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Between legal compliance and empirical performance: Evaluating Georgia's RIA Reform Against Good Governance Principles ¹

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Abstract

After declaring her independence, Georgia, together with other countries of the former Socialist Bloc, started to implement institutional reforms with the aim of one day becoming a member of the European Union. One of the main frameworks for institutional reform was the implementation of the principles of good governance. It is widely considered that principles of good governance create the foundation for sustainable development, political stability and economic growth. Implementing good governance principles requires combination of institutional and legal reforms, among them crucial place is taken by Regulatory Impact Assessment (RIA) reform. The purpose of the RIA reform in Georgia was to increase the efficiency of the decision-making process and improve the quality of the Georgian legislation.

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The Authors of this article argue that RIA reform could not achieve its overarching objective. To test this hypothesis, the authors evaluate the design and implementation of Georgia's RIA framework against internationally recognized principles of good governance. Drawing on a mixed-methods approach - combining legal and policy analysis, document review of 37 publicly available RIA reports, and stakeholder interviews and focus groups - the study assesses both the normative legislative framework and the practical quality of RIAs conducted in Georgia. A weighted matrix scoring system is employed to evaluate the degree of compliance of RIA documents with good governance principles.

Findings indicate that while the legal and methodological framework aligns conceptually with good governance standards, implementation remains inconsistent. Only 40.6% of the RIA documents assessed are categorized as high performers, while 21.6% fail to meet minimum governance criteria. Key challenges include broad legal exemptions from RIA requirements, limited institutional capacity, donor-driven implementation processes, and low political and administrative ownership. These shortcomings have led to a disconnect between formal regulatory design and its practical application.

This study contributes to international literature by offering empirical insights into the challenges and prospects of institutionalizing evidence-based policymaking in transitional democracies, particularly those operating within contexts of political volatility and administrative fragmentation.

Keywords: Regulatory Impact Assessment, Principles of Good Governance, Hybrid Democracies

Introduction

After the collapse of the Soviet Union, in 1991, Georgia joined the number of Post-Soviet countries which started to build the modern, western market-oriented democracies. Georgia began initially prioritizing economic and political reforms, implementing liberal economic agenda and state building policy (Rekhviashvili, 2013; Timm, 2013). However, by the early 2010s, the focus gradually shifted toward institutional transformation. This shift was driven by two main factors: the growing momentum of the European integration process and the government's strong formal pro-Western orientation (Council of the European Union, 2014; European Commission, 2014). The shift towards institutional reforms was accompanied and accelerated by signing the

Association Agreement in 2014. The EU–Georgia Association Agreement specifically outlines the need for regulatory approximation and the adoption of good governance principles. It was anticipated that the commitments which were taken as part of the Association Agreement with EU, and later as an EU candidate country aimed to enact changes in judicial and state administrative branches, would ensure implementation of the principles of Good Governance and enhance creation of the better environment for protecting the social and human rights (European Commission, 2015; European Commission, 2017).

At the heart of this agenda was the implementation of the principles of good governance, which became a cornerstone of Georgia's modernization efforts and institutional reforms. Good governance - characterized by transparency, accountability, rule of law, effectiveness, and citizen participation (UNESCAP, 2009; UNDP, 2011; Council of Europe, 2008; Parigi et al. 2004; Kaufmann et al, 1999) - was seen as essential for ensuring sustainable development and public trust (European Commission, 2015; European Commission, 2017). Translating these principles into practical policymaking required tools that could guide informed, transparent, and inclusive regulatory decisions. In this context, one of the key instruments for implementing good governance in Georgia became the introduction of Regulatory Impact Assessment (RIA). By integrating RIA into policy formulation, decision-makers can enhance the quality of regulation and better align it with the good governance standards. RIA provided a structured, evidence-based approach to policymaking and helped align legislative processes with European standards, paving the way for more effective and accountable governance (Carroll, 2010).

Regulatory Impact Assessment (RIA) is considered a core instrument of good governance because it promotes transparency, accountability, and evidence-based policymaking in the regulatory process. By systematically evaluating the potential economic, social, environmental, and administrative impacts - both positive and negative - of proposed regulations, RIA helps to ensure that government decisions are informed, proportionate, and aligned with public interest (OECD, 2020). Its goal is to ensure that regulations are evidence-based, cost-effective, and achieve their intended objectives with minimal negative side effects. RIA requires decision-makers to justify regulatory choices, engage stakeholders, and consider alternative solutions, thereby enhancing trust and legitimacy in governance (OECD, 2020). Moreover, RIA supports the rule of law by providing a clear, documented rationale for regulation, which can be reviewed and held to account. According to the World Bank, the implementation of RIA contributes to improved regulatory

quality and more efficient use of public resources, which are essential elements of effective governance (World Bank, 2017; OECD, 2015).

RIA originated in OECD countries during the late 20th century, particularly in the United Kingdom and the United States, as governments sought to improve the effectiveness and efficiency of regulation. Over time, it was adopted by many other countries, including Australia, Canada, and EU member states (Brenner & Fazekas, 2020), and is now recognized as an international best practice in regulatory governance. RIA is central to the OECD's Regulatory Policy Framework, which supports member and partner countries in implementing better regulation systems (Radaelli, 2005).

Apart from the indicated mechanism of institutional context, World Bank states that regulatory impact assessment is mostly done by the rich countries than the poor ones. Therefore, there is difference in frequency and scope of RIAs done in developed and in developing countries (World Bank Group, Global Indicators of Regulatory Governance, 2018). It is also an indication that there is no single RIA model in all countries. Therefore, RIAs in developing countries are not conducted in a unified way and studies show the difference among RIA implementation measures among developing countries (Ladegaard et al., 2018).

The Georgian government, with the support from international organizations such as the European Union (EU), United States Agency for International Development (USAID), GIZ (German Society for International Cooperation) began implementation of RIA to improve legislative processes (Khishtovani, Forthcoming; USAID, 2015; ISET, 2023). RIA reform aimed to increase regulatory transparency, predictability, and public engagement in policymaking (OECD, 2018). The initial non-systemic implementation process of RIA reform started in 2007 but the institutionalization of RIA began in 2015 when with the assistance of donor community institutional framework of RIA was developed (Khishtovani, Forthcoming; Kakhidze & Pipia, 2024). Respondents of the interviews and focus group meetings underlined that donor organizations have played a significant role in supporting the development of Regulatory Impact Assessments (RIAs) in Georgia - including with providing relevant trainings to the representatives of public service and academia. During the initial stages of RIA implementation, there was a prevalent belief that donor organizations (EU, USAID, etc.) and international experts should carry out the bulk of the work, with minimal involvement from local public officials. This resulted in limited engagement of public officials in the RIA process and undermined the development of institutional knowledge

and expertise in the public sector. This led to a situation where, ultimately, not only the funding but the entire burden of RIA development process fall on the donors which resulted in public organizations lacking the ownership of RIA development process.

Legislative institutionalization of RIA reform began from 2019. On May 29, 2019, Parliament of Georgia amended the Organic Law of Georgia on Normative Acts, and added the new article 17¹ regarding the Regulatory Impact Assessment. Later based on the 2020 January 17 Ordinance N35 of the Government of Georgia “on the Approval of Regulatory Impact Assessment (RIA) Methodology”, it became mandatory for the Government of Georgia to conduct regulatory impact assessments according to the stipulated methodology before introducing them to the parliament.² Specifically, according to the reform, the decision of the government should be based on positive and negative aspects (costs and benefits) of RIA. Moreover, in decision-making, local and international context of policy analysis should be studied, the positions of the stakeholders should be taken into account; furthermore, the policy alternatives should be developed and the selection process should be made based on their evaluation.

Thus, based on the abovementioned, RIA reform in Georgia had three key pillars, particularly: (1) development of methodological frameworks for the preparation of RIA documents; (2) institutionalization on the legislative level; and (3) capacity building of staff within the institutions involved in the reform (USAID, 2015). The analysis of this article mostly addresses the first and second pillars of the RIA reform.

It should be highlighted that evaluation process of the RIA reform in international academic literature is faced with the different research gaps, such as:

Firstly, one of the core purposes of implementation of RIA reform in Georgia was strengthening the principles of good governance but there is a gap in research literature – authors of the article were not able to locate the study where the compliance of the legislative framework of RIA corresponds to the principles of good governance.

Secondly, authors of the article were not able to locate the study where the quality of RIA documents are studied in accordance to the principles of Good Governance.

² Ordinance N35 of the Government of Georgia on the Approval of Regulatory Impact Assessment (RIA) Methodology, date of issuing 17/01/2020, registration code: 010240010.10.003.021743, Government of Georgia, Website of the Government of Georgia, date of publishing: 20/01/2020.

Thus, to study the RIA implementation process in Georgia and at the same time, address the existing gaps in the literature, the authors of this article established two research questions, such as:

- (1) Is the Georgian legislation regulating the RIA in compliance with the principles of good governance?
- (2) Is the quality of developed RIA documents in Georgia in accordance with the principles of good governance?

The existing literature clearly establishes a link between good governance principles and Regulatory Impact Assessment (RIA), recognizing RIA as a tool that promotes transparency, accountability, and evidence-based policymaking (Radaelli, 2005). However, several studies also highlight a persistent gap between formal compliance with RIA procedures and their practical implementation, suggesting that the presence of RIA frameworks does not automatically translate into meaningful good governance outcomes (Jacob et al., 2008; Kirkpatrick & Parker, 2004). This disconnect between the theoretical alignment and actual practice forms is the central focus of this research. Therefore, both research questions explore whether RIA in Georgia functions merely as a formal compliance mechanism or whether it genuinely contributes to the implementation of good governance principles in practice.

To address those research questions, the authors of this study conducted a comprehensive evaluation of RIA implementation in Georgia by applying both qualitative and empirical methods. In addition to desk research, the study employed semi-structured interviews, focus groups, and content analysis of RIA reports to evaluate both the technical quality of the assessments and their alignment with the core principles of good governance.

The research located 61 RIA documents, which represents the overwhelming majority of all RIA reports produced in Georgia to date, making it the most extensive analysis of its kind. It is estimated that about 80 RIAs were developed from 2015 till July 2024 (UNDP Georgia, 2024). Out of these 61 RIA documents, authors of the article studied 37 RIAs which were publicly available. Thus, the authors located more than 75% of the total number of RIAs developed in Georgia and studied almost 50% of all RIAs developed in Georgia.

This research contributes to a more nuanced understanding of RIA's role in Georgia's broader institutional transformation and offers a rare empirical perspective on the intersection between regulatory reform and good governance principles in transitional democracies.

Methodology

To answer the mentioned two research questions authors of the article used different research methods. For the first research question, authors of the article used literature review method, and for the second research question, method of analysis and scoring of the RIA documents were used. At the same time, interviews and focus group meetings were used for discussing both research questions.

Literature Overview - was one of the key methodologies involved in developing the article. This method involves systematically collecting, analyzing, and summarizing existing scholarly work on a specific topic or research question. While collecting the relevant literature, authors of the article mostly concentrated on identifying and studying the literature on Regulatory Impact Assessment and Good Governance. Authors studied the guidelines, instructions and reports of the international organizations and scholarly work of academia. This helped to ensure that the article was grounded in well-established theoretical and practical frameworks.

Interviews and focus groups - authors of the article conducted in-depth interviews with the different stakeholders, including - representatives of international donors, policy experts, government officials and CSOs. Authors of the article used semi-structured questionnaires' and were interested in different aspects of the RIA reform such as institutionalization of RIA practices in Georgia, results of RIA reform from the perspective of the good governance, the role of the donor organizations, role of public sector in RIA development and implementation process, legislative drafting process, availability of human and financial resources in development of RIA, main shortcomings in the quality of RIA documents, and other issues related to RIA reform and good governance. This method enabled the authors to identify recurring themes, practical challenges, and stakeholder expectations.

Additional source for this research includes a list of 61 RIA documents developed by various governmental, private and international agencies in Georgia. Out of the 61 RIA documents, authors of the article assessed all publicly available – 37 RIA documents. These documents span a variety of sectors, including economic development, environmental policy, and social welfare, to provide

a comprehensive view of the RIA process across different areas of governance. Authors of the article used scoring method to develop qualitative criteria for evaluating the quality and practical applicability of RIAs, and then quantitatively assessed their quality and usability. This approach involves assigning numerical values to specific features or elements within a document, allowing researchers to quantify qualitative content.

Theoretical Framework of RIA and the Principles of Good Governance

Good governance refers to the effective, efficient, and ethical management of public affairs and resources by institutions, organizations, or governments. It ensures that power is exercised responsibly, transparently, and in a way that promotes justice, participation, and sustainable development (Johnston, 2004). Transparency and access to information allow citizens to understand how decisions are made. The rule of law guarantees that justice is applied equally to all, without bias. Participation of all groups is encouraged to shape policies that reflect the needs of society (van Doeveren, 2014).

There are different studies and guidelines which discuss the main principles of good governance. African Development Bank, United Nations Commission for Asia and Pacific (UNESCAP, 2009), United Nations Development Programme (UNDP, 2011) and other international organizations allocate different core principles for Good Governance (Kaufmann et al, 1999). These are principles which is agreed to be the core principles in defining the Good Governance:

Rule of law - The rule of law means that all individuals, institutions, and entities are subject to laws that are publicly disclosed, applied equally, and adjudicated independently, in alignment with international human rights standards. It necessitates measures to uphold principles such as accountability to the law, participation in decision-making process, legal certainty, and transparency in legal processes and procedures (UNDP, 1997). Sustainable Development Goals (SDGs), particularly, Goal 16 (Peace, Justice and Strong Institutions) also covers the Rule of Law principle (UN, 2015).

Accountability - is a crucial component of effective governance. Government institutions, private sector organizations, and civil society groups must all be accountable to the public and their relevant stakeholders. Accountability mechanisms ensure that governments, public institutions, and officials are held responsible for their actions and decisions, and are prepared to face appropriate consequences for any misconduct or failures (Council of Europe, 2008).

Transparency - is the practice of making decisions and carrying out enforcement in line with established rules and regulations. It also ensures that information is easily accessible to those impacted by these decisions and their implementation. Transparency involves the open sharing of timely, accurate, and relevant information, enabling public understanding, oversight (Graham et al., 2003), and informed participation. It is essential for fostering accountability and is widely regarded as a key mechanism for preventing corruption in public life (Parigi et al., 2004).

Effectiveness and Efficiency - Effectiveness and efficiency occur when processes and institutions deliver outcomes that address needs while maximizing the use of available resources (Council of Europe, 2008). In the context of good governance, the concept of efficiency also encompasses the sustainable use of natural resources and the safeguarding of the environment (UNESCAP, 2009).

Evidence-based policy - Evidence encompasses a variety of data, results of statistical activities (Evidence Act, 2018), information, and knowledge sources, including quantitative data like statistics and measurements, qualitative data such as opinions, stakeholder input, evaluation findings, as well as scientific research and expert recommendations (European Commission, 2021). Evidence plays a crucial role throughout the policy cycle, shaping how public interventions are developed, implemented, and evaluated (OECD, 2020).

Participation – This principle ensures that citizens actively participate in decision-making, resulting in more transparent, accountable, and effective governance (Dunlop & Radaelli, 2019). According to the OECD, citizen participation is a fundamental aspect of open government and promotes more democratic policymaking, enhancing transparency, inclusivity, legitimacy, and accountability (OECD, 2017).

Responsiveness – Government, public institutions, and officials must address the legitimate expectations and needs of the citizens they serve (Council of Europe, 2008). Responsive governance ensures that public institutions address citizen needs by effectively managing services, engaging with oversight bodies, and promptly acting on feedback and monitoring outcomes (Council of Europe, 2008).

RIA serves as one of the practical mechanisms for translating the principles of good governance into concrete actions within the policymaking cycle. As governments around the world began prioritizing the principles of good governance - namely transparency, accountability, participation, effectiveness, efficiency, and rule of law - Regulatory Impact Assessment (RIA) emerged as a practical mechanism to apply these abstract values in the day-to-day practice of policymaking.

RIA supports transparency by requiring governments to publicly justify regulatory decisions, and enhances accountability by documenting the rationale behind policy choices and exposing them to scrutiny (Jakupec & Kelly, 2016).

Existing literature shows that there is no single, universally accepted definition of RIA from a theoretical perspective. It is often viewed either as an administrative requirement or as a tool for evaluating public policy decisions to assess the costs and benefits which are imposed by regulations on specific business sectors or sectors of public life. The aim of RIA can be reduction of the regulatory burden on businesses in particular sectors and/or implementation of reforms which benefit the society overall (Jakupec & Kelly, 2016; World Bank, 2010; OECD, 2025).

At first, development of RIA started in USA and in UK. In 1981 President Ronald Reagan issued Executive Order 12291, which required federal agencies to perform a cost-benefit analysis for all major regulations.³ The UK introduced RIA under the name "Compliance Cost Assessment" (CCA) in the mid-1980s, as part of its broader deregulation efforts under Prime Minister Margaret Thatcher (Froud & Ogus, 1996). Starting from 1990 RIA gained popularity in other countries too, especially, among members of OECD (Kamkhaji, et al., 2019). In USA, RIAs are more connected with the secondary legislation but in transition countries due to their centralized governance structures RIAs became more attached to the draft laws (Rogowski et al., 2018).

The need for RIA arises because regulations can have wide-ranging and unpredictable effects, necessitating detailed analysis and input from stakeholders. From an economic perspective, there is a concern that the costs of regulation might outweigh its benefits. As a result, the primary role of a RIA is to ensure that the regulation will positively impact societal welfare, will not have adverse effects on small and medium enterprises, will support development of the community and will not have detrimental influence on environment (Jacob et al., 2011), thus, meaning that its benefits will exceed its costs (Radaelli, 2005). Typically, RIA is conducted by comparing various approaches for achieving the desired goals and assessing their relative effectiveness (Kirpatrick & Parker, 2007). RIA can improve legislative outcomes by creating the reliable knowledge base and

³ Executive Order 12291 of Feb. 17, 1981, appear at 46 FR 13193, 3 CFR, 1981 Comp., p. 127, available at: <https://www.archives.gov/federal-register/codification/executive-order/12291.html>. "...in order to reduce the burdens of existing and future regulations, increase agency accountability for regulatory actions, provide for presidential oversight of the regulatory process, minimize duplication and conflict of regulations, and insure well-reasoned regulations..."

reducing the information asymmetry between law-making process participants (Rogowski et al., 2018).

The effectiveness of RIA in reinforcing good governance largely depends on the extent to which it is embedded within a broader administrative reform agenda (Turnpenny et al., 2009). Despite its challenges, RIA has been recognized as a platform for embedding accountability and stakeholder participation in the legislative process (Kirkpatrick & Parker, 2007). In several transition countries, RIA processes have evolved from formalistic exercises to more substantive policy tools aligned with Good Governance principles such as openness and inclusiveness (Adelle et al., 2015).

International organizations such as the Organization for Economic Co-operation and Development (OECD), World Bank, and the European Union began to promote RIA not just as a regulatory tool, but as a cornerstone of governance reform, particularly in transition economies and developing countries undergoing democratization and institutional transformation (Welch & Waddington, 2005; Dunlop & Radaelli, 2019; OECD, 2020). They have guided countries in adopting regulatory impact assessment standards. These organizations have developed a range of guidelines and reports that highlight the importance of implementing RIAs, outline the steps involved, and identify the challenges that can affect their development.

In newly independent states of former Socialist Bloc, reform of RIA served as the opportunity to extend the scope of principles of Good Governance in public administration. In post-socialist countries, the adoption of RIA has often been externally driven, particularly by international organizations such as the EU, the World Bank, and the OECD (Radaelli, 2005). The implementation of RIA in Central and Eastern European countries has shown mixed results, often constrained by limited administrative capacity and lack of political will (Fritsch, et al., 2012). Through stakeholder consultations and impact assessments, RIA fosters public participation and inclusiveness (Deighton-Smith et al., 2016), ensuring that diverse societal interests are considered in the policy process (Dunlop & Radaelli, 2019). By embedding analytical rigor and consultation into the formulation of laws and regulations, RIA also reinforces the rule of law, providing a structured, predictable, and justifiable framework for public decision-making (Kamkhaji, et al., 2019). Thus, from the perspective of good governance, RIA is not merely a technical tool but a foundational process that helps ensure that government actions are legitimate, responsive, and grounded in public interest.

It is noteworthy that RIA provides a transparent framework for assessing the likely effects of regulations, thereby requiring policymakers to justify their choices with evidence. This process prevents arbitrary or uninformed decisions and reinforces accountability—an essential component of good governance (Matlhare, 2024). Identifying the regulatory problem supports transparency and accountability by clearly articulating why government action is needed. Exploring different policy options and assessing their impacts ensures proportionality and effectiveness, helping policymakers choose the most balanced and justified approach (Sari, 2023). The collection and use of data reinforces evidence-based decision-making and transparency, while the evaluation of alternatives strengthens accountability by requiring justification for the chosen path. Selecting a preferred regulatory option based on clear criteria promotes legitimacy and proportionality, and finally, communicating results and involving stakeholders enhances public participation and openness. Altogether, the RIA process provides a structured way to embed good governance principles into policy development and legislative decision-making (Karatas, 2022).

While reviewing the relevant literature, authors of the article noticed that such literature reflects a formal framing—suggesting what RIA should do to support good governance—rather than demonstrating its practical application to the principles of good governance. For example, Adelle et al. (2015) shares experience in suggesting the successful ways of RIA implementation in developing countries while also that there is a limited literature available on the experiences of RIA in developing countries. The article mentions that RIA supports implementation of good governance which “is a way to increase integrity and trust in the policy making process and improve regulatory outcomes by promoting informed decision making.” But apart from underlining the formal compliance of RIA with the principles of good governance, the article does not discuss the quality of developed RIA documents which often fall short of good governance standards due to limited financial and human resources, lack of institutional ownership, insufficient data availability, and weak stakeholder engagement.

In Brenner & Fazekas (2020), the authors describe the legislative effects of RIA on the modification of legal acts, provide strong empirical evidence that RIAs contribute to legal stability, which reflects core good governance principles like transparency, and evidence-based policymaking. The study suggests that stronger institutional, including legislative, frameworks strengthen the alignment of RIAs with the good governance. But at the same time, the study does not evaluate and score RIA documents for alignment with the principles of good governance.

Moreover, the article does not analyze the legal frameworks or regulations governing RIAs to assess whether they explicitly embody good governance principles or not.

In Carroll (2010), the author underlines that RIA can lead to a better decision-making process if the certain institutional criteria are met, hence, RIA improves good governance but the article leaves several important gaps. The paper does not systematically assess whether the legal frameworks regulating RIAs align with established good governance principles, nor does it include content analysis of RIA documents. While Kamkhaji et al. (2019) provides a broad overview of RIA reforms in 60 developing countries, it focuses primarily on system-level design, implementation status, and institutional factors influencing success or failure, rather than analyzing the legal content of RIA frameworks or evaluating the quality of individual RIA reports. Although principles of good governance are discussed as part of good practice, there is no systematic assessment of how RIA laws or documents align with specific good governance criteria like participation, accountability, or the rule of law.

Literature overview suggests a persistent gap between the theoretical understanding of RIA and its practical implementation, particularly in terms of advancing good governance. While existing studies often emphasize the normative role of RIA and the importance of RIA reform, few articles provide specific evaluations in relation of RIAs which still does not fill the current research gaps in evaluating the legislation and RIA documents and corresponding them to the principles of good governance. This highlights the need for further empirical research assessing both the formal legal frameworks governing RIA and the actual content of RIA documents against the principles of good governance. This article evaluates both legislative framework of RIA and the quality of RIA documents developed in Georgia and describes their practical application to the principles of good governance.

Analysis of the Conformity of RIA Legislative Framework with the Principles of Good Governance

In response to the RQ1, it should be highlighted that Georgia's path to becoming an EU member has been characterized by sweeping reforms across its political, economic, and legal institutions. The introduction of RIA in Georgia coincided with the country's integration process with the European Union. As part of the EU integration process, Georgia committed to improving the transparency, accountability, and effectiveness of its policymaking systems - core principles

underpinning both EU governance and the RIA framework. The RIA reform was introduced as a method to serve those principles, strengthen the EU integration process and institutionalize evidence-based policymaking, ensure that new regulations are justified through cost-benefit analysis, and engage stakeholders in the policy process. These aims are not only instrumental in improving domestic regulatory quality but also serve as essential components for meeting the obligations set out in the EU-Georgia Association Agreement, positioning RIA as a key tool in Georgia's institutional transformation and Europeanization efforts (European Commission, 2015; European Commission, 2017; The Administration of Government of Georgia, 2015).

However, the institutional context of Georgia presents both opportunities and challenges for the effective implementation of RIA. On the one hand, the country has a relatively centralized governance structure, which can facilitate the coordination of reforms. On the other hand, Georgia's public administration still faces significant challenges, including a lack of experienced personnel, insufficient coordination between government agencies, lack of political will and limited stakeholder engagement in policy processes. These factors create barriers to the effective development and application of RIA (Kvashilava, 2019; Khuroshvili, 2023; 2025).

On May 29, 2019, Parliament of Georgia amended the Organic Law of Georgia on Normative Acts which defines types and hierarchy of the Georgian legislation, and added the new article 17¹ regarding the Regulatory Impact Assessment. According to the mentioned articles, the Regulatory Impact Assessment shall be mandatory - when preparing a draft law regarding making amendments to a legislative act included in the list of legislative acts defined under an ordinance of the Government of Georgia, if the draft law is initiated by the Government of Georgia; and in individual cases, by decision of the Government of Georgia, when a draft law is prepared by an institution of the executive authority of Georgia.⁴

But at the same time this regulation has exceptions. Particularly, if the draft law concerns budgetary, defense, or security matters, involves only technical or minor changes, ensures compliance with higher-ranking laws or court decisions, is part of a broader legislative package without introducing new issues the mandatory requirement of Regulatory Impact Assessment shall not apply or when delaying the preparation and submission of a draft law is unjustified, the Government of Georgia may, based on a substantiated proposal, fully or partially exempt the

⁴ Organic Law of Georgia on Normative Acts, date of issuing 22/10/2009, registration code: 010.240.010.05.001.003.647, Parliament of Georgia, Legislative Herald of Georgia, date of publishing 09/11/2009.

relevant body of the executive branch of Georgia from the obligation to conduct a Regulatory Impact Assessment (RIA) when preparing a draft legislative act. At the same time, the article does not obligate the Parliament of Georgia to conduct RIA if the draft law is initiated by the Parliament. Lastly, the article also obliged the Government of Georgia to adopt the methodology of RIA.

On January 17, 2020, Government of Georgia adopted the Ordinance N35 “On the Approval of Regulatory Impact Assessment (RIA) Methodology”. This Ordinance shall determine the terms and conditions for performing RIA regarding the legislative initiatives.⁵ For the purposes of the research, several articles of the mentioned Ordinance are highlighted and discussed (See table #1). Authors of the research concentrate on these articles because they regulate objectives and content of the regulatory impact assessment, stipulate main principles of RIA, discuss and analyze types and steps of regulatory impact assessment, and draw the list of legislative acts for which a RIA report is mandatory when drafting the amendments. At the same time, to show the compliance between RIA articles and the principles of Good Governance, table #1 – draws the compliance pattern to make it more vivid.

⁵ Ordinance N35 of the Government of Georgia On the Approval of Regulatory Impact Assessment (RIA) Methodology, date of issuing 17/01/2020, registration code: 010240010.10.003.021743, Government of Georgia, Website of the Government of Georgia, date of publishing: 20/01/2020.

Table #1: Compliance of the Legislative Framework of RIA to the principles of good governance.

Principles of Good Governance	RIA Legislative Framework (Ordinance N35 of the Government of Georgia On the Approval of Regulatory Impact Assessment (RIA) Methodology)	Assessment
<p>Evidence-Based Policy</p> <p>Accountability</p> <p>Transparency</p> <p>Responsiveness</p>	<p>Article 3. Objectives and Content of the Regulatory Impact Assessment.</p> <p>According to the article 3 of the Ordinance, a Regulatory Impact Assessment (RIA) must address the following key questions:</p> <p>What is the problem or issue, and why is it considered such?</p> <p>Why is regulation needed to address it?</p> <p>Which groups (stakeholders or affected parties) are or may be impacted by the problem now or in the future?</p> <p>What outcomes are intended to be achieved through regulation?</p> <p>What are the possible alternative solutions to the problem?</p> <p>How does the issue affect specific sectors or areas?</p> <p>And finally, how should the chosen alternative be implemented, monitored, and evaluated?</p>	<p>This article outlines a systematic approach to problem-solving that emphasizes using data and research to define issues, evaluate alternatives, and forecast outcomes—reflecting a commitment to evidence-based policy. By clearly identifying affected groups and intended impacts, it holds policymakers accountable for their decisions. Public access to the rationale and intended outcomes of regulatory proposals enhances transparency and ensures the public's concerns and needs are taken into account, making governance more responsive.</p>
<p>Rule of Law</p>	<p>Article 4. Assessment Principles of Regulatory Impact Assessment.</p>	<p>This article introduces principles like necessity, proportionality, and feasibility, which are rooted</p>

Effectiveness and Efficiency Transparency Participation Evidence-Based Policy	<p>According to the article 4 of the Ordinance, the following guiding principles should be observed when developing the RIA, particularly:</p> <p>the proposed intervention must be necessary and/or appropriate to meet a public need;</p> <p>it must be effective, with a realistic potential to achieve the intended goals and objectives;</p> <p>it must follow the principle of proportionality, meaning the intervention should be proportionate to the problem and the goal being addressed;</p> <p>the RIA process must be conducted transparently, with maximum involvement of the public and relevant stakeholders;</p> <p>and the selected intervention must be feasible to implement—it should align with the government’s program, other strategic documents (including the Sustainable Development Goals), and comply with higher-ranking legal acts.</p>	in legal rationality (Rule of Law), measurable impact (Effectiveness), and data-driven policies (Evidence-Based Policy). It also stresses stakeholder engagement (Participation) and openness in process (Transparency).
Effectiveness and Efficiency Evidence-Based Policy Accountability	<p>Article 7. Types of Regulatory Impact Assessment.</p> <p>Article 7 of the Ordinance states that there are two types of Regulatory Impact Assessments (RIA):</p> <p>a Standard RIA Report, which involves an in-depth review of the identified problem or issue and is conducted to determine whether regulation is necessary;</p>	Distinguishing between Standard and In-Depth RIAs allows for the tailoring of analysis based on the scale and complexity of an issue, promoting cost-effectiveness and efficient resource allocation. In-Depth RIAs require quantitative and qualitative analysis, ensuring that policy decisions are grounded in comprehensive evidence. The decision-making process for choosing RIA type

	and an In-Depth RIA, which includes comprehensive qualitative and quantitative analysis to assess the detailed impacts of different policy alternatives. The purpose of the in-depth RIA is not only to identify quantitative indicators of impact but also to monetize the expected outcomes. The decision to prepare an in-depth RIA report is made by the Government of Georgia or the relevant state body of the executive branch.	also creates a trail of responsibility, increasing institutional accountability.
Transparency Accountability Participation Evidence-Based Policy Responsiveness Effectiveness and Efficiency	<p>Article 9. Regulatory Impact Assessment Report.</p> <p>Article 9 states that a Regulatory Impact Assessment (RIA) must be prepared in a format consisting of five parts:</p> <p>The first part includes general information about the initiative and the responsible ministry or agency.</p> <p>The second part reflects the analytical stages ((a) identifying the problem or issue; (b) defining the baseline scenario; (c) setting the objectives of the intervention; (d) developing alternatives, including the option of no intervention; (e) analyzing potential impacts and forecasting possible developments; (f) comparing and evaluating the alternatives; and (g) preparing a plan for implementation and monitoring).</p> <p>The third part presents information on the procedural steps taken and the results of public consultations.</p>	<p>The requirement for public consultation results, procedural steps, and data sources ensures transparency and accountability. Involving stakeholders through consultation supports participation and responsiveness. The analytical stages demand strong use of data and evaluation, supporting evidence-based policymaking.</p> <p>Requiring assumptions, stakeholder impacts, risk identification, and evaluation of strengths/weaknesses reinforces reliance on evidence, supports policy effectiveness, and holds policymakers accountable for outcomes.</p>

	<p>The fourth part includes the signature of a competent representative from the initiating authority.</p> <p>The fifth part may include annexes attached to the report.</p> <p>The RIA report must clearly indicate the evidence and sources gathered during its preparation.</p> <p>Lastly, the third attachment of the Ordinance indicates that a proposed scenario of RIA should contain the key assumptions; an assessment of the potential impact on interested stakeholders; an analysis of the scenario's strengths and weaknesses in relation to the stated objectives; and identification of potential risks.</p>	
<p>Rule of Law</p> <p>Accountability</p> <p>Transparency</p>	<p>First Attachment to the Ordinance. List of Legislative Acts for Which a Regulatory Impact Assessment (RIA) Report Is Mandatory When Preparing Draft Amendments.</p> <p>According to the first attachment of the mentioned Ordinance there are 20 legal acts regarding which the RIA documents should be prepared if they are amended. This is the list of the legislative acts:</p> <p>Law of Georgia on Entrepreneurs;</p> <p>Law of Georgia on Control of Entrepreneurial Activity;</p> <p>Law of Georgia Tax Code of Georgia;</p> <p>Law of Georgia on Licences and Permits;</p> <p>Law of Georgia on License and Permit Fees;</p>	<p>By mandating RIAs for specific high-impact legal acts, this attachment strengthens the legal certainty and consistency that underpins the Rule of Law. It holds lawmakers accountable for thoroughly evaluating changes to critical legislation before implementation. Publishing this list also ensures transparency, making it clear when and where RIAs are required.</p>

	<p>Law of Georgia on Securities Market;</p> <p>Law of Georgia on Environmental Protection;</p> <p>Organic Law of Georgia Labour Code of Georgia;</p> <p>Law of Georgia on Insurance;</p> <p>Law of Georgia on Free Industrial Zones;</p> <p>Law of Georgia on Supporting the Development of Free Tourism Zones;</p> <p>Law of Georgia on State Support for Investments;</p> <p>Law of Georgia on Promotion and Guarantees of Investment Activity;</p> <p>Law of Georgia on Product Safety and Free Movement Code;</p> <p>Law of Georgia on Food/Feed Safety, Veterinary and Plant Protection Code;</p> <p>Law of Georgia on Energy and Water Supply;</p> <p>Law of Georgia on Electronic Communications;</p> <p>Law of Georgia on Competition;</p> <p>Law of Georgia on Regulatory Fees;</p> <p>Law of Georgia on Insolvency Proceedings.</p>	
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The described legal framework for Regulatory Impact Assessment (RIA) in Georgia can be considered broadly in accordance with the principles of good governance—at least in design and intent.

From the abovementioned Law and the Ordinance, and based its compliance patterns with the principles of Good Governance we can have an interim conclusion that normatively Regulatory Impact Assessment (RIA) is a structured, evidence-based process used by the Government of Georgia to evaluate the potential effects of proposed regulations. It ensures that any new regulation addresses a clearly defined problem, considers various policy alternatives (including doing nothing), and assesses their expected social, economic, and administrative impacts. The process must be transparent, involve stakeholder consultation, and follow a standardized reporting format. Ultimately, the RIA aims to ensure that regulations are necessary, effective, proportionate, implementable, and aligned with national strategies and legal norms.

As a response to the Research Question One, it can be underlined that the Georgian legislation regulating Regulatory Impact Assessment (RIA) is largely in line with the principles of good governance in its design, particularly emphasizing evidence-based policymaking, transparency, accountability, participation, effectiveness, and the rule of law. The legal and methodological framework—established through amendments to the Organic Law of Georgia on Normative Acts and detailed in Government Ordinance N35—sets clear standards for problem identification, stakeholder engagement, and impact evaluation. It mandates RIA for amendments to key legislative acts and outlines structured procedures to ensure transparency and accountability in policymaking.

However, the framework also includes broad exemptions that may weaken its overall effectiveness and consistency with good governance principles. Specifically, RIAs are not required for draft laws related to defense, security, budgetary matters, technical adjustments, or urgent cases where delays are deemed unjustified, and the Parliament is not obligated to conduct RIAs for its own legislative initiatives. These exemptions, while sometimes practical, can undermine the uniform application of evidence-based decision-making and reduce transparency and accountability in critical areas of governance. Therefore, while in theory the legislative structure of RIA in Georgia is well-aligned with good governance principles, its practical application might be challenged by these exemptions and by institutional limitations.

Are the quality of RIA documents in accordance with the principles of Good Governance?

In response to the RQ2, authors of this article located 61 RIA documents, and assessed 37 of these documents which were publicly available against the principles of Good Governance.

To assess the quality of RIA documents, authors of the article developed a structured set of analytical questions (Annex #1). These questions were derived from a review of existing scholarly literature, based on established RIA guidelines and shaped through consultations with key stakeholders. The development process of analytical questions included validation meetings involving representatives from private sector entities and civil society organizations, who provided critical feedback to ensure the relevance and comprehensiveness of the evaluation criteria.

To correlate the analytical questions with the principles of good governance — Effectiveness and Efficiency, Rule of Law, Accountability, Evidence-Based Policy, Transparency, Participation, and Responsiveness the authors of the article mapped each of the questions to one or more principles of good governance based on its intent and scope, with each principle represented by four questions.

Analysis covered different issues, including: topics related to the structure, use of data, and problem definition, ensuring that the regulatory need is clearly articulated and evidence-based; the inclusion of multiple alternatives in RIA, stakeholder engagement, and use of comparative analysis reflect participation, ensuring that diverse perspectives are considered and that policies are proportionate to the problems they aim to address; evaluating impacts, methodologies, and motivations behind RIA preparation whether the process leads to real policy improvements or remains superficial. This analysis, does more than measure technical quality of RIA document — it reveals how deeply the RIA process embodies good governance in practice. Table #2 (full version is available in Annex 2) shows the compliance of the RIA documents with the Good Governance principles.

The scoring method for evaluating Regulatory Impact Assessments (RIAs) is a weighted matrix approach based on the seven principles of good governance. Each RIA earns four points for full compliance with each principle of Good Governance, totaling up to 28 points across all principles. The lower the compliance, the lower are the points. To enable comparison across RIAs the total score can be normalized to a percentage using the formula: $(\text{RIA Score} \div 28) \times 100$. This approach shows compliance of each RIA towards principles of Good Governance and ensures balanced evaluation, transparency, and comparability.

For example, in Annex #2, “Regulatory impact assessment of the draft law on food loss and waste” has four points in the first cell of Effectiveness and Efficiency. According to Annex #1, good governance principle of Effectiveness and Efficiency is assessed by four questions, such as: (4) Is the scale of the regulatory problem described by using qualitative or quantitative data? (5) Are the intervention objectives clearly defined? (7) Were multiple alternatives considered? 8) Were direct and indirect impacts identified for each alternative during the impact analysis? Therefore, it means that in relation to Effectiveness and Efficiency, authors of the Article, assessed this RIA document by four points, thus it answered positively all four applied questions. The same assessment method was used regarding all RIA documents.

The final analysis divides results into three parts: high level performer RIAs which are aligned with the principles of Good Governance and have score of at least 75% of alignment range, mid-level performer RIAs which are moderately aligned with the principles of Good Governance and have alignment range from 50% to 74% and require further improvement, and non-performer RIAs which are not aligned with the principles of Good Governance with lower than 50% alignment range.

After calculating the points of each RIA according to the principles of Good Governance as it is given in Annex 2, authors of the article developed the summary for Table #2 which presents the alignment of Regulatory Impact Assessments (RIAs) with the principles of Good Governance and is categorized into three performance tiers based on their percentage of alignment.

Summary for Table #2. RIA Alignment Rate with the Principles of Good Governance.

Performance Tier	% Alignment Range	# of RIAs	Percentage	Governance Implication
High Performers	≥75%	15	40,6%	Aligned with the principles of Good Governance
Mid-Level Performers	50%–74%	14	37,8%	Moderately aligned: room for systematic improvement

Low/Non-Performers	<50%	8	21,6%	Misaligned: needs structural reform and technical support
		37	100%	

While a notable portion—40.6%—of the RIAs can be classified as high performers, demonstrating strong adherence to principles such as transparency, participation, and evidence-based policymaking, the majority still fall short of full alignment. Specifically, 37.8% are mid-level performers, indicating only moderate compliance and highlighting areas requiring systematic improvement, particularly in accountability, stakeholder engagement, and effectiveness. Alarming, 21.6% of the RIAs show low or no alignment with Good Governance principles, reflecting serious structural and procedural deficiencies. These results point to critical structural or procedural gaps, suggesting an urgent need for possibly better institutional reform to enhance the quality and integrity of impact assessments.

These findings suggest that while the RIA reform has made progress in institutionalizing good governance practices on the legislative level, its implementation remains inconsistent. For RIAs to truly function as tools for transparent, inclusive, and effective policymaking, further reforms—both technical and institutional—are essential.

These findings underscore that, although the legal and methodological framework for RIA in Georgia is formally grounded in compliance with the principles of good governance, its implementation in practice remains inconsistent and often superficial.

Discussion and Conclusion

Although Georgia has taken important steps towards establishing a legal and institutional framework for Regulatory Impact Assessment (RIA), including adopting the Ordinance N35 of the Government of Georgia On the Approval of Regulatory Impact Assessment (RIA) Methodology, the quality and practical application of RIAs often fall short of good governance standards.

While the formal methodology emphasizes transparency, stakeholder participation, accountability, and evidence-based decision-making, these principles are inconsistently applied in practice. Institutional weaknesses - such as limited financial resources, technical capacity, and analytical skills - have led to heavy reliance on donor organizations, reducing domestic ownership, especially

in the early stages of implementation. The views illustrated in Carroll (2010) are also proved by the findings of this article: generally, RIA leads to a better policy but in cases of institutional weaknesses, lack of technical expertise, and administrative resistance to the externally driven RIA – the process can lead to non-alignment of practical application of RIA with its legislative framework. This is proved by the current analysis of RIA documents, assessment of legislative framework and the results of the interviews and focus groups.

Respondents of the interviews and focus groups mentioned that RIA reforms are typically viewed as highly technical and administrative, lacking the immediate visibility or voter appeal that characterizes more populist initiatives. Without high-level political backing, RIA reform may be inconsistently applied across institutions. Without strong political ownership or public demand, RIA reforms risk being treated as compliance exercises driven by donor expectations rather than integrated tools for evidence-based policymaking. The limited capacity of public institutions—both in terms of financial and human resources—has led to a reliance on donor organizations to initiate and support the RIA process. This donor-driven approach has resulted in low domestic ownership, especially during the early stages of RIA implementation, where public officials often remained passive participants.

Furthermore, the pressure of Georgia's frequently accelerated legislative process significantly hinder transparency, reduce public participation, and compromise the depth and quality of RIA analysis. When the public sees these reforms as distant or irrelevant, there's little societal pressure to demand accountability or quality in the RIA process. In the context of RIA, the latter means that while the formal requirements for conducting RIAs are in place, they are not consistently applied, and their effectiveness in improving policy outcomes is limited.

Moreover, based on the results of the interviews and focus groups, it can be concluded that the absence of a clear legal mandate requiring consistent RIA use across sectors allowed for its selective and politically motivated application, often limited to donor-funded initiatives or EU integration efforts. OECD (2020) underlines the negative influence of institutional resistance on RIA implementation process. This analysis is further strengthened by ISET (2023) underlining that there is a fewer number of RIAs conducted which is caused by the lack of knowledge in state institutions about RIA, and by their low motivation to develop RIAs. Based on the results of the interviews and focus group meetings, it can be concluded that institutional resistance - particularly

within parts of the executive and legislative branches - further adversely affects progress, as RIA is often perceived as an externally imposed formality rather than a valuable governance tool.

This perception is further supported by comparative evidence from the region. According to Staronova (2010), based on the cross-country analyses of RIA implementation in Central and Eastern Europe, the quality of RIAs often suffers in environments where institutional resistance, limited administrative capacity, and low political prioritization prevail. As the article demonstrates, high-quality RIAs are marked by clear problem definition, evidence-based analysis, stakeholder engagement, and policy coherence. In contrast, RIAs in weaker institutional settings are frequently treated as procedural formalities, lacking analytical rigor and failing to inform decision-making meaningfully. Georgian experience highlights that despite the existence of a formally well-developed RIA framework, practical application of RIA can have a limited alignment with good governance principles. This reinforces the argument that improving the quality and impact of RIAs requires not only the adoption of formal procedures, but also addressing the underlying institutional conditions that shape their effective implementation.

Thus, based on the findings of the article the research questions can be addressed with the following conclusions:

- 1) The Organic Law of Georgia on Normative Acts and the Government's Ordinance N35 on the Approval of Regulatory Impact Assessment (RIA) Methodology establish a theoretically sound, structured, and evidence-based framework for evaluating the potential impacts of proposed regulations, aligning with key Good Governance principles such as transparency, accountability, stakeholder participation, and evidence-based policymaking. The RIA process is designed to ensure that regulations address clearly defined problems, assess alternative policy options—including maintaining the status quo—and evaluate social, economic, and administrative impacts through a standardized and transparent format. However, the methodology also allows for several exemptions that raise Good Governance concerns, such as broadly excluding laws related to budget, defense, or security, and permitting government discretion to bypass RIA in urgent cases or if it is initiated by the member of the Parliament of Georgia. Such exemptions can undermine transparency, accountability, and public participation. Additionally, the exclusion of Parliament-initiated legislation and the use of legislative bundling to avoid RIA requirements introduce inconsistencies and weaken the integrity of the process. These exemptions are subject of the further research to conclude whether they are being used as an opportunity for raising the efficiency of

the good governance or as a legal mechanism for evasion of implementation of RIAs. For the RIA framework to fully adhere to good governance standards, these exceptions must be narrowly defined, publicly justified, and subject to oversight to prevent misuse. Overall, while the legislative basis for RIA in Georgia reflects the core phases and objectives of a sound regulatory process, its practical alignment with Good Governance depends heavily on the consistent and transparent application of these standards.

2) Following the evaluation of each Regulatory Impact Assessment (RIA) based on the principles of Good Governance, as outlined in Annex 2, the authors developed a summary presented in Table #2. This table categorizes the assessed RIAs into three performance tiers according to their percentage alignment with Good Governance criteria. According to the Table #2, 40.6%—of the RIAs can be classified as high performers; 37.8% are mid-level performers, indicating only moderate compliance, and 21.6% of the RIAs show low or no alignment with Good Governance principles. While these assessments incorporate several fundamental elements of good governance, they reveal notable deficiencies in areas such as accountability, public participation, and overall effectiveness and efficiency, indicating substantial room for improvement. The last category of RIAs comprising with documents which show no alignment with the principles of Good Governance, illustrate that these cases highlight significant structural and procedural shortcomings, underscoring the need for comprehensive institutional reforms to improve the quality, credibility, and impact of the RIA process.

While the formal legislative and methodological framework for Regulatory Impact Assessment (RIA) in Georgia reflects the foundational principles of Good Governance - namely, transparency, accountability, participation, and evidence-based policymaking - the practical implementation of these principles remains significantly limited and inconsistent. The gap between the normative design and actual practice of RIAs illustrates broader systemic challenges in the country's governance landscape. Addressing these deficiencies requires more than technical reforms. It demands a stronger political commitment to institutional accountability, a coordinated and adequately resourced public administration, and the internalization of governance norms as intrinsic values rather than external obligations. Without such systemic improvements, RIAs in Georgia will likely continue to function as procedural formalities rather than as effective instruments of democratic and evidence-based policymaking.

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Annex 1: Set of analytical questions applied to each RIA document.

N	Set of Analytical Questions	Correlation of the Principles of Good Governance with the Analytical Questions
1	Does the Regulatory Impact Assessment align with the template structure outlined in Ordinance N 35 of the Government of Georgia?	Accountability; Transparency

2	Is the discussed RIA a standard or in-depth assessment?	Accountability; Transparency
3	Was there any specific method used to identify and describe the problem?	Evidence-Based Policy;
4	Is the scale of the regulatory problem described by using qualitative or quantitative data?	Effectiveness & Efficiency; Evidence-Based Policy;
5	Are the intervention objectives clearly defined?	Effectiveness & Efficiency; Rule of Law;
6	Has the experience of another country been utilized in the development of alternative scenarios?	Evidence-Based Policy; Participation; Responsiveness
7	Were multiple alternatives considered?	Effectiveness & Efficiency;
8	Were direct and indirect impacts identified for each alternative during the impact analysis?	Effectiveness & Efficiency;
9	Was a specific method used to evaluate alternatives?	Evidence-Based Policy;
10	Was a multi-criteria analysis applied?	Accountability; Transparency
11	Were stakeholders involved in the RIA development process?	Participation;
12	Did RIA preparation take a specific period of time (ex., from three to six months)?	Accountability; Participation; Responsiveness
13	Was RIA initiated by a public institution, private sector, or international organization?	Rule of Law; Participation
14	Was there a specific motivation behind the preparation of the RIA?	Rule of Law; Responsiveness
15	Did the RIA preparation lead to a specific outcome (ex., such as amendment to the legislation)? ⁶	Rule of Law; Responsiveness
16	Is there information indicated on RIA document about the implementing organization?	Transparency

⁶ Authors of the research are continuing to work on analysis of RIA Reform in Georgia and further results of the specific outcomes of RIA documents are forthcoming.

Annex 2. Mapping the Quality of RIA Documents to Good Governance Principles.

N	Title	Effectiveness and efficiency	Rule of Law	Accountability	Evidence-based Policy	Transparency	Participation	Responsiveness	Score	Percentage of Alignment to the Principles of Good Governance
1	Regulatory impact assessment of the draft law on food loss and waste	4	4	4	3	3	3	4	25	89%
2	Regulatory impact assessment of ILO C156 – workers with family responsibilities convention	4	3	4	3	4	3	2	23	82.1%

3	Assessment of the regulatory impact of changes to labor legislation on labor rights and conditions	2	2	2	3	3	2	1	15	53%
4	On minimum insulation requirements for buildings	3	2	3	4	3	4	3	22	78.5%
5	The simplified Regulatory Impact Assessment of the technical regulation on the Limitation of Emissions of VOCs due to the use of organic solvents in certain paints and varnishes and vehicle refinishing products	0	0	0	0	0	0	0	0	0.00 %
6	Regulatory Impact Assessment Report - Dispute Resolution Board	4	2	4	3	4	3	1	21	75%

7	Preliminary cost-benefit analysis of the draft law on public procurement	0	0	0	0	0	0	0	0	0.00 %
8	On Amendments to the Law of Georgia on Insurance	4	2	3	3	3	3	1	19	67.8%
9	Regulatory Impact Assessment ILO Convention 183 on Maternity Protection	4	3	4	3	4	3	2	23	82.1%
10	Regulatory Impact Assessment ILO Convention 189 on Domestic Workers	4	3	4	3	4	3	2	23	82.1%
11	Assessment of the impact of the regulation of technical regulations on radio equipment	2	1	3	3	2	3	1	15	53.5%
12	EQUITY CROWDFUNDING	1	1	1	3	1	3	1	11	39.2%

[illegible]

[illegible]

[illegible]

	Profit Tax Reform in Georgia`									
27	Assessment of the impact of the new regulatory framework for accounting, reporting and auditing	1	2	2	1	2	3	2	13	46.4%
28	Regulatory Impact Assessment on High Mountainous Region Designation of Energy Development and Access	4	1	3	3	4	1	0	16	57.1%
29	Regulatory Impact Assessment (RIA) of the Draft Law of Georgia on Windbreaks	4	2	4	3	4	3	1	21	75%
30	Regulatory impact assessment of the selected topics under the draft law on rehabilitation and collective satisfaction of creditors	3	3	2	3	3	2	2	18	64.2%

[illegible]

3 6	RIA on the electrical and electronic products market	0	0	0	0	0	0	0	0	0%
3 7	Regulatory Impact Assessment (RIA) of proposed Energy Law on Electricity Prices	0	0	0	0	0	0	0	0	0%
3 8	Regulatory Impact Assessment (RIA) of Proposed Energy Law on Natural Gas Prices	0	0	0	0	0	0	0	0	0%
3 9	Regulatory Impact Assessment (RIA) on the Employment Mechanism in Georgia	2	2	2	2	3	2	1	14	50%
4 0	RIA on Certain Aspects of Draft Law on Tourism	0	0	1	0	1	0	0	2	7.1%
4 1	Regulatory Impact Assessment of Proposed Energy Law on Vulnerable Customers in Georgia	2	1	2	4	3	2	2	18	57.1%

4 2	Impact assessment of electricity trading mechanism regulation	2	2	4	3	4	3	1	19	67.8%
4 3	Regulatory Impact Assessment of the Draft Law of Georgia on Biodiversity	3	3	4	3	4	3	2	22	78.5%
4 4	Impact assessment of the regulation of the draft law of Georgia “On Entrepreneurs”	4	3	3	3	3	3	2	21	75%
4 5	Estimated costs associated with the implementation of the draft law of Georgia on the rights of persons with disabilities	3	2	3	2	3	3	2	18	64.2%
4 6	Analysis of the impact of VAT tax reform regulation	1	1	2	1	2	1	0	8	28.5%

4 7	Assessing the impact of regulation on funded pension reform	3	3	3	3	3	3	2	20	71.4%
4 8	Assessing the impact of the “social cut” reform regulation	3	1	4	3	4	4	2	21	75%
4 9	RIA on The Electricity Trading Mechanism	0	0	0	0	0	0	0	0	0.00
5 0	RIA Report on the Independent Investigative Mechanism	0	0	0	0	0	0	0	0	0.00
5 1	Regulatory Impact Assessment on the Liberalisation of the System of Measures of Restraint	0	0	0	0	0	0	0	0	0.00
5 2	Retrospective assessment of the Law on State Internal Financial Control	1	2	1	1	2	2	1	10	35.7%
5 3	Regulatory Impact Assessment of Georgia's Drug Policy Reform	3	1	3	3	3	4	2	19	67.8%

5 4	Regulatory Impact Assessment of the Draft Law of Georgia “On Protection of Consumer Rights”	3	1	1	3	2	3	1	14	50%
5 5	Impact Assessment of the New Spatial Planning and Construction Code of Georgia	2	1	1	2	2	2	0	10	35.7%
5 6	Regulatory Impact Assessment of the Implementation of the Estonian Corporate Income Tax (CIT) Model in Georgia	3	3	2	3	2	4	3	20	71.4%
5 7	Regulatory Impact Assessment (RIA) of Draft Irrigation/Drainage Tariff Methodology	4	2	4	3	4	3	1	21	75%
5 8	Regulatory Impact Assessment on Crop	4	2	4	3	4	3	1	21	75%

	Insurance Reform in Georgia									
59	Regulatory Impact Assessment Construction Code Team Final	4	2	4	3	4	3	1	21	75%
60	Regulatory Impact Assessment on Mandatory Immunization in Georgia	0	0	0	0	0	0	0	0	0.00
61	Draft Law on Water Management	4	2	4	3	4	3	1	21	75%

From Humanitarian Relief to Strategic Partnership: US Aid and Diplomacy in Georgia, 1992–2020

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Abstract

Since 1992, the U.S. Government has extended support to the twelve⁷ newly independent states (NIS) that emerged after the dissolution of the Soviet Union, aiming to assist their transition toward market-oriented democratic systems. This aid aligns with broader U.S. policy objectives in the region such as promoting security, stability, and economic growth; building positive bilateral ties; and preventing the rise of future threats to American national security. The overall goal of this massive intervention was to address the grey area that arose following the collapse of the Soviet Union. Only in 1992-1996 the U.S. committed substantial resources to this mission, providing over \$8.5 billion in grants and \$12.9 billion⁸ in financing mostly represented the humanitarian assistance to the countries with many existential problems.

In this article I will emphasize on the US support and its role to the newly independent state of Georgia and its crucial role during the transformation period. U.S. assistance to Georgia from 1990–2020 served not only as humanitarian and development support but also as a key instrument of soft power diplomacy, shaping public perception, political alignment, and strategic partnerships. The author describes the situation in Georgia in the 1990s, the nature of humanitarian assistance provided by the U.S. government, the mutual interests of the United States and Georgia in building cooperation, the mechanisms and programs involved, and the impact of this assistance. This publication will help scholars, researchers, and practitioners understand the scale of U.S.

⁷ Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kirgizstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan

⁸ US Government Assistance to and Cooperative Activities with the new Independent States, FY 1996 Annual Report, Office of the Coordinator of US Assistance to NIS

involvement in the humanitarian, social, and economic sectors of a newly established state, and envision what future development instruments the U.S. government may employ to serve its national interests while strengthening resilience in partner states.

Keywords: U.S.–Georgia relations; U.S.; humanitarian diplomacy; Freedom Support Act; Silk Roa; USAID in Georgia; Millennium Challenge Corporation; defense and security cooperation; public health reform; Hepatitis C elimination program; Lugar Research Center.

Introduction

The last decade of the 20th century marked the logical conclusion of the competition between the great powers. On one hand, the dissolution of the Soviet Union was a result of the U.S. government's consistent foreign and security policy and limited moral and physical resources of USSR; on the other hand, it brought turmoil, civil war, poverty, humanitarian crises, and overwhelming frustration to the territory of the former Soviet Union.

After the dissolution of the Soviet Union, the United States sought to turn a significant challenge into a strategic opportunity. The challenge lay in supporting the transformation of the newly independent states into market-based economies while preventing the emergence of future threats to national security of U.S. The opportunity and interest, however, was to cultivate allies and forge partnerships grounded in mutual respect and shared interests. At the core of this substantial investment, amounting to billions of dollars, was the pursuit of U.S. national interests and the advancement of its strategic priorities.

Interests for long-term reliable cooperation

U.S. interests in Georgia were driven by a pragmatic recognition of the country's strategic importance. Following the collapse of the Soviet Union, the United States aimed to fill the geopolitical "gray area" in the South Caucasus by fostering a reliable partnership in a region that sits at the crossroads of major global interests. Bordering Russia to the north, Turkey to the west, Iran to the south, and situated along the Black Sea, Georgia made a vital link in the emerging East-West transit corridor known as the "Silk Road," connecting the Caspian region to Europe.

For U.S. policymakers, Georgia's role as a transit hub and buffer state was attractive both economically and geopolitically, particularly in countering Russian and Chinese influence and mitigating transnational threats such as organized crime and terrorism. Through sustained

engagement and assistance, the U.S. supported Georgia's democratic development, economic reforms, and civil society, while also enhancing the country's defense and security systems. Overall, US aid to Georgia served the dual purpose of advancing U.S. national interests and contributing to regional stability and democratic resilience.

From Georgia's perspective, cooperation with the United States was vital to safeguarding its sovereignty and advancing national interests. The partnership aimed to secure support for Georgia's territorial integrity, economic development, and aspirations for European and Euro-Atlantic integration, while also fostering U.S. goodwill, an alignment that positioned Georgia as a credible and influential actor in the region.

Following a period marked by a devastating civil war and two territorial conflicts, U.S. support represented a pivotal turning point and a vital source of hope for Georgia's future development and stabilization. Through initiatives promoting democracy, strengthening political and economic institutions, enhancing people to people contact and cultural and educational ties, Georgia consistently benefited from U.S. irreversible support, both bilaterally and multilaterally. With American assistance, the country's defense and security sectors were modernized with new tools, knowledge, and expertise, significantly enhancing its defense capabilities and achieving interoperability with NATO by 2010. Overall, U.S. assistance played a crucial role in shaping a stable, democratic, and resilient political and economic environment in Georgia, while also supporting the development of a strong civil society.

Georgia to the brink of collapse in 1990-ies

Before the collapse of the Soviet Union, Georgia was considered a moderately developed state, ranking 8th among Soviet republics in terms of Gross Domestic Product (GDP), with an economy valued at approximately \$8 billion. However, after the Soviet Union dissolved, Georgia faced internal conflicts over territorial integrity, civil war, and an economic collapse that led to a 21% drop in GDP in 1991 alone. By 1992, Georgia was classified as a "failed state"⁹, setting multiple negative records: GDP fell by 44%, inflation reached quadruple digits, and the country ranked first globally in the size of its shadow economy¹⁰.

⁹ A country in which, due to conflict, ineffective governance, or state collapse, the central government is unable to exercise effective control and provide essential services to a significant portion of its territory.

¹⁰ Economic history of independent Georgia: 32 years in numbers. <https://bm.ge/news/damoukidebeli-saqartvelos-ekonomikuri-istoria--32-weli-ricxvebshi/134939>

The severe crisis caused the collapse of Georgia's socio-economic system. Citizens, trapped in extreme hardship, were unable to access essential medical care due to lack of funds and services. Government spending on healthcare dropped from \$95.5 per capita in 1985 to \$13 in 1990 and by 1994 it had fallen to just \$0.9. As a result, demographic indicators deteriorated significantly: illness rates rose, birth rates fell and the incidence of socially dangerous diseases increased. Between 1990 and 1995, maternal mortality rose from 20.5 to 55.1 per 100,000 live births, while child mortality increased from 20.7 to 28.6.

If you ask to the mid-age Georgian, what Georgia was like in the 1990-s, the answer will likely be the same: no electricity, cities and villages in darkness, long lines for bread, no public transportation, gunshots at nights... The energy sector fell into critical condition during the 1990s. Prior to regaining independence, Georgia operated 45 hydropower plants (with an installed capacity of 2,893 MW) and 2 thermal power stations (with 380 MW). Electricity consumption peaked during the 1980s, but the collapse of the Soviet Union devastated the sector. Georgia's electricity consumption dropped from a high of 17.4 billion kwh in 1990 to just 7.7 billion kwh in 2002, resulting in a severe energy crisis across the country¹¹.

According to International Monetary Fund, just three years after declaring independence, Georgia had become one of the world's poorest countries. In 1991, the average annual income per capita was \$5,550; by 1994, it had dropped by 61% to \$2,466.

Georgia's economic catastrophe in the 1990s was the result of numerous overlapping factors: civil war, conflicts over territorial integrity, widespread corruption and crime, lack of experience in governance and market economics, absence of functioning state institutions, hyperinflation, and an energy crisis. This combination brought the country to the brink of collapse. To offer a comparison, the socio-economic situation in Georgia in the early 1990s was comparable to that of Germany after World War II¹².

Early years of cooperation: humanitarian diplomacy for trust building operation

U.S. foreign assistance to Georgia began with a focus on humanitarian activities. Just a month after recognizing Georgia's independence, on January 22, 1992, President George H. W. Bush at

¹¹Review of Georgia's energy sector, Economic Governance Program of USAID, 2023 §.
<https://eprc.ge/wp-content/uploads/2023/12/sakharthvelos-energetikisa-da-energodamokidebulebis-mimokhilva.pdf>

¹² Economic history of independent Georgia, Beso Namchavidze <https://forbes.ge/damoukidebeli-saqarthvel/>

an international conference on aid to former Soviet republics announced that the United States would provide \$600 million in technical and humanitarian assistance, including for Georgia. Two months later, on March 23, 1992, the U.S. allocated its first package of medical and humanitarian aid specifically for Georgia. This marked the initial engagement of the world's most powerful nation with newly independent, impoverished, and at the time, a struggling state grappling with the characteristics of a failed state.

On April 23, 1992, diplomatic relations were established between Georgia and the United States. Just a month later, on May 25, U.S. Secretary of State James Baker paid an official visit to Georgia. This visit underscored Washington's interest in the newly independent state and sent a clear message that Georgia was within the sphere of U.S. geopolitical interest. James Baker, along with other prominent figures, helped establish the Friends of Georgia organization, which played a crucial role in delivering humanitarian assistance to the country. Upon returning to the United States, Secretary Baker facilitated the first and urgent aid to Georgia: President George H. W. Bush sent 100,000 tons of wheat. For a country ravaged by civil war, where people queued for hours just to buy bread, this was invaluable support.

On May 4, 1992, two planes carrying medical supplies and three planes loaded with food aid arrived in Georgia. Shortly after, the U.S. allocated \$4 million worth of humanitarian aid designated for "victims of conflicts in the Caucasus region." The goal was to provide internally displaced persons (IDPs) with medical and other social support services.

In the early years of independence, Georgian citizens lacked access to essential medical services. Between 1991 and 1993, over 40,000 citizens in Georgia were insulin-dependent diabetics. The situation was particularly dire for more than 300 diabetic children under the age of 14. Due to the severe economic crisis, the state was unable to procure Insulin, which would have meant death for tens of thousands of people. To address this critical problem, Georgian head of state Eduard Shevardnadze personally contacted U.S. Secretary of State James Baker. The response was swift: on June 21, 1992, as part of a medical and humanitarian mission, Georgia received 194,000 vials of insulin and 500,000 syringes. Between 1992 and 1994, Georgia received nearly \$15 million worth of Humulin Insulin from the United States, saving the lives of tens of thousands.

Total humanitarian assistance to Georgia from 1992 to 1996, as of September 30, 1996, amounted to \$208.47 million:

- In 1992 – 37.49 million
- In 1993 – 58.83 million

- In 1994 – 25.24 million
- In 1995 – 44.64 million¹³

Following the establishment of diplomatic ties, the number of humanitarian missions by U.S. governmental and non-governmental organizations increased. The United States supported Georgia's accession to international organizations, including the International Monetary Fund and the World Bank. In 1992, the United States Agency for International Development-USAID began operating in Georgia, primarily coordinating non-military international assistance.

The year 1995 marked the first fiscal year in the history of independent Georgia when the economy grew by 2.6%. That same year, the national currency, the Georgian Lari, was introduced; a new monetary policy was implemented, and for the first time a complete state budget was adopted. Hyperinflation dropped to 57% in 1995 and further declined to 7.2% by 1997. The exchange rate of the Georgian Lari remained stable against the U.S. Dollar. Between 1996 and 1997, Georgia's exports increased by 57%. In 1997, the country attracted \$243 million in foreign direct investment, compared to just \$4 million in 1996.

The end of civil war and territorial conflicts, the introduction of a new monetary system, the establishment of state institutions, the formation of a centralized government, and strong international support undoubtedly led by the United States provided Georgia with an opportunity for development. In 1996–1997, the economy grew by an average of 10% annually, marking the first time in the history of independent Georgia that GDP recorded double-digit growth.

Humanitarian assistance marked the beginning of the U.S.-Georgia relationship. This initial stage can be described as a phase of humanitarian diplomacy, during which both sides built mutual trust and began to understand one another.

Main criteria for determining the amount of US assistance to the partner nation

When the United States government was deciding whether to provide aid to a former Soviet country, it had to consider not just how much that country needed help, but also how well the country was performing in key areas, such as:

- Building a democracy
- Respecting human rights

¹³ US Government Assistance to and Cooperative Activities with the new Independent States, FY 1996 Annual Report, Office of the Coordinator of US Assistance to NIS

- Creating a market-based economy
- Following international laws
- Promoting peace and environmental protection

In other words, aid wasn't just based on need or will, it was also a reward for positive behavior in areas the U.S. valued. In this context, it is important to touch upon the **Freedom Support Act (FSA)**¹⁴, enacted in **1992**. It was a significant piece of U.S. legislation that aimed to assist the newly independent states (NIS) of the former Soviet Union after its dissolution. It was part of the broader U.S. foreign and security policy to support the transition of these countries towards democratic governance, free-market economies, and integration into the international community. FSA sought to help the NIS with political, economic, and humanitarian challenges in the aftermath of the Soviet Union's collapse.

To analyze U.S. assistance to Georgia it is important to consider Section 201 of the Freedom Support Act, which amended the Foreign Assistance Act of 1961, specifically Section 498A. This amendment introduced a crucial requirement for the U.S. President when determining whether to provide aid to former Soviet states. Beyond assessing a country's need for assistance, the President must evaluate its progress in areas such as democracy, human rights, economic reforms, and adherence to key principles like good governance and responsible international behavior. Therefore, U.S. aid decisions are not solely based on poverty or economic hardship, but also on the country's commitment to democratic values and positive global conduct.

In the FY 1996 annual report on U.S. Government Assistance and Cooperative Activities with the New Independent States of the Former Soviet Union, prepared by the Office of the Coordinator of U.S. Assistance to the NIS, the U.S. Assistance Criteria for Georgia is outlined. According to Section 498A(a), U.S. aid eligibility is based on a country's progress in key areas. Between 1992 and 1996, Georgia demonstrated notable improvements, including:

1. **Democratic Reform:** Adopted a new constitution (1995), held presidential and parliamentary elections (except in two separatist regions), and committed to local elections.
2. **Economic Reform:** Stabilized inflation, introduced a national currency, liberalized trade, and passed key financial laws. The IMF approved a \$246M reform loan.

¹⁴ US Government Assistance to and Cooperative Activities with the new Independent States, FY 1996 Annual Report, Office of the Coordinator of US Assistance to NIS

3. **Human Rights:** Improvement in some areas, such as freedom of religion and emigration, though issues remain regarding prison conditions, press freedom, and due process.
4. **Peaceful Conflict Resolution:** Committed to peaceful settlements in its breakaway regions Abkhazia and South Ossetia through UN and OSCE processes.
5. **International Obligations:** Respected arms control treaties sought border control independence and did not engage in WMD proliferation.
6. **Environmental Policy:** Established a Ministry of Environment, engaged in regional cooperation and empowered environmental NGOs.
7. **Counterterrorism:** Did not support international terrorism and supported global counterterrorism efforts.
8. **Soviet Debt:** Agreed to let Russia assume its share of the Soviet debt in return for its share of assets ("zero option").
9. **POW/MIA¹⁵ Cooperation:** Committed to assisting U.S. efforts to investigate Cold War-era POW/MIA cases.
10. **Cuba Policy:** Did not support Cuba's communist regime¹⁶.

The report also includes a checklist for grounds of ineligibility under section 498A(b) for Georgia:

1. **Human Rights Violations:** The U.S. President has not determined that Georgia engages in gross human rights violations. While most rights are respected, issues with detainee treatment persist. The government has prosecuted offenders and is pursuing law enforcement reforms.
2. **Arms Control Obligations:** Georgia has met its arms control responsibilities and has been a cooperative participant in arms control agreements, despite minor early challenges.
3. **WMD¹⁷-Related Transfers:** No evidence exists that Georgia has knowingly transferred missile or WMD-related technology in violation of international norms.
4. **Legal Prohibitions:** Georgia is not barred from receiving assistance under the relevant sections of the Foreign Assistance Act or chemical and biological weapons laws.
5. **Trade with Cuba:** Georgia does not engage in nonmarket trade with the Cuban government or provide assistance to Cuba.

¹⁵ Prisoners of War and Missing in Action

¹⁶ US Government Assistance to and Cooperative Activities with the new Independent States, FY 1996 Annual Report, Office of the Coordinator of US Assistance to NIS

¹⁷ Weapon of Mass Destruction

From Humanitarian diplomacy to the comprehensive aid package - full scale technical assistance

As mutual trust grew in 1992-1996, both the scale and scope of U.S. aid expanded, prompting the need to institutionalize foreign assistance and establish a corresponding legal framework. On July 31, 1992, the first bilateral agreement between the Republic of Georgia and the United States was signed in Tbilisi to facilitate humanitarian and technical economic assistance. The agreement aimed to ensure the provision of such assistance to the Georgian people and regulated the following key areas:

1. Tax and customs exemptions,
2. Status of personnel,
3. Inspection and audit procedures, and
4. Use of assistance.

Cooperation between Georgia and the United States deepened further during President Bill Clinton's presidency (1993–2001), when official memoranda were signed to strengthen U.S.-Georgia relations and bilateral trade. Starting in 1994, Georgia began implementing bold reforms. The United States offered a plan to help the country overcome its current crisis and implement financial and economic reforms. The plan included reducing government spending, abolishing inefficient state organizations, optimizing the state bureaucracy and budget, and introducing market economy principles. It was during this period that U.S. humanitarian aid transformed into technical assistance.

In FY 1996, U.S. Government assistance programs and cooperative activities conducted in the NIS, including in Georgia, supported three basic goals:

- 1) to promote democratic institution-building, the rule of law and the establishment of a civil society;
- 2) to help establish open and competitive market economies and expand opportunities for trade and investment;
- 3) to enhance U.S., NIS and international security through cooperative threat reduction and nonproliferation efforts¹⁸.

¹⁸ US Government Assistance to and Cooperative Activities with the new Independent States, FY 1996 Annual Report, Office of the Coordinator of US Assistance to NIS

The annual report evaluated programs and activities made substantial progress towards these three goals in FY 1996. In FY 1996, the U.S. Government provided \$121.2 million in assistance to Georgia, with \$65.5 million (53%) allocated for technical assistance and \$55.7 million (47%) for humanitarian aid. This included \$42.34 million in privately donated humanitarian commodities, mainly medicines. Over the year, U.S. assistance shifted from humanitarian aid to development support, focusing more on democracy and governance programs to strengthen Georgia's economic and political reforms.

Political and Economic Overview: In FY 1996, Georgia made significant political and economic reforms. The government, led by President Eduard Shevardnadze, controlled inflation and reinforced the national currency, meeting IMF and World Bank targets. Progress was made in the court system and police organizations, with a focus on rule-of-law issues. Shevardnadze aimed to develop new leadership and make reforms irreversible. However, corruption remained a major problem and public confidence was low. While tax collection improved, citizens remained skeptical of government use of funds. Despite rescheduling a portion of its \$1 billion foreign debt, Georgia's poor credit rating hindered economic growth. On a positive note, international investment increased, with the Georgia Pipeline Company and U.S. agribusinesses expanding operations and several corporations planning to enter the market in 1997.

Eurasia Foundation: In FY 1996, the Eurasia Foundation's grant program in Georgia concentrated on supporting local initiatives and NGOs working on democracy development, environmental concerns, and economic reforms, with a special emphasis on independent media. The Foundation's thorough vetting process for grant proposals remained a benchmark for other grant programs in Georgia, making it one of the most effective methods for providing targeted assistance.

Democracy Programs: In FY 1996, U.S. democracy programs in Georgia included various exchanges and initiatives aimed at strengthening democratic institutions. The USIA (US Information Agency) sent Georgian officials to the U.S. for programs on civil-military relations, the legislative process, and democracy building. The Democracy Fund supported projects on law, media, and NGO development. The National Democratic Institute (NDI) played a vital role in monitoring elections and promoting political pluralism. The American Bar Association's CEELI program helped strengthen Georgia's legal system, while USAID-funded Internews trained, journalists and supported independent media. Internet access for parliamentarians and NGOs was expanded to enhance public participation. Additionally, the Center for Economic Policy and

Reform (CEPAR) worked on improving Georgia's economic framework and regulatory system, while a U.S. Treasury Department advisor assisted with budgeting processes. Training programs like the Institute for Public Administration (IPA) helped prepare Georgian professionals for public sector roles.

Energy Sector: In FY 1996, U.S. energy-sector reform programs in Georgia focused on improving the electric power and oil/gas sectors. USAID-supported Burns and Roe Enterprises provided technical assistance to Georgia's electric power sector, helping secure a \$60 million World Bank loan. USAID also assisted in drafting new laws for the electric sector, aiming for privatization and the creation of an independent regulatory body. In the oil and gas sector, USAID supported the establishment of the Georgia International Oil Company (GIOC) and facilitated key pipeline negotiations. USAID also provided legal and technical assistance to improve the GIOC's operations and helped restructure Georgia's oil and gas sector.

In humanitarian aid, USAID and the International Organization for Migration (IOM) worked to build Georgia's capacity in refugee management and international aid coordination. Additionally, the USDA provided food assistance, including wheat to support the privatization of Georgia's bread-making sector and implemented a fuel oil program to ensure energy supply to critical facilities.

Farmer to farmer programs: The USAID Farmer-to-Farmer Program, managed in Georgia by Agricultural Cooperative Development International (ACDI), sent 20 U.S. volunteers to Georgia in FY 1996 to share their agricultural expertise with Georgian counterparts.

From Technical assistance to the Strategic Partnership

After decade of extremely close cooperation, In the 2000s Georgia emerged as the largest recipient of U.S. assistance per capita in the Eurasian region, a reflection of the significant support the country received from the United States during this period. This surge in assistance was largely driven by Georgia's strategic geopolitical position, its role as a key partner in the U.S. efforts to promote stability and democracy in the post-Soviet space, and its alignment with Western values and goals.

Nevertheless, the September 11, 2001 Terrorist attack against the United States prompted renewed debate about the scope and priorities of the US interests globally. "The democracy promotion debate is centered around the idea that expanding democracy worldwide is somehow good for the United States. The best-known explanation for why democratization is good for the United States

is the theory of the democratic peace. This theory holds that no two democratic countries have ever gone to war with each other, therefore increasing the number of democratic countries would reduce the possibilities for war in different parts of the globe. After September 11, 2001 the democratic peace position was expanded so that building democracy was considered an important against terrorism,” – writes Linkoln A. Mitchell in his book “ Uncertain Democracy: US Foreign Policy and Georgia’s Rose Revolution” (pg. 22).

After the Rose Revolution in 2003, which brought pro-Western reforms and a commitment to democratic governance, the U.S. further increased its aid to Georgia to support political, economic, and military reforms. Assistance provided covered a wide range of sectors, including economic development, governance, rule of law, education, healthcare, infrastructure, agriculture, and military cooperation. This level of U.S. support was not only aimed at helping Georgia transition from a post-Soviet economy but also at strengthening its ties with the West, particularly with NATO and the European Union. The assistance was critical in Georgia’s efforts to modernize its economy, combat corruption and build democratic institutions, while also addressing the challenges posed by separatist regions like Abkhazia and South Ossetia, which remained sources of tension throughout the decade.

In addition to economic aid, military assistance played a key role in enhancing Georgia's defense capabilities, particularly as the country became more involved in international peacekeeping missions, such as its participation in the U.S.-led coalition in Iraq. This partnership further deepened Georgia's strategic relationship with the U.S. and solidified its position as a key U.S. ally in the Caucasus region.

Thus, Georgia's status as the largest recipient of U.S. assistance per capita was a testament to the strong bilateral relationship between the two countries, underscoring the U.S. commitment to supporting Georgia's democratic and economic reforms, as well as its aspirations to integrate more closely with Western institutions.

Following the 2008 Russia-Georgia war, the United States advanced its relationship with Georgia to a significantly higher level, formalizing a strategic partnership. On January 9, 2009, the U.S.-Georgia Strategic Partnership Charter was signed, founded on shared values and mutual interests. Given the complex political and economic context in Georgia prior to the agreement, this decision

marked a pivotal moment in the nation's foreign policy, reinforcing its strategic alignment with the United States¹⁹.

The Charter became the principal framework for comprehensive and multifaceted cooperation between the two nations from 2009 to 2024. The areas of collaboration outlined in the Charter encompassed four key domains: democracy and governance; security and defense; economics, trade, and energy; and people-to-people relations and cultural exchanges.

The Charter's provisions reflected the underlying principles of strategic cooperation, emphasizing the mutual support for Georgia's sovereignty, independence, territorial integrity, and the inviolability of its borders. It also prioritized the promotion of democratic governance and stability in the region.

The agreement symbolized the United States' steadfast and all-encompassing commitment to Georgia's development and security. The designation of a "strategic partner" conferred on status that extended beyond traditional alliances, signifying a more profound and expansive framework for collaboration.

Despite the success of the Strategic Partnership Charter over the course of 15 years (2009-2024), the United States suspended its strategic partnership with Georgia in response to the decision by the "Georgian Dream" ruling party to cease the country's EU accession process. This development marked a significant shift in the trajectory of U.S.-Georgia relations.

To achieve predefined objectives, the United States employs various mechanisms for delivering foreign assistance in partner countries. Since U.S. aid became a regular occurrence in Georgia, the primary agency responsible for implementing the programs was the United States Agency for International Development (USAID). Between 1992 and 2020, the U.S. provided \$1.8 billion in assistance to Georgia through USAID, with annual aid amounts reaching \$40 million. This assistance was directed towards improving both central and local governance systems, as well as supporting agriculture, infrastructure, energy, civil society, and media development. While USAID served as the main coordinator of American aid package, the United States also provided assistance through other agencies, including the Departments of Defense, Treasury, Education, Commerce, Agriculture, as well as the Millennium Challenge Corporation, the Peace Corps, and other organizations.

¹⁹ [U.S. Relations With Georgia - United States Department of State](https://www.state.gov/u-s-relations-with-georgia/)

სტრატეგიული პარტნიორობის ქარტია <https://mfa.gov.ge/bilateral-relations/en>

What outcomes has the continuous support of the United States yielded for Georgia over the course of 30 years?

The steadfast and consistent support of the United States has proven to be a pivotal factor in the context of Georgia's fragile democracy and weak state institutions to supporting Georgia's territorial integrity and sovereignty. Through active diplomatic and material assistance, the United States played a key role in helping Georgia maintain its non-recognition policy in the face of Russian attempts to gain international recognition for the "independence" of the occupied regions of South Ossetia and Abkhazia.

In the domain of defense and security, U.S. support was indispensable for the development and strengthening of Georgia's armed forces and fragile security apparatus. Over the span of three decades, U.S. assistance, including funding for institutional development, training, and the equipping of the Georgian armed forces, exceeded \$2 billion. As a result of this sustained support, Georgia's armed forces were able to enhance their operational readiness and adaptability to contemporary security challenges, a capacity that has been consistently demonstrated through their participation in international peacekeeping missions in Iraq and Afghanistan.

The United States also played a central role in fostering economic reforms and stimulating economic growth within Georgia. Presently, Georgia benefits from the U.S. Generalized System of Preferences (GSP), which permits the duty-free export of over 3,500 types of Georgian products to the U.S. market. The eligibility for this preferential treatment is contingent upon the product's origin being Georgia, thereby providing a significant economic incentive for Georgia's export sector.

In the health sector, the acute crisis of the early 1990s necessitated a comprehensive reform of the public health system. U.S. development assistance was instrumental in facilitating this transformation. With American support, Georgia embarked on a large-scale reorganization of its healthcare system aimed at establishing a modern public health infrastructure. U.S. assistance concentrated on a variety of areas, including the planning and implementation of primary and hospital healthcare reforms, the enhancement of medical education and the pharmaceutical sector, the upgrading of medical staff qualifications, the equipping of hospitals, and the addressing of critical infrastructural gaps.

Managing the COVID-19 pandemic in Georgia would have been virtually unfeasible without the Lugar Research Center for Public Health, which was established with U.S. funding and support.

This facility, alongside the U.S.-backed National Center for Disease Control and Public Health (NCDC)²⁰, proved essential in Georgia's pandemic response.

Additionally, the United States supported the highly impactful Hepatitis C elimination program, launched on April 21, 2015. This initiative, spearheaded by the Ministry of Internally Displaced Persons from the Occupied Territories, Labor, Health, and Social Affairs of Georgia, with support from the U.S. Centers for Disease Control and Prevention (CDC) and pharmaceutical company Gilead, had an estimated monetary value of \$12-15 billion. The program benefited 80,000 individuals, with 57,000 individuals being fully cured. Through this initiative, the issue of Hepatitis C was effectively removed from Georgia's public health agenda²¹.

In terms of democratic development, the U.S. has long been a crucial partner in supporting civil society, promoting media freedom, and strengthening democratic institutions. This support was critical to Georgia's democratic transformation. Moreover, U.S. assistance was invaluable in enhancing the public sector, as well as in the design and implementation of public administration reforms.

In the education sector, U.S. support contributed to the construction and renovation of schools, the retraining of teachers, and the implementation of various educational programs, including exchange programs. Additionally, U.S. assistance was pivotal in the restoration of cultural heritage sites, churches, and libraries.

According to a report by the U.S. Congressional Research Center (CRC), between 1992 and 2020, Georgia received a total of \$4.35 billion in various forms of assistance from the United States. This amount makes Georgia the leading recipient of U.S. assistance among European and Eurasian countries. The American assistance program was comprehensive in nature, beginning with humanitarian aid and evolving into a multifaceted partnership focused on the full-scale reconstruction of the country. As a result, U.S. support has made substantial contributions to the development of nearly every sector of Georgian society.

Conclusion:

Following the recognition of Georgia's sovereignty, U.S. support proved to be a decisive factor in the country's development and state-building process. Over the course of three decades, bilateral cooperation was anchored in mutual understanding, shared democratic values, and strategic

²⁰ <https://ge.usembassy.gov/ka/center-for-disease-control-ka/>

²¹ <https://test.ncdc.ge/Handlers/GetFile.ashx?ID=1f84e4b1-0c82-4e4e-b425-efb98a94b389>

respect. According to the U.S. Congressional Research Service (CRS), from 1992 to 2025, Georgia received approximately \$6.5 billion in assistance from the United States, making it one of the leading recipients of U.S. aid in Europe and Eurasia. What began as humanitarian assistance gradually transformed into a comprehensive and enduring strategic partnership, facilitating Georgia's post-Soviet reconstruction and significantly contributing to the development of nearly all sectors, including governance, defense, economic reform, public health, and civil society.

Georgia's accelerated transformation since 1995 can be directly attributed to the effectiveness of U.S. aid diplomacy. For thirty years, this assistance was not only continuous but also transformative. It is difficult to envision how a small nation situated at the crossroads of competing geopolitical interests could have endured and progressed without such unwavering support. A shift in U.S. foreign policy priorities, particularly the reduction or withdrawal of key development instruments such as USAID, poses a serious risk, not only to Georgia's democratic resilience and statehood but also to the long-standing strategic relationship between the two nations.

Furthermore, in the context of ongoing information warfare aimed at discrediting Western values and undermining Euro-Atlantic orientation in Georgia, the withdrawal of U.S. assistance would likely have severe psychological and political repercussions. Such a development could be exploited by strategic adversaries, most notably Russia and, increasingly, China, to amplify anti-Western sentiment and erode public confidence in democratic institutions. The perception of abandonment by a long-standing and trusted partner may lead to widespread disillusionment, with the United States potentially being framed as an unreliable ally. The dissolution of this historically robust partnership would not only jeopardize the substantial progress achieved over the past three decades but could also create a strategic vacuum, swiftly filled by geopolitical adversaries such as Russia and China, potentially undermining both regional stability and U.S. interests in the South Caucasus.

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The Zangezur Corridor Paradox: Regional Connectivity and Strategic Risks for Georgia

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Abstract

The operationalization of the Zangezur Corridor represents a fundamental restructuring of the South Caucasus security architecture, transcending its nominal function as a transport link. This article analyzes the strategic implications of the route, arguing that while it fulfills Azerbaijan's dynastic imperative to reconnect with Nakhchivan and facilitates Armenia's potential diversification away from Russian hegemony, it poses an existential "transit dilemma" for Georgia. The central thesis posits that the loss of Tbilisi's monopoly on East-West connectivity creates a vacuum susceptible to Russian manipulation, thereby eroding Georgia's strategic utility to the Euro-Atlantic community. Furthermore, the study examines the corridor as a theater of Great Power competition, where the conflicting interests of the United States, Russia, and China converge. The article concludes that without proactive Western engagement to ensure a transparent governance mechanism, the corridor risks becoming an instrument of authoritarian consolidation, leaving Georgia marginalized in a newly formed regional order.

Keywords: Zangezur Corridor, South Caucasus geopolitics, Georgia transit security, Russian hegemony, Armenian foreign policy, Nakhchivan, Middle Corridor.

Introduction

The concept of the Zangezur Corridor has emerged as the single most contentious and transformative element of the post-2020 South Caucasus security architecture. Following the Second Nagorno-Karabakh War, the tripartite ceasefire statement of November 9, 2020,

introduced a provision - specifically Article 9 - that mandated the unblocking of all economic and transport links in the region. However, the subsequent interpretation of this clause has evolved into a high-stakes geopolitical contest. While the text explicitly calls for the construction of new transport communications connecting the western regions of the Republic of Azerbaijan with the Nakhchivan Autonomous Republic, the project has transcended its logistical purpose to become a symbol of shifting power dynamics in Eurasia (Broers, 2021).

For the leadership in Baku, the restoration of a direct land link to Nakhchivan is not merely an economic convenience; it is a project of immense historical and symbolic weight. Nakhchivan occupies a unique space in the national narrative of modern Azerbaijan. It is the ancestral home and political power base of the ruling Aliyev dynasty. Heydar Aliyev, the former president and father of the current leader, governed this exclave during the turbulent early 1990s, using it as a springboard to consolidate power in Baku (Cornell, 2011). Consequently, President Ilham Aliyev views the physical reintegration of Nakhchivan with the mainland as a completion of his father's legacy and a restoration of territorial integrity that was disrupted by Soviet border engineering in the 1920s. Currently, Azerbaijan is forced to rely on transit through Iran to supply the exclave, a dependency that Baku views as an unacceptable strategic vulnerability given the oscillating tensions with Tehran (Özkan, 2025).

From a broader regional perspective, the corridor represents a critical geopolitical imperative for Turkey. Ankara has long envisioned a seamless connection to the Turkic world in Central Asia, a strategy often referred to as the "Middle Corridor." The Zangezur route offers Turkey a direct gateway to the Caspian Sea basin, bypassing both the rugged terrain of Georgia and the geopolitical complications of transiting through Iran (Dalay, 2021). This connection would effectively operationalize the "One Nation, Two States" doctrine, creating a contiguous logistical chain from Istanbul to Baku. Such a development would significantly enhance Turkey's projection of hard power in the South Caucasus, solidifying its role as a primary security patron in the region alongside, or potentially in competition with, the Russian Federation.

However, the terminology itself remains a battlefield. Azerbaijan's insistence on the term "corridor" implies a level of extraterritoriality or minimal customs oversight, drawing a parallel to the Lachin Corridor that connects Armenia to Nagorno-Karabakh. This rhetoric suggests a route that is effectively carved out of Armenian jurisdiction, a prospect that Yerevan vehemently opposes as a threat to its sovereignty. Thus, the Zangezur route is not simply a road or a railway;

it is a litmus test for the new regional order, where historical grievances, dynastic ambitions, and great power competition converge on a narrow strip of land in southern Armenia.

Shifting Alliances: Armenia's Opportunity for Diversification

The catastrophic defeat in the Second Nagorno-Karabakh War served as a brutal reality check for the political establishment in Yerevan, shattering the illusion of security provided by the Russian umbrella. For decades, Armenia's strategic calculus was predicated on a singular assumption: that total reliance on the Russian Federation - formalized through membership in the Collective Security Treaty Organization (CSTO) and the presence of the 102nd Military Base in Gyumri - guaranteed existential protection against Turkey and Azerbaijan. The events of 2020, and the subsequent inaction of Moscow during the incursions into Armenian sovereign territory in 2021 and 2022, demonstrated the bankruptcy of this policy. Within this context of betrayal and vulnerability, the opening of regional communications, often framed under the aggressive moniker of the "Zangezur Corridor," paradoxically offers Armenia a lifeline for sovereignty.

While the domestic opposition in Armenia views the unblocking of transport routes as a capitulation to Turkish-Azerbaijani demands, a dispassionate geopolitical analysis suggests otherwise. Armenia is currently a prisoner of its own geography, exacerbated by a dual blockade imposed by Ankara and Baku since the early 1990s. This isolation has forced Yerevan into a suffocating economic and logistical dependence on Russia. Key infrastructure, including the railway network (operated by a subsidiary of Russian Railways) and the energy sector (dominated by Gazprom), is effectively under Moscow's control (De Waal, 2021). Furthermore, Armenia's only land route to its primary economic partner, Russia, runs through the fragile Upper Lars checkpoint in Georgia - a bottleneck frequently closed by weather or political whims.

In this landscape, the operationalization of the route through Syunik (Zangezur) presents a tangible opportunity for diversification. If implemented under the logic of unblocking rather than extraterritoriality - a concept Prime Minister Nikol Pashinyan has rebranded as the "Crossroads of Peace" initiative - it would reconnect Armenia to the regional railway grid. This would grant Armenian exporters access to Turkish ports on the Mediterranean and, crucially, a rail link to Iran that does not depend on the geographically challenging trucking routes. Armenia understands that still now, Poti port in Georgia is the main port for Armenian exports, and Black Sea is the main

sea for Armenia connecting to the outside world. (MB Consulting 2023). By integrating into the East-West trade flows, Armenia could theoretically transform itself from a Russian outpost into a transit hub, thereby creating economic interdependence with the West and Turkey.

This pivot is not without immense risk. Russia views the diversification of Armenian foreign policy as a direct threat to its hegemony in the South Caucasus. Moscow's interest lies in maintaining the status quo where Armenia remains isolated and dependent on Russian protection. Therefore, the opening of the border with Turkey and the restoration of rail links through Nakhchivan would erode the primary lever of influence the Kremlin holds over Yerevan: the fear of total encirclement. Consequently, while the Zangezur route is demanded by Baku for nationalist reasons, it is increasingly viewed by pragmatists in Yerevan as a necessary bitter pill to break free from the suffocating embrace of the Global North. The reduction of Russian leverage is a prerequisite for any genuine Armenian sovereignty, and ironically, the road to the West may run through the very territories Armenia fought to keep isolated for thirty years.

The Georgian Dilemma: Economic Marginalization and Geopolitical Vulnerabilities

For the past three decades, the geopolitical relevance of Georgia has been predicated on a single, indisputable axiom: its status as the indispensable transit monopolist connecting the Euro-Atlantic space with the Caspian basin. Following the collapse of the Soviet Union, the architecture of regional energy and logistics - embodied by the Baku-Tbilisi-Ceyhan (BTC) oil pipeline, the South Caucasus Pipeline (SCP), and the Baku-Tbilisi-Kars (BTK) railway - was designed specifically to bypass the Russian Federation and the Islamic Republic of Iran. In this strategic equation, Georgia was not merely a participant; it was the chokepoint. This "transit function" served as Georgia's primary security guarantee, compelling Western powers to invest in its sovereignty and stability. The emergence of the Zangezur Corridor fundamentally threatens this monopoly, creating a strategic nightmare for Tbilisi that is often glossed over by diplomatic rhetoric regarding regional peace.

The argument that increased regional connectivity benefits all actors is a dangerous oversimplification in the ruthless environment of South Caucasian geopolitics. For Georgia, the operationalization of a route through southern Armenia is a zero-sum game regarding strategic significance. While proponents argue that trade volumes are projected to increase enough to

sustain multiple routes, the mere existence of a viable alternative erodes Georgia's leverage. Even if only a minimal amount of cargo - say, 10-15% - diverts through Nakhchivan, the psychological and political impact would be catastrophic. It signals to Ankara, Baku, and potentially Brussels that Georgia is no longer the sole gateway to the East. Once Georgia becomes "one of the options" rather than "the only option," its value as a strategic partner to the West diminishes proportionately.

This marginalization creates a vacuum that the Russian Federation is eager to fill. The logic is stark: if Georgia loses its critical function for the West, American and European commitment to Tbilisi's security will inevitably wane. A Georgia that is less vital to Western energy security is a Georgia that is easier for Moscow to digest.

It is important to emphasize that the Zangezur route itself, depending on the modalities of its implementation, could serve as a vehicle for Russian expansionism. If the corridor is guarded by Russian Federal Security Service (FSB) border troops - as stipulated in the original 2020 ceasefire agreement - it would effectively place the transport artery between Turkey and Azerbaijan under Kremlin oversight. This will not be easily acceptable to Armenia, Azerbaijan, or the United States, especially given that the latter is increasing its interests in this section. However, the problem lies with the Russian military forces based in Armenia, which are trying to actively control border sections and, in order not to lose their significance, are exerting pressure on the Armenian authorities and creating a narrative that Armenia cannot survive without them. However, in the event of active involvement and intervention by the United States - even if carried out through a private company - Russia would be pushed aside. On the one hand, it would oppose the operation of this corridor, and on the other hand, it would intensify its focus on Georgia.

Moreover, the shifting dynamic between Turkey and Azerbaijan further isolates Georgia. Currently, Tbilisi is the vital link that physically unites the "One Nation, Two States." If Ankara and Baku can connect directly via Zangezur, their reliance on Georgian goodwill evaporates. This loss of leverage is particularly dangerous given the asymmetry of power in the region. Without the "transit card," Tbilisi lacks the instruments to counterbalance the economic and political pressure from its larger neighbors. Consequently, the opening of the Zangezur Corridor poses a paradoxical threat: the peace and integration of the South Caucasus may be achieved at the expense of Georgia's strategic irrelevance, leaving the country exposed to a resurgent Russia without the protective shield of Western necessity.

The Great Power Chessboard: Western Engagement vs. Sino-Russian Interests

In the chaotic landscape of Eurasian geopolitics, the prospect of a lasting peace between Armenia and Azerbaijan is often touted as the ultimate stabilizer for the region. For Georgia, a pacified neighborhood theoretically reduces the risk of spillover conflict and fosters an environment conducive to investment. This scenario becomes particularly potent if the United States, potentially under a renewed Trump administration, decides to re-engage with the South Caucasus. A transactional, "peace through strength" approach from Washington could view the Zangezur Corridor not just as a road, but as a strategic wedge to minimize Iranian influence and bypass Russian-controlled logistics. At the same time, U.S. focus on Armenia and Azerbaijan and the opening of a route to Turkey - that is, a direct connection - may not necessarily mean a benefit for Georgia, and along with a reduction in its importance, the motivation for partnership with it may also decline.

However, it is dangerously naive to assume that the revisionist powers - Russia and China - will passively applaud the arrival of "Pax Americana" in their immediate neighborhood. The operationalization of the corridor creates a fundamental conflict of interest. For the Kremlin, any infrastructure project in the post-Soviet space that it does not physically control is a threat to its imperial projection. Russia aims to oversee the Zangezur route through its FSB border troops precisely to keep a thumb on the region's carotid artery. If the corridor evolves into a sovereign, Western-backed commercial route monitored by European or American observers, Moscow loses its leverage. Therefore, Russia is likely to employ tactics of "managed instability" to sabotage any implementation that excludes its dominance, because this kind of fear existed during Russian peacekeeping mission in Azerbaijan (Mammadov, 2023).

However, with elections approaching in Armenia in 2026, the situation remains complex. If Pashinyan retains power and a peace treaty with Azerbaijan is finally signed, there is a possibility that the Russian military presence could be reduced and the border guards replaced. While this may be Pashinyan's ultimate objective, fully normalizing relations with Baku necessitates a constitutional referendum in Armenia. Consequently, Russia still retains room to maneuver - it can attempt to impose its own agenda and favorably recalibrate the terms of its operations within the country, or alternatively, obstruct and prolong the peace process with Azerbaijan. In other words,

Russia has not only contributed to the erosion of Georgia's significance over the years, but it may ultimately obstruct the normalization of relations between Armenia and Azerbaijan as well.

China's position adds another layer of complexity. While Beijing ostensibly supports the "Middle Corridor" as part of its Belt and Road Initiative (BRI) to diversify export routes to Europe, its strategic calculus is aligned with Moscow in opposing American hegemony. A South Caucasus fully integrated into the Western security architecture is a nightmare scenario for Beijing, as it places a critical node of the supply chain under the potential influence of Washington. Consequently, if the Zangezur project becomes a vehicle for expanding U.S. influence, China and Russia will likely coordinate to disrupt its efficacy. This creates a precarious paradox for the region: the more the West pushes for a democratic, transparent corridor, the more incentivized Moscow and Beijing become to spoil the peace, leaving countries like Georgia caught in the crossfire of a new Cold War (Yıldız, 2025).

To counteract the existential risk posed by the Zangezur Corridor, Georgia must transcend its role as a mere land bridge and assert its unconditional dominance as the maritime gateway of the South Caucasus. The response to the "transit dilemma" is not to compete solely on the tracks, but to secure the sea.

Tbilisi must aggressively expand its port infrastructure to establish direct, high-volume maritime bridges with European Union gateways - specifically Constanța in Romania and Varna in Bulgaria. This ambition must extend beyond the Black Sea littoral to the Danube River ports, effectively linking the South Caucasus to the industrial heart of Europe. Furthermore, in a prospective post-war security environment, reinstating a strategic connection with Odesa will position Georgia as a critical logistical node for the reconstruction of Ukraine, embedding the country into the new European security architecture.

Central to this strategy is the immediate construction of the Anaklia Deep Sea Port and enlargement of Poti Port. This is not merely an infrastructure project, it is a geopolitical necessity. A deep-water harbor creates the necessary scale to attract major Western logistic interests - and potentially engage Chinese cargo flows along the Middle Corridor - thereby neutralizing the risk of bypass. By offering capacity that the limited gauge of the Zangezur route cannot match, Anaklia ensures that Georgia remains the primary option, not the alternative.

Maritime capacity is futile without terrestrial efficiency. The domestic road network must undergo rapid modernization, ensuring that the East-West highway operates with flawless speed and European-standard safety. In the ruthless competition of logistics, any friction or safety hazard on Georgian soil serves as a direct argument for the competitors in the south.

Conclusion

The emergence of the Zangezur Corridor signals the definitive end of the post-Soviet status quo in the South Caucasus. As this analysis has demonstrated, the project is far more than a logistical adjustment, it is a rewriting of the regional security code. For Azerbaijan and Turkey, it represents the triumph of long-term strategic patience, cementing a pan-Turkic connection that bypasses historical rivals. For Armenia, it offers a perilous but necessary escape route from total Russian subjugation. However, for Georgia, the implications are stark and devoid of sentimentality. The comfortable illusion of being the region's irreplaceable transit monopolist is evaporating, and with it, the automatic guarantee of Western attention.

Although the potential appearance of the United States in the region and the final resolution of Armenia-Azerbaijani conflict in the Caucasus would be a very important and desirable precedent, it would still not have an unequivocal outcome for Georgia. It remains to be seen what the nature of U.S. involvement will be and to what extent Russia will fully concede to it. The activity of private companies cannot completely replace the security framework. If the corridor functions merely as a mechanism to tighten the Russo-Turkish grip on the region, Georgia's role will be reduced to that of a peripheral buffer zone. The danger lies not in the road itself, but in the geopolitical vacuum it could create if Tbilisi loses its relevance to Euro-Atlantic partners. The logic is simple: a Georgia that is not needed is a Georgia that is not defended.

Ultimately, the impact of the Zangezur route depends on the broader contest between great powers. If the United States and the West engage proactively - treating the corridor as an opportunity to integrate the entire region into the global economy outside of Moscow's shadow - then Georgia can adapt and thrive as part of a wider network. However, if the project is abandoned to the whims of Moscow, Beijing, and Tehran, it will serve as a tool to dismantle the Western presence in the Caucasus. Georgia cannot afford to be a passive observer in this process; it must aggressively redefine its utility to the West, proving that its value lies not just in its pipelines, but in its function as the only reliable democratic bulwark in an increasingly illiberal neighborhood.

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Defining the World Redefined U.S. Domestic Division

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Abstract

This article offers an historically grounded analysis of political polarization in the United States. The manuscript challenges the contemporary belief that situates the origins of U.S. political dysfunction solely in the 2015-2016 election cycle, or even in the recent government shutdown in the Fall of 2025. Instead, the essay offers a compelling study that chronologically traces the roots of modern divisiveness back to earlier periods, specifically highlighting the significance of the 1988 election and the aggressive campaigning tactics introduced then, and during the several presidential elections that followed. The integration of Duncan Black's "Median Voter Theorem" adds a theoretical framework to the historical analysis, helping to explain the shifts in candidate behavior, voter turnout, and the political importance of name recognition. The span of the timeline-ranging from early America to the impact of modern social media creates an intensive survey of American history. In the end, the polarization in the United States is not a recent phenomenon limited to the Trump era but has deeper roots, traced historically, whereby politics has been exacerbated by media evolution, globalization, generational and social change, systemic political strategies, misunderstood wars, financial and economic problems, and many other factors.

Keywords: Baby Boomers, Government Shutdown, Mainstream Media, Median Voter Theorem, Political Polarization, Social Media, U.S. Elections

Regarding the recent United States' government "shutdown," in the Fall of 2025, some have placed the start of the "vitriol" and "dysfunction" of the United States (U.S.) federal government, and the division amongst the American people, at the year 2015, the first campaign of President Donald J.

Trump. Truly, one can go back centuries to find negative U.S. campaigning, such as with cartoons and pamphlets drawn of President Andrew Jackson in the 1830's, looking like a "king," due to his attempts to gain more executive power. One can search earlier and point to the "Alien and Sedition Act" which temporarily banned free speech under President John Adams, or, one can skip ahead in time to see accusations against Grover Cleveland in the "Gilded Age," that he had fathered an illegitimate child. One could also find American division following the political and racial assassinations of the 1960's, which ended an age of innocence, or look to the stepping aside of President Lyndon B. Johnson in 1968, or to the Watergate hearings, both of which caused many Americans of that era to lose faith in politics.

Still, some might argue that the precise dates, or at least the latest iterations of political division, can be traced to the 1980's, due to: job losses due to globalization, or the political culmination of the Baby-Boom generation. This generation seemed to struggle in its handling of the post-Cold War world, and, when reaching its prominence, it launched recriminations over the Vietnam War. Furthermore, one can also trace divisiveness to: the financial problems caused by the government's tax cuts for the wealthy, disabling parliamentary rules, inexperienced political candidates, to the news media trying to make profits in competition. Division can also be linked to unspoken dissatisfaction with foreign affairs, social media's uncivil influence, and the lack of third parties, combined with the failure of the country to make changes to adjust for the outdatedness of older institutions, globally and at home.

In political-economic theory, the issue of divisiveness is essentially one of the Median Voter Theorem. The theory was conceived by scholar Duncan Black (1948), and it has been written about ever since in different fields. Candidates aim for the political center, since that is where the greatest number of voters are ideologically located. However, the model fails to account for swings to extremism. If both candidates out of two are in the exact center, then there is no incentive to vote, which is why many voters did not turn out in 2000. Moreover, candidates who are liberal on some issues are more conservative on others, as are many voters. Finally, the model ignores the importance of name recognition, or the moving to the political "extremes," to increase turnout. High turnout accounts for candidates such as Bernie Sanders (I-VT) on the American left, and in fact, Mr. Sander's hero, Mr. Eugene V. Debs, is the most vilified character in U.S. history. But name recognition and turnout have become much more important variables in recent years, especially for Mr. Trump. These factors, along with other, dramatic domestic and global

challenges over the past several decades, have influenced the negativity and divisiveness in American politics.

To a casual observer, the crucial year of division might not have been 2015, but it could have started in 1988, with the politics that emanated from candidate George H.W. Bush and his future political family. Mr. Bush, along with campaign advisor Lee Atwater, ran what could have been called the first truly “negative” campaign in American politics, against Democratic candidate, Massachusetts Governor Michael Dukakis. Mr. Bush, not while giving speeches on his back porch, as in American folklore of years past, instead ran the Willie Horton crime television ads, and his ads with shots of Mr. Dukakis, who had been a Korean War hero, appearing to ride goofily in a tank. This negativity may have started even sooner, in the Republican primaries, as then Vice-President Bush had only been able to defeat Senator Robert Dole, who served nobly in Italy in World War II, by attacking him on the issue of indecisiveness, a frequent theme of the Bush family, with Atwater’s help. Some in the media, such as liberal journalist Dan Rather, attempted to stand up to the political distortions, but powerful news agencies inserted themselves.

In the immediate years afterwards, the Republican Party was then very harsh towards President William J. Clinton, the first Baby-Boomer president, for his lack of involvement in the Vietnam War during his youth. Moreover, the investigation into the Monica Lewinsky Scandal incidentally started as an investigation into the Whitewater land deal, which plainly involved land speculation that many people legally engaged in during the 1980’s. Globalization from new trade policies led to job displacements, that were exacerbated by budget cuts at that time, which alienated many white male voters, and it would continue to be a problem.

The presidential campaign of 2000 was civil, and Vice-President Albert Gore lost the election due to flaws in his own campaign. Still, the newly started Fox News shows also played a “divisive” role. In addition, the faith of Democrat Vice-President candidate Joseph Lieberman might have turned away anti-Jewish voters in certain locations. Before the election, Mr. George W. Bush had only won the Republican primary after running false, negative ads against Senator John McCain (R-AZ) in South Carolina. Afterwards, the 2001-02 Congressional elections were then littered with “political stunts,” from the Democratic side, such as attacks on Mr. Bush’s handling of the economy at the time. Geared towards gaining voter attention, such stunts have continued, and they have blurred the lines between “what is right” and “what is right to get elected,” so that one can “do” what is right. President George W. Bush would later work with the successor to the controversial Newt Gingrich, Illinois Representative Denny Hastert, as House Speaker, and Hastert

had his parliamentary “rule,” which bears his name, that still limits debate and stifles congressional participation. Studies (Barry and Aho, 2020) have shown the “Hastert Rule” to be statistically significant in reducing the amount of bills passed since then.

Mr. W. Bush, moreover, through his tax cuts, steered the federal budget out of balance, from surpluses to deficits, albeit with the support of some Democrats. Consequently, America has been having to make difficult budget decisions ever since, which have all contributed to accusations on both sides. Republicans have been cajoled by interest groups into signing pledges, or into swearing proverbial oaths to not raise taxes, when this is the only way for the government to raise revenue, especially with Social Security becoming insolvent. The financial battles that have resulted have ranged from default scares, to sequesters, to special committees, to government shutdowns. Such conflict has heightened tensions between wealthy and poorer social classes, creating even greater income inequality, especially in rural Appalachia, although this goes unnoticed by many because financial illiteracy leads to misunderstandings of the tax codes or how government finances work. Then, the events of September 11, 2001, of terrorist attacks on the World Trade Center in New York City, were “unifying,” almost as much as the First Gulf War in 1991. However, the Second Iraq War stoked divisions, and would give rise to the ISIS (Islamic State) group in Mid-East and in Africa. These were problems that largely went unspoken of because the U.S. military and the press “sugar-coated” how poorly the post-9/11 wars, fought for different and varied reasons, truly went, although they were indeed successful at protecting Americans at home. Then, the 2004 election saw the “swift boat” ads, and, while nothing negative can really be said about Democratic candidate Senator John Kerry’s (D-MA) war record, he was portrayed as a poor soldier, while candidate Bush was AWOL (absent, by some reports) during Vietnam- which, when investigated, saw the bizarre firing of the afore-mentioned news anchor Dan Rather from the Columbia Broadcasting Station (CBS).

When President Barak H. Obama emerged, through the political vacuum in Illinois, it unintentionally brought about racism and xenophobia, especially amongst many younger white males, who viewed him as privileged and as “non-American,” particularly in rural American with its fewer ethnic groups. Meanwhile, “identity politics” was beginning to be advocated to increase more minority participation. This fact was again exacerbated by the declining ability of white males to find work with the further weakening of U.S. manufacturing at the start of Artificial Intelligence-(AI) automation. During the 2008 financial crisis, candidate John McCain offered few suggestions, and chose Sarah Palin for his Vice-Presidential candidate, rather than someone

like Robert Dole's wife, Senator Elizabeth Dole, or Democrat Joseph Lieberman. This resulted in more inexperienced rhetoric that conflated populism with divisions. Unrelatedly, a new round of race-riots began, which were met with dysfunction over how to reform police brutality laws, and attempts by political leaders to not vote on issues such as to be able to campaign on them. Increased violence continued, leading to more frequent school shootings and violence against American politicians. These acts have resulted in uneasy debates over gun rights given America's "frontier culture." Moreover, the Baby-Boomers' inability to define the world after the fall of the Soviet Union then took over, with the machinations in Georgia and Crimea, and then came the here-termed "Red Scare" about Russia intrusion in 2015, made possible by technological "hacking." Despite this happening, there was little proof found of any profound effects in the 2016 presidential campaign, other than developments of the U.S. government spying on people, parties, and even global allies.

Transpirations such as these manifested themselves further in 2015-2016, when a pushback against the job losses from globalization and unsuccessful trade deals culminated, especially amongst farmers and factory workers in the American mid-West. Such regionalism resulted in perhaps the greatest divergence between the electoral vote and the popular vote taking place historically, more-so than 1876- Hayes vs. Tilden, when Republicans "waved the bloody banner" of the Civil War for votes. More attempts to reform the Electoral College have been made than for any other law or section of the Constitution in American history, to perhaps encourage third parties, yet also with the need to be written in a way such that they are not "spoilers." One possibility might be to use list voting such as to give voters a "second choice" of third parties.

Overall, for decades, the nation, after the failed Equal Rights Amendment (ERA) from the 1970's onward, has been unable to pass changes to the national Constitution, to reform outdated institutions. In addition, more businesspeople, such as Mitt Romney (R-MA-UT), and candidates without political experience, but Master of Business Administration (MBA) degrees, are entering government. Studies, such as Barry (2012), have shown that, globally, business leaders do not usually make for very successful politicians in navigating the legislative processes. Meanwhile, global economic institutions established in the World Order following World War II have ceased to function due to inept management by developed world powers, while more nations gain geopolitical influence from economic convergence due to outsourcing by larger, monopolistic companies to cheaper locations, such as China, which are now aflush with cash.

Furthermore, because of the increasing conservativeness of the Supreme Court, due to, for example, Justice Ruth B. Ginsburg passing away, the nation has been fighting new battles over social issues, such as LGBTQ rights, at the same time as older issues such as abortion and civil rights have reemerged. The American family has declined as a social institution, and fewer people are having children because of the expenses. Cultural clashes have been magnified by movement around the country of northerners to southern states, seeking jobs, lower taxes, or warmer weather, leading to new fights over “cancel culture,” such as over Confederate statues, and over the content of educational materials.

These events have all occurred on top of the advent of social media, which invites more uncivil discussions. Likewise, social media also forces traditional news agencies to be more polarizing in order to attract a greater number of viewers for greater monetary profits, as economic studies have shown (Boxell et al., 2017), which is probably true for the rise of “talk radio’s” rise, several decades prior, as well. This is compounded by the fact that Americans are traditionally not accustomed to consuming alternative media to meaningfully gain different perspectives, as citizens in some western European countries are, for example. Meanwhile, much more money has poured into politics, with the *Citizens United* case removing restrictions. And, technology has divided American culture, and clashed it globally, by expanding the number of shows to watch on t.v. and other mediums such as cell phones, which leaves everyone literally on a different page.

Finally, this litany of occurrences has been magnified at a time when the current President uses such mediums frequently, to enact accomplishments in part because the Congress is not only gridlocked, but it could be called anarchic. The circumvention of Congress is especially happening with Executive Orders concerning energy, environmental, and immigration policies. Additionally, the Covid-19 Pandemic under President Trump and President Joseph Biden turned wearing a mask for safety into a political statement. The only overall way to defeat such division is via trust, the lack of which has divided politics into a battle between loyalties, whereas explaining the “why” behind how people feel in an age of soundbites could do greater good than trying to convince others to agree on issues. Conversation at least continues a dialogue amidst personal differences.

So, one can see how one might put the influential year of political divisiveness in the United States as 2015, but in terms of negative campaigning in American history, I put the year at 1988, or 2000. This era was arguably the apex of the Pax America, which was a time of peace and prosperity that was then squandered, and can only be regained by putting parties aside and people first. The whispers about a collapsing republic, which plagued the decline of ancient Rome, have reappeared

in a different form some two-thousand years later. Thus, the former date mentioned at the start of this paragraph was an unusual year, and time, when I remember trying to convince schoolmates to support “Mr. Michael Dukakis.” As a decent candidate, he lost the 1988 presidential race due to a skeptical question in a dubious debate, while simply trying to give an honest answer at a time when people were searching for new meanings in an era of immense global and domestic change.

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Digital Hegemony: Artificial Intelligence as a New Instrument of Global Economic Dominance

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Abstract

This article investigates the structural transformation of the global political economy by 2026, positing a transition from traditional "soft power" paradigms to a nascent regime of "Algorithmic Power." Through a comparative analysis of industrial policies, trade regulations, and technological infrastructures, the study examines how Artificial Intelligence (AI) has evolved from a commercial asset into a fundamental determinant of state sovereignty.

The research focuses on three critical domains: the strategic contestation over high-end semiconductor supply chains, the centralization of massive data ecosystems, and the integration of AI-driven predictive mechanisms in global finance. Rather than viewing these developments through a purely technological-determinist lens, the article argues that the rise of "Techno-Nationalism" represents a deliberate geopolitical strategy, wherein states actively weaponize interdependence to secure "Hardware Sovereignty."

The findings suggest that the concentration of computational resources and energy infrastructure in a limited number of "technopolar" hubs is precipitating a rigid global hierarchy. This shift risks creating a systemic stratification, marginalizing nations lacking the capacity for autonomous digital governance. The article concludes by discussing the implications of this divide for the future of international cooperation and the potential for a bipolar digital order.

Keywords: Digital Hegemony, Techno-Nationalism, Algorithmic Power, Hardware Sovereignty, Data Colonialism, Technopolar World, Political Economy of AI.

Introduction: The Geopolitics of the Fourth Industrial Revolution

Historical analysis of the nineteenth and twentieth centuries illustrates a robust correlation between industrial capacity and geopolitical hegemony. Just as the steam engine provided the British Empire with the logistical superiority to dominate international trade, and the internal combustion engine underpinned the "American Century," the contemporary global order of 2026 is being restructured by a new strategic resource: computational capacity. Artificial Intelligence (AI) has transcended its origins as a commercial efficiency tool to become a strategic imperative for state survival. In this context, national power is increasingly quantified not merely by GDP or conventional military assets, but by a state's capacity to construct, energize, and defend resilient AI infrastructures (Hassabis, 2026).

This structural shift suggests a departure from an era where diplomatic "soft power" and cultural influence were the primary levers of leadership. We have entered a nascent regime of "Algorithmic Power," wherein global influence is derived from sovereign control over vast data ecosystems and the proprietary mathematical weights that underpin foundational AI models (Mayer Brown, 2026). This power is concentrated within a limited cadre of "technopolar" actors - comprising both state governments and transnational technology corporations - capable of automating critical economic sectors and regulating cross-border information flows (Bremmer, 2021; Kande, 2026).

Consequently, structural asymmetries between "AI-rich" nations and the Global South are deepening. We are witnessing the calcification of a new digital divide, where emerging economies are systemically marginalized by prohibitive costs and a deficit of technical infrastructure (Economic Times, 2026). Ultimately, AI serves as a vector for redefining the mechanisms of national competitiveness and security. The contest for advanced AI capabilities has evolved beyond corporate rivalry into a strategic contestation for geopolitical relevance. Control over the supply of high-end semiconductors and the requisite energy resources has emerged as the foundational substrate of state power. Thus, in 2026, technological leadership is no longer merely an aspirational goal; it has become a prerequisite for maintaining genuine national independence and geopolitical sovereignty.

The Infrastructure of Power: Semiconductors and Hardware Sovereignty

The theoretical promise of Artificial Intelligence is inextricably linked to the material constraints of silicon manufacturing. In the contemporary geopolitical landscape, the traditional Westphalian concept of sovereignty is being reconfigured into "Hardware Sovereignty". This paradigm posits that a nation's political independence is increasingly predicated on its position within the semiconductor value chain. What originated as trade disputes over consumer electronics has evolved into a structural contest regarding the physical infrastructure required for Artificial General Intelligence (AGI).

As high-performance Graphics Processing Units (GPUs) emerge as critical commodities, the capacity to manufacture, secure, and restrict access to these components has become a primary instrument of economic statecraft (Miller, 2022). The regulatory environment of 2026, characterized by stringent export controls and restrictions on specialized lithography equipment, evidences a definitive shift toward "Techno-Nationalism" (Mayer Brown, 2026). This shift is empirically verifiable. By the close of 2025, trade data indicates a 78% decline in the export of dual-use semiconductor manufacturing equipment to non-aligned nations, starkly contrasting with a 200% surge in intra-bloc technology transfers among 'Chip 4' alliance members. This is not merely a market correction; it is the statistical footprint of a deliberate containment strategy, effectively severing the Global South from the foundational machinery of the future economy.

Major powers are actively weaponizing global supply chains, utilizing them not merely for market competition, but as strategic mechanisms to deny computational capacity to adversaries. Consequently, maritime chokepoints such as the Malacca and Taiwan Straits have been re-contextualized as critical vulnerabilities in the digital age.

In this high-stakes environment, the interdependence that once defined globalization is now viewed as a strategic liability. Disruptions to the flow of advanced semiconductors or rare-earth elements pose immediate risks to national economies and defense systems. This has precipitated the rise of "Compute Sovereign Zones," signaling a fragmentation of the global technology sector. States are prioritizing the construction of domestic fabrication facilities ("fabs") and energy-independent data centers to mitigate "External Compute Dependence" - the strategic risk of having national AI systems or military networks incapacitated remotely via foreign hardware controls or export interdictions.

In this context, the semiconductor functions as a finite, geographically concentrated resource analogous to hydrocarbons in the twentieth century. Access to sub-2nm manufacturing processes has arguably become the modern equivalent of nuclear capability. Control over essential machinery - specifically Extreme Ultraviolet (EUV) lithography - grants a form of "veto power" over the technological development of rival states. This transition cements hardware as the locus of global dominance in the twenty-first century, reframing the "cloud" not as an abstract digital space, but as a network of fortified physical infrastructures.

Data Colonialism and the New Economic Hierarchy

If semiconductors constitute the hardware architecture of digital dominance, data functions as the requisite fuel for algorithmic refinement. By 2026, the mechanisms of data extraction, storage, and processing have precipitated a phenomenon widely conceptualized as "Data Colonialism." A consolidated group of technological hubs - primarily situated within the United States and China - exercises disproportionate control over global information flows. Unlike historical economic models derived from land ownership or physical labor, the contemporary hierarchy extracts value from the "behavioral surplus" of global populations.

This concentration of informational resources within "Technopolar" powers has significantly eroded the economic autonomy of nations lacking the domestic infrastructure to process their own digital assets (Bremmer, 2021). Consequently, the trajectory of AI development is exacerbating the productivity divergence between the Global North and the Global South. While advanced economies transition toward "on-device" AI and localized processing to safeguard strategic interests, developing nations remain entrenched in a dependency cycle. In this dynamic, the Global South exports raw data, while "AI-sovereign" nations retain the high-value intelligence derived from that data, creating a structural imbalance in the digital value chain (Economic Times, 2026). This divergence risks cementing a rigid economic stratification, wherein a nation's standing is determined by its access to advanced algorithms rather than natural resources. Furthermore, dominance over these vast data ecosystems enables hegemonic powers to establish global normative standards regarding AI ethics, privacy, and transparency, effectively drafting the "Digital Constitution" of the twenty-first century. Nations excluded from this regulatory formation face diminished capacity to govern their internal markets. Thus, in this new hierarchy, data

sovereignty transcends legal privacy concerns to become a fundamental requisite for state autonomy in an automated global economy.

AI in Global Finance and Trade Optimization

The integration of Artificial Intelligence into the global financial architecture has fundamentally altered the mechanisms of market influence and economic coercion. By 2026, the traditional benchmarks of financial stability - such as interest rate differentials or specie reserves - are increasingly superseded by AI-driven predictive macroeconomics and high-frequency trading (HFT) algorithms. These systems operate at a velocity and complexity that exceed human cognitive capacity, granting state and institutional actors a decisive "Algorithmic Advantage". This capability facilitates the anticipation of market shifts, the optimization of capital flows, and the hedging of volatility with unprecedented precision. Consequently, the global financial system has transitioned from a theoretically neutral marketplace into a contested domain wherein computational power is leveraged to manipulate or safeguard international trade routes (Vanguard, 2025).

In the realm of international trade, AI functions as a "dual-use" instrument: it optimizes global logistics while simultaneously identifying latent vulnerabilities in the trade networks of geopolitical rivals. Hegemonic powers now possess the capacity to selectively disrupt a competitor's access to vital resources through automated trade barriers or AI-orchestrated sanctions that adapt in real-time (Mayer Brown, 2026). The efficiency gains provided by AI-native firms have precipitated a dynamic of monopolistic consolidation, further marginalizing actors without the capital to invest in proprietary AI trade infrastructures (Kande, 2026).

Furthermore, the emergence of AI-managed digital currencies and autonomous payment systems directly challenges the hegemony of traditional reserve currencies. As nations seek to bypass terrestrial financial chokepoints and sanctions regimes, the development of "AI-Sovereign" transaction layers offers a mechanism to maintain strategic autonomy. In this environment, the capacity to ensure the security and integrity of domestic financial algorithms is no longer merely a technical requirement, but a core component of national economic security

V. The Emergence of Techno-Nationalism

The year 2026 signifies a paradigm shift away from the neoliberal ideal of a borderless digital commons. In its stead, a rigid framework of "Techno-Nationalism" has solidified, wherein technological advancement is no longer regarded as a global public good, but viewed through the prism of zero-sum national interest. State actors have transitioned from their traditional roles as regulatory observers to become the primary architects of technological ecosystems. Through the deployment of massive fiscal subsidies and aggressive export controls, nations are actively engaged in a strategic contest to secure digital superiority. This trajectory represents a resurgence of strategic protectionism, positioning "AI sovereignty" as a cornerstone of national survival (Mayer Brown, 2026).

This era is defined by the fragmentation of the global digital landscape into exclusive blocs, a phenomenon frequently characterized as the "Splinternet." Hegemonic powers are incentivizing the "re-shoring" or "friend-shoring" of critical AI infrastructures ranging from semiconductor fabrication facilities to hyperscale data centers to ensure these assets remain insulated from strategic rivals. These policies effectively weaponize the global trade system to isolate competitors, sacrificing cross-border interoperability for the sake of security.

Furthermore, Techno-Nationalism has fundamentally restructured the relationship between the state and the private sector. Major technology firms, previously operating as autonomous global entities, are increasingly integrated into the national security apparatus of their home jurisdictions. In exchange for state protection and capital infusion, these "Technopolar" giants are expected to align their research and development trajectories with state geopolitical objectives (Bremmer, 2021). However, to characterize this merely as a partnership is a misnomer; it is a form of strategic conscription. The relationship has evolved from symbiotic to parasitic, wherein the state effectively nationalizes the strategic direction of private enterprise. While corporations retain profit margins, they have forfeited their geopolitical autonomy, functioning less as multinational entities and more as digital extensions of the Department of Defense. The logic of the market has been fully subordinated to the logic of national survival. This fusion of corporate power and national interest ensures that AI development is driven by the imperatives of strategic contestation rather than purely commercial profit. Consequently, a lag in the development of advanced AI is perceived not merely as a market failure, but as a permanent strategic deficit.

VI. Conclusion: Towards a Bipolar Digital World?

The empirical evidence presented in this analysis elucidates that Artificial Intelligence has transcended its status as a mere technological innovation to become the fundamental arbiter of global power. The ascendancy of "Digital Hegemony" signals a systemic transition from traditional military-industrial alliances toward a geopolitical order predicated on computational capacity and algorithmic sophistication. As demonstrated through the examination of semiconductor supply chains and data monopolies, the current trajectory points toward the consolidation of a rigid international hierarchy.

In this reconfigured order, technological superiority is no longer a commercial advantage but a prerequisite for the preservation of national sovereignty. The geopolitical dynamics of 2026 suggest an inexorable gravitation toward a bipolar digital architecture. The intensifying strategic competition between the United States and China has precipitated the formation of a "Silicon Curtain," compelling the international community to align with competing technological ecosystems. Consequently, for middle powers and the Global South, the maintenance of "Strategic Autonomy" is becoming increasingly precarious.

Unless a multilateral framework for AI governance is established, the concentration of "technopolar" power threatens to deepen global inequality and erode the independence of smaller nation-states. Ultimately, AI operates as a transformative agent, restructuring the very nature of economic dominance. As the race for Artificial General Intelligence (AGI) propels the world into uncharted territory, traditional diplomacy is being supplanted by "automated statecraft" and strategic protectionism. This transition introduces a catastrophic systemic risk: the absence of a de-escalation mechanism. Just as algorithmic trading precipitated 'flash crashes' in financial markets, automated statecraft creates the conditions for 'flash conflicts' -scenarios where AI-driven retaliation loops trigger kinetic escalation before human decision-makers can intervene. We are constructing a geopolitical architecture with high-velocity triggers but no emergency brakes, dramatically lowering the threshold for inadvertent great power war. The paramount challenge for the post-2026 international community will be to manage this transition without precipitating systemic economic fragmentation, ensuring that the dividends of the Fourth Industrial Revolution are not monopolized by a nascent class of digital hegemons.

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