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# Abkhazia For The Integration Of The Black Sea

Economic Policy Research Foundation of Turkey

Center for Middle Eastern Strategic Studies

# ABKHAZIA FOR THE INTEGRATION OF THE BLACK SEA

**Background Paper**

**December 2009**

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## Foreword

*'Abkhazia for the Integration of the Black Sea'* is the first issue of the newly launched background papers collection. Our aim is to generate data and provide substance and insights to on-going policy and public debates in and around Turkey. This first background paper on Abkhazia is analyzing processes and dynamics from local and regional perspectives in a defined timeframe. It is the fruit of a collaborative effort. By bringing the basic facts on the ground into the debate the paper advocates for the need for engagement policies towards Abkhazia.

**Executive Summary**
The break-up of the Soviet Union had far-reaching consequences on Turkey's close neighborhood. The business minded population of the Turkish Back Sea cities, helped by the geographical and cultural proximity, started penetrating into their rediscovered neighborhood. In the 90's, Abkhazia rose as a major destination for people and commodities originating from the Turkish Black Sea coast. A bus connection was established between Trabzon and Sukhum[1]. Some 3000 Turkish businessmen, most of them of ethnic Abkhazian origin, left in the early 90's for Sukhum. The establishment of a direct maritime connection between Sukhum and Trabzon in 1994 sustained a continuous flow of passengers. A ferry called Ritza operates twice a week between Trabzon and Sukhum till 1996. The ferry was usually fully booked.

Turkish businessmen of the Black Sea coast and members of the Diaspora recall that the journeys were comfortable and enjoyable. Chains of forced and sometimes semi-voluntary mass migrations formed the present day North Caucasian Diaspora in Turkey. Today, there are more Abkhazians in Turkey than in Abkhazia and more North West Caucasians than in the North West Caucasus.

ed the possibility that the UN issue temporary international travel documents for Abkhazians until the settlement of the conflict, but to no avail. That would have required Georgian agreement. These requests were turned down. Russian Federation's leadership decided to grant Russian Federation citizenship to people of Abkhaz origin after 2000, the process accelerated after the passage of the new Law on Citizenship by the Russian Duma in April 2002. By end June 2002, an estimated 150,000 people in Abkhazia had acquired the new passports, joining 50,000 who already possess Russian citizenship, 70% of the population became citizens of the Russian Federation[9]. Russian passport issued in Abkhazia are similar to those issued to Russian citizens abroad and do not include Russian residency registration (propiska). Motivations for applying for the Russian citizenship are various. Some say they want to receive Russian pension, which is worth around fifty times more than one in Abkhazia. Access to the Russian labor market ranks also among the major motivations. Georgia accuses Russian Federation of attempting to annex Abkhazia: it is true that members of the Duma have been making frequent statements underlying that ethnic Abkhaz with Russian passports are their citizens. Above all, the Russian citizenship has granted Abkhazians the freedom of movement and the emancipation from the status of a stateless person. The idea of being locked up inside Abkhazia while other people have the chance to move across the world appears especially to the young generation profoundly unfair.

**Reopening of the Sochi-Sukhum railway**

After 12 year interruption, the Sukhum-Sochi-Moscow passenger rail line was reopened on 25 December 2002. Since late 2002, a small-scale railway link was operating between Adler in Russia and Sukhum. However, the poor state of the infrastructure on the Abkhazian side was preventing a full-scale resumption of communications. The railway infrastructure has been restored by the state-run Russian Railway Company. On 10 September 2004, the railway link between Moscow and Sukhum re-opened, bringing 200 Abkhaz residents to Moscow via Adler[10]. The resumption of the railway connection was presented by the Russian Foreign Ministry as beneficial to the entire South Caucasus region, including Georgia and Armenia. Abkhazian entire government and a large crowd turned out at the station to celebrate the reopening of 120 km long railway connection. Children were allowed time off school on December 25 to carry flowers, banners and bring the traditional gifts of bread and salt to welcome the passengers on the first commuter train to travel to Sukhum from Sochi since August 14, 1992, when the Georgian-Abkhaz war broke out, pulled into the station.

In a poll conducted by the Sukhum-based opinion pollster Okno at the end of last year, the resumption of the train link with Russia was vote '*Highlight of the Year 2002*', which led the speaker of the parliament Nugzar Ashuba declare '*the economic isolation of Abkhazia left us in such a state that we are delighted by a commuter train as if we are launching some kind of spaceship*'[11].

In downtown Sukhum, stands the small, gleaming white train station. With a waiting room hung with watercolors of Abkhazia, the station is the work of the Sochi Transportation Company which also owns the train operating on the route. The route is operated under a contract with Abkhazia's railway station.

**Russian Federation's withdrawal from the CIS treaty imposing sanctions on Abkhazia: March, 2008**

Administrative units of the Russian Federation started in September 2003 signing cooperation agreements with the Abkhazian authorities. Legal entities of Russian Federation were authorized to cooperate with appropriate bodies and businesses in Abkhazia. However, Russian Federation didn't declare before March 2008 lifting officially the sanctions. This ambiguity and the absence of official publicity gave a character of unpredictability to the Russian ap-

proach. This was well understood on the Abkhazian side. The events, which occured in the aftermaths of the Presidential election in October 2004 confirmed fears. The Kremlin refused to recognize official results of the presidential election that gave victory to the opposition candidate Sergey Bagapsh and closed down the border post and the railway connection. The decision, justified as due to the rise in post-election tensions, halted exports of agricultural goods to Russian Federation in the high season of oranges and tangerines sellings which have become a source of income for the majority of people in Abkhazia.

The Russian authorities decided only in March 2008 to give an international visibility to their unilateral lifting of the sanctions. The Russian Foreign Ministry issued a statement on 6 March 2008 announcing the country's withdrawal from the 1996 treaty CIS treaty imposing sanctions on Georgia's breakaway region of Abkhazia, citing "*changed circumstances*." The statement noted that most Georgians who wished to return have done so, and that the primary obstacle to others doing so was Georgia's refusal to agree to the rules for their registration proposed by the UN High Commissioner for Refugees. The statement also said that, unlike Georgia, Abkhazia is "*fulfilling its obligations*" on conflict resolution, and is ready for "*practical steps for strengthening confidence and security in the conflict zone.*" Russian Federation called on other CIS members states to follow suit.

Georgian officials decried as "immoral and dangerous" Russian Federation's decision to end the economic embargo on Abkhazia[12] and interpreted Russian Federation's move as step towards the formal annexation of Georgian territory. Russia's decision came after a series of harsh statements which followed Kosovo's declaration of independence on 17 February 2008. Georgian experts pointed out to the timing of the decision: the Russian Federation's move was carefully gauged to coincide with the debate at NATO on 6 March on whether to grant Georgia a Membership Action Plan (MAP).

**Opening of the airport and the Sochi Olympics**

Sukhum's Babushera Airport has been closed since the end of the war. The International Civil Aviation Organization, a UN agency, stated that reopening the airport could result in sanctions against participating airlines. Recently the announcement has been made that the issue of direct air connection with Russian Federation is about to be solved. Abkhaz officials say that the technical arrangements will be completed before the tourist season. The airport is located at about 25 minutes outside of the city center. With its dual runway, it could easily make up for any potential overflow of air traffic experienced by Sochi during holiday period. The Sukhum airport used to be the second most active airport in the USSR. The Sochi airport doesn't have the capacity to accommodate the intense air traffic expected during the Olympic Games. Furthermore, the airport located very close to the mountain range, doesn't offer convenient conditions for air maneuvers. The airport is often being shut down because of weather conditions[13]. The Abkhaz leader Sergey Bagapsh announced on 15 May 2009 after his meeting with Vladimir Putin in Sochi, that the management rights of the airport as well as of the railways would be transferred to Russian Federation for a period of ten years[14].

**What has changed for Abkhazia since it was recognized by Russian Federation?**

**By Kemal Tarba**

The most important effect that took place is high resonance that August 2008 events brought about. Politicians, journalists, NGO's, decision makers, ordinary people looked up in Wikipedia to find out what is Abkhazia? Where is it? What is the problem with the region? Researched its background. What are the obstcales for its resolution? Ban Ki-moon learnt how to pronounce /æbkezi ə/, and Condoleezza Rice figured out how to quickly find it on the world map.

Since war with Georgia in 1992-93 Abkhazia has never been mentioned in the news, blogs, political comments that much frequently. 15 years passed with no resulting negotiations involving same people and organizations, hard humanitarian circumstances that were caused by imposed embargo, inability to exercise freedom of movement of goods, capital and people – which is the pillar of economic development. And at once blindness of international community to tiny piece of land suddenly changed into considerate attention. "Abkhazian problem" cannot be ignored any more. People started to speak of it, discussions and elaborations took place. This present report is also, in way, part of the mentioned process.

Besides the so called external factor that is described above, recognition led to some important internal discources that in long term might play significant role in maturing of Abkhazia as a fully fledged state. These processes include euphorical mood among people of Abkhazia that has not been observed since victory in 1993. This process is an important psychological step in the framework of formation of so called national identity. The recognition itself became a catalyzing factor of people not just from Abkhazia but also its Diaspora in Russia and Turkey to unite around the solidified notion of statehood. Another important outcome of the uprising feeling of national identity is the end of long period of disbelief in future, which was the key obstacle for each citizen to make long term plans, whereas now as recognition came from the most influential country in the region, people acquired a guarantee of security of prospects, which resulted in rise in economic activity.

Ten months have passed since 26th August 2008 when Abkhazia was recognized by Russian Federation. However the practical effects are not here yet. The act of recognition assumes that not only state to state relations are to be set, but also citizens should be able to exercise their citizenship rights. Up to current moment, Abkhazia and Russia have signed a number of agreements, embassies were opened, various legal documents on the statehood level became valid, but when it comes to daily life of ordinary people, not much of change in legal sense has actually occurred.

As an example, Abkhazian passports are still not recognized by the Russian customs. When Abkhazians are passing through Psou border, they have to show their Russian passports, and even old Soviet type passports are valid, but not Abkhazian ones. I personally tried to use my Abkhazian passport in Russia. While trying to open a bank account, bank officials could not register it, because there is no "Abkhazia" in the program's list of the countries. My workplace did not accept to register me according to Abkhazian passport; because in that case I will have to go through registration as a foreign citizen, and Russian immigration service does not yet register Abkhazian passports. All these have taken place on the background of my arguments that Abkhazia was recognized, and by not registering my passport, they contradict with President's resolution. However, arguing didn't help. Similarly Russian church did not recognize Abkhazian church as being independent from the Georgian one. As the head of Russian Orthodox church put it out "*President could have recognized Abkhazia, but we do not*".

On the other hand, there is also progress in this fied; as an example from my personal practice, I could buy a flight ticket using my Abkhazian passport (Moscow-Sochi), but most importantly, I managed to register a firm in Russian Federation, which is called "Abkhazia-Export" using my Abkhazian Passport. My next step, would be ,probably, to try to get Nicaraguan visa stamping it to my beloved passport.
And it seems like, Russian institution are sort of confused; conservative ones, such as customs and church still does not recognize Abkhazian passports, but some, such as airline companies, already do. While I was boarding the plane for a , Moscow- Sochi flight, , airport staff was doubtfully looking at my passport, but suddenly their faces got bright, they congratulated me and wished safe flight.

This summer Abkhazia has been a major touristic destination. For the first time in last 16 years it was hard to find a place on Gagra and Pitsunda beaches. Probably it was not just because of the recognition. The financial crisis increase the interest for cheap destinations. As a result the number of tourists who visited Abkhazia increased significantly in 2009.

## 3. The economic integration process with Russian Federation

### 3.1.Progressive revivalism with the easing of the isolation

The progressive lifting of the economic sanctions improved the economic and social conditions. Abkhazia, emerging slowly from isolation, has started integrating into the Russian Federation's economic zone. The currency used in Abkhazia is the Russian ruble. The important depreciation of Russian ruble after the financial and economic crisis in 1998, and the progressive easing of the isolation regime, boosted the Abkhazian economy. The devaluation considerably displaced the demand of Russian consumers for Abkhazian products, such as citrus, nuts and persimmon. Furthermore, in 2003 the majority of the population became Russian citizen. The majority of retired persons started receiving Russian pension. Annual payments of the Pension Fund of Russian Federa-

tion to Abkhazia totaled exceeded 20 million USD per year, amounting to more than half of the state budget.

Between 1999 and 2006 the average annual growth rate of foreign trade turnover reached 32%. The annual growth rate of the production has been approximately 20%. Today, the most important export items of Abkhazia are mineral water, coking coal, marble, limestone, granites, cement, copper, lead, zinc, arsenic, gold, silver, and barite. There is considerable trade across the Psou River with Russian Federation and across the Black Sea with Turkey. Currently, Abkhazia's major trade partners are Russian Federation and Turkey. About 60% of imports come from Turkey, 45% of Abkhazian exports are destined for Turkey, and 54% for Russian Federation [15].

**Tourism**

Due to the depreciation of the Russian ruble, international touristic destinations have become less affordable for middle class Russian tourists. This led to a renewed interest in the Soviet time seaside resorts of the Black Sea. Abkhazia was the cheapest destination, well ahead of Crimea. As a matter of fact, Russian tourists who can't afford trips to Turkey or Egypt – and are willing to sunbathe amid war ruins – have started to return to Abkhazia. In 2008 the total number of tourists who visiting Abkhazia reached 2 million which is 7 times Abkhazian population. There are mainly three types of tourists who come to Abkhazia: tourists that come with a tour, booking their flight and the hotel via touristic agencies, tourists who are called "dykari" (camper) who rent rooms in private houses, and third type of tourists are the ones who actually come to Sochi region and visit Abkhazian sightseeing places (Novy-Afon, Ritza lake, Pitsunda etc) for one day. All three types of tourists feed different segments of Abkhazian economy. First ones pay money to the touristic agencies and hotels (which eventually transforms into taxes), second type of tourists pay directly to citizens, the price of one "bed" varies from 200 – 400 rubles depending on the season (8-12 USD), these payments are not usually taxed, and third types of tourists contribute to travel and excursion agencies, to the sightseeing places, gift shops and restaurants.

**Wine Exports to Russian Federation**

The Russian embargo on Georgian and Moldovan wine banned in March 2006 also Abkhaz products from the Russian market. The Abkhaz wine bottles used to be imported to Russian Federation with the Georgian barcode. In 2005, before the ban came into effect, 50 million bottles of Georgian and one million bottles of Abkhaz wine were sold on the Russian market. After the Moldovan wines, in October 2007, the products of the Wines and Waters of Abkhazia, the state monopoly of Abkhazia, were allowed by the Russian *Rospotrebnadzor* to enter the Russian market. Ten sorts of wine[16] and one brandy are currently been imported to Russia under a Russian barcode. The company, Yupshara, established in 2005 is the distributor in Russian Federation of the wines produced by the Wines and Water of Abkhazia[17].

### 3.2. The new legislative framework set after the recognition of Abkhazia by the Russian Federation

The '*Framework Agreement on Cooperation and mutual support between Abkhazia and Russia*', signed on 17 September 2008 by Dmitry Medvedev and Sergei Bagapsh aims at providing a basis for the officialization of the relations following Russian Federation's decision to recognize Abkhazia and South Ossetia. The agreement provides Russian military guarantee in the event of an attack from Georgia. On 26 January 2009, Russian President, Dmitry Medvedev, appointed Alexander Golovin, as his special envoy for delimitation of "the Russian Federation's state borders with the

Republic of Abkhazia, Georgia and the Republic of South Ossetia. The signature on 30 April 2009 of the '*Agreement between the Russian Federation and the Republic of Abkhazia on joint efforts in protection of the state border of the Republic of Abkhazia*' completed the guarantee scheme: Russian Federation has among other things pledged to help Abkhazia protect its borders, and the signatories have granted each other the right to set up military bases in their respective territories. "*The Abkhaz side, until it forms its own border guard forces, delegates authority for guarding its state borders to the Russian Federation in the interests of ensuring its own security,*" the agreement with Abkhazia reads[18].

About 800 Russian border guards took positions on the 160 kilometer Abkhaz "state border" with Georgia in accordance to the April 30 treaty with Russian Federation. The Russian Border Guard Service creates two departments – one in charge of land border with headquarters in the Gali district and another one in charge of maritime perimeter with headquarters in Gagra. Total of twenty border crossing points will operate, according to the statement released by the Russian Border Guard Service unit in charge of Abkhazia. As soon as the process of structural arrangement is over the Russian border guards will start performing duties at the border with Georgia alongside with the Abkhaz forces[19]. The defense cooperation agreement signed on 15 September 2009 allows the Russian Federation to maintain 1700 troups in Abkhazia for 49 years.[20] The Russian military headquarters in Abkhazia is to be based in the Black Sea port town of Gudauta. ITAR-TASS reported the decision on that the creation of a base for the Russian Black Sea Fleet in Ochamchira has been reached[21].

Other agreements are said to be in the process of elaboration. The announcement has been made that Russian embassy will open its door in Sukkum/i in March 2009. According to the latest information, the Russian Federation mission has opened: it is based in military sanatorium until the construction of the Russian embassy, which apparently is to take two years. There are so far two temporary consulates in Sukhum and Gagra whose main task are to exchange passports of Russian citizens residing in Abkhazia. According to the Russian Foreign Ministry, there are over 120,000 Russian citizens in Abkhazia[22].

In addition to security guarantees, the framework agreement should also bring economic advantages[23]. Abkhazia hasn't been in the past receiving any substantial direct budgetary support from the Russian Federation. However pension allocations paid by Russian Federation have reached more than half of the annual state budget. Russia signed on 17 March agreements with Sukhum and Tskhinval/i on providing financial assistance with a total amount of 5.16 billion rubles (about USD 149 million) in 2009. The Ministry of Finance of Russia emphasized that despite the cuts that have affected federal budget spending, the volume of financial assistance to Abkhazia and South Ossetia for 2009 would remained as initially planned. 2.36 billion rubles will be allocated to Abkhazia and 2.8 billion rubles to South Ossetia[24]. The financial aid will cover salaries of public sector employees; allowances for children; pensions; medicines and food[25]. The Russian media sources reported that 33 medics from the Russian Federal Security Service's Central Hospital arrived in Abkhazia on May 17 "to provide medical service to the local population of Gali, Ochamchira and Tkvarcheli districts." Another group of Russian medics are expected to arrive in Abkhazia on May 23, according to the same report. Russia has also sent about 15 tones of humanitarian aid to Abkhazia, involving equipment for schools and also medicines[26]. On 12 August 2009, Russian Prime Minister Vladimir Putin underlined that some $76 million has been sent to Abkhazia this year to support the republic's budget. Putin said Moscow will provide Abkhazia with the same amount next year as well and will also aid the Abkhaz government in making pension

payments. Putin made the announcement in Moscow ahead of his trip to Abkhazia today, his first since Russia recognized its independence in August 2008.

**'Legalization' process of the economic relations**

Russian and Abkhaz custom authorities are working on the elaboration of a barcode for Abkhazia. This barcode will open up the official custom flow. In the meantime, ironically, the recognition has created impediment to the border trade at Psou. Abkhaz exports to Russian Federation have all but ground to a halt because of the new commercial rules, introduced in March, 2009. Before Russian Federation's recognition, Abkhazia enjoyed all the trading privileges allotted to members of the Commonwealth of Independent States, CIS, as it was de jure part of Georgia. But since it was recognized by Moscow, it has lost its trade preferences, as it is neither a CIS customs union member in its own right and, in Moscow's eyes, is no longer part of Georgia. It used to be enough for Abkhaz exporters to show a form known as a CT-1, issued by the Abkhaz chamber of commerce and industry, to be allowed into the Russian Federation market. Exporters must now provide border officials with an international certificate of origin, a so-called form A, to take goods into Russian Federation. Without this, importers are liable to pay hefty customs duties. The turmoil pushed Russian federal customs service to rectify the situation and suspend customs duties on Abkhazia in April[27] until Abkhazia is granted most-favored-nation status. Furthermore, it has been announced that the custom treaty under elaboration envisaged the establishment of a customs union.

The agreement on the mutual protection and promotion of investments will set a legal basis for investments and provide wide range of privileges to Russian businesses in Abkhazia. The Russian Federation Ministry of Economic Development plans to open a trade mission in Abkhazia[28] to facilitate access to the local economy for Russian companies. Abkhazia has already a very liberal tax code. Abkhaz authorities stress the importance of Russian investments for the development of the Abkhaz economy and acknowledge the need to create the most favorable conditions for Russian companies and give serious guarantees to the Russian capital[29]. If the perspective of increased investments is largely welcomed, some local analysts are wary of ceding too much to Moscow. Much hope is placed in Russian capital to revive abandoned orange groves, tea fields, vineyards, revamp the region's transportation infrastructure and restore its textile and canning industries. However, the impression that Abkhazia should negotiate the agreements very carefully in order to retain as much of independence as possible is widespread.

**Russian investments**

Russian officials, first among whom the mayor of Moscow, Yuri Luzhkov have been requesting broad opportunities and serious guarantees for Russian investment in Abkhazian economy. Abkhazia has been receiving in these past few years in-kind help from the Moscow municipality and the North Caucasus republics. The governor of the Krasnodar region donated some 60 vehicles to the police. Buses were given to Sukhum municipality by Adygean Republic. The Moscow government, in June 2006, provided 200 000 tons of bitumen to assist road construction. Moscow municipal authorities financed a USD 60 million '*Moscow House*' in Sukhum. The Sukhum-Psou road connection was also financed by Russian sources (USD 3.8 million)[30].

On 9 July, 2007, the mayor of Moscow, Yuri Luzhkov signed an agreement on economic cooperation between the municipality of Moscow and Abkhazia. According to preliminary calculations, in 2009 the total package of Russian Federation investments will exceed the amount of 200 million dollars. Since the August war, the Kremlin has been signaling that investing in Abkhazia is a "patriotic" thing to do. Com-

panies in many constituent territories of Russian Federation took interest in doing business in Abkhazia. A dozen memorandums of economic cooperation have been signed between Russian regions and Abkhazia so far. The decision to officially lift the economic sanctions against Abkhazia was a green light to Russian Federation businesses to go to Abkhazia and was interpreted as a guarantee that Russia will defend the interests of the investors.

New regulations in the real estate market will open the possibility for Russian citizens to acquire assets. Only Abkhaz citizens-holders of the Abkhaz passport delivered in Sukhum-were allowed to acquire real estate. However, these restrictions were frequently practically overcome by legal arrangements concluded in Sochi with holders of the Abkhaz passport.

Russian investors have been buying up dilapidated seaside resorts in Sukhum, Gagra and Pitsunda and channeling millions of dollars onto their renovation. Intourist and Ritza sanatoriums -Stalin's resort-have been bought on a 25 year long credit by the Russian company Russe Gladiolus, Tkvarcheli by the Therkess company Kogov-Tarant, Sukhum by Zarlis company, Armenia by the Russian Federation Minister of Defense, Cheluskin in November 2003 by the Russian Federation Minister of Transport, and on the same year Gagra Hotel by the city of Krasnodar. In Moscow, Rostov, Nalshik, Tomsk and Ryazan many administrations also seized the economic opportunity in the tourism sector.

The number of Abkhazian-Russian joint-ventures is increasing. Aromat factory for manufacturing packing was set up owing to the Russian company Sinim Gas which helped for this project and bought Tetropak Swedish equipment. Besides, commercial agreements have been signed between private structures from Krasnodar, Stavropol, Kostroma, Tatarstan, Kabardino-Balkaria and the Adyghe Republic. Those investments are made possible notably for the Abkhazian banks (Sperbank - KB Gagra bank - KB Garant-bank etc.) deal directly with the Russian banks.

On March 2003, Aquafon GSM was officialized by Sukhum's commercial court as the first Abkhazian mobile telephony company. Aquafon GSM is indeed backed by Russian capitals: five investors and one GSM operator. The last one set up the Aquafon's mobile telephony network by installing the first ten relay stations on the Abkhazian shore. Beginning on July 17th 2003, the Russian summer visitors flocking the Abkhazian shore could benefit from the compatibility between Aquafon's network and Megafon's network - one of the three major Russian Federation's GSM operators[31].

**The effect of the Sochi 2014 Olympics**

In 2014, Russian Federation will host the XXII Olympic Winter Games in Sochi, just a few miles from the border with Abkhazia. The massive effort required to prepare the city for the Games will be a further factor boosting Abkhazia's economy, with thousands of jobs created just across the border in the construction and service sectors. With the legal agreements in place, Abkhazians will have the right to work in Sochi.

In July 2007, the Russian newspaper Nezavisimaya Gazeta reported that Abkhaz officials expect Russia to invest USD 170 million in a cement factory to provide building materials. In March 2008 after the official lifting of the economic sanctions, the head of the Ministry for Regional Development of Russian Federation, Dmitry Kozak said that Russia saw no hindrance to purchasing building materials amd hiring workers from Abkhazia for fulfilling the Sochi project. On 16 May, 2008, the Governor of the Krasnodar region, Alexander Tkachev mentioned the need to organize transportation of different materials from Abkhazia by railroad and signed an agreement between his region and Abkhazia on supplies of building materials for Sochi. The main reason, at least one of the main reasons, behind Russian Federation's deployment of its railroad construction troops in Abkhazia in summer 2008, is said to be the

necessity to link Abkhazia with the Olympic facilities of Sochi[32]. Abkhazia is likely to be used as a supply center for the Sochi Games. The region's top priorities are supplying construction materials to Sochi -- rock and cement, in particular.

In the northern Abkhaz resort town of Gagra, the Sochi 2014 paraphernalia is already blowing in the breeze. A Russian construction company has started renovating one of Gagra's high-rise Abkhazia Hotel. Abkhazia's real estate market is already beginning to percolate for the Olympics. As sellers take their property off the market in expectation of potentially higher prices closer to 2014, house prices have doubled. Russian companies, meanwhile, are buying land for development not only in Gagra, but also in the nearby seaside resort town of Pitsunda. Temporary villages for some 20,000 Sochi Olympics workers are also on the drawing board for outside Gagra[33].

## 4. Abkhazia's economic relations with Turkey

Abkhazia's leading exports are tea, citrus, tobacco, scrap metal, timber and hazelnuts. Grain, flour, sugar, butter, potatoes and fuel are its most common imports. In recent years, timber exports to Turkey have dominated total exports by value. Grain and flour are imported from Russian Federation and Turkey. About 60% of recorded imports are from Turkey, with the remaining from Russian Federation. As for registered exports, Russian Federation receives 54% and Turkey 45%. As of 2007, the income received from the trade between Abkhazia and Turkey makes up 30% of Abkhazia's budget. Bud, scrap metal and fish are the main export commodities.

Turkish citizens based in Sukhum have been active in timber trade, regular shipments are said to leave Ochamchira and Sukhum twice a week. The Turkish companies, Konev Ltd. And Kıyak Kardeşler, which have signed agreements with Abkhazia's ministry of economy, dominate the fishing and fish exports markets. Private Turkish companies that export coal to Turkey primarily work the mines in Abkhazia. Ada Madencilik San Ltd signed an agreement in 2000 to mine the Khudzga pit on Tkvarcheli. Another Turkish firm, Kara Elmas Ltd is involved in the Tkvarcheli coal deposits. At the end of 2001, it renovated a coal enrichment plant in Tkvarcheli that uses coal from the Khudzga pit.

### 4.1. Turkish-Abkhazian trade at a snapshot through the lens of a repatriate Abkhazian businessman from Turkey

Soner Gogua, is the Deputy Director in the Abkhazian Chamber of Commerce and Head of the unit responsible for Abkhazian-Turkish trade relations[34]. Being a repatriate Abkhazian businessman from Turkey who came to Abkhazia 15 years ago, he has three companies in Abkhazia today specializing in wood trade and plastic door and window equipments.

Lack of sufficient communication and transportation facilities with Turkey is the worst problem: during the period before the embargo, two cruise ships per week used to connect Abkhazia and Turkey and people were traveling abroad with Soviet passports. Naturally, the international embargo on Abkhazia is the biggest problem especially with regard to relations with Turkey. According to Gogua, what irritates most is the fact that Turkey is not bound by the CIS decisions as a non-CIS country and still keeps pressing the Abkhazians to accept the Georgian plans. He says Abkhazians appreciate the reality that Turkey may have interests in Georgia but the bridge between Turkey and Abkhazia should not be broken down. He stresses that Turkey enjoyed more popularity among the Abkhazians before it began to impose the embargo on Abkhazia. That kind of policy pushes Abkhazia towards the Russian Federation, Gogua warns. In this context, he considers the Russian-Abkhazian relations relatively more harmonious especially after the distribution of the Russian passports

after 2003. Yet he is still optimistic about the Abkhazian-Turkish relations. He proposes that maritime connections should be developed between Turkey and Abkhazia as a concrete step. Additionally, he reminds that a sizeable Abkhazian diaspora lives in Turkey and, hence, the importance of "human contacts" between Turkey and Abkhazia cannot be ignored. He also notes that Turkish and Abkhazian businessmen can find good common opportunities especially in the preparation process for the 2014 Sochi Olympics in sectors such as cement trade with Turkey's black sea region.

As a successful repatriate himself, he underlines the issue of repatriation for Abkhazia and the Abkhazian diaspora whose largest community lives in Turkey since the second half of the 19th century. Diaspora's relations with Abkhazia are perceived as very important for the economic development of Abkhazia. However, Gogua complains that current level of diaspora's overall interest in Abkhazia does not match the level in the days of open war with Georgia.

### 4.2. Mining sector: coal mines

**Interview with T.A., 14 February 2007, Sukhum**

T.A. is another Abkhazian repatriate businessman living in Abkhazia for 14 years. His company has rented Tkvarcheli coal mine facilities from the Abkhazian Ministry of Economy in 2001 to pay with royalty rent. Based in Istanbul, Turkey, the company has 250 employees and an office in Sukhum. The company has begun its investment activities in Abkhazia in 2002.

The company invested USD 10 million in equipment. The initial investment program lasted 2.5 years and the exploitation of the Tkvarcheli mine started in 2004. The production level increased from 43.000 tons (2004) to 64.000 tons (2005) and 85.000 tons (2006). At the beginning, 70% of the employees were from Turkey and 30% were locals. As of 2007, 15% are foreigners and 85% locals. Main difficulties to start the enterprise were the lack of manpower, poor logistics and lack of technical experts. All had to be supplied from Turkey.

The company installed a 10 km long pipeline to bring down the coal as the mine is at 1700 meters height. The coal is carried down from 1700 meters to 500 meters with a hydraulic pipeline system. The mix passing through that plastic pipeline is dust coal composed of 70% water and 30% coal. Coal is transported to the city of Tkvarcheli by trucks. In Tkvarcheli coal output is loaded on train and sent to Ochamchira, an industrial city. Marble, cement and some other products are also transported to Ochamchira on railways. The company has also renovated the Ochamchira port for coal export. The snow level reaches in Tkvarcheli 5 meters Between January and February, all work stops. The actual active period of the coal mine facility is 8 months during which 1-2 ships depart from Ochamchira port per week. T.A. says they exported 175.000 tons of coal via 90 ship trips in the last period. The ships carry mainly coal and to a lesser extent metals.

The forced take-over of ships and fishing boats 60.000-70.000 away from the coast by Georgian coastguard, is a major source of concern. The Georgian authorities let the ships go after they charge a fine of 200.000 – 300.000 USD. Once, one of his captains lost his life. According to T.A., Turkish authorities recommend Turkish citizens not to visit or make business with Abkhazia. However, they tend to tolerate, though reluctantly, contacts, without taking responsibility for those who will travel to Abkhazia. Yet, T.A. points out to the impossibility to stop people as long as business with Abkhazia is profitable.

### 4.3. Perspective of a Turkish businessman from Trabzon

Z. I. is a Turkish businessman from Trabzon who has been living in Sukhum for years[35]. He speaks 6 languages, holds a university degree in mathematics and has previous business experiences in Trabzon, Ukraine, Bulgaria, South-Eastern Turkey and Sahara Africa. Enjoying

the economic liberalization wave of the 1980s in Turkey and the fall of the communist bloc, he set up the first Turkish company in Ukraine in 1990. His companies are based in Trabzon and have an office in Sukhum. Inci's business generally includes food and general consumption goods like flour, sugar, oil, pasta, olives and tomato sauce. According to Inci, imports from Turkey and Russian Federation dominate the market in Abkhazia.

Flour (90%), salt (100%), textile products (60-70%), sugar (70%), electronic house equipments (100%) are the major goods imported from Turkey. His company has a share in that general trade. Z.I. is also undertaking some hotel construction and management businesses in Abkhazia. His company's products, mainly Turkish ones, constantly compete with those imported from the Russian Federation. Yet, tourists from Russian Federation increase his company's business opportunities especially during the summer time. Sochi Olympics open more opportunities for Turkish companies. A hotel project with a capacity of 7000 persons on the Abkhazian-Russian border region is carried out by a Turkish company, he says.

Good local contacts are vital to make business in Abkhazia. Above all, comes trust in Abkhazian partners. Inci thinks that Abkhazia has as much assets as Switzerland but the country which lacks money, wealth and efficient public management. Local workers are not very disciplined or hard-working, he complains. He adds that there are too many public holidays in Abkhazia, 160 days a year.

## 5. Abkhazia's integration with Black Sea Region: pragmatism over formalism, integration over isolation

### 5.1. Questioning the embargo and blockade

Economic sanctions are "coercive foreign policy action of a nation in which it intentionally suspends customary economic relations such as trade or financial exchanges in order to prompt the targeted nation to change its policy or behavior"[36]. Otherwise they are policy tools used by governments to constrain business activity across borders with intended policy outcomes. Thus, economic sanctions are applied to deny a certain economic advantage to the target country in response to violation of legal rules embodied in international agreement or generally accepted international law.

Proponents of economic sanctions see them as necessary foreign policy to stop aggressing countries from disturbing international peace and security. They can be classified according to their rationale[37]. *Purposeful* economic sanctions are intended by the sender to inflict economic hardships and thus coerce the target into changing objectionable policies. *Palliative* economic sanctions are imposed to publicly register displeasure with the actions or policies of the target. *Punitive* economic sanctions are intended to inflict harm on the target country without explicit consideration of policy change. *Partisan* economic sanctions are intended to promote parachial commercial or other interests.

Identifying and understanding the underlying rationale(s) for a economic sanction is a critical step in assessing the efficiency of the sanction. The Council of CIS Heads resolution of 19 January 1996 was adopted as a "*Measures for the settlement of Conflict in Abkhazia/ Georgia*". The signatories denounced '*the destructive position of Abkhaz sides that creates obstacles to the political settlement of the issue and secure returning of refugees and IDPs*" and decided "*they will not have economic, financial or transport transactions with Abkhazian Authority*" without the agreement of the Georgian government. Georgia stated by issuing a presidential decree that the port points, sea border and Georgian-Russian border in the territory of Abkhazia will be closed for any kind of international transport. The economic sanctions against Abkhazia are punitive as they denounce the "*destructive position of the Abkhaz side*" and purposeful since they aim at settling the conflict, securing the return of refugees

and IDPs and restoring the territorial integrity of Georgia. Conforming to the embargo decision becomes a gesture of solidarity with the Georgian government and of attachment to the principle of its territorial integrity.

Cooperation is the key factor in ensuring success. Maximum amount of harm was inflicted on the population of Abkhazia during the period of Russian full cooperation with the embargo decision. Attempts of Turkish businessmen from the Black Sea coast to infringe the sanctions, either guided by profit or moral concerns, could bring a relative degree of relief. Medecins Sans Frontiéres in its report of December 2002 drew '*attention to the disastrous consequences of the embargo on the indigent populations*' and denounced the maintenance of '*a form of humanitarian embargo on top of the trade and military embargo*' and urged the international community to pay attention and provide assistance to the population of Abkhazia cut off from the rest of the world and living in precarious conditions[38].

In theory there is a difference between economic sanctions and economic warfare, the former represents "*a milder form of coercion employed to coerce or inflict punishment on the selected target",* the latter represents "*economic coercive measures employed during wars as part of the general military effort to inflict as much havoc, destruction and deprivation as possible*"[39]. However, both sanctions and siege warfare affect the economies of the target states, creating shortage of food, water, medical supplies. They both lead to a systematic deprivation of a whole city or nation of economic resources. The most harm done is to those who are least able to defend themselves, who represent the least military threat and who are the most vulnerable. Fast, multilateral and comprehensive sanctions are producing devastating results in terms of human and economic costs. The impact of the sanctions imposed on Iraq after the first Gulf War, was so large and the former UN Under-Secretary General Denis Halliday resigned from the UN in protest over a system he considered *"systematic genocide"*[40]. Sanctions can be instruments which contradict the spirits of the Human Rights Declaration and the principles that guide international law.

However, even during the period characterized by the cooperative stance of Russian Federation and the administration of high damage, the sanctions didn't bring any tangible policy outcome. Observers described the regime of sanctions as counter-productive for the settlement of the conflict. The United Nations Needs Assessment Mission to Abkhazia in February 1998 negatively assessed the blockade. As noted by the Mission, the embargo restrictions "*tend to solidify political positions without encouraging political compromise or facilitating economic integration*." The Mission suggested that these restrictions be eased in the interest of promoting reconciliation and of creating a better negotiating climate. The analyst, Jonathan Cohen noted in a paper published in 1999 "*Trade restrictions cause much hardship in Abkhazia but instead of forcing the Abkhaz to make political concessions, isolation generates a siege mentality that reduces the propensity to compromise". It also contributes to the development of a criminal and national resistance economy that undermines prospects for the entrenchment of the rule of law*"[41].

The Georgian President Shevardnadze appointed Aslan Abashidze as his special envoy for the conflict with Abkhazia in December 2001. The appointment followed Abashidze's official invitation by the special representative of the UN Secretary General, Dieter Boden, to become an active participant in the negotiation process. In order to alleviate the lot of the Abkhazian population, Shevardnadze's appointee for Abkhazia called for the abolishment of the economic sanctions imposed on the self-declared republic. Abashidze's approach to the conflict based on the assumption that a political settlement at the present moment was futile. In order to build the confidence necessary for a final resolution of the conflict, mediation had to focus on economic restoration and oth-

er less disputed issues, such as the resumption of rail communication between Russian Federation and Georgia and the transit of energy resources through Abkhazia. More recently, in January 2005, Irakli Alasania, just a month before being appointed by President Saakashvili as his aid in the Georgian-Abkhaz peace talks, pushed for a policy of pro-active engagement with Abkhazia[42], pointing out that in the past, Georgia sought to isolate Abkhazia politically and economically but that this isolation had not gotten Georgia any further in negotiations. Today Abkhazia is fully open on the Russian Federation and is integrating at high speed into the Russian economic zone and reaching to a lesser extent the outside world through Russia. It seems hard to imagine how the sanctions could have any more efficiency than what they had in the period when the Russian Federation was fully supportive of Georgian decision. In March 2008, Russian Federation lifted unilaterally the sanctions presenting its decision as a humanitarian gesture. The sanctions were depicted as meaningless which were only good at obstructing the implementation of socio-economic programs in the region and dooming the population to unjustified hardships. Georgian officials denounced Russian Federation's intention to entwine itself so tightly with Abkhazia that the region effectively remains a flash point for Georgia. Tbilisi keeps on insisting on retaining the sanctions as a bargaining chip for progress on refugee and IDP return and is ousting completely Abkhazia from the Georgian economic and social sphere. The maritime blockade becomes a symbolical way of defending its territorial integrity which as a matter of fact lets to Abkhazia only one vector of movement.

**Enforcement of the sanctions by Georgia**

**Maritime connections**

The Georgian coastguard detains regularly ships which enter Abkhaz waters or seaports without Tbilisi's permission on the purpose of *'illegal crossing of Georgian territorial waters'* and requires the payment of fines for illegally shipping goods to Abkhazia[43]. As explained by the trade flow, most of the ships are connecting the Abkhaz ports of Sukhum and Ochamchira with the Turkish ones. Georgian authorities detected that Abkhazia had maritime connections with mainly Turkey, Russian Federation, Ukraine but also more occasionally with Romania, Moldova, Italy and Spain.

From 1999-2003, the coastguard of Georgia's Border Protection Department detained over 40 ships. In 2002, 11 ships were detained. In 2003, the coastguard arrested 7 ships and a further 8 ships' captains were given official warnings. On 31 July 2003, the Turkish ship Selim 1 was officially auctioned in Tbilisi after the expiry of the legal period for appeal or the payment of fines for illegally shipping goods to Abkhazia. The Turkish liner Şeker Baba 3 was auctioned in June 2003 on the same grounds. It was purchased by residents of Poti for USD 66,700. In July 2004 Georgia fired on a cargo ship approaching Sukhum and threatened to sink any ships, including those carrying Russian tourists entering its waters without permission.

Reportedly Georgian authorities detained 22 vessels in 2004-2006. On 30 October 2006 the coast guard detained a Bulgarian ship whose owner was fined USD 448.000. Two fishing vessels, Russian and Ukrainian on 10 January 2007. The captains were sentenced to two months pre-trial detention. More recently, two other Turkish ships were detained: the ship 'Densa Demet' on 5 April, 2009 and the 'New Star' on 29 April. The later is still being kept of the port of Poti. On 17 August 2009, 'Buket' which is owned by DENSA Tanker was detained outside the Georgian territorial waters and brought to the port of Poti. It was later brought to the port of Batumi to be sold. The captain was sentenced to 24 years in prison on 31 August 2009 and set free on 4 September following the visit of the Turkish Minister of Foreign Affairs, Ahmet Davutoğlu, to Tbilisi. The attention of the Turkish authorities to the security of its citizens travelling to Abkhazia has increased since these last events[44].

The Russian Foreign Ministry issued a statement on 3 September 2009 warning Georgia againts '*further seizure of cargo ships en-route to Abkhazia by Georgian coast guard may cause serious armed incidents*[45]". Russia's state-owned Vesti television station reported on 21 September 2009 Russia deployed *Novorossiysk*, a coast guard vessel, to Abkhazia to protect its "*territorial waters*[46]."

**Crossing of Adler/Psou border crossing**

Georgia doesn't prevent travels to Abkhazia since the territory is officially within the national borders. Entering Abkhazia from the Russian Federation by crossing the Psou River is considered as illegal since Georgia border guards are not controlling the Adler/Psou border post. The administrative border at Inguri had been officially open until the 2008 August war. However the administrative border is a ceasefire line, militarized with a number of checkpoints, across which occasional shooting incidents might occur. Abkhaz authorities, though more suspicious, used to allow until August, crossings into Abkhazia at Inguri, as long as the traveller had a security clearance. Mainly international NGO workers and officials have been travelling to Abkhazia via Inguri with often the help of UNOMIG[47].

Besides this, local Georgian of the Gali region located on the Abkhaz side used to cross the ceasefire line. A shuttle service, financed by the European Commission, used to transport locals across the Inguri River. Limited trade was going on across the Inguri River: market traders in Abkhazia used to sell a combination of Russian, Turkish and Georgian products, and it was possible to find small quantities of Abkhaz products in Zugdidi. The Abkhaz leadership closed the administrative border after the 2008 August war which makes it increasingly difficult for the population to maintain family contacts, access necessary health care or sell their products on the other side.

However, the Adler/Psou has become the main gate for ordinary travellers to Abkhazia, namely tourists, petty traders and Abkhazians from the diaspora. In April, 2006, Russia authorized non CIS citizens with a double entry Russian visa to cross into Abkhazia[48]. This measure facilitated tremendously human to human contacts between Abkhazia and Turkey. Before April 2006, Turkish citizens were either traveling on ships taking the risk to violate the blockade or were trying their chance to cross into Abkhazia by bribing Russian border guards at Adler. The integration process with Russian Federation has been transforming the Adler/Psou post into a relatively friendly one, the renovation of the road to Sukhum facilitated movements. In contrast, the administrative border is remaining a ceasefire line, the road crossing the Gali region and connecting to Sukhum is in a very poor condition.

Crossing into Abkhazia from Russian Federation, considered illegal, is punishable in Georgia. The authors know that some CIS citizens have been annoyed for these reasons by Georgian authorities who seem less strict with the holders of Turkish passports. Today, crossings at Inguri are not anymore an option. The UN Secretary General in his last report[49] is underlining the need to facilitate the freedom of movement of the local population across the ceasefire line.

### 5.2. The role of Turkey in ending Abkhazia's isolation

Turkey responded positively to the CIS call for imposing economic sanctions on Abkhazia and canceled direct cruises between the ports of Trabzon and Sukhum in 1996. Officially the maritime link between Turkey and Abkhazia is closed. Turkey is justifying its compliance with the isolation regime by respect for the territorial integrity of Georgia.

Abkhazian Diaspora organizations in Turkish and the business community of the Black Sea

have been actively advocating for the reopening of the maritime link between Trabzon and Sukhum. More recently, to the request for the resumption of the ferry connection has been added the demand for a flight connection between Istanbul and Sukhum. As voiced by the the signature campaign "*for Trabzon-Sukhum marine and Istanbul-Sukhum flight transports, Lift the transportation embargo on Abkhazia!*" launched in November 2008, the need for direct transportation connections are justified because of family, friendship and business links bridging Turkey to Abkhazia. It is also emphasized that the restoration of logistics links will "*make a great contribution to Turkey's relationship with Abkhazia and other North Caucasian states. Abkhazia, which currently consists of only the Russian Federation border gate, wishes to improve its relations with Turkey and to diversify its contacts with the rest of the world. It is beyond doubt that enabling direct transportation between Turkey and Abkhazia is the most effective way to ally both countries economically, politically, socially and culturally*".

The government and the Ministry of Foreign Affairs in Turkey are aware of the beginning of a new order in southern west Caucasus after the 2008 August war.

The number of requests addressed to the Parliament by the intermediary of members of Parliament from the main opposition of the Republican People's Party (CHP) has increased since the recognition of Abkhazia by Russia. In October 2008, Onur Öymen, deputy of Bursa, requested a written answer by a motion to censure from the Minister of Transportation. In November 2008, Tayfun Süner, a CHP member of Parliament from Antalya addressed the same question to the Ali Babacan, Minister of Foreign Affairs. More recently, on 7 May 2009 Atilla Kart, CHP Member of Parliament from Konya questioned the Prime Minister, Erdogan.

Abkhazian diaspora is generally critical of the officially pro-Georgian attitude of Turkey. Thanks to the efforts of the diaspora organizations, especially "Kafkas–Abhazya Dayanışma Komitesi" – KADK (the Caucasus–Abkhazia Solidarity Committee), Turkey has started accepting the Abkhazian diaspora as a legitimate interested party in Turkey's relations with Abkhazia and Georgia. Official Abkhazian policy discourse also makes direct and regular references to the "diaspora factor". This special position of the Abkhazian diaspora is also acknowledged by Georgia. The Solidarity Committee is a regular attendant and/or follower of all Abkhazian-Georgian talks taking place in Turkey and even the Russian Federation since the early 1990s. Based on the legacy of historically warm and friendly relations between the Turks and the Abkhazians since the Ottoman period and early days of the Turkish Republic, the Abkhazian diaspora has been continuing its efforts to persuade Turkish policy makers to take new if not radical initiatives with regard to Abkhazia. Turkish recognition of the Abkhazian independence is an undisputed priority for the Abkhazian diaspora but given the political realities and patterns of Turkish foreign policy and international diplomacy, the diaspora follows a realistic stance by not ignoring secondary goals such as the facilitation of transport and business contacts between Turkey and Abkhazia. These efforts can be given more chance as constructive and less political steps in Turkey's relations with Abkhazia and Georgia[50].

Turkey is generally receptive. Turkish diplomats have been working on the issue of the reopening of the ferry link between Trabzon and Sukhum for a few years with the Georgian authorities. It seems unthinkable that Turkey unilaterally decides to resume the ferry link while the Georgian coast guard is keeping on detaining Turkish ships. The connection has to be legalized, or at least formalized. Georgian and Turkish authorities have been considering the possibility that the ferry makes a stopover in Batumi for the customs procedures before

heading to Sukhum. Turkey is now presenting to the Georgian authorities the opening of the ferry link as a confidence building measure for the settlement of the conflict.

It will indeed be a confidence-building measure since Abkhazians will start looking southward, towards Turkey. Turkish-Georgian borderland is fully open to human and trade interactions. The Sarp/i village once divided by the security fence of the Cold War, is being reunified through intense cross-border cooperation. Adjaria is integrating with the Turkish Black Sea coast. The closed village of Gogno is hosting dinners between Turkish and Georgian business partners. Inspired by the European experience, Turkish and Georgian authorities have been working at making meaningless the border dividing them. Turks and Georgians can visit each other without visa. Georgia is currently the only former Soviet country to have waived the visa requirement for Turkish citizens. The Batumi airport, which is built and is being managed by the Turkish company TAV is being used for domestic flight connections of Turkish Airlines between Istanbul and Hopa, Artvin. The practices at the Geneva airport have been transferred to Batumi. The Sarp/i border crossing will also start functioning under Swiss standards with a unique customs point. The pragmatism and willingness to cooperate behind the move aiming at transcending the common border should guide Georgian and Turkish efforts to resume the ferry link.

Turkish Deputy Undersecretary Ambassador Ünal Çeviköz visited Abkhazia on 10 September 2009 on the sidelines of Foreign Minister Ahmet Davutoğlu's official talks with Tbilisi. This has been first-ever visit by a high-ranking Turkish diplomat to Abkhazia.

**5.3. The importance of in-land transportation links**

From the Abkhaz official perspective, ending the isolation should be mainly reached with the establishment of the direct maritime connections. The establishment of direct maritime links should help to develop bilateral relations with neighbors around the Black Sea. The issue of the restoration of in-land transportation links is looked upon with more suspicion since they imply *'transiting'* across Georgia. The idea that '*going through Georgia'* might jeopardize *'independence'* is widespread. Ending the isolation, opening up Abkhazia and integrating the Black Sea region should be the priority. Linkage with political issues blurs the overall positive impact of opening communications links.

The Trabzon-Sukhum ferry link will allow Abkhazians to have a direct access to a second country. Furthermore, the restoration of the in-land transportation axis has the potential to boost regional integration. The Turkish entrepreneurs from the Black Sea region bitterly recall the time when they could reach Sochi by road through Batumi in 6 hours, the maritime connection takes 12 hours. Abkhazia occupies a strategically important position as a land bridge linking Russian Federation and Europe with Georgia, Azerbaijan and Armenia, as well as with Turkey and the countries of the Middle East. Automobile and railway lines going through Abkhazia can serve as crucially important transit routes for the movement of people and goods. Its three seaports in Sukhum, Ochamchira and Pitsunda, are conveniently situated in the proximity of railway and road lines, and can be used both as passenger and cargo ports. A major infrastructure project comes also on the agenda: a Caucasian highway pass road which would connect with the republics of the Northern Caucasus and provide the access to the sea for the North Caucasian republics. This highway would give Turkey and other countries of the Middle East a convenient, short way towards Southern Russia, North Caucasus and Russia.

**The issue of the opening of the railway – the background**

Spanning the Inguri River near Zugdidi are the rusty remains of the Sochi-Tbilisi railway bridge: its demolition has meant the severance of economic and communicative ties between Georgia and the territory of Abkhazia, as well as the disruption of rail trade between Armenia and Russian Federation. Talks about reopening the line between Tbilisi and Abkhazia's capital, Sukhum, first started at the end of 90's. The Sochi talks focused on reopening the southern section of the railway line, which would effectively end Abkhazia's isolation.

On 7 March 2003 Russian Federation President Vladimir Putin and Georgia's ex-President Eduard Shevardnadze signed an agreement in Sochi envisaging a "synchronization" of the two processes – the return of the internally displaced persons to Abkhazia's westernmost Gali region and the resumption of the railway connection. The two presidents also agreed to set up two separate bilateral governmental commissions to work over these issues[51]. The intensification of trilateral talks after the Sochi agreement brought the perspective in 2004-2005 of a breakthrough in the dispute over the re-opening of the railway link between Abkhazia and its neighbors. Georgia and Abkhazia agreed to conduct a joint study on the feasibility of reopening the railway link. Following preliminary talks, it was agreed a research group which will contain Georgian, Abkhaz and Russian specialists will visit the Zugdidi region of western Georgia and the Gali and Ochamchira regions of Abkhazia to study the state of the railway line[52].

Economists estimated that it will cost around 65 million USD to fully reopen the railway. Russian Railways estimated that 100 million dollars are needed for its restoration. Most of the railway route is in an appalling condition. It takes around six hours to travel the 130 km between Sukhum and Sochi on a track that has not been repaired since Soviet times. The 80-km stretch south of Sukhum to the western Georgian border is in an even worse condition. Sleepers are rotten, rails are worn out and small stations are entirely dilapidated. After the town of Ochamchira, two-thirds of the way down the Black Sea coast, the railway line has virtually ceased to exist. 60 kilometers of track, between Zugdidi, administrative center of the Georgian region of Samegrelo, and Ochamchira have been removed from the railroad and sold for scrap metal[53] and burnt the semi-rotten sleepers as firewood. Even the railway embankment has been cleared away and it is hard to see where the line used to go. According to some estimates, it might take three years to restore this section of the railway.

**Economics and Politics**

Georgians have been linking the issue of refugee return with that of the railway, while the Abkhazians view the question of restoring railway communications as a purely economic problem which can't be accompanied by political demands. Another stumbling block has been the issue of customs and border posts and the security of railway traffic through Abkhazia as a whole. Previously, the Georgian government insisted it must have the right of inspection on the border crossing between Abkhazia and Russia at the

Psou River – the point that is still internationally recognized as the Russian-Georgian border. Otherwise, went the argument, cargoes would be crossing unauthorized territory without being checked.
There are people who feel the railway could be a threat to national security: Securing and protecting the railroad was Georgian Defense Minister Tenghiz Kitovani's pretext for sending the Georgian National Guard into Abkhazian territory in 1992 while fighting a civil war with forces loyal to deposed Georgian President Zviad Gamsakhurdia.

**Milestones**

**28-29 January 2003:** During the informal summit of the heads of states of the CIS in Kyiv on, President Putin and Shevardnadze discussed the re-establishment of the railway link between Sochi and Tbilisi and the return of the internally displaced persons and refugees.

**6-7 March 2003:** Meeting in Sochi. Two presidents agreed to create working groups that would address the return of refugees and IDP to the Gali district, the reopening of the railway between Sochi and Tbilisi, energy projects, including the modernization of the hydroelectric power station Inguri-CES.
It was understood that the opening of the railway would proceed in parallel with the return of refugees and IDPs. Abkhaz de facto Prime Minister Gennadii Gogulia took part in some of the deliberations in Sochi.

**15-16 June 2005:** The Russian Federation convened the so-called Sochi working group on the rehabilitation of the Sochi-Tbilisi railway and on the return of refugees and IDPs in Moscow
Decision to form an expert group that would meet to discuss the security and other practical aspects of conducting a technical survey of the Psou-Inguri section of the railway which includes the Inguri Bridge.

**2 July 2005:** meeting at UNOMIG HQ in Gali. 2 expert-level meetings in Tbilisi and Sukhum. To discuss further the modalities of the technical survey of the Psou-Inguri section of the railway.

Kodori events occurred as the negotiation process was on track
Invasion of an Abkhazian portion by Georgian military, Kodori was under protection according the 1994 agreement, part of the demilitarized zone.

**Regional economic impact**
All sides acknowledge that the reopening of the railway would transform the economic landscape of the region. This railway line links not only western Georgia and Abkhazia but was, before 1992, the main north-south freight and passenger route between Russian Federation and the Southern Caucasus. In the intervening decade, Armenia was hardest hit by the loss. The restoration of the connection will establish a North-South transport corridor and land bridge to Iran. Plans to revive overland traffic between eastern Turkey and southern Russia through Georgia and Abkhazia have been thwarted by

Abkhazian-Georgian conflict.

The Russian government proposed in November 2004 to create a joint entity of the Russian, Georgian, Armenian, and Azerbaijani railways for operating the South Caucasus Railroad, from the Russian-Georgian border via Abkhazia to Tbilisi, Yerevan, and Baku. The project was envisaging to set up a joint operating company to manage and upgrade the railroad, and a joint bank to finance restoration and upgrading[54]. Letters of intent were signed with the Armenian officials on their countries' participation in the proposed four-country joint company. The announcement that Moscow and Yerevan were going urgently to task an expert group to draw up investment and business plans for the reconstruction of the railroad's Abkhaz and Armenian sections was made.

In Tbilisi, Prime Minister Zurab Zhvania and Economics Minister Kakha Bendukidze signed also a memorandum of understanding on creating expert groups for the project, focusing on restoration of the railroad's Abkhaz section. According to the Russian Transportation Minister Igor Levitin, the memorandum signed with Georgia on 1 November included two issues: the opening of the railway section that links Sukhum to Inguri and the establishment of a new ferry-railway connection between Russian Federation and Georgia[55]. Indeed, Russian Federation and Georgia signed an agreement on opening a direct railway ferry between the Black Sea ports of Poti and Kavkaz. The Poti-Kavkaz ferry is not only important for Russian Federation and Georgia. Armenia, Azerbaijan and Central Asian countries are expected to benefit from the new link. The ferry connection stretches between the Georgian port of Poti and Russia's industrial terminal of Kavkaz. Kavkaz is a main export outlet for crude oil, oil products, and fertilizers. Its location on the Kerch Strait that links the Black Sea to the Sea of Azov makes it a major hub for goods meant to countries of the Mediterranean Sea basin. The connection aimed to provide a direct link between the South Caucasian countries and Russian Federation: access from Poti to South Russia was usually made via the Ukrainian port of Illichivsk located in south of Odessa.

In May 2006, the authorities of Russia, Georgia, Armenia and Abkhazia set up a consortium to restore the railroad. However, the escalation of tensions between Moscow and Tbilisi in the Autumn 2006 prevented the implementation of the project. Moscow seemed to have been striving to resume talks on these agreements. Russia requested that the railroad communication be restored as it suspended its ban on transport links with Georgia in April 2008. The mission of the Russian Railroad Construction Forces in summer 2008, which raised great concern in Georgia as 400 Russian military were deployed for this purpose, is said to have been motivated by the restoration of the railway link between Sukhum and Ochamchira. Sergey Bagapsh announced on 15 May that the management right of the railway would be transferred to Russian Federation for ten years and that Russian Railways would allocate 2 Billion Rubles for the renovation work[56]. As reported by Kommersant in June 2008, the issue of the complete restoration of the railroad and resumption of the communication from Russia towards Georgia and Armenia was again on the agenda. The head of the Georgian Railways assessed the cost of the restoration of the portion of the railroad in Abkhazia at USD 241 million[57].

**Conclusion**

Ending the isolation, opening up Abkhazia and integrating the Black Sea region should be the priority. Linkage with political issues blurs the overall positive impact of opening communications links. Georgia has a stake in a policy of pro-active engagement with Abkhazia. Past efforts at isolating Abkhazia politically and economically had not gotten Georgia any further in negotiations. Observers described the regime of sanctions as counter-productive for the settlement of the conflict. Turkey can play a major role in overcoming the isolation of Abkhazia. However it is unthinkable that Turkey unilaterally decides to resume the direct transportation links with Abkhazia. The connection has to be legalized, or at least formalized. The pragmatism and willingness to cooperate behind the move aiming at transcending the common border should guide Georgian and Turkish efforts to resume the ferry link. Abkhazia occupies a strategically important position as a land bridge linking Russian Federation and Europe with Georgia, Azerbaijan and Armenia, as well as with Turkey and the countries of the Middle East. A major infrastructure project comes also on the agenda: a Caucasian highway pass road which would connect with the republics of the Northern Caucasus and provide the access to the sea for the North Caucasian republics. This highway would give Turkey and other countries of the Middle East a convenient, short way towards Southern Russia, North Caucasus and Russia.

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