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POLITICAL STABILITY OF NEWLY INDEPENDENT COUNTRIES UNDER CONDITIONS OF MODERNIZATION

(ARMENIA, GEORGIA, AZERBAIJAN,
RUSSIA, BELARUS, KAZAKHSTAN,
KYRGYZSTAN, UKRAINE, MOLDOVA)

Edited by ARUSYAK ALEKSANYAN



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POLITICAL STABILITY OF NEWLY INDEPENDENT COUNTRIES UNDER CONDITIONS OF MODERNIZATION

*(Armenia, Georgia, Azerbaijan, Russia,
Belarus, Kazakhstan, Kyrgyzstan, Ukraine, Moldova)*

Edited by ARUSYAK ALEKSANYAN

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This book presents a comparative analysis conducted through methodology of the Stability Index of Political System and considers transformations and main stages of modernization occurring in the political systems and regimes of newly independent countries, such as Armenia, Georgia, Azerbaijan, Russia, Belarus, Kazakhstan, Kyrgyzstan, Ukraine and Moldova. The book includes comprehensive studies of political, economic and social processes as well as situations that impact and condition the stability of the above-mentioned 9 independent countries in a span of 2000-2017. In-country and Cross-country analyses have been carried out within the framework of methodology of the Political Stability Index. In-country analysis refers to political, economic and social factors trends affecting the stability of the newly independent states within the mentioned period of 2000-2017. Cross-country analysis reveals comparative indicators of political stability in 2017. This book is intended to be used by scholars, experts and students at universities and research centers.

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INTRODUCTION

The stability of the political systems of the newly independent countries is one of the main issues tackled and studied by comparative and applied political science, where trends in social transformations and modernization are predicted with comprehensive studies.

The challenges of the new millennium have made urgent the issues related to sustainable development and security on global, regional and national level. Particularly, the conflict zones in the post-Soviet area, the escalation in civil disobedience, revolutions and coups d'état, the financial and economic crisis, as well as other issues led to the manifestation of political instability. Meanwhile, an assurance for sustainable progress is mainly preconditioned by political and socio-economic stability, therein highlighting "government-opposition" dialogue and civil participation.

The introduction of methods and development of new tools and approaches to measure democracy are the issues that scholars of modern political science endeavor to tackle. In this regard, application of the measurement model of political stability, i.e. Stability Index of Political System (SIPS) was important and relevant in conducting researches on democratic processes in certain post-Soviet countries. Unquestionably, the studies of qualitative and quantitative approaches, compared and combined with each other, are considered the most profound and multifaceted. These approaches opt to conduct the most insightful and scientifically substantiated research, by revealing the common patterns as well as peculiarities of political and socio-economic processes of the countries in question. Specifically, the SIPS methodology toolkit, applied in this research, allows to identify existing indices, approaches, models and theories within the framework of the interdisciplinary research. It shall be mentioned that SIPS methodology was primarily applied in a scientific article with a title "About the Model of Political System Stability Assessment" (on the Example of

the RA) which was published in 2009. Later, numerous pieces of research were conducted with the application of the above-mentioned methodology, precisely “The Political Stability Index of the South Caucasus, EurAsEC and EU Member States (in-country and cross-country analysis)” published by YSU press in 2013. In the meantime, this publication is highly emphasized in the context of a comparative analysis of processes aimed at improving the SIPS methodology and modernizing political systems of the new independent countries. In this regard, political systems of the countries mentioned in this research have common features and peculiarities which were observed in establishment and development processes and which are displayed in processes of promoting a dialogue and, on the contrary, forming an opposition between political elite and civil society. Common features and peculiarities of the development processes are also accompanied with discrepancies in resources, varieties of political culture and identity, levels of tension in the conflicts, disproportionate socio-economic development, polarization of geopolitical alliances and choices of integration models.

The expansion of EU and North-Atlantic Treaty programs prompts the inclusion of the newly independent countries with different formats. Georgia, Ukraine and Moldova have been deepening their strategic cooperation with the EU within the framework of economic and political components of the Association Agreement.¹ In reference to the Republic of Armenia, it has a unique status in European and Eurasian models attempting to compare and combine bilateral and multilateral ties and relations. It is worth mentioning that the RA is a member of EAEU and CSTO. Moreover, after carrying successful negotiations, it signed the “Deep and Comprehensive Free Trade Agreement”² with the EU. Meanwhile, Azerbaijan is preparing to reopen new negotiations

¹ See the official site of the EU delegation to Georgia, https://eeas.europa.eu/delegations/georgia_en/9740/EU/Georgia%20Association%20Agreement (11.08.2018), the official site of the EU delegation to Ukraine https://eeas.europa.eu/node/10420_en (11.08.2018), the official site of the EU delegation to Moldova https://eur-lex.europa.eu/legal-content/ro/TXT/?uri=uriserv:OJ.L_.2014.260.01.0004.01.ENG (11.08.2018).

² See the official site of the Ministry of Foreign Affairs in the Republic of Armenia <https://www.mfa.am/filemanager/eu/cepa.pdf> (11.08.2018).

with the EU by expressing its preference for deepening bilateral relations with Russian, Belarus and Kazakhstan on a Eurasian platform.

Armenia and Artsakh are facing serious obstacles in processes aimed at integration with Azerbaijan due to an unresolved and unsettled conflict between them. The increase in military expenditures and arms race is one of the latest manifestations of the conflict.

The EAEU member countries are attempting to safeguard a mutually beneficial cooperation and unity through various economic procedures, and they are faced with a number of obstacles typical of economies of the countries in transition. Russia, Belarus, and Kazakhstan, having enough natural resources and economic ties, tend to seek supremacy rather than cooperation in the Eurasian economic market. In this respect, Armenia and Kyrgyzstan have appeared in unfavorable conditions in the EAEU, hence failing to completely realize the full potential of cooperation.

In general, the stability of the political systems of the newly independent countries is conditioned by the processes aimed at reinforcing sovereignty, wherein the clashes may endanger a social and regional harmony. In view of issues under consideration, it is worth mentioning that the tension between Russia and Western European countries, the EU, Council of Europe, OSCE, NATO as well as other structures, impede the regional stability.

Thus, the purpose of the study is to evaluate trends in the Stability Index of Political Systems of the newly independent countries and their three components, namely: the Political, Economic and Social Factors Indices under the conditions of modernization. The study encompasses the political and socio-economic processes of post-Soviet states with focusing more intensively on the developments occurring in the new era as well as on the timeframe since their independence.

The work consists of In-country and Cross-country analyses.

In-country analysis includes the study of Stability Index of Political System (SIPS) of each country and trends in the Political, Economic, Social Factors (PFI, EFI, SFI), affecting it throughout 18 years (2000-2017).

Cross-country analysis is a comparative analysis and estimation of SIPS of 9 post-Soviet countries and PFI, EFI, SFI conditioning it, which were measured during 2017.

The book is composed of an introduction, executive summary, eleven chapters and Index. The methodology of the Stability Index of Political System is presented in the first chapter. Chapters 2 to 10 examine the results of in-country analysis, namely, trends in stability of the political system of the countries, such as Armenia, Georgia, Azerbaijan, Russia, Belarus, Kazakhstan, Kyrgyzstan, Ukraine, and Moldova, as well as factors conditioning the stability of all 9 countries in a span of 2000-2017. Results of Cross-country analysis are concluded in Chapter 11. Besides, the latter includes a comparative analysis of the Stability Index of Political System ratings estimated by a scaling range in 2017 as well as tables of its 3 components, precisely Political, Social, and Economic Factors.

ARUSYAK ALEKSANYAN

EXECUTIVE SUMMARY

The research titled “Political Stability of Newly Independent Countries under Conditions of Modernization (Armenia, Georgia, Azerbaijan, Russia, Belarus, Kazakhstan, Kyrgyzstan, Ukraine and Moldova)” was conducted by the following team: Arusyak Aleksanyan (Doctor of Philosophy in Political Science) and Ashot Aleksanyan (Degree of Doctor of Sciences /Political Sciences/), who are lecturers and experts of the Centre for European Studies, as well as Artyom Tonoyan (Doctor of Philosophy in Philology), Associate Professor and lecturer at Chair of Oriental Studies, Yerevan State University (YSU), as well as MA graduates Carolina Dodon, Mariam Khizanashvili and Nazira Ibraim Kyzy of the faculty of Human Rights and Democratization at Centre for European Studies, YSU.

Within the framework of methodology the qualitative and quantitative methods were applied to measure Stability Index of Political System (SIPS) and the contributors conducted a comparative research work on Political, Economic and Social Factors Indices of the above-mentioned 9 countries. Accordingly, the SIPS indicators were collected within the period of 18 years (2000-2017) and referring to 19 indicators for nine post-Soviet countries. They are grouped and combined by 3 measures or sub-indices, such as Political (PFI), Economic (EFI) and Social Factors Indices (SFI).

SIPS values measured for some years, as well as values of PFI, EFI, SFI, estimated and collected by the research team for the mentioned period may slightly differ from those correspondingly³ published in the previous research. This is conditioned by the fact that data are regularly in the processes of

³ See **Aleksanyan, Arusyak**, ed. (2013) The Political Stability Index of the South Caucasus, EurAsEC and EU Member States (in-country and cross-country analysis). Yerevan: Yerevan State University Press.

development, adjustment and replenishment. Hence, a slight difference of collected SIPS data and its sub-indices is noticeable when compared to previous publications since the input of new data may condition the change of the lowest and highest values of some variables.

In relation to the process directed to research work, contributors used data provided by reliable sources, such as World Bank, World Trade Organization, International Monetary Fund, International Labor Organization, and National Bank Statistical Services as well as those supplied by international governmental and non-governmental organizations. In this context, official publications made by state authorities and local self-government bodies, speeches and interviews of high-ranking officials, expert analyses and media publications have been also observed in the SIPS report of all 9 countries.

As a result of the comparative analysis for SIPS in a span of 2000-2017, a repository consisting of more than 3500 data was created.

Hence, sources that were used to collect, calculate and process data necessary for SIPS research are as follows:

1. Political Factors:

- 1.1. Foreign direct investments* (% of GDP/US dollars) (World Bank indicators, data provided by National Statistical Services),
- 1.2. Index of Economic Freedom** (World Bank indicators, data provided by National Statistical Services),
- 1.3. Index of Political Rights (Freedom in the World report of Freedom House),
- 1.4. Index of Civil Liberties (Freedom in the World report of Freedom House),

* The inclusion of this variable as a political factor is acceptable, as fluctuations of political stability will shortly have its direct influence on investments.

** Index of Economic Freedom has been included in the political factors index, as it denotes guarantees for the construction of legislative body and property rights, efficiency of a judicial system and is regarded as one of the most important indicators of political stability and democratization.

- 1.5. Corruption Perceptions Index (Transparency International reports),
- 1.6. Civil disobedience (estimated by the researcher),
- 1.7. Conflict Presence (estimated by the researcher),

2. Economic factors:

- 2.1. Gross domestic product per capita, US dollars (data provided by National Statistical Services, World Bank indicators),
- 2.2. External trade turnover (% of GDP/US dollars) (data provided by National Statistical Services),
- 2.3. Domestic credit (% of GDP) (World Bank indicators),
- 2.4. Inflation rate (%) (data provided by National Statistical Services, World Bank indicators),
- 2.5. Shadow economy, % of GDP (International Monetary Fund report)
- 2.6. Budget deficit (% of GDP) (World Bank indicators, data provided by National Statistical Services),

3. Social Factors:

- 3.1. Human Development Index (United Nations Development Programme reports),
- 3.2. Real wage, US dollars (estimations by the researcher based on the data provided by National Statistical Services),
- 3.3. Employment (%) (World Bank indicators),
- 3.4. Crime rate per 1000 people (data provided by National Statistical Services),
- 3.5. Poverty rate (%) (data provided by National Statistical Services, World Bank indicators),
- 3.6. Gini index (World Bank indicators, data provided by National Statistical Services).

ARUSYAK ALEKSANYAN

CHAPTER 1.

STABILITY INDEX OF POLITICAL SYSTEM: METHODOLOGY AND RELEVANCE*

ARUSYAK ALEKSANYAN

The significance of maintaining the political systems stability is strongly accentuated, particularly under the current conditions of political and socio-economic development. Regardless of the political regime, governing traditions and norms existing in the country, as well as the level of its socio-economic development, the importance of sustaining its stability is permanent and stable. The stability of the political system is a complicated, multifaceted and multi-dimensional phenomenon. Hence, there is no generally and clearly formulated definition in professional literature. In view of assessing political stability, experts emphasize a number of factors, such as subsequent change of the power, rule of law, low level of corruption, stable institutions, the existence of legitimacy, moral norms, political culture and efficient entrepreneurial environment, lack of violence, socio-economic development and etc. (*Rawls 1971; Hurwitz 1973; Ake 1975; Sanders 1981; Lipset 1981; Powell 1982; Paldam 1998; Hantigton 2006; Shepherd 2010; Логинов 2008*). These multilayered approaches to the concept of “political stability” is also conditioned by the fact that either democratic or totalitarian and authoritarian political systems can be stable as such. In essence, in non-democratic political systems political stability can be assured by dint of socio-economic achievements, as well as through violence, pressure (including ideological) and fear. For this reason, retroactive

* Arusyak Aleksanyan developed the methodology to estimate the Stability Index of Political Stability (SIPS) within the scope of her PhD thesis.

processes are very likely to be observed in the mentioned political systems, therein making political stability, as a rule, less durable.

Therefore, the political stability is generally expressed with a sustainable functioning of current political, social and economic institutions in the society, with the preservation of legal, political and moral norms, as well as respect to some socially important traditions; hence, promoting an effective functioning and development of the given social system without any alterations of its structure.

The above-mentioned discussions outline the relevance of the methodology of the political system stability, thereby dividing the majority of the mentioned factors into three groups: political, economic and social.

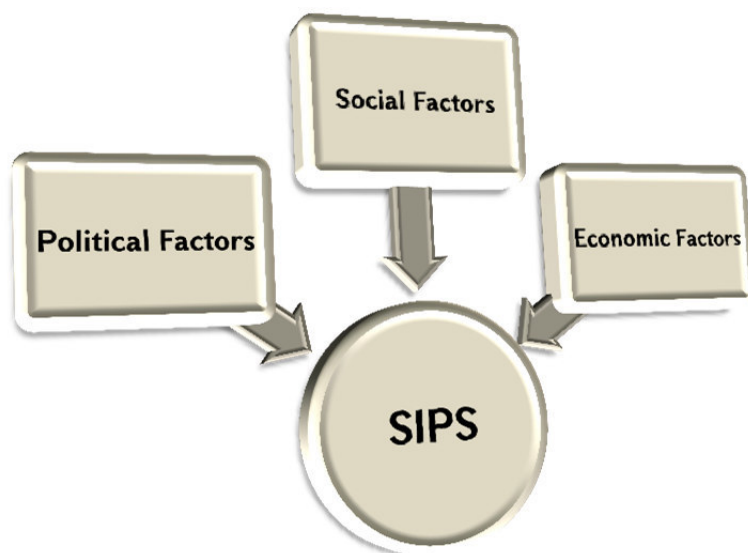
The method of constructing indices has been applied when modelling the political system stability (*Aleksanyan 2009; Mazziotta & Pareto 2013*). In this regard, it should be noted that to measure the political stability the quantitative approaches opt to compare not only with the political stability of the same country measured at different periods, but also with the political stabilities of different countries (*Aleksanyan 2013*).

Thus, during the modelling process the provision was based on the assumption that factors influencing the political system stability can be divided into three groups: political, social and economic.⁴

⁴ The choice of variables included in the SIPS model was explained by means of construction and separation method of their correlation matrix. Initially, 30 variables were included, but only variables with strong correlation were later separated ($R \geq 10,71$). The variable of GINI index was an exception, as it has a strong correlation with the level of poverty. Nonetheless, taking into account the fact that polarization of a society is a significant and important tool to measure the Stability Index of Political System, it was also included in the model.

Figure 1

Factors affecting Stability Index of Political System



Indicators of political dimensions conditioning Index of Political Stability

1. Foreign direct investments (FDI)
2. Index of Economic Freedom (IEF)
3. Index of Political Rights (PR)
4. Index of Civil Liberties (CL)
5. Corruption Perceptions Index (CPI)
6. Civil disobedience (CD)
7. Presence of conflict (Conf.)

Indicators of economic dimensions

1. Gross Domestic Product per capita, ppp (GDP)
2. External trade turnover (T)
3. Domestic credit (DC)
4. Inflation rate (Inf.)
5. Shadow economy (Sh.E.)
6. Budget deficit (Def.)

Indicators of social variables that affect the Index of Political Stability

1. HDI (Human Development Index)
2. Real wage (W)
3. Unemployment (U)
4. Crime rate per 1000 people (C)
5. Poverty (P)
6. GINI index (Gini)

Stability Index of Political System comprises of indicators presented by official statistics, newly developed variables as well as existing indicators regularly released by renowned international organizations. The calculation methodology and the nature of certain variables and indices included in the model are the following:

The Index of Economic Freedom (IEF) is measured by The Heritage Foundation and Wall Street Journal and is graded on a scale of 100 points (max) and 0 point (min). Countries estimated with 0-49,9 scores are assessed “repressed,” from 50-59,9 “mostly unfree,” from 60-69,9 “moderately free,” from 70-79,9 “mostly free” and from 80 to 100 “free.” The Index covers 12 freedoms: 1. property rights, 2. judicial effectiveness 3. government integrity, 4. tax burden, 5. government spending, 6. fiscal health 7. business freedom, 8. labour freedom, 9. monetary freedom, 10. trade freedom, 11. investment freedom and 12. financial freedom. To calculate SIPS 2017, IEF 2018 was considered as the latter includes the indicators measured for the period covering July 01 2016 - June 30 2017 (*Heritage Foundation and Wall Street Journal 2018*). In general, IEF, as one of the essential indicators of political stability and democracy, reflects guarantees for maintaining proper legislative system and protecting property right. Hence, that is the reason that the index was included in the political factors. When standardizing the data, max 100 and min 0 are considered the highest and the lowest values.

Indices of Political Rights and Civil Liberties are measured by Freedom House organization, within the Freedom in the World research. To estimate SIPS 2017, Freedom in the World report 2018 was used covering the

developments occurred within January 01 - December 31 2017 in 195 countries and 14 select territories (*Freedom House 2018*). Analysts who report and evaluate the collected data use a combination of on-the-ground research, consultations with other experts, as well as information from news articles and nongovernmental organizations. The ratings process is based on a checklist of 10 political rights questions, which are grouped into three subcategories: Electoral Process (3 questions), Political Pluralism and Participation (4), and Functioning of Government (3). The civil liberties 15 questions are grouped into four subcategories: Freedom of Expression and Belief (4 questions), Associational and Organizational Rights (3), Rule of Law (4), and Personal Autonomy and Individual Rights (4). Scores are awarded to each of these questions on a scale of 0 to 4. The highest score that can be awarded to the political rights checklist is 40, whereas the highest score that can be awarded to the civil liberties checklist is 60. Total score awarded to the political rights and civil liberties checklist determines the political rights and civil liberties rating. Each rating of 1 through 7, with 1 representing the highest and 7 the lowest level of freedom, corresponds to a range of total scores. Those whose ratings average 1 to 2,5 are considered “free,” 3 to 5 “partly free,” and 5,5 to 7 “not free.” In the model the standardized data are scaled as maximum value of 1 and minimum value of 7.

Corruption Perceptions Index (CPI) is measured by Transparency International organization and ranks 180 countries and territories by their perceived levels of public sector corruption (*Transparency International 2017a*). It is based on the survey conducted by experts with the scale of 0 to 100, where 0 is highly corrupt and 100 is very clean. The data of CPI are calculated in accordance with resources provided by a number of independent organizations, such as Political and Economic Risks Consultancy, Economist Intelligence Unit, World Bank, Bertelsmann Foundation, Freedom House, “Global Insight” World Economic Forum and etc. The survey topics correlate with issues of corruption, conflict of interests, development and implementation of anti-corruption events, government steps taken to apply sanctions and to eliminate corruption. Issues concerning the spread of corruption exist not only

in the public administration sphere, but also among citizens of a state and in the mass media circles, where corruption risks may appear in small bureaucratic institutions and escalate up to the highest instances of authority (*Transparency International 2017b*) (the significance of this variable is in the fact, that corruption indicators denote the quality of bureaucratic and public administration systems. During the data standardization the highest accepted value (max) is 100 points and 0 point is the lowest value (min).

Foreign direct investments is an investment of a capital made by a firm or individual in one country into business interests located in another country that seeks to obtain a lasting interest or other useful results in an enterprise resident in another economy. There is a mutual correlation between investments and political stability. On the one hand, investments are pivotal to define and estimate processes of country's political stability, whereas on the other hand, political stability indicators are heeded when initiating investment policy. The inclusion of this variable as a political factor is acceptable, as fluctuations of political stability will shortly have its direct influence on investments and data of the index included in the model is calculated for a one-year period. In the cross-country analysis, the percentage of the index to GDP is estimated.

The variable of Civil disobedience is measured by a number of demonstrations, strikes, social unrests, particularly pressures applied against them during a restricted time. This is an important variable to estimate political stability, but considering the absence of such statistics, relying on the analyses of news reports and studies the scaling of 0-5 was settled for their assessment, where 5 is applied to estimate the highest level of disobedience, such as revolution and coup d'état and respectively 0 to its complete absence.

Presence of conflict and its influence on the political stability is measured in the following way: the absence of conflict (0 point), passive conflict (1 point), when a state has conflicting relations with another state or states, with no active military actions; active conflict (2 points), when a state conflicts with another state/states, accompanied by active military actions. 2 points are assigned as a

maximum value in the scale and 0 point as the minimum value in standardization process.

Human Development Index (HDI) is assessed by the UNDP (United Nations Development Programme), where income of the population, level of education and life expectancy at birth are the dimensions used to measure the given index. As such, HDI is one of the key criteria to assess the population's welfare measured by a scale of 0 and 1, where minimum 0 and maximum 1 dimensions are applied (*UNDP 2016*). During the standardization process 0 is perceived as the minimum and 1 as the maximum value.

Gini index (incomes Gini coefficient) measures the deviation of the distribution of income among individuals or households within a country from perfect equal distribution. 0 represents absolute equality and 1 point is ranked as an absolute inequality. During the data standardization the highest accepted value (max) is 1 point, whereas the lowest value (min) is 0 point.

Real wage describes the purchasing power of nominal wage within a fixed period of time, i.e. the goods and services that can be purchased with wages at prices specified at a particular period. The real wage is the nominal wage adjusted for changes in purchasing power. Both indicators are related to the same period. During the cross-country analysis, the average monthly wage is calculated by the indicator equivalent to purchasing power in US dollars.

The variables included in the model are expressed with different numerical units. Hence, they shall be standardized by using the following formula: *

$$X' = \frac{x_i - \min\{x_i\}}{\max\{x_i\} - \min\{x_i\}}$$

where'

$\min\{x_i\}$ is the lowest value the variable X can attain

$\max\{x_i\}$ is the highest value the variable X can attain

* Standardized values cleaned through the formula are measured by a scale of 0 and 1 units, applied in in-country analysis. The calculated values are transformed into a corresponding scale of 0-100 units in cross-country analysis.

In cross-country analysis, the lowest and the highest 3 average indicators collected during the last 5 years were used for some variables as the lowest and the highest values, whereas in case of one country, the corresponding values of different time periods were used.

Calculation of Political Factors Index (PFI), Social Factors Index (SFI) and Economic Factors Index (EFI), was based on measuring difference of a simple average of standardized values that have a positive and negative impact on political stability.

$$\text{PFI} = (\text{FDI} + \text{IEF} + \text{PR} + \text{CL} + \text{CPI})/5 - (\text{CD} + \text{Conf.})/2$$

$$\text{SFI} = (\text{HDI} + \text{W} + \text{U})/3 - (\text{C} + \text{P} + \text{Gini})/3$$

$$\text{EFI} = (\text{GDP} + \text{T} + \text{DC})/3 - (\text{Inf.} + \text{Sh.E.} + \text{Def.})/3$$

In view of impact on political stability, political, social and economic factors have a various degree of interrelation with each other, which was respectively formulated and calculated as such. As a result, SIPS was measured as a weighted average of those computed indices, namely PFI, SFI and EFI:*



$$\text{SIPS} = (55*\text{PFI} + 30*\text{SFI} + 15*\text{EFI})/100$$

* Weights are defined through calibration, which is particularly based on the calculation of political stability level in countries such as Finland, Sweden, Denmark and on the decision of the sub-indices' coefficient in them as well as on the study of theoretical democracy provisions and existing models. In the framework of this study, weights adjustments were made in the methodology based on additional and comprehensive studies.

According to SIPS formula, the most influential factor is the political one followed by social and economic factors.

As a result, the in-country index of the political system stability is estimated by the scale ranging from -1 to +1, whereas the cross-country index is measured by a ranking scale from -100 to +100 and, accordingly, political systems are classified as follows:

- From -100 to -50 as unstable,
- From -49 to 0 as low level of stability,
- From 1 to 49 as medium level of stability,
- From 50 to 100 as high level of stability.

High level of political stability describes countries which are distinguished by a high level of democratization of the society's political life. This mentioned level is also characterized by a sustainable development of the social and economic sector of the society, which provides the citizens with the system safeguarding high standards of living and effective social guarantees. In a stable political system, power changing process does not spark destabilization. Civil peace is an essential characteristic of the sustainable political systems.

Medium level of political stability denotes that democratic processes and principles are largely dominant in the political life of the society but accompanied with certain shortcomings therein. The socio-economic development, complemented with some fluctuations and declines, still has a growing tendency. Flaws can occur in the sphere of human rights protection and rule of law, too. This level can be typical of authoritarian political systems, wherein stability is ensured not so much by political but mainly by social and economic factors.

Low level of stability is characteristic of the political systems where the totalitarian and authoritarian principles are mostly common compared to democratic processes. There are severe social contradictions in the mentioned systems, such as polarization of the population, poverty chiefly spread in the primary working population and enrichment for a narrow circle of people. As a result, this can trigger a big wave of civil disobedience in the country, a coup or

coup attempt. Conflicts and wars waging with other states are also quite a regular occurrence.

Unstable political systems are defined for the countries with a deep crisis among authorities and loss of legitimacy, social conflicts, wartime situations, violation of human rights, and the use of force to suppress civil disobedience. The economy of a country is in a very critical condition, the society is highly polarized in view of its incomes. Moreover, there is a high level of poverty.

It should be added that through regression the possibility to denote specific political, social and economic factors indices that principally impact SIPS indices as well as to assess the extent they impact stability of a political system of a state under question is another peculiarity of the SIPS model.

The model of SIPS enables to:

- analyze and compare political stability of a state and its trends at various periods
- compare political stability of two and more states and classify them according to their stability level measured by a corresponding scale
- pinpoint factors that have the most positive or negative impact on the political stability of the given state.

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Abbreviations

C	Crime rate
CD	Civil disobediences
CL	Index of Civil Liberties
Conf.	Presence of conflict
CPI	Corruption Perceptions Index
DC	Domestic Credit
Def.	Budget deficit
EFI	Economic Factors Index
FDI	Foreign direct investments
GDP	Gross Domestic Product per capita
Gini	GINI index
HDI	Human Development Index
IEF	Index of Economic Freedom
Inf.	Inflation rate
P	Poverty
PFI	Political Factors Index
PR	Index of Political Rights
SFI	Social Factors Index
Sh.E.	Shadow economy
SIPS	Stability Index of Political System
SIPS	Stability Index of Political System
T	External trade turnover
U	Unemployment
UNO	United Nations Organization
W	Real wage

CHAPTER 2.

POLITICAL STABILITY OF ARMENIA IN POST-SOVIET TRANSFORMATIONS

ARUSYAK ALEKSANYAN

Various processes, occurring in the post-Soviet countries in their transitional period, have either positively or negatively influenced the stability of democracy and political system. Those states, ever since their independence, have had conflict zones, undergone revolutions and overthrows, financial and economic crises, impossibility of a power change and essential problems related to political elites ruling more than 10 years. Issues connected with the selection of Eurasian and European political vectors were also important in those processes. In regard to above-mentioned context, Armenia is certainly no exception, and in particular, the rise of civil revolts, major social-economic problems, tension, sustained in the conflict zone and other internal and external political issues testify to the continuing and unstable manifestations in the political system.

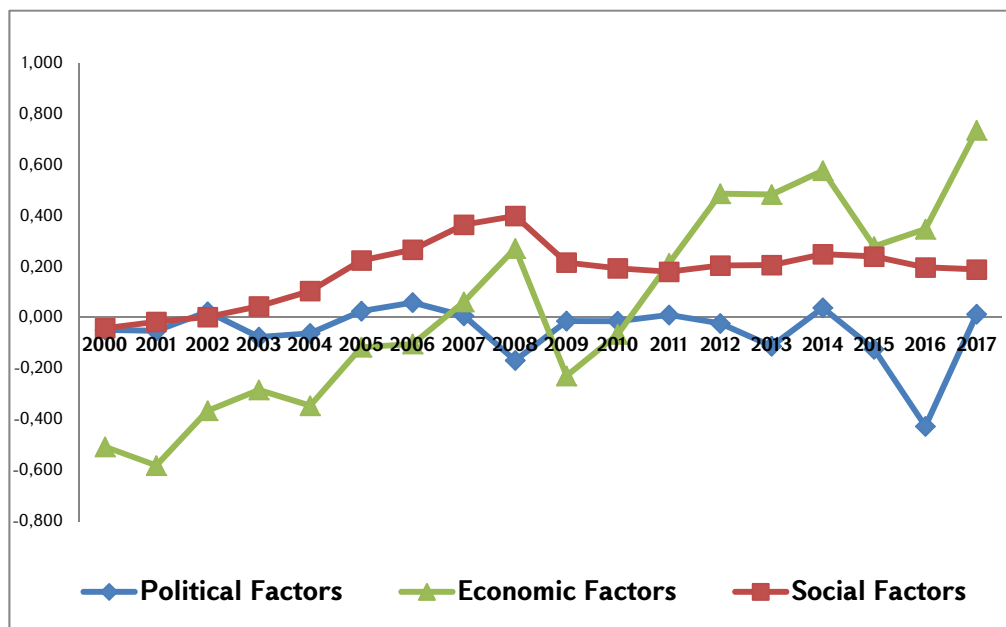
We have witnessed a number of revolutions, occurred in the post-soviet states during their transformation process. Some of them were accompanied by positive changes, such as development and reforms of the state, fights against corruption and its reduction and etc. In some cases, the states could barely overcome revolutionary shocks and a collapse of political stability followed by regressive processes. The 2018 revolution that happened in Armenia was unique in all respects. The revolution was registered as a result of ideology adhering to the principles of non-violence, solidarity and unity, as well as with the application of appropriate political technologies and with a minimal collapse and shocks of political stability, which is not typical of revolutions on the whole.

Hence, in this sense, the formation of a new Armenian government shall be smoother and softer compared with the authorities who came to power by the use of plentiful coups d'état and revolutions. Nevertheless, after revolutions, states' developments and regressive processes are largely dependent on whose and what ideology will a new state be filled with.

This chapter presents trends of Stability Index of Political System in Armenia (see Figure 4) and its political, economic and social factors (see Figure 1). The following figure (Figure 1) clearly and visibly describes the trends of these factors within 2000-2017. For a comprehensive analysis of the stability of the Armenian political system, separate sub-charters view its political, economic and social components, whereas the regression analysis illustrates the factors that have the highest impact on the stability of the system.

Figure 1

**Indices of Political, Economic and Social Factors of the stability of Armenia's
political system in a span of 2000-2017***



* Source: calculations by the author.

Indices of SIPS factors are comparable only by the trends.

Table 1

**Indices of Political, Economic, Social Factors and Stability Index of Political
System of Armenia in a span of 2000-2017***

Years	PFI	EFI	SFI	SIPS
2000	-0,048	-0,508	-0,042	-0,115
2001	-0,053	-0,582	-0,017	-0,121
2002	0,023	-0,366	0,002	-0,042
2003	-0,077	-0,284	0,044	-0,072
2004	-0,062	-0,346	0,104	-0,055
2005	0,025	-0,117	0,224	0,064
2006	0,059	-0,104	0,267	0,097
2007	0,007	0,062	0,365	0,122
2008	-0,169	0,272	0,399	0,068
2009	-0,014	-0,230	0,216	0,023
2010	-0,015	-0,066	0,193	0,040
2011	0,010	0,213	0,180	0,092
2012	-0,023	0,487	0,205	0,122
2013	-0,113	0,484	0,206	0,072
2014	0,038	0,577	0,249	0,182
2015	-0,125	0,279	0,240	0,045
2016	-0,428	0,347	0,197	-0,124
2017	0,013	0,736	0,189	0,174

* Source: calculations by the author.

PFI, EFI, SFI and consequently SIPS indices calculated on them may insignificantly vary in comparison to the indices of corresponding years estimated in previous publications as a result of updated and newly inserted data as well as changes of minimum and maximum indices.

2.1 Armenia's political stability under internal and external threats

When considering the trends of political factors affecting the SIPS of Armenia during 2000-2017, it can be seen that they generally remained on the same level, yet recorded by a number of deep downturns within the observed period. The deepest PFI decline was registered in 2016 in relation to large-scale military actions initiated by Azerbaijan.

Since the state's independence, the stability of Armenia's political system had been essentially influenced by domestic and foreign political factors. Furthermore, the source of a negative impact in regard of internal factors was often conditioned by a fall of the authorities' legitimacy, which was accompanied with the increase in the level of civil disobedience, whereas in view of external factors it was mainly conditioned by the Karabakh problem.

South Caucasus, right after the collapse of the Soviet Union, became one of the most unstable regions in the world. Four out of eight armed clashes in the post-Soviet territory broke out in this very region (Armenian-Azerbaijani, Georgian-Abkhazian, Georgian-Ossetian and Georgian Civil War (*Markedonov 2007, 336*). Until now, the Karabakh (here also Artsakh), Abkhazian and South Ossetian conflicts have not been resolved yet, and the situation in Nagorno-Karabakh still remains tense. The Artsakh Movement has started since 1988. It was a national liberation struggle for the right of self-determination and against the Azerbaijani aggression (*Manasyan 2015; Babayan 2005*). In addition, 1991-1994 was the period of an armed struggle, which ended by the victory of Armenia and The Bishkek Protocol and eventually by signing The Cease-Fire Agreement* (*NKR.am 2008a; 2008b*). The conflict gained a "neither peace, nor war" status and had a tendency to periodically increasing and decreasing

* On May 5 1994 The Bishkek Protocol was signed in Bishkek calling upon to cease fire at the midnight of May 8 to 9. The Cease-Fire Agreement was also prepared. The latter was signed by Azerbaijani Defense Minister M. Mamedov on May 9 in Baku and by Armenian Defense Minister S. Sargsyan on May 10 in Yerevan and by Nagorno Karabakh Army Commander S. Babayan on May 11 in Stepanakert.

tension levels. Moreover, the escalation of tension on the border was directly related to major internal political events in the state, precisely with unstable manifestations. That exactly happened in 2008 during the presidential elections, which were accompanied by post-election multi-people rallies and clashes. Taking advantage of an internal tense situation, on March 3-4 the Azerbaijani army tried to capture the military positions of the Defense Army of Martakert region in the Nagorno-Karabakh Republic (NKR). However, on March 4, the Azeris were thrown back, leaving four soldiers dead on the battlefield. Later, official Baku confirmed that two soldiers were also wounded. According to the data provided by the Armenian side, however, two soldiers of the NKR Defense Army were injured during the battles, while the Azeris had 8 casualties and 7-8 wounded soldiers. Another tense situation was created in April and June 2012, prior to the RA parliamentary elections, and the US Secretary of State Hillary Clinton's visit to the region. This time Azerbaijan targeted not Karabakh but the Armenian-Azerbaijani border in Tavush region of the Republic of Armenia. At the end of April, a kindergarten and a school in Dovegh bordering village were constantly fired from Azerbaijani positions. Besides, the subversive detachment intruded and opened fire on car of a civilian by killing 3 out of 4 servicemen. On June 4 and 5, several attempts were made by a subversive group to cross the border, resulting in life losses on both confronting sides. In reality, there are many cases of intrusion, made by subversive detachments and tension escalation on the border. Among series of major acts of sabotage those that occurred in 2014 are probably worth to mention, which had been successfully stopped. The Azeri side even confessed that they had suffered the biggest losses since 1994 (before the 4-day war in April 2016). Nonetheless, Baku officially confirmed the loss of 13 servicemen as well as suicide cases of two servicemen in the frontline. In the above mentioned actions the Armenian side lost 5 servicemen. During that time unprecedented clashes were registered along the entire borderline, which lasted several days (*PanArmenian.Net 2014*). In order to reduce tension and prevent further clashes, summits with participation of RA President S. Sargsyan and the President of Azerbaijan Il. Aliyev were held by the initiative of RF President V. Putin, French President Francois Hollande and US Secretary of State J. Kerry

on August 10 in Sochi, on September 4 in Newport and on October 27 in Paris, respectively. A peaceful settlement of the conflict was strongly and continually highlighted throughout those meetings. All this, however, did not hamper Azerbaijan to make new provocations, when on November 12 an Artsakh army Mi-24 helicopter gunship, conducting a training flight, was shot down. Moreover, the Azeri side had been keeping the spot of the crashed airplane under incessant gunfire for more than 10 days by blocking humanitarian access; hence, rescue teams, representatives of the OSCE and the International Committee of the Red Cross could not reach the bodies of the dead pilots (*MFA of RA 2015, 6-7*).

Thus, since 2014 the tension was escalated on the initiative of Azerbaijan on the Armenian-Azerbaijani border and turned into a full-scale military operation on April 2016. The actions carried out during April 2-5 came down to be known as the “Four-Day” War. It marked the most serious escalation in hostilities in terms of military actions and human loss after 22 years of cease-fire. At night of April 1, Azerbaijan, violating the Cease-Fire Agreement as well as its international obligations to peacefully settle the Nagorno-Karabakh conflict, initiated an attack along the front line by using heavy weaponry, rocket launchers, tanks, artillery and aircrafts (*Zohrabyan 2017, 122-123*). As a result of the war, Armenians and Azeris claimed hundreds of casualties and wounded. According to various sources, the Armenian side lost more than 100 people, whereas the number of Azeri losses was multiplied many fold (*HCAV 2016*).

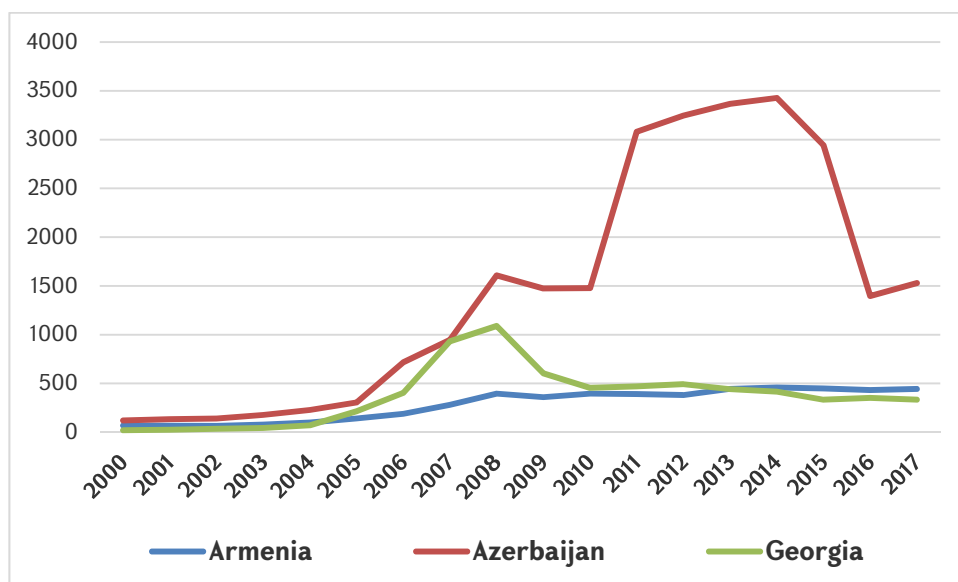
The Four-Day April war landed a severe blow not only against stability of Armenia's and Azerbaijan's political systems but also a regional stability on the whole. The South Caucasus is one of the most militarized regions in the world (*Markedonov 2007, 336*), with 3,4% of GDP allotted to military expenditure, which is 1,8 times more than on average in the world.⁵ In 2017 Armenia allocated 4%⁶ of GDP to military expenditure, which is the highest percent

⁵ The source is based on the calculations accumulated by the researcher according to data provided by the Stockholm International Peace Research Institute (SIPRI) // <https://www.sipri.org/databases> (07.06.2018).

⁶ The source is the data provided by the Stockholm International Peace Research Institute (SIPRI) // <https://www.sipri.org/databases> (07.06.2018).

among the Eastern Partnership countries. Moreover, according to 2017 Global Militarization Index (which includes the 2016 data) measured by Bonn International Center for Conversion (BICC), Armenia is ranked 3rd among 151 countries yielding to Israel and Singapore. In addition, Azerbaijan took the 11th place, whereas Georgia occupied the 55th place (*Mutschler 2017, 2, 5, 14*).

Figure 2
Military expenditure of Armenia, Azerbaijan and Georgia in US million dollars*



Allocations to military expenditure of three South Caucasian states are underneath expressed in US dollars. In this regard, Azerbaijan, as an oil producing country (about 70% of its budget tax revenues is secured from the oil sector), 3,5-4,5 times exceeds other states in expenditure. It is no coincidence that a drop in oil prices and devaluation of a manate forced Azerbaijan to reduce its military spending, starting since 2015. Meanwhile, a fast-paced growth of its military budget has been noticed since 2011, which also

* The source is based on the calculations accumulated by the researcher according to data provided by the Stockholm International Peace Research Institute (SIPRI) // <https://www.sipri.org/databases> (07.06.2018).

proves that Azerbaijan has been planning to wage a war for many years. In 2017 Azerbaijan's military expenditure rose from \$1,4 billion to \$1,53 (See Figure 2).

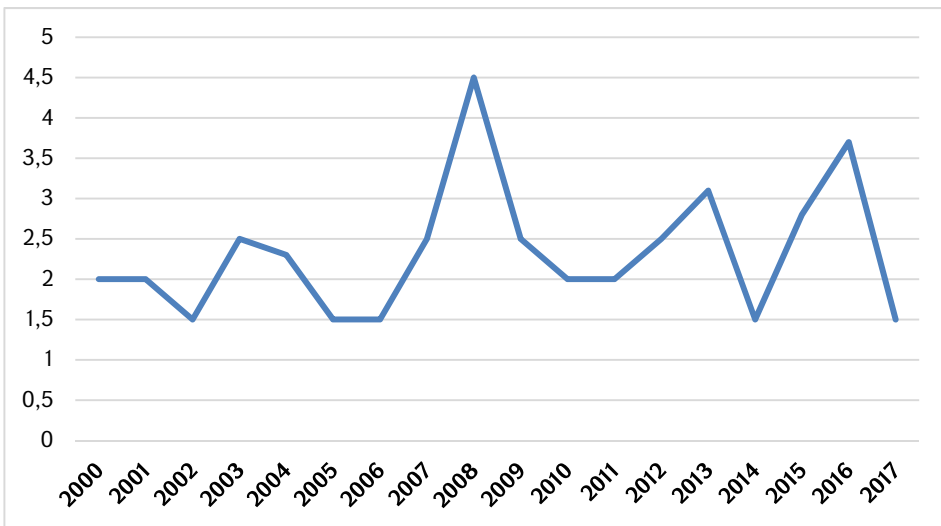
When speaking about the stability of Armenia's political system, it is important to mention acts of civil disobedience. Figure 3 shows the fluctuations of their levels within the 2000-2017 period. A high level of fluctuations indicates what a strong impact the variable of civil disobedience has on SIPS. Analyzing the received data, this effect is noticeable during 2003, 2008, 2013, 2015 and 2016, which is recorded with a high level of civil disobedience; hence, negatively influencing a political stability of Armenia. In this regard, the year 2003 was full of active political events. Both presidential and parliamentary elections as well as a referendum took place in the mentioned year. An upsurge of protests and rallies was chiefly linked to post-election processes following the presidential elections. The opposition expressed its disagreement over the results of the presidential election, according to which Robert Kocharyan was re-elected the President of the Republic with 67,5 percent of the votes. The post-election processes after the 2008 presidential elections were probably the worst. Mass protests and a set of rallies flared up in Yerevan when the 52,8% victory of Serzh Sargsyan, an acting Prime Minister and a former Defense Minister, was announced. Those acts of protests then turned into mass disorders. As a result of clashes between law enforcement bodies and demonstrators, 10 people were killed on March 1; military armies were driven to the city and a state of emergency was declared (*Aleksanyan 2015, 24-26*). Those 2008 events conditioned not only the highest level of civil disobedience variable within 2000-2017 (see Figure 3), but also a deep downfall in the Political Factors Index and the second lowest (-0,169) indicator recorded in the mentioned year, which, in its turn, had a significant negative impact on the stability of Armenia's political system (see Figure 1, Table 1).

The wave of post-election protests and rallies continued in 2013, when Serzh Sargsyan was re-elected the President of Armenia. During those acts clashes occurred between demonstrators and the police and were followed by some arrests and injuries. One of the most famous cases was Shant

Harutyunyan's arrest during the march in 2013. He was arrested after collisions with the police, then he was sentenced to 6 years in jail (*Aleksanyan 2016, 37-38*).

Figure 3

The level of civil disobedience in Armenia in a span of 2000-2017*



In addition to acts of civil disobedience referred to political issues, rallies linked to social problems also took place in 2013. The protests against the introduction of the pension system and the rise in fare rates were worth mentioning. Due to the latter, the decision to raise fare rates was suspended and has remained unchanged up to this day. Those events resulted in the third steep escalation in acts of civil disobedience in the observed period. In addition,

* The source is based on the calculations accumulated by the author.

Civil disobedience is one of the variables of the Political Factors Index and measured by a number of demonstrations, strikes, social unrests, as well as cases of political arrests and homicides during a specified span of time. Taking into account the absence of such statistics, relying on the analyses, reports and informative studies conducted by newspapers and research centres, the scaling range of 0-5 was settled for their assessment, where 0 is rated by a complete absence of civil disobedience and 5 units are rated for the highest level of those in question, including coup d'état and revolution.

a certain increase was observed in June 2015, linked to a youth rallies, named as “Electric Yerevan,” protesting against the rise in electricity tariffs (*Aleksanyan 2016, 35-39; Human Rights Watch 2016, 78-80; Amnesty International Report 2015/16, 71-72*), as well as another anti-government acts, namely “The 100th Anniversary without the Regime” initiatives, carried out by car races to raise public awareness in RA regions, Yerevan and Artsakh. The initiative was violently suspended by the NKR police forces (*Aleksanyan 2017, 35*).

Over the span of 2000 and 2017, the second drastic escalation in acts of civil disobedience was denoted in 2016, when Sasna Tsrer seized the territory of the RA Police patrol service regiment with the demand to release political prisoners and for Serzh Sargsyan to resign. That act was widely supported by the part of the society strongly discontent with the government, which later turned into massive acts of civil disobedience (*Aleksanyan 2017, 35-36; Human Rights Watch 2017, 89-90*). The society was divided into two parts: those, who considered the seizure a terrorist act and those, who considered the members of the armed group heroes. This fact pointed out a plunge of legitimacy of the authorities, which was troublesome, indeed. In all cases, those developments negatively affected not only the political stability of the country but also distorted its international image.

We witnessed an unprecedented escalation in the acts of civil disobedience in April 2018. They were exceptional for two reasons: 1. people’s quantity and involvement, and 2. type and nature of the acts. A new political situation was shaped in Armenia. On April 23 Serzh Sargsyan, who was previously President for 10 years and a newly elected Prime Minister, resigned under the influence of civil disobedience and mass rallies.* The revolution was called “Velvet” which

* The 2015 Constitutional amendments concluded Armenia's shift from a semi-presidential to a parliamentary form of government, vesting real power in the office of the Prime Minister and National Assembly and strictly stripping powers from the president. On April 17 Serzh Sargsyan, a week after terminating his presidential term, was elected the Prime Minister by the National Assembly. This caused a new and unprecedented wave of civil disobedience followed by his resignation. On May 8, Nikol Pashinyan was elected Prime Minister at the National Assembly.

had adopted the principles of non-violence, love and solidarity. On the one side, an atmosphere of injustice, socio-economic issues and intra-governmental dissension during the revolution days, and, on the other side, applied clever technologies and approaches used to organize the movement and thousands of protesting people clearly following instructions given by the leader Nikol Pashinyan, made it possible to stage a unified and peaceful revolution. Unprecedented nationwide pressure and the least counteraction to it from the ruling government safeguarded the transition of the power to new forces with the minimum negative impact on political stability.

In reference to other variables included in the model, it needs to be mentioned, that Political Rights and Civil Liberties of Armenia were estimated by Freedom House as partly free.* Indicators of Political Rights and Civil Liberties, estimated with 5 and 4 points respectively, have remained stable since 2012.⁷ According to some human rights protection organizations, issues that cause concerns in Armenia are as follows: ill-treatment and tortures, corruption, lack of transparency and independent courts in the administration, restriction on freedom of assembly and speech, low levels of women's political involvement, arbitrary detentions and ill-treatment during protests, non-combat deaths in the armed forces, domestic violence, and etc. (*RA HRD 2018; U.S. Department of State 2016, 2017; Human Rights Watch 2017, 41-47, 2018, 89-93; Amnesty International Report 2015/16, 71-72, 2017/18, 78*).

In view of 2017 Corruption Perceptions Index (CPI),** Armenia was rated with 35 points, registering a 2-point increase compared to the last year.

* Indicators of Political Rights and Civil Liberties are measured by Freedom House in 1-7 point rating scale, and accordingly, the countries, estimated with 1-2,5 points are classified as free, by 3-5 points as partly free and 5,5-7 points as not free.

⁷ See the Freedom House official site <https://freedomhouse.org/report-types/freedom-world> (16.05.2018).

** Corruption Perceptions Index is measured by Transparency International organization and has the ranking scale from 0 to 100 (it had 0-10 scale till 2012), where 0 implies the highest level of corruption, whereas 100 points indicate a complete absence of it.

Particularly, in accordance with 2017 data, Armenia ranked 107th among 180 states and territories⁸.

Thus, during the period under consideration, precisely within 2000-2017, Stability Index of Political System of Armenia, despite periodic fluctuations, did not undergo significant changes. Two major PFI drops were observed in 2008 and 2016 over the mentioned period of time. The first one was caused by the post-election processes and the events of March 1. Transitional states generally have a downward trend in political stability during elections, influenced by pre-election and post-election processes. However, post-election processes of the 2008 presidential elections, in terms of massive clashes and victims, were unprecedented and tragic in the history of independent Armenia. The second 2016 drop was caused by hostilities and partly by the violent takeover of the police station by Sasna Tsrer armed group, which prompted a big wave of civil disobedience. The lowest PFI (-0,428) was registered right in 2016, whereas the highest indicator was registered in 2006 within the mentioned years.

2.2 Economic development trends of Armenia and their impact on political stability system

According to the collected data, the Economic Factors Index (EFI) of the SIPS has a positive trend. The sharpest downfall was indicated in the year of 2009, which was outlined for the financial and economic crisis. Nonetheless, it later recovered during the coming years by recording a continuous growth. In 2017 the EFI was registered with the highest 0,736 points for the period covering 2000-2017; hence by having a positive impact on the index of political stability (see Figure 1, Table 1).

Economic transformation and development processes of the Third Republic of Armenia were accompanied by numerous problems and declines. Transition

⁸ See the official site of Transparency International organization <https://www.transparency.org/country/ARM> (20.05.2018).

from a command to a market economy was complemented by various complications and drops, adversely affecting the stability of the political system. For example, in 1990-1993, GDP dropped by more than a twofold (*Yeghiazaryan 2014, 41*). Inflation, which was not typical of a command economy, reached its unprecedented level. According to the experts, it was caused by a late introduction of a national currency and liberalization of prices during the collapse of a rouble zone within 1993-1994. It occurred when CIS countries introduced their national currencies, sums amassed from the turnover of the countries were flowing in roubles and later were concentrated in those states, where a rouble was regarded as a legal means of payment. Armenia was the last to present its national currency, directly contributing to an over-accumulation of roubles in the state. Liberalization of prices resulted in hyperinflation, which peaked in 1993, when the prices rose about 110 times, being the highest among the post-Soviet states (*Mkhitaryan 2015, 61-62*).

Since 1994 the economic decline had been restored and Armenia became one of the fastest-growing transitional countries with an average 5% of economic growth, registered during 1994-2001 years. Moreover, the economic growth was marked in two digits within 2002-2007 favourably contributing to the stability of the political system. Yet, the experts report some regress in connection to the structure of the economy. They accordingly state, that the economic structure of a post-Soviet Armenia can be described as an agrarian transformed from an industrialized pattern (*Yeghiazaryan 2014, 42; SC RA 2018*).

A fast-paced economic growth was disturbed by a financial-economic crisis in 2009. A double-digit economic growth was replaced by a double-digit fall, marked by 14%. The mentioned economic crisis had the most deteriorating influence on the stability of the political system and the most dramatic EFI drop of 0,5 points was recorded in 2009, plummeting to -0,23. During the next 7 years, there was an average 4% economic growth. Respectively, the highest 7,5% economic growth for the covered period was recorded in 2017 (*SC RA 2018*). This growing indicator of an economy was possibly assured due to the following sectors: services (14,4%) and trade (14%), industry (12,6%) and

construction (2,2%). Nonetheless, volume of gross agricultural output declined by 3% (*FinAgent.am 2018*). A certain increase was recorded in all those economic indicators included in the model, except for the budget deficit (-4,8% of GDP). External trade turnover particularly increased by 21,35% in 2017 compared to the previous year as well as 4% of GDP growth of domestic credit allotted by a financial sector. 1% inflation was also recorded in 2017, which had been the lowest indicator since 2006 (*SC RA 2018*). As a result, the 2017 EFI reached its highest indicator (0,736), which consequently had a positive impact on a political stability in Armenia (see Figure 1, Table 1).

A negative impact of the shadow economy on the stability of the political system is quite evident. According to a study conducted by the International Monetary Fund, shadow economy in Armenia sized 36% of GDP by registering 5% decrease after the financial and economic crisis (*Medina & Schneider 2018, 61,69*).

In view of the Index of Economic Freedom (IEF), it fell in 2017 in comparison with the previous year* and Armenia is respectively ranked 44th out of 180 countries in the 2018 report. According to the Heritage Foundation experts, Armenia's economy is moderately free with the rating of 68,7 points, which is high from the worldwide average, equivalent to 61,1 (*Miller, Kim, Roberts 2018, 1-2, 4, 70, 82-83*).

Money remittances made by individuals have a significant impact on Armenia's economy and it has annually comprised on average 20% of GDP for the last 10 years (*Compass Center 2017, 7*). The main flow of the remittances is from the Russian Federation and the USA (*EDRC 2016, 16; Compass Center 2017, 10*).

In 2013 essential events took place in Armenia's foreign policy, which were directly related to the economic sphere of the state. It was known that since 2010 negotiations between Armenia and the EU within the framework of Eastern Partnership had been held to conclude the Association Agreement.

* The 2018 IEF in the SIPS model was accepted and observed as the value for 2017, as Heritage Foundation experts mainly calculated the economic indicators collected over the period from July 1 2016 through June 30 2017.

Besides, since 2012, the creation of a Deep and Comprehensive Free Trade Area had been the part of the above-mentioned negotiations. However, on 3 September 2013 RA President Serzh Sargsyan announced about the decision to join Customs Union as well as the decision to participate in the formation of the Eurasian Economic Union (*DeFacto 2013*). Following this, the EU responded by stating about incompatibility of the decision to initiate the Association Agreement as the provisions of the latter contradicted those of the Customs Union. Furthermore, in 2014 Presidents of Belarus, Kazakhstan and Russian Federation signed the treaty on establishment of Eurasian Economic Union⁹ (EAEU), which became effective on 1 January 2015 after its ratification by all member states. Armenia joined the agreement¹⁰ on October 10 2014.

On 7 December 2015 the European Commission commenced negotiations with Armenia on another document; namely, Comprehensive and Enhanced Partnership Agreement (CEPA), taking into account new commitments made by Armenia after its membership to the EAEU. Thus, Comprehensive and Enhanced Partnership Agreement was signed in the margins of the Eastern Partnership Summit in Brussels on 24 November 2017.¹¹ It contributes to a closer cooperation in the areas of security, energy, transport, education and science, human rights, trade, and others. The Armenian Parliament ratified the Agreement unanimously on 11 April 2018, triggering its provisional application as of 1 June 2018 (*National Assembly of the RA 2018*).

⁹ The Treaty on the Eurasian Economic Union (signed in Astana in 29.05.2014) // https://docs.eaeunion.org/docs/ru-ru/0013611/itia_05062014_doc.pdf (25.05.2018).

¹⁰ Republic of Armenia's decision to join the EAEU on May 29 2014 (adopted on October 10, 2014 in Minsk) <http://www.arlis.am/documentview.aspx?docid=95214> (25.05.2018).

¹¹ "Comprehensive and Enhanced Partnership Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and the Republic of Armenia, of the other part," signed at Brussels on 24th November // https://eeas.europa.eu/headquarters/headquarters-homepage/36140/comprehensive-enhanced-partnership-agreement-between-european-union-armenia-cepa_en (05.07.2018).

2.3 Social factors of political stability

Analysis of the Social Factors Index (SFI) curve of SIPS shows that it had a growing trend within 2000-2008, which was interrupted with the financial-economic crisis in 2009 by negatively impacting the state's social sphere. SIPS positive trend was not recovered in the coming years and remained on the same level with certain fluctuations. The highest SFI indicator was registered in 2008 and the lowest one in 2000 (see Figure 1, Table 1).

The causes of current social problems in Armenia are rooted in a transition from the previous political system to a new one and the advent of transformation processes. Newly independent Armenia faced a new economic and political reality. The Karabakh conflict and a four-year war ended with the victory of the Armenian people and simultaneously accompanied by grave socio-economic consequences; the earthquake, which resulted in a sizeable land of Armenia with more than 700,000 inhabitants being turned into a disaster zone; a blockade, reconstruction of economy as well as other problems led to a grave social decline (*Gharibyan and others 2017, 61, 68*). Poverty, unemployment and social polarization of the society became the biggest problems in a new socio-economic situation. Therefore, an average salary was reduced in 8,6 times within 1989-1993. As a result of a hyperinflation, the population lost its savings- billions of dollars, consumer prices rose 22 111 times, which caused a decrease in the purchasing power by 16 times. In 1994 index of income concentration Gini coefficient amounted to 0,606, which implies a high level of social polarization of the society (to compare, we should note that in 1987-1990 that coefficient was equal to 0,27) (*Yeghiazaryan 57; Mkhitaryan 62*).

To some extent it became possible to mitigate the above-mentioned key issues, as there was a two-digit increase in economy in the span of 2002 and 2007. Although experts assume that such a significant economic growth did not generate an adequate reduction in poverty, a new era under a positive influence of social and economic factors was marked by improvements and a relative stability of the political system. As a result, since 2004 Armenia has been upgraded from a “low-income” to a “middle income” country (*CRRC*

2011). In 2001-2008 Gini coefficient went down from 0,535 to 0,339, whereas the poverty level was reduced from 53,5% to 27,6%¹² in 2004-2008.

The global financial-economic crisis was a strong blow for a reviving socio-economic situation, which led to a regress in the successful results previously registered in Armenia. Poverty rate had been continuously dropping since 1998 and it increased to 34,1%¹³ for the first time in 2008. It is not arbitrary that the deepest downfall of Social Factors Index took place in 2009.

The above-mentioned social issues are still on the agenda. Poverty rate remains high, registered with 29,4% in 2016, while in 2007 unemployment rate was recorded with 17,8%. In view of these two indicators, Armenia occupies the first place in small and large regions. According to the 2016 data, Gini index deteriorated and was recorded with 0,375 points, by constantly growing yearly after the financial and economic crisis and underlining major issues of polarization of the population conditioned by income level.¹⁴ Today, about 70% of the state's property belongs to the first 10% of the total population, while 40% of the population owns only 2% of it (*Makaryan 2018*).

This socio-economic situation is also accompanied by high rates of emigration. Recent studies have depicted that a predominant number of Armenian migrants, which is about 70%, leave the country for a job-related problem (*NSS RA 2016, 108*). According to the data of the 2017 survey, on average 44 thousand Armenian citizens had annually left Armenia and had not returned over the span of the mentioned 2014-2016 years (*Shant News 2018*).

Social issues often trigger off the upsurge of crime rates. In this regard, it should be noted that within the indicated 2000-2017 years a two-fold increase in crime rates was observed by reaching 6,81 per 1000¹⁵ and, hence by adversely impacting the political stability.

¹² See the official site of the Statistical Committee of the Republic of Armenia <http://www.armstat.am/am/?nid=12> (25.05.2018).

¹³ See the official site of the Statistical Committee of the Republic of Armenia <http://www.armstat.am/am/?nid=12> (25.05.2018).

¹⁴ See the official site of the Statistical Committee of the Republic of Armenia <http://www.armstat.am> (25.05.2018).

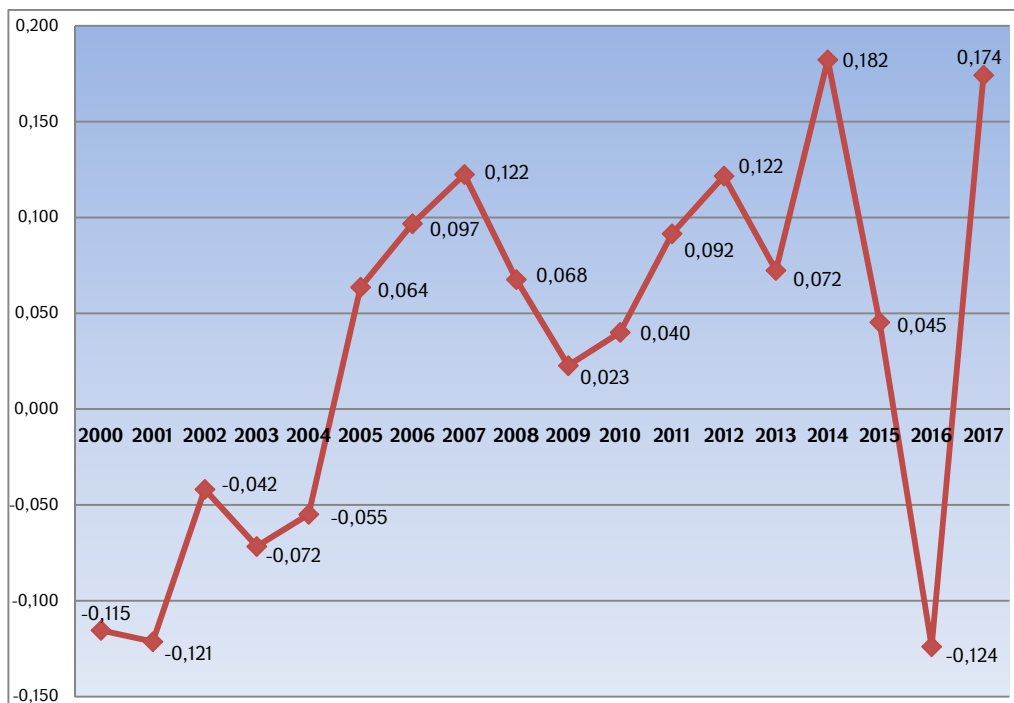
¹⁵ See the official site of the Statistical Committee of the Republic of Armenia, "Yearbooks" <http://www.armstat.am/en/?nid=586&year=2017> (25.05.2018).

In Armenian experts' opinion and by taking into consideration the previous experience, it is essential to ensure a two-digit economic development in order to effectively solve poverty, unemployment and other social problems in a short period of time. Moreover, it is important to take measures to safeguard employment, based on the rapid development of the sectors, such as agriculture, tourism and assembling industries (*Makaryan 2018*).

2.4 Development trends of Stability Index of Political System

Figure 4

**Stability Index of Political System (SIPS) in Armenia
(2000-2017 years)***



* Source: calculations by the author.

In Figure 4 the SIPS trends are presented in a span of 2000 and 2017. Due to the collected data it can be concluded that the SIPS with certain fluctuations was registered with positive trends within 2000-2007 and 2010-2014. During the first period, precisely in 2003, it is noteworthy to mention that a decline was conditioned by the growth of civil disobedience acts after the presidential elections. Nevertheless, in the years to come, a continuous growth in SIPS was safeguarded by the growth in EFI and partly SFI. The growth was suspended in 2008 and 2009 due to some political events and economic crisis, occurring in the country. Thus, the 2008 decline in SIPS was conditioned by a dramatic downfall in the PFI, entailed by the events of March 1. Moreover, a negative impact of those events on the political stability of the country was so immense that high economic and social indicators recorded in the mentioned year could not mitigate it. As it is reported, the decline of SIPS continued in 2009 because of the financial-economic crisis and consequently by the downturn of the EFI and SFI.

Over the span of 2010-2014 an incessant growth in SIPS was interrupted in 2013 by the decrease in Political Factors Index. Political stability, in particular, was negatively affected by the post-election processes, followed the presidential elections and increased civil disobedience in this regard, accompanied with clashes between demonstrators and the police, as well as protests against key social issues, such as the introduction of the pension system and fare increase. In 2014 Stability Index of Political System was not only recovered, but was registered with the highest indicator for the observed period. That is to say, 2014 was the most stable year in Armenia, which was marked by a simultaneous increase in the PFI, EFI and SFI and, accordingly, succeeded with the positive impact. Nonetheless, the rise in SIPS was trailed by a steep and constant fall in the next two years. In 2015 the slope in SIPS was caused by a negative impact and significant decline in political and economic factors as well as by a slight decline in social factors. The same year was marked by both political and social active processes. The increase in civil disobedience had a major adversary impact on the PFI and accordingly on SIPS decline, mainly caused by numerous protests against the rise in electricity prices in June, which were accompanied

by the police pressure. It should also be noted that the package of constitutional amendments, previously put to referendum, was adopted in 2015, which shall secure the transition from a semi-presidential to a parliamentary form of government. The largest decline in Stability Index of Political System was respectively registered in 2016. April "Four-day war" caused an unprecedented decline in Armenia's political stability. The seizure of the police station and a wave of civil disobedience flared up after, had also an adverse impact on SIPS. It is noteworthy that SIPS was recorded with a sharp upward trend in 2017, achieved thanks to a significant increase in PFI and EFI. As a result of this significant growth, the Stability Index of Political System of 2017 closely approached the highest 2014 index for the observed period.

2.5 Regression analysis of the Stability Index of Political System

The regression analysis illustrates the variables of Political, Economic, and Social Factors Indices which have a significant influence on the SIPS of Armenia.

A significant relationship has been established between $SIPS_i^*$ and Political Factors Index; namely, Index of Economic Freedom**, Political Rights and Corruption Perceptions Index, included in this model:

$$Y' = 0,012x_1 - 0,804 \text{ (Adj. } R^2=0,462\text{),}$$

where Y' is the $SIPS_i$ ($SIPS$ is cleaned from the variable of Index of Economic Freedom), x_1 is the Index of Economic Freedom.

$$Y' = 0,13x_2 - 0,647 \text{ (Adj. } R^2=0,325\text{),}$$

* $SIPS_i$ is the Stability Index of Political System cleaned from the corresponding independent variable during every paired regression analysis.

** Index of Economic Freedom has been included in the political factors index, as it denotes guarantees for the construction of legislative body and property rights, efficiency of a judicial system and is regarded as one of the most important indicators of political stability and democratization.

where Y' is the $SIPS_i$ (SIPS is cleaned from the variable of Political Rights), x_2 is the Index of Political Rights.

$$Y' = 0,204x_3 - 0,603 \text{ (Adj. } R^2=0,347\text{),}$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the variable of Corruption Perceptions Index, x_3 is the Corruption Perceptions Index.

A significant relationship has been denoted between $SIPS_i$ and Economic Factors Index, i.e. GDP, External trade turnover and Shadow economy:

$$Y' = 0,044x_4 - 0,236 \text{ (Adj. } R^2 = 0,685\text{),}$$

where Y' is the $SIPS_i$ (SIPS is cleaned from GDP) and x_4 is GDP per capita (\$1000).

$$Y' = 0,055x_5 - 0,198 \text{ (Adj. } R^2 = 0,595\text{),}$$

where Y' is the $SIPS_i$ (SIPS is cleaned from External trade turnover), x_5 is the External trade turnover (\$million).

$$Y' = -0,022x_6 + 0,885 \text{ (Adj. } R^2 = 0,542\text{),}$$

where Y' is the $SIPS_i$ (SIPS is cleaned from Shadow economy), x_6 is the Shadow economy.

A strong relationship has been established between Human Development Index (HDI), Gini index and Real wage and $SIPS_i$:

$$Y' = 2,842x_7 - 1,996 \text{ (Adj. } R^2 = 0,909\text{),}$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the HDI), x_7 is the HDI.

$$Y' = -1,025x_8 + 0,431 \text{ (Adj. } R^2 = 0,701\text{),}$$

where Y' is the $SIPS_i$ (SIPS is cleaned from Gini index), x_8 is Gini index.

$$Y' = 0,05x_9 - 0,096 \text{ (Adj. } R^2 = 0,360\text{),}$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the variable of Real wage), x_9 is the Real wage (\$100).

Hence, in view of PFI, Index of Economic Freedom, Corruption Perceptions Index and Index of Political Rights played an essential role in the political

stability of Armenia and a positive change of 1 unit will correspondingly entail the increase in $SIPS_i$ with 0,012, 0,204 and 0,13 units. The aforementioned impact of Political Rights* variable on political stability is typical of transitional societies and, as a rule, is conditioned by a lack of legal consciousness and political culture. The mentioned variables explain 32-46% variation of the variable.

The variable of GDP, External trade turnover and Shadow economy of the EFI have a vital impact on $SIPS_i$. The growth in GDP by 1000 dollars per capita, an increase in External trade turnover by 1 million dollars will lead to the increase in SIPS by 0,044 and 0,055 units respectively. A Shadow economy has also a major influence on the political stability of Armenia. 1% reduction in GDP of the latter will result in the SIPS growth by 0,022 units. The GDP variable particularly determines 69% variation of the variable.

HDI, Gini index and Real wage variables are among the influential social factors. 0,1 reduction in Gini index will be expressed by 0,1 unit growth in $SIPS_i$, conditioning 70% variation of a dependent variable. 0,1 growth in HDI and \$100 increase in Real wage will entail the change in $SIPS_i$ by 0,2 and 0,05 units respectively. Particularly, HDI has a high determination coefficient and explains 91% of $SIPS_i$ fluctuations.

By summing up, it is to be stated that, according to regression analysis data, SIPS is influenced by political and socio-economic indicators. Among the above-mentioned factors, HDI, Gini index and GDP have a high determination coefficient. Hence, a positive change in all those factors will beneficially affect the growth in political stability in Armenia.

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Abbreviations

CEPA	Comprehensive and Enhanced Partnership Agreement
CIS	Commonwealth of Independent States
CPI	Corruption Perceptions Index
CRRC	Caucasus Research Resource Center
EAEU	Eurasian Economic Union
EDRC	Economic Development and Research Center
EFI	Economic Factors Index
EU	European Union
GDP	Gross Domestic Product
HDI	Human Development Index

HRD	Human Rights Defender
IEF	Index of Economic Freedom
MFA	Ministry of Foreign Affairs
NKR	Nagorno-Karabakh Republic
NSS	National Statistical Service
OSCE	Organization of Security and Cooperation in Europe
PFI	Political Factors Index
RA	Republic of Armenia
RF	Russian Federation
SFI	Social Factors Index
SIPS	Stability Index of Political System
USA	United States of America

CHAPTER 3.

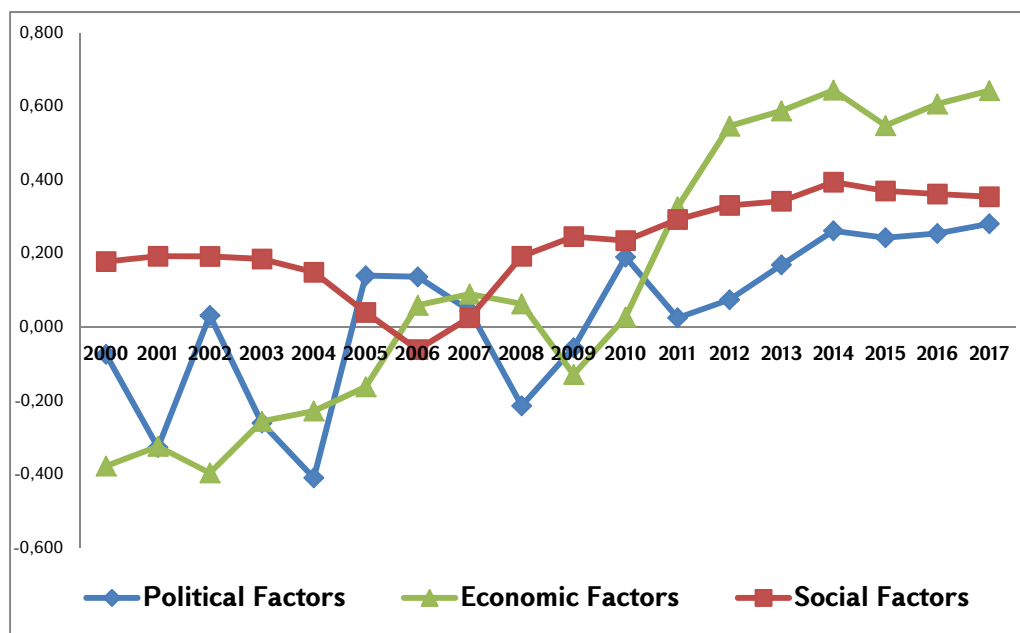
POLITICAL REALITIES AND PERSPECTIVES IN AN INDEPENDENT GEORGIA

MARIAM KHIZANASHVILI

Georgia has undergone significant transformations in political, economic and social domains since its independence in 1991. Even though in the early years of independence some attempts towards reformation were demonstrated, the standard of living and overall stability were constantly unsteady due to a lack of fundamental changes. However, major changes started only after the Rose Revolution that took place in 2003. Since then Georgia's economy has witnessed extreme liberalization aiding country to advance its development trends. Reforms that concerned impeccable fight against corruption, liberalization of economy in order to boost economic growth and etc. have positively impacted the lives of Georgians. Regardless of 2008 Russian-Georgian war, Georgia still managed to recover from the crisis and demonstrated improving trends in its Stability Index of Political System (SIPS). Even though there were some internal turbulences and a change of political power, Georgia managed to follow its European aspirations and, as a result, 2014 marked the year the Association Agreement went into force. From 2008 to 2017, Georgia had a significantly positive tendency towards Stability Index of Political System reflecting major achievements in political and economic spheres. A below-mentioned chapter discusses progression and major developments in Political, Social and Economic Factors Indices comprising Stability Index of Political System in the time span of 2000-2017 with a slight mentioning about the early years of Georgia's independence.

Figure 1

Indices of Political, Economic and Social Factors of the stability of Georgia's
political system in a span of 2000-2017*



* Source: calculations by the author.
Indices of SIPS factors are comparable only by the trends.

Table 1

**Indices of Political, Economic, Social Factors and Stability Index of Political
System of Georgia in a span of 2000-2017***

Years	PFI	EFI	SFI	SIPS
2000	-0,074	-0,378	0,178	-0,044
2001	-0,327	-0,324	0,193	-0,171
2002	0,032	-0,396	0,192	0,016
2003	-0,261	-0,256	0,185	-0,126
2004	-0,410	-0,228	0,149	-0,215
2005	0,140	-0,162	0,040	0,065
2006	0,137	0,059	-0,061	0,066
2007	-0,005	0,090	0,026	0,046
2008	-0,214	0,063	0,193	-0,050
2009	-0,106	-0,129	0,246	0,024
2010	0,191	0,028	0,235	0,180
2011	-0,025	0,327	0,293	0,151
2012	0,075	0,547	0,331	0,222
2013	0,169	0,588	0,342	0,284
2014	0,262	0,644	0,395	0,359
2015	0,243	0,548	0,370	0,327
2016	0,255	0,607	0,362	0,340
2017	0,281	0,643	0,355	0,357

* Source: calculations by the author.

PFI, EFI, SFI and consequently SIPS indices calculated on them may insignificantly vary in comparison to the indices of corresponding years estimated in previous publications as a result of updated and newly inserted data as well as changes of minimum and maximum indices.

3.1 Tracking Political Development

In 1991, after the collapse of the Soviet Union, Georgia became independent that led to an ongoing struggle for building a consolidated democratic state. Yet the first steps in this process were accompanied with outbreaks of instability. Thus, the first President of Georgia – Zviad Gamsakhurdia was elected right after the independence in 1991. However, accusations addressed against him and a coup d'état sparked a civil war in 1991-1992, as a result of which the first President died in 1993, leading the country into turmoil. Ongoing situation triggered off the conflicts in South Ossetia in 1991 and Abkhazia in 1992, resulting into the death of thousands of people and displacement of hundreds of thousands (*Monson 2016, 2*). During the early years of independence, unconsolidated political power allowed paramilitary groups to aggravate power. Gamsakhurdia was replaced by a former Soviet foreign minister Eduard Shevardnadze, who managed to rule the country for 12 years.¹⁶ Shevardnadze's rule was characterized with several tendencies also present in other post-Soviet states in transition: a deteriorated living standard, widespread corruption, difficult economic situation and etc. Besides that, kleptocracy was quite common during the first years of independence that resulted in lessening of safety, elevation of the state of pervasive terror and social and economic poverty (*Hash-Gonzalez 2012, 36-37*). Regardless of the fact that Shevardnadze managed to consolidate statehood, ubiquitous corruption and fraudulent elections were obvious in the political system of the country. As a result, it all led to acts of civil disobedience and Rose Revolution in 2003 that caused him and his regime to fail (*Bertelsmann Stiftung 2018*).

Since the mid-1990s, a crisis during Shevardnadze's rule deepened division between the government and people in Georgia: hence, elites benefitting from the current rule, socio-economic crisis and civil unrest, on the

¹⁶ Shevardnadze was the First Secretary of the Georgian Communist Party from 1972 to 1985 and afterwards, during 1985-1991, he served as the Minister of Foreign Affairs of Soviet Union.

one hand and socially and economically impoverishing people on the other hand, were formed. A mixture of illiberal democracy and militarist chaos present from Gamsakhurdia's times resulted in "feckless pluralism" (*qtd. in Mitchell 2008, 27*), where due to the weakness of the state, organization of civil and alternative political movements were made possible. The wind of change was blowing from the West aiding the process of consolidation of progressive politicians and non-governmental organizations.

The window of opportunity for consolidation was available during Shevardnadze's rule as political rights and civil liberties were not monitored and violated. According to Freedom House's Freedom in the World reports, during the early years of independence, Georgia was less free in terms of civil liberties and political rights rather than most post-Soviet republics, however, this tendency has been improving since mid-1990s, and the only countries with comparable scores during these times were Armenia, Ukraine and Moldova (*Mitchell 2008, 28*). In view of the collected data, between 1995 and 2002, political rights indicator fluctuated from 3 to 4 (on a scale of 1 to 7, where the latter indicates minimum and the former - maximum political freedoms).¹⁷

In 2000, Shevardnadze was re-elected as a President with a low level of his legitimacy, as Georgia made no progress in terms of fighting corruption and unemployment as well as in recovering relations and regulating "frozen" conflicts with regions of Abkhazia and South Ossetia. Besides, these failures during his tenure, the 2000 presidential elections and 2003 parliamentary elections were deemed as highly fraudulent (*Mitchell 2008, 32*). Prior to 2003 elections, a US-educated young politician Mikheil Saakashvili separated from Shevardnadze's ruling elite in 2001 and formed an opposition party National Movement (NM). In 2002 and early 2003, three other opposition parties respectively led by Zurab Zhvania and Nino Burjanadze, Shalva Natelashvili, Zurab Gamkrelidze were formed, campaigning for the elections. Besides political parties, in summer and fall 2003, Georgian student-led civil movement "Kmara" was formed. Regardless of the fact that "Kmara" was perceived to be

¹⁷ See the official site of Freedom House <https://freedomhouse.org/report-types/freedom-world> (24.06.2018).

supportive of Saakashvili and National Movement, it mainly campaigned against the regime and outlined its flaws (*Mitchell 2008, 53-54*). Parliamentary elections taking place on 2 November 2003, were accompanied with large scale protests and demonstrations demanding resignation of Shevardnadze. On the 23rd of November, Shevardnadze resigned marking the beginning of Rose Revolution in Georgia. Due to massive mobilization of citizens and political power and achieved change of the President, 2003 was evaluated with the highest score 4 out of 5 for civil disobedience. However, it is worth mentioning that a political change occurred without any violence through peaceful demonstrations.

Upon coming to power in November 2003, Georgia's new government under the leadership of Saakashvili and Zhvania started creating experienced government and effective state institutions, fighting against widespread corruption and improving economy left in ruins. One of the major successes of new leadership was retention of Autonomous Republic of Adjara in 2004, which declared independence under the rule of Aslan Abashidze in the mid-1990s. Regardless of the mobilisation of military units at the border of Adjara, control over the region was regained in May 2004 which resulted in granting a wide regional autonomy to the region by attempting to have a closer integration to Georgia (*Mitchell 2008, 85*). After Rose Revolution in 2003, Adjarian people became highly discontent with Aslan Abashidze's rule that would hamper Adjara's development in the light of concurrent reforms. Therefore, civil disobedience was given a score of 3,5 out of 5 due to a small-scale Rose Revolution in Adjara.

Since Rose Revolution in 2003, under the aegis of Saakashvili's reforms, Georgia has significantly progressed in terms of fighting corruption in many domains of public sphere. Reforms implied adoption of anti-corruption legislation, strengthening accountability measures in the government, reforming police and arresting most of the corrupted authorities from Shevardnadze's rule (*Mitchell 2008, 86*). Since the independence of Georgia, Corruption Perceptions Index (CPI) was at its lowest point in 2003 (-1,8). In comparison to other 8 former Soviet states, in the same year, Georgia together

with Azerbaijan demonstrated pervasiveness of corruption. However, during the next years CPI was continuously improving, registering an increase by 1,6 points in 2007 resulting in positioning Georgia from 124th (in 2003) to 79th in the world (See Table 2).

Table 2

Corruption Perceptions Index (CPI) in former 9 Soviet states¹⁸

	Armenia	Azerbaijan	Belarus	Georgia	Russia	Ukraine	Kazakhstan	Kyrgyzstan	Moldova
2003	3,0	1,8	4,2	1,8	2,7	2,3	2,4	2,1	2,4
2007	3,0	2,1	2,1	3,4	2,3	2,7	2,1	2,1	2,8

In 2003 and 2005, a number of controversies became apparent due to constitutional amendments. constitutional changes concerned division of branches of the government and clarification of powers between the government and President, resulting in weakening of the parliament and concentration of power in the hands of Saakashvili. Particularly, in February 2005, Prime Minister of Georgia Zurab Zhvania was found dead under mysterious circumstances (*Mitchell 2008, 83*).

Since 2003, Georgia's economy has witnessed extreme liberalization. However, the same characteristic cannot be assigned to a political sphere. After the Rose Revolution political landscape of Georgia had significantly reshuffled. Smaller parties had either totally disappeared or merged with other major political parties. By early 2004, only two political parties - National Movement (NM) and Burjanadze Democrats (BD) enjoyed a significant standing in a political landscape. In 2004, those two parties also merged forming United National Movement (UNM) that was mainly dominated by NM. Concurrently, 2004 political developments and constitutional changes resulted in one-party system of governance with little or no healthy opposition present, alleviation of checks and balances and monopolization of political power. In terms of press freedom, after the Rose Revolution the voice of critical and alternative media outlets had been rather lowered or silenced and media plurality and freedom

¹⁸ See the official site of Transparency International <https://www.transparency.org/-research/cpi> (19.06.2018).

had significantly suffered. Freedom House also raised concerns regarding imposed restriction on media freedom to the critical outlets (*Freedom House 2005*).

A one-party dominance and accumulation of power in a President's hands resulted in massive dissatisfaction with the leadership, which culminated in demonstrations led by the coalition of 10 opposition parties. On 2 November 2007, in order to disperse demonstrators police and security forces used excessive force against demonstrators injuring dozens (*Monson 2009, 23*). Police forces also raided private television stations, urging TV Imedi and Kavkasia to stop broadcasting (*Human Rights Watch 2007*). Besides that, Saakashvili declared a state of emergency lasting for 15 days due to the fact that the demonstrations were perceived as a Russian-supported attempt for the coup. Due to a declaration of state of emergency, freedom of assembly and broadcasting were restricted (*Freedom House, 2008*). During the demonstrations in 2007, there were cases of human rights violations reported: excessive use of force during demonstrations, threatening and intimidation of journalists, torture of detainees, abuse of prisoners, violation of procedural rights during pre-trial detention and increased governmental pressure on judiciary branch (*Human Rights Watch 2008*). According to Freedom House, the score for political rights and civil liberties declined from 3 to 4 in 2007, compared to previous years, hence, indicating deterioration of the situation in that regards. In spite of this, Corruption Perceptions Index continued to increase in 2007 as well as the following years, marking Government's resolute fight against corruption.

In post-Rose Revolution period, Saakashvili's reform-agenda included economic liberalization, anti-corruption and institution building. Besides that, achieving territorial integrity was the top priority for Saakashvili's leadership (*Cornell and Frederick 2015, 90*). As it is discussed above, in 2004 Saakashvili managed to successfully regain control over Adjara. Throughout 2004, Georgia launched anti-smuggling operations with the hope to undermine separatist regime and interest locals with social and economic incentives. However, the campaign failed and resulted in violent confrontations during the summer of

2004 (*Cornell and Frederick 2015, 91*). In spring 2007, Georgia introduced provisional administration headed by Sanakoev in its controlled parts of the South Ossetia with the promise of social and economic benefits to the locals (*Cornell and Frederick 2015, 94*). In fact, Russian and Georgian social aid programs were competing with each other in South Ossetia. Before that in 2006, Russia imposed ban on imported Georgian wine and mineral waters that was perceived as a punishment of Georgia for its NATO aspirations (*Hewitt 2013, 219*). In fall 2006, thousands of Georgians were detained and up to 2300 of them were expelled from Russia on the grounds of fighting irregular migration and organized crime (*Human Rights Watch 2007*).

Combination of peacekeeping and assertive approaches towards breakaway regions and deterioration of Russian-Georgian relations culminated with a 5-day full-scale war with Russia in August 2008. As a result, approximately 130,000 people were temporarily or permanently displaced (*Gahrton 2010, 197*). Regardless of the fact that Georgia managed to deal with an internal political crisis in 2007 and 2008, global recession and the Russian-Georgian war adversely impacted an economic development and stability of the state. An increased instability in the region led to a reduction in FDI in 2009 amounting to 664 million USD, whereas the estimated amount of FDIs was approximately 1,6 billion USD in 2008.

Shortly after the war, protests against Saakashvili regime were re-launched in 2009 and 2011. Both, in 2009 and 2011 thousands of demonstrators were demanding resignation of the President Saakashvili and early presidential elections. The demonstrations were led by united opposition parties. In 2009, demonstrations started in April lasted for 107 days till the end of July (*Civil.ge 2009*). Regardless of the fact that small-scale skirmishes had been taking place during the demonstrations, in general, Georgian government attempted to abstain from harassing demonstrators in order not to repeat reported massive violations of human rights that were registered during 2007 demonstrations (*Robinson 2009*). The 2009 demonstrations along with rebellion attempted by Georgian troops were alleged to be Russia-supported coup attempts against Saakashvili (*BBC 2009*). As a 4-months demonstrations did not achieve its

initial objective, in 2011 oppositions once again mobilized thousands of people in the streets demanding the resignation of Saakashvili and free elections (*RT 2011*). The 2011 protests coincided with upcoming Independence Day of Georgia on May 26. Demonstrators were authorized to remain in the central streets until midnight of the 25th, because military parade was supposed to take place on May 26. Demonstrators, rejecting an offer to hold protests at any other place, were severely beaten and teargas and water cannons were used to disperse the demonstrators (*Human Rights Watch 2011*).

An aggravated dissatisfaction with the government, and a massive mobilization of people created grounds for emergence of a new political power, i.e. a “Georgian Dream – Democratic Georgia” coalition, led by businessman Bidzina Ivanishvili in 2011.¹⁹ Mobilization of economic and social capital took place around Ivanishvili forming a genuinely competitive opposition for 2012 parliamentary elections.²⁰ Elections in 2012 were accompanied with massive demonstrations amplified by scandalous videos leaked from the prison. As a result, Georgian Dream (GD) coalition won parliamentary elections with 55 percent of votes against 40 obtained by United National Movement (*CEC 2012*). After winning the elections, the ruling GD party nominated Bidzina Ivanishvili as the Prime Minister as well as the members of the government (*ISFED 2012*).

October 2012 parliamentary elections marked the date of a peaceful transfer of power through elections since the independence of Georgia.²¹ A political landscape seemed complicated with the majority of seats in the parliament taken by GD, UNM in the opposition and UNM leader Saakashvili as a President whose powers tended to be shrinking. Georgian state got into cohabitation mode as the President and the government represented different political parties. However, Saakashvili and Ivanishvili had been having intense personal conflict fuelling “partisan politics” (*Freedom House 2014*) that subsided since 2013 presidential elections after GD nominated Giorgi Margvelashvili, who

¹⁹ Source: the official site of the Election Administration of Georgia: <http://cesko.ge/eng> (11.08.2018); OSCE Final Reports on Elections in Georgia: <https://www.osce.org/-odihr/elections/georgia> (11.08.2018).

²⁰ Ibid.

²¹ Ibid.

serves as a President of Georgia up to present. constitutional changes that were introduced in 2010 by former President Mikheil Saakashvili came into force in 2013 transforming Georgia's political structure from presidential to parliamentary system (*Freedom House 2014*). Between 2012 and 2017, Georgia had witnessed the most rapid and intensive changes in the government leaders since its independence. In 2013, founder of GD Ivanishvili officially left politics and nominated Irakli Garibashvili to serve as a Prime Minister of the state. Consequently, Garibashvili also resigned and a new PM Giorgi Kvirikashvili had been leading the government from 2015 until June 2018.

Shortly after the parliamentary elections in 2012, the government launched investigations in the name of restoring justice against dozens of high-profile UNM politicians (*Freedom House 2015*); some of the UNM leaders were arrested for abuse of power or corruption. Even though Georgia had been a leader in its fight against corruption at the regional level, the problem had still been persistent at elite levels (*Freedom House 2013*). During the following ruling years of GD, Corruption Perceptions Index continued to decline but at a moderate pace compared to the period of Saakashvili's rule. According to Transparency International, between 2012 and 2017 Georgia's ranking had been improving from the 51st place (among 176 countries/territories) to the 46th out of 180 countries/territories registering 4 points increase during that period.²² Despite the improvements in terms of independence and proactive behaviour of judiciary in both criminal and administrative cases, the increase in transparency and independence of Election Administration of Georgia as well as the fight against petty corruption still remains a problem at high level decision-making, especially when it comes to the relations between private sector and public bodies (*Transparency International 2015, 2017*).

In 2012, Georgia's political rights indicator had also improved from 4 to 3 as a transfer of political power took place peacefully after free and fair elections (*Freedom House 2013*). Since 2012, Georgia has been maintaining its achieved level in terms of political rights and civil liberties. However, it is worth

²² See the official site of Transparency International <https://www.transparency.org/-research/cpi/overview> (21.06.2018).

mentioning that political confrontation between GD and UNM had been pervasively prevalent until 2016 parliamentary elections. In the early years of GD takeover of the power, GD leaders and politicians had been intensively making hostile statements directed to UNM (*Freedom House 2015*), often referring to Saakashvili leadership flaws and mistakes and attempting to disqualify opposing power. Despite declining popularity since 2014, GD got the highest proportion of party votes in 2016 parliamentary elections, whereas UNM got 1/3 of majoritarian seats and none from proportional votes (*Freedom House 2017*). It is worth mentioning that there are important political developments taking place also in 2018: a comeback of Ivanishvili into Georgian politics; youth demonstrations against police violence; large-scale and long-lasting protests over brutal killing of 2 teenagers and abuse of power in that regard demanding resignation of PM and ministers; forming of a new cabinet due to resignation of a former Prime Minister Giorgi Kvirikashvili.

On the other hand, protests and demonstrations concerning social and economic issues have become a major form of expression of civil disobedience since 2012.

To sum up, it can be stated that between 2002 and 2011 the curve of Political Factors Index (PFI)* had a tendency to a high degree and frequency of rampant fluctuations. In particular, the PFI demonstrated a decline between 2003 and 2004 due to a massive deterioration of political situation internally resulting in Rose Revolution in November 2003. In 2005 Political Factors Index improved rampantly from -0,5 to 0,1 point compared with previous year due to large-scale reforms under the aegis of new leadership and reintegrating Adjara, one of the strongest regions of Georgia into the state. As of 2006, during a year the curve got stabilized with an insignificant decline. However, the situation deteriorated between 2006 and 2008 on the one hand, because of large-scale demonstrations against the leadership and on the other hand, Russian-Georgian war in August 2008; Political Factors Index reached -0,2 in

* Political Factors Index is scaled form -1 to 1, where -1 is the highest negative influence of political factors on the stability of political system and 1 is the highest positive influence.

2008, which had been the lowest since 2003. Between 2008 and 2010 the PFI had been intensively improved by 0,4 points. However, within a year from 2010 to 2011, the PFI deteriorated by 0,17 points due to large-scale demonstrations and excessive use of force by the government. Between 2012 and 2017 the curve of PFA was characterised of a tendency to a gradual positive improvement mainly due to a peaceful transfer of power by means of elections. However, between 2014 and 2015 it demonstrated a slight downfall followed by stabilized positive improvement mainly caused by the entry of Association Agreement into force and an increased inflow of FDI.

3.2 Outlook for Understanding Georgian Economic Bubble

During the first years of independence right after the fall of the Soviet Union, Georgia's economy collapsed and the country's population found itself in a tremendous hardship. According to the World Bank, economic contraction of Georgia in the aftermath of the disintegration of the Soviet Union was the most severe in Europe and Central Asia region and among Commonwealth of Independent States (CIS) members (*World Bank 2009, 15*). Besides ruined economic relations between former Soviet states, economic situation deteriorated further due to a civil strife in 1992, 1993-1994 hyperinflation and also, Abkhazian and South Ossetian conflicts resulting into massive migration in and outside of the state (*Government of Georgia 2000, 4*).

After declaring independence in 1991, Georgia has undergone two waves of economic reforms. The first wave of the reforms that were launched after 1995, established a solid institutional ground for a new economic system. Those reforms resulted in economic growth that were halted in the late 1990s (*Resolution of the Georgian Government 2014, 7*). Due to shortages of food and energy supply, Georgia had to rely on foreign grants and loans. However, from 1994, the Government launched stabilization programs aiming at liberalization of prices, trade and etc. (*IMF Survey 1996, 1*). Since 1994, in close

consultations with the international financial organizations, macroeconomic and financial situation in Georgia started to improve due to various anti-crisis implemented programs. Between 1995 and 1998, GDP per capita growth rate constituted 25%; inflation rate was reduced from 39,4% to 3,6%; as a result of relative improvement of economic stability, Georgia also started attracting growing number of investments.²³ In 1996, Georgian government launched new economic reforms aiming at formation of entrepreneur class and stratification of the market economy. The approach that the Government adopted implied social stimulation through lending credits to the entrepreneurs (*National Bank of Georgia 2000, 4*); as a result, between 1996 and 2000 domestic credit expressed in percent of GDP provided by financial sector increased by 65%.²⁴

Regardless of some improvements, Georgia's macroeconomic and financial situation had largely deteriorated starting from 1998 because of a financial crisis in Russia (Georgia's main trade partner) that resulted in worsening of trade balance (*National Bank of Georgia 2000, 11*). In 1997, Georgia's export amounted to 244 million USD that was reduced by 22% in 1998. As a result, in 1999, GDP reduced by 20% amounting to 677 USD per capita, which was the lowest registered in the country, compared to the previous years. In 1999, the amount of foreign direct investments also decreased by 70% compared to the amount of the previous year. As a result of 1999 Government attempts to improve macroeconomic stability of the country, in 2000, there were positive tendencies projected to GDP growth and decline in inflation from 19% to 4,1%.²⁵ It is also worth mentioning that between 1995 and 2000 budget deficit was also reducing along with the decline in the size of shadow economy as the Government was attempting to bring budgetary revenues and expenditures in line with each other (*Government of Georgia 2000, 16*).

²³ See the official site of the World Bank <https://data.worldbank.org/indicator/> (19.06.2018).

²⁴ Data source: author's calculations based on the World Bank data <https://data.worldbank.org/indicator/> (19.06.2018).

²⁵ Data source: author's calculations based on the World Bank data <https://data.worldbank.org/indicator/> (19.06.2018).

Nonetheless, economic growth was very unstable in the first decade of independence. However, Rose Revolution in November 2003 marked a new chapter in Georgia's history. A new leadership of Saakashvili inherited weak economy, corrupted administration system and empty treasury, however, a wide array of reforms had fast and transformatory impact on economic growth. In this regard, it should be noted that from 2003 to 2007 there was a continual increase in the Economic Factors Index (EFI) (see Figure 1, Table 1). Since 2004, a second wave of economic reforms was launched aiming at liberalization of the market. The first steps undertaken by UNM government targeted tax collection and prosecution of corrupted officials and businessmen (*World Bank Group 2018, 4*) and on the other side, massive deregulation in order to reduce the size of informal or shadow economy. As a result, between 2003 and 2008, GDP per capita increased more than four times growing from 1600 to 7800 USD.

Progress in anti-corruption domain along with market-oriented liberal economic reforms significantly impacted the inflow of FDIs between 2003 and 2007. According to the National Statistics Office of Georgia, between 2003 and 2007 FDI inflow increased approximately 5,2 times reaching 1,753 billion USD (see Figure 2). In contrast to Shevardnadze's period that also witnessed huge amount of foreign assistance, during Saakashvili's ruling, money was initially invested in big infrastructure projects and development of economy rather than flowing to some concrete individuals' wallets and, as a result, the quality of public services had significantly improved (Mitchell 2008, 86). It is also worth mentioning that after 2004, electricity supply, which population was largely deprived of during the previous decade, improved and got close to uninterrupted.

Between 2003 and 2007, wider sectorial reforms had also affected an expansion of economic freedoms. Together with reduction in corruption and development of public infrastructure, new reforms significantly lowered regulations and adopted simplified system of taxes in order to attract more investments, de-incentivize corruption and flow of unregistered money and boost fast economic growth. According to the Heritage Foundation, Georgia's

overall score for the Index of Economic Freedoms in 2003 was 58,9 (from 0 to 100, where the former implies minimal and the latter - maximal economic freedoms), implying combination of the scores from various domains, such as: property rights, government integrity, judicial effectiveness, tax burden and etc. Between 2003 and 2007, the estimated overall score had been increasing with the exception of the year 2004, when the overall score decreased from 58,8 in 2004 to 57,1; estimated score for the government integrity had been vividly decreased from 24 in 2004 to 18 in 2005.²⁶

After 2003, wide-scale privatization of state-owned enterprises took place resulting into improved business environment. In 2007, Doing Business named Georgia a top reformer and in 2008, the country was among top 20 performers (*Government of Georgia 2000, 16*). Regardless of large capital inflow to the country and expansion of domestic credit in 2003-2007, maintaining stable inflation still remained an issue for the fiscal authorities. Inflation was largely caused by alteration of the composition and quality of the imported goods and also, high global food and energy prices that were adding pressure on local price level (*Government of Georgia 2000, 20*). In contrast to increased import, export largely deteriorated since March 2006, after Russia imposed ban on Georgian goods. The ban mainly affected agricultural sector goods, particularly wine. However, since 2007 export rate has also started improving due to diversification of the markets.

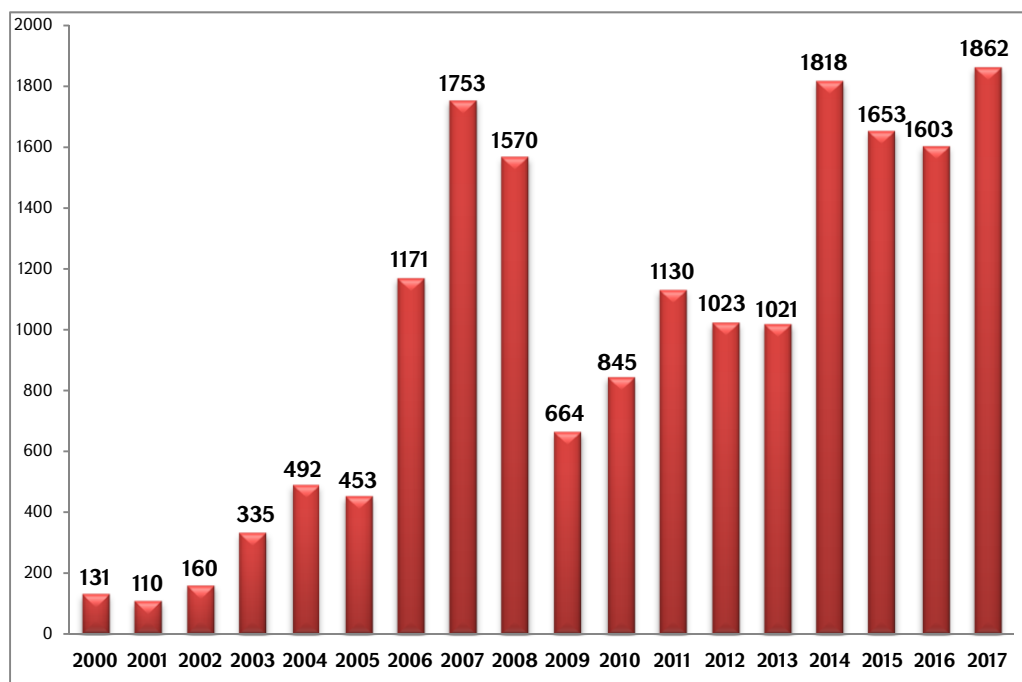
Global economic crisis and war with Russia has significantly damaged Georgia's economic stability and on the other side, led to a growing discontent with the ruling party and its leadership. After 2009 major downturn, Georgian economy witnessed rampant growth until 2012 governmental elections. In 2013, Georgia's GDP per capita recovered and became equal to the pre-independence levels. According to the World Bank (*World Bank Group 2018, 16*), fiscal stimulus programs increased budget deficit and raised debt levels, however, still helped Georgia to overcome 2008-2009 deterioration in economic activity and aided economic growth even further.

²⁶ See the official site of the Heritage Foundation <https://www.heritage.org> (18.06.2018).

2012 elections made it possible to change the government. A new government formed by “Georgian Dream – Democratic Georgia” (GD) coalition slightly altered Georgia’s economic development path. The new government prioritized social reforms and more inclusive growth that resulted in a significant governmental spending. In 2012-2016, the government introduced a number of programs for socially and economically disadvantaged people and also, a universal healthcare program (UHP). In contrast to the UNM government that actually managed to reduce budget deficit between 2008-2012, during the mandate of GD government, fiscal deficit had been increasing and reached 4 percent of GDP in 2016. Between 2012 and 2017, domestic credit levels had rampantly increased by 60 percent partially due to transfers and net lending to state-owned enterprises (*World Bank Group 2018, 7*).

Figure 2

FDI inflow in a time span of 2000 and 2017 (mil. USD)²⁷



²⁷ See the official website of National Statistics office of Georgia http://geostat.ge/-index.php?action=page&p_id=2231&lang=eng (20.06.2018).

In June 2014, Georgia signed an Association Agreement (AA) with the European Union. Under the aegis of AA, Georgia had been undergoing significant transformations in order to comply with the EU requirements and standards. FDI inflow significantly increased from 2012 to 2017, where since 2014 the biggest amount of investments comes from EU states²⁸ as Association Agreement between EU and Georgia came into force in June 2014. In 2017, since independence of Georgia the highest amount of FDI inflow had been registered approximately amounting to 1,9 billion USD (see Figure 2). Besides AA, Georgia also signed Visa-free regime with EU in March 2017 further deepening relationships between EU-Georgia. And it is no coincidence that in 2014 and 2017 the Economic Factors Index reached its highest levels registering 0,644 and 0,643 points, respectively (see Figure 1, Table 1).

In the course of the AA, in 2014, Georgia launched a state program “Produce in Georgia.” The program aims to aid sustainable economic growth by supporting on the one hand, industrial and agricultural activities and on the other hand, establishment and strengthening of small and medium enterprises (SMEs) in Georgia (*Government of Georgia 2015, 12*).

In sum, between 2000 and 2007 the curve of Economic Factors Index (EFI) had been gradually increasing with a slight downfall in 2002. A gradual growth was mainly related to large scale economic reforms towards liberalization in post-revolution Georgia. However, global economic crisis and war with Russia adversely impacted a positive ascendancy of the curve and led to a deterioration of the situation in short-term. During 2010-2012 EFI underwent a sharp increase by 0,5 points. Since 2013, EFI mainly sustained its positive tendency of growing, however, compared to 2010-2012 period, the growth was mainly stable and gradual rather than rampant (see Figure 1, Table 1).

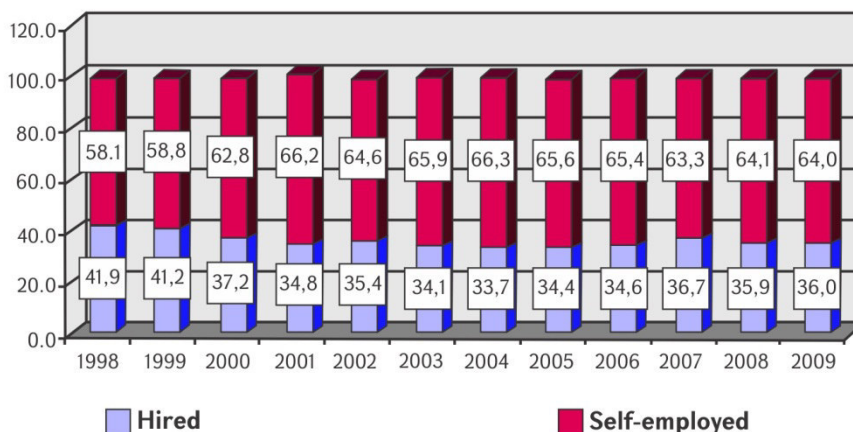
²⁸ See the official site of National Statistics Office of Georgia http://geostat.ge/index.php?action=page&p_id=2231&lang=eng (21.06.2018).

3.3 Social Development Tendencies

Disintegration of the Soviet Union was followed by a civil strife and armed conflicts caused by ethno-political conflicts in the autonomous regions of Abkhazia and South Ossetia. It all resulted in economic hardship and deterioration of Georgians' living standards. After the collapse of the Soviet Union, Georgia lost cheap energy supply and as a result, during the first decade of independence, country's economy was lagging partially due to energy interruptions and also, lowered standard of living of the population. Waged wars, civil strife and economic hardship resulted in massive emigration of huge number of Georgians, especially, the most educated and high-skilled ones, inside and outside of the country. Between 1994 and 2000, population of Georgia declined from 5 to 4 million. The biggest number of Georgians left the country within 1994- 1997 years.²⁹

Figure 3

Share of hired employees and self-employed in
Georgia in 1998-2009 (%)³⁰



²⁹ See the official site of National Statistics Office of Georgia http://geostat.ge/index.-php?action=page&p_id=473&lang=eng (24.07.2018).

³⁰ Source: National Statistics Office of Georgia qtd. In USAID & IOM Research on "Georgia's National Labour Market."

From 1990 to 1995, Government expenditure on education and healthcare decreased by 90-95 percent compared with the pre-independence (Soviet) period (*UNDP 2008*, 5). Due to the state's inability to aid poor to take preventive measures, an increase in diseases and excessive number of drug abusers had been documented within the above-mentioned years. Regardless of the fact that the level of education was quite high in early post-Soviet years, quality of education was questionable especially when government spending on education amounted to only 2 percent of GDP. Unfortunately, during the above-mentioned timeframe, periodic economic growth did not result in creation of jobs as creation and elimination of the workplaces were balanced in distinct sectors. Due to limited employment opportunities, unemployment remains one of the most challenging socio-economic problem of modern Georgia. Between 1998 and 2009, number of self-employed Georgians had been significantly exceeding to the number of employed ones (see Figure 3).

Due to shortage of food and energy supply, Georgia had to rely on foreign grants and loans. However, from 1994, the Government launched stabilization programs aiming at liberalizing prices, trade and etc. (*IMF Survey 1996*, 1). This first wave of macroeconomic reforms slightly aided improvement of Georgians' livelihoods. Regardless of existing difficult situation, Human Development Index (HDI) continued to increase. In 1998, Georgia ranked 108 out of 174 states, whereas in 2000, the country moved to 70th position. According to the UNDP, Georgia's improved positioning was due to good levels of combined primary, secondary and tertiary education and high life expectancy at birth; however, the country was lagging in terms of income per capita (*UNDP 2000*, 20). Regardless of improvements in Georgia's HDI ranking, it is emphasized that two out of three components that comprise HDI are inherited from the Soviet system and due to widespread corruption at educational institutions, entry and graduation were made easily possible in exchange of either money or goods. In reality, dilapidated economy, infrastructural facilities, widespread corruption and large share of shadow economy impeded Georgian population to pursue better social prosperity.

Initial improvement in terms of the socio-economic condition of the Georgian population started after post-revolution second wave reforms. New government started pursuing extremely liberal economic policies in order to attract investments. As a result, investments were made in big infrastructural projects, and economic growth was relatively secure. However, it appeared difficult to translate economic gains into social terms. For example, since 2003, government had started collecting taxes that might not have necessarily aided equity for low-income families that spent most of their income. Collection of the taxes gave an opportunity to the government to increase and spend money on pensions, however, education and healthcare systems' budgets were relatively neglected (*UNDP 2008, 3*).

It is worth mentioning that in Georgia during 2003-2008 there was a huge discrepancy between economic growth and its impact on the social prosperity of the population. In this timeframe, GDP had been significantly increasing from 1010 to 3326 USD per capita, whereas employment percentage had been decreasing from 57,5 to 53,1. The same applies to the poverty which increased from 34,3% to 38,8% over the mentioned period and dropped to 34,9% only in 2008³¹. According to the UNDP (*2008*), between 2003 and 2008 government did not only focus on economic growth, but it did also increase social assistance payments from 47 million USD to 723 million USD. Therefore, it is highly questionable how poverty could have remained at such high rates. Several versions provide the explanations: (1) external shocks impacted disproportionately on socially vulnerable groups; (2) agricultural sector that employs half of the country's population did not benefit much from economic growth; (3) social programs did not appropriately target the ones who initially needed them; (4) combination of taxation and inflation lowered consumption opportunities for the disadvantaged groups (*UNDP 2008, 4*).

Regardless of the fact that government spending on education was far less than on social assistance, educational sector also underwent some transformations. Under the aegis of new reforms national standards and quality

³¹ See the official site of National Statistics Office of Georgia http://geostat.ge/index.php?action=page&p_id=188&lang=eng (24.07.2018).

control mechanisms were established in the educational sector. One of the most significant reforms was the introduction of Unified National Examinations (UNE) based on which students are admitted to universities and provided with state scholarships. Compared to the early years of independence when a number of entrants to the university were high, UNE alleviated corruption from the university (*UNDP 2008, 5*). Regardless of positive interventions, educational sector suffered from unequal practices due to a lack of funding. UNE functions on a meritocratic basis through which an opportunity to get scholarship for university studies depends on the ability of a student. An entry to the university on meritocratic basis naturally perpetuates a structural inequality, when the ones who get the highest scores come from wealthier families and have more opportunities to afford private tutors, schooling i.e. better quality education (*UNDP 2008, 5*).

Besides education, healthcare system had also been significantly reformed since 2003. Between 2003 and 2007, healthcare expenditures increased by 130 percent. The reforms were implemented around 4 pillars: (1) enlargement of primary healthcare system; (2) enlargements of healthcare assistance to socially vulnerable groups; (3) privatization of hospitals; (4) adoption of private insurance for financing healthcare. Even though functioning of healthcare system improved significantly, evolving 2 pillars of the reforms around private sector left socially disadvantaged people at marginal positions (it is thought that insurance companies are not used to deal with disadvantaged groups and they are less likely to cover the expenses to the fullest (*UNDP 2000, 6*).

Above-mentioned policies that neglected equity in various sectors, resulted in uneven social development expressed and projected to GINI index. Between 2003 and 2008, Georgia's GINI coefficient fluctuated between 0,38 and 0,40 on the scale varying from 0 (perfect equality of income) to 1 (maximum inequality of income).³²

³² See the official site of National Statistics Office of Georgia between 2003 and 2005 http://www.geostat.ge/index.php?action=page&p_id=644&lang=eng and in 2006-2008 http://www.geostat.ge/index.php?action=page&p_id=188&lang=eng (05.07.2018).

Paradoxically, regardless of improvements in terms of providing secure and safe environment in the country compared to a pre-revolution period, the number of crimes per 1000 people had been increasing since 2006. In 2006, Georgian parliament adopted criminal law “Zero Tolerance” with the motto “Everyone in Prison.” The law implied prosecuting every offender even with minor offence allegations in order to decrease the number of crimes, alter public attitude to crime and fight against impunity syndrome (*Penal Reform International 2015, 4*). Therefore, while assessing crime rates per 1000 people since 2006 up to 2017, Georgia had a high rate of crimes due to the above-mentioned approach. However, it is worth noting that since 2006, the criminal law was slightly modified in 2009 and projected to relative liberalization. According to the GORBI group research in 2010, 95-97 percent of Georgian society felt safe in Georgia (*Tabula 2011*), which was a positive development compared to the early years of independence when banditism was extremely widespread.

After 2012 parliamentary elections, Georgian Dream formed the government, which mostly pursued and highly accentuated issues related to social policy. Even though during the mandate of UNM government economic growth was quite impressive, social distribution of the accumulated welfare was insignificant resulting into inequitable social development. GD government had introduced a new universal healthcare program in 2013 and various programs aiming at supporting socially and economically disadvantaged groups. As a result, between 2012 and 2017, poverty levels in Georgia significantly reduced from 34 to 21,9 percent. Estimated poverty rates were at its lowest point 21,6 percent in 2015. Between 2012 and 2015, GINI coefficient had also been decreasing from 0,41 to 0,38 points, however, since 2016, GINI index had started increasing by reaching 0,40 in 2017. Similar tendencies were applied to the employment rates between 2011 and 2015, percentage of employment was showing a gradual increase, however, since 2015 employment dropped from 60 to 58,9 percent.

In summary, the Social Factors Index (SFI) had a gradually improving tendency, especially, after 2006. In 2006 there was the highest drop in SFI

within the observed period, which was connected with an increased level of crime (16 per 1000). After it, the Index had been intensively rising. However, it is worth noting that since 2014, the curve had a slightly worsening projection (see Figure 1, Table 1).

3.4 Development trends of Stability Index of Political System

Figure 4

Stability Index of Political System (SIPS) in Georgia
(2000-2017 years)*

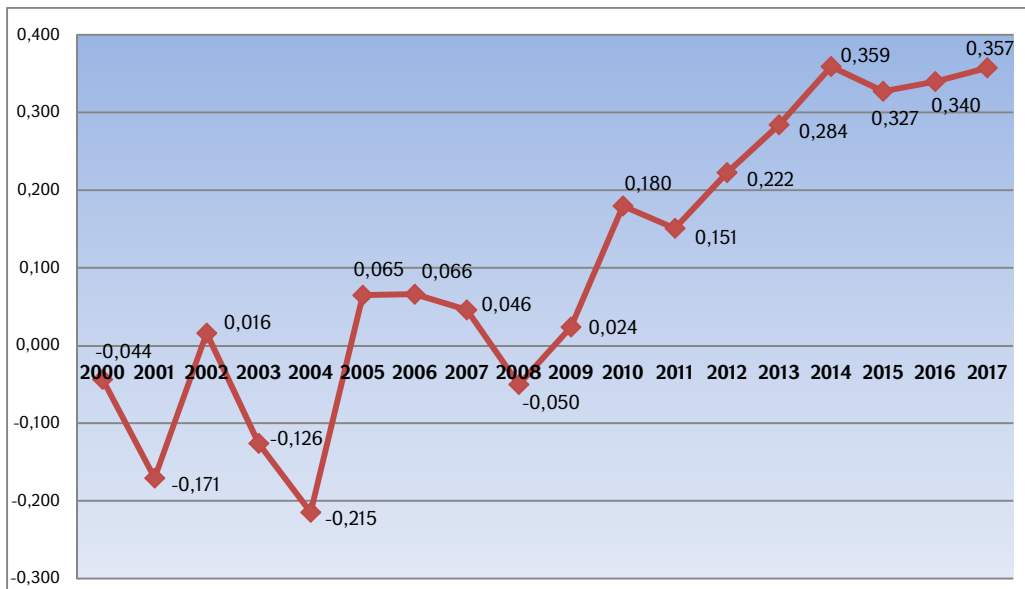


Figure 4 displays a development trend of Stability Index of Political System in Georgia between 2000 and 2017. SIPS curve underwent rampant fluctuations before 2003 Rose Revolution reflecting unstable nature of pursuant policies in political, economic and social domains. However, major

* Source: calculations by the author.

improvements in every domain of public sphere were respectively reflected in SIPS since 2005, when the curve demonstrated positive trend resulting in an increase by 0,28 points compared to previous year's standing. Between 2004 and 2005, the curve had the steepest slope due to major improvements in political, economic and social domains in post-Revolution Georgia. Stabilization trend of SIPS in 2005-2007 was followed by a significant downfall in 2008 due to the war between Georgia and Russia and a global financial crisis. However, since 2009 SIPS had been characterized with a steep ascendancy due to an increase in PFI regardless of a deteriorated political situation with its neighbour. It is worth mentioning that in 2011 SIPS slightly decreased due to internal turbulence in the country directed at the governing power and President. Since 2011 United National Movement and President Saakashvili grew less and less popular resulting in a peaceful change of power in 2012. After downfall in 2011 SIPS was characterized with a gradually positive increase year by year. Until 2014 Georgia had been actively pursuing adjustments in its policies and legislation in order to comply with EU standards to prepare for 2014 Association Agreement ratification. In 2014 SIPS reached the highest point (0,359) in its history. It is no surprise that 2014 marked a significant date in the history of modern Georgia as Association Agreement went into power after years of working on significant improvements falling into domains of PFI, EFI and some major reforms falling into SFI domain. However, in 2015 SIPS slightly fell down mainly due to downfalls in Political, Economic and Social Factors Indices caused by internal dissatisfaction with the ruling Georgian Dream party that was reflected after 2014 Municipal Elections. Nonetheless, since 2016 SIPS had been demonstrating a slight increase until 2017 mainly still at the expense of Political and Economic Factors Indices, however, Social Factors Index had not demonstrated a significant recovery due to lately unravelled fast changes in the minister cabinet. In 2017 SIPS closely reached the result recorded in 2014 mainly at the expense of PFI and EFI by reflecting growing number of FDI inflow, absence of armed conflicts, stability in domains of civil and political rights and expanded economic freedoms.

3.5 Regression analysis of the Stability Index of Political System

Arusyak Aleksanyan, Mariam Khizanashvili

The regression analysis illustrates the variables of Political, Economic, and Social Factors Indices that significantly impacted the SIPS of Georgia.

In particular, a strong relationship has been established between $SIPS_i^*$ and Political Factors Index, precisely: Index of Economic Freedom,** Civil Liberties and Corruption Perceptions Index.

$$Y' = 0,015x_1 - 0,9 \text{ (Adj. } R^2=0,606\text{),}$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the variable of Index of Economic Freedom), x_1 is the Index of Economic Freedom.

$$Y' = -0,257x_2 + 0,98 \text{ (Adj. } R^2=0,628\text{),}$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the Index of Civil Liberties), x_2 is the Index of Civil Liberties.

$$Y' = 0,122x_3 - 0,33 \text{ (Adj. } R^2=0,8\text{),}$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the Corruption Perceptions Index), x_3 is the Corruption Perceptions Index.

A significant relationship has been observed between $SIPS_i$ and Economic Factors Index, i.e. GDP, External trade turnover, Domestic credit and Shadow economy.

$$Y' = 0,011x_4 - 0,178 \text{ (Adj. } R^2 = 0,717\text{),}$$

* $SIPS_i$ is the index of political stability cleaned from the corresponding independent variable during every paired regression analysis.

** Index of Economic Freedom has been included in the political factors index, as it denotes guarantees for the construction of legislative body and property rights, efficiency of a judicial system and is regarded as one of the most important indicators of political stability and democratization.

where Y' is the $SIPS_i$ (SIPS is cleaned from GDP), x_4 is GDP per capita (\$100).

$$Y' = 0,04x_5 - 0,138 \text{ (Adj. } R^2 = 0,753),$$

where Y' is the $SIPS_i$ (SIPS is cleaned from External trade turnover), x_5 is the External trade turnover (\$billion).

$$Y' = 0,01x_6 - 0,238 \text{ (Adj. } R^2 = 0,785),$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the variable of Domestic credit), x_6 is Domestic credit (% GDP).

$$Y' = -0,024x_7 + 1,589 \text{ (Adj. } R^2 = 0,698),$$

where Y' is the $SIPS_i$ (SIPS is cleaned from Shadow economy), x_7 is Shadow economy (% GDP).

There has been denoted a strong relationship between $SIPS_i$ and Human Development Index (HDI), Real wage and Poverty rate, which belong to the Social Factors Index.

$$Y' = 4,97x_8 - 3,5 \text{ (Adj. } R^2 = 0,717),$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the HDI), x_8 is the HDI.

$$Y' = 0,1x_9 - 0,058 \text{ (Adj. } R^2 = 0,598),$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the variable of Real wage), x_9 is the Real wage (\$100).

$$Y' = -0,023x_{10} + 0,828 \text{ (Adj. } R^2 = 0,591),$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the variable of Poverty rate), x_{10} is the Poverty rate.

To sum up, variables of Political Factors Index; namely, Index of Economic Freedom, Corruption Perceptions Index and Civil Liberties significantly impacted the political stability of Georgia and one unit change will lead to an increase in $SIPS_i$ by 0,015, 0,26 and 0,12 units respectively. The Corruption Perceptions Index particularly has a high determination coefficient and explains 80% variation of the variable.

The SFI variables of GDP, External trade turnover and Shadow economy and $SIPS_i$ had a considerable correlation between each other. A growth in GDP per capita (\$100) and increase in External trade turnover by 1 billion US dollars, will lead to a growth in $SIPS_i$ by 0,011 and 0,04 units correspondingly. In the meantime, an increase in Domestic credit and 1% decrease in Shadow economy will entail $SIPS_i$ improvement by 0,01 and 0,024 units respectively. The mentioned variables explain 70-78% of variation of the variable.

HDI, Real wage and Poverty rate are one of the most important factors of SFI. One unit change in HDI, increase in Real wage by 100 US dollars will compatibly improve $SIPS_i$ by 0,5 and 0,1 units, whereas 1% decrease in Poverty rate will lead to the growth in $SIPS_i$ by 0,023 units as such.

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Abbreviations

AA	Association Agreement
BD	Burjanadze Democrats
CPI	Corruption Perception Index
EFI	Economic Factors Index
EU	European Union

Chapter 3. Political Realities and Perspectives in an independent Georgia

FDI	Foreign Direct Investment
GD	Georgian Dream
HDI	Human Development Index
IMF	International Monetary Fund
NM	National Movement
PFI	Political Factors Index
PM	Prime Minister
SFI	Social Factors Index
SIPS	Stability Index of Political System
SME	Small and Medium Enterprise
UHP	Universal Healthcare Program
UNDP	United Nations Development Programme
UNE	Universal National Examinations
UNM	United National Movement

CHAPTER 4.

THE PRICE OF POLITICAL STABILITY OF AZERBAIJAN: THE OPPONENTS OF DEMOCRACY

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The period following the collapse of the Soviet Union was very important for Azerbaijan, as well as for other post-Soviet countries, with respect to its political instability based on both domestic and foreign policies, and various social-economic factors.

The indirect involvement of powerful regional centers, such as Iran, Turkey and Russia, in Azerbaijan's political processes, particularly in post-independent period (1991-1994) on the one hand, and Karabakh conflict and its impact on the formation and change of Azerbaijan's political system, as well as the socio-economic crisis in the aftermath of Soviet Union's collapse on the other hand, have led to a high level of political instability and fragility in the first post-Soviet period. The above-mentioned factors have their rather limited effect on Azerbaijan in the second (1994-2003) and third (since 2003) periods of post-independent history when the country was ruled by the Aliyevs. The latter formed the political elites paying a huge attention to clan identity.

Unlike the other countries of the South Caucasus, the analyses of the Stability Index of Political System (SIPS) of Azerbaijan and its policy swings with ups and downs are mostly based on the study of some special economic factors, particularly oil and gas export volumes, and tendencies towards the rise and fall in their prices.

The other factor playing a huge role in the stability of Azerbaijan's political system, and at the same time very important for Armenia, is Karabakh Conflict. By the way, in contrast to Armenia where the conflict becomes a reason for

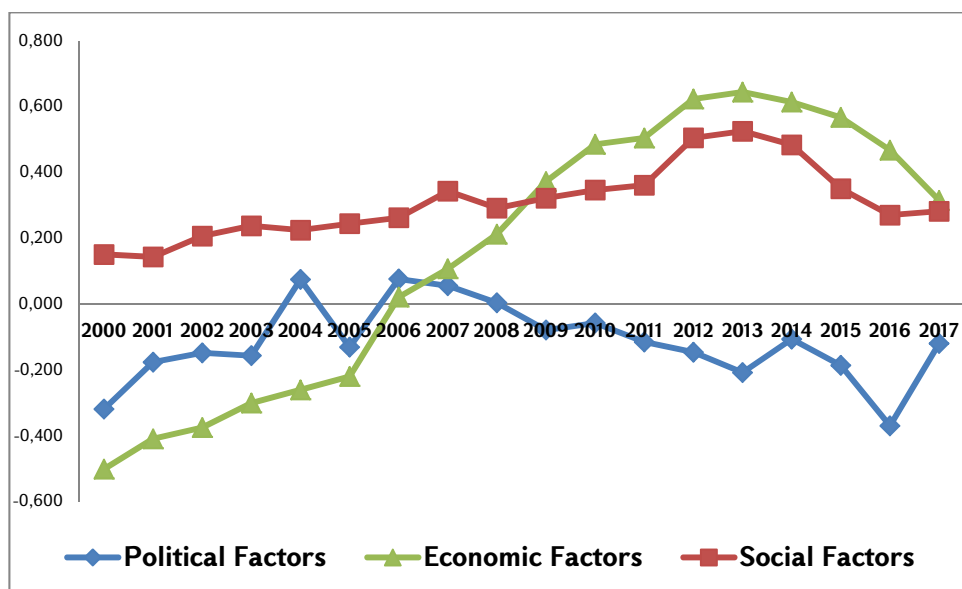
political instability, in Azerbaijan some economic and political tendencies often lead to aggravation of the situation in Karabakh and local or total resumption of fighting.

This chapter deals with the SIPS development tendencies in Azerbaijan in 2000-2017 (see Figure 1). The analysis is based on the study of the factors, which have an impact on political, economic and social stability during that period. Special attention has been given to the events and phenomena, associated with any political, economic and social falls during those years.

The following table (see Figure 1) gives some details of the above-mentioned factors in 2000-2017. A wide-ranging analysis of political, economic and social components of Azerbaijan's political system is shown in separate subheadings. The results obtained through a regression analysis generally relate to the factors with the greatest effects on the system.

Figure 1

Indices of Political, Economic and Social Factors of the stability of Azerbaijan's political system in a span of 2000-2017*



* Source: calculations by the author.

Indices of SIPS factors are comparable only by the trends.

Table 1

**Indices of Political, Economic, Social Factors and Stability Index of Political
System of Azerbaijan in a span of 2000-2017***

Years	PFI	EFI	SFI	SIPS
2000	-0,319	-0,502	0,150	-0,206
2001	-0,177	-0,410	0,143	-0,116
2002	-0,148	-0,375	0,206	-0,076
2003	-0,157	-0,301	0,238	-0,060
2004	0,075	-0,261	0,224	0,069
2005	-0,131	-0,220	0,244	-0,032
2006	0,076	0,021	0,262	0,124
2007	0,056	0,107	0,343	0,149
2008	0,003	0,212	0,291	0,121
2009	-0,079	0,372	0,322	0,109
2010	-0,058	0,485	0,346	0,145
2011	-0,116	0,505	0,361	0,120
2012	-0,147	0,623	0,505	0,164
2013	-0,208	0,644	0,525	0,140
2014	-0,107	0,614	0,484	0,178
2015	-0,187	0,567	0,350	0,088
2016	-0,370	0,468	0,270	-0,052
2017	-0,120	0,315	0,282	0,066

* Source: calculations by the author.

PFI, EFI, SFI and consequently SIPS indices calculated on them may insignificantly vary in comparison to the indices of corresponding years estimated in previous publications as a result of updated and newly inserted data as well as changes of minimum and maximum indices.

4.1 Political factors on political stability in Azerbaijan and their features

The reign of Ayaz Mutaibov and Abulfaz Elchibey, the first two presidents of post-Soviet Azerbaijan, and the first period of Heydar Aliyev's rule are characterised by political instability, uprisings, some attempts to change the power, as well as autochthonous peoples' national awakenings and Liberation movement (*Cornel 2011, 60-90*). In contrast, since 1995 we have dealt with removing the long-lasting tendencies of political instability caused by the collapse of the Soviet Union and military defeat in Karabakh conflict, and maintaining relative stability. Some prerequisites for establishing political stability in Azerbaijan can be represented in the following points:

1. Due to Bishkek protokol (5 May, 1994) and Ceasefire agreement of 9-11 May, 1994,³³ Karabakh conflict has moved from total military actions to ceasefire regime. The relative peace in the conflict which found no solution and caused tense military situation for both sides, gradually allayed political tension in Azerbaijan and gave Heydar Aliyev an opportunity to restore the political system.
2. On 20 September, 1994, in "Gyulistan" palace, Baku, a contract was signed between State Oil Company of Azerbaijan Republic (SOCAR) and a consortium of 11 foreign oil companies, ruled by British Petroleum. It covered the development of an area with three major oil fields in the Azerbaijan sector of the Caspian Sea – Azeri, Chirag and Gunashli. The signed contract was named “the contract of the century” (*Cornel 2011, 85*). The document, signed for 30 years and validated by Parliament in 2 December, 1994,³⁴ became a reason for some domestic and foreign

³³ The text was signed by M.I. Mamedov in Baku, 9 May, 1994, by S. Sargsyan in Yerevan, 10 May, by S. Babayan in Stepanakert, 11 May (*МИДНКР 2018*).

³⁴ On 14 September, 2017, a new agreement on the development of “Azeri-Chirag-Guneshli” oil fields was signed on the extension of “the contract of the century” to 2050. According to this new contract, SOCAR will increase its equity share from 11 to 25 per cent (*President.az 2018*).

political tensions in Azerbaijan, especially for Heydar Aliyev's government in the short term (*Hayrapetyan 2017a, 88-89*). But as for the long term, it must be mentioned that the signing of the document led to economic expansion and political stability in the country. After signing “the contract of the century” the problem of military and political stability in Azerbaijan became even more essential for the countries oil companies of which had made huge investments in developing the oil and gas infrastructures in Azerbaijan in the frame of the agreement.

Heydar Aliyev used his Soviet experience of affecting people and establishing temporary political stability, specific to Soviet Union, such as cult of personality, restrictions on freedom of expression, pressure on free thinking, climate of fear. In parallel he regularly rose the question of unsolved Karabakh conflict for influencing on wide sectors of the population. All of these methods helped him to overcome the first wave of post-Soviet difficulties, emerge from political instability and finally regain his influence in Azerbaijan (*Hayrapetyan 2015, 123*). Heydar Aliyev ruled till 2003 when Ilham Aliyev succeeded his father in the country, qualitatively different from 90s' Azerbaijan.

The model by which Heydar Aliyev managed to establish a relatively stable policy in Azerbaijan, should be called “retreat from democracy and human rights for the sake of political stability”.

Political Factors Index (PFI), one of the components of the Stability Index of Political System (SIPS) of Azerbaijan, was very instable and changeable in 2000-2017, with sharp falls in this period (see Figure 1).

During 2000-2017, some civil disobedience, one of the most important components of PFI in SIPS of Azerbaijan was caused by the presidential and parliamentary elections, referendums on the constitutional changes (see the chronicle in Table 2), political developments in post-Soviet and Near East countries, especially the revolutions, as well as various cases of deterioration in the socio-economic situation.

Table 2

Chronicle of presidential and parliamentary elections and referendum on constitutional changes in Azerbaijan during 2000-2018

	Presidential elections	Parliamentary elections	Referendum on constitutional changes
Years	2003	2000	2002
	2008	2005	2009
	2013	2010	2016
	2018	2015	

Figure 2

Results of Azerbaijani parliamentary elections in 2000-2015³⁵



The most negative indicator of PFI of Azerbaijan, -0,319 (see Figure 1), was recorded in 2000. Except that the political restriction organized by Heydar Aliyev in 1994 was not finished yet and socio-economic situation was not in good shape, there was another influential factor for this negative indicator too. Just after the parliamentary elections in 1994, in Baku, Shaki and other cities a number of demonstrations, resulting from election frauds, incorrect counting of votes and the victory of “New Azerbaijan” party (results of parliamentary

³⁵ There are 125 electoral mandates in Azerbaijani parliament. Small parties and vast majority of deputies without party affiliation are under the Government’s control. The aim of this is to make an illusion of democracy and free thinking (*Hunanyan 2016, 103*).

elections in the Republic of Azerbaijan in 2000, 2005, 2010, 2015 see in Figure 2), took place with participation of oppositional forces. All these demonstrations and meetings were rudely dispersed by Aliyev's regime (*Nikolayenko 2017, 204-205*), and about 350 peaceful demonstrators were arrested in Shaki (*RIPD 2005, 2*).

Despite the fact that some ups in PFI were observed in 2001-2002, explained by the absence of presidential and parliamentary elections, as well as by some foreign achievements, particularly the membership in European Union in January 2001, the tendencies of stability and positive growth in PFI started to fall down in 2003. It was the year of power transfer from Heydar Aliyev to his son Ilham Aliyev, and was characterized with a new wave of civilian demonstrations. A number of illegal actions took place during the presidential elections on 15 October 2003, such as double voting, voting without passports, ballot-box stuffing, forced votes under the pressure of governmental resources, incorrect counting of votes, etc. (*Ismailav 2004, 16-17*). After announcing the result of the vote the supporters of Isa Ghambari, an opponent of the regime, and broad masses of people took to the streets of the capital and other cities. As a result of confrontations between people and governmental forces, a few demonstrators were killed (*Sødergren 2004, 14*), including a child (*Hürriyet 2003*), more than 600 citizens were arrested, ten of which were opposition leaders (*Mekhti 2004, 30-31*).

The same situation with regard to election frauds, civil disobedience, pressure on the press and freedom of speech, prevailed also during the parliamentary elections in 2005 (*Human Rights Watch 2005, 13-25*).

On the one hand, serious political developments in Georgia, Ukraine and Kyrgyzstan in 2003-2005 were an important impetus for the oppositional political forces of the Republic of Azerbaijan to make some changes in political system of the country before the elections in 2005 (*Human Rights Watch, 2005, 13-25*). On the other hand, they were warning signs for the Republic of Azerbaijan government and were made in order to prevent the political danger, stay vigilant and negotiate with the political opposition and civil society from a position of strength (*The New York Times 2005*), as well as get rid of the aberrant of their own "clan."

The most important feature of the elections in 2005 was, most likely, intra-clan infightings. As a result, on 16 October, 20 days prior to the elections a few government officials, particularly, Ali Insanov (a member of “New Azerbaijan” party), Minister of Health, Rafik Insanov, his brother, President of “Azpetrol,” a large private oil company, Farhad Aliyev, Minister of the Economy, and Akif Muradverdiev, chief of Presidential Staff, were arrested on charges of preparing a coup d’etat. Later on 3 November, Ilham Aliyev announced that they managed to avoid a war due to those arrests.³⁶ Probably, the low indicators in PFI of SIPS in 2005 are the results of above-mentioned circumstances. A year between presidential elections in 2003 and parliamentary elections in 2005 was a unique one when we had stability and a rapid growth in indicator (see Figure 2),

In the overall, from 2007, the fourth year of Ilham Aliyev’s government till 2014 the PFI was gradually falling down, but, as it should be mentioned, there were no rapid drops, and some stability was always kept. In order to establish stability Ilham Aliyev chose the way of dictatorship instead of democracy. This lead to liquidation of oppositional forces, severe control over civil society, centralisation of the country’s wealth in his hands, restriction on press and freedom of speech, violent suppression of meetings and demonstrations and, actually, creating a super-presidential system, like monarchy. According to the changed Constitution, adopted by referendum in March 2009, the same person can be elected a President more than twice. This amendment gave Ilham Aliyev a chance to rule the country for the rest of his life. On the one hand, desire for stability by this way led to political and civil stagnation and apathy (*Isazadeh 2014, 17*), and on the other hand, it turned people to various

³⁶ In Aliyev's speech, it is literally said: “Look what could happen! From one side we deal with Ali Insanov, Farhad Aliyev and other officers, each of them having their own claims, and from the other side Rasul Ghuliev, a bandit chief from abroad who claims to be a president, and from the third one we have an old, mothballs-smelling opposition in the face of Isa Ghambarov and Ali Karimov. What if it happened here? If their plans came true, there would be a civil war in Azerbaijan” (*Ilham Aliyev 2005, 347*).

branches of Islam.³⁷ Anyway, the artificial vacuum didn't last long. Social networks, used as a platform for organising civil activities by various youth and student organisations, as well as the activation of rockers, young writers and bloggers who were familiar with high technologies and new ideas didn't give Ilham Aliyev a chance to avoid civil disobedience (*Isazadeh 2014, 17-18*).

The next stage of civil disobedience (since 2011), one of the reasons of a slow fall in PFI of SIPS, was caused by the revolutionary wave of demonstrations and meetings in Tunis, Egypt, later in North Africa and Near East in December 2010, known as the “Arab Spring.” It was during this period that, in parallel with weakening and neutralizing the opposition by Azerbaijani government, the role of youth and social networks in civil disobedience got bigger and bigger and led to restrictions on social networks and pressure upon the active users in Azerbaijani domain of the above mentioned platforms.³⁸ At the same time, the youth of the country was suppressed with the use of force (*Human Rights Watch, 2013, 11*).

The civil movement NIDA, active from the first months of 2011,³⁹ with an aim to make democratic and social changes in Azerbaijan, organised a

³⁷ The peak of Islamization of Azerbaijan was during 2005-2009, when population of AR, disappointed by democratic and European values, preferred the Islamic ones. By the way, the Islamization vectors were quite different. A group of people, especially the graduates from various universities and military academies in Turkey, turned to so called “liberal Islam”. Another group of them, mainly inhabitants of Absheron region and south of AR were under the influence of Iran, i.e. Shi'a Islam. Salafi communities also became very active as they were supported by Arab funds. It is since that data that Azerbaijani government has put pressure on Islamic organizations, closed some mosques and arrested a number of activists and propagandists of Islamic party (*Isazadeh 2014, 13-14*). On 7 January 2011, Movses Mamedov, head of the party, was also arrested on charges of preparing terrorist acts and riots. Earlier Movses Mamedov had criticized the government for destroying the mosques, forbidding Azan, pursuing women and girls wearing hejab, and had compared Ilham Aliyev with Yazid ibn Muawiyya, the most hated figure in Shi'a Islam (7th century) (*Yunusov 2012, 24-26*).

³⁸ Though Azerbaijani government tried to limit the freedom of speech in social networks, however, we see increased number of Azerbaijani users in Facebook. For example, if there were 105000 Azerbaijani users in Facebook in 2010, then in December 2011 this number reached 605,000 (*Human Rights Watch 2013, 11*).

³⁹ Official site of the movement is <http://www.nidavh.org>.

demonstration in the centre of Baku on 10 March 2013 against the incidents of death in Azerbaijani army in non-military conditions. As a result, Azerbaijani Police dispersed the demonstration with water cannon, tear gas and rubber bullets. 8 people were arrested on charges of possession of drugs and explosives, and organising civil disobedience (*Human Rights Watch, 2013, 11*).

Since 2012 civil disobedience in Azerbaijan became multipolar and spread from capital Baku to north-east and south of the country, population of which was far from being monoethnic Turkish. The mentioned regions are famous as habitat for Iranian people, particularly Caucasian Persian and Talyshes.

A demonstration against Rauf Habibov,⁴⁰ head of Ghuba district took place on 1 March 2012 in Ghuba. Nearly 6000-7000 people demanded his resignation. 25 demonstrators were arrested. Rubber clubs and tear gas were also applied but instead of dispersing meetings all those actions involved more people, who later burnt Ghuba's Government building, and Rauf Habibov's two buildings (*IWPR 2012*). In order to give a peaceful solution to this movement, Ziya Mamedov, Minister of Communication and Transport, was sent to Ghuba. After the failure of his attempt, finally, the demonstrators had been withdrawn from the streets only after Vahid Ahmedov's (a deputy of Azerbaijanian Parliament, a Caucasian Persian from the Ghonaghkend district of Ghuba region) announcement about the decree⁴¹ on Habibov's dismissal and release of the detained demonstrators (*Amerikansesi 2012*) The last fact suggests that the government was worried about the great number of Caucasian Persians among

⁴⁰ The reason for demonstrations against Rauf Habibov, head of Ghuba administrative region, was a video on local TV channel "Xayal TV", where he spoke about the population of Ghuba in rather harmful tones (*IWPR 2012*). A few days after riots and clashes because of the video, Zaur Ghuliev, the chief editor of the TV channel, and Vughar Ghonaghev, the executive director of the TV channel, were arrested on charges of abuse of authority and instigation of public disorders and spent several years in prison (*Freedom House 2013, 100*).

⁴¹ See the text of the decree (R.X.Həbibovun Quba rayonu İcra hakimiyyətinin başçısı vəzifəsindən azad edilməsi haqqında Azərbaycan Respublikası Prezidentinin Sərəncamı, 02.03.2012) in AR President's official website <https://president.az/articles/-4412>. Last access on 25.08.2018.

the demonstrators and had a fear that the meetings could turn to an ethnic-separatist movement.

On 21 June 2012 Hilal Mammadov, a Talysh public and political figure, the chief editor of the newspaper “The Talysh voice” (Tolişi Sədo), was arrested on false charges of drug possession.⁴² A few days later he was charged with “treason”⁴³ and “sowing national discord.”⁴⁴ The international law enforcement organisations Human Rights Watch and Amnesty International qualified Hilalov’s arrest as “for political reasons” (*Amnesty International 2012; Human Rights Watch 2013, 39*).

In January 2013 another demonstration took place in Ismayili, a place inhabited by Caucasian Persians. More than 500 demonstrators burnt a hotel and a few cars in the region center and demanded the resignation of Ismayili’s governor (*Isazadeh 2014, 16*). The movement called “Azerbaijani Winter” (by the way, İlghar Mamedov, head of the oppositional movement “Republican Alternative” was arrested because of commenting the demonstrations), by analogy with the “Arab Spring” (*Aliyev 2013, 5*), considered to be completely political. Though the demonstrators didn’t call for the resignation of İlham Aliyev, they demanded some changes in lower layers of government, as well as they had some social demands connected to salaries and corruption (*Jarosiewicz 2013, 2*).

In 2013 there was a steep drop in PFI, the worst one since 2000. Most probably it had two main reasons for the growing pressure on civil society and freedom of speech.

1. Azerbaijani government's concern over the evolving situation in Syria and Ukraine and the fear that the same developments could take place in Azerbaijan.

⁴² It was common in Azerbaijan, under İlham Aliyev to use the persecution on drug charges in order to arrest or silence the opposition members, dissidents, autochthonous people, representatives fighting for liberation movement and journalists fighting for press freedom.

⁴³ See the 274th article of the Criminal Code (Last access on 25.08.2018) <https://mia.gov.az/index.php/?az/content/29887/>.

⁴⁴ See the 283.2.2th article of the Criminal Code (Last access on 25.08.2018) <https://mia.gov.az/index.php/?az/content/29887/>.

2. Presidential elections in the result of which Ilham Aliyev could be elected a President for the third time due to the constitutional changes in 2009.

These two reasons, probably, led to the below-mentioned actions and drops in PFI.

- Obstruction of international law enforcement organizations in Azerbaijan and expelling them from the country (*Hunanyan 2016, 106-107*).
- Severe restriction on international and local public organizations' activities using relevant legislative changes (*Freedom House 2014, 59*), and at the same time, promoting the activities of state public organisations carrying out its own orders (*Hunanyan 2016, 106-107*).
- New limitations on the freedom of speech and growing pressure on press freedom.

The elections on 9 October 2013 were carried out following the example of elections in 2003 and 2009, i.e. with gross violations of the Election Code. Though some active public figures, such as Ilghar Mamadov, head of the movement "Republican Alternative," Tofiqh Yaghublu, head of "Musavat" party, and a part of activists and NIDA civil movement leaders had already been arrested before the election in 2013 (*Freedom Hosue 2014, 59*), however, we deal with a number of demonstrations and political repressions during post-election period (*Shirinov 2013, 4*).

As a result, in 2014 it was the same as in 2004, an interim period between 2003 presidential and 2005 parliamentary elections, when the Political Index was stable and high enough. The year 2014, a period between 2013 presidential and 2015 parliamentary elections, was also characterised with some growth in PFI of SIPS and its new indicator (-0,107) nearly reached the indicator in 2011 (-0,116).

The years 2015 and 2016 were declining in SIPS of the Republic of Azerbaijan.

In October 2015, weeks before parliamentary elections, Eldar Mahmudov, the Minister of National Security, was removed from office by a decree of 17

October.⁴⁵ This looked like a result of intra-governmental and intra-clan underground struggle (*Azadliq Qəzeti* 2015). In parallel with Mahmudov's dismiss, other senior officials and generals of National Security of Azerbaijan were removed from office. Moreover, by order of İlham Aliyev the Ministry of National Security was dissolved and State Security Service and Foreign Intelligence were created instead of it.⁴⁶ There is an opinion that Eldar Mahmudov, after becoming the Minister of National Security in 2004, has managed to create a "shadow government", thus becoming a real threat for İlham Aliyev's governmental clan (*Azpolitika* 2015). However, the events in 2015, preceding the parliamentary elections, typologically and logically are comparable with pre-parliamentary events in 2005. In both cases PFI had the tendencies of a rapid fall in contrast to the previous year, registered with a growth in stability.

A religious movement⁴⁷ which began a few days before the parliamentary elections on 2 November 2015, in Nardaran settlement of Absheron peninsula, one of the hottest spots of post-Soviet Azerbaijan, led to a fight between the believers and police. Four inhabitants of Nardaran and two policemen were killed, later the wounded from Nardaran died in hospital.⁴⁸ In the Statement of

⁴⁵ See the text of the decree (E.Ə.Mahmudovun Azərbaycan Respublikasının milli təhlükəsizlik naziri vəzifəsindən azad edilməsi haqqında Azərbaycan Respublikası Prezidentinin Sərəncamı, October 17, 2015) in the official site of AR President <https://president.az/articles/16414>. Last access 28.08.2018.

⁴⁶ See the text of the decree (Azərbaycan Respublikasının Dövlət Təhlükəsizliyi Xidmətinin və Azərbaycan Respublikasının Xarici Kəşfiyyat Xidmətinin yaradılması haqqında Azərbaycan Respublikası Prezidentinin Fərmanı, December 14, 2015) in AR President's official site <https://president.az/articles/17160>. Last access 28.08.2018.

⁴⁷ See the history of Nardaran events and clashes in 2015 (*Vardanyan* 2016, 141-166).

⁴⁸ The Caucasian Persians of Nardaran are famous for their conservative Shiite views and good attitude towards Iran. On 24 October 2015 there were protest meetings in Nardaran as a token of the fact that the previous day the Special Forces of the Ministry of the Interior banned the local Shiite population to perform the Ashura ceremony and arrested 30 people. The religious movement reached its peak on 6 November, when 20 believers were arrested in Sabunchi while protesting in support of Elchin Ghasimov, the leader of the movement "Muslim unity", arrested the previous day. The conflict between the government and the members of religious movement peaked on 26

the Ministry of the Interior and Prosecutor's Office it was said that in order to replace the Constitution of Azerbaijan with Shariah, the Shi'ites of Nardaran created an organisation called "Muslim Unity," and found a few supporters in other regions of Azerbaijan and provided them with weapons (*Vardanyan 2018, 145*). Though some researchers consider the deterioration of socio-economic situation to be the reasons for these events (*Hayrapetyan 2017b, 98*), however, without denying that, it must be mentioned that the toughening of religious policy by the Azerbaijani government was probably the main reason causing these events. As a result of political repressions in Azerbaijan the role and influence of Shiite clerics started to play a greater role. The last incident was always considered to be a real threat for the Aliyevs' regime. Besides, some traditional opposition leaders also started to rely on the support of mosques and believers.⁴⁹ Just after these events, according to İlham Aliyev's decision made on 4 December,⁵⁰ there was a change in the law "On religion and faith." It suggested to strengthen the control over religious activities, and prohibited religious slogans, flags and religious attributes in public places. It is no coincidence that in accordance with İlham Aliyev's decision the year 2017 was declared a "Year of Islamic Tolerance" in order to reduce religious tensions in Azerbaijan.⁵¹

November when during the midday Namaz the police entered Imam Huseyn Mosque in Nardaran and arrested 15 believers, including Taleh Baghirzadeh, an authoritative religious leader of Caucasian Persian origin (*Vardanyan 2018, 152-154*).

⁴⁹ The opinion of Rauf Mirkadirov, an Azerbaijani blogger, is very interesting in this respect. "The situation is such that mosque is a unique system various opposition forces can unite around. And, it is not important whether they could stay away from extreme religious views or not. Only political connotations are important here and it is the only point the government can be freely criticized" (*Mgdesian 2017*).

⁵⁰ See the text of the decision (Dini etiqad azadliğı haqqında" Azərbaycan Respublikasının Qanununda dəyişikliklər edilməsi barədə Azərbaycan Respublikasının Qanunu. December 05) in AR President's official site <https://president.az/articles/-17009/print>. Last access 02.09.2018.

⁵¹ Though 2017 was declared "a year of Islamic Tolerance" in Azerbaijan, at the end of 2017 there were 80 people arrested for their religious views. Most of them were leaders and members of Muslim Unity movement, arrested in 2015 in Nardaran, near Baku. Besides, in 2017, like the previous years, they continued to ruin mosques, or on

In 2015 falling prices in oil in the world market led to a double fall in manat and inflation which, in turn, aggravated social situation in Azerbaijan. The deteriorating socio-economic situation (for more details see the subheading “Economical development tendencies in Azerbaijan and their impact on political stability” of this research) also had a negative impact on PFI of 2015 (-0,187) and compared to 2014, had a rapid fall (see Figure 1).

Since 2016 acts of social protests took place in Tati-inhabited Siazan, Shabran and Ghuba, in south of Baku, and in a chain reaction spread to north, Talysh-inhabited Lenkoran and neighbouring areas. Through the use of force and military control over the roads to these areas, the police managed to disperse the demonstrations and arrested tens of demonstrators including opposition leaders. Moreover, Musavat party and National Front of Azerbaijan were charged with organising the demonstrations.

For political elites of Azerbaijan these events had double danger because on the one hand, the social protests spread to south-east and north of the country very quickly and, on the other hand, these areas were inhabited by Talyshes and Caucasian Persians, two autochthonous peoples of Azerbaijan, and there was a risk that social protest could turn to national liberation movement here.

In order to deflect people's attention from social problems and unite them around a fight against “a common enemy,” and restore its authority and political stability in this way on, Azerbaijani government decided to turn to Nagorno-Karabakh conflict. On 1 April Azerbaijan launched a large-scale military action along the entire Karabakh front. These actions were called “Four-day war.” Having no serious territorial acquisition in this war, Aliyev achieved his main goal, i.e. the socio-political theme to be discussed changed to the theme of Nagorno-Karabagh conflict.⁵²

the pretext of repairing them, their activity was stopped, the religious leaders were arrested or pursued, religious ceremonies were forbidden and stopped (*USCIRF 2017; USCIRF 2018*).

⁵² For a long time after the Four-day war Azerbaijan's propaganda machine used two words - Lalatepeh and Jojugh Marjanli, as a main of influence on its domestic audience. These two place names were demonstrated as achievements of Four-day war and “a

Another challenge for a political stability of Azerbaijan was the coup attempt in Turkey in July 2016. As a result, the pressure over the Gulenists⁵³ in Azerbaijan grew, and “ANS” TV Channel and “ANS ÇM” radio station, accused of contacting with Gulenists, stopped broadcasting on demand from Ankara (*IWPR 2016*).

The constitutional referendum in Azerbaijan on 26 September 2016 was aimed at strengthening the state control over the society and the position of Aliyev's family. On these constitutional changes five-year term changed to seven-year term, the institution of Vice-Presidents was introduced as well. As a result, on 21 February 2017, Ilham Aliyev's wife Mehriban Aliyeva was appointed First Vice-President.⁵⁴

Though 2016 was announced “a year of multiculturalism” in Azerbaijan, the hidden aim of it was to neutralize all the threats to political stability and national security of Azerbaijan posed by autochthonous peoples and religious movements, as well as to create a public perception of a tolerant country. However, in the territories inhabited by Tats and Talyshes, there were religious persecution, arrests and repressions like during the previous years (*USCIRF 2016*).

Generally, 2016 was the most decadent year (-0,370) in 2000-2017 in SIPS factors graphic, and it was three times more decadent than the pre-crisis year (-0,107).

Compared to 2017, year 2016 had some tangible results, due to the absence of elections in the country, oil prices growth and relative stability of

start of returning Karabakh”. From April 2016 until mid-July 2018, Aliyev used the word Jojugh Marjanli for 56 times in his speeches (*Ilham Aliyev 2016; 2017; 2018*).

⁵³ The Gülenists are followers of Islamic reformer Fethullah Gulen (born in 27.04.1941 in Erzurum, Turkey). The Gülen movement is a social-religious movement in Turkey, behind which stands the key idea of Islamic and democratic compatibility. The movement in Azerbaijan began to spread from 1991 (*Hovsepyan 2013*).

⁵⁴ See the text of the decree (M.A.Əliyevanın Azərbaycan Respublikasının Birinci vitse-prezidenti təyin edilməsi haqqında Azərbaycan Respublikası Prezidentinin Sərəncamı, February 21, 2017) in AR President's official site <https://president.az/articles/22850>. Last access 28.08.2018.

socio-economic situation. The last two factors also had a great influence on the political stability.

Aliyev's decree on 21 February 2017, by which his wife was appointed the First Vice-President, was to strengthen his family influence. Though, since the appointment of Mehriban Aliyeva to this position in 2017 there were a few anti-Government demonstrations in Baku organised by the party "National Front of Azerbaijan," demanding the release of political prisoners and criticising the corruption, robbery, and nepotism in Azerbaijan, however they did not have so many followers due to the atmosphere of fear established over the years.

It must be mentioned that since 2012 all the events dangerous for political stability of Azerbaijan, i.e. civil demonstrations, took place mainly outside Baku, in south and north territories, but in 2018 there also were a few demonstrations in Gandzak.

In yearly reports on political rights and civil liberties in the world, made by a law enforcement organization Freedom House, Azerbaijan was rated as a partly free till 2003, and not free from 2003 till 2017. By the way, till 2014 the political rights was in the sixth place in a seven-point scale, where 7 was the lowest mark. And in 2015-2017 they were in the lowest, seventh place. As for civil liberties, till 2012 Azerbaijan was given 5, and from 2013 till 2017 6 points, which means that since 2013 civil liberties in Azerbaijan were even more limited.⁵⁵

After Ilham Aliyev's assumption of power, freedom of the press was severely limited, dozens of newspapers and TV Channels stopped their activity and hundreds of journalists were thrown into prison. In Annual Assessment of freedom of the press in different countries, undertaken by the law enforcement organisation Freedom House, freedom of the press in Azerbaijan in 2002-2017 was always characterised as not free. By the way, if in 2004 Azerbaijan had 71 points in a hundred-point scale, then in 2017 it had 90 points.⁵⁶

⁵⁵ See annual reports in "Freedom in the World" according to countries. Last access 02.09.2018, <https://freedomhouse.org/report-types/freedom-world>.

⁵⁶ See annual evaluation in "Freedom of the Press." Last access 02.09.2018, <https://freedomhouse.org/report/freedom-press/2004/azerbaijan>.

There were some positive tendencies also, related to a progress of other components having impact on SIPS. Particularly, according to the research on dynamics of changes of corruption levels, from 2011 till 2017 there was a positive development tendency. Moreover, according to the research on annual indices of corruption, made by an international organisation “Transparency International,” the lowest level of corruption was in 2017 (*TICPI 2017*) with positive growth by 38,7%, compared to 2008 (*TICPI 2008*). If in 2008 Azerbaijan was sharing the 158th-165th places with African countries among 180 countries, indices by the above-mentioned organisation, in 2017 it was in the 122nd-129th places along with Moldova, Kazakhstan, etc.

Research on the features of components of PFI of SIPS in Azerbaijan, it can be concluded that the most important and influential factors having impact on PFI are presidential and parliamentary elections, as well as constitutional referendums. Both previous and following periods of these events are important in that the Azerbaijani government, in order to strengthen its positions, started to put pressure on oppositional forces and civil society, put restriction on the freedom of speech, particularly arrested some journalists and bloggers, eliminated almost all the chances for expression of the will, on the one hand. On the other hand, we could see some activation of opposition forces, press and civil society and, as a result of all these, tendencies to manifest civil disobedience.

Summarizing the results of PFI, one of the main components for forming SIPS of Azerbaijan, we can highlight the internal and external components that have real impact on PFI of SIPS:

- Political processes and revolutions in Post-Soviet and Near East countries
- Presidential and parliamentary elections, constitutional referendums
- Socio-economic crises
- Religious and national-ethnic movements.

4.2 Economic Development Tendencies and their impact on political stability

According to allegations received, economical factors index, having impact on political stability in Azerbaijan, had growing development curve from 2000 until 2013, and from 2014 until 2017, we see a continuing decline in the index.

Though “the contract of the century,” signed between State Oil Company of Azerbaijan (SOCAR) and consortium of foreign oil companies, ruled by “British Petroleum” on 20 September, 1994, in Baku, ensured the stable economic development of Azerbaijan for two decades, at the same time, due to its oil and gas industry gained great influence on Azerbaijani economy. Consequently, dependence of the economy and export on oil and gas industry became the main economic problem of the country. If oil and gas production was 29,06% of GDP in Azerbaijan in 2000, it gradually increased and reached to 53% in 2006, and 56,11% and 55,44% in 2007 and 2008, respectively (*SSCRA 2018*). In the following years, in connection with decreasing oil prices in the world market and public policy on developing non-oil sector of economy, this indicator started to fall in 2012-13 and was only 35,65% in 2017, which is a dangerous indicator of economic stability for oil-producing country.⁵⁷ The percentage of oil sector is also huge in foreign trade of Azerbaijan, for example, it was 95,7% of export volume in 2014⁵⁸ (*CESD 2015*). The main part of State Budget was based on the financial resources from State Oil Fund of Azerbaijan (SOFAZ). If in 2003, the first year of President Ilham Aliyev's government, SOFAZ transfers were only 8,2% of State Budget, in 2013 it was 58,2% (*SOFAZ*

⁵⁷ Countries are considered to have authoritarian political regime, if oil and gas production constitutes more than 35% of GDP. At present, there are 193 countries in UN, and 35 of them oil and gas sector prevails more than 35% of GDP. Only 4 countries, namely, the Netherlands, Norway, Canada and Great Britain, are considered to be democratic (*Manvelyan 2016, 2*).

⁵⁸ Export volumes of crude oil were unprecedented in 2005, 2006 and 2007 constituted to 39,23%, 47,81% and 31,56%, respectively of annual growth. The first drop in crude oil export was in 2011 – nearly 5,2 %, -6,21% in 2012, -5,53% in 2013, and -2,78% in 2014 (*Index Mundi 2018*).

2016, 31). During the following years this indicator gradually decreased, particularly, it was 50,7% in 2014, 46,4%, in 2015, 43,5% in 2016 (*SOFAZ 2016, 31*), 37,5% in 2017, and 45,7% in 2018 (*Breban 2017, 9*), but, in overall, it continued to be high enough.

Since 2014 it was the oil price decrease that created a critical situation for the economy of Azerbaijan and was clearly reflected in decrease in economic factors index, discussed in this research. Compared to 2013, external and internal trade of Azerbaijan fell by 12,69% in 2014. This continued in the following two years. Though in 2017 the general trade had 8,88% growth compared to 2016, generally, in dollar terms it was lower than even in 2009, posed by global economic crisis, the trade fall to 27,65% compared to 2008 (*CBAR 2018*). By the way, due to the global financial crisis in 2008, the oil prices fell to 40 dollars in 2009 (*Manvelyan 2016, 14*).

When Ilham Aliyev in his New Year speech, delivered on 31 December was summarising the economic achievements throughout 2014, he spoke about economic stability and said word for word: “Macroeconomic situation is stable, our foreign exchange reserve is more than 50 billion, and manat saves its stability” (*Ilham Aliyev 2014, 252*).

A year later, on 24 December 2015, Ilham Aliyev's annual summary report on the economic achievements had quite another underlinings and pointed out the deep economic crisis of the country, due to a rapid fall in oil prices and naturally, inflation of manat: “As you know, the oil price dropped threefold during a year. Our incomes have fallen sharply. Our budget has been reduced, naturally, the budget expenditures have also fallen. That's why the budget expenditures of 2015 were at the cost of great savings. Unfortunately, the world processes don't give a hope for optimism in the next year. So, it is not excluded that the crisis will continue. The reductions in oil income had a negative impact on our national currency, the reason of which was threefold decrease in oil price. It was inevitable. We tried to keep it as high as possible during a year waiting for oil prices to stabilize. When the cost of a barrel was 50\$, we were calm that there is no need for inflation. But now a barrel costs 36\$” (*Ilham*

Aliyev 2015, 226). On the contrary to the speech of 2014, Ilham Aliyev didn't mention foreign exchange reserves in 2015 though they had rapidly fallen.

Central Bank of Azerbaijan (CB) spent nearly 7 billion dollars in 2015 to keep manat stable. As a result, the reserves of CB declined from 13,8 billion dollars to 6,8 billion dollars⁵⁹ (*Farchy 2015*). To prevent the consumption of the whole reserve stock, CB of the Republic of Azerbaijan had to turn to floating currency and allow manat to devaluate gradually against the dollar. In the first phase, on 21 February 2015 manat declined from 0,7844 to 1,05 against the dollar, and on 21 December of the same year it reached 1,55. As a result, according to the statistics of CB of Azerbaijan, if the annual average of dollar was 0,7844 against manat in 2014, it rose to 1,0261 in 2015, to 1,5959 in 2016 and to 1,7001 in 2017 (*ARMBSB 2017, 39*). Compared to 2014, in 2016 manat fell 103,45% against the dollar.

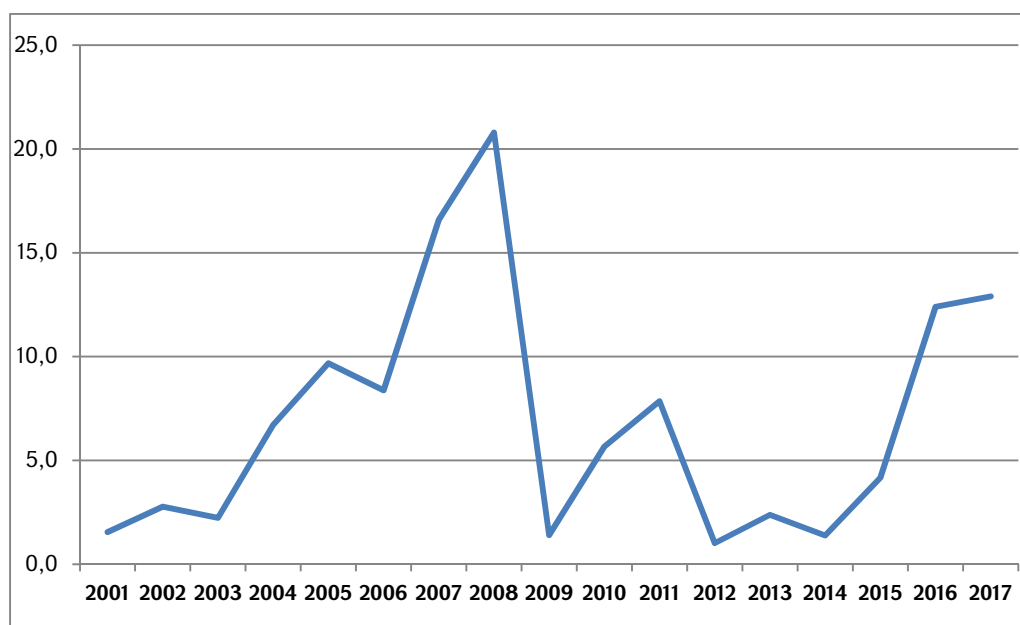
Inflation of manat caused deep crisis in the bank system of Azerbaijan. 13 out of 45 operating banks stopped their activity in 2015-2017 (*Echo 2017*).

It led to the general rise in prices because non-oil sector of Azerbaijan economy, particularly, the local industry depends on imported goods. The latter became quite expensive for customers and local producers had to raise the final prices. If in 2014 the inflation was 1,4%, it grew to 4,2% in 2015, and 12,4 in 2016. Though the great part of the profits from high prices of oil was invested in macroeconomic stabilization (*Barseghyan 2018, 39*), the inflation remained high at 12,9% (*ARMBSB 2018, 3-4*). Last two years' indicators were the highest since 2008, when inflation was 20,8% (*Rahimov 2016, 3*), (see Figure 3).

⁵⁹ Besides the exchange reserves of CBAR, the financial reserves of SOFAZ, which have strategic importance for Azerbaijan and are based on oil and gas sale, also declined. In 2014 the capital of the fund 37,1 billion dollars, in 2015 it decreased 9,46% and was 33,6 billion, and in 2016 it decreased 1,49% and was 33,1 billion USA dollars. In contrast to declining indicators in 2015 and 2016, in 2017 the capital of the fund, due to the rise in the prices, increased 8,15% and reached 35,8 billion USA dollars (*SOFAZ 2017, 10*).

Figure 3

Inflation changes in Azerbaijan, 2000-2017⁶⁰



After the world economic crisis in 2008, the government of Azerbaijan started to underline the importance of non-oil sector development in its economic policy, therefore, trying to reduce the economic dependence on profits from oil and gas. This policy was based on the investments in the fields of construction and service, agriculture and local industry. As a result, since 2004, the share of the non-oil sector had exceeded 50% of GDP of Azerbaijan for the first time in 2013. During the next years it continued to remain higher than 50% and varied from 52,47% to 62,77%, due to the reduction in profits from oil and gas (see Table 3).

⁶⁰ Based on the data of CBAR (CBAR 2018).

Table 3

Share of non-oil sector in GDP of AZ in 2013-2017 in % ⁶¹	
2013	52,47
2014	56,25
2015	62,77
2016	59,49
2017	57,05

In 2014-2017 the State consolidated budget of Azerbaijan (including the investments by SOFAZ) had a deficit. In 2014 it was 0,5% of GDP, it increased to -1,2% in 2015 and in 2017 it reached to -1,5% (*MIN FIN RA 2018*), the worst indicator since 1999. The shortfall of the income part of the budget was 1,9 % and was related to the Tax Ministry of Azerbaijan, which collected the taxes 8,8% less than it was stipulated. Consequently, Fazil Mammadov, Minister of the taxes of Azerbaijan was dismissed on 16 December 2017 (*Barseghyan 2018, 32*).

Large shadow economy also had a negative impact on Azerbaijani economy. Though showing quite little tendency to decline since 2009, it remained the same in 2015-2017 (*Medina 2018, 61*).

4.3 Social Factors and their Impact on Political Stability

According to the curve of the Social Factors Index, having an impact on political stability, in 2000-2013 the social situation in Azerbaijan was stable and had the tendency of growth. In 2014, it started to decline and became stable again in 2017. The highest indicator (0,525) of stability and growth was in 2013, whereas the lowest one (0,150) was in 2000, (*see Table 1*).

⁶¹ Based on the data of the State Statistics Committee of the Republic of Azerbaijan (*SSCRA 2018*).

Though the government of Azerbaijan managed to solve many social problems of its population with the help of the benefits gained from oil and gas, in parallel, the development of non-oil sector was too slow. The existing problems mainly concern the oil and non-oil sectors, disproportionate development of the capital Baku and other regions, social polarization of the Azerbaijani society, and the differences between various social classes. Most of the wealth of the country is in the hands of the Aliyevs' family (*Freedom House 2015, 93*), the greater part of which, by the way, according to the Panama Papers, leaked in April 2016, is kept in foreign offshores (*ICIJ 2016*). However, according to "The Fragile State Index", an annual comparative analysis by "Fund for Peace", in spite of some continuous positive movement in overcoming socio-economic inequality in Azerbaijan last few years, particularly, in 2006 it was 7,5, and in 2016 it reached 5,6. There was a negative movement in 2017 and the index was 5,9 (*FSI 2018*).

In annual reports of Human Development Index by United Nations, based on various statistical indicators of economic situation, demographic characteristics, educational and health systems, per capita income, etc., the curve was upward and showed tendencies of continuous development. Compared to 2000, Human Development Index of Azerbaijan had 18,22% growth in 2015 (*HDI 2018*).

According to state statistics of Azerbaijan, there was an unprecedented progress in poverty and unemployment elimination, Ilham Aliyev at the first Government Session of 17 November 2003 announced that the most important problem of Azerbaijan was unemployment. In his presidential campaign, he promised to open 600,000 new work places (*Ilham Aliyev 2003, 8*). But at the Government Session of 10 January 2018, while summarizing the socio-economic development of 2007, he mentioned that unemployment rate fell to 5% (*Ilham Aliyev 2018, 8*). In 2017 poverty rate was 5,4%, while in 2000 it was 49,6%. Overall, according to state statistics, poverty and unemployment rates in Azerbaijan were 5-6%⁶² in 2013-2017.

⁶² European Commission, while referring to the numbers presented by the State Statistics Committee of AR, underlined that the methodology used is controversial and

Despite the relatively social stability and economic development, it is hard enough to assess the real population growth in Azerbaijan, as there is a tradition to falsify the number of population. The government of Azerbaijan consistently falsified the picture of migration flows, births and deaths data, ethnic composition of population (*Marjanyan 2012, 82*). For example, in 2011 the official number of the population in Azerbaijan was from 2,0 to 2,2 million more than the real (de facto) population.⁶³ Accordingly, Ilham Aliyev's announcement on 10 January 2018, concerning population of about 10 million (*Ilham Aliyev 2018, 11*)⁶⁴, must be treated skeptically.

Total gasification greatly improved the quality of life in the Republic of Azerbaijan. According to Ilham Aliyev, 93% of the territory of Azerbaijan was connected to natural gas in 2017, while in 2004 only 51% of the territory had a gas line (*Ilham Aliyev 2018, 22*).

The average salary in manat had strongly grown in recent years. However, in 2015, due to double fall in manat, caused by decreasing oil prices and growing inflation (4,2% in 2015, 12,4% in 2016, 12,9% in 2017), the average salary rapidly decreased from 558,91 USA dollars in 2014 to 252,50 USA dollars in 2017.⁶⁵

Since 2000 the number of crimes had increased in Azerbaijan. In 2000-2017 the peak was registered in 2015, when the number increased by 61,5% compared with 2000. There was a reduction in the number of crimes in 2016 and 2017, compared with 2015 respectively with 2,5 and 5,3% (*SSCRA 2018b*).

the real unemployment rate must be higher. According to Bertelsman Foundation, about 25 % of capable population is unemployed (*Hunanyan 2016, 119*).

⁶³ According to the State Statistics Committee of AR, in 2011 the population of Azerbaijan was 9,111,100 (SSCA 2018), while the researches showed that the real population number of AR was 6,9-7,1 million in the same year (*Marjanyan 2012, 82*).

⁶⁴ Aliyev's announcement is based on the data by State Statistics Committee of Azerbaijan Republic and also has a propagandistic purpose for both internal and external auditoriums. According to State Statistics Committee, in 2017 the population of Azerbaijan was 9.810.000 (*DIA 2018, 41*). It must be taken into consideration that Baku's fraud is sometimes repeated in demographic statistics, and are thus "validated" by some international organizations (*Marjanyan 2012, 83*).

⁶⁵ The calculation is done by the author and is based on the general methodology developed by A. Aleksanyan, editor-in-chief of this study.

There are also a few serious problems in the field of healthcare. The population of Azerbaijan has reasons to distrust the medicine in its home country. There are a number of problems such as the corruption of the system, low level of professional competence of doctors, increased mortality in hospitals caused by doctors' faults and, finally, high price for all these services. As a result, hundreds of Azerbaijan citizens prefer to be treated in neighbouring countries, mostly in Iran and Turkey, and sometimes in Russian and Georgia (*BBC 2015*).

4.4 Development trends of Stability Index of Political System

In Figure 4 you can find the tendencies of SIPS in Azerbaijan in 2000-2017. It can be concluded that 2000-2004 and 2005-2014 were the periods of political stability and its positive progress.

The year 2005 was particularly interesting. political processes in Georgia, Ukraine and Kyrgyzstan in 2003-2005 on the one hand, and intra-clan fightings, the coup attempt and tense situation around the parliamentary elections on the other hand, had such a negative impact on SIPS (-0,032), that even the tendency of EFI increase and SFI stability (see Figure 1) couldn't mitigate the decrease.

The positive tendency of SIPS in 2005-2014 was due to socio-economic development connected with huge profits from oil. So, though PFI, with its greatest effect on SIPS, had a tendency of slow decrease however, upward curves of SFI and EFI were able to balance the decrease and helped to stable the political situation in Azerbaijan.

The peak of SIPS was in 2014, when the socio-political system was stable and it was a period of relative calm in political processes. This was a result of parliamentary elections of the past year and the year ahead.

Figure 4

Stability Index of Political System (SIPS) in Azerbaijan
(2000-2017 years)*



2015 and 2016 were the years of rapid decrease. The decrease in international oil prices, the fall in manat and worsening of socio-economic situation due to inflation had a negative influence on PFI, especially given the importance of existence or non-existence of a war as a major factor of PFI. In this case, the four-day Karabakh war in 2016, initiated by Azerbaijan, was a result of EFI and SFI decrease during these two years. As a result, all three factors in 2015-2016 demonstrated only a negative tendency with indicators of respectively 0,088 and -0,052. SIPS in 2016 is comparable with SIPS in 2003, i.e. the first year of Ilham Aliyev's reign.

In 2017 the rise in oil prices on the one hand, and lack of election processes led to stabilisation of political system of Azerbaijan, and SIPS curve was upward.

* Source: calculations by the author.

4.5 Regression analysis of the Stability Index of Political System

Arusyak Aleksanyan, Artyom Tonoyan

The regression analysis illustrated the variables of Political, Economic, Social Factors, which had a significant influence on the SIPS of Azerbaijan.

The regression results show that there has been a significant correlation between the $SIPS_i^*$ and the Index of Economic Freedom**, Foreign direct investments (FDI)*** and Corruption Perceptions Index.

$$Y' = 0,015x_1 - 0,855 \text{ (Adj. } R^2=0,682),$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the variable of IEF), and x_1 is the variable of IEF.

$$Y' = 0,05x_2 - 0,181 \text{ (Adj. } R^2=0,408),$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the variable of FDI), and x_2 is the variable of FDI (\$billion).

$$Y' = 0,205x_3 - 0,439 \text{ (Adj. } R^2=0,349),$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the variable of CPI), and x_3 is the Corruption Perceptions Index.

Among economic factors, SIPS has a significant connection with GDP, External trade turnover and Shadow economy.

* $SIPS_i$ is the Stability Index of Political System cleaned from the corresponding independent variable during every paired regression analysis.

** The Index of Economic Freedom was included in the model of the Political Factors Index as a separate variable as it denotes the guarantee of the construction of legislative body and property rights, efficiency of the judicial system and it is also considered one of the most important indicators of political stability and democracy.

*** The variable of Foreign direct investments was included in the Political Factors Index as it is considered one of the most important and sensitive indicators of political stability. The changes of political stability have their direct influence on investments' volume in short time.

$$Y' = 0,02x_4 - 0,202 \text{ (Adj. } R^2 = 0,584),$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the variable of GDP), and x_4 is GDP per capita (\$1000).

$$Y' = 0,008x_5 - 0,153 \text{ (Adj. } R^2 = 0,626),$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the variable of External trade turnover), x_5 is the External trade turnover (\$billion).

$$Y' = -0,016x_6 + 0,816 \text{ (Adj. } R^2 = 0,609),$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the variable of the Shadow economy), and x_6 is the Shadow economy.

In the Social Factors Index there is a significant connection between the SIPS and Human Development Index (HDI), Employment and Poverty rates, Real wage.

$$Y' = 2,641x_7 - 1,860 \text{ (Adj. } R^2 = 0,729),$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the HDI), and x_7 is the HDI.

$$Y' = 0,049x_8 - 2,9 \text{ (Adj. } R^2 = 0,425),$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the variable of the Employment), and x_8 is the Employment.

$$Y' = 0,1x_9 - 0,091 \text{ (Adj. } R^2 = 0,457),$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the variable of the Real wage), and x_9 is the Real wage (\$100):

$$Y' = -0,005x_{10} + 0,131 \text{ (Adj. } R^2 = 0,589),$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the variable of the Poverty), and x_{10} is the Poverty.

According to the regression analysis, the $SIPS_i$ of Azerbaijan is affected by the variables of Economic freedom, Foreign direct investments and Corruption Perceptions Index. The reduction in Economic freedom and Corruption Perceptions Index by 1 unit will lead to $SIPS_i$ reduction respectively by 0,015

and 0,205 units. In connection to the FDI, its increase by \$1 billion will lead to SIPS_i increase by 0,05 units.

There is a notable connection between SIPS_i and GDP, External trade turnover and Shadow economy. The reduction in GDP per capita by \$1000 and External trade turnover by \$1 billion will lead to a decrease in SIPS_i of Azerbaijan respectively by 0,02 and 0,008 units. Shadow economy also has an essential influence on the political stability of Azerbaijan. Its increase by 1% will lead to a decrease in SIPS_i of Azerbaijan by 0,016 units.

The most influential social factors on SIPS_i of Azerbaijan are Human Development Index (HDI), Employment and Poverty rates as well as Real wage. A decrease in HDI by 0,1 unit and reduction in Real wage by \$100 will lead to a decrease in SIPS_i of Azerbaijan respectively by 0,26 and 0,1 units. At the same time, decrease in Employment and increase in Poverty by 1% will lead to a decrease in SIPS_i of Azerbaijan respectively by 0,049 and 0,005 units. HDI has a significant coefficient of determination, which explains 73% of the variation in SIPS_i.

So, it should be concluded that according to the regression analysis, SIPS of Azerbaijan is influenced by both political and socio-economic factors. The worsening of the indicators in this chapter will have a negative influence on political stability in Azerbaijan.

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Abbreviations

CB	Central Bank
EFI	Economic Factors Index
FDI	Foreign Direct Investments
GDP	Gross Domestic Product
HDI	Human Development Index
PFI	Political Factors Index
SFI	Social Factors Index
SIPS	Stability Index of Political System
SOCAR	State Oil Company of Azerbaijan Republic
SOFAZ	State Oil Fund of the Republic of Azerbaijan
USA	United States of America

CHAPTER 5.

STABILITY AND INSTABILITY TRENDS OF POLITICAL SYSTEM OF THE RUSSIAN FEDERATION

ASHOT ALEKSANYAN

A comparative analysis of political, economic and social factors is of crucial importance in terms of preservation and development of the stability of the political system in the Russian Federation (RF). This opts to adequately evaluate processes taking place both within and out of the system, estimate situational trends conditioning instability and stability in the region, as well as measure risks of short-term, medium-term and long-term decision-making processes. Meanwhile, trends in the political system of the society demonstrate a necessity for a multi-dimensional study of the research as it is the only possible means to identify the following factors: social-political tensions, institutional viability, dialogue between public authorities and opposition, cooperation between parliamentary parties and civil society organizations (CSOs), cultural orientation, foreign policy efficiency and socio-economic progress (*Арон 2000; Канто 2002; Шестопал, Смутькина 2018; Федотова, Федотова, Чугров 2018; Кокошин 2018*).

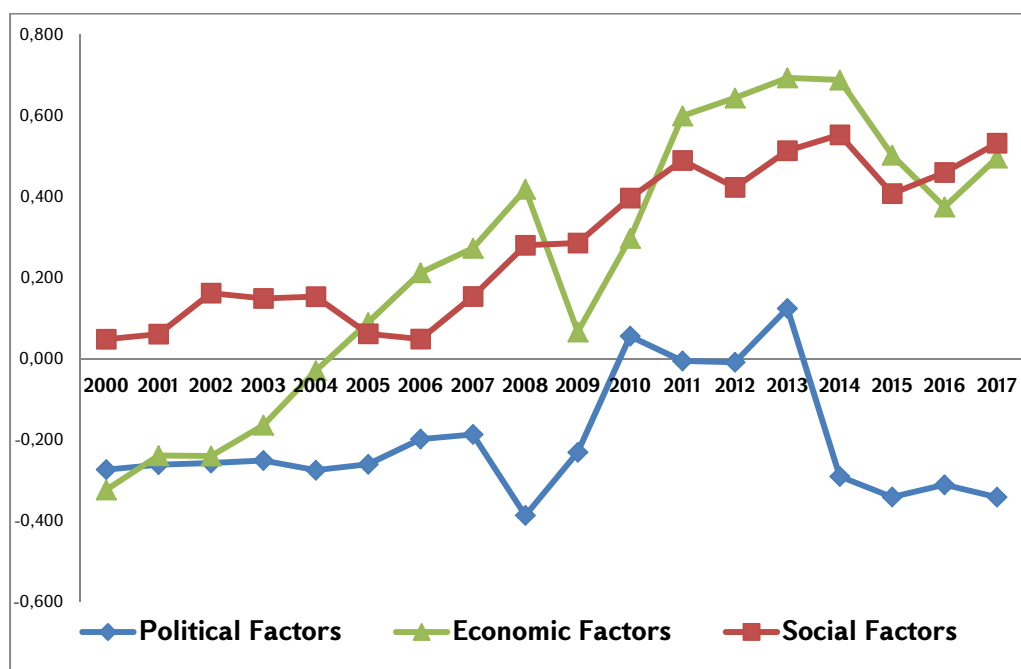
Political stability is one of the priorities of the security policy since it is linked with mutually implemented functions between the state authorities and local self-government bodies and it shows efficiency of their steps aimed at regulating relations between CSOs and social groups in the country in order to prevent domestic, interstate and regional clashes and conflicts (*Гуморов, Тарасов 2018a; Гуморов, Тарасов 2018b*). In this regard, elements which provide an opportunity to analyze structural and institutional factors impacting

the functioning of the political system and aimed at stabilizing and safeguarding stability of Russia's political system are strongly underlined in this research.

During the mentioned period in view of positive and negative political, economic and social factors RF's political system was either stably balanced or distorted, i.e. there was a loss of stability (*see Figure 1, Table 1*). In such cases, country's political system was struggling to restore its stability to recover a previously balanced condition. It is worth mentioning that stability of Russia's political system is dependent on political, economic and social factors indices, where each of them consists of its constituent elements. Their qualitative and quantitative characteristics are presented in Figure 1 and the developed data are summarized in Table 1.

Figure 1

Indices of Political, Economic and Social Factors of the stability of Russia's political system in a span of 2000-2017*



* The source is based on the calculations accumulated by the author.
Indices of SIPS factors are comparable only by the trends.

Table 1

**Political, Economic, Social Factors Indices and Stability Index of Russia's Political
System in a span of 2000-2017***

Years	PFI	EFI	SFI	SIPS
2000	-0,273	-0,323	0,049	-0,184
2001	-0,261	-0,239	0,061	-0,161
2002	-0,257	-0,240	0,162	-0,129
2003	-0,251	-0,164	0,149	-0,118
2004	-0,275	-0,029	0,154	-0,109
2005	-0,260	0,090	0,062	-0,111
2006	-0,198	0,213	0,049	-0,062
2007	-0,186	0,273	0,154	-0,015
2008	-0,386	0,419	0,280	-0,066
2009	-0,230	0,067	0,286	-0,031
2010	0,056	0,297	0,397	0,194
2011	-0,005	0,599	0,490	0,234
2012	-0,008	0,644	0,423	0,219
2013	0,124	0,693	0,514	0,327
2014	-0,290	0,688	0,553	0,109
2015	-0,341	0,503	0,408	0,010
2016	-0,311	0,375	0,460	0,023
2017	-0,341	0,496	0,532	0,046

* The source is based on the calculations accumulated by the author.

PFI, EFI, SFI and consequently SIPS indices calculated on them may insignificantly vary in comparison to the indices of corresponding years estimated in previous publications as a result of updated and newly inserted data as well as changes of minimum and maximum indices.

5.1 Stability index of Russia's political system in the context of transformations and dynamism

The observation of Political Factors Index (PFI) curve in a span of 2000-2017 reveals the fact that integration, transformation and modernization processes had a significant impact on a stable functioning of RF's political system.

The PFI curve of stability of Russia's political system decreased in 2017 when compared with the previous year, and after 2008 and 2015 it was registered with the third lowest rate. In the meantime, according to the conducted survey, the PFI curve had a low level in 2017 compared with 1995 during the mentioned years; hence, by having a destabilizing influence on its political system.

A low level of PFI of SIPS in 2017 was mainly due to a transformation of federal subjects' constitutional status and their federalization, a regulation of relations between the federal government and local self-government bodies, as well as due to a number of socio-political, economic-political, ethnic-political and religious-political processes and etc.

Significant correlation between political parties and CSOs, as well as their impact on political stability, were reflected in the electoral processes during the period under review. It resulted in appearance of contradictions related to a transition from one-party to a multi-party system, entailing an electoral evolution of ruling and oppositional groups as well as strengthening the influence of social groups, civil movements and mass media, and so on.

In social science sets of research related to RF political system and institutions, which play a pivotal role in the sustainable development and functioning, are paid considerable attention to. In this regard, a general agreement over an effective functioning of institutions as well as civilarchic procedures that form an active participation and culture of mutual control, are highly estimated in modernization theory. When analyzing the main problems of Russia's political stability and instability, the following factors have been taken into account: a number of restrictions on participation in a political life

and democratic disagreements, which are significant to eliminate obstacles that hinder modernization of the political system.

A.S. Akhremenko, S. P. Peregudov, V. L. Inozemtsev, A. E. Solovyov, A. S. Makarichev, A. P. Kochetkov and others in their interdisciplinary research studied and accentuated the major problems hindering the processes to ensure political stability in RF (*Ахременко 2009, 105-112; Безвиконная 2009, 113-124; Перегудов 2009a, 33-47; Перегудов, 2009b, 145-161; Иноземцев, 2012, 101-111, Лукин 2014, 10-27; Соловьев 2012, 168-173; Соловьев 2004, 64-77; Соловьев 2015, 85-97; Макарычев 1998, 149-157, Кочетков 2016, 44-47; Левашов 2014, 143-152; Левашов 2012, 1004-1011; Пантин 2004; Гаман-Голутвина 2012, 38-53; Гаман-Голутвина 2006; Галкин 2016, 5-9; Pascal 2003, 159-167; Gel'man 2009, 1-24*). To promote stability and development of the Russian political system they pointed out different political factors.

The urgency to conduct this research is conditioned by the realities and contradictions, occurring in institutional and functional transformation of the RF political system, where the main trends and prerequisites of a new political system are displayed. They show an extent of inner reliability expressed towards transformation and modernization processes taking place in the political system in relation to external influences, depicting means and attitudes it can sustain and strengthen its viability. The nature of radical changes in internal and external spheres of the RF political system in recent years have been conditioned by modernization procedures of the political order.

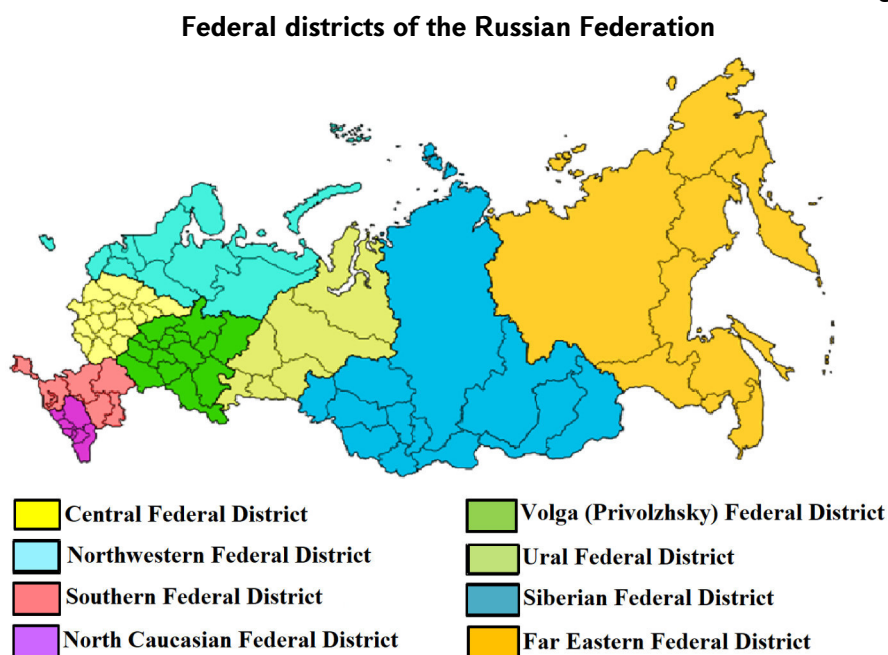
During the period under review, a dynamic development of the country's political system was preserved due to the fact that a necessary or a minimum level of institutional-functional political stability was established.

Taking into account a geopolitical status and Russia's involvement in international political, economic and social processes, an instability of the global political system in the modern world is evidently rising. A worldwide financial-economic destabilization, terrorism, migration, intra-ethnic and religious conflicts, man-made disasters, environmental crises and etc. are vivid examples of it.

In an attempt to develop a comprehensive analysis with the application of the methodology of a political stability theory, indices of Foreign direct investments (FDI), Economic Freedom (IEF), Political Rights and Civil Liberties (PR&CL) as well as other political factors, such as anti-corruption policy, unresolved conflicts and war, and mass rallies are also considered important in the SIPS.

Over the last few years, various procedures aimed at attracting investments are regularly improved in RF subjects (republic, territory, region, district, city of a federal importance, autonomous region and autonomous area) by facilitating federation subjects to fill in the shortage of financial resources intended for administrative and territorial units, as well as modernize infrastructures, establish high-tech enterprises and develop different branches of economy.

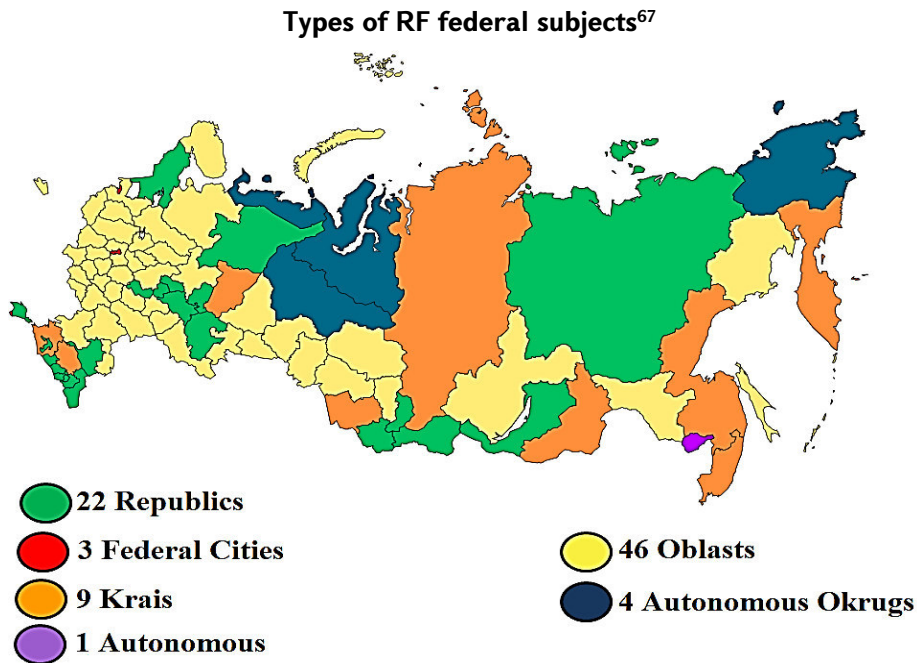
Figure 2



A number of state and private institutions have been initiated to attract investments in federal subjects, which ensure their implementation in different parts of the country. Private ones attribute significant importance both to

federal districts (see Figure 2) and their authorized representatives appointed by the RF President, who, on top of their numerous functions,⁶⁶ also coordinate activities of federal executive bodies in the appropriate federal district, presenting proposals to the President of the country.

Figure 3



⁶⁶ See the Decree of the President of 13 May, 2000 № 849 «On Plenipotentiaries of the President of the Russian Federation in federal districts (as amended by law of 19 July 2017)» <http://pravo.gov.ru/proxy/ips/?docbody=&nd=102065756&rdk=19>, «On the Provisions of the Plenipotentiary Representative of the President of the Russian Federation in the Federal District, approved by Presidential Decree No. 849 of May 13, 2000 (as amended by law of 19 July 2017)» <http://pravo.gov.ru/proxy/ips/?docbody=&nd=102065756&rdk=19>, «Decree of the RF President of 13 May 2000 № 849 «On the List of Federal Districts» (as amended by law of 28 July 2016)» <http://pravo.gov.ru/proxy/ips/?docbody=&nd=102065756&rdk=19> (11.05.2018).

⁶⁷ In accordance with the Constitution of the RF, the country consists of 85 subjects: namely, 22 republics, 9 territories, 46 districts, 3 cities of federal importance, 1 autonomous region and 4 autonomous districts for more details see «Constitution of the RF» (Chapter 3, Article 65) <http://www.constitution.ru> (11.05.2018).

Figure 3 illustrates the peculiarities of federalism in Russia, where political, social-economic, ethno-cultural and many other key issues are at the basis of the RF President's authorized plenipotentiaries' powers. It should be noted that the constitutional and legal status of the Russian subjects and the disputes over it have always been the cause of instability of the political system in the country, endangering the atmosphere of all-Russian solidarity. The peculiarities of a Russian federalism model obviously show that it determines not only the institutional order of the country and its institutional scheme, but also the sequence of ethno-political processes and situations (*Chenoy, Kumar 2017; 265-274; Петров 2012; Макеева, Миряева 2016*).

To strengthen the stability of the RF political system, processes focused on developing relations between "society-authority," "CSO-state" and "center-federation subject" should always be of key importance for the country's political elite (*Starodubtsev 2018, 125-137; Turovskii 2009, 184-206; Oracheva 2007, 54-77; Gill 2007, 204-213; Петров 2000; Петров 2007; Petrov 2010; Казанцев, Меркушев 2008*). The latter can harmonize the tendencies of democratization and federalization of the country's political system in the stages of public decision-making. Moreover, in terms of improving business and investment sphere (*Цыреторов 2010; Бочарова 2016; Бочарова 2017; Иващук 2018; Путин 2012*), the authorized representatives of the RF President organize cooperation with federal and executive and local self-government bodies of RF subjects, parties, CSOs and other public associations. The effectiveness depends on the reinforcement of institutional capacities and policies of investment at the federal and regional levels, as well as the consistent implementation of socio-economic development programs and etc. (*ОЭСР 2013; ОЭСР 2004, ФСГС 2017; Libman 2016, 24-40*). In this regard, the areas of interaction and cooperation which are necessary to propel the socio-economic progress of federal subjects are highly signified in comprehensive studies indicating external and internal factors affecting local and regional economic growth (*Краснов, Сайдуллаев 2013; Джаитов, Краснов 2013; Травников, Сайдуллаев 2011a; Травников, Сайдуллаев 2011b; Сайдуллаев, Шамрай 2009; Бувев и др. 2004; Гичиев 2012; Гичиев, Гичиева 2013*).

In view of the above-mentioned issues, conflicts and clashes with internal and external orientation had a significant impact on a political stability of Russia. Particularly, in the early 1990s, when totalitarian system of the USSR was in a state of complete chaos (*Мороз 2011; Мороз 2013*), movements aimed against Sovietization and at pro-independence got activated in Russia, and later some transformed into armed conflicts, hence, by threatening political stability and civil tolerance in the country. The examples are: the South Ossetian war, Ossetian-Ingush conflict, self-determination crisis of Tatarstan, the Chechen war, armed clashes in Dagestan, the terrorist attacks in the North Caucasus, and etc. (*Мороз 2009a; Мороз 2009b; Мороз 2012; Президентский центр Б. Н. Ельцина 2010-2014; Faller 2011; Bukharaev 1999; Kondrashov 2000; Равуо 1992; Oliker 2001; Evangelista 2002; German 2014; Akhmadov and Lanskoj 2010; Politkovskaya 2001; Markozashvili and Dvalishvili 2017; Human Rights Watch 1996*).

Besides, ethno-political and military-political situation as well as armed conflicts in the post-Soviet area had a very crucial impact on Russian political stability. They had a multi-faceted influence on the development and implementation of the RF security policy, requiring more active intervention-oriented policies. Transdniestrian conflict, Georgian-Abkhaz and Georgian-South Ossetia conflict, Russian-Georgian war, the Crimea crisis, Donbass war, as well as the actions of the Russian armed forces in Syria, international peacekeeping missions⁶⁸ are vivid instances of the trend (*РИСИ 2014; Братерский 2018; Морозов, Бо Бойесен 2008; Плотников 2004; Лазько 2007; Сухарь 2007; Авксентьев, Аксюмов 2007*). As such, according to the data of Global Militarization Index, Russia was ranked the 5th in 2013 and 4th in 2016 among 151 countries, whereas in 2014-2015 it ranked 6th and 5th respectively among 152 countries.

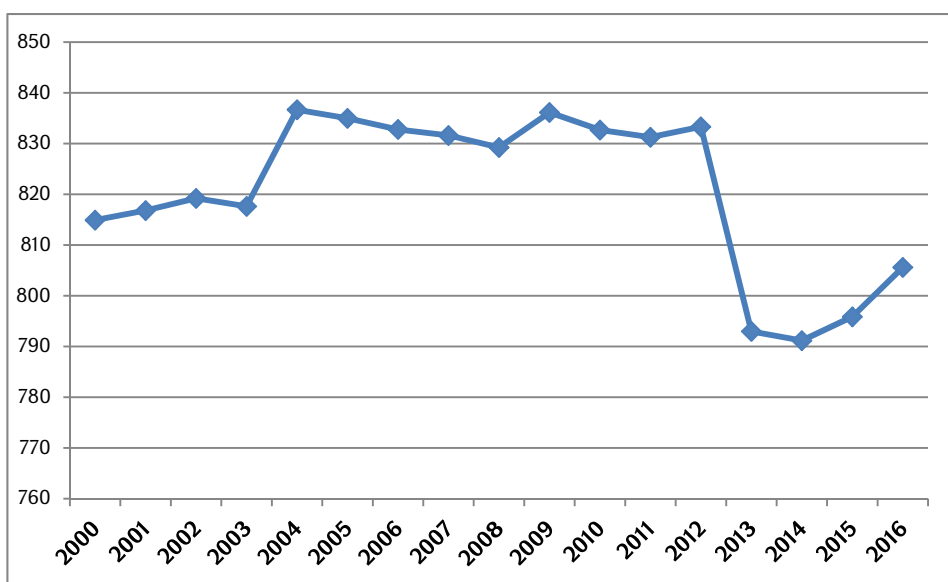
Figure 4 depicts that Russia's military-political and security situation evaluated by Global Militarization Index was relatively high in 2004, 2009 and

⁶⁸ Source of the data: official site of Ministry of Defence of the Russian Federation "Participation of the RF in peacekeeping operations" https://structure.mil.ru/mission/-peacekeeping_operations.htm (20.05.2018).

2012 years. In spite of the fact that Russia's ranking was low during other years, it maintained its high level of arms race, consequently considered one of the most militarized countries (*Susanne 2007; 2008; 2009; 2010; 2011; 2012; 2013; 2014; 2015; 2016; 2017*). It is worth mentioning that Russia's military expenditure (% GDP) is of much significance for maintaining military-political security and balance of forces. In particular, according to the data accumulated by Stockholm International Peace Research Institute (SIPRI), in 2017 Russia occupied the 4th place in the list of global military expenditures, spending more than 66 billion dollars on arms, which made up 4,3%⁶⁹ of the country's GDP. In the meantime, the indicators, registered in 2015-2016 were even higher, which were also the highest in the observed period.⁷⁰

Figure 4

Global Militarization Index of the RF in a span of 2000-2016



⁶⁹ The source of the data is “Stockholm International Peace Research Institute (SIPRI) databases: Military Expenditure Database” <https://www.sipri.org/databases/milex> (20.05.2018).

⁷⁰ The source of the data is “Stockholm International Peace Research Institute (SIPRI) databases: Military Expenditure Database” <https://www.sipri.org/databases/milex> (20.05.2018).

In regard to protection of political rights and liberties, they are in a state of transition, and haven't been stabilized yet. This is typical of newly independent forms of government and civilizational procedures, where civil society organizations and movements will in fact be able to influence the activities implemented by state authorities and local self-government bodies. Although activities of CSOs are guaranteed in accordance with the RF Constitution and legislation, issues concerning rights and freedoms of independent mass media and social networks, freedom to hold peaceful assemblies, freedom of public associations to participate in public administration and services, freedom to conduct electoral referendum as well as many other rights and freedoms still remain challenging. In particular, according to the data provided by Freedom in the World 2018 report, a combined assessment of political rights and civil liberties dropped from "5" to "7" points from 2000 to 2017 (*Freedom House 2015a; 2016a; 2016b; 2016c; 2017a; 2017b*). It entails a change in a comparative assessment of the country as well as in its rating unit, as a result of which the country's status turned from partly free to not free.

The right to freedom of assembly still retains its troublesome nature. Despite a legal restriction⁷¹ on this right, CSOs, opposition parties (*Гельман 2014*) and movements succeeded in organizing massive acts of civil disobedience. In this regard, it should be noted that in 2017 a high number of protest rallies were registered in Moscow and St. Petersburg cities, Krasnodar and Primorye regions, Republic of Karelia, in regions of Rostov, Sverdlovsk, Novosibirsk, Moscow, Omsk, Volgograd and Saratov (*Centre for Effective Production Realization, CEPR; ЦЭПР 2017b*).

According to the data supplied by the Ministry of Justice of the Russian Federation, a total number of NGOs registered in 2015-2016 exceeded 227,000, whereas it was more than 223,000 in November 2017 (see Table 2). Thus, the number of NGOs lessened by almost 4,000 in Russia (*Civic Chamber of the RF 2017, 24*). Meanwhile, social NGOs play a key role in the system of

⁷¹ See Federal Law of the RF «On assemblies, meetings, demonstration, marches and picketing (as amended by law of 7 June 2017)” <http://pravo.gov.ru/proxy/ips/?docbody=&nd=102087370> (20.05.2018).

NGOs, and at the same time public authorities pay a special attention to them. Hence, according to the data, gathered within 2015-2016, more than 143,000 social NGOs were registered in the Russian Federation, which constituted 63% of the total number of registered NGOs (*Civic Chamber of the RF 2017, 24*).

Table 2

2015-2016 Federal budget allocations to programmes of social NGOs⁷²

<i>Financial aid for Social NGOs funded by RF state body</i>	<i>The volume of financial aid allotted by the state to social NGOs (thousand roubles)</i>		<i>The number of social NGOs which were granted with the financial aid</i>	
	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>
Chief of Staff of the Presidential Executive Office of the Russian Federation	4 228 200	4 589 900	1377	1579
The Ministry of Economic Development of the Russian Federation	859 000	-	3964	-
Ministry of Culture of the Russian Federation	2 077 372	4 136 443	199	227
Ministry of Labour and Social Protection of the Russian Federation	765 598	2 320 439	17	30
Ministry of Education of the Russian Federation		86 373		16
Federal Agency for Youth Affairs	74 000	103 200	44	100
Federal Service for Drug Control of the Russian Federation	10 200	-	8	-
Ministry of Civil Defence, Emergencies and Disaster Relief of the Russian Federation	100 000	90 000	7	19
Total	8,114,390	11,326,355	5616	1971

⁷² The Source of the data is The Ministry of Economic Development of the Russian Federation 2016 Report on activity and development of socially oriented non-commercial organizations <http://nko.economy.gov.ru/Files/NewsDocuments/ef54d172-13a8-43a2-ae4b-a7fe7becade7.pdf> (20.05.2018).

5.2 Economic stability factors in RF

The study of economic stability factors in Russia shows that in a span of 2000-2017 years, key economic indicators improved with certain fluctuations, retaining their positive and growing trends. Within the mentioned period, the highest and the lowest EFI were recorded in 2013 and 2000, respectively. Meanwhile, EFI increased in 2017 compared to the previous year, but decreased compared to 2011-2015 (see Figure 1, Table 1).

In the observed period positive and negative trends affecting economic stability were mainly conditioned by the growth in GDP, external trade turnover, domestic credit, inflation, shadow economy and budget deficit.

Economic integration and globalization processes had a significant impact on the stability of the Russian political system. In the current conditions of systematic tensions, intensified by new sanctions imposed on Russia by the US and EU, combined with continuous conflicts and military actions, occurring in Ukraine, the Eurasian integration model presents both opportunities and challenges. On the one hand, in the RF political system EAEU is a new procedural tool for restoring dialogue and political rapprochement with post-Soviet countries, on the other hand, in view of socio-economic reunion, it is a precondition for establishing a long-term competition and common market. In this regard, it is important to state that the revised concept of Eurasian integration has been elaborated on the basis of modern geopolitical and geo-economic conditions, by ensuring implementation of economic interests with newly independent countries and gradually creating a special economic zone.

In regard to current conditions, foreign direct investments (FDI) are the most important sources of capital, becoming a key tool for the regulation of international economic relations among countries. Since independence, a federal government and territorial administrations of the Russian Federation have been trying to promote the inflow of FDI and develop effective procedures. Strategic plans of the Russian government to use FDI in services and to invest them in production is a vivid evidence of this, thereby forming and developing new technologies and a new culture of partnership. FDI create

favourable conditions for integration of the country's economy and expansion of export capacity.

It is noteworthy that a number of economists point out the following factors that are favourable for promoting investment policy and raising effectiveness in Russia: (1) dynamic development of the economy, (2) availability of natural resources, (3) size of consumer market, (4) highly qualified human resources, (5) unique geographical position, (6) attractive tax system, 7) foreign investors supported by the state, (8) stable political and social system; 9) potential of technological development (*Квашнина 2014; Квашнина 2017*).

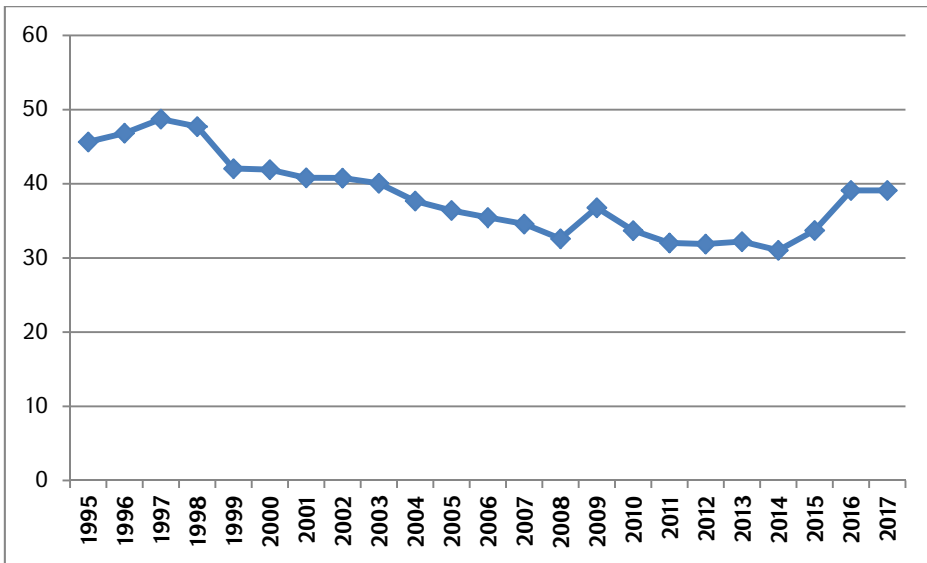
In the observed period, execution of economic sanctions imposed against Russia damaged all sectors and branches of the economy, accompanied by external pressures and low oil prices. The dynamics of the sanctions indicates that the RF financial-economic system should always be ready for economic shocks.

According to the experts of International Monetary Fund, from 1991 to 2015, the size of Russian shadow economy on average constituted 38,42% of GDP (*Medina and Schneider 2018*). Concerning this, hidden employment and unemployment were obvious, caused by an increase in labour migration from post-Soviet countries to Russia as well as cheap labour force and economic sanctions. It can be illustrated by the example, when many business enterprises shifted their employees' full-time to a part-time schedule or due to termination of the production employees were forced to go on a non-paying vacation due to sanctions imposed by the West. In particular, Figure 4 presents the dynamics of Russian shadow economy indicators covering the years of 1995-2017, according to which the lowest indicator was recorded in 2014, constituting 31,04% of GDP, whereas the highest one was recorded in 1997, constituting 48,73% of GDP.

In general, the share of shadow economy in Russia's GDP is significant, which has had a negative impact on socio-economic progress and economic reforms implemented by the federal government. In this regard, it is highly important to improve market management procedures of the the state and local self-government bodies of federal government and federal subjects, which will allow to increase effectiveness of the state regulation.

Figure 4

The size of shadow economy in Russian in a span of 1995-2017



According to various experts estimates, in 2016-2017 Russia was ranked among the top five countries in the world in terms of shadow economy indicators (*РБК 2017*). Increasing and decreasing trends of shadow economy are mainly conditioned by economic sanctions and situations, erupted from crises, a continuous decline in oil prices, disparity between supply and demand, increased taxes and their burden on the population, withdrawal of traditional economic relations, lack of competitiveness in domestic production, social-labour and socio-economic stratification, hidden employment, unregistered unemployment, level of economic development and economic growth trends, and etc. (*Perova and Perov 2015; Akindinova, Kuzminov and Yasin 2016*).

It is worth mentioning that for many years socio-economic disparities in the development of federal subjects had been a central issue, impacting economic stability in the RF. Those disparities were conditioned by a disproportionate development of the country's economy and difficulties of forming a common economic space. A number of strategically planned national and intersectoral documents relating to market and innovative economy development, protection of economic rights and freedoms, development of small and medium

enterprises, promotion of electronic business and digital economy, as well as other local and federal initiatives and targeted programs played a significant role in this connection.⁷³

5.3 Social stability factors

The analysis of Russia's social stability factors shows that during 2000-2017, major social indicators improved, having a continuously growing tendency. Figure 1 shows that within the observed period positive and negative impacts on social stability were largely conditioned by the Human Development Index (HDI), Real wage, Employment and Poverty rates, Gini index and Crime rate.

In the observed period, the highest Social Factors Index (SFI) was recorded in 2014 and the lowest ones were registered in 2000 and 2006. In the meantime, SFI indicator increased in 2017 compared to the previous year, by registering the second highest index for 2000-2017 years (see Figure 1, Table 1).

Largely, a steady growth (2007-2014) of the SFI curve of the Russian Federation was stipulated by improvement of HDI, Real wage and Employment rate, as well as by effective policies adopted to eradicate poverty and overcome social polarization.

Figure 5 shows that in 2015 social-labour protest activities were initiated at various levels in the Russian Federation. They were mostly of local significance, including state and non-state institutions of federal subjects and trade unions operating in the areas.

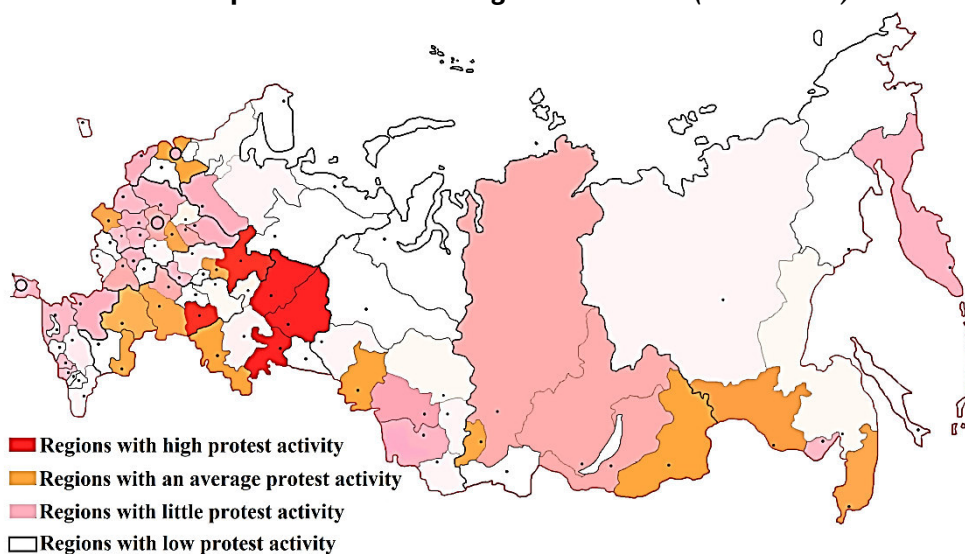
Under the conditions of social and economic tensions observed within the period in question, trade unions and employers took efforts to withstand job lay-offs, reductions, optimization, as well as wages, pensions and benefits being paid late or not at all. Several researchers have differentiated four types of

⁷³ For more details, see the official site of the Government of the RF <http://government.ru/rugovclassifier/624/events> (11.05.2018).

protests typical of the Russian political system: protests connected to 1) socio-economic issues; 2) labour disputes, 3) problems arising from environmental, emergency and man-made disasters; 4) political disagreements and struggle (actions of pro-opposition movements and supporters of Navalny included here) (Подъячев 2012; Соколов, Фролов 2013; Скобелина 2017; Кынев, Петров, Тутков 2018). Nevertheless, acts of civil disobedience have recently declined, but a number of protest rallies related to social issues have been rising. To illustrate this, in total 1,141 cases were registered in 2016, which dealt with labour issues and were the most widely publicized, where 79,4% referred to late salary payments and non-payments, 3,7% to salary reduction, 12,4% to mass lay-off of employees and 4,6% to a part-time employees (CEPR 2017a). Social-labour trends of protest rallies were also maintained in 2017, when about 70% of 1,107 protests related to socio-economic issues (CEPR 2017b).

Figure 5

The map of labour rallies organized in 2015 (CEPR 2016)



It seems obvious, that federal and regional authorities' failure to comply with strikers' demands may lead to the latter having political inclinations and tendencies to form political parties. Meanwhile, trade unions, as a rule, had intentions to establish a social dialogue and partnership with employers. This is

proved by the fact that they first and foremost apply to territorial, mainly federal authorities, to solve their problems. However, the state and employers' representatives, on the contrary, tend to take unilateral and non-cooperative attitudes to solving problems, by creating artificial barriers for businessmen and ignoring their request for social assistance. Such a non-civil behavior is conditioned by inactivity displayed by majority of the population, a low level of civil culture and lack of legal consciousness, drawbacks in developing a market economy and so on.

The practice applied in protecting social and labour rights and freedoms in Russia reveals that regardless of the fact that trade unions do not appeal to parliamentary parties, the latter are trying to politicize activities, carried out by trade unions. It should be noted that trade unions, being relatively well-established structures with confederate network associations in the country's political system, succeeded in effectively carrying out their functions. Moreover, lack of confidence in political institutions topped with the crisis, force the trade unions to fight against populist politicians and political parties.

The level of social stability in Russia largely depends on the country's internal and external migration situation. For post-Soviet countries Russia is traditionally considered a country of legal and illegal labour migration and the countries such are Ukraine, Uzbekistan, Tajikistan, Kazakhstan and others are the main providers (*РБК 2017; Щербакова 2018*). Simultaneously, some fluctuations have been noticeable in labour migration indicators, which are related to socio-economic situation in migration-partner countries and changes in the social system of the Russian Federation. Despite the fact, that the federal authorities toughened up their migration policies and controlled those processes, destinations that had mainly attracted migrants remained unchanged (Saint Petersburg and Leningrad, Krasnodar, Sevastopol, and the Crimea).

It is crucial to maintain social stability in terms of overcoming social polarization. It is necessary to introduce innovative technologies in social management field aiming at promoting the development of human potential at the local and federal levels in order to fight against poverty, resolve issues, related to socio-economic development and implement mutually agreed social

programs in purpose. For example, the lowest poverty rate (10,7%) of the RF was recorded in 2010, but federal authorities as well as executive bodies of the federal subjects didn't manage to reduce or sustain the mentioned indicator.⁷⁴ In the following years, the situation deteriorated and the poverty rate was recorded with 13,2% in 2017.⁷⁵ Hence, effective policies, oriented towards poverty reduction, can be used as a real tool not only to ensure well-being of the citizens, but also to provide full functioning of the social state and NGOs. In this regard, it is important to increase the effectiveness of social policy, taking into account demographic and socio-economic peculiarities of the country (*Агапбегиан 2017*).

In this regard, a number of strategically planned national and intersectoral documents relating to annual, mid-term and long-term socio-economic development, protection of social rights and freedoms, long-term development of the pension system, demographic policy, sustainable development of rural regions were of essential importance.⁷⁶

5.4 Development trends of Stability Index of Political System

It is impossible to imagine a sustainable stability of the Russian political system without its equal participation in geopolitical, geo-economic and geo-cultural relations under the conditions of modern global politics, since global community factors have a significant impact not only on the external but on the internal policy of the Russian Federation. In an attempt to ensure political,

⁷⁴ The source of the data is the official site of the Federal State Statistics Service of the Russian Federation http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/population/level/# (25.05.2018).

⁷⁵ The source of the data is the official site of the Federal State Statistics Service of the Russian Federation http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/population/level/# (25.05.2018).

⁷⁶ For more details, see the official site of the Government of the RF <http://government.ru/rugovclassifier/624/events> (20.05.2018).

social-economic and cultural stability of the country, federal and regional authorities modernize ties and relations of multilevel cooperation.

Procedures and institutions of International, Mediterranean, and Eurasian integration affect implementation of priorities set up in the country's domestic policy as well as its political stability. This happens especially in such cases when some states apply restrictions or sanctions against Russia.

Figure 5

Stability Index of Political System (SIPS) in the Russian Federation (2000-2017 years)*

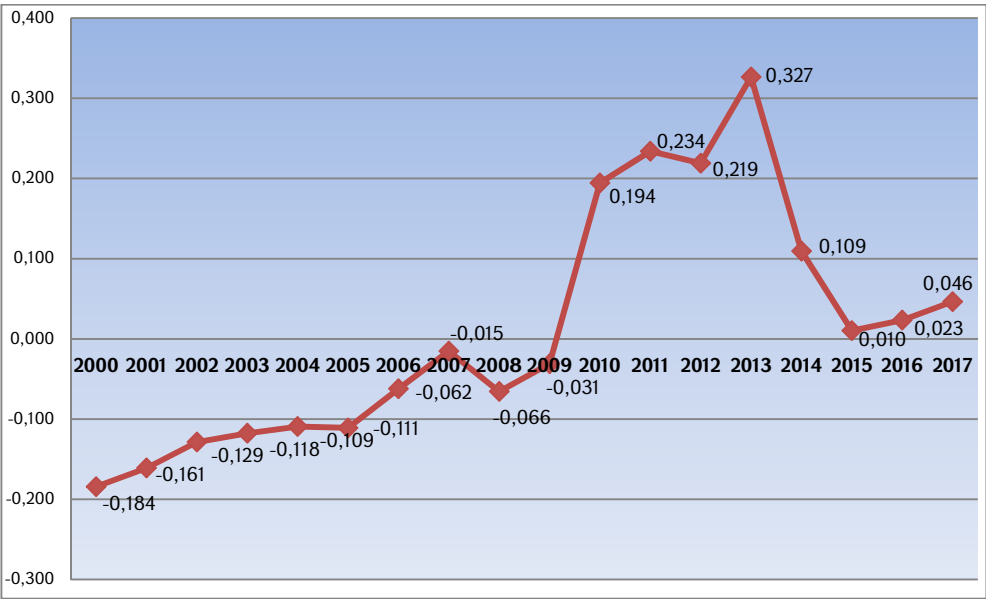


Figure 5 presents the results registered in a span of 2000-2017. Russia's Stability Index of Political System (SIPS), according to which the indices increased in 2017 as compared to 2000. Simultaneously, in the reporting period the highest SIPS was recorded in 2013, and the lowest one in 2000. It should be noted that the growth of SIPS in 2013 was conditioned by a simultaneous growth in PFI, EFI and SFI, whereas its decline in 2000 was

* The source is the calculations by the author.

caused by political and economic instability and low rates, which was relatively mitigated by the improvement of the SFI.

Figure 1 and Figure 5 depict that an increase in SIPS curve in 2017 was largely stipulated by an increase in EFI and SFI. The studies have shown that maintenance of the current state of socio-economic stability and its further development can be decisive and plays a major role for ensuring political stability. In particular, one of indispensable conditions for sustaining political stability in the country is polyarchy relations between the federal subjects and peoples. Taking into account the issues concerning Russian confederation and its "territorial stratification," a sufficient monitoring of social and economic factors provides a new meaning to the concept of country's "sustainable development" in its current stage. In this regard, socio-economic stability moderates not only negative tendencies of political factors, but also strengthens political ties and relations, safeguards a balance of the elements of the political system, which is in a state of transition.

5.5 Regression analysis of Stability Index of Political System

By means of SIPS regression analysis, the variables of Political, Economic and Social Factors Index, with the most significant impact on the stability index of the RF political system, were cleaned.

According to the data, collected from the above-mentioned analysis, a significant relationship has been established between $SIPS_i^*$ and a number of political, economic and social variables.

As a result, the following relationship has been established between $SIPS_i$ and FDI, as well as Political Rights and Absence of Violence variables:

$$Y' = 0,003x_1 - 0,096 \text{ (Adj. } R^2 = 0,300),$$

* $SIPS_i$ is the Stability Index of Political System cleaned from the corresponding independent variable during every paired regression analysis

where Y' is $SIPS_i$ (SIPS is cleaned from the variable of FDI), and x_1 is FDI (\$milliard).

$$Y' = 0,093x_2 - 0,517 \text{ (Adj. } R^2 = 0,405),$$

where Y' is $SIPS_i$ (SIPS is cleaned from the variable of Political Rights), and x_2 is Political Rights.

$$Y' = -0,091x_3 - 0,006 \text{ (Adj. } R^2 = 0,124),$$

where Y' is $SIPS_i$ (SIPS is cleaned from the variable of Absence of Violence), and x_3 is the Absence of Violence.

An indicative relationship has been depicted between $SIPS_i$ and Social factors, which are included in the model; namely GDP, External trade turnover and Shadow economy:

$$Y' = 0,015x_4 - 0,259 \text{ (Adj. } R^2 = 0,698),$$

where Y' is $SIPS_i$ (SIPS is cleaned from GDP per capita) and x_4 is GDP per capita (\$1000).

$$Y' = 0,0005x_5 - 0,229 \text{ (Adj. } R^2 = 0,764),$$

where Y' is $SIPS_i$ (SIPS is cleaned from External trade turnover), and x_5 is External trade turnover (\$milliard).

$$Y' = -0,019x_6 + 0,697 \text{ (Adj. } R^2 = 0,497),$$

where Y' is $SIPS_i$ (SIPS is cleaned from Shadow economy), and x_6 is Shadow economy (% GDP).

In terms of Social Factors Index, an important correlation has been established between $SIPS_i$ and HDI, Real wage and Poverty rate:

$$Y' = 3,481x_7 - 2,688 \text{ (Adj. } R^2 = 0,668),$$

where Y' is $SIPS_i$ (SIPS is cleaned from Human Development Index), and x_7 is Human Development Index.

$$Y' = 0,038x_8 - 0,146 \text{ (Adj. } R^2 = 0,767),$$

where Y' is $SIPS_i$ (SIPS is cleaned from Real wage), and x_8 is Real wage (\$100).

$$Y' = -0,019x_9 + 0,288 \text{ (Adj. } R^2 = 0,587),$$

where Y' is $SIPS_i$ ($SIPS$ is cleaned from Poverty rate), and x_9 is Poverty rate.

According to the regression analysis, $SIPS_i$ is notably affected by FDI, Political Rights and Absence of Conflict variables. Moreover, a 1 milliard dollars increase in FDI will lead to the growth in $SIPS_i$ by 0,003 units. Meanwhile, a 1 unit growth in Political Rights* and Absence of Conflict variables (in case of Conflict Presence variable, it is conditioned by the change in a country' status at war) will lead to the growth in $SIPS_i$ by 0,093 and 0,091 units respectively. In this regard, it should be noted that, under the conditions of a current social system, political rights are not properly regulated with a low level of civil culture to use them, hence it all leads to instability, by strongly damaging the effectiveness of the political order. As a result, there occur political situations where a gap between the law and right deepens.

GDP, External trade turnover and Shadow economy rates (% of GDP) are among the Economic factors that have a major influence on $SIPS$ of the RF. In particular, when GDP per capita will grow by \$1,000 then $SIPS_i$ will grow by 0,015 units. In terms of External trade turnover, its increase by \$1 billion will bring forward an increase in $SIPS_i$ by 0,0005 units.

A negative correlation between $SIPS_i$ and subindex of the RF Shadow economy is conditioned by internal and international procedures aimed at establishing market economy and promoting private property. It's obvious that the growth and considerable size of shadow economy adversely affect stability of the RF financial-economic system by impeding rise of competitiveness and constructiveness in economic sphere. In this regard, 1% decrease in Shadow economy of GDP will result in the growth in $SIPS_i$ by 0,019 units.

Social factors, namely Human Development Index, Real wage and Poverty rate, have a strong influence on $SIPS$ of the RF. Particularly, a positive 0,1 change in the HDI will increase $SIPS_i$ by 0,35 units, whereas raising Real wage by 100 US dollars will result in $SIPS_i$ growth by 0,038 units. In the meantime, 1% decrease in poverty rate will improve $SIPS_i$ with 0,019 units. In this regard,

* Political Rights index, meadure by Freedom House by 7-1 points rating scale, where 1 point stands for the highest indicator of rights and correspondingly 7 is the lowest.

a number of strategic programmes aimed at developing human potential and reducing poverty in an attempt to propel social progress, promote sustainable well-being and regulate income generation in such transitional circumstances in the RF.

To improve the current SIPS in Russia, it will be effective to pay attention to the above-mentioned political, economic and social factors. Peculiarities of preserving and developing stability of the RF political system and which are of key importance to adequately assess and analyze domestic and geopolitical processes should be taken into account.

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Abbreviations

CSOs	Civil Society Organizations
EAEU	Eurasian Economic Union
EFI	Economic Factors Index
EU	European Union
FDI	Foreign direct investments
GDP	Gross Domestic Product
HDI	Human Development Index
IEF	Economic Freedom

Chapter 5. Stability and Instability Trends of Political System of the Russian Federation

NATO	North Atlantic Treaty Organization
NGOs	Non-governmental organizations
PFI	Political Factors Index
RF	Russian Federation
SFI	Social Factors Index
SIPS	Stability Index of Political System
USA	United States of America
USSR	Union of Soviet Socialist Republics

CHAPTER 6.

SYSTEM STABILITY IN REGIME STRATEGIES IN BELARUS

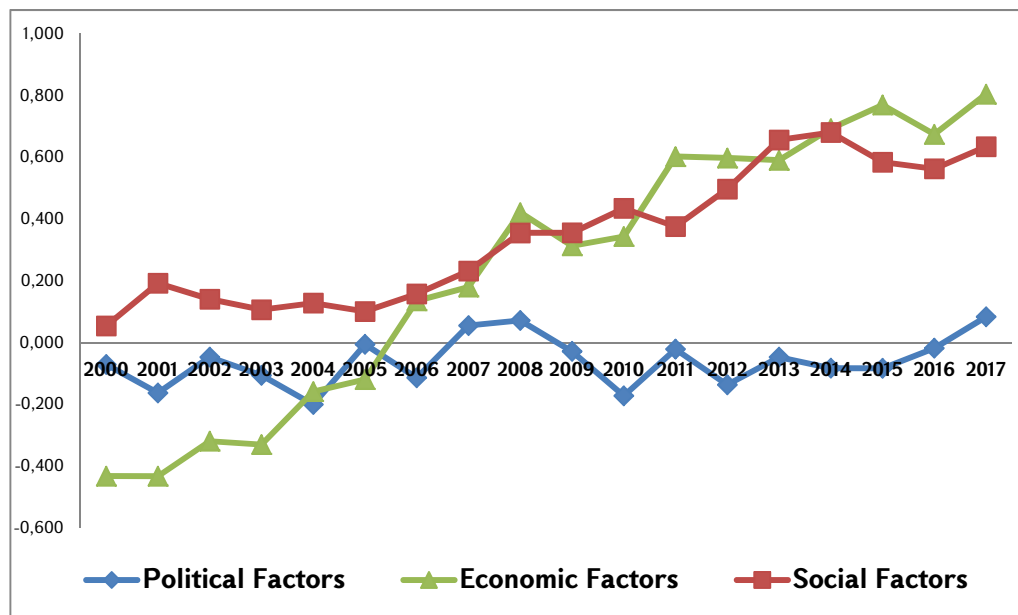
ASHOT ALEKSANYAN

Transformations and reforms occurring in the country's political system are undertaken by various measures which are related to strengthening institutional bases of public administration and local self-government bodies, as well as to expanding influence exerted by civil society, public associations and movements. It implies preservation and transformation of institutionally and procedurally balanced situation in the political system of the country by adequately reacting to factors impacting internal and external environment. The stability of the country's political system, integrity of the political order, orderly organization and regulation of public processes are largely dependent on them.

In order to prevent political instability and avoid shocks, the ruling Belarusian political elite considers highly essential to preserve and modernize functions exercised in a "former" system by simultaneously adapting to new conditions in the foreign environment. In this respect, political culture of the country in question has been characterized as authoritarian, unilateral, with enforcement of tactical "agreements" on main political powers that offer more temporary and situational solutions rather than aiming to maintain strategic consistency. It implies the following: to maintain pre-eminence of the ruling political team, its influence on opposition forces and civil society organizations with a necessity to curb and minimize "centrifugal" tendencies.

Figure 1

Indices of Political, Economic and Social Factors of the stability of Belarus's political system in a span of 2000-2017*



* Source: calculations by the author.

Indices of SIPS factors are comparable only by the trends.

Table 1

**Political, Economic, Social Factors Indices and Stability Index of Belarus's
Political System in a span of 2000-2017***

Years	PFI	EFI	SFI	SIPS
2000	-0,070	-0,432	0,055	-0,087
2001	-0,162	-0,432	0,193	-0,096
2002	-0,046	-0,318	0,141	-0,031
2003	-0,105	-0,329	0,107	-0,075
2004	-0,200	-0,158	0,128	-0,095
2005	-0,005	-0,119	0,101	0,010
2006	-0,113	0,136	0,158	0,005
2007	0,056	0,180	0,232	0,127
2008	0,072	0,421	0,356	0,210
2009	-0,028	0,314	0,356	0,139
2010	-0,172	0,344	0,435	0,088
2011	-0,021	0,603	0,376	0,192
2012	-0,136	0,598	0,498	0,164
2013	-0,047	0,591	0,657	0,260
2014	-0,082	0,693	0,681	0,263
2015	-0,083	0,770	0,585	0,245
2016	-0,018	0,675	0,563	0,260
2017	0,084	0,805	0,635	0,357

* Source: calculations by the author.

PFI, EFI, SFI and consequently SIPS indices calculated on them may insignificantly vary in comparison to the indices of corresponding years estimated in previous publications as a result of updated and newly inserted data as well as changes of minimum and maximum indices.

6.1 Tendencies for non-democratic stability

In view of current conditions of globalization, political stability is one of the priorities of the country's national security, as it relates to activities carried out by state administration and local self-government bodies with the aim to ensure a regular and common functioning of the political system, as well as to prevent clashes between social groups, domestic and interstate conflicts. Despite the fact that since its independence, a number of procedures and approaches have been formed to maintain internal political stability and prevent clashes in the political life of Belarus; however, external threats to national security have increased which were caused by a growing influence of destabilizing factors. Meanwhile, opposition forces and CSOs attempting to get support from social strata and groups in their struggle against the current political regime of Belarus, form civil disobedience and alternative movements that possess strong potential and are becoming more influential. Comparable studies of these factors are essential to provide resolution of clashes occurring in the country as they can lead to destabilization of the political system from the point of view of its being "whole".

The analysis of the Political Factors Index curve observed with stability of the political system of Belarus in a span of 2000-2017 shows the main trends in social transformations.

Figure 1 depicts that the PFI curve viewed in stability of the political system of Belarus from 2000 to 2017, increased in 2017 compared to previous years, registering the highest indicator. In particular, during the above-mentioned period, the curve of political factors was mainly in the negative trend, by recording only three positive indicators.

A positive level of PFI in 2017 SIPS was largely stipulated by a number of factors, such as effective anti-corruption policy, reduction in the level of civil disobedience, strengthening of the international image of the country, implementation of intended activities, regional integration and peace establishment. Particularly, according to 2017 annual report conducted by Transparency International anti-corruption organization, Belarus occupied the

68th place among 180 countries (*Transparency International* 2018). Conclusively, public activities implemented by civil society organizations (CSOs) and opposition movements positively impacted the fight against corruption, which resulted in the revision of the current legislation in 2015 and the adoption of a new law on "Fight against corruption."⁷⁷ Moreover, in 2016-2017 a number of state officials, including representatives of a judiciary branch, were faced with prosecution and initiation of criminal proceedings on charges of corruption and abuse of position which favourably influenced an anti-corruption fight in Belarus (*Stolichnoe TV (Столичное телевидение)* 2018; *Office of the Prosecutor General of Belarus* 2018; *Pravo.by* 2017). Nevertheless, it is necessary to make technical changes in anti-corruption legislation and for some officials to face criminal liability, but it is not sufficient as such. In this regard, systematic reforms can be of great importance, providing citizens and CSOs with opportunities to prevent impunity, establishing public control over activities undertaken by corrupted officials, and directly influencing decisions taken by state and local self-government bodies. It is worth mentioning that modernization of public relations in Belarus and in other newly independent countries, strongly depends on reforms to be made in the political system. Therefore, a continuous improvement of functions applied in a political system, social construction of parties and CSOs and institutionalization of procedures are the factors that strongly propel a sustainable development of a country on the whole. As a result, it implies actions aimed at prioritising establishment of democracy, human rights and the rule of law in the country's political system, elimination and overcoming of social-political stratification, restrictions on civil involvement and participation. Only effective state institutions and local self-government bodies can cooperate with CSOs, ensuring a high level of adaptation of the political system to constant changes.

Issues related to modernization and transformations of the political system of Belarus have been comparatively studied by M. Delyagin, V. Rovdo, A.

⁷⁷ See RB Law on "Fight against corruption" of 15 June 2015 № 305-3 <http://pravo.by/-document/index.php?guid=12551&p0=H11500305&p1=&p5=0> (31.08.2018).

Cheschevik, I. Sidorchuk and others (*Делягин 2011; Ровдо 2004; Чецевик, Сидорчук 2011; Семченков 2012; Семченков 2016; Семченков 2017; Семченков 2018; Прейгерман 2014; Болточко 2014; Шрайбман 2014; Беляев 2014; Скриба 2014*). They have greatly emphasized the importance of civilizational processes taking place in the public life of the country, where a systematic dialogue is considered a basis for political stability, an important prerequisite for a partnership between the state and civil society. Meanwhile, trends in activities conducted by CSO and increase in the level of civil disobedience in the current situation testify to the significance of persistent reforms in the country's political system. However, despite some close interrelations between various spheres of public life, solutions to urgent and key problems are being developed and implemented in the political landscape. They require policy makers to take over the functions of "driving forces" that trigger transformation. It is evident that a political sphere has a decisive influence on another spheres of public life and correspondingly, stability and instability, efficiency and ineffectiveness, positive and negative tendencies are formed in the political system of Belarus. Under poor conditions of democratic traditions, culture and institutions, state administration and local self-government bodies evidently adopt a unilateral approach in their implemented activities, where a lack of "feedback" is quite obvious, and which usually entails citizens' passive participation and exclusion or isolation of CSOs from a political decision-making process. All these reduce the effectiveness of state government bodies, causing a creation of social-political contradictions and conflicts and loss of public support and legitimacy. In this situation, systematic dialogue and alternative procedures are the main strategy developed by CSOs that, to some extent, overcome feeble democratic institutions and enforce harmony of public interests.

Political developments taken place in Belarus and in other newly independent countries, as well as "colour revolutions" that had occurred in Georgia, Ukraine and Kyrgyzstan, illustrate the fact that the governments mainly failed due to structural and functional deviations in the political system and ineffective implementation of public policy. As in such cases, public

authorities do not simply fail to exercise constitutionally legitimate powers, but they deepen contradictions, aroused in political, socio-economic, ethno-cultural and other spheres, which is caused by their inactivity. Their actual growth also leads to a reduction in legitimacy and efficiency of the state authorities, incapacity to fulfill demands made by a civil society, and the inability to resolve social contradictions. Perhaps, they exist with some reservations in the political domain of Belarus, and in this regard, destabilization of the country's political system is more conditioned by a "presidential-centered" form of a government and authoritarian procedures against which opposition movements and CSOs are actively fighting. These destabilizing factors are not only political, social-economic and cultural, but also come about in internal and external system. It should be noted that political stability, which is a qualitative character of the political system, demonstrates such a structural and functional situation of the political system in which the latter is able to effectively and immediately respond to internal and external challenges without undermining basic structural and procedural parameters of the political system. Moreover, regardless of the type of political regime, both balance and development are crucial for the stability of the political system.

The influence of Russian political processes is significant for maintaining stability of the Belarusian political system, in consideration of not only the level of bilateral relations and ties, but also prerequisites for the establishment of the Union State of Russia and Belarus⁷⁸ (*Авакьян 2001; Козик 2003; Виноградова 2010; Дейко 2013; Зуева 2014; Виноградов 2015*). In this regard, balance of political processes, the sphere, goals and objectives of the main forces, organizations, public associations and other actors, as well as their strategies and resources are strongly accentuated. Particularly, in terms of preserving and developing a common political space, it is of great significance to strengthen basic infrastructure of the Union State, the elaboration and implementation of coherent strategic plans and agreed activities in foreign policy, seeking to get new outcomes from cooperation as well as solve a

⁷⁸ For more details see official informative and analytical site of Union State <http://www.soyuz.by> (29.07.2018).

number of bilateral and multilateral issues. In addition, they also set up a joint military and political policy that also deals with issues linked to an increase in efficiency of protecting common Union State external air space and creating the Unified Regional Air Defense System⁷⁹ (URADS) in the air space (*Russian Newspaper, Российская газета* 2017).

In spite of the fact that Russia and Belarus union has a weighty economic, political and socially significant potential, along with positive sides there are still many unsolved problems between the two countries (*Зуева 2014; Бабосов 2014; Лысюк, Лысюк 2018; Северин 2018*). "Keys" to solution of those problems, which mainly belong to the political sphere, are largely dependent on political leaders of the two countries. Obviously, the systematic issues of the Union State's regime and public administration still remain urgent, and they reflect coherence and compatibility of internal and external policies run by the two countries, interinstitutional solidarity and unanimity, civil legitimacy, competence and effectiveness of public administration and local self-government bodies (*Бондаренко, Ефанова 2012*). In other words, a social and political stability of "unification" is the result of many factors influencing the political systems of the two societies, and they are the following: civil confidence, a compromise, which is mutually reached by the leaders, sustainable human development, social well-being, political culture, interethnic, interreligious and intergroup constructive dialogue and etc.

Political rights, civil liberties and civilarchic harmony are one of the essential sub-factors of internal political stability, i.e. to run a mutually agreed

⁷⁹ See "Agreement between the Russian Federation and the Republic of Belarus on joint protection of the airspace at the Union State external border and creating the Unified Regional Air Defense System of the Russian Federation and the Republic of Belarus" http://www.mid.ru/foreign_policy/international_contracts/2_contract/-/storage-viewer/bilateral/page-101/45413 (29.07.2018), "Federal Law of 30.10.2017 № 297-ФЗ on Ratifying an agreement between the Russian Federation and the Republic of Belarus on joint technical provision of regional military forces" <http://publication.pravo.gov.ru/Document/View/0001201710300035> (29.07.2018), "Federal Law of 30.10.2017 № 297-ФЗ on Ratifying Protocol to Amend and Augment Agreement between Russia and Belarus on Jointly Guarding Union State Air Space and on Establishing Regional Air Defence System on February 3 2009" <http://publication.pravo.gov.ru/Document/View/0001201710300047?index=0&rangeSize=1> (29.07.2018).

policy with active CSOs, which should lead to a development of principles and norms to form a civilized democratic interaction among different political forces. However, according to annual reports conducted by the Freedom House (*Freedom House 2001; 2002; 2016a; 2017a; 2018a*), manifestations of intolerance exerted by authorities towards actions carried out by opposition movements, assemblies and CSOs were conditioned by concerns linked to internal political stability and national security. It should be noted that according to classification measured by the Freedom House annual reports conducted within 2000-2017, Belarus is ranked among the countries with a "consolidated authoritarian regime" (*Freedom House 2010; 2016b; 2017b; 2018b*).

Thus, summing up all the discussions, it needs to be mentioned that in 2017 the PFI curve increased with some fluctuations. During the period under review, the PFI curve was recorded with both negative and positive indicators, yet with a negative tendency mainly prevailing. It consequently reveals challenges to the country's political stability, unstable and fragile situations formed in the political system, lack of reliability towards state institutions, loss of civil confidence and legitimacy. In the meantime, the lowest PFI indicator was recorded in 2004, mainly due to electoral and national referendum processes conducted for the House of Representatives of the National Assembly held on October 17, 2004. Precisely, according to the OSCE/ODIHR final report, the parliamentary elections were generally conducted with no compliance with OSCE standards and commitments undertaken by Belarus, limiting political rivalry, rights and freedoms guaranteed by the Constitution (*OSCE/ODIHR 2004*).

Taking into account the fact that the country's President and executive power have a noticeable dominance in the public administration system of Belarus, hence, it becomes evident that electoral processes have a crucial influence on political stability of Belarus. By drawing parallels between the PFI indicators and electoral processes, one can obviously notice direct and indirect connections between them. In general, within the mentioned period, four presidential (2001, 2006, 2010, 2015 years) and five parliamentary elections (2000, 2004, 2008, 2012, 2016 years) were held in Belarus and they mostly

coincided with a tense political situation in the country and acts of civil disobedience. Nonetheless, 2008 parliamentary elections were exceptional as they were positively influenced by active involvement of OSCE, EU and some other organizations as well as by their commitments.

6.2 Economic factors of stability in Belarus

Belarus's favourable geo-economic position, transport communications and industrial infrastructures, mineral resources, forests, land and water resources, multi-branch industrial complexes create necessary conditions for global and regional integration of the country.

One of the main directions to be used to maintain political stability in Belarus is aimed at improving economic situation, where the main goal is through economic procedures to counteract internal political factors that destabilize the country. Nonetheless, by preventing and neutralizing threats posing to economic security, it became possible not to only develop but also to implement an effective and targeted economic policy in Belarus, which, in fact, ensured the improvement in the population's welfare and the standard of living in the country.

The study of economic stability factors shows that during the period of 2000-2017, major economic indicators improved; hence, by maintaining positive trends. Within the observed period, the highest EFI indicator was recorded in 2017, whereas the lowest one in 2000 (see Figure 1, Table 1).

According to the obtained data and in view of the period under study, GDP, External trade turnover, Domestic credit, Inflation, Shadow economy and Budget deficit conditioned positive and negative impacts on economic stability.

In reference to maintaining the country's economic stability, it is worth mentioning that EFI, despite economic instabilities and transformations, illustrated a growing trend in 2000-2017 (see Figure 1). The fluctuations of EFI were mainly caused by problems typical of a transitional economy, namely: large volumes of shadow economy, inflation and budget deficit.

Especially, processes covering the period of 2006-2017 and aimed at raising effectiveness and transparency of the public financial management system, strongly contributed to economic factors growth in Belarus.

Reform programmes that were initiated to improve economic system in Belarus and other newly independent countries do not suffice to curb economic entities that have a dominating position in the market. On account of the fact that an authoritarian political regime, corruption risks in the public service system, and identification of economic and political electees lead to a situation where public institutions due to some objective and subjective reasons cannot prevent "economic politicization", formation of economic monopoly as well as polarization in the economic field, topped with a number of other challenges. In this regard, joint modernization of former economic relations and ties established and formed during the USSR are highly emphasized. Moreover, establishment of new economic ties and relations, integration and their harmonization for international standards are also important in this context. Complementarity of the Eurasian and European economic cooperation implemented under the conditions of developing new economic system in the country could be displayed as a vivid example of it. Above all, membership in the Eurasian Economic Community (EurAsEC) and the Eurasian Economic Union (EAEU), promotion of bilateral and multilateral economic relations with the European Union, as well as negotiations conducted for the membership in the World Trade Organization (WTO) can also be viewed as such.⁸⁰ It is worth mentioning that WTO rules are implemented in the Belarusian economic system by some mediations as the country is a member of EAEU. Nevertheless, membership in the WTO will enable the country to have an access to a global market of goods and services.⁸¹ In this regard, enforcement of a mutually beneficial cooperation between Belarus and the International Monetary Fund (IMF), Belarus and the World Bank (WB) is an important indicator, intending to strengthen the country's financial stability and speed up processes of structural

⁸⁰ See the official site of the Ministry of Foreign Affairs of the Republic of Belarus http://mfa.gov.by/en/foreign_trade/wto/accession (31.08.2018).

⁸¹ See "Belarus Accession to the WTO" http://mfa.gov.by/en/foreign_trade/wto/-accession (31.08.2018).

reforms.⁸² Precisely, in order to maintain the balance of payments of the country in 2009-2010, Belarus received \$3,52 billion from the loans program supported by IMF.⁸³

Undelining the importance of issues related to economic integration and stability of Belarus, the European Union implements a number of technical assistance projects with the aim to strengthen the country's expertise and institutional capacities. To be exact, the project is TAIEX,⁸⁴ which is the Technical Assistance and Information Exchange instrument of the European Commission and it assists and facilitates negotiations between Belarus and WTO due to its multilateral involvement in the mentioned process. Obviously, development of export potential and maintenance of foreign trade balance are of great importance to sustain stability and security of the Belarusian financial and economic system. On this account, a positive balance of foreign trade goods and services contributes to improvement in the country's key macroeconomic indicators. This, in its turn, allows to regulate monetary policy, economic growth and budget execution, inflation and national currency rate processes as well as effectively manage dynamics of the external debt. That can be vividly exemplified by the fact that national budget of Belarus was registered with profit in 2016 and 2017, constituting 1% and 2,7% of GDP, correspondingly (*БЕЛТА 2017; Myfin.by 2018*).

6.3 Factors affecting social stability and progress in Belarus

In view of present conditions the main trend in the social policy is the modernization of the sphere by elaborating and implementing public-oriented

⁸² See the official site of the International Monetary Fund in Belarus <https://www.imf.org/en/Countries/ResRep/BLR>, official site of the World Bank in Belarus <http://www.worldbank.org/en/country/belarus> (31.08.2018).

⁸³ Source of the data is the official site of the Ministry of Finance of the Republic of Belarus http://minfin.gov.by/ru/ministry/international_cooperation/international (01.09.2018).

⁸⁴ For more details see the official site of the European Commission https://ec.europa.eu/neighbourhood-enlargement/tenders/taix_en (31.08.2018).

programmes. They are mainly aimed at improving the quality of health and education, providing affordable and comfortable housing for the population, alleviating social polarity and tension, promoting the welfare of the population, increasing birthrates and etc. In this regard, it is essential to expand social functions of the state and to administer constitutional and legal guarantees for their effective protection, which create necessary preconditions to satisfy spiritual, cultural and vital needs, to establish social responsibility and partnership. It is obvious that efficiency of society's political and economic activity and ability to meet people's social interests and needs are displayed and estimated in the social sphere. This is largely conditioned by citizen-centered public policy, and the stronger it is, the clearer is a humanistic estimation of social development. After all, it is not possible to protect human capital and labour rights and freedoms without social stability and effective social policy.

An analysis of social stability factors in Belarus shows that in a span of 2000-2017, social indicators were positive and had an increasing trend. Figure 1 displays that CSOs were significantly impacted by a favourable influence of the social stability during the reporting period.

Within the observed period the highest SFI indicator was recorded in 2014 (0,681), whereas the lowest one in 2000 (0,055). Meanwhile, in 2017, SFI increased compared to the previous year, but it remained low in 2013-2014 compared to the indicators registered within the indicated years (see Figure 1, Table 1).

The SFI curve of SIPS in Belarus increased with fluctuations up to 2013-2014 due to improvements in the HDI, Real wage and Employment rate, as well as the reduction of Poverty and Crime rates. In particular, in 2013-2014, Real wage indicators were the highest in the period under review, constituting \$481 and \$500 millions, respectively.⁸⁵

In the observed period, social factors of SIPS in contrast to the PFI and EFI, had a positive impact on preservation of the political stability of the country.

⁸⁵ Source of the data is the official site of the National Statistical Committee of the Republic of Belarus <http://www.belstat.gov.by/ofitsialnaya-statistika/solialnaya-sfera/trud> (01.09.2018).

Since independence, events initiated to form a social state as well as values and norms targeted at labor and social protection have been highly highlighted in the political system of Belarus. Prerequisites for the establishment of a social state were stipulated and enforced by the Constitution of Belarus and they intended to raise efficiency of the processes aimed at improving population's lifestyle, social protection, security, guarantees and protection of human rights and freedoms.⁸⁶

Development of a social protection system in Belarus is one of the priorities of pointed out in the public policy, and to implement the latter a number of procedures are envisaged in the State Program on Social Protection and Employment Promotion in 2016-2020.⁸⁷ Those actions that were conceived by this program, had previously stemmed from the Social and Economic Development program of Belarus for 2016-2020,⁸⁸ safeguarding continuous socio-economic development of goals and directions in the country. Some of them were highlighted and they were the following: development of human potential, improvement of labour and security conditions, raise in the efficiency of labour force use, development of social infrastructure and creation of comfortable living conditions for the population.

The role and involvement of Federation of Trade Unions of Belarus⁸⁹ and its branch unions is very essential in the process of settling problems that are present in the social sphere of the country, which seek to build procedures of social dialogue and partnership. Trade unions are citizen-centered organizations of the political system in the country, which have formed and still actively develop workers' movement by uniting them with the aim to protect

⁸⁶ See the Constitution of the Republic of Belarus (with amendments adopted on 24 November 1996 and 17 October 2004) <http://pravo.by/pravovaya-informatsiya/-normativnye-dokumenty/konstitutsiya-respubliki-belarus> (31.08.2018).

⁸⁷ See the official site of the Ministry of Labour and Social Protection http://www.mintrud.gov.by/ru/min_progs (31.08.2018).

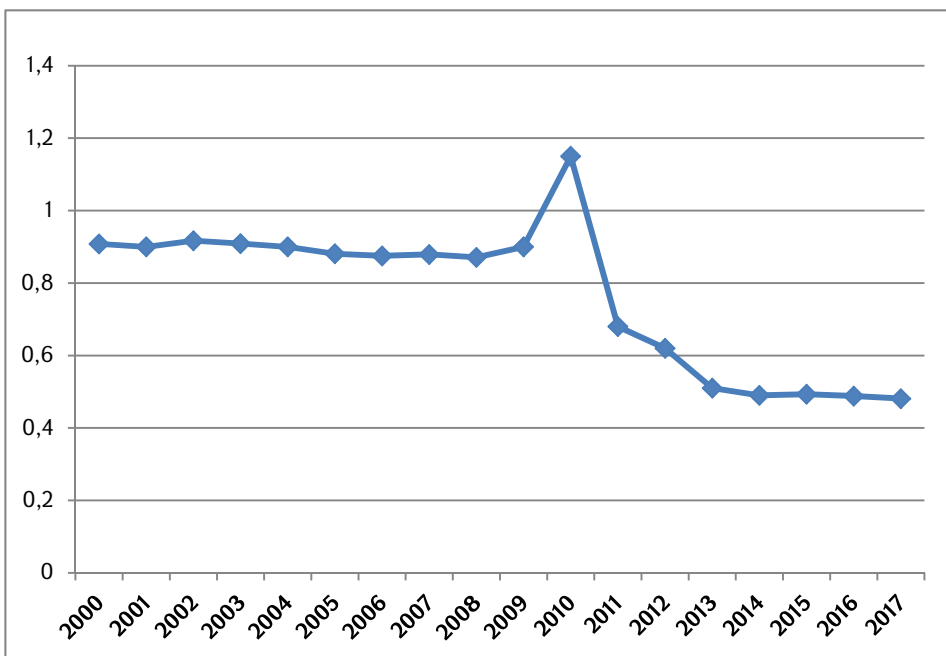
⁸⁸ See the official site of the Council of the Ministers in the Republic of Belarus http://www.government.by/upload/docs/program_ek2016-2020.pdf (31.08.2018).

⁸⁹ See the official site of the Federation of trade unions of Belarus https://1prof.by/-about/social_part (01.09.2018).

their social, economic and political rights and interests. Moreover, in Belarus the system to regulate collective and contractual labor relations is based on the principal agreement signed by the government, employers and trade unions, with its implementation periodically discussed at sessions held by National Council for Labour and Social Issues. It is worth mentioning that in the coming years, trade unions will actively participate in social policy, developed by the state as well as in socially oriented decision-making processes, that have been defined in the 2016-2018 general agreement. The latter is a "trilateral" agreement signed by the three parties: the government, employers and republican unions of trade unions, by reaching mutual consent to carry out joint actions by defining main stances of the state's socio-economic policy trends by means of social dialogue and cooperational procedures.

Figure 2

Unemployment rate in Belarus (2000-2017)⁹⁰



⁹⁰ Source of the data is the official site of the WB <https://data.worldbank.org/indicator/-SL.UEM.TOTL.ZS?locations=BY&view=chart> (01.09.2018).

Belarus is listed among the countries that possess favorable conditions and positive trends for the development of human potential.⁹¹ Thus, according to the Human Development Index provided by the UN Development Program, in 2017, Belarus ranked 53rd out of 189 countries with a "very high" level of it (UNDP 2018). In this regard, trends in growing real wages, real pensions, and real earnings were of great consequence in providing social guarantees for the growth in population's income. That, in turn, lead to reduction in the poverty rate from 41,9% registered in 2000 to 5,9%⁹² in 2017. In view of social progress it is also significant that a registered unemployment does not exceed 1% of the country's economically active population (see Figure 2).

Figure 2 illustrates that in Belarus unemployment rate was registered with 0,9% in 2000, with some fluctuations reaching 1,15% in 2010. Since 2011, the country's unemployment rate dropped, recording 0,5% in 2017 (see Figure 2).

6.4 Development trends of Stability Index of Political System

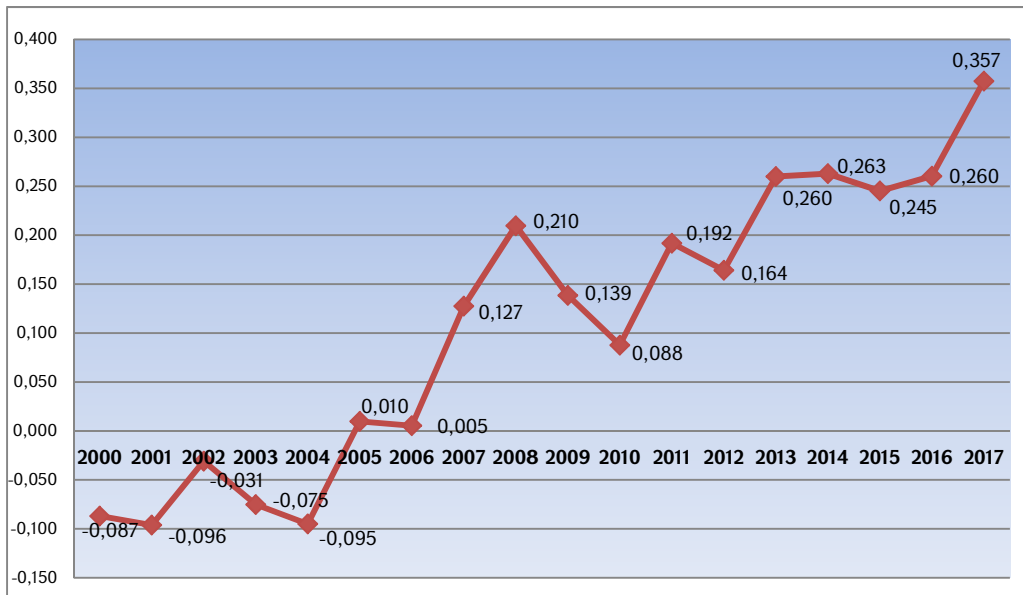
Globalization and integration processes transform the functioning of the Belarusian political system, directly affecting the nature of political administration, the civil culture of CSOs and political parties, national identity and values, legitimacy, civilarchic participation, elections, socialization processes as well as other phenomena.

⁹¹ Source of the data is "Belarus: Human Development vs." Accessed August 30, 2018. <http://hdr.undp.org/en/countries/profiles/BLR>.

⁹² Source of the data is the official site of the WB <https://data.worldbank.org/indicator/SI.POV.NAHC?locations=BY&view=chart> (01.09.2018), official site of the National Statistical Committee of the Republic of Belarus ` <http://www.belstat.gov.by/ofitsialnaya-statistika/solialnaya-sfera/uroven-zhizni-naseleniya> (01.09.2018).

Figure 3

Stability Index of Political System (SIPS) in Belarus
(2000-2017 years)⁹³



The results of the Stability Index of Political System (SIPS) accumulated from 2000 to 2017 are presented in Figure 3 and it is seen that indices registered in 2017 (0,367) increased compared to those recorded in 2000 (-0,087). In the meantime, the highest SIPS was recorded in 2017, and the lowest in 2001 within the observed period. It is worth mentioning that 2017 growth in SIPS was spurred by the improvement of the PFI, accompanied by EFI and SFI as well. In reference to decline in SIPS registered in 2001, a negative impact on financial and economic environment and political instability could not be prevented even by an increase in social security situation. Since 2010, the SIPS indicators had positively maintained their upward trends until 2017, showing an extreme importance of civil stability and integration and constant transformations occurring in the political system.

⁹³ Source of the data is the official site of the WB <https://data.worldbank.org/indicator/-SL.UEM.TOTL.ZS?locations=BY&view=chart> (01.09.2018).

6.5 Regression analysis of the Stability Index of Political System

The regression analysis illustrates the variables of Political, Economic, and Social Factors Indices that substantially influenced the SIPS in Belarus.

According to the data, collected through regression analysis, there has been established a strong relationship between $SIPS_i^*$ and variables of PFI, SFI and EFI.

A significant relationship has been instituted between $SIPS_i$ and FDI, as well as variables of Economic Freedom and Political Rights included in this model:

$$Y' = 0,09x_1 - 0,030 \text{ (Adj. } R^2 = 0,424),$$

where Y' is the $SIPS_i$ ($SIPS$ is cleaned from the variable of FDI), and x_1 is the FDI (\$1 milliard).

$$Y' = 0,021x_2 - 0,911 \text{ (Adj. } R^2 = 0,659),$$

where Y' is the $SIPS_i$ ($SIPS$ is cleaned from the Index of Economic Freedom), and x_2 is the Index of Economic Freedom:

$$Y' = 0,186x_3 - 1,128 \text{ (Adj. } R^2 = 0,394),$$

where Y' is the $SIPS_i$ ($SIPS$ is cleaned from the variable of the Political Rights), and x_3 is the Political Rights.

There has been an essential relationship between $SIPS_i$ and GDP, External trade turnover and Shadow economy (% of GDP), which are those Social Factors that were included in the model:

$$Y' = 0,026x_4 - 0,245 \text{ (Adj. } R^2 = 0,899),$$

where Y' is the $SIPS_i$ ($SIPS$ is cleaned from the GDP per capita), x_4 is the GDP per capita (\$1000).

$$Y' = 0,005x_5 - 0,147 \text{ (Adj. } R^2 = 0,709),$$

* $SIPS_i$ is the Stability Index of Political System cleaned from the corresponding independent variable during every paired regression analysis.

where Y' is the $SIPS_i$ (SIPS is cleaned from the variable of External trade turnover), and x_5 is the External trade turnover (\$ milliard).

$$Y' = -0,018x_6 + 0,839 \text{ (Adj. } R^2 = 0,866\text{),}$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the variable of Shadow economy), and x_6 is variable of Shadow economy (% of GDP).

There has been denoted a strong relationship between $SIPS_i$ and HDI, Real wage, Employment as well as Poverty rate which are Social Factors Index:

$$Y' = 2,887x_7 - 2,085 \text{ (Adj. } R^2 = 0,871\text{),}$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the Human Development Index), and x_7 is the Human Development Index.

$$Y' = 0,1x_8 - 0,073 \text{ (Adj. } R^2 = 0,775\text{),}$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the Real wage), and x_8 is the Real wage (100 US dollars).

$$Y' = 0,076x_9 - 4,575 \text{ (Adj. } R^2 = 0,909\text{),}$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the variable of Employment), and x_9 is the Employment.

$$Y' = -0,008x_{10} + 0,198 \text{ (Adj. } R^2 = 0,621\text{),}$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the Poverty rate), and x_{10} is the Poverty rate.

Accordingly, FDI, variables of Economic Freedom and Political rights have an essential influence on the $SIPS_i$ in Belarus. In addition, \$1 milliard increase in FDI will lead to the growth in $SIPS_i$ with 0,09, whereas 1 unit growth in the Index of Economic Freedom will improve $SIPS_i$ with 0,021 units. In view of Political Rights, addition of a unit will result in decrease in $SIPS_i$ with 0,186 units. This is chiefly a consequence of the fact that in the absence of political institutions, active involvement and engagement of policy actors may jeopardize intersystem balance, by leading to insecurity. They, in turn, become unstable elements under the influence of unsteady trends and nonlinear processes

happening in the external environment, triggering tense or destructive situations and endangering the existence of the system on the whole.

In reference to economic factors of SIPS that significantly impact a political stability in Belarus are GDP, External trade turnover, Shadow economy (% GDP). Particularly, 1000 dollar increase in GDP per capita will improve SIPS_i with 0,026 units, whereas \$1 milliard growth in External trade turnover will lead to an increase in SIPS_i with 0,005 units.

Stability of the political system is adversely impacted by shadow economy, which is first and foremost conditioned by international and domestic procedures aimed at establishing market economy and private property where vertical and horizontal links and relations between shadow and non-shadow segments are reflected. It is obvious, that an increasing shadow economy and its enormous scales badly impact economic integration of the country. Hence, 1% decrease in Shadow economy of GDP will entail a growth in SIPS_i with 0,018 units.

Sub-indices of Human Development Index, Real wage, Employment and Poverty rates can be singled out as the social factors of SIPS strongly affecting stability of the country's political system. Precisely, 0,1 unit change in HDI will grow SIPS_i with 0,3 units and \$100 increase in Real wage will improve SIPS_i with 0,1 units. In connection to Poverty rate, 1% reduction in it will lead to a growth in SIPS_i with 0,008 units. It should be mentioned that Poverty rate is negatively affected by disproportionateness in the territorial development of the country and disparity in social assistance, such as in urban and rural areas outside of Minsk. Meanwhile, by means of programmes implemented with an intention to balance labour supply and demand in the labour market, the government tries to increase effectiveness of employment policies, labour force competitiveness, the population's economic activity and participation.

In an attempt to improve SIPS in Belarus, it will be effective to draw attention to the mentioned sub-indices of political, economic and social factors. They were conditioned by characteristics of the country's political system and structural-functional regime, displayed by means of the following: the President and pre-eminence of the executive branch, "division" of the local government

bodies, "parliamentary isolation" of the parties, "participation through protests" of the opposition, social conflicts of the trade unions, acts of disobedience initiated by CSOs and others.

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Abbreviations

ADS	Air Defense System
CSOs	Civil Society Organizations
EAEU	Eurasian Economic Union
EFI	Economic Factors Index
EU	European Union
EurAsEC	Eurasian Economic Community
HDI	Human Development Index
IMF	International Monetary Fund
NATO	North Atlantic Treaty Organization
ODIHR	Office for Democratic Institutions and Human Rights
OSCE	Organization of Security and Cooperation in Europe
PFI	Political Factors Index
RF	Russian Federation
SFI	Social Factors Index
SIPS	Stability Index of Political System
TAIEX	Technical Assistance and Information Exchange instrument
UNDP	United Nations Development Programme
USA	United States of America
WB	World Bank
WTO	World Trade Organization

CHAPTER 7.

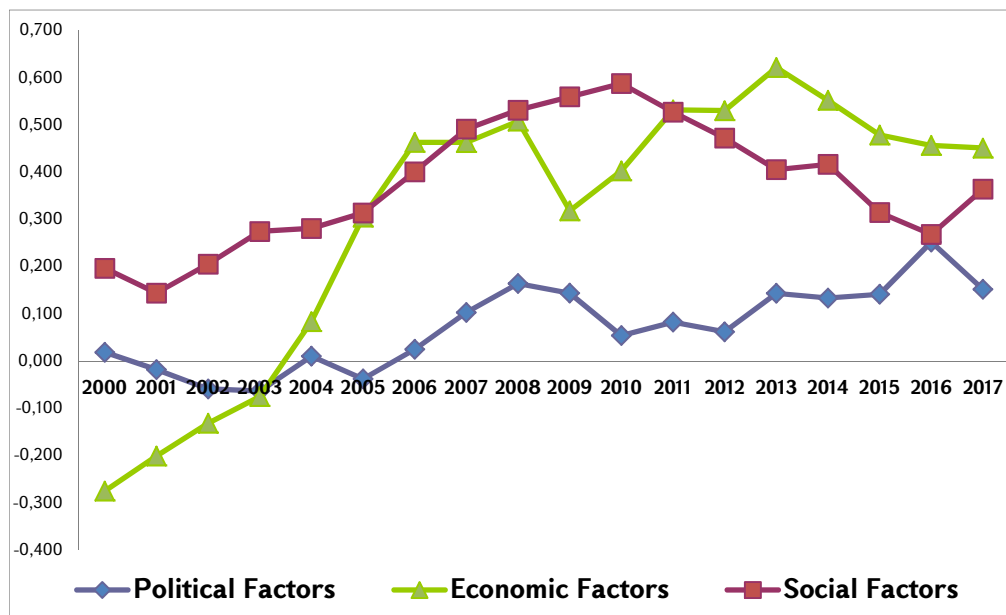
STABILITY OF KAZAKHSTAN IN PROCESSES OF AUTORITARIANIZM AND EURASIAN INTEGRATION

ASHOT ALEKSANYAN

Political, socio-economic and ethno-cultural procedures undertaken to maintain stability in the new independent Kazakhstan are conducted in line with the Eurasian model of "governing democracy," a non-liberal representation and participation of stratified society. Since 1991, the head of the state has been Nursultan Nazarbayev, elected by the people of Kazakhstan, whose status and powers are defined by the Constitution and in compliance with its law. Despite the fact that Kazakhstan's political system comprises of three branches of government, local self-government bodies, parties, civil society organizations (CSOs) and other public associations, all the competences are focused in the hands of a closed circle of decision makers with the President Nursultan Nazarbayev at the helm. It resembles an "artificially formed and the upside-down turned pyramid," where a "gap" (deficit) is quite evident in the procedures to safeguard the principle of separation of powers, namely: executive, legislative and judicial. Under conditions of polarization of the "check and balance" system, opposition parties and CSOs cannot obviously protect civilarchic supervision over the activities initiated by the President, government, parliament, or other state authorities. In case of "restrained stability," a political system with presidential form of the government is a danger to it and give rise to instability, thereby impeding activities of opposition parties, movements and CSOs.

Figure 1

**Indices of Political, Economic and Social Factors of the stability of Kazakhstan's
political system in a span of 2000-2017***



* Source: calculations by the author.
Indices of SIPS factors are comparable only by the trends.

Table 1

**Indices of Political, Economic, Social Factors and Stability Index of Political
System of Kazakhstan in a span of 2000-2017***

Years	PFI	EFI	SFI	SIPS
2000	0,019	-0,275	0,197	0,028
2001	-0,018	-0,201	0,144	0,003
2002	-0,059	-0,132	0,205	0,009
2003	-0,063	-0,075	0,274	0,036
2004	0,010	0,084	0,281	0,103
2005	-0,038	0,305	0,314	0,119
2006	0,025	0,463	0,401	0,203
2007	0,103	0,463	0,491	0,273
2008	0,164	0,508	0,531	0,326
2009	0,144	0,318	0,560	0,295
2010	0,054	0,403	0,588	0,266
2011	0,083	0,532	0,527	0,283
2012	0,062	0,530	0,472	0,255
2013	0,144	0,622	0,405	0,294
2014	0,134	0,552	0,417	0,281
2015	0,142	0,479	0,315	0,244
2016	0,252	0,457	0,268	0,288
2017	0,152	0,451	0,364	0,260

* Source: calculations by the author.

PFI, EFI, SFI and consequently SIPS indices calculated on them may insignificantly vary in comparison to the indices of corresponding years estimated in previous publications as a result of updated and newly inserted data as well as changes of minimum and maximum indices.

7.1 Dilemmas and alternatives of consolidated authoritarianism

The paradigm of civiliarchic transformations of independent Kazakhstan's political system has no alternative and a further preservation of the country's political stability depends on the *functional and institutional viability of the system*. Accordingly, the functional viability is based on legitimacy of state authorities and local self-governments in Kazakhstan, the participation of CSOs and agreement about common interests, whereas the institutional viability implies representation, social support, membership and consolidation of parties and CSOs. Comparing the types of system viability, it can be noted that functional viability makes the political system "open" (flexible) and capable of reacting quickly to changes in the environment. Due to this, the political system is capable of quickly restoring its normal state and maintaining its qualitative characteristics in case of sudden disarrangement of external or internal factors and, additionally, step by step diversifying the effectiveness and strategic perspectives of decision-making processes carried out by the state and local governments.

In connection to the institutional viability, it provides the political system some reliability during the social transformations occurring in the country. When institutions start to function "normally," any situation, event and process can have a stabilizing effect. In this case, the clash and competition of interests among policy actors (players) is used to improve or enhance the balance of the system.

A study of the PFI curve of Kazakhstan's political system for 2000-2017 reveals the major achievements and failures of a short, medium and long term development which had been obtained by the country. Moreover, a comparative analysis of qualitative and quantitative data of the PFI illustrates peculiarities of the main stages of stability and civiliarchic transformations of the political system. They include transformations of the latter, precisely, those occurring in a presidential form of government, the levels of interference of the authoritarian regime, institutional relations between the state and CSOs, dilemmas related to centralization and decentralization of territorial

governance, challenges of electoral processes and civil participation. Given the fact that to ensure stability of the system it was necessary to establish political control in forming an independent statehood and sovereignty at the initial stages, it led to a number of disagreements between the ruling elite and CSOs in subsequent developments therein.

When analyzing Figure 1, it became evident that indicators of the PFI curve of Kazakhstan's Stability Index of Political System (SIPS) estimated in a span of 2000-2017 slopped down in 2017 in comparison to previous years. In particular, it dropped from 2000 to 2003, therefore showing a negative trend (see Figure 1). If the curve experienced a short-term growth in 2004, nevertheless, it still decreased in 2005 (see Figure 1). It is worth mentioning that it had been improving since 2006 with some fluctuations, thereby registering positive indicators compared to those estimated in 2000 (see Figure 1, Table 1).

The stability of the country's political system is highly dependent on the President's institutions and their hierarchical structure. In comply with the rules of consolidated authoritarianism not only a President's institution, which turned into a super power, shall exercise its function (*Krastev 2011; Levitsky and Way 2002; Scheppele 2018*), but also those that are performed by a ruling elite, bureaucracy, ruling party, local self-government bodies, Assembly of People of Kazakhstan, and etc. They comprehensively support the President's decisions and public policy; thereby fulfilling functions of "interests and pressure" groups. They, in turn, depend on the status of the actors involved in the system, i.e. their ability to "enter" into political processes or "exit" in government decisions. Therefore, not only institutions but also ties, relations, values, norms and culture are very much outlined in the analysis of the internal situation of the country's system. To sum up, everything what is internally shaped in Kazakhstan, is conditioned by the functions of those institutions (*Guriev and Treisman 2015*).

Changes happening in the social life of the newly independent Kazakhstan echo in political, social-economic and cultural spheres, thereby urging need for harmonization. Hence, they either foster or hinder each other, and interdependence promotes not only progress, but also causes regress.

By analyzing causative links, some analysts define them as *synchronicity dilemma* (Merkel 2007; Merkel; Brückner und Wagener 2015; Offe 2011; Saliba und Merkel 2015; Schedler 2001). They expose a number of political peculiarities taking place in socio-economic and ethno-cultural processes that are typical of societies in transition. Specifically, when elections, observed as institutions, become valueless, and situations, events and incidents caused by electoral processes lead to financial-economic instability, increase in migration and unemployment, poverty exacerbation, ethno-political clashes, and etc. (Brownlee 2007; Diamond 2002; Donno 2013; Schedler 2001; Schedler 2002a; 2002b; 2006; Snyder 2006). For example, on the one hand, market economy and procedures oriented at private property establishment contribute to an effective governance and formation of political competition by allowing parties and CSOs to concentrate on balancing their interests and forming new approaches in Kazakhstan. On the other hand, modernization is a prerequisite for economic liberalization and social justice establishment.

Within the observed period 3 presidential (2005, 2011, 2015), and 4 parliamentary elections⁹⁴ (2004, 2007, 2012, 2016) were conducted in the country. It is worth mentioning that snap elections become an integral part of the political culture of new Kazakhstan, as 3 out of 4 parliamentary and 2 out of 3 presidential elections were extraordinary (OSCE/ODIHR 2004; 2006; 2007; 2011; 2012; 2015; 2016). Many analysts state that the snap elections offer President Nazarbayev an opportunity to "slow down" processes of democratic transformation within the framework of ideas of "Asian values" and Eurasian cultural peculiarities (Июнова 2018; Июнова 2017; Шкель 2009; Фурман 2004; Central Asia Analytical Network 2018). Moreover, the goals of the strategy outlined in the "snap presidential elections" were as follows:

- strengthen an illusion of legitimacy of his personal power within a ruling elite and even its own team,
- control politically tense situation formed in the country, weaken an active role of opposition parties, political movements and groups, as well

⁹⁴ Source of the data is the official site of the Central Election Commission of the Republic of Kazakhstan <https://www.election.gov.kz/rus/informatsiya-o-vyborakh-i-ref-erendumakh-v-rk> (31.08.2018), the final report of OSCE on Kazakhstan elections <https://www.osce.org/odihr/elections/kazakhstan> (31.08.2018).

as limit the scope of influence exerted by human rights protection NGOs and independent mass media,

- demonstrate "absolute" advantages of the ruling political elite to the population and international community by means of "unfree elections" which is appropriate of the current authoritarian rule.

Taking into account the fact that President Nazarbayev impedes not only cooperation and interrelation between the members of the ruling elite and party in view of the issue connected with a "likely candidate to succeed the country's leader", but also the social capital of the opposition parties and CSOs. Therefore, pro-presidential strategy of the "snap elections" can be conditionally described as an "isolation through elections." Thus, the results of the "snap elections" testify the political supremacy of the country's President, and on the contrary, inability of opposition powers and civil society (*Brownlee 2007*).

Ethnocracy and social destabilization are the threats posing to Kazakhstan's independent statehood, which can primarily be averted by deepening consociational democracy, strengthening civil tolerance and preserving spiritual and cultural harmony. President Nazarbayev demands the government and the parliament to consistently implement strategic plans by highlighting evolutionary development of guarantees and resources to sustain political stability in the country. They are mainly aimed at achieving the desired results through institutional changes and seeking a national resolution for sustainable development. The creation of a National Commission on democracy and civil society of the President in 2004 was the vivid example of this.⁹⁵ Its main goals were to address the key issues of further democratization of the political system and civil society,⁹⁶ or, for example, the formation of the Concept of Civil Society

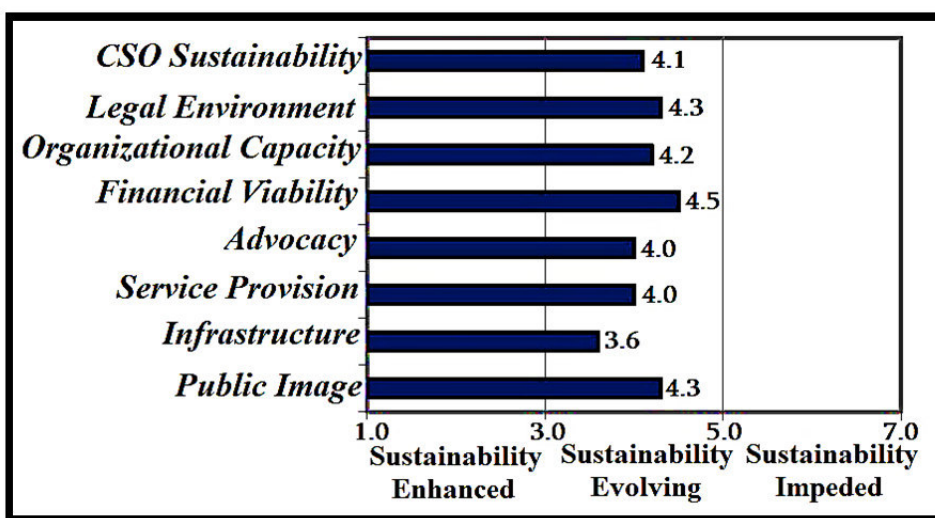
⁹⁵ See the Decree of the President of 2 November 2004 N1467 on "About the National Commission on democracy and civil society of the President of the KR and " Situation about the National Commission on democracy and civil society (ratified by the decree of the President of 2 November 2004 N1467)" https://tengrinews.kz/zakon/prezident_respubliki_kazahstan/konstitutsionnyiy_stroy_i_osnovyi_gosudarstvennogo_upravleniya/id-U040001467_/ (15.08.2018).

⁹⁶ See *ibid*.

Development for 2006-2011, where the main directions of CSOs development and possibilities of implementing civil initiatives were outlined.⁹⁷ They should have theoretically become the foundation for the development of legislative and other normative legal acts and implementation of targeted programs aimed at improving CSOs activity. However, in fact, CSOs initiatives and self-regulation procedures "from the bottom to the top" did not include management procedures "from the top to the bottom." Whereas public administration and local self-government bodies should ensure the environment favourable for civil society communication, hence, promoting mobility for social networks and CSOs. Indeed, "from the top to the bottom" model is dominant in the field of civil society with the elements of instability and endangered systemic viability. This occurs when CSOs become more influential under the current conditions of globalization, and the activities of public authorities do not comply with CSOs requirements.

Figure 2

2014 CSO Sustainability Index for Kazakhstan⁹⁸

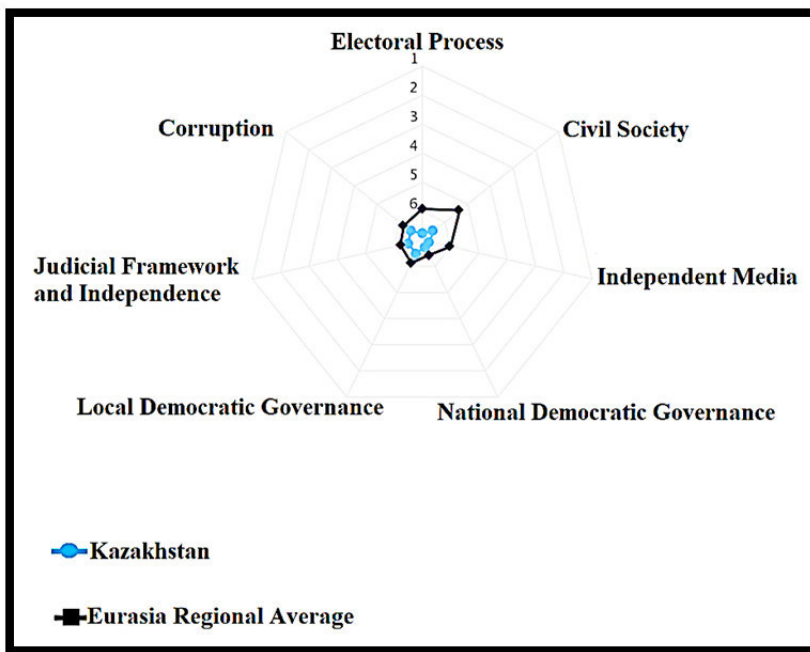


⁹⁷ See the Decree of the President of the KR of 25 July 2006 N154 on "The Concept of Civil Society Development for 2006-2011" http://www.government.kz/docs/u06000-0154_20060725.htm (19.08.2018).

⁹⁸ Source of the data is the official site of the USAID "CSO sustainability index" <https://www.usaid.gov/europe-eurasia-civil-society> (29.08.2018).

The supremacy of the President and the ruling elite as well as dominance of their interests is highly prioritized in relations with civil society. Perhaps, this is conditioned by a formal cooperation with CSOs under the consolidated authoritarian regime and, in some cases, by the fact that CSOs are financed with the state budget; such as the Confederation of Non-governmental Organisations of Kazakhstan (2000), the Law on Social Partnership in the Republic of Kazakhstan (2000), the Concept of Government Support of NGOs (2002), Government Support of Non-Governmental Organizations of 2003-2005 (2003), the State Commission to Draft and Concretize a Program of Democratic Reforms in the Republic of Kazakhstan (2006) and others.⁹⁹

Figure 3
Freedom House scores on Kazakhstan's Democratic Transformation (2015)¹⁰⁰



⁹⁹ See *ibid.*

¹⁰⁰ Source: the official site of Freedom House https://freedomhouse.org/sites/default/files/NiT2016_Kazakhstan.pdf (31.08.2018).

To establish CSOs in Kazakhstan, it is highly important to consider mutual collaboration between state authorities and local self-government bodies. As a result, 2014 CSO sustainability index for Kazakhstan is still evolving (*USAID 2017*), where the lowest and the highest ranking indicators of the latter were recorded for financial viability and modernization of the infrastructure, respectively (see Figure 2). They are aimed at protecting diversity and common interests of social groups, with an attempt to establish a new culture of civil dialogue and partnership. Despite global trends in growing influence of CSO, in Kazakhstan they have a limited participation in public decision-making processes. This is explained by the "gaps" in provision of social funding and financial resources for CSO, lack of civil culture and human capital (see Figure 3).

Lack of opposition and traditional civilarchic participation, population's indifference to the politics and social despair adversely affect democratic transformations, thereby legitimizing authoritarian regime (see Figure 3). So according to Freedom House annual report (*Freedom House 2001; 2002; 2016a; 2017a; 2018a*) political rights and civil liberties are restricted by non-civilarchic procedures. The human rights protection sphere is permanently impaired regardless of the fact that domestic procedures related to it are followed in compliance with international criteria as well as publicly accessible reforms are carried out in the mentioned sphere. It should be noted that according to the classification of Freedom House annual reports covering the period 2000-2017, Kazakhstan is ranked among the countries with "consolidated authoritarian regime" (*Freedom House 2010; 2016b; 2017b; 2018b*).

Thus, summarizing the above mentioned discussions, it shall be stated that the PFI curve increased with some fluctuations in 2016, but declined in 2017, in comparison to the previous year. Within the period under consideration, the PFI curve had both negative and positive indicators. Simultaneously, the lowest PFI indicator was registered in 2003, which was mainly conditioned by the crisis linked to 2001-2002 Democratic Choice of Kazakhstan (DCK) political movement and its consequences (*Freedom House 2004; Bertelsmann*

Transformation Index 2006; Bowyer 2008; Radnitz 2010; Roberts 2012; Tsui 2016; LaPorte 2017; Boban 2017).

As it has already been mentioned, in 2001-2003, the PFI curve was in a negative domain, reflecting the contradictions between the President Nazarbayev and the founding members of the DCK. Taking into account that the DCK openly opposed deputies of the parliament and members of the government, political pressure was exerted on them (*Internews Kazakhstan 2001; IWPR 2002; Agency of Political News-Kazakhstan /Агентство политических новостей - Казахстан 2006*). This, consequently, sparked acts of civil disobedience and rallies where the participants demanded liberalization of the system of public administration and local self-governments as well as they required to restore balance among all branches and levels of the power, ensure representation and decentralization, develop the electoral system of the local self-governments and promote local democracy, guarantee the citizens' right to freedom of expression and etc. As a result of those events, an internal political crisis deepened in 2002 when the country's authorities began unprecedented "new wave of reprisals" against leaders and activists of the DCK (criminal cases, arrests and trials motivated by political reasons). Precisely, in 2002 Kazakhstan International Bureau for Human Rights and Rule of Law (KIBHR) appealed to intergovernmental and international human rights organizations to recognize the DCK leaders as political prisoners by demanding the authorities to release M. Ablyazov and G. Zhakiyanov.¹⁰¹

Positive indicators of PFI were stipulated by pre-election struggle and parliamentary elections in 2004 (*OSCE/ODIHR 2004*), which slightly weakened a politically tense situation in the country. Particularly, it was improved when the boundaries of political competition a bit expanded, and a wave of civil disobedience and criticism of human rights defense NGOs was targeted against Otan ruling party.

The reason for the downfall of the PFI curve in 2005 was caused by the presidential election where internal political contradictions accumulated for

¹⁰¹ For more details see the official site of Kazakhstan International Bureau for Human Rights and Rule of Law <https://bureau.kz> (15.08.2018).

many years were overtly displayed (*OSCE/ODIHR 2005*). Despite the fact that Nazarbayev had a parliamentary majority and was re-elected, receiving 91,15% of the votes, nevertheless, oppressions and restrictions on the opposition parties exerted by the authorities were unprecedented (*OSCE/ODIHR 2005*).

In relation to 2006-2008 growth in the PFI curve, it was mainly due to a number of reforms applied in the Constitution, electoral legislation and multiparty system initiated by the President of Kazakhstan. For that purpose, the President of the country activated and propelled relations with parliamentary parties, CSOs, the Assembly of the People of Kazakhstan¹⁰² (APK) and other non-governmental organizations (*Дьяченко 2007*). They strengthened the President's status in the political system, hence preventing the emergence of internal crisis situations. In this regard, it was noteworthy to mention the 2007 snap parliamentary elections held by proportional representation system¹⁰³ (*OSCE/ODIHR 2007*). Moreover, the DCK, along with other parties, was granted the opportunity to participate in parliamentary elections by proposing 9 MPs¹⁰⁴ (*OSCE/ODIHR 2007*).

According to the 2007 parliamentary elections, only a reorganized Nur Otan Democratic Party overcame the threshold, gaining 88,41% of the votes and, respectively, it occupied all 98 mandates through proportional representation¹⁰⁵ (*OSCE/ODIHR 2007*). It is worth mentioning that with an attempt to sustain stability, the constitutional amendments adopted in 2007 were aimed at reinforcing the role of the representation in the parliament, by simultaneously assisting the President in forming a parliamentary majority. In fact, it resulted in strengthening the role of party factions and their leaders in the lower chamber through the proportional principle applied during parliamentary elections, thereby affording President Nazarbayev an opportunity to influence the legislative and executive branches of the government in

¹⁰² See the official site of the Assembly of the People of Kazakhstan <https://assembly.kz/en> (28.08.2018).

¹⁰³ See the official site of the Central Election Commission of the Republic of Kazakhstan <https://www.election.gov.kz> (29.08.2018).

¹⁰⁴ See *ibid.*

¹⁰⁵ See *ibid.*

accordance with the constitutional law. It shall be noted that systemic stability promptly contributed to the increase in FDI. It can be vividly exemplified by the evidence when the FDI volumes trebled in 2006 compared to the previous year, and it continually and sharply grew in the next year, thereby registering the highest indicator in 2008, observed within given period.¹⁰⁶

Since 2009, the PFI curve had been in a positive trend with some fluctuations, and only increased in 2016 compared to 2008 (see Figure 1). Moreover, two presidential (2011, 2015) and two parliamentary (2012, 2016) snap elections took place during 2009-2016. The abovementioned events mainly conditioned the fluctuations of the PFI curve within the mentioned period. However, its increase in 2016 once again underlined the importance of international financial and economic integration in the process aimed at consolidation of Kazakhstan's political stability. This was proved by a steep increase in FDI¹⁰⁷ in 2016, which led to the PFI increase, hence recording the highest indicator for the observed period (see Figure 1, Table 1).

7.2 From survival to sustainability

A formula “*Economy first, then politics*”¹⁰⁸ has become a key to strengthening the sovereignty of independent Kazakhstan as well as improving its international image. It enables the President and the ruling elite to “distract” public attention from domestic issues even in terms of consolidated authoritarian regime.

¹⁰⁶ Source of the data is the official site of the World Bank <https://data.worldbank.org/-indicator/BX.KLT.DINV.CD.WD?locations=KZ> (12.08.2018), the official site of The Ministry of National Economy of the Republic of Kazakhstan <http://stat.gov.kz> (12.08.2018).

¹⁰⁷ See *ibid.*

¹⁰⁸ See Address by the President of the Republic of Kazakhstan, Leader of the Nation, N.Nazarbayev “Strategy Kazakhstan-2050”: new political course of the established state” 14 December 2012 <https://strategy2050.kz/ru/multilanguage> (01.08.2018).

Socio-economic transformation, transition from central planning to market economy, brought forward new challenges to reinforce sustainable development and advancement for the society (*Ионова 2010a; 2010b; 2010c*). In view of this, the policy aimed at forming a knowledge-based economy and proliferating new high-tech products is highly prioritised and regarded as one of the main directions of Kazakhstan's economic integration.

A comparative analysis of EFI shows that during 2000-2017 key economic indicators were registered with negative and positive indicators, thereby showing upward and downfall trends. The highest EFI was recorded in 2013, whereas the lowest one in 2000 (see Figure 1, Table 1).

According to the data of EFI of SIPS in Kazakhstan collected within the mentioned period, the prerequisites for establishment of the market economy were mainly conditioned by an increase in the GDP volume, External trade turnover, FDI and Domestic credit, as well as by a reduction in inflation rate, volumes of shadow economy and budget deficit. It justifies the need to implement and initiate a long-term and comprehensive strategy to promote development of innovation in order to sustain stability of the economic system (*Строева 2015; Хельм и Шольц 2017; Додонов 2017; Сейлеханов 2017*). It should comply with the trends of modernization applied in the economy and requirements to introduce internationally advanced practices. Accordingly, despite the fact that the market economy procedures play an important role in promoting innovations, it still cannot guarantee a dynamic development of innovations in Kazakhstan as such (*ОЭСР 2016*).

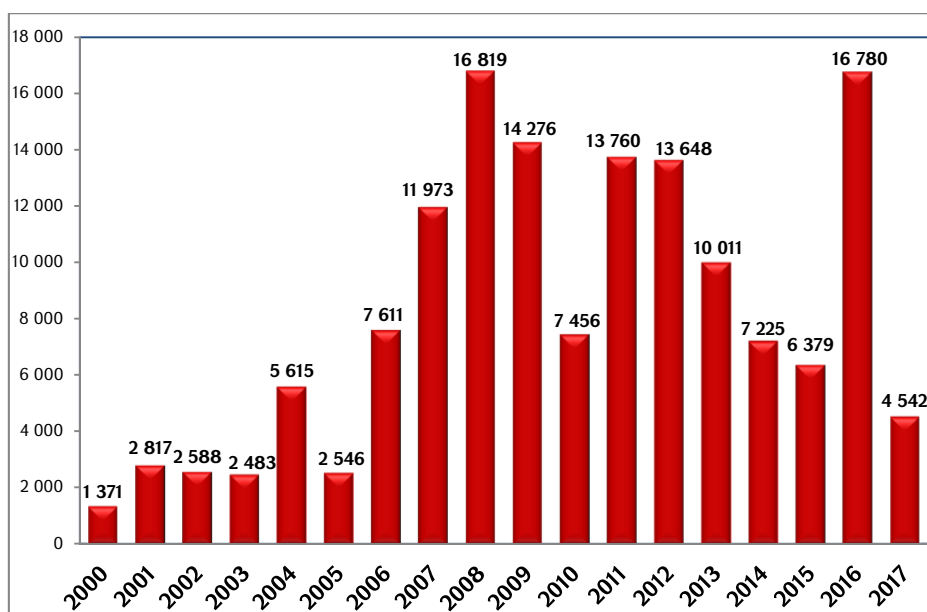
Figure 1 illustrates that the EFI curve had a negative trend in 2000-2003, but since 2004 it had recorded positive indicators, hence maintaining the possibilities and risks of progress.

There were four main improvements of the EFI registered in 200-2006, 2008, 2011 and 2013 within the given years (see Figure 1).

It can be concluded from Figure 4, that FDI volumes had a significant impact on improvements of indicators, which were calculated for the period of 2000-2017. Besides, the highest FDI indicator was recorded on 2008 and the lowest one in 2000 (see Figure 4).

Figure 4

FDI in Kazakhstan in a span of 2000-2017 (\$ milliard)¹⁰⁹



During the period under review, the EFI was recorded with three major downfalls (2009 and 2014-2017 (see Figure 1). Meanwhile, the first drop was sudden, whereas the second was continuous, which had maintained its downward trend since 2014 (see Figure 1). Obviously, the state authorities, assuming the role of a regulator, shall urgently take part in the process targeting prevention of economic instabilities in the country. Nonetheless, the address by the President of January 31 2017 was focused on the issues of global competitiveness and economic stability, largely emphasizing a new model of the Third modernization of the economic growth.¹¹⁰

¹⁰⁹ Source of the data is the official site of the World Bank <https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?locations=KZ> (12.08.2018), the official site of The Ministry of National Economy of the Republic of Kazakhstan <http://stat.gov.kz> (12.08.2018).

¹¹⁰ See the official site of the President of the Republic of Kazakhstan http://www.akorda.kz/ru/addresses/addresses_of_president/poslanie-prezidenta-respubliki-kazahstan-nnazarbaeva-narodu-kazahstana-31-yanvarya-2017-g (29.08.2018).

In such situations, the government, on the one hand, implements a long-term strategy for implementing activities aimed at innovations in line with issues related to social development and, on the other hand, carries out specific actions promoting innovative programmes. For instance, in 2014, the State program of industrial-innovative development of Kazakhstan for 2015-2019¹¹¹ to promote diversification and competitiveness of the production was approved by the President's decree. Another example is the Digital Kazakhstan State Program¹¹² approved by the order of the Government of Kazakhstan in 2017, due to which extreme need to perspective solve the problems related to a secure acceleration of the country's economic growth and improvement of the quality of the populace's life with the use of digital technologies will be tackled in a medium term. Therefore, it is envisaged to continue a technological modernization of the economy for 2018-2022, which, in the long run, will enhance the creation of a digital economy.¹¹³ In connection to this, the Strategic Development Plan of the Republic of Kazakhstan until 2025 may be singled out among many strategies and medium-term programs. It is a part of a long-term the Kazakhstan-2050 Development Strategy the effectiveness of which is conditioned by the goal of entering the top thirty most developed countries in the world¹¹⁴.

Since its independence, integration in the post-Soviet territory has become one of the main directions of Kazakhstan's economic development, and it accordingly joined the Eurasian Economic Community (EurAsEC), the Customs Union (CU), and then the Eurasian Economic Union (EAEU) (*Надыров, Мылкайдаров, Арслан 2016*). It can be added that Kazakhstan is actively

¹¹¹ See the official site of the Prime Minister of Kazakhstan <https://primeminister.kz/ru/page/view/gpiir> (29.08.2018).

¹¹² See the official site of the Prime Minister of Kazakhstan https://primeminister.kz/ru/page/view/gosudarstvennaya_programma_digital_kazahstan (29.08.2018).

¹¹³ See *ibid*.

¹¹⁴ See the official site of the President of the Republic of Kazakhstan http://www.akorda.kz/ru/official_documents/strategies_and_programs (29.08.2018), See the official site of the Prime Minister of Kazakhstan https://primeminister.kz/ru/page/view/strategicheskii_plan_razvitiya_kazahstana_do_2025_goda (29.08.2018).

involved in this process and it is primarily determined not only to establish of mutually beneficial foreign economic relations, financial-economic activities, customs regulation or foreign markets achievements, but also to expand integration boundaries and enhance the country's economic stance in the Eurasian civilization. Accordingly, the stability and dominance of the country's external position depends on the level of economic integration in the Eurasian area. This is not only a union of Eurasian countries or a common geographical area, but also an environment for establishing cultural and historical cooperation among the peoples in the region. What perspectives are there for Kazakhstan in forming a new geopolitical center of the 21st century Eurasian civilization? In this respect, a foreign economy policy of the country is multifaceted, therefore actively cooperating with the countries and organizations whose activities correspond to the priorities and problems of "Eurasianism"¹¹⁵ (*Дуғин 2004; el.kz 2014; Королев 2015*).

Newly independent Kazakhstan is still promoting economic development and reforms, nonetheless, it successfully overcomes various crises and a number of difficulties. Taking into account the fact that the political stability of the country is dependent on its economic factors, it was crucial for the ruling elites to overcome the consequences of the global financial and economic crisis. The strategic steps aimed at introducing international practices to facilitate progress are still urgent for the country's economic system. They assisted in gradually increasing the efficiency of Kazakhstan's economic policy, improving the quality of life of the population as well as raising the level of economic security, ensuring continual economic growth and financial stability; hence, creating preconditions for industrial and innovative development and attraction of foreign investments.

¹¹⁵ See the official site of the President of the Republic of Kazakhstan http://www.akorda.kz/ru/special/speeches/external_political_affairs/ext_speeches_and_addresses/vystuplenie-prezidenta-respubliki-kazahstan-na-nazarbaeva-v-moskovskom-gosudarstvennom-universitete-imeni-mv-lomonosova (29.08.2018).

7.3 Social modernization system or risks of human capital

The study of Kazakhstan's social stability factors shows that social indicators had positive trends in 2000-2017. Figure 1 illustrates that CSOs were significantly impacted by a favourable social stability factor during the period in question.

The highest SFI indicator (0,588) of the SIPS was registered in 2010, and the lowest one (0,144) in 2001. In the meantime, the latter rose in 2017 compared to the previous year, but it remained low compared to indicators registered within 2006-2014 (see Figure 1, Table 1).

The growth in the SFI curve in Kazakhstan was mainly stipulated by improvement of HDI, Real wage and employment indicators calculated from 2002 to 2010. Moreover, reduction in poverty and unemployment as well as crime rates accompanied by lessing of risks of other socially significant negative phenomena positively influenced the SFI. Precisely, Real wage indicators were the highest recorded in the period under review, constituting \$646 in 2012 and \$678 in 2013.¹¹⁶

It is evident from Figure 5 that there was a continual decline in unemployment within 2000 and 2017, that greatly affected social stability and modernization processes. Consequently, in 2000 the unemployment rate was equal to 12,75%, but it steeped down to the lowest indicator -4,9%¹¹⁷, which was registered in 2017 over the observed period. Simultaneously, the process aimed at establishing market economy triggered off a number of negative phenomena (*Барсукова 2015; UNDP 2018*). Namely, "implementation of shadow economy" and activities carried out in shadow economic conditions can be singled out as one of the most crucial ones and its destructive effect impedes and threatens the country's socio-economic security (*Барсукова 2004; ILO 2014*). As a number of analysts claim, the size of shadow economy has hugely climbed up in

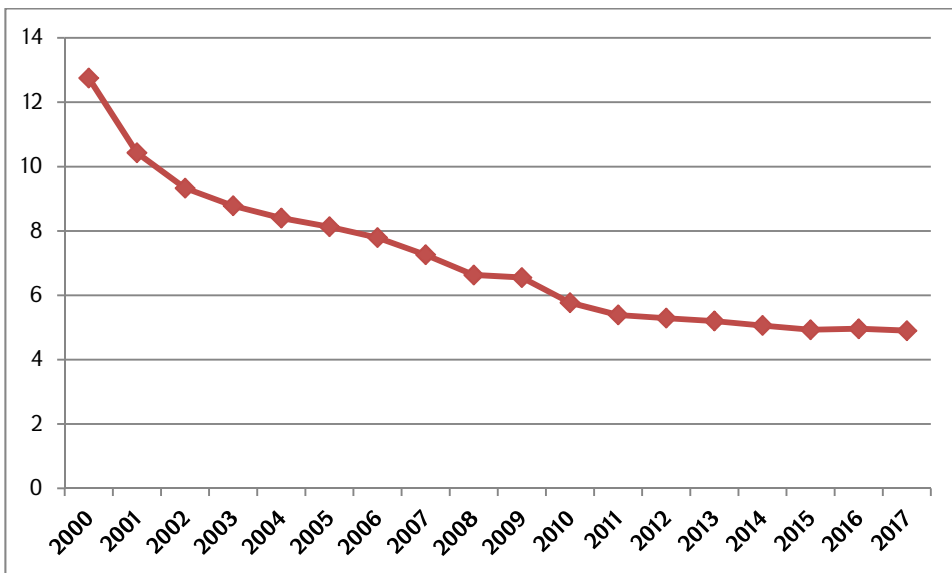
¹¹⁶ See the official site of The Ministry of National Economy of the Republic of Kazakhstan <http://stat.gov.kz> (12.08.2018).

¹¹⁷ See *ibid*.

Kazakhstan, therefore becoming a dominant sector of the economy, with derogatory elements, such as corruption, trafficking, informal and anti-legal relations (*ILO 2009; Abdi and Medina 2013; Niyetullayev and Almond 2014; Transparency International 2018; Medina and Schneider 2018; UNDP 2018*). Despite the fact that the shadow economy decreased from 43% of GDP (2000) to 33% of GDP (2017), it still remains high, therein endangering protection of social rights and freedoms. This refers to activities initiated by trade unions¹¹⁸ that target business entities with a dominant and monopolistic stance in the economy of the country and fight against shadow-oriented financial groups formed therein, as they embezzle their employees' incomes, conceal taxes, circumvent social responsibility, thereby not meeting the commitments made to their employees.

Figure 5

Unemployment rate in Kazakhstan in a span of 2000-2017 (%)¹¹⁹



¹¹⁸ See the official site of Federation of Trade Unions of the Republic of Kazakhstan <http://fprk.kz/strategy> (29.08.2018).

¹¹⁹ See the official site of the World Bank <https://data.worldbank.org/indicator/SL.UEM.-TOTL.NE.ZS?locations=KZ> (12.08.2018), the official site of The Ministry of National Economy of the Republic of Kazakhstan <http://stat.gov.kz> (12.08.2018).

It is very important and urgent for trade unions and entities involved in social policy making to actively participate in the public regulatory procedures aiming at resolving social major issues in the state as it will create favourable conditions to protect civilizational stability and sustain human development. Protection of social rights and freedoms is largely emphasized in the following conditions, such as increase in poverty, exacerbation of social tension, rise in unemployment and migration and, on the contrary, a decrease in employment opportunities, worsening of living standards, reduction in security and protection. Moreover, trade unions play a pivotal role in those processes as they not only coordinate and unite operators who have common job-related interests but also ensure their participation and representation in developing and implementing social policy, protecting social rights and freedoms as well as in processes related to decision-making and regulating main social and labour issues.

Social cooperation system is very essential in the context of SFI of SIPS where republican, territorial, sectoral and organization levels are included therein.¹²⁰ Moreover, according to the Law¹²¹ of the RK on "About Trade Unions," they are endowed with a number of main activities which are based on procedures attempting to develop and promote social dialogue and cooperation in the public system. They ensure the operation of the system of civilized interaction among employees, employers and the state, aiming to efficiently regulate labour relations through negotiations and counseling to reach agreement over the interests between employees and business representatives. So, the best example of a successful social dialogue and cooperation is the activity of the trilateral commission and a collective agreement.¹²² Consequently,

¹²⁰ See the official site of Federation of Trade Unions of the Republic of Kazakhstan http://fprk.kz/activity/social_partnership (29.08.2018), Labour Code of the RK of 23 November 2015 № 414-V https://online.zakon.kz/Document/?doc_id=38910832 (29.08.2018).

¹²¹ See the official site of Federation of Trade Unions of the Republic of Kazakhstan ҚҰҒАМЫН <http://fprk.kz/zakon> (29.08.2018).

¹²² See the official site of Federation of Trade Unions of the Republic of Kazakhstan http://fprk.kz/activity/social_partnership (29.08.2018).

development of the concept of social policy initiated by the Federation of Trade Unions of the Republic of Kazakhstan (FTURK) becomes urgent and hence, it will guarantee an active participation of the state, CSOs, international and regional organizations due to its citizen-oriented nature. A constructive involvement of social groups and citizens in processes linked to development and implementation of social policy will provide an opportunity to ultimately harmonize public and private interests. It shall be noted, that the FTURK and its member unions have not succeeded in performing civilarchic and social and labour functions due to a failing in the mentioned system. Nonetheless, it shall also be added that the role and significance of the trade unions is highly estimated, since they ensure an alternative functioning and independent counseling, thereby attempting to improve the social protection mechanisms.

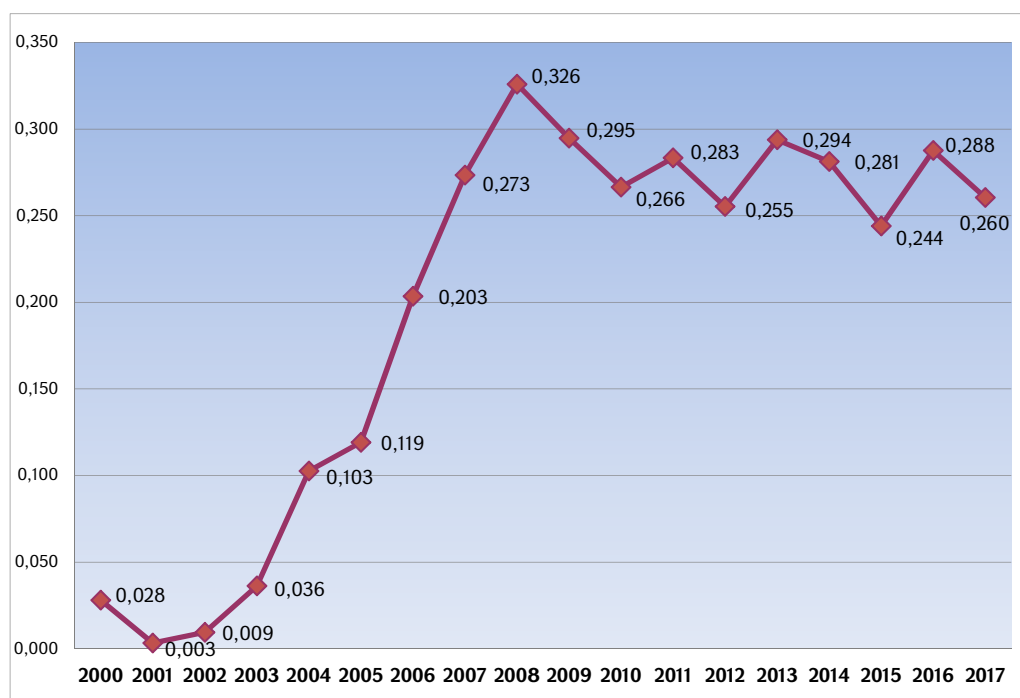
7.4 Development trends of Stability Index of Political System

Civilism and historical-cultural institutionalism are of pivotal importance in transitology concepts of the political system of the new independent Kazakhstan. These theories study ethno-cultural, ethno-religious impacts as well as influences of civil culture, consciousness, traditions, values and norms in comparative analyzes of the consolidated authoritarian regime and actors in the multinational country. Moreover, the establishment of the above-mentioned regime in a multinational country is largely conditioned by the necessity of solving the problems related to civil modernization of the people of Kazakhstan ("civil nation," "civil state") accumulated during the USSR and not resolved yet. Indeed, an ongoing process aimed at finding pragmatic political solutions affords an opportunity for the ruling elite to unite the multi-cultural society under the slogan "One People, One State." Thus, the ruling elite succeeds in strengthening the legitimacy of their own power and dictating their "rules of the game" for CSOs, thereby implementing the processes of transformation of the civil identity of the people of Kazakhstan. In this context, it becomes possible to

identify trends in the liberalization and modernization of Kazakhstan's political life by combining structural and procedural factors of consolidated authoritarian regime.

Figure 6

**Stability Index of Political System in Kazakhstan
(2000-2017)***



The Stability Index of Political System in Kazakhstan accumulated within the period of 2000-2017 is illustrated in Figure and indicators registered for 2017 (0,260) increased compared to those registered in 2000 (0,028). In the meantime, the highest indicator for the reporting period was recorded in 2008 (0,326), and the lowest in 2001 (0,003).

There can be outlined three stages of transformations of the authoritaian political system in the mentioned country. Each stage has a criterion

* Source: calculations by the author.

differentiated by dynamic peculiarities and attributes of the state and main political institutions, parties and CSOs as well as other actors therein. So they all underwent the following stages: 1) formation or dilution of new institutions (2001-2002), 2) strengthening or increasing (2003-2008), 3) decline and further consolidation (2009-2017).

Since 2009, fluctuations in SIPS have been caused by intensifying and weakening influence of the authoritarian regime, such as the model of pro-President sovereignty in the "check and balances" system supported by the constitution, manipulation of formal institutions, restricted pluralism, and etc. It is so centripetal that even ordinary or extraordinary elections cannot contribute to overcoming "super personality" of the state authority, and the incumbent President has constantly been the sole authority who governs the country so far. Moreover, clan and kinship ties are characteristic of the country's consolidated authoritarianism.

Consolidated authoritarian regime in Kazakhstan is distinguished by the fact that, procedures favouring multiculturalism, tolerance and dialogue are formed in social, cultural and spiritual spheres, unlike those for "illiberal democracy" of the political domain and restricted liberalization of the economic sphere. In view of such conditions it is obvious that if the political order is characterized by "static stability," then socio-economic and cultural order is considered "dynamic stability." It means that political structures under "static stability" condition are not transformed (are in a state of immobility), institutions and relations are nearly identical; consequently, the political system operates with no significant democratic changes. Such stability is based on promoting active foreign policy and socio-economic development that ultimately leads to a breach of a balance of a "closed" society, civilizational transformations and destabilization. In this regard, the reforms in socio-economic and spiritual-cultural spheres are pivotal in stabilizing the system, improving a socio-economic environment and rebuilding the balance.

In the modern Eurasian concept, integration implies unconditional respect for the states' sovereignty, independence and their civilizational equality. Viewing East and West civilized interaction under modern conditions, Eurasian initiatives

of the country are aimed at deepening interstate political, social-economic and cultural ties. It is based on tolerance, peace and stability preservation, as well as mutually beneficial partnership.

7.5 Regression analysis of the Stability Index of Political System

Arusyak Aleksanyan, Ashot Aleksanyan

The SIPS regression analysis outlined the variables of Political, Economic, and Social Factors Indices, which significantly influenced the political stability of Kazakhstan.

According to the data accumulated through regression, a significant relationship has been established between $SIPS_i^*$ and some political as well as social and economic variables. Hence, the analyzed results demonstrated a considerable relationship was established between $SIPS_i$ and the variables of FDI and Index of Economic Freedom:

$$Y' = 0,016x_1 + 0,032 \text{ (Adj. } R^2 = 0,540),$$

where Y' is the $SIPS_i$ ($SIPS$ is cleaned from the variable of FDI), and x_1 is the FDI (\$1 milliard).

$$Y' = 0,016x_2 - 0,778 \text{ (Adj. } R^2 = 0,807),$$

where Y' is the $SIPS_i$ ($SIPS$ is cleaned from the variable of Index of Economic Freedom), and x_2 is the Index of Economic Freedom.

A significant relationship has been observed between $SIPS_i$ and Economic Factors, i.e. GDP, External trade turnover, Domestic credit (% of GDP) and Shadow economy (% of GDP):

$$Y' = 0,02x_3 - 0,143 \text{ (Adj. } R^2 = 0,805),$$

* $SIPS_i$ is the Stability Index of Political System cleaned from the corresponding independent variable during every paired regression analysis.

where Y' is the $SIPS_i$ (SIPS is cleaned from GDP per capita) and x_3 is GDP per capita (\$1000).

$$Y' = 0,003x_4 - 0,017 \text{ (Adj. } R^2 = 0,749),$$

where Y' is the $SIPS_i$ (SIPS is cleaned from External trade turnover), x_4 is the External trade turnover (\$million).

$$Y' = 0,007x_5 - 0,09 \text{ (Adj. } R^2 = 0,783),$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the Domestic credit), and x_5 is the variable of Domestic credit (% of GDP).

$$Y' = -0,022x_6 + 0,973 \text{ (Adj. } R^2 = 0,889),$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the variable of Shadow economy), x_6 is the Shadow economy (% of GDP).

In view of Social Factors Index, a strong relationship has been established between Human Development Index (HDI), Real wage, Employment and Poverty rates and $SIPS_i$.

$$Y' = 3,072x_7 - 2,143 \text{ (Adj. } R^2 = 0,862),$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the Human Development Index), and x_7 is Human Development Index.

$$Y' = 0,5x_8 + 0,018 \text{ (Adj. } R^2 = 0,716),$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the variable of Real wage), and x_8 is the Real wage (\$100).

$$Y' = 0,069x_9 - 4,316 \text{ (Adj. } R^2 = 0,736),$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the variable of Employment), and x_9 is Employment.

$$Y' = -0,007x_{10} + 0,276 \text{ (Adj. } R^2 = 0,701),$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the Poverty), and x_{10} is Poverty.

Therefore, according to regression analysis FDI and Economic Freedom have a pivotal impact on the SIPS of Kazakhstan. Moreover, increase in FDI by

\$1 milliard and in IEF by 1 unit will lead to an improvement in $SIPS_i$ by 0,016 units. This is explained by active participation of the ruling elite of the country by largely emphasizing economic measures of a foreign policy and integration drafts as well as reinforcement of newly established economic ties and relations.

Economic factors of the $SIPS_i$, such as GDP, External trade turnover, Domestic credit and Shadow economy have a major impact on political stability of the country in question. Particularly, a rise in GDP per capita by \$1000 will lead to $SIPS_i$ growth by 0,02 units. In reference to External trade turnover, it will increase $SIPS_i$ by 0,003 units if the former increases by \$1 million. It shall be noted that if Domestic credit grows by 1% of GDP then it will improve $SIPS_i$ by 0,007 units, whereas 1% reduction in Shadow economy of GDP will increase $SIPS_i$ by 0,022 units.

In connection to social factors of the $SIPS_i$ having strong influence on the country's political stability, sub-indices of Human Development Index, Real wage, Employment and Poverty rates can be singled out. Precisely, 0,1 change in HDI will change $SIPS_i$ by 0,35 units, whereas an increase in Real wage by \$100 will increase $SIPS_i$ by 0,5 units.

To improve social security and welfare in Kazakhstan, it is very important to increase the employment rate and 1% rise in the latter will lead to the improvement in $SIPS_i$ by 0,7 units. On the contrary, if the poverty rate declines by 1% then, $SIPS_i$ will grow by 0,007 units.

To further promote political stability, consolidate the society and safeguard national security, defined in the country's strategies and programs as such, it is very essential to consistently improve the quality of democracy and factors of human capital, thereby contributing to the establishment and strengthening of parties, CSOs, political culture, pluralism, dialogue and partnership.

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Abbreviations

CSOs	Civil society organizations
DCK	Democratic Choice of Kazakhstan
EAEU	Eurasian Economic Union
EFI	Economic Factors Index
EU	European Union
EurAsEC	Eurasian Economic Community
FTURK	Federation of Trade Unions of the Republic of Kazakhstan
OSCE	Organization of Security and Cooperation in Europe
PFI	Political Factors Index
RK	Republic of Kazakhstan
SFI	Social Factors Index
SIPS	Stability Index of Political System
USA	United States of America
USSR	Union of Soviet Social RRepublics

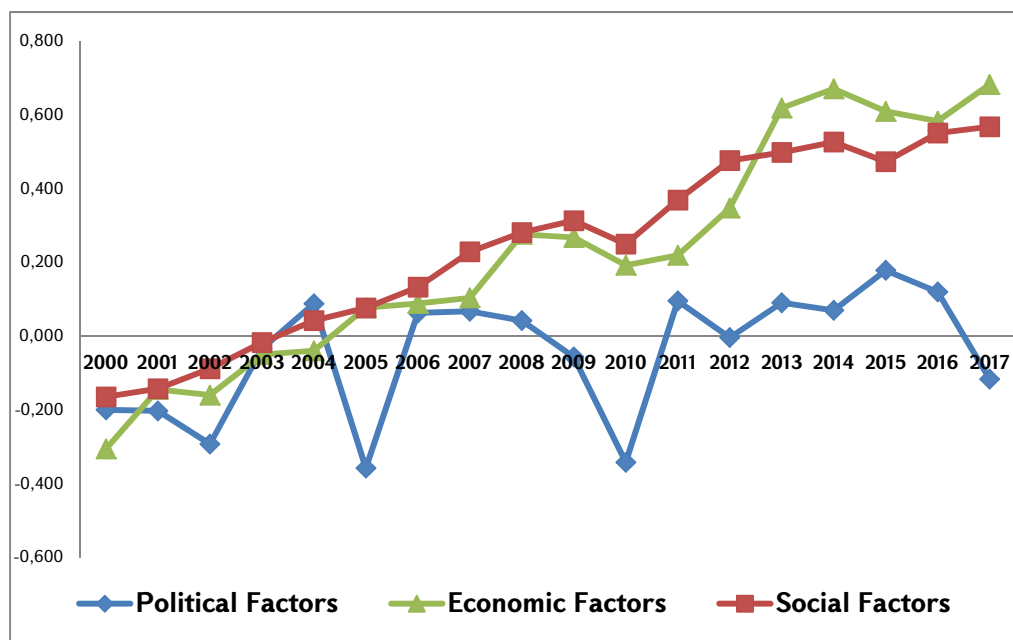
CHAPTER 8.

STATUS OF POLITICAL STABILITY OF KYRGYZSTAN: REGRESS AND PROGRESS TRENDS

NAZIRA IBRAIM KYZY

The Kyrgyz Republic has experienced greater political stability in the recent years. In the years 2005 and 2010, mass protests opposing government corruption expedited the expulsion of the elected President of the country. The country has been through a relatively stable political period since 2010. Presidential elections conducted in 2011 played an essential role in the political life of the country. The 2015 parliamentary elections and a nationwide constitutional referendum in December were successfully conducted. A newly fledged Kyrgyz Republic have continuously turned over 28 prime ministers in the span of 25 years, however, the transitions were implemented by maintaining political stability and according to the Kyrgyz law. Activities organized by opposition politicians and political parties were mainly directed to steps aimed at raising transparency and accountability of the political regime. In transformations taking place in the system of the government law enforcement abuses and human rights violations remain challenging in the country.

Figure 1
Indices of Political, Economic and Social Factors of the stability of Kyrgyzstan's political system in a span of 2000-2017*



* Source: calculations by the author.
Indices of SIPS factors are comparable only by the trends.

Table 1

**Indices of Political, Economic, Social Factors and Stability Index of Political
System of Kyrgyzstan in the time span of 2000-2017***

Years	PFI	EFI	SFI	SIPS
2000	-0,200	-0,305	-0,164	-0,205
2001	-0,202	-0,144	-0,142	-0,176
2002	-0,292	-0,160	-0,088	-0,211
2003	-0,034	-0,050	-0,017	-0,031
2004	0,088	-0,039	0,042	0,055
2005	-0,357	0,077	0,077	-0,162
2006	0,063	0,089	0,133	0,088
2007	0,068	0,104	0,229	0,121
2008	0,042	0,276	0,281	0,149
2009	-0,056	0,268	0,313	0,103
2010	-0,342	0,192	0,250	-0,084
2011	0,096	0,219	0,369	0,196
2012	-0,004	0,347	0,476	0,193
2013	0,091	0,618	0,498	0,292
2014	0,070	0,671	0,526	0,297
2015	0,179	0,610	0,473	0,332
2016	0,120	0,583	0,551	0,319
2017	-0,116	0,682	0,568	0,209

* Source: calculations by the author.

PFI, EFI, SFI and consequently SIPS indices calculated on them may insignificantly vary in comparison to the indices of corresponding years estimated in previous publications as a result of updated and newly inserted data as well as changes of minimum and maximum indices.

8.1 Political condition in Kyrgyzstan

The collapse of the Soviet Union exposed a number of security challenges and threats in Kyrgyzstan and other countries of Central Asia that had ripened during the Soviet era: religious extremism, interethnic conflicts, drug trafficking, poverty, the destruction of the main socio-economic and socio-political ties between the former Soviet republics.

According to Figure 1, Political Factors Index (PFI) of the SIPS has two deep drops and, accordingly, had a negative impact on political stability in 2005 and 2010.

For over twenty years, Kyrgyzstan has been in the pursuit of adopting its own political stability model. It has been widely agreed that the best model is a parliamentary-presidential republic, which was applied in the early years of independence, wherein a balance in favour of both the public and the elite is possible to find. However, the President Askar Akayev at that period believed that drastic systematic changes and reforms, aimed at steering the country towards democracy and prosperity, could only be initiated by him.

It is notable that the first legislative body of sovereign Kyrgyzstan was the 12th convocation of the Supreme Council of the Kyrgyz SSR, known as the “Legendary Parliament.” The latter was the one that adopted the fundamental documents for the Kyrgyz Republic- The Declaration of Sovereignty (1990).¹²³ In accordance with the 1993 Constitution, from 1995 to 2000, there was a bicameral parliament comprising of the Legislative Assembly and the Assembly of People's Representatives. Members of the parliament were elected by majority system. Members of both chambers, were elected on equal terms and conditions and had equal rights. This feature distinguished the Kyrgyz bicameral parliament from other parliaments of the world.

As a result of the 2003 Constitutional reform, the Parliament of Kyrgyzstan became unicameral.

¹²³ «Декларация о государственном суверенитете Республики Кыргызстан» (принята Верховным Советом Республики Кыргызстан, г. Фрунзе, 15 декабря 1990 г.) <http://www.gorby.ru/userfiles/kirgizia.pdf> (18.06.2018).

In the process, the changes that have taken place since independence were accompanied by the growth in authoritarian tendencies, which were reflected in unprecedented strengthening of the influence of the presidential power of A. Akayev, the fall of the political role of parliament, and drastic deterioration of the socio-economic situation in the country. This policy resulted in the rapid growth of social discontent. A growing discontent led to the events of March 2005, which received the name “Tulip Revolution” in the information field, the Bishkek City Council issued a decree on imposing a curfew in the capital with the aim to prevent further unfavourable events. The police received the order number 15,¹²⁴ according to which the use of the service weapon was allowed.

After the political crisis of 24 March 2005, it became necessary to carry out a new constitutional reform. After coming to power in the 2005 spring, the new Kyrgyz authorities, headed by Kurmanbek Bakiyev, proclaimed a positive program for the development of the society. It was supposed, on the one hand, to overcome corruption, and inefficiency accumulated over fifteen years of Akayev's rule, and on the other, to create a state system capable of ensuring a dignified life for the citizens of the country.

In this connection, against the backdrop of increasing disagreement between the leaders of the “Tulip Revolution” in 2006-2007, the Constitution was changed three times in Kyrgyzstan (*Murzakulova and Schoeberlein 2009*). Therefore, a new milestone in the history of Kyrgyz parliamentarism was marked by the events of the coup d'etat that took place in April-June 2010. A heavy socio-political situation that prevailed in Kyrgyzstan at that time required large-scale reforms and the establishment of the rule of law. New political realities that determined a high role of the Jogorku Kenesh in the political system of the state were fixed with the adoption of the new Constitution on June 27, 2010 (*Freedom House 2010*). The processes that have occurred in the social and political life of Kyrgyzstan over the past seven years confirm the evolutionary path of the political development of the republic.

¹²⁴ The Law of Kyrgyz Republic “On Internal Affairs Bodies in the Kyrgyz Republic” of January 1994, #1360-XII.

Thus, Kyrgyzstan enjoyed relative stability after some major events, namely: the April overthrow of an authoritarian President K. Bakiyev, a constitutional referendum in June and parliamentary elections in October and the beginning of a new parliamentary system in 2011. It should be noted that at the constitutional referendum, voters supported the proposal to replace the presidential system with parliamentary. Moreover, the interim government headed by President Roza Otunbayeva argued that the new order would make it more difficult to concentrate power in one person or group (*Freedom House 2011a*).

After the parliamentary elections,¹²⁵ it took two months and several unsuccessful attempts by the new legislature to form the ruling majority. In the end, the Social Democratic Party of Kyrgyzstan (SDPK), Ata-Jurt and the Republic party formed a coalition of three parties, controlling 77 out of 120 seats.¹²⁶ Almazbek Atambayev of SDPK became Prime Minister, and Ahmatbek Keldibekov of Ata-Jurt retained the post of parliament speaker, Omurbek Babanov from the Republic party became Deputy-Prime Minister. The reforms and changes in the political life of Kyrgyzstan initiated by the interim government in 2010 resumed with the presidential elections¹²⁷ on October 30, 2011. Otunbayeva left her post after a year and a half, which allowed Kyrgyzstan to enjoy the first peaceful and voluntary transfer of power in Central Asia. With 15 other candidates nominated, Prime Minister Atambayev won in the presidential election with 63 percent of the votes with the turnout of 60 percent of voters¹²⁸. His strongest opponents were Adahan Madumarov of Butun Kyrgyzstan and Kamchybek Tashiev from Ata-Jurt, who gained 14,7% and 14,3%, respectively (*Freedom House 2012*). Observers from the Organization for Security and Cooperation in Europe (OSCE) stated that the elections were

¹²⁵ Source is the official site of the Central Commission for Elections and Referenda of the Kyrgyz Republic <https://shailoo.gov.kg/ru> (31.08.2018), OSCE Final Reports on Elections of the Kyrgyz Republic <https://www.osce.org/odihr/elections/kyrgyzstan> (31.08.2018).

¹²⁶ See *ibid*.

¹²⁷ See *ibid*.

¹²⁸ See *ibid*.

conducted in a peaceful and orderly manner, but pointed out a number of shortcomings in the voter lists and the counting of ballots that were to be overcome in order to strengthen Kyrgyzstan's democratic practices. After the presidential elections, the parliament formed a new ruling coalition. This time, four out of five parties agreed with an alliance, with the exception of Ata-Jurt. Consequently, O. Babanov was appointed Prime Minister, and Asylbek Jeenbekov of SDPK became the speaker of the parliament. Despite the country's noticeable progress towards democratic governance, serious problems remained unresolved (*Deidre Tynan 2017*). In the summer 2011, even without a political leader or party, the new parliament held a somewhat illiberal policy that resembled past authoritarian regimes, including measures taken to curb civil liberties and media freedom. In this uncertain environment, created for political parties, it became easy to demand credit for achievements and deny responsibility for any disasters. In this context, it is worth mentioning that in 2011 the situation in the city of Osh, which took the main blow in ethnic clashes in June 2010, remained stable but tense.

As a matter of fact, experts of Freedom House assessed the spheres of Political Rights and Civil Liberties in Kyrgyzstan as partly free. On the seven-point scale (where 1 point means maximum freedoms, and 7 points are recorded for the absence of freedoms) Kyrgyzstan was estimated with 5 points for each of Political Rights and Civil Liberties. It is worth mentioning that the score for Civil Liberties (5) and for Political Rights (5) had remained unchanged since 2009 and 2010, respectively.¹²⁹ Thus, the country made significant progress in the field of human rights and freedoms, political and civil rights and has been estimated as partly free since 2010 (*Freedom House 2011b*). In this connection, it is worth mentioning that the death penalty was abolished in 2007. Moreover, the change of constitution and the political regime had a positive influence in Kyrgyzstan. Nevertheless, corruption and political disturbances are still of much concern; anti-corruption and civil bodies formed by post-revolutionary government fight against the latter.

¹²⁹ See the Freedom House official site <https://freedomhouse.org/report/freedom-world/2018/kyrgyzstan> (22.07.2018).

In terms of human rights, authorities were continuously failing to provide justice for victims of interethnic violence, occurred in the south of the country in June 2010, and did not take any measures to review sentences in connection with those events, which were accompanied by allegations of torture. During the June 2010 events, the victims of murders, arbitrary detentions, ill-treatment and torture, as well as the destruction of houses that belonged to ethnic Uzbeks and Kyrgyz were recorded.

The government acknowledges the existence of the problem of torture, but impunity remains unpunished and is treated a norm. Criminal cases on applications for ill-treatment and torture are rarely initiated, the investigation is delayed and ineffective. A similar situation is observed with litigation. In July, after a five-year trial, the appeal court in Bishkek upheld the acquittal of four militiamen in the case of the death of an ethnic Uzbek Usmanzhon Kholmiraev who died in August 2011 from injuries sustained by the police. At the time of this review, no one was held accountable for the torture that caused the death of a person.

As a result of the visit paid to Kyrgyzstan by the OSCE High Commissioner on National Minorities in November 2015, it was stated that “ethnic Uzbeks, the largest minority in the country, are still largely disproportionately represented in parliament.”¹³⁰ It implied that the authorities need “to intensify activities in order to increase the level of participation of national minorities in public administration and representative bodies, as well as in order to ensure full access to justice.”

At the same time in December 2015, Kyrgyz authorities did not allow Human Rights Watch researcher to enter the country (*Human Rights Watch 2015*).

In addition, LGBT people are subjected to ill-treatment, extortion, and discrimination both by public and private actors. Impunity of these violations remains widespread. On May 24, 2018 the parliamentary committee on legal order and crime combat returned the bill on the prohibition of “propaganda of

¹³⁰ See the official site of OSCE High Commissioner on National Minorities <https://www.osce.org/hcnm> (15.08.2018).

non-traditional sexual relations” in the second reading. At the time of this review, there has been no further progress. The bill is aimed at preventing the open dissemination of information about same-sex relationships in Kyrgyzstan (*Human Rights Watch 2018*).

After a discussion of LGBT rights on the national television, pressures were exerted on the editor-in-chief of the media portal “kloop.kg” on June 14. The supervisory board announced an official reprimand to the General Director of the KTRK for the issue of the broadcast. In the same month, Kyrgyzstan voted against the UN Human Rights Council resolution on the establishment of the mandate of an independent expert on the issue of protection from violence and discrimination (*Human Rights Watch 2017*).

The conflict had and continues to have a significant impact on the stability of the political system of Kyrgyzstan. In fact, it existed for a long time. By August 2018, 19 years have passed since the invasion of a radical group of the Islamic Movement of Uzbekistan (UDM) into the territory of Batken. During the Batken events, the Armed Forces, other troops and law enforcement agencies resorted to the first application of force in the recent history of sovereign Kyrgyzstan to protect the country's territorial integrity and the security of citizens from an external terrorist threat (*Omuraliev, Elebaeva 2000*).

After the well-known Nookat* events that took place on October 1, 2008, and the actions of the official authorities (State Commission for Religious Affairs, Interior Ministry, GKNB) taken after this incident, the activity of the illegal extremist party Hizbut-Tahrir** 32 was significantly declined. On October

* The city of Nookat is located in the north-eastern part of Osh region, in 43 km south-west of the regional center of Osh. The nearest railway station is located in the city of Osh at a distance of 46 km from the city. The distance to the nearest airport, which is also located in Osh city 48 km, passes through the city road Osh-Batken-Isfana.

** Hizbut Tahrir al Islami (Islamic Liberation Party) was established in Jerusalem by the judge of the Sharia court Takyuddin Nabhaniy in 1956. Subsequently, the ideas and program of the party began to spread in the post-Soviet territory. Most of the Muslim countries do not acknowledge Hizbut-Tahrir, considering it schismatic and harmful for Islam. By the decision of the Supreme Court of the KR of August 20, 2003, Hizbut-Tahrir is considered as an extremist organization and its activities are banned in the country.

1, 2008, in the regional center of Nookat district of Osh oblast, there was a mass riot initiated by the local population protesting against the prohibition of public celebration of the Muslim holiday of Kurban Ayt imposed by local authorities. On the 26th of April 2010, by the decree of the Provisional Government of the KR, all 32 people convicted in the Nookat case were amnestied. Leaders of Hizbut-Tahrir were declared wanted. On the night of 10 to 11 June 2010, a decree was adopted at an emergency meeting of the Provisional Government to impose a state of emergency in the cities of Osh, Uzgen, Karasuisk and Aravan districts of the Osh region of the Kyrgyz Republic. The state of emergency was introduced from 02:00 hours on June 11, 2010 with the establishment of a curfew from 20:00 to 06:00 hours. From June 10 to 14, 2010, in the city of Osh, Osh and Jalal-Abad oblasts of the Kyrgyz Republic, massive clashes between the Kyrgyz and Uzbek communities resulted in pogroms, arsons, looting, as well as in the death of 423 people, 2 500 wounded, and 400 000 people were forced to leave their homes temporarily during the conflict.* Subsequently, those clashes became known as the 2010 events in Osh. In the history of Kyrgyzstan, it was the most massive conflict, both in terms of the number of casualties and destruction, and in terms of international resonance. During those tragic events, the UN Human Rights Council in Geneva passed a resolution calling on Kyrgyzstan to conduct a comprehensive investigation into the facts related to the deaths of people in the city of Osh, Osh and Jalal-Abad oblasts and bring those responsible individuals to justice. Due to those events the second lowest Political Factors Index (-342) was registered in 2010 during the observed period.

Matters only became worse when, on the 30th of August 2016, a suicide bomber, ramming the western gates of the People's Republic of China's embassy in Bishkek, drove into the territory of the diplomatic mission and launched an improvised explosive device of high power installed in the car. According to the State Committee of National Security of Kyrgyzstan, the leader

* According to the number of victims there is a discrepancy with official data, in particular, the human rights center "Kylym Shamy" indicates a figure of 492. From the interviews with G. Abdirasulova, April 28, 2014, Bishkek.

of the international terrorist organization “Jamaat Tauhid wa Jihad” Sirojiddin Mukhtarov named Burkhanidin Zhantorayev, then located in Turkey, as a coordinator of the terrorist attack. According to the special service, 24-year-old Izotillo Sattibaev entered Kyrgyzstan on June 16 to help the suicide bomber (*Ria.ru* 2017). Incidents like violence against embassies are rare in Kyrgyzstan. Putting together the order of events leading to such incidents and identifying the people behind such actions is not an easy task to do. There are still questions about who planned what, what the purpose was, which means it was organized with and which security measures failed to provide an answer (*The Diplomat* 2017).

Due to the instability of the political situation and corruption, Kyrgyzstan was not developing in the best possible way. According to the Corruption Perceptions Index of Transparency International, in 2017 Kyrgyzstan took the 135th place among 180 countries and territories, receiving 29 points. According to the Transparency international, despite the improvement of Kyrgyzstan's position in the new index, the level of corruption in the country remains quite high and systemic.¹³¹

To sum up, it is worth mentioning that during the period under consideration (2000-2017), Political Factors Index of Kyrgyzstan had periodic fluctuations and did not undergo significant changes. Moreover, PFI registered in 2017 (-0,116) closely reached the index registered back in 2000 (-0,200). The decline in political stability was conditioned by the increased tensions at the Kyrgyz-Kazakh border in 2017. It should be noted that the highest PFI indicator with the value of 0,120 was registered in 2016, while the lowest one was registered in 2005 (-0,357). The deepest decline in 2005 was conditioned by the events of “Tulip Revolution.” According to the PFI fluctuations, the political environment of Kyrgyzstan was unstable. It is well known that the parliament often interferes with executive and administrative functions under the scope of the government by violating the principle of separation of the powers, whereas the government itself ignores and disregards the decisions adopted by the

¹³¹ See the Transparency International official site <https://transparency.org/country/KGZ> (08.07.2018).

parliament. In fact, the survey depicted that the whole population mainly expected from the political parties represented with a majority in the parliament not to occupy most of the government positions, hence by establishing the rule of law and overcoming the current monopoly in the country as such. It has also been stated, that it is futile and useless to rely on such a political system. Therefore, the trust bestowed on authorities by the society is the most important factor that ensures political stability in the country today. Fortunately, credibility is not yet completely absent, for that, there is still a chance to turn the peoples' expectations into reality. In order to develop the country in a democratic manner the authorities need a strong and clearly visible political will.

8.2 Economic sphere

The Kyrgyz Republic is the poorest, but the most open country to economic reform in Central Asia (*ADB 2014*). Despite the fact, that today Kyrgyz Republic, in many respects, is among the new sovereign states successfully implementing the economic reform, the country was going through an extremely difficult process of transition to new economic relations. This is due to the fact that the Kyrgyz Republic entered the world market arena, being in a deep economic crisis. Prior to 1991, the economy of the Kyrgyz Republic was highly dependent on the economy of the Soviet Union.

The largest industries of the Kyrgyz Republic are electric power and mining industry. Electric power industry of the Kyrgyz Republic was as an industry formed back in the Soviet Union era. It should be noted that in the Kyrgyz Republic, as in some other post-Soviet countries with a low standard of living, the labor migration is a very common phenomenon. So, according to official statistics, over 500 thousand people are permanently employed on earnings outside the country (*CSEF 2014*). The level of their income and the amount of money brought into the country from the outside greatly affect the

state economy. With the growth of the global crisis, the income level of such migrants significantly decreased, which negatively affected the state economy.

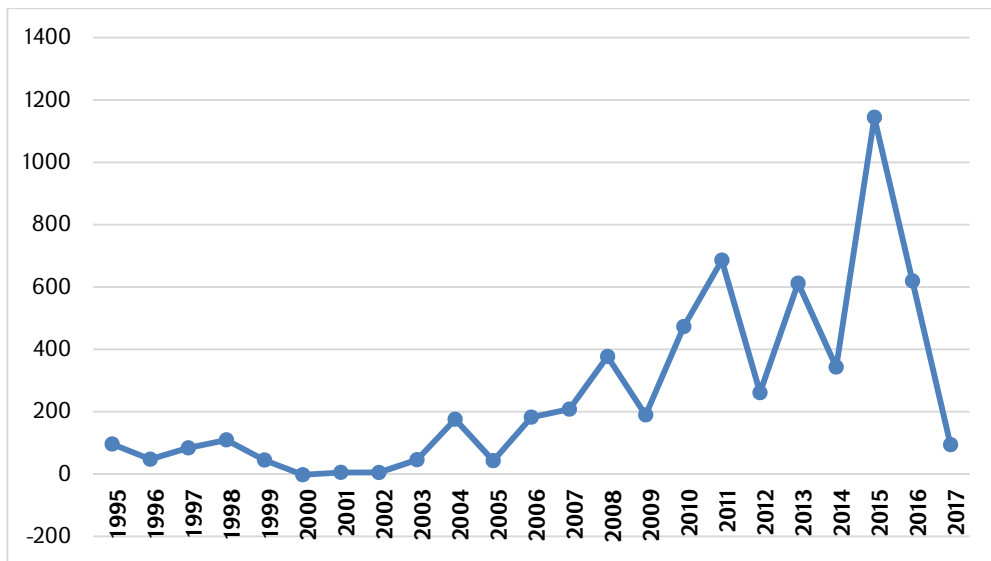
The economy of the Kyrgyz Republic experienced dramatic stages of development from 1995 to 2017: the impact of the economic crisis in 1991-1995 and the impact of an unstable political situation and political “upheavals,” which could not but affect the economic growth and living standards of the population. The industrial sector was particularly affected and the Kyrgyz Republic turned from the industrial-agrarian country into a weak agrarian one.

One of the significant factors characterizing stabilization processes is a decrease in inflation rates. In 1993, within the scope of limitations of domestic production, the decline in imports and the higher prices of import, particularly energy, inflationary pressure has continued. Since 1994, because of tight financial and monetary policies, the inflation rate slowed down, but a constant recession restrained the reduction level to some extent. By 1995, the economic recession in the country reached a critical level. The most critical conditions were found among the industry as the most dependent on imported raw materials (*Open.kg* 2014). During the period of 1995-2000, the living standards of the population had significantly fallen. The real incomes of the population decreased to the lowest level and led to an increase in the poverty level. Nevertheless, serious economic and political changes allowed the Kyrgyz Republic to achieve economic growth despite the political instability in 2005-2010 and the global financial and economic crisis of 2008-2009. According to the collected data, the Economic Factors Index (EFI) has an overall positively improving trend. The sharpest downfall was indicated in the years of 2009 and 2010, which were due to the financial and economic crisis. Nonetheless, in 2011 EFI showed a recovery and improved during the coming years by recording a continuous growth until a slowdown and decline was experienced between 2015 and 2016. However, a remarkable recovery was recorded in 2017 when EFI registered the highest 0,682 points for the period covering 2000-2017 years; thereby revealing a positive impact on the Stability Index of Political System (see Figure 1, Table 1).

Over the past twenty years, the pattern of Foreign direct investments in the Kyrgyz Republic has changed and fluctuated along the years (*Dikkaya & Keles 2015*). In 2015, there was a peak in FDI, even in view of positive forecast made by the Investment Promotion and Protection Agency of the KR, it will not achieve indicators of investment and exports of 2015 in the next 4 years. In 2017, Kyrgyzstan received \$93,791,000 of foreign direct investments. The amount of FDI in comparison with 2016 and 2015 decreased by 6,6 and 12,2 times, respectively (See Figure 2). There are number of reasons that have affected the reduction in the volume of direct investment in the country (*Kudina & Jakubiak 2008*). The reasons are political instability, a high level of corruption and litigation with major investors working in the mining industry. All those mentioned factors had negatively affected the attraction of large investors in Kyrgyzstan (*Azattyk.org 2018*).

Figure 2

FDI inflow in in the Kyrgyz Republic in a span of 1995 and 2017 (mil. USD)¹³²



¹³² Data source: see the official site of the World Bank <https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD> (25.05.2018).

The main economic reasons for the decline in FDI are the oil and gold cost reduction and the strengthening of a dollar in the world market. The decline in the cost of oil, gold, and other commodity resources has had a significant impact on the economy of the partner countries of the Kyrgyzstan Republic (especially Russia and Kazakhstan), there has been a decrease in the volume of foreign exchange reserves and the named countries were short of the budget, respectively, that fact has impacted their ability to invest in other countries, including in the Kyrgyz Republic (*Vakulchuk and Nobel 2018*). The decline in gold prices has influenced the policy of gold mining companies, including Kumtor, which currently prefers not to invest significant amounts of resources in gold mining (*The Guardian 2016*). Thus, a decrease in the FDI inflow is partly due to a decrease in the cost of commodities and raw materials in the world market and, correspondingly, a decrease in the investment attractiveness of companies that produce commodity resources throughout the world (*Switzerland Global Enterprise 2016*).

According to the 2018 Index of Economic Freedom report the Kyrgyz Republic is on the 78th line with 62,8 points among 186 countries. The country entered the list of “moderately free” states since 2017 (for 2017 index most data covers the second half of 2015 through the first half of 2016).¹³³ Over the past 10 years, the Kyrgyz Republic has not risen above the 70th place in the Index of Economic Freedom. In 2013 and 2016, the country was on the list of countries with a “mostly unfree economy.” Political instability and uncertainty impede the economic development in Kyrgyzstan. Political rivalry hinders economic reforms, and corruption in the country permeates the judicial sphere, courts depend on the executive branch and do not have the ability to effectively protect property rights. However, consistent measures taken by the national council for good governance have significantly improved the level of economic freedom and investment climate, which contributed to a non-annual growth in the volume of investment in the economy (*U.S. Department of State 2017*). Regarding the membership in the EAEU, it has a positive impact on the

¹³³ See the official site of the Heritage Foundation <https://www.heritage.org/index/-download> (08.07.2018).

social and economic situation in the country in 2017 (IMF 2017). According to the National Bank of Kyrgyz Republic (NBKR), since the beginning of the year, migrants have transferred \$ 2 billion 83,6 million to the Kyrgyz Republic. Compared to the same period in 2016, the volume of transfers grew by \$ 423,4 million, which is equivalent to almost 20%. The largest part of transfers came from Russia and constitutes \$ 238,8 million. Analysis of the dynamics of trade of the Kyrgyz Republic with the countries of the EAEU showed an increase in exports and a significant decrease in imports. Thus, exports to the countries of the union are estimated at \$ 486,1 million. This is 26,8 percent more than in 2016 (CA-portal 2017).

8.3 Social situation

The social situation in Kyrgyzstan from 2000 to 2017 is reflected in the trends of the Social Factors Index (SFI) of SIPS. An analysis of the curve of SFI shows that it has a positive trend and was continuously increasing, which was interrupted by the socio-political crisis of 2010 when Kyrgyzstan replaced leadership, hence negatively affecting the social sphere of the country. The second decline in SFI was in 2015 due to a simultaneous increase in the Gini index (29), poverty level (32,1) and crime rate (4,9 crimes per 1000 population).¹³⁴ Social and Political Factors Indices do not have a similar trend, while SFI has been close to the EFI throughout the period, and seems to have a steadily improving trend. The highest SFI indicator was registered in 2017 and the lowest in 2000 (see Figure 1, Table 1).

The current state of the social sphere in Kyrgyzstan is characterized by a combination of socio-economic indicators, the analysis of which reveals, not only severe social problems but also factors that limit economic growth.

¹³⁴ Data source: See the official site of the World Bank and Statistical Committee of the Kyrgyz Republic <https://data.worldbank.org/indicator/>; <http://www.stat.kg/ru/> (08.07.2018).

It should be noted that the peculiarity of economic growth in the transformational economy is the fact that such socio-economic indicators as inflation and unemployment, which in most models are not considered as limiting factors of economic growth, have a significant negative impact on the pace of economic dynamics in the transition economy. This is due to the fact that in most highly developed countries these indicators are not significantly deviating from the norm and have little impact on economic growth.

Raising the level and quality of life is the social priority in the policy of income and wages. The value of the minimum wage in 1995 was equal to 75 soms, which amounted to 29,1% of the average wage in Kyrgyzstan. For a long time (1998-2007), the minimum wage was 100 soms, and only in 2009, it was decided to raise it in the country. In 2010 the minimum wage was raised to 500 soms after which it was gradually and continuously increased and reached 1140 soms in 2017 (*Tazabek.kg 2016*).

Poverty is one of the most important issues in the social sphere of Kyrgyzstan. In 2017, more than a quarter of the population (25,6%) lives below the poverty line in Kyrgyzstan. As the data in Figure 4 shows, the poverty level decreased during the period between 1996-2017. In 2000, the highest poverty level was registered -62,6% of the total population of Kyrgyzstan, after which it was gradually shrunk until 2008. As early as 2016, it declined to the lowest level of the observed period reaching 25,4% (see Figure 3).

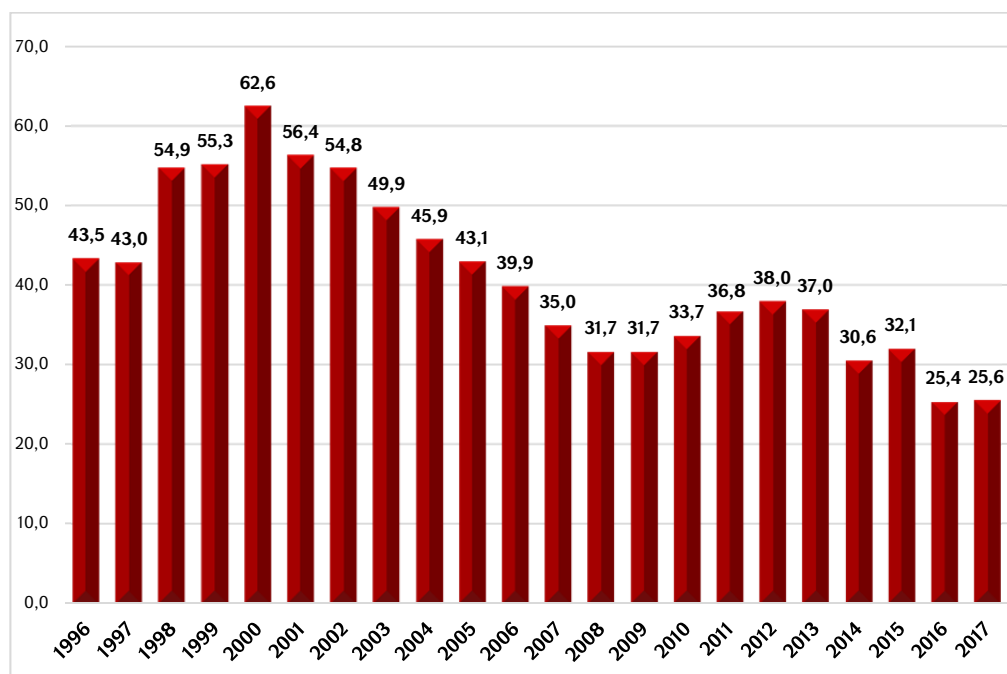
Certainly, poverty as a socio-economic phenomenon, to some extent, takes place in every country, but in Kyrgyzstan it has its own specific features due to economic, cultural, natural and climatic, regional, psychological and other factors. There are also specific features of poverty in the country:

- the majority of the poor people live in rural areas, due to reasons such as low productivity in agriculture, seasonal nature of work, underdevelopment of social infrastructure,
- large families are most at risk of poverty,
- residents of high mountainous regions remain the most socially vulnerable,
- unemployment is one of the main causes of poverty (*Borgen Magazine 2016*).

In order to ease poverty in rural communities, low-interest loans for farmers and microfinance facilities for microenterprises were provided.

Figure 3

Poverty rate in Kyrgyzstan, 2000-2015 (%)¹³⁵



In 2016, Gini coefficient in Kyrgyzstan was 26,8 units, which is rather a mild degree of inequality which puts Kyrgyzstan close to the least unequal economies.¹³⁶ In 2015 the country's Human Development Index (HDI) registered with 0,664 units placed the Kyrgyz Republic in the range of

¹³⁵ See the official site of the Statistical Committee of the Kyrgyz Republic <http://www.stat.kg/ru/> (08.07.2018).

¹³⁶ Data source: See the official site of the World Bank <https://data.worldbank.org/-indicator/> (08.07.2018).

“medium human development” countries, reflecting a steady improvement over recent years.¹³⁷

Kyrgyzstan’s geographic location continues to be a challenge, as it is a land-locked and mountainous country in an intense geopolitical region and situated at a considerable distance from major markets. Economically, an EAEU membership would be an effective factor in facilitating some of Kyrgyzstan’s geographic obstructions, but to date, that promise has not seen kept. Given the poor economic conditions and the rise of an inter-ethnic conflict in recent year, it is quite challenging to emerge an effective civil society. However, in view of positive aspect, people show more awareness by their being socially and politically engaged in country’s matters that makes the KR to surpass the surrounding countries in the region.

Thus, an analysis of the dynamics of Social Factors Index in Kyrgyzstan has made it possible to identify those social problems, such as low incomes, high level of poverty, social differentiation and polarization, which significantly affect the political stability of the country. It is important to note that negative phenomena and problems in the social sphere on the one hand, depend on the rates of economic growth, and on the other hand, these problems are the main cause of permanent political instability in Kyrgyzstan.

8.4 Development trends of Stability Index of Political System

Following the declaration of independence in 1991, Kyrgyzstan initiated the process of democratic reforms. The country faced serious socio-political problems, which entailed the ignition of two revolutions in Kyrgyzstan.

¹³⁷ Data source: See the official site of the United Nations Development Programme // “Kyrgyzstan: Human Development Indicators” <http://hdr.undp.org/en/countries/-profiles/KGZ> (20.07.2018).

As depicted in Figure 4, the SIPS increased in the span of 2000-2017 with some fluctuations. There were two major declines in SIPS during the observed period. The first decline was conditioned by the uprisings of 2005, which became known as the “Tulip Revolution,” that caused an ousting of President Akayev who was replaced by Kurmanbek Bakiev. The second one occurred in 2010, when Bakiev fled out of the country after violent social movements. The reasons for both series of incidents were similar: control of resources combined with oppressive tactics triggered deep discontent among a large number of population groups by igniting a violent protest. The process of people's mobilization, however, varied considerably. The upheaval of 2005 was carried out as the outcome action of different political movements and civil society groups, which, backed by transitional institutions as well as patronage networks, offered incentives for the protesting crowds. As such, the great masses of people that participated in the 2010 protests were spontaneously encouraged and mobilized through targeted incentives when news of the killings was spread through the mass media.

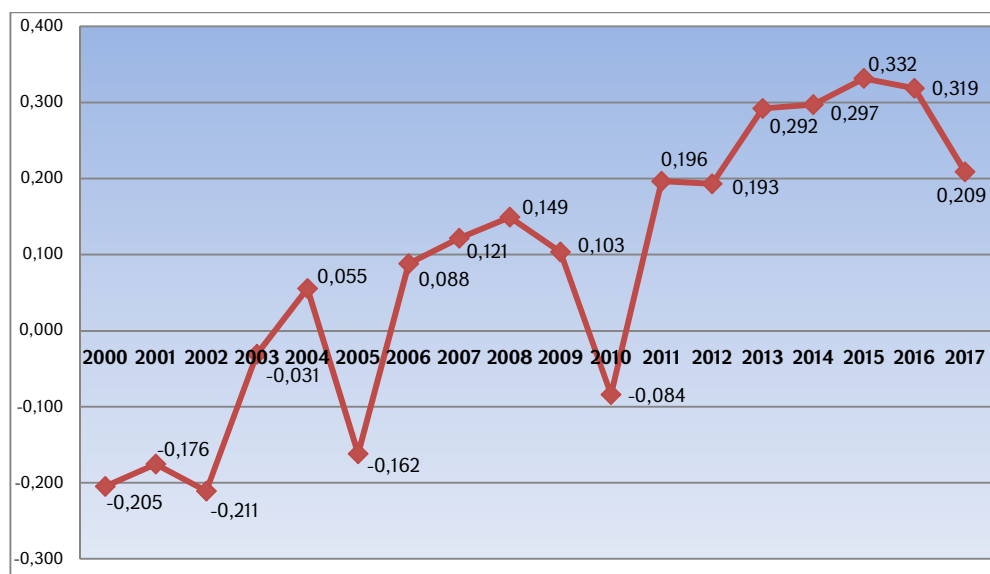
However, after the downturn in 2010, the SIPS was remarkably increasing specifically from the 2011 inauguration of President Almazbek Atambaev. Since that period, the established new political forces introduced new mechanisms of the fight against corruption aimed at the stabilization of political as well as social and economic situation.

The highest SIPS was recorded in 2016 scoring 0,319 where the Kyrgyz Republic was putting serious efforts to attain a stable political environment. However, there was a decrease in political stability the next year. The circumstances of 2017, with high tensions at the Kyrgyz-Kazakh border, posed challenges on the political and economic situation of the Kyrgyz Republic¹³⁸.

¹³⁸ Issues on the Kyrgyz border started when Kazakhstan tightened border control measures. Consequently, Hundreds of vehicles and thousands of people were unable to cross the borderline. According to Kazakhstan, the situation on tightening control at the border was about the upcoming presidential elections in Kyrgyzstan. Goods were also carefully examined and consequently, heavy trucks with even perishable fruits and vegetables had to wait at the border for several days. In response, the Ministry of Economy of Kyrgyzstan complained regarding the actions, to the Eurasian Economic

Figure 4

**Stability Index of Political System (SIPS) in Kyrgyzstan
(2000-2017 years)***



To sum up, it is worth mentioning that even though the 2010 revolution was not peaceful and aggravated ethnic conflicts, it had a significant impact on the abolishment of authoritarian regime and re-adoption of democratization. In fact, it was vividly evidenced that the adoption of new Constitution after the 2010 referendum is highly estimated by international organizations as an effective tool to establish a parliamentary political system in the country.

Commission (EEC) as well as to the World Trade Organization (WTO). Kazakhstan, however, urged that it is not an issue to be publicized, and thus finding a solution remained a challenge.

* Source: calculations by the author.

8.5 Regression analysis of the Stability Index of Political System

Arusyak Aleksanyan, Nazira Ibraim Kyzy

The variables of Political, Economic, and Social Factors Indices which have a significant influence on the Stability Index of Political System of Armenia are illustrated through the regression analysis.

A significant relationship has been established between $SIPS_i^*$ and the variables of Political Factors Index, such as Index of Economic Freedom,** Foreign direct investments*** (FDI) and Corruption Perceptions Index.

$$Y' = 0,036x_1 - 2,1 \text{ (Adj. } R^2=0,348),$$

where Y' is the $SIPS_i$ ($SIPS$ is cleaned from the Index of Economic Freedom), x_1 is the Index of Economic Freedom.

$$Y' = 0,0001x_2 - 0,029 \text{ (Adj. } R^2=0,362),$$

where Y' is the $SIPS_i$ ($SIPS$ is cleaned from the variabel of FDI), x_2 is the FDI (\$million).

$$Y' = 0,339x_3 - 0,696 \text{ (Adj. } R^2=0,22),$$

where Y' is the $SIPS_i$ ($SIPS$ is cleaned from the Corruption Perceptions Index), x_3 is the Corruption Perceptions Index.

* $SIPS_i$ is the Stability Index of Political System cleaned from the corresponding independent variable during every paired regression analysis.

** Index of Economic Freedom has been included in the political factors index, as it denotes guarantees for the construction of legislative body and property rights, efficiency of a judicial system and is regarded as one of the most important indicators of political stability and democratization.

*** The variable of Foreign direct investments has been included in the political factors as it is one of the most important and sensitive indicators to measure political stability. Fluctuations in political stability have a direct impact on the volume of investments within a very short period.

SIPS_i and variables of Economic Factors Index, i.e. GDP, External trade turnover and Shadow economy have had a significant relationship between each other.

$$Y' = 0,018x_4 - 0,382 \text{ (Adj. } R^2 = 0,588),$$

where Y' is the SIPS_i (SIPS is cleaned from GDP) and x₄ is GDP per capita (\$100).

$$Y' = 0,05x_5 - 0,151 \text{ (Adj. } R^2 = 0,617),$$

where Y' is the SIPS_i (SIPS is cleaned from the variable of External trade turnover), x₅ is the External trade turnover (\$billion).

$$Y' = -0,028x_6 + 1,102 \text{ (Adj. } R^2 = 0,566),$$

where Y' is the SIPS_i (SIPS is cleaned from the variable of Shadow economy), x₆ is the Shadow economy (%GDP).

A strong relationship has been observed between SIPS_i and Social Factors Index; namely, Human Development Index (HDI), Poverty and Crime rate and Real wage:

$$Y' = 4,7x_7 - 2,8 \text{ (Adj. } R^2 = 0,517),$$

where Y' is the SIPS_i (SIPS is cleaned from the HDI), x₇ is the HDI.

$$Y' = 0,2x_8 - 0,091 \text{ (Adj. } R^2 = 0,568),$$

where Y' is the SIPS_i (SIPS is cleaned from the variable of Real wage), x₈ is the Real wage (\$100).

$$Y' = -0,015x_9 + 0,684 \text{ (Adj. } R^2 = 0,676),$$

where Y' is the SIPS_i (SIPS is cleaned from the variable of Poverty rate), x₉ is the Poverty rate.

$$Y' = -0,015x_{10} + 0,684 \text{ (Adj. } R^2 = 0,676),$$

where Y' is the SIPS_i (SIPS is cleaned from the variable of Crime rate), x₁₀ is the Crime rate (per 1000 people).

To sum up, Index of Economic Freedom and Corruption Perceptions Index as well as Foreign direct investments, which are the variables of PFI, have a considerable impact on the political stability in Kyrgyzstan. 1 unit change in Index of Economic Freedom and Corruption Perceptions Index and a growth in FDI by 1 million dollars will improve $SIPS_i$ by 0,036, 0,34 and 0,0001 units, respectively.

GDP, External trade turnover and Shadow economy are the most influential social variables in view of changes in $SIPS_i$. A growth in GDP per capita by 100 dollars and increase in External trade turnover by \$1 billion will result in the growth in $SIPS_i$ by 0,018 and 0,05 units, correspondingly. Meanwhile, 1% decrease of GDP in Shadow economy will increase $SIPS_i$ by 0,03 units. The mentioned variables explain 57-62% of the variation of the variable.

In relation to Social Factors Index, Human Development Index, Real wage, Poverty and Crime rates are the most significant ones. 0,1 unit growth in HDI and 100 dollar increase in Real wage will lead to a positive change in $SIPS_i$ by 0,5 and 0,2 units, respectively. Simultaneously, 1% downfall in Poverty rate and decrease in Crime rate by 1 crime per 1000 people will raise $SIPS_i$ by 0,015 and 0,09 units. Poverty rate has been singled out of all variables included in the model as it has the highest determination coefficient by explaining 68% of variation of the variable.

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Abbreviations

CCY	Currency
CIS	Commonwealth of Independent States
FDI	Foreign Direct Investment
GDP	Gross domestic product
HT	Hizbut Tahrir
KSSR	Kyrgyz Soviet Socialist Republic
NBKR	National Bank of Kyrgyz Republic
OSCE	Organization for Security and Cooperation in Europe
PFI	Political Factors Index
SDPK	Social Democratic Party of Kyrgyzstan
SFI	Social Factors Index
WB	World Bank

CHAPTER 9.

CHOICES OF INTEGRATION AND EUROPEANIZATION OF UKRAINE: ETHNOCRATISM OR CIVILISM

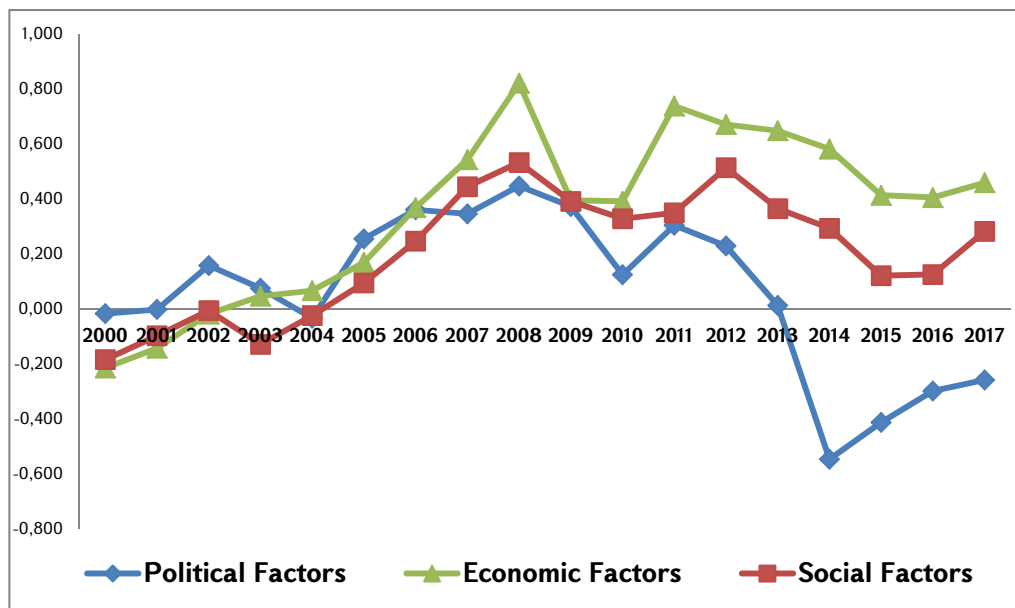
ASHOT ALEKSANYAN

Ukrainian political system and regime, which are formed through civiliarchic and ethno-cultural transformations of the modern world order, and trends in modernizing and strengthening institutional bases of both, demonstrate victories and failures occurred while transferring from authoritarian regime to democracy.

Comparative analysis of the political, social and economic factors of Stability Index of Political System (SIPS) of Ukraine shows the stages of formation of a dialogue and partnership between policy makers. Furthermore, they depict that stability of a political system is largely conditioned not only by efficient policy undertaken by state government and local self-government bodies, but also by active participation of civil society organizations and development of civil culture and consciousness. In this regard, support and assistance provided by international and regional organizations as well as by the Western European countries, is highly substantial and essential to facilitate processes in Ukraine that are aimed at establishing civil society and rule of law, strengthening market economy and social justice as well as promoting democratic reforms and establishing peace in the country. They require comparative studies of changes of institutional and non-institutional bases of the country's political system with an attempt to identify qualitative characteristics of transformations transpiring in the system.

Figure 1

Indices of Political, Economic and Social Factors of stability of Ukraine's political system in a span of 2000-2017*



* Source: calculations by the author.
Indices of SIPS factors are comparable only by the trends.

Table 1

**Indices of Political, Economic, Social Factors and Stability Index of Political
System of Ukraine in the span of 2000-2017***

Years	PFI	EFI	SFI	SIPS
2000	-0,017	-0,215	-0,184	-0,097
2001	-0,002	-0,143	-0,097	-0,051
2002	0,158	-0,018	-0,006	0,083
2003	0,076	0,047	-0,128	0,010
2004	-0,033	0,067	-0,024	-0,015
2005	0,255	0,170	0,095	0,194
2006	0,361	0,369	0,247	0,328
2007	0,346	0,544	0,445	0,406
2008	0,448	0,822	0,533	0,529
2009	0,373	0,395	0,392	0,382
2010	0,125	0,392	0,328	0,226
2011	0,305	0,739	0,350	0,383
2012	0,230	0,672	0,514	0,381
2013	0,013	0,649	0,366	0,214
2014	-0,546	0,582	0,294	-0,125
2015	-0,412	0,414	0,121	-0,128
2016	-0,298	0,406	0,126	-0,065
2017	-0,258	0,460	0,282	0,012

* Source: calculations by the author.

PFI, EFI, SFI and consequently SIPS indices calculated on them may insignificantly vary in comparison to the indices of corresponding years estimated in previous publications as a result of updated and newly inserted data as well as changes of minimum and maximum indices.

9.1 Evolutionary and revolutionary dimensions of political stability

Major problems concerning stability of Ukraine's political system became urgent and were instigated by the collapse of the USSR totalitarian regime, which were followed by transformations towards independence and democracy to be reinforced in the country's political system. Various models of public authority, administration and government, state institutions, local self-government bodies and civil society organizations (CSOs), accompanied with civil participation and representation mechanisms have been formed in Ukraine and other post-Soviet countries. Regimes, including authoritarian as well as incomplete or fragile democracies or hybrid regimes, established and run by former government, have been included in the previously mentioned models. In view of this, SIPS methodology has allowed to reveal regional and time dimensions of Ukraine's political transformations and stages typical of those in question, comparing to democratic transformations of political systems of the countries in transition.

Traits and patterns typical of the country's political stability are displayed when observing the curve of the Political Factors Index (PFI) of the Stability Index of Political System in Ukraine covering the period from 2000 to 2017. It should be noted that they differ from those transitional models of the political systems applied in the Western European countries. It may be conditioned by the fact that Western concepts of modern transitology unilaterally analyze political, socio-economic, ethno-cultural processes and situations in the post-Soviet and post-communist areas.

According to the data provided by the studies conducted within the framework of the SIPS in Ukraine, positive and negative impacts on political stability were largely due to the following factors: political rights and civil liberties, fight against corruption, civil disobedience, war and military conflict, foreign direct investments (FDI) and economic freedom.

Figure 1 shows that during the observed period Ukraine's political stability curve increased in 2017 compared to 2014-2016, but it still displayed a negative

trend. In relation to it, PFI indicators reveal a number of structural and operational features of Ukrainian public institutions that mainly affect preservation and development of the political system of the country. Particularly, negative indicators of the PFI registered in 2000-2001, 2004 and 2014-2017 illustrate key shortcomings exposed in democratic transformations that triggered instability trends in the political system of Ukraine, caused uncertainties in the actions of policy makers, formed unpredictable and conflicting situations. It should be noted that the 2000 PFI indicators were adversely impacted by political developments following the 1999 presidential election. In response, the President of Ukraine L.Kuchma initiated an all-Ukraine referendum¹³⁹ in 2000 with an aim to implement reforms of the public administration system, by safeguarding the President's powers in decision-making processes. It was noteworthy that despite a referendum conducted on April 16 2000, with an approval of the four proposals¹⁴⁰ submitted by the country's President, the Verkhovna Rada disregarded the results of the referendum.

The highest PFI indicator (0,448) was registered in 2008, whereas the lowest one (-0,546) was recorded in 2014 in a span of 2000 and 2017 (See Figure 1, Table1).

SIPS positive indicators were chiefly stipulated by global democratization processes patterned from Western practices, which had been effectively localized and integrated in the Europe. Difficulties occurred in those areas stemmed from systemic peculiarities of western democracies and discrepancies in political processes and civilized nature of events. They were displayed in nonlinear transformations of Ukrainian political system and in drastic situational developments. Besides, post-Soviet transitology theories can be predicted as such.

¹³⁹ See the official site of the Venice Commission of the Council of Europe "Constitutional Referendum in Ukraine: Opinion adopted by the Commission at its 42nd Plenary Session. Venice, 31 March 2000" [https://www.venice.coe.int/webforms/-documents/default.aspx?pdffile=CDL-INF\(2000\)011-e](https://www.venice.coe.int/webforms/-documents/default.aspx?pdffile=CDL-INF(2000)011-e) (09.08.2018).

¹⁴⁰ See the official site of the Central Election Commission of Ukraine <http://www.cvk.gov.ua/ows-doc/doc-ref/rez.htm> (09.08.2018) and <http://www.cvk.gov.ua/pls/r001/webproc0r> (09.08.2018).

Since independence, democratic transformations of the Ukrainian political system were accompanied by constantly erupting crises. It can, to some extent, be described as "modernization of stages during the crisis" and its continuity was not dependent on resolutions of grave situations. In order to avoid instabilities of the system, it was necessary for the country's political elite and other political entities to thoroughly review the concept of democratic transformations and European integration, taking into account previous mistakes and current challenges.

Some analysts share the viewpoint, that critical situations in the political system are considered one of the stages of transformation procedure, primarily caused by uncompromising confrontations and social-political clashes of interests between incompletely and improperly formed institutions (*Hartwell 2016, Hale 2005, Hale 2012, Nalbandov 2015, Way 2015, Way 2015, D'Anieri 2010, Wanner 2008, Plochy 2017, Pospieszna 2014*).

Controversial and sometimes even paradoxical political processes in the social life of the country adversely impacted degrading indicators of the PFI of the SIPS. Main political powers and CSOs displayed them in the issues related to Europeanization, European integration, separatism, liberalization, conservatism, ethnocracy, security and war situations in the context of "common agenda".

Three presidential (2004, 2010 and 2014) and five parliamentary elections (2002, 2006, 2007, 2012 and 2014), as well as four elections¹⁴¹ of the local self-government bodies (2002, 2006, 2010 and 2015) were held in Ukraine within the period under review. It should be noted, that nearly all electoral processes proceeded in politically tense situations. They had and still have a significant impact on political stability.

In 2004 negative trends of PFI of SIPS were mostly caused by the presidential elections and "Orange Revolution." Many analysts claim that, it was mainly conditioned by "frozen" or "neglected" political transformations in the

¹⁴¹ See the official site of the Central Election Commission of Ukraine http://www.cvk.gov.ua/info/protokol_cvk_2006.pdf (11.08.2018), the final report of OSCE on Ukrainian elections <https://www.osce.org/odihr/elections/ukraine> (11.08.2018).

90s, which, were reproduced due to the revolution (*Fish 2006; Hale 2005; Kushnir 2018; Kuzio and D'Anieri 2018; Wawrzonek 2014; Way 2005; 2008; 2016; Гельман 2007*). However, revolutionary and post-revolutionary further developments, on the other hand, pointed out that the crisis strongly and deeply aggravated thereby the victory of the opposition candidate in the 2004 presidential election. Nonetheless, ethno-political, ethno-cultural and ethno-religious issues were probably the most dangerous among them which resulted in separating and dividing different administrative regions of the country with an attempt to split and break social solidarity. Thus, devaluating and ignoring the principles of democratic legitimacy and legality, new crises and conflicts are subsequently emerging and we can conditionally apply the terms as "unstable stability" and "sustainable instability."

Observing political processes, which followed the 2004 presidential elections, one can conclude that the Orange Revolution developments did not solve the problems related to assurance of multiparty competition and legally equal struggle for public power. Some have been qualitatively modified, but have not been settled yet. Moreover, a "revolutionary model" chosen to resolve the 2004 crisis created new factors that would guarantee competition between political parties and elites. This refers to activities initially implemented by the Orange Coalition, followed by an internal political crisis of legitimacy and by the period, when Viktor Yanukovich the President of Party of Regions, was serving his "regular" term as a Prime Minister, after which the Orange coalition in fact became inactive and finally dissolved.

The political stability of Ukraine is significantly influenced by the fact that political elites were fragmented and it "weakens" or "strengthens" due to tense situations in internal political domain. V. Yushchenko's presidency (2005-2010) can serve as one of the most striking examples of such phenomenon, when the relations between the leaders of the Orange Coalition exacerbated. Another instance is when the President Viktor Yushchenko exercised the "policy of preconditions and pressure" towards the Verkhovna Rada, attempting to dissolve the parliament and circumvent constitutional and legal procedures. It led to a new confrontation between political parties, triggered off a series of

civil disobedience and internal political crisis in the country. This demonstrated the inner strength of political elites and leaders used for their consolidation as well as misconduct of parties caused by their ill functioning; hence, nationwide support gained during the Orange Revolution was eventually lost. Since the Party of Regions collected 32,14% of the votes in the parliamentary elections held on March 26 2006, it accordingly received the most seats in the parliament. Meanwhile, political parties supporting the Orange Revolution leaders took part in the parliamentary elections separately, as a result of which Yulia Tymoshenko's bloc accumulated 22,29% of the votes, while Viktor Yushchenko's Our Ukraine bloc received 13,95% (see Table 2). Moreover, the Socialist and Communist Party of Ukraine actively participated in those elections by collecting 5,69% and 3,66%¹⁴² of the total number of votes, respectively (see Table 2).

Table 2

Results of the Verkhovna Rada elections held in 2006¹⁴³

<i>Political parties and election blocs</i>	<i>Votes</i>	<i>Seats in the Parliament</i>
Party of Regions	8,148,745	186
Yulia Tymoshenko's coalition	5,652,876	129
Viktor Yushchenko's "Our Ukraine" bloc	3,539,140	81
Socialist Party of Ukraine	1,444,224	33
Communist Party of Ukraine	929,591	21
<i>Total</i>		<i>450</i>

Nonetheless, reforms that were initiated to change the regime and form of a government had a crucial role in the mentioned events, which significantly resulted in strengthening roles of the parliament and political parties as such. Meanwhile, an increasing influence of the parliament would imply and result in exclusion of the model of "dominance" as well as would prevent attempts made

¹⁴² See *ibid.*

¹⁴³ See *ibid.*

by political powers to monopolize public authority, bring back tendencies of authoritarian regime and deepen ethno-political fragmentation.

The President failed to form a political majority in 2006 parliamentary elections and several months later Yanukovych, the President of the Party of Regions, was consequently appointed the Prime Minister, as a result of extended negotiations. However, further development of the events demonstrated that despite the initiative taken by the country's President it was not possible to restore political stability and settle down existing contradictions. Besides, internal political crisis exacerbated, due to a competition to duly distribute powers and responsibilities between the President and Prime Minister. The fact that the President and the Prime Minister were representatives of different political forces and the former did not have a political majority in the parliament was unprecedented in the post-Soviet area. Hence, the following regularity may be outlined *that state authorities cannot function normally without majority in the parliament; hence, constitutional order and political stability of the country are endangered.*

Table 3

Results of the Verkhovna Rada snap elections held in 2007¹⁴⁴

<i>Political parties and election blocs</i>	<i>Votes</i>	<i>Seats in the Parliament</i>
Party of Regions	8,013,895	175
Yulia Tymoshenko's bloc	7,162,193	156
"Our Ukraine -People's Self-Defense" bloc	3,301,282	72
Communist Party of Ukraine	1,257,291	27
Lytvyn bloc	924,538	20
<i>Total</i>		<i>450</i>

Developments that occurred in Ukraine, when Prime Minister Yanukovych was striving to form a majority in the parliament and expand his powers by

¹⁴⁴ See the official site of the Central Election Commission of Ukraine http://www.cvk.gov.ua/info/protokol_cvk_2007.pdf (11.08.2018), the final report of OSCE on Ukrainian elections <https://www.osce.org/odihr/elections/ukraine/29970?download=true> (11.08.2018).

simultaneously curtailing President Yushchenko's powers, could serve as an example of discord between the executive and legislative branches and coup d'état of the powers. In response, Yushchenko managed to dissolve the parliament and call snap parliamentary elections. We can provisionally state that an internal political instability and crisis partially ended owing to parliamentary elections held on September 30, 2007 (see Table 3) and formation of a new government.

The 2007 parliamentary elections to some extent resolved the question of the votes and parliamentary seats, received by political parties, but a main issue of majority was still pending. Due to the results of the parliamentary elections, the Party of Regions strengthened its political status by collecting 34,37%¹⁴⁵ of the votes. In the meantime, Yulia Tymoshenko's bloc gained 30,71% and Viktor Yushchenko's "Our Ukraine-People's Self-Defense" bloc got 14,15%¹⁴⁶ (See Table 2). Moreover, the Communist Party of Ukraine received more votes, which increased up to 5,39%, but the Socialist Party of Ukraine failed to overcome the threshold and collected only 2,86%.¹⁴⁷ On the contrary, Lytvyn bloc succeeded in entering the parliament with 3,96%, by actively being involved in the formation of a coalition government. It is worth mentioning that 2006 and 2007 parliamentary elections, held only by proportional representation, revealed a number of flaws in the parties and their blocs. They mainly became evident in the processes aimed at forming a coalition government and further in procedures carried out by opposition parties by blocking the President's regular functioning and formation of majority in the parliament. Though the President succeeded in winning a majority in the Ukrainian parliament represented by Our Ukraine-People's Self-Defense bloc and Yulia Tymoshenko's bloc, nevertheless, he did not manage to reduce tension in the country. On the one hand, it was explained by a number of discrepancies between the factions and leaders of the two coalitions, and on the other hand, by destructive activities and boycotts undertaken by the opposition.

¹⁴⁵ See *ibid.*

¹⁴⁶ See *ibid.*

¹⁴⁷ See *ibid.*

In fact, political instability trends registered in 2006 were also maintained after the 2007 parliamentary elections.

Even a reorganized Orange Revolution coalition did not manage to arbitrate disputes between the country's President and elected Prime Minister Yulia Tymoshenko (*Center for Political and Legal Reforms 2009; Центр політико-правових реформ 2009*). It can vividly be exemplified by a failure to implement agreements reached by the coalition government, bills initiated to restrict the President's powers, and attempts to split the coalition government. Besides, another example is the President's decree on early termination of powers of the Verkhovna Rada issued on October 9 2008 and appointment of snap elections, and the situation formed from the abolition of the mentioned decree¹⁴⁸ (*Центр політико-правових реформ 2009*). Some analysts believe that the political crisis in Ukraine stemmed from the above-mentioned and continued in 2008 by becoming a logical continuation of ruinous situations happening in 2006-2007 (*Bader 2008; Rybiy 2013; Whitmore 2014; Лысенков 2011; Мацневский 2008; 2018*). To maintain political stability in the country it is important to overcome civil inconfidence and distrust. Thus, implementation of not only long, medium and short-term strategies, but also concrete results were primarily demanded from the Orange Coalition and Tymoshenko's government. Their absence led to a lack of democratic legitimacy (deficit), resulting in a series of civil disobedience and movements initiated by the CSOs, and showing public distrust of not only parties and their leaders, but also of state authorities.

Actions taken by Lytvyn bloc played an essential role in overcoming the 2008 political crisis and the head of the bloc was elected the President of the Verkhovna Rada. Under the condition of this reached compromise and agreement, Tymoshenko managed to maintain the prime minister's position,

¹⁴⁸ See «Указ президента України (Дію Указу зупинено згідно з Указом Президента N 952/2008 (952/2008) від 20.10.2008) «Про дострокове припинення повноважень Верховної Ради України VI скликання та призначення позачергових виборів»»: <http://zakon.rada.gov.ua/laws/show/911/2008> (12.08.2008), «Указ президента України «Про зупинення дії Указу Президента України від 9 жовтня 2008 року N 911»»: <http://zakon.rada.gov.ua/laws/show/952/2008> (12.08.2008).

consolidate democratic forces and settle the political crisis. Those processes indicated that the Ukrainian political regime is an integrity of formal and informal rules institutionalized between the public authorities and society, which can even provide "horizontal" and "vertical" methods of implementation of the power in perilous situations.

Table 4

Results of the Verkhovna Rada elections held in 2012¹⁴⁹

<i>Political parties and election blocs</i>	<i>Seats in the Parliament</i>	
	<i>Proportional</i>	<i>Majoritarian</i>
Party of Regions	72	114
"Batkivshchyna" All-Ukrainian Union political party	62	43
"Vitali Klitschko's UDAR"(Ukrainian Democratic Alliance for Reform party)	34	6
Communist Party of Ukraine	32	0
Political party "Freedom All-Ukrainian Union"	25	12
People's Party	0	2
Radical party of Oleh Lyashko	0	1
"United Center" Party	0	3
"Union political" party	0	1
Non-party	-	43
Total	225	225

Negative trends in PFI of SIPS registered in 2010 were largely due to the presidential and local self-government body elections.¹⁵⁰ The presidential elections were held in two stages and the leader of the Party of Regions Viktor

¹⁴⁹ See *ibid.*

¹⁵⁰ Source of the data is the official site of the Central Election Commission of Ukraine <http://www.cvk.gov.ua/pls/vm2010/wp001> (11.08.2018).

Yanukovych was elected the country's President by gaining 48,95%¹⁵¹ of the votes. Contradictions among the leaders of the Orange Coalition, who preferred to run separately in the presidential election, surprisingly contributed to Yanukovych's victory. Nonetheless, it was for the third time in Ukraine when the incumbent President and Prime Minister were defeated, but it was unprecedented in the history of the presidential elections of the post-Soviet countries. The incumbent President Yushchenko received an unprecedented 5,75% of votes.¹⁵²

Another factors that negatively impacted the PFI in 2012 were the parliamentary election and the struggle between the political parties involved in there. Those elections were held by a mixed representation-proportional and majoritarian¹⁵³ and were unprecedented as the President's party won for the first time in the history of newly independent Ukraine (See Table 4). In the meantime, it should be noted that after the 2010 presidential elections, the 2012 parliamentary elections contributed to the consolidation of democratic forces.

A drastic fall in PFI curve, registered in 2013-2014, was caused by acts of civil disobedience, activities intensely undertaken by parliamentary opposition, a new domestic political crisis, the Euromaidan, a new wave of clashes and violence (*Chatham House 2018; Council on Foreign Relations 2018; Crisis Group 2018; Rybiy 2013; Trenin 2014; Whitmore 2014; Макуевский 2018*). Further developments in political events led to unprecedented incidents such as the change of the power, President's "self-ousting" from exercising constitutional powers, factual inactivity of the government and parliament, increase in external challenges and threats, territorial losses, civil war and military hostilities, requirements of federalization claimed by the eastern

¹⁵¹ Source of the data is the official site of the Central Election Commission of Ukraine http://www.cvk.gov.ua/vp_2010 (11.08.2018), the final report of OSCE on Ukrainian elections <https://www.osce.org/odihr/elections/ukraine/67844?download=true> (11.08.2018).

¹⁵² See *ibid*

¹⁵³ Source of the data is the official site of the Central Election Commission of Ukraine http://www.cvk.gov.ua/vnd_2012 (11.08.2018), the final report of OSCE on Ukrainian elections <https://www.osce.org/odihr/98578?download=true> (11.08.2018).

regions (*Цыганок 2016*), which resulted in escalation of ethno-political problems.

As it has already been mentioned, within the observed period the lowest PFI indicator (-0,546) was registered in 2014 with a sharp and negative decline. Meanwhile, a steep downfall was mainly caused by military hostilities, which seriously damaged the country's territorial integrity and sovereignty, thereby deteriorating Russian-Ukrainian relations, as well as military-political situation in Ukraine.

The balance between internal and external domains of the country's political system was undermined by joint actions of opposition forces and series of civil disobedience, which occurred for the first time in the history of newly independent Ukraine. Despite the victory of democratic forces, stability of the system was not restored even after signing the Association Agreement with the EU and conducting extraordinary presidential elections on May 25 2014, and parliamentary elections¹⁵⁴ on October 26 2014.

A negative dynamics of the curve shows that the country still faces an impending danger of political instability and an ugly turn of the situation, which has been sustained in Ukraine since 2014. Nevertheless, improvements in the curve of PFI registered within the mentioned period, indicate that with separation of branches of public authorities and introduction of counterbalancing polyarchy procedures, democratic institutions have been reinforced in the country's political system; thereby minimizing contradictions and clashes between political elites as well as between the state and CSOs, territorial administration and local self-government bodies (*Грицаенко 2014; Лаф и Солоненко 2016; BBC 2016; Charap and Colton 2017*). It was noteworthy that all the developments took place under the conditions of the "third wave of democratization" that inevitably affected internal political processes, with a demand to respond to already existing challenges. Perhaps,

¹⁵⁴ Source of the data is the official site of the Central Election Commission of Ukraine http://www.cvk.gov.ua/vp_2014 (11.08.2018), http://www.cvk.gov.ua/vnd_2014 (11.08.2018), the final report of OSCE on the elections in Ukraine <https://www.osce.org/odihr/elections/ukraine/120549?download=true>, <https://www.osce.org/odihr/elections/ukraine/13255-6?download=true> (11.08.2018).

the latter has conditioned the political processes which activated the main factors contributing greatly to revolutionary and counter-revolutionary consequences ever since the declaration of independence. But because of conflict of interests of political elites, the transitional regime was unable to overcome the socio-political crisis, and to harmonize the political system with the principles of modernization, democratization and transparency.

Political instability trends remained unchanged after the 2014 snap presidential and parliamentary elections and the 2015 elections of local self-government bodies. Parties and coalitions that played a pivotal role in the Euromaidan and the all-national movement won in those elections. However, regardless of the fact that an internally tense political situation and a scale of civil disobedience were continuously preserved in the country. Thus, according to the results of the snap presidential elections conducted on May 25 2014, Petro Poroshenko was elected President of the country with 54,7% of the votes.¹⁵⁵ Being one of the leaders of Euromaidan, he took great efforts to unite democratic political powers by initiating a call for extraordinary parliamentary elections. He eventually succeeded in it and snap parliamentary elections were held on 26 October 2014. The elections were conducted with the mixed electoral system as the previous 2012 parliamentary elections were. Six political parties overcame the 5% threshold in compliance with the country's electoral legislation and they were the following: 1) *People's Front Political Party* 2) *Petro Poroshenko Bloc Party* 3) *Self-reliance Political Party* 4) *Opposition Bloc Political Party* 5) *Radical Party of Oleh Lyashko* 6) *Batkivshchyna All-Ukrainian Union Political Party*¹⁵⁶.

In the history of independent Ukraine, the above-mentioned electoral processes were outlined by a number of peculiarities:

- Participation of two ruling powers, namely People's Front party and Petro Poroshenko Bloc,
- a stable majority of the President in the parliament,

¹⁵⁵ See *ibid.*

¹⁵⁶ See *ibid.*

- tense Russian and Ukrainian relations, as well as geopolitical developments occurring in the Crimea and Sevastopol, military hostilities in Donetsk and Lugansk where the elections were not conducted for that very reason,
- active role of CSOs and agenda related to human rights protection issues,
- European and Euro-Atlantic integration issues prioritized in the pre-election programs and speeches of political parties.

In order to maintain internal political stability, the Ukrainian parliamentary parties and factions formed the "European Ukraine" coalition. It gained the majority in the parliament, implementing projects of pro-European political parties with an attempt to support activities initiated by the country's President and government. Despite the consolidation of influential parties in Ukrainian political domain, a new political crisis had been gradually rising in 2015-2016. It arose with a confrontation between the political forces of the "European Ukraine" coalition. It was largely sparked by disagreement and discrepancies over constitutional amendments, reforms to be initiated in the system of territorial administration and self-government bodies, as well as issues related to decentralization and provision of granting "Donbass special status". They triggered off conflicts of interest between the President and the Prime Minister, and each of whom endeavoured to maintain support of political parties in the parliament. That political crisis was averted by the resignation of the Prime Minister Arseniy Yatsenyuk and formation of a new government that managed to create a new platform for a political dialogue.

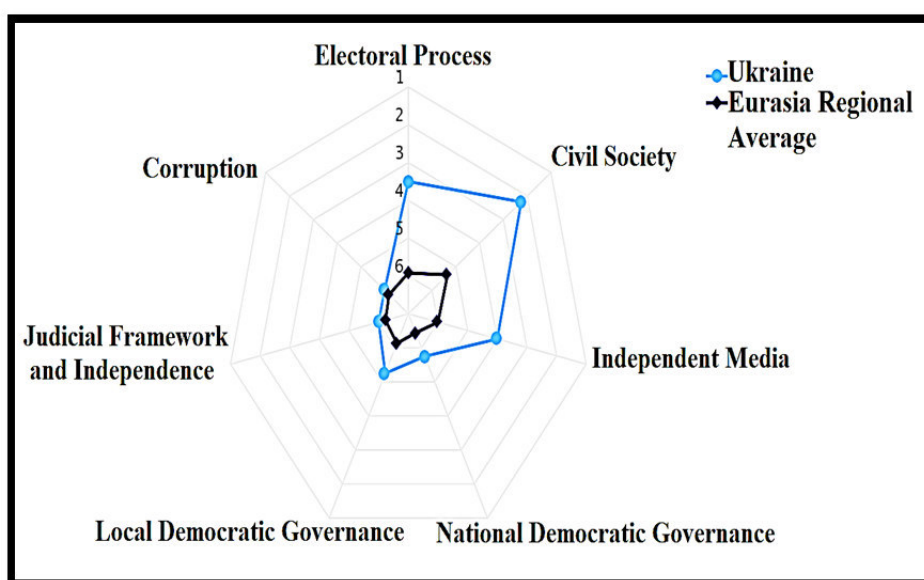
It is obvious that a change in the current political regime was triggered by the revolution; thereby causing crisis situation in the public administration system and urging development of a number of alternative plans. Not only new possibilities, new approaches of social and political development were included therein, but political risks and threats, that led to conflicts and stratification among representatives of the state authorities, were also presented (Гудков 2014; Ворожейкина 2014; Зубаревич 2014; Макаркин 2014; Макаренко 2014; Фесенко 2014; Цыганок 2016; Kuzio 2018).

In reference to the protection of political rights and civil liberties, preconditions for developing civil society still remain challenging in Ukraine (*Freedom House 2001; 2002; 2010; 2016a; 2016b; 2017a; 2017b; 2018a; 2018b*).

Positive trends in PFI indicators were also reflected in the Freedom House "Nations in the Transition" report, and accordingly, the gross national index of 2001-2017 was within the range of "4,0-4,99".¹⁵⁷ This means that Ukraine is listed among the countries with transitional government or hybrid regime.¹⁵⁸ Particularly, due to a constructive role of CSOs and mass media, democratic transformation ratings in the political system of Ukraine have been improved and changed from 4,93 to 4,75 (see Figure 2).

Figure 2

Democratic transformations in Ukraine estimated by the Freedom House (2015)¹⁵⁹



¹⁵⁷ For more details, see the official site of the Freedom House <https://freedomhouse.org/report/nations-transit/nations-transit-2018> (16.07.2018).

¹⁵⁸ See *ibid*.

¹⁵⁹ Source of the data is the official site of the Freedom House https://freedomhouse.org/sites/default/files/NIT2016_Ukraine.pdf (16.07.2018).

With an aim to emphasize the importance of establishment of a democratic state and elections and constitutional legal procedures, it should be noted, that institutional bases to sustain stability of the country's political system, as well as non-constructive and ineffective public decision-making processes are still flawed and need to be improved.

9.2 Economic Stability Factors

A study of Ukraine's economic stability factors revealed that major economic indicators had a positive and negative dynamics within 2000-2017. Industry, labour force, reserves of land rich in fossil, favourable climatic conditions, comfortable maritime routes and etc. are of great importance in developing Ukraine's economic infrastructure.

Disproportionate regional and territorial development is obstructing Ukraine's sustainable economic growth, which negatively affects procedures aimed at introducing market economy. Moreover, it should be noted that their unanimous and mutual development is impossible because of vivid differences of their economic, cultural, social and even environmental preconditions. Thus, the southeastern regions of Ukraine have favorable economic conditions, and consequently better business opportunities and low unemployment rate. Unlike southeastern regions, the country's western and northern agrarian regions have poor infrastructure and low capacity of reorganization. At the same time, the quality of life in the industrial southeastern regions is strangely lower than in the western regions and in the capital. It is worth mentioning that urban development and environment related problems in the southeastern regions, on the one hand, lead to the growth in employment rate, wages and GDP per capita, and, on the other, to an increase in diseases, aggravation of environmental situation and exacerbation of other socially important issues. It reveals the fact that in order to level up social life, it is necessary to ensure proportionate development of all regions of the country, modernize community's information and communication network, taking into account

socio-historical, ethno-religious and spiritual-cultural peculiarities of the regions.

In 2014-2015, a decrease in the potential of metallurgy marked the structural change in the country's economy. Particularly, the decline in business activity in the sphere of metallurgy was conditioned by military actions happening in the southeast region, by damaging traditional markets and severing economic relations, as well as by an increase in competition in global commodity markets.

Within the period 2000-2017, the highest EFI indicator was recorded in 2008, whereas the lowest one in 2000. In this regard, Ukraine's membership of the World Trade Organization (WTO) and commitments¹⁶⁰ undertaken by the country was very significant. The country's socio-economic development opportunities can be expanded by creating a number of advantages for Ukrainian companies.

In view of strengthening economic stability, it is important to mention that the EFI increased in 2017 compared to the previous year, but it is still insufficient to mark economic progress since it remained low compared to indicators registered for 2011-2014 (see Figure 1, Table 1).

Figure 1 illustrates that in the observed period, the EFI was highly impacted by GDP, External trade turnover, Domestic credit, Inflation, Shadow economy and Budget deficit indicators. Despite the fact, that due to severe economic conditions in the country during 2000-2002, the EFI had a negative trend, it had growing trends conditioned by economic adaptability (see Figure 1).

Implementation of reforms, economic integration, fight against shadow economy and economic corruption had a considerable impact in terms of maintaining Ukraine's economic stability for the period of 2000-2008.

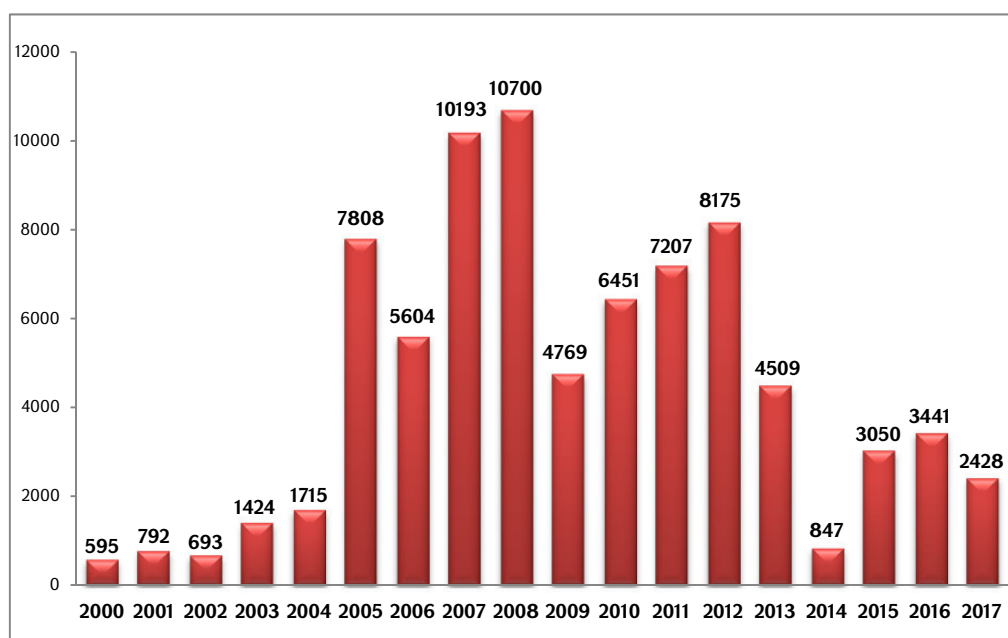
Figure 3 illustrates the dynamics of Foreign direct investments (FDI), reflecting their social and political orientation and dependence. It is noteworthy that the periods of political instability and social anxiety coincide with the fluctuations in the FDI indicators. Particularly, after the 2004 "Orange

¹⁶⁰ For more details, see the official site of the WTO https://www.wto.org/english/-thewto_e/countries_e/ukraine_e.htm (24.08.2018).

Revolution," a leap in FDI flows were registered in 2005 (See Figure 3). Or, for example, a sharp decline in FDI flows was conditioned by the 2006 political crisis. The unprecedented reduction in volumes of FDI was recorded in 2013-2014 compared to those in 2005-2012 (see Figure 3) and were mainly sparked by civil disobedience, change of the power, conflicts, military actions in the southeast region, and so on.

Figure 3

Foreign direct investments in Ukraine in a span of 2000-2017 (\$ million)¹⁶¹



In the last decade, the prerequisites for the establishment of civil society are noticeable in Ukraine, and to ensure their further development there is need to establish market economy institutions (*Голян 2017a; 2017b*). The high level of corruption, kleptocratic and oligarchic phenomena impede the state procurement, reforms of energy and agriculture spheres in the context of a

¹⁶¹ Source of the data is the official site of the World Bank <https://data.worldbank.org/-indicator/BX.KLT.DINV.CD.WD> (12.08.2018), official site of State Statistics Service of Ukraine <http://www.ukrstat.gov.ua> (12.08.2018).

transitional economic system. Largely, legal procedures undertaken in 2013-2015 and aimed at combating corruption and complying criminal legislation with international standards were of great importance in terms of economic advancement (*OЭCP 2015*). At present, all corruption-related crimes, as well as those related to illicit enrichment are criminalized.

The country's economic growth has slowed down more for the last years, therefore hampering implementation of sustainable development goals and improvement of social welfare (*Ministry of Economic Development and Trade of Ukraine 2017*). A short-term EFI growth in 2003-2007 was stipulated by an increase in exports, downfall in the shadow economy, and with some reservations by a sharp jump in foreign debt. However, after the 2008-2009 global financial crisis, the country's economy did not manage to sustain its steady growth.

Under the conditions of modern innovation and investment management,¹⁶² a country with a great potential to produce agricultural commodities and develop rural regions, as well as great capacity of exporting and tourism, can honourably be ranked among countries with leading economies. In particular, given an increase in effectiveness to manage strategies of agricultural investment, upward trends aimed at stabilizing and expanding agricultural production will be guaranteed, which will ensure food security, increase export capacities and employment rates, improve population welfare and many other issues. At the same time, the conditions in the investment policy supported by the EU are crucial for the economic integration and development of the agrarian sector. There are as follows: intensity of changes in ecological factors, main macroeconomic indicators of investment activities of agricultural enterprises, introduction of new technologies, fluctuations in the investment market, means and methods of the state regulation of investment activity.

¹⁶² For more details, see the official site of the Ministry of Economic Development and Trade of Ukraine <http://www.me.gov.ua> (23.08.2018).

9.3 Social Stability Factors

Analysis of Ukraine's social stability factors shows that over the span of the reported period social indicators had positive and negative trends. Figure 1 illustrates that indices of HDI, Real wage, Employment and Poverty rates and social polarity had a considerable impact on SFI.

The highest SFI indicator (0,533) and the lowest (-0,184) were recorded in 2008 and 2000, respectively. Despite the fact that 2017 SFI increased compared to the previous year, it continued to remain low compared to those registered within 2007-2014 (see Figure 1, Table 1).

During 2000-2004, SFI of SIPS recorded low rates, thereby keeping the curve in a negative frame. Nonetheless, the SFI curve had a positive trend in 2005-2008, regardless of negative effects of social shocks, civil disobedience, and turmoil in the country. A positive dynamics of the latter was mainly due to the increase in HDI, Real wage, as well as improvement of Employment and Poverty rates and social polarity. In particular, increase in Real wage indicators and downfall in Unemployment rate positively impacted the growth in SFI indicators registered in 2003-2008 and 2011-2012 (see Figure 4, Figure 5).

Figure 4 shows that in 2000-2008, the country's unemployment rate declined, reaching the lowest (6,4%) indicator in 2007-2008.

Activities, carried out by the Confederation of Trade Unions in Ukraine¹⁶³ (CTU) are of great importance in terms of promoting and ensuring social stability and security. By deriving support from the EaP Civil Society Forum and the country's social NGOs, it manages to promote protection of workers' social rights and freedoms (*Zhukov 2011*). CTU's role in implementation of social cooperation can be chiefly outlined, thus taking the opportunity to resolve collective labour disputes and conflicts. It is worth mentioning that in the process of European social integration, the CTU implements programs to

¹⁶³ For more details, see the official site of the Confederation of Trade Unions in Ukraine <http://www.fpsu.org.ua> (01.08.2018), official site of International Labour Organization https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:11110:0::NO::P11-110_ISO_CODE:UKR (16.08.2018).

establish and share the principles of social dialogue with the Confederation of European Trade Unions. Hence, contributing to europeanization of the country's socio-economic policy and processes aimed at regulating labour relations.

Figure 4

Unemployment rate in Ukraine in a span of 2000-2017 (%)¹⁶⁴

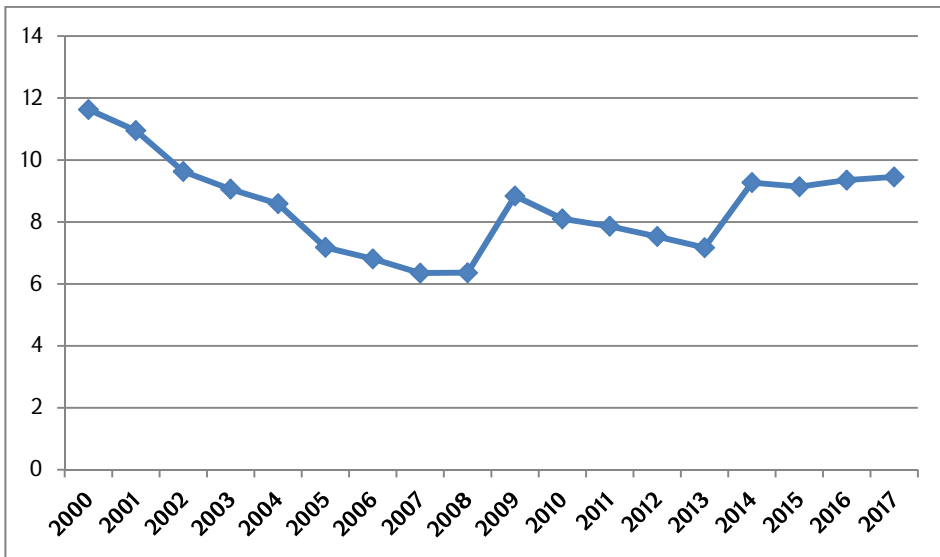


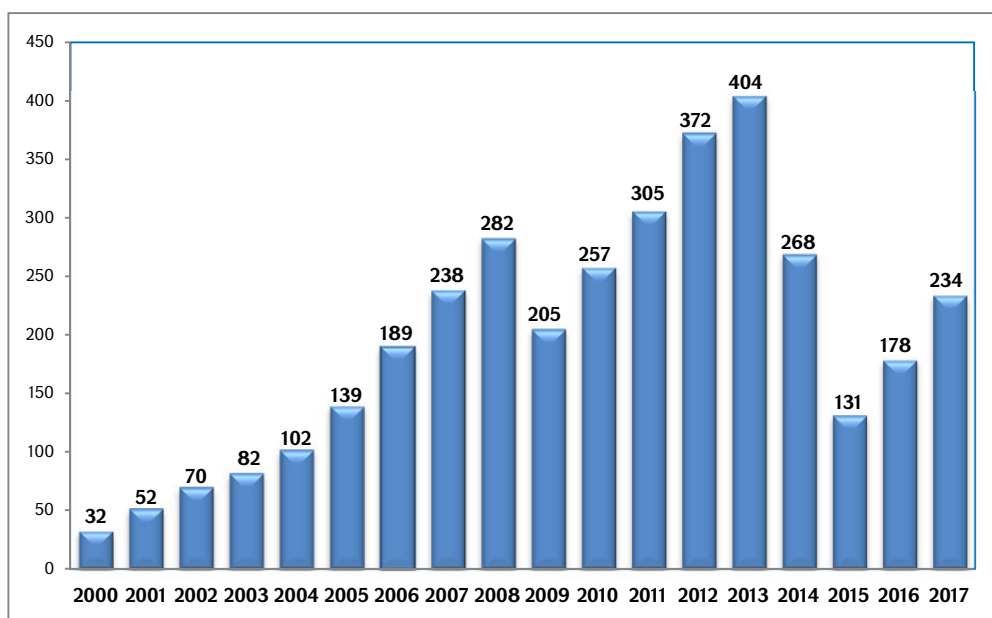
Figure 5 demonstrates that Real wage rate improved with some fluctuations in the observed period, and the highest indicator (\$ 404) was recorded in 2013. In connection to a sudden decline of it recorded in 2014-2017, it was due to political processes, therein occurring in Ukraine in those years. Socio-economic peculiarities of the country's regions, provinces and other administrative-territorial units were reflected by their socio-economic measurements. Especially, taking into account poorly developed institutions of market economy and civil society in urban, rural areas and big cities, insufficient level of financial and economic situation, uneven distribution of

¹⁶⁴ Source of the data is the official site of the World Bank <https://data.worldbank.org/-indicator/SL.UEM.TOTL.NE.ZS> (12.08.2018), official site of State Statistics Service of Ukraine ` <http://www.ukrstat.gov.ua> (12.08.2018).

labour force productivity and etc. To settle the above-mentioned problems, a full use of capacity for transboundary cooperation can be of great importance, involving prospective sources to sponsor and finance transboundary cooperation programs and innovative ideas.

Figure 5

Real wage in Ukraine in a span of 2000-2017 (US dollar)¹⁶⁵



9.4 Development trends of Stability Index of Political System

The SIPS analysis reveals that prerequisites for ensuring civil sustainability can be effective if the country's public authorities and CSOs have comprehensive prospective and concept as well as partnership plans for its determinants. Moreover, concepts and strategies developed and implemented

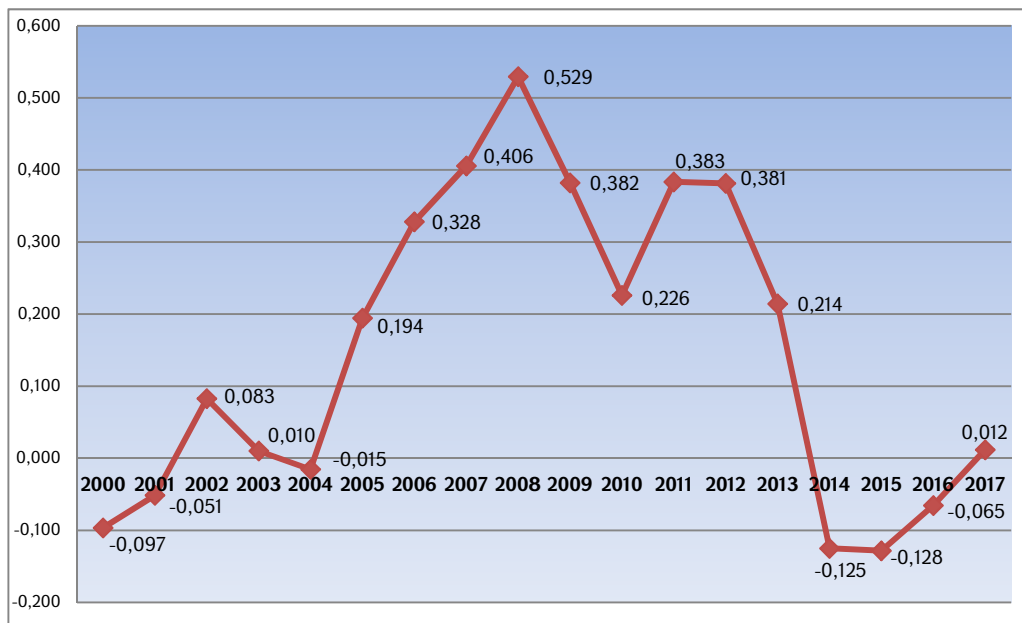
¹⁶⁵ Source of the data is calculations of the author based on data collected from the official site of State Statistics Service of Ukraine <http://www.ukrstat.gov.ua> (12.08.2018).

by civil society entities in state and non-governmental sectors should be equally assessed in terms of sectorial, regional and time measurements of these determinants. Since positive and negative trends impacted by the SIPS factors combined with their major measurements opt to predict the problems by avoiding their situational and hasty settlement.

The results of Ukraine's Stability Index of Political System (SIPS) measured from 2000 to 2017 are presented in Figure 6, and indices increased (0,012) in 2017 compared to 2000 (-0,097). Meanwhile, in the reporting period the highest SIPS indicator was recorded in 2008, and the lowest one in 2015. Consequently, socio-economic transformations adversely affected the SIPS in 2015 by causing its slopping down, but simultaneous improvements of PFI, EFI and SFI indicators impacted SIPS positively in 2017.

Figure 6

Stability Index of Political System (SIPS) in Ukraine
(2000-2017 years)*



* Source: calculations by the author.

During the reporting period, disagreements and conflicts, as well as procedures aimed at establishing a constructive dialogue and partnerships between the state and local self-government bodies, parties and CSOs, strongly influenced the SIPS.

Figure 1 and Figure 6 illustrate that the curve of SIPS climbed up in 2002 and 2005-2008. If the latter was relatively stable in 2011-2012, its growth measured in 2017 could be short-termed, including instability trends.

The improvement of the curve for 2005-2008 was supported by "procedures intended for modernization of crisis stages" that required political parties to more actively participate in activities aiming at promoting peaceful settlement of internal political crises. These are subsequently linked stages of the crisis with an involvement thereof the powers of the executive branch and parliamentary majority, and each of which is characterized by a qualitatively different stages of the regulation of social conflicts. In particular, the 2006-2007 crisis, which emerged after the 2006 parliamentary elections and as a result of discrepancies aroused when forming a coalition. On the one hand, it was very constructive when V. Yushchenko initiated All-Ukrainian round table discussions to overcome those contradictions. As a result, a Universal Declaration of National Unity (*Універсал національної єдності 2006*) was signed on August 3 2006. On the other hand, it was destructive when contradictions deepened in the Orange Coalition and the fact that the President supported the chairman of the Party of Regions V. Yanukovich in the position of the Prime Minister was disregarded. The succession of those crises ended with the 2007 extraordinary parliamentary elections and formation of a new government.

As it was mentioned, the highest SIPS indicator was recorded in 2008, despite the 2008 crisis, which was conditioned by Ukraine's foreign policy directions; nonetheless, it is very important for parliamentary parties to compete to clearly install "check and balance" system among the branches of the government. In this regard, European integration processes, as well as implementation of programs for development and deepening of relations with NATO were of great importance.

Figure 6 shows that SIPS curve had negative trends in 2000-2001, 2004 and 2014-2016. The SIPS fluctuations were conditioned by ups and downs of PFI, EFI and SFI, which are typical of systemic crises. A number of factors instigated them, namely: pre-election, electoral and post-election processes (2000-2001, 2014-2016), pre-revolutionary moods, revolutionary events and post-revolutionary expectations (2003-2004, 2013-2014), conflicts and tensions, discrepancies between the coalition parties (2016). Particularly, a decline in the SIPS curve in 2013-2014 reveals dichotomy of integration conflicts, interconnection of inter-political and geopolitical processes that threatened the country's military-political stability. They are mainly related to issues concerning Crimea's status, military operations in Donbas, independence of Donetsk and Lugansk districts and their self-organization, which are all softened by commitments undertaken within the framework of the EU EaP and the Association Agreement.

In 2016, a negative indicator of the SIPS curve was mainly caused by the problems of federalization and decentralization in Ukraine. Ethno-political tensions still exist; thereafter the transition of the power in 2014 and they continually threaten the country's security even after a temporary stopping of open acts of warfare in the southeastern region. Obviously, the issues of restoring and strengthening civilarchic stability throughout the country are urgent up to these days.

9.5 Regression analysis of the Stability Index of Political System

Arusyak Aleksanyan, Ashot Aleksanyan

Most influential variables of Political, Social and Economic Factors Index that significantly affected the stability of Ukraine's political system were disclosed by means of regression analysis.

According to data of the above-mentioned analysis, a significant relationship has been established between $SIPS_i^*$ and a number of political, social and economic variables.

Consequently, a significant relationship has been established between $SIPS_i$ and FDI as well as variables of civil disobedience and civil liberties:

$$Y' = 0,05x_1 - 0,048 \text{ (Adj. } R^2 = 0,709),$$

where Y' is the $SIPS_i$ ($SIPS$ is cleaned from the variable of FDI), and x_1 is the FDI.

$$Y' = -0,191x_2 + 0,684 \text{ (Adj. } R^2 = 0,478),$$

where Y' is the $SIPS_i$ ($SIPS$ is cleaned from the Index of Civil Liberties), and x_2 is the Index of Civil Liberties.

$$Y' = -0,101x_3 + 0,285 \text{ (Adj. } R^2 = 0,170),$$

where Y' is the $SIPS_i$ ($SIPS$ is cleaned from the variable of Civil disobedience), and x_3 is the Civil disobedience.

A significant relationship has been observed between $SIPS_i$ and Economic Factors which were included in the model, i.e. External trade turnover, Shadow economy and Domestic credit:

$$Y' = 0,003x_4 - 0,160 \text{ (Adj. } R^2 = 0,493),$$

where Y' is the $SIPS_i$ ($SIPS$ is cleaned from the variable of External trade turnover), and x_4 is the External trade turnover (\$ milliard).

$$Y' = -0,022x_5 + 1,081 \text{ (Adj. } R^2 = 0,336),$$

where Y' is the $SIPS_i$ ($SIPS$ is cleaned from the variable of Shadow economy), and x_5 is the Shadow Economy (% of GDP).

$$Y' = 0,003x_6 - 0,077 \text{ (Adj. } R^2 = 0,218),$$

where Y' is the $SIPS_i$ ($SIPS$ is cleaned from the Domestic credit), and x_6 is Domestic credit (% of GDP).

* $SIPS_i$ is the Stability Index of Political System cleaned from the corresponding independent variable during every paired regression analysis.

In view of Social Factors Index, a strong relationship has been established between Real wage, Gini index and Crime rate and SIPS_i:

$$Y' = 0,1x_7 - 0,038 \text{ (Adj. } R^2 = 0,321),$$

where Y' is the SIPS_i (SIPS is cleaned from the variable of Real wage), and x₇ is Real wage (\$100).

$$Y' = -2,689x_8 + 0,840 \text{ (Adj. } R^2 = 0,155),$$

where Y' is the SIPS_i (SIPS is cleaned from Gini index), and x₈ is Gini index.

$$Y' = -0,107x_9 + 1,296 \text{ (Adj. } R^2 = 0,419),$$

where Y' is the SIPS_i (SIPS is cleaned from the variable of Crime rate), and x₉ is Crime rate (per 1000 people).

According to regression analysis, variables of FDI, Civil Liberties and Civil disobedience have a significant impact on SIPS_i in Ukraine. Particularly, increase in FDI with \$1million will lead to SIPS_i growth by 0,05 units.

In reference to civil disobedience indicators, one unit increase will decrease SIPS_i by 0,101 units. This is explained by the fact that opposition parties, CSOs, initiatives implemented by human rights defenders and other public associations organize peaceful assemblies, rallies and protest. Under the conditions of hybrid regime, they imply crises, interpolitical clashes and threats to cause instability in the country.

Reinforcement of civil liberties and their complete protection is among the urgent issues that Ukraine is facing and it is very important to safeguard sustainable development of the country. In this regard, one unit increase in the index of Civil Liberties will entail SIPS_i improvement by 0,191 units.

Volumes of External trade turnover, Shadow economy and Domestic credit have an important influence on political stability of Ukraine. Hence, increase in External trade turnover with \$1 million will influence the SIPS_i growth by 0,003 units, whereas 1% decline in volumes of Shadow economy will improve SIPS_i with 0,022 units.

In view of SFI of the SIPS, Domestic credit is implemented in all spheres of economy. Accordingly, 1% increase in the latter will lead to SIPS_i growth by 0,003 units.

In reference to social factors of SIPS, Real wage, Gini index and Crime rate are one of the most influential ones that significantly impact the political stability of the country. Particularly, \$100 increase in Real wage will grow the SIPS_i by 0,1 units, meanwhile, reduction in Gini index by 0,1 units will improve SIPS_i by 0,3 units. Crimes impede the processes aimed at extermination of social stratifications and establishment of justice and respectively, one case reduction per 1000 people will lead to SIPS_i growth by 0,107 units.

In order to improve SIPS indicators and to promote and ensure stability in Ukraine, it is crucial to pay thorough attention to the above mentioned political, economic and social issues. For the stability of the country's political system it implies a complementarity of norms and values, culture, as well as civilisarchic relations between the state, institutions, groups and individuals through which more favorable conditions for progress and integration will be created and formed.

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Abbreviations

CSOs	Civil Society Organizations
EaP	Eastern Partnership
EFI	Economic Factors Index
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HDI	Human Development Index
NATO	North Atlantic Treaty Organization
PFI	Political Factors Index
RF	Russian Federation
SFI	Social Factors Index
SIPS	Stability Index of Political System
USA	United States of America
WTO	World Trade Organization

CHAPTER 10.

MOLDOVA'S DESTRUCTIVE DILEMMA: IN THE CROSSROADS OF THE WEST AND EAST

CAROLINA DODON

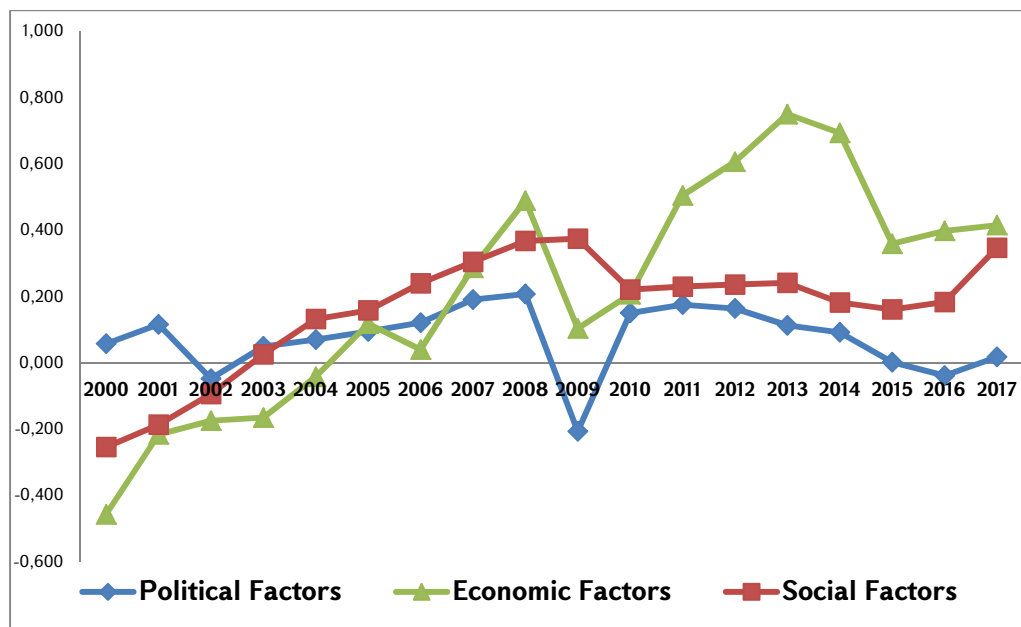
The transformation of the political system of Moldova since independence, as well as domestic and foreign policy problems are rooted in the period of collapse of the USSR and in the political order laid in the foundation of modern statehood.

The poorest (*Nag 2017*), least visited by tourists (*Traveler's Digest 2014*), and with the lowest rank in Human Development Index (*UNDP 2016*) country in Europe is bordered on the western side by Romania (European Union) and by Ukraine on the east side. The Republic of Moldova became independent in 1991 after the sunset of Soviet Union. During 27 years of independence, Moldova has confronted and still confronts a wide range of challenges: the Transnistrian war, the 7th of April political revolution in 2009,¹⁶⁶ migration issues and the unsolved bank robbery are just some examples of what Moldova faced. The political, social and economic development in the time span 2000-2017 is presented in the following chapter, as well as their effects on the Stability Index of Political System.

¹⁶⁶ The revolution began after the announcement of parliamentary elections results on 6th of April in 2009. Communist Party of Moldova won approximately 50% of votes. After the protests, Moldova held new elections. More information is offered in the 10.2 subchapter.

Figure 1

Indices of Political, Economic and Social Factors of the stability of Moldova's political system in a span of 2000-2017*



* Source: calculations by the author.

Indices of SIPS factors are comparable only by the trends.

Table 1

**Indices of Political, Economic, Social Factors and Stability Index of Political
System of Moldova in the time span of 2000-2017***

Years	PFI	EFI	SFI	IPS
2000	0,058	-0,457	-0,254	-0,113
2001	0,116	-0,216	-0,186	-0,024
2002	-0,048	-0,174	-0,094	-0,080
2003	0,050	-0,165	0,026	0,010
2004	0,070	-0,042	0,132	0,072
2005	0,095	0,118	0,158	0,117
2006	0,122	0,040	0,240	0,145
2007	0,191	0,287	0,305	0,239
2008	0,208	0,490	0,368	0,298
2009	-0,207	0,104	0,375	0,014
2010	0,151	0,207	0,221	0,180
2011	0,176	0,505	0,230	0,241
2012	0,164	0,607	0,236	0,252
2013	0,113	0,750	0,242	0,247
2014	0,092	0,694	0,182	0,209
2015	0,002	0,359	0,161	0,104
2016	-0,038	0,398	0,184	0,094
2017	0,018	0,416	0,347	0,177

* Source: calculations by the author.

PFI, EFI, SFI and consequently SIPS indices calculated on them may insignificantly vary in comparison to the indices of corresponding years estimated in previous publications as a result of updated and newly inserted data as well as changes of minimum and maximum indices.

10.1 The pawns in the Moldovan political chessboard since independence until nowadays

Moldova is often defined as a “procedural democracy” meeting some of the criteria defined by Robert Dahl regarding “substantive democratic process” (Dahl 1990). Moldovan politics is rather unstable and challenging, dealing with the pro- Russian autonomous region Gagauzia (Stratan and Aleqsandr 2018), with the frozen conflict – Transnistria (OSCE n.d.), with changes of power and constitution, and since its independence, Republic of Moldova has had 19 Cabinets of Ministers. The economic crisis and the neglect of human rights have instigated more and more people to emigrate (IOM n.d). Moreover, political elites split between west and east, so does the population. The debates between pro-Europe and pro-Russia is a never-ending game that leads to instability and destruction.

The Republic of Moldova has a parliamentary form of government, where the presidents were directly elected from 1991 to 2001, but it later moved to an indirect election system from 2001 until 2016, and after changed again to a direct election¹⁶⁷. After the independence Mircea Snegur was the first President elected directly by the population on the 8th of December 1991 (Nohlen and Stöver 2010, 1330). In 1996, Petru Lucinschi won the presidential election, defeating Mircea Snegur in the second round (Nohlen and Stöver 2010, 1343). Petru Lucinschi proposed the Parliament to strengthen President's powers. The Parliament rejected his proposal, moreover voted in favour of a parliamentary system, reducing the presidential role and making him more accountable to parliament. As a result of the 2000 changes in the constitution, the President is elected by the parliament and this leads to a significant change in the political arena in Moldova. The PFI was registered with 0,058 points in 2000 while next year it doubled, scoring the highest indicator since the independence to 2001 due to the lowest level of civil disobedience. In this year,

¹⁶⁷ Source is the official site of the Central Election Commission of the Republic of Moldova: <http://www.cec.md/index.php?l=en> (11.08.2018); OSCE Final Reports on Elections in Moldova: <https://www.osce.org/odihr/elections/moldova> (11/08/2018).

the Communist Party of Moldova won by the crushing majority in the early parliamentary elections and Vladimir Voronin was elected President¹⁶⁸. However, in 2002, due to the increased level of civil disobedience and the decline in Political rights indicator (Freedom House, Political Factors Index was reduced and reached the lowest level (-0,048) from 1995 to 2008. The Communist Party disregarded the opposition, human rights, and civil society. Moreover, it adopted a decision regarding the Moldovian language instead of Romanian, also Moldavian history instead of Romanian. The ignorance of the leading party and the strong nationalistic desires of some portion of the population triggered massive protests from February to April 2002. Later, 150 journalists took the protesters side, while the Interior Affairs Minister Vasile Draganel and the Minister of Education resigned both in the same week, claiming that their decision had no connection with the protest (*Libertatea.ro* 2002). During the protests, the ruling party blamed Romania for involving in the national affairs of Moldova (*Adevarul* 2002). The protesters managed to keep the Romanian history in schools, but failed to make Romanian as a national language.

The PFI continuously increased from 2003 to 2008 due to a low level of civil disobedience. During the same time span, it registered a boost in FDI (Foreign direct investments), which also stated and proved the increase in political stability in Moldova. 2005 parliament elections were held in March in Moldova, with 64,84% of the turnout. The Communist Party won 56 seats out of 101 in Parliament.¹⁶⁹ This was enough to form the government, but not enough to choose the President (61 votes were required). President Vladimir Voronin was re-elected with the support of the Christian Democratic People's Party and the Social Liberal Party. Vladimir Voronin acknowledged the challenges after the elections, as well as threatening examples of "Orange Revolution" in Ukraine, or "Rose Revolution" in Georgia; hence, he agreed to be open to civil society for dialogue, to govern in a democratic way and turn to

¹⁶⁸ See *ibid.*

¹⁶⁹ See *Ibid*; Association for Participatory Democracy "ADEPT" website: www.e-democracy.md/en/elections/parliamentary/2005/ (08.07.2018).

European Union. However, in 2007 Communist Party lost the election in the capital of Moldova – Chisinau, which implied the end of agreements between the Communist Party and the opposition and the beginning of political harassments. The Communist Party amended the Electoral Code banning election blocks, additionally, they adopted a new Law on Political Parties¹⁷⁰ calling for re-registration for all existing political parties. This made the opposition shaky and divided prior to 2009 parliamentary elections. The Venice Commission and the Office for Democratic Institutions and Human Rights (ODIHR/OSCE) drew the attention in a joint opinion that a 6% threshold combined with a ban on political alliances would lead to a large number of votes cast, recommending the annulment of those provisions. On 3 December Moldova's incumbent President Vladimir Voronin stated that the reduction in the electoral threshold was not necessary and added that in other countries, such as Russia and Turkey, that threshold was even higher.

The critical point for a democratic Moldova was on the 5th of April 2009, during the parliamentary elections with 57,55% turnout and the Communist Party of Moldova got 60 mandates.¹⁷¹ Even though the election were conducted according to most of the international standards, the opposition created from Liberal Party, Liberal Democratic Party and "Our Moldova" Alliance together with a majority of the population did not recognize the election as fair and legal. A massive protest flared all over the country, but mainly in Chisinau. On the 6th of April, after the official results were announced "The Hyde Park" Public Association and Think Moldova - declared the "National Day of Mourning" and called on everybody to gather together to light candles in this respect. Due to social media and text messages soon 15,000 participants participated in the protest. The same day, Vlad Filat, the leader of the opposition Liberal Democratic Party joined the protest and urged the crowd to return the next

¹⁷⁰ The law on political parties no. 294-XVI of 21.12.2007.

¹⁷¹ Source: the official site of the Central Election Commission of the Republic of Moldova: <http://www.cec.md/index.php?l=en> (11.08.2018); OSCE Final Reports on Elections in Moldova: <https://www.osce.org/odihr/elections/moldova> (11/08/2018); Association for Participatory Democracy "ADEPT" website: <http://www.e-democracy.-md/en/elections/parliamentary/2009/> (08.07.2018).

day. Liberal Party together with the alliance “Our Moldova” did not recognize the results of the elections and joined the protest. On the 7th of April, the protest continued leading to the destruction of the Presidential and Parliament building. A European Union and Romanian flags were raised on the buildings. Violence escalated between protestors and the police. The President Voronin came up with a statement in Russian accusing the demonstrators of fascism. During the protest, online media and the mobile phone network was blocked. In the night between 7 to 8 April the police used guns and arrested almost 200 students and journalist and ill-treat them in the police station. In connection with this, the opposition from Chisinau made some press statements on April 9, accusing the communist power of provoking the social unrest in Moldova. The protests continued the next days but in a peaceful way (*Ziarul de Garda* 2017). All those events had a crucial influence on the political stability in Moldova conditioning the deepest decline in Political Factors Index in the observed period (see Table 1, Figure 1).

The further negative impact on the political stability of Moldova was due to the constitutional crisis. On the 3rd of June 2009, the Parliament of Moldova was dissolved as it failed 2 times to elect the President. On the 29th of July early parliamentary elections were held with 58,82% turnout.¹⁷² The Communist party obtained 48 out of 101 mandates. The opposition created the Alliance for European Integration and together they assured the majority in the Parliament with 53 seats. Nevertheless, those 53 seats were not enough to elect a new President, as the Article 78 of the Constitution stipulates the need of 61 votes. Art 85-3 of Moldovan Constitution bans the possibility for second dissolution of the parliament and new election in the same year. This put the member of the parliament and the Alliance for European Integration in a very challenging situation that led to internal conflicts. On 15 March 2010, the Venice Commission responded to the Constitutional Court stating that Moldovan legislators had to amend Article 78 of the Constitution through legislative negotiations and decide with a new date for election before 16th of June. Taking into consideration the Venice Commission recommendation, the parliament

¹⁷² See Ibid.

agreed to dissolve itself and have elections in November. The elections in November 2010 had 5% more turnout than the previous elections, constituting 63,37%.¹⁷³ In addition, during the elections Diaspora was as never before active, with 64,200 voters. Mainly, Diaspora from Italy, Romania, Russia, USA, Spain, Greece and France voted. The Communist Party this time got even fewer mandates, precisely 42. Vlad Filat's Party got 32, the Democratic Party 15 and Liberal 12 mandates. Two weeks later the presidential election was held, but eventually failed. A second attempt was made a year later; the voting was labelled unconstitutional, as it was not held by a secret balloting. Finally, on 16th of March, an independent candidate Nicolae Timofti was elected a new President of Moldova with 62 votes. After 3 years without a President, thereby entailing huge political crisis and challenges, Moldova managed to stabilize its political situation. The population supported the Alliance for European Integration, which took considerable steps towards west integration. To show its determination for European Integration the Alliance organized huge manifestations in Chisinau before the summit in Vilnius, Lithuania where it had hopes to sign an Association Agreement with EU (*Euronews* 2013). More than 117,000 people joined the "ProEurope" demonstration. In 2013 European Union Association agreement was initiated in Brussels and in 2014 it was signed together with Georgia and Ukraine.¹⁷⁴ This led to Visa-Free Regime and a Free Trade Agreement.

Nonetheless, the 2014 was not the best year in the history of the country. In 2014 \$1 billion vanished from three leading Moldovan banks, as these banks were administrated by the National Bank of Moldova, the loss was covered from the state's budget. This brought the poorest country in Europe to be even poorer, and the people's standard of living decreased. Mass protests arose in the capital of Moldova, where people were condemning corruption and the irresponsibility of the government. A group of journalists and activists from

¹⁷³ See Ibid.

¹⁷⁴ For more information, check the European External Action website: http://collections.internetmemory.org/haeu/content/20160313172652/http://eeas.europ.eu/top_stories/2014/270614_association_agreement_en.htm (08.07.2018).

Moldova created a new opposition called “Dreptate si Adevar” (Dignity and Truth). The protest was nicknamed as Moldovan Maidan due to recent events in the neighbouring country Ukraine. The Socialist and Communist Party also joined the protest, even though half of the demonstrators were pro-European and half pro-Russian, they had the same goal: the resignation of the government, arrests of corrupted politicians and oligarchs and a conduct of early elections. In 2015, the PFI decreased on the grounds of civil disobedience. Everything started with farmers’ protest in March, in April tens of thousands of people responded to the “Dignity and Truth” platform call and joined the protest asking the Prime Minister Gaburici to leave the cabinet. Gaburici resigned in June, after an investigation proving that he falsified his diploma. On May 3th the protests continued with 50,000 people demanding the political elites to investigate the bank fraud. In July, at the initiative of Platform Action 2012, a new protest with 30,000 participants took place with the message to unite with Romania, which seemed the only solution to the political and economic crisis in Moldova. The same year, in fall, the platform “Dignity and Truth” organized a new protest, calling for the President to resign, also for early elections and recognition of the General Prosecutor. A week later, another protest took place with 20,000 demonstrators and continued until November. During the protest, the “Dignity and Truth” Platform announced the plans to create a political party (*Adevarul 2015*).

Vlad Filat, the President of the Liberal Democratic Party of Moldova was arrested and sentenced to 9 years in jail due to corruption and implication in the bank fraud (*RFE/RL 2016*). In response to the \$1 billion bank fraud, the EU, IMF and World Bank have frozen the financial assistance to Moldova (*BBC News 2015*).

A new political crisis hit Moldova. The oligarch and politician Vlad Plahotniuc succeeded in creating a majority in the parliament with bribing deputies. This majority supported Plahotniuc as the Prime Minister of Moldova. The President Timofti rejected his candidacy and asked the parliament to propose someone else. Nevertheless, the parliament insisted on Plahotniuc's candidacy, creating a constitutional conflict. Then the protests rose again. The

Parliament proposed another candidate Pavel Filip from the same Democratic Party that Plahotniuc belonged to and his candidacy was accepted. During the voting, a huge protest was taking place in front of the Parliament building, demanding the voting to stop. The protesters managed to get inside. The police responded with intense force and they clashed. 30 people suffered from contusion during the protest (*ProTV 2016*).

In 2016, the third deepest decline in PFI was registered within the observed period. The civil disobedience was still present; in addition, FDI decreased by 73% and 58% compared to 2014 and 2015, respectively. In this year, Moldova had to elect a new President. The Constitutional Court declared that the decision taken back in 2000 regarding the indirect election of the President was unconstitutional, and the people had to elect their President directly.¹⁷⁵ In the second round of the election, Pro-Europeans were represented by Maia Sandu, the President of Action and Solidarity Party active during the 2015 protests and pro-Russian was the President of Socialist Party-Igor Dodon. Igor Dodon won the election with 52,11%.¹⁷⁶ The Constitutional Court decided 3 times that he was unable to exercise his duties for failing to swear several ministers. The President proposed the mixed voting system for 2018 parliamentary elections, after the uninominal vote proposal by the government coalitions.

At the end of 2018 parliamentary elections will take place and this will be a crossroad for Moldova situations overall (*Agora 2017*).

The frozen conflict with Transnistria (Trans-Dniester) has adversely affected the political stability of Moldova since independence.* Prior to this

¹⁷⁵ See the full judgment of the Constitutional Court of Moldova <http://www.constcourt.md/libview.php?l=en&id=759&idc=7&t=/Media/News/Constitutional-Court-of-Moldova-has-restored-the-right-of-citizens-to-elect-the-President/> (08.07.2018).

¹⁷⁶ Source: the official site of the Central Election Commission of the Republic of Moldova: <http://www.cec.md/index.php?l=en> (11.08.2018); OSCE Final Reports on Elections in Moldova: <https://www.osce.org/odihr/elections/moldova> (11/08/2018); Association for Participatory Democracy "ADEPT" website: <http://www.e-democracy.md/en/-elections/presidential/2016/> (08.07.2018).

* Transnistria is an unrecognized country located between Dniester river and the Ukraine border. With the population of 530 000 and Tiraspol capital, it broke away

conflict, Moldova did not have any other similar in its history. Abkhazia, Nagorno-Karabakh, and Chechnya, for example, have had a long history of several decades and were mostly focused on ethnical conflicts, while in case of Moldova, the end of USSR led to the division of the territories within Moldova, as new Moldovan government adopted a legislative act regarding nationalist agenda (*Kolstø, Edemsky, and Kalashnikova 1993, 973 – 1000*). In comparison to other post-Soviet conflicts, this one is the most internationalized.

In spring of 1992, separatists from Transnistria influenced and fed by the Russians, who wanted (and still want) to keep control of this area, were grouped and started reprisals against the Moldovans. On the night of the 1st to 2nd of March 1992, the Transnistrian guards and the Cossack units attacked the Dubasari police station, which was under Chisinau control. This marked the beginning of Trans-Dniester war, a war in which, Moldova practically entered without an army, and defended itself by using police forces (*Filip 2011, 50-57*). Transnistria had a lot of support from Russia, especially the 14th Army that was immensely superior to the Moldovan one. Moldova did not have any chance to win the war in such an unbalanced game (*Bremmer and Taras 1997, 316-49*). In July, the war was concluded by a ceasefire trilateral agreement between the Republic of Moldova, Transnistria, and Russia (*Government of Republic of Moldova n.d.*).

Even after the ceasefire, “Russia continued to provide the separatist regime with military, political and economic support, allowing it to survive and giving it a certain degree of autonomy vis-à-vis Moldova” (*Urse 2008, 9*). The OSCE has an on-site observation mission for many years and is trying to guide the conflict settlement negotiations. The Russian troops are still stationed in Moldovan territory, despite Russia's obligations at the 1999 and 2001 OSCE summits (*Frintasu 2005*).

from the Republic of Moldova in 1992. Unrecognized currency, constitution, flag, national anthem does not stop Trans-Dniester to have its own government, parliament, military, and police. The separatist semi-presidential republic is de facto independent, even though it was not recognized by any UN country (*Bahcheli, Bartmann, and Srebrnik 2004, BBC News 2016*).

The events concerning the conflict in Transnistria are aimed at enforcing the process of consolidation of an independent and sovereign Moldovan state. Even though there are no military actions on the territory of the Republic of Moldova, there are various consequences, such as territorial disintegration (*Wilson 2015*).

10.2 Economic Gamble Game - Agriculture

According to the collected data, the Economic Factors Index (EFI) of the SIPS has an uneven trend (see Table 1, Figure 1). The lowest index was registered in 2000, while the highest one in 2013. Meanwhile, the sharpest downfalls in the observed period were indicated in the years of 2009 and 2015. The year of 2009 was influenced by an economic and political crisis (7th of April Revolution), whereas 2015 was the year when Moldova tried to rehabilitate from the loss of 1 billion dollars from three Moldova's leading banks. As it was mentioned Moldova registered a thrilling economic performance in 2013, with 8,9% growth in gross domestic product (GDP). However, the improvement was stipulated by the recovery of an agricultural sector after the 2012 severe drought, while the fundamental economic growth engines remained amorphous: slow growth in investments, exports, and migration denote a non-sustainable model of Moldovan economy development.

The Republic of Moldova is an agrarian country and its industrial sector is also connected to agriculture (production of food/beverages/tobacco). 74% of the territory of the Republic of Moldova are agricultural lands. 73% of the total arable land is chernozem, a type of soil full of humus, which has a high degree of fertility (*Prohntichi 2010*). The remarkable soils of Moldova are not able to provide food security to its population or become an important regional exporter of food products, mostly due to the difficulty to forecast the climate conditions, but also, due to the human factor, its soils have worsened considerably. Additionally, high level of corruption plays a crucial role in the business confidence. Either “geography” or “institutions” explain the reasons

for underdevelopment and transformation failures in economy, due to certain approaches in the professional literature. This means that there are countries, rich in natural resources, which fail to develop an institutional framework, while the countries with efficient economic reforms fail due to the lack of natural resources. Moldova is a mixture, i.e. the limited number of natural resources “has allowed the country to advance in institutional reforms; at the same time, institutional progress has so far failed to reduce the agricultural specialization of the economy (already present in the Soviet Union), limiting potential development” (*Libman 2007*).

Moldova started its economic transformation in 1990. By 1992 it already liberalized the prices, trade and enterprise operation. In 1993, with the help of World Bank and IMF, an extensive program for transformation and stabilization was introduced (*Dabrowski 2003*). Additionally, in the same year, the Moldovan leu was established, following the collapse of the Soviet Union. In 1994, in the new Constitution, Moldova was defined as a country with a “market economy.” In the same year Moldova, being the first among the post-Soviet country, was admitted in the Council of Europe and signed the Partnership and Cooperation Agreement with the European Union.¹⁷⁷ In 1995, the stock exchange started its operation. From 1995 till the end of 1999 Moldova’s economic development slowed down. On the one hand, due to internal difficulties, i.e. fiscal volatility, and on the other hand, due to external factors, such as currency crises in Russia and Ukraine (*Dabrowski 2003*).

After a long decline, from 2000 Moldova has started to recover, especially the inflation rate was reduced from 43,7 % in 1999 to 18,4% in 2000. For the next 5 years, Economic Factors Index of Moldova registered a constant growth (see Figure 1). Firstly, due to favourable climate conditions in these years. Secondly, its trade partners (Romania, Ukraine, and Russia) also registered a significant economic growth. And thirdly, the currency crisis at the end of 1998 helped to correct serious domestic and external imbalances (*Jarocinski 2000*).

¹⁷⁷ See the Partnership and Cooperation Agreement. Full text signed on 28 November 1994 by the European Union and the Republic of Moldova http://trade.ec.europa.-eu/doclib/docs/2007/august/tradoc_135737.pdf (15.07.2018).

According to the Index of Economic Freedom by the Heritage Foundation, Moldova's economy is mostly unfree, with its higher score 60 in 2003, while in 2018 it registered 58,4 points, which is lower from the world average equivalent to 61,1 (*Miller, Kim, Roberts 2018, 5, 70, 298-299*).

The year 2006 was again marked by a decline, this time due to the “wine crisis”. In March 2016, Russia suspended Moldovan wine imports on the grounds of poor and even harmful quality, while political analysts considered this a response to the introduction of the new customs regime by the Republic of Moldova in the Transnistrian segment of the Moldovan-Ukrainian border (BBC.co.uk 2006). Additionally, in this year Gazprom began to rise the price of natural gas. If in 2005 the average import price constituted 76 dollars per thousand cubic meters, in 2009 it reached 263,9 dollars (*Interlic 2010*). The EFI decline in 2006 was also conditioned by the increase in inflation (14%) and shadow economy (43,8% of GDP) (*Medina & Schneider 2018, 65, 73*).

Moldova is ranked among the economies with the highest share of remittances in terms of GDP. The remittances have a critical impact on the economic growth of Moldova, unlike FDI, external trade and other sources of income. In 2009, the remittances of foreign currency from Moldovans working abroad fell to half due to the 2008 – 2009 global economic crisis. This led to a billion-dollar budget hole, non-payment of wages and more intense political and social tensions. Moldova registered its highest budget deficit (-5,9%) from the 2000s (*Bodeanu 2009*).

From 2010, Moldova registered a strong economic development. Nevertheless, it remained far below its potential level, which denoted the shortcomings of its economic growth model, especially due to modest investment activity or technological innovations. External factors as remittances fueled the growth (*Lupusor 2013*).

Moldova's economy had a powerful economic growth in 2013, registering the highest amount of trade 7,920 billion USD¹⁷⁸ in its history. The favourable

¹⁷⁸ See the official site of National Bureau of Statistics of the Republic of Moldova // Statistical databank, External trade by groups of countries, 1997-2017 <http://statbank-statistica.md/pxweb/pxweb/en/40%20Statistica%20economica/40%20Statistica%20e->

weather led to this performance, but for next 2 years Moldova registered economic decline since the agricultural sector was not able to reproduce its performance from 2013. The difficult and uncertain situation in Ukraine and economic struggles from the EU and the CIS also catalyzed this decrease.

During 2015-2016 Moldova faced several economic and financial shocks: decapitalization of the banking sector by about 12% of GDP, bankruptcy of three banks that accounted for one third of the banking system assets, reduction in one third of foreign exchange reserves, depreciation by one fourth of the national currency, double-digit inflation and an increase in the state debt (*Lupusor 2016*).

Nevertheless, the Moldovan economy returned to a modest growth for 2016-2017, after the dramatic decline in 2015. Even though its development partners froze or even cancelled their support and investment, the GDP increased with 4,3% in 2016 and it kept increasing also in 2017 due to the good harvest and stable private consumption (*Ministry of Economy and Infrastructure 2017*).

The Republic of Moldova has a huge agricultural potential, with a low unemployment rate, cheap labour, and open economy; hence, it can easily attract foreign investments. Nevertheless, the corruption, weak governance, and the prominent size of the informal sector have a negative impact on its potential and economic stability.

10.3 Social instability: a never-ending game

According to the collected data, Social Factors Index (SFI) of the SIPS has a positive trend and continuous growth in the first half of the observed period (2000-2009). The positive trend was disrupted by a sharp drop in 2010 and a consistent decrease in 2014 and 2015. The highest value was indicated in 2009

(see Figure 1, Table 1). If in 2009 the real wage was \$247,8 it dropped to \$223,7 in 2010 and to \$221,2 in 2015. Additionally, fewer people were employed in this period: in 2010 the employment rate decreased from 40% to 38,5%.¹⁷⁹ In 2010 consequences of financial-economic crisis from 2009 were found, while 2014-2015 were difficult years for Moldova due to internal reasons: political instability and the bank robbery of 1 billion dollars.

Due to lack of opportunities and an effective economy, more and more Moldovans have decided to migrate. Approximately, from 600 thousand to 1 million Moldovan citizens are working abroad, mainly illegally; this constitutes approximately 25% of the population (*Jandl 2003*). 65% of migrants are women. Moldova also deals with problems with trafficking in human beings, from 2000 to 2013, the official number of registered cases constituted 3,194, while unofficial counting was several times higher. Besides, due to migration, 41,000 children are left in Moldova without at least one of their parents (*IOM, n.d.*). Other consequences of the poor economy are the children who abandon the schools and the farmers who work at subsistence level.

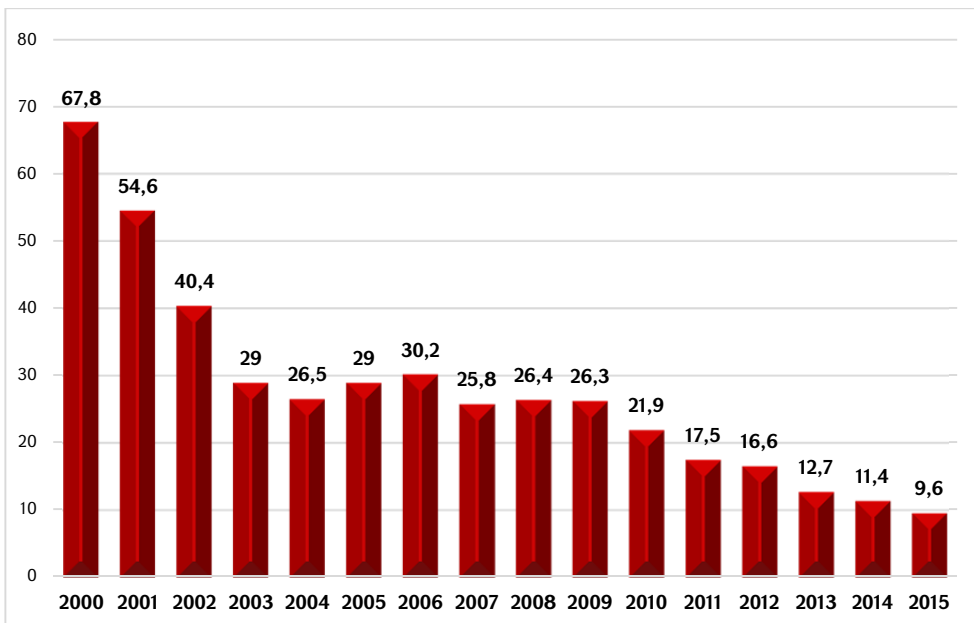
A phenomenon of poverty in Moldova is very complicated. On the one hand, it is due to an ineffective division of land plots after the 1991 independence. The farmers received plots most under 2,5 hectares that were not only economically/financially feasible, but they weren't allowed to apply progressive technology instead of manual labour. On the other hand, Moldova also faced difficulties to export its agricultural goods. Until recently Russia was Moldova's main trading partner, but the former was constantly imposing sanctions in order to exert political pressure. Moldova was exporting 90% of apples to Russia before the 2014 embargo (*Reesor 2017*). And last, but not least, Moldova has a feeble social system. The country's social protection system has 15 benefits and services. Only one out of the whole package is intended for the poor population. Due to the high level of corruption, the money, allotted to

¹⁷⁹ See the official site of National Bureau of Statistics of the Republic of Moldova // Activity, employment and unemployment rates by sex, area and quarters, 2000-2018 http://statbank.statistica.md/pxweb/pxweb/en/30%20Statistica%20sociala/30%20Statistica%-20sociala__03%20FM__03%20MUN__MUN010/MUN010200.px/?rxid=b2ff27d7-0b96-43c9-934b-42e1a2a9a774 (20.07.2018).

the mentioned stratum, are not always spent on the poor. Poverty Report of the Republic of Moldova reveals that 17% of social assistance is used inadequately (*Ministry of Economy of the Republic of Moldova 2012*). From 2000, Moldova registered tremendous results regarding poverty reduction from 68% in 2000 to 9,6% in 2015 (see Table 2). Nevertheless, the inequality between rural and urban is still preserved. The 26,8 GINI index score doesn't reflect the imbalance between the two areas (*BTI 2018*). As stated in UNDP's Human Development Index, Moldova's standard of living did not change considerably, by scoring 0,652 in 1990 and 0,699 in 2015.¹⁸⁰

Figure 2

Poverty rate in Moldova, 2000-2015 (%)¹⁸¹



¹⁸⁰ See the United Nations Development Programme website // “Moldova (Republic of) Human Development Indicators” <http://hdr.undp.org/en/countries/profiles/MDA> (20.07.2018).

¹⁸¹ See the World Bank website // “Poverty headcount ratio at national poverty lines (% of population)” <https://data.worldbank.org/indicator/SI.POV.NAHC?locations=MD> (20.07.2018).

Additionally, demographic challenges are also present in Moldova: the aging population, high level of mortality and low level of fertility (*United Nations in Moldova, n.d.*). From 2007, Moldova has had a negative growth rate, varying from -0,07% to -1,05%.¹⁸²

Another problem conditioned by social situation in Moldova is that women are still discriminated in Moldova. They depend economically on men (the wages and pensions are lower compared to men's), face and endure domestic violence and are underrepresented in public offices. According to the Gender Inequality Index Moldova is ranked 50 out of 155 countries, proving the presence of the gender gap (*BTI 2018; Cheianu-Andrei 2015*).

The educational system in Moldova is efficient. The literacy rate is 99,4% (*UNESCO 2018*). Unfortunately, due to the lack of job opportunities in Moldova, this potential is wasted. Most often, youth with bachelor, master or even doctoral degrees migrate and work abroad at unqualified jobs (construction, cleaning, etc.) (*Calcea 2014*). Moldova failed to harness the educated people's potential.

25% of the Moldovan population are ethnic minorities (Russian, Ukrainians, Gagauz, etc.).¹⁸³ Nevertheless, tensions are rarely identified in the population, in comparison with the official political level, where the ethnic differences are always on the agenda. This does not apply to the Roma community. They continue to be marginalized, underrepresented in political decision-making processes, and have higher levels of illiteracy and social prejudice (limited access to education, health, and labour market) (*U.S. Department of State 2016*).

Today, Moldova faces a wide range of social difficulties: poverty and weak social system are just some of them, while populist politicians have short-term goals oriented just for the election results, masking the real problems the country endures.

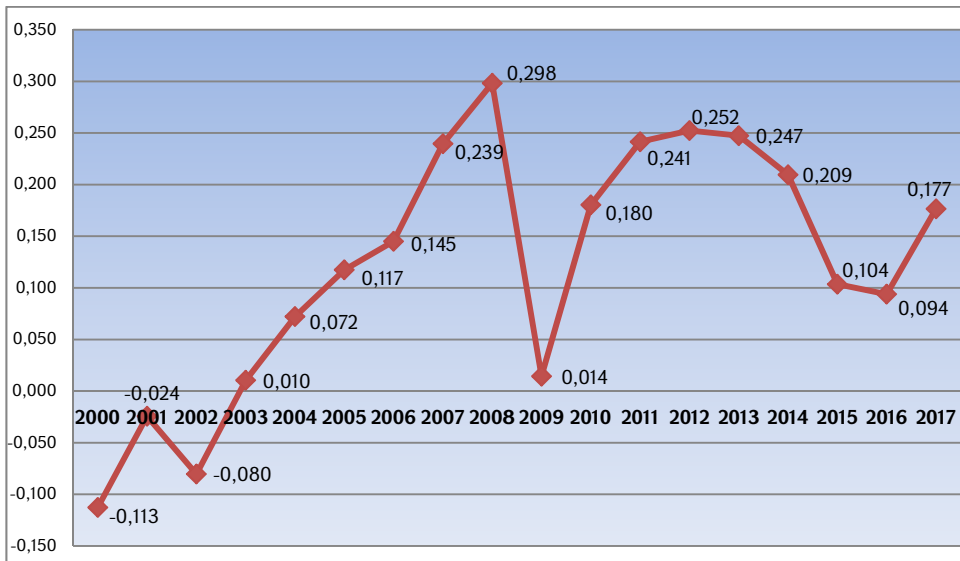
¹⁸² See the Indexmundi website // "Population growth rate" <https://www.indexmundi.com/g/g.aspx?c=md&v=24> (20.07.2018).

¹⁸³ See the official site of National Bureau of Statistics of the Republic of Moldova // Population and Housing Census in the Republic of Moldova, May 12-25, 2014 <http://www.statistica.md/pageview.php?l=en&idc=479> (20.07.18).

10.4 Development trends of Stability Index of Political System

Figure 3

Stability Index of Political System (SIPS) in Moldova
(2000-2017 years)*



The SIPS trends are presented in Figure 2 for 2000-2017 years. Positive tendencies with continuous increase in SIPS were reflected from 2002 to 2008 and 2010 to 2012. Meanwhile, 2009 showed the sharpest downturn in the researched time span, as a result of PFI and EFI decrease. In 2009, Moldova registered the biggest budget deficit and the highest level of civil disobedience (7th of April Revolution) in the observed period.

The shortwave of SIPS growth was observed between 2010-2012 years, considering the accelerating increase in EFI in the same period, and roughly stable PFI and SFI.

Between 2013 and 2016 Moldova faced constant declines in SIPS. During this period \$1 billion were vanished from three of Moldova's leading banks,

* Source: calculations by the author.

decreasing the EFI in the time span 2013-2015, which basically led to a sharp decline in SIPS in 2015. The PFI also diminished, caused by the abundant number of protests against the government and following presidential elections, where a pro-Russian candidate won.

The 2017 seemed to be promising on all areas: namely, PFI, SFI, and EFI, and, as a consequence, the SIPS started increasing. The FDI doubled, the budget deficit decreased twice compared to the previous year and the GDP registered the highest amount from the independence of the country.

10.5 Regression analysis of the Stability Index of Political System

Arusyak Aleksanyan, Carolina Dodon

The regression analysis denotes those variables which significantly impact the SIPS in Moldova.

A major relationship has been established between $SIPS_i^*$ and Foreign direct investments** (FDI), Civil Liberties and Corruption Perceptions Indices, which are the factors of the PFI:

$$Y' = 0,001x_1 - 0,022 \text{ (Adj. } R^2=0,486\text{),}$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the variable of Foreign direct investments), x_1 is the Foreign direct investments (\$million).

$$Y' = -0,172x_2 + 0,683 \text{ (Adj. } R^2=0,355\text{),}$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the Index of Civil Liberties), x_2 is the Index of Civil Liberties.

* $SIPS_i$ is the Stability Index of Political System cleaned from the corresponding independent variable during every paired regression analysis.

** The variable of Foreign direct investments has been included in the political factors as it is one of the most important and sensitive indicators to measure political stability. Fluctuations in political stability have a direct impact on the volume of investments within a very short period of time.

$$Y' = 0,234x_3 - 0,585 \text{ (Adj. } R^2=0,328),$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the Corruption Perceptions Index), x_3 is the Corruption Perceptions Index.

A considerable relationship has been established between $SIPS_i$ and SFI, which are as follows: GDP, External trade turnover, and Shadow economy:

$$Y' = 0,017x_4 - 0,129 \text{ (Adj. } R^2 = 0,626),$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the GDP), x_4 is the GDP per capita (\$100).

$$Y' = 0,05x_5 - 0,127 \text{ (Adj. } R^2 = 0,756),$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the variable of External trade turnover), x_5 is the External trade turnover (\$billion).

$$Y' = -0,042x_6 + 1,887 \text{ (Adj. } R^2 = 0,618),$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the variable of Shadow economy), x_6 is the Shadow economy (%GDP).

A strong relationship has been observed between Human Development Index (HDI), Poverty and Real wage and $SIPS_i$:

$$Y' = 3,8x_7 - 2,4 \text{ (Adj. } R^2 = 0,813),$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the HDI), x_7 is the HDI.

$$Y' = 0,1x_8 - 0,042 \text{ (Adj. } R^2 = 0,465),$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the variable of Real wage), x_8 is the Real wage (\$100).

$$Y' = -0,006x_9 + 0,258 \text{ (Adj. } R^2 = 0,67),$$

where Y' is the $SIPS_i$ (SIPS is cleaned from the variable of Poverty), x_9 is the Poverty.

According to the collected data, variables of Political Factors Index; precisely, Foreign direct investments, Corruption Perceptions Index and Civil Liberties are one of the most impactful factors with a major influence on the political stability in Moldova. An increase in FDI by 1 million dollars and a

positive change in Corruption Perceptions Index and Civil Liberties by 1 unit will result in the growth in $SIPS_i$ by 0,001, 0,23 and 0,17 units, correspondingly.

In view of the variables of Social Factors Index, GDP, External trade turnover and Shadow economy have a strong impact on $SIPS_i$. The growth in GDP per capita by 100 dollars, increase in External trade turnover by 1 billion dollars will lead to an increase in $SIPS_i$ by 0,017 and 0,05 units, respectively. Meanwhile, decrease in Shadow economy by 1% of GDP will result in the growth in $SIPS_i$ by 0,042 units. External trade turnover, particularly, has the highest determination coefficient among the mentioned variables and explains 76% of the variable variation.

Human Development Index, Real wage and Poverty are among the most significant factors of Social Factors Index. HDI growth by 0,1 unit and 100 dollars increase in Real wage will entail an increase in $SIPS_i$ by 0,4 and 0,1 units, respectively. In the meantime, 1% decrease in Poverty will result in $SIPS_i$ increase by 0,006 units. HDI has a determination coefficient among the variables of SFI by explaining 81% of the variable variation.

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Abbreviations

BTI	Bertelsmann Stiftung's Transformation Index
CIS	Commonwealth of Independent States
EFI	Economic Factors Index
EU	European Union
FDI	Foreign direct investment
GDP	Gross domestic product
IMF	International Monetary Fund
IOM	International Organization for Migration
ODIHR	Office for Democratic Institutions and Human Rights
OSCE	Organization for Security and Co-operation in Europe
PFI	Political Factors Index
SFI	Social Factors Index
SIPS	Stability Index of Political System
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
USD	United States dollar

CHAPTER 11.
CROSS-COUNTRY ANALYSIS OF THE STABILITY
INDEX OF POLITICAL SYSTEM
(ARMENIA, GEORGIA, AZERBAIJAN, RUSSIA, BELARUS,
KAZAKHSTAN, KYRGYZSTAN, UKRAINE, MOLDOVA)

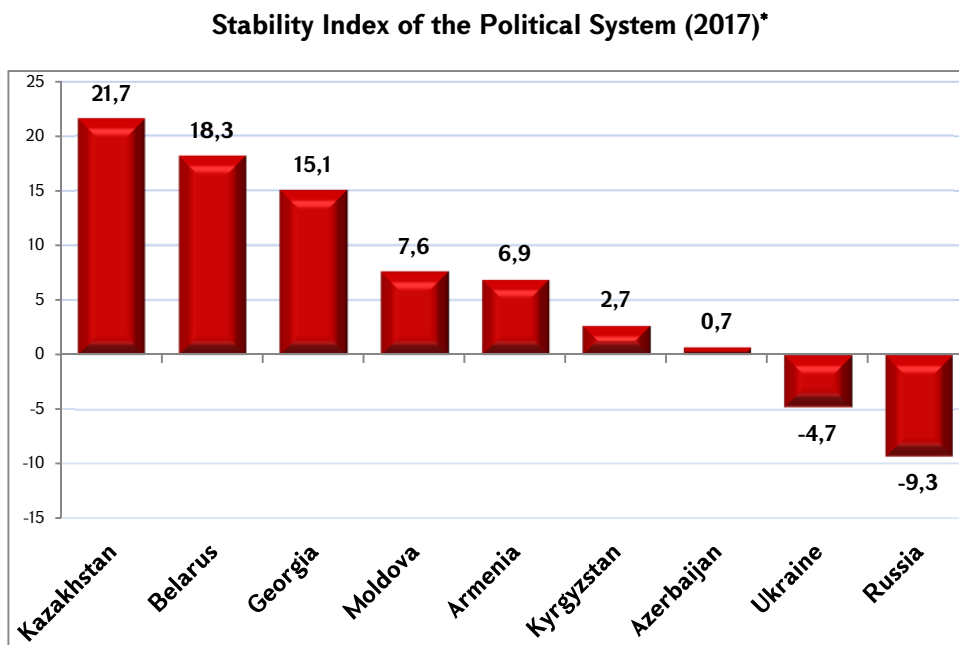
ARUSYAK ALEKSANYAN

Newly independent states, formed in the post-Soviet territory, follow the principles aimed at establishing and strengthening market economy and democracy. The mentioned processes, conditioned by historical, cultural, ethnic, regional and other peculiarities, are unique in each country and differ from each other. The unresolved conflict, the inability to change the government and the crisis of legitimacy, the restrictions of political rights, the Eurasian and European integration processes and socio-economic issues are the key factors under which the transformation of the newly independent countries takes place. In this regard, each state smooths its particular pathway to the establishment and stabilization of the political system, which will enable to be constituted upon a sustainable socio-economic and political platform.

This chapter illustrates a cross-country analysis of the Stability Index of the Political System (SIPS). The mentioned analysis evaluates the countries in question according to Stability Index of the Political System as well as political, economic and social factors affecting it.

11.1 A comparative analysis of the stability index of the Political System

Figure 1



According to 2017 cross-country analysis of the Stability Index of Political System (see Figure 1, Table 1), all 9 states have various levels of stability. Especially, Kazakhstan, Belarus, Georgia, Moldova, Armenia and Kyrgyzstan have a “medium level of stability,” whereas Russia and Ukraine are described with a “low level of stability.” Azerbaijan has taken an in-between position, in the middle of “low” and “medium” stability levels.

Kazakhstan is registered with the highest level of political stability (21,7) and Belarus follows it with 3,4 units less. Armenia occupies the fifth position in the

* Source: calculations by the author.

The cross-country index is measured by a ranking scale from -100 to +100 and, accordingly, political systems are classified as follows: from -100 to -50 as unstable, -49 to 0 as low level of stability, 1 to 49 as medium level of stability, 50 to 100 as high level of stability. For more details see Chapter 1 of this research.

ranking table and is recorded with 6,9 units of SIPS. Nonetheless, the lowest political stability level is assigned to Russia (-9,3), which is still in a negative domain. Conflict between Russia and Ukraine as well as Russia's involvement in Syrian conflict, corruption, shadow economy, economic sanctions, civil disobedience, other internal and external factors have adversely affected Russia's political stability.

The two authoritarian countries, i.e. Kazakhstan and Belarus, arouse peculiar interest and occupy the leading positions in the table. It should be noted that in academic literature numerous experts (*Mesquita et. al. 2003; Gerschewski 2013; Shkel & Gareev 2015*) touch upon the strategies of stability preservation in autocratic states, wherein highly accentuating legitimacy. The latter is achieved under the influence of certain processes and factors. In this regard, we can state that economic, especially social factors are applied in Kazakhstan and Belarus as such, and the mentioned states take the leading positions in SFI and EFI ranking tables. Nonetheless, this stability is relative since the countries in view are listed among those assessed with a "medium level of stability," thereby causing drastic changes in a situation and allowing sweeping developments of the events. In the meantime, "high level of stability" is mainly and safely protected in democratic systems where regressive processes are least likely to occur.

Table 1

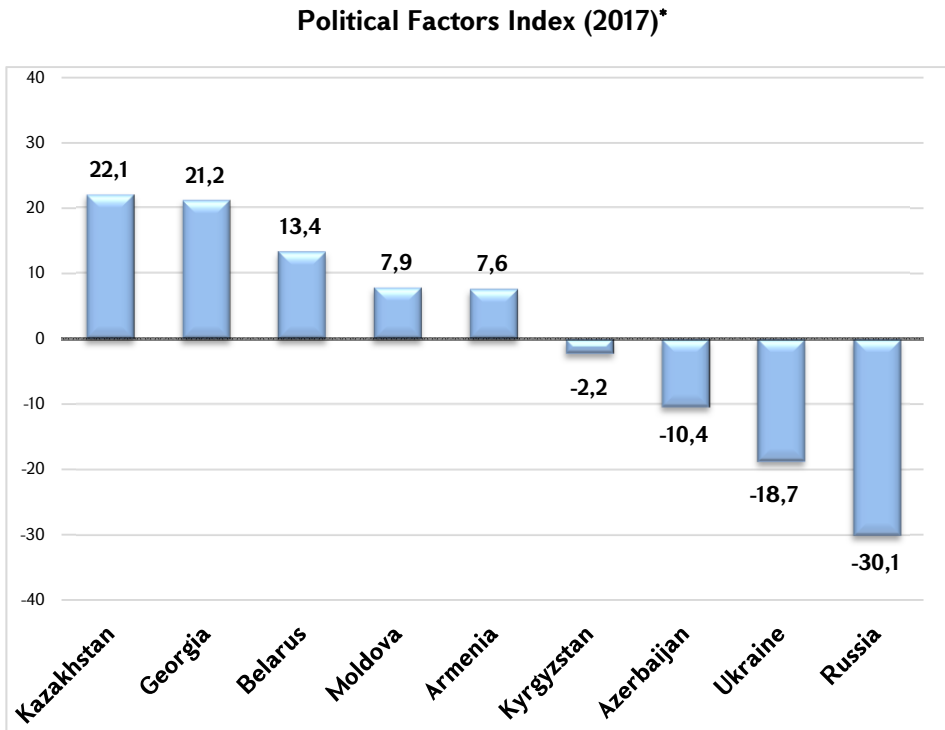
Values of SIPS variables
(Armenia, Georgia, Azerbaijan, Russia, Belarus, Kazakhstan,
Kyrgyzstan, Ukraine, Moldova in 2017)¹⁸⁴

Variables of Stability Index of Political System	Armenia	Georgia	Azerbaijan	Russia	Belarus	Kazakhstan	Kyrgyzstan	Ukraine	Moldova
1. FDI (% of GDP)	2,1	11,9	7	1,8	2,3	2,8	1,2	2,2	2,6
2. Index of Economic Freedom (0-100)	68,7	76,2	64,3	58,2	58,1	69,1	62,8	51,9	58,4
3. Index of Political Rights (7-1)	5	3	7	7	6	7	5	3	3
4. Index of Civil Liberties (7-1)	4	3	6	6	6	5	5	3	3
5. Corruption Perceptions Index (0-100)	35	56	31	29	44	31	29	30	31
6. Conflict Presence (0,1,2)	1	1	1	1	0	0	1	2	1
7. Civil disobedience (0-5)	1,6	2	2	3,7	2,5	1,6	2	2,3	2,3
8. GDP per capita, \$ (PPP)	9647	10699	17398	25533	18848	26410	3726	8667	5698
9. External trade turnover (% of GDP)	88,5	112,6	90,7	46,7	133,6	60,3 ^a	102,2	102,2	113,2
10. Domestic credit (% of GDP)	58,2	61,6	29,5	52,8 ^a	41,9	41,9	20,5	58,7	24,3
11. Inflation (%)	0,9	6	13	3,7	6	7,4	3,2	14,4	6,6
12. Shadow economy (% of GDP) ^a	36	53,1	43,7	33,7	32,4	32,8	30,8	42,9	39,7
13. Budget profit/deficit (% of GDP)	-4,8	-2,9	-1,6	-1,5	2,9	-2,6	-3,2	-1,6	-0,8
14. HDI (0-1)	0,755	0,78	0,757	0,816	0,808	0,8	0,672	0,751	0,7
15. Real wage, \$ (PPP)	984	1054	1163	1649	1324	1293	675	769	717
16. Employment (%)	49,2	59,8	62,8	60,2	63,7	67,5	57,2	49,1	40,6
17. Poverty (%)	29,4 ^a	21,9	5,4	13,2	5,9	2,6	25,6	2,4	9,6 ^a
18. Gini Index (0-1) ^a	0,375	0,400	0,337	0,410	0,270	0,287	0,268	0,250	0,322
19. Crime rates per 1000 people	6,8	10,2	2,7	14	9,1	17,4	4,5	11,7	10

¹⁸⁴ Sources for calculations **1, 8, 9, 10, 16** - <http://data.worldbank.org/indicator>, **2** - <http://www.heritage.org/index/>, **3, 4** - <http://www.freedomhouse.org>, **5** - <http://www.transparency.org>, **6, 7**, assessed by authors/researchers, **11, 12** - <https://www.imf.org/>, **13, 15, 17, 18, 19** – data provided by National Statistical services, **14** - <http://hdr.undp.org>, a –in case of absence of some data for 2017, calculations of the observed source measured from the previous year/years were used 2017 (accessed 18.08.18).

11.2 Political Factors Index (PFI)

Figure 2



According to the PFI data of SIPS, Kazakhstan (22,1) is on the top, followed by Georgia that has 1 unit less value among the observed countries. Nevertheless, there is a tangible difference in the values of other states and, accordingly, Armenia takes the 5th place with 7,6 units. Meanwhile, Kyrgyzstan, Azerbaijan, Ukraine and Russia occupy the last positions and are in a negative domain. Besides, Russia is registered with a rather low indicator (-30,1), hence by pointing out a strongly negative impact on the political stability of the state.

In reference to separate variables of the Political Factors Index (see Table 1), it should be noted that according to Freedom in the World report¹⁸⁵ by the

* Source: calculations by the author.

¹⁸⁵ Freedom in the World 2018 report and indices included therein reflect the events taken place in 2017.

Freedom House, Moldova, Georgia and Ukraine were assigned with the best indicators (3 points) in Political Rights and Civil Liberties, thereby being classified as partly free but closely positioned to the free states.¹⁸⁶ Armenia and Kyrgyzstan have remained partly free states with 4,5 and 5 points, respectively. In the meantime, Belarus (6), Kazakhstan (6), Russia (6,5) and Azerbaijan (6,5) are classified as not free states (*Freedom House 2018*).

In view of Corruption Perceptions Index¹⁸⁷ (CPI), Georgia (56) has a leading indicator among the observed countries, as it has been successfully implementing anticorruption policy; thereby improving its indicators significantly within the last decade. The second in the list is Belarus (44), followed by Armenia with 35 points (*Transparency International 2017*).

Russia was registered with the highest level of civil disobedience¹⁸⁸ in 2017, whereas Kazakhstan and Armenia with the lowest. Even though parliamentary elections were conducted in Armenia in the mentioned year, they were not accompanied by post-election mass protests in contrast to some elections previously held in the country. In reference to Kazakhstan, there weren't many acts of civil disobedience conditioned by domestic pressures and a lack of consolidation within the civil society. As to Russia, public movements are politicized in the transformation system of the country, conditioned by the interference exerted by the federal authorities and at the same time, activation of various initiatives stipulated and urged by the opposition parties. This particularly

¹⁸⁶ Indices of Political Rights and Civil Liberties are measured by Freedom House with a 1-7 rating scale, and accordingly countries are classified as free (1-2,5 points), partly free (3-5 points) and not free (5,5-7 points).

¹⁸⁷ Corruption Perceptions Index is measured by a scale of 0 to 100, where 0 point implies that the country is highly corrupt and, effectively 100 points indicate that the country is very clean.

¹⁸⁸ The variable of Civil disobedience is measured by researchers with the scaling range of 0 to 5 settled for their assessment. Accordingly, 0 is rated by a complete absence of civil disobedience and 5 units are rated for the highest level of those in question, including coup d'état and revolution. Estimations include a number of demonstrations, strikes, social unrests, as well as cases of political arrests and homicides during a specified span of time.

refers to political restrictions and impediments as well as activation of alternative political forces attempting to solidify their stance in the political landscape of the country.

It shall also be added that the newly independent countries in the post-Soviet territory are characterized by a high number of conflicts and level of tension. Moreover, only Belarus and Kazakhstan do not have conflict zones in contrast to other states mentioned in this research.

In view of Foreign direct investments which are the most important and “sensitive” indicators of the political stability, Georgia was recorded with the highest indicator (11,9 % of GDP) in 2017, hence many times surpassing the majority of the observed states. The attraction of foreign investments is one of the most essential issues for the Georgian government. In this regard, the volume of investments peaked in Georgia by registering the unprecedented level (\$ 1,9 billion) within the mentioned period. Besides, 28,3% were constituted to a sphere of transport and communication, 16,3% to financial, 15,8% to construction fields. It should be mentioned that Azerbaijan heads the list of the countries investing in Georgia with the total volume of 25,9% (*Sputnik-Georgia 2018*).

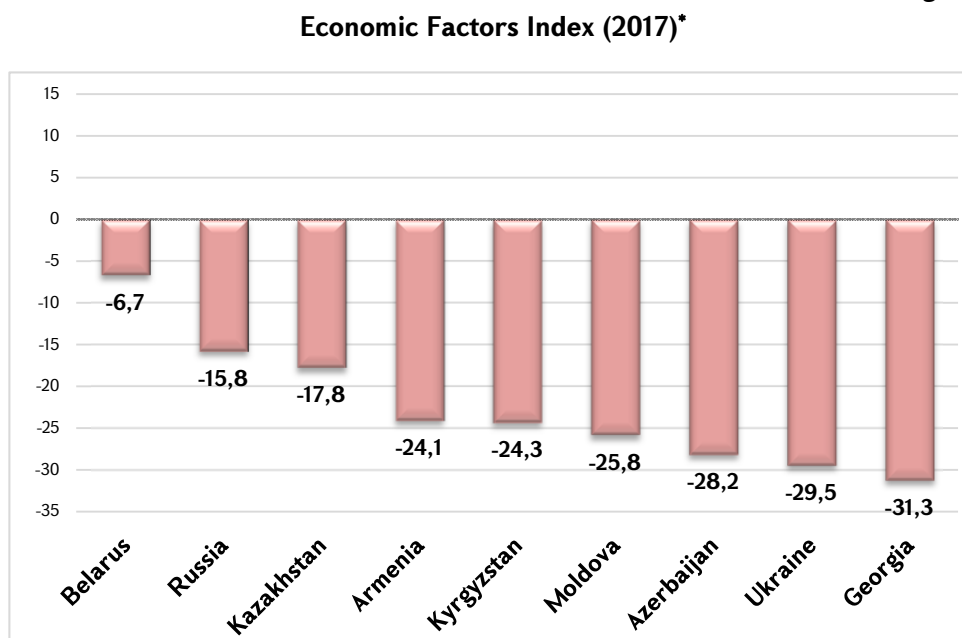
Georgia is also leading the table (76,2), referring to the Index of Economic Freedom¹⁸⁹ (IEF) as it was classified as mostly free by the experts. Kazakhstan (69,1) and Armenia (68,7) came after Georgia by taking the second and the third positions, and accordingly, were classified as moderately free countries. In the meantime, Georgia was on the 9th place and Armenia on the 20th among

¹⁸⁹ The Index of Economic Freedom (IEF) is based on 12 specific categories and measured by the Heritage Foundation and Wall Street Journal with scoring range of 0 to 100, according to which countries scored 0-49,9 are “repressed”, those scored in the range of 50-59,9 are considered “mostly unfree”, whereas “moderately free” countries are scored within 60-69,9 range, while the next ones are classified as “mostly free” (70-79) and, finally, the designation of “free” scores of 80 to 100. SIPS in 2017 was calculated on the basis of 2018 IEF as it includes indicators measured during the period from July 1, 2016 to June 30, 2017. In general, the reason that IEF variable was included in the model lies in the fact that it is the guarantee of the construction of legislative body and property rights and also considered one of the most important indicators of democracy.

44 countries, whereas Moldova (58,4), Russia (58,2), Belarus (58,1) and Ukraine (51,9) appeared in the lowest positions and were determined as mostly unfree states (Miller, Kim, Roberts 2018, 70).

11.3 Economic Factors Index (EFI)

Figure 3



Within the framework of SIPS cross-country analysis of EFI, Belarus received the highest points (-6,7) followed by Russia (-15,8) and Kazakhstan (-17,8). Armenia is the fourth registered with -24,1 points, whereas Georgia (-31,3) yields to the others (see Figure 3).

Experts considered that in 2017 Belarus succeeded in recovering its economy and preserving its financial stability. In 2015 and 2016 there was a

* Source: calculations by the author.

decline in the economy of the country but later, it was followed by 2,4%¹⁹⁰ growth in GDP. One of the most important achievements of the year was the regulation of the inflation rate, which resulted in the latter's reduction, thereby reaching its lowest indicator (6%)¹⁹¹ registered during the history of independent Belarus. Due to a policy successfully carried out by the National Bank, the exchange rate of the rouble was stabilized. The ordinance signed by the President of the Republic of Belarus "On entrepreneurship development"¹⁹² is mainly prioritized by the experts among the major events taken place in 2017, according to which conditions to run small and medium enterprises are comparatively and sufficiently simplified. Moreover, the ordinance "On digital economy development"¹⁹³ focused on developing high technology sector and introducing innovative approaches to the economy. It is obvious that an external economic environment has quite a favourable influence on the economy of Belarus, particularly, the recovery of the Russian economy (*Заяц 2017*). Moreover, the identical trends in economy improvement exist in Russia as well, recorded with the 1,5% growth in GDP compared to the economic decline occurring within the previous two years, and a historic reduction in inflation (3,7%)¹⁹⁴, stabilization of the rouble regardless of increased sanctions. The experts esteem that the strengthening of the rouble is stipulated by gaining a relative independence from oil prices. Two years ago, the correlation

¹⁹⁰ Source of the data is the official site of the National Statistical Committee of the Republic of Belarus http://www.belstat.gov.by/ofitsialnaya-statistika/ssrd-mvf_2/natsionalnaya-stranitsa-svodnyh-dannyh/vvp-rasschitannyyi-metodom-ispolzovaniya-dohodov/2017-god/ (15.08.2018).

¹⁹¹ See the official site of the International Monetary Fund <https://www.imf.org/-/external/datamapper/PCPIPCH@WEO/OEMDC/ADVEC/WEOWORLD/BLR> (14.07.2018).

¹⁹² Ordinance № 7 of the President of the Republic of Belarus «On entrepreneurship development» of 25 November 2017 http://president.gov.by/ru/official_documents_ru/view/dekret-7-ot-23-nojabrja-2017-g-17533/ (25.08.2018).

¹⁹³ Ordinance № 8 of the President of the Republic of Belarus «On digital economy development» http://president.gov.by/ru/official_documents_ru/view/dekret-8-ot-21-dekabrja-2017-g-17716/ (25.08.2018).

¹⁹⁴ Source of the data is the official site of the WB <http://data.worldbank.org/indicator> (14.08.2018).

constituted to 80%, whereas it steeply sloped down to 30% in 2017 (*Синельников-Мурылев 2018; RBK.ru 2017*).

The lowest EFI is observed in Georgia. Despite the data accumulated in 2017, there was 5% economic increase in the country (see Table 2), and comparatively high indicators of the variables of trade turnover and domestic credits (see Table 1). Nonetheless, the volume of shadow economy (53 % of GDP) still causes concerns and is the highest among the observed states, thereby unfavourably inflicting on the state's political stability. Moreover, the IMF experts estimate that according to an average indicator measured within 1991-2015, Georgia has the highest indicator of shadow economy (64,9% of GDP) followed by Bolivia (62,3%) and Zimbabwe (60,6%), hence, comprising the top three states with the highest shadow economy (*Medina & Schneider 2018, 23, 51, 63, 71*).

Table 2

Economic growth in 2017, %¹⁹⁵

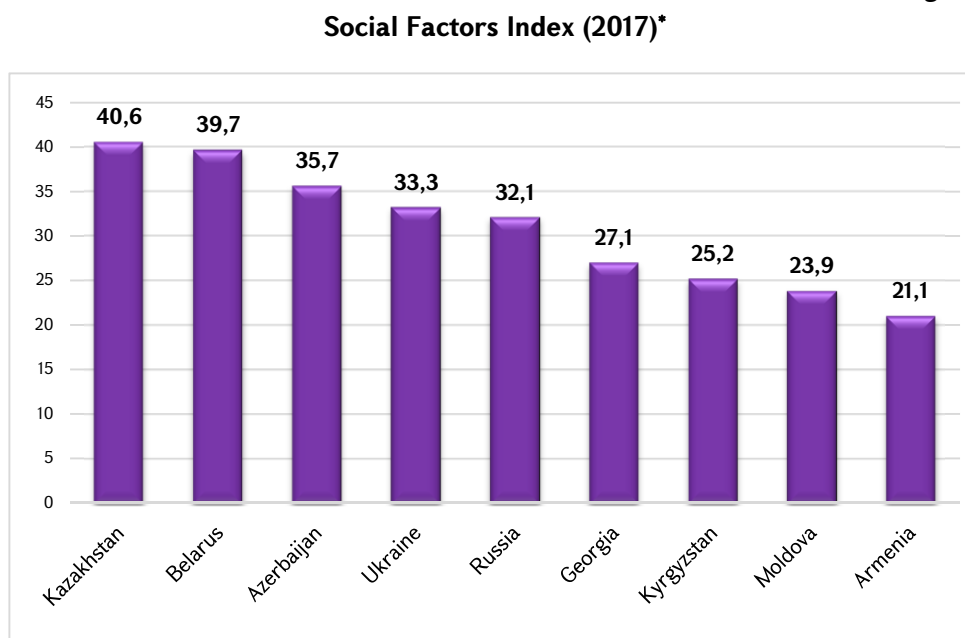
Armenia	7,5
Georgia	5,0
Kyrgyzstan	4,6
Moldova	4,5
Kazakhstan	4,0
Ukraine	2,5
Belarus	2,4
Russia	1,5
Azerbaijan	0,1

The highest economic growth was recorded in Armenia (7,5%) compared to other states included in the research, whereas the lowest GDP growth was registered in Azerbaijan (see Table 2). Armenia also has the lowest indicator of inflation (0,9%) compared to indicators of Ukraine (14,4%) and Azerbaijan (13%). It should be noted that after Georgia the highest indicator of shadow economy was registered in Azerbaijan (43,6%) and Ukraine(42,9%) (see Table 1).

¹⁹⁵ See the official site of the WB <https://data.worldbank.org/indicator/NY.GDP.MKTP.-KD.ZG> (22.08.2018).

11.4 Social Factors Index (SFI)

Figure 4



The best indicator for the Social Factors Index of the SIPS was observed in Kazakhstan (40,6), succeeded by Belarus with 39,7 points. Armenia (21,1) and Moldova (23,9) by having the lowest indicators are positioned at the bottom of the table (see Figure 4).

A targeted social policy is of essential importance to promote country's stability and development. In this regard, socially favourable conditions are necessary to create the foundation for reinforcing stability in Kazakhstan and Belarus. Due to an effective policy run by the mentioned states, the latter managed to overcome the main social typical issues. To compare the poverty rates in Belarus (since 1999) and in Kazakhstan (since 2001) it shall be mentioned, that they reduced from 46,7% by reaching to 5,9% and 2,6%¹⁹⁶

* Source: calculations by the author.

¹⁹⁶ See the official site of the WB <https://data.worldbank.org/indicator/SI.POV.NAHC> (22.08.2018).

respectively in 2017. Within the observed countries, employment rate is the highest in Kazakhstan (67,5%), whereas the lowest rate is registered in Moldova (40,6%). Nonetheless, the highest crime rate was recorded in Kazakhstan (17,4 crimes per 1000 people) in 2017 (see Table 2).

According to Human Development Index measured by United Nations Development Programs, Russia (0,816), Belarus (0,808) and Kazakhstan (0,8) took the 49, 53 and 58 positions, respectively among 189 states, sustaining a very high level of human development. Georgia (0,78), Azerbaijan (0,757), Armenia (0,755), Ukraine (0,751) and Moldova (0,7) have a high level of human development, whereas Kyrgyzstan (0,672) was estimated as a country with a medium level of human development (*UNDP 2018, 22-24*).

The lowest SFI is registered in Armenia, which in contrast to Kazakhstan and Belarus has not solved its poverty related issues. 29,4% of the population, which is equivalent to 880 thousand people, is poor in 2016. Nevertheless, the poverty rate decreased by 0,4% compared to the previous year, but it still exceeds the indicator (27,6%) registered back in 2008. The amount equivalent to 63,2 billion drams or 1,2% of GDP is necessary for Armenia to overcome poverty (*NSS RA 2017, 36-45*). Besides, the second highest indicator of poverty is registered in Kyrgyzstan (25,6%) within the studied states. In addition, real wage (PPP) is the lowest in Kyrgyzstan and Moldova and constituted to 675 and 717 US dollars (see Table 2).

Conclusions

The following conclusions were made within a 2017 cross-country analysis of political system stability:

- According to the cross-country analysis of Stability Index of Political System, all 9 newly independent states in question have various levels of stability, which were allocated within a range of 21,7 to -9,3; namely from a medium to a low level of stability.

- Kazakhstan has the highest level of political stability and it is followed by Belarus. Russia concludes the table, as it has the lowest level of political stability, whereas Armenia positioned on the 5th place has a medium level of stability.
- Azerbaijan is placed in-between the low and medium level of political system stability.
- In view of South Caucasus countries and according to the SIPS, the countries were classified in the following order: Georgia (15,1), Armenia (6,9), and Azerbaijan (0,7).
- Kazakhstan has comparatively the best indicators of the Social and Political Factors. A comparatively high indicator of PFI was mainly conditioned by an absence of war/conflicts as well as a low level of civil disobedience, and all variables of SFI included in the model were recorded with high indicators.
- The best EFI indicators were recorded in Belarus and Russia and the 2017 marked a recovery of the economy and an establishment of a comparative stability of economy. An economic growth replaced an economic decline inflicting on the country within the last two years, as well as a historic decrease in inflation and stabilization of a national currency took place in the mentioned states in 2017.
- In the meantime, the lowest PFI was registered in Russia in 2017. Consequently, low indicators of Political Rights and Civil Liberties, Corruption Perceptions Index, conflict zones and a high level of civil disobedience adversely impacted the political stability of Russia.
- Georgia has the lowest EFI indicator and it can be assumed from the provided data that shadow economy has a strong negative influence on Georgia's political system stability.
- Armenia, in view of Social Factors Index, occupies the last position and it pinpoints the fact, that social factors strongly inflict on the political stability of the country.

To sum up, it can be concluded that even though the majority of the states mentioned in this research and consequently, the region on the whole have a

medium level of stability. Nevertheless, the turbulent developments and drastic changes in the situation are likely to occur, especially in reference to the fact that the region is plentiful with conflict zones and all the states, except for Belarus and Kazakhstan, are involved in conflicts.

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Abbreviations

CPI	Corruption Perceptions Index
EFI	Economic Factors Index
FDI	Foreign direct investments
GDP	Gross domestic product
HDI	Human Development Index
IEF	Index of Economic Freedom
PFI	Political Factors Index
PPP	Purchasing power parity
SFI	Social Factors Index
SIPS	Stability Index of Political System
UNO	United Nations Organization
USA	United States of America
WB	World Bank

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POLITICAL STABILITY OF NEWLY INDEPENDENT COUNTRIES UNDER CONDITIONS OF MODERNIZATION

*(Armenia, Georgia, Azerbaijan, Russia,
Belarus, Kazakhstan, Kyrgyzstan, Ukraine, Moldova)*

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