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G E O P O L I T I C S**Nodar KHADURI**

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**THE CENTRAL CAUCASUS—
REFORMS AND
THE ROAD TO EUROPE****A b s t r a c t**

The author examines the economic and political reforms in the Central Caucasian countries. He focuses particular attention on an analysis of the role and place of these countries in world geopolitics and their integration into the European community.

I n t r o d u c t i o n

Three independent states, the Azerbaijan Republic, the Republic of Armenia, and the Republic of Georgia, were established in the Central Caucasus after the disintegration of the Soviet Union.¹ Unfortunately, the last years of the Soviet era were marked by an aggravated situation in the Caucasus in general and in the Central Caucasus in particular, along with the emergence of centrifugal processes.

The disintegration of the Soviet Union (and its collapse, in the case of the Caucasus) took place against the background of serious problems. The hostilities in the Northern Caucasus and between

¹ In the opinion of Professor Eldar Ismailov, the term “Central Caucasus” covers the three independent states located beyond the Greater Caucasus, while the term “Southern Caucasus” covers that part of the Caucasus which is located to the south of the borders of these states and also constitutes part of Iran and Turkey (see: E. Ismailov, V. Papava, *The Central Caucasus: Essays on Geopolitical Economy*, CA&CC Press, Stockholm, 2006).

Armenia and Azerbaijan, as well as the conflicts in Georgia's two breakaway regions, proved that the Caucasus was at war. Whereas in the past there had been a lot of discussion about various forms of Caucasian integration (such as the establishment of the United States of the Transcaucasus, a Common House of the Caucasus, and so on),² now the hostilities have postponed the integration process for a long time to come, if not forever.

Today, new cooperation opportunities are emerging in the Central Caucasus that are mostly based upon economic rather than political principles. The unfortunate reality remains, however, that it is impossible to engage the entire Central Caucasus within common economic principles and create a uniform economic area.

Nevertheless, the key trends of the reforms are analogous in the three states of the Central Caucasus and the declared principles of each of them are quite similar despite their tactical differences. The reforms in both the political and economic systems, however, are currently being implemented by means of different methods. Furthermore, those economic capabilities which distinguish the states of this region from one another should be kept in mind.

Presently, the interests of the Caucasian states—and especially of the countries located around it—are very diverse from the economic point of view. Along with Russia, the United States, and the EU member states, Turkey also plays a significant role in settling the problems in the Caucasus. It recently became clear that Russia and Turkey are striving to dominate in the Caucasian region, although the influence of the EU is increasing in the region in both economic and political terms.

Neither an economic, nor a political, nor any other confrontation is new for the Caucasus. Since the times of Ancient Rome and Greece, the Black Sea and the Caucasus have had serious potential for expansion, the Greek colonies discovered in the Caucasus and during the Argonauts' trip to Colchis (present-day Western Georgia) being cases in point.

Geopolitical Role of the Central Caucasus and Its Importance for Europe

On the whole, the Caucasus—including the Central Caucasus—is a developing market which has high potential for economic growth and energy and transport links. The population of the Central Caucasus of 16.5 million³ lives on 186 thousand sq/km⁴ of the territory occupied by Georgia, Armenia, and Azerbaijan, where GDP of \$65.6 billion (at current prices) was produced in 2009. GDP of \$4 thousand⁵ was produced per capita at current prices, which is an extremely low parameter.

It should also be kept in mind that significant growth was observed during the last nine to ten years. Whereas GDP was \$651 per capita by 2000, at present, nominal GDP has increased 6.1-fold per capita in USD. According to the statistical data of all three states, GDP (at current prices, USD) increased 6.4-fold. For quite understandable reasons, Azerbaijan is leading in terms of its growth parameters (by 8.2-fold).

² Ibidem.

³ The statistical information about the countries is taken from the websites of their respective statistical services, as well as from the website of the CIS Statistical Committee [<http://www.cisstat.com>], and the Asian Development Bank [<http://www.adb.org>].

⁴ [<http://www.adb.org>].

⁵ [<http://www.adb.org>].

Today, there are certain specific factors that are arousing the European Union's interest in the Caucasus. The United States and Europe are trying to find alternative energy resources to those in the Persian Gulf and the Russian Federation. The political will for making these changes based mainly upon economic interests is manifested in the fact that the Caucasus is now situated at the crossroads of important energy flows. Regional cooperation in the Caucasus is quite fragile since the economic and political interests of Europe and the United States collide with those of Russia. The 2008 August war, as well as Russia's intensified efforts to settle Armenian-Azerbaijani relations prove once again that an increase in Russia's economic and predominantly political ambitions is harbinger to a serious redistribution of power in the Caucasian region.

Despite the so-called reset policy pursued by the U.S. administration, it is quite obvious that both Europe and the United States are trying to ensure that Russia does not acquire alternative transport routes to prevent it from restoring its earlier monopoly when the only route for transporting Russian, as well as Central Asian and Caspian energy resources passed through Russia owing to the absence of corresponding infrastructure in any other country.

Russia's dominant role is strengthened by the fact that there are three conflict zones along the Central Caucasian route—Abkhazia and South Ossetia in Georgia and Nagorno-Karabakh in Azerbaijan—which is an alternative to the Russian route and obviously decreases the interest of investors in developing regional transit routes, while significantly increasing the risks.

Despite the abovementioned, the Caucasus is still very important for the world and especially for the European Union because of its transit function. The region is an important link between the resource-rich Central Asian states and Europe with its increased demand for resources.

The region's geographical location is unique. Its geographical and geopolitical location alone prompted Georgia's initiative to restore the Great Silk Road through its territory. Of course, the striving to restore the Great Silk Road is aimed at much more than simply facilitating oil transit. In fact, this road is supposed to link a new world economic giant, i.e., China, to Europe.

For the transport corridor to function properly, railway and sea transport must be developed. Furthermore, its political significance as a transport corridor is huge, its development promoting further enhancement of the idea to form a so-called Belt of Southern Democratic States in the territory of the countries of Central Asia and the Central Caucasus, as well as establish an alternative corridor in the world market.

The Caucasus is not only a transport artery for Europe, but with the accession of Bulgaria and Rumania to the European Union, this region has practically become a neighbor. For this reason too, therefore, more attention has been focused on the reforms going on in these countries.

Reforms in the Caucasus

In the early 1990s, following the disintegration of the Soviet Union, Georgia, Armenia, and Azerbaijan managed to gain independence for the second time in the twentieth century, which enabled them to make independent decisions. Independence, which was first declared in 1918 (the three Caucasian republics declared their independence on 26-28 May, 1918 in Tbilisi), proved quite brief. Azerbaijan and Armenia lost their independence in 1920, while Georgia fell a year later, in 1921, when all three countries were annexed by the Russian Red Army. In late 1921, they were incorporated into the Soviet Union, first as the Transcaucasian Federation and later as "independent republics." After the Soviet Union collapsed in 1991, issues of economic and political reconstruction, as well as the restoration of statehood were put on the agenda after many countries of the world recognized the independence of Georgia, Armenia, and Azerbaijan.

Although the road was more or less smooth for the republics of the Central Caucasus (then called the Transcaucasus) during the existence of the Soviet Union, the first years of independence turned out to be a serious test for the three countries, which was manifested in civil or patriotic wars and ethnic conflicts, as well as transport and energy blockades. This was followed by a crisis situation in each of the three countries, so they began to work on solving two interlinked problems: the formation of an independent state and the implementation of market economy principles.

It should also be noted that none of the Caucasian states had any experience in governance or in implementing economic or other reforms. Previously, all decisions were made in Moscow, so along with other important problems, the necessity for implementing reforms in the education system, for example, was put on the agenda to train personnel for national, economic, social, and other spheres in order to ensure that they would become both good executives and good policy-makers.

Transformation of the labor market, health care, and the social system in general was also very important. Although the standard of living dropped during the last years of the Soviet era, the social guarantees and the availability of education and health care (although of low quality) remained intact but there was a threat that a further reduction in these packages would trigger serious social problems in the country.

The education, social, healthcare, and other systems proved uncompetitive and the collapse of the uniform system caused a sharp regress in their quality and availability. Accordingly, after the disintegration of the U.S.S.R., the three Caucasian countries launched reforms envisaging, at least theoretically, the formation of independent states (with all the individual attributes), the creation of their own judiciary, the implementation of democratic reforms, the dismantling of the planned economic system, property pluralism with consequent private property supremacy, the breakup of the directive price formation system, and the creation of independent fiscal, customs, and monetary institutions.

The first years of the reforms proved extremely difficult for the three Caucasian states. The difficulties were mostly triggered by the hostilities and their consequences rather than by the ideology or the content of the reforms.

The Caucasian countries launched their reforms almost simultaneously, with some of the reforms being implemented under an identical plan and often following Russia's example with respect to political, social, economic, judicial, and other reforms. After almost 20 years of launching reforms, however, a gap emerged between their ideologies. The goal in each of the three states (at least the declared goal) is that each is aspiring toward Europe, although there are many obstacles blocking their way to achieving this goal.

Unfortunately, the ideology of the reforms often changes. Whereas during the first years of the reforms, all three states declared a social market economy as their key goal, this coincidence later changed to a significant degree.

Economic Reforms

The Soviet Union fell apart against the background of the important ideological transformations that began in 1985 and removed the Iron Curtain, thereby showing the population that the standard of living, of which they were so proud, was in fact not so high. So the society that had been building communism became interested in building capitalism.

Unfortunately, there is not a single country in the world that has had any theoretical or, especially, practical experience of moving from socialism to capitalism. The reforms implemented under the guidance of Ludwig Erhard in West Germany after World War II were perhaps the closest, although

in a radically different way.⁶ Consequently, there emerged two very different ways of implementing economic reforms; namely, those implemented in Poland under the Balcerowicz Plan and those implemented in China.⁷

The three states of the Central Caucasus are still debating whether or not it is possible to follow the Chinese way of reforms. Each of the countries, however, applied a so-called “Russian version of the Polish experience” as a reform ideology.

Georgia, Armenia, and Azerbaijan started using “shock therapy” at the same time as Russia, which meant financial stabilization, price liberalization, a reduction in the budget deficit, the implementation of a tight credit policy, the introduction of a moderate tax system, and a reduction in state expenditures. The Georgian, Armenian, and Azerbaijani reformers, however, failed to take account of several important factors. In particular, not one of the Central Caucasian governments had a real macroeconomic tool, nor did they have their own monetary systems or real levers to implement a tax-budgetary policy. Instead of taking care of establishing such tools, they started implementing “shock therapy” without any due preparation.

As mentioned above, the economic reforms implemented in Poland—which are associated with the name of ex-finance minister and now President of Central Bank Leszek Balcerowicz and are known as the Balcerowicz Plan—have become a notable example of “shock therapy.”

Under the Balcerowicz plan, a tight fiscal and monetary policy was carried out in Poland, which was reflected in price liberalization, a significant reduction in the budget deficit through rejecting budgetary donations and subsidies, and limiting the population’s income and the money supply.⁸ The shock therapy carried out in Poland envisaged the simultaneous implementation of 11 different measures. In particular:

- Artificial stimulation of inflation for establishing a balance in the market; multiple price growth.
- Strict limitation of the income of the population.
- Significant growth of interest rates and limitation of the money supply.
- Increase in interest on deposits in order to encourage the population to save more.
- Reduction in budgetary expenditures at the expense of capital investments and donations.
- Issuance of state bonds in order to cover the budget deficit.
- Enhancement and unification of the tax system.
- Introduction of a złoty exchange rate against the USD and providing for złoty conversion in the domestic market.
- Introduction of a single customs tariff in order to restrict imports and stimulate exports.
- Rendering social aid to the population within the framework of real capabilities.
- Liquidation of monopolist structures and saying no to administrative interference of the state in business activities.

Unfortunately, as previously mentioned, implementation of shock therapy in keeping with the pattern of the Russian reforms began at the same time as the processes launched in Russia and was carried out in Azerbaijan beginning on 6 January, 1992 and in Georgia from February 1992. For the

⁶ See: L. Erhard, *Wohlstand für alle* (Welfare for Everybody), Econ-Verlag, Düsseldorf, 1957.

⁷ To receive detained information about these process, see: V. Papava, *Necroeconomics, The Political Economy of Post-Communist Capitalism*, iUniverse, New York, 2006.

⁸ See: L. Balcerowicz, “Poland, 1989-1992,” in: *Political Economy of Economic Reform*, ed. by J. Williamson, Institute for International Economics, Washington, 1994; L. Balcerowicz, *Socialism, Capitalism, Transformation*, Budapest, 1995.

above-mentioned reasons (hostilities, transport, economic and energy blockades, absence of basic macroeconomic tools), however, it had no significant effect in these countries.

The opinion on whether or not it was possible to pursue the Chinese road of reforms, taking things gradually, proved inconsequential since China differed significantly from these Central Caucasus states—and the entire former Soviet Union—in many ways and is in fact still quite different. As mentioned above, Georgia, Armenia, and Azerbaijan had to solve two major problems simultaneously.

Building an independent state and implementing economic reforms should have occurred concurrently, so it is clear that many mistakes were made on the way to implementing the reforms. Since neither their individual experience nor their financial state enabled the three Caucasian countries to carry out these processes independently, each of them turned to international financial institutions for assistance; in particular, to the International Monetary Fund and the World Bank. Along with the above-mentioned preconditions for the formation of a macroeconomic policy, the institutions defining the world financial order largely contributed to policy formation.⁹ Providing important methodical, methodological, and financial aid can be considered a merit of these institutions in executing the post-Communist transformation processes along with the more or less coordinated actions of the Georgian, Armenian, and Azerbaijani governments.

Price reform was implemented in each of the three Central Caucasus countries (all prices were liberated apart from certain exceptions in the so-called spheres under regulation). The countries implemented land reform (unfortunately, land privatization in fact triggered land fragmentation and a reduction in the share of agriculture), privatization, and liberalization of foreign economic relations.

Significant changes were also carried out from an institutional point of view. All the countries abandoned the Russian ruble zone and created their own monetary systems (they took important steps toward forming independent economic systems by introducing a National Bank coupon and then the national currency, namely, the lari in Georgia, the dram in Armenia, and the manat in Azerbaijan). Privatization of the banking sphere was also carried out (practically all state-owned commercial banks, except for Azerbaijan's International Bank, were privatized).

It was important to establish an optimal budgetary system to enable the establishment and functioning of an independent economic system. Particular steps were taken to optimize the tax and customs systems.

One of the most important issues not only for the economic development of these countries, but also for their rapprochement with the European Union is to bring the institutional structure of their economies closer to the European economy. During the first years of reforms, the formation of European-type regulatory institutions began as a result of serious consultation and assistance. Later, the regulations were minimized in Georgia, which distanced the country from its European goal.

Certainly, economic reforms are still underway, since the process of post-Communist transformation is not over. It should be emphasized, however, that the main backbone of the process has already been formed and now only needs its body.

Reforms in the Labor Market and in the Social Sphere

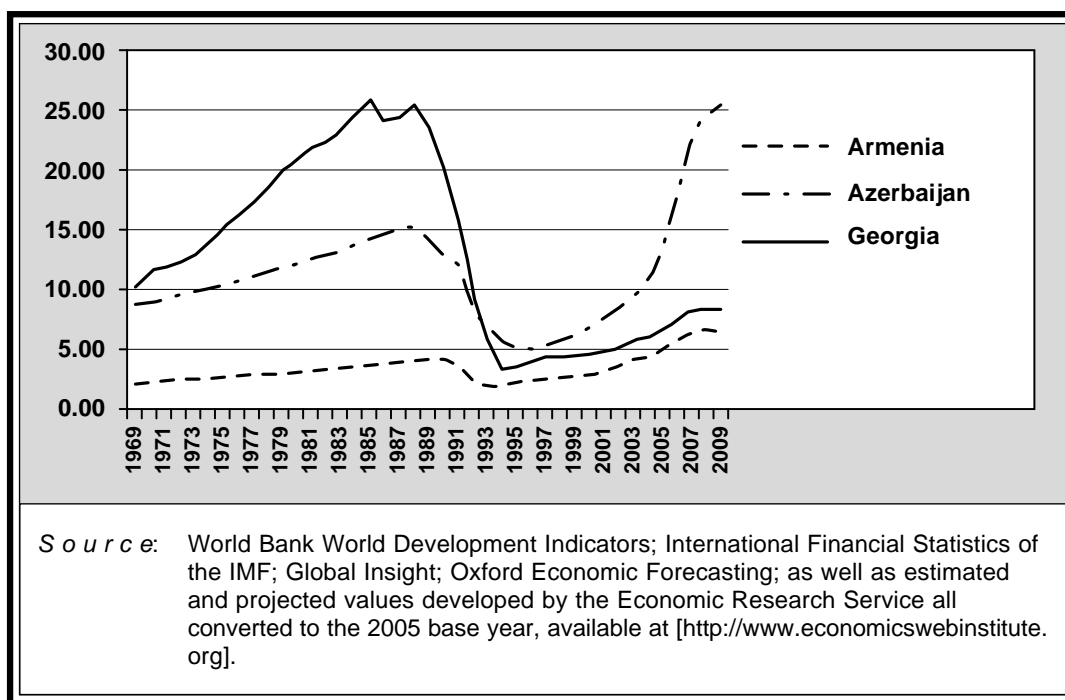
It bears repeating that the post-Communist transformation, which started two decades ago, has been going on, and is still going on, against a very difficult social background. The disruption of the

⁹ See: V. Papava, "Post-Communist Transformation of the Georgian Economy: Experience and Main Directions of Reforms," in: *VI World Congress for Central and East European Studies*, 29 July-3 August, 2000, Tampere, 2000.

uniform Soviet economic expanse, along with the political, military, and natural cataclysms, has significantly reduced production volumes.

Chart 1

**GDP Dynamics of Georgia, Armenia,
and Azerbaijan in 1969-2009
(in 2005, in billion USD)**



As seen from Chart 1, a significant decline in real GDP was observed in the three states beginning in 1990. The greatest decline was observed in Georgia's economy and, unfortunately, Georgia is the only country from among the Central Caucasus states that has failed to achieve the pre-reform figures.

Obviously, such a decline aggravated the social background in all the countries and triggered an increase in unemployment. Today, the unemployment level reaches almost 17 percent in Georgia and 6.9 and 6 percent in Armenia and Azerbaijan, respectively. It is important, therefore, to reform the labor market and social protection systems, as well as introduce insurance mechanisms.

Labor legislation is a serious problem for the Caucasian states and, especially, for Georgia. Whereas the legislation is more or less balanced in Armenia and Azerbaijan, the role of trade unions is provided and the rights of both employees and employers are protected, according to expert assessments, Georgia has an "ultraliberal" labor legislation and is one of the most liberal countries in terms of hiring and dismissing employees.¹⁰ As for improving labor legislation, this primarily means modifying the institutional framework and bringing it into harmony with that of Europe.

From the economic viewpoint, the Azerbaijan Republic has more opportunities than Armenia and Georgia as a result of its rich resources, which enable the allocation of more state financing for the

¹⁰ [<http://www.doingbusiness.com>].

social sphere. As far as Armenia and Georgia are concerned, the emphasis should only be placed on institutional reforms under their conditions of more limited resources.

From the social point of view, it is also important to implement reforms in the pension system. Although the pension system of the three states (or, more correctly, the social welfare system for the elderly and disabled) is in the process of being formed, a traditional system is functioning, in which pensions are granted from social transfers (as happens in Armenia and Azerbaijan) or from tax revenues of the state budget.

The pension system, therefore, is still undergoing transformation and formation. The average pension is \$54 in Georgia, \$67 in Armenia, and \$125 in Azerbaijan.

The debates continue as to the type of pension system that should be established in these countries. It should be noted that even if the pension system of any country changes today and a pension insurance mechanism is introduced, it will take approximately 45 years to operate the pension system at its full capacity.

On the whole, the Caucasian countries are taking steps toward transferring their healthcare systems to insurance principles, although the insurance system is not very popular owing to traditional and conservative views and resistance to change.

Integration in the Central Caucasus

As discussed above, all three Caucasian states, despite their different resource capabilities and current economic state, belong to the category of small markets, not only separately, but also together. A total of 16.5 million people live in the Central Caucasus, with Azerbaijani citizens comprising one half of them, while approximately 4.4 million people are registered in Georgia and 3.2 million in Armenia. Unfortunately, their purchasing power is very low, amounting to approximately \$4,000, while it is approximately \$7,200 per year according to purchasing power parity (PPP).¹¹

Certainly, it is important to establish an integrated market under such conditions in order to ensure that both foreign and local investors have more impetus owing to the comparatively larger size of the market. As for the different types of international integration, it is obvious that they cannot be implemented in the Central Caucasus at this stage. Having said that, some points of contact can be found in order to draft a plan for a common Caucasian market.

The probability of integration is especially difficult against the background of Armenian-Azerbaijani relations. Considering the fact that both Armenia and Azerbaijan are parties to the CIS Free Trade Agreement, however, there is still some possibility of integration. However, certain conditions must be observed to make integration more qualitative. First of all, free movement of people, commodities, and resources must be promoted. Georgia has this free movement regime with both Armenia and Azerbaijan, although the latter do not have it at the bilateral level. Furthermore, Georgia has signed a free trade agreement with the both of its neighbors, which provides custom-free export and import opportunities.

There are some additional preconditions, the implementation of which is a compulsory condition for integration¹²:

¹¹ [<http://www.imf.org>].

¹² See: L.E. Ismailov, V. Papava, *The Central Caucasus: Essays on Geopolitical Economy*, CA&CC Press, Stockholm, 2007. K.A. Semenov, *Mezhdunarodnaia ekonomicheskaiia integratsiia*, Iurist-Gardarika, Moscow, 2001.

- Tax equalization,
- Cancellation of budgetary subsidies,
- Harmonization of national legislation,
- Standard unification,
- Coordination of social protection systems,
- Introduction of similar market regulation mechanisms, and
- Coordination of financial and credit structures.

Of course, it will be difficult to select a common model from those operating in the three states. A better choice would be if European legislation and European regulations are selected as a common goal. Caucasian integration, therefore, will promote further Euro-integration for the three Caucasian states.

C o n c l u s i o n s a n d R e c o m m e n d a t i o n s

The first years of independence proved to be extremely difficult for the Central Caucasus countries. The hostilities, as well as transport and energy blockades, put them in a very complicated situation.

The difficult political situation was followed by aggravation of the economic situation and a drop in the standard of living. It triggered the need for implementing urgent reforms.

Although each of the countries pursued independent policies, the stages of the reforms were often similar. They launched the establishment of state institutions, the formation of independent economic systems, and an economic revival.

The independent states managed to create their own budgetary, monetary, tax, and customs systems, as well as elementary mechanisms of social protection. The process for introducing market regulation institutions was also launched.

Despite the serious resistance among the states of the region, certain features of the region's integration are already visible today.

Certainly, the quality of integration cannot be deep at the first stage. The economic factor and harmonization of the institutional, tax, and other sectors with the EU may become the basis for integration.

In the event of integration and the establishment of a uniform market, the standard of living may significantly improve.

Gulshan PASHAYEVA

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THE SOUTHERN CAUCASUS: IN SEARCH OF A BALANCE BETWEEN RUSSIA AND THE WEST

A b s t r a c t

The author discusses several aspects of the geopolitical context in which the Southern Caucasus has found itself after the 2008 August events in Georgia. The warmer climate between Russia and the

West is expected to further reduce the regional instability created by certain external forces and stir up the efforts to finally settle the Nagorno-Karabakh conflict between Azerbaijan and Armenia.

I n t r o d u c t i o n

For a long time, political and economic circles remained convinced that for certain objective and subjective reasons small countries must remain in the sphere of influence of a large country and were doomed to play a secondary role on the international stage. Today, ongoing globalization and the resultant rapidly increasing interdependence of countries and nations have given some of the smaller countries a chance, no matter how slim, to have an impact on the foreign policy of the heavyweights. The world is no longer divided into two opposing blocs, which allows the voice of the smaller countries to be heard in numerous international organizations; they have mastered the art of playing on the global and regional disagreements between the world powers. At first glance, the new world order looks much fairer than the old one; however, no longer dominated by two superpowers, it has become much less predictable. This means that some of the smaller countries (the independence of which dates back to the end of the Cold War and collapse of the bipolar world) are still concerned about national security and long-term foreign policy orientations.

The South Caucasian countries—Azerbaijan, Armenia, and Georgia—are no exception. The relatively favorable (in the geopolitical respect) Soviet period ended to leave them face to face with the need to build stable national states, effective market economies, democracy at home, and national security, in short with numerous highly challenging tasks.

The still unsettled armed conflicts in and the still diverging foreign policy orientations of the three South Caucasian states mean that there is no geopolitical unity in the region. With respect to the precarious balance of world and regional forces, it has been described as one of the least stable parts of “intermediate Europe.”¹ As one of the geographic parts of the “buffer zone” between Russia and

¹ “Intermediate Europe” is one of the descriptions of the states lying between the European Union and Russia (from the Baltic to the Caspian). It includes the three South Caucasian states (see: P. Schultze, “Politika kooperativnoy bezopas-

the West, the Southern Caucasus is waiting for the “external forces” to end their confrontation in the region. This adds special importance to the gradual warming between Russia and the West, which might change the region’s geopolitical context and improve the prospects for settlement of the Nagorno-Karabakh conflict.

Russia and the West: Cooperation Prospects

Russia’s much stronger military-political position in the Southern Caucasus and the protocol on continued deployment of the 102nd military base in Gumri it signed with Armenia revived an interest in Russia’s long-term political priorities in the Southern Caucasus and the region’s role in the international strategies of the West, Iran, and Turkey. So it comes as no surprise that the expert community has not yet abandoned the old stereotypes and still analyzes the developments in the Southern Caucasus (and the CIS, for that matter) through the prism of Russia-the West confrontation.

This “traditional” approach, which would have been more relevant during the Cold War, remains very much alive because of the “partial” recognition of the independence of Kosovo and of Abkhazia and South Ossetia in 2008. Russia and the West have not yet arrived at an agreement on the Balkan and South Caucasian events; they stick to their opposite positions, which means that there is no agreement on practical interpretations of the basic principles of international law.² Nadezhda Arbatova has written that the absence of a concerted opinion on the contradiction between the principle of territorial integrity and the right of nations to self-determination (which she describes as one of the fundamental issues of the post-bipolar age), as well as the highly selective application (based on political expedience) of the Helsinki principles, interferes with effective settlement of the old and even breeds new conflicts.³

It should be said in all justice that at no time has international law been perfect; however its faults came to the fore as a negative factor of international relations when the NATO-WTO opposition disappeared. The Helsinki Final Act was signed when the main powers had to come to a consensus on divvying up the spheres of influence; today there is no agreement between Russia and its Euroatlantic neighbors on the issue.⁴ Alexander Rahr of the German Council on Foreign Relations describes the geopolitical prospects for the Near Abroad as follows: “The West does not want Russia to become a hegemon and to have a special influence on Ukraine, Central Asia, or the Southern Caucasus;” this, he goes on to say, is “the central conflict which has not yet been resolved and which creates a danger of more conflicts.”⁵

It comes as no surprise that some of the Soviet successor-states regarded NATO as an effective instrument of their national security which, according to Prof. Terekhov of MGIMO (U), explains the fact that “there is no shortage of countries wishing to join the Alliance, while its enlargement is ex-

nosti v Evrope: Stsenarii i shansy,” *Vestnik analitiki*, No. 1 (39), 2020, p. 47, available at [http://www.isoa.ru/docs/vestnik_2010-139.pdf], availability of all Internet resources verified as of 1 November, 2010.—G.P.).

² See, in particular: *Vystuplenie D. Mevedeva v Narodnoy skupshchine Serbii*, 20 October, 2009, available at [<http://news.kremlin.ru/news/5783>].

³ See: N. Arbatova, “Zamorozhennyye konflikty v kontekste evropeyskoy bezopasnosti,” *Indeks bezopasnosti*, No. 3 (94), 2010, available at [<http://www.pircenter.org/index.php?id=1248&news=6017>].

⁴ See: *Rossiyskie politicheskie praktiki* monthly, No. 1 (35), 2010, pp. 15-16, available at [http://www.rusrand.ru/text/2010_01.pdf].

⁵ A. Rahr, “Zapad ne khochet rasprostraneniya vliyaniya Rossii na postsovetском prostranstve,” *Russkie novosti*, No. 42, 29 October, 2009, available at [<http://www.russianews.ru/newspaper/28249/28300>].

plained not only by pulling new members into it, but also by their own insistent desire to acquire this status.”⁶ The August 2008 crisis is largely explained by Georgia’s desire to “acquire this status;” which placed the West and, most important, Russia face to face with the need to look for new security factors in the European part of the post-Soviet expanse. According to experts from the Institute of Contemporary Development (Russia), Russia can offer the CIS members alternative security guarantees: “It should stress, at the top level, its role as the key and, in particular, most influential guarantor of territorial integrity and sovereignty of its CIS neighbors if they stick to their military-political neutrality.”⁷ The authors headed by Sergey Karaganov, who in 2009 wrote a report for the Special Russian-American Session of the Valdai International Discussion Club, invited Russia and the United States “to agree on the rules and limits of competition in the post-Soviet space. They must mark out the ‘red lines,’ crossing which would threaten the important or vital interests of either side.” The Russian experts believe that “these rules stipulate mutual restraint:” Russia should “renounce the use of military force to restore Russia’s historical zone of influence.” The United States should reject attempts to trigger Russia’s confrontation with ... post-Soviet countries through their involvement in NATO, as well as attempts to develop bilateral military-political partnership with them. The authors argue that this approach will help resolve some of the still smoldering conflicts, something which all the interested sides need. “This compromise will not entail concessions on any of the sides’ vital interests.”⁸

The West, the United States in particular, is aware that it needs balanced and pragmatic Russian policies. The “resetting” policy announced by President Obama has spread to America’s policy in the post-Soviet expanse. Fyodor Lukyanov, Editor of *Russia in Global Affairs*, has aptly described this as “half-realistic” and pointed out: “Under Obama the entire system of Washington’s priorities has changed; the post-Soviet expanse is now regarded as a periphery.” This happened “not because America wants to please Russia, but because it reassessed its possibilities.”⁹ The United States has not abandoned its previous practices of supporting the sovereignty and territorial integrity of Russia’s neighbors,¹⁰ however it is demonstrating much less zeal in this respect. Philip Gordon, Assistant U.S. Secretary of State, specified the American position in relation to the CIS countries: “We want to get beyond the notion that European diplomacy and security is a ‘zero-sum’ game” and that countries in the region “need to choose whether they’re going to be pro-Russian or pro-American.”¹¹

Encouraged by the warming climate in the relations between Russia and the West, the expert community has been saying more and more frequently that this “choice” is no longer needed. In his article “Call Off the Great Game,” Thomas de Waal, British expert on the Caucasus, has written that it is wrong to look at the Caucasus as a “‘Great Chessboard’ where the big powers push the locals like pawns to serve their own goals.”¹² In their program article “Reimagining Eurasia,” Samuel Charap

⁶ V.P. Terekhov, “Formirovanie novoy arkhitektury evropeyskoy bezopasnosti kak faktor narozhdayushcheyssya mnogopolyarnosti v mire, pozitsia Germanii,” *Vestnik MGIMO-Universiteta*, No. 6 (9) 2009, pp. 38-44, available at [http://www.vestnik.mgimo.ru/index.php?option=com_content&view=article&id=139].

⁷ *Arkhitktura evro-atlanticheskoy bezopasnosti*, ed. by Prof. I.Yu. Yurgens, Academician A.A. Dynkin, Corresponding Member V.G. Baranovskiy, Ekon-Inform, Moscow, 2009, p. 115, available at [http://www.riocenter.ru/files/INSOR_Architecture_of_the_Euro-Atlantic_security.pdf].

⁸ *Reconfiguration, Not Just a Reset. Russia’s Interests in Relations with the United States of America*, June 2009, Moscow, available at [http://cceis.ru/data/image/Doklad_eng.pdf].

⁹ F. Lukyanov, “Realizm vpolsily,” *Gazeta.Ru*, 26 June, 2010, available at [<http://www.gazeta.ru/column/lukyanov/3389925.shtml>].

¹⁰ See: *The National Security Strategy of the United States*, May 2010, p. 44, available at [http://www.whitehouse.gov/sites/default/files/rss_viewer/national_security_strategy.pdf].

¹¹ Ph. Gordon (Assistant Secretary, Bureau of European and Eurasian Affairs), *Special Briefing on the Secretary’s Upcoming Travel*, Washington, DC, 29 June, 2010, available at [<http://www.state.gov/p/eur/rls/rm/2010/143769.htm>].

¹² Th. de Waal, “Call Off the Great Game. It’s Time to Stop Seeing the South Caucasus as a Geopolitical Chessboard,” *Foreign Policy*, 13 September, 2010, available at [http://www.foreignpolicy.com/articles/2010/09/13/call_off_the_great_game].

and Alexandros Petersen likewise describe this approach as unconstructive: "When the United States tries to best Russia in geopolitical tit-for-tat in Eurasia, both Washington and the region lose," and conclude: "The only way for Washington to 'win' is not to play the game."¹³

"Resetting" should not be interpreted as the United States' unconditional withdrawal from the region or as the absence of real contradictions between Russia and the West. This is explained, first and foremost, by the fact that Russia still regards attempts to add global functions to NATO's force potential and move its military infrastructure to its borders as unacceptable. The official documents adopted in Russia in 2008-2010 (The Foreign Policy Conception,¹⁴ the National Security Strategy,¹⁵ and the Military Doctrine¹⁶) proceed from this conviction.

In his lecture at MGIMO (U), NATO Secretary-General Anders Fogh Rasmussen said in particular: "We do not think Russia will attack NATO. We have stopped worrying about that and Russia should stop worrying about that as well."¹⁷

Still, the final document entitled *NATO 2020: Assured Security; Dynamic Engagement*¹⁸ prepared by the "wise men" led by Madeleine Albright confirms that the Alliance accepts the fact that "NATO members, when asked, may vary in their descriptions of Russia while still seeing eye to eye on their prescription for engagement with that country" and "experience teaches, however, that NATO and Russian leaders do not always view the same set of facts in the same way." Indeed, they do not see eye to eye on NATO enlargement to the post-Soviet expanse, which the 2008 Bucharest Summit of NATO pushed indefinitely to the backburner. NATO cannot abandon its "open doors" policy, but it has become abundantly clear after Victor Yanukovich's advent to power in Ukraine and the Caucasian crisis of August 2008 that it should be stalled for some time. Steve Levine, *Foreign Policy* Editor, still believes that Georgia is the likeliest candidate; he has to admit, however, that Russia's determined position and the West's desire to avoid conflicts with Russia over this touchy issue make, for the time being, Georgia's membership unreal.¹⁹

The Abkhazian and South Ossetian issues no longer stand between the West and Russia: this much became evident at the NATO Lisbon Summit. Their closer positions might warm up the international climate needed for the Astana OSCE Summit and for the discussions of a new European Security Treaty initiated by the President of Russia.²⁰

The developments of 2009-2010 showed that this initiative was accepted as an item on the Euroatlantic security agenda and stirred up an interest in many European capitals.²¹ On the one hand, peace and security obviously and largely depend on the actions (or inaction) of individual and, more

¹³ S. Charap, A. Petersen, "Reimagining Eurasia. A New 'Great Game' will not Increase U.S. Influence in Russia's Backyard," *Foreign Affairs*, Published by the Council on Foreign Relations, available at [<http://www.foreignaffairs.com/articles/66542/samuel-charap-and-alexandros-petersen/reimagining-eurasia?page=show>].

¹⁴ See: *Kontseptsia vneshney politiki Rossiiskoy Federatsii*, available at [<http://kremlin.ru/acts/785>].

¹⁵ See: *Strategia natsionalnoy bezopasnosti Rossiiskoy Federatsii do 2020 goda*, Section "Obshchie polozhenia," Point 17, available at [http://kremlin.ru/ref_notes/424].

¹⁶ See: *Voennaia doktrina Rossiiskoy Federatsii*, Section "Voennye Opasnosti i voennye ugrozy Rossiiskoy Federatsii," Point 8a, available at [http://kremlin.ru/ref_notes/461].

¹⁷ *NATO Secretary General Completes Visit to Russia* (Speech by NATO Secretary General Anders Fogh Rasmussen at the Moscow State Institute of International Relations), 17 December, 2009, available at [http://www.nato.int/cps/en/natolive/news_60224.htm].

¹⁸ See: "NATO 2020: Assured Security, Dynamic Engagement," available at [http://www.nato.int/cps/en/natolive/official_texts_63654.htm].

¹⁹ See: *Yuzhny Kavkaz ne yavlyaetsya prioritnym voprosom v kontekste vneshney politiki Zapada*, Interview of Editor of *Foreign Policy* Steve Levine with The First News Information Agency, 24 September, 2010, available at [<http://www.1news.az/interview/20100924091031975.html>].

²⁰ See: *Proekt Dogovora o evropeyskoy bezopasnosti*, 29 November, 2009, site of the President of Russia (www.kremlin.ru), available at [<http://kremlin.ru/news/6152>].

²¹ See: A. Gromyko, "Proekt pan'evropeyskoy sistemy bezopasnosti: pervye rezultaty," *Indeks bezopasnosti*, No. 3 (94), 2010, available at [http://pircenter.org/data/publications/SIrus10-3/99-102_comment_gromyko.pdf].

likely, the most powerful states. This means that the security problem belongs not only to the architecture of existing institutions, but also to the way they are used.²² On the other hand, Russia's initiative can be described as positive not so much because it calls for a new Treaty (designed as legal confirmation of the existing political obligations), but because the talks may end in signing important documents in the "soft security" sphere. The draft Treaty, on the other hand, deals with the military-political side of security, otherwise known as hard security.²³ The European Security Treaty is very important for the Southern Caucasus dotted with still unsettled conflicts; Russia's success greatly depends on whether common approaches to the settlement of the post-Soviet conflicts and universal rules applied to all crisis situations in the region are formulated within the discussions of the new Treaty.

We should bear in mind, however, that, as distinct from Russia, the West is more "concerned not with restructuring the European security architecture but with improving the existing security system by adding the mechanisms of confidence and control between the West and Russia,"²⁴ up to and including the Russia-NATO and Russia-EU dialogs. Some experts, however, go even further by saying, "Russia should join NATO."²⁵ It is also suggested that an "Alliance of Europe" stretching from the Atlantic to the Pacific be set up to ensure close coordination of Russia's and the EU's foreign and security policy.²⁶ This will finally change Russia's attitude to the Eastern Partnership program seen, so far, in the context of the notorious confrontation between Russia and the West. Moscow believes that the program might consolidate the anti-Russian states and force them to choose between the EU and Russia.²⁷ On the other hand, parallel integration of Russia and the post-Soviet states in the Euroatlantic structures will decrease the destabilizing impact of external forces and create a much more favorable context for crisis settlement in the region.

A joint NATO-Russian missile defense architecture can be described as one of the most promising directions of cooperation. The idea is actively supported by NATO Secretary-General Anders Fogh Rasmussen who said in Rome on 17 September, 2010: "Territorial missile defense can become a security roof under which all Allies find shelter, not just some. And I am convinced that this roof can be wide enough to include other European countries as well, including Russia."²⁸ Part of the expert community and the independent Euro-Atlantic Security Initiative (EASI) launched by the Carnegie Endowment look favorably at this idea. Former Foreign Minister of Russia Igor Ivanov, now one of the EASI co-chairmen, believes that even though "the ABM problem has long been one of the strongest irritants in the relations between Russia, on the one hand, and NATO and the U.S., on the other," its resolution might help us to set up a common Euroatlantic security system of the 21st century.²⁹

²² See: H.-J. Spanger, "I snova o 'kholodnoy voyne': uroki proshlye i nyneshnie," *Vestnik analitiki*, No. 1 (39), 2010, p. 62.

²³ See: D. Medvedev *Speech at the World Policy Conference*, 8 October, 2008, available at [http://kremlin.ru/transcripts/1659].

²⁴ I.A. Istomin, "Novaya sistema evropeyskoy bezopasnosti: istoki i perspektivy kontseptsii," in: *Sovremennyy krizis sistemy mezhdunarodnoy bezopasnosti: vyzovy i otvety: sbornik nauchnykh dokladov*, ed. by V.V. Grokhotova, B.N. Kovalev, E.A. Makarova, the Yaroslav the Wise Novgorod State University, Velikiy Novgorod, 2009, p. 30, available at [http://www.mion.novsu.ac.ru/gev/pub/ass_2009.pdf].

²⁵ Ch.A. Kupchan, "NATO's Final Frontier," *Foreign Affairs*, No. 3, May-June 2010.

²⁶ See: *Towards an Alliance of Europe*, Analytical Report by the Russian Group of the Valdai International Discussion Club, 31 August-7 September, 2010, available at [http://www.karaganov.ru/docs/Karaganov_valdaj_eng.pdf].

²⁷ See: *Stenogramma vystupleniya i otvetov na voprosy SMI Ministra inostrannykh del Rossii S. Lavrova na sovmestnoy press-konferentsii po itogam peregovorov s Ministrom inostrannykh del Polshi R. Sikorskim*, Moscow, 6 May, 2009, available at [http://www.mid.ru/brp_4.nsf/2fee282eb6df40e643256999005e6e8c/bb730a61df963d64c32575ae0056bec2?OpenDocument].

²⁸ "Success Breeds Success: The Next Steps with Russia," available at [http://en-nato.gov.ge/uploads/rasmussen.doc].

²⁹ "Nachat s sozdaniya obshchey sistemy PRO," Eks-glava MID RF Igor Ivanov rasskazal 'Ú,' kak zapustit mekhanizm globalnogo strategicheskogo partnerstva RF s Zapadom," *Kommersant*, No. 171 (4471), 16 September, 2010, available at [http://kommersant.ru/doc.aspx?DocsID=1504965].

Today, Russia and the United States have repeatedly confirmed their intention to cooperate on the ABM issue. In his interview with the Danish Broadcasting Corporation, President Medvedev said in particular: "Moscow has long advocated a system of 'global' protection which defends not only one country or a group of countries and which responds to the interests of the international community."³⁰ In his interview with Interfax, President Obama expressed similar ideas by saying: "We will be more able to address these threats together, and that's why I am a strong proponent of cooperating with Russia on developing missile defense systems."³¹ The NATO-Russia Council Joint Statement made in Lisbon confirmed: "We agreed to discuss pursuing missile defense cooperation. We agreed on a joint ballistic missile threat assessment and to continue dialogue in this area... the NRC should develop a comprehensive Joint Analysis of the future framework for missile defense cooperation."³²

Back in 2007 at the G-8 Summit in Heiligendamm (Germany), Vladimir Putin invited the United States to use the Qabala radar along with the Russian Federation (in 2002 the Azerbaijan Republic leased the radar to Russia for ten years). Today, in 2010, when the idea of a common European missile defense system has returned to the foreign policy agenda of the leading countries, the possible use of the Qabala radar has been revived. In his interview with Interfax, U.S. Defense Secretary Robert Gates, ahead of talks with Russian Defense Minister Anatoly Serdyukov in Washington, said: "We have been interested in the Qabala radar."³³

Russian Academic Sergey Markedonov was probably right when he wrote back in 2007 in connection with Putin's invitation to use the Qabala radar in the context of fruitful cooperation between Russia and the United States in the Caucasus that "while in respect to Georgia our (Russia's.—*G.P.*) relations with Washington are far from a consensus, in respect to Azerbaijan (as well as to the security problems in Central Asia, for that matter, because as a coastal state Azerbaijan is one of the bridges leading to this region) we can and should bring our positions closer."³⁴ Joint projects in the Southern Caucasus stimulate cooperation between Russia and the West in the sphere of regional stability and security. According to Dale Herspring, Foreign Policy Analyst at the American Council on Foreign Relations, it is "hard to imagine the possibility of cooperation between Russia and the U.S. in the security sphere, while Nagorno-Karabakh and other conflicts in the region remain unresolved."³⁵ The opposite is equally true; neither settlement of the "frozen" conflicts in the post-Soviet expanse nor a stable European security system is possible without efficient Russia-the West cooperation.

Russia and the West: Mediation Prospects

From the very first days of Azerbaijan's and Armenia's independence, Russia and the West have been involved in the mediation efforts designed to settle the Nagorno-Karabakh conflict be-

³⁰ Interview to the Danish Broadcasting Corporation DR, 26 April, 2010, available at [<http://English.ruvr.ru/2010/04/27/6946606.html>].

³¹ "Barack Obama Interview with Interfax News Agency," 25 June, 2010, available at [<http://english.ruvr.ru/2010/06/25/10666065.html>].

³² *NATO-Russia Council Joint Statement*, 20 November, 2010, available at [http://www.nato.int/cpc/en/natolive/news_68871.htm].

³³ [<http://www.interfax.com/interview.asp?id=189125>].

³⁴ S. Markedonov, "Gabalinskaia initsiativa," 15 June, 2007, *Russkiy zhurnal*, available at [<http://www.russ.ru/layout/set/print/Mirovaya-povestka/Gabalinskaya-initsiativa>].

³⁵ I. Levine, U.S. expert: "The South Caucasus' Future will Depend on the Overall Relationship between Moscow and Washington and NATO," 13 September, 2010, available at [<http://en.apa.az/news.php?id=129671>].

tween the two countries. It should be said, however, that on 20-23 September, 1991, while the Soviet Union was still alive, a mission headed by President of the Russian Federation Yeltsin and President of Kazakhstan Nazarbaev visited the region; the two heads of state then signed the so-called Zheleznovodsk Communiqué.

In March 1992, when the Soviet Union had already fallen apart, the CSCE joined the process to convene a conference in Minsk, under its aegis, expected to set up a permanent negotiation structure to settle the crisis by peaceful means in full accordance with the CSCE's principles, obligations, and provisions.

It should be said that cooperation between Russia and the West within the CSCE was never plain sailing. Vladimir Kazimirov, then head of the Russian mission for Nagorno-Karabakh, blamed the United States determined to squeeze Russia out of the region.³⁶ The former head of the Russian mission has written that "Russia was actively involved in mediation on its own right and as a member of the Minsk Group (MG) of the CSCE which spontaneously came into being in June 1992."³⁷

In December 1994, in line with the decisions of the Budapest OSCE Summit, a co-chairmanship of the Minsk Conference was set up for more effective and fruitful coordination of mediation and negotiations. The co-chairmen were entrusted with the task of conducting "speedy negotiations for the conclusion of a political agreement on the cessation of the armed conflict, the implementation of which will eliminate major consequences of the conflict for all parties and permit the convening of the Minsk Conference."³⁸ In 1997, there appeared an institution of triple co-chairmanship (Russia-France-the United States), however the years of mediation and suggestions have failed to push the negotiations forward.

The August 2008 events, which changed the geopolitical situation in the Southern Caucasus, ushered in a new stage. Regional and global actors moved forward with new suggestions, which revived an interest in the Nagorno-Karabakh settlement. Here I have in mind the Moscow Declaration³⁹ of 2 November, 2008 and the rapprochement between Armenia and Turkey registered by the Zurich Protocols.

The Moscow (otherwise known as Mayendorf) Declaration initiated by Russian President Dmitri Medvedev is the first document signed by the sides since the cease-fire of 1994. Since 2008, the three presidents have met seven times within the Russian president's initiative; the latest of such meetings took place on 27 October, 2010 in Astrakhan at which the sides signed a declaration on confidence-building measures, exchange of POWs, and return of bodies.

It should be said that President of Azerbaijan Ilham Aliyev spoke highly of the Russian president's unprecedented personal involvement in the process: "At no time in the past have the leaders of the Co-Chair countries shown similar involvement and, most important, efficiency."⁴⁰

Turkish-Armenian rapprochement likewise revived international interest in the settlement of the Armenian-Azeri conflict and demonstrated that the two processes should be addressed simultaneously and that Azerbaijan's position should be taken into account. At a joint press conference of President of Azerbaijan Aliyev and Prime Minister of Turkey Recep Tayyip Erdoğan, the latter clearly stated, "We cannot think in a different way than Azerbaijan."⁴¹

Russia's active involvement led to closer coordination or even rapprochement of the MG positions. This is testified by the joint statements of the presidents of Russia, the United States,

³⁶ See: V.N. Kazimirov, *Mir Karabakhu*, Mezhdunarodnye otnoshenia Publishers, Moscow, 2009, p. 36.

³⁷ Ibid., p. 319.

³⁸ Ibid., p. 348.

³⁹ See: *Declaratsia Azerbaidzhanskoy Respubliki, Respubliki Armenia i Rossiiskoy Federatsii*, 2 November, 2008, Moscow, available at [http://kremlin.ru/ref_notes/232].

⁴⁰ *Sovmestnaia press-konferentsia po itogam rossiisko-azerbaidzhanskikh peregovorov*, 3 September, 2010, Baku, available at [<http://pda.kremlin.ru/transcripts/8824>].

⁴¹ [<http://www.theazeritimes.com/print/top/1375>].

and France on Nagorno-Karabakh in 2009-2010⁴²; the leading settlement actors achieved unanimity on the settlement particulars and their realization. It should be said, however, that the mediators are still not ready to put pressure on the conflicting sides and prefer vague statements: "The Heads of Delegations of the Co-Chair countries reviewed their commitment to support the sides in reaching a peace agreement, but reiterated that the primary responsibility to put an end to the Nagorno-Karabakh conflict still remains with the Azerbaijani and Armenian leaders."⁴³ Baku is convinced that this approach will protract the talks indefinitely, something that Erevan, which has found itself in a "geopolitical Zugzwang,"⁴⁴ needs. Armenia still insists on the utopian principle "territories in exchange of independence;" this probably explains why, unlike Azerbaijan, Armenia has so far failed to produce unambiguous answers to the so-called revamped Madrid Principles.

Today it has become obvious that conflict escalation and the very real danger of renewed hostilities are the only alternative to the status quo and that these possible developments are fraught with geopolitical destabilization in the region. It seems that the negotiations should be given a new boost. Armenia should be persuaded to accept the revamped version of the Madrid Principles according to which the occupied territories adjacent to Nagorno-Karabakh should be returned to Azerbaijan; the region itself should receive an intermediate status which would guarantee its security and self-administration; a corridor should be created between Armenia and Nagorno-Karabakh; the decision on the final legal status of Nagorno-Karabakh should belong to the legally binding expression of its people's will; all internally displaced persons and refugees should be allowed to return to the places of their previous domicile; and there should be international security guarantees, including a peacekeeping operation.

Although the talks are confidential, it is more or less clear that Armenia has not yet responded to the MG initiatives because the revamped principles do not contain a guarantee that Nagorno-Karabakh will be detached from Azerbaijan. Today it is impossible to adopt this decision, let alone implement it, without Azerbaijan's involvement and agreement.⁴⁵ Azerbaijan does not intend to simulate negotiations to preserve the status quo; Baku hopes that the co-chair countries will rely on their authority and influence to finally convince the Armenians that the MG proposals should be jointly discussed to be able to move directly toward a peace treaty.⁴⁶

It is extremely important for the co-chair countries to officially recognize the need for unconditional return of the occupied territories adjacent to Karabakh to Azerbaijan in exchange for corresponding security measures, something which has been already registered by international organizations (including the 1993 resolutions of the SC U.N.). If the U.S., Russia, and France accept this as an obvious fact, the Armenian side will have much less leeway for its unconstructive maneuvering, while the negotiations will be given a fresh boost.

As a follow-up to the Astrakhan Summit, the presidents instructed their foreign ministers to draft and coordinate general principles of the settlement to be presented to the OSCE Summit in

⁴² See: *Joint Statement on the Nagorno-Karabakh Conflict* by U.S. President Obama, Russian President Medvedev, and French President Sarkozy at the L'Aquila Summit of the Eight, 10 July, 2009, available at [<http://www.whitehouse.gov/the-press-office/joint-statement-nagorno-karabakh-conflict>]; *G8 Summit: Joint Statement on the Nagorno-Karabakh Conflict* by Dmitry Medvedev, President of the Russian Federation, Barack Obama, President of the United States of America, and Nicolas Sarkozy, President of the French Republic. Muskoka, 26 June, 2010, available at [<http://www.whitehouse.gov/the-press-office/g8-summit-joint-statement-nagorno-karabakh-conflict-dmitry-medvedev-president-russi>].

⁴³ *Joint Statement by the Heads of Delegation of the Minsk Group Co-Chair Countries*, Almaty, Kazakhstan, 17 July, 2010, available at [<http://www.osce.org/item/45344.html>].

⁴⁴ G. Pashaeva, "Geopoliticheskiy Zugzwang," *Echo*, 14 January, 2010.

⁴⁵ See: *Vystuplenie I. Aliieva na zasedanii Kabineta ministrov*, 13 July, 2010, available at [<http://president.gov.az/articles/417?locale=ru>].

⁴⁶ See: *Interview I. Aliieva azerbaidzhanskim zhurnalistam*, Istanbul, 8 June, 2010, available at [<http://president.az/articles/202?locale=ru>].

Astana.⁴⁷ President Medvedev was “cautiously optimistic” about the settlement prospects, which breeds certain hopes; otherwise, the Astana Summit might close not merely the “Russian” stage of mediation, but also reduce to naught all positive achievements of the Prague Process seen in Azerbaijan as the last chance for a peaceful settlement.⁴⁸

By Way of a Conclusion

In the 1990s, everything the Western countries did in the Southern Caucasus, particularly their efforts to strengthen security and develop democracy, was invariably accompanied by efforts to push Russia out of the region. It was firmly believed that Russia was pursuing its old “imperial” policy and using the “frozen conflicts” to preserve its influence in the region.

This obvious confrontation cannot but affect the foreign policy orientation of the South Caucasian countries. In the wake of the Rose Revolution, Georgia moved toward prompt integration into the Euro-Atlantic space, while Armenia, true to its “historical” tradition, associated its security with Russia and a close military alliance with it. Today, when the world is moving toward “no polarity” (according to American political scientist Nikolai Zlobin)⁴⁹ Azerbaijan’s more balanced strategy looks much more preferable. The country, which by the mid-1990s had achieved internal stability, is skillfully using oil and gas resources to build a national security system through diplomatic means. It is pursuing a multivectoral foreign policy designed to make Azerbaijan a field of fruitful cooperation among the world and regional actors. Some believe that Azerbaijan has managed, on the one hand, “to confirm its independence in its relations with Russia and its status of an equal partner,” while, on the other, it is free “to deal with third players, be it Europe, Turkey, the U.S., or the participants in the Eastern Partnership program and the Nabucco project, without risking irritating Moscow too much.”⁵⁰

Today, when Russia and the West are drawing closer once more (hopefully forever), this pragmatic approach can help the South Caucasian countries join “big” politics on an equal footing; settle the conflicts; and contribute, as much as they can, to building a European security system. This alone will make the region an inalienable part of Europe rather than perpetuate its “intermediate Europe” status.

⁴⁷ See: *Otvet D. Medvedeva na voprosy zhurnalistov po itogam vstrechi s prezidentami Azerbaidzhana i Armenii*, 27 October, 2010, available at [<http://kremlin.ru/transcripts/9351>].

⁴⁸ See: *Rech I. Alieva na otkrytii Tsentralnogo shtaba azerbajjanskoy obshchiny Nagorno-Karabakhskogo regiona*, 6 July, 2010, available at [<http://president.gov.az/articles/367?locale=ru>].

⁴⁹ See: N. Zlobin, “Miroporiadok: Vozmozhnosti disintegratsii,” *Vedomosti*, No. 174 (2196), 16 September, 2008, available at [<http://www.vedomosti.ru/newspaper/article.shtml?2008/09/16/161242>].

⁵⁰ *Interview direktora Moskovskogo tsentra Carnegie Dmitria Trenina informatsionnomu agentstvu Day.As*, 11 August, 2009, available at [<http://day.az/news/politics/167965.html>].

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THE CAUCASUS IN THE CONTEMPORARY GEOPOLITICAL DIMENSION

A b s t r a c t

This article presents an evaluation of the important features comprising the contemporary geopolitical, socioeco-
nomic, and cultural makeup of the Caucasian region and analyzes the factors that cause regional conflicts.

I n t r o d u c t i o n

In recent years, the geopolitical importance of the Caucasus has perceptibly grown. For many different reasons, the region has found itself in the center of attention not only of its immediate neighbors, Russia, Iran, and Turkey, but also of actors beyond the region, the EU, U.S., Ukraine, Middle East countries, and China. Transportation routes of Caspian energy resources, which not only enjoy high demand in the world economy, but are also a target of geopolitical interests, pass through the Caucasus.

The Caucasus' Geopolitical Uniqueness

The Caucasian region is a unique geopolitical and ethnopolitical formation. The fact that it has historically consisted of two parts, the North and the South, has determined the way these parts interact both within the region, as well as with external forces.

The main subregions in the Caucasian region are the following: the North Caucasian (which consists of the constituencies of the North Caucasian Federal District established on 19 January, 2010—Daghestan, Ingushetia, Kabardino-Balkaria, Karachaevo-Cherkessia, North Ossetia, Chechnia, and the Stavropol Territory) and the South Caucasian (which includes the Azerbaijani-Georgian and Armenian territorial segments).

Despite the seeming fragmentation of the Caucasus in terms of ethnoterritorial features, the main power centers in the region are nevertheless interrelated. It is this particular phenomenon that determines the Caucasus' conflict potential. The contradictions born of ethnoterritorial rivalry have their roots in history. The attempts made during formation of the Soviet Union to create national autonomies merely put the lid on these phenomena for a while.

The most challenging situation is developing in the North Caucasian area. The processes going on there are also determined by the geopolitical situation around the Caucasus. As the events of the last ten years have shown, the geopolitical interests of the so-called Chechen power center are associated with fortification of Turkey's position. The Russian vector of geopolitical interest is characteristic of the Adighe-Cherkessian-Karachaevo territorial segment. Daghestan's diverse ethnoterritorial composition (Daghestan being a separate power center in the Northern Caucasus), also determines the specifics of this republic's geopolitical strivings. The territorial isolation of several ethnic groups of Daghestan who live on both sides of the Russian border with Azerbaijan (Lezgians), of the border between Chechnia and Daghestan (Chechens), and of the border between Russia and Daghestan (Kumyks) is having an impact on the situation inside Daghestan, as well as on the ethno-political situation in the territories contiguous to it that belong to neighboring states and Russia. In some ethnoterritorial and economically strategic (oil transportation) cases, Russia's strategic interest, which prevails in Daghestan, contradicts the strategic interests of external forces (Turkey and Iran, as well as certain Middle Eastern states) in this area.

The territory of the Northern and Southern Caucasus is viewed geopolitically from several perspectives.

- First, it is regarded as a boundary of geopolitical influence and a target for exerting pressure.
- Second, it is seen as a geostrategic and geopolitical transitional zone between the North and the South.
- Third, it is considered a potential source of conflicts.

The geopolitical uniqueness of the entire Caucasus is of special significance in regional policy and is influencing certain features of compatibility between this region and others. These features include the ethnocultural, political-ideological, and territorial proximity of the Caucasus or its remote regions to the power centers, the Caucasus' economic and raw material interconnection with neighboring regions or states, and the unity between geopolitical and defense interests and the ability to form closed systems. Historical traditions determine the specific expression of these phenomena and it is manifest both in the Northern and in the Southern Caucasus. For example, several former autonomous republics that belonged to Georgia are, due to specific conditions, more compatible geopolitically with Russia. At the same time, the North Caucasian republics, as RF constituencies, have great compatibility potential with neighboring, now independent states—former Soviet republics of the Caucasus. A special place belongs to regions of the Russian South, which borders on the Caucasian geopolitical enclave. In some cases, it is their uniqueness that determines the inclination toward the Caucasian zone.

The current situation has shown that geopolitical attraction toward the Caucasian regions can be changed, which is having an impact on the state and political processes there. This is also having a natural influence on ethnic and interstate relations, creating conflict-prone zones in areas where the strategic interests of the existing power centers clash.

The Caucasus as a whole is a region characterized by the intricate intertwining of a multitude of factors that make it difficult to precisely define the boundaries of specific ethnonational communalities. This phenomenon is distinguished in particular by the fact that numerous ethnic groups or nationalities that belong to different ethnocultural and linguistic families or groups, as well as different confessions, live together in the same place. So the ethno-political space of the Northern Caucasus does not end at the southern state border of the Russian Federation or the northern border of the Caucasian states, but stretches to the territory of Azerbaijan, Georgia, and Armenia as well, where the ethno-political component is acquiring additional significance with respect to determining the geopolitical situation. These regions have a high level of political and socioeconomic instability, which is causing difficult-to-resolve ethnonational contradictions that have a multitude of aspects—historical, political, religious, cultural, territorial, and socioeconomic. A large number of territories are hotbeds

of conflict fraught with latent and open tension in relations among ethnic communities that openly criticize each other. These and many other factors show that the ethnic question is one of the key issues for preserving unity between the Southern and the Northern Caucasus and ensuring social and political stability.

Attempts to make use of the religious factor, in addition to the ethnic, is a characteristic feature of the policy of several countries competing with Russia for influence on the Caucasus. Here it is important to keep in mind that in the confessional respect, the Caucasus, primarily the national republics of the Northern Caucasus and Azerbaijan, are part of the so-called Muslim North, which is under the strong impact of the Islamic world. In this area, ethnonational and confessional factors are closely connected, supplementing and intensifying each other. In these conditions, stability in the region depends on whether Russia takes these factors into account in its new strategy in the Caucasus.¹

The Caucasus through the Prism of Interests of the Regional and World Powers

The interrelations between the Southern and Northern Caucasus make the first a zone of Russia's vital interests. It is precisely in the Caucasian vector that Russia's security looks the most vulnerable. The Southern Caucasus is important for Russia because it is a border region that adjoins an ethnopolitically problematic part of the Russian Federation, the Northern Caucasus. Its geographic proximity determines the extremely important role it plays in the Russian economy and politics.

This region is of key importance for Russia with respect to ensuring not only its territorial integrity, but also its presence there. The Annual Foreign Policy Review of the Russian Federation notes that "the situation in the region remains tense, and with respect to Georgia, explosive, while external powers are taking advantage of the frozen conflicts to intensify their influence in the region,"² which is detrimental to Russia's position.

The Russian Federation is playing a convoluted role in the Southern Caucasus, trying to preserve its influence in the territories it used to control, on the one hand, and to ensure the stability of its southern borders, on the other.

The Caucasus' proximity to Iran raises its significance in the eyes of the West, particularly the U.S., for which the confrontation with Iran has become the main issue of its foreign policy strategy. The U.S. and Russia are currently acting as the leading players of Caucasian geopolitics. The U.S.'s strategic initiatives in the Caspian region are aimed at preserving its global leadership, while its European allies in the form of the EU cannot compete on equal terms with Russia in the Caucasus—the leading countries of continental Europe are too dependent on Russian energy deliveries.

In February 2007, in order to elaborate a future vision of the region and its European dimension, a Caucasian-Caspian EU Commission was created. It is made up of political and public figures from Russia, the U.S., Great Britain, Germany, Armenia, Lithuania, Ukraine, Slovenia, Turkey, Azerbai-

¹ See: A. Azimov, "Etnonatsionalnyy rakurs vzaimootnoshenii Kavkaza so stranami Blizhnego i Srednego Vostoka," *Vlast*, No. 2, 2009, pp. 83, 84.

² "MID RF rassstavil aktsenty vo vneshnei politike Rossii," *Rossiiskii mirotvorets*, Rossiiskoe informatsionnoe obozrenie, 27 March, 2007, available at [<http://www.peacekeeper.ru/?mid=3559>], 28 October, 2010.

jan, Georgia, Iran, and other countries. The commission's priority issues include conflict settlement, energy security, democracy, and regional cooperation.³

After the collapse of the Soviet Union, Azerbaijan, Armenia, Georgia, the republics situated in the southern part of the Caucasus, acquired their independence. And Russia cast no aspersions on the sovereign rights of the people of the new states to independent development. However, this led to Russia losing a large part of the economic and strategic foothold it had acquired over the last three centuries in this region.

Nevertheless, the long years these republics existed as part of the Soviet Union cannot be assessed unequivocally. There can be no doubt that they left a positive mark in the development of ethnic and interpersonal relations, not to mention the contacts that developed during that time in education, science, and culture.⁴

Georgian political scientist A. Rondeli was right when he said that "the collapse of the Soviet Union created a new reality by giving rise to international relations among the former constituencies of the Union. The hierarchy of Soviet ethnic relations has given way to self-affirmation processes, division of territory, revision of rights and obligations, general uncertainty, and fear, tension and aggression."⁵

The collapse of the Soviet Union led to a change in the geopolitical situation in the Caucasian republics, as well as to a breakdown in the ties formed within the framework of the united Soviet state. It proved easier for the new state formations to gain independence than to acquire self-sufficiency due to the breakdown in the long-established economic ties with Russia. And Russia's actions proved inconsistent, devoid of a well-thought-out conception based on adequate perception of the political processes going on in the South Caucasian countries. For quite a long time, one of the priorities of Russian policy was preserving the country's military presence in this region.

As of today, the Caucasus can rightly be considered one of the most problematic and unstable regions of the world. Four of the eight armed conflicts in the post-Soviet expanse have unfolded in the Southern Caucasus (the Armenian-Azerbaijani, the Georgian-Abkhazian, the Georgian-Ossetian, and the Georgian civil war). Peacekeeping projects aimed at decentralization and federalization that are carried out in Europe but do not suit the Caucasian conditions are not enough to lower the level of ethnic conflict potential in the region. Special approaches are needed to determine the reasons for the widespread ethnic conflicts.

First, when analyzing the situation in the Caucasus, traditionalism and modernization, nationalism and kinship (clan) relations, the Soviet heritage and fight for independence, and national sovereignty, democracy, and authoritarian relations should not be juxtaposed against each other. All of this coexists in the region. Moreover, the Caucasus is a region through which the border between the Christian and Islamic worlds passes and where the Western and Eastern civilizations meet and interact.

The current geopolitical and economic significance of the Southern Caucasus is mainly related to the fact that it is a very important transportation corridor and also a gateway to the abundant natural resources of the Caspian. In this respect, achieving stability in the South of the Caucasus is an important task for all the participants in international politics. However, the U.S., Russia, Turkey, Iran, and European Union countries understand this task in different ways. This also explains the competition among the various projects aimed at stabilizing the situation in the Southern Caucasus.

In contrast to the U.S., the European Union is placing the emphasis in its Caucasian policy on the socioeconomic, rather than on the military-political sphere. The EU's main thrust is ensuring stability in the region, as well as observing European standards in human rights and democratic

³ See: "Kavkazsko-Kaspiiskaia komissiiia vystupaet za sokhranenie formata Minskoi gruppy OBSE," HAYINFO DASPORA RU. News Reel. Information and Analytical Portal, 25 March, 2008, available at [<http://www.hayinfo.ru/ru/news/polici/10620.html>], 28 October, 2010.

⁴ See: A. Iazkova, "Iuzhnyy Kavkaz i Rossiia: uravnenie so mnogimi neizvestnymi," *Vestnik Evropy*, Nos. 19-20, 2007.

⁵ A. Rondeli, "Iuzhnyy Kavkaz i Rossiia," *Vestnik Evropy*, No. 7-8, 2002, p. 35.

freedoms. But, unfortunately, by declaring its adherence to European democratic values, the EU is not ready to take into account the ethnocultural features and traditions of Georgia, Armenia, and Azerbaijan.

Today, the Southern Caucasus is a transforming region in search of its self-identification (national-state, sociocultural, and geopolitical). It is unlikely that anyone can predict at present when the Caucasus will complete its transition to consolidated democracy and a market economy. There will most likely be no assimilation with the West in the Caucasus no matter what Georgian politicians are saying today about "Georgia's return to Europe." Despite all the advances by the U.S., EU, OSCE, and NATO, the states and societies of the Southern Caucasus will not be able to Europeanize at a fast pace or "escape from their geography and history."⁶

The U.S. has declared the Caucasus a zone of its strategic interests and has also begun to carry out a corresponding policy in the southern part of this region. The U.S.'s current geopolitics in the Caucasus is economically substantiated. It is based on the Caspian energy project, that is, plans for bringing the oil and gas lying in the subsurface of the Caspian region to the world energy market. Its implementation is aggravating regional contradictions, which are frequently turning into coercive conflicts, right down to combat action. The U.S. participated in laying the Baku-Tbilisi-Ceyhan oil pipeline, which creates routes for exporting the energy resources of the Caucasian region to the world markets that bypass Russia, and also limits Russia's geopolitical influence in the southern vector.

The Northern Caucasus has closer historical, economic, political, and cultural relations with Russia than with the West. Foreign geopolitical scenarios of Caucasian development ignore this fact, failing to take enough account of the historical context and the region's consequent pull toward Russia. On the other hand, Russian geopolitics in the Northern Caucasus is not very active, while the U.S., NATO, and the European Union are purposefully advancing their political interests there. The Northern Caucasus is territorially heterogeneous, so the tasks of state geopolitics in its segments have their own special features.

I n L i e u o f a C o n c l u s i o n

When evaluating the interests of the South Caucasian states with respect to the impact of global factors on the region, it is thought that an acceptable practical solution would be to form a regional system within the framework of the Greater Caucasus that is open to interaction with neighboring and other interested countries. Keeping in mind all the difficult economic, political, and military-strategic problems there, Russia is interested in creating such a system, since it is anxious to ensure security of its southern borders, and, moreover, its shipping possibilities on the Black Sea and land access to the Middle East have significantly shrunk. As for Russia's policy in the North Caucasian region, it could reinforce the law-enforcement structures that are engaged in intercepting the activity of subversive terrorist groups which are destabilizing the political and ethnic situation in the region.

The peoples of the Caucasian geopolitical expanse must find the correct approach to the ethno-political challenges. Here it is worth noting that regional political integration is one of the most effective ways to settle disputes, since it decreases ethnic hostility and also helps to overcome economic and social difficulties.

⁶ S. Markedonov, "Postsovetskiy Iuzhnyy Kavkaz: traditsionalizm plius modernizatsiia," *Prognosis*, No. 1, 2007, p. 340.

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ON CERTAIN GEOPOLITICAL ASPECTS OF THE U.S.'S CASPIAN STRATEGY

A b s t r a c t

The author looks at the specific features of Washington's Caspian policy suggested by the region's post-Cold War geopolitical and geo-economic weight, as well as at the aims, forms, and methods the U.S. resorts to in order to ensure its geopolitical interests.

I n t r o d u c t i o n

Throughout the post-Soviet period, the leading world and regional powers, attracted by the Caspian's energy resources and advantageous geopolitical location, have never let this region out of their sight. It owes its worldwide post-Cold War geostrategic importance to its Eurasian location, political structure, and elements that link it to its neighboring countries. This forms the basis of the multivectoral geopolitical rivalry that has been unfolding in the region since the bipolar world became history.

The United States, as the only superpower, could not ignore the geopolitical skirmish in one of the key areas of post-bipolar Eurasia. I will try to find answers to the following and several other questions: why is Washington interested in the region; why does it remain active in this part of the world; and what mechanisms is it using to achieve its aims?

The Caspian's Geostrategic Importance

In the new millennium, the world and regional powers have been paying much more attention to the Caspian Sea and its littoral states mainly because of the depleting oil and gas reserves elsewhere in the world. An obvious global trend, this has made internationalization of the Caspian's energy sources (which until recently were under Soviet control) a strategic priority for all fuel-dependent Western countries. The Russian Federation, on the other hand, tends to dominate in the region and regards its control there as an opportunity to monopolize fuel transportation to Europe. The regional policy of other powers (Turkey, Iran, and China) also hinges on their interest in Caspian gas and oil.

The Caspian oil and gas region covers the sea and the adjacent areas belonging to Azerbaijan, Russia, Kazakhstan, Turkmenistan, and Iran. Some of the Russian analytical community believes that

the sea contains 15-20 billion tons of oil, or nearly 10 percent of the world oil reserves.¹ Today, Kazakhstan, which leads in terms of oil extraction and amount of proven reserves, and Azerbaijan are the two largest producers of Caspian oil, while Turkmenistan is the largest local producer of natural gas.

An analysis of the oil and gas geopolitics that has been unfolding in the Caspian since the end of the Cold War identifies the most active states and what motivated them to show an interest in the region's hydrocarbons.

Azerbaijan, Kazakhstan, and Turkmenistan rely on the oil and gas extracted in their sectors of the Caspian to address their economic problems, while the European Union and, later, China need Caspian oil and gas as an alternative source of energy. Russia and the United States have been pursuing mainly political aims from the very beginning.

Moscow and Washington regard the Caspian as the key to their geopolitical problems in Eurasia. Since the early 2000s, Moscow has been trying to monopolize the region's oil and gas potential to strengthen its geopolitical status in Eurasia. Washington has been seeking diversification of the pipeline system in the post-Soviet expanse to widen and stabilize the sources of fuel for its European allies and to prevent restoration of the imperial system which, to quote Brzezinski, "could eventually seek to challenge America's primacy."²

With its economic and geopolitical interests in the Caspian, Russia has been playing the key role in the region throughout the post-Soviet period with the obvious intention of keeping the non-regional countries away.

In the early and mid-1990s, Russia, due to its weak central power and vague Caspian strategy, acted ad hoc: it either responded to the initiatives of its Caspian CIS neighbors or obeyed the interests of the national oil companies (LUKoil, YUKOS, and others) which, on many occasions, differed from those of the state. Everything changed when Vladimir Putin became president. Since the 2000s, the Kremlin has been concentrating on retaining as much control over the energy resources exported by the coastal states as possible. Gazprom has been viewed as a monopolist of fuel transportation to the West and the East; and Russia has been seeking a greater role in oil and gas extraction for its corporations (mainly in the Kazakhstan sector).

Turkey has been seeking a transit role for Caspian energy resources (Baku-Tbilisi-Ceyhan, Baku-Tbilisi-Erzurum, and Nabucco) not only because it needs transit revenues. It expects that its role as Eurasia's important energy junction will produce political dividends to be used, among other things, to speed up its joining the EU.

Iran is less inclined to welcome Western companies in the Caspian: first, its relations with the United States are still very tense, therefore the appearance of Western companies in the region might well be followed by military-political pressure from the United States and its NATO allies on Iran's northern borders. Second, Tehran derives the bulk of its petrodollars from the Gulf.

This explains why in the post-Soviet period Iran has been seeking security in the north by establishing good relations with the Caucasian and Central Asian states, as well as with Russia and Turkey, its historical rivals in the region.

Driven by the tension with the United States and aware of Russia as the most likely counterbalance to America's growing influence in Eurasia, Tehran wants closer relations with Moscow. The Iranians regard the Russian Federation as a supplier of military hardware and technology.

To realize its oil and gas interests, Iran is tapping its geopolitical advantages to the full and developing its transit potential,³ mainly from the Caspian to the Gulf and South Asia.

¹ See: G. Starchenkov, "Caspian Oil in the Regional Economic and World Political Contexts," *Central Asia and the Caucasus*, No. 1 (37), 2006, p. 8.

² Z. Brzezinski, *The Grand Chessboard. American Primacy and Its Geostrategic Imperatives*, Basic Books, New York, 1997, p. 198.

³ See: E. Dunaeva, "Kaspyskiy region i IRI," in: *Islamskaia revoliutsia v Irane*, Moscow, 1999, pp. 135-136.

Kazakhstan has the largest oil reserves among the newly independent states; it moves its oil mainly across Russia (through the Caspian Pipeline Consortium and the Atyrau-Samara oil pipeline).

Russia and Kazakhstan were the first to agree on delimitation of the Caspian seabed, which added stability to the region and made the Caspian oil projects more attractive.

This, however, infringed on Kazakhstan's ability to pursue an independent oil and gas policy, since Russia could manipulate the volumes of oil transit across its territory. As a rival of Russia in the world energy market and well aware that Moscow might use this lever to its own advantage, since the late 1990s, Kazakhstan has been trying to diversify the oil export routes in the western (through Aktau on the Caspian and the BTC pipeline),⁴ eastern (the Atasu-Alashankou oil pipeline),⁵ and southern directions (the possibility of moving Kazakh oil from Aktau to the Iranian port of Neka is being discussed).

This strategy decreased Astana's dependence on the Russian pipelines and increased its political potential. It is adjusting the oil export routes to its long-term economic and political interests and the situation in its Caspian neighbors.⁶

Turkmenistan, the third richest oil and gas Caspian country and with no direct access to the world market, is very interested in developing a ramified network of export pipelines. Just like Kazakhstan, Turkmenistan moves the bulk of its natural gas across Russia, but, very much like Kazakhstan, it wants a diversified network of export pipelines. In 2009, a gas pipeline for moving gas from Turkmenistan via Uzbekistan and Kazakhstan to China was commissioned.⁷ Turkmenistan was interested in moving its fuel across Iran⁸; in the absence of a trans-Caspian pipeline and because of disagreements with Azerbaijan over the Caspian's oil and gas fields, Turkmenistan cannot pump its gas to the West.

Its active foreign policy enables Baku to use the oil factor to maintain close relations with the leading Western powers; it is using the existing pipelines to move Caspian oil beyond Russia.

Late in 1991, as an independent state, Azerbaijan found itself in the center of a "geopolitical triangle" formed by the (sometimes conflicting) interests of Russia, Iran, and Turkey. Early in the 1990s, the country's leaders had to choose one of them as a foreign policy partner; they opted for a pro-Western strategy and close cooperation with Turkey and the leading Western powers.

The new geopolitical trends that became apparent in the region, namely rapprochement between the United States, its main ally, and Russia, its recent rival, forced Baku to look for new ways and means of mutually advantageous economic cooperation with Moscow in the oil and gas sphere, among other things.

In his *Kaspiyskaia neft Azerbaidzhana* (Azerbaijan's Caspian Oil), President Ilham Aliiev wrote that "we can expect Azerbaijan to act as a mediator between the largest powers in the future. Its geographic location at the junction between several of the largest geopolitical and geo-economic structures allows it 'to befriend all, reconcile conflicting parties,' and initiate West-East rapprochement."⁹

There are many more actors very much interested in the development of energy and fuel transportation projects in the Caspian than just the five coastal states: Georgia, Ukraine, and several Central and East European countries (Rumania, Bulgaria—EU members since 2007—and Greece) want their share of the revenue created by their transit potential.

⁴ The agreement with Azerbaijan was signed in January 2007.

⁵ This oil pipeline which brought Kazakh oil to China was commissioned in 2006.

⁶ See: G. Starchenkov, op. cit., pp. 11-12.

⁷ According to the agreement between China and Turkmenistan of 2006, the latter will supply China with 30 billion cu m of gas every year for the next 30 years.

⁸ In January 2010, the gas pipeline which connected the Dovletabad gas fields with Hangeran in Iran was commissioned.

⁹ I. Aliiev, *Kaspiyskaia neft Azerbaidzhana*, Izvestia, Moscow, 2003, p. 398.

Oil and gas, however, are not the only two factors that make the region attractive: its geographic location on the border between Europe and Asia and at the crossroads of intercontinental transportation routes is another indubitable advantage.¹⁰ Any power in control of the Caspian region acquires an edge in the post-Soviet geopolitical rivalry in Eurasia. Seen from Washington this looked even much more attractive than direct access to the Caspian hydrocarbons.

Specifics of America's Geopolitical Activity in the Caspian

Given the region's geopolitical context after the collapse of the Soviet Union and the emergence of the newly independent states "involvement in the Caspian and Central Asian region would mean America had to contend with other players hoping to make their mark in the region, notably Turkey, Iran, and Saudi Arabia. This was to say nothing about the European Union and China, which were formulating their own policies toward the area."¹¹

In the mid-1990s, the United States moved in to gain control over the main transportation and energy projects in the Caspian region (TRACECA, the BTC oil pipeline, and the still unrealized Nabucco pipeline) to build a geopolitical line—the Balkans-the Caucasus-Central Asia. Zbigniew Brzezinski's Eurasian Balkans idea provided America's Eurasian policy with a guideline: maintenance of "geopolitical pluralism" to "prevent Russia from exercising a monopoly on access to the region."¹² Washington never lets the Caucasus with its smoldering conflicts in Nagorno-Karabakh, Abkhazia, South Ossetia, and the Northern Caucasus out of its sight and also keeps an eye on what Turkey and Iran are doing in the region.¹³

In 1997, the United States made the Caspian a zone of its vital interests; its plans there well fit America's national energy strategy: control over the world's major oil fields—"control over the global strategic balance" in the official parlance.¹⁴ Washington is no less interested in the Caspian's coastal states because of their geographic location and the fact that they border on its key geopolitical rivals in Eurasia: the RF, PRC, and IRI.

The following elements can be described as America's main political levers: strengthening the statehood and independence of the local states that have embarked on the road of democracy and a market economy, and breaking their ties with Russia; increasing commercial opportunities for the United States; settling local conflicts by establishing political, economic, and military ties among the region's newly independent states; creating special units trained to protect the West-bound energy transportation routes; strengthening America's energy independence by means of Caspian energy resources; and decreasing the local states' dependence on Russia by ensuring guaranteed free traffic of Caspian oil and natural gas to the world markets. Great attention is being focused on closer military-political and military-technical cooperation of the regional states with the United States and NATO.¹⁵

¹⁰ See: "O dolgovremennoy strategii SShA v Kaspiyskom regione i prakticheskikh shagakh po ee realizatsii. Analiticheskiy doklad Tsentra strategicheskogo razvitiya," available at [<http://www.rusidea.ru/?part=82&id=813>].

¹¹ A. Ibrahim, "Evolving United States Policy toward the Caspian Region: A Delicate Balance," *Central Asia and the Caucasus*, No. 4 (46), 2007, p. 37.

¹² Z. Brzezinski, op. cit., pp. 129, 139-143.

¹³ See: Z. Brzezinski, *The Choice: Global Domination or Global Leadership*, Basic Books, New York, 2004, pp. 99-100.

¹⁴ "O dolgovremennoy strategii SShA v Kaspiyskom regione..."

¹⁵ See: S.S. Zhiltsov, I.S. Zonn, A.M. Ushkov, *Geopolitika Kaspiyskogo regiona*, Mezhdunarodnye otnosheniya Publishers, Moscow, 2003, pp. 238-240.

The well-known events in South Ossetia in August 2008 have made cooperation with Georgia especially important.¹⁶

Washington regards the region's energy resources as a strategic reserve: it needs control over these riches rather than immediate access to their mining.

America's regional policy is diverse: since 1996, it has been exerting immense efforts to draw Azerbaijan, Georgia, Kazakhstan, and Turkmenistan into its orbit; since 2008, it has been involved in stiff competition with Moscow over Armenia.

In the last twenty years, the region has become extremely important for the United States, which created a special foreign policy trend to deal with the Caspian problems.

In 1999, the Clinton Administration opened the Caspian Finance Center in Ankara to fund the oil and gas projects in Turkey, the Southern Caucasus, and Central Asia and increase the country's commercial involvement in them. This structure opened the doors to the region and served as a handy mechanism of influence in some of the countries and for acquiring a foothold some time in future.¹⁷

A ramified pipeline network is one of the key elements of America's Caspian policy; the new routes are expected to circumvent Russia and Iran to bring Caspian oil to the West via Turkey. This explains the stakes being placed on the Baku-Tbilisi-Ceyhan oil pipeline.

The United States expected to gain the upper hand once the new pipeline system between the Caspian and Turkey was in place: it hoped to re-orientate the Caucasian and Central Asian newly independent states toward the West; establish closer cooperation between the European NATO allies and Turkey; achieve greater isolation of Iran; and acquire the chance to limit China's access to the region and its energy resources.¹⁸

The transportation projects in the Caspian are to be internationalized as much as possible since, the Americans argued, greater involvement of Western states will add an international dimension to the already obvious economic expediency.

As it moves toward this strategic aim, America has also been relying on some of the local newly independent states, in addition to its traditional allies (Turkey, Israel, and the EU countries). In particular, Washington has been placing its stakes at different times on Georgia, Azerbaijan, Uzbekistan, and Kazakhstan. It has become clear that Washington is trying to create and develop consolidation in the form of GU(U)AM to promote its geopolitical vectors in the Caspian.

America has not yet abandoned its efforts to drive a wedge between Armenia, Russia's closest military-political ally in the region, and the Kremlin; normalization of relations between Armenia and Turkey was stirred up in 2008 with this aim in view.

The continued tension between Washington and Tehran prevented the former from encouraging the fuel transportation projects in which Iran was involved, including those that brought energy resources to the Gulf across Iranian territory and which are believed to be the best economic alternative. Some of the American companies prefer this option and insist on it even though geopolitical considerations will prevail over economic ones for a long time to come. The two countries will obviously not return to normal relations in the near future; this means that Tehran will be excluded from the trans-regional oil and gas projects that Washington implements in the Caspian region as part of its geopolitical strategy.

In Lieu of a Conclusion

The importance of the Caspian region as one of the world's hydrocarbon-rich areas in the context of the overall depletion of these resources cannot be overestimated; it is equally important as a

¹⁶ See: K. Kakachia, "The Russo-Georgian Five-Day War: The Price to be Paid and Its Unintended Consequences," *Central Asia and the Caucasus*, No. 1 (55), 2009, pp. 16-17.

¹⁷ See: S.S. Zhiltsov, I.S. Zonn, A.M. Ushkov, op. cit., p. 232.

¹⁸ See: "O dolgovremennoy strategii SShA v Kaspiyskom regione..."

key area in the geopolitical confrontation that began as soon as the world lost its bipolarity. The external actors are fully aware of both factors.

America's post-Soviet policy in the Caspian is obviously suggested by the above, the geopolitical factor being much more functionally important; the people in Washington are looking at the region's energy resources through the prism of the geopolitical processes going on in Eurasia.

The Russian-Georgian conflict of 2008; the "resetting" of American-Russian relations launched by the Obama Administration; the mounting Islamic sentiments in Turkey, which have moved it away somewhat from Western geopolitics; the still suspended issue of energy security of America's allies in Europe; as well as the continued and even greater tension in Washington's relations with Tehran mean that America will probably become even more involved in the Caspian region. The region's dynamics and the rapidly changing geopolitical and geostrategic processes around it will force the United States to adjust its tactics and strategies accordingly.

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AZERBAIJAN IN THE GEOPOLITICAL STRATEGY OF THE EUROPEAN UNION

A b s t r a c t

This article analyzes the special features of the European Union's geopolitical interests in the Caucasus, particularly in Azerbaijan. The problems in the relations between the EU and the Azerbaijan Republic are interpreted as a long civilizational process. The author analyzes the role of EU-Azerbaijani relations in ensuring the energy security of the region and the EU. He notes that the EU is interested

in creating a European civilizational expanse in the region and particularly in Azerbaijan. This would promote the creation of a fragment of Europe in Azerbaijan with a view to establishing closer cooperation, which would make it less urgent for the republic to become an official member of the European Union. The author is convinced that this is the crux of the European Neighborhood Policy.

I n t r o d u c t i o n

International organizations perform different activities in Azerbaijan, ranging from humanitarian aid, various educational projects, and assistance to nongovernmental organizations to the devel-

opment of joint economic projects, and so on. As a rule, the activity of each of these international organizations is carried out under slogans of globalization, democratization, and liberalization. After the collapse of the socialist system, which was perceived in the world as a victory of liberal values, the same processes have been going on throughout the post-socialist expanse, which can be described in the most abstract and generalized way as *integration into the world economic, political, and cultural expanse*. And what is usually understood as *integration* into the world community does indeed presume the victory of globalization, democratization, and liberalization.

An analysis of the current political and public-journalistic discourse on the concepts of “globalization,” “democratization,” and “liberalization” clearly shows that its participants have rather vague ideas about the corresponding phenomena. Sometimes the opinions are diametrically opposite. For example, some regard globalization as a positive phenomenon, while others see it in a negative light. One way or another, the civilized world, as our model of stability and prosperity, has several reference points which are perceived as a relatively ideal embodiment of the ideas of globalization, democratization, and liberalization. Without a doubt, the European Union is one of, if not the main, ideal reference points of the civilized world.

The EU serves as a model for Azerbaijan in all the indicated parameters, so cooperation between Azerbaijan and the EU is legitimate and important from the perspective of the country’s integration into the world economic and cultural expanse. As Head of the European Commission Office in Baku Alan Waddams noted: “For the past 200 years, Azerbaijan has been moving toward Europe, but in recent years this movement has greatly accelerated.”¹ This article highlights the geopolitical aspects of cooperation between the European Union and the Azerbaijan Republic.

On the Concept of Geopolitics and Geopolitical Interests

The term and concept *geopolitics* was first coined by Johan Rudolf Kjellén, a Swedish scientist of the beginning of last century, who defined *geopolitics* as “science about the state as a geographic organism embodied in space.”² In Rudolf Kjellén’s teaching, geopolitics was not at all absolute. For example, Pavel Tsygankov shows that emergence of the term “geopolitics” is associated with Swedish professor and parliamentary deputy Rudolf Kjellén (1846-1922). When studying the system of governance aimed at creating a strong state, he came to the conclusion in 1916 that an intrinsic combination of five closely interdependent elements of politics was necessary: economopolitics, demopolitics, sociopolitics, cratopolitics, and geopolitics.³ So geopolitics occupies a legitimate place in this paradigm of elements and is in no way a self-contained concept.

The fact that geopolitics has become more pertinent in our day and age seems to be associated with an understanding that spatial-temporal factors should legitimately dominate in all spheres of human activity. The thesis that nothing exists in the world outside space and time (the most objective existential indices) can be considered the methodological foundation of this dominance of geopolitical interests. Consequently, the objective description of any phenomenon or object should correlate with an explanation of their spatial-temporal parameters. Since any state as a political phenomenon is realized within specific spatial and temporal boundaries, its interests should be defined in strict correlation with the specifics of its spatial-temporal boundaries. Any other understanding of the tasks

¹ F. Teimurkhanly, “Soglashenie mezhdru ES i Azerbaidzhanom budet prodleno,” *Zerkalo*, No. 220, 29 November, 2008, p. 3.

² Ir.A. Vasilenko, *Geopolitika sovremennogo mira*, Gardariki, Moscow, 2006, p. 29.

³ See: P. Tsygankov, *Teoriia mezhdunarodnykh otnoshenii*, Gardariki, Moscow, 2004, p. 202.

facing a specific state will be of a romantic, rather than pragmatic nature. It will proceed either from idealization of the past or from more or less abstract ideas of the future.

In the definition of geopolitics offered by Vladimir Kolosov and Nikolai Mironenko, the concept “geopolitics” is very justifiably taken beyond the framework of state policy. For example, the researchers note that “geopolitics can be defined as some problematic scientific sphere, the main objective of which is establishing and forecasting the spatial boundaries of different force fields (military, economic, political, civilizational, environmental) primarily at the global level. States, interstate groups, and several non-state entities, particularly those of transnational significance, act as the generators of these fields, while geopolitical interests, understood in one way or another, such as pursuing imperial strivings, guaranteeing state security, and preserving the state’s cultural uniqueness act as the mechanism by which these fields interact.”⁴

- First, in this definition, such concepts as “force field” and “global level” draw attention to themselves.
- Second, I notice that pursuing imperial strivings is correlated with guaranteeing state security and preserving cultural uniqueness.

This understanding of the gist of the term *geopolitics* indeed gives the concept real content. For example, the concept “geopolitics” is normally associated today with the policy of large nations. There are standard ideas about how, after the collapse of the Soviet Union and socialist camp, the large world nations began divvying up the spheres of influence in the world anew. It is commonly thought that the U.S. is striving for world hegemony, the European countries are joining together to play a key role in world politics and distributing the spheres of influence together, and China, which is competing with the largest world powers in the economic sphere, is gaining strength. Whatever the case, the concept “geopolitics” is associated with aggression, which in this case should be understood not only as military intervention. Aggression is also manifested in the economy, demographic policy, and even in culture. For example, there is talk about cultural expansion. One way or another, geopolitics is perceived as the enlargement of a particular sphere of influence.

Vladimir Kolosov and Nikolai Mironenko, as can be seen from the above definition, include a “defensive” component in the content of geopolitics, that is, it becomes understood that not only large powers claiming world leadership can have geopolitical interests, but also small states striving for self-preservation.

In this way, the term *geopolitics* can be broken down into two differential concepts: “aggression associated with economic, demographic, linguistic, and ultimately cultural expansion” and “activity aimed at territorial, economic, demographic, linguistic, and cultural self-preservation.”

Most of the definitions of geopolitics evaluate it as a scientific sphere or topic of scientific research, leaving aside the understanding of geopolitics as a certain process. For example, the *Oxford Illustrated Encyclopedia* points out that geopolitics is an area of political science based on the fact that international state policy is predetermined by its physical and geographical conditions. This term is often used to identify the interrelation between geographical and political factors in international relations, and particularly applies to strategically vulnerable regions of the world.⁵ In *Encyclopedia Britannica*, *geopolitics* is described as research: “Geopolitics is an analysis of the geographic influences on power relationships in international relations.”⁶

Only a few definitions indicate that geopolitics also includes political practice that takes account of geographical factors. But even these definitions do not place special emphasis on the practical aspect, either mentioning it along with the theoretical significance or as a secondary element after it. For example, “geopolitics is the theory and practice of contemporary international relations

⁴ V.A. Kolosov, N.S. Mironenko, *Geopolitika i politicheskaia geografiia*, Aspekt-Press, Moscow, 2005, p. 18.

⁵ See: *Oksfordskaia illiustrirovannaia entsiklopediia*, INFRA-M, Ves mir, Moscow, 2000, p. 51.

⁶ D. Deudney, “Geopolitics,” available at [www.britannica.com/EBchecked/topic/229932/geopolitics].

and the prospects for their development taking into account the widespread systemic influence of geographic, political, economic, military, demographic, environmental, scientific-technical, and other factors.”⁷

Finally, the correlation between geopolitics and not only theory, but also practice shows that the term means not only scientific reflection on a fact, but also the fact itself, and not only reflection on the experience of how geographic factors influence politics, but also the experience itself as it is manifested in time and space. Moving ahead, it can be noted that in the report on Azerbaijan within the framework of the European Neighborhood and Partnership Instrument, *Country Strategy Paper 2007-2013* specifically mentions the practical aspect of geopolitics: “Azerbaijan’s political and security situation is heavily influenced by its geographic position, squeezed as it is between the Russian Federation and Iran.”⁸

Understanding geopolitics as a political strategy based on geographic location makes it possible to talk about the natural and inevitable, i.e. entirely objective, determinism in this sphere, as well as about the aggression generated by geopolitical interests. The first trend can also be designated as sub-consciously objective in the sense that politics generated by geographic location might not even be understood at the level of reflection. Nevertheless, geographic location in itself acts as a natural stimulator that guides the state as an organism structured in geographic space.

Special Features of the Geopolitical Interests of the European Union in the Southern Caucasus

The EU’s policy in the Southern Caucasus is very obviously structured in keeping with geopolitical motives. It is clear that the EU is trying to draw the region into its civilizational structure. In so doing, Europe is proceeding from the “European appearance” of the Caucasians. It is no accident that European documents on the Southern Caucasus make particular mention of its European identity and European strivings.⁹

Europe is trying to create a single European civilizational expanse, counting on the fact that the stability of this expanse outside Europe proper will mean stability and prosperity for Europe itself. A civilized and genuinely democratic Southern Caucasus will give Europe another non-European Europe on its borders. This new Europe, which, without joining the EU (something it has not been promised), will for all intents and purposes be a fragment of Europe on the borders of Europe proper and Russia, is playing a vitally important role in the current political alignment of the EU. This, in our opinion, is the gist of the EU’s geopolitical strategy. As Russian scientist L. Klepatsky notes, “having its own sphere of influence that also includes non-member countries and creating a belt of friendly neighbors is what the EU’s policy is all about.”¹⁰ This is evidently one of the main reasons for the significant financial assistance the EU is rendering its Eastern partners.

The EU is not hiding its intentions by not explaining its strategic motives. For example, EU Commissioner for External Relations and European Neighborhood Policy Benita Ferrero-Waldner

⁷ *Geopolitika: Antologiya*, Compiled by N.N. Ashenkampf, S.V. Pogorelskaia, Akademicheskii proekt, Kultura, Moscow, 2006, p. 3.

⁸ *Country Strategy Paper 2007-2013. Azerbaijan, European Neighborhood and Partnership Instrument*, p. 9, available at [http://ec.europa.eu/world/enp/pdf/country/enpi_csp_azerbaijan_en.pdf].

⁹ See: “Evrokomissiiia podpishet s Azerbaidzhanom dogovor ob assotsiatsii,” available at [<http://www.day.az/news/politics/138059.html>].

¹⁰ L. Klepatsky, “Strategiya otnoshenii Rossii i Evrosoiuzu,” *Mezhdunarodnaia zhizn*, No. 4, 2008, p. 93.

said that “we are strategically interested in there being a stable political and economic situation in these countries,”¹¹ implying the South Caucasian countries.

In response to the disintegration of the Soviet Union, the EU formulated a new type of agreement that comprised a legal framework for cooperation with the CIS countries—a partnership and cooperation agreement. This kind of agreement was signed with Azerbaijan, Georgia, and Armenia in 1996. In 2004, protocols were signed to these agreements that extended their terms.

The main objective of these agreements was to render assistance to the South Caucasian countries in establishing strong ties with the European structures. In so doing, Europe made it unequivocally understood that this would only be possible if the regional conflicts were settled peacefully. In 2004, the three South Caucasian states were included in the European Neighborhood Instrument. Within the framework of this instrument, Five-Year Action Plans designed to carry out cooperation with the EU were drawn up in 2006. At the moment, keen attention is being paid to another EU initiative, Eastern Partnership. The main vectors of cooperation within the framework of the project are creating a free trade area and gradual liberation of the visa regime.

One of the priorities of cooperation set forth in the Action Plan is to bring legislations into closer harmony with each other. In our opinion, the EU’s requirements and its recommendations associated with a change in the legislation of the three South Caucasian republics directly reflect Europe’s geopolitical strivings. The very fact that legislation is being amended to meet the European model means Europe’s geopolitical enlargement to the East. In so doing, it is worth noting that Europe is enlarging without incorporating the countries it is assimilating into its own space and without making promises to do so. To draw historical parallels, this kind of European enlargement to the East is reminiscent of the historical expansion of the Greek culture to the East and creation of the Hellenic world. It is important to note that a very specific cultural area was created in the East, which, despite Greek influence, could not be identified with the culture of Hellas. This is why it is customary to talk about the Hellenic culture in which Eastern motifs are also clearly represented.

Since 1991, the EU has allotted more than €1 billion to the three South Caucasian countries from the Community’s funds, which correlates to the assistance rendered the EU member states.¹² Since 2004, the EU has become the main trade partner of each of the South Caucasian countries. Since January 2006, all three South Caucasian countries have been provided with preferences from the EU’s Generalized System of Preferences. Armenia and Azerbaijan have been included in the standard arrangements, while Georgia falls under the expanded preferences that are offered to countries which apply the internationally recognized standards of good governance and sustainable development (so-called GSP+) and that provide preferential access to the EU market. Since 2008, two other countries have also been included in this system. Incidentally, as researchers note, providing preferential access to the largest capitalist market in the world is a unique and strong tool in the EU’s set of foreign policy instruments.¹³

After singling out the TACIS, TRACECA, and INOGATE programs as their main areas of cooperation, during the first ten years, the European Union countries allotted the region financial aid totaling €970 million.¹⁴ As of today, TRACECA has financed 62 technical assistance projects totaling 105 million and 14 investment projects totaling 52 million.¹⁵ Up until now, the funds for developing TRACECA have all come from the EU budget (within the framework of TACIS budget funding).

¹¹ “Gruzia, Armeniia i Azerbaidzhan iavliaiutsia vazhnyimi dlia Evrosoiuza stranami: Komissar ES,” available at [<http://www.regnum.ru/news/1128591.html>].

¹² See: *The European Union and its Neighbours*, ed. by S. Blockmans, A. Lazowski, T.M.C.Asser Press, The Hague, 2006, p. 601.

¹³ See: J. McCormick, *The European Superpower*, Palgrave Macmillan, New York, 2007, p. 111.

¹⁴ See: T. German, “Corridor of Power: The Caucasus and Energy Security,” *Caucasian Review of International Affairs*, Vol. 2 (2), 2008, p. 17.

¹⁵ See: Action Plan for 2008-2009 to Implement the Strategy of the TRACECA Intergovernmental Commission on the Development of the International Europe-Caucasus-Asia Transport Corridor (TRACECA) until 2015, p. 3.

The EU's assistance has made a significant impact; the EU's obligations to the TRACECA region have made it possible to increase investments from international financial institutions such as the EBRD and World Bank. Every year, 4-5 projects are implemented within the framework of the TRACECA program with an overall budget of €14-15 million, which are financed by the European Commission and cover all 13 participating states in the project.¹⁶ They include such beneficial projects as Coordination and Analysis of Traffic Flows along the Corridor, Security and Safety of Sea, Air, and Land Transport, and Regulation on the Transport of Dangerous Goods along the TRACECA Corridor.

The EU is particularly active in the Caucasus with respect to maintaining control on the borders. The EU has been taking steps to prevent the Chechen conflict from spilling over into Georgia. During the second half of 2000, the EU rendered assistance to the Georgian authorities to support the OSCE Monitoring Mission on the Georgian-Chechen border. The assistance consisted of €1 million for equipping Georgian border guards.¹⁷ In 2002, the EU decided to render assistance to the Georgian authorities and the OSCE Monitoring Mission for ensuring control on the Georgian-Ingushetian border and to continue rendering assistance on the Georgian-Chechen border. After publishing a declaration on its willingness to play a more active role in the Southern Caucasus (February 2001), the EU joined the OSCE mechanisms for settling the Ossetian conflict. The EU mission on law regulations in Georgia was the first mission of its kind to appear in the context of Europe's defense and security policy and pursue the goal of ensuring support of the Georgian authorities in coping with challenges in the criminal legal sphere.

Since they gained their independence, the EU has been rendering the South Caucasian countries significant financial aid. Between 2007 and 2010, there were plans to allot Georgia €120.4 million, Azerbaijan €92 million, and Armenia €90 million in aid.¹⁸ This aid is being rendered within the framework of the European Neighborhood Policy.

The EU is interested in resolving domestic conflicts, which is a condition for sustainable social development. The EU's growing role in resolving conflicts means an increase in its authority in the region and consequently its stronger geostrategic position in the Caucasus as a whole. In so doing, the EU is reacting sensitively even to the smallest changes in the status quo in the Caucasus. For example, the U.S. and the EU countries welcomed the political changes in Georgia. In 2004, international donors from 31 countries and 12 organizations met at a joint conference of the European Commission and World Bank in order to coordinate aid to Georgia for 2004-2006. It was decided to allot Georgia 850 million to support budget and investment needs.¹⁹ Between 1992 and 2006, the EU Commission rendered Georgia a total of €506 million in aid.²⁰

After the conflict with Russia, the EU allotted Georgia €9 million in immediate humanitarian aid. Then a conference of donors was organized at which Georgia was promised aid totaling €3.44 billion. A number of projects are already under implementation such as humanitarian assistance, support to internally displaced persons (€61.5 million) and the European Security and Defense Policy mission of EU observers.²¹

The EU's Caucasian policy became active at the beginning of 2003 when the South Caucasian countries were included among Europe's neighbors in the draft of "A Secure Europe in a Better

¹⁶ See: A. Mustafaev, "TRASEKA nuzhdaetsia v krupnykh investitsiakh," *Azerbaidzhanskii izvestiia*, No. 100 (1087), 7 June, 2008, p. 1.

¹⁷ See: *The European Union and its Neighbours*, p. 605.

¹⁸ See: M. Ilinsky, "Vostochnoe partnerstvo: protsess poshel, no rezultat neiasen," *Novaia Europa*, No. 2, 13 May, 2009, p. 4.

¹⁹ See: *The European Union and its Neighbours*, p. 601.

²⁰ See: "The EU and Georgia: Bilateral Relations," available at [http://www.delgeo.ec.europa.eu/en/eu_and_georgia/bilateral_relations.html].

²¹ See: "European Neighbourhood Policy—GEORGIA," available at [<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/09/184&format=HTML&aged=0&language=EN&guiLanguage=en>].

World: European Security Strategy,” prepared by Javier Solana. The main accent of this document was placed on creating a security zone neighboring on the EU. In July 2003, the Council of Ministers of the European Union appointed a special representative for the Caucasus, who became a key figure in implementing the plan for the EU’s participation in settling the conflicts in the region.

The key tasks of the EU special representative in the Caucasus was helping to restore peace in Azerbaijan, Georgia, and Armenia, returning refugees, and ultimate settlement of the conflicts. But in reality the mandate of the EU special representative boiled down to assisting the U.N. and OSCE missions in the region. In order to directly strengthen the EU’s role, in 2006, the mandate of the special representative was extended to include participation in the talks between the conflicting sides, monitoring the situation, and exercising control over the borders and the movement of refugees, drugs, arms, and psychotropic substances.

Brussels thinks that the EU should participate in conflict settlement by applying the levers of influence enforced in the European policy on security and defense, as well as within the framework of the European Neighborhood Policy with the South Caucasian countries.²² These levers include using humanitarian, economic, and administrative-legal mechanisms and tapping the potential of the European police corps and European Rapid Deployment Forces. But as practice has shown, between 2003 and 2008 the mission of the EU special representative was limited to supporting the talks between the conflicting sides and promoting the OSCE’s efficient activity in the Southern Caucasus.

After the Russian-Georgian war, in accordance with the Medvedev-Sarkozy plan, on 1 October, 2008, the Russian military subdivisions in the so-called buffer zones next to South Ossetia and Abkhazia were replaced with the European Union’s Monitoring Mission. This began a new stage in the EU’s participation in the conflict settlement process in Georgia. The European Union also took the initiative regarding international discussion of the future status of South Ossetia and Abkhazia and subsequent efforts to ensure stability and security in the region. These consultations began in Geneva as early as the end of last year and have already passed through several stages. Nevertheless, there can be no talk yet about any specific results of this international discussion.

So when talking about the mechanisms for realizing the EU’s geopolitical interests in the Southern Caucasus, it should be noted the Union is using every possible lever it can and not missing a single opportunity to take real part in shaping the political and economic situation in this region.

Europe’s strivings are indeed promoting peace in the region, since if there is stable peace in the Caucasus all the advantages of a pro-European lifestyle will most likely be manifested. Europe’s economic, sociocultural, political, and ultimately civilizational predominance in the present-day world is utterly clear. And its geopolitical strategy is aimed at “spreading” Europe, or the contemporary West European civilization, to the Southern Caucasus in a civilized way.

Cooperation between the EU and Azerbaijan Republic in the Context of Realizing Europe’s Geopolitical Interests in the Southern Caucasus

Relations between the European Union and the Azerbaijan Republic are taking shape within the framework of the Union’s overall relations with the South Caucasian republics. From this it follows that the EU has a certain standard approach to cooperation with new democracies, which does not

²² See: E. Kotelyants, “Na Kavkaz ... cherez Briussel,” available at [<http://www.tiras.ru/evrazija/6931-na-kavkaz...-cherez-brjussel.html>].

change from country to country. Europe either does not have the opportunity, or does not deem it necessary to establish strictly individual relations with each of its eastern neighbors striving for close cooperation. Europe is well aware that all of these countries have little to give, but have high demands. So tight control is being kept over the integration of the new pro-European democracies into the European civilizational space. Europe has no intentions of doing anything to its detriment, understanding very well that forming a single political and cultural space with a weakly developed periphery, which has a totalitarian past to boot, could create new and unexpected problems for it at home. Relations with Azerbaijan are no exception.

The history of interrelations between the EU and Azerbaijan began in 1993 when Azerbaijan expressed its interest in establishing relations with the European Union and started planning ties with it in different spheres. The regulatory and legal framework of relations between the EU and Azerbaijan was created on 22 April, 1996, when a bilateral partnership and cooperation agreement between the EU and Azerbaijan was signed in Luxembourg.

The documents on cooperation between the EU and Azerbaijan have always reflected the objective state of affairs, while hopes for progress were always precisely hopes underpinned by real substance and not illusions. For example, the *Country Strategy Paper 2007-2013. Azerbaijan. European Neighborhood and Partnership Instrument* indicates that the principal objective of cooperation between the EU and Azerbaijan is to develop an increasingly close relationship, going beyond past levels of cooperation to gradual economic integration and deeper political cooperation.²³

In 2006, a document was signed on adoption of the EU-Azerbaijan Action Plan for the next five years within the framework of the European Neighborhood Policy. It sets forth the following priorities: contributing to a peaceful solution of the Armenian-Azerbaijani Nagorno-Karabakh conflict; strengthening democracy in the country, including through fair and transparent electoral process; strengthening the protection of human rights and of fundamental freedoms and the rule of law, in compliance with international commitments of Azerbaijan; improving the business and investment climate, particularly by strengthening the fight against corruption; improving functioning of customs; supporting balanced and sustained economic development, with a particular focus on diversification of economic activities, development of rural areas, poverty reduction and social/territorial cohesion; promoting sustainable development including the protection of the environment; further convergence of economic legislation and administrative practices; strengthening EU-Azerbaijan energy bilateral cooperation and energy and transport regional cooperation; enhancing cooperation in the field of justice, freedom and security, including in the field of border management; and strengthening regional cooperation.²⁴

According to European legislators, it was not possible to talk about a clear and coordinated EU strategy in the region until after 2006.²⁵

At the moment, another EU initiative, Eastern Partnership, is drawing keen attention. The main fields of cooperation within the framework of the project are creating a free trade area and gradual liberalization of the visa regime.

Interrelations between Azerbaijan and the EU are developing quite intensively. The sides continue to express their willingness for even greater rapprochement. As Azerbaijan's Minister of Foreign Affairs Elmar Mammadyarov writes, "The Caspian is part of Europe, and the EU is at the heart of our transformation and development."²⁶

²³ See: *Country Strategy Paper 2007-2013. Azerbaijan. European Neighborhood and Partnership Instrument*, p. 3.

²⁴ "ENP EU-Azerbaijan Action Plan," available at [http://www.delaze.ec.europa.eu/pdfs/enp/EU_Azerbaijan_AP.pdf].

²⁵ See: S. Tamm, "Weakness as Opportunity: EU Policy in the South Caucasus," *Turkish Policy Quarterly*, Vol. 6, No. 3, Fall 2007, p. 72.

²⁶ E. Mammadyarov, "A New Way for the Caspian Region: Cooperation and Integration," *Turkish Policy Quarterly*, Vol. 6, No. 3, Fall 2007, p. 43.

Contacts in the economy and particularly in energy sphere occupy a special, if not the most important, place in EU-Azerbaijani relations. In keeping with the tasks of this vector, on 7 November, 2006, a Memorandum on Mutual Understanding was signed between the EU and Azerbaijan aimed at creating energy partnership between the EU and Azerbaijan. According to the Europeans, implementation of the memorandum will promote Azerbaijan's greater integration into the European energy market, enhance the EU's energy security by means of deliveries from the Caspian Basin, and promote the development of more efficient energy demand in Azerbaijan. On 8 May, 2009, the European Union signed a joint declaration with Azerbaijan, Georgia, Turkey, and Egypt on a project to build the Nabucco gas pipeline. Building of this 3,300-km pipeline will begin in 2011 and end in 2014. The estimated cost of Nabucco amounts to €7.9 billion, while its throughput capacity will amount to 31 bcm of gas a year.²⁷ The signing of this declaration was preceded by a long chain of talks called upon to convince the sides, both gas importers and exporters, of the project's expediency.

Azerbaijan is not only important for Europe as a source of energy resources. Nor would it be right to limit Azerbaijan's significance for Europe to political considerations regarding the weakening of Russia's levers of influence on Europe. In my opinion, these are all parts of a larger civilizational process. I do not think it correct to use the word "game" in this context, so I'll not say that these are "parts of a single political game." An objective analysis of what is going on shows that the EU's geopolitical objectives coincide with Azerbaijan's integration policy. That is, Azerbaijan has always revealed its European identity and European strivings. But whereas in Azerbaijan these strivings have basically always been humanitarian, the EU, with the pragmatism inherent in Europeans, is carrying out several programmatically significant and strategically important geopolitical measures. These measures can very legitimately be called "geopolitical" since all of Europe's tactical steps are underpinned by geopolitical interests. I am deeply convinced that all the energy processes and participation in them by Azerbaijan, on the one hand, the EU, on the other, and, finally, Russia, on the third, should be interpreted in the context of a titanic struggle to truly draw Azerbaijan into the European civilizational space.

In these conditions, the situation is objectively developing in such a way that there are forces in the world that promote this, but there are also forces that prevent it in every way. The logic of history and the logic of events show that only the country on which Azerbaijan has historically depended and which in no way wants Azerbaijan to acquire real independence can prevent this. Nor does this country want Azerbaijan to actually become part of the civilizational space of the great European culture. For until now, European "information" reached Azerbaijan indirectly and communication noise, as cybernetics has it, distorted this information in every possible way. The logic of communication is such that it does not want to lose its functional significance. This stands to reason, and it would be naïve to think otherwise. But today Azerbaijan has the unique historical chance of directly communicating with Europe. Politicians both in Azerbaijan and the EU should have enough goodwill and energy for Azerbaijan to become a part of Europe. The problems of energy security cannot be examined separately from the general civilizational problems.

Security Problems in Bilateral Relations

The EU's geopolitical strategy toward Azerbaijan is aimed primarily at ensuring the region's security. In this respect, a general mechanism has been launched regarding the EU's foreign policy in

²⁷ See: "V Sofii predstavlen proekt stroitelstva gazoprovoda 'Nabukko'," available at [<http://www.vesti.ru/doc.html?id=26818>].

the Southern Caucasus, which is designated as part of the European Neighborhood. That is, concern about Azerbaijan's security, as about the security of the Southern Caucasus as a whole, is being shown in keeping with the scenario "the EU's stability depends on stability in the Caucasus."²⁸ The EU is also interested in Azerbaijan's security as the security of a region that is a source and transit zone of energy resources. As researchers note, Europe's direct participation in energy and security issues is required for Azerbaijan to become more fully integrated into the EU.²⁹

Within the framework of the European Neighborhood Policy, an Action Plan between the EU and Azerbaijan was adopted in 2006 which stipulates several priority areas. The document notes that the EU may invite Azerbaijan on a case-by-case basis to align itself with the EU's positions on regional and international issues; and conduct consultations on sanctions issued by the EU, including arms embargoes.³⁰

Within the framework of cooperation, accession to the Rome Statute of the International Criminal Court may be initiated, the implementation of which will require the necessary legislative and constitutional amendments.

The EU and Azerbaijan are to cooperate in the fight against international crime in accordance with international law.

It is proposed that they further develop cooperation in addressing common security threats, including non-proliferation of weapons of mass destruction and illegal arms exports. The EU and Azerbaijan pledge to strengthen efforts and cooperation in the fight against terrorism. And finally, the EU and the Azerbaijan Republic pledge to reinforce the fight against organized crime, trafficking in human beings, illicit drug trafficking, and money-laundering.

As we can see, all of these cooperation issues are nothing out of the ordinary and are par for the course in today's world. But for Azerbaijan, settlement of the Nagorno-Karabakh conflict is a vital issue that is directly related to its state security. As for the EU, it has made a whole slew of identical statements that confirm Azerbaijan's territorial integrity and sovereignty and call for a halt to the aggression, withdrawal of troops and peaceful settlement of the conflict. These include documents of 1992, 1993, and 1994 which criticize the aggression, as well as a statement of 2 August, 2002 condemning the presidential elections in the self-proclaimed Nagorno-Karabakh Republic.

It is clear that both in security and in cooperation between the EU and Azerbaijan as a whole, the priority area for Azerbaijan is peaceful resolution of the Nagorno-Karabakh conflict. The EU-Azerbaijan Action Plan in security regards settlement of this conflict as the most important priority area. In this matter, the EU and Azerbaijan pledge to do the following: increase diplomatic efforts, including through the EU Special Representative for the Southern Caucasus; increase political support to the OSCE Minsk Group conflict settlement efforts on the basis of the relevant U.N. Security Council resolutions and OSCE documents and decisions; encourage people-to-people contacts; and intensify the EU dialog with the states concerned with a view to acceleration of the negotiations toward a political settlement.

The Action Plan also envisages implementing de-mining initiatives; promoting measures to assist IDPs and refugees; and promoting the active involvement of civil society in resolving this problem.

All the EU documents regarding Azerbaijan's security show that the European partners are taking the Russian factor into account and, consequently, that they are being cautious, which the Azerbaijani side could evaluate in different ways. For example, A. Babaev, a researcher at the Center for European Social Research at the University of Mannheim, believes that the Karabakh conflict has always been on the periphery of the European Union's foreign policy. "The only thing that interests the

²⁸ "Sarkozy: stabilnost ES zavisit ot stabilnosti na Kavkaze," available at [<http://www.novopol.ru/text51469.html>].

²⁹ See: *Europe's Energy Security. Gazprom's Dominance and Caspian Supply Alternatives*, ed. by S.E. Cornell, N. Nilsson, Central Asia—Caucasus Institute, Silk Road Studies Program, Stockholm, 2008, p. 12.

³⁰ See: "ENP EU-Azerbaijan Action Plan."

EU is building the Nabucco gas pipeline. Europe has great hopes for it in terms of diversifying its energy resources.”³¹ Other researchers, on the contrary, believe that the conflict has always been in the center of Europe’s attention, and the EU has always been extremely supportive of Azerbaijan’s position on the Nagorno-Karabakh conflict.³² Azerbaijan still hopes that the EU can act as a mediator in the conflict settlement. Several Western researchers are also of this opinion, calling for the European Union to replace France as a co-chair of the OSCE Minsk Group and believing that by doing so Europe will assume responsibility for resolving the conflict based on its adherence to “soft power,” its ability to ensure post-conflict restoration, and its positive image in the region.³³ After Peter Semneby was appointed EU Special Representative for the Southern Caucasus, the EU placed top priority on the settlement of regional conflicts, extending the mandate of the special representative.³⁴

But, according to several Azerbaijani experts, the EU, like the U.S., is not manifesting a steadfast position in this issue. For example, the same A. Babaev believes that the West is resorting to double standards: “While the West and the U.S. have been staunchly in favor of preserving Georgia’s territorial integrity, their appeals in a similar situation involving Azerbaijan and Nagorno-Karabakh do not sound so convincing.”³⁵

On the whole, of course, the use of double standards is the most common phenomenon of our times. Evidently this is why so many problems are difficult to resolve. But it should also be noted that statements as such by the sides will change very little in the world and probably also have very little meaning. For example, all of the West’s statements about Georgia’s territorial integrity in no way prevented Russia from recognizing Abkhazia’s and South Ossetia’s independence and, more important, strengthening its military presence in the region. On the other hand, there are several EU documents that unambiguously show Europe’s position regarding Azerbaijan. For example, the statement by the leadership of the European Union on the presidential election in the self-proclaimed Nagorno-Karabakh Republic categorically and unambiguously shows this by indicating that the EU again confirms recognition of Azerbaijan’s territorial integrity and again states that it does not recognize the independence of Nagorno-Karabakh (Brussels, 2 August, 2002). In our opinion, this kind of statement leaves no room for doubt about the EU’s position.

The European Parliament advocates the use of cross-border programs and dialog among civil societies as tools for conflict transformation.³⁶ No matter how insignificant such steps may seem, they are strategic and geopolitical in nature since they provide access to the “closed zone” and objectively highlight the events.

This EU policy, if of course such an interpretation is legitimate, entirely corresponds to the strategy of drawing new democracies in the post-Soviet expanse into the European civilizational expanse. Security, if we are not talking about any urgent measures associated with defending a particular region, is strategic in nature, does not stand alone, and fully corresponds to the objectives posed in other spheres. In the economy and culture, as well as in security, the EU, in our opinion, is proceeding from the need to transform the current state of affairs in the civilizational respect. It is no secret that over the past 20 years, Azerbaijan has not only been subjected to aggression and occupation of its territory, as well as to significant human sacrifices, but has also been inflicted with incomparable

³¹ O. Evdokimova, “Karabakhskiy konflikt glazami azerbaidzhanskogo issledovatel’i,” available at [<http://www.dw-world.de/dw/article/0,,4442360,00.html>].

³² See: E. Eyubov, “Azerbaijan—EU: Partnership in Progress,” *Azerbaijan in the World*, ADA Biweekly Newsletter, Vol. 2, No. 13, 2009, p. 3.

³³ See: S.E. Cornell, F.S. Starr, *The Caucasus: A Challenge for Europe*, Central Asia—Caucasus Institute, Silk Road Studies Program, Washington, June 2006, p. 80.

³⁴ See: E. Nuriyev, *EU Policy in the South Caucasus: A View from Azerbaijan*, CEPS, Brussels, 2007, p. 14.

³⁵ Quoted from: O. Evdokimova, op. cit.

³⁶ See: *European Parliament Resolution of 17 January, 2008 on a More Effective EU Policy for the South Caucasus: From Promises to Actions*, available at [<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P6-TA-2008-0016+0+DOC+XML+V0//EN&language=EN>].

moral damage. Lies have been spread very openly in the world about the country and its people, history, and culture. The victim has been described as a criminal. These moral wounds are unlikely to ever heal. Europe is absolutely right by believing that it will best be able to protect Azerbaijan by creating a “fragment of Europe” in the country. Historical experience has shown that it is very easy to squelch the rights of people living in a non-civilized space, but that this is impossible to do with people living in the space of the contemporary global civilization. This civilizational nature of today’s world is primarily manifested in the openness of the information space.

C o n c l u s i o n

The geopolitical interests of the EU in Azerbaijan include a broad range of issues, beginning with humanitarian culture and ending with economic issues, in particular energy resources. The very logic of the EU’s relations with the South Caucasian republics determines their content and nature.

European strategists are well aware that there are no means and no more or less long-term programs capable of creating a space of strong and stable peace and prosperity in the Southern Caucasus. So the EU is striving to create a cultural space in the region that duplicates Europe in the civilizational respect. This is why special efforts are being exerted to change the legislation of the South Caucasian countries in order to bring it into closer harmony with European standards.

GEO-ECONOMICS

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SOCIAL AND ECONOMIC ASPECTS OF EU-GEORGIA RELATIONS UNDER THE EUROPEAN NEIGHBORHOOD POLICY

A b s t r a c t

This article examines the approach proposed by the European Union with regard to its socioeconomic policy within the framework of the European Neighborhood Policy (ENP). The ENP implies the development by each South Caucasian state of an individual Action Plan based on its achievements and agreed with the Eu-

ropean Union. Economic integration is extremely important for steering a course toward Georgia's integration into the European Union, which is why these issues receive special attention in this paper.

The authors provide concrete examples of customs duty, VAT and excise tax levied on some Georgian exports to the EU

market. They also focus attention on the priority areas covered by the five-year EU-Georgia Action Plan in the sphere of socio-economic policy.

I n t r o d u c t i o n

The approach proposed by the EU under the European Neighborhood Policy makes it possible to achieve significant economic results since it envisages enhanced preferential trade relations and increased financial and technical assistance. This policy also offers neighboring countries the prospect of a stake in the EU internal market based on the approximation of legislative and regulatory frameworks, participation in some EU programs and improved business relations and contacts with the European Union. The economic benefits from this process are expected to be substantial and to accrue both directly and indirectly. Directly, the reduction of tariff and other barriers to trade should produce efficiency gains and improve welfare through increased market integration. The indirect effects, particularly on partner countries, will be even larger, helping to bring the neighboring countries closer to the EU economic model. Due to the implementation of international best practices, the European Neighborhood Policy and particularly the proposed extension of the internal market will also improve the investment climate in partner countries and provide a more transparent, stable and enabling environment for an expansion of the private sector. The ENP has serious potential to improve economic and social conditions in EU neighbor countries. However, the actual achievement of such results requires effective implementation of the agreed measures and compliance with the relevant rules. Deeper integration with the EU, especially with respect to the liberalization of capital movements, may under certain circumstances increase macroeconomic and financial volatility. Accordingly, the implementation of the ENP will have to be properly planned and sequenced, tailored to each country's specific circumstances and supported by sound macroeconomic, social and structural policies. The extent to which the ENP is perceived as beneficial depends on its effect on living standards. Participation in the ENP should be accompanied by active efforts to address poverty and inequality, and also to identify the priority areas of Georgian economic and social policy.

Priority Area 1

Improvement of Economic and Social Conditions in EU Neighbor Countries

The economic and social components of Action Plans should be consistent with the partner countries' own strategies. Dialog in general should be strengthened through the relevant subcommittees. A major role here is assigned to ensuring appropriate coordination with international financial institutions. These can make a valuable contribution both in terms of financing and policy advice.

The Action Plans set out ways and means to ensure that the EU and its partner countries derive maximum benefit from the provisions on trade contained in the partnership and cooperation agreements or association agreements with the EU. Due attention will also be paid to initiatives at regional level. The ENP implies even greater openness of the market in accordance with the principles of the World Trade Organization (WTO). In the context of the Barcelona Process, a free trade area for goods has been agreed, and asymmetric liberalization has begun. The ENP provides ways and means to deepen trade liberalization and regional integration. The Action Plans set out concrete steps to exploit

to the full the opportunities provided in the EU frameworks. These steps depend on each partner's needs, capacities and economic policy priorities. Regarding goods, steps should be taken to improve administrative cooperation and ensure the gradual elimination of non-tariff barriers to trade and the development of appropriate infrastructures. Free trade in services with and among partner countries requires further legislative approximation in fields such as company law, accounting and auditing rules. A comprehensive regulatory framework, combined with efficient and independent supervisory bodies, is particularly important for the financial services area. For the intensive development of business and promotion of investments, these countries must ensure the ability of their companies to operate at the international level. In combination with the above measures, access to the European financial market should eventually add to the stability of partners' financial markets and help enhance their economic performance.

Further liberalization of capital movements provides new opportunities. The objective of improving the investment climate (including transparency, project predictability) and simplifying these countries' regulatory frameworks is to facilitate and increase two-way investments. Non-discriminatory treatment of investors is an essential element in this process. The decisive role in removing administrative barriers to the development of business and improving the investment environment is assigned to measures aimed at enhancing a systematic dialog covering all investment-related issues and consultations with stakeholders. Convergence of regulatory systems in trade-related areas will certainly bring economic benefits both in terms of reforms and in terms of enhanced investment climate in partner countries. In particular, improvement of the mechanism for protecting intellectual and industrial property rights as well as effective enforcement of such rights, along with regulatory convergence and improved market access in the area of public procurement, will have a decisive influence on economic development and investment levels. Measures could also be taken to increase the harmonization and sustainability of statistical systems. In addition, partners should be encouraged to promote competition. This task could be performed by independent competition authorities with adequate powers and resources as well as proper training. In order to advance toward convergence with the EU internal market, partner countries will have to harmonize the relevant approaches and definitions, as well as anti-trust and state aid regulations. These measures will undoubtedly help to develop business and stimulate trade. The business climate will be improved by actions to modernize the tax system and increase its transparency. This implies convergence with the EU Code of Conduct for Business Taxation in line with WTO requirements and the adoption of conventions for the avoidance of double taxation. Measures to strengthen tax administrations and improve cooperation between them will also promote the effective functioning of market economies.

The enlargement of the European Union on 1 May, 2004, which is seen as a historic step in political, geographic and economic terms, has further reinforced the political and economic interdependence between the EU and Georgia. As a result of this enlargement, the EU and Georgia have an opportunity to establish a closer relationship going beyond cooperation and implying deeper economic integration and effective political partnership. The EU and Georgia are prepared to use this opportunity and enhance their cooperation in promoting stability, security and welfare. This attitude is founded on the principles of partnership, participation in joint activities and the EU's differentiated approach to each partner country.

The successful development of democracy and a market economy in Georgia is of long-term strategic interest to the European Union. The EU is interested in promoting sustainable development in neighboring countries and in establishing mutually beneficial political and economic relations with them. As a result of enlargement, the EU has moved even closer to the South Caucasus and, accordingly, these challenges have become even more relevant. In March 1990, Georgia declared its independence and withdrawal from the U.S.S.R. The EU was among the first to provide assistance to Georgia during the difficult transition period. This assistance, rendered both by EU institutions and EU member states, was provided through support for national and regional initiatives. In previous years, such assistance usually came in the form of humanitarian aid and was meant to meet the pop-

ulation's urgent and essential needs, subsequently developing into large-scale technical and financial support. The ENP Action Plan for Georgia was adopted on 14 November, 2006, following its endorsement by the EU-Georgia Cooperation Council. The Action Plan, which covers a timeframe of five years, will help to fulfill the provisions of the Partnership and Cooperation Agreement and to build ties in new areas of cooperation; it will encourage and support Georgia's objective of deeper integration into EU economic and social structures.

The implementation of the Action Plan will significantly advance the approximation of Georgian legislation to the legislative norms and standards of the European Union. It will build solid foundations for further economic integration. For its part, this integration is based on the adoption and implementation of economic and trade-related rules and regulations designed to enhance trade, attract more investments and ensure general economic growth. The Action Plan will also help to devise a policy and implement measures to promote economic growth and social cohesion, to reduce poverty and protect the environment. And this, in its turn, will help the country to achieve its long-term objective of sustainable development

Georgia and the EU intend to cooperate closely in implementing the Action Plan. The EU-Georgia ENP Action Plan sets the following priorities: strengthening of democracy and reform of state institutions; economic development and poverty reduction; reform of the judicial system; regional cooperation; and peaceful resolution of internal conflicts.

Since its inclusion in the ENP in 2004, Georgia can use what is known as the European Neighborhood and Partnership Instrument (ENPI).

Assistance provided by the European Commission (EC) to Georgia in 1992-2006 amounted to almost €506 million. In 2007, €24 million was allocated to Georgia under the ENPI to address the priorities set by the ENP Action Plan. In 2008, EC assistance to Georgia after the August crisis amounted to €120 million. This was part of a €500 million development and stabilization package for 2008-2010 promised to Georgia by the European Commission after the military conflict. In 2008, EC assistance to Georgia totaled €150 million, including €120 million in the form of post-conflict assistance, and €42 million as regular funding.

The Action Plan contains a set of priorities, some of which relate to areas specified in the Partnership and Cooperation Agreement (PCA), while others are beyond the scope of the PCA. All these priorities are of equal importance, but particular attention should be given to the second and third priority areas, which reflect the EU's social and economic policy toward Georgia.¹

Priority Area 2

Improvement of the Business and Investment Climate through a Transparent Privatization Process and a Continued Fight against Corruption

Specific actions:

- develop and implement a special program to improve the business climate, in particular to improve the conditions for starting a business, hiring and firing workers, registering property, getting credit, protecting investors, enforcing contracts, and closing a business;

¹ See: European Neighborhood Policy. European Union-Georgia Action Plan, available at [<http://www.delgeo.ec.europa.eu/trade/Booklet%20a4-2.pdf>].

- adopt a new Customs Code (2006) and implement it in line with EU and international standards;
- adopt and implement the necessary implementing provisions to the revised Customs Code in order to simplify and streamline customs procedures and to address the issues of customs ethics in line with EU and international standards;
- create a mechanism for regular consultation/information of the trade community on import and export regulations and procedures;
- strengthen the overall administrative capacity of the customs administration, in particular to increase the transparency of customs rules and tariffs, ensure the correct implementation of customs valuation rules, implement the principles of risk-based customs control and post-clearance control, and to provide the customs administration with sufficient internal and external laboratory expertise and sufficient information technology capacity;
- continue the modernization, simplification and computerization of the tax administration; ensure the strict enforcement of the Tax Code by defining all necessary administrative structures and procedures, including a fiscal control strategy, audit and investigation methods, cooperation with taxpayers and tax compliance;
- ensure a transparent privatization process both as regards divestiture and use of privatization proceeds;
- establish administrative capacities for creating an effective and transparent licensing system.

Priority Area 3

Encouragement of Economic Development, Enhancement of Efforts to Reduce Poverty and Ensure Social Equality, Promotion of Sustainable Development, Further Convergence of Economic Legislation and Administrative Practices

Specific actions:

- maintain macroeconomic stability by implementing prudent monetary and fiscal policies, including through ensuring the independence of the National Bank of Georgia; further improve strategic planning through a Medium-Term Expenditure Framework;
- conduct a systematic review and revision of the government's reform strategy document, with particular emphasis on poverty reduction;
- continue reforms in public finance management, including by implementing a Medium-Term Expenditure Framework fully consistent with the Georgian government strategy;
- develop an effective research and innovation policy directly relevant to Georgia's sustainable and equitable economic development policy objectives;

- encourage life-long and life-wide learning opportunities, as well as further the reform efforts in the field of education, science and training to promote sustainable development of human resources and human capital;
- reform the science management system through the creation of an appropriate regulatory framework, financing model and governance based on scientific excellence, capacity building and joint initiatives;
- foster the development of education, information and communication programs and technologies;
- improve quality in statistics;
- jointly explore options for further enhancing bilateral trade relations between the EU and Georgia, including the possible conclusion of a free trade agreement between the parties. In this context, the European Commission will undertake a feasibility study with due regard for regional trade and economic integration aspects;
- cooperate in the area of food safety;
- ensure effective cooperation in order to establish and strengthen in Georgia a modern institutional system of market surveillance.

After the Russian-Georgian war, the following issues became a subject of wide debate, discussion and assessment: How have the August events affected various spheres of life? What are the losses suffered? What are the prospects and possible ways of development? Naturally, this applies to all spheres: the socioeconomic status of the population, environment, energy, construction business, banking system, etc. In this case, we are concerned with relations between Georgia and the European Union. What has changed since the August events against the background of the EU's increased political activity with regard to the Russian-Georgian crisis? What is happening within the framework of the Neighborhood Policy? Especially since integration into the EU is among the top priorities of Georgian foreign policy.

Since economic integration plays an extremely important role in maintaining the course towards Georgia's integration into the EU, we will focus our attention on economic issues.

In 1999, Georgia became a beneficiary of the EU General System of Preferences (GSP), which removed customs duties for some Georgian exports to the EU market.² And since 2005 it has been a beneficiary of the second arrangement under the General System of Preferences known as the Special Incentive Arrangement for Sustainable Development and Good Governance (GSP+). Its first stage was completed on 31 December, 2008, and its second stage took effect on 1 January, 2009 and will be valid until 31 December, 2011.

The division of the whole GSP scheme for 2005-2015 into separate stages was dictated by the need to monitor each country's compliance with all conditions established for acquiring or maintaining GSP beneficiary status. In 2005, when the GSP+ scheme came into effect, EU regulations required that in order to obtain the status of a beneficiary a country had to ratify 16 core U.N. conventions, and by the end of 2008 countries enjoying such preferences and new countries wishing to apply for them already had to ratify 27 international conventions on human rights, sustainable development and good governance. In addition, they had to present reports on the implementation of these conventions. Applications from countries wishing to acquire GSP+ status or to continue benefiting from it, with attached documents on the ratification of the 27 international conventions, had to be submitted to the European Commission not later than 31 October, 2008. By the summer of 2008, out of the 27 international conventions Georgia had yet to ratify two conventions, which

² See: Commission of the European Communities. European Neighborhood Policy. Country Report Georgia. Brussels, SEC(2005) 288/3.

became a serious obstacle to its retaining the GSP+ beneficiary status. There were also difficulties due to the absence of provisions in Georgian legislation required by the conventions of the International Labor Organization (ILO). In September and October 2008, the Georgian parliament summarily ratified the two remaining conventions (the Cartagena Protocol on Biosafety and the U.N. Convention against Corruption). As a result of intensive consultations and negotiations with the ILO, the Georgian government resolved problematic issues in this area and informed the European Commission about this. On 31 October, 2008, the Georgian Ministry of Foreign Affairs submitted an application for the continuation of the GSP+ scheme in 2009-2011, with all the necessary documents. By decision of the European Union, Georgia remains a GSP+ beneficiary in 2009-2011.

The new scheme covers 6,421 products. It should be noted that imports of 2,452 products (from any country) are currently subject in the EU to zero customs duty, and GSP+ adds another 6,421 products to this list, which makes a total of 8,873 items.

In exports to the EU market, 8,873 Georgian products (92% of the total list) are not subject to customs duty, and the remaining 824 items (at present, the total EU product list includes 9,697 items) are subject to customs duty at the existing rate.

The European Union has intensified its negotiations with Georgia on the issues of free trade and visa facilitation.

A free trade agreement (FTA) provides for the removal of tariff barriers in all areas and for all types of trade, both in services and goods. It also minimizes non-tariff barriers. But this requires convergence of Georgian legislation with that of the European Union so that the standards of goods produced in the country and the standards of their production are brought into line with EU requirements. Current tariffs are very low (2.3%), and it is precisely non-tariff barriers that are mandatory standards limiting access for Georgian goods to the EU market.

The high level of these requirements is dictated by the desire of EU member states, on the one hand, to protect the health of their citizens, and on the other, to create conditions for fair competition in the EU market, i.e., to keep out goods produced in conditions and using technologies that do not meet EU standards and, accordingly, are low-cost, thus gaining a certain competitive advantage in the market. There is an initiative of the World Trade Organization known as the Doha Agenda, which provides for mechanisms to facilitate developing countries' access to Western markets. This initiative is supported, among others, by the European Union. Tariff barriers to trade are characterized by a general tendency to decline to zero. As for non-tariff barriers, the European Union is unlikely to agree to their removal in all cases, since this issue affects not only competition, but also human health and safety, living standards and quality of life.³ That is why we do not expect procedures in this area to be simplified. The European Union thinks it right that when food products are imported, non-tariff barriers that ensure compliance with health protection and food safety standards should remain in place. Naturally, the EU is doing all it can to create insurmountable barriers to the entry of low-quality products from developing countries that can be hazardous to the health of consumers. All of this requires the existence of a proper system of technical regulation and standardization. From this perspective, the situation in Georgia leaves much to be desired. Unfortunately, many areas that should be subject to government regulation were virtually beyond its scope. For example, such issues as food safety, industrial standards, building regulations, energy security and environmental protection (i.e., all that relates to economic activity) are regulated in EU countries in accordance with certain rules, and proper quality assessment systems are in place. All of this should also exist in Georgia at an appropriate level.

In the event of free trade, tariff barriers will be reduced to zero, although many free trade agreements provide for a negative list of products to which the agreement does not apply. This is a matter

³ See: M. Ganiashvili, "The EU Will Not Reduce Non-Tariff Barriers. Visa Facilitation and Problems of Free Trade with Europe," *Sakartvelos ekonomika*, No. 11, 2008 (in Georgian).

of bilateral agreement. We hope that with respect to Georgia there will be virtually no such list of exclusions. We should try to achieve an agreement under which not a single product is subject to tax. It may take us two or three years to reach the stage of conclusion of an agreement, depending on the intensity of government efforts and the degree of priority given to this area.

In February 2004, the European Union launched its Export Helpdesk [<http://exporthelp.europa.eu>], an online service that has made it much easier for third country exporters to obtain information required for access to the EU market. This online service, provided by the European Commission, is meant for third country exporters. It offers comprehensive information on customs duties, value added tax (VAT) and excise taxes applicable in the EU member states, customs documents required for import of products into EU territory, and trade statistics useful to business people. This service enables third country exporters to obtain information on whether or not EU trade preferences cover their products (and if they do, to what extent). This information helps developing countries to get a better understanding of how to use these preferences. It should be noted that, according to statistics, only 52% of all goods produced in developing countries that are covered by trade preferences are exported to the EU market.

Below we give concrete examples of customs duty, VAT and excise tax levied on some Georgian exports to the EU market. Exports of goods from third countries to the EU market are mainly subject to three kinds of tax: customs duty, VAT and excise tax. In the EU market, different products are taxed differently, so that the above taxes change depending on the type of goods. Moreover, whereas customs duty on a particular type of goods is roughly the same in all EU member countries, VAT and excise tax rates vary from country to country. To demonstrate the practical application of the EU Export Helpdesk, below we present tables showing how customs duty, VAT and excise tax are levied on some Georgian goods imported into the EU. The tax rates in these tables are given for each EU member country. Each table for a particular product is supplemented with a description of this product based on the Harmonized System (HS), the Combined Nomenclature (CN) and TARIC codes. This description also contains data on tariff quotas and preferences applicable to the product in question when it is exported to the EU.

Wine of fresh grapes (see Table 1)

Classification of the product:

- HS chapter 22—Beverages, spirits and vinegar;
- HS heading 2204—Wine of fresh grapes, including fortified wines;
- HS subheading 2204 29—Other (implies wines other than sparkling wines referred to in subheading 2204 10 and wines with fermentation prevented or arrested by the addition of alcohol referred to in Subheading 2204 21);
- CN subheading 2204 29 75—Other (implies wines other than those referred to in subheading 2204 29: bordeaux, bourgogne, tokaj, etc.);
- TARIC subheading 2204 29 75 10—Wine of fresh grapes;
- customs tariff for third countries: €9.9 per hectoliter (1 hectoliter = 100 liters);
- tariff preferences (including under the GSP): not provided;
- import tariff quota for up to 20,000 hectoliters: €8 per hectoliter.

Hazelnuts in shell (see Table 2)

Classification of the product:

- HS chapter 08—Edible fruit and nuts;

- HS heading 0802—Other nuts (implies nuts other than coconuts, Brazil nuts and other nuts referred to in heading 0801);
- HS subheading 0802 21—Hazelnuts;
- CN subheading 0802 21 00—Hazelnuts in shell;
- customs tariff for third countries: 3.2%;
- as an EU GSP+ beneficiary, Georgia has special preferences, so that customs duty on the import of hazelnuts into the EU for Georgian exporters is equal to zero;
- import tariff quota for this product: not established.

Table 1

**Customs Duty,
VAT and Excise Tax on Georgian Exports of Wine of
Fresh Grapes to the EU Market**

No.	Country	Customs Duty per 100 Liters	VAT, %	Excise Tax per 100 Liters
1	Austria	€9.9	20	0
2	Belgium	€9.9	21	€47.0998
3	Bulgaria	€9.9	22	90 Bulgarian leva
4	Germany	€9.9	19	0
5	United Kingdom	€9.9	17,5	194.8 pounds (alcohol content 5.5%-15%)
6	Denmark	€9.9	25	614 Danish kroner
7	Estonia	€9.9	18	1,040 Estonian kroons
8	Spain	€9.9	16	0
9	Ireland	€9.9	21	€273 (alcohol content 5.5%-15%)
10	Italy	€9.9	20	0
11	Cyprus	€9.9	18	€45
12	Latvia	€9.9	18	30 Latvian lati
13	Lithuania	€9.9	18	80 Lithuanian litai
14	Luxembourg	€9.9	12	0
15	Malta	€9.9	18	0
16	Netherlands	€9.9	19	€68.54
17	Poland	€9.9	22	136 Polish złotych
18	Portugal	€9.9	12	0
19	Rumania	€9.9	19	0

Table 1 (continued)

No.	Country	Customs Duty per 100 Liters	VAT, %	Excise Tax per 100 Liters
20	Greece	€9.9	19	€45
21	France	€9.9	19.6	€3.4
22	Slovakia	€9.9	19	0
23	Slovenia	€9.9	20	0
24	Hungary	€9.9	20	0
25	Finland	€9.9	22	€233
26	Sweden	€9.9	25	€21.58 (alcohol content 8.5%-15%)
27	Czech Republic	€9.9	19	0
Source: EU Export Helpdesk [http://exporthelp.europa.eu].				

During the past five years, bilateral trade between the European Union and Georgia has been growing steadily. The EU is Georgia's main trading partner (in 2006, its share of Georgia's overall external trade was 29.2%). In 2007, the total turnover of EU-Georgia bilateral trade was €1.563 billion; exports to the EU amounted to €1.081 billion, and imports, to €482 million. However, Georgian exports to the EU are very limited and should be further diversified.

Table 2

**Customs Duty,
VAT and Excise Tax on Georgian Exports of Hazelnuts
in Shell to the EU Market**

No.	Country	Customs Duty, %	VAT, %	Excise Tax
1	Austria	0	10	0
2	Belgium	0	6	0
3	Bulgaria	0	20	0
4	Germany	0	7	0
5	Denmark	0	25	14.25 Danish kroner per kg
6	United Kingdom	0	0	0
7	Estonia	0	18	0
8	Spain	0	7	0
9	Ireland	0	0	0
10	Italy	0	4	0

Table 2 (continued)

No.	Country	Customs Duty, %	VAT, %	Excise Tax
11	Cyprus	0	0	0
12	Latvia	0	18	0
13	Lithuania	0	3	0
14	Luxembourg	0	12	0
15	Malta	0	0	0
16	Netherlands	0	6	0
17	Poland	0	3	0
18	Portugal	0	12	0
19	Rumania	0	19	0
20	Greece	0	9	0
21	France	0	5.5	0
22	Slovakia	0	19	0
23	Slovenia	0	8.5	0
24	Hungary	0	20	0
25	Finland	0	17	0
26	Sweden	0	12	0
27	Czech Republic	0	9	0
Source: EU Export Helpdesk [http://exporthelp.europa.eu].				

Limited progress is recorded in the area of regulatory convergence with EU legislation on trade and investment, as provided by the Partnership and Cooperation Agreement and the ENP Action Plan. The adoption of such legislation in Georgia is necessary to improve the practical access of Georgian products to the EU market. Negotiations on a bilateral agreement on the protection of geographical indications (including wine and alcoholic beverages), which started in 2007, were concluded on 29 July, 2010. The text of the Agreement was initialed. Some successes have been achieved in the approximation of customs legislation and procedures with European and international standards. The new Customs Code of Georgia entered into force in January 2007. It reduces the number of customs regimes and contains general provisions on free zones and free warehouses. The structure, terms and principles of this Code are broadly compatible with the Community Customs Code and the revised Kyoto Convention on the Simplification and Harmonization of Customs Procedures.⁴ However, the lack of implementing provisions to the Georgian Customs Code hampers its implementation and reduces the transparency of customs rules for economic operators. Particular attention should be paid to valuation rules and post-clearance controls.

⁴ See: Commission of the European Communities. Commission Staff Working Document. Implementation of the European Neighborhood Policy in 2007. Progress Report Georgia. Brussels, 3 April 2008, SEC(2008)393.

Georgia is a key transit country for the supply of Caspian energy resources to the EU market. The most significant event for Georgia in this area was the full operation of the Baku-Tbilisi-Ceyhan (Turkey) oil pipeline and the first gas flows through the Baku-Tbilisi-Erzurum (Turkey) gas pipeline. Georgia, Poland, Lithuania, Azerbaijan and Ukraine have reached an agreement to work together on the extension of the Odessa-Brody oil pipeline to Gdansk in Poland. This agreement will help to increase significantly the supply of Caspian energy resources. Natural gas imports from Azerbaijan have opened opportunities for diversification in Georgia, which was fully dependent on Russian gas supplies. Options for underground gas storage have also been studied. Georgia has actively cooperated in the European Commission's feasibility study regarding the Trans-Caspian (Black Sea) energy corridor. Together with Kazakh investors, it plans to build an oil refinery at the Batumi Port. These developments are also important for strengthening the EU's energy security, particularly in relation to projects such as the construction of the Nabucco gas pipeline (from Turkey to Austria).

C o n c l u s i o n

The current European Neighborhood Policy has serious potential to improve economic and social conditions in the EU neighborhood, enhance the investment climate, and provide a more transparent, stable and enabling environment for private sector-led growth in partner countries.

The implementation of this policy will help Georgia in its efforts to reduce poverty, enhance social equality and ensure the country's sustainable development.

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ECONOMIC THOUGHT IN FEUDAL GEORGIA

A b s t r a c t

The author takes a look at the outstanding literary and legal works of feudal Georgia—*The Knight in the Tiger Skin* by Shota Rustaveli (11th-12th cc.); *The Code of Laws of Beka and Agbuga* (14th-15th cc.); *The Royal Court Regulations of*

George V the Illustrious (1314-1346); *The Description of the Kingdom of Georgia* by Vakhushti Bagrationi (1696-1757); *The Book of Law of King of Kartli Vakhtang VI* (1675-1737); *Kalmasoba* by Ioann Bagrationi (1768-1830); and *The Book of Wis-*

dom and Lies by Sulkhan-Saba Orbeliani (1658-1725)—in order to trace the development of economic thought in Georgia. He discovered that much of what can be found

in these written sources is related to the economic doctrines of mercantilism, classical political economy, and particularly the ideas of the physiocrats.

I n t r o d u c t i o n

The study of economics covers a vast area of intellectual pursuit related to the specifics and complexities of practical economic activities. A multitude of economic ideas, points of view, opinions, and theories exist alongside theoretical models, otherwise known as economic doctrines. In other words, an economic doctrine is the sum-total of postulates indispensable for analyzing all sorts of mechanisms and elaborating fundamental principles which boost the development of practical economic activities and economic science.

To sort out all these economic doctrines, we need to learn as much as possible about the origins and evolution of economic ideas in various historical epochs. In this context, the economic ideas of feudal Georgia found in the written sources of the time deserve close attention.¹

Here I have analyzed the following sources, *The Knight in the Tiger Skin*; *The Code of Laws of Beka and Agbuga* (compiled in Samtskhe-Saatabago); *The Royal Court Regulations*, *The Description of the Kingdom of Georgia*, *The Book of Law of Vakhtang VI*, *Kalmasoba*, and *The Book of Wisdom and Lies*, to demonstrate that some of their ideas laid the foundation for mercantilist, physiocratic, and certain other economic doctrines.

The Knight in the Tiger Skin: Poem by Shota Rustaveli (11th–12th cc.)

The poem was written by a great Georgian statesman and poet who filled the post of *mechurhletukhutsesi* (finance minister) under Queen Tamar and King David Soslan (1189-1207). Its economic ideas (examined in detail by Academician V. Chantladze)² are no less attractive than its ideology and high artistic qualities.

Rustaveli's poem contains ideas and principles typical of economic doctrines (mercantilism) formulated several centuries later. The author concentrated on methods by means of which wealth (precious metals, money, and expensive clothes) could be obtained and trade (particularly foreign trade) as the principal source of wealth (which can be both gained and lost) encouraged.

1065 GREAT merchants can find nought more profitable than
this: They buy, they sell, they gain, they lose; a poor man
will be enriched in a month; from all quarters they gather
merchandise; the penniless by the end of the year have
wares laid by.³

¹ See: *Monuments of Georgian Law*, Vol. 1, Tbilisi, 1963; Vol. 2, Tbilisi, 1965; Vol. 3, Tbilisi, 1970; Vol. 4, Tbilisi, 1972; Vol. 5, Tbilisi, 1974; Vol. 6, Tbilisi, 1974; Vol. 7, Tbilisi, 1981; Vol. 8, Tbilisi, 1985 (in Georgian).

² See: V. Chantladze, *Economic Ideas of Shota Rustaveli*, Tbilisi, 1992 (in Georgian).

³ Here and hereafter quoted from: Sh. Rustaveli, *The Knight in the Tiger Skin*, Transl. by Marjory Scott Wardrop, Ill. by I. Toidze, Introd. by Irakly Abashidze, Progress Publishers, Moscow, 1977, 430 pp., available at [http://www.nplg.gov.ge/dlibrary/collect/0001/000067/Introduction%20%3D.pdf].

The minister of finance was obviously aware of other sources of wealth—agriculture and handicrafts—even though he attached less importance to them.

He encouraged free trade (unhampered movement of commodities); traders, especially those engaged in foreign trade, needed protection: they could not fight off corsairs themselves.

Avtandil fought off the corsairs who attacked a caravan of merchants from Baghdad and never asked for payment. He addressed the merchants with the following words:

1038 YOU merchants are cowards, unskilled in war. Lest they
 slay you with the arrow from afar, shut the doors behind
 you. Behold me alone how I fight, how I use my lion-like
 arms; see how I make the blood of the corsair's crew flow.

Rustaveli looked at objects (commodity or property) as a wealth which should bring profit, otherwise it was useless. When engaged in acquiring wealth, one should stay within the moral norms since a good name is more precious than wealth. At the same time, one's own rather than state property could be given away, as T'hinat'hin did.

52 SHE sent for her faithful, trusty tutor, and said: "Bring
 hither all my treasure sealed by thee, all the wealth
 belonging to me as king's daughter." He brought it; she
 gave without measure, without count, inexhaustibly.

The great *mechurchletukhutsesi* described the person entrusted with the czar's personal wealth as "treasurer;" for him, the "state budget" looked like a sea with its ebbs and flows: "having ebbed, water returns."

Rustaveli's ideas have very much in common with what Aristotle wrote in his testament about the liberation of slaves, being convinced that the change in the instruments of production would bring about the abolition of slavery. The Georgian author believed that the lower social strata should be liberated unconditionally and acquire private property. Here is what Avtandil says:

801 I HAVE countless possessions weighed by none: Give the
 treasure to the poor, free the slaves; enrich every orphan
 without means; they will be grateful to me, remember me,
 bless me; I shall be thought of.

This short analysis of the great work of literature suggests that the author formulated mercantilist ideas (as related to trade); he was one of the precursors of the teaching that took shape several centuries later.

The Code of Laws of Beka and Agbuga

In 1334, George V the Illustrious expanded the territory of Georgia to include the Princedom of Samtskhe. From that time on, the Georgian kings appointed administrators (atabags) to this area who had the authority to establish rules of law.

Atabag Beka II (1361-1391) governed the princedom during the invasion of Tamerlane; his grandson Agbuga filled the same post in the first half of the 15th century (1444-1451).

Agbuga expanded and embellished the code of laws his grandfather had started until it became what is known today as *The Code of Laws* of Beka and Agbuga⁴; it was intended for Meskheta, a large area that covered about one-third of Georgian territory at that time (the districts of Akhaltsikhe and Akhalkalaki, the Artan region, and the Chorokh Gorge).

In line with the mercantilist doctrine, *The Code* concentrated on trade; it protected the merchants by saying that those who robbed, murdered, or wounded a merchant “should return twice as much, while the blood shed should be repaid separately.”⁵ The blood of a rich merchant was assessed at 12 thousand tetri, that of a medium merchant at 6 thousand (Point 96),⁶ while the blood of a peasant was much cheaper, 400 tetri.⁷

According to Academician Metreveli, in the 12th century, kings encouraged trade which was closely associated with the crafts, of which Tbilisi was the center. Petty traders worked inside the country and served their masters, while big merchants led caravans to other states and enjoyed a lot of influence. Urtagebi,⁸ a trade organization, was set up to control caravan trade.

The merchants belonged to the most important social group.

The Code of Laws reveals that the peasants were free and their relations with landowners were temporary; they were commoners with land of their own (described as “bought lands”). Relations between the peasants and the landowners were ruled by contract; prisoners-of-war were one of the sources of slavery.⁹

According to the feudal relations in Saatabago, the fief belonged to the master; those who wanted to acquire land and own it had to be submissive and dedicated servants; the master was duty bound to bring an offender or criminal to account.

The Code of Laws dwells in detail on the methods of management. If sold for debts, the price was lowered in the hope that the owner could buy it back, allegedly to maintain order.¹⁰

Under one of the laws, one could borrow silver and grain (by weight); money (tetri) could be lent and borrowed.¹¹ The payback date and the terms on which privileges could be granted were carefully specified; high interest on debt was banned; *The Code* directly indicated that three units would be enough to repay two borrowed ones. If anyone demanded more than that the debtor could refuse to pay; if he was forced, a council ruled that what had been paid above the stated sum should be returned since “money-grubbing was sinful.”¹²

This meant that the maximum interest on lent goods was 50 percent and on money (tetri), 20 percent; “in a year a thousand and two hundred gained on a thousand should be enough.”¹³

The Code of Laws speaks of “lease” and “rental contracts,” which were not limited to inanimate objects (like in Roman law) but dealt with people and cattle.

It says that if one man hired another for any job (including crafts), the price should be specified by contract and nothing should be paid over and above this amount.¹⁴

The Code deals with loan guarantees, of which two types were discerned: for princes (nobles) and for peasants; the former, unlike the latter, could borrow money without any preconditions.¹⁵

⁴ See: “The Code of Laws” of Beka and Agbuga, in: *Monuments of Georgian Law*, Vol. 1, pp. 423-463.

⁵ Ibid., p. 463.

⁶ Ibidem.

⁷ See: R. Metreveli, *Vnutriklassovaia borba v feodalnoy Gruzii (XII v.)*, Tbilisi, 1973, p. 299.

⁸ Ibid., pp. 299-300.

⁹ See: “The Code of Laws” of Beka and Agbuga, p. 463.

¹⁰ Ibid., p. 462.

¹¹ Ibid., p. 463.

¹² Ibid., p. 462.

¹³ Ibidem.

¹⁴ Ibid., p. 456.

¹⁵ Ibid., p. 452.

This means that *The Code of Laws* of Beka and Agbuga serves as an important source for students of mercantilist literature; it offers economic information which today has acquired particular pertinence. This is especially true of agriculture, industry, and financial relations.

The Royal Court Regulations of George V the Illustrious

George V the Illustrious (1314-1346,) son of Georgian King Demetre II the Self-Sacrificing, ended the Mongolian rule in his country; he personally contributed to *The Royal Court Regulations*,¹⁶ an important code of laws discovered and published by Academician E. Takaishvili in 1920.

According to this monument of Georgian law, the state was a feudal monarchy in which the king ruled with the help of prominent feudal lords and a *darbazi*, which can be described as a legislature (parliament). It met either as a closed circle (the *darbazi* members) or in "extended form" when other people were invited to join the session.

The *darbazi* can be described as a meeting of viziers, eristavs, and bishops; if present the king chaired the meeting himself; otherwise this honor belonged to *mtsignobartukhutsesi* (the chief scribe, the first vizier).

One of the main roles belonged to the *mechurchletukhutsesi*, who was one of the viziers. *The Royal Court Regulations* described his position as exclusive: he looked after the treasury and cash (in the form of gold, silver, money, precious stones, and the Chinese and Kashan treasures)¹⁷ and also managed big merchants and all other traders.¹⁸

The *mechurchletukhutsesi*'s functions suggest that *The Regulations* relied on the mercantilist idea of domestic and foreign trade in which royal property was also involved. The finance minister, however, was expected to concentrate, first and foremost, on state finances (income and spending).

The document uses the following economic terms: *tetri* (silver coins); *lari* (treasures, brocade), *tvaltva* (counting and accounting); *iafeba* (cheap, simple); *saangarisho godori* (place where financial documents were kept); *molare* (cashier), *molaretukhutsesi* (senior cashier); *musha* or *mushat moaskhio* (probably, hired hands); *sakrefeli* (payment); *sachurchle* (house in which expensive vessels and treasury were kept); *churcheli* (gold and silver vessels); *mushribi* (tax collector and tax keeper), etc. Many of the above terms are still in use, albeit in modified forms.

On the whole, from the point of view of economic theories, the fact that the finance minister looked after trade and merchants deserves special mention: this means that very much like in mercantilism, the feudal monarchy supported trade while state-financial relations were well regulated.

The Description of the Kingdom of Georgia

Mother of Vakhushti Bagrationi (1696-1757), son of Vakhtang VI, was a bonded peasant. In 1724, Vakhushti and his father left for Russia; in 1757 he died and was buried in the Donskoy Monastery in Moscow, a traditional burial place of Georgian emigrants.

¹⁶ See: *Monuments of Georgian Law*, Vol. 3, pp. 32-50.

¹⁷ Kashan, a city in central Iran, is famous for its ceramics, carpets, and silk.

¹⁸ See: *Monuments of Georgian Law*, Vol. 3, p. 39.

The main part of *The Description of the Kingdom of Georgia*¹⁹ was written in about 1742-1745; it is a veritable treasure trove of information about the country's natural riches and economic potential from the earlier days to the first half of the 18th century. Vakhtang Bagrationi, its author, was especially eloquent about the idea of Georgian unity.

The Description supplies information about the kingdom's social structure: society consisted of "eristavs, princes, nobles, merchants, workers and working peasants," each of the social groups having rights and duties of its own.²⁰

The work uses the word "sachurle" to speak of the treasury supervised by the *mechurchletukhutsesi*: "the *mechurchletukhutsesi* had all the royal valuables and treasures in his hands."²¹ Spending, income, etc. were described by special terms.²²

When writing about art, Vakhushhti also included crafts (handicrafts and construction), in addition to everything else, believing them to be very important for the country's development.²³

He pointed out that the Lazes had made the greatest achievements in art (handicrafts), wood-work, and construction²⁴; while the Ajars were considered excellent cabinet-makers.²⁵

Sale of the products of labor, which was indispensable for the development of trade, also received its share of the attention.

Vakhushhti Bagrationi's profound analysis of Georgia's economic potential and natural resources allowed him, along with the "classics," to point to production (crafts and agriculture) as an absolute priority, sale of the fruits of this labor coming second.

The Book of Laws of Vakhtang VI

a. Laws of Vakhtang

King of Kartli Vakhtang VI (1675-1737) was personally involved in writing *The Laws of Vakhtang*²⁶; paragraphs 115-159 (there are 270 paragraphs in all) form a separate chapter with highly interesting opinions about debts, interest rate, etc.

The Laws accept interest on debt either in monetary form or products (grain and wine), but within certain limits. Paragraph 125, for example, says that it is much better not to cash in on interest and that the higher the gain the less conscience a creditor has ("the less he cherishes his soul"). Gain should be limited to 2.5 percent a month per 1 tetri.²⁷

Well aware that creditors could waive profit only out of fear of God, the law-maker had to establish fair limits on the amount of profit earned.

The interest rate on products most likely reached 100 percent in those days, which weighed heavily on peasants unable to repay their debts on time. In view of this, Paragraph 126 specifies that "fair gain for grain is twelve to ten; however, if anyone wishes to go against their conscience and try the wrath of God, fifteen to ten is sufficient. Higher rates are unacceptable."²⁸

¹⁹ See: V. Bagrationi, *The Description of the Kingdom of Georgia*, ed. by T. Lomouri, N. Berdzenishvili, Tbilisi State University Press, Tbilisi, 1941 (in Georgian).

²⁰ Ibid., p. 14.

²¹ Ibid., p. 16.

²² Ibid., p. 17.

²³ Ibid., p. 111.

²⁴ Ibid., p. 142.

²⁵ Ibid., p. 134.

²⁶ See: "Laws" of Vakhtang Batonishvili, in: *Laws of Vakhtang VI*, Tbilisi, 1981 (in Georgian).

²⁷ Ibid., p. 218.

²⁸ Ibid., p. 219.

From this it follows that the interest rate on grain (Paragraph 127) should remain within 16 to 34 percent, which could be considered very lenient. In the case of wine, the gain was 100 percent: “those in debt on old wine should repay with new at a rate of one to two.”²⁹

Paragraph 131 specified the duties of the borrower: he was duty bound to use his own resources to return his debt.³⁰

b. “Dasturlamali”

In 1707-1709, Vakhtang VI (Batonishvili) created *Dasturlamali*,³¹ a book of state and administrative regulation which remained in force in Georgia until it became part of Russia. It included the court code of laws relating to taxation and finances of the Kartli Kingdom.

Dasturlamali is a Persian-Arabic word which means a “handbook,” “instructions” or “directions.” Used in Iran, Turkey, and the Southern Caucasus, it means one of the branches of state law.

Dasturlamali, copied in 1821 from the original, was published in 1886 by Petre Umikashvili.

The code used the following economic terms: *gamosagebi* (payment); *zarafi* (money-changer, banker); *tavis gasamtekhlo* (literally: headache, fine paid by the offender); *tetri* (silver coins or money in general); *ijara* (leasing, the right to use something for a definite amount of time and for a definite payment); *ijaradari* (tenant); *bazhi* (sales duty); *mebazhe* (collector of sales duty); *begara* (a peasant’s duty to work for his master); *mosavali* (income); *mojamagire* (hired worker); *musha* (land-tiller); *sabagi* (jeweler’s shop, jeweler); *sabaga* (mold for casting coins); *sakomlo gadasakhadi* (family payment); *samaspindzlo* (money used to treat the master); *sargo* (an official’s property); *satarugo* (payment to a military commander); *sauri* (payment); *sakvrio gadasakhadi* (payment to marry off a widow); *sakorugo gadasakhadi* (payment for pastureland); *jamagiri* (wages), etc. Some of the terms are still in use.

On the whole, the *Dasturlamali* code of law is a valuable historical source brimming with highly interesting information relating to the monetary and fiscal doctrines, certain elements of which were used by the mercantilist and classical (including physiocratic) trends.

Khumarstsavla (Kalmasoba) of Ioann Batonishvili

Ioann Batonishvili (Bagrationi), a prominent statesman and scholar, son of George XII, the last king of Georgia, was born in 1768 in Tbilisi. In 1795, he fought in the Battle of Krtsanisi against Agha Mohammad Khan; in 1801, when the Kartli-Kakheti kingdom was liquidated, he moved to St. Petersburg, where he died in 1830.

In 1799, Ioann presented his father with a project of several reforms of state administration and the education system.³²

Kalmasoba, or *Khumarstsavla*, a collection of encyclopedic knowledge of practically all the natural sciences and humanities, is Batonishvili’s highest creative achievement.

²⁹ Ibidem.

³⁰ Ibid., p. 220.

³¹ See: “Dasturlamali,” in: *Monuments of Georgian Law*, Vol. 2, pp. 475-728.

³² See: I. Bagrationi, *Sdzuldeba*, Tbilisi, 1957 (in Georgian).

He divided art into two types: “abstract” (theology, philosophy, and astronomy) and “business-like” (jewelry, watch-making, molding, weaving, etc.).³³ He also believed that trade, foreign trade included, should be encouraged: trade and crafts should not remain within the country’s borders; they should go beyond it to bring in greater income.³⁴

He believed that trade would meet the needs of cities and enrich the country: “In cities, everyone should live in comfort first, because this adds to the city’s glory and, second, because the country grows rich by trade. Those who live in empty houses and have money should buy everything to make their houses comfortable.”³⁵ Batonishvili was against tax paid in kind or in money: “In the olden days, when Mtskheta was the [capital] city, there were numerous taxes in it. When Tbilisi became the [capital] city, the taxes moved there... One arba has to pay one shauri (1/20 of one tetri) and grain, while the caravans and merchants have to pay 2 shauri.”³⁶

Ioann wrote about money (false and genuine), metal coins made in different countries: “Asians, that is Persians, use black money made of copper, silver as well as gold money. They divide the black money in four parts and use them... In India, people use rupees... Georgians make false tetri and use them, in the way rupees and gold are used, that is, as clean, real tetri.”³⁷

He says that wealth should be used rationally; given by God, who decides how wealth should be used, it requires adequate behavior. He calls on those who have wealth to use it to help the needy and never tolerate the arbitrary rule of the powers that be.³⁸

Khumarstsavla pays a lot of attention to “commerce and trade” discussed from the mercantilist position. Ioann Batonishvili treated commerce (or trade) as an art of exchanging commodity for commodity or commodity for money to obtain maximum profit.³⁹

He described trade, which has existed since ancient times, as an exchange of commodities (which did not involve money) or as “relations of consumer goods exchange,”⁴⁰ and said that money was a later invention (earlier pieces of leather, gold, silver and copper were circulated).⁴¹

Batonishvili spoke of the most successful trading people, “the early Phoenicians, then the Egyptians, Carthaginians, Athenian citizens, and then the French and the Flemish,” as well as his contemporaries—the English, Dutch, Venetians, and Genoese.⁴²

He was convinced that correctly organized commerce required good knowledge of arithmetic and geography: a merchant “should know for sure in which country he can buy goods, what can be bought for the best price, and where. He should know whether prices have risen in a country, where things can be bought cheap, and where he might run into problems.”⁴³

He believed that summer was the best season for merchants; that sea-going vessels were much better suited for trade than pack-horses because, he argued, you could move forty liters by a pack-horse and forty thousand liters by a merchant ship. “See for yourself who will earn more.”⁴⁴

Ioann Batonishvili did not approve of those who despised trade: “Others got rich from it because these [people] despise trade,” said he.⁴⁵

He was convinced that export and import (“taking goods out of the country and bringing goods into the country”) requires that the state establish advantageous customs dues. He said that people in

³³ See: I. Bagrationi, *Khumarstsavla (Kalmasoba)*, Book I, Tbilisi, 1990, p. 83 (in Georgian).

³⁴ Ibid., p. 93.

³⁵ Ibid., p. 432.

³⁶ Ibid., p. 104.

³⁷ Ibid., p. 476.

³⁸ Ibid., p. 492.

³⁹ Ibid., p. 509.

⁴⁰ Ibidem.

⁴¹ Ibid., p. 510.

⁴² Ibidem.

⁴³ Ibidem.

⁴⁴ Ibid., p. 511.

⁴⁵ Ibidem.

trade and money lending should learn to be satisfied with moderate profit and never exceed the twelve-to-ten profit rate.⁴⁶

This means that Ioann Batonishvili's *Khumarstsavla*, with the questions of trade and commerce he discussed in it, is a valuable historical monument which sheds light on the sources of mercantilist economic doctrines.

The Physiocratic Ideas of Sulkhan-Saba Orbeliani

Sulkhan-Saba Orbeliani (1658-1725), a prominent Georgian writer and public figure, was the tutor of King Vakhtang VI. In 1724, he accompanied the king to Russia; a year later he died in the village of Vsekhsviatskoe outside Moscow and was buried there in the Church of All Saints.

His *Sitqvis kona* dictionary⁴⁷ contains numerous mercantilist and physiocratic economic terms, such as "merchant" (trader); "income" (receipt of goods); "fruitful" (bearing fruit), etc.

Academician V. Chantladze⁴⁸ offered a profound study of Sulkhan-Saba Orbeliani's economic views paying special attention to physiocratic ideas. *The Book of Wisdom and Lies* (1686-1695), a collection of didactic fables, is another no less interesting source.⁴⁹

One of the fables, "Two Rich Men," compares two rich people, one of whom owns treasures and production facilities, while the other has a large amount of agricultural products.

One of them was rich and the other was even richer, his fame spreading far and wide.

The rich man said to himself: "My treasure is vast; no king has more than I have, yet the wealth of this man is rumored to be vaster than mine. I should take a look at his wealth: I wonder what he has?" He came and asked the other to show him his wealth. This man showed him and said merrily: "Here is what God gave me by His mercy."

The rich man was very disparaging of him and those who praised his wealth: "I have as many precious stones as you have grains and I don't think much of them." With this he left.

Next summer the drought left people without grain and they were hungry. The rich man invited the man rich in grain to come and see him and offered him his wealth in exchange for bread. But the latter did not respond.

He then loaded his precious stones, which nobody needed, on a camel and sent them to the other, asking in return: "Send me an equal weight of grain." "Don't tell me what I should ask for my bread," was the answer. "If you send your wife to me you will have as much bread as you want."

Disheartened, the rich man said: "If I send him my wife, what shall I say to my friends, and for whom do I then need to buy bread. If I refuse and get no bread, my children will perish."

He pulled himself together, put his wife on a horse, and sent her off. On seeing the wife, the other rich man greeted her with honors and said: "I saw your husband tortured by pride and full of scorn about my wealth. Take as much bread as you want and return home!"

He gave her a lot of bread and sent her off with God's grace.⁵⁰

This conflict demonstrated that the position of man rich in products was preferable to that of his opponent, a conclusion which fit the ideas of the physiocratic school that developed later.

Academician Chantladze, however, wrote that "this does not make Sulkhan-Saba Orbeliani a physiocrat. The physiocratic school emerged in France in the 1750s, therefore, 25 years later."⁵¹

⁴⁶ Ibid., p. 513.

⁴⁷ See: S.-S. Orbeliani, *Georgian Dictionary*, Part I, Tbilisi, 1991; Part II, Tbilisi, 1993 (in Georgian).

⁴⁸ See: V. Chantladze, *Economic Ideas of Sulkhan-Saba Orbeliani*, Tbilisi, 1959 (in Georgian).

⁴⁹ See: S.-S. Orbeliani, *The Book of Wisdom and Lies*, Tbilisi, 1957 (in Georgian).

⁵⁰ Ibid., pp. 71-72.

⁵¹ V. Chantladze, *Economic Ideas of Sulkhan-Saba Orbeliani*, p. 42.

Sulkhan-Saba Orbeliani was not a physiocrat; he never spoke of industry as a “fruitless” sphere which means that, on the one hand, his ideas were close to those of the physiocrats, while on the other, they were close to the classical economic theory.

C o n c l u s i o n

This analysis of the history of economic science shows us the dynamics of scientific progress and the driving forces behind it.

It is a concise study of one aspect of this inexhaustible subject demonstrating that the Georgian sources contain ideas fully compatible with the main economic trends.

The Georgian written sources analyzed above, especially *The Knight in the Tiger Skin*, *The Code of Laws*, *Kalmasoba*, and *The Book of Wisdom and Lies*, demonstrate numerous aspects typical of the economic doctrines of mercantilism, classical political economy, and, in particular, the ideas of the physiocrats.

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THE ROLE OF ASYMMETRIC INFORMATION IN THE FINANCIAL SYSTEM: THE CASE OF AZERBAIJAN

A b s t r a c t

This study analyzes nature of financial crises, information asymmetry in the Azerbaijan banking sector and Central Bank's anti-crisis policies in the global financial crisis period. The implemented anti-crisis programs eliminated credit crunch

problem resulting from asymmetric information problem in the economy. However, the banking sector requires improving modern risk management techniques in order to diminish causes of informational asymmetries.

I n t r o d u c t i o n

The global financial crisis has created complex problems over the world. Financial globalization is accelerating the spread of the crisis worldwide. Policymakers, particularly those in the central

bank, are faced with the questions of what they should do to prevent financial crisis. In order to answer this question, one must first understand the nature of financial crises and how they might affect the aggregate economy.

The banking system in Azerbaijan, like other emerging countries, is a primary component of domestic financial market and the only source of external financing for some important sectors of the economy. In financial markets, asymmetric information between lenders and borrowers is very important in understanding financial disturbances. Disturbances in financial markets stemming from informational asymmetries may lead to a reduction in lending to borrowers—the credit crunch—and thus result in contractions in investments and economic activity. In this case banks are unable to fully perform their intermediation role.

After describing how an asymmetric information approach helps to understand the nature of financial crises, this paper focuses on informational asymmetries in the Azerbaijan banking sector and Central Bank's antirecessionary policies that eliminated credit crunch problem resulting from asymmetric information problem in the economy. As well as considering the nature of asymmetric information, recent sustainability of the banking sector will be analyzed.

The Nature of Asymmetric Information in the Financial System

The asymmetric information literature which looks at the impact of financial structure on economic activity provides a broad definition of the nature of financial crises. The asymmetric information focuses on the differences in information available to different parties in a financial contract. In financial contract borrowers have an informational advantage over lenders because borrowers know more about the investment projects they want to undertake. This informational advantage results in "lemons" problem.¹ A lemons problem occurs in the debt market because lenders have trouble determining whether a borrower has a good investment opportunity with low risk or he has poorer investment project with high risk. If the lender cannot distinguish between the borrowers of good quality and bad quality (the lemons), he will face an adverse selection problem and make the loan at a higher interest rate. The result is that high-quality borrowers will be paying a higher interest rate than they should. As a result of this lemons problem, some high-quality borrowers may drop out of the market. The lemons problem analysis indicates that the adverse selection problem will lead to a decline in lending and therefore a decline in investment and aggregate economic activity.

The information asymmetry may result in credit crunch in the economy. This occurs because higher interest rates lead to even greater adverse selection. It is difficult for a bank to identify good borrowers from riskier borrowers and to do so requires the bank to use interest rate as a screening device. As the interest rate rises, riskiness of borrowers increases which in turn lowers bank's profit. So it may not be profitable to raise the interest rate when a bank has an excess demand for credit. Instead banks decrease supply of loans to borrowers. Even if there is an excess demand for loans, a higher interest rate will not equilibrate the market because additional increases in the interest rate will only decrease the supply of loans and worsen the excess demand for loans even further. Consequently a rise in interest rates result in credit crunch in the economy.²

¹ See: G.A. Akerlof, "The Market for 'Lemons': Quality Uncertainty and the Market Mechanism," *The Quarterly Journal of Economics*, No. 84 (3), 1970, pp. 488-500.

² See: J. Stiglitz, A. Weiss, "Credit Rationing in Markets with Imperfect Information," *The American Economic Review*, No. 71, 1981, pp. 393-410.

Asymmetric information between borrowers and lenders also results in a “moral hazard” problem which affects the efficiency of financial markets. Moral hazard occurs after the loan agreement takes place because the lender is subjected to the hazard that the borrower has incentives to engage in activities that are undesirable from the lender’s point of view. The rise in interest rates may induce a drop in asset values of firms, thus decreasing the value of collateral and weakening borrowers’ balance sheets. Especially, high loan rates of interest cause moral hazard, in the sense that once loans are made available to borrowers whose asset values decreased, they have incentives to undertake riskier investment projects. Indeed a decline in borrowers’ net worth increases adverse selection and moral hazard problems. Hence, a decline in borrowers’ net worth leads to a decrease in lending, and thus a decline in investment and aggregate economic activity.³

An unanticipated deflation or a disinflation redistributes wealth from debtors to creditors by increasing the real value of debt, and thereby reducing borrowers’ net worth. This decline in net worth induces borrower to cut down on current expenditures and future commitments, sending the economy further down. The resulting increase in adverse selection and moral hazard problems causes a decline in investment and economic activity.

The importance of asymmetric information provides another mechanism by which financial crises reduce economic activity. Disturbances in financial markets that reduce the amount of banks will lead to a reduction in lending to borrowers, resulting in a contraction of economic activity.⁴ In the case of bank panics, banks are unable to fully perform their intermediation role. In a panic, depositors, fearing the safety of their deposits, withdraw them from the banking system, causing a contraction in loans and a multiple contraction in deposits. Here an asymmetric information problem is at the source of the financial crisis because depositors withdraw deposits from solvent as well as insolvent banks since they cannot distinguish between them. Thus bank panics may create contagion effect in the financial system; the lack of information about the solvency of depositors’ own bank leads to large deposit withdrawals from all banks. Furthermore, banks’ desire to protect themselves from possible deposit outflows leads them to increase their reserves relative to deposits, which also produces a contraction in loans and deposits, and thus results in liquidity crisis.

One way of reducing the adverse selection and moral hazard problems (or more generally agency problems) in debt markets is to have the borrower provide collateral for the loan.⁵ Thus, if the borrower defaults on the loan, the lender can take title to the collateral and sell it to make up the loss. If the collateral is of good enough quality, then it is no longer as important to learn whether the borrower is of good or bad quality. Therefore, with collateral, the fact that there is asymmetric information between the borrower and lender is no longer as important factor in the market.

The other way of reducing the adverse selection and agency problems in debt markets is to decrease interest rates by expansionary monetary policies of central bank. Low interest rates attract high quality borrowers with profitable investment projects into the market, rising net value of firms. Hence the expansionary monetary policy that leads to low interest rates in debt markets increases investments and economic activity thus decreases adverse selection and agency problems in financial markets.

On the other hand, an unanticipated inflation, which doesn’t affect the real value of assets, decreases the real value of debt liabilities in the firms’ balance sheets, and thus increases borrowers’ net worth. The resulting increase in borrowers’ net worth decreases adverse selection and agency problems causing a rise investment and economic activity.

³ See: B.S. Bernanke, M. Gertler, “Agency Costs, Collateral and Business Fluctuations”, *The American Economic Review*, No. 79, 1989, pp. 14-31.

⁴ See: B.S. Bernanke, “Nonmonetary Effects of the Financial Crisis in the Propagation of the Great Depression”, *The American Economic Review*, No. 73 (3), 1983, pp. 257-276.

⁵ See: F.S. Mishkin, “Asymmetric Information and Financial Crisis: A Historical Perspectives,” in: *Financial Markets and Financial Crisis*, ed. by R.G. Hubbard, University of Chicago Press, Chicago, IL, 1991, pp. 70-75.

Asymmetric Information in the Banking Sector and the Central Bank's Monetary Policy during the Global Financial Crisis Period

Azerbaijan's financial system mainly consists of a total of 148 commercial banks and non-bank credit institutions. Forty-seven of these institutions are commercial banks, 46 of which are private banks and 1 is a public bank. Out of the 47 commercial banks, 23 are banks with foreign capital. There are 7 foreign banks among the total number of banks.⁶ Remaining 101 credit institutions are non-bank credit institutions, 80% of which are credit unions. Although the banking sector accounts for 32% of credit institutions, currently 98% of total financial assets of credit institutions consist of banking sector assets. Moreover, 98% of long-term loans and 94% of short-term loans are issued by commercial banks.⁷ Currently in Azerbaijan, the number of total bank branches is 640 and the number of total bank departments is 114.

Banks are vital for Azerbaijan economy. Banks channel funds from savers to investors. That is to say, they gather funds by collecting savers' money, issuing debt securities, or borrowing in the interbank markets. The funds collected are invested in short-term and long-term risky assets, which consist mainly of loans to various economic entities such as individuals, companies and governments.

Effects of bank bankruptcies on the economy are greater than effects of other financial institutions' bankruptcies. Bank bankruptcies have a particularly negative effect on lenders, borrowers and deposit owners. Not paying the loans to the lenders or demanding loans from the borrowers shows that the financial market has a liquidity problem that causes depositors to withdraw all their deposits not only from the bankrupt banks but also from trustworthy banks that have no liquidity problems. Thus a liquidity crisis in the banking sector leads to credit crunch in the economy.

The primary goal of the Central Bank of Azerbaijan (hereinafter CBAR) is to ensure the price stability, while the financial stability is seen as important as well, since the CBAR is also responsible for prudential regulation. In response to the current market turbulence, the financial stability objective has become more pre-eminent. Indeed, the dual role of monetary policy in responding to a financial stability shock—the credit crunch—as well as the price stability shock—highly volatile oil and commodity prices—has posed particularly challenging dilemma for the central banks.

The monetary policy stabilizes the financial sector basically through credit channel. The credit channel builds on the realization that for important sectors of the economy, banks are the only source of external financing. Indeed, for some important sectors of the economy, banks in Azerbaijan are the only source of external financing. Therefore, the credit channel plays a crucial role in financing these sectors. The term "credit channel" comprises a number of distinct mechanisms. The two most important are the *reserve requirement mechanism* and the *balance sheet mechanism*. The reserve requirement mechanism is based on the banking sector's balance sheet identities. When as a result of tightening monetary policy or for some other reason banks' deposits decrease, the banks that need reserve requirements to pay for immediate deposit withdrawals cut back their lending. Thus, tightening monetary policy reduces investment expenditures of firms that have not got any external financing except bank credits. Consequently, tightening monetary policy creates credit crunch problem in the financial sector of the economy via reserve requirement mechanism.⁸

⁶ A bank is defined as "foreign" if at least 50 percent of the equity is owned by foreigners.

⁷ See: *The Central Bank-Statistical Bulletin*, 12/2009.

⁸ See: B.S. Bernanke, A.S. Blinder, "Credit, Money and Aggregate Demand," *The American Economic Review*, Vol. 78, No. 2, 1988, pp. 435-439; J.H. Boyd, M. Gertler "US Commercial Banking: Trends, Cycles and Policy", *Working Papers*, No. 93-19, 1993, pp. 3-5.

Balance sheet mechanism does not refer to the banking sector's balance sheet but to the balance sheets of the borrowers. For many borrowers, collateral is the most important determinant of the availability and terms of bank loans. When as a result of tightening monetary policy or for some other reasons interest rates on credits increase, it may induce a fall in asset values of firms, thus decreasing the value of collateral and weakening borrowers' balance sheets. Consequently, bank's loan availability decreases, which in turn gives a further downward push on asset prices. As the cycle continues, a credit crunch problem arises. On the other hand, if the interest rate on credits is allowed to rise to a very high level, it will discourage safe borrowers and encourage riskier borrowers—a phenomenon that is called an “adverse selection.” High real loan rates of interest also cause “moral hazard,” in the sense that once loans are made available to borrowers whose asset values decreased, they have incentives to undertake riskier investment projects. Adverse selection and moral hazard problems arise as a result of asymmetric information problem in the financial market.⁹

The global crisis mostly had an impact on the country in terms of a price drop on oil and other non-oil export goods, a sharp decrease in loan inflow from foreign institutions into the banking system, reductions in money orders. In short, there was a decrease in all foreign financial resources of aggregate demand. The global crisis gave rise to negative expectations in the currency market and banking sector and especially caused a slump of 8.2% in the construction sector. As a result, the national economy was faced with economic recession and financial instability, such as losing of newly created working places, devaluation of the national currency, worsening of the quality of banks' payment system, and credit crunch problem in the banking system.

In the global financial crisis period, asymmetric information showed itself in the form of bank panics and resulting credit rationing in the banking sector of Azerbaijan. In a panic, depositors, fearing the safety of their deposits and not knowing the quality of the banks' loan portfolios, withdraw them from the banking system, and cause banks to fail. In bank panics, both solvent and insolvent banks go out of business. At the end of 2008, Azerbaijani banks had to pay off approximately USD 1 billion of external debts. Furthermore, due to the scarcity of lending resources in the world markets, all of the banks reduced their lending programs and some of them completely stopped loans to households and enterprises.

In the context of global financial instability, the CBAR's prior objective was to maintain financial stability. In 2009, the CBAR's monetary policy, which was characterized as antirecessionary, aimed at ensuring financial stability, stabilizing the banking sector and firms' activities, preventing credit crunch problem and raising economic growth. As a result of preventive measure of the CBAR, negative effects of global financial crisis on the banking sector have been greatly reduced.

The increased efficiency of monetary policy based on important amendments to the Law on Central Bank in 2009 and provision of the economy with greater liquidity played an important role in preserving economic growth and stabilizing the banking system. According to the changes and amendments, the CBAR was able to lend to banks in various currencies for a longer term, including subordinated debts in order to protect interests of creditors and depositors.¹⁰ The amount of subordinated debt was determined in the limit of 50% of the Tier I capital. In addition, the CBAR can issue special-purpose loans to banks on the basis of state guaranty in order to provide financial aid to the real sector and suitable socioeconomic projects of the economy. All these amendments and changes played an important role in preserving economic growth and employment.¹¹

To stimulate commercial banks' activities, from the end of 2008 till June 2009 the CBAR reduced a refinancing interest rate from 15% to 2% and reserve requirement rate from 12 to 0,5% grad-

⁹ See: F.S. Mishkin, op. cit.

¹⁰ Subordinated debt serves as regulatory capital because it does not have to be repaid in the near term and therefore acts as a form of protection for depositors.

¹¹ See: *The Law of Central Bank 2009*, Arts 49 and 49-1, available at [www.cbar.az].

ually. Consequently, approximately 1.8 billion AZN has been pumped into the economy through the Central Bank's indirect and direct policy tools.

The CBAR activated mortgage loans in order to preserve construction and real estate market sectors. Increased mortgage loans prevented sharp drops in prices in the construction sector and real estate market, and increased activities in the banking, insurance and security markets. At the same time, mortgage loans increased the value of collateral for bank loans by hampering sharp drops in real estate prices. Thus, revived mortgage loans helped to reduce the credit crunch in the economy.

The government took some measures in order to support banking sector capitalization in the crisis period. The banks' profits directed to capitalization are exempt from income tax. Owing to such measures, in 2009, the total capital of the banking system increased by 17.9%. In parallel to gross capital formation, capital adequacy ratio of the banking sector was 17.9% in 2009, greater than the officially determined minimum rate (12%).¹² At the same time, adequacy ratio of Tier I capital has been 13% greater than officially determined ratio (6%).¹³ Higher capital adequacy ratios cushioned banks' balance sheets against financial risks.

Despite the global liquidity crisis, financial stability of the banking system has been preserved through the conduct of preventive measures by the CBAR and the government. The banking system has met economy's demand for financial resources and has demonstrated high level of financial sustainability.

The implemented anti-crisis programs mentioned above reduced financial risks emanating from adverse selection and moral hazard problems, and eliminated credit crunch in the economy. As a result, financial endurance of the banking system became stronger. In 2009, total credits in the economy increased by 17.3%, total assets of the banking sector increased by 13.5%, the ratio of bank loans to total bank assets has increased from 69% to 72%. Moreover, long-term loans increased from 70.6% to 72.8%. The ratio of non-standard credits to total credits was 6%, the ratio of nonperforming credits to total credits was 3.5% and the share of overdue loans in credit portfolio amounted to 3.6%. Moreover, the indicator of capital adequacy of the banking sector was much higher than the accepted norm and amounted to 17.9%.¹⁴

Sustainability of the Banking Sector in the Conditions of Informational Asymmetries

Recently, asymmetric information tends to show itself as moral hazard and adverse selection in the credit market. Accelerated loans to the real sector in the conditions of informational asymmetries may raise credit risks and thus deteriorate the quality of credit portfolios. Rising loans may give rise to excessive lending in risky investments, which may lead to increase moral hazard and adverse selection problems in credit market and thus may cause deterioration in banks' balance sheets by rising risky and nonperforming loans. In particular, moral hazard occurs because a borrower has incentives to invest in projects with high risk in which the borrower does well if the project succeeds but the lender bears most of the loss if the project fails. Indeed, there has been observed a rise in overdue credits in recent months, while loan loss provisions have been at a very low level. Because risk man-

¹² Capital adequacy ratio is the sum of Tier I capital, Tier II capital and Tier III capital (short-term subordinated debt) divided by risk-weighted assets.

¹³ See: *Financial Stability Report-2009*, pp. 24, available at [www.cbar.az].

¹⁴ See: *Statistical Bulletin*, 12/2009, pp. 18-23; *Financial Stability Report-2009*, pp. 18-22, available at [www.cbar.az].

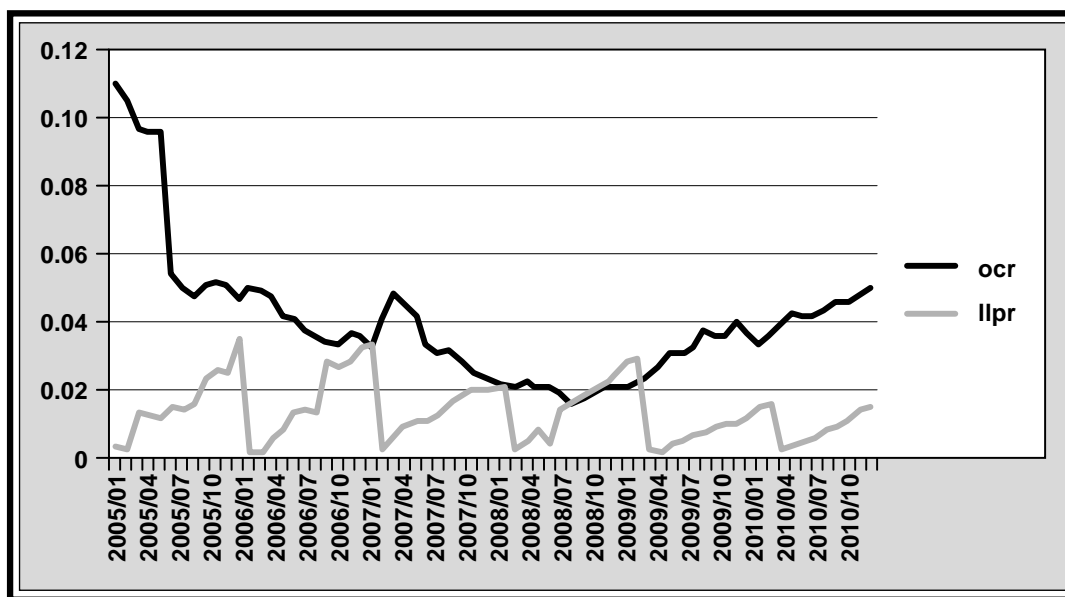
agement expertise of banks in issuing loans is very limited, lenders may fail to distinguish between good and bad borrowers, resulting in heavy investment in risky and nonperforming assets. This may lead to deterioration in banks' balance sheets in future.

In the first half of 2010, the liquidity position of the banking sector has been high enough. About 84% of current liabilities have been provided with liquid assets which exceed minimum requirement of 30%. Capital adequacy of the banking sector made 17.2%, exceeding the required norm of 12%. The aggregate capital of the banking sector rose to AZN 1.8 billion. The authorized capital of the banking sector comprised 73% of the aggregate bank capital. Since the corporate bonds market is virtually immature, issuing securities is still not a viable option for banks to raise their funds. Therefore, they have been borrowing substantially from abroad. While in 2008 the volume of transactions on corporate bonds was AZN 18.10 million, it grew 3.4 fold to AZN 61.76 million in 2009, and in the first half of 2010 transactions constituted AZN 64.8 million.¹⁵

In Fig. 1, as a credit risk measure, the overdue credit ratio (hereinafter OCR) decreased from 11% in 2005 to 1.6% in 2008.¹⁶ Because of the negative effects of global crisis, the OCR rate has started to rise gradually from 1.6% in 2008 to around 5% by June of 2010. Since global financial crisis created negative expectations in the economy and especially in the financial markets, adverse selection and moral hazard problems began to accelerate in the credit market causing the OCR to begin rising from the middle of 2008 up to the middle of 2010.

Figure 1

**Banks' Loan Loss Provisioning and
Overdue Credit Ratio**



In the global crisis period, as the OCR began to rise, CBAR decided to raise the loan loss provisions (hereinafter LLP) against the accelerated credit risks. Thus, loan loss provisions for credits under supervision were raised from 6% to 10%, for non-satisfactory loans from 25% to 30%, for risky loans from 50% to 60% and for hopeless loans to 100%. As a result, banking sector loan loss provi-

¹⁵ See: *Financial Stability Review*, January-June, 2010, available at [www.cbar.az].

¹⁶ OCR is the ratio of overdue credits to total credits and LLPR is the ratio of LLP to total credits.

sions rapidly moved up over the OCR rate. Generally, loan loss provisions created by banks in 2009 are 2 times as high as nonperforming loans and 5 times as high as hopeless loans. However, recently, the ratio of LLP to total credits (LLPR) (1.5%) is not enough level to cover the OCR (5%) and remains much below the OCR. This means that the moral hazard and adverse selection problems become to increase in credit market. Growing numbers of overdue credits and declining loan loss provisioning may lead to deterioration in banks' balance sheets in the near future. The recent rising in OCR shows that the banking sector requires improving modern risk management techniques, including proper credit evaluation, development of better nonperforming loans' management and improvement of staff quality through the training of existing personnel.

Table 1

The Banking Sector Depth and Intermediary Development Ratios (%)¹⁷

Years	Assets GDP	Deposits GDP	Loans GDP	Loans Assets	Loans Deposits	Deposits Total Liabilities
2006	20.95	11.99	13.10	62.54	109.28	59.10
2007	25.08	12.72	17.46	69.61	137.26	51.12
2008	25.60	11.86	17.85	69.72	150.47	39.47
2009	33.74	13.46	24.31	72.07	180.64	36.81
Jan.-Sep. 2010	42.14	16.09	30.49	72.36	189.53	37.35

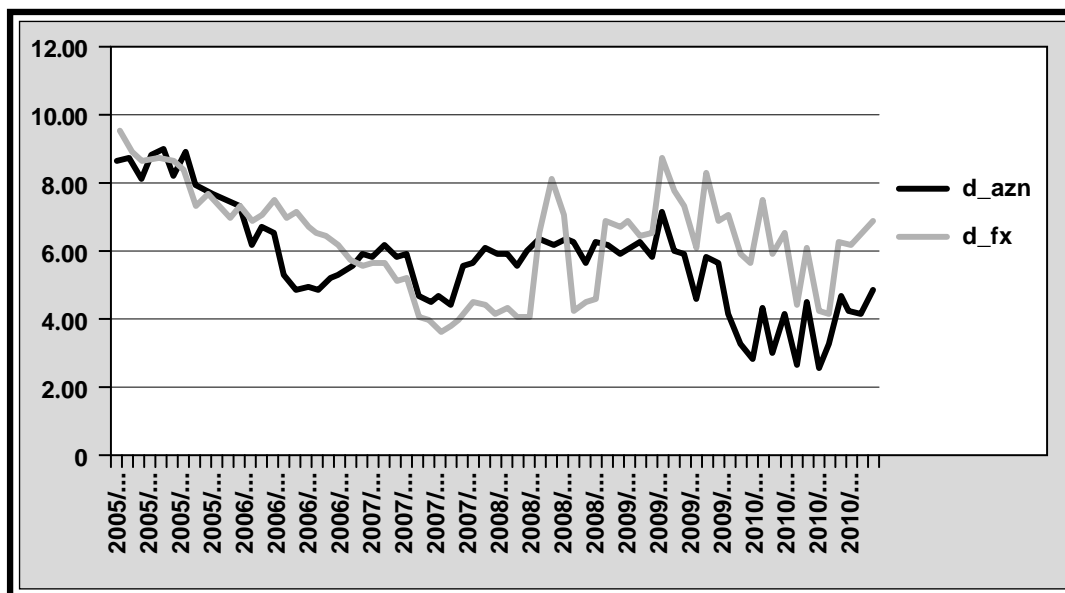
Table 1 shows the banking sector depth and intermediary development ratios over time in the economy. Despite the negative influence of global financial crisis all the indicators increased in recent years. In particular, the loans to GDP ratio, loans to total assets ratio and loans to deposits ratio increased significantly between 2006 and 2010. Today loans constitute main part of total bank assets (72%). Other assets constitute 28% of total bank assets. Growth of loan portfolio primarily occurred through increase of deposits, interbank operations, and liquidity support of the CBAR. As is shown in Table 1, loans to the real sector rose rapidly in recent years, from 13.10% of GDP in 2006 to over 30% of GDP in the first nine month of 2010. Rapid growth of loans to the real sector may lead to increase moral hazard and adverse selection problems in credit market, which may cause deterioration in banks' balance sheets by rising risky and nonperforming loans.

Fig. 2 shows the spread between average lending and deposit interest rates in domestic and foreign currencies. The spread between lending and deposit rates serves as an indicator of credit rationing. A widening of this spread might indicate that banks have restrained lending. As is shown in the figure, in 2009, there was sharp decrease in the average interest rate spread in national currency. In the time of crisis, in order to hamper recession and raise the total demand in the economy, the central bank's expansionary monetary policy caused interest rates on credits to go down.

¹⁷ See: *Financial Stability Report-2009*, pp. 13-18; *Statistical Bulletin*, 12/2009, pp. 18-23, available at [www.cbar.az].

Figure 2

**The Spread between Lending and Deposit Rates
in Domestic and Foreign Currencies**



However, the spread between lending and deposit rates in foreign currency has widened since the beginning of 2008. So it can be said that there has been a credit rationing on loans in foreign currencies since 2008. In the late 2008, banks had to pay off approximately USD 1 billion in external debts. Furthermore, due to the scarcity of lending resources in the world markets, all the banks in Azerbaijan reduced their lending in foreign currencies. According to the *Statistical Bulletin of Central Bank*, the share of loans in foreign currency in total credits dropped from 50% to 42% in 2009 and to 40% in the first half of 2010.

Table 2

**Structure of Total Capital of the Banking Sector
(million AZN)¹⁸**

	1/1/2008	1/1/2009	1/1/2010	1/7/2010
Tier I Capital	755.3	1,091.8	1,285.5	1,501.7
Percentage change (%)	79.2	44.6	17.7	16.8
Tier II Capital	305.4	449.0	530.9	357.5
Percentage change (%)	116.7	47.0	18.2	-33.0
Total Capital after deductions	1,009.1	1,491.7	1,758.9	1,799.3
Percentage change (%)	66.6	47.8	17.9	2.3

¹⁸ See: *Financial Stability Review-2010*, pp. 13-16.

Table 2 summarizes the structure and development of the banking sector capitalization process during the 2008-2010 period. Volume of the aggregate capital of the banking sector has increased approximately by 78.3% during these years and made AZN 1.8 billion. The growth of the total capital of the banking sector has mainly come from Tier I capital. Tier I capital has increased by 99% during the 2006-2010 period and constituted 83% of total bank capital (AZN 1.5 billion).

Table 3

Bank Sector's Profitability Indicators (%)¹⁹

Years	Net Interest Margin	ROA	ROE
2006	4.53	2.52	18.70
2007	4.61	3.54	23.50
2008	5.19	2.91	22.60
2009	4.88	2.80	19.40
Jan.-June 2010	2.1	1.2	8.8

Table 3 shows net interest margin, ROA and ROE ratios as the banking sector's profitability indicators.²⁰ In the global financial crisis period, there were decreases in net interest margin, ROA and ROE. Because the Central Bank's expansionary monetary policy caused interest rates on credits to decrease in the banking sector, the net interest margin, ROA and ROE dropped in 2009. In the first half of 2010, ROA and ROE constituted 1.2% and 8.8%, respectively.

Conclusion

Azerbaijan's banking sector, contrary to its peers in other developing markets, has not been dramatically affected by global financial crisis. The banking system of Azerbaijan met global crisis sufficiently prepared with adequate level of capitalization, high financial bewaring and liquidity indicators. This has been mainly due to the macroeconomic policies of the CBAR.

The implemented anti-crisis programs eliminated credit crunch in the economy. As a result, financial endurance of the banking system became stronger. Revived mortgage credits, which were one of the important tools of antirecessionary program of the CBAR, stabilized the construction sector and real estate market. Loans to economy have grown significantly in recent years. The credit growth was accompanied by the effective risk management and prudent lending policies so that overdue credits have remained reasonably low. Especially, loan loss provisions increased significantly against rising credit risks. Besides, loans in foreign exchange were retained at relatively low levels in order to prevent exchange rate risks. High capital adequacy ratio has cushioned banks'

¹⁹ See: *Financial Stability Report-2009*, pp. 18; *Financial Stability Review-2010*, pp. 13-14, available at [www.cbar.az].

²⁰ The net interest margin equals interest income minus interest expense over total asset; ROA is before tax profits over banking sector's total assets; ROE is before tax profits over the banking sector's total equity (for more information, see: A. Demirgüç-Kunt, R. Levine, *Financial Structure and Economic Growth: A Cross-Country Comparison of Banks, Markets and Development*, MIT Press, Cambridge, MA, 2001).

balance sheets against financial risks. As a result, financial endurance of the banking system became stronger so that assets of the banking sector increased by 13.5%, loans to economy increased by 17%, deposits increased by 23% and the total capital of the banking sector increased by 18% in 2009.

However, despite the high capital adequacy ratio and high level of liquidity ratio of the banking sector, growing numbers of overdue credits and declining loan loss provisioning may lead to deterioration in banks' balance sheets in the near future. The recent rising in OCR shows that the banking sector requires improving modern risk management techniques, including proper credit evaluation, development of better nonperforming loans' management and improvement of staff quality through the training of existing personnel.

Today, Azerbaijan's banking sector still has a significant potential for growth in addition to its higher performance as opposed to its peers. The depth and financial intermediary indicators of the banking sector, such as loans to GDP ratio or deposits to GDP ratio are still very low when compared to developed markets. Some basic financial products that have significant revenue generation potential are still in the development phase in Azerbaijan. Moreover, a large percentage of population is unbanked or potentially bankable in the medium term. All these indicators that illustrate the potential for growth have been accompanied by the CBAR's strong and prudent management experience, which has retained a distinguished place for the banking sector throughout the crisis period in contrast to its peers.

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OPPORTUNITY COST OF THE CRISIS: CRISIS LOSS RANKING FOR THE CIS COUNTRIES

A b s t r a c t

This article takes a look at the opportunity cost index methodology based on deviation from the pre-crisis development trends for measuring and comparing the economic losses of different countries during the crisis. The methodology is

also used for estimating the opportunity cost index, ranking the losses the CIS countries have incurred, and assessing the reasons for the various impacts the crisis has had on different countries and its implications for the Azerbaijan economy.

I n t r o d u c t i o n

The past two years will be remembered for the economic hardships they inflicted on the world, such as bankruptcy of large banks and companies, astronomically high outstanding debts, multimillion staff cutbacks, and the decline in standard of living. The scope of the crisis and its effects differed from country to country. Whereas certain economies experienced double-digit shrinkage, others enjoyed considerable growth. Fortunately, Azerbaijan was among the few achievers, notably being a leading nation. Nevertheless, it is obvious that the crisis has affected every economy to one extent or another. However, the size of its impact on countries in terms of losses is not that easy to identify at a first glance.

1. Who Suffered Most from the Crisis... How to Compare?

Identifying the degree to which the crisis has affected each country by means of economic growth rates alone would be an oversight, even for those at the same level of economic development. That is, a 3% decline in the economy in one country and a 5% decline in another does not necessarily imply that the latter has been harder hit. Likewise, a 7% growth rate in one country does not mean it is stronger than another that has experienced only a 2% increase. This is because the economic development prospects and pre-crisis growth rates of different countries vary. Any outcomes achieved without taking these phenomena into account appear less substantial.

The impact of the crisis on different economies can be figured out by balancing the materialized chances against the opportunity cost, which might provide a relatively better view of the picture. Namely, what growth was supposed to be achieved? And what happened instead? In other words, every country can compare its losses with the situation that might have happened had no crisis occurred. Based on the findings, it can then be determined who suffered the most.

Firstly, let us define the meaning of opportunity cost. In economics, the opportunity cost, otherwise known as alternative cost, is the cost of the goods and services or profit that must be relinquished based on the choice made among several mutually exclusive choices. For instance, the cost of an university education includes, first of all, the tuition fee and money spent on computers, textbooks, the Internet, etc. However other profits that could have been gained during the time spent obtaining a higher education are also added to the cost of a university education, what economists call the alternative cost or the opportunity cost. Indeed, in many cases (when the earnings of the highly educated are much higher than those of the not so educated), the alternative cost of not obtaining a higher education is greater.

Altogether, the alternative cost or the opportunity cost of the crisis period in an economy should refer to the difference between the cost of the goods and services produced in a non-crisis economy and the cost of the goods and services produced in a crisis economy. Clearly the occurrence or the absence of a crisis in any country or worldwide is not interpreted as a "to be or not to be" decision. Whatever the case, the crisis spills over as a consequence of the choices the individuals, actors in the economy, and regulating bodies have made. Hence, the alternative cost of those choices happens to be the sum of the revenues the economic actors would have acquired in a situation had no crisis occurred.

1.1. Opportunity Cost Measurement Methodology

The opportunity cost is determined by analyzing the pre-crisis development trend of each economy to further calculate the estimated (predicted) output value (in physical quantity index) and the consequent real growth rate:

$$Y_t = b_0 + b_1 t$$

$$\Delta Y_t = [(Y_t / Y_{t-1}) - 1] \times 100\%,$$

where Y_t —physical quantity index of the output in year t ;
 ΔY_t —real growth in the output of year t (in percentage);
 t —time factor;
 b_0 and b_1 —calculated parameters.

Depending on the nature of the economic growth trends, the years 2005 and 2006 are assumed to be 100.

In the next step, the physical quantity indices calculated for 2008-2009 in the non-crisis situation are compared with the physical quantity indices calculated on the basis of the actual growth rates, the difference of which defines the cost. The cost is shown as a share of the gross domestic product (GDP) of every economy, thus enabling its scale to be counted in the ranking:

$$I_{\%gdp} = [(Y_t^e + Y_t^a) / Y_t^a] \times 100\%,$$

where Y_t^e —estimated (forecasted) GDP (in physical quantity index) expected for crisis year t before the crisis;
 Y_t^a —actual GDP (in physical quantity index) in year t .

The comparative calculations across the economies rely on data from the authorities—the Statistics Department and Central Bank (or equivalent authorities)—of the countries concerned, and are also compared with the IMF forecasts¹ (and calculations therefrom) developed for the time before the crisis.

1.2. Opportunity Cost Index

The above methodology for estimating the opportunity cost makes it possible to rank economies according to the detriment caused by the crisis. But it goes without saying that the dimensions of the economic breakdown cannot be expressed by percentage alone. Undoubtedly, it is easy to see the economies on the extreme ends of the scale (i.e. “the loser” and “the survivor”). But for those in the middle of the ranking, another tool is required to discover whether the cost is large or small for a particular country. The opportunity cost index can be used as such a tool of measurement.

The opportunity cost index is calculated as the ratio of the share of a country's losses from the crisis ($I_{\%gdp}^c$) in the total losses of all the CIS countries to the share of the country's economy (GDP_c)² in the total economy of the CIS (GDP_{cis}):

¹ See: International Monetary Fund, *World Economic Outlook*, April 2008.

² GDP rates per economy that are used in the formulation of index are expressed in USD value of purchasing power parity. Source: International Monetary Fund.

$$I_i = (I_{\%gdp}^c / I_{\%gdp}^{cis}) / (GDP_c / GDP_{cis}).$$

If the index equals less than 1, the opportunity cost of the economy is smaller than the economy itself; if it equals 1, the opportunity cost is commensurate with the size of the economy; if the index is greater than 1, the ratio is not favorable for the national economy, i.e. the opportunity cost is larger than the size of the economy.

2. Expected and Actual Economic Growth in the CIS Countries³ in 2009

Since the crisis reached its peak in the CIS countries in 2009, this year is taken as the base year for the analysis. Before the crisis, the Azerbaijani economy was predicted to be the fastest growing in the region. Despite the crisis, the Azerbaijani economy ranked first among the other CIS countries with a growth of 9.3% in 2009, thanks to timely adoption of a flexible anti-crisis policy. That rate was nevertheless 7.5 points lower than the expected rate (6.3 points lower than the IMF forecast).

According to the calculations, Armenia would have ranked second had there been no crisis. But the inability of its economy to resist the crisis and the failure of its anti-crisis policy forced it to relinquish its second place from the top and fall to second place from the bottom among the CIS countries, due to a recession of 14.4%.

The Ukrainian economy ranks last in both cases with a drop of 15.1% against the expected growth rate of 6.4%. Russia, the biggest economy in the region, experienced a decline in economic growth rates of 7.9% as opposed to the expected increase of 6.6%.

Table 1

Expected and Actual Growth Rates
in the CIS Countries for 2009

	Actual Growth Rate (1)	Estimated Growth Rate in Non-crisis Situation (2)	IMF Forecast for the Time before the Crisis (3)
	2009	2009	2009
Azerbaijan	9.3	16.8	15.6
Armenia	-14.4	10.1	8.0
Belarus	0.2	7.8	6.8
Georgia	-5.5*	8.6	9.0
Kazakhstan	1.2	7.8	7.0
Kyrgyzstan	2.3	7.2	6.5
Moldova	-6.5	6.7	8.0

³ Although it has withdrawn from the CIS, Georgia is included on the list as a country of the region.

Table 1 (continued)

	Actual Growth Rate (1)	Estimated Growth Rate in Non-crisis Situation (2)	IMF Forecast for the Time before the Crisis (3)
	2009	2009	2009
Russia	-7.9	6.6	6.3
Tajikistan	3.4	6.9	7.0
Uzbekistan	8.1	8.1	7.5
Ukraine	-15.1	6.4	4.2
Turkmenistan	4.0*	9.4	10.0
* January to September. (1) www.cisstat.org; (2) Author's calculations; (3) International Monetary Fund, <i>World Economic Outlook</i> , April 2008.			

The rise in the Uzbek economy draws attention to itself in the ranking. According to the development trend before the crisis, an 8.1% increase was predicted for the Uzbek economy, and unlike the rest of the CIS countries, the Uzbek economy achieved 8.1% growth, which is, *inter alia*, 0.6 points higher than the pre-crisis forecast IMF gave for Uzbekistan. It is therefore evident that the crisis has had almost no impact on this country (at least according to the official data). The reasons are given in the following chapter.

3. The Cost of the Crisis for the CIS Countries. Who Suffered the Most?

Based on the calculations, Armenia is the CIS country which incurred the greatest losses during the crisis. The crisis cost this country 33.5% or one third of its GDP in 2009. Ukraine is the second most affected country with a rate of 30.5% in the ranking for 2009. Georgia rounds up the top three. The calculations indicate that its cost accounted for 22.5% of GDP.

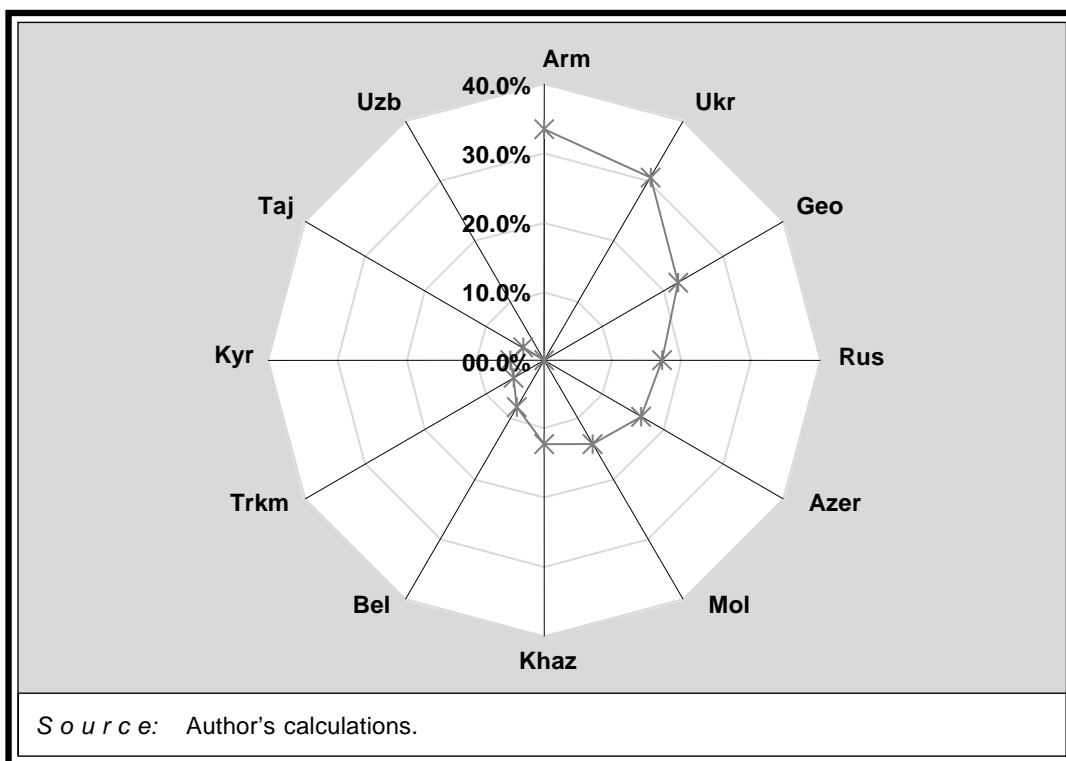
The cost of the crisis in 2009 for the Central Asian countries was modest compared with other CIS countries, namely—Uzbekistan (0%), Tajikistan (3.4%), and Kyrgyzstan (4.8%). The other two—Kazakhstan and Turkmenistan—occupy 7th and 9th places in the ranking with 12.1% and 5.2%, respectively.

Azerbaijan, the 5th country in the ranking, sustained losses of 16.1%, followed by Russia (17.2%). The calculations inferred from the IMF forecasts (WEO, April 2008) show that Azerbaijan occupied 6th place in the ranking with an opportunity cost of 13.2%, followed by Moldova (15.3%).

As per above, Uzbekistan was the country that suffered the least losses from the crisis (to be more precise, no losses according to these measurements). There are various explanations for the

Figure 1

What the Crisis Cost the CIS Countries in 2009,
Percentage of GDP



success of Uzbekistan, a country where cotton growing and grain farming account for 35-40% in an economy supported by an abundance of gold, uranium, natural gas, and oil resources, the only airplane factory in Central Asia, and the Daewoo and Chevrolet car factories. Some analysts explain its success by the effective anti-crisis measures implemented or the country's poor integration into the global financial markets, while others say that Uzbekistan's vast natural resources played their part.

Poor integration into the global financial markets does indeed mean that the crisis had a softer impact on the banking and currency market. The crises that hit the world in the past 10 or 15 years (especially the Southeast Asian and Latin American) indicate that the economies which "absorbed" more "hot money" before the crisis were hard put to return the money and so more likely to face dire consequences (a currency crisis, banking sector crisis, or twin crisis). Given this, it stands to reason that the Uzbek economy, which engages in only short-term borrowing, was not affected by the crisis.

The fiscal stimulus package (which included but was not limited to tax concessions) within the anti-crisis measures employed by the Government of Uzbekistan also played a significant role in keeping the economy sound.

As for natural resources, they should logically not have played a salutary part since world commodity prices dramatically dropped during the crisis, so, as a resource-rich country, Uzbekistan should have been more seriously ravaged than others. However, in spite of its rich natural resources, Uzbekistan's economy does not rely solely on their export (the same is evidenced in the brief data above). Therefore, the country was able to outsmart the crisis not only due to its abun-

Table 2

**The Opportunity Cost Ranking of
CIS Countries for 2009
(Comparative Analysis) (%)**

The Opportunity Cost Ranking according to the Author's Calculations			The Opportunity Cost Ranking Estimated on the Basis of IMF Forecasts		
1	Armenia	33.5	1	Armenia	29.9
2	Ukraine	30.6	2	Ukraine	26.7
3	Georgia	22.5	3	Georgia	23.1
4	Russia	17.2	4	Russia	16.7
5	Azerbaijan	16.1	5	Moldova	15.3
6	Moldova	14.1	6	Azerbaijan	13.2
7	Kazakhstan	12.1	7	Kazakhstan	7.5
8	Belarus	7.6	8	Turkmenistan	5.8
9	Turkmenistan	5.2	9	Belarus	3.8
10	Kyrgyzstan	4.8	10	Kyrgyzstan	3.5
11	Tajikistan	3.4	11	Tajikistan	3.5
12	Uzbekistan	0.0	12	Uzbekistan	-1.5
<i>S o u r c e:</i> Author's calculations.					

dant resources, but also due to its correctly structured economy, along with the above-mentioned factors.

The relatively soft impact of the crisis on the other Central Asian countries, Tajikistan, Kyrgyzstan, and Turkmenistan, is also attributed to their poor integration into global financial markets.

Interestingly enough, the leading countries of the region, Russia, Kazakhstan, and Azerbaijan with their significant development capabilities, occupied the middle positions in the ranking. These countries are in the middle, i.e. they incurred modest losses, not because they export commodities and are more deeply integrated into the world financial markets, but, on the contrary, because both of these factors were responsible for the losses.

On the other hand, those three countries were saved by their flexible and effective anti-crisis measures, which helped to mitigate the adverse effects. The reasons for the losses differ even among those countries (there could be no hope that they would entirely coincide).

The reason the Russian economy sustained more losses from the crisis than Azerbaijan and Kazakhstan can be related to its efforts to build a mixed financial system (this trend will most likely continue in the aftermath of the crisis). Currently, there are three vectors the financial system relies on:

- (i) banks;
- (ii) stock markets; and
- (iii) a mixed system (a combination of both systems).

Russia is the only country among the others in the CIS that is pursuing parallel development of the banking system and the stock market.

This phenomenon, which is appropriate for big economies, makes it difficult to ensure help in emergencies. It becomes even more problematic in the case of a developing economy like Russia in which the transfer mechanism still does not function efficiently. This is because the transfer of monetary policy to the economy is accompanied by a certain delay (lag), and this lag is prolonged because of the immaturity of the transfer channels.

In addition, classic monetary policy is targeted at consumer prices (inflation) instead of at asset prices. The first signs of the crisis in Russia brought about excessive reductions in stock prices and, since monetary policy was unable to cope with this challenge, a large amount of funds from the stock exchange markets flowed out of the country, with all the ensuing repercussions for the economy.

The reason the cost of the crisis was less for the economy of Kazakhstan than for Azerbaijan can mainly be explained by the better, even comparatively speaking, diversification of the Kazakh economy. Indeed, Kazakhstan's resource-related potential (both in terms of rich natural resources and human development ranking) favors diversification of its economy. The devaluation of the Kazakh currency in February 2009 contributed to softening the impact of the crisis on the real sector, pegging its impaired home industries in the domestic and foreign markets (in terms of price competition). Furthermore, this decision prevented a serious drop in the real sector's expansion rate, so that the growth rate in late 2009 was 1.2% as opposed to 2.2% in the first quarter of 2009. At the same time, the National Bank of Kazakhstan was able to save on foreign reserves. There was no galloping inflation, as was expected, from the devaluation, and it reached a level of 6.2% by the end of the year, which is believed to be reasonable from the viewpoint of macro-financial stability.

It is still arguable what such a step might have led to in Azerbaijan at that time, because devaluation can have a number of negative effects besides the good ones cited above. A few of the negative effects are as follows: high inflation (mainly due to imported inflation); high degree of dollarization (which is bad enough in itself, but could also have other negative impacts, such as degradation of monetary policy, additional squeeze on foreign reserves, inability of the economy to cope with external shocks, losses incurred by seigniorage, etc.); greater foreign debt burden (especially risky for the banking sector during times of instability); losses faced by those who deposited their savings in national currency in banks; a drop in confidence in the banks; and the worsening of the financial situation in sectors that lend in foreign currency but earn in national currency (2/3 of the foreign loans in Azerbaijan are of this kind).⁴ Azerbaijan's opportunity cost will be discussed below.

Armenia's leading position in the ranking of crisis losses showed how vulnerable its economy is to external shocks, along with the poor, to say the least, performance of the state regulating bodies. But this degree of vulnerability is not because the Armenian financial market is well developed or closely integrated into the foreign financial markets. On the contrary, it shows attempts to maintain the economy by means of foreign aid and strong dependence on the Russian economy. Admittedly, almost all the CIS economies are more or less interrelated with the economic situation in Russia. It should be noted, however, that the present conditions of the Armenian economy denote dependence rather than interrelation.

It might seem surprising that Ukraine, the second largest economy of the CIS, with its abundant natural resources and higher level of human development, was one of the countries severely affected

⁴ See.: E. Rustamov, "Globalnyy krizis i antikrizisnaia politika Tsentral'nogo banka Azerbaidzhana," *Dengi i kredit*, No. 1, 2010, p. 30.

by the crisis. However the reasons were not related to economic instability alone, but also to the ongoing political instability in Ukraine, which had a significant effect. Which aspect was more serious, the economic or the political, is the topic of a separate study.

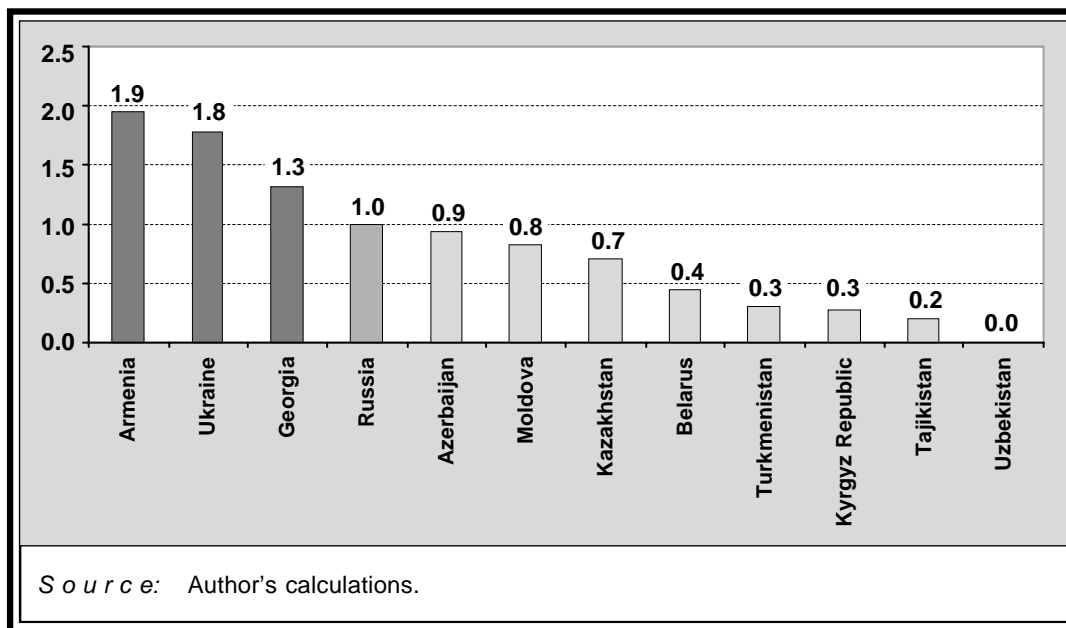
Ranked third, there were also non-economic reasons behind Georgia's losses of 22.5% in GDP. Major losses were largely incurred due to serious damage to its economic infrastructure inflicted by the Russian armed forces and the suspension of political and economic relations.

3.1. Opportunity Cost Ranking of CIS Countries: The Opportunity Cost Index

Let us take a look at which country suffered more in relation to the size of its economy based on the ranking of crisis losses. As mentioned earlier, the opportunity cost index is intended for defining the ratio of losses from the crisis to the size of the national economy.

Figure 2

**The Opportunity Cost Index of
CIS Countries Calculated for 2009**



As the index values indicate, the cost of the crisis was high for Armenia, Ukraine, and Georgia in terms of the size of their economies, that is, based on the ratio of their economies to the total economy of the CIS. This index value, which is equal to approximately 1 for Russia, indicates that the losses incurred by its economy from the crisis fit the size of its economy and should be considered normal. The Azerbaijani economy, with an index value of 0.9, incurred limited losses in relation to its size. As for the other seven countries, their losses were also small according to the index values.

4. Opportunity Cost of the Azerbaijani Economy during the Crisis

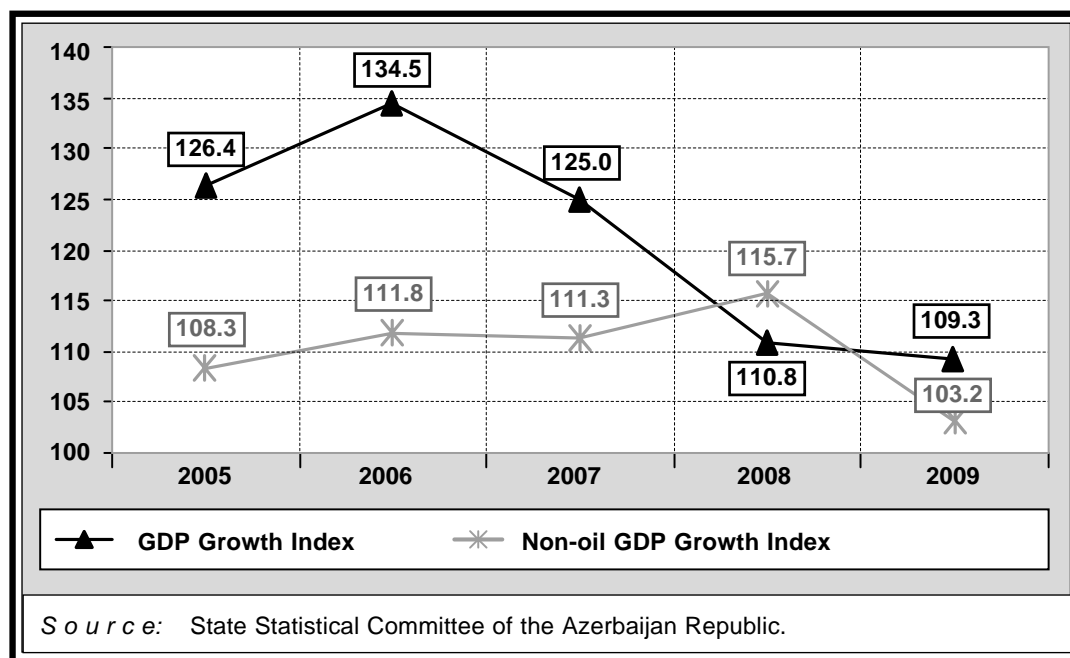
The structural features of the economy of Azerbaijan, and particularly its oil-driven economy, as well as the financial liberalization of recent years have made the economy more prudent against external shocks. In essence, the crisis affected the national economy through those channels.

The impacts of the crisis, such as the drop in oil prices in the world market, the large amount (at least for the Azerbaijani economy) of foreign debt recalls, and the limited sources of funding, became evident in the last quarter of 2008 and were exacerbated in the first quarter of 2009. This resulted in shortage of liquidity in the banking sector, reduced lending to the economy, and decreased budgetary revenues, and also gave rise to speculations in the manat in the currency market.

Hence, following shrinkage of the channels of aggregate demand (consumer spending, investment costs, and net exports) and rising uncertainty and pessimistic expectations, the growth rate in the real sector logically fell.

Figure 3

Economic Growth Rate
in Azerbaijan:
Overall and for the Non-Oil Sector



Based on the calculations, the crisis losses of the Azerbaijani economy for 2008-2009, in other words, unrealized gains caused by the crisis, added up to around 8.3 billion manats at the 2009 price level, 2.7 billion in 2008 (at the same price level as 2009), and 5.6 billion in 2009.

At present, the opportunity cost of the oil sector is assumed to be 5.8 billion manats (2.7 billion manats in 2008 and approximately 3.1 billion manats in 2009), whereas the opportunity cost of the non-oil sector, incurred entirely in 2009, is around 2.5 billion manats.

The opportunity cost of household incomes amounted to approximately 3.1 billion manats, which was incurred entirely in 2009.

Without timely and correct intervention in the process, the costs would have been much higher. Although the regulating bodies have no way of interfering in what happens in the world economy, in Azerbaijan, agile policymaking, a conservative attitude, and political will aimed at surmounting the crisis made it possible to neutralize the aggravated economic situation.

The role of the Central Bank was exceptional in dealing with the given situation. This institution took on greater responsibility to elaborate and implement anti-crisis measures designed to save the banking sector, which was at major risk, and stop the repercussions from spilling over into the real sector. These measures made it possible for the Central Bank to overcome the difficulties and improve liquidity in the banking system, strengthen control over the system, provide financial support to systemic businesses in the real sector, neutralize the pressure on the currency market, and restore macro-financial stability.

Certain risks remain against the background of the positive influences of these measures. How quickly the existing and emerging risks can be minimized and rapid development restored after the crisis will greatly depend on the economic policy that is implemented in the post-crisis period, as well as on the global economic situation.

I n L i e u o f a C o n c l u s i o n

In generic measurement of the crisis losses (or the opportunity cost), the use of GDP as a major indicator of the prevailing economic situation and the employment of actual and estimated growth rates of GDP have some advantages from the methodological viewpoint. This is mainly because GDP and its growth rates implicate all types of economic activities (except for shady businesses) in the country. Therefore, the opportunity cost is what makes up an advantage.

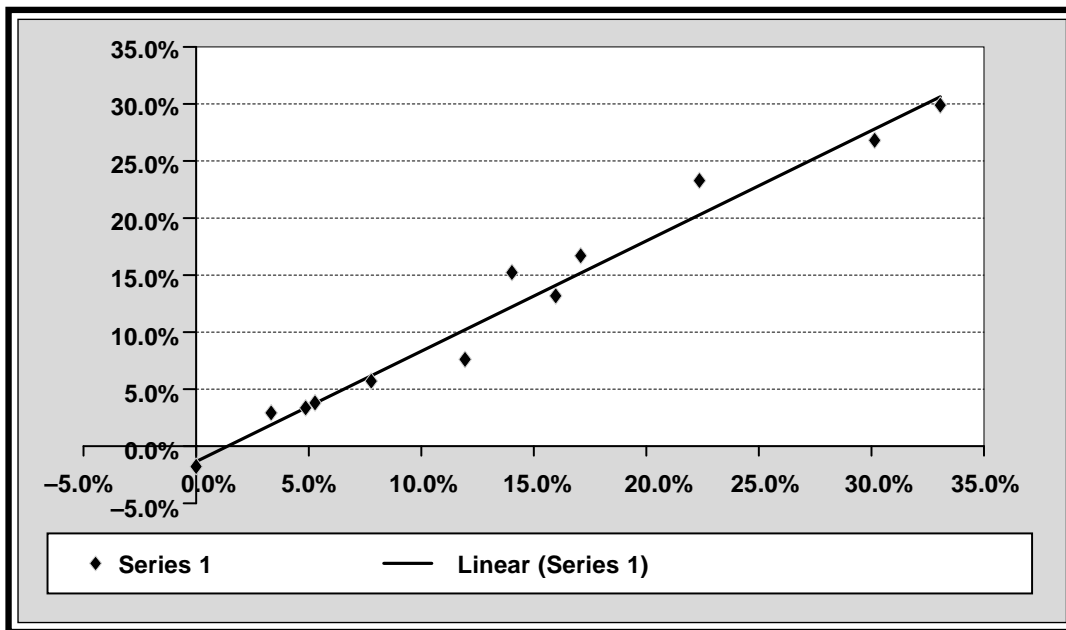
Use of the linear trend method for calculating the estimated growth rates is as suitable as it is simple. As is known, macroeconomic models of different scales are used worldwide to forecast economic growth, which provide insight into different features of economies. An increased correlation ($r=0.986$) between the IMF forecasts, which are a specific output of this type of econometric computation, and the forecasts calculated as per the linear trend method justifies the use of this method as a basis for opportunity cost ranking.

It should be noted that because of its simplicity, this methodology of calculating losses and formulating the opportunity cost index and ranking enables calculations to be carried out for every country in the world and makes it possible to establish the ranking of crisis losses.

Based on the calculations and analysis, the CIS countries can indicatively be divided into the following 3 groups:

- Group 1. Countries with a range of index values between 0 and 0.7. The countries in this group are characterized by a weakly developed financial system, relatively closed economy, and poor integration into the global financial markets, which played a key role in their minimum losses from the crisis.
- Group 2. Countries (Kazakhstan, Azerbaijan, and Russia) with range of index values between 0.7 and 1, which are distinguished by:
 - (i) potential growth opportunities (evolving from rich natural resources, human capital improvement level, inclination to apply technological innovations);
 - (ii) deeper integration into the global financial markets;
 - (iii) relatively developed financial system; and
 - (iv) effective anti-crisis measures.

Figure 4

Correlation Between Growth Forecasts Calculated as
a Per Linear Trend Method and IMF Forecasts

While factors (i), (ii), and (iii) stipulated the losses, factor (iv) played an important role in keeping the losses at a tolerable level.

- **Group 3.** Countries with index values of more than 1. In fact, the major element these countries have in common is the size of the losses from the crisis (without taking into account Russia's influence, economically, politically and militarily, on the crisis losses of those three countries). Neither the size of their economies, nor their structural and administration traits, nor the causes of the crisis losses are same in those three countries. Being the second largest economy in the CIS and the Caucasus region, Ukraine (which could be included in Group 2 in terms of development potential) and Georgia endured crisis losses resulting from non-economic processes (the government crisis in Ukraine and the August war in Georgia), in addition to economic ones. As for Armenia, the most critical reasons for its leading position in the crisis losses, among others, are occupation by Armenian armed forces of 20% of Azerbaijan's territory and the territorial and "genocide" claims against Turkey. This is why Armenia's borders with its neighbors (Azerbaijan and Turkey) have long been closed and economic and political relations have ceased. Armenia's aggression is preventing it from participating in any of the major projects in the region and condemning it to accept foreign aid rather than establishing the fundamentals of a solid and sustainable economy. The crisis ultimately unveiled the problems the Armenian economy had long before the crisis happened.

The countries in Group 2—Russia, Kazakhstan, and Azerbaijan—have potential growth opportunities, institutional expertise gained from economic regulation and supervision, and sustainable and fast-developing economies that rely on solid financial systems during the post-crisis period, which, all-in-all, open up broader prospects for them.

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THE TOURIST INDUSTRY IN ECONOMIC DEVELOPMENT: AN AZERBAIJAN CASE STUDY

A b s t r a c t

Contemporary economic science regards tourism as a composite socio-economic system, one of the components of which is a multi-sectoral production complex called the tourist industry. The article takes a look at the economic prob-

lems in the tourist industry in the social and environmental context of tourist activity, as well as at the conceptual definition of tourism, the main trends and problems of its development, and the role and place of this sector in Azerbaijan's economy.

I n t r o d u c t i o n

Despite its long history, there is still no uniform definition of tourism; both individual specialists and the multitude of tourist organizations interpret it in different ways. The existing definitions of tourism can be divided into two groups. The first is highly specialized and applies to specific economic, social, legal, and other aspects of tourism or its particular types, and is used as a tool for solving specific tasks (for example, for statistical purposes): in statistics, tourism implies a form of population migration that does not entail a change in place of residence or work. The second group of definitions (conceptual or content-related) characterizes the internal content of tourism as a whole, revealing all the diversity of the qualities and relations inherent in it and making it possible to distinguish it from similar phenomena.

The first formulations of tourism appeared when it became a mass phenomenon; a statistical account of travelers had to be kept. The concept of "foreign tourist" was first formulated in 1937 by the Committee of Statistical Experts of the League of Nations. According to it, a tourist is any person visiting a country, other than that in which he/she usually resides, for a period of at least 24 hours, for any reason other than following an occupation remunerated from within the country visited. This definition became recognized worldwide and is still used today with certain adjustments; it has given the sphere of tourism its conceptual meaning.

In subsequent years, the definition of "tourist" was discussed at meetings of the International Union of Official Travel Organization (Dublin, 1950; London, 1957), at the U.N. Conference on Travel and Tourism in Rome, 1963, and at the WTO Congress in Manila, 1986,¹ to name a few. The

¹ See: M.A. Zhukova, *Menedzhment v turistskom biznese*, KNORUS, Moscow, 2006, p. 9.

international discussions were aimed at filling out the concept “tourist” and making it more precise keeping in mind the new trends in social development.

One of the first definitions adopted by the U.N. interpreted tourism as active recreation that has an enhancing effect on human health and physical development and involves travel to and stay in places outside the tourist’s usual environment.

The Academy of Tourism in Monte Carlo gives a broader definition of this concept: “Tourism is the temporary, short-term movement of people to destinations outside the places where they normally live and work for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited,”² that is, the main emphasis is on the activities people engage in outside their usual environment.

At present, the most widely used definition is what is known as the general theory of tourism by Walter Hunzicker and Kurt Krapf, according to which tourism is “the sum of the phenomena and relationships arising from the travel and stay of non-residents, in so far as they do not lead to permanent residence and are not connected with any earning activity.”

At a certain stage in economic development, there was an abrupt rise in the need for travel, which led to the appearance of producers of these services and the formation of a special type of commodity (tourism), which can be bought and sold in the consumer market. The producers of services intended for tourists (travelers) have joined forces in what is known as the tourist industry. Tourism is not a vital necessity, and only becomes a pressing need when society and its individual members reach a certain level of prosperity.

On the Contemporary Role of Tourism in the Economy and Society

Tourism is an important element of the economy in many countries, providing jobs for the local population, filling hotels and restaurants, increasing the number of entertainment events, ensuring an inflow of foreign currency, and so on.

Tourism is based on the use of certain local resources, and its internal economic nature presupposes that the country or locality in question receives income from tourist activity.

Immigration services are usually concerned about the problem of limiting the inflow of workers and often only allow foreign workers to be hired on the basis of a special permit. But this only happens when the country is experiencing an acute shortage of its own labor resources or does not have enough specialists of a particular profile to carry out certain jobs (for example, laborious, dangerous, dirty work, and so on).

So visas authorizing entry into a country indicate that tourists are prohibited from exercising any remunerated activity. For example, Australian visas bear a stamp that clearly states the bearer has no right to engage in remunerated work or study.

This principle is also binding on business tourists, since they receive monetary support in their country or at their place of work and, consequently, bring money into the country they are visiting. Moreover, business tourism is quite profitable (business tourists spend 3-4-fold more money on their trips than tourists of other categories).

Vice President of the Russian Academy of Tourism V. Azar³ gave the following definition of tourism: “Tourism is a large economic system with diverse ties among the various elements within the

² Ibid., p. 10.

³ See: Ibid., p. 16.

framework of the national economy of a particular country and of the relations between the national economy and global economy as a whole.”

Contemporary development of the economy requires not so much the development of specific branches as the functioning of different interbranch complexes, which also includes tourism. Since it joins different branches, this sphere does not lie in the customary vertical plane, but encompasses a certain horizontal space, including enterprises and organizations that belong to different sectors.

This assertion can be shown as follows. Tourists act as buyers, that is, each person tries to satisfy his need for leisure time as much as possible. Travel demand is expressed in the payment for corresponding work, services, and commodities, which ensures financing of the tourist industry.

Development of the tourist industry (building roads, hotels, and resorts, setting up new recreation areas, etc.) requires large capital investments and financing from different sources (state structures, domestic and foreign private organizations, international organizations, and so on).

The increase in production volume in the tourist industry has a direct influence on other branches of the economy in which investment activity is developing; new jobs are created, trade turnover increases, and, consequently, profit rises. Some of the income received goes to the state in the form of taxes. The funds gathered this way can be used to further finance the infrastructure of the tourist industry, as well as render material assistance to socially unprotected groups of the population.

The objectives of tourism should meet the requirements of public morals and should not go beyond the framework of a normal person's ethic code (extend to such concepts as sex tourism or military tourism, for example). In civilized states, such concepts as “good order,” “reasonable profit,” and “public morals” are categories enforced by the law.

The present stage of tourism development is characterized by the existence of a large number of domestic and semi-domestic industries, as well as small enterprises (mainly of the family type), which coexist with influential corporations.

Small businesses prevail (in the quantitative sense) among the companies participating in market operations in tourism. In France, 70% of hotel-type enterprises have a staff of no more than five employees. Half of those employed in hotels, cafes, and restaurants work at enterprises with a staff of less than ten.

As for tourist agencies, 57.5% have less than 6 employees. They provide jobs for only 13.9% of the total number of those employed in France's tourist sector; their trade turnover amounts to 8.4%, and added value to 9.5%. Moreover, 26 of the country's largest tourist agencies (1.9% of their total number) with more than 100 employees (at each) account for 46.3% of all those employed in this sector, 49.2% of trade turnover, and 56.6% of added value. These figures show that large companies play an important role in the tourist service market.

Higher levels of concentration are noted in the tour operator sector. Half of the package tour market is controlled by 5 leading French tour operators (including Club Med), while 67% is controlled by 10 dominating companies.

Similar market concentration indices can be found in other developed tourist countries. The two top tour operators in Japan account for 30% of the total volume of package tour sales, in Belgium for 60%, in the Netherlands for 70%; in Germany, the market share of the top three tour operators amounts to 42%, in Switzerland to more than 60%, and in Great Britain to 75%.

The reasons for concentration in tourism are the same as in other branches of the economy; they are primarily associated with the economies of scale. Specific factors can be singled out along with them that define the dynamism and diversity of the forms of concentration of the tourist market. The short-lived nature of tourist enterprises (mainly hotels) and tourist agencies encourages its monopolization owing to the unwieldy cost structure; at times of economic crisis their frequent bankruptcies and mergers become a mass phenomenon.

Another factor (which follows from the first) is the high commercial risks of operations in travel markets. Tourist companies insure risks by expanding the geographical scope of their representative

native markets such as Central and Eastern Europe (including Russia), China, South Korea, Mexico, and several countries of the Middle East (see Table 1).

The tourist market is a system of global economic relations in which tourist and excursion services are transformed into money and money is transformed into tourist and excursion services. In other words, the tourist market is a sphere where economic relations between the producers and consumers of tourist commodities appear; if their economic interests coincide, buy and sell occurs.

The tourist market performs a multitude of functions: informative, mediatory, regulatory, price-forming, stimulating, creative-destructive, and differentiating; however, the following can be singled out as its *main functions*:

- (1) ensuring realization of the value and consumer value in the tourism product;
- (2) organizing the process that brings the tourism product to the consumer (tourist);
- (3) providing economic incentives to work.

When the tourist market performs the first function, the value moves, which is reflected as exchange of money for tourism product.

When this exchange is complete, it means that commodity-money relations are over, the value in the tourism product has been realized, and its consumer value socially recognized. This results in the normal process of social reproduction; funds appear and are accumulated for tourism development.

Positive and Negative Aspects of Tourist Activity

The tourist industry has a unique structure; it is characterized by many elements that include different branches of services: small restaurants, motels, hotels, guest houses, laundries, stores, and so on.

So government investments in infrastructure and sometimes also in an expensive material and technical tourist base are stimulating numerous small businesses. Over time, the initial investments in tourism attract even more investments into the auxiliary and supporting branches of the economy: hotels, restaurants, shopping centers, ports, airports, and so on.

The region's improved tourist infrastructure, to which numerous small business enterprises belong, is also used by local residents; the takings from tourism are quickly distributed among the broadest strata of the population of the host region, that is, the whole of society reaps an economic benefit.

Tourists usually come from other countries and regions, and their spending means an expanded tax base for the government of the host country; in addition to usual sales tax, they sometimes pay less direct taxes. Airport and visa fees, entry and customs duties are just some examples of the ways employed to tax tourists.

Apart from these special cases, ordinary taxes are increased by tourist spending. In this way, tourism raises the region's income, increases employment, investments, and so on.

Nevertheless, there are limits to which the government of the host region can maximize profit from these aspects of tourism. There are two types of these limitations: social and economic.

Social limitations arise from the increase in taxes imposed on local residents during development of the tourist industry in the region.

Economic limitations come in the form of potential costs created by untapped opportunities (alternative spending) that arise from development of the tourist industry. They deserve an in-depth

study aimed at achieving the deepest understanding of the optimization problem the government of the host country faces.

Along with the positive consequences of the development of tourism, we should not ignore its negative effects, the so-called *monoculture of tourism*. In the competitive struggle for land, resources, and capital, tourism is crowding out agriculture and other traditional sources of income of the local residents. The higher salaries offered in the tourist industry are luring workers away from agriculture. This is leading to a decrease in the volumes of farm produce, while consumption volumes are growing due to the arrival of vast numbers of tourists. At the same time, the traditional way of life and natural landscape in places of mass tourism is being disturbed or entirely destroyed.

Diversity is the basis of economic stability. While one branch undergoes an abrupt economic slump, another prospers, and this reduces the likelihood of a crisis. If a crisis nevertheless emerges, its consequences are eased. Consequently, instead of promoting diversification of the economy, tourism is sometimes superseding the agricultural industry.

But this is not a desirable turn in events, and there are many reasons why it should be avoided.

- First, tourism is a seasonal phenomenon, with respect to which there may be unavoidable fluctuations in demand. So if tourism becomes the main industry in a region, the off season will bring serious employment problems.
- Second, travel demand largely depends on the income and tastes of tourists, and these factors are beyond the control of the host region. In other words, it is very undesirable that a region depends entirely on just one industry.

Moreover, tourism gives rise to certain social costs and additional spending on maintaining the environment, which the host region and its residents will need to bear. If tourism develops too tempestuously and the region depends entirely on it, this could create a dilemma.

On the one hand, halting further development threatens an economic slump. However, if further development of tourism is not curbed, the country's natural and cultural resources may become impoverished, unfit for use, and devaluated.

Obviously it is hard to make the right decision.

Sometimes the governments of developing countries are too optimistic about tourism. They launch active investment programs aimed at developing tourism that are of a priority nature. In certain cases, this approach could lead to denial of the country's more pressing need for investments in other spheres. For example, the money invested in tourism could have been spent on education, public health, and other social needs.

At times, tourism generates an increase in inflation in the region where it is developing; increased budget revenue from tourist money could hike inflation. The price of basic commodities, food, clothing, housing, and transport, goes up. Land prices usually grow particularly rapidly in tourist regions (inflation can reach 20,000%). The price foreigners are willing to pay to stay in a tourist area (during their vacation) can dramatically lower the solvent demand for housing among the local residents (who have relatively low incomes anyway), and they are simply squeezed out of the housing market in areas with a developed tourist industry.

So although tourism also has significant potential as a tool of economic development, it is not a panacea against all economic ailments. The government should exert every effort to optimize (but not maximize) profit from tourism, keeping in mind the costs that its development might entail.

It should be noted that the developing countries are much more at risk with respect to the appearance and volume of tourism costs. The developed countries have healthy economies by definition that are capable of easily covering all tourism costs. But the economy of such countries is diversified, and government investment programs do not entirely concentrate on development.

For instance, *the advantages* of developing tourism for every country are the following:

- an increase in monetary inflow into the region, including an inflow of foreign currency;
- an increase in the gross domestic product;
- the creation of new jobs;
- modernization of the recreation structure that can be used both by tourists and the local population;
- attraction of capital, including foreign;
- an increase in tax collections of the host region.

The disadvantages of tourism development are that it:

- causes an increase in the price of local goods and services, land, and other natural resources and real estate;
- promotes an outflow of money abroad in the event of tourist import;
- causes environmental and social problems and can be detrimental to the development of other branches of the economy.

Influence of Tourism on the Environment

Tourist activity inevitably has an effect on the environment. The effect of tourism on the environment can be direct, indirect, and stimulating, as well as positive and negative. Tourism cannot develop without interacting with the environment, but with proper management and precise planning, its negative influence can be reduced and positive effect increased.

The positive effect of international tourism is expressed in the protection and restoration of historical monuments, the creation of national parks and preserves, the protection of shores and reefs, the preservation of forests, and so on.

But in many developing countries no steps are being taken to protect and preserve the environment; this is because there is no financial support, while tourist revenue is pumped into other economic spheres that are considered more advantageous.

When evaluating the influence of tourism on the environment, it is important to keep in mind the perspective it is coming from; what is good for tourists may prove utterly unacceptable for the local residents. For example, the creation of parks could lead to a reduction in grazing land for livestock and, as a result, lead to a drop in the manufacture of foodstuff.

Keeping in mind its environmental effect, finding an intelligent tourism development policy is becoming increasingly urgent, and the WTO is offering a multitude of different environmental protection programs.

At present, most European countries are engaged in certification of natural and historical treasures, which has led to trying to find ways to develop tourism without causing detriment to national assets.

In recent years, serious measures have been adopted in several countries aimed at protecting the environment and creating new national parks and preserves. Various scientific studies are being carried out aimed at determining the permissible loads on the environment. The negative aspects of tempestuously developing international tourism must be neutralized as much as possible while simultaneously creating the most favorable conditions for it and preserving and enhancing the natural and

geographical environment. Such undertakings as urban landscaping, noise reduction, and cleanup are particularly important.

International tourism has contributed to the intensified forest protection and restoration efforts in several European countries, as well to the creation of the Hawaiian Paradise Park that has more than 1,000 species of tropical birds, the wildlife sanctuary on Saa Nane Island on Lake Victoria, etc.

The protection of natural resources requires creating special technical means.

- First, it means introducing various kinds of machinery into the resort business for cleaning beaches, inflowing water, seas, lakes, and reservoirs.
- Second, there should be broader use of technology for keeping an eye on the state of the environment and the behavior of holiday-makers.
- Third, tourists should be provided with means of transportation, gear, and equipment that will not be detrimental to the environment.

Influence of Tourism on the Economy

Investment of money in tourist enterprises, financial support of tourist industry employees, and the creation of new jobs can be named as the direct impacts on the economy.

Apart from the direct influence of tourist spending on the region's development there is also an *indirect influence*, or multiplier effect. The principle of the multiplier was introduced into economic science by English economist Richard Kahn in 1931.⁴ The effect of the income multiplier from tourism can be demonstrated using the following provisional example. A group of foreign tourists travelling around the Valdai resort area spend a certain amount of money on goods and services. The income of the tourist enterprises is their takings from selling the tourists services and goods, while the income of the region is the taxes received from these takings (they remain at the region's disposal).

Tourist money begins to fully work for the region's economy when a tourist company buys local (regional) goods and services. After receiving money from tourists, the sellers of these goods and services pay their employees wages, which they, in turn, spend on purchasing goods, paying for services, and so on. But if, after receiving their wages, the employees spend it on purchasing imported goods or vacations abroad, the cycle is closed and there is a drainage of monetary resources from the region.

The combination of direct and indirect impact of tourist spending determines its effect on the local economy as a whole. Usually not all the income received in each cycle of tourist spending is lost, part of it is put aside, while another part is spent outside the region. The higher the amount of income spent within the region, the greater the multiplier effect.

The ability to keep tourist income within the region depends on its economic circularity and the independence of the local economy; if it is capable of producing goods and services that enjoy demand among tourists, the multiplier effect will be very significant. And, vice versa, the more goods imported from other regions, the smaller the multiplier effect.

⁴ See: R.F. Kahn, "The Relation of Home Investment to Unemployment," *The Economic Journal*, Vol. 41, No. 162, 1931.

The Tourist Industry in the System of Azerbaijan's Economic Development

At present, the WTO makes a distinction between internal and international tourism, whereby the first predominates. Internal tourism accounts for 75-80% of the total number of tourists in the world, and correspondingly it is much higher than international in terms of the financial results in many countries.

Azerbaijan has immense potential both for developing internal tourism and for receiving foreign travelers. The country has a rich historical and cultural heritage and pristine, unexplored wildernesses.

Inbound and internal tourism in Azerbaijan is extremely diverse. Ecological, sport, educational, business, therapeutic and health-improving, fishing, hunting, event-related, and gastronomical types of tourism are developing the most actively.

Infrastructure

Underdevelopment of the tourist infrastructure is the most significant problem requiring keen attention and a serious approach.

The development of the tourist infrastructure cannot be limited to creating a new and reconstructing the existing hotel room stock. It is vitally important that there not only be widespread construction of new places of accommodation, but also related infrastructure that includes transport, catering enterprises, the entertainment industry, tourist sights, and so on.

The allocation of newly built tourist complexes should keep in mind supply and demand, which is directly related to tourist resources and conditions for staff support. Moreover, environmental requirements and the economic expediency of creating new facilities should be kept in mind.

An analysis of the contemporary state of tourism in Azerbaijan shows that in recent years this sphere has been largely developing dynamically and steadily; there is an annual increase in the internal tourist flow.

The quickly growing demand for tourist services within the country has given rise to a building boom of small hotels, mainly in resort areas, as well as to an increase in the number of international chain hotels in Baku. Moreover, domestic hotel brands are being created.

The number of investment offers from both foreign and from domestic investors for building hotels in the country's regions has sharply increased.

At present, more than 50 different types of hotels are being built in the country, while in Baku hotels that belong to world chains, such as the Marriott, Hilton, and Four Seasons, are going up. Whereas in 2001, there were 86 hotels in Azerbaijan, now their number has reached more than 450.

In recent years, road building has been thriving: major highways have been built along the main arteries, which also include tourist routes.

As for tourist infrastructure facilities such as aqua parks, entertainment centers, transportation, and so on, there is clearly not enough of them. It is also obvious that the country's tourist potential is being far from fully tapped, and creating conditions for high-quality vacationing in Azerbaijan requires a more active state tourism policy.

The necessary regulatory and legal base has been created for developing this industry. In 2001, the first state structure was created that is responsible for the development of tourism, the Ministry of

Youth, Sport, and Tourism (in 2006, it became the Ministry of Culture and Tourism), and reforms have been carried out in the corresponding legislative system.

At present, the legislation on tourist activity largely corresponds to the regulations and principles of international law; it is in harmony with the law of the European Union and the legislation of well-developed tourist states.

Azerbaijan has many cultural and natural sights, as well as other tourist attractions: 223 museums, 29 theaters, as well as almost 6,308 historical and cultural monuments.

At present, 27 historical and cultural preserves function in Azerbaijan, two of which (the Gobustan Rock Art Cultural Landscape and the Shirvanshah's Palace and Maiden Tower ensemble) are on the UNESCO World Heritage List. In keeping with this, Azerbaijan's network of museum preserves, as centers of international and domestic tourism, requires constant improvement and development.

The most promising types of tourism in the world tourist market that are developing at accelerated rates are:

- cultural-educational tourism, which covers 10% of the total international flow of tourists and is characterized by a high average level of spending;
- active types of tourism, such as sports and adventure, which are acquiring increasing popularity in the world;
- specialized tourism, which has several categories: ecological, scientific, educational, event-related, therapeutic and health-improving, and so on;
- business tourism, which covers the so-called MICE industry (Meeting Incentive Conferences Events).

Keeping in mind the nature of Azerbaijan's tourist resources and the state of its infrastructure, the following types of tourism could be of special interest for developing inbound tourism into our country: cultural-educational, business, and specialized tourism (event-related, ecological, rural, hunting and fishing, active, health-improving, ethnic, educational, and in the future, mountain-skiing, scientific, and so on).

The development of beach, health-improving, and ecological tourism is particularly important for the domestic market.

Beach tourism is one of the most popular types of vacation: most local tourists prefer to go to the sea on vacation. This vector is actively developing on the Absheron Peninsula and in the tourist zone of Nabran (in the north of the country).

There are also good prospects for developing beach holidays in Azerbaijan's southern regions, but the absence of a hotel and other tourist infrastructure is holding back progress.

In recent years, mountain-skiing tourism has become very popular and in demand. This has launched the Shakhdag project in the Gusar district of Azerbaijan, at the completion of which a modern skiing complex with hotels, transportation, and an environmentally safe infrastructure (water, energy, and road system, ski lifts and other equipment, as well as high-quality service) will be put into operation.

Since the beginning of the 1980s, there has been a shift in the priorities of travelers. Instead of hot sun, people are heading for shady forests. They are trying to diversify their vacation time, leaving the large cities for traditional rural settlements. This is prompting talk about so-called ecological tourism that, according to some assessments, already encompasses more than 10% of the tourist market, and its growth rates are 2-3-fold higher than the corresponding indices throughout the entire industry of this sector.

The epithet ecological, as in ecological tourism, or ecotourism as it is also called, is not the only one used in the English language and, consequently, in American, Canadian, English, and Australian literature, as well as that of many other countries to designate the new vectors in tourism that have

formed in the past decade as a result of the ideas of the Green Movement and the development of a corresponding world outlook.

For example, such terms as “green tourism” and “natural tourism” are found; the last, along with a wide range of others, is also widespread in German-speaking countries where the adjective “ecological” is used very rarely, and in certain green tourist industries is hardly used at all. The term “Sanfter Tourismus” has gained the widest popularity, which can be translated into English as “soft tourism.”

Five criteria can be singled out, to which ecological tourism should correspond:

- (1) it involves travel to natural destinations and is based on the use of primarily natural resources;
- (2) it minimizes impact on the environment, that is, it is environmentally sustainable;
- (3) it builds environmental awareness and helps to promote an equal partnership with nature;
- (4) it respects the local culture;
- (5) it provides direct financial benefits for conservation, as well as empowerment for the local people.

In correspondence with these criteria, even sailing on a liner down a river may be considered an ecological tour provided that in terms of technology this vessel is state-of-the-art and tourists can frequently leave it, continuing their journey by boat, foot, or on horseback. It may also be considered such if they are able to familiarize themselves with the local countryside, the native culture, and the ecological problems of the region and make a certain contribution to resolving them, albeit in the simplest way, by means of donations to environmental protection projects.

This example is evidently ecotours in the broadest sense of the word, although it is expedient to distinguish between two types of ecotourism: narrow (classical) and broad.

The narrow interpretation of ecotourism prevails in countries with vast expanses of territory, such as Canada, the U.S., and Australia (this interpretation is also supported and developed primarily by representatives of the Green Movement).

The broad interpretation is upheld by experts in tourism and its researchers from Western European countries that have extremely limited “wilderness” resources.

So although ecotourism is a broad and developing vector in the tourist industry, it is not always understood in the same way in different countries. Its forms are dynamic, it penetrates primarily into areas of tourist activity that are far from ecological, and it is not worth trying to place it in too tight a framework or define it too specifically.

The development of ecotourism is based on the desire to have as little impact on the environment as possible. Since it does not require as much tourist infrastructure (hotels, restaurants, and entertainment establishments), this type of tourism is characterized by a lower level of resource intensity.

It should be noted that ecological tourism is inseparable from environmental awareness; tourists learn to have a solicitous attitude toward nature. But the present-day world insists that ecotourism be endowed with broader meaning. By focusing attention on environmental awareness and education, the temptation is created to relate all trips made for environmental purposes to ecotourism. For this reasons, visiting natural museums is almost always equated with a form of ecological tourism. Real ecotourists are unlikely to find themselves admiring stuffed animals or hunting trophies; their main objective is not environmental education, but the consumption of ecological resources, including informational.

Ecological resources are properties of the natural balance of components of the environment (animals, plants, soil, climate, relief, and so on) that was formed without the active impact of human activity. It is precisely primordial nature that draws tourists out of the cities where people constantly

feel the negative impact of the environment, noise, and social conflicts. By consuming ecological resources, vacationers reap health-improving and educational benefits.

The second characteristic of ecological tourism is its sustainability. Ecological tourism at all levels of management of the tourist complex is perceived (just like at the level of the ordinary consumer) in too simple terms. If any man in the street were asked what ecotourism is, he would reply that it is travel around the countryside, visiting a national park or museum. However, ecological tourism should promote the restoration and preservation of the traditional lifestyle of the local population, its culture and ethnographic features. Development of sustainable ecotourism is only possible provided that special ecotourist (landscaped) parks are created in the localities next to environmentally protected areas, where the local residents are given incentives to sell tourists services and their home-produced goods.

So in order for ecological tourism to have a positive impact on the country's economy and social sphere, as well as become a real priority vector, it must meet three basic criteria:

- (1) direct tourists toward the consumption of environmental resources;
- (2) preserve the natural environment;
- (3) support the traditional way of life of the population of the periphery regions.

Geographical Scope of Ecological Tourism

The spread in present-day international tourism is distinguished by a fair amount of territorial unevenness. In the most general way, it reflects the different levels of socioeconomic development of the North and the South (the center and the periphery of the world economy). For example, according to the available estimates, post-industrial countries currently account for 57% of all inbound tourists, while the developing countries account for 30%, and countries with a transition economy for 1.3% (WTO).

The geographical scope of ecological tourism is unique. The main international flows of traditional tourists go from developed countries to developed countries (France, the U.S., Spain, and Italy lead among the host countries). Ecological tourists, on the contrary, mainly go from developed to developing countries, primarily tropical, the natural environment of which is exotic and attractive to the residents of moderate latitudes. In this case, the leaders are Kenya, Tanzania, Ecuador, Costa Rica, Nepal, Australia, New Zealand, and South Africa.

Europe is the main tourist region of the world. This continent boasts the countries where tourism is most developed, which have the most favorable natural and climatic conditions, and which are abundant in attractions.

Europe is almost entirely situated in the moderate zone, only its far north extends into the sub-Arctic and Arctic zone, and its south into the sub-tropical latitudes. The three peninsulas next to the Mediterranean, the Pyrenean, Apennine, and Balkan, are the most favorable for vacationing.

Ecological tourists from Europe and America very frequently travel around their own countries too: the national parks of the U.S. are bursting at the seams and often have to be booked in advance. The fragile environmental balance in wilderness territories cannot withstand the growing loads; in this respect, the need is arising for new recreation zones.

Ecological tourists want to go to places with pristine natural conditions, but these are becoming few and far between on our planet, and many have to satisfy themselves with quasi-natural (artificially natural) secondary landscapes that have been much changed by human activity.

The Social and Humanitarian Context of Tourism Development

The development of rural tourism (one of the branches of ecotourism) in Azerbaijan is giving many people the opportunity to turn their farmsteads into vacation homes and provide the necessary level of comfort and services. This is creating favorable conditions for developing business in rural areas, upgrading municipal, everyday, and commercial services, expanding technical and medical services, as well as providing tourists with legal protection of tourists and ensuring that they enjoy peace and quiet.

As the experience of European countries shows, organizing rural tourism promotes efficient management and improvement of public services and the sanitary state of population settlements, particularly peasant farms, social sphere facilities, and tourist vacation zones. This raises employment of the rural population, revives handicrafts, and boosts production.

Work experience shows that rural tourism allows rural residents to make money from providing tourists with accommodations and services. A rural resident interested in earning money will try to make his farmstead more attractive, investing money in making it more comfortable, equipping the yard with amenities, and so on. Over time, a certain part of the income the landlord receives will be handed over to the rural council to be spent on organizing public services, law and order, transportation, communication, and so on.

Tourism is having an impact to one extent or another on the life of the local population, its material and spiritual activity, value system, social conduct, and interests. In regions where tourism is traditional, its impact is not particularly felt (particularly if the number of visitors is less than the size of the local population, and the cultural level of the guests and the hosts is the same).

But in some industrially developed regions, the increase in tourism could lead to significant changes in the social structure, environment, and local culture; the problems associated with interaction between different cultures requires special study.

Tourists and local residents are the bearers of different cultures, and they meet while the first are on vacation and second are working; this interaction is temporary.

The impact of tourism on the life of the local population can be both positive and negative.

The *positive* aspects are as follows:

- creating jobs;
- raising income and, as a result, the standard of living of the local population;
- accelerating urbanization, developing urban services and infrastructure and augmenting the potential of cultural organizations;
- accelerating social and cultural processes;
- reviving local cultural values, developing national creativity, traditions, customs, and handicrafts;
- raising demand for agricultural products and locally manufactured goods;
- protecting and restoring local cultural monuments;
- expanding natural complexes;
- raising the appeal of the region;
- reviving local cultural life.

The *negative* aspects include:

- polarization and commercialization of the interests of different groups of the population;
- a greater number of unqualified workers;

- an increase in the number of deviations from social norms of behavior (alcoholism, hooliganism, and prostitution);
- erosion of the family (divorces, an idle attitude of young people toward life);
- commercialism of culture;
- loss of uniqueness of the specific tourist vector;
- conflicts between the local population and tourists.

The negative effect of tourism can be caused primarily by its spontaneity and lack of preliminary preparation and corresponding control; in such conditions it is difficult for the local population to adapt to the changes going on.

Conflict of interests can serve as an example of the negative attitude toward tourists: local residents have an aggressive attitude toward visitors, since they “catch their fish, hunt in their forests,” and so on. Local residents may feel indignant about differences in material status, differences in value systems, feelings of inequality, and so-called social discrimination.

In some countries, the income of local residents working in the tourist industry is much higher than those employed in other spheres. For example, a tourist could give a young porter one dollar as a tip for delivering his luggage, while the porter’s father has to keep his nose to the grindstone for several days to earn the same amount. This situation creates *social conflict* created by the illusion of the possibility of earning easy money.

Both the positive and negative aspects of the impact of tourism on the local population are manifested at different levels—national, local, and personal. Tourist needs should not be satisfied to the detriment of the social and economic interests of the population of the host countries and regions, cultural and historical values, the environment, and natural resources.

Most of the negative aspects can be avoided by comprehensive planning of tourism development and introducing modern management methods (increasing control over the use of territory and resources, carrying out an awareness policy among the local population, etc.), as well as by defining the criteria of its most efficient vectors, which are the basis of their choice and consistent development. In order to glean the maximum benefit from tourism, each country should develop its own tourist policy (it is one of the forms of socioeconomic policy).

One of the most significant trends in the development of world tourism is the abrupt increase in competition in the tourist supply market. Various ambitious plans are appearing to attract tourists, which is leading to oversaturation of the market with the same type of supply.

In order to fortify the position of a particular country in the international market, tourism should be planned on the basis of principles of sustainable development that envisage long-term investment in the specific sphere within the framework of a clear government development strategy. This enhances the role of the country’s tourism development policy as a whole, as well as promotes the targeted advance of certain tourist products in the domestic and international market.

The main components of the strategies used in world practice are as follows: a detailed analysis of one’s own markets with an evaluation of the correlation between the traditional and prospective vectors; keeping an account of world trends and the multiplier effect from the development of tourism; holding annual international campaigns under memorable slogans; and making broad use of the possibilities of advanced information technology as the basic platform for communicating with the consumers of tourist services.

Before 2001, Azerbaijan experienced essentially no non-commercial progress as a tourist vector abroad or within the country. The efforts undertaken at the end of the 1990s boiled down to visiting specialized exhibitions abroad with absolutely no national exposure or budget financing.

Since 2001, comprehensive undertakings have been carried out aimed at showing the tourist potential of the Azerbaijan Republic in all its splendor in the international and domestic market:

Organizing a single national Azerbaijani exposition at the largest international tourist exhibitions. At present, such expositions are being organized at the largest industrial exhibitions of Russia,

Spain, Italy, Germany, China, Japan, France, Greece, Poland, Great Britain, UAE, and Qatar. Parallel business undertakings are also being organized within the framework of these exhibitions: press conferences, presentations of the tourist potential of Azerbaijan's regions, meetings with the heads of foreign national tourist administrations, round tables, and so on.

The international tourist exhibition AITF, which is held annually in Baku (since 2002), is an important step toward promoting Azerbaijan's tourist product within the country and positioning the country in the world market of specialized exhibition services. This exhibition is included in the schedule of official events of the WTO and Council of CIS Member States on Tourism.

Moreover, since 2003, an exhibition of domestic tourism has been held every year in Baku.

Azerbaijan's different regions were represented for the first time in the expositions of the above-mentioned exhibitions: among these regions are both those that have a developed tourist infrastructure and those with good potential for tourist pursuits.

Non-commercial advertizing of Azerbaijan's tourist potential. Non-commercial advertizing abroad is currently shown on popular world television channels—CNN, BBC, and EURONEWS.

National and regional television is currently running a wide campaign to encourage Azerbaijani citizens to vacation in the country, and programs about the advantages of vacationing in Azerbaijan for foreign tourists are broadcast on the radio and TV. The largest printed publications are also involved in this work.

Manufacture of advertizing and informational image products. Advertizing and informational products in printed and electronic publications are issued in large circulations in the nine languages of the main outbound markets and intended for non-commercial distribution at international tourist exhibitions, through Azerbaijani representative structures abroad, the WTO, and other international organizations, at official meetings with the leadership of national tourist organizations of foreign countries, and similar undertakings.

Carrying out international event-related undertakings. Such undertakings are stimulating Azerbaijan's advance as a country of business tourism with the corresponding infrastructure, personnel, and tourist product. They include annual international conferences, seminars, and other forums devoted to the most urgent problems of tourism development.

At present, a realistic approach toward tourism is being formed in the country as one of the spheres of the economy that has significant benefits for the socioeconomic development of Azerbaijan's regions. This is shown by the growing interest of both local and foreign investors, who, after analyzing the market, are investing in different vectors of tourism.

The immense support from the country's state structures and president should also be mentioned, the latter noting the importance of developing tourism as a non-oil sector. In this respect, it is worth mentioning the State Program on Tourist Development in Azerbaijan in 2010-2014, which was adopted on 6 April, 2010. It defines the vectors necessary for developing new types of tourism and the corresponding infrastructure, improving services and resolving personnel issues, as well as creating a favorable business environment for entrepreneurs.

The present state of tourism in the Azerbaijan Republic, as well as measures aimed at its development are making it possible to evaluate the country's specific advantages and shortcomings.

The specific advantages primarily include our country's cultural-historical and natural heritage combined with its pristine wildernesses that have been little explored, which is of particular interest to sophisticated foreign tourists. Moreover, Azerbaijan's specific advantages are promoting the appearance in recent years of new tourist products in different regions of the country.

Azerbaijan's indubitable competitive advantages are its political stability and higher level of security, increase in personal income, and stability of the national currency. It should also be noted that the unique natural resources and cultural heritage that Azerbaijan enjoys cannot be regarded as the only and a sufficient condition for ensuring the successful development of tourism, since this is only one of the elements of tourist supply.

Azerbaijan's resource possibilities make it possible, at a corresponding level of development of the tourist infrastructure, to promote a manifold increase in the number of inbound tourists the country can host (see Table 2).

Table 2

**Computation of the Arrival of Foreign Tourists
in Azerbaijan**

Year	Inbound foreign citizens into Azerbaijan	Foreign citizens working in Azerbaijan	Foreign citizens who cross the border and work in the country an average of four entries and exits	Foreign students studying in the country	Foreign students in the country who cross the border an average of two times	Foreign citizens engaged in trade in border areas (50% of the total number of citizens of Iran and Georgia crossing the border)	Arrival of foreign tourists in Azerbaijan	Funds from tourists entering the country's money circulation (on average)
	A		B		C	D		
							$T = A - BCD$	
2002	834,373	2,104	8,416	1,976	3,952	246,005	576,000	\$432.0m
2003	1,013,811	3,138	12,552	2,077	4,094	229,633	767,532	\$575.6m
2004	1,348,655	4,428	17,712	2,054	4,108	338,078	988,757	\$741.5m
2005	1,177,277	1,850	7,400	3,437	6,874	301,748	861,255	\$645.9m
2006	1,193,742	1,315	5,260	5,376	10,752	273,841	903,889	\$677.9m
2007	1,332,701	1,700	6,800	6,358	12,716	302,393	1,010,792	\$758.0m
2008	1,898,939	4,367	17,468	7,110	14,220	458,263	1,408,988	\$1,056.7m
2009	1,830,367	5,784	23,136	6,813	13,626	363,780	1,429,825	\$1,122.4m
Sources: Data of the Ministry of Culture and Tourism of the Azerbaijan Republic. Funds from tourists that enter the country's money circulation are calculated according to the data of a sociological study conducted by the State Statistical Board in June 2009 (on average 1 tourist spends \$785 a week in Azerbaijan).								

C o n c l u s i o n

To sum up the above, it should be noted that contemporary economic science regards tourism as a composite socioeconomic system, one of the components of which is a multi-sectoral production complex called the tourist industry.

Tourism is a large economic system with diverse relations among the individual elements within the framework of both the national economy of a certain country and of the relations between the national economy and the world economy as a whole. In addition, the objectives of tourism should meet the requirements of public morals and good order.

An analysis of the current state of the development of tourism in the world and in our country, as well as of the measures undertaken by the Ministry of Culture and Tourism of Azerbaijan (since 2001), makes it possible to evaluate the competitive advantages and shortcomings of our country as a tourist vector among the main inbound tourist markets. Based on statistics, it can be confidently said that Azerbaijan's resource potential makes it possible (at a corresponding level of development of the tourist infrastructure) to turn the tourist industry into one of the most efficient branches of the country's economy.

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**POLITICAL, ECONOMIC AND
RELIGIOUS REPERCUSSIONS OF
THE ARAB CONQUESTS
IN THE CAUCASUS****A b s t r a c t**

This is an in-depth study of how the peoples and the states of the Caucasus responded to the Arab presence in the region. The author analyzes the impact of the cooperation between the Muslim Arabs and the local political elite on the political, economic, social, administrative, and religious

spheres, as well as the economic changes caused by the acceptance of the Muslim laws. He also takes a look at the local population's discontent with the Arab rule and the forms it assumed that gradually undermined the Arabs' grip on the region and led to the emergence of independent states.

I n t r o d u c t i o n

Today the world with its crisscross of borders and multitude of nations looks like an immutable system of geopolitical regions. It would seem that it has always been this way, but in actual fact the history of every nation has many factors that have contributed to its interaction with the nations around it. The most important of these factors is that the civilizations of today are the products of that particular time in history.

This explains the great interest which the history of the Caucasus, the interaction of its nationalities, their mutual influence and mutual enrichment, as well as the contribution of each to their common history evokes in researchers of the region's distant and not so distant past. The way of thinking and behavior of the nations who had to deal with the Arab conquerors and the Islam they professed dramatically changed the course of events and their history. Many of the local people accepted Islam in its totality as a moral and spiritual imperative; some of the Caucasian peoples, however, preserved their national and religious specifics. They spoke different languages, followed different customs, and had different institutions. Their religions were also different; some of them were monotheists.

Islam and the Arabic Caliphate, as the first Muslim state, can be described as landmarks of world history that radically changed the destiny of the Eurasian world. The Arabs, as the nation which created Islam and was its first follower, became the sole rulers of the Caliphate, the most powerful empire of its time, extending to three continents.

This gives rise to the following questions: How did the dominant ethnic group establish its relations with the other nationalities of the empire and with the neighboring nations? What were the results of its domination? We all know that Islam and the Muslim culture greatly affected all aspects of the everyday life and activities of the countries and peoples within the orbit of the first Islamic state.

The Arabs Come to Power in the Caucasus

The emergence of the Arab-Muslim state, the death of the Prophet Muhammad, and the political storms which followed these events and created the Caliphate ushered in a period of intensive growth of the still very young Islamic community, as well as rapid and deep-cutting changes. They were brought about by the Arabic conquests and the mounting crisis in Islamic society, which started as the Ridda¹ and developed into a war between Caliph Ali and the Umayyads.

Within a very short time after the Prophet's death, the Muslim army, obviously unhampered by social problems and conflicts, managed to establish a vast state. The era of the Righteous Caliphs, Caliph Umar (634-644) in particular, became a period of great military victories for Islam as a new monotheist religion. The territories now occupied by Syria, Iraq, Iran, Egypt, the Caucasus, North Africa, and Transoxiana were captured; the main stage of conquests and victories began when the Muslim army demonstrated that it was stronger than the Sassanid and Byzantine armies. The huge empires enfeebled by their never ending confrontation dismissed the approaching threat as another wave of nomadic inroads, while the peoples caught in the whirlpool of the struggle hailed the conquerors who allowed them to avoid taxes and religious compulsion (especially onerous in Byzantium). The victories, which came in prompt succession, moved the Muslims to the boundaries of the eastern provinces.

Before the Arabs came to the Caucasus, the region had been an arena of struggle between the Sassanid and Byzantine empires, two rivals each seeking a tighter grip on the area. By the late 6th century, Byzantium, which could rely to a certain extent on the local Christian churches, had captured part of the Sassanid's Caucasian domains. In some countries, Monophysitism (Eastern Christianity) supported by the Sassanids was fairly strong, while Orthodoxy, which relied on Constantinople, was never popular. Later, in the early 7th century, the Caucasian Armenian and Albanian churches split from Byzantium, while the Georgian Church remained tied to it.² For many centuries, Iran and By-

¹ See: O.G. Bolshakov, *Istoria khalifata*, Vol. 1, Nauka Publishers, Moscow, 1989, p. 63.

² See: *Istoria Vostoka*, Vol. 2, Nauka Publishers, Moscow, 2000, p. 37.

zantium remained locked in wars which neither could win until the Byzantines allied with the influential Khazars living in the north of the Caucasus and successfully employed various devices to pull some of the feudal lords in the south onto their side.

However, after routing the Byzantine army in 636 in Syria in the battle of Yarmouk and the Persians at Qadisiyyah in 639 and Nihawand in 642, the Arabs buried the Sassanid Empire. They established their domination in the Middle Eastern and North African Byzantine domains. A qualitatively new stage of the Eurasian Middle Ages was thus ushered in with very different protagonists in command. Armed with a new religion, the young state could capture what remained of the Sassanid and Byzantine domains. The Muslims turned their attention to the Caucasus; the Arabs arrived immediately after the Nihawand battle and quickly approached Derbent and the borders of the Khazarean state to become masters of nearly the entire region.

By that time, the Arabs had developed a taste for the settled way of life; families and clans still very much devoted to the tribal traditions settled in far-away regions. The Caucasus had its share of uprisings and discontent, but its landowners accepted the new rulers. Later this class played prominent roles in the local administrations.

It should be said that not all the local rulers were prepared to hail the conquerors. The first Arabian march on Azerbaijan (643-644) under Bukair ibn Abdullah was not easy. The Arabs, assisted by Azeri noble Isfandiyad who was captured at an early stage of the march, fought their way across the vast province in the northeast of the Iranian plateau.³ Having warned the Arabs that, unless peace was achieved, the people might flee to the mountains and become unattainable, Isfandiyad recommended diplomatic means. The Muslims won by signing a peace treaty with the locals.⁴ There was practically no fighting; the people readily agreed to pay tribute in exchange for property and guarantees that they could follow their own customs and religions.⁵

Albanian Prince Javanshir preferred to maneuver among the Byzantines, Khazars, and Arabs. According to the historical sources, his domains stretched from the borders of Georgia to Derbent.⁶ T. Rshtuni, who ruled Armenia, on the other hand, entrusted his country to Byzantium. Later, in 652, he severed his ties with it to ally with Muawiyah of the Umayyad Dynasty, thus turning his country into a Caliphate domain.⁷

The Arabs then moved along the Caspian coast toward Bab al-Abwab (Derbent), a Sassanid fortress which shielded the lands of the bellicose nomadic tribes. Sarvaras, who commanded the Sassanid garrison and who knew that the Sassanid army had been routed, preferred to talk to the Arab commanders in order to exchange exemption from per capita tax for military service on the borders.⁸ This saved what remained of the Sassanid troops from complete destruction; they joined the Muslim army, where some of them soon became Muslims.⁹ Historical sources inform us that the Arabs wanted to move on to attack the nomads and that the Persians, who had much better knowledge of the local conditions, dissuaded them.¹⁰ We also know that the Christians of mountainous Armenia signed similar treaties and that the Arabs reached the Georgian city of Tbilisi.

The political disagreements in the Caliphate halted the hostilities in the Caucasus, which allowed the Khazars to expand to the neighboring countries of Albania and Armenia. Late in the 7th century, after recuperating from the civil war, the Arabs resumed their pressure on the Caucasus.

³ See: H. Kennedy, *Velikie arabskie zavoevania*, AST Publishers, Moscow, 2010, p. 227 (H. Kennedy, *The Great Arab Conquests: How the Spread of Islam Changed the World We Live in*, Weidenfeld & Nicolson, London, 2007).

⁴ See: N. Velihanly, *The Arabian Caliphate and Azerbaijan*, Elm, Baku, 1993, p. 23 (in Azeri).

⁵ See: Ibidem.

⁶ See: Z. Buniyadov, *Azerbaijan in the 7th-9th Centuries*, Elm, Baku, 1989, p. 78 (in Azeri).

⁷ See: A. Ter-Gevondyan, *Armenia i arabskiy khalifat*, Academy of Sciences of the Armenian S.S.R. Publishers, Erevan, 1977, p. 87.

⁸ See: F. Donner, *The Early Islamic Conquests*, Princeton University Press, New Jersey, 1981, pp. 205-209.

⁹ See: Ibidem.

¹⁰ See: M. Tabari, *Tarih ar-rusul wa-l-mulyuk*, Vol. 1, Dar al-maarif, Cairo, 1949-1950, p. 153 (in Arabic).

They conquered Arran and Armenia and exterminated ancient noble clans. Sheroi, an influential Albanian prince, was taken to Damask where he was kept for the rest of his life.¹¹

The Arabs were convinced that a war was the only way to stop repeated Khazar inroads into the South Caucasian lands. The war, which lasted until 737, did not bring final victory to either side. Shortly before that date, Marwan ibn Muhammad, future caliph of the Umayyad Caliphate, came to the Caucasus as its appointed ruler. His arrival was predated by the assassination of Javanshir, an influential *ishhan* of Arran, and persecutions of Christians in Arminiya (a province, the larger part of which consisted of Albania, Eastern Georgia, etc.). The new ruler, who was convinced that this policy should be abandoned and who also counted on the Armenian cavalry in the coming war against the Khazars, paid the Armenian cavalymen their wages for three years out of the state treasury.¹² He was not as lenient in Georgia. In 753, he returned to Arminiya to cruelly squash a Georgian revolt.¹³ The Khazars and their land, however, remained his main aim.

They were finally routed; their kagan asked for peace, while Marwan demanded that they adopt Islam. The Arabs remained in control until the last day of the Umayyad Dynasty. In 750, when the Abbasids replaced the Umayyads, the Khazars tried to regain their independence. Byzantium interpreted the domestic squabbles in the Caliphate as a chance to revive its diplomatic and military activity in the Caucasus.

Political Consequence of the Arab Conquests in the Caucasus

The Arabs who conquered the Caucasus found administrative formations here, called Arminiya and Adurbadagan (Azerbaijan), inherited from the reforms carried out by Byzantium and the Sassanid state. The Arabic Arminiya did not coincide with the eponymous Byzantine province, while Azerbaijan covered the northern and southern parts of the province as established by the Sassanids.¹⁴ At first, the Arabs appointed generals to rule the territories they conquered; many of them unwilling to sever the ties with the center delegated their powers to their deputies. Bukair ibn Abdullah, for example, having conquered Azerbaijan, preferred to go on fighting; he left behind military commander Utba al-Furqan to rule the newly conquered province.¹⁵

These deputies (*amili*) were present when treaties with the local people were signed; tax collection was their main duty; amirs and walis were administrators while qadis were lawyers. Under the written agreements, the conquered peoples recognized their dependence on the Caliphate and agreed to pay *jizyah*. Those officials who voluntarily accepted the new rulers preserved their posts. Religious figures were also involved in the administrative process. The new system left the local administrations more or less free; they used this leeway to ignore some of the points after the center loosened its grip. These digressions were invariably punished with new invasions and much more onerous agreements.

To rule the provinces, the caliphs needed information about the local social conditions, taxes, and other specific features. Each of the provincial rulers was engaged in administration and controlled all sides of life, with the exception of the military sphere. The controlling structure, *divan*, was found

¹¹ See: Ibn al-Asir, *Al-Kamil fit-t tarih*, Vol. 7, Beirut, 1965-1968, p. 20 (in Arabic).

¹² See: M. Tabari, op. cit., p. 156.

¹³ See: Ibidem.

¹⁴ See: Z. Buniyadov, op. cit., p. 145.

¹⁵ See: O.G. Bolshakov, op. cit., p. 96.

in the provincial centers. Caliph Abd al-Malik (661-680) set up a postal service (the best for its time according to an Arabian historian)¹⁶ to facilitate information exchange between the center and the provinces.

There were local administrations which were staffed at the early stages of Arab power with local administrators and nobles who voluntarily adopted Islam and vowed allegiance to the caliph; there was an obvious shortage of Arab officials. Before Abd al-Malik, the Arabs, who did not have enough administrative experience, appointed local officials to the administrative posts; an exception was made for the taxation and military divans, which conducted paperwork in Arabic and were controlled by the caliph. The divans in Azerbaijan and Arran used the Pahlavi and Greek languages they inherited from the Sassanids and Byzantines; all documents were drawn up in one of these two languages. Later, on the caliph's orders, all those who did not know Arabic were removed "by the will of Allah."¹⁷

The Abbasids, who replaced the Umayyad dynasty, made the state a Muslim (rather than Arab) state, which radically changed the situation in the provinces. From the very beginning, the descendants of Abbas, uncle of the Prophet Muhammad, involved all the Islamic peoples in the social and political life of their countries. The newly converted (malawi)—first Persians and later Turks—competed with the Arabs and gradually replaced them.¹⁸

Under the Umayyads, Islamization of Persia and the Caucasus was a gradual process; it accelerated under the Abbasids. The local Muslims acquired the same rights as the Arabs, while the local elite regained their former positions. Well aware of the Caucasus' strategic and political importance and because of the inroads of the Khazars who in 754 plundered Kartli and captured Tbilisi, the first caliphs of the new dynasty appointed their close relatives or successful military commanders as rulers.

To tighten the grip on the region and accelerate its Islamization, the caliphs moved Arab tribes to the captured lands. Arabs started arriving in great numbers in Mugan, Derbent, and Shirvan where their presence created new problems and stirred up collisions largely caused by the traditional rivalry between the northern and southern Arab tribes. The numerous clashes brought victory to the northern clans.¹⁹ The Arabian rulers of the Shaybani and Sulam clans were the staunchest supporters of the resettlement policy. They were responsible for the greatest number of Arab settlers who put down roots in Shirvan and other parts of Arminiya. The Sulam rulers, likewise, moved members of their clan to the region's central part.

This was done for political and strategic reasons. As a factor of stability in the conquered lands, the settlers helped to keep the Byzantines and Khazars in check and joined the marches against these rivals. The Arab tribes in Derbent played an important role in the struggle against the Khazars. The settlers occupied vast territories along the border with Byzantium, gradually pressing to the north and northwest and setting up military settlements in strategically important cities. The Arabs were moved to new lands to keep the ambitious local feudal lords in check, themselves eventually developing strong separatist sentiments. The Arab military leaders, rulers, and bureaucrats wanted hereditary lands and posts. The Shaybanids and Sulamids became the hereditary rulers of Arminiya.

In the late 9th century, the provinces acquired much more economic and cultural weight; this and the repeated uprisings against the Abbasids were the outward signs of a new historical reality and the specifics of the conquered countries. The relations between the Muslims and the local people varied from country to country.

¹⁶ See: Al-Galgashandi, *Kitab subh al-asha*, Vol. 15, Cairo, 1922, pp. 367-368 (in Arabic).

¹⁷ See: Ibidem.

¹⁸ See: N. Akhundova, *Turki v sisteme gosudarstvennogo upravleniya Khalifata*, Elm, Baku, 2004.

¹⁹ See: N. Velihanly, op. cit., p. 58.

The Caucasus acquired new political units earlier than the central part of the Baghdad Caliphate. The process which began in the late 8th century was slowed down by the Hurramit movement suppressed by the huge military forces that were moved to the region.²⁰ It should be said that the local Christians, who preferred to steer clear of this anti-Muslim rebellion, probably intended to use it in their interests. And when it was put down, one of the Albanian princes gave its leader, Babek, to the Arabs.²¹

Although defeated, the Hurramit movement was one of the reasons the Caliphate lost its political weight; Georgia and Armenia replaced it as centers of political resistance. Tbilisi, the capital of Georgia, with quite a large Muslim population, did not participate in this resistance against the Abbasids. According to Arab sources, Babek's execution was followed by never ending revolts in the Caucasus, which still remained under Arab rule.²² It took the army under Bug al-Kabir²³ (dispatched to the region in 852) nearly four years (until 855) to pacify the region. The Arab commander had to recapture Tbilisi with the help of Christian feudal lords of the House of Bagratuni.

The Caliphate, however, was not strong enough to halt the emergence of semi-independent or even independent states. The war with Byzantium distracted its attention from the Caucasus; as a result, the Arab province of Arminiya disappeared. Its eastern part (northern Azerbaijan of our days) was ruled by an Arab family of Mazyadids. Arab ruler H. as-Sulami, who restored "the Albanian kingdom which fell apart,"²⁴ declared Derbent an emirate. Albanian Prince Hamam in Sheki (part of Arran) took power; in the south of Azerbaijan, the Turkic Sajid Dynasty established an independent state of the Sajids. Unable to completely detach itself from the center for political reasons, it preferred to cooperate. This proved wise; in 898 its ruler was declared the ruler of practically non-existent Arabian Arminiya. The Sajids gradually enlarged their state; Shirvan, Sheki, Syunik, and other provinces as its parts paid tribute to the rulers.

In the north, the Princedom of the Bagratids was the largest feudal state, which included the lands as far as Kartli (it had fallen apart in the latter half of the 10th century).

The Caliphate was also crumbling in Syria, Egypt, Persia, and Central Asia, which made the Tulunids, Samanids, and other appointed rulers independent of the center. De facto independent, they no longer deemed it necessary to report back to the center regarding their military, administrative, and financial activities. The so far united Muslim Empire—the Baghdad Caliphate—was falling apart under the pressure of accelerating centrifugal trends.

The Arab Conquests in the Caucasus: Economic Impacts

After conquering vast territories, the Arabs invariably demanded that the local people pay taxes. At the later stages, the Muslim laws divided taxes into *haraj* (land tax) and *jizyah* (per capita tax for non-Muslims). While the war was still going on, the distinction was not clearly observed: all taxes were described as *jizyah*.

Under the first caliphs and Muawiyah, the first of the Umayyads caliphs, the state treasury was replenished by the spoils of war; the payments and land in the conquered provinces were traditionally intended for the Muslim soldiers who settled in the newly conquered areas. This meant that the

²⁰ See: Z. Buniyadov, op. cit., p. 233.

²¹ See: A. Müller, *Istoria islama*, Vol. 1, AST, Moscow, 2004, p. 712.

²² See: A. Balazuri, *Kitab futuh al-buldan*, Bulag, Cairo, 1057, p. 212 (in Arabic).

²³ See: Ibidem.

²⁴ *Istoria Azerbaidzhana*, Vol. 2, Elm, Baku, 1992, p. 102.

conquerors and the conquered belonged to different societies and had to cope with different problems. The conquered had no chance of moving up the administrative ladder.

Over time, after the local people were invited to join the Muslim administrative structures, the situation changed. The Muslim administrations were expected to collect heavy taxes from those who preserved their lands. The fiscal structure inherited from the Sassanids and Byzantines continued functioning in various regions and continued using the local languages. Under Caliph Abd al-Malik, the system was replaced with a new structure which used the Arabic language, the state language from that time on.²⁵ Coins with Arabic inscriptions appeared; official documents were written in Arabic; and new mosques were built to accommodate the newly converted.

Quite unexpectedly the reforms created tax, social, and economic problems. State revenue, on which the Caliphate counted, dropped. It was expected that taxes and dues (paid by the agricultural sector in particular) would replace the irregular revenue from the wars. The taxes and dues were mostly collected in the non-Muslim lands; the well-oiled system of tax collection faltered. Islam began rapidly spreading to the agricultural areas. The Umayyads tried to stabilize the situation. The newly converted Muslims were not exempt from taxes—taxes were replaced with an equivalent in Muslim donations. The new Muslims were forced to abandon their land and move to the cities to engage handcrafts; the less lucky found themselves on the social margins.

While untilled areas expanded, the amount of collected taxes decreased. The use of force and cruelty by the tax collectors merely added to the widespread discontent. In the early 8th century, Umar II (717-720), one of the Umayyad caliphs, restored the old, lighter, taxes for the newly converted; after his death the temporary privileges were annulled.²⁶

A new social group *mawali*—non-Arabic Muslim—was a social byproduct of the massive Islamization of all categories of local people who tried to adjust to the new conditions and adapt themselves to the new circumstances. While preserving their regional specifics, they still preferred to avoid all more or less serious provocations created by their Muslim Arab neighbors. It should be said that the situation in the Caucasus was much graver than in Syria, where people easily integrated into the Arab tribal system. The newly converted Muslims in the regions were isolated from power and high posts, which made them receptive to any ideas, including Shi'a, to rise against the government.

This created the danger of centrifugal trends in the Caliphate; however, the people at the top seemed unconcerned about it and did not try to get rid of this diversity. The Muslim empire remained a patchwork of the historical and cultural heritage of its peoples. The contradictions in the margins, which assumed religious hues of all sorts (we should not forget the Hurramit movement and what came of it), slowed down the ideological unification of Islam. Very soon the Abbasid dynasty relied on the *mawali* to change the unfavorable situation to some extent.

Unlike the Umayyads who relied on the Arabs, the Abbasids involved *mawali*, the feudal lords who previously had no power, in regional administration. The Abbasids too preferred to leave the administrative and taxation principles of the Caliphate intact. Despite the new rulers' lavish promises, the position of the popular masses in Azerbaijan, Arran, and other places worsened to a great extent.²⁷

The Caliphate somewhat changed the nature of agrarian relations in the conquered provinces. At the early stages of its domination, the situation in Arran, Azerbaijan, and Armenia remained practically the same; new social relations came to the fore as eastern feudalism gradually unfolded. In Syria, Egypt, and Mesopotamia, the Arabs, who laid their hands on all the arable land and distributed it among the settlers, gained control over the local economy. They failed to do the same in

²⁵ See: I. Filshinsky, *Istoria arabov i khalifata*, Muravey Publishers, Moscow, 2001, pp. 8-9.

²⁶ See: *Ibidem*.

²⁷ See: A. Müller, *op. cit.*, p. 687.

Azerbaijan, Arran, Armenia, and the Georgian lands, although they controlled the state-owned lands.²⁸

Waqf lands (the property of Muslim organizations more or less similar to church possessions in the Christian countries) appeared under the Abbasids. In the mid-8th century, another category of landed property, *iqta*, appeared—land transferred to soldiers in active service. The Arabs confiscated the land of mutinous feudal lords and distributed it among the Arab settlers.²⁹ The vast landed possessions were treated as state-owned lands; in the Caucasus, privately owned inherited land (*myulk*) was vast enough.

By the 9th-10th centuries, the Caucasus no longer belonged to the zone of Caliphate domination. The economy played a small role, if at all, in the process for the simple reason that in the Middle Ages economic changes in the region were barely noticeable. One aspect, however, deserves special mention. The Caliphate as a centralized state encouraged trade and urban development in the Caucasus in the most natural way. Barda, Tbilisi, Derbent, Ardabil, Ganja, Shabran,³⁰ Dvin, and others were more than regional trade centers; they were involved in trade with other areas of the Caliphate. The local merchants, who had developed into a social group, and the economically developed Georgian princedoms were not merely part of active international trade, but also acted as trade agents.³¹

In Azerbaijan and Arran, the cities became administrative centers with a life of their own; the local people, other ethnic groups (Arabs, Jews and others) organized into professional corporations, and feudal landowners lived side by side in them.

Certain Aspects of Islamization of the Caucasus

Islam, a new religion which the Arab conquerors brought to the Caucasus along with the administrative and taxation system and which they tried to impose on the conquered followers of other religions, was not immediately become widespread. At first the Arabs did not enforce it on the local people, but nor did they prevent its voluntary adoption. This was most obvious in Arran with its predominantly Christian population.³²

The local feudal lords made a feeble attempt to defend the religion of their ancestors; very soon, however, the obvious advantages of cooperation with the conquerors forced them to beat a retreat. The Azeri nobles lost no time in embracing Islam.³³ Engaged in protracted wars with Byzantium and fully aware of the importance of the Caucasus as a theater of war, the Arabs demonstrated loyalty to the local Christians.

In the north of Azerbaijan, Islam spread much slower than in the south. In Arran, rivaling feudal clans adopted Islam to draw the Arab conquerors onto their side. The economic factor was no less important; the new faith allowed the landowners to keep their landed possessions and made them exempt from *jizyah*. Later, knowledge and use of Arabic, which became obligatory, were expected to bring the local nobles closer to the Arabs. Their language, however, was limited to administrative

²⁸ See: Ibn Miskawayh, *Tajarib al-umam va taagib al-humum*, Vol. 1, Leyden, 1961, p. 152 (in Arabic).

²⁹ See: E.A. Beliaev, *Araby, islam i arabskiy khalifat v rannem Srednevekovie*, Nauka Publishers, Moscow, 1965, p. 74.

³⁰ See: *Istoria Vostoka*, Vol. 2, p. 42.

³¹ See: Ibidem.

³² See: V. Bartold, *Polnoe sobranie sochineniy*, Vol. 2, Nauka Publishers, Moscow, 1964, pp. 45, 142.

³³ See: Z. Buniyadov, op. cit., pp. 87-91.

matters; it was never used at home, while the ordinary people treated it as the language of Muslim theology.

The traditional (non-Arab) culture survived because Arab settlement was slow and because the Arab conquerors left the local administrative structures intact. Large-scale adoption of Islam in the Caucasus did not transform the local peoples into Arabs.

In the post-Umayyad period, when the Caliphate realized that it needed the potential of the local people, Islamization took a different turn. When moving respected Arab families to Azerbaijan, the caliphs instructed them to demonstrate the advantages of Islam by their behavior and piety.³⁴ The simple and easily grasped religion and the fact that the Arabs alleviated the economic and religious pressure attracted people to Islam. The Arabs, who brought their religion and their language to the Caucasus, became immersed in the local culture and adjusted the local traditions and rules to their needs, administrative needs in particular.

By the early 8th century, Islam had become the main religion in Azerbaijan. The top crust embraced it to preserve their privileges; the merchants and artisans were encouraged by the attention and concessions; while the peasants wanted to avoid the per capita tax. The new religion banned encouragement of all forms of paganism, from idolatry to polytheism.³⁵ In Arran, where Christianity was widespread and where its confessions were locked in a fierce struggle for domination, Islamization began much later, in the 9th-10th centuries under the aegis of the Muslim rulers of Shirvan and Arran.

C o n c l u s i o n

After conquering the vast and geographically diverse territories, the Arabs immediately moved into them; the newcomers settled separately from the locals and almost never mixed with them. To avoid discontent and uprisings, the Muslim victors never used force to impose their faith on the conquered and maintained friendly relations with the church and other religious structures.

The local people adopted Islam to avoid taxes; the nobles did the same to join the ruling class of the Caliphate. Those wishing to join the army and climb the military ladder, likewise, had to become Muslims. In the 10th century, or even earlier, official posts were reserved for the Muslims. The fact that there was no coercion and that people were free to choose whether to join Islam or stay away from it made the new faith doubly attractive. By joining Islam, the conquered joined the camp of the victors, joined the top crust, and became equal, at least theoretically, with other Muslims.

There were disagreements between the Arab Muslims and mawali, but this did not refute the fact that Islam was open for all and declared the equality of all Muslims before the Allah. The confrontation in Islamic society, however, contributed to the crumbling of the old social order and destroyed social partitions.

By setting up political and social frameworks conducive to gradual adoption of the new faith, the Arab conquests were the first step toward future Islamization of many nations and regions. By the 10th century, the larger part of the territories captured by 750 had become part of the Islamic community. This would have never happened without the Arab conquests; had it been otherwise, Islam would have never become the main religion in this part of the world.

In many respects, the Muslims' wise policies reconciled the conquered peoples to their rule. The Arabs convinced the local people that capitulation on their conditions and payment of tribute were

³⁴ See: D. Sourdel, J. Sourdel, *Tsivilizatsia klassicheskogo islama*, U-Faktoria, Ekaterinburg, 2006, pp. 89-92 (D. Sourdel, J. Sourdel, *La Civilisation de l'Islam classique*, Arthaud, Paris, 1983).

³⁵ See: Ibidem.

preferable to resistance. The Arabs' political success contributed to Islamization and Arabization, but they did not stem from the military victories. The process was a gradual one triggered by the people's desire to become part of the dominating culture.

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SOME ASPECTS OF THE RESETTLEMENT POLICY OF THE ARAB CALIPHATE IN AZERBAIJAN

A b s t r a c t

Before the Arabs appeared in Azerbaijan, its territory was the theater of a brutal battle between the Byzantine and Sassanid empires, which had a very negative effect on the country's political and socioeconomic situation and brought the na-

tion to poverty. This article analyzes the period after Azerbaijan was conquered by the Arabs and takes an in-depth look at the administration system they adopted, as well as their political, economic, religious, and demographic policy.

I n t r o d u c t i o n

Since the time of Caliph Umar, incursions were made into Azerbaijan. After the Persians were routed under Nahavand (21/641-642), the country was controlled by the Arabs from Ardabil to Derbent (Babul Abwab). It is worth noting that the local rulers and population perceived the arrival of the Arabs as salvation from the Byzantine, Sassanid, and Khazar conquerors.

Moreover, when the Arab conquests began, a moderate policy was conducted, which helped the local population to accept the Islamic religion.

But after Caliph Umar came to power, the Arabs began carrying out a resettlement policy, which reached its peak during the rule of the Abbasids.

When the Umayyad dynasty came to power, repression of the local population intensified, which was expressed in its compulsory Islamization and repeated raising of taxes. During the rule of the Abbasid caliphs, this policy led to an outburst of national discontent.

In this respect, it should be noted that the fairest policy was conducted during the rule of the four rightful caliphs (632-661); however, after the Umayyad dynasty came to power, national uprisings and revolts began to break out again in Azerbaijan.

Resettlement Policy of the Arab Caliphate in Azerbaijan

Over many millennia, the history of mankind has been accompanied by innumerable wars and conquests. It was customary for some of the people of the victorious country to settle on the seized territory in order to spread their religion and culture there. It is also worth noting that scientists and artists left the defeated countries.

The Arabs also conducted a resettlement policy and territorial expansion was directly associated with spreading their religion. The conquerors wanted the Muslims, with their way of life, traditions, and views, to coexist with the indigenous people; this is precisely how Islam was spread.¹ According to Bartold, Islam was not spread by individual missionaries (as was the case with Christianity), but by all the settlers wherever they lived; and they were able to do this without repressing the representatives of other confessions.² However, some think that the Arabs wreaked greater havoc with their conquests and resettlement policy than the Greeks.³

Arab settlers also moved to Azerbaijan; during the rule of the Rawwadids, they became so assimilated with the local population that they were considered an integral part of it.

According to Belazuri, the first migration of Arabs to Azerbaijan took place during the rule of Caliph Osman (23-35/644-656). At that time, the ruler of Kufa Walid ibn Uqba and Eshas bin Qays arrived in the country; they were instructed to put down the uprising and settle some of the migrants there, as well as convert the people to Islam.⁴

Like Huzaifa bin al Yaman, the first vali (leader) of Azerbaijan, Eshas bin Qays chose the town of Ardabil as the place to build his residence. This town became the homeland of the first Arab settlers (mainly Sahaba), who were entrusted with converting the people to Islam.⁵

Larger-scale mass migration began during the rule of Caliph Ali (35-40/656-661). According to Eshas bin Qays, who was reappointed as ruler (36/656-657), at this time most Azerbaijanis accepted Islam and learned to read the Koran.⁶

According to the sources, most migrants of this period were members of the Yezd and Kinda tribes (from Yemen), who were known for their good managerial and other capabilities. It is worth noting that Huzaifa bin al Yaman, the first vali of Azerbaijan, was also from the Yezd tribe, while Eshas bin Qays (who ruled longer than anyone else) was from the Kinda tribe.⁷

The sources of that time do not provide any precise statistics regarding the number of migrants. Tabari mentions the deployment of a 6-thousand-strong army in Azerbaijan, but this only referred to the defense forces that were replaced in the country every year.

There is also information about 2,000 people from the Beni Taghlib tribe headed by Shuayb bin Malik (during the rule of Abdul Malik bin Marwan) settling in Azerbaijan.⁸ The number of settlements also increased in the 2nd century of Hijra, that is, during the rule of the Abbasids.⁹

¹ See: Sh. Faisal, *Al-Mujetemeatu'l-Islamiyye fi'l-Karni'l-Awwal*, Beirut, 1973, pp. 31, 210.

² See: V.V. Bartold, *Mesto prikaspiiskikh oblastei v istorii musulmanskogo mira*, Baku, 1925, pp. 45, 142.

³ See: Kh. Ganim, "Intisharu'l-Islam fi'r-Rikhab," *Majallatu'l-Azkhar*, Cairo, 1970, Vol. 42, No. 6, pp. 516-517.

⁴ See: Belazuri, *Futukh al-buldan* (Conquering Countries), Beirut, 1987, p. 459; A. Dikhkan, *Serzemin-I Zardusht Ridaiyye*, 1348, p. 334; Kh.A. Makhmud, *Al-Islam fi Asya'l-Vusta*, Egypt, 1972, p. 56.

⁵ See: Kh. Ganim, op. cit., pp. 514-515; A. Dikhkan, op. cit.

⁶ This is only found in Belazuri (*Futukh al-buldan*, p. 460); it is not found in other sources.

⁷ See: Kudama, *Ibn Jafar Abu'l-Faraj ibn Ziyad, al Haraj ve-s-Synatu'l-Kitabe*, M. Husain ez-Zebidi Publishers, Baghdad, 1981, p. 378; Masudi, *Muruju'z-Zeynab*, Vol. 1, Beirut, 1997, p. 325; Ya'kut el-Khamavi, *Mujamu'l-Buldan*, Vol. 1, Beirut, 1990, p. 129; O.R. Kekkhala, *Mujemu kabaili-Arab al Kadime ve l Hadisa*, Vol. 3, Beirut, 1985, pp. 998-999.

⁸ See: Tabari, *Tarikhu'l-Umeni ve'l-Muluk*, Vol. 5, Beirut, 1987, p. 246; Z.V. Togan, "Azerbaijan," in: *Islamic Encyclopedia*, Vol. 2, Istanbul, 1979, p. 95.

⁹ See: A.T. Kesrevi, *Shakhriyaran-i Gumnam*, Tehran, 1335, p. 149; Z.V. Togan, op. cit.

The Arab settlement zone covered territory from the south to the north; Islamic armies were deployed in the central cities, strategically important districts, and in places where there were potential military threats. So the towns of Ardabil, Tabriz, Bazz, Maraga, Barda, Beylagan, Shamakhy, and Derbent became places of compact Muslim residence.¹⁰ It is worth noting that the first settlers included advocates of and people close to the Prophet (S.A.W.).

Arab settlement had an exclusively positive influence on Azerbaijan's development. The people's convictions, language, and thoughts changed,¹¹ while the locals and the new settlers became quickly assimilated. Arabic toponyms can still be found in the names of several villages and settlements of contemporary Azerbaijan, and there are Azerbaijanized descendants of Arabs who have still not forgotten their own language.¹²

In contrast to the Byzantines and Persians, the Arab settlers did not resort to violence, but adopted "soft" administrative methods (particular during the first conquests), thus disposing the local population toward them. This stands to reason, since integrity of life and property are primary human values.¹³

For this reason, the population of Azerbaijan, brought to ruin by the Iranian-Byzantine wars and Khazar invasions, regarded the Arabs as their saviors. For example, during the rule of the Umayyads (during the first 10 years), the Arabs limited themselves to collecting taxes, without interfering in the internal affairs of Azerbaijan. This led to a better and more peaceful life for the country's population.¹⁴

According to several researchers, the main reason the Arabs did not engage in religious repression (during the first years of their conquest) was the fact that most of Azerbaijan's population was made up of "People of the Book," that is, Christians.¹⁵ However, the local aristocracy, wishing to draw closer to the Caliphate, accepted the new religion faster than the peasant population.¹⁶ According to the sources, Balasagun in Arran was the first district of Azerbaijan where Islam became established.¹⁷

However, the sources say nothing about why the new faith was adopted; only suppositions can be made.

- The first suggests that the Muslims wanted to convert the people, who were mainly pagans, to Islam.¹⁸
- The second supposition suggests that the people who adopted Islam found something in the new religion that was missing in the convictions of their fathers and grandfathers.

So the resettlement policy based on the principle "Let there be no compulsion in religion" (*Qur'an*, Surah 2, Al-Baqarah, ayat 256), and not permitting any religious compulsion,¹⁹ imbued the people with a feeling of fraternity and created prerequisites for peaceful coexistence. The people of

¹⁰ See: Belazuri, op. cit., p. 463; Istakhri, *Mesalik'l-Memalik*, Beirut, 1997, p. 108; Ya'kut el-Hamavi, op. cit., p. 201; O.R. Kekkhala, op. cit., Vol. 1, p. 49; V. Minorski, *A History of Sharvan and Darband*, Cambridge, 1958, p. 18; A.A. Bakykhanov, *Gulistan-i Irem*, Baku, 1970, p. 51; N. Velikhanly, *Arabskii khalifat i Azerbaidzhan*, Baku, 1993, p. 63.

¹¹ See: A.A. Bakykhanov, op. cit., p. 17; R. Sheshen, *Salakhaddin Ayyubbi ve Devlet*, Istanbul, 1987, p. 36.

¹² Azerbaijanized Arabs are mostly found in Southern and Northern Azerbaijan. They are called *seyids* and belong to the *ulems*. For more information about this, see: Z.V. Togan, op. cit., p. 93.

¹³ See: Kh. Nedzhdet, *Al-Idara fi'l-Asri'l-Amavi*, Beirut, pp. 131-132.

¹⁴ See: N.V. Pigulevskaia, *K voprosu ob obshchestvennykh omosheniiakh na Blizhnem Vostoke*, St. Petersburg, 1948, p. 68.

¹⁵ For more information, see: E. Beliaev, *Musulmanskoie sektanstvo*, Moscow, 1957, pp. 17-18; Kh.K. Aziz, *el-Va-vakiye*, Damask, 2000, p. 59.

¹⁶ See: V.V. Bartold, *K istorii krestianskikh dvizhenii v Persii*, Moscow, 1923, p. 57.

¹⁷ See: Belazuri, op. cit., p. 285.

¹⁸ See: A. Dikhkan, op. cit., p. 58.

¹⁹ See: V.V. Bartold, *Istoriia islamskoi kultury*, Transl. by M.F. Korpulu, Ankara, 1963, p. 108.

Azerbaijan, oppressed by the Byzantine and Sassanid yoke, readily adopted the new religion of justice and charity.

However, the situation significantly changed, giving rise to uprisings and outbreaks of discontent in the country.

The Ethnic Composition of Azerbaijan

After the Arab conquest, the ethnic composition of Azerbaijan significantly changed, although the sources do not provide any precise information about this.

The Arabs only occupied the most important places in the conquered lands, while small groups of soldiers defended the transportation routes; the rest of the army, its greatest part, continued to fight.²⁰ The soldiers of the Islamic army who participated in the expansionist incursions served for four years and were then replaced by new soldiers.²¹

Arab families were not able to move to Azerbaijan until the dominion of the Caliphate was ultimately established there; Belazuri provided the first information about this.

The Umayyads were the first to give the families who moved to Azerbaijan land plots suitable for setting up resident farmsteads, which made it possible for the Caliphate to stop paying the migrants from government funds, on the one hand, and to create a social foundation in the conquered country, on the other.

It should be noted that later whole tribes of Arabs began migrating to Azerbaijan.²²

According to Belazuri, most of the migrants were families from Basra and Syria, but the Arabian historian does not indicate which tribe was the first to settle in Azerbaijan²³; they were given as much land as they could farm (the Arabs also bought land for them from the local people).

When carrying out their resettlement policy, the Arabs took into account the condition of the conquered lands, their strategic location, and the composition of the population.

For example, most of the population of Arran was comprised of Christians; moreover, this district was frequently attacked by the Khazars. So the Arabs built military garrisons—"ritabs"²⁴—there, while all the expenses for their upkeep were covered by the taxes collected from the people.²⁵

The same happened when the Arab army conquered the northern "gates of Arran"—Derbent (Babul Abwab), which was of immense strategic significance. Mesleme bin Abdul Malik deployed 24,000 soldiers from Syria there, who were issued a special payment²⁶—"ata."²⁷

The soldiers deployed in the conquered territories were given plots of land; later, members of the clergy and cultural figures moved there (they were to convert the people to Islam). So those regions where Arab garrisons were located primarily became centers of the new religion.

After the fall of the Umayyad dynasty and establishment of Abbasid power, some changes occurred in the resettlement policy.

²⁰ See: Tabari, op. cit., Vol. 4, pp. 22, 251.

²¹ See: Tabari, op. cit., Vol. 5, pp. 529.

²² See: Z. Bunyatov, *Azerbaidzhan VII-IX*, Baku, 1989, p. 163.

²³ See: Belazuri, op. cit., p. 329; I.Kh. Atcheken, "Azerbaidzhan ve Ermeniyye Bolgesi Fetikhleri Achysyndan Khisham b. Abdulmelik Donemi," in: *Ilmi Arashtyrmalar Dergisi*, Baku, No. 7, 2004, pp. 185-193.

²⁴ This means all the troops in the town, or the town in which troops were deployed.

²⁵ See: K. Patkanov, *Istoriia Agvana*, St. Petersburg, 1861, p. 144.

²⁶ Ata, an annual payment to the Muslims from the state divan during the time of Caliph Umar; during the time of the Umayyads and Abbasids, this is what soldiers' salaries were called. For more information, see: M. Faida, "Ata," in: *Islamskaia entsiklopediia Diianat*, Vol. IV, Istanbul, 1991, pp. 33-34.

²⁷ See: V.V. Bartold, *Mesto prikaspiiskikh oblastei v istorii musulmanskogo mira*, p. 27.

In order to prevent centrifugal forces from emerging and to keep a firm grip on their power, the Abbasids moved their supporters to the land of former settlers who were sent back to their homeland (this process was accompanied by clashes among the settlers, which was detrimental to the local population)²⁸; time confirmed that this policy was correct.

According to Belazuri and Istakhri, under Caliph Al Mutawakkil (232-246/847-861), the military garrisons deployed in Azerbaijan under the Umayyads were not banished; nor did the Abbasids bother the Syrians who settled in Derbent. Later, "Babul Abwab" separated from the Caliphate and the Sulamid emirate was founded there, which existed right up until the Mongol invasion.²⁹

Under Caliph Harun al-Rashid (169-193/786-809), the inflow of settlers abruptly decreased (according to the ruler, this was in keeping with Caliphate's interests), while the local Arab rulers were responsible for settling the families who arrived and found places for their relatives and fellow countrymen to live in the central districts. This led to many problems and contradictions.

Northern Azerbaijan eventually became "Umayyad," while Southern Azerbaijan was known as "Abbasid," and weapons were used to resolve the problems that arose.³⁰

Serious contradictions emerged between the Arab migrants who were settled in Azerbaijan by the Umayyads and the Abbasids during division of the conquered lands, tax collection, etc.; however, due to the difficult sociopolitical situation in the Caliphate itself, the central government ignored these problems.

Despite Azerbaijanization, the families who moved to Azerbaijan from the Caliphate retain their ethnic uniqueness to a certain extent to this day; they call the places where they live by their own names, they often use Arabic words, and their lifestyle is characterized by certain features of the desert way of life.³¹

The Arab conquests led to an abrupt drop in the number of Christians in Arran and Derbent. Most of them moved to Byzantium, while the rest (the lower strata of the population who had been forced to convert to Christianity against their will) readily accepted Islam.

The Udins, a nationality that lives to this day in the republic and numbers several thousand people, are the direct descendents of the Christians who lived in Azerbaijan.³²

After conquering Azerbaijan, the Arabs introduced their language into the country; all state affairs were conducted in Arabic. Moreover, the people's desire to find favor with the Muslim rulers prompted them to adopt Islam.

In the 11th-12th centuries, after the Seljuks came to the region, the Azerbaijani language began to replace the Arabic. The Seljuks and Mongols also played an important role in this process.

At the initial stage of their conquests, the Arabs preserved the former way of conducting state affairs. But later, the local rulers and the state language were changed (from Persian to Arabic), which led to sociopolitical tension in the country. The upper strata of the population was left jobless and lost their former prestige. The number of unemployed also significantly increased (this was primarily associated with the change in language).

Some researchers are of the erroneous opinion that predominance of the Persian language in literature and science was associated with the population's support of the Sassanids and their administration system.

But there is no doubt that Persian was the main literary language in all the regions (apart from the ones populated by Arabs); it is enough to mention such world renowned poets as Firdousi, Hagani, Nizami, and Fizuli.³³

²⁸ See: Z. Bunyatov, op. cit., pp. 165-167.

²⁹ See: Belazuri, op. cit, p. 207; V.V. Bartold, *Mesto prikaspiiskikh oblastei v istorii musulmanskogo mira*, p. 27.

³⁰ See: Z. Bunyatov, op. cit., pp. 167-168.

³¹ See: M. Kh. Veliev, *Azerbaidzhan Ekhalisi Etnoqrafik Servetler Muzeyidir*, Baku, 1924, pp. 401-402.

³² See: E. Samadov, *Azerbaidzhanda Din Egitimi* (unpublished doctoral dissertation), Istanbul, 2006, p. 9.

³³ See: M.E. Rasulzade, *Nizami*, Ankara, 1951, pp. 5-6.

So, most of the intelligentsia, academics, and literary figures continued to use Persian.

Nevertheless, it was obvious that many of the poets followed Islam; they sang the praises of Allah and His Prophet, and unity of motivation and thought could be traced in their works, while Firdousi's creative work (which is an exception) contains motifs of Zoroastrianism and paganism.

Azerbaijani poets were not given land plots in the Caliphate because they wrote in Persian; in other words, there were almost no literary figures who wrote in Arabic.³⁴

As for the settlers, they only spoke their native language.

However, as noted above, in the 11th-12th centuries, the Azerbaijani language became much wider spread. In order to assimilate with the rest of the population, the Arabs were compelled to study and use it.

C o n c l u s i o n

In the Middle Ages, notable events occurred in the history of Azerbaijan that were directly related to the Arab conquests; these included conversion to Islam and changes in the people's traditions, views, and cultural values.

Arab reconnaissance incursions into Azerbaijan headed by Bukeyr bin Abdullah, Surak bin Amr, and Utba bin Farkad began under Caliph Umar (from 18/639); this resulted in some of the land being transferred to Muslim control.

The resettlement policy that began under Caliph Osman led to an increase in the Muslim population in Azerbaijan; this policy was successfully continued by Caliph Ali.

The military garrisons and Muslim families who came with them mainly settled in towns that were of immense strategic significance (Derbent, Barda, Beylagan, and so on), as well as in the southern regions of the country.

The first Muslims to settle in Azerbaijan played a significant role in spreading Islam in the country. Acceptance of the new religion and its expansion in the region were promoted by the fair policy conducted by the Arabs and the prudent administration system they established.

³⁴ See: Ibid., pp. 173-175.

GEOHISTORY

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KARABAKH: LOOKING INTO THE PAST IN SEARCH OF THE TRUTH

A b s t r a c t

This article, which spans a vast historical period from the early 19th century when the Russians conquered the Transcaucasus to the advent of Soviet power in the region, deals with the ethnic, demographic, and national processes unfolding across Karabakh, including its mountainous part. The author relies on recently discovered historical sources to analyze the historical panorama and point out that the Bolsheviks, who came to

power in 1920, made Karabakh, an independent khanate of Azerbaijan, a target of the Armenians' territorial claims. Prof. Hasanli turns to the new information from Russian archives to reveal the truth. Total falsification of everything related to the Karabakh problem, which has recently become even more urgent, has made the issues raised in the article doubly important both in the academic and practical respects.

I n t r o d u c t i o n

At all stages in Azerbaijan's history, Karabakh has been viewed as a geographic region in its own right; today, the Armenian occupation has turned it into a target of conflict. There is a more or less widely accepted opinion that in the Early Middle Ages Karabakh was regarded as the homeland of the Azeris. Its toponym speaks of the same: according to several sources, the

word “Garabag,” which is made up of two stems, “Gara” (large) and “bag” (garden), means “Large Garden.”

In the 1540s, Ziyadoglu, head of the tribe of Kajars, who regarded themselves as the hereditary rulers of the area, was appointed beglerbeg of Karabakh. In the first quarter of the 18th century, when the Safavid dynasty collapsed, which triggered a series of feuds, the Karabakh domains separated into two independent khanates. The Ziyadoglu dynasty kept the northern part, which became the Ganja Khanate, while the southern part, at the interfluvium of the Kura, Arax, and Terter rivers, became an independent Karabakh Khanate. In the northwest, along the Kurakchay River, it bordered on the Ganja Khanate; it was divided from the Sheki Khanate by the Gekchay River; in the east, the Kura River served as the border with the Shemakha Khanate; in the south, the border with the Karadag Khanate ran across the Mugan steppe; in the southwest, it bordered on the Nakhchivan Khanate, and in the west, on the Irevan Khanate. In the 18th century, the population of the Karabakh Khanate was 130 thousand strong; the khanate was founded by Panakh Khan, who in 1754 built a fortress Panakhabad (later Shusha) on a high and steep mountain.

Russia, which came to Karabakh in the early 19th century, created a new political situation; it was seeking social and ethnic support among the Armenians, which pushed the Christian element to the fore in Karabakh. In fact, the disagreements of the present day are rooted in the early 19th century.

The Treaty of Kurakchay

In 1801, having conquered Georgia, Russia approached the borders of Azerbaijan. In March 1803, Commander of the Russian Caucasian Army Prince Tsitsianov began a siege of Ganja, the largest of the Azeri cities; on 3 January, 1804, Russian troops, which had broken the fierce resistance of the city inhabitants headed by Javad Khan, entered the city. To gain a foothold in the Transcaucasus, the Russians needed the Karabakh, Sheki, and Shirvan khanates, the strongest in this region. During the protracted talks, Prince Tsitsianov threatened the khanates with the sad fate of Ganja and argued that Russia’s military might made its patronage the best option for the three khans. The Russian commander, who was rubbing up against Iranian interests in the region and knew this, preferred the wait-and-see policy, a wise decision in view of the khanates’ considerable military potential.

In 1805, broken by the pressure, ruler of Karabakh Ibrahim Khalil Khan signed a Promise on Oath with Russia, the first legally binding document; the first step toward uniting Karabakh to Russia had thus been made. The treaty signed in the Kurakchay military camp became known as the Treaty of Kurakchay; its eleven articles gave Russia all the advantages. From that time on, the Karabakh Khanate became a Russian protectorate: it renounced its right to deal with third states and with its neighbors on its own; the khan was expected to pay Russia an enormous annual tribute of 8,000 *chervontsy* (24 thousand Russian rubles); cover the upkeep expenses for his grandson held hostage at the Tiflis residence of the commander-in-chief; and accept a unit of 500 Russian soldiers stationed at the Shusha fortress.

Russia, in turn, pledged not to interfere in the khanate’s internal affairs—the only concession Ibrahim Khalil Khan wrung from the Russian negotiators. As soon as the treaty was signed, on 8 July, 1805, Czar Alexander I made the khan a Russian general; from that time on, he was expected to obey the orders of the commander-in-chief of the Russian troops in the Caucasus. As a diplomatic document, this treaty meant that the Karabakh Khanate became a Russian protectorate as an Azeri state.¹

¹ See: “Treaty between the Karabakh Khan and the Russian Empire on the Transfer of the Khanate under Russia’s Power of 14 May 1805,” State Historical Archives of the AR, rec. gr. 130, f. 14, sheets 245-248 (in Russian); *Akty Kavka-*

Having captured the strategically important Karabakh Khanate, the Russians could move on to occupy the rest of Azerbaijan. The khanate's mountainous part allowed Russians to control the west of the country. The rest proved easy; the task was made even easier by the khans, who, unable to agree on the common future of their peoples and khanates, failed to close ranks in the face of Russian pressure. In a letter to the Russian emperor, Prince Tsitsianov described the new acquisition as the "gate to Azerbaijan;" he wrote that Karabakh moved Georgia closer to Baku "which we expect to capture this fall."²

The Azeri khans, very much afraid of Iran but still hoping it would win the first Russo-Iranian war (1804-1813), followed the ups and downs of the hostilities with bated breath; the Russian army, in turn, did not trust the local Muslims very much. In 1806, when Iran attacked Shusha, Major Lisanevich, who was in command of the Russian garrison, murdered Ibrahim Khalil Khan and all his family to prevent unpleasant surprises on his side; he spared Mekhtikuli Agha, one of his sons. The military rank of lieutenant general of the Russian Army the emperor conferred on the khan was obviously no more than symbolic. Having disposed of Ibrahim Khalil Khan, Russia preserved the status of its khanate: on 10 September, 1806, under a deed of Emperor Alexander I, Mekhtikula Agha replaced his father as ruler of Karabakh. The deed signed by His Imperial Majesty on September 1806 said in part: "We send Our amiable loyal subject M.-Gen. of the Karabakh land and heir Mekhti-Kuli-aghah (Mekhtikuli Agha.—*J.H.*). Our Imperial Grace and Kindness. Having conferred on you and all the people of the Karabakh land the grace of the Supreme Deed in the last year of 1805 to receive you as Our loyal subjects and the benevolent adoption of all conditions which your late father and Our General of the Infantry Prince Tsitsianov set in the interests of the people and your house for all times, We were sorry to hear of the incident which caused the death of Your father Ibrahim Khalil Khan. Today, being assured that you not only remained determined to perform your duty to Our Imperial throne, but that You also served our troops on your own initiative, We reward this commendable confirmation of your loyalty by appointing you khan of Shusha and Karabakh and allow you to own this land under Our Supreme patronage, the patronage of the state and protection of the Russian Empire, to which you should pledge your loyalty as a subject and recognize as Our power over yourself. By Our supreme will, We hereby entrust both you and your future descendents with all the obligations of the Karabakh Khanate and the rights and advantages attached to it and confirmed word for word in this deed. By this We entrust you with the task of ruling the Karabakh people with meekness and fairness and We are convinced that you and your heirs will be unshakable in your devotion to Our Imperial throne and faithful performance of your obligations in accordance with the demands of your loyalty. This, Our Imperial deed, was issued with the hope and as proof of Our Royal benevolence to you and the people of Karabakh; it was personally signed and sealed with the State Stamp. Signed: Alexander."³

The Russian emperor presented Mekhtikuli Agha with a flag and a saber decorated with precious stones as a symbol of his new position.⁴ Like the Treaty of Kurakchay before it, the imperial decree of 1806 (the Treaty's legal extension), which appointed Mekhtikuli Agha ruler of Karabakh, in short, all the documents relating to both the mountainous and valley parts of Karabakh, which was being gradually occupied, speak of the members of the Javanshir House as rulers whom all social groups had to obey. The new khan hated the Iranians and mistrusted the Russians, who exterminated his family, yet as appointed khan he had certain obligations to perform and had to demonstrate caution; his anti-Iranian feelings eventually prevailed.

zskoy arkheograficheskoy komissii. Arkhiv Glavnogo upravleniya namestnika Kavkaza, Vol. II, ed. by Commission Chairman A.D. Berge, Tiflis, 1868, p. 705.

² *Akty Kavkazskoy arkheograficheskoy komissii, Arkhiv Glavnogo upravleniya namestnika Kavkaza*, Vol. II, p. 698.

³ "Vysochaishaia gramota general-mayoru Mekhtikuli aga ot sentyabrya 1806 goda," *Akty Kavkazskoy arkheograficheskoy komissii. Arkhiv Glavnogo upravleniya namestnika Kavkaza*, Vol. III, Tiflis, 1868, pp. 336-337.

⁴ See: M. Garabaghi, *A History of Garabagh. Garabaghname*, Book I, Baku, 1989, pp. 147-148 (in Azeri).

The Karabakh Khanate Liquidated

The victory over Napoleon allowed Russia to tighten up its Eastern policy. General Yermolov, who was appointed as governor of the Caucasus in 1816, regarded the Azeris as potential enemies; he used any more or less plausible pretext to liquidate the khanates, which at any moment could have become the driving force behind a liberation movement. Armenian General V. Madatov, who represented the governor in Northern Azerbaijan, likewise demonstrated a lot of zeal; together they moved steadily toward their aim: in 1819, the Sheki Khanate was liquidated. Unable to stand the Russians' pressure any longer, Mekhtikuli Khan fled to Iran, and the Karabakh Khanate became a Russian province. Russian writer and diplomat Alexander Griboedov wrote that 3 thousand Muslim families followed the khan.⁵ Two years before that, Mustafa Khan of Shirvan escaped to Iran. The khanates were liquidated in violation of the earlier signed treaties. In 1826, the second Russo-Iranian war began with Karabakh serving as the battleground once more. The Iranians, who besieged Shusha for 48 days, had to retreat. On 10 February, 1828, the sides signed a new peace treaty in the village of Turkmanchay outside Tabriz under which the khanates of Northern Azerbaijan, including Karabakh, as well as the Nakhchivan and Irevan khanates, finally became parts of the Russian Empire.

Unification of the Transcaucasus and Russia abounds in illuminating details. Recently, some Armenian and Russian historians and part of the political establishment have been saying that Karabakh was attached to Russia as part of Armenia, but any attentive researcher of the international legal documents of the period will never fail to question the formula according to which Russia acquired not only Karabakh, but also Armenia. Georgia became part of Russia under the Treaty of Georgievsk in 1801, while the Azeri khanates joined Russia under the Gulistan (1813) and Turkmanchay (1828) treaties. The question is: what treaty made Armenia and the territories it claims part of Russia? Prominent Armenian historians did not look far: disdaining the ethics of academic studies, they preferred to ignore the well-known historical facts to write: "Under the Treaty of Gulistan of 1813, which ended the Russian-Persian war of 1804-1813, Russia acquired the Ganja and Karabakh khanates together with the other northwestern provinces of eastern Armenia (the Lori-Pambak, Shamshadin, Zangezur, Kafan, and Shoragel uezds)... Under the Treaty of Turkmanchay (February 1828), which ended the second Russo-Persian war (1826-1828), Russia acquired the Yerevan and Nakhchivan khanates and the Ordubad uezd. In this way, East Armenia became part of Russia."⁶ To prove their point, they refer to a documentary collection published by G. Yuzefovich in St. Petersburg in 1869.⁷ They insist their falsifications, even though they know that neither the Gulistan nor the Turkmanchay treaties published in Yusefovich's collection say anything at all about the Armenian lands, either eastern or western; no Christian lands are mentioned either. The documents relate to the Muslim khanates, their territories, and their unification with Russia. The Irevan Khanate was a predominantly Muslim state; this is amply confirmed by Russian historical sources. In 1828, when the so-called Armenian region was set up in the territories of the Irevan and Nakhchivan khanates, three quarters of its population were Muslims. General Paskevich wrote to the Chief of General Staff to express his displeasure with General Krasovsky, who was appointed in 1827 as head of the "interim administration" of Irevan, and with member of the interim administration Archbishop Nerses, accusing the former of "giving free rein to Arch-

⁵ See: T. Kocharli, *Karabakh: Lies and the Truth*, Baku, 1998, p. 52 (in Azeri).

⁶ *Nagorny Karabakh: istoricheskaya spravka*, Erevan, 1988, pp. 14-15.

⁷ See: *Dogovory Rossii s Vostokom, politicheskie i torgovye*, Collected and published by G. Yuzefovich, St. Petersburg, 1869, pp. 208-214.

bishop Nerses in everything and of harmful protection of the Armenians, while three quarters of the region's population were Muslims.”⁸

The lost status turned the khanates, including Karabakh, into a colony; it was a long process and took several decades, during which the administrative division of the Transcaucasus changed several times to reach its final configuration in the latter half of the 19th century.

Resettlement of Armenians from Neighboring Countries and Demographic Changes in Karabakh

The khanates of Northern Azerbaijan were replaced with military administrations; Karabakh, with Shusha as its center, became part of the Muslim District administered by the Military-District Head of the Muslim provinces. The new division contradicted the ethnographic, historical, religious, and everyday specifics of the local people, Karabakh being the most glaring example of this. Demography began developing into a political instrument. In 1823, at the beginning of Armenian resettlement, the Russian administrators prepared the *Description of the Karabakh Province* based on ethnographic and confessional statistics. This valuable historical source says that there were 600 settlements in Karabakh, 450 of them were Muslim; the others (150) were registered as Armenian.⁹ This highly reliable source says that in 1823 there were 20,095 families in the Karabakh Region (15,729 of them being Muslim and 4,366, or 21.7%, Armenian). Russian researchers and official publications of the 19th century dealing with state politics supply an unbiased picture of Karabakh.¹⁰ According to the population census of 1832, there were 20,456 families in Karabakh; while the share of Armenian families increased to 31.6%.¹¹ Whereas in 1823, in Shusha, the center of Karabakh, 1,111 (72.5%) out of a total of 1,532 families were Muslim and 421 (27.5%) were Armenian, in 1832, the share of Armenian families increased to 44.9% due to Armenian settlers.¹² Russian military historian Vassily Potto wrote that the first large group of Armenians arrived in Karabakh in 1828; on 16 March, 1828, 40 thousand Armenian families moved from Iran to the Irevan Province; later, because of food shortages, 5 thousand of them (the first group of migrants) had to live for a long time on the banks of the Arax River before being finally sent to Karabakh.¹³ Russian writer Sergey Glinka, likewise, supplied interesting information about the Armenian migrations from Iran to Karabakh. An address by G. Lazarev, an activist of Armenian migration, to the Persian Armenians testifies to the political nature of resettlement. He wrote: “Christians! I have received reliable information that certain ill-wishers are spreading not merely stupid lies, but are also trying to frighten those who have applied for permission to move to blessed Russia in order to force them

⁸ V.A. Potto, *Kavkazskaia voyna. Persidskaya voyna 1826-1828 gg.*, Vol. 3, Stavropol, 1993, pp. 594-595.

⁹ See: *Opisanie Karabakhskoy provintsi, sostavlennoe v 1823 godu, po rasporyazheniiu glavnoupravliaiushchego v Gruzii Ermolova, deystvitelnym statskim sovetnikom Mogilevskim i polkovnikom Ermolovym 2-m*, Tiflis, 1866, 415 pp.

¹⁰ See: *Grazhdanskoe upravlenie Zakavkaziem ot prisoedineniia Gruzii do namestnichestva Velikogo Kniazia Mikhaila Nikolaevicha. Istorichesky Ocherk*, Compiled by V.N. Ivanenko on instructions of the Department of Military History, Tiflis, 1901, 525 pp.; V.A. Potto, *Kavkazskaia voyna. Persidskaya voyna 1826-1828 gg.*, Tiflis, 1901; I.I. Shavrov, *Novaia ugroza russkomu delu v Zakavkazy: predstoiashchaia rasprodazha Mugani inorodtsam*, St. Petersburg, 1911.

¹¹ See: *Grazhdanskoe upravlenie Zakavkaziem...*, p. 146.

¹² See: Y. Kocharli, op. cit., p. 100.

¹³ See: V. Potto, op. cit., Vol. 3, Stavropol, 1993, p. 591.

to retreat from their cherished wish. To disprove this and in conformity with the trust the Armenian people have placed in me, as well as in keeping with the obligation imposed on me by our Commander-in-Chief, I announce that our generous Monarch of Russia allows all who wish to find a safe and happy home in His state to move to Erivan, Nakhchivan, and Karabakh, anywhere you would like to live. There you will receive enough fertile land, partly sown, of which only a tenth part is tilled for the State. —For six years you will be exempt from dues of all kinds, the poorest of you will receive help; —Those who have real estate at home may, after sending their families to Russia, leave agents behind to sell their property; under the Treaty of Turkmanchay, you have five years to accomplish this; —You will leave behind your Motherland, which you love, but the very thought that you are moving to a Christian land should enrapture you. Today, scattered across the Persian lands, Christians will see themselves united; do you know how the Great Monarch of Russia will reward your loyalty? Hurry up! Time is short.—By sacrificing small things for a short time, you will acquire everything forever.”¹⁴ According to the same author, “Armenians from different villages adjacent to Turkmanchay started moving to Karabakh.”¹⁵ He also wrote, “In three and a half months, over 8 thousand families crossed the Arax.”¹⁶ In the spring of 1828, when the flow of Armenian migrants was moving toward Arax, Ivan Paskevich gave instructions for the poorest to be settled in Karabakh; this is confirmed by Russian authors.¹⁷ This explains why in 1832 Armenians accounted for 31.6% of the province’s population; the Muslims comprised the other 68.4%.¹⁸ Beginning in 1828, Armenian migration to the Muslim provinces of the Transcaucasus (and to Karabakh among other places) was regulated by Art XV of the Treaty of Turkmanchay.¹⁹

Under Emperor Nicholas I’s decree of 21 March, 1828, an “Armenian Region” was set up in the former Irevan and Nakhchivan khanates: “On the strength of the treaty signed with Persia, the khanate, which was detached from Persia to be united with Russia, should be called an Armenian Region everywhere, this name should become part of Our title;”²⁰ it was entrusted to Russian General and Georgian Prince A. Chavchavadze, who was appointed its head.²¹ At that time, Azeris comprised 74% to 75% of its total population; while the war was still going on, there were 49,875 Muslims and 20,073 Armenians living in the Irevan region. As soon as the “Armenian Region” was set up, 45,200 Armenians moved there from neighboring countries.²² Similar processes went on in the Nakhchivan Region: by the time the Russians had occupied it completely, there were 17,138 Muslims and 2,690 Armenians living there. As soon as the khanate was liquidated, 10,670 Armenians arrived within a very short period of time. More or less similar processes were underway in the Ordubad part of the Nakhchivan Khanate: 1,340 Armenians moved in to join the 2,388 Armenians already living there to balance out the 7,247 Muslims.²³

¹⁴ S.N. Glinka, *Opisanie pereseleniia armian Adderbidzhanskikh v predely Rossii*, Moscow, 1831, pp. 107-111.

¹⁵ Ibid., p. 48.

¹⁶ Ibid., p. 92.

¹⁷ See: Ibid., pp. 90-91.

¹⁸ See: *Obozrenie Rossiiskikh vladeny za Kavkazom v statisticheskoy, etnograficheskoy, topograficheskoy i finansovom otnosheniakh*, Tiflis, 1836, p. 267.

¹⁹ See: *Polnoe sobranie zakonov Rossiiskoy imperii*, Vol. III, St. Petersburg, 1830, p. 130.

²⁰ Ibid., pp. 272-273; *A History of Azerbaijan*, published under the general editorship of Prof. S. Aliyev, refers to a novel *Favorite* written by famous author of historical novels Valentin Pikul, who described what Prince Grigory Potemkin and Empress Catherine the Great had said about Armenians: “There are also Armenians—Lazarev and Argutinsky. They are quick on the uptake—they have already chosen Erivan as the capital. What can they do with it if they have no state? ‘If there is no state now, there will be a state in the future,’ said Potemkin” (see: *Istoria Azerbaidzhana*, ed. by S.S. Aliyev, Baku, 2008, p. 637).

²¹ See: *Akty Kavkazskoy arkheograficheskoy komissii*. *Arkhiv Glavnogo upravleniya namestnika Kavkaza*, Vol. VII, Tiflis, 1878, p. 487.

²² See: *Obozrenie Rossiiskikh vladeny za Kavkazom*, p. 229.

²³ See: Ibidem.

In 1911, Russian researcher N. Shavrov published a book called *New Challenges to the Russian Cause in the Transcaucasus—Upcoming Sale of Mugan to Aliens* based on historical documents, in which he wrote that in 1828-1830, 40 thousand Armenians had moved to the Transcaucasus from Iran and 84,600 Armenians had arrived from Turkey; they settled in the Elizavetpol and Irevan gubernias where Armenians had been practically unknown. He wrote: "Out of the 1 million 300 thousand Armenians who now live in the Transcaucasus over 1 million are newcomers. Russia moved them there."²⁴ The desire to make the Transcaucasus a predominantly Christian region was too strong; however the local specifics suggested caution. Russian Ambassador to Persia Alexander Griboedov wrote: "We ... have been holding forth long enough about how to convince the Muslims to accept their current problems as not lasting forever and how to eradicate their fears that Armenians will seize the land on which they were allowed to settle temporarily."²⁵ The fears proved justified: the Armenians put down roots in the Azeri lands and eventually became hostile toward the true owners of the land. At one time, Ilya Chavchavadze addressed the Armenians who found shelter in Georgia: "Whether we had a lot or not we gave you shelter, put a roof over your heads, and befriended you. Don't treat us as enemies in our own home!"²⁶

Ethnic Changes of the Latter Half of the 19th Century

On 10 April, 1840, in the course of the administrative-military reform, the Karabakh Province was transformed into the Shusha Uezd as part of the Caspian Province, with Shemakha as its center. In 1846, it became part of the newly formed Shemakha Gubernia. In 1859, it was transformed into the Baku Gubernia, of which Karabakh became one of the parts. In other words, the Karabakh Khanate, with its center in Shusha, became part of the Russian Empire as Muslim lands and the Azerbaijan Khanate. From the administrative point of view, these lands were ruled as Muslim areas or at least these administrative powers related to the Muslims first of the Shemakha and later of the Baku gubernias. In 1867, the Shusha Uezd became part of the newly formed Elizavetpol (Ganja) Gubernia.²⁷ At the same time, the Shusha Uezd was divided and Karabakh, in turn, was divided among the Zangezour, Javanshir, and Jabrail uezds; it seems that by that time it had been decided to place the stakes on the Armenians.

The next powerful Armenian wave reached the Transcaucasus after the Russo-Turkish war of 1877-1878 and the developments of 1893-1894 in Turkey. This time the state demonstrated that it had developed a migrant policy. The new wave changed the religious and ethnic makeup of Karabakh. The population census of 1897 revealed that there were 1,100,138 Armenian migrants in the Transcaucasus, while in the Caucasus the figure was even larger (1,124,948 Armenians).²⁸ To underrate the importance of the absolute numerical domination of the Tatars (Azeris), H.F.B. Lynch, a famous traveler, MP, and member of the British Royal Geographic Society, wrote that the Tatars (Azeris) were locked in an irreconcilable religious confrontation between the Sunni and the Shi'a.²⁹ He had to

²⁴ N.I. Shavrov, op. cit., pp. 59-60.

²⁵ A.S. Griboedov, *Sochinenia v dvukh tomakh*, Vol. 2, Moscow, 1971, pp. 340-341.

²⁶ I. Chavchavadze, *Armianskie uchenia i vopiiushchie kamni*, Tiflis, 1902, p. 123.

²⁷ See: *Entsiklopedichesky slovar. Brockhaus i Efron Publishers*, Vol. XII, St. Petersburg, 1894, pp. 222-223; *ibid.*, Vol. IX, St. Petersburg, 1904, p. 26.

²⁸ See: *Kavkazskiy calendar na 1903 g.*, Tiflis, 1902, pp. 250-253.

²⁹ See: *Armenia. Putevye ocherki i etyudy Kh.F.B. Lyncha*, Vol. I, *Russkie provintsii*, M. Martirosyants print shop, Tiflis, 1910, p. 571 (H.F.B. Lynch, *Armenia. Travels and Studies*, in 2 vols, London, 1901).

admit, however, that in Irevan there was approximately the same number of Tatars (Azeris) and Armenians and that the Azeri language was the lingua franca between the Caucasian mountain range and the "Armenian valleys."³⁰

According to the 1897 population census, 62,868 (43.3%) of the 138,771 people living in the Shusha Uezd were Azeris and 73,953 (51.1%) were Armenians; the figures for the Zangezur Uezd were 71,216 (52.3%) Azeris and 63,622 (46.4%) Armenians out of a total of 137,871; in the Javan-shir Uezd, 52,044 (71.3%) were Azeris and 19,551 (26.7%) were Armenians out of a total of 72,719; and in the Jabrail Uezd 49,189 (74.5%) were Azeris and 15,746 (23.8%) were Armenians out of a total of 66,360. On the whole, 534,086 (60.8%) of the 878,415 people living in the Ganja Gubernia were Azeris and 229,188 (26.1%) were Armenians.³¹ When compared with the statistics of the early 19th century, these figures speak of great changes in the ethnic makeup of Karabakh. The resettlement policy of the Russian Empire, which settled Christian migrants in the Transcaucasus with the obvious intention of acquiring allies, had a significant effect on the demographic situation in Karabakh. In 1904, the encyclopedic dictionary published in St. Petersburg cited the following figures for the Shusha Uezd (the mountainous part of Karabakh): 58.2% Armenians (against 53.1% in 1897), 41.5% Azeri Tatars (against 45.3% in 1897), and 0.3% Russians. Out of a total of 25,656 people living in the town of Shusha, Armenians comprised 56.5% and Azeris 43.2%.³² British liberal Lynch, who was well-disposed toward Armenians, had to admit that the number of Armenians in the Russian provinces was inflated by migrants from Turkey and Iran.³³ In 1822-1826, Armenians had accounted for 9.3% of the total population of the Transcaucasus; in 1916 their share increased to 32.8%.³⁴

Today, Armenian and some Russian authors insist, contrary to the facts, that in the 19th century Azeris moved in great numbers to Nagorno-Karabakh. V. Zakharov and S. Sarkisyan, for example, wrote that numerous documents testify to the fact that in the 19th century Azeris were actively settling in Nagorno-Karabakh (!).³⁵ They failed, however, to give references to any of the "numerous documents."

Mounting Ethnic Tension in the Caucasus

In the 1890s, the century-long period of Armenian patronage came to an end. In 1896, newly appointed Governor General of the Caucasus Prince Golitsyn took measures to trim the Armenian influence and improve relations with the Muslims. He fired Armenian civil servants in great numbers to create vacancies for Muslims; in 1903, he requisitioned the property of the Armenian Church. The Armenians responded with terrorist acts against top imperial bureaucrats; in 1903, Prince Golitsyn was wounded and had to quit his post and the region. Armenian terrorist organizations hunted down top officials of the Russian Empire and fanned the flames of the Armenian-Muslim confrontation "with no precedence in the Caucasus since the first day of Russia's power in

³⁰ Ibid., pp. 576-577.

³¹ See: R. Mustafa-zade, *Dve respubliki. Azerbajdzhano-rossiiskie otnosheniya v 1918-1922 gg.*, Moscow, 2006, p. 189.

³² See: *Entsiklopedichesky slovar. Brockhaus i Efron Publishers*, Vol. XI, St. Petersburg, 1904, pp. 25-26.

³³ See: *Armenia. Putevye ocherki i etyudy Kh.F.B. Lynch*, Vol. I, p. 576.

³⁴ See: F. Abasov, *Garabagskoe Khanstvo*, Baku, 2007, p. 15.

³⁵ See: V.A. Zakharov, S.T. Sarkisian, "Azerbajdzhano-karabakhskiy konflikt: istoki i sovremennost," in: *Mayendorfskaya deklaratsiya 2 noyabrya 2008 goda i situatsiya v okrug Nagornogo Karabakha*, Collection of articles, Moscow, 2008, p. 223.

the Territory.”³⁶ In contrast to Prince Golitsyn, new Governor General Count Vorontsov-Dashkov appointed in May 1906 liked the Armenians and never tried to conceal this; he was convinced that friendship with the Armenians was the cornerstone of Russia’s rule in the Transcaucasus. This stirred the leaders of the Armenian groups in the Caucasus into action and increased the interest in the Armenian Question. Western Europe, in particular, became convinced that “Russia alone can help the Armenians to achieve their political ideas and improve the lot of the Armenians in Turkey.”³⁷

The first clashes between Azeris and Armenians took place in Baku during the revolutionary events of 1905; very soon the enmity spread to the rest of Azerbaijan, gathered a lot of vehemence in Karabakh, and echoed in Irevan and Tiflis. The first large-scale Armenian-Muslim conflict caused up to 10 thousand casualties on both sides and put the relations between the two peoples on a qualitatively new footing. The better-organized and better-armed Armenians resorted to terror and “scorched land” tactics; they relied on surprise attacks to drive the Azeris from the lands “earmarked for the Armenian state,” Irevan and Karabakh in particular. Any attentive researcher of the geography of the Armenian-Muslim clashes at that time will see that they were concentrated in the regions in which Shi’a Muslims predominated.

World War I and the Russian revolution changed the situation in the Transcaucasus beyond recognition; the military operations on the Russo-Turkish front eventually led to great calamities. In the fall of 1914, the first units of Armenian volunteers from the Transcaucasus appeared on the Turkish front. The tragic end is all too well known: Turks and Armenians were exterminated in huge numbers in Eastern Anatolia. Today, the Armenians insist that this was an act of genocide against the Armenian nation; the truth, however, is much more complicated. There is a more or less widely shared opinion that two flows of refugees—Muslims who fled the Caucasus and Armenian armed bands and Armenians moving in the opposite direction from Turkey to Russia—clashed. This caused the tragedy, the echo of which still reverberates across the region. This was not genocide for the simple reason that at that time Armenians were fairly safe in Western Turkey. A secret report of General Bolkhovitinov, Head of Staff of Russia’s Caucasian Front, dispatched to the czar and the reports of Russian diplomat V. Maevisky clarify the situation.³⁸ In his report addressed to Military Assistant to the Viceroy (kept in the Intelligence Department of the Headquarters of the Caucasian Army) and entitled *Correspondence about the Armenian Unit, its Organization and Activities* General Bolkhovitinov said that in October-November 1894 “bloody clashes, practically all of them initiated by Armenians, were gradually growing in numbers in the vilayets of Asian Turkey—Trabzon, Erzurum, Van, Bitlis, Sivas, Diyarbakir, Kharput, Urfa, Adana, and Khaleb.”³⁹ In 1914-1915, so-called fidains were involved in military operations in Turkey and exterminated Turkish civilians. This term was applied to the Armenian units; the first fought under notorious Chetnik Andranik; the second unit was headed by Russian Armenian Dro; the third, by Amazasp, who was later involved in heinous crimes in Azerbaijan in 1918; the fourth fought under Kery, comrade-in-arms of Yefrem known for his attempted murder of Sattar Khan in Atabek

³⁶ Report of General L.M. Bolkhovitinov to His Excellency Military Assistant to the Viceroy of His Imperial Majesty in the Caucasus. 11.12.1915, Russian State Archives of Military History (RGVIA), rec. gr. 2100, inv. 1, f. 646, sheet 47 (in Russian).

³⁷ Ibidem.

³⁸ See: Ibid., pp. 44-75; *Attaques des musulmans dans la region de Kars. 1915*, Archives d’Ali Mardan—bey Toptchibachi, carton n° 9. Le Centre d’études des mondes russe, caucasien et centre—européen (CERCEC), l’École des hautes études en sciences sociales (EHESS, Paris); *Documents sur 1915: Adjars, Sarykamis*, Archives d’Ali Mardan—bey Toptchibachi, carton n° 9. Le Centre d’études des mondes russe, caucasien et centre—européen (CERCEC), l’École des hautes études en sciences sociales (EHESS, Paris); V.F. Maevisky, *Armenyano-tatarskaya smuta na Kavkaze kak odin iz fazisov armyanskogo voprosa*, Tiflis, 1915.

³⁹ Report of General L.M. Bolkhovitinov to His Excellency Military Assistant to the Viceroy of His Imperial Majesty in the Caucasus. 11.12.1915, RGVIA, rec. gr. 2100, inv. 1, f. 646, sheet 46 (in Russian).

Park.⁴⁰ Later the four Chetniks demonstrated unsurpassed cruelty when dealing with Muslim civilians in Baku, Shemakha, Guba, and especially in Nakhchivan, Zangezur, and Karabakh.⁴¹ V. Maevsky, who since 1895 filled the post of General Consul of Russia in the Ottoman provinces of Van and Erzurum, described the crimes of the Dashnaks and falsifications of the so-called Armenian Question in the following way: "Here I would like not only to say, but also to stress the fact that the lies related to the Armenian Question led the entire Armenian nation along the wrong road, they caused havoc in the minds of probably its best representatives, confused hundreds of Armenians, detached thousands of hands from useful labor and pushed them toward anarchy, toward a chain of afflictions the Armenians in the villages of Asian Turkey had to suffer and which affected the Armenians of the Transcaucasus... The press enveloped the truth about what Armenians were doing in an impenetrable fog which the ray of truth could not pierce."⁴² The Russian diplomat was bold enough to reveal the following: "My personal knowledge of the clashes between Armenians and Muslims in Turkish cities and towns suggests that it was the Armenians who started the bloodshed."⁴³ On 19 February, 1915, when the Nowruz holyday was about a month away, Mammad Emin Rasulzade described the Armenian atrocities in Kars and Ardahan: "We have information that the Muslims living in the military stretch along the border with Turkey were subjected to cruelties: men were slaughtered, women taken prisoner, children fled to mountains and forests; the entire area is ruined... The refugees are starving, they have no clothes and no footwear, they are destitute... If we managed to present a true and full picture of the sufferings and deprivations of our hapless co-religionists in Kars and Ardahan, our readers would be readying not for the coming holyday, but for mourning."⁴⁴ The genocide, on which the Armenians insist, is not confirmed either by facts or by the documents relating to the 1915 events. This suggests a purposeful provocation. In his report, General Bolkhovitinov wrote that when the Russian troops captured the area of Van, the Armenian units, in their zeal, left not one stone standing and spared no one.⁴⁵ French academic Georges de Maleville in his *La tragédie arménienne de 1915* has rightly written that the talks about the decision of the Turkish government, namely, "the legend about the notorious secret plan to exterminate Armenians to occupy their place is unfounded and primitive."⁴⁶ General Nikolaev, who commanded the Russian army in the Caucasus and who found himself in the center of events, wrote in his report that he had no information about massive extermination of the Armenian population in Eastern Anatolia. He wrote that about 50 thousand Armenian refugees left Van and moved

⁴⁰ See: Ibid., sheets 53rev.-54.

⁴¹ See: *Claims of the Peace Delegation of the Republic of Caucasian Azerbaijan Presented to the Peace Conference in Paris*, Paris, 1919, p. 21; Le Lieutenant-Colonel Chardigny, Chef de la Mission Militaire Française au Caucase, à Monsieur le Ministre de la Guerre (Etat-Major de l'Armée, 2^e Bureau). Le 15 avril 1919 // Ministère des Affaires Étrangères de France, Archives Diplomatique, Vol. 832, folio 55; F. Kazemzadeh, *The Struggle for Transcaucasus (1917—1921)*, New York, 1951, p. 131; N. Dastakian, *Il venait de la Ville Noire. Souvenirs d'un Arménien du Caucase*, L'inventaire/Cres, 1998, pp. 69, 87-91; V. Stepakov and T. Kuprikov to the C.C. C.P.S.U. 25.06.1965, The Russian State Archives of Contemporary History (RGANI), rec. gr. 5, inv. 33, f. 221, sheet 35 (in Russian); Urgent telegram of the Chairman of the Council of Ministers F.K. Khoyski to head of the Azeri Delegation in Istanbul M.E. Rasulzade. 31.07.1918, Archives of Political Documents at the Administration of the President of the Azerbaijan Republic (APD UDP AR), rec. gr. 277, inv. 2, f. 7, sheets 37-38 (in Russian); on the bloody crimes of Dro (D. Kanyan) in Eastern Anatolia and Azerbaijan, see: Archives of the Ministry of National Security of the Azerbaijan Republic, f. 862, Vol. 3, Part II, sheets 59-69.; on the bloody crimes of Amazasp in Azerbaijan, see: S. Rustamova-Tokhidi, *Mart 1918 g. v Baku. Azerbajjanskije pogromy v dokumentakh*, Baku, 2009; idem, *Guba. Aprel-may 1918 g. Musulmanskie pogromy v dokumentakh*, Baku, 2010, pp. 75-77; 154-158, etc.

⁴² V.F. Maevsky, op. cit., pp. 36-38.

⁴³ "Memo of General Consul of Russia in Erzurum V. Maevsky," quoted from N.N. Shavrov, *Novaia ugroza russkomu delu v Zakavkazye: predstoiashchaia rasprodazha Mugani inorodtsam*, Elm, Baku, 1990, p. 98.

⁴⁴ *Iqbal*, 19 February, 1915.

⁴⁵ See: Report of General L.M. Bolkhovitinov to His Excellency Military Assistant to the Viceroy of His Imperial Majesty in the Caucasus. 11.12.1915, RGVIA, rec. gr. 2100, inv. 1, f. 646, sheet 71rev. (in Russian).

⁴⁶ Georges de Maleville, *Arménienne 1915 goda*, Baku, 1990, p. 46.

toward Tapariz; Kurds murdered about 100 of them. When they returned to Tapariz from Bergri-gala, it turned out that about 500 Armenians had died of illnesses. General Bolkhovitinov wrote that, while these events were unfolding, a large group of refugees (up to 200 thousand) had moved to Russia. During the march, "people died of exhaustion and thirst or starved to death"⁴⁷ on both sides of the road leading from the southern part of Lake Van to Khoy and, on the other side, to Iğdyr. The events in Eastern Anatolia drove Armenians in huge numbers to the Transcaucasus, which added tension to the already strained situation.

Fatali Khan Khoyski: "If the Armenians Claim Karabakh You Should Refuse to Transfer Erivan to Them"

In February 1917, a new revolutionary dawn rose above all the people of the former Romanov Empire. The people of the Transcaucasus were given the chance to shape their future, but they bungled it. The Dashnak leaders who came to power on 28 May, 1919 laid their territorial claims to Georgia and Azerbaijan on the table. In the fall of 1917, armed Armenian units invaded Karabakh from the Armenian side and plundered 12 Muslim villages; the local Azeris were unable to put up any resistance. In the Baku environs, in Eastern Azerbaijan, the Dashnaks were especially cruel. Under the slogan of establishing Soviet power, units of Amazasp slaughtered 8 thousand civilians in Shemakha and 4 thousand in Guba.⁴⁸ Simultaneously, Armenian units began slaughtering Azeris in the former Irevan Gubernia; according to certain sources, 150,000 Muslims lost their lives; 80,000 starving and homeless people found shelter in Azerbaijan.⁴⁹ The Muslims of the Transcaucasus survived because on 28 May, 1918 Azerbaijan declared its independence; this act inevitably called for delineation of the state borders, which put the Republic of Armenia in a tight spot. Even before the treaty, Armenian representatives approached the government of Azerbaijan and were treated with understanding. On 29 May, Chairman of the Council of Ministers Fatali Khan Khoyski reported to the Azerbaijani National Council about the negotiations with members of the Armenian National Council. He said that to set up an Armenian Federation, the Armenians needed a political center. Since the city of Alexandropol had been captured by the Turks, he said, the Armenians needed Irevan, and it should be transferred to them. All those who took part in the discussion (Kh. Khasmamedov, M.Yu. Jafarov, A. Sheikhuslamov, and M. Magerramov) agreed that the transfer of Irevan was an inevitable evil. The debates were closed.⁵⁰ Two days later, however, delegates from Irevan, Mir Khidayat Seidov, Bagir Rzaev, and Nariman bek Narimanbekov, protested against the transfer of their native city to the Republic of Armenia; the Azerbaijani National Council, which met for another sitting on 1 June, declined the protest.⁵¹ The following formula was accepted: Azerbaijan would not object to setting up an Armenian state within the limits of the

⁴⁷ Report of General L.M. Bolkhovitinov to His Excellency Military Assistant to the Viceroy of His Imperial Majesty in the Caucasus. 11.12.1915, RGVA, rec. gr. 2100, inv. 1, f. 646, sheet 74 (in Russian).

⁴⁸ See: Decision of the Special Investigative Commission. 28.07.1919, State Archives of the Azerbaijan Republic (GA AR), rec. gr. 1061, inv. 1, f. 108, sheet 7 (in Russian).

⁴⁹ See: On Setting Up a Special Propaganda Department at the Foreign Ministry of the Azerbaijan Republic, GA AR, rec. gr. 970, inv. 1, f. 216, sheet 1 (in Russian).

⁵⁰ See: Verbatim Report No. 3 of the Sitting of the Azeri National Council. 29.05.1918, GA AR, rec. gr. 970, inv. 1, f. 1, sheet 51 (in Russian).

⁵¹ See: Verbatim Report No. 3 of the Sitting of the Azeri National Council. 01.06.1918, GA AR, rec. gr. 970, inv. 1, f. 1, sheet 53 (in Russian).

“Alexandropol Gubernia,” if the Armenians, in turn, dropped their claims to part of the Elizavetpol Gubernia (Nagorno-Karabakh).⁵² On 31 July, 1918, Chairman of the Council of Ministers Khoyski, when instructing Mammad Emin Rasulzade, who headed the Azeri delegation in Istanbul, on the Armenian Question, mentioned this agreement. He wrote: “Please find enclosed the maps you asked for, one copy each, with the borders of Azerbaijan. You should insist on them; if the Armenians claim Karabakh you should refuse to transfer Erivan to them...”⁵³ This came to light on 8 October, 1918 in Tiflis during the talks between M.Yu. Jafarov and Armenian diplomatic representative A. Jamalyan; the latter informed his Foreign Ministry: “Today Mr. Jafarov dropped in... Very soon we started talking about Karabakh; he mentioned the goodwill the Azeris had demonstrated at the Batumi Conference and pointed out that Armenia had acquired independence thanks to their efforts; that they had transferred Erivan to us in exchange for our promise not to raise the question of Karabakh.”⁵⁴ Once more Karabakh became the center of events; late in the summer of 1918 an Armenian army headed by Andranik invaded Zangezur; before the end of October, the Armenians had destroyed 115 villages, murdered 7,700 Muslims, and wounded 2,500; 50,000 people lost their homes. In the mountainous part of Karabakh, the conquerors showed even more cruelty toward the Azeris.⁵⁵ The French mission in the Caucasus had to admit: “The way Andranik and the local Armenian committee treated the Tatars (Azeris.—J.H.) was inhuman.”⁵⁶

Late in September, the Armenians asked von Kress, who represented Germany in the Transcaucasus, to support them on the Karabakh issue. On 28 September, A. Jamalyan, who represented Armenia in Georgia, asked von Kress to keep the Turks away. He argued: “The Armenians of Karabakh differ from the Armenians from other places in their special military talents.”⁵⁷ Despite his frantic efforts, von Kress said that because of the strained relations with Nuru Pasha he could not help the Armenians.

Late in September, Ottoman and Azeri troops began an offensive against the Dashnaks and, on 1 October, captured Shusha without fighting. The Dashnak units entrenched themselves in the mountains of Karabakh and proclaimed a Nagorno-Karabakh Republic; the problem moved into the sphere of politics, which opened a new stage of its development.

World War I ended in November 1918; Germany and its allies were defeated; the Turks had to leave the Transcaucasus. On Germany’s demand, the Armenians, who relied on Germany, released their pressure on Karabakh. The Dashnaks, who were seeking territorial acquisitions, violated their own promise to refrain from territorial claims until the Paris Peace Conference and went on with their provocation. Early in December, they launched an offensive on Georgia and Azerbaijan; in Zangezur, they destroyed up to 40 Muslim villages before the resolute protests by the British stopped them. We do not know why the British wanted peace and quiet in Karabakh. They probably sympathized with the Christians, or wanted to deprive Russia of its trump card, or tried to set up a geopolitical “Christian barrier” between Turkey and the Transcaucasus.

⁵² See: APD UDP AR, rec. gr. 276, inv. 9, f. 1, sheet 47; Z. Avalov, *Nezavisimost Gruzii v mezhdunarodnoy politike 1918-1921*, Paris, 1924, p. 57.

⁵³ Telegram of Chairman of the Council of Ministers F.K. Khoyski to Head of the Azeri Delegation in Istanbul M.E. Rasulzade. 31.07.1918, APD UDP AR, rec. gr. 277, inv. 2, f. 7, sheet 37 (in Russian).

⁵⁴ Letter of A. Jamalyan to the Foreign Ministry of Armenia. 08.10.1918, APD UDP AR, rec. gr. 276, inv. 9, f. 65, sheet 18 (in Russian).

⁵⁵ For more detail on the destabilizing actions of Armenia in Karabakh in 1918-1920, see: J. Hasanli, *Vneshniaia politika Azerbaidzhanskoy Demokraticeskoy Respubliki (1918-1920 gg.)*, Moscow, 2010, 576 pp.

⁵⁶ Le Lieutenant-Colonel Chardigny, Chef de la Mission Militaire Française au Caucase, à Monsieur le Ministre de la Guerre (Etat-Major de l’Armée, 2^e Bureau). Le 15 avril 1919, Ministère des Affaires Étrangères de France, Archives Diplomatique, Vol. 832, folio 55.

⁵⁷ Letter of A. Jamalyan to the Foreign Ministry of Armenia. 28.09.1918, APD UDP AR, rec. gr. 276, inv. 9, f. 65, sheet 15 (in Russian).

Early in January 1919, Commander of the Allied Troops in the Region Major General W.M. Thomson appointed Khosrov bek Sultanov, representative of the Azeri government, as Governor General of Karabakh and Zangezur.⁵⁸ The council of three Armenians, three Azeris, and one British of the Allied mission was headed by Sultanov and his Armenian aide. The Dashnak leaders of Karabakh rejected this compromise.⁵⁹ "Reacting to the bitter Armenian criticism, General Thomson remarked: 'The fact is that in Azerbaijan some Armenians are very disappointed that the British occupation is not an opportunity for revenge. They are reluctant to accept that [the] peace conference is going to decide, not military forces'."⁶⁰ Early in December 1918, General Thomson, in his telegram to the Armenian leaders of the Ganja, Kazakh, and Javanshir uyezds, demanded that they stop their criminal activities and plundering and issued an order: "All Armenians are advised to remain indoors and keep a low profile, otherwise they will be called to account for bloodshed and crimes."⁶¹

British journalist Robert Scotland Liddell, who worked in the conflict zone in 1919-1920, wrote that Armenia was looking for trouble; as soon as it caused a conflict, it described it as a "pressure instrument." This was its own punishment, he concluded. "Armenia is unhappy because the Dashnaksutyun Party is in power. This is a terrorist revolutionary organization that has been deliberately inciting Armenians against the Muslims for many years. After being justly punished by the latter, they start wailing to stir up sympathy '*for the poor Armenians... Each and every dead Armenian is treated as valuable evidence to be used for propaganda*'."⁶²

The British, irritated with the stand taken by the national council of the Karabakh Armenians incited by the Dashnaks, promised to move the Dashnaks as far as possible from these parts. Under this pressure, the Armenians shifted their position: they agreed, albeit with small amendments, to accept the Azeri Governor General and to move toward mutually acceptable forms of cooperation. On 25 June, 1919, the Azeri government invited the Armenian leaders to set up a mixed government-parliamentary commission of both sides and the Allied powers to address all debatable issues. Early in July, M. Rustambekov, member of the Azeri parliament, represented the government at the Sixth Congress of Karabakh Armenians. On 15 August, 1919, the fourth morning session of the Seventh Congress of representatives of the Armenian peasants of the mountainous part of Karabakh finally decided to obey the Azerbaijani government and start living peacefully with the Azeris within Azerbaijan.⁶³ On 9 September, 1919, on the instructions of the Azerbaijani government, Chairman of the Azeri delegation at the Paris Peace Conference Ali Mardan-bey Toptchibachi handed the Conference chairman a document which said in part that "the representatives of the Armenian population of Karabakh have decided to obey the Azerbaijani government."⁶⁴

Throughout this time Bolshevik Russia, in the throes of a civil war raging in its territory, had let Azerbaijan out of its sight. In January 1920, the West seized the opportunity to meet Azerbaijan halfway: on a suggestion by Lord Curzon, the Supreme Council of the Allies recognized de facto

⁵⁸ See: Le Lieutenant-Colonel Chardigny, Chef de la Mission Militaire Française au Caucase, à Monsieur le Ministre de la Guerre (Etat-Major de l'Armée, 2^e Bureau). Le 15 avril 1919, Ministère des Affaires Étrangères de France, Archives Diplomatique, Vol. 832, folio 55.

⁵⁹ For more detail, see: A.H. Arslanian, "Britain and the Question of Mountainous Karabagh," *Middle Eastern Studies*, Vol. 16, No. 1, January 1980, pp. 92-104.

⁶⁰ T. Swietochowski, *Russian Azerbaijan, 1905-1920: The Shaping of National Identity in a Muslim Community*, Cambridge, 1985, p. 143; A.H. Arslanian, op. cit., pp. 93-94.

⁶¹ *Azerbaijan*, 3 December, 1918.

⁶² Scotland-Liddell, "Voyna s musulmanami. Armiane vnov pereshli v nastuplenie. 30.01.1920 g.," GA AR, rec. gr. 894, inv. 10, f. 81, sheets 9-10 (in Russian).

⁶³ See: Vremennoe soglasenie armian Nagornogo Karabakha s Azerbajanskim pravitelstvom. Prilozhenie No. 8. 15.08.1919, Archives d'Ali Mardan-bey Toptchibachi, carton n° 2/1. Le Centre d'études des mondes russe, caucasien et centre-européen (CERCEC), l'École des hautes études en sciences sociales (EHESS, Paris), pp. 34-35.

⁶⁴ Letter of Chairman of the delegation of the Azerbaijan Republic at the Paris Peace Conference A.M. Toptchibachi to the Chairman of the Peace Conference. 09.09.1919, GA AR, rec. gr. 970, inv. 1, f. 142, sheet 77 (in Russian).

first Azerbaijan and then Georgia and Armenia as independent states.⁶⁵ The Armenian delegation at the Paris Peace Conference, which spared no effort to spread false information and detach Karabakh from Azerbaijan, did not succeed.⁶⁶ The victory was short-lived. People's Commissar for Foreign Affairs Georgy Chicherin admitted that a diplomatic agreement had been concluded, under which Britain, in disregard of its international mandate, left the Caucasus of its own free will. This happened because Turkey, which was facing inevitable territorial disintegration, had found a common language with the Bolsheviks; Britain packed its suitcases, while the Red Army moved southward. In the small hours of 23 March, 1920, the Armenians, having learned that the Red Army, which was following the retreating soldiers of General Denikin, had come close enough, seized the opportunity presented by the wide-scale celebrations of Nowruz, the Muslim New Year, to riot in Shusha and elsewhere in Karabakh. Confronted by the rioters who had closed ranks with the Armenian units, the Azerbaijani government had to dispatch all its troops to Karabakh. This was one of the worst pages in the history of Azerbaijan. Fierce fighting in Karabakh and elsewhere supplied the Azeri Communists with a chance to turn to Russia for help. The French High Commissioner in Istanbul reported to Paris through diplomatic channels: "The Karabakh events have caused a concentration of Azeri troops in the south, while the northern borders remain open."⁶⁷ While the Bolsheviks were moving into Baku, 8 thousand soldiers of the Azeri national army remained concentrated in the Khankendi area of the Shusha Uezd.⁶⁸

Sovietization of Azerbaijan and the Karabakh Issue

On 28 April, 1920, Soviet troops occupied Baku; the next day, Dashnaks from Armenia convened a congress in Karabakh to pass a decision on uniting Nagorno-Karabakh with the Republic of Armenia. The Armenian delegation, engaged in secret anti-Azeri talks with Soviet Russia, promptly delivered this decision to Georgy Chicherin in Moscow.⁶⁹ It was impossible to capitalize on the occupation of Azerbaijan and realize the decision. Russian troops entered Karabakh a month after they had occupied Baku; Azerbaijan lost its independence; some time later this happened to Georgia and Armenia. In this way, in two years, Russia, now Soviet Russia, regained its grip on the Transcaucasus.

Soviet power in the Transcaucasus, however, did not remove the Karabakh issue from the agenda; the loss of independence of the three republics merely deprived it of any meaning. Russia was obviously following in the footsteps of czarist foreign policy. Soviet power detached bits and pieces of Azerbaijan's territory; in the first years of Soviet power, when the Center joined primordial Azerbaijani lands to Armenia, true patriots, unable to reconcile themselves to this injustice, wrote to Lenin to complain that the lands which had, beyond a doubt, been part of Azerbaijan under

⁶⁵ See: *Papers Relating to the Foreign Relations of the United States*, The Paris Peace Conference. 1919, Vol. IX, US Government Printing Office, Washington, 1946, p. 959; *Bulletin d'Information de l'Azerbaïdjan*, Paris, 17 Janvier 1920, No. 7, p. 1.

⁶⁶ See: A.H. Arslanian, op. cit., p. 100.

⁶⁷ Telegramme a chiffrer No. 28-29. Haut Commissaire Français Constantinople Pour Diplomatie Communiquer Amiral. Le 28 avril 1919. Ministère des Affaires Étrangères de France (MAE)? Archives Diplomatique, Correspondance politique et commerciale, 1914-1940 Serie "Z" Europe 1918-1940 Sous-Serie USSR Russie-Caucase (Azerbaïdjan) Direction des Affaires politiques et commerciales 1 avril 1920-31 decembre 1929, Vol. 639, folio 12.

⁶⁸ See: Report of Military Commissar of the Javanshir Uezd Romaushkin to the Military Commissar of the Ganja Gubernia. 13.02.1921, APD UDP AR, rec. gr. 1, inv. 169, f. 249/II, sheet 21 (in Russian).

⁶⁹ See: *Pravda o Nagornom Karabakhe*, Stepanakert, 1989, pp. 27, 30-31.

the Musawat government had become disputed areas under Soviet power. They warned that the common people were aware of all this and were discontented.⁷⁰

In April, occupied Azerbaijan lived through several fierce Armenian attacks; on 30 April, 1920, the Soviet government in Baku sent a note to the Armenian government.⁷¹ Until mid-May 1920, the Azerbaijani S.S.R. and the Republic of Armenia exchanged threatening notes.⁷² The French mission in the Caucasus informed the French government about the developments and deemed it necessary to point out that “the Tatars (Azeris.—*J.H.*) were in the majority in the disputed Karabakh area even though there were many Armenians living there.”⁷³

From the very first days of Soviet power, the Armenians in Karabakh and elsewhere demonstrated a lot of activity; their violence against the Muslims was not punished, mainly because Azerbaijan and its army were not strong enough, while the troops were demobilized. On 24 May, the French Commissioner in the Caucasus wrote in his report to the French Foreign Ministry: “One can say that the Azerbaijani army was disbanded with the exception of a short stretch of the Armenian front in the Karabakh and Zangezur sectors.”⁷⁴ The Armenians seized the opportunity to invade the defenseless country to realize their aggressive plans; they captured lands and murdered their Muslim owners with particular cruelty. On 29 June, 1920, Sergey Kirov informed People’s Commissar for Foreign Affairs Georgy Chicherin that the Dashnaks were exterminating Muslims and Russians: “Only 15 thousand of the 30-thousand Russian population in the Kars Region remained; the others either fled to Turkey or Russia or were killed.”⁷⁵

On 19 June, N. Narimanov, M. Mdivani, A. Mikoyan, and A. Nuriyanyan sent a telegram to Chicherin in which they informed him of the Dashnak army’s onslaught and its success in Kazakh and Kedabek. A copy sent to Grigory (Sergo) Orjonikidze in Vladikavkaz contained the following telltale passage: “The Armenians are in fact in a state of war with Azerbaijan. As for the allegedly disputable Karabakh and Zangezur, which have become part of Soviet Azerbaijan, we categorically state that these places should, without doubt, in the future too, remain within Azerbaijan.”⁷⁶ On 22 June, 1920, the People’s Commissar for Foreign Affairs, enraged by the fact that the well-known Bolsheviks working in the Caucasus, Baku and, on the whole, Azerbaijan were dead set against the Center’s policy, complained to the Politburo of the C.C. R.C.P. (B.) about “the lack of discipline among the Baku comrades and the scandalous contradiction between their actions and the line of the C.C.” He suggested that the Council of the People’s Commissars send a competent comrade not connected with the Caucasian group of Communists to Baku; he recommended Sokolnikov as such.⁷⁷

He argued that this should be done because the “Baku comrades” were undermining any compromises and rejecting an agreement with Armenia, on which the C.C. insisted. Chicherin complained

⁷⁰ For more detail, see: “Results of Soviet Construction in Azerbaijan,” Report of N. Narimanov to V. Lenin. 15.09.1921, Russian State Archives of Social-Political History (RGASPI), rec. gr. 5, inv. 1, f. 1219, sheet 12; Letter of N. Narimanov to V. Lenin, APD UDP AR, rec. gr. 609, inv. 1, f. 71, sheet 51; Letter of B. Shakhmatkinsky to V. Lenin. 20.09.1920, Foreign Policy Archives of the Russian Federation (AVP RF), rec. gr. 1, inv. 51, Folder 321a, f. 54859, sheets 6-7 (all in Russian).

⁷¹ See: The *Kommunist* newspaper, 1 May, 1920.

⁷² See: I. Musaev, *Political Situation in Nakhchivan and Zangezur Regions of Azerbaijan and Politics of Foreign Countries (1917-1921)*, Baku, 1996 (in Azeri).

⁷³ Direction des Affaires politiques et commerciales. Service des Affaires Russes. Le 4 mai 1920, Ministère des Affaires Étrangères de France, Archives Diplomatique, Vol. 639, folio 24.

⁷⁴ Monsieur de Martel Commissaire français au Caucase à Son Excellence Monsieur Millerand, Président du Conseil, Ministre des Affaires Étrangères. Le 24 mai 1920, Ministère des Affaires Étrangères de France, Archives Diplomatique, Vol. 639, folio 78.

⁷⁵ Telegram of S. Kirov to G. Chicherin. 29.06.1920, RGASPI, rec. gr. 5, inv. 1, f. 2178, sheet 1 (in Russian).

⁷⁶ Telegram of N. Narimanov, M. Mdivani, A. Mikoyan, A. Nuriyanyan to G. Chicherin. 19.06. 1920, GA AR, rec. gr. 28, inv. 1, f. 211, sheet 115 (in Russian).

⁷⁷ See: *Bolshevistskoe rukovodstvo. Perepiska. 1912-1917*, Collection of documents, Moscow, 1996, pp. 134-135.

to Lenin that Narimanov was supporting belligerent sentiments among the Azeris.⁷⁸ He wrote that if the disputed territories captured by Russia were transferred to Azerbaijan, an agreement with Armenia would be impossible. This explains why, in the summer of 1920, half of the Bolshevik army stationed in Azerbaijan was moved, on Moscow's insistence, to Karabakh and Zangezur.⁷⁹ People's Commissar for Foreign Affairs Chicherin followed his own, very specific logic. Two months before that, Azeri lands had been occupied by Soviet Russia and declared disputable; it was no longer said that Azerbaijan should keep these lands as its own; it was said instead that they should be "attached" to it. The People's Commissar wrote: "This very belligerent policy of the Baku comrades goes against the line of the Central Committee."⁸⁰ The People's Commissar for Foreign Affairs went as far as misinforming Lenin: when asked to supply information, he answered that "he did not know enough about the Caucasian affairs" and specified: "Karabakh is an original Armenian locality, but the Tatars exterminated the Armenians in the valleys to settle there, while Armenians remained in the mountains." Georgy Chicherin went on to explain to Lenin that "so far Russia is not transferring these lands to the Armenians so as not to offend the Tatars. When conditions for the Sovietization of Georgia and Armenia appear, the problems will disappear of their own accord."⁸¹ His numerous explanations and telegrams sent to Lenin, Orjonikidze, and Narimanov make it abundantly clear: Karabakh was nothing but "small change" and bait in the talks with Armenia. It comes as no surprise that Narimanov deemed it necessary to write to Lenin: "Comrade Chicherin's telegram clearly shows that you are receiving biased information."⁸²

"Under the Musawat Government, the Whole of Karabakh Belonged to Azerbaijan"

Neither the intrigues, nor lies, nor threats of the People's Commissar for Foreign Affairs weakened the determination of Narimanov and his supporters. Stronger Armenian claims to the mountainous part of Karabakh forced those Bolsheviks who were well-known in the Caucasus (M. Mdivani, A. Mikoyan, and B. Naneishvili) and even members of the Military Council of the 11th Army, Zh. Vesnik, M. Levandovsky, and I. Mikhaylov, to send a letter to the C.C. R.C.P. (B.) which said: "We believe that it is our duty to inform the C.C. of our concerted opinion about Karabakh and Zangezur; the decision which is planned as intermediate in the talks with Armenia will contradict the interests of the revolution in the Caucasus. Under the Musawat government, the whole of Karabakh was part of Azerbaijan. The inseparable cultural and economic ties between Karabakh and Zangezur and Baku, which employed tens of thousands of workers from these provinces, and the complete isolation of these provinces from Erevan were confirmed in 1919 by the Congress of Armenian Peasants of Karabakh which, even under the Musawat regime (insufferable for the Armenians) and despite provocation by Armenian agents, resolutely supported complete unity with Azerbaijan on the condition that a peaceful life for the Armenians be guaranteed."⁸³ The authors concluded that the

⁷⁸ See: G. Chicherin's reply to Lenin's enquiry. June 1920, RGASPI, rec. gr. 2, inv. 1, f. 1451, sheet 2 (in Russian).

⁷⁹ See: Agence Consulaire de France à Bakou "Situation actuelle de l'Azerbaïdjan." Le 27 juillet 1920, Ministère des Affaires Étrangères de France, Archives Diplomatique, Vol. 639, folio 150.

⁸⁰ Letter of the People's Commissar for Foreign Affairs G. Chicherin to the Politburo of the C.C. R.C.P. (B.). 22.06. 1920, APD UDP AR, rec. gr. 1, inv. 1, f. 2a, sheet 9 (in Russian).

⁸¹ G. Chicherin's reply to Lenin's enquiry. June 1920, RGASPI, rec. gr. 2, inv. 1, f. 1451, sheet 1 (in Russian).

⁸² Narimanov's letter to Lenin. 1920, APD UDP AR, rec. gr. 609, inv. 1, f. 71, sheet 41 (in Russian).

⁸³ Letter of Narimanov, Mdivani, Mikoyan, Naneishvili, Vesnik, Levandovsky and Mikhaylov to the C.C. R.C.P. (B.). 10.07.1920, APD UDP AR, rec. gr. 1, inv. 44, f. 118, sheet 25 (in Russian).

Muslim masses would regard Soviet power as perfidious if it proved unable to preserve the old borders of Azerbaijan. They wrote that this would be taken as Armenian-philism or as the weakness of Soviet power and warned against indecision in the question of Karabakh and Zangezur "so as not to turn Azerbaijan into a mongrel supported by the Red Army and handed out to the Armenians and Georgians."⁸⁴

On 29 June, 1920, People's Commissar for Foreign Affairs Chicherin announced that Boris Legran had been appointed as official representative in Irevan. This was done to make recognition of Armenia look official which, he imagined, would establish good-neighborly relations between the two countries, settle all disputes, remove contradictions, and strengthen peace between Russia and Armenia. The mission was instructed to draft a treaty between the two countries.⁸⁵

The next day, the Soviet leaders under Chicherin's pressure and despite the vehement protests of Narimanov and the Caucasian Bolsheviks halted the Red Army, which was moving toward Armenia. Armed with a decision of the Politburo of the C.C. R.C.P. (B.) of 30 June, Georgy Chicherin increased the pressure on those who represented the Center and pulled the political reins in Azerbaijan. In his telegram to Orjonikidze dated 2 July, he said that Russia needed a territorial contact to go on with its negotiations with the Turkish national center, which meant that an agreement with Armenia was indispensable. The People's Commissar for Foreign Affairs pointed out that a treaty with Armenia was the only instrument of Bolshevik influence in Asia Minor.⁸⁶ In another ciphered telegram sent the same day, Chicherin tried to convince Orjonikidze that Soviet Russia needed a compromise with the Dashnak government of Armenia: "The Azerbaijani government has described as disputable not only Karabakh and Zangezur, but also the Sharur-Daralaghez Uezd. The latter has never been disputed and even the Musawat government always regarded it as Armenian. Without it, Armenia will have practically nothing left. After resisting for a long time, the Armenian delegation at the peace talks agreed to accept Karabakh and Zangezur as disputed territories in the hope of finally acquiring large chunks of them. The delegation is firm about the Sharur-Daralaghez Uezd. On the other hand, we need an agreement with the Azerbaijani government so that our treaty with Armenia does not contradict the demands of Azerbaijan. We ask you to use your exceptional influence in Baku to convince the Azerbaijani government to yield on its demand to describe the Sharur-Daralaghez Uezd as a disputed territory and limit it to Karabakh and Zangezur."⁸⁷

After receiving Chicherin's ciphered telegram of 2 July, 1920 and discussing the issue with newly appointed Envoy Plenipotentiary of Soviet Russia to Armenia B. Legran and A. Gabrielyan, Orjonikidze informed Moscow directly that "Azerbaijan insisted on the immediate and unconditional unification of Karabakh and Zangezur. I think this should be done since economically both uyezds are attached to Baku and have absolutely no ties with Erivan. The Bayazet Turkish Army, which has wedged its way in, has made this especially obvious. If their disputed status is preserved they will be occupied by the Turks, who will slaughter the Armenian population. We cannot avert this. If united with Azerbaijan, the Azeri Communists will acquire a trump card and will open the road for the nomads. According to Comrade Gabrielyan, the Armenian delegation will undoubtedly accept this. In this case, it will be possible to convince Azerbaijan to drop its claims to the other regions. I think that Karabakh and Zangezur should be immediately united with Azerbaijan. I will force Azerbaijan to grant autonomy to these regions; this should be done by Azerbaijan, but in no way should this be mentioned in the treaty."⁸⁸ By means of another direct communi-

⁸⁴ Ibid., sheet 27.

⁸⁵ See: G. Chicherin's information to Beknazyan, Oganessian and Kirov by direct line. 29.06.1920, RGASPI, rec. gr. 64, inv. 1, f. 21, sheet 8 (in Russian).

⁸⁶ See: G. Chicherin's telegram to Orjonikidze. 02.07.1920, RGASPI, rec. gr. 85, inv. 3c, f. 2, sheet 3 (in Russian).

⁸⁷ G. Chicherin's ciphered telegram to G. Orjonikidze. 02.07.1920, RGASPI, rec. gr. 85, inv. 3c, f. 2, sheet 3 (in Russian).

⁸⁸ G. Orjonikidze's reply on direct line to G. Chicherin's telegram of 2 July about the disputed territories claimed by Azerbaijan and Armenia. July 1920, RGASPI, rec. gr. 85, inv. 3c, f. 2, sheet 6 (in Russian).

qué, Orjonikidze informed Lenin, Stalin, and Chicherin in so many words that the Armenian government had deliberately misinformed them: "Today Gabrielayn told me that the Armenian delegation will accept immediate unification of Karabakh and Zangezur with Azerbaijan if it drops its claims to the Sharur-Daralaghez Uezd and the Nakhchivan Region. We have agreed among ourselves that when we are in Baku we will talk to Narimanov about this. You can see for yourself that there is no lack of clarity or understanding. I assure you that we are fully aware of our peaceful policy and are sticking to it. I am convinced, and this is my deepest conviction, that to strengthen Soviet power in Azerbaijan and to keep Baku in our control, we must join Nagorno-Karabakh; its valley part is out of the question: it has always been Azeri and part of Zangezur. Azerbaijan has guaranteed safety of the Armenians living there. We shall grant autonomy and organize the Armenian population without moving Muslim armed units there." He deemed it necessary to warn: "Any other decision will shatter our position in Azerbaijan and will give us nothing in Armenia. I know that we might need Armenia under certain political circumstances. The decision rests with you; we shall follow suit. Let me tell you that this treatment of Azerbaijan undermines our prestige among the broad masses of Azeris and creates fertile soil for the efforts of our adversaries."⁸⁹ After the April coup of 1920, Orjonikidze remained for some time on the side of Azerbaijan, which was considered "Soviet power's firstborn in the Caucasus" in its relations with Georgia and Armenia. Some people in Moscow did not like this; the irritation being especially obvious in the People's Commissariat for Foreign Affairs. Georgy Chicherin, who headed this group, blackmailed Orjonikidze, whom he called a latent Orientalist and lover of the Muslims. Orjonikidze parried the attacks by saying that he had nothing to do with Muslim nationalism and there was not a single Tatar among his ancestors.⁹⁰

He knew who was stirring up the trouble in the Center and had to go directly to Nadezhda Allilueva, an official in the Council of People's Commissars and Stalin's wife, with a request to strike Chicherin from the list of addressees of his latest message. He also wanted to know: "Where is Stalin? I, and not only I, am interested in his opinion on the issue. At least tell him that Chicherin and Karakhan have pushed me into a tight corner once more."⁹¹ Chicherin was of a different opinion; in a telegram to Orjonikidze dated 8 July, he wrote: "We all know that the time will come for Armenia's Sovietization; it is too early to do this now. The best we can do now is to declare Karabakh and Zangezur disputed areas; to do this we need an agreement from the Azerbaijani government. We badly need this; we should sign an agreement with Armenia. The situation in the world demands this; this can be done if we declare Karabakh and Zangezur, and only them, disputed areas."⁹²

Karabakh in the Center of the Intrigues of Georgy Chicherin and Lev Karakhan

These two people pushed the People's Commissariat for Foreign Affairs toward cooperation with Armenia at the expense of Azerbaijan. On 16 July, Orjonikidze, unable to withstand the pres-

⁸⁹ Direct reminder to Lenin, Stalin and Chicherin. July 1920, RGASPI, rec. gr. 85, inv. 3c, f. 2, sheets 8-9 (in Russian).

⁹⁰ See: Telegram from G. Orjonikidze to G. Chicherin. 1920, RGASPI, rec. gr. 64, inv. 1, f. 17, sheet 53 (in Russian).

⁹¹ Direct note to N. Allilueva. 07.07.1920, RGASPI, rec. gr. 85, inv. 3c, f. 2, sheet 20 (in Russian).

⁹² Telegram from G. Chicherin to G. Orjonikidze. 08.07.1920, RGASPI, rec. gr. 64, inv. 1, f. 17, sheet 60 (in Russian).

sure, telegraphed Lenin, Stalin, and Chicherin with a request not to enter a peace treaty with Armenia before the Azeri delegation arrived. He wrote: "The local comrades are very concerned about the possibility of peace with Armenia without involving Azerbaijan."⁹³ Anastas Mikoyan, member of the C.C. Communist Party of Azerbaijan (Bolsheviks), was of the same opinion. On 29 June he wrote to Orjonikidze: "We are all enraged by the Center's policy toward Karabakh and Zangezur. You should also defend our opinion in the Center. We have nothing against peace with Armenia but not at the expense of Karabakh and Zangezur."⁹⁴ This shows that, strange as it may seem, Soviet Russia and Dashnakian Armenia were engaged in secret negotiations about Azerbaijan, to which it was not invited and to which it had not agreed. The developments in Armenia copied what had happened with Georgia a month before: a lot of interesting information had traveled in the ciphered parts of the telegram Orjonikidze and Kirov sent to Lenin and Stalin. They believed that a treaty with Georgia without clarifying the position of Azerbaijan was fraught with failure: "We want to know why we are signing a treaty with Georgia and refusing to sign a treaty with friendly Azerbaijan. If you have different plans for Azerbaijan, why are we being kept in the dark?" In the ciphered part they warned: "You should not put forward the name of Karakhan as the author of the Eastern policy. Here the Zaqataly scandal is interpreted as Armenian perfidy."⁹⁵ Lev Karakhan, who filled the post of Deputy People's Commissar for Foreign Affairs, did play an important role in shaping and realizing the anti-Azeri policy of the People's Commissariat for Foreign Affairs of Soviet Russia. The ciphered and open documents of the time directly point to him as the main plotter. Grigory Orjonikidze wrote in an open letter: "Karabakh is another Zaqataly of our Commissariat for Foreign Affairs. An enormous provocation is underway here: it is rumored that this is stirred up by the Armenians in Moscow."⁹⁶

In a ciphered telegram of 19 July, Chicherin wrote to Legran: "Your suggestion, to which Azerbaijan has agreed, means that Karabakh will be transferred to Azerbaijan, while Zangezur will remain a disputed territory. The rest will remain in Armenia; the Armenian delegation, however, finds this unacceptable. The problem can be resolved only through direct talks with the Armenian government. The delegation in Moscow believes that it has not been empowered to agree to these serious territorial concessions."⁹⁷ The same day, the People's Commissar for Foreign Affairs sent another telegram to Minister for Foreign Affairs Oganjanyan in which he tried to convince him that "everything Soviet Russia is doing in the Caucasus is intended as friendly assistance to the Armenian people and its further peaceful development." He also informed that the problems related to the "disputed territories" captured by Russian troops will be discussed between Azerbaijan and Armenia in a peaceful and unbiased manner.⁹⁸ Sergey Kirov, in turn, tried to convince Boris Legran that "Chicherin will be glad if the Armenians accept this decision, if they agree right now to renounce all of Karabakh and recognize Zangezur, Nakhchivan will become theirs. Chicherin will be delighted with this decision. You have to insist on this in Erivan."⁹⁹ Despite Kirov's unprecedented pressure on Azerbaijan, the gap between the Azeri and Armenian positions remained as wide as ever. The talks between Kirov and People's Commissar M. Huseynov and the Armenian representatives in Tiflis ended in nothing. On 6 August, he wrote to Chicherin that he

⁹³ Telegram from G. Orjonikidze to V.I. Lenin, I.V. Stalin and G.K. Chicherin. 16.07.1920, RGASPI, rec. gr. 85, inv. 3c, f. 2, sheet 12 (in Russian).

⁹⁴ Telegram of A. Mikoyan to G. Orjonikidze. 29.06.1920, RGASPI, rec. gr. 64, inv. 1, f. 17, sheet 134 (in Russian).

⁹⁵ Ciphered telegram of G. Orjonikidze and S. Kirov to V. Lenin and I. Stalin. 12.06.1920, RGASPI, rec. gr. 85, inv. 2c, f. 2, sheets 9-11 (in Russian).

⁹⁶ Telegram from G. Orjonikidze to G. Chicherin. 1920, RGASPI, rec. gr. 64, inv. 1, f. 17, sheet 304 (in Russian).

⁹⁷ Telegram from G. Chicherin to B. Legran. 19.07.1920, RGASPI, rec. gr. 64, inv. 1, f. 21, sheet 13 (in Russian).

⁹⁸ See: Telegram of G. Chicherin to Oganjanyan. 19.07.1920, RGASPI, rec. gr. 64, inv. 1, f. 21, sheet 12 (in Russian).

⁹⁹ Telegram of S. Kirov to B. Legran. 23.07.1920, RGASPI, rec. gr. 64, inv. 1, f. 21, sheet 20 (in Russian).

had only convinced the Azeris to cede the Sharur-Daralaghez Uezd to Armenia; the Azeris regarded the rest, that is, the Nakhchivan Uezd, Ordubad, Julfa, Zangezur, and Karabakh, as decidedly their own. The Armenian representatives were no less determined to claim the regions. The Azeris argued that under the Musawat government these regions had belonged to Azerbaijan and that, therefore, if it ceded them, Soviet power would lose its prestige in the eyes of the Azeris, Iranians, and Turks.¹⁰⁰

On 20 July, in another telegram to Boris Legran, Georgy Chicherin used the dissatisfaction expressed by Nariman Narimanov to explain that the advance of Soviet troops on Armenia had been halted not by the People's Commissariat for Foreign Affairs, but on an order of the Revolutionary Military Council, which had allegedly done this out of fear of the Turks in Nakhchivan. To pacify Narimanov, Chicherin wrote to Legran: "Explain to Comrade Narimanov that it was at his request that I insisted that the Revolutionary Military Council take measures to protect the Azeri lands against the Dashnaks."¹⁰¹ Narimanov saw through Chicherin's double game. Early in August he wrote to B. Shakhhtakhtinsky, who had arrived in Moscow on 31 July to fill the post of Azerbaijan's permanent representative: "Armenian bands have plundered the villages along the border; recently a true war has been raging there. This is not a war but systematic encroachments of Armenians on the territory of Azerbaijan. According to the latest report, Armenian regular units are approaching Gerusy. Comrade Chicherin writes to me: we should prevent national carnage; Azeri units should not be involved, etc. Why are Armenians allowed to slaughter Muslims along the borders with Armenia? I wonder whether Comrade Chicherin could have predicted that the Center's policy would end precisely in this. In one of his telegrams Comrade Chicherin wrote that I accused him. Speaking of protests I should have lodged dozens of protests. In order to avoid misunderstandings, we should have adhered to a tough policy toward corrupt Armenia."¹⁰²

The Treaty between Soviet Russia and Armenia Was Spearheaded against Azerbaijan

On 10 August, 1920, the talks in Moscow and Irevan ended in a treaty of six articles, four of which dealt with a deliberately fanned territorial dispute with Azerbaijan. In the Preamble, Soviet Russia recognized the sovereignty and independence of the Republic of Armenia. Under Art 1 of the Treaty, the hostilities between the troops of the R.S.F.S.R. and the Republic of Armenia were discontinued as of midday on 10 August, 1920. Under Art 2, the troops of the R.S.F.S.R. occupied the disputed regions of Karabakh, Zangezur, and Nakhchivan; the Armenian troops remained in a specified strip. Art 3 said that the occupation by Soviet troops of the disputed territories did not predetermine the answer to the question about the rights of the Republic of Armenia and the Azerbaijan Socialist Soviet Republic to these territories. The same article further stated that the temporary occupation by the R.S.F.S.R. of these territories was intended to create conditions conducive to a peaceful resolution of the territorial disputes between Armenia and Azerbaijan; in the future, the issue, said the Treaty, would be settled by means of a comprehensive agreement between the Republic of Armenia and the R.S.F.S.R. Under Art 4, the sides pledged to discontinue concentration of troops in the disputed and border areas. Under Art 5, the Shakhhtakhty-Julfa railway stretch was to be exploited by the Adminis-

¹⁰⁰ See: Letter of S. Kirov to G. Chicherin. 06.08.1920, RGASPI, rec. gr. 80, inv. 4, f. 102, sheets 1-2 (in Russian).

¹⁰¹ Telegram of G. Chicherin to B. Legran. 20.07.1920, RGASPI, rec. gr. 64, inv. 1, f. 21, sheet 14 (in Russian).

¹⁰² Letter of N. Narimanov to B. Shakhhtakhtinsky. August 1920, RGASPI, rec. gr. 85, inv. 2c, f. 3, sheet 59 (in Russian).

tration of the Railways of Armenia on the condition that it would not be used for military purposes until a treaty between the R.S.F.S.R and Armenia had been signed. Under Art 6, the R.S.F.S.R. guaranteed free passage of all armed units of the Government of Armenia which found themselves beyond the line occupied by the Soviet troops.¹⁰³ The treaty was signed by B. Legran, who represented the R.S.F.S.R. in Armenia, and Jamalyan and A. Babalyan from the Armenian side. On 13 August, Georgy Chicherin informed the Politburo of the C.C. R.C.P. (B.) of the Russian-Armenian treaty, which was approved.¹⁰⁴ Russia hastened to sign the treaty with Armenia because, the same day, Turkey and the Entente signed the Sevres Treaty, under which Armenia could have gained a lot. The Russian Soviet diplomats feared, with good reason, that Armenia might be tempted and would fall under the influence of the Entente. Under pressure from Moscow, the half-baked diplomatic document was signed; Armenia was promised the Azeri lands previously transformed by Soviet Russia into disputed territories.

Time and again the Armenian leaders hinted to Moscow that their country was much more important than Georgia and Azerbaijan and that Britain was paying particular attention to their republic. They bragged that its geographic location allegedly made Armenia a bridge across which the British could push on to the Middle East. On the other hand, the Armenian leaders pointed out, Armenia could be used, on the sly, against the Muslim and Turkic worlds.¹⁰⁵ The document said the following about Soviet policy: "If the Entente and its henchmen try to exploit the slogan 'Freedom to the peoples of Turkey suffering under the Ottoman yoke,' they might succeed in Asia Minor. In this event, Armenia might be needed to take the initiative of freedom into its hands and set up a buffer state on Turkish territory. Even if not completely Soviet, this state might join the sphere of influence of Soviet Russia."¹⁰⁶

From the very first days of Soviet power in Azerbaijan, much was done to transform the primordial Azeri lands into disputed territories; this is best illustrated by the Russian-Armenian treaty. On 19 June, 1920, Grigory Orjonikidze, dispatched to Azerbaijan, telegraphed Lenin and Chicherin that Soviet power had been proclaimed in Karabakh and Zangezur and that both areas believed themselves to be part of Azerbaijan. He deemed it necessary to warn: "In any case, Azerbaijan cannot survive without Karabakh and Zangezur. I think that we should invite an Azeri representative to Moscow to discuss all the issues related to Azerbaijan and Armenia before the treaty with Armenia is signed; repetition of the Zaqataly scandal stirred up by Armenians will undermine our position here."¹⁰⁷ The Treaty of 10 August between Soviet Russia and Armenia, of which Azerbaijan was not informed, can be described as a logical result of the political course of the Central Bolshevik government and of the People's Commissariat for Foreign Affairs in particular, designed to infringe on the interests of Azerbaijan.

Armenia consistently refused to discuss territorial and border issues with Azerbaijan after the treaty had been signed. On 23 August, Foreign Minister of Armenia Oganjanyan parried an invitation by M.D. Huseynov to call a conference to discuss the debatable problems with the following: "According to a preliminary agreement concluded by the representatives of the Armenian government and Plenipotentiary Representative of the R.S.F.S.R. Boris Legran of 10 August, 1920, the territorial disputes between Armenia and Azerbaijan should be resolved according to the principles formulated by the peace treaty to be concluded between the R.S.F.S.R. and the Republic of Armenia in the near

¹⁰³ See: Treaty between the R.S.F.S.R. and the Republic of Armenia. 10.08.1920, APD UDP AR, rec. gr. 1, inv. 169, f. 249/II, sheets 11-12 (in Russian).

¹⁰⁴ See: Extract from Verbatim Report No. 24 of the sitting of Politburo C.C. R.C.P. (B.). 30.06.1920, APD UDP AR, rec. gr. 1, inv. 1, f. 2a, sheet 10 (in Russian).

¹⁰⁵ See: On the Importance of Armenia and the Conditions under which Soviet Power can be Strengthened there. 20.07. 1921, RGASPI, rec. gr. 17, inv. 84, f. 183, sheet 8 (in Russian).

¹⁰⁶ Ibid., sheets 8-8rev.

¹⁰⁷ Telegram from G. Orjonikidze to V.I. Lenin and G. Chicherin. 19.06.1920, APD UDP AR, rec. gr. 1, inv. 169, f. 249/I, sheet 34 (in Russian).

future.”¹⁰⁸ Azerbaijan suggested that a conference be convened in Kazakh; Baku appointed two Armenians (I. Dovlatov and A. Mikoyan) and one Georgian (V. Lominadze) as its representatives, but Armenia preferred to stay away.¹⁰⁹ It was unperturbed because earlier, in May 1920, it had asked Soviet Russia to mediate in its disputes with Azerbaijan. Lev Karakhan retorted in the name of the governments of Soviet Russia and Azerbaijan: “Until all territorial disputes have been resolved, all disputed territories will remain occupied by the Russian Red Army to prevent mutual national slaughter. The Russian military command has already issued an order.”¹¹⁰

Some people placed the stakes on Armenia in the territorial disputes between the two republics; some of the top officials in Moscow never hesitated to tell lies and never shunned provocations. Long before the treaty was signed, People’s Commissar for Foreign Affairs Chicherin wrote in his report to Lenin: “The Azeri government has claimed Karabakh, Zangezur, and the Sharur-Daralaghez Uezd along with Nakhchivan, Ordubad, and Julfa. The larger part of them belongs de facto to the Republic of Armenia. The question is whether Azerbaijan should send its Muslim units of the same Askers, who repeatedly rebelled against Soviet power, to take these lands away. It would be one of the greatest crimes to dispatch Tatar units against the Armenians, this is unacceptable. This is all the more unacceptable now when the Turks are pressing toward these regions from the south. If sent there, Azeri Muslim units will immediately find a common language with the Turks. In general, everything related to these units looks fairly complicated. They have already rebelled; the approaching Turks will incite them even more. The best thing is to send them to Persia, but I do not know enough to judge whether this can now be done. In any case, the Azeri Askers should not be sent against the Armenians to take from them the land that Azerbaijan decided to claim.”

Chicherin, who admitted that he knew next to nothing about Azerbaijan’s domestic policy, did not hesitate to draw a grim picture if Baku got what it wanted: “There is another way to satisfy Azerbaijan: our units should occupy all the above-mentioned areas to present them to Azerbaijan. This is what Narimanov has in mind. The comrades who have arrived from Azerbaijan say there are plans to remove the Muslim Askers to the rear. The Soviet government in Baku, the domestic policy of which has already caused sharp clashes with a large part of the Muslim masses, is looking for a way to compensate (for the loss in image.—*Ed.*) and bribe the nationalist-minded elements by securing for Azerbaijan the lands which it itself describes as disputed. This combination should not be accomplished by Russian hands—this is unacceptable. We should remain objective and unbiased. It would be a fatal mistake for our Eastern policy to rely on one national element against another national element. If we take any lands from Armenia and transfer them to Azerbaijan, our policy in the East will be distorted.” Georgy Chicherin deliberately complicated the situation to establish a Russian occupational regime in the territories described as disputed. He argued that until a more favorable situation took shape, these territories should not be transferred either to Azerbaijan or to Armenia. Chicherin preferred to contemplate the problem in the context of a treaty with Armenia: “We can hope to sign a treaty with Armenia only if a military status quo survives. We need the treaty to pursue our peaceful policy in the Transcaucasus. This means that we should refuse to occupy any other territory except for that already occupied. We should try to sign a treaty with the Republic of Armenia as soon as possible.”¹¹¹

The People’s Commissar for Foreign Affairs managed to present at least some of his ideas as official and transform them into instructions for the Revolutionary Military Council of the Cauca-

¹⁰⁸ Telegram of Oganjanayan to Commissar for Foreign Affairs of Azerbaijan Huseynov. 23.08.1920, GA AR, rec. gr. 28, inv. 1, f. 104, sheet 2 (in Russian).

¹⁰⁹ See: N. Narimanov, Azerbaijan and Armenia. August 1920, APD UDP AR, rec. gr. 609, inv. 1, f. 21, sheet 40 (in Russian).

¹¹⁰ Telegram of L. Karakhan to the Foreign Minister of Armenia. 15.05.1920, GA AR, rec. gr. 28, inv. 1, f. 99, sheet 100 (in Russian).

¹¹¹ Copy of a memo to V.I. Lenin. 29.06.1920, APD UDP AR, rec. gr. 1, inv. 1, f. 2a, sheets 13-14 (in Russian).

sian Front sent in the name of the C.C. R.C.P. (B.) not to let either Azeri or Armenian officials into the disputed territories.¹¹² The territories described as disputed were in fact parts of Azerbaijan and were still controlled by the Azeri authorities. This meant that Chicherin's instructions were nothing more than a violation of Azerbaijan's sovereign rights and territorial integrity. Five days before the treaty was signed, the People's Commissariat for Foreign Affairs of Azerbaijan submitted a document entitled *Description of the Border of the Undisputed Territory of the Azerbaijan Soviet Socialist Republic with Armenia*; signed by Chairman of the Revolutionary Committee of Azerbaijan N. Narimanov and People's Commissar for Foreign Affairs M.D. Huseynov it had been sent to Moscow¹¹³ just on time, before the treaty was signed, but the important information about the borderline remained ignored.

**N. Narimanov:
“With Its Decisions about Karabakh,
the Center Deprived Us of
Our Weapon”**

The new leaders of Azerbaijan found themselves in a quandary: on the one hand, enticed by revolutionary zeal, Azeri Soviet power imagined that it was close to Soviet Russia; on the other, Soviet Russia, the workers' and peasants' ally, detached the lands which had undoubtedly belonged to Azerbaijan under the previous government. By a quirk of fate, Soviet Russia, which had seized Azerbaijan with the help of the Muslim Communists, found new friends in the Transcaucasus and signed allied agreements with Armenia and Georgia to show Europe its “peaceful nature.” This looked ugly, even to the Soviet officials dispatched from Moscow to Azerbaijan. The injustice was glaring. In a long report to Lenin, N. Soloviev, one such person, who filled the post of Chairman of the Council of National Economy of Azerbaijan S.S.R., wrote: “People pinned their hopes on Moscow, but the peace treaties with Georgia and Armenia, under which chunks of Azeri territory with Muslim population were transferred to these republics, shattered, if not killed, these hopes. The Muslim masses concluded that Moscow had not only captured Azerbaijan, but also increased Georgian and Armenian territories at its expense. The fact that Azerbaijan was represented by Georgians at the talks with Georgia and by Armenians at the talks with Armenia looked insulting. The Muslims wondered why Georgia had been represented only by Georgians and Armenia only by Armenians, while the Muslims were not represented at all. The treaty with Armenia under which it acquired part of Azeri territory with Muslim population and a railway of immense strategic and economic importance which blocked the only corridor uniting Azerbaijan with Turkey was the heaviest blow. The ordinary Muslims were puzzled, while certain members of the Communist Party of Azerbaijan explained that the treaty had been compiled on the instructions of influential Armenians who filled high posts in the Center and called themselves Communists while being conscious or unconscious nationalists.”¹¹⁴

Prior to the April occupation, the Muslim Communists ridiculed the foreign policy of the national government of Azerbaijan and wrote to Moscow that if the Paris Peace Conference recognized

¹¹² Instruction to the Revolutionary Military Council of the Caucasian Front. 04.07.1920, RGASPI, rec. gr. 17, inv. 3, f. 94, sheet 7 (in Russian).

¹¹³ See: *Description of the Border of the Undisputed Territory of the Azerbaijan Soviet Socialist Republic with Armenia*, APD UDP AR, rec. gr. 1, inv. 169, f. 249/II, sheets 15-16 (in Russian).

¹¹⁴ See: Information of N.I. Soloviev to V.I. Lenin “Our Policy in Azerbaijan in Two Months (May-June) after the Coup. 1920, RGASPI, rec. gr. 17, inv. 84, f. 58, sheet 15 (in Russian).

Azerbaijan as an independent state de jure, the republic's territorial integrity and security could have been ensured. This ended in nothing.¹¹⁵ Later, bitterly disappointed with the developments, they heaped the blame on the Armenians entrenched in the Center. This is testified by all sorts of letters they sent to Moscow.

B. Shakhhtakhtinsky, who was appointed as Envoy Extraordinary and Plenipotentiary of Azerbaijan in Moscow on 15 July, was one of the first to raise his voice against the treaty with Armenia and was ignored. His letter to Lenin dated 13 August clearly shows that the diplomat had learned about the treaty from the press and had had no clear idea about its articles. He wrote: "Having acquired the Shakhhtakhty-Erivan (about 100 versts) and the Shakhhtakhty-Julfa (also about 100 versts) railways complete with rolling stock, the Armenian Dashnaks acquired Persian Azerbaijan and gained access to the British forces in Persia, while we were deprived of our contacts with the Turkish revolutionary movement." He went on to say: "For several years, the people of the Nakhchivan area have been fighting for their independence... It was through the interference of Britain, which moved its troops into the area, that it was transferred, with the use of force, to the Dashnaks, contrary to the open protests of the local people. As soon as the British left, the local population rioted; the regular Dashnak units with their artillery, machine guns, and an armored train were entirely defeated. The transfer to the Dashnaks of an area, the working people of which liberated itself from them after three years of bloody struggle and insisted on reunification with Azerbaijan, an area where not one Armenian lives, obviously violates the generally recognized principle of self-determination of the people and the rights of Soviet Azerbaijan."¹¹⁶ In his report *On the Situation in Azerbaijan*, People's Commissar for Foreign Affairs of Azerbaijan M.D. Huseynov admitted to Nikolai Krestinsky, a member of the Politburo of the C.C. R.C.P. (B.), that the people were saying that "Russian units have arrived to subjugate Azerbaijan, that the Republic has lost its independence, and that the Red Army is no better than the czarist army."¹¹⁷

Nariman Narimanov was enraged by Soviet Russia's arbitrariness toward Azerbaijan; he knew that these provocations had been devised and realized by People's Commissar for Foreign Affairs Chicherin (who since the summer of 1919 had been dead set against Narimanov's Eastern policy) and his deputy Lev Karakhan. Their posts as heads of the People's Commissariat for Foreign Affairs allowed them to shape and realize the foreign, especially Eastern, policy of the Soviets. They did not like Azerbaijan and used the Armenian and Georgian factors as the cornerstone of Soviet Russia's Transcaucasian policy, even though neither of the two republics had been Soviet republics. It should be said in all justice that Chicherin's anti-Azeri and pro-Armenian stand betrayed Karakhan's influence, but not only that. A former czarist diplomat, Georgy Chicherin was educated in the pro-Armenian tradition typical of the Eastern, especially Caucasian, policy of the Russian Empire. He wrote to Stalin: "When placing our stakes on the Muslims, we should never forget that one of these days their anti-Bolshevik trend might overcome their anti-British sentiments. I have warned and am warning against placing one-sided stakes on the Muslims represented by Narimanov."¹¹⁸

In his opposition to Chicherin, Narimanov tried to rely on Lenin, who had pronounced many high-sounding words and been lavish with his promises. Still expecting Lenin to be fair and unbiased, he wrote to him in mid-July: "Comrade Chicherin's telegram shows that you are receiving biased information or that the Center has succumbed to those who are still cooperating with what

¹¹⁵ See: Report on the Economic and Political Situation in Azerbaijan, RGASPI, rec. gr. 17, inv. 86, f. 119, sheet 2 (in Russian).

¹¹⁶ Letter of Envoy Extraordinary and Plenipotentiary of Azerbaijan B. Shakhhtakhtinsky to V.I. Lenin. 13.08.1920, RGASPI, rec. gr. 5, inv. 1, f. 2796, sheet 1 rev. (in Russian).

¹¹⁷ Report of M.D. Huseynov to N. Krestinsky *On the Situation in Azerbaijan*. 16.09.1920, RGASPI, rec. gr. 17, inv. 86, f. 125, sheet 10 (in Russian).

¹¹⁸ R. Mustafa-zade, op. cit., p. 267.

remains of Denikin's crowd against Soviet power in Azerbaijan. If the Center wants to sacrifice Azerbaijan and keep Baku and its oil and renounce its Eastern policy, it is free to do this. I deem it my duty, however, to warn you: you will not be able to keep Baku separated from the rest of Azerbaijan with the perfidious Dashnaks and Georgian Mensheviks as your neighbors. On the other hand, I would like to find out what the Center thinks about us, the Muslims, and how it dealt with these important issues without us. The Center was free to mistrust us, but such senior officials as Orjonikidze and Mdivani, likewise, disagree with its decision. Let me plainly say that with its decision about Karabakh the Center deprived us of our weapon, etc. It added plausibility to the provocative statements of the Musawat Party, which is holding forth that the Muslim Communists allegedly sold Azerbaijan to Russia, a country which recognizes the independence of Armenia and Georgia and, at the same time, insists for some reason that the areas which belonged beyond a doubt to Azerbaijan before Soviet power, become disputable. Comrade Chicherin says that we should obey the Center's policy, but is the Center aware that it is using us as a screen? We are told in plain terms: 'You cannot secure the absolutely undisputed territories, but you are holding forth about liberating the East'." Narimanov ended this bitter letter with the following: "Our representative will arrive in Moscow, therefore I ask you, I beg you, to suspend the Center's decision about Azerbaijan."¹¹⁹

In another letter to Lenin, Narimanov informed him about a serious threat to Azerbaijan: "The situation is catastrophic. The Center has recognized Georgia and Armenia as independent states and recognized Azerbaijan's independence. At the same time, the Center has transferred undisputable Azeri territories to Armenia. Had they been transferred to Georgia, public opinion could have been pacified, but the fact that they were given to Armenia and the Dashnaks is a fatal and irreparable mistake."¹²⁰ These letters diminished the Center's faith in Narimanov. On 19 July, 1920, Lander, an authorized agent of the CHEKA who was spying on Nariman Narimanov, informed Krestinsky, Menzhinsky, Dzerzhinsky, and Lenin in a secret telegram: "The general trend of Azerbaijan's policy is causing great concern. There is an obvious bias toward independence. Narimanov is the leader of the right national wing."¹²¹

G. Chicherin: "If Turkey Turns against Us, Armenia, Even Armenia of the Dashnaks, Will Serve as an Outpost of Our Struggle against the Advancing Turks"

On 26 August, 1920, Nariman Narimanov insisted on a meeting of the Politburo of the C.C. Communist Party of Azerbaijan (B.) amid the unfolding territorial disputes between Azerbaijan and Armenia and Russia's patronage of the latter (best confirmed by the Treaty of 10 August). The Politburo appointed A. Shirvani as Extraordinary Commissar of Azerbaijan for Karabakh, A. Garagozov was made his deputy.¹²² Narimanov had recommended Sultan Majid Afandiyev, a more experienced party activ-

¹¹⁹ Letter of N. Narimanov to V.I. Lenin, July 1920, APD UDP AR, rec. gr. 609, inv. 1, f. 71, sheets 41-42 (in Russian).

¹²⁰ For the letter of Narimanov to Lenin, see: N. Narimanov, *K istorii nashey revoliutsii v okrainakh* (Letter to I.V. Stalin), Baku, 1990, p. 117.

¹²¹ Lander's telegram to Krestinsky, Menzhinsky, Dzerzhinsky and Lenin. 19.07.1920, RGASPI, rec. gr. 17, inv. 86, f. 125, sheet 12 (in Russian).

¹²² See: Verbatim report of a meeting of Politburo C.C. Az.C.P. (B.). 26.08.1920, APD UDP AR, rec. gr. 1, inv. 1, f. 22, sheet 2rev. (for more detail, see: Personal file of Aliheydar Shirvani, APD UDP AR, rec. gr. 12, inv. 1, f. 7523, sheet 29, both in Russian).

ist, for the post, but on 26 August the Organizational Bureau of the C.C. Communist Party of Azerbaijan (B.) disagreed.¹²³ Narimanov was worried because the Bolshevik army of Soviet Russia, which had occupied Karabakh, disarmed the Muslim population while deliberately ignoring the fact that the local Armenians were all well-armed. S. Ataev, authorized agent of the People's Commissariat for Internal Affairs of the Azerbaijan S.S.R., informed People's Commissar Sultanov that A. Shirvani's presence in Shusha "did nothing to considerably improve the fairly shaky revolutionary committee."¹²⁴ He also wrote: "There is not a single Armenian who would not call himself a Communist, even though all these Communists have no authentic documents to confirm their party affiliation. They are communists of 28 April, 1920. Financial auditing and revision in the food department immediately revealed a hardly acceptable picture: all the money and huge amounts of foodstuffs were sent practically exclusively to the mountainous Armenian villages, while the ruined and devastated Muslim valleys got next to nothing. The party consists of 900 Armenians (an organization which Russia has failed to set up in three years); it enjoys popular sympathies up to and including armed support of the battalion of local guards staffed with Armenians. The party is armed; it ignores orders about how weapons should be kept. When asked about weapons, the members of this organization answer: 'We are party members.' All the Armenian villages in the mountains are likewise armed and obey orders from the agents of the Ararat government; they ignore the order to requisition agricultural products. The party sends its agents to the Armenian villages, but no one knows what they do there."¹²⁵

Soviet Russia preferred to ignore Narimanov's resolute and sometimes even oppositional stand; it followed the policy of humiliation of Azerbaijan devised by the People's Commissariat for Foreign Affairs. On 20 July, Commissar for Foreign Affairs Chicherin telegraphed Narimanov with a great deal of sarcasm: "So far neither you, nor Orjonikidze have clarified in your telegrams why you and the local Communists are dissatisfied with the occupation of Karabakh and Zangezur by Russian troops and why you want, without fail, their formal annexation to Azerbaijan... We should establish good relations with Armenia because if Turkey turns against us, Armenia, even Armenia of the Dashnaks, will serve as an outpost of our struggle against the advancing Turks."¹²⁶ In another letter, Georgy Chicherin deemed it necessary to warn the Politburo of the C.C. R.C.P. (B.) that relations between Azerbaijan and Armenia should be treated as part of Russia's Turkish policy: "When discussing the Azeri-Armenian disagreements, I have always pointed out that if the Turks acquired aggressive trends in the Caucasus, Armenia will serve as a barrier and will defend us."¹²⁷

This explains why, while drafting the Armenian-Russian Treaty, the document entitled *Description of the Border of the Undisputed Territory of the Azerbaijan Soviet Socialist Republic with Armenia* prepared by the People's Commissariat for Foreign Affairs of the Azerbaijan S.S.R. and sent to Moscow on 5 August was ignored. The authors relied on historical, ethnographic, geographic, and administrative information to describe the borders between Soviet Azerbaijan and Armenia; with minor exceptions the document confirmed the borders between the Azerbaijan Democratic Republic and Armenia.

R. Mustafa-zade, author of a highly interesting book about the relations between Russia and Azerbaijan in 1918-1922, has rightly written that as Soviet Russia was consolidating its position in Azerbaijan, the republic was gradually being turned into a sponsor of sorts of the Bolsheviks' re-

¹²³ See: Verbatim report of a meeting of Organizational Bureau C.C. Az.C.P. (B.). 26.08.1920, APD UDP AR, rec. gr. 1, inv. 1, f. 21, sheet 9 (in Russian).

¹²⁴ Report of S. Ataev to C.C. Az.C.P. (B.), APD UDP AR, rec. gr. 1, inv. 1, f. 141, sheet 24rev. (in Russian).

¹²⁵ Ibid., sheet 26rev.

¹²⁶ Urgent telegram of G. Chicherin to N. Narimanov. 20.07.1920, RGASPI, rec. gr. 5, inv. 1, f. 2097, sheet 1 (in Russian).

¹²⁷ Letter of G. Chicherin to the Politburo of the C.C. R.C.P. (B.), APD UDP AR, rec. gr. 04, inv. 39, Folder 232, f. 52987, sheet 40 (in Russian).

gional policy; its natural resources and territories were used to lull the Georgian and Armenian bourgeois republics and to create conditions conducive to Sovietization of Armenia.¹²⁸ On 15 October, 1920, the Presidium of the Caucasian Bureau of the C.C. R.C.P. (B.) pointed out once more that relations with Georgia and Armenia should remain peaceful.¹²⁹ To quote Nariman Narimanov, "Armenia, which all the time was on Denikin's side, acquired its independence and part of Azeri territory. Georgia, which has been pursuing a dual policy, acquired its independence. Azerbaijan, the first of the three republics to rush into Soviet Russia's arms, lost both territory and its independence."¹³⁰ On 23 September, 1920, Boris Legran sent a ciphered telegram to Lenin in which he described Soviet Russia's intentions regarding the Azeri territories: there is no danger in transferring Zangezur and Nakhchivan to Armenia. First, the very idea that Russia needed these territories for its liberating military operations in the Turkish and Tabriz sectors was utopian; second, Zangezur was an Armenian area; our power there was of a hostile and occupational nature, which became especially clear during the Gerusy events; third, one could not disagree with the territorial claims of Azerbaijan. Moscow's objective and subjective considerations would undoubtedly satisfy Azerbaijan; as for Karabakh, it was possible to insist on its unification with Azerbaijan.¹³¹ In another of his telegrams dated 24 October, 1920, this time addressed to Chicherin, Boris Legran described his agreements with the Armenians regarding the Azeri territories: "The Armenians categorically insist that Nakhchivan and Zangezur immediately be recognized as theirs. I pointed out that without Azerbaijan this issue cannot be resolved and that it can be raised only if the Armenians drop their claims to Karabakh. After long discussions they agreed, with minor stipulations, to renounce their claims to Karabakh."¹³² After a short while, however, late in November 1920 when Soviet power had been established in Armenia, the struggle for the mountainous part of Karabakh entered a new stage.

C o n c l u s i o n

For approximately 100 years Karabakh lived under the pressure of czarist Russia and the Bolsheviks, who wanted to change the ethnic and demographic makeup of this very specific region once and for all. Back in the 19th century, Alexander Griboedov, a Russian diplomat and poet, warned that the local Muslim population was very concerned about the prospect of the Armenians temporarily moved there seizing these lands forever. He was absolutely correct.

¹²⁸ See: R. Mustafa-zade, op. cit., p. 145.

¹²⁹ See: Verbatim report of a sitting of the Presidium of the Caucasian Bureau of the CC RCP (B.). 15.10.1920, RGASPI, rec. gr. 64, inv. 1, f. 1, sheet 30rev. (in Russian).

¹³⁰ N. Narimanov, op. cit., p. 118.

¹³¹ See: B. Legran's telegram to V.I. Lenin, RGASPI, rec. gr. 5, inv. 1, f. 21, sheet 144 (in Russian).

¹³² Secret telegram of B. Legran to G. Chicherin, RGASPI, rec. gr. 5, inv. 1, f. 2178, sheet 20 (in Russian).

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LITTLE-KNOWN PAGES OF THE HISTORY OF GEORGIAN-BALTIC RELATIONS IN THE 10TH-18TH CENTURIES

A b s t r a c t

The author looks at the key aspects of the history of the military, political, trade, and economic contacts between Georgia and the Baltic Region in the 10th-18th centuries, which until quite recently remained beyond the scope of large-scale studies.

I n L i e u o f a n I n t r o d u c t i o n

Contacts between Georgians and the Baltic nations go back to the 10th century, but an interest in their history was not shown until relatively recently. To date, we have published six essays dealing with outstanding facts from the millennia of Georgian-Baltic military, political, trade and economic relations.¹

Back in the Beginning: the 10th-11th Centuries

Until the 8th century, the strongest powers, engaged in incessant wars with each other, kept the trade routes under their control; the Caliphate, a product of the Arabs' military inroads, established its control over the routes (which by that time had extended far and wide). Judging by the hoards archeol-

¹ See: N. Javakhishvili, "From the History of Georgian-Latvian Relations," in: *Problems of Modern and Contemporary History*, Collection of scholarly papers, Department of Modern and Recent History, the Ivane Javakhishvili Institute of History and Ethnology, Vol. V, Tbilisi, 2009; "At the Beginning of Georgian-Baltic Relations (10th-11th centuries)," in: *Problems of Modern and Recent History*, Vol. VI, Tbilisi, 2009; "From the History of Military-Political Relations between Georgia and the Baltic Countries (late 15th Century)," in: *Problems of Modern and Recent History*, Vol. VI; "From the History of Trade and Economic Relations between Georgia and the Baltic Countries (the first third of the 17th Century)," in: *Problems of Modern and Recent History*, Vol. VI; "Regions and Cities of the Baltic Area as Seen by the Great Georgian Scholar of the 18th Century," in: *Problems of Modern and Recent History*, Vol. VI; "Georgian Trace in the Baltic Area (17th-19th Centuries)," in: *Problems of Modern and Recent History*, Vol. VII, Tbilisi, 2010 (all in Georgian).

ogists find all over the world, Georgia was part of the vast geography of East-West and North-South trade. *Dirhems* (*dirhams*), silver coins the Arabs minted in some of the conquered countries, gradually developed into an international means of payment between the East and the European countries. This means of payment was readily accepted in western and northern countries where hoards of dirhems are found in many places. Not infrequently, such hoards contain coins minted in Georgia, at the Tbilisi Mint in particular. They have already been found in the Baltic countries, outside Minsk (in Belarus), in Tula and Kursk in the Russian Federation, all of which are situated at considerable distances from Georgia.

These coins were minted in Tbilisi in 704-1028, however most of them date to the 10th-11th centuries. The latest of them dates to 418 of the Hijra (A.D.1027/1028), and they weighed from 2.48 to 3.90 grams.²

Recently, the Georgian scholarly community learned about one more coin³ found among the silver coins with Arabic inscriptions during excavations organized by the State Museum of History of Latvia in 1936-1937 near Riga (at a burial-site in the Salaspils-Laukskola settlement). The coins were identified as Cufi dirhems⁴; one of them was minted in Georgia in 363 of the Hijra, that is, in A.D. 973/974.⁵ The coin had a bail attached to it, meaning it was used as a pendant for a woman's necklace.

It was at that time, as well as in the mid-10th century and later, that Emir Jafar ibn Mansur, one of the Jaffarid emirs of Tbilisi, coined dirhems which bore his name. It appeared next to the name of the Arab caliph, which means that the Tbilisi emirs were in fact independent rulers at that time.

The coins' obverse bore the Arab inscription, "this dirhem was minted in Tbilisi," which gives no doubt to their place of origin.⁶

Minting faithfully reflected the social and political progress in Georgia in the 10th-11th centuries.

It was at that time that David III Kuropalates, member of the millennium-old Bagratid dynasty (who ruled in the latter half of the 10th century and died in 1001), potentate of Tao-Klarjeti (the south-western province of Georgia, now part of Turkey), and king of the Georgians, minted a silver dram that differed from the Arab-type coins of the Tbilisi emirs. They weighed 3.1 to 3.5 grams and bore the holy cross and an inscription in Georgian, "Lord, have mercy upon David Kuropalates."

Only four coins have been found, however there is every reason to believe that they were used in international trade since all of them were discovered far from Georgia; in northern Germany, the Baltic area, Sweden, and Russia.⁷

In 1910, Russian historian Evgeny Pakhomov wrote: "So far, only three coins of this rare issue have been found, all of them far from Georgia: one of them turned up in a hoard found in 1859 in Mecklenburg-Schwerin, close to Schwaan. It was sent to the Museum of Schwerin. Another was unearthed in 1878 close to Lodeynoe Pole, the Olonets Gubernia; it went first to Yu.B. Iversen's collection and, later, to the Hermitage. According to A.K. Markov, the third coin was part of the hoard discovered in the 1900s at Vollya, the Liefland Gubernia. It disappeared, only to resurface later in the hands of a Hamburg merchant who sold it to the Berlin Museum."⁸

This means that the silver coins described above—the dirhems of the Tbilisi emirs and the drams of the potentate of Tao-Klarjeti (later king of the Georgians) David III Kuropalates were found in Scandinavia and neighboring countries: northern Germany, the Baltic area, and Russia.

This suggests that some of them were brought there by Arabs, while others reached these parts by very different routes.

² See: D. Kapanadze, *Georgian Numismatics*, Tbilisi, 1969, pp. 56-59; N. Javakhishvili (coauthor), *Money in Georgia, Catalogue*, Second revised edition, Tbilisi, 2003, pp. 23-25 (in Georgian).

³ See: N. Javakhishvili, "At the Beginning of Georgian-Baltic Relations (10th-11th centuries)," p. 34.

⁴ See: T. Berga, *Monety v arkhеologicheskikh pamiatnikakh Latvii IX-XII vv.*, Riga, 1988, pp. 16-17.

⁵ Ibid., Table III, coin No. 13.

⁶ See: N. Javakhishvili (coauthor), op. cit.

⁷ See: Ibid., pp. 23-26; D. Kapanadze, op. cit., p. 62.

⁸ E. Pakhomov, *Monety Gruzii*, Tbilisi, 1970, p. 53.

This makes us wonder who, apart from the Arabs, could bring Georgian coins to the north?

A Georgian historical work *Matiane Kartlisai* (Chronicles of Kartli) dated to the 11th century told of “Varangians” (three thousand warriors) arriving in Georgia.⁹

Georgian historians identified the “Varangians” as Scandinavian warriors; some of them were Vikings (Normans) who reached Georgia in the 1040s.¹⁰

Some think that this fact mentioned in the *Chronicles of Kartli* was connected, to some extent, with the travels of Ingvar, the story of which is told by Icelandic sagas. For the same reason, the Vikings who arrived in Georgia are identified with the Scandinavian warriors the Byzantines captured when Russians marched on Constantinople in 1043. In 1046, the prisoners were set free; some of the Vikings arrived in Georgia on an invitation from the Georgian king.¹¹

Some Georgian historians believe that Vikings arrived in Georgia in the summer of 1046 on an invitation from King of united Georgia Bagrat IV, who hired them. As mercenaries they joined the royal army and fought in the battle of Sasireti (in Kartli, Central Georgia) against Liparit Bagvashi, a feudal lord who refused to obey Bagrat IV.¹²

Another fact is worth mentioning: in 1045, Crown Prince Harold Hardrade, another personage from the Icelandic sagas and a future konung (king) of Norway, who had been away from his country in search of his destiny, was traveling back home from Constantinople across the Black Sea.¹³ The above gives reason to believe that Prince Harold and his contingent also fought at Sasireti.¹⁴

We know that the Vikings left Georgia after the battle.¹⁵

This suggests that some of the coins reached the northern lands in 1046 together with the Vikings who fought in Georgia and were paid in local silver coins.

The fact that Georgian coins of the 10th-11th centuries were regularly discovered in several north European countries (northern Germany, the Baltic area, Sweden, and Russia) proves beyond a doubt that not only Vikings (Normans) remained in Georgia for some time in 1046, but also that Georgia had contacts with these regions (the Baltic area among them) ten centuries ago.

From the History of Military and Political Relations between Georgia and the Baltic Area in the Late 15th Century

In 1453, Ottoman Turks captured Constantinople, routed the Byzantine Empire, and established their control over the Straits, which made them the closest neighbors of Southern Europe and Georgia.

Several popes, one after another, tried to organize crusades against the Ottoman Turks; the Georgian kings readily responded to the call of Pope Pius II to organize an anti-Ottoman coalition, but the European countries were too deeply embroiled in their local squabbles to follow the Pope.

⁹ See: “Matiane Kartlisai” (Chronicles of Kartli), in: *Kartlis tskhovreba* (History of Georgia), the Georgian text based on all the main manuscripts was prepared for publication by S. Kaukhchishvili, Vol. I, Tbilisi, 1955, p. 301 (in Georgian).

¹⁰ See: N. Vachnadze, G. Cheishvili, “New Figures in the History of Georgia,” in: *Dedicatio. Historical-philological Studies*, Collection of scholarly papers, Dedicated to the 75th birth anniversary of Academician Mariam Lortkipanidze, Tbilisi, 2001, pp. 92-123 (in Georgian).

¹¹ See: V. Goiladze, “Vikings in Georgia,” *Mnatobi* (Tbilisi), No. 4, 1986, p. 170 (in Georgian).

¹² See: D. Samushia, *Vikings in Georgia and the Battle of Sasireti*, Tbilisi, 2008, pp. 15-16 (in Georgian).

¹³ See: K. Fledelius, “Royal Scandinavian Travelers to Byzantium: The Vision of Byzantium in Danish and Norwegian Historiography of the Early 13th Century and in the Danish Historical Drama of the Early 19th Century,” in: *BYZANTIUM, Identity, Image, Influence, XIX International Congress of Byzantine Studies, University of Copenhagen, 18-24 August, 1996. Major papers*, ed. by K. Fledelius in cooperation with P. Schreiner, Copenhagen, 1996, pp. 213.

¹⁴ See: N. Vachnadze, G. Cheishvili, op. cit., pp. 106-115.

¹⁵ See: D. Samushia, op. cit., p. 25.

In 1494-1495, Georgia, encouraged by the news about Spain's revival, turned to its old plans to launch a joint campaign against the Ottoman Turks once more. Monk-priest Kir-Nil, who was very much respected at the royal court of Constantine II of the Bagratid family (1479-1505) and had just returned from Egypt, was dispatched to Spain and Rome.

In 1495, Constantine II not only tried to establish a military-political alliance with Spanish Queen Isabella I (1474-1504), but also instructed his ambassador to start negotiations with the Pope. The Ambassador had to inform the Pope about the intention of the king and his subjects to seek protection of the Church of Rome.

The Georgian and Spanish ambassadors delivered the letter to the Spanish queen together; they traveled across Lithuania and Poland, a route determined not merely by Georgia's desire to find an outlet to Europe. Late in the 15th century, the Georgians knew that the Lithuanian and Polish rulers were hostile toward the Ottoman Turks; this explains why the Georgian ambassador was instructed to enter into secret talks with them.

So far we have not found the letter that the ambassador presented to the rulers of Lithuania and Poland; Georgian historian Prof. Yase Tsintsadze believes that the absence of this letter might mean that the ambassador was instructed to convey the position of the Georgian king verbally.

The fact that the letter of the king of Kartli to the Spanish queen was translated and registered in the Lithuanian Metrica confirms that the Georgian ambassador did inform the Polish ruler about the planned anti-Turkish coalition and that a special meeting was hastily convened at the Polish royal court. All important documents relating to Lithuania's domestic and foreign policy (such as texts of business correspondence discussed at the State Council) invariably found their way to the Lithuanian Metrica.

It has been established that the Georgian and Spanish ambassadors verbally informed the rulers of Lithuania and Poland of the content of King Constantine II's letter to Spanish Queen Isabella I, which dwelled on the interests shared by all Christian nations; later the text was handed over to the Lithuanian Metrica.¹⁶ Outstanding Georgian historian Academician Ivane Javakhishvili, in turn, wrote about the letter and proved that it had been written and dispatched in 1495.¹⁷

At that time, Poland was ruled by Jan I Olbracht, one of the Jagiellons (1492-1501); Alexander ruled the Grand Duchy of Lithuania (1492-1506). Beginning in 1501, both countries were ruled by one monarch.¹⁸

This means that the military and political contacts between Georgia and the Baltic countries date back to 1495 when the ambassador of King of Kartli Constantine II visited Lithuania and Poland and handed over his monarch's letter.¹⁹

From the History of Georgian-Baltic Trade and Economic Relations in the First Third of the 17th Century

In 1569, under the Union of Lublin, Lithuania and Poland became one state, Rzeczpospolita.

The territory of the new state covered Poland and Lithuania, stretching to the north along the larger part of the Baltic coast and to the south along the northern shores of the Black Sea. It was

¹⁶ See: Ya. Tsintsadze, *Materials to the History of Polish-Georgian Relations (15th-17th Centuries)*, Tbilisi, 1965, pp. 18-39 (in Georgian).

¹⁷ See: I. Javakhishvili, "History of the Georgian Nation, Book III, Part II (15th Century)," in: I. Javakhishvili, *Collected Works*, in 12 volumes, Vol. III, Tbilisi, 1982, pp. 153-162 (in Georgian).

¹⁸ See: N. Sychev, *Kniga dinastiy*, Moscow, 2006, p. 160.

¹⁹ See: N. Javakhishvili, *Georgians under the Polish Flag (from the History of Polish-Georgian Military-Political Union)*, Tbilisi, 1998, pp. 4-6 (in Georgian).

there that the Georgians, who were looking for a new outlet to Europe, since the Straits had been closed off by the Ottoman Turks, established contacts with the new and strong state. The sides, which were resolved to stand opposed to the Ottoman threat, had common trade and economic interests.

In the first third of the 17th century, the Georgian kingdoms and princedoms maintained fairly active contacts with Rzeczpospolita.²⁰ In 1627, Italian traveler Pietro della Valle reported to Pope Urban VIII that the monarchs of the Polish-Lithuanian Kingdom had friendly relations with the potentates of Western Georgia Gurieli (the prince of Guria) and Dadiani (the ruler of Megrelia); they frequently exchanged letters and were engaged in trade across the Black Sea.²¹

It was at this time that the coins of the Polish-Lithuanian Kingdom were widely used in Georgia: the hoards of European coins found in Georgia at different times suggest that local people used silver coins of small denomination (orts and poltoraks minted in the Polish-Lithuanian Kingdom), as well as gold ducats, thalers, orts, and poltoraks minted in Brandenburg-Prussia.²²

In 1608, the mint of Gdansk (Danzig) started issuing orts (which contained 10 groszy); the coin became popular to the extent that in 1616 the Sejm ruled that orts should be produced in the mints of Warsaw, Krakow, and Bydgoszcz. Under the new rule, 1 grivna of alloyed silver was to produce 28 orts (7.6 grams each). Very soon orts became used even more extensively in Europe, which forced the mints of Brandenburg and Prussia to produce their own coins of the same type.²³

In Georgia, orts circulated together with poltoraks (coins of smaller denominations), which were also minted in the Polish-Lithuanian Kingdom; in Brandenburg and Prussia, the locally minted poltoraks were known as dreipolners.

So far, 11 hoards of orts and 1 hoard of poltoraks have been discovered in Georgia; the State Museum of Georgia (now the National Museum of Georgia) keeps only 4 hoards.

The twelve hoards contained coins of the Polish-Lithuanian Kingdom enumerated below in chronological order:

- (1) In 1895, 4 European coins, one of them minted in the Polish-Lithuanian Kingdom, were found in the village of Tskordza, the Akhaltsikhe Uezd (Samtskhe-Javakheti);
- (2) Early in the 20th century, a hoard of coins minted in the Polish-Lithuanian Kingdom was unearthed during ploughing near the village of Zedaubani, the Ozurgeti Uezd (Guria);
- (3) In 1942, repair of the tram rails at the Tbilisi Tram Depot revealed a hoard of 22 silver coins, 19 of them were poltoraks minted in Bydgoszcz in 1621-1626 in the name of Sigismund III (1587-1632);
- (4) In 1944, outside the village of Jagira, the Tsalenjikha District (Megrelia), a silver coin minted in the Polish-Lithuanian Kingdom was found at the edge of a washed-away road;
- (5) In about 1945-1950, some people found a hoard of silver coins in Western Georgia; after dividing the find among themselves, they brought two of them to the State Museum of Georgia; one of the two had been minted in the name of Sigismund III;
- (6) In 1950, an ort minted in the name of Sigismund III in 1624 was found in the village of Nojikhevi, the Martvili District (Megrelia); today it is exhibited in the Museum of Local Lore of Martvili;

²⁰ See: Ibid., p. 6.

²¹ See: *Iveria* (Tiflis), No. 3, 1899, pp. 56-57 (in Georgian).

²² See: R. Kebuladze, *Circulation of European Coins in Georgia in the 15th-18th Centuries*, Tbilisi, 1971, p. 111 (in Georgian).

²³ See: M. Gumowski, *Mennica Bygoska*, Torun, 1950, pp. 112-116.

- (7) In 1954, in Zestafoni (Imeretia) excavation work at a ferroalloy plant unearthed a clay jug which contained 33 silver coins, 30 of which were orts minted in 1621-1626 in the name of Sigismund III; 21 of them were minted in Bydgoszcz and the other 9 in Gdansk.
- (8) In 1955, ploughing in the village of Shindisi (Kartli) not far from Tbilisi unearthed 25 silver orts minted in the Polish-Lithuanian Kingdom; 3 of them are exhibited in the State Museum of Georgia. The coins were minted in the name of Sigismund III: 2 of them in Gdansk in 1623 and 1625 and the other in Bydgoszcz in 1624;
- (9) In 1958, an ort minted in the name of Sigismund III was found in the village of Tiseli, the Akhaltsikhe District (Samtskhe-Javakheti);
- (10) In 1958, land ploughing in the village of Chalkati, the Lanchkhuti District (Guria), revealed a hoard of 84 silver coins; 2 of the orts had been minted in 1622-1623 in Bydgoszcz in the name of Sigismund III;
- (11) In about 1960-1963, construction workers digging a foundation in the Abastumani Forest, the Adigeni District (Samtskhe-Javakheti), found silver coins minted in 1622-1626 in Bydgoszcz and Gdansk in the name of Sigismund III; the hoard was bought by the Akhaltsikhe Museum of Local Lore²⁴;
- (12) In 2007, people exploring the ruins of the Church of St. Theodore in the village of Abano, the Kareli District (Kartli), found a hoard of European silver coins; they included 18 orts minted in 1617-1624 in Bydgoszcz and Gdansk in the name of the same Sigismund III.²⁵

Numismatist Revaz Kebuladze wrote: "Most of the orts and poltoraks found in Georgia were minted in Poland; a much smaller number were made in Brandenburg-Prussia: so far only 4 orts and 3 dreipolers have been found. It seems that these coins were not brought to Georgia directly from Brandenburg and Prussia, but reached Georgia via Poland. This explains why discussions about the circulation of these coins focus on the ones from Poland. Even if the wide circulation of Polish coins cannot be explained by a political alliance between Georgia and Poland, the presence of these coins in Georgia is explained by the two countries' shared political interests. Silk trade with Poland across the Black Sea and the Dnieper and the Georgian monetary system of the 17th century also played an important part."²⁶

In the first third of the 17th century, silver coins of the Polish-Lithuanian Kingdom were in circulation in Georgia.

The content of the hoards of European coins found in Georgia suggest that the smaller silver coins of the Polish-Lithuanian Kingdom—orts and poltoraks—were widely used. This means that from early days the Georgian kingdoms and princedoms maintained political, trade, and economic relations with the Polish-Lithuanian Kingdom.

The Baltic Regions and Cities as Seen by an Outstanding Georgian Scholar of the 18th Century

The regions and cities of the Baltic coast were first described in Georgian works in the mid-18th century. This honor belongs to Prince Vakhushti Bagrationi (1696-1756), an outstanding Georgian

²⁴ See: R. Kebuladze, op. cit., pp. 112-122.

²⁵ See: T. Kutelia, "A Hoard of European Coins from Kodaveti," *Kartvelian Studies* (Tbilisi), No. 2, 2008, pp. 55-57 (in Georgian).

²⁶ R. Kebuladze, op. cit., p. 123.

scholar, geographer, historian, and cartographer, the son of King of Kartli Vakhtang VI, who ruled in 1703-1714 and 1716-1724.

In 1752, Prince Vakhushhti translated *Kratkaia politicheskaia geografia* (A Concise Political Geography) and the world atlas (27 maps showing all the countries known at that time) attached to it from Russian into Georgian. The prince supplied his translations with lavish comments, which made his effort an important contribution to geography and an important historical source. For a long time it was used as a geography textbook at the Telavi seminary.²⁷

Today, the manuscript and the maps drawn by the prince are kept at the Georgian National Center of Manuscripts.²⁸ The manuscript mentioned the Baltic Sea (Mare Balticum); Courland and Liefland, the cities of Mitava and Riga, etc. The complete maps of Europe and the Baltic coast that are part of the attached atlas serve as a very important historical source; they show Courland as separate from Poland (Polish territory stretches to Lithuania and Vilnius, Vilna according to Prince Vakhushhti). Different colors were used for Courland and Poland (which also included Lithuania).²⁹

Chapter XI "About the Kingdom of Prussians, as well as the Grand Duchy of Lithuania and the Duchy of Courland" and its part "On the Duchy of Courland" offer a wealth of information about the boundaries of Courland and its settlements and towns.

The author wrote that Courland had a stretch of the Baltic coast and bordered on Liefland, Lithuania, etc. and mentioned the city of Mitava (today Jelgava), Libava (Liepaja), Glidiga (Kuldiga), and others.

Prince Vakhushhti deemed it necessary to point out that the kindred peoples of Courland and Liefland did not have a united ruler.

He never concealed his disappointment with the political disunity of Courland and Liefland, two regions on the territory of contemporary Lithuania; his disillusionment is easily explained by the fact that Georgia of his time was a conglomerate of kingdoms and princedoms.

The prince described Mitava in the following way: "Mitava is the capital city of Courland and the seat of the Duke. It is not large, but it is well-built and protected by a wall which is now being renovated."³⁰

C o n c l u s i o n

The above has amply confirmed that the military, political, trade and economic relations between Georgia and the Baltic area go back more than ten centuries.

This fact is supported by the Georgian coins of the 10th-11th centuries which are regularly found in different countries in the north of Europe (northern Germany, the Baltic area, Sweden, and Russia).

Military-political relations began in 1495 when the ambassador of the King of Kartli Constantine II came to Lithuania and Poland with a letter from his monarch.

In the first third of the 17th century, silver coins were widely used in Georgia; the hoards of European coins found on Georgian territory suggest that the local people mainly used orts and poltoraks—Polish-Lithuanian coins of small denomination, a sure sign of stable political, trade, and economic contacts between the Georgian kingdoms and princedoms and the Polish-Lithuanian Kingdom.

²⁷ See: A. Baramidze, L. Maruashvili, "Prince Vakhushhti (Bagrationi)," in: *The Georgian Soviet Encyclopedia*, Vol. 4, Tbilisi, 1979, p. 339 (in Georgian).

²⁸ See: The Georgian National Center of Manuscripts, Manuscript A-717 (in Georgian).

²⁹ See: *Ibid.*, pp. 7-8.

³⁰ *Ibid.*, pp. 90-94.

Beginning in the early 19th century, when the Georgian kingdoms and princedoms, one after another, found themselves part of the Russian Empire, these contacts intensified; the countries of the Baltic region became part of Russia even earlier, in the 18th century.

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ON CHRISTIANITY IN MEDIEVAL AZERBAIJAN

A b s t r a c t

The author looks at Southern Azerbaijan, which is where the Christian Nestorian Church became particularly developed and widespread, as evidenced by the large number of church-administrative units (from episcopates to metropolitan sees) in this area. The chrono-

logical framework, the 4th to the first quarter of the 14th centuries, can be described as the most interesting period in the history of Christianity in Azerbaijan and a time of prominent church figures: Timothy I and Mar Jabalaha III, two Nestorian Catholics.

I n t r o d u c t i o n

Christianity, Islam, Zoroastrianism, or any other religion which served the feudal social system as the only vehicle of ideology played an important role in the Middle Ages. The religious principle came before the ethnic since each member of the feudal society regarded himself as the member of a church organization; he belonged to one of the religions, church language, and system of rites.

Territorial and economic ties were not strong enough; the people were not strong enough to stand up to conquerors, and this meant that the ethnic structure was too vulnerable to keep its members together. This meant that the church had an important unifying role to play.

All confessions looked for new members among the followers of other religions. Under the Sassanids, who ruled in Caucasian Albania, force was used to impose Zoroastrianism on the local Christians by "sword and fire."

Its geographic location made Azerbaijan an important strategic toehold connected to the northern part of the Sassanian state (to which it belonged from the 3rd to the first half of the 7th centu-

ries) and Mesopotamia where the Sassanian capital was located. Military and trade routes crossed its territory.

The author looks at the territory of the Adurbadagan province, which belonged to the Sassanian state in the 3rd to the first half of the 7th century and was the result of the administrative-territorial reform of Khosrau I Anushirvan (531-579) that included Adurbadagan (Southern Azerbaijan), part of historical Media, Caucasian Albania, Iberia, and part of Armenia found in Asia Minor. According to the Shapur I inscription on the Kaaba of Zoroaster, by the 3rd century A.D., these "countries" or "provinces" were part of the Sassanian state (lines 1-2 of the Parthian version; lines 2-5 of the Greek version; lines 2-3 of the greatly damaged Middle Persian version).

The Christian Church in Azerbaijan

Together with Zoroastrianism, Islam and Christianity were important spiritual factors in Azerbaijan of the Early Middle Ages. Nestorianism figured prominently in the territory of Southern Azerbaijan which in the 3rd-7th centuries was part of the Sassanian state.

In Azerbaijan, Christianity gained popularity in the first centuries of the new era to develop, after a while, into one of the state-sanctioned religions practiced along with the official religion (Zoroastrianism and later Islam). Tradition associates the apostles (Thomas, Thaddaeus, Bartholomew, and Matthew) with the beginning of Christianity in Azerbaijan.

Historical sources tell us that in the 1st century Apostle Thomas was preaching among the Medes and Persians. The *Chronicon ecclesiasticum* of Bar-Hebraeus (11:3, 5) calls Thomas the "first Oriental apostle." The second year after the Resurrection, he, on the way to India, preached among the Parthians, Medias, Persian, Bactrians, and Marghians. The same source (11:15) says that the Gilan people were baptized by Apostle Addaeus (Thaddaeus).¹ Bishop of Deilem is mentioned by the sources under the year 224.²

It was the Judaists who had been settling in Azerbaijan (and in the Caucasus) since ancient times, bringing Christianity to these lands.³ In the Sassanian state, Jews preferred to settle in Mesopotamia where the borders of their settlements coincided with the Sassanian provinces of Babylonia and Asurestan; Jews lived in Meseya, although it was commonly believed that they had lost their religion.⁴

A large number of Jews lived in Adiabene: in the times of Sargon II, some of the northern Israeli population moved to Atropatene (Southern Azerbaijan), Media, and Armenia in Asia Minor (4 Kings 17:6, 18:2; Tob. 1:14, 3:7; 5:5; 6:2; 9:2). The Acts of the Synod of 420 held under Catholicos Jabalaha (415-420)⁵ contain the first registered mention of Christianity in Southern Azerbaijan. This suggests that local Christianity went back to much earlier days, since no bishoprics were possible on untitled soil. This supports my surmise that the first Christian communities appeared in Azerbaijan prior to the 5th century.

¹ See: R.A. Guseynov, *Siriyskie istochniki ob Azerbaidzhane*, Baku, 1960, pp. 83, 85.

² See: E. Sachau, *Die Chronik von Arbela*, Berlin, 1915, S. 20.

³ See: P. Uslar, "Nachalo khristianstva v Zakavkazie i na Kavkaze," in: *Sbornik svedeniy o Kavkazskikh gortsakh*, Issue I, Tiflis, 1869, pp. 4-6, 5.

⁴ See: G. Widengren, "The Status of the Jews in the Sassanian Empire," in: *Iranica Antiqua*, Vol. V, Leiden, 1961, p. 117.

⁵ See: *Synodicon Orientale ou recueil des Synodes nestoriens*, publ., trad. et annot. par J.B. Charot, NEMBN, Vol. 37, Paris, 1902, p. 276.

Syria, or Antioch, to be more exact, one of the largest Christian centers, was responsible for the spread of this religion in Azerbaijan. Apostle Paul brought it to Asia Minor, Cyprus, Greece, and further on to the Orient (the Parthians where Thomas was already preaching).

Christianity then spread to Persia, Media, Bactria, and reached India; at the early stages it was moved to the Orient by the apostles and their pupils. An ancient legend which makes up part of Book III of the *Ecclesiastical History* by Eusebius of Caesarea and Socrates the Scholastic (Book 1, Ch. 19) says that the Lot fell to Apostle Thomas in Parthia and to Bartholomew in India. After preaching among the Parthians, Medes, and Elamites, the latter went to the lands of Persians and Magi and then to Armenia in Asia Minor.⁶

According to Eusebius of Caesarea (*Ecclesiastical History*, III, 37), numerous followers of the apostles founded churches and spread the Gospels in various countries. Apostle and Evangelist Matthew preached in Ekbatan, Rey, and Damgan; Ahai, a pupil of Apostle Thaddaeus, came to Babylonia to evangelize after Peter.⁷ He returned to Edessa and left Mari, a pupil of the same apostle, whom he ordained bishop, in his place. Mari is considered to be the founder of the bishopric see in Kokha, part of the city of Seleucia where Peter died in 82.⁸ Mari is believed to be the founder of the Assyrian Church; the bishopric see he founded is known as the Bishopric See of St. Mar Mari, the Apostle, the bishops of which are recognized on a par with the bishops of Antioch, Rome, Alexandria, and Carthage.⁹

The Sassanian rulers who conquered vast Christian-populated territories increased the Christian population of their domains: handicraftsmen were considered to be the main war trophy to be taken into slavery to add to the economic might of the victor state. In the 4th century material and human resources were moved from the empire's Oriental provinces to Iran on an unprecedented scale. This accelerated the growth of the Sassanian Empire's might in the 5th-6th centuries.

The First Council of the Persian Christians convened in 410 under Patriarch Mar Isaac structured the Christian Church of the Sassanian State; its head acquired the title of Catholicos: "Bishop of Seleucia-Ctesiphon, Catholicos, Patriarch, Archbishop of All East."¹⁰ The Church was a strictly centralized structure. The Catholicos ordained bishops who then had to travel to Ctesiphon where they were ordained by the head of the Church in strict accordance with the 3rd rule established by the 1st Ctesiphon Council of 410.¹¹

The Church structure was patterned on the Empire's administrative-territorial division. Several parishes with bishops formed an eparchy which, in turn, was part of the metropolitan, the boundaries of which closely followed the boundaries of the provinces. Metropolitan sees were headed by metropolitans who were bishops of the main city. The *Concise Collection of the Rules of the Council* contains a list of provinces with metropolitan sees arranged according to their place in the Church hierarchy based on their ages and reflected in the documents of the 410 Synod; Azerbaijan was on the list.¹²

In 484, the Council of Bet-Lapat of the Christian Church of the Sassanian State embraced Nestorianism; earlier the 431 Council of Ephesus condemned the teaching of Patriarch of Constantinople Nestorius who disagreed with the Orthodox Christian teaching about Christ's pre-incarnational Godhead. Nestorius believed that Christ had two faces and two natures—the divine and the

⁶ See: *Skazanie o Faddee i Varfolomee, apostolakh Armenii*, Transl. by N. Emin, Moscow, 1877, p. 33.

⁷ He is mentioned in *Ecclesiastical History* by Bar Ebrey (11:15) (see: R.A. Guseynov, op. cit, p. 85).

⁸ See: Arseny (Archimandrite), "Neskolko stranits iz istorii khristianstva v Persii," *Khristianskoe chtenie*, St. Petersburg, 1881, Nos. 4-5, p. 2.

⁹ See: Ibidem.

¹⁰ *Synodicon Orientale ou recueil des Synodes nestoriens*, p. 254.

¹¹ See: Ibid., p. 618.

¹² See: Ibidem.

human. He preferred to use the term “mother of Christ” (Christotokos) rather than “mother of God” (Theotokos) in his sermons, arguing that she gave birth to man, not to God; those who sided with Nestorius found shelter in Iran against the persecutions of the Orthodox Church.

According to the acts of the councils of the Syrian Church of the East and the works by historians of Church and other sources, there were identified 21 bishoprics in the northern (Adurbadagan) province, 10 of which were found in Azerbaijan. Partaw, a Nestorian metropolitan see from the 5th century to 900, was one of them. In 900, Sabrisho, the Nestorian Metropolitan of Barda (Partaw), took part in the election of Catholicos Yohannan (900-905). At that time, between 899 and 902 to be more exact, Yunan was the Catholicos of Albania; in 999, Eliya was known as the Metropolitan of Barda. The Nestorian Church in Barda survived until the 14th century as part of the Holwan Metropolitan See.¹³

The Paytakaran Bishopric was known since the 6th century; late in the 5th century, under Albanian King Vachagan III, it became part of Albania,¹⁴ in the 6th century, it acquired a bishopric as part of the Albanian Catholicate. Under Catholicos of Albania Ter-Abas (551-596), Timothy served as the Bishop of Paytakaran. Contemporary sources mention a high wave of Nestorianism in the Caucasus, and in Albania as it part, which the Albanian Catholicate had to fight. This explains the emergence of the Nestorian Bishopric of Paytakaran; the Nestorian synodal documents have preserved the name of two bishops: Yohannan (mid-6th, about 540) and Jacob, who signed the acts of the 544 Synod.¹⁵

There were other bishoprics as well: Ganzak was known since the 5th century; Urmia since the 4th century; Salmas, Maraga, Tabriz, and Ushnu since the 13th century; and Mugan, which was transformed into a metropolitan see in 800, since the 8th century. The Nestorian Catholicos Timothy I sent monk Eliya to Mugan. According to Thomas of Marga, he built churches, baptized the local people, and was quite successful.¹⁶

According to the local, although probably later, tradition, Christianity came to the Urmia area during the time of the Apostles. A legend says that there was a Church of Mart Mariam (Mistress Mary) built in 165. Reliable information about Christianity in Urmia dates to the early 13th century. Information about Christianity in the areas of Ushnu, Sulduz, Salmas, Maraga, and Tabriz dates to a later period.¹⁷

Fifty-three Nestorian churches at Lake Urmia survived until the early 1970s; 15 of them were dedicated to Mar Gewargis; 5 to Mar Shalita; 12 to Mart Mariam; 2 to Mar Thoma; and 3 to Mar Yohannan. In 1965, the Nestorian community of Urmia had about 7,000 members (the total population being 85 thousand).¹⁸ Bishop of Urmia Emmanuel Isaac Saul belonged to an ancient Denha family which counted numerous religious figures among its members, including Mar Hnan Denha XIX, who was Bishop of Tehran in 1963 (see the map).¹⁹

Azerbaijan, the archbishops and bishops of which were among those who elected the Catholicos of Seleucia-Ctesiphon and ordained them, holds an important place in the history of Christianity.²⁰

¹³ See: Y.M. Fiey, “Adarbaigan chrétien,” *Le Muséon*, Vol. 86, 1973, p. 422; J.S. Assemani, *Bibliotheca Orientalis Clementina Vaticana*, Vol. 3, pp. 2, 728, 750.

¹⁴ See: F. Mamedova, *Politicheskaya istoriya i istoricheskaya geografiya Kavkazskoy Albanii*, Baku, 1986, p. 150.

¹⁵ See: *Synodicon Orientale ou recueil des Synodes nestoriens*, p. 345; p. 366, No. 28.

¹⁶ See: Thomas of Marga, *The Book of Governors. A.D. 840*, ed. and transl. by E.A.W. Budge, Vol. 11, London, 1893, pp. 512-513.

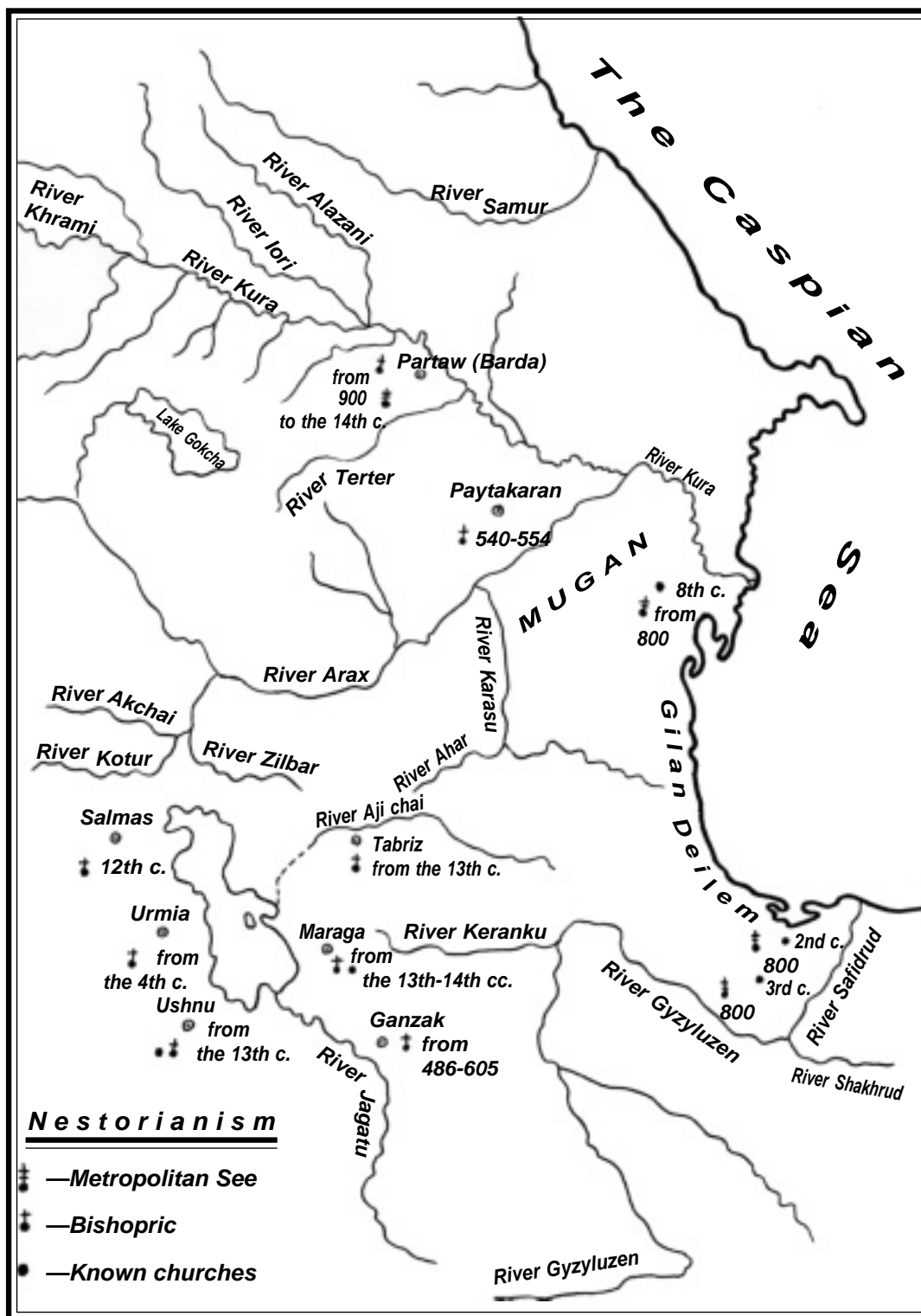
¹⁷ See: Y.M. Fiey, op. cit., pp. 404-407, 409-413.

¹⁸ See: E. Hammerschmidt, “Zur Lage der Nestorianer am Urmia-See,” in: *Festschrift für Werner Caskel zum 70. Geburtstag*, Hrsg. von E. Gräf, Leiden, 1968, S. 151-161.

¹⁹ See: *Ibid.*, S. 155.

²⁰ See: *Synodicon Orientale ou recueil des Synodes nestoriens*, p. 619.

The Largest Settlements with Nestorian Churches
in Azerbaijan



State Power and Christianity

The relations between the state and Christianity largely depended on politics and economics: when the Roman Empire embraced Christianity as its official religion, Christians in other parts of the ecumene became a target of oppression. At all times, the Sassanian shakhinshakhs were on the side of the confessions opposed to the official Church of Rome.

The attitude toward Christians under the Sassanids was never consistent: persecuted under some rulers, they were left alone under others. Socrates the Scholastic, Sozomen, Philostorgius, Syrian authors, and hagiographic literature in particular tell of persecutions under Shapur II. Maruthas, Bishop of Maypherkat, who under Yazdegerd I (399-421) played an important role in improving the position of the Christians in the Sassanian Kingdom, left a detailed description of their earlier persecution in a series of hagiographic works.²¹ A member of the 410 Council, he moved the remains of Christian martyrs to Tagrit, which from that time on was known as Martyropol. Yazdegerd I was a soft-hearted ruler who restored the churches his predecessors had destroyed. As his rule drew to an end, the attitude toward the Christians worsened.

Yazdegerd II (439-457) was especially intolerant of Christianity and hostile to its followers: he tried to uproot it and assimilate the Caucasian peoples by imposing Zoroastrianism to achieve cultural and religious uniformity. The uprising of 450-451 was a natural response.

According to historical sources, Balash (484-488) was tolerant of followers of all religions and never resorted to force to convert people to Zoroastrianism.

Under Kavadh (488-531), the first Christian missionaries worked successfully among the Turks and Hephthalite Huns; Khosrau I Anushirvan (531-579), his son and successor, was ambivalent in his treatment of the Christians: sometimes they were persecuted and sometimes they were left to their own devices.

Syrian sources laud Hormizd IV (579-590) as being well-disposed toward Christians. Under Khosrau II (591-628), all persecutions of Christians were banned by law, but under the same law Zoroastrians could not embrace Christianity. The process, however, went on as before despite the threat of punishment.²²

When Catholicos Sabrisho died in 604, the fierce struggle to take his place forced Khosrau II to leave the post vacant until his death in 628. Isho-Yab II (628-644) was elected Catholicos under Kavadh II, the son of Khosrau II.

In the 5th century, when the Nestorians parted ways with the other Christians, the pressure on the Christians in the Persian Empire was somewhat relieved. Between the 5th and 7th centuries, the sources cite the names of several bishops of Azerbaijan. Under Patriarch Acacius Hosea, "the Bishop of Ganzak of Azerbaijan" took part in the 486 Synod, which met in the village of Beit-Edre when Balash ruled the Sassanian state. The acts of the Synod were signed as: "I, Hosea, the Bishop of Ganzak of Azerbaijan, agree with everything written here and apply my seal and my signature."²³ After Hosea came Bishop Yohannan, whose signature appeared in the messages of Catholicos Mar Aba I (536-552) dated to 544.²⁴ The Catholicos was exiled to a village in the Rustak of Perahrawar in Azerbaijan. In the winter of 549/550, he, accompanied by Bishop Yohannan of Azerbaijan, left the place of his exile to seek an audience with Khosrau I. Yohannan was succeeded as Bishop

²¹ See: "Zhitia khristianskikh muchenikov, napisannye Marutoy Mayferkatskim v IV-V vv.," *Khristianskoe chtenie*, 1827, pp. 25-28.

²² See: *Istoria episkopa Sebeosa*, Transl. by S. Malkhasiants, Erevan, 1939, Ch. XII, p. 43.

²³ *Synodicon Orientale ou recueil des Synodes nestoriens*, pp. 60, 307.

²⁴ See: *Ibid.*, p. 345. Document 4, No. 10; p. 332, No. 3.

²⁵ See: O. Braun, *Das Buch der Synhados*, Stuttgart und Wien, 1900, S. 95.

of Azerbaijan by Melchisedec; his name is found among other signatures attached to the decisions of the 554 Synod convened under Patriarch Mar Joseph (552-567).²⁶

Bishop of Azerbaijan Hnanisho was one of those who elected Catholicos Gregory in 605.²⁷

In the Caliphate, the relations between the Arabs and the followers of all other creeds were regulated by contracts which guaranteed safety of the churches, Zoroastrian temples, and other property in exchange for poll and land taxes.

The number of followers of other creeds was enormous: Christians, Judaists, and Zoroastrians stood apart as "people of the Book" and could expect protection from the Muslims, in return for which they had to regularly pay poll tax, the mendicant friars being the only ones exempt from this. The people who lived along the borders and, therefore, could expect an enemy attack at any time were also exempt from taxes. They were regarded as border guards; this function replaced their fiscal duties. This immunity was introduced after Azerbaijan²⁸ had been conquered. The Arabs allowed new churches to be built and old ones restored.

Syrian authors wrote much and in great detail about Christianity in Azerbaijan under the Mongolian khans, who patronized the Christians and even married Christian girls.

Nestorian Catholicos Mar Jabalaha III, an Uighur from Khanbaliq (Beijing),²⁹ set up his capital in Maraga.

Maraga played a prominent role in science and culture of the Orient: it boasted an astronomical observatory built by Nasir ad-Din Tusi on the orders of Hulagu Khan where prominent scholars from various countries came to work³⁰ and a rich library with books in Syrian, Arabic, Persian, and other tongues.³¹

Under Mar Jabalaha III, the state had numerous diplomatic ties with the Christian states of the West. Its diplomatic missions were headed by top Christian clerics (Bar Sauma was one of them) or Christians from the closest circle of the Il-khans of Hulagu's line.

Some of the Il-khans were consistent and friendly when dealing with the Christians, whose taxes, because of the huge number of Christians in the Hulagu state, the central part of which was Azerbaijan, were indispensable.

C o n c l u s i o n

Christianity with its strong historical roots played an important role, together with Zoroastrianism and Islam, in the spiritual culture of medieval Azerbaijan. After coming to Azerbaijan in the first centuries of the new era, Christianity became one of the officially recognized religions. According to the historical sources, there were 10 bishoprics in Azerbaijan, some of which later became metropolitan sees. The state was not always tolerant, but the enormous Christian population paid numerous taxes which encouraged economic development.

One can say that for many centuries, at least between the early 4th to the mid-20th century, the position of Christianity in Azerbaijan was relatively stable.

²⁶ See: *Synodicon Orientale ou recueil des Synodes nestoriens*, p. 366, No. 32; O. Braun, op. cit., S. 162.

²⁷ See: *Synodicon Orientale ou recueil des Synodes nestoriens*, pp. 471-479, No. 25; O. Braun, op. cit., S. 479.

²⁸ See: A.I. Kolesnikov, *Zavoevanie Irana arabami*, Moscow, 1982, p. 196.

²⁹ For more detail, see: *Istoria Mar Jabalahi III i Rabban Saumy*, analyzed, translated from the Syriac language and commented by N.V. Pigulevskaya, Moscow, 1958; N. Rigan, "Iz istorii khristianstva v Persii (1281-1317)," *Khristianskoe chtenie*, 1909, pp. 230-233.

³⁰ See: R. ad-Din, *Sbornik letopisey*, Vol. III, Moscow, Leningrad, 1946, pp. 48-49.

³¹ See: R. Guseynov, op. cit., pp. 62-63.

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GEORGIA IN ANTIQUITY: CHOOSING BETWEEN THE WEST AND THE EAST

A b s t r a c t

Between the 6th century B.C. and the 4th century A.D., Georgia, caught between the Western and Eastern civilizations that were locked in opposition in the Caucasus, had to choose its own cultural and political makeup. The author relies on written sources (national chronicles, Greek and Roman authors) and archeological data to reveal the true geopolitical value of a country at the crossroads of Europe

and Asia and the most important transportation routes. Not infrequently, Georgia's cultural orientation clashed with its political interests, while its civilizational identity was not always clear: the West-East struggle repeatedly turned its territory into a theater of war; waves of conquests (the Mongols were an exception) left the country devastated, while the conquerors imposed alien ideologies and alien religions on the local people.

I n t r o d u c t i o n

The civilizational and political confrontation between the West and the East (between Europe and Asia) goes back to antiquity; as a major culturological problem it is still relevant. Found at the border between Europe and Asia, the Caucasus serves as a bridge of sorts between two different cultural types and is the best illustration of their millennia-long dialog.¹

Georgia's civilizational identity still figures prominently in Georgia's national historiography² for the simple reason that far too often the country served as a buffer between two or even three warring empires, each with political and economic aims of its own.

In his poem "Davitiani," otherwise known as "Georgia's Afflictions,"³ Davit Guramishvili (1705-1792) presented a dramatic picture of the clashes of interests among three great powers (Russia, Persia, and Turkey) in his native country.

He could not conceal his bitterness when writing with a great deal of sarcasm about King of Georgia Vakhtang VI, a great military leader who served the Shah of Iran: "While taking orders from him he respects the Russian and the Turk as well. If these three disagree among themselves they will draw us into a war. He obeys three kings and has three yokes ready."

¹ See: R. Metreveli, *The Caucasian Civilization in the Globalization Context*, CA&CC Press, Stockholm, 2009, pp. 8-9.

² See: T. Gamkrelidze, "Does Georgia Belong to Europe or Asia?" *Academia* (historical-philological journal), Tbilisi, No. 1, 2001, pp. 3-8; N. Chikovani, *Georgia's Cultural Essence and Civilizational Identity in the Context of the Theory of Civilizations (theoretical and methodological aspects)*, Tbilisi, 2005, pp. 250-319 (both in Georgian).

³ See: D. Guramishvili, *Davitiani*, Kiev, Tbilisi, 1980, p. 28.

“Can three dragons set a lion free?” the poet asked. This was not an idle question: the “lion” (read, Georgia) had from time immemorial defended its freedom from the “West” and from the “East”; the Caucasus separated the nomads from the settled peoples.

Strabo (64/63 B.C.-A.D. 23-24) likewise was struck by Georgia’s ethnocultural diversity: “The people of the valleys (land tillers) prefer a peaceful lifestyle, while the people of the mountains are belligerent; they follow the customs of the Scythians and Sarmatians, even though they also till the land. When threatened with a war they gathered scores of thousands of warriors, including Scythians and Sarmatians” (Strabo, XI, III, 3).

The Greco-Persian Wars and Georgia

The Kingdom of Colchis (Western Georgia) and Iberia (Eastern Georgia, the Kingdom of Kartli) were the first Georgian states which emerged at the crossing of important trade routes (including the Phasis-Kura river route)⁴; they played and continue to play an important geopolitical and geo-economic role.⁵

In antiquity, Georgian territory was crossed by strategic roads which connected the Black Sea coast and the Northern Caucasus with the Caspian countries and Western Asia. The Caucasus served as a natural dividing line between the nomads and land tillers (a fact well known to ancient authors like Herodotus and Strabo).

Greeks and Persians competed for control over the key mountain passes (Daryal, Mamisoni, Klukhor, Derbent) and the Colchis-Maeotis road, which in antiquity made Georgia a regional player in its own right.

Herodotus (5th century B.C.) offered important information about the Caucasus’ ethnopolitical past: “The distance from the Palus Maeotis (Lake Maeotis, the Sea of Azov.—*G.L.*) to the River Phasis (Rioni.—*G.L.*) and the Colchians is thirty days’ journey for a lightly-equipped traveler.” It is 430 km from the Sea of Azov to the Rioni! He also wrote that the area between Colchis and Media (the Persian border) was populated by “only a single intervening nation, the Sasprians” (Herod. I, 104); he probably had in mind the East Georgian tribes of Iberians. The toponym “Speri” (an ancient Georgian province on the upper reaches of the River Chorokhi, now part of Turkey called Ispir) has preserved the name mentioned by the ancient Greek historian.

He also knew that some of the East Georgian tribes were directly included in the XVIII and XIX satrapies of the Achaemenid Empire. He also wrote that Persia (uJpo; Pevrsh/si a[rcetai) controlled the territories that stretched up the Main Caucasian Ridge, although it did not control the territories to the north of it (Herod. III. 97, 4).

This means that in the 6th-4th centuries B.C., the Achaemenids sought control over the Caucasian mountain passes with the help of the local nobles to protect their borders. This probably explains the so-called Kazbegi Treasure⁶ which included, among other things, a silver phial with an omphalos of the Ionian-Achaemenid circle decorated with palmettes, lotuses, and swan heads and bearing an inscription in Aramaic script.

⁴ See: O. Lortkipanidze, “Trade on the Black Sea. The Premise of the Great Silk Road,” in: *9th International Symposium on the Ancient History and Archeology of the Black Sea Area*, Vani, Tbilisi, 1999, pp. 58, 59.

⁵ See: E. Ismailov, V. Papava, *The Central Caucasus: Essays on Geopolitical Economy*, CA&CC Press, Stockholm, 2006, pp. 17-18.

⁶ Archeologist G. Filimonov found the Kazbegi Treasure in 1877 in the Daryal Gorge (in the village of Kazbegi in Khevi) when the Military-Georgian Road was widened. Today, the treasure is exhibited in the State Historical Museum in Moscow.

The Persians remained interested in the mountain passes for a long time. *Kartlis tskhovreba* (dated to the 11th century) says: "The king of the Persians arrived and occupied all the gorges (Khevi) of the Caucasian tribes and appointed his mtavars everywhere."⁷

Herodotus knew how the Scythians moved across the Caucasian isthmus; he was aware of the tactical ploys they used when selecting the route: "This however was not the road followed by the Scythians, who turned out of the straight course, and took the upper route, which is much longer" (Herod. I, 104).

Archeologist K. Pitskhelauri found a monumental Scythian stone sculpture of the god of war dated to the 6th-5th centuries B.C. not far from this road, in the village of Manavi.⁸

This confirms what Herodotus wrote about the Caucasus of his time. The presence of Medians and, later, Achaemenids is confirmed by archeological finds in some regions of Eastern Georgia.⁹

The political influence of the Achaemenids probably stretched as far as Western Georgia, which belonged to the Hellenic cultural area,¹⁰ something which is indirectly confirmed by the fact that in the Greco-Persian wars of the 6th-4th centuries B.C.,¹¹ Colchian warriors fought together with the Persians. Herodotus confirmed this, saying: "Asia, with all the various tribes of barbarians that inhabit it, is regarded by the Persians as their own; but Europe and the Greek race they look on as distinct and separate" (Herod. I, 4).

Herodotus described the River Phasis, that is, Georgia, as the boundary between Europe and Asia (Herod. IV, 45), where the Hellenes and the Persians pursued their own interests. The Greek historian supplied a lot of details about the weapons used by the Colchian auxiliary units (similar to those set up among the Moschi and Sasprians-Iberians) which fought under (ei\con) a certain Pharan-dates, son of Teaspes (Herod. VII, 79).

The Colchian warriors carried short spears and small shields made of ox hide; horsemen were armed with mavcairai (a cutting one-sided curved weapon). (This is confirmed by monuments of material culture dated to Colchis of the 5th-4th centuries B.C.)

Herodotus supplied another important fact, saying: "The Colchians undertook to furnish a gift[to the Persians], which in my day (ej-ejmev) was still brought every fifth year, consisting of a hundred boys, and the same number of maidens" (Herod. III, 97, 4).

It is a well-known fact that this extremely humiliating system was not voluntary (dw'ra-dwreav); it can be presumed that Western Georgia was a vassal of Persia and had to supply auxiliary units in the event of war. This probably explains why the Greek written sources of the 5th-4th centuries B.C. frequently mentioned Colchian slaves.

When writing that under Darius the Persians conquered the Greek islands and the European people as far as the Thessalians (III, 96), Herodotus offered his own explanation, saying: "The Greco-Persian wars were waged by divine will (to; qei'on). The gods gave Europe to the Hellenes and Asia, to the Persians and other barbarians. The gods punished the Persians who upset the balance and captured more than had been given to them from above."

Georgia separated two hostile worlds; this is confirmed by the national chronicles of the 4th-12th centuries known under the blanket title of *Kartlis tskhovreba* (History of Georgia).

According to them, the common ancestor of all the Georgians ethnarch Targamos received from God, after "separation of the tongues in Babylon," his share of land—a vast territory between the

⁷ *Kartlis tskhovreba* (History of Georgia), ed. by Academician R. Metreveli, Tbilisi, 2008, pp. 41, 47 (in Georgian).

⁸ See: O.D. Dashevskaya, G.A. Lordkipanidze, "Skifskoe izvaianie iz Vostochnoy Gruzii," in: *Istoriko-arkheologicheskiy almanakh*, Armavir, Moscow, 1995, pp. 99-101.

⁹ See: G. Kipiani, "Achaemenian Heritage in Ancient Georgian Architecture," in: *Ancient Near Eastern Studies*, Vol. XLI, Pecters Press, Louvain, 2004, pp. 167-191.

¹⁰ See: G.A. Lordkipanidze, "Nekotorye voprosy istorii antichnoy kultury Gruzii," in: *Problemy antichnoy kultury*, Nauka Publishers, Moscow, 1986, pp. 237-242; O. Lordkipanidze, *Nasledie Gruzii*, Metsniereba, Tbilisi, 1989; T. Dundua, *Colchis and Greek Settlements in Western Georgia*, Universal Publishers, Tbilisi, 2009, pp. 22-42 (in Georgian).

¹¹ See: G. Cawkwell, *Greek Wars: The Failure of Persia*, Oxford University Press, London, 2005, pp. 5-325.

Hyrcaunium (Caspian) and Pontus (Black) seas. The newly acquired lands were settled by descendants of eight brothers. Kartlos acquired the Central Caucasus (hence the ethnonym Kartvelians), while Egros, the younger brother, received the Western Caucasus (hence the ethnonym Megrelians).

Peaceful intervals in the incessant feud among the frequently warring brothers brought prosperity and calm to their domains, a fact that is confirmed by the 2,500-year long history of Georgia.

Kartlis tskhovreba (p. 17) says that the Georgians were pagans and worshiped the Sun, the Moon, and Five Stars; the burial of Kartlos, their ethnarch, was the main shrine where oaths were made.

The Hellenistic Period

Alexander the Great, who marched against Persian King Darius III (334-332 B.C.), plunged Georgia, and the Caucasus for that matter, into another mire of wars, immediately after the Greco-Persian wars of the previous period.

The first Georgian chronicle of the 4th century, "The Conversion of Kartli," which in the 11th century became part of the official, and ideologized, *History of Georgia*, says: "Alexander appeared in Greece, in a country which was called Macedonia. Having conquered all four corners of the world, he entered our land, Kartli. At first he did not stay long in this country of powerful cities and strong fortresses" (*Kartlis tskhovreba*, Ch. III, p. 20). After conquering the whole world, Alexander the Great returned to Kartli with its belligerent population. In six months, he captured 12 large fortified cities in Georgia (they existed in the 4th-3rd centuries B.C.) and entrusted the newly conquered country to Azo, also known as Azon, son of Macedonian Iaredos, ruler of Arian Kartli with a Greek title patrikos (from Greek πατριός—the forefather).

"Persian Georgia," probably part of the Achaemenid Empire (Herod. III, 94), was wedged between Persia and the Seleucid Empire.¹²

Alexander the Great, who routed Darius III, naturally wanted the Persian king's Caucasian domains well known to him from the myths about the Argonauts and Prometheus; the academic community, however, refuses to accept this march as a historical fact.

The diadochi, locked in squabbles over Alexander's legacy for twenty years, might have undertaken this march; ancient Georgian historical tradition (323-281 B.C.) refers precisely to this.

The chronicle says: "In twelve years, he conquered the entire world and died in the fourteenth year" (*Kartlis tskhovreba*, Ch. IV, pp. 21, 24).

Alexander the Great had no descendants and left no instructions about the future of his world-wide empire. The Georgian chronicles, however, enumerated all official successors personally appointed by the great military leader.

Antioch was given "Syria and Armenia, the eastern part of his state;" this probably relates to Antioch I Soter (281-261 B.C.), successor of Seleucus I (358-281). In several places, the source refers to the founder of Antioch as Anticoz (an obvious *lapsus calami* by the scribe). Romus and Byzantios (two diadochi) are probably imaginary figures.

The history of the new Georgian kingdom emerging amid the squabbles for supreme power looks plausible enough. The Macedonians made Azo (Azon) king of Georgia; he relied on foreigners and on the Greek military corps stationed in Georgia (described as provtasi-protavssw—a vanguard).

Azo, who stationed Greek garrisons in the country's four main strategic points, remained in power in Eastern and Western Georgia for twenty years.

While obeying "Byzantios, the King of Greece" he, a cruel and bloodthirsty man, put more pressure on the local people and issued a decree which said in part: "Any Georgian found with weapons

¹² See: D. Braund, *Georgia in Antiquity: A History of Colchis and Transcaucasian Iberia. 650 B.C.-A.D. 562*, Clarendon Press, Oxford, 1994, pp. 124-151.

on him should be murdered;" the chronicler confirms that the order was obeyed (*Kartlis tskhovreba*, Ch. IV, pp. 21, 28).

Azo, who was determined to replace the local astral cults with an alien cult of dynastic idols, stirred up discontent which developed into an anti-Macedonian (anti-Greek) uprising headed by Pharnavas, one of the local nobles, the immediate ancestors of whom had ruled Mtskheta and been killed when Alexander the Great captured their land (*Kartlis tskhovreba*, Ch. IV, pp. 25, 5).

The chronicler, who says that all the Caucasian peoples rallied around Pharnavas, describes him as an intelligent and fearless warrior and hunter. The confrontation, which lasted for two years, ended when a "thousand of the best Roman (Greek, anachronically referred to as Roman.—*G.L.*) warriors" moved to the side of the insurgents. Pharnavas entered the capital as a victor; despite the troops sent from Greece, "the Greeks were defeated and had to flee."

After securing the support of Antioch of Asurastan (Syria) and, through him, of the rulers of Armenia, Pharnavas began reorganizing his country. He ruled "according to the rules of the Kingdom of Persia," that is, the state of the Seleucids.¹³ (The state of the Seleucids, which pursued the policy of Hellenization, acquired the name of Syria when it lost the larger part of Asia.)

Georgia was divided into 8 regions (satrapies)—*saeristao*; Mtskheta, the capital, along with the country's central part, formed a special administrative unit. The military-administrative units were headed by *eristavi* ("heads of the people") who obeyed the king and the *spaspes* (commander-in-chief). The commanders of "thousands" helped "collect duties for the king and the *eristavs*". The Macedonians likewise had similar people (*hiliarchoses*) who commanded units of one thousand men.

According to the chronicler, King Pharnavas (284-219 B.C.) "protected himself from all enemies (*Kartlis tskhovreba*, Ch. IV, pp. 24, 4); he built and filled Georgia with every boon he restored the cities and fortresses of Georgia destroyed by Alexander."

Pharnavas, like the rulers of Cappadocia, Armenia, and the neighboring states¹⁴ of the Hellenistic period, "loyally served Antioch, King of Asurastan" (*Kartlis tskhovreba*, Ch. IV, pp. 24, 34).

The above is confirmed by archeological excavations in Georgia. The cities mentioned in *History of Georgia* were destroyed in the 4th-3rd centuries B.C.

It was then that the strategically important and strongly fortified Khovle gora settlement (the Kasp District of Georgia) in the Kartli lowland on the right bank of the Kura was ruined. This was the first place in the Caucasus which produced (in the 3rd cultural layer) stone cannon-balls of various calibers¹⁵ used by stone-projecting machines of the so-called torsion type (catapults and ballista-palintonon) known as "the artillery of antiquity."¹⁶

At that time, only the Macedonian army used technically perfect stone-projecting machines serviced by trained engineering units.

The digs in Samadlo-Nastakisi, Uplis-Tsikhe, and Urbnisi (in the River Kura plain) revealed (in the layer dating back to a fire of the 4th-3rd centuries) stone cannon-balls (weighing 9.5 kg and 21 cm in diameter), evidence of the Macedonian attacks (*Kartlis tskhovreba*, Ch. III, pp. 20, 25.)

The archeological sources show that there was an "outbreak of urbanization;" archeologists found strong fortifications, public buildings, palaces, and temples, which indicates the fairly advanced stage of the country's Hellenization.

The Seleucids maintained close trade and economic ties with Georgia, which promoted peace to a great extent; the country used the gold staters of Alexander the Great and Lysimachus and Seleucid, Cappadocian and Ptolemy coins.

¹³ See: E. Bikerman, *Gosudarstvo Selevkidov*, Nauka Publishers, Moscow, 1985, pp. 184-185, 190-191. (E. Bikerman, *Institutions des Séleucides*, Librairie Orientaliste Paul Geuthner, Paris, 1938.)

¹⁴ See: *Ibid.*, p. 156.

¹⁵ See: D.L. Muskhelishvili, "K voprosu o svyaziakh Tsentralnogo Zakavkazia s Perednim Vostokom v ranneantichnuu epokhu," in: *Voprosy istorii Gruzii*, Tbilisi, 1978, pp. 17-30.

¹⁶ E.W. Marsden, *Greek and Roman Artillery*, Oxford University Press, London, 1969, p. 65.

The Roman Age

When the state of the Seleucids fell victim to another round of global confrontation between the West and the East, Georgia found itself drawn into the international whirlpool of the 2nd-1st centuries B.C.

As an ally of the King of Pontus Mithridates VI Eupator and King of Armenia Tigran II the Great, Georgia became a theater of war waged by the Romans. Greek and Roman written sources (Plutarch, Appian, and others) confirm that Pompey devised a strategic plan for the wide-scale invasion of Georgia; Plutarch supplied the details of this military operation.

The Roman historian described the Iberians as a belligerent people and wrote: "These Iberians were never subject to the Medes or Persians, and they happened likewise to escape the dominion of the Macedonians, because Alexander was so quick in his march through Hyrcania. But these also Pompey subdued in a great battle... From thence he entered into the country of Colchis, where Servilius met him by the River Phasis, bringing the fleet with which he was guarding the Pontus" (Plut. Pomp. XXXIV).

From that time on Georgia became part of the sphere of strategic interests of the Roman Republic (later Empire) locked in a protracted and strenuous conflict with reviving Persia. The East-West confrontation entered a new stage which lasted for several centuries.

Once more, the great powers became concerned about the safety of the Caucasian passes; the Georgian rulers, who had to rebuff the Persians and the Romans, relied, from time to time, on nomads and the belligerent mountain peoples, which added to Georgia's international political prestige.

Georgia's greater political weight in the region is confirmed by a lapidary Greek inscription found in Mtskheta. Seventeen lines of a declaration of Emperor Vespasianus dated to 75 A.D.¹⁷ says with a lot of pathos that Romans built a fortified wall (TA TEIXH EEΩ EEΩXYΠΩΣAM), "To King of the Iberians Mithridates, son of King Pharasmanes and Prince Amazasp, friend of Cesar and the [Georgian] people who love the Romans" (ΦΙΛΟΚΑΙCΑΡΙ ΚΑΙ ΦΙΛΟΡΩΜΑΙΚΩ).

Archeologists confirmed that a strong defense line ran to the south-east of Armazi Tsikhe (Mtskheta), capital of the kingdom, designed to close access to the Kura valley and block the road to Armenia and Parthia.

In the inscription, obviously composed in the chancellery of Autocrator Cesar Vespasianus Sebastos, Father of the Fatherland, etc., Mithridates, son of Pharasmanes, is called "King of Iberia" without additional titles.

At the same time, the so-called Stele of Saragash of the 1st century A.D. (found in the necropolis of Armazi (Mtskheta) carries an Aramaic inscription which contains the full title "Great King Mithridates, son of Great King Pharasmanes."¹⁸

"Prince Amazasp," who is mentioned in the Vespasianus inscription, is a historical figure; this is confirmed by another inscription found in the Roman environs. A lapidary Greek inscription (an epitaph) on a gravestone (114/115 B.C.) said: "Glorious Prince Amazasp, bother of King Mithridates, whose native land is found at the Caspian gates. Iber, son of Iber, is buried in the holy city [Nizibis] founded by Nicator, where the Magedon flows under olive trees; a companion of the Potentate [Emperor Trajan], leader of the Avzons, having arrived to fight the Parthians, died before he could steep his powerful hand, spear, arrow, or sword, on foot or on horseback in enemy blood."¹⁹

The two monuments are about 40 years apart, throughout which Amazasp remained the friend of the Roman cesars; Georgia, however, pursued its own foreign policy interests and looked toward the West²⁰; this is amply testified by the written sources.

¹⁷ See: T. Kauchtschishwili, *Korpus der Griechischen Inschriften in Georgien*, Tbilisi, 2004, pp. 337-338.

¹⁸ G.V. Tseretelli, "Epigraficheskie nakhodki v Mtskheta—drevney stolitse Gruzii," *Vestnik drevney Natrii (VDN)*, Moscow, No. 2, 1948, p. 52.

¹⁹ Quoted from: T. Kauchitschwili, op. cit., p. 12.

²⁰ See: A.G. Bokshchanin, *Parthia i Rim*, Moscow University Press, Moscow, 1966, pp. 266-267; N.Yu. Lomouri, *Gruzino-rimskie vziomotnoshenia*, Vol. 1, Tbilisi University Press, Tbilisi, 1981, p. 163.

Cornelius Tacitus (A.D. 57-138) had the following to say about the events of 32-37, “King of Iberia Pharasmanes is waging a successful war against Parthia and its ally Armenia. He replied by forming a league with the Albanians and calling up the Sarmatians. The Iberians, however, who controlled the important positions, hastily poured their own Sarmatians into Armenia by the Caspian Way” (Tacit. Ann. VI. 33).

Amid the mounting tension between the Roman and Parthian empires and being fully aware of Georgia’s strategic importance, Josephus Flavius (37-95) allocated a lot of money to win the Iberian rulers who controlled the “Caspian Gates” (resp. Daryal) over to his side; he incited the Alanians, now against Parthia, now against Armenia and Cappadocia (Jos. Fl. Antiq. Jud. XVIII, 96-101).

The archeological finds in Mtskheta, the ancient capital of Georgia, testify to the close political and economic contacts between Georgia and the Roman world in the 1st-4th centuries. Some of the highest nobles were Roman citizens—Publicus Agrippa and Flavius Dades²¹; we also know the name of the chief architect and artist of Mtskheta (Aurelius Akholis).

Rome confirmed its friendship with “diplomatic presents” of silver tableware of high artistic quality and vessels with portraits of the emperors,²² jewelry, intaglios of Caracalla (208-217), Ptolemy V Epiphanes (210-180 B.C.), and Antinous, an intimate friend of Emperor Hadrian, etc.

Archeological diggings produced objects with images of the Greco-Roman pantheon: Zeus, Jupiter, Athena (Minerva), Nike (Victoria), Apollo, Ares (Mars), Asclepius, Tyche (Fortuna), and others.

The local chronicles contained information about the religious policies of the nineteenth pagan king of Georgia Reva Arshakid (240-280), who erected a statue of “an idol called Aphrodite” to honor his wife, a Greek woman “called Sephelia, daughter of Logophet” (*Kartlis tskhovreba*, Ch. III, p. 37).

Archeologists also found a few objects of Parthian-Sassanian toreutics.

In the 1st-4th centuries, Georgians used mainly Roman denarii and aurei and, to a lesser extent, Parthian and Sassanian silver coins.

Gradually the Greek language replaced the Aramaic; this is confirmed by the finds from a set of rich burials dated to the 2nd-3rd centuries near the village of Zghuderi (the Kasp District).²³

Several chance finds invited more detailed studies of three wooden sarcophaguses with rich burial inventory which accompanied provincial nobles to the grave.

The burials revealed various sumptuous objects (probably royal presents) with dedicatory inscriptions in Greek and 11 gold Roman coins of the 1st-3rd centuries; 28 denarii of Augustus (27 B.C.-A.D. 14); and 5 silver Parthian drachmas of Artabanus II (10-38).

A gold coin of Emperor Domitianus (81-96) issued in 77/78 is the earliest among the Roman aurei.

The gold coins of Emperor Antoninus Pius (138-161) and Empress Faustina Senior (100-141) are the most important coin finds; it was during their reigns that King Pharasmanes II was invited to Rome. Cassius Dio tells about this important event in his *Roman History*.

The name of the Georgian king is associated with an unprecedented event; his equestrian statue was erected on the Campus Martius in Rome (where his military unit took part in a military parade); he was allowed to perform sacrifice on Capitol Hill (Dio Cass. 1st Rom., LXX, 2, Fr. 3). The fact that the visit was registered in the Roman chronicles of dies Fasti found in Ostia (seven lines of a lapidary Latin inscription dated to 141-144) speaks of its outstanding importance.

²¹ See: T. Dundua, “Publicus Agrippa, Flavius Dades and a Dual Citizenship—a Pattern for Europe in Future?” in: *Georgians and Roman Frontier Policy in the East*, Meridian Publishers, Tbilisi, 2003, pp. 3-14.

²² See: K. Machabeli, *Serebro drevney Gruzii*, Khelobneba Publishers, Tbilisi, 1983, pp. 18-28; idem., *Pozdnean-tichnaia torevtika Gruzii*, Metsniereba Publishers, Tbilisi, 1976, p. 17.

²³ See: D. Braund, K. Javakhishvili, G. Nemsadze, *The Treasures of Zghuderi*, Georgia, Tbilisi, 2000, pp. 4-98.

B y W a y o f a C o n c l u s i o n

Three centuries of close relations with the Roman Empire predetermined the cultural and economic future of Georgia up to and including adoption of Christianity as the state religion in 326 under Mirian III.

Neither the aggressive policies of the Sassanids, who tried to impose Zoroastrianism by fire and sword, nor the Greco-Persian wars of the 6th-4th centuries that unfolded in Georgian territory, altered the country's pro-Western orientation.

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