia
5.3.	<p>Parliament of Georgia. (2011, May 20). <i>Resolution on the Recognition of Circassian Genocide by Russia</i>. Retrieved October 2016, from <a href="https://matsne.gov.ge/ka/document/view/1333945">https://matsne.gov.ge/ka/document/view/1333945</a></p>	Parliament of Georgia
5.4.	<p>Parliament of Georgia. (2013, March 7). <i>Resolution of the Parliament on the Main Directions of Foreign Policy</i>. Retrieved October 2016, from <a href="file:///D:/Files/Downloads/rezolucia_sagareo_politikaze_2013.02_.pdf">file:///D:/Files/Downloads/rezolucia_sagareo_politikaze_2013.02_.pdf</a></p>	Parliament of Georgia

5.5.	Parliament of Georgia. (2014, March 6). <i>Resolution of the Parliament of Georgia on the developments in Ukraine</i> . Retrieved October 2016, from info.parliament.ge: <a href="http://info.parliament.ge/file/1/BillReviewContent/114842">http://info.parliament.ge/file/1/BillReviewContent/114842</a>	Parliament of Georgia
5.6.	Parliament of Georgia. (2014, January 23). <i>Resolution of the Parliament on the Developments in Ukraine</i> . Retrieved October 2016, from <a href="http://www.parliament.ge/uploads/other/20/20562.pdf">http://www.parliament.ge/uploads/other/20/20562.pdf</a>	Parliament of Georgia
5.7.	Parliament of Georgia. (2014, September 3). <i>Resolution of the Parliament on the Developments in Ukraine</i> . Retrieved October 2016, from file:///D:/Files/Downloads/2655-Is.pdf	Parliament of Georgia
<b>6. Speeches of the government leaders in the international organizations</b>		
6.1.	Georgian Broadcaster. (2014, June 27). Association Agreement signing ceremony [Video]. Retrieved November 2016, from <a href="https://www.youtube.com/watch?v=tryMIKaLzjg">https://www.youtube.com/watch?v=tryMIKaLzjg</a>	Irakli Gharibashvili
6.2.	Georgian Broadcaster. (2014, February 1). Prime Minister's speech at the security conference [Video]. Retrieved November 2016, from <a href="https://www.youtube.com/watch?v=aA3PfgvRXeI">https://www.youtube.com/watch?v=aA3PfgvRXeI</a>	Irakli Gharibashvili

6.3.	Georgia Gruzia. (2013, April 23). Our policy towards Russia will be pragmatic, but firm - Bidzina Ivanishvili [Video]. Retrieved October 2016, from <a href="https://www.youtube.com/watch?v=E6Mt2YWzZpw">https://www.youtube.com/watch?v=E6Mt2YWzZpw</a>	Bidzina Ivanishvili
6.4.	Georgia Gruzia. (2013, April 23). 'You like the Russian president' - the Polish Deputy Prime Minister's Question and Answer [video]. Retrieved October 2016, from <a href="https://www.youtube.com/watch?v=QHjtbVuMOjw">https://www.youtube.com/watch?v=QHjtbVuMOjw</a>	Bidzina Ivanishvili
6.5.	Gharibashvili, I. (2014, March 16). World Customs Organization Conference [Video]. Retrieved October 2016, from <a href="https://www.youtube.com/watch?v=nIt2P3hca4k">https://www.youtube.com/watch?v=nIt2P3hca4k</a>	Irakli Gharibashvili
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<b>7. Interviews and public statements of the government officials</b>		
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<b>8. Public debates on the National Broadcaster of Georgia</b>		
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8.2.	Georgian Broadcaster. (2013, December 20). The first studio - NDI- studies; Russian - Georgian relations; Former officials [Video]. Retrieved November 2016, from <a href="https://www.youtube.com/watch?v=0rzzMWO8z9w">https://www.youtube.com/watch?v=0rzzMWO8z9w</a>	Alexi Petriashvili - State Minister for Euro-Atlantic Integration; Giorgi Vashadze - Deputy Member of Parliamentary Opposition; Corneli Kakachia - political scientist; Nana Devdariani - Director of "Global Research Center", citizens of Georgia.
8.3.	Georgian Broadcaster. (2014, January 29). First Studio - Interview with the President [Video]. Retrieved November 2016, from <a href="https://www.youtube.com/watch?v=yr_BPQ97V8g">https://www.youtube.com/watch?v=yr_BPQ97V8g</a>	Giorgi Margvelashvili - President of Georgia, citizens of Georgia.

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<p><b>9. Results of the Public Opinion Polls</b></p>		
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<p><b>9.10.</b></p>	<p>NDI. (2010). <i>Public attitudes in Georgia: Survey conducted in July 2010 commissioned by NDI and conducted by CRRC Georgia.</i> Civil Georgia. Retrieved November 2016, from  <a href="http://www.civil.ge/files/files/NDI-Poll_GEO.pdf">http://www.civil.ge/files/files/NDI-Poll_GEO.pdf</a></p>	<p>Citizens of Georgia</p>
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<p><b>9.15.</b></p>	<p>NDI. (2012). <i>Public attitudes in Georgia: Survey conducted in June 2012 commissioned by NDI and conducted by CRRC Georgia</i>. Civil Georgia. Retrieved November 2016, from <a href="http://www.civil.ge/files/files/2012/NDI-June2012-Survey-GEO.pdf">http://www.civil.ge/files/files/2012/NDI-June2012-Survey-GEO.pdf</a></p>	<p>Citizens of Georgia</p>
<p><b>9.16.</b></p>	<p>NDI. (2012). <i>Public attitudes in Georgia: Survey conducted in November 2012 commissioned by NDI and conducted by CRRC Georgia</i>. Civil Georgia. Retrieved November 2016, from <a href="http://www.civil.ge/files/files/2012/NDI-Poll-November2012-geo.pdf">http://www.civil.ge/files/files/2012/NDI-Poll-November2012-geo.pdf</a></p>	<p>Citizens of Georgia</p>

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<p><b>9.19.</b></p>	<p>NDI. (2013). <i>Public attitudes in Georgia: Survey conducted in November 2013 commissioned by NDI and conducted by CRRC Georgia</i>. Civil Georgia. Retrieved November 2016, from <a href="http://www.civil.ge/files/files/2013/NDI-November%202013-Survey-Geo.pdf">http://www.civil.ge/files/files/2013/NDI-November%202013-Survey-Geo.pdf</a></p>	<p>Citizens of Georgia</p>
<p><b>9.20.</b></p>	<p>NDI. (2014). <i>Public attitudes in Georgia: Survey conducted in August 2014 commissioned by NDI and conducted by CRRC Georgia</i>. Civil Georgia. Retrieved November 2016, from <a href="http://www.civil.ge/files/files/2014/NDI-Survey-August2014-geo.pdf">http://www.civil.ge/files/files/2014/NDI-Survey-August2014-geo.pdf</a></p>	<p>Citizens of Georgia</p>

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<b>3. Other</b>		
10.1.	<p><i>NGOs call on the clear definition of government policy towards Russia</i>. (2016, October 28). Retrieved October 2016, from Rustavi 2: <a href="http://rustavi2.com/ka/news/60094">http://rustavi2.com/ka/news/60094</a></p>	Non-Governmental Organisations
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10.3.	<p><i>The government's policy is prudent and pragmatic towards Russia, it is a minimum confrontation, minimum compromise and maximum negotiations</i>. (2016, April 23). Retrieved November 2016, from Sakinform: <a href="http://saqinform.ge/news/28767/%E2%80%9EeruseTTan+mimarTebashi+saqarTvelos+xelisuflebis+politika+aris+frTxili+da+pragmatuli,+esaa+minimaluri+konfrontacia,+minimaluri+kompromisi+da+maqsimaluri+molaparakebebi%E2%80%9C.html">http://saqinform.ge/news/28767/%E2%80%9EeruseTTan+mimarTebashi+saqarTvelos+xelisuflebis+politika+aris+frTxili+da+pragmatuli,+esaa+minimaluri+konfrontacia,+minimaluri+kompromisi+da+maqsimaluri+molaparakebebi%E2%80%9C.html</a></p>	Valerian Gorgiladze - Political expert

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