

**Assessment of the Trade
Facilitation Component of
Georgia's Peace Initiative -
A Step to a Better Future**

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Facilitation Component
of Georgia's Peace Initiative -
A Step to a Better Future**

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Research



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Executive Summary

The following research discusses the New Peace Initiative entitled “A Step to A Better Future,” launched in April 2018 by the Government of Georgia. The initiative has two primary pillars: trade facilitation across Administrative Boundary Lines (ABL) with Abkhazia and South Ossetia / Tskhinvali region (hereinafter referred to as “conflict divides”) and enhancing educational opportunities for residents of Abkhazia and South Ossetia / Tskhinvali region. The objective of this research is to discuss the first of these pillars, namely the trade facilitation component. In particular, it examines: instruments and mechanisms that have been planned or suggested to facilitate trade; which parts of the initiative have already been implemented; how Georgian and Abkhaz counterparts have so far received the initiative; what the risks and fears associated with its realization are; and what steps should be taken to advance the process.

According to the reports published by the International Crisis Group, International Alert, Georgia’s Reforms Association (GRASS), informal trade has never stopped across the conflict divides. Indeed, trade has actually been growing for the following two main reasons: an increasing demand for cheaper goods in Abkhaz and Ossetian communities; and Russia’s decreasing financial assistance to both Abkhazia and South Ossetia / Tskhinvali region. Hence, the prospects for facilitated / regulated trade are worthy of exploration, discussion, and consideration. The initiative represents one of the first attempts to look at a number of specific status-neutral instruments and how these can facilitate and encourage trade across the conflict divides. Before doing so, it is important to look into how the implementation process is going at present, to identify any concerns of Abkhaz and Georgian counterparts, and to clarify what both sides would consider key steps if the initiative is to gain proper support.

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I. Introduction

In April 2018, the Government of Georgia launched the New Peace Initiative entitled “A Step to a Better Future,” containing primary components: trade facilitation across the conflict divides; and strengthening the educational opportunities for people living in Abkhazia and South Ossetia / Tskhinvali region.¹ Following on from the State Strategy on Occupied Territories – Engagement Through Cooperation,² this peace initiative is one of the first detailed frameworks to be introduced by the Government of Georgia on the promotion of the socio-economic development of its two disputed regions and building trust among conflict-affected communities.

“A Step to A Better Future” is a complex document. In order to facilitate trade, the Government of Georgia aims to establish a number of status-neutral instruments to enable residents of Abkhazia and South Ossetia / Tskhinvali region to engage in trade facilitation. Even though the initiative is relatively new and sufficient time and resources will be necessary before it can be fully realized, there are some concerns among Georgian civil society representatives and field experts that, so far, not enough has been done with respect to its practical implementation.³

Since it was publicly announced, the initiative has attracted attention from different stakeholders in Georgia. Therefore, it is important to closely follow its implementation and to respond to the questions, concerns, and positions of various actors engaged and interested in its successful realization. For this reason, the following research looks at the process of the initiative’s implementation, particularly its trade facilitation component, and discusses the positions, expectations and

attitudes of Georgian and Abkhaz counterparts towards the initiative and its practical implication. Thereafter, the research discusses concerns voiced by various actors in Abkhazia and Georgia proper, and the steps each define as necessary for the initiative to succeed.

The primary objective of this research is to support the process of the initiative’s implementation. To this end, the research seeks to respond to the following questions:

1. What are the key methods (instruments) for facilitating trade according to the initiative and which parts of the initiative have already been implemented?
2. What are the attitudes of Georgian and Abkhaz counterparts towards the initiative and trade facilitation in general?
3. What are the risks / fears associated with the initiative and trade facilitation?
4. What steps have to be taken in order for the initiative and trade facilitation to receive proper support?

With the aim of responding to and discussing the above-mentioned questions, this study has applied the following qualitative research methods: desk research and semi-structured interviews. The author and researcher conducted 23 structured, in-depth and semi-structured interviews. Sixteen structured and semi-structured interviews were conducted in Georgia proper with Georgian government officials, members of parliament, civil society representatives, field experts / analysts and recipients of livelihood grants who work in Zugdidi and Gal/i⁴ districts. The Office of the State Minister of Georgia For Reconciliation and Civic Equality (hereinafter referred to as the SMRCE) also responded to questions regarding the initiative and its implementation, including the State Minister herself who showed an interest in discussing the findings of this research in

¹ Peace initiative – A Step to a Better Future. April, 2018. Available at: http://smr.gov.ge/Uploads/Concept_EN_0eaaac2e.pdf

² State Strategy on Occupied Territories: Engagement through Cooperation, 27 January, 2010. The Government of Georgia, Available at: http://smr.gov.ge/Uploads/State_Stra_7871fe5e.pdf

³ Author’s and researcher’s interviews with civil society representatives, field experts and analysts, August-September, 2019

⁴ Note: The author understands that residents of Abkhazia and Georgia proper refer to the names of cities in Abkhazia differently. Georgians refer to Sokhumi and Gali, while the Abkhaz refer to Sukhum and Gal.

the future. Regarding Abkhaz respondents, seven structured and semi-structured on-line interviews were conducted in Abkhazia with civil society representatives, experts and local entrepreneurs from Sukhum/i and Gal/i districts. Due to the sensitivity of the topic, all Abkhaz and Georgian respondents except for the representatives of the SMRCE have been kept anonymous.

While working on the research paper, the following limitations have to be admitted and considered:

1. The initiative is a work in progress and, therefore, it should not be analyzed retrospectively by subsequent research. The research is more of a baseline study of the initiative, rather than a comprehensive analysis of its deliverables and outcomes;
2. The literature on trade between Georgian and Abkhaz communities has been limited and the desk research relied on several key reports / articles on informal trade;
3. The “Do No Harm”⁵ principle guided the entire research, which limited the author when it came to revealing the names of the respondents and the sensitive information they shared. For this reason, part of this research will be shared only with relevant stakeholders and not with the wider public; and
4. The research is focused on the Georgian-Abkhaz context. Due to recent complications on the ABL between Georgia proper and South Ossetia / Tskhinvali region⁶ and limited access to respondents from that region, only Abkhaz counterparts were interviewed.

The research has five primary chapters, each of which are now outlined. Chapter

I (the present chapter) has introduced the research topic, the questions asked within the research, the methodology, and the limitations of the research. Chapter II provides a brief history of the Georgian-Abkhaz conflict and the recent developments therein. Chapter III covers trade, peace and conflict, and analyzes the relationships between these three concepts and the key debates around them. Chapter IV concerns the trade facilitation component of the initiative and is a key chapter of the research, discussing the following topics: informal trade across Ingur/i Bridge; a description of the trade facilitation part of the initiative and the already implemented aspects of it; an assessment of the initiative from Georgian and Abkhaz counterparts; risks / fears associated with the implementation of the initiative; and steps to be taken to support trade facilitation. Chapter V summarizes the research findings and presents a number of key recommendations as to how to improve the process of implementing the initiative.

II. Background Information

Armed conflicts that took place in Georgia between 1991 and 1993, which immediately followed the break-up of the Soviet Union, left thousands dead and displaced hundreds of thousands of people from Abkhazia and South Ossetia/Tskhinvali region. These conflicts seriously affected the country's socio-economic development, as it lost de-facto control over two of its regions and reinforced tensions between Georgian-Abkhaz and Georgian-Ossetian communities.⁷

In December 1993, a Memorandum of Understanding was signed in Geneva and in May 1994, an Agreement on Ceasefire and Separation of Forces was signed in Moscow.⁸ By signing these documents, Tbilisi and Sukhum/i extended the mandate of

⁵ Do No Harm – to monitor intended and unintended impact of the [researcher's] work to avoid contributing to damaging the situation, instability, violence, etc. “Conflict Sensitive Approaches to Development, Humanitarian Assistance and Peacebuilding”, Chapter 2, p. 47, Do No Harm/ Local Capacities for Peace Projects.

⁶ IPRM meeting “disrupted” as Tskhinvali demands removal of Georgia police from Chorchana/ Tselisi Area, 30 August, 2019, Available at: <https://civil.ge/archives/318244>

⁷ United Nations Security Council. 2007. “Report of the Secretary General on the Situation in Abkhazia, Georgia” (January 11). http://www.un.org/en/ga/search/view_doc.asp?symbol=S/2007/15

⁸ Abramishvili Ivane and Koiava Revaz (2018) „25 Years of Georgia's Peace Policy”, Caucasian House, Tbilisi, pp. 62-63

the United Nations Observer Mission (UN-OMIG) in Abkhazia and opened the way for a UN peacekeeping operation to be established.⁹ As well as the UNOMIG, the Commonwealth of Independent States (CIS)¹⁰ peacekeeping forces, which mainly comprised Russian sub-divisions, were also deployed in Abkhazia.¹¹

From 1993 until 2008, attempts to resolve the conflict in Abkhazia were not successful. Meanwhile, in August 2008, the Five-Day War (also known as the August War) in South Ossetia / Tskhinvali region between Georgia and Russia left the latter with a challenging new reality, with the recognition of Abkhazia and South Ossetia / Tskhinvali region as independent states by Russia. As well as its direct involvement in the conflicts, the Russian Federation has been gradually moving the ABL in South Ossetia / Tskhinvali region, which has been described as “creeping annexation” and causes severe humanitarian, human rights and socio-economic problems for people residing alongside the ABL with South Ossetia / Tskhinvali region.¹²

Shortly after the August War, the Government of Georgia adopted the Law of Georgia on Occupied Territories and declared Abkhazia and South Ossetia / Tskhinvali region as occupied territories by the Russian Federation.¹³ The Russian Federation changed its position from being an official “mediator” to actually representing a side of the conflict, as reflected in its increasing role and military presence both in Abkhazia and South Ossetia / Tskhinvali region.

After the August War, Tbilisi cut off diplomatic ties with Russia. The war also led to the closure of the OSCE mission in South

Ossetia / Tskhinvali region, which had been established in 1992, and its mandate ended on 31st December, 2008.¹⁴ The August War was a landmark for the UNOMIG too, which had been established by Security Council Resolution #858 on 24 August 1993.¹⁵ The mission was suspended in June 2009, after Russia vetoed the Security Council’s request to extend the mandate of the UNOMIG in Georgia.¹⁶

These developments created a so-called “new reality” and opened up space for the engagement of the European Union (EU). In 2009, the EU adopted a strategy towards Georgia’s disputed regions entitled “Engagement without Recognition.”¹⁷ Since 2009, the EU has continued to support Georgia’s territorial integrity and sovereignty within its internationally recognized borders.¹⁸ Between 2008 and 2016, the EU spent about 40 million USD on Abkhazia, supporting the dialogue process and local non-governmental organizations as well as restoring key infrastructure in the region, including rebuilding houses in Gal/i district.¹⁹

In 2010, the Government of Georgia introduced the State Strategy on Occupied Territories – Engagement through Cooperation²⁰, which remains the official strategy

⁹ Ibid. p. 63

¹⁰ Georgia became part of the CIS in 1993

¹¹ Gaprindashvili, P. Et. Al (2019) „One step closer – Georgia, EU integration and the settlement of the frozen conflicts, Georgia’ Reforms Association.“ Forthcoming. p. 5

¹² Ibid. p. 7

¹³ Law of Georgia on Occupied Territories. Available at: <https://matsne.gov.ge/en/document/download/19132/5/en/pdf>

¹⁴ Stober Silvia (2010) „The failure of OSCE mission in Georgia – What remains?“ OSCE yearbook 2010, pp. 203-220. Available at: <https://ifsh.de/file-CORE/documents/yearbook/english/10/Stoeb-er-en.pdf>

¹⁵ UNOMIG mission in Georgia, Background information. Available at: <https://peacekeeping.un.org/mission/past/unomig/background.html>

¹⁶ Ibid.

¹⁷ Alexander Cooley & Lincoln A. Mitchell (2010) „Engagement without Recognition: A New Strategy toward Abkhazia and Eurasia’s Unrecognized States,“ The Washington Quarterly, 33:4, 59-73. Available at: <http://georgica.tsu.edu.ge/files/05-Security/Cool-ey%20&%20Mitchell-2010.pdf>

¹⁸ The EU special representative reiterates support to Georgia. May, 2017. Available at: <https://old.civil.ge/eng/article.php?id=30112>

¹⁹ De Waal, T. (2018) „Uncertain Ground – engaging with Europe’s de facto states and breakaway territories.“ Carnegie Europe. p. 26

²⁰ State Strategy on Occupied Territories: Engagement through Cooperation, 27 January, 2010. The Government of Georgia, Available at: http://smr.gov.ge/Uploads/State_Stra_7871fe5e.pdf

of the country towards its disputed territories.²¹

While Georgia has been attempting to create status-neutral ways of engagement with Abkhaz and Ossetian communities, the Russian Federation has strengthened its military and economic presence in both regions. In November 2014, Moscow signed the "Agreement on Alliance and Strategic Partnership" with Sukhum/i.²² Many aspects of the first draft proposed by Russia were not acceptable for the de-facto authorities in Abkhazia.

Although the signed "agreement" was then revised more or less complying with the requests of the Abkhaz leaders, the text of the "agreement" still has aspects Abkhaz leaders consider risky with respect to Abkhazia's claimed sovereignty.²³ For example, the terms "co-ordinated" foreign policy, and establishing "common defense and security" and "common social and economic" spaces carry risks with respect to the slow and steady integration of Abkhazia into Russia.²⁴ For Georgian political leaders, the Sukhum/i-Moscow agreement has the potential to reinforce Russia's strategy of "creeping annexation."

Furthermore, Russia has been enhancing its military presence in Abkhazia by developing military infrastructure on the ground, and establishing residential compounds for its military personnel.²⁵ Besides its military presence, Russian TV and

radio channels are also dominating the Abkhaz media space.²⁶

The closure of crossing points along the conflict divide with Abkhazia creates significant human rights problems for ethnic Georgians living in Gal/i district. Today, the only working crossing point is Ingur/i Bridge but in 2019 it has been closed twice already. During the period of 2008-2018, the Georgian government reported over 3000 cases of the detention of Georgian citizens for crossing the ABLs with South Ossetia / Tskhinvali region and Abkhazia.²⁷ While the closures of Ingur/i Bridge affect the ethnic Georgian population of Abkhazia, the ethnic Abkhaz also face significant human rights problems. Feelings of isolation from the outside world and an increasing socio-economic dependence on Russia are the biggest concerns among ethnic Abkhaz society.²⁸

Since 2008, two key formats have been operating for conflict resolution and management purposes: the Geneva International Discussions (GID) and the Incident Prevention and Response Mechanism (IPRM) (which was established by the GID). The GID is co-chaired by representatives of the OSCE, the EU and the UN and engages representatives from Georgia, Russia, the United States and both of the breakaway regions (Abkhazia and South Ossetia / Tskhinvali region). Within the GID, two working groups are functioning, one for security and one for humanitarian issues. One of the main achievements of the GID so far has been the establishment of the IPRM and a hotline, which, despite the fraught process of conflict resolution,

²¹ Author's interview with SMRCE representative, August, 2019

²² Moscow, Sokhumi endorse final text of the new treaty. 22 November, 2014. Available at: <https://old.civil.ge/eng/article.php?id=27841> signing the treaty

²³ Abkhaz reactions on Russia-proposed new treaty. 15 October, 2014. Available at: <https://old.civil.ge/eng/article.php?id=27718> - concerns of Abkhaz leaders

²⁴ Moscow, Sokhumi endorse final text of the new treaty. 22 November, 2014. Available at: <https://old.civil.ge/eng/article.php?id=27841>

²⁵ Abkhazia: the long road to reconciliation. Europe report N224. 10 April, 2013. Available at: <https://reliefweb.int/sites/reliefweb.int/files/resources/Abkhazia%20The%20Long%20Road%20to%20Reconciliation.pdf>

²⁶ De Waal, T. (2018) „Uncertain Ground – engaging with Europe's de facto states and breakaway territories." Carnegie Europe. p. 29

²⁷ „Behind barbed wire – human rights toll of "borderization" in Georgia" (2019) Available at: <https://www.amnesty.org/download/Documents/EUR5605812019ENGLISH.PDF> report.

²⁸ Hammarberg, T., Grono, M., (2017) „Human rights in Abkhazia." p. 72, Available at: <https://www.palmecenter.se/wp-content/uploads/2017/07/Human-Rights-in-Abkhazia-Today-report-by-Thomas-Hammarberg-and-Magdalena-Grono.pdf>

seeks to address the daily problems of local communities living across the ABLs.

Furthermore, multiple international / transnational organizations, embassies and foundations are investing in Georgia to support conflict-affected regions and people, to address their socio-economic needs, to encourage the continuation of dialogue, and to create tools for trust building.

III. Trade, Peace and Conflict

Does trade between conflict-affected parties support peacebuilding and conflict transformation? Adequately responding to this question would necessitate an extensive literature review on the topics of peace, conflict and trade, which is beyond the scope of this research. However, there are three main propositions to bear in mind when talking about the importance of trade in promoting peace and reducing conflicts: (i) trade between adversaries does promote peace; (ii) trade does not necessarily promote peace; and (iii) trade does not have a direct effect on either promoting peace or causing conflicts.²⁹

Arguments as to why and how trade can promote peace tend to rely on the following key points:

- Trade encourages cooperation and increases contact and communication between conflict-affected people;
- Increased cooperation leads to a better mutual understanding and reduces the potential of violent conflict;
- Trade necessitates the establishment of certain mechanisms as to how to organize the exchange of goods, the transfer of money and other aspects of this process, which eventually supports the softening of the relationship between conflicting sides; and
- Trade helps to boost the economic development and, therefore, creates in-

centives for trading partners to intensify the cooperation depending on their common interests.³⁰

Some scholars and practitioners have however suggested that the proposition “trade brings peace” is not always accurate and that instead it is actually peace that brings trade.³¹ Indeed, geographical proximity, country size and conceptualization of the conflict are all aspects that need careful consideration before a conclusion about there being a positive connection between trade and conflict can be drawn. The empirical research on the impacts of trade and conflict on each other suggests that trade reduces conflict primarily because conflict reduces trade. In other words, trade bringing peace is not a robust correlation, but, on the contrary, it is conflict that reduces trade.³²

Taking the discussion further, the third proposition, that concerns the connection between peace, conflict and trade, argues that, in practice, trade does not have a direct impact on peace and conflict. For example, a current tendency in global politics is the securitization of trade policy; by initiating trade partnerships, countries seek to expand their regional influence and tighten their security.³³ Another explanation for the lack of a direct connection between trade and conflict comes from human geography, and the so-called third factors that affect relationships between trade and conflict.³⁴

²⁹ Christopher J. S., „Trade and conflict – an inverse relationship“, Available at: http://emjournal.com/assets_c/14/141Smith.pdf

³⁰ Hiller, P. (2015) „Re-examining the connection between peace, conflict and trade.“ Available at: <https://warpreventioninitiative.org/wp-content/uploads/2017/06/peace-and-trade-white-paper.pdf>

³¹ Keshk, O., et al (2010) „Trade and Conflict: Proximity, country size and measures. Conflict Management and Peace Science, 27. 3. Available at: https://www.researchgate.net/publication/227573769_Trade_and_Conflict_Proximity_Country_Size_and_Measures

³² Ibid. p. 17

³³ Christopher J. S., „Trade and conflict – an inverse relationship.“ Available at: http://emjournal.com/assets_c/14/141Smith.pdf

³⁴ Bearce H. D. and Fischer O. E. (2002) „Economic Geography, Trade and War. Journal of Conflict Resolution.“ Vol. 46, NO. 3, pp. 365-393

Closer geographical proximity can help to grow trading partnerships as well as making it easier to engage militarily. Therefore, any claim that trade affects conflict, or vice versa, lacks a proper understanding of these “third” factors and their possible influence.

The first proposition, namely the positive connection between trade and peace, serves as an inspiration for the current research. Trade, and particularly facilitated / regulated trade could support the transformation of the Georgian-Abkhaz relationship and encourage Tbilisi and Sukhum/i to cooperate. It is also noteworthy that trade between conflict-affected communities does not necessarily lead to the political resolution of conflicts. The case of the Moldova-Transnistria conflict or the conflict in Cyprus serve as examples of how trade can still take place in unresolved conflicts, where the interests of third parties are also prominent.

In 2017, the exports of Transnistrian factories to right-bank Moldova and on to the EU, comprised two-thirds of Transnistria's total exports.³⁵ Since joining the DCFTA³⁶, Transnistria has gained the opportunity to trade not only with the EU, but with the wider world too.³⁷ However, even after reaching a compromise with the Moldovan government and sending exports to the EU courtesy of documents issued in Chisinau, deeper political issues and indeed the conflict remain unresolved.³⁸ In the case of Cyprus, the Turkish Cypriot and Greek Cypriot Chambers of Commerce cooperate and facilitate trade across the de facto border known

as the Green Line.³⁹ The Green Line Regulation allows for the crossing of people and goods, however the regulation is mainly taken advantage of by individual shoppers who could not otherwise access certain products available in the northern part of the island and they travel across the line on an almost daily basis.⁴⁰

Even though there are several differences between Abkhazia and these two other examples of Transnistria and Northern Cyprus, the latter two cases could give some credence to the assertion that trade facilitation could help Georgian and Abkhaz communities to identify a mutually acceptable formula for regulating trade across the conflict divide.

IV. Trade Facilitation Component of the Peace Initiative

After the August War in 2008, Georgian-Abkhaz relations became more complex. Despite a deadlocked situation and limited possibilities to solve the conflict politically, the Government of Georgia, international and national state and non-state actors have been relentlessly searching for ways to build trust among conflict-affected people and to help them to deal with their most urgent socio-economic problems.

During the last 11 years, different projects, programs and initiatives have been implemented in the pursuit of Georgian-Abkhaz conflict resolution and / or a transformation agenda. The key document in this regard for the Government of Georgia is the State Strategy on Occupied Territories – Engagement through Cooperation.⁴¹ Apart from this strategy, two documents pub-

³⁵ De Waal, T. (2018) „Uncertain Ground – engaging with Europe's de facto states and breakaway territories.” Carnegie Europe. p. 45

³⁶ Deep and Comprehensive Free Trade Area is free trade areas established between the EU, and Georgia, Moldova and Ukraine

³⁷ De Waal, T. (2018) „Uncertain Ground – engaging with Europe's de facto states and breakaway territories.” Carnegie Europe. p. 45

³⁸ Gaprindashvili, P., et al. (2019) „One step closer – Georgia, EU integration and the settlement of the frozen conflicts, Georgia' Reforms Association.” Forthcoming. pp. 16-18

³⁹ De Waal, T. (2018) „Uncertain Ground – engaging with Europe's de facto states and breakaway territories.” Carnegie Europe. p.53

⁴⁰ De Waal, T. (2018) „Uncertain Ground – engaging with Europe's de facto states and breakaway territories.” Carnegie Europe. p. 57

⁴¹ State Strategy on Occupied Territories: Engagement through Cooperation, 27 January, 2010. The Government of Georgia, Available at: http://smr.gov.ge/Uploads/State_Strat_7871fe5e.pdf

lished by State Ministers for Reconciliation and Civic Equality are of relevance here: first, the vision of former State Minister Paata Zakareishili on Normalisation of the Georgian-Abkhaz and Georgian-Ossetian Relations, developed in 2014⁴²; and, second, eight key principles / objectives of the current State Minister Ketevan Tsikhelashvili on how to foster the peace policy in Georgia.⁴³

The strategy – Engagement through Cooperation – outlines the following key areas to be addressed to achieve its goal: economic relations; infrastructure and transportation; education; healthcare; people-to-people interaction; preservation of cultural heritage and identity; free flow of information; legal and administrative measures; human rights; and prevention of natural disasters. The strategy was envisioned to be implemented through the creation of relevant governmental institutions in Georgia, elaborating a status-neutral framework for interaction and for developing proper liaison mechanisms. The action plan of the strategy identified four programmatic dimensions: humanitarian assistance; individual-oriented projects; mechanisms for social cooperation; and mechanisms for economic cooperation.⁴⁴

Social dimensions of the action plan, in particular the healthcare program, has been successful so far. The State Program for Referral Services, introduced by the Government of Georgia in 2010, covers patients living in Abkhazia and South Ossetia / Tskhinvali region, including ethnic Georgians, and covers medical services in hospitals based in Georgia proper, as well as their transportation in emergency situ-

ations.⁴⁵ The success of the referral program has been demonstrated by the increasing number of patients coming from Abkhazia and South Ossetia / Tskhinvali region, especially ethnic Abkhaz and Ossetians to Georgian hospitals. For example, in 2014-2017, 16 935 074 GEL from Georgia's state budget was spent on covering medical expenses of residents of Abkhazia and South Ossetia / Tskhinvali region and, in total, 6 188 patients received different medical services in that period.⁴⁶ In 2018, a total of 1 644 patients from Abkhazia and South Ossetia / Tskhinvali region were treated in hospitals based in Georgia proper.⁴⁷

Regarding economic relations, the strategy outlines several key steps such as the creation of logistical and legal conditions for access to markets and goods, the creation of a special economic zones and the dedication of funds to enhance cross-ABL trade and economic cooperation. It is noteworthy that the strategy does not mention *facilitation* of trade across ABLs, but refers to the enhancement of economic relations. However, concrete mechanisms to encourage economic relations between Abkhaz and Georgian counterparts have not been developed.⁴⁸ Therefore, trade has taken on various forms, mainly informal such as through livelihood projects, and individual traders or shoppers from both sides of the conflict divide crossing Ingur/i Bridge daily to buy and sell different products.

The following part of the research discusses the trends in informal / not regulated trade across Ingur/i Bridge.

⁴² Tsikhistavi-Khutsishvili, N (edited), 2014, International Center on Conflict and Negotiation. Available at: http://iccn.ge/files/state_minister_p._zakareishvili_vision_smrce_2014_eng.pdf

⁴³ Text of the eight principles/ objectives of the Minister is available at: http://smr.gov.ge/Uploads/amocana_1e1adce7.pdf

⁴⁴ Tsikhistavi-Khutsishvili, N (edited), 2014, International Center on Conflict and Negotiation. Available at: http://iccn.ge/files/engagement_strategy_2010.pdf - action plan of strategy

⁴⁵ 1644 Abkhaz, S. Ossetians Treated in Georgian Hospitals. February 6, 2018. Available at: <https://old.civil.ge/eng/article.php?id=30851>

⁴⁶ Medical care expenses of patients living in the occupied territories. IDFI, 11 April, 2018, Available at: https://idfi.ge/en/medical_care_expenses_of_patients_living_in_occupied_territories

⁴⁷ 1644 Abkhaz, S. Ossetians Treated in Georgian Hospitals, February 6, 2018. Available at: <https://old.civil.ge/eng/article.php?id=30851>

⁴⁸ Author's interview with Government of Georgia official, August, 2019

Informal/not regulated trade across Ingur/i Bridge

Despite the isolation of Abkhazia and the restrictions imposed by the Law on Occupied Territories, informal trade has prevailed across the conflict divide. Indeed, 150 tons of commercial cargo cross the ABL between Abkhazia and Georgia proper daily, in both directions.⁴⁹ Georgian products, albeit without labeling, can be found in almost every district of Abkhazia, including Gagra - a seaside city close to the Russian Federation.⁵⁰

Moreover, informal trade has been growing for two key reasons: first, increasing demand for cheaper goods among Abkhaz and Ossetian communities; and, second, Russia's decreasing financial assistance to Abkhazia and South Ossetia / Tskhinvali region.⁵¹ The main source of money in the breakaway regions is financial aid from Russia, which nearly halved from 2012 to 2016.⁵²

After recognizing Abkhazia as an independent state, Russia became its chief financial aid provider and "patron" state. In 2015-2016, 60% of Abkhaz exports went to Russia and during the same period, 80% of Abkhazia's imports came from Russia.⁵³ Financial and material support from Russia to Abkhazia, comes through the investment program and socio-economic development aid.⁵⁴ The investment program is focused on infrastructural projects, while the development aid covers all other costs related to education, healthcare, pensions and other daily expenditures related to government activities.⁵⁵

⁴⁹ "Abkhazia and South Ossetia: Time to Talk Trade". Europe report N 249. International Crisis Group. 24 May, 2018. Available at: [https://d2071andvip0wj.cloudfront.net/249-abkhazia-and-south-ossetia-time-to-talk-trade%20\(1\).pdf](https://d2071andvip0wj.cloudfront.net/249-abkhazia-and-south-ossetia-time-to-talk-trade%20(1).pdf) p. 8.

⁵⁰ Ibid. p. 8

⁵¹ Ibid. p. 5

⁵² Ibid. p. 27

⁵³ Gaprindashvili, P., et al. (2019) „One step closer – Georgia, EU integration and the settlement of the frozen conflicts.“ Georgia' Reforms Association. Forthcoming. p. 12

⁵⁴ Ibid. p. 12

⁵⁵ Ibid. p. 12.

Besides Russia, Abkhazia also engages in a small amount of trade with Turkey, mainly with the active support of the Abkhaz diaspora living therein.⁵⁶ However, cargo coming from Abkhazia to Turkey is unlabeled and sales thereof are exclusively registered in Turkish markets.⁵⁷ Vendors based in Sukhum/i are seeking European companies that would accept a Russian customer's code thereby enabling Abkhaz suppliers to establish new partnerships and new locations for the sale of their products.⁵⁸

The only product from Abkhazia which is authorized from its de-facto government is hazelnut. In 2014, a total of 2,185 tons of hazelnuts were transported from Abkhazia into Georgia proper through Ingur/i Bridge, with a market value of 9 204 000 USD, almost seven times the income gleaned from hazelnuts exported to Russia.⁵⁹ The list of agricultural products and household commodities that crossed the conflict divide in 2013-2014 comprised vegetables, fruits, hazelnuts, meat and dairy.⁶⁰ The main market for goods from Georgia proper remains Sukhum/i.

The incentives and challenges of Abkhaz and Georgian entrepreneurs in engaging in joint businesses vary from each side: the legality of business activities is critical for Georgian entrepreneurs, while the morality of business relations is a more prominent concern for their Abkhaz counterparts.⁶¹ Meanwhile, some Georgian entrepreneurs

⁵⁶ De Waal, T. (2018) „Uncertain Ground – engaging with Europe's de facto states and breakaway territories.“ Carnegie Europe. p. 31

⁵⁷ "Abkhazia and South Ossetia: Time to Talk Trade". Europe report N 249. International Crisis Group. 24 May, 2018. Available at: [https://d2071andvip0wj.cloudfront.net/249-abkhazia-and-south-ossetia-time-to-talk-trade%20\(1\).pdf](https://d2071andvip0wj.cloudfront.net/249-abkhazia-and-south-ossetia-time-to-talk-trade%20(1).pdf) p. 10

⁵⁸ Ibid. p. 10

⁵⁹ Trans-Inguri/I economic relations: A case for Regulations". Vol. 2, 2015. Author: Natalia Mirimanova, Researchers: Vakhtang Charaia, Lolita Zade and Irma Jgerenaia. p.23, Available at: https://www.international-alert.org/sites/default/files/Caucasus_TransInguriEconRelationsRegulation-Vol2_EN_2015.pdf

⁶⁰ Ibid, p. 9

⁶¹ Opening the 'Ingur/I gate' for legal business: Views from Georgian and Abkhaz private companies, International Alert. March 2018. Author: Natalia Mirimanova, Researchers: Vakhtang Charaia and Lolita Zade. Available at: <https://>

feel discouraged with respect to making business deals with Abkhaz counterparts for reasons of national interest and sovereignty, even though the same entrepreneurs do not necessarily have the same reservations about dealing with Russian companies⁶². While discussing the views of Georgian and Abkhaz companies with respect to the opening of Ingur/i Bridge for legal business, International Alert's report mentioned: "for Georgian companies, doing business with Russian companies is profitable and legal, while doing business with Abkhaz companies is illegal and without immediate profit."⁶³

Regarding the incentives of Georgian and Abkhaz companies to engage in legal trade, it is noteworthy that Abkhaz companies have stronger economic incentives to do business across the conflict divide than their Georgian counterparts.⁶⁴ Georgian entrepreneurs generally consider the market in Abkhazia as unsafe and unstable, while they also have a range of legal, safe and profitable alternatives to explore instead. On the other side, Abkhaz entrepreneurs and companies encounter problems when it comes to accessing affordable new technology, expertise, and loans and other financial resources. Hence, their interest is generally greater to engage in business activities with their Georgian counterparts and the restrictions they face are more of a social and ethical nature rather than legislative.⁶⁵

Even though the Law on Occupied Territories restricts Georgian and international organizations with respect to working in Abkhazia, Decree #219 of the Georgian Government allows the SMRCE to issue a non-objection for organizations and individuals to work in Abkhazia or with Abkhaz civil-society organizations (CSOs). For this reason, a number of livelihood-re-

lated projects have been implemented by Georgian and Abkhaz counterparts in recent years.⁶⁶ Different Georgian CSOs have been working with small and micro entrepreneurs in Abkhazia through livelihood related projects in order to help them with capacity building and promoting trust among conflict-affected communities.⁶⁷

Description of the trade facilitation component of the initiative

The peace initiative – A Step to a Better Future – contains a detailed framework on how to enhance trade opportunities for residents of Abkhazia and South Ossetia / Tskhinvali region. As already mentioned, the strategy - Engagement through Cooperation - suggests some instruments and approaches regarding how to foster economic relations between Georgian-Abkhaz and Georgian-Ossetian communities, but no concrete mechanisms for the implementation thereof have been applied.⁶⁸ While the initiative is a pack of concrete suggestions / mechanisms relating to how to facilitate trade across the conflict divides. In other words, the peace initiative has a clearer understanding and more specific instruments than the aforementioned strategy in terms of how to create a relevant legal framework that would facilitate and encourage trade across the ABLs. The initiative comprises the following two pillars: facilitating trade across dividing lines; and enhancing educational opportunities for the residents of Abkhazia and South Ossetia / Tskhinvali region. The following stage of the research discusses the trade facilitation pillar of the initiative.

The trade facilitation component of the initiative has the following two key ob-

www.internationalalert.org/sites/default/files/Caucasus_OpeningInguriGateForLegalBusiness_EN_2018.pdf

⁶² Ibid

⁶³ Ibid. p. 10

⁶⁴ Ibid. p. 13

⁶⁵ Ibid. pp. 12-13

⁶⁶ Author's interview with Georgian CSO representative, August, 2019

⁶⁷ Author's interview with Georgian CSO representative on livelihood related projects, August, 2019

⁶⁸ Author's interview with SMRCE representatives and CSO representatives, August-September, 2019

jectives: first, creating mechanisms for the promotion of economic interaction between communities across the conflict divides; and second, improving the socio-economic conditions of people living on the both sides of the conflict divides. With respect to the achievement of its objectives, the initiative outlines the following **five key components**: *identification of people living in Abkhazia and South Ossetia / Tskhinvali region with a personal identification number; creation of special economic zones; establishment of special taxpayer status; movement of goods across the conflict divides, including labeling rules and access to internal and external markets; and financial and legislative instruments.*

The identification of people by using personal identification numbers is an innovative and status-neutral measure offered to the residents of Abkhazia and South Ossetia / Tskhinvali region in order to simplify their access to different services and business registration procedures. One of the objectives of this measure is to give residents of Abkhazia and South Ossetia / Tskhinvali region a better opportunity to engage in a facilitated trade and to use the services and benefits offered by the initiative without having to have a Georgian passport or ID. However, as explained by SMRCE representatives, this instrument also aims to identify people who are legally living on the territory of Abkhazia and South Ossetia / Tskhinvali region.⁶⁹

Anyone wishing to register and acquire a personal identification number has the following two options: first, visit any community center⁷⁰ located in Georgia proper⁷¹ and submit the following documents – a passport or ID issued by the de facto government of either Abkhazia or South Ossetia / Tskhinvali region and a biometric photo; and, second, submit documents through an authorized third party or orga-

nization who or which has access to both sides of the conflict divide. Before a number is assigned, an in-person meeting is required, however the practice of Skype consultations is being discussed.⁷²

As explained by SMRCE representative, the database for registering residents of Abkhazia and South Ossetia / Tskhinvali region with personal identification numbers has already been established on the basis of Georgia's Service Development Agency (SDA)⁷³ and information about registration can be accessed under the services⁷⁴ section. The online services section at Justice House displays information on how to register online to acquire a personal identification number,⁷⁵ however, at present this information is accessible only in the Georgian language. Meanwhile, there is a lack of information available at the SMRCE for those registered already or for those interested in the registration process. Information with respect to registering for a personal identification number should be requested from Georgia's SDA. Until now, the SDA has not shared any information with the researcher regarding: how many people have registered for a personal identification number; a break-down of registration by district; and what the most frequently asked questions about the registration process have been.

As explained by an SMRCE representative, the database is kept by the Ministry of Justice of Georgia and, without special permission, no information about registered people can be shared with any individual

⁷² Author's interview with SMRCE representatives, August, 2019

⁷³ Author's interview with SMRCE representatives, August, 2019

⁷⁴ The information about registering people residing in Abkhazia and South Ossetia with personal identification number. State Service Development Agency of Georgia, available at: https://sda.gov.ge/?page_id=15168&fbclid=IwAR0YmFeJYeTE0nmN4QAFZIQIEveBd99Qmang-mQ5MYYJn3kKVIEnBVIaiRd4

⁷⁵ Information on how to register online with personal identification number, accessed at 08.11.2019. Available at: <http://psh.gov.ge/main/page/6/553>

⁶⁹ Author's interview with SMRCE representatives, August, 2019

⁷⁰ Community centers - <https://centri.gov.ge/en/>

⁷¹ Community center will be also located in the village of Rukhi

or entity.⁷⁶ Attaching a personal identification number to registered people is linked to the implementation of the Enterprise for Better Future program. After grantees of the Enterprise for Better Future program are announced, representatives of the SMRCE expect that the first individuals registered with personal identification numbers will appear, and among grantees there should be residents of Abkhazia and South Ossetia / Tskhinvali region who do not have Georgian citizenship, residence permits or status-neutral traveling documents.⁷⁷ The two responses below show the generally contrasting views of Georgian and Abkhaz counterparts toward this status-neutral approach, with the former fairly positive and the latter are more suspicious.

“Registration with personal number is not happening to place Abkhazians in Georgia’s taxpayer’s system, registration is happening to ease the procedures to trade, to do business and have access to services” – Georgian respondent.

“Because of previous experience [suggesting status-neutral passports], when Abkhazians hear about neutrality, they have serious doubts, as documents issued by the Government of Georgia are not regarded as status-neutral” – Abkhaz respondent.

Registration by personal identification number is the first step to accessing the benefits offered by the peace initiative. For example, after being assigned a personal identification number, a person, among other things, can: register as an entrepreneur; register an enterprise; conduct economic activities; register as a taxpayer and receive special taxpayer status;

⁷⁶ Author’s interview with SMRCE representatives, August-September, 2019

⁷⁷ Author’s interview with SMRCE representatives, August, 2019

receive grants; use banking services; and register vehicles.⁷⁸

The second measure to support trade facilitation is the creation of **special economic zones**. Through the implementation of this measure, the following services and infrastructure will be made available: uniform service centers; tax service centers; agrarian markets; auto markets; service centers of an entrepreneurship development agency; multi-functional training centers; business incubators; and free industrial zones.⁷⁹ Three potential geographic areas have been identified for special economic zones: the village of Rukhi (near Abkhazia); the village of Khurcha (near Abkhazia); and the village of Ergneti (near South Ossetia / Tskhinvali region).

The aim of a special economic zones is to have infrastructure and services available at one place that can help to implement the initiative as a whole. For example, branches of the following service-oriented public institutions would be located in such zones: the revenue services of the Ministry of Finance of Georgia; and the service development agencies of both the Ministry of Justice and the Ministry of Internal Affairs of Georgia. Furthermore, commercial banks, post and currency exchange offices, notary service, and information, consultation, innovation and training-oriented centers will all be established. As explained by the SMRCE representatives, the infrastructural project relating to special economic zones is being prepared for consideration within the Partnership Fund.⁸⁰

Currently, in the village of Rukhi, building of trade and innovation centers has been completed, but they are not yet fully operational. According to local staff, the Rukhi trading center was working intensively in

⁷⁸ Peace initiative – A Step to a Better Future. Available at: http://smr.gov.ge/Uploads/Concept_EN_0eaaac2e.pdf pp. 7-8

⁷⁹ Peace initiative – A Step to a Better Future. Available at: http://smr.gov.ge/Uploads/Concept_EN_0eaaac2e.pdf pp. 7-8

⁸⁰ Author’s interview with SMRCE representatives, August, 2019

2016 when the rental price for one square meter was 1 GEL, but the subsequent increase of the rental price up to 4 USD has seen a reduction in places being rented at the center.⁸¹ Local staff also emphasized that the closures of the Ingur/i Bridge negatively affected the work of the Rukhi trading center. Further to this, a multi-profile clinic is constructed and will open in upcoming weeks.⁸²

The third measure to support trade facilitation is the establishment of **special taxpayer status**. Entrepreneurial activities such as production of goods in Abkhazia and South Ossetia / Tskhinvali region and the supply thereof to Georgia proper and vice versa would be made possible for persons granted special taxpayer status.⁸³ Furthermore, people registered with special taxpayer status would be able to benefit from a special regime and tax preferences, such as an exemption from profit / income tax and VAT.⁸⁴

As explained by SMRCE representatives, the granting of special entrepreneur status for individuals registered with a personal identification number is possible and special guidelines on how to obtain certain economic activity rights after receiving such status are also accessible.⁸⁵ It is also possible to attain special taxpayer status after gaining special entrepreneur status.⁸⁶ Information about special taxpayer status should be requested from the Revenue Service of Georgia.

Another measure discussed within the initiative is the regulation of the **movement of goods across the conflict divides**, the labeling rules for such goods and the access of goods produced in Abkhazia and South Ossetia / Tskhinvali region to internal and external markets. The initiative mentions that "goods produced in Abkhazia and South Ossetia / Tskhinvali region may be permitted in the trade networks on Georgian-controlled territory using status-neutral labeling."⁸⁷ Furthermore, entrepreneurs who are registered in Georgia proper and have special taxpayer status are granted the right to supply goods in Abkhazia and South Ossetia / Tskhinvali region. The export of goods outside de jure Georgia is also discussed within the initiative. It mentions that "goods originating from Abkhazia and South Ossetia / Tskhinvali region are allowed through Georgia proper accompanied with a Georgian certificate of origin and if they comply with Georgian labeling rules."

This part of the initiative is a work in progress. Moving goods internally is not an issue for Tbilisi as Georgians, unlike Abkhazians, do not consider the ABL an actual border. However, moving goods across the Ingur/i Bridge is problematic for the Abkhaz de-facto leadership, as it refers to the ABL as an official border. Nevertheless, one CSO representative in Georgia explained that if Abkhazians removed restrictions on products and goods, other than hazelnuts, it could eventually increase trade across the Ingur/i Bridge and bring more money to the region.⁸⁸ As for the exporting of products from Abkhazia beyond Georgia, all Abkhaz respondents and a number of Georgian respondents mentioned that the initiative does not provide a clear status-neutral approach with respect to how to export Abkhaz products without Georgian labeling to European markets. However, the reports of both the International Crisis Group and

⁸¹ Author's Interview in Rukhi with representative of Rukhi trading center, July, 2019

⁸² Vartanyan, O. (2019) „Easing Travel Between Georgia and Breakaway Abkhazia“, International Crisis Group. Available at: <https://www.crisisgroup.org/europe-central-asia/caucasus/abkhazia-georgia/easing-travel-between-georgia-and-breakaway-abkhazia>

⁸³ Peace initiative – A Step to a Better Future. Available at: http://smr.gov.ge/Uploads/Concept_EN_0eaaac2e.pdf p. 12

⁸⁴ Peace initiative – A Step to a Better Future. Available at: http://smr.gov.ge/Uploads/Concept_EN_0eaaac2e.pdf p.13

⁸⁵ Author's interview with SMRCE representatives, August, 2019

⁸⁶ Ibid.

⁸⁷ Peace initiative – A Step to a Better Future. Available at: http://smr.gov.ge/Uploads/Concept_EN_0eaaac2e.pdf p. 14

⁸⁸ Author's interview with Georgian CSO representative, September, 2019

GRASS noted that the topic of exporting goods produced in Abkhazia on European markets should be discussed proactively and using a case-by-case status-neutral approach.

The final proposed measure is the creation of **financial and legal mechanisms** for trade facilitation. In particular, this would entail the establishment of a special independent fund and the enactment of appropriate provisions and amendments in Georgian legislation as well as bylaws.

A special independent fund, named the Peace Fund for Better Future, has been registered.⁸⁹ Its founders are the following: the SMRCE; the Georgian Chamber of Commerce and Industry; and the Partnership Fund. The objective of this fund will be to support the peace initiative. It will also serve as an additional resource in the supporting of individual or partnership projects / initiatives across the conflict divides. As explained by SMRCE representatives, some international partners have expressed their readiness to make financial contributions to the fund. However, before it is properly functional, no concrete information about donors will be available. SMRCE representative explained: *"The Peace Fund for Better Future should be functional in 2020; right now, we are determining the structure of the fund, identifying staff and general administrative and logistical issues."*

Before the fund was registered, a project – Enterprise for Better Future – was launched as part of the Enterprise Georgia program. The Enterprise for Better Future project is designed to test the interest and capacity of Georgian and Abkhaz people to develop individual and joint business proposals and to apply for funding. Applications for joint economic activities were invited during March-May 2019. The amount of funding for individual and group projects varied from 7 000 GEL to 35 000 GEL. According to SMRCE representatives, up to 400 people

applied for funding from both sides of the ABLs and applications were received from all districts of Abkhazia.⁹⁰ Even though the results of the Enterprise for Better Future project have not been officially published yet,⁹¹ SMRCE representatives mentioned that Enterprise Georgia had already selected the winners of the program and were dealing with administrative and logistical issues at this stage. SMRCE representatives also explained that, due to security concerns of applicants, their names and surnames would not be revealed to the public.

According to the SMRCE representatives, the legislative part of the initiative has been fully implemented, as changes and adjustments have been made to the following legal acts:⁹² Law "on Rules of Registration of Georgian Citizens and Foreign Citizens Residing in Georgia, Issuance of Personal Identification Card (Residence Permit) and Passport for Citizen of Georgia"; Law "on Civil Acts"; "Tax Code of Georgia"; Law "on Entrepreneurship"; Law "on Grants"; Law "on Higher Education"; Law "on General Education"; and Law "on Occupied Territories."

These changes have given residents of Abkhazia and South Ossetia / Tskhinvali region the possibility to receive services offered within the peace initiative without needing a Georgian ID or passport and acknowledges identity documents issued by the de-facto regimes as indication confirming that a person lives on the territory of Abkhazia or South Ossetia / Tskhinvali region legitimately. The changes also have eased legal difficulties for Georgian individuals and companies who seek to enter partnerships and / or trade with their Abkhaz or Ossetian counterparts.

⁸⁹ Information on Peace Fund for Better Future. available at: <http://smr.gov.ge/NewsDetails.aspx?ID=1702>

⁹⁰ Author's interview with SMRCE representatives, August, 2019

⁹¹ Author's interview with Enterprise for Better Future program applicant, August, 2019

⁹² For further information, please see following http://smr.gov.ge/Uploads/Adopted_Le_b16e03ed.pdf accessed 02.09.2019

Assessment of the peace initiative according to Georgian and Abkhaz respondents

The peace initiative was presented in Tbilisi to civil society representatives, international organizations, experts and the wider public. The initiative was greeted positively by internal state and non-state actors in Georgia, including opposition parties, who also agreed with its general framework.⁹³ International partners also expressed a positive attitude towards the peace initiative.⁹⁴ Even though the initiative maintains a neutral status, Abkhaz de-facto officials have denounced it.⁹⁵ The latter conveyed their mistrust towards Tbilisi's new peace initiative and referred to it as "another PR activity" of the Government of Georgia.⁹⁶

Why is trade facilitation important in the Georgian-Abkhaz context? Taking the first proposition above into account about a supposed positive correlation between trade and peace, it is expected that if the initiative is properly implemented, it will bring benefits to residents of Abkhazia and South Ossetia / Tskhinvali region, as well as those living close to these regions. In particular, trade facilitation can encourage cooperation and increase contact and communication between Georgian and Abkhaz communities. Increased cooperation could then lead to better mutual understanding and reduce the frequency of closures of crossing points and detentions of

people on the ABLs. As facilitation of trade necessitates the establishment of certain mechanisms to organize the exchange of goods and money, it is expected that communication between Tbilisi and Sukhum/i would increase, which would eventually soften hostile or uncooperative attitudes towards each other. Finally, trade can help to boost economic development and, therefore, trade facilitation can create incentives for Abkhaz and Georgian trading partners to intensify their cooperation and develop a common interest.

"When trade becomes" formal", people will not be afraid, business connections will be strengthened" – Georgian respondent.

Not all Georgian and Abkhaz respondents shared the same views as to why trade facilitation is important and their responses regarding the need and significance of trade facilitation has varied. It also has to be noted that reasons cited below mainly reflect the opinions of Georgian respondents, nevertheless some Abkhaz respondents did also show interest in trade facilitation and referred to it as a possible way of keeping a good neighborly relationship with Georgia.

- Even though there are a significant number of people who engage in informal [illegal] trade or participate in livelihood-related projects, trade opportunities remain exclusive.⁹⁷ People expect that through trade facilitation, more people will have access to information and resources, and, eventually, the number of vendors / entrepreneurs increase, bringing greater financial benefits to the public.⁹⁸

⁹³ Does Tbilisi's Peace Step Have a Future? 27 April, 2018. Available at: <https://old.civil.ge/eng/article.php?id=31049>

⁹⁴ Information on International response to the new peace initiative. Available at: http://smr.gov.ge/Uploads/internatio_fe0b65f2.pdf

⁹⁵ "Sukhumi, Tskhinvali authorities reject Georgian Government's Peace Initiative". April 6, 2018. Civil Georgia. Available at: <https://old.civil.ge/eng/article.php?id=31010>

⁹⁶ See response from Sukhumi: De-facto Foreign Minister Daur Cove, Available at: http://mfaapsny.org/ru/allnews/news/statements_speeches/kommentariy-daura-kove-o-novoy-mirnoy-initsiative-pravitelstva-gruzii-shag-k-luchshemu-budushchemu/ and response from De-facto Foreign Ministry of South Ossetia. Available at: <http://www.mfa-rso.su/node/2531>

⁹⁷ Author's interview with Abkhaz CSO representatives, August-September, 2019

⁹⁸ Author's interview with Abkhaz CSO representatives and local entrepreneurs, August-September, 2019

- Through facilitated trade, it is expected that more goods will cross the ABL and that vendors will gain more profit / income; it is also expected that more people would cross the Ingur/i Bridge and that the freedom of movement of people and goods would be ensured.⁹⁹
- Facilitated trade is also seen as a possibility to improve communication and create incentives for the development of joint businesses.
- Trade facilitation would help to increase cooperation across the conflict divide. CSOs would have more flexibility and capacity to implement livelihood-related projects. According to one Georgian CSO representative: *“projects involving economic activities are considered as risky and many organizations avoid such projects.”*
- Trade facilitation with Georgia could support the residents of Abkhazia to improve their standard of living.¹⁰⁰

Even though trade with Georgia remains illegal and ethically unacceptable for most Abkhazians, Inal Khashig, a journalist from Sukhum/i, claimed that the topic is being discussed internally as de-facto president Raul Khajimba “cautiously declared the need for the legalization of trade on the Georgian-Abkhaz border.”¹⁰¹ However, according to the Abkhaz respondents, the general public in Abkhazia does not know about the trade facilitation initiative.¹⁰² The main source of information in Abkhazia is TV and neither Russian nor Abkhazian channels talk about this initiative and its importance.¹⁰³ People in Abkhazia do

not talk publicly about the initiative as they do not consider it realistic and relevant.¹⁰⁴

“A lot of people see this peaceful steps as part of Georgia’s strategy to reintegrate Abkhazia, rather than representing Georgia’s thoughtful and sympathetic attitude towards Abkhazians, who are actually suffering from international sanctions” – Abkhaz respondent.

However, even though the Abkhaz respondents were generally skeptical about the initiative, they appreciate the emphasis on promoting a peaceful approach.¹⁰⁵ If the general attitude of Abkhaz people towards Georgia changes, they may believe that cooperation with Georgia is favorable, and such a shift would help the initiative to progress.¹⁰⁶ Some Georgian respondents also believed that facilitated trade would help local product development in Abkhazia and that the region would become more open to the outside world.¹⁰⁷

All Georgian respondents assessed the concept positively, but questioned its practical implementation. Furthermore, some of them mentioned that ethnic Georgians living in Abkhazia could be discriminated against or that people living alongside the ABL may not receive all of the proposed benefits.¹⁰⁸ One Georgian respondent also mentioned that internally displaced people should also benefit from this initiative and the programs it envisions.¹⁰⁹

⁹⁹ Author’s interview with Georgian CSO representative, September, 2019

¹⁰⁰ Author’s interview with Abkhaz CSO representatives and local entrepreneurs, August-September, 2019

¹⁰¹ Commentary: where is Abkhazia’s missing billion? May 11, 2018. Available at: <https://jam-news.net/commentary-where-is-abkhasias-missing-billion/>

¹⁰² Authors interview with Abkhaz CSO representatives, August-September, 2019

¹⁰³ Authors interview with Abkhaz CSO representatives, August-September, 2019

¹⁰⁴ Authors interview with Abkhaz CSO representatives, August-September, 2019

¹⁰⁵ Author’s interview with Abkhaz CSO representatives and local entrepreneurs, August-September, 2019

¹⁰⁶ Author’s interview with Georgian CSO representative, September, 2019

¹⁰⁷ Author’s interview with Georgian CSO representative, August, 2019

¹⁰⁸ Author’s interview with Georgian member of the parliament, September, 2019

¹⁰⁹ Author’s interview with Georgian CSO representative, August, 2019

Risks / challenges facing the initiative in trade facilitation

Both Georgian and Abkhaz respondents mentioned various risks associated with the implementation of the peace initiative. They identified very practical, everyday concerns and potential threats to the trade facilitation process.

1. Feelings of insecurity

One of the foremost concerns for both Georgian and Abkhaz respondents was the issue of insecurity. A “sense of insecurity” among residents of Abkhazia stems from the reliance of the local de-facto regime on Russia, which cannot be mitigated by trade facilitation.¹¹⁰ According to several Georgian respondents, the initiative only removes legal concerns for Georgian citizens. In Abkhazia, trade with Georgians is still illegal and there is ethical / social pressure to refrain from such activity. For example, according to one Abkhaz respondent: “people [in Abkhazia] are afraid that somebody will find out about their connections with Georgians and they will be punished.” To address the issue of insecurity, Georgians should communicate with different stakeholders in Abkhazia within various formats at all levels.¹¹¹ Without permission from their political leadership, Abkhaz people will not feel free to trade with Georgians.¹¹²

2. Lack or absence of direct communication

To make the initiative feasible, communication between Georgians and Abkhazians is critical.¹¹³ The Georgian authorities should talk with Abkhazians informally at all levels, including with the de-facto political lead-

ership.¹¹⁴ Without communicating and explaining the general framework and details of the initiative, it could have the unwanted effect of further closures of crossing points and complicate already existing practice of informal trade, which would affect the Gal/i population the most.¹¹⁵ Trade facilitation should become a joint interest, and must reflect the real needs and interests of the Abkhaz business community and general public if it is to succeed.¹¹⁶

It is still unclear what concrete communication mechanisms are to be used with Abkhazians to explain each and every detail of the initiative and to convince them that the initiative does not require any political compromise.¹¹⁷ One Georgian respondent mentioned: “there [in Abkhazia] is an unfriendly environment towards Georgians, additionally there are no clear communication strategies and mechanisms nor informational politics on how to convince people in Abkhazia to engage in trade facilitation.” Trade facilitation would equate to “empty words” if relevant stakeholders from Abkhazia are not engaged in this process.¹¹⁸

3. General skepticism towards the initiative

One Georgian respondent claimed that people in Abkhazia do not think that they need to be part of the initiative.¹¹⁹ They were not arranging status-neutral passports as they felt these were unnecessary.¹²⁰ Registering with a personal identification number may likely face the same

¹¹⁰ Author's interview with Georgian member of the parliament, September, 2019

¹¹¹ Author's interview with field analyst/ expert, September, 2019

¹¹² Author's interview with field analyst/ expert, September, 2019

¹¹³ Author's interview with Georgian CSO representative, September, 2019

¹¹⁴ Author's interview with Georgian member of the parliament, September, 2019

¹¹⁵ Authors interview with Abkhaz CSO representatives, August-September, 2019

¹¹⁶ Authors interview with Abkhaz CSO representatives, August-September, 2019

¹¹⁷ Author's interview with Georgian member of the parliament and CSO representatives, August-September, 2019

¹¹⁸ Author's interview with Georgian CSO representative, September, 2019

¹¹⁹ Author's interview with Georgian member of the parliament, September, 2019

¹²⁰ Author's interview with Georgian member of the parliament, September, 2019

indifferent response. For example, also Georgian respondent mentioned: *“trade facilitation and economic relations will not on their own help reconciliation; there has to be some other work parallel to this.”* First, residents of Abkhazia should be convinced that being assigned a personal identification number does not require any compromise on their part with respect to political issues and, second, they should consider it necessary to gain a personal identification number. Otherwise, according to the same Georgian respondent, it will be referred to as *“another method of registering Abkhazians within Georgian jurisdiction and it can damage the implementation of the initiative.”*¹²¹

4. Difficulty to absolutely separate trade from politics

It is impossible to keep trade absolutely separate from politics.¹²² However, it would be possible to leave so-called “red lines” for Georgian and Abkhaz communities untouched but still discuss issues that do not call for political compromise.¹²³ If there is a genuine interest in and expectation of profit, then both Georgian and Abkhaz respondents agreed that sidestepping politically sensitive issues would be possible.

5. Unclear plan for export of goods produced in Abkhazia

Even though the initiative refers to the movement of goods across the conflict divide, labeling rules and access to internal and external markets, it is still unclear what type of status-neutral approach would be applied to goods produced in Abkhazia when they appear on external markets. The initiative mentions that *“the*

export of goods originating from Abkhazia and South Ossetia / Tskhinvali region, are allowed through the Georgian-controlled territories accompanied with the Georgian certificate of origin and in compliance to labeling rules (for example, by indication of the registration place of entrepreneur).” Abkhazians would not agree to having their exported products labelled as Georgian.¹²⁴ However, as mentioned above, the reports of both the International Crisis Group and GRASS noted that even the topic of exporting goods produced in Abkhazia on European markets should be discussed proactively and with a case-by-case status-neutral approach, and, according to the same reports, some Abkhaz businessmen have demonstrated an appropriate level of flexibility.¹²⁵

6. Issue of coordination

Numerous state agencies are engaged in implementing the peace initiative. For example, the Ministry of Foreign Affairs of Georgia, the Ministry of Justice of Georgia, Finance Ministry of Georgia, Ministry of Economics and Sustainable Development of Georgia, Ministry of Internal Affairs of Georgia, and the Ministry of Health, Labor and Social Affairs of Georgia. Besides ministries, a number of state agencies are engaged in delivering different services as part of the initiative. With such a large number of actors, there are inevitably coordination problems. Several Georgian respondents claimed that they are not informed about any progress made by the initiative, some of them also mentioned that even results of – Enterprise for Better Future program have not been presented yet, which fuels skepticism and disappointment among those who applied for the program and also indicates coordination problem.

¹²¹ Author's interview with Georgian member of the parliament, September, 2019

¹²² Author's interview with Georgian member of the parliament, September, 2019

¹²³ Authors interview with Abkhaz CSO representatives and local entrepreneurs, August-September, 2019

¹²⁴ Authors interview with Abkhaz CSO representatives and local entrepreneurs, August-September, 2019

¹²⁵ Gaprindashvili, P., et al (2019) „One step closer – Georgia, EU integration and the settlement of the frozen conflicts.“ Georgia' Reforms Association. Forthcoming. **p. 18**

Steps to be taken to support the initiative

1. Establishing permanent communication channels

Establishing direct and permanent channels for communication between Georgians and Abkhazians is critical for this initiative to be successful.¹²⁶ However, the level and type of communication is still a contested topic among both Georgian and Abkhaz respondents. Track 1.5¹²⁷ is considered to be the most relevant format of communication.¹²⁸ Recognizing Abkhazians as an official party directly involved in the conflict and then talking to the de-facto leadership would be the most satisfactory approach for Abkhaz respondents. However, this was denounced by a number of the Georgian counterparts, who consider Russia to be Georgia's counterpart in the conflict.¹²⁹ However, both sides did agree that engagement in substantial discussions over trade facilitation and concrete mechanisms with respect to the initiative would be critical. According to one Georgian respondent: *"we have to meet them, explain the initiative in details, convince them that it is profitable for Abkhazians and does not require any compromise from them over political topics, otherwise the initiative will not work."* One Abkhaz CSO representative mentioned that communication channels have to be reliable and permanent, and Georgians have to show a genuine desire to find common ground with the Abkhazians.¹³⁰ Another Abkhaz respondent also mentioned: *"even if it is not formal talk, it would still make a difference to see Georgians trying to engage with Abkhazians in substantial discussions informally."*

¹²⁶ Author's interview with Georgian politician and CSO representatives, August-September, 2019

¹²⁷ The Track 1.5 meeting format allows official and non-official participants to meet and discuss issues related to conflict management, resolution or transformation

¹²⁸ Author's interview with Georgian politician and CSO representatives, August-September, 2019

¹²⁹ Author's interview with Georgian member of parliament, September, 2019

¹³⁰ Authors interview with Abkhaz CSO representative and local entrepreneur, August-September, 2019

Permanent communication channels at all levels would help to identify, and reflect on, attitudes and perceptions of the general public in Abkhazia towards Georgia's peace initiative.¹³¹ Even though the GID is a Georgian-Russian format, it might be possible to identify space for the initiative to be promoted in this format too.¹³² According to a field expert / analyst: *"informational sessions in Geneva are a space to discuss absolutely apolitical topics and the Georgian government can use this opportunity to discuss the initiative."*

2. Establishing mechanisms to disseminate information about the initiative in Abkhazia

Even though SMRCE representatives explained a number of methods to spread the word about the initiative in Abkhazia, the absolute majority of Abkhaz respondents said they lacked a detailed understanding of it. One Abkhaz respondent mentioned: *"a major source of information in Abkhazia is TV and neither Russian nor Abkhaz TV channels are talking about this initiative."* Another Abkhaz respondent added: *"information [about the initiative] has to be clear, easy to understand and brief, otherwise it can bring confusion among people and worsen the situation, which has deteriorated lately."*

The Enterprise for Better Future program had up to 400 applicants,¹³³ which on the one hand suggests that people still seek information if they have enough of an interest. However, on the other hand, access to information is exclusive as word is not spread through TV, radio or other channels that cover the whole population of Abkhazia.

3. Establishing mechanisms to disseminate information in Georgia proper

One of the key target groups of this initiative on trade facilitation is companies, specifically medium- and large-sized business-

¹³¹ Authors interview with Abkhaz local entrepreneurs, August-September, 2019

¹³² Author's interview with field expert/ analyst, September, 2019

¹³³ Author's interview with Government of Georgia official, August, 2019

es in Georgia.¹³⁴ Therefore, reaching out to them and informing them about legislative changes that ease or remove legal obstacle to engaging in trade with Abkhaz counterparts represents an important step.¹³⁵ If explained properly, Georgian companies might become interested in trading with Abkhazians or undertaking joint business projects; some companies may indeed have patriotic motives in pursuing such trade.¹³⁶ Local entrepreneurs from Zugdidi and Gal/i mentioned that they are in an “informational vacuum” and did not know where to go and ask about the initiative and its practical implications.¹³⁷ Even though the general framework of the initiative has been positively assessed by Georgian stakeholders, including several opposition parties, it needs more internal engagement and interaction to secure ongoing widespread support.

4. Establishing coordination mechanisms

The initiative is complex and requires the coordinated action of various state, non-state and international actors. For this reason, it is important to establish permanent coordination mechanisms, gathering all key stakeholders and experts in order to support the implementation of the initiative as well as to respond to all challenges in a timely and accurate manner.¹³⁸ One Georgian respondent mentioned: *“the former Ministry of Internally Displaced Persons had a coordination mechanism, which worked and was successful in many cases.”*

Creating permanent mechanisms for coordination would also enable the SMRCE to keep close ties with the non-governmental sector, which holds valuable information and works tightly with its Abkhaz and Osse-

tian counterparts.¹³⁹ Coordination mechanisms would also help the SMRCE to design monitoring and evaluation methods for grants to be delivered to individuals or joint businesses, as a number of CSOs working in Georgia have demonstrable experience of working with Abkhazians in the framework of livelihood-related projects.¹⁴⁰

5. Establishing reliable mechanisms for financial and material support

For the initiative to be successful, the SMRCE has identified one of the key instruments, the financial support for the special independent fund. Further to this, the SMRCE needs continuous support and necessary financial, material and human resources to implement the initiative gradually.¹⁴¹ The special independent fund should become a reliable financial mechanism, but besides financial and material support, it also needs a clear structure and monitoring and evaluation procedures.¹⁴²

6. Ensuring that the initiative is genuinely status-neutral

Even though the initiative takes on a status-neutral approach, some Abkhaz respondents questioned how documents issued by the Government of Georgia can be regarded as status-neutral. One Abkhaz respondent said: *“when people [Abkhazians] hear about status neutrality, they are afraid and always ask the question – is that genuinely status-neutral or Georgian way status-neutral?”*

The issue of status neutrality is clear for Georgian respondents as through the initiative Abkhazians are invited to register for a personal identification number without the need for official identity documents. In other words, by registering for a personal identification number, an Abkhaz or Ossetian person would keep his/

¹³⁴ Author's interview with Georgian member of the parliament, September, 2019

¹³⁵ Author's interview with Georgian politician, September, 2019

¹³⁶ Author's interview with Georgian member of the parliament, September, 2019

¹³⁷ Author's and Researcher's interview with local entrepreneurs from Zugdidi, September, 2019

¹³⁸ Author's interview with Georgian CSO representatives, August-September, 2019

¹³⁹ Author's interview with International NGO representative, August-September, 2019

¹⁴⁰ Author's interview with Georgian CSO representatives, August-September, 2019

¹⁴¹ Author's interview with Georgian CSO representatives, August-September, 2019

¹⁴² Author's interview with Georgian CSO representatives, August-September, 2019

her documentation issued by the relevant de-facto government and still be able to use services offered by the Georgian government, just like any other citizen living in Georgia legally and holding a residence permit. Hence, it is important that the initiative maintains and emphasizes its status-neutral character. However, a number of Georgian respondents expressed doubts here with one saying that "status neutrality should not become a panacea", and another noting that status-neutral approaches should be taken case-by-case.¹⁴³

7. Studying the production and export potential of Abkhazia

Through local organizations, groups and individuals, the needs, resources and potential of Abkhazia should be studied accurately. To assess the export potential of the region, the resources and capacity of the region should be properly explored.¹⁴⁴

8. Searching for innovative ways and methods to implement the initiative

This initiative represents a very good opportunity to establish a new strategy for communication between Tbilisi and Sukhum/i.¹⁴⁵ This initiative can also serve as an instrument or method of conflict transformation. Social and economic projects are important when it comes to increasing communication, strengthening cooperation and building trust, but it can only be effective if work on political issues is carried out simultaneously. Trade facilitation is a long and complicated process, and people engaged in informal trade will need serious incentives and better security guarantees if they are to opt for regulated trade instead.¹⁴⁶ As one Georgian respondent mentioned: *"brave and risky steps should be taken by the Government*

of Georgia for the initiative to be implemented successfully."

One creative instrument that could entail using the Russian-Georgian WTO Agreement to support trade facilitation across the conflict divides.¹⁴⁷ The completion of the construction of the Deep-Sea Port in Anaklia would definitely support trade facilitation, as the apparent prospects of trading with Georgians would improve, and so too would attitudes toward such activity.¹⁴⁸

Embarking on a peaceful initiative is indeed a positive step from the Georgian government, but to have a larger impact and to change perceptions of Abkhazians towards Georgia, political aspects have to be considered at the same time, otherwise this initiative will not make any meaningful impact.¹⁴⁹

V. Conclusion and Recommendations

This research has discussed the New Peace Initiative – A Step to a Better Future – including its trade facilitation component and key measures suggested for the facilitation of trade across the conflict divide with Abkhazia. The research has also discussed already implemented parts of the initiative and introduced the assessments of Georgian and Abkhaz counterparts towards trade facilitation and the initiative in general. Qualitative methods such as desk research and interviews were used to analyze the process of implementing the initiative, risks / fears associated with it and steps to be taken for its successful realization. Structured, in-depth and semi-structured interviews helped the author to grasp the key points, concerns and suggestions of various stakeholders and took into account views of grassroots representatives from both sides of the ABL.

¹⁴³ Author's interview with Georgian CSO representatives, August-September, 2019

¹⁴⁴ Author's interview with Georgian CSO representative, August, 2019

¹⁴⁵ Author's interview with Georgian CSO representative, August, 2019

¹⁴⁶ Author's interview with Georgian CSO representative, August, 2019

¹⁴⁷ Author's interview with Georgian member of the parliament, September, 2019

¹⁴⁸ Author's interview with Georgian member of the parliament and CSO representative, September, 2019

¹⁴⁹ Author's interview with Abkhaz local entrepreneurs, August-September, 2019

The initiative has significant potential to strengthen cooperation between Georgian and Abkhaz communities and unite them around a common interest. Furthermore, the initiative is also supported by various internal and international stakeholders. However, there is some concern among Georgian civil society representatives and field experts that so far not much has been achieved in its practical implementation. Abkhaz counterparts have also voiced their concern regarding the initiative and have criticized the Georgian government for not engaging Abkhazians in substantial discussions about its general framework and its concrete mechanisms before it was launched publicly. However, even though the initiative has been publicly denounced by Abkhaz de-facto officials, the fact is that trade between the two sides already occurs, albeit informally. According to Abkhaz respondents, if the initiative and its concrete status-neutral mechanisms are properly explained to key stakeholders in the region, trade facilitation is feasible.

The research has demonstrated that the initiative has some potential to enhance trade ties across the Ingur/i Bridge, but it needs coordinated, clearly designed and well-supported actions. By upholding its status-neutral approach and humanitarian purpose, it is possible that the initiative will trigger practical and positive changes in a currently deadlocked situation. However, if its implementation fails, this could backfire and complicate the already existing practice of informal trade.

Therefore, the following recommendations have to be taken into consideration for the initiative to be feasible:

1. Establish internal coordination mechanisms – The initiative depends on effective and coordinated work. Delays to certain activities and programs will result in disappointment among people otherwise interested in participating in projects arranged through the initiative. Moreover, coordination mechanisms would bring together relevant government officials, the non-governmental sector and representatives of international organizations and private companies. The work conducted by different stakeholders in favor of the initiative should be coordinated to avoid delay or complications, and to build on the already accumulated experience in the civil society sector.
2. Establish permanent communication mechanisms – The 1.5 track format is the most suitable for keeping Abkhaz community informed about the details of the initiative. This format would also ensure that residents of Abkhazia and Samegrelo regions interested in engaging in trade facilitation can feel safe in engaging in trade. Furthermore, permanent communication mechanisms are important to give Abkhaz people more detail about the initiative details and an opportunity to receive feedback on it, as well as giving them an opportunity to develop their own proposals.
3. Identify reliable financial, material and human resources – The implementation of the initiative has to be a real priority of the Government of Georgia, which should be reflected in sufficient and reliable financial, material and human support. The initiative is essentially a complex offer and the SMRCE has not been afforded all of the necessary resources. Therefore, it is important that the SMRCE itself and other relevant state entities are armed with sufficient resources and time, and also demonstrate a genuine commitment to implementing the initiative.
4. Engage the EU and other relevant international organizations – The EU and other intergovernmental and international organizations possess significant resources that could be used to support the initiative. First of all, they all have experience of working with Georgian and Abkhaz counterparts and, second, they are seen as credible to both Tbilisi and Sukhum/i. Hence, it is important that international organizations also demonstrate a genuine interest in implementing the initiative and support it both financially and materially.

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