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The Formation of Identity Politics: Historical Development, Contemporary Debates, and Critical Perspectives

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Abstract

Identity politics has become a defining feature of contemporary political life, reshaping patterns of mobilization, conflict, and governance. This article examines the historical emergence, theoretical foundations, and critical debates surrounding identity politics, arguing that it possesses a fundamentally dual character. While it serves as a powerful mechanism for the recognition and empowerment of marginalized groups, it simultaneously risks intensifying social fragmentation and political polarization. Beyond its sociological dimensions, the study highlights how identity politics intersects with national security and state resilience, particularly in the Georgian context. External actors increasingly exploit identity fault lines through hybrid warfare, weaponizing ethnic, religious, and linguistic divisions to undermine democratic consolidation. Drawing on key theoretical contributions and situating the analysis within Georgia's socio-political landscape, the article demonstrates how identity operates as both a normative and strategic category in modern politics. The study concludes that the impact of identity politics depends on its articulation and institutionalization, and that its effective application requires balancing recognition with redistribution, diversity with social cohesion, and inclusion with resilience against external manipulation.

Keywords: Identity politics, recognition, redistribution, intersectionality, hybrid warfare, national security, state resilience, democratic consolidation, Georgia

Introduction

Material and economic interests have long been considered primary drivers of political behavior. However, contemporary political dynamics increasingly demonstrate that identity and dignity are equally, if not more, influential in shaping social mobilization and conflict. From nationalist movements to minority rights activism, identity has emerged as a central axis of political organization.

This article advances the argument that identity politics is inherently ambivalent. It can facilitate inclusion and recognition for historically marginalized groups, yet it may also deepen divisions and undermine social cohesion. Rather than adopting a normative stance, this study approaches identity politics as a complex and context-dependent phenomenon.

This study adopts an explicitly interdisciplinary approach, combining insights from political theory and security studies. The theoretical foundations—drawing on recognition, redistribution, and intersectionality—provide the normative and sociological lens through which identity politics is understood. At the same time, the Georgian case demonstrates that identity politics cannot be analyzed solely as a matter of inclusion or exclusion; it is also a strategic terrain of contestation in hybrid warfare. Integrating security perspectives allows the analysis to move beyond sociological observation toward a critical geopolitical framework, showing how unresolved identity cleavages weaken state resilience and democratic consolidation. This dual methodology is essential for capturing the full complexity of identity politics in contemporary contexts where domestic and external pressures intersect.

This article contributes to the field by bridging political theory with security studies, demonstrating that identity politics in Georgia is not only a sociological phenomenon of inclusion and exclusion but also a strategic vulnerability in the context of hybrid warfare. By integrating frameworks of recognition and redistribution with concepts of resilience and democratic consolidation, the study advances an interdisciplinary perspective that situates identity politics at the intersection of normative theory and geopolitical practice. This dual lens highlights how unresolved identity cleavages simultaneously shape domestic contestation and expose states to external manipulation, thereby expanding the analytical scope of identity politics research.

The article proceeds in three parts: first, it outlines the historical and philosophical foundations of identity politics; second, it reviews major theoretical debates; and third, it applies these insights to the Georgian context.

Historical and Philosophical Foundations of Identity Politics

The modern concept of identity emerged alongside the processes of modernization, particularly through the differentiation between the individual's internal self and the external social world. This transformation expanded individual autonomy while intensifying tensions between subjective experience and social structures.

Early intellectual influences, including the ideas of Martin Luther and Jean-Jacques Rousseau, contributed to the emergence of identity as a politically salient category (Fukuyama 2018). By the nineteenth century, the universalization of dignity had transformed identity into a political project. As Hegel argued, struggles for recognition lie at the core of modern political conflict.

The French Revolution institutionalized competing claims to recognition, giving rise to two forms of identity politics: one centered on individual dignity and the other on collective identity. These dynamics continue to shape contemporary political struggles.

Philosophically, identity politics is grounded in debates over the nature of the self. Constructivist approaches, particularly those of Michel Foucault and Judith Butler, conceptualize identity as contingent upon power relations, discourse, and institutional structures. Foucault (1977) highlights the role of disciplinary institutions in shaping subjectivity, while Butler (1990) emphasizes the performative nature of identity. Together, these perspectives challenge essentialist understandings and emphasize the fluid, socially constructed character of identity

Theoretical Debates on Identity Politics

The academic discourse on identity politics has been shaped by several influential theoretical frameworks. Kimberlé Crenshaw's (1989) concept of intersectionality demonstrates how multiple axes of identity—such as race, gender, and class—intersect to produce complex forms of disadvantage.

Debates on justice further refine these discussions. Iris Marion Young (1990) critiques distributive models for failing to address structural oppression and advocates for inclusive democratic

participation. However, her approach raises concerns regarding feasibility and the potential reinforcement of group divisions.

Charles Taylor (1992) emphasizes the importance of recognition in the formation of identity, arguing that misrecognition can result in harm. Nancy Fraser (1995) builds on this by proposing a dual framework that integrates redistribution and recognition, asserting that justice requires attention to both economic and cultural dimensions.

Craig Calhoun (1994) conceptualizes identity as embedded in social relations and power structures, while Mary Bernstein (2005) highlights its multidimensional nature and the strategic dilemmas it poses for social movements.

Contemporary debates further complicate these perspectives. Fukuyama (2018) introduces the concept of *thymos*—the human desire for recognition—as a key driver of identity politics. Kurzwelly et al. (2023) emphasize its dual capacity to advance justice while fostering fragmentation. From a Marxist perspective, Das (2023) argues that identity politics may obscure class-based inequalities.

Recent scholarship expands the field in new directions. Sharp (2024) calls for moving beyond identity-based frameworks toward broader forms of solidarity. Empirical research (Bonomi et al. 2021) demonstrates the growing importance of identity in shaping political behavior, while interdisciplinary studies (Ismail et al. 2025) highlight the global and dynamic nature of identity research. Lazari (2026) conceptualizes identity as relational within legal frameworks, and Buonomo (2026) shows how identity influences political engagement among migrant populations.

Identity Politics in the Georgian Context

Georgia provides a compelling case for examining the practical dynamics of identity politics in a post-Soviet, ethnically diverse, and institutionally transforming society. Since independence, identity has functioned as a central axis of state-building, political mobilization, and social contestation. Competing projects of national consolidation, minority integration, and cultural modernization have continuously shaped the country's political landscape. In this context, identity politics is not an abstract theoretical construct but a lived and institutionalized reality that structures access to rights, resources, and recognition.

One of the most significant dimensions of identity politics in Georgia concerns ethnic minority communities, particularly Azerbaijani and Armenian populations. These groups are geographically

concentrated in specific regions and often experience structural disadvantages in relation to language acquisition, education, and political participation.

A key barrier is the dominance of the Georgian language in public administration, higher education, and labor markets. Limited proficiency in Georgian significantly restricts access to state institutions and reduces opportunities for socioeconomic mobility. Although the state has implemented various integration programs—particularly in the education sector—persistent disparities indicate that linguistic integration remains incomplete.

From a theoretical perspective, this situation illustrates the continued relevance of Nancy Fraser’s dual framework of redistribution and recognition. Cultural recognition policies alone, such as symbolic inclusion or minority cultural support, are insufficient without material investments in education, infrastructure, and labor market access. In the Georgian case, the imbalance between these two dimensions contributes to a form of partial citizenship, in which formal equality coexists with substantive inequality.

Religious identity constitutes another central pillar of identity politics in Georgia. The Georgian Orthodox Church occupies a historically entrenched and socially dominant position, functioning not only as a religious institution but also as a key actor in cultural and political life.

Public opinion surveys consistently indicate high levels of trust in the Church, often exceeding trust in state institutions. This institutional authority enables the Church to influence debates on education policy, moral legislation, and national identity. Its involvement in public discourse frequently intersects with political debates concerning liberal reforms, minority rights, and European integration.

These dynamics can be interpreted through the lens of recognition theory, particularly Charles Taylor’s argument that identity is shaped through processes of social acknowledgment. In Georgia, however, recognition is not evenly distributed across competing identity claims. Tensions between secular-liberal actors and religious-conservative groups reflect divergent normative visions of national identity, each seeking institutional validation.

This asymmetry raises important questions about the boundary between cultural influence and political authority in democratic systems, particularly in contexts where religious institutions play a quasi-public role.

Identity politics in Georgia becomes especially visible in debates surrounding LGBTQ+ rights and public visibility. Events such as Tbilisi Pride have become focal points of political contention and social mobilization.

On one hand, LGBTQ+ activism seeks to expand legal protections, social visibility, and civic inclusion. On the other hand, these efforts frequently encounter strong resistance from conservative religious groups and segments of the broader public. This opposition is often framed in terms of cultural preservation, national identity, and moral order.

The resulting conflict illustrates the dual function of identity politics: it simultaneously enables marginalized groups to articulate claims for recognition while also generating counter-mobilizations that intensify polarization. Drawing on Iris Marion Young's theory of democratic inclusion, this case demonstrates that formal legal equality does not automatically translate into substantive social inclusion when symbolic hierarchies remain intact.

Moreover, LGBTQ+ politics in Georgia reveals how identity-based claims can become sites of broader ideological struggle, extending beyond rights-based discourse into questions of national identity and geopolitical orientation.

Language policy represents a foundational dimension of identity formation in Georgia. The Georgian language is widely regarded as a core element of national identity and state continuity, particularly given historical experiences of imperial domination and cultural suppression.

State language policies have therefore prioritized the consolidation of Georgian as the primary language of administration and education. While such policies strengthen state capacity and national cohesion, they also generate exclusionary effects for non-Georgian-speaking populations. This is particularly evident in regions with high concentrations of ethnic minorities, where limited language proficiency constrains access to public services and political participation.

The tension between linguistic unity and cultural diversity reflects a broader structural dilemma in nation-building processes: the need to construct a shared civic identity while simultaneously accommodating plural linguistic and cultural communities.

In addition to domestic cleavages, identity politics in Georgia is increasingly shaped by geopolitical orientation. Competing narratives of belonging—particularly in relation to Europe and Russia—function as powerful identity frameworks in political discourse.

Pro-European orientations are often associated with liberal democratic values, institutional modernization, and human rights-based discourse. Conversely, more conservative or nationalist narratives frequently emphasize cultural sovereignty, religious tradition, and resistance to external influence. These competing frames transform foreign policy preferences into identity-laden political positions.

As a result, geopolitical alignment is not merely a strategic or economic question but is deeply embedded in symbolic and cultural understandings of national identity.

Identity politics in Georgia is further structured by generational and spatial cleavages. Younger populations, particularly in urban centers, tend to exhibit greater support for liberal values, individual rights, and cultural pluralism. In contrast, older generations and rural communities often demonstrate stronger attachment to traditional norms, religious authority, and ethnocultural continuity.

These divides contribute to the fragmentation of public discourse, as competing generational value systems shape interpretations of legitimacy, morality, and national identity. The resulting heterogeneity complicates the formation of stable political consensus and reinforces the salience of identity as an organizing principle in electoral competition.

Taken together, these dimensions demonstrate that Georgia constitutes a particularly instructive case for understanding identity politics as a multidimensional and structurally embedded phenomenon. Ethnic, religious, linguistic, geopolitical, and generational identities intersect to produce a complex field of political contestation.

In this context, identity politics functions simultaneously as an instrument of inclusion and exclusion. It enables marginalized groups to articulate demands for recognition and participation, while also generating counter-reactions that may reinforce polarization and deepen social cleavages.

Identity politics in Georgia does not operate in isolation; it is deeply entangled with questions of national security and state resilience. External actors, particularly Russia, have repeatedly exploited identity fault lines to weaken democratic consolidation and undermine civic cohesion. In the context of hybrid warfare, identity politics becomes a strategic instrument rather than a mere sociological phenomenon.

Hybrid tactics—ranging from disinformation campaigns to covert political financing—frequently target Georgia’s most salient identity cleavages. Religious conservatism is mobilized against liberal reforms, linguistic isolation is amplified to sustain minority marginalization, and geopolitical narratives are polarized to frame European integration as a threat to cultural sovereignty. These interventions weaponize identity politics, transforming internal debates into vulnerabilities that erode state resilience.

The ongoing linguistic isolation of Azerbaijani and Armenian minorities exemplifies this dynamic. The state’s inability to provide meaningful integration without eroding cultural identity has

weakened civic nationalism and created openings for external influence. Metreveli (2025) argues that such unresolved identity cleavages constitute a direct vulnerability in the face of hybrid threats, while Kandelaki (2022) highlights that resilience-building requires inclusive language and education policies as part of a broader national resilience strategy. This failure undermines sovereignty by perpetuating partial citizenship and leaving communities susceptible to manipulation.

Similarly, the dominance of the Georgian Orthodox Church in public life, while a source of cultural continuity, also constitutes a potential vulnerability. External actors can instrumentalize religious authority to resist liberal reforms and foster polarization. In this sense, identity politics intersects directly with questions of democratic consolidation: unresolved identity cleavages weaken institutional legitimacy and reduce the state's capacity to mediate conflict.

Ultimately, the Georgian case demonstrates that identity politics must be analyzed not only as a driver of inclusion and exclusion but also as a strategic terrain of contestation in hybrid warfare. Addressing these vulnerabilities requires a dual approach: strengthening civic nationalism through inclusive policies, while simultaneously building resilience against external manipulation of identity fault lines. Without such measures, identity politics risks becoming a tool of destabilization rather than a foundation for democratic progress.

The Georgian case demonstrates that identity politics is not only a matter of recognition and redistribution but also a question of state resilience in the face of hybrid threats. When linguistic isolation, religious authority, and geopolitical orientation remain unresolved, they create vulnerabilities that external actors can exploit to deepen polarization and weaken democratic consolidation. Thus, the challenge is not simply to balance diversity with civic unity, but to ensure that identity politics does not become a weapon against sovereignty. Effective democratic governance requires integrating marginalized communities, safeguarding cultural pluralism, and building resilience against manipulation. Only by addressing identity politics as both a domestic and geopolitical phenomenon can Georgia—and other states facing similar pressures—transform identity from a source of division into a foundation for democratic strength.

Discussion and Conclusion

The analysis demonstrates that identity politics cannot be understood in purely positive or negative terms. Its effects are contingent upon context, institutional frameworks, and modes of mobilization. On the one hand, identity politics facilitates recognition, empowers marginalized groups, and expands democratic participation. On the other, it may reinforce divisions, weaken shared civic identities, and complicate consensus-building.

The central tension lies in balancing competing demands: individual versus collective identities, cultural recognition versus economic redistribution, and diversity versus social cohesion. Failure to manage these tensions risks transforming identity politics into a source of fragmentation rather than inclusion.

In the Georgian case, identity politics must be understood not only as a normative challenge but as a national security concern. External actors, particularly Russia, have repeatedly exploited identity fault lines through hybrid warfare tactics—disinformation campaigns, covert financing, and cultural manipulation—to deepen polarization and undermine democratic consolidation. Religious conservatism, linguistic isolation, and geopolitical orientation are not merely internal debates but strategic vulnerabilities that weaken state resilience. The ongoing linguistic isolation of Azerbaijani and Armenian minorities, for example, is not simply a structural dilemma but a prolonged policy failure that erodes civic nationalism and sovereignty, leaving communities susceptible to external influence.

This perspective reframes identity politics as both a domestic and geopolitical phenomenon. It underscores that unresolved identity cleavages weaken institutional legitimacy and reduce the state's capacity to mediate conflict. In this sense, identity politics intersects directly with questions of democratic consolidation: inclusive policies are not only a matter of justice but also of resilience against manipulation.

Ultimately, the effectiveness of identity politics depends on how it is applied. It can function both as a foundation for social justice and democratic progress, and as a driver of social division. Its successful application requires maintaining a balance between individual and collective identities, recognition and economic redistribution, and diversity and civic unity. At the same time, it requires vigilance against the weaponization of identity by external actors. Only by addressing identity politics as both an internal challenge and an external vulnerability can Georgia—and other states facing similar pressures—transform identity from a source of division into a foundation for democratic strength. As the European Council on Foreign Relations (2025) observes, Georgia's

democratic future depends not only on domestic reforms but also on resilience against external manipulation of identity fault lines. Integrating recognition and redistribution with resilience strategies ensures that identity politics strengthens rather than destabilizes democratic consolidation.

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The International Military Education and Training (IMET) program implications to Georgian Defense Forces (GDF)

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Abstract: The International Military Education and Training (IMET) program is a U.S. initiative designed to bolster military alliances and promote democratic values through the education and training of foreign military personnel. This article examines the profound implications of the IMET program on the Georgian Defense Forces (GDF). By fostering interoperability, cultural understanding, and international networking, the program enhances military professionalism through leadership and technical training.

IMET training provides participating countries, like Georgia, with access to advanced U.S. military courses, ranging from basic tactical operations to strategic planning and leadership development. These elements are crucial for adapting to rapidly changing global threats and for ensuring military readiness and effectiveness. For Georgia, IMET plays a critical role in enhancing defense capabilities and deepening ties with Western allies. This partnership not only strengthens Georgia's military forces but also reinforces its commitment to global security and stability. The emphasis on democratic governance and civilian control over the military is particularly relevant in reinforcing internal stability and fostering trust in military institutions. Through the ongoing collaboration enabled by IMET, the GDF remains a competent and well-equipped force, prepared to face regional and global challenges, thus advancing Georgia's strategic objectives and integration into the international security framework.

This article is part of a broader study that aims to serve as a reliable source of information for future military professionals and researchers. The author draws on open-source data, official information, experts' opinions and unique personal experience as a military officer involved in multiple programs and strategic planning process.

Keywords: The International Military Education and Training (IMET); Georgian Defense Forces (GDF); US Military Education Institutions; Foreign Military Cooperation; U.S. National Security; Professional Military Development; Military Assistance Program; U.S. Military Culture, Values, and Institutions.

Introduction

US has provided many training and education programs to Georgia, and in every time of those periods for training has been well defined and developed, however there is one particular name of the program well known among the International Military Students that are seeking an education to U.S. This program is International Military Education and Training Program –IMET. During my military carrier, I was able to participate twice under this program, so my personal observation and experience allow me to write about IMET program. Before we get deep into this issue, I would like to start with basic question: what is IMET?

Overview of the International Military Education and Training (IMET) Program

The International Military Education and Training (IMET) program is the U.S. government initiative aimed at strengthening foreign military relationships and promoting democratic values throughout the world. “The International Military Education and Training (IMET) program is an instrument of U.S. national security and foreign policy and a key component of U.S. security assistance that provides training and education on a grant basis to students from allied and friendly nations”, - one can read on the official web-site (U.S. State Department 2006).

IMET is focused on providing foreign military personnel with the opportunity to receive professional military education and participate in various military training programs in the United States. The program enhances the professional development of foreign military personnel. It includes tactical and strategic courses on leadership, skills development, technical education, strategic planning, international security affairs, civil-military relations and others. One of the aims of the program is to instill democratic principles and respect for human rights. This is achieved through education and training that emphasize the rule of law, military professionalism, and civilian control of the military. By training foreign military officers in the U.S., the IMET program fosters long-term relationships between the U.S. military and participating countries and with this it supports building network of professionals worldwide. This often results in better communication and collaboration on global security issues.

The program is available to military personnel from a wide range of partner countries around the world. Each year, thousands of foreign officers participate, ensuring a diverse and multinational approach to military education. Participants gain exposure to American culture and society, promoting mutual understanding. This cultural exchange is considered an essential element of the program, reinforcing the ties between the U.S. and participating nations. The IMET courses cover a broad spectrum, from basic military tactics to advanced staff and command courses. Every year, U.S. International Military Education and Training (IMET) programs are used to train approximately 6,000-7,000 foreign officers from roughly 120 friendly and allied nations in U.S. military schools alongside their U.S. counterparts (Georgetown Security Studies Review 2018). Participants may attend military education institutions such as the U.S. Army War College, Naval War College, and Air War College. Over the years, many IMET graduates have ascended to leadership positions within their home countries military and government structures, enhancing bilateral relations with the United States. The Secretary of State determines which countries are eligible to participate in the Program, and the Secretary of Defense executes the Program. The Program is funded by the Department of Defense according to its annual appropriation and providing tuition, travel, and living expenses for participants. Specifically, the IMET is implemented by the Department of Defense's Defense Security Cooperation Agency, (DSCA) but funded by the State Department through the Foreign Assistance Act of 1961. This makes it accessible for partner countries, especially those with limited defense budgets.

The Evolution of the IMET Program

The International Military Education and Training (IMET) program has evolved significantly since its inception, with changes reflecting shifts in U.S. foreign policy priorities and global geopolitical dynamics. "The United States began training military personnel from foreign countries, most of them in Europe, following World War II. At the urging of President Harry Truman, Congress in 1949 authorized the Military Assistance Program and the Foreign Military Sales program and set out rules and criteria for its use. The emphasis of these early programs was on containing the influence of the Soviet Union, while training concentrated on skills needed to effectively operate and maintain equipment provided by the U.S. As Europe recovered from World War II. (Military Assistance, U.S. Department of Defense, 211).

The IMET program was Established during the Cold War and program initially focused on strengthening alliances and countering Soviet influence. The aim was to train foreign military

personnel in U.S. military practices and foster pro-Western sentiments. In 1976 the International Military Education and Training (IMET) program was created. Funded by the U.S. Foreign Assistance Act of 1961 the IMET grant program was established to provide professional, leadership, and management training for senior military leaders and selected junior and middle grade officers with leadership potential from other countries. After the Cold War, the program expanded to include countries in Eastern Europe and the former Soviet Union, with a focus on supporting democratic reforms and military professionalism.

Following the 9/11 terrorist attacks, IMET adapted to focus more on counterterrorism training and building the capacity of partner nations to combat terrorism. This shift aligned with global efforts to enhance collective security in the fight against terrorism. The program has steadily increased its inclusivity, involving more countries and diverse students, including women and members of civilian government agencies. This reflects a recognition of the need for diverse perspectives in military training. As military technology and tactics have advanced, IMET has incorporated contemporary subjects such as cybersecurity, intelligence sharing, and modern warfare techniques to remain relevant and effective.

Over time, the program incorporated modules on human rights and civilian control of the military, reflecting a broader U.S. strategy to promote democratic values and governance in partner countries. The program has adjusted to focus more on regions of strategic importance to U.S. security interests, such as the Indo-Pacific, the Middle East, Eastern Europe and Africa. This includes efforts to strengthen military relationships and enhance regional security cooperation. In response to criticisms, there has been a push for greater accountability and transparency in the program, including improved monitoring of participant outcomes and ensuring alignment with U.S. foreign policy goals. These evolutions illustrate IMET's adaptability to changing global circumstances and priorities, aiming to maintain its relevance and effectiveness as a tool of U.S. foreign policy.

The Impact of IMET on Regional Security

The IMET program impacts regional security in several significant ways. By training foreign military personnel, on one hand, IMET enhances the capacity of partner nations to address security challenges effectively and, on the other hand, independently, contributing to regional stability. In Europe and Eurasia, IMET is a key tool for promoting U.S. strategic interests in the region, emphasizing activities such as English language training, military professionalism, force interoperability and preparation of peacekeeping units for integration with U.S., NATO and

European and Eurasian armed forces. The benefits of IMET training with countries working closely in the war on terrorism already have been evident, reflected in smooth collaboration with a growing number of countries (U.S. Department of State 2006, 484).

Relationships formed through IMET create a network of military professionals across different countries, enhancing communication and cooperation to address transnational security issues. By instilling democratic values and human rights principles, IMET strengthens military institutions, fostering trust and stability within the civil society. IMET promotes standardized military practices and interoperability, allowing for more effective joint operations and collaborations in multinational coalitions. Nevertheless, trained personnel can be more effective in humanitarian aid and disaster response, contributing to regional security during crises. IMET provides specific training in counterterrorism tactics, enabling partner countries to better combat terrorism and insurgency threats within their regions. Through education in conflict resolution and peacekeeping, the program helps reduce the likelihood of conflicts and promotes peaceful settlements of disputes. By enhancing military professionalism and promoting cooperative security dynamics, IMET plays a crucial role in fostering a more secure and stable regional environment.

The Role of IMET in U.S. Foreign Relations

The IMET program has had a significant impact on U.S. foreign relations in several ways. By training military officers from various countries, the U.S. builds stronger alliances and partnerships. These relationships often translate into greater cooperation on security matters, joint exercises, and coordinated efforts in international peacekeeping missions. Personal relationships developed through the IMET program foster trust and mutual respect between U.S. and foreign military personnel. These bonds can facilitate smoother diplomatic and military dialogues, enhancing overall bilateral relations. Cultural exchanges and exposure to American values can lead to a more nuanced understanding of the U.S. among foreign military personnel. This improved understanding can break down stereotypes and misconceptions, fostering a more favorable view of the United States. With shared training experiences and common operational understandings, countries are better equipped to join forces in addressing threats like terrorism, piracy, and transnational crime, aligning them with U.S. interests. By promoting democratic principles and military professionalism, IMET contributes to political and military stability in partner countries. This, in turn, creates a more stable international environment, benefitting U.S. foreign policy goals. Strengthened military relationships can spill over into stronger economic ties. As countries become more stable and

aligned with U.S. interests, there's often enhanced cooperation and investment in economic sectors as well. Many IMET graduates go on to hold key military and civilian leadership positions in their home countries. As they rise to power, they often carry forward the principles and values learned during their training in the U.S. This influence can lead to more aligned perspectives on global issues between the U.S. and the graduates' countries. "The ability of a country to attract international students, or facilitate exchanges, is a powerful tool of public diplomacy that delivers returns well into the long-term. Even for states carrying a history of bilateral animosity, there is a positive effect on perceptions and ties when people study abroad. Returning international students often become third-party advocates for their host country of study, - it is written on the official IMET web-page. Overall, the IMET program has served as an essential tool in U.S. international strategy, utilizing military education as a means to support diplomatic goals, enhance global security, and promote constructive international relationships.

IMET as an Instrument of U.S. Security Assistance and Foreign Policy

The IMET program contributes to U.S. foreign policy in several ways. First of all, I already mentioned that the participant countries are selected by the State Department based on the criteria, mainly sharing democratic principles and respecting human rights, and with this the Program serves to foreign policy objectives of the US. By training foreign military personnel, the program builds and strengthens military alliances, ensuring partner nations are capable, informed, and aligned with U.S. strategic interests. By sharing advanced military tactics, technologies, and leadership skills, IMET enhances the operational capabilities of partner countries, contributing to regional stability and security. It encourages cultural exchange and mutual understanding, reducing the likelihood of conflicts and miscommunications. The program provides training in counterterrorism and security strategies, helping allied nations to address global threats and maintain peace. Personal connections between U.S. military officers and foreign counterparts create a network of professionals that can facilitate collaboration and conflict resolution and supports troops interoperability at the tactical, operational and strategic levels.

By fostering stability, IMET supports economic growth and development in partner countries, aligning with broader U.S. foreign aid objectives. IMET includes education on governance, rule of law, and human rights, fostering democratic values and accountability among military leaders worldwide.

Overall, the IMET program is a strategic tool that enhances U.S. influence, promotes global peace and security, and encourages cooperative international relations. As we read on the official web-site, Programs like IMET are critical to strengthening US national security prerogatives because of their aptitude for shaping state behavior and identity through relationships and the exchange of ideas. Coercive action is not the only tool available to great powers; IMET demonstrates that normative persuasion also impacts the achievement of the US's strategic goals (*Simone Bak*, Georgetown Security Studies Review).

IMET in Comparison with Other Military Training Programs

The International Military Education and Training (IMET) program has several distinguishing features compared to other military training programs. IMET is comprehensive tool, emphasizes education, cultural exchange, and building long-term relationships rather than solely tactical training. It provides exposure to U.S. military culture, values, and institutions. IMET aims to standardize practices among partner nations to enable seamless cooperation with U.S. forces, which is not always the primary goal of other training programs. Unlike some programs focused on immediate needs or specific missions, IMET invests in building long-lasting bilateral relationships and mutual understanding. Unlike many programs that might focus exclusively on tactical skills, IMET includes components on human rights, the rule of law, and ethical conduct, aiming to instill these values in foreign military personnel. The program often targets mid to senior-level officers who are likely to return to key positions within their home countries, fostering connections and leadership oriented towards shared security goals. IMET offers a wide range of courses, including areas like military leadership, resource management, logistics, and conflict resolution, in addition to technical and operational skills. IMET works on a cost-sharing basis with partner nations, making it accessible to a diverse range of countries, including those with limited resources. IMET emphasizes the importance of civil-military relations, aiming to enhance civilian oversight and integration of military efforts within national governance frameworks. These aspects set IMET apart, as it provides a holistic

approach to military education that extends beyond skills training to include values and relationships that align with U.S. security interests.

The Impact of the IMET Program on the Georgian Defense Forces (GDF)

The International Military Education and Training (IMET) program has had a profound impact on the Georgian Defense Forces (GDF), enhancing their capabilities and fostering stronger ties with the United States. As Georgia continues to navigate complex regional challenges, participation in the IMET program stands out for its strategic, operational, and diplomatic implications. The IMET program emphasizes not only military skills but also personal and professional development. Georgian officers participating in the program benefit from exposure to diverse perspectives and cultures, which fosters critical thinking and adaptability. Such development is crucial for building a modern, professional force capable of responding to evolving threats. Graduates of the program frequently bring back innovative ideas and leadership styles that contribute to the internal development and reform processes within the GDF. The US Army Major Casey Kapetanov one who was tasked to support the U.S. Mission to the Organization for Security and Cooperation in Europe (USOSCE), conducted some observations and Interviews with IMET graduates students and he wrote: “The Republic of Georgia realized the benefit of fostering closer ties to the U.S. through IMET and is using the lessons taught in U.S. military institutions to reorient to a Western model of military standardization. One colonel in the Georgian Defense Force pioneered the establishment of a training program based on the U.S. Army’s Maneuver Captains Career Course, of which he is a graduate. His newly adopted course better prepares Georgian military students in maneuver warfare while providing better trained leaders for the military. Georgia’s investment in IMET further benefits the country by building closer ties to U.S. leaders and facilitates integration into multinational training events, thereby enhancing interoperability and improving military to military relationships. IMET paves the way for Georgian-Western military integration and cements ties with Western military leaders on the tactical, operational, and strategic level (Kapetanov 2024). One of the most significant benefits of the IMET program for the GDF has been the enhancement of military capabilities. Through rigorous training and education, Georgian officers have gained exposure to advanced military tactics, leadership skills, and strategic planning processes. Courses range from fundamental military sciences to specialized skills in cybersecurity, logistics, and peacekeeping operations. Participation in IMET has enabled the GDF to adopt best practices from the U.S. armed forces, translating them into actionable strategies suited to Georgian defense needs.

This has improved the country's ability to respond to threats, participate in joint operations, and contribute to international peacekeeping missions. Beyond military improvements, the IMET program has played a critical role in solidifying the defense relationship between Georgia and the United States. By providing training to numerous Georgian officers, the program has created a network of U.S.-educated military personnel who serve as multipliers of shared values and joint cooperation. This connection strengthens diplomatic ties and enables smoother coordination in joint military exercises and operations. It also serves as a foundation for Georgia's aspirations to integrate more closely with NATO, aligning its military standards with those of Western allies. In other words, this is an alternative bottom-up view of how military organizations can influence political processes and decisions through the development of cross-border communities of military professionals. This involves a two-step model of socialization. First, individuals (military officers) are socialized by a large political institution (the U.S. through its war and staff colleges). Second, these individuals function as idea entrepreneurs, bringing new ideas, beliefs, and practices home with them (Atkinson 2014).

Despite these benefits, the IMET program presents challenges, including the need for ongoing adaptation of training to meet Georgia's specific needs and priorities. Balancing participation with national interests requires careful planning and resources but also opens opportunities for tailored training solutions, particularly in emerging areas like cyber defense and hybrid warfare.

The Impact of IMET on Georgia's NATO Aspirations

The International Military Education and Training (IMET) program has played a significant role in Georgia's aspirations to join NATO. Here's how it has affected this process. IMET provides funding for Georgian military personnel to attend U.S. military schools, enhancing their skills and professionalism. This alignment with NATO standards is crucial for bolstering Georgia's military capabilities. By training future military leaders, IMET helps build a cadre of officers who are familiar with Western military practices and norms, fostering a culture aligned with NATO values. The training and education provided by IMET support Georgia in implementing necessary defense reforms. These reforms are part of the requirements for NATO membership and contribute to strengthening interoperability and democratic civilian control over the military. The Survey Study that was conducted by US Subject Matter Experts (SME) in Georgia discovered three main positive impact to IMET program to Georgian Defense Forces. "First, IMET recipients are catalyzing and leading Georgia's defense transformation... Second, IMET has helped to shape the next generation

of leaders in Georgia as they internalize what they have learned through their experiences in the United States... and third, IMET courses are a means to build trust and long term relationships between U.S. officers and their partners in foreign militaries” (Phadnis 2019).

IMET strengthens bilateral relations between Georgia and the United States, a leading member of NATO. Stronger U.S.-Georgia relations can positively influence Georgia's case for NATO membership. Through participation in IMET, Georgian military forces learn to operate more effectively alongside NATO forces. This interoperability is a key element for any nation aspiring to join NATO.

Overall, by enhancing military education, professional standards, and interoperability with NATO forces, IMET supports Georgia's strategic goal of joining the alliance. However, political, regional security, and geopolitical considerations also play significant roles in the actual realization of this aspiration.

Some examples of Georgia's military reforms linked with IMET

Georgia's participation in the IMET program has led to several notable military reforms. Here are some key examples:

- IMET has enabled many Georgian military officers to attend professional military education courses in the United States, enhancing their leadership skills and strategic understanding.
- IMET has contributed to the modernization of training programs within the Georgian Armed Forces, shifting from Soviet-style training to Western methodologies, which emphasize leadership, decision-making, and tactical proficiency.
- Emphasis on improving command and control systems has led to more effective and efficient military operations, influenced by U.S. standards and practices taught through IMET. By providing education and training to key personnel, IMET has assisted Georgia in developing and implementing comprehensive defense planning and policy-making processes.
- The program has played a crucial role in aligning Georgia's military standards and practices with those of NATO, supporting its aspirations for NATO membership and improving interoperability with Western forces.
- Training in civil-military relations has helped foster a professional and accountable military culture, emphasizing the importance of civilian oversight and democratic principles. In a 2014 study, political scientists Jonathan Waverley and Jesse Savage found that U.S. military training “increases the [foreign] military’s power relative to the [civilian government] in ways that other forms of

military assistance do not,” because of the prestige accrued and bonds formed among officers (Waverley and Savage 2014).

Overall, these reforms have significantly enhanced the capability and professionalism of the Georgian military, aligning it more closely with Western practices and improving its readiness for potential NATO integration.

Limitations of the IMET Program

While the International Military Education and Training (IMET) program has many benefits, it also faces several criticisms. There are challenges in effectively imparting U.S. military values and ethics in countries with vastly different cultural and socio-political contexts, potentially leading to misunderstandings or ineffective training outcomes. According to interviews with officers from a range of countries, few IMET courses focus on the role of a military in a democracy (Kurlantzick, Joshua. June, 2016) which in some case is irrelevant and should be considered during the planning process.

There are concerns about the lack of oversight and transparency in how IMET funds are allocated and the criteria used for selecting participating countries and individuals. There is a risk that military training provided through IMET could be used against civilian populations or political opponents within the recipient countries, especially if trainees are from countries with histories of military coups or internal conflict.

IMET has sometimes been criticized for training military officers from regimes with poor human rights records. This raises concerns about indirectly supporting or legitimizing authoritarian governments.

Although IMET includes human rights and democracy training, some argue that this aspect is not emphasized enough, potentially limiting the program's effectiveness in promoting these values. “Failing to utilize IMET to promote respect for democratic rule and civilian command harms U.S. interests. In countries such as Thailand, Egypt, and Pakistan, continued military involvement in politics weakens civilian governments and stokes instability, making these states unreliable strategic partners over the long term” (Kurlantzick, Joshua. June, 2016).

Like many government programs, IMET faces scrutiny over its cost-effectiveness. Critics question whether the benefits justify the financial investment, especially when compared with other diplomatic or development initiatives. Training military leaders could inadvertently enhance the military's role in politics within recipient countries, potentially destabilizing civilian control over the military. Critics argue that IMET can be used as a tool to promote U.S. military and political

agendas in other countries, potentially infringing on their sovereignty. Despite these criticisms, proponents argue that IMET remains a valuable tool for fostering international military cooperation and promoting shared security goals. Balancing these benefits with the program's challenges is an ongoing task for policymakers.

Career and Institutional Outcomes of IMET Participation

The International Military Education and Training (IMET) program provides several benefits to its graduates.

- IMET offers technical and leadership training that enhances the professional skills of military personnel, preparing them for higher responsibilities and diverse challenges. By improving the skills and knowledge of military personnel, IMET contributes to the overall capacity and effectiveness of participating countries armed forces.
- The program emphasizes leadership and management training, equipping officers with the skills needed to lead effectively and make strategic decisions. Graduates often find that their enhanced skills and international experience can lead to career advancement within their own military organizations.
- Graduates gain a better understanding of U.S. military operations, doctrine, and technology, which enhances interoperability in joint missions and multinational operations. The program helps to strengthen military-to-military relationships between the U.S. and participating countries, fostering cooperation and mutual understanding. Through exposure to U.S. practices and engagement with international peers, graduates develop a broader cultural perspective and understanding, which is crucial in global operations. IMET facilitates the creation of international networks among military professionals, enabling collaboration, information sharing, and support across different nations. The curriculum often includes components on democratic principles and human rights, promoting values that support stability and peace. Participants may have exposure to advanced military technology and techniques, enhancing their tactical and operational capabilities. These benefits contribute to both personal growth for the graduates and broader strategic advantages for their home countries. As U.S. Major Casey Kapetanov in his interesting article about IMET in *FAO Journal of International Affairs* noted: "A foreign service member thoroughly grounded in the doctrine and operations of the U.S. military becomes an asset wherever our troops are stationed. IMET is a beneficial program that yields tangible returns on investment" (Kapetanov, Casey. 2024)

Conclusion:

The International Military Education and Training (IMET) program is a U.S. initiative aimed at strengthening military alliances and promoting democratic values through the education and training of foreign military personnel. Originally launched during the Cold War to counter Soviet influence, the program has evolved to include human rights education, counterterrorism training, and focus on technological and tactical innovations. It has expanded its inclusivity and geographic reach, adapting to global security needs and prioritizing accountability and transparency. The program remains a strategic tool of U.S. foreign policy, fostering cooperation and security in regions of strategic importance. The IMET program enhances military professionalism through leadership and technical training. It fosters interoperability, cultural understanding, and international networking among military personnel. By strengthening U.S. bilateral ties, it builds capacity, exposes participants to advanced technology, and promotes democratic values, often aiding in career advancement.

Overall, the IMET program's implications for the Georgian Defense Forces are profound and multidimensional. As Georgia seeks to enhance its defense capabilities and deepen ties with Western allies, the IMET program remains a cornerstone of its respective strategy. By continuing to invest in this partnership, Georgia not only strengthens its military forces but also reinforces its commitment to global security and stability. The ongoing collaboration through IMET ensures that the GDF remains a competent, well-equipped force ready to face regional and global challenges. *As Dr. Carol Atkinson (a Lieutenant Colonel (retired) in the United States Air Force and Professor of the Practice of International Relations at the University of Southern California) mentioned in her book “Military Soft Power: Public Diplomacy Through Military Educational Exchanges”, the military exchanges hosted by the U.S. military’s war and staff colleges are one of the most successful public diplomacy efforts of the U.S. government (Atkinson, Carol. 2014). And I support this: the IMET program is a strategic tool for U.S. foreign policy, aiming to build military partnerships, promote security cooperation, and instill democratic values among foreign militaries. Over the past three decades, around 2,000 members of the Georgian Defense Forces (GDF) have received training through the IMET programs. Given that the GDF underwent a crucial period of transformation between 1995 and 2025, it is clear that U.S. support through IMET played a foundational role in driving these essential reforms.*

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Georgia, Türkiye, and Connectivity Governance: Lessons for Latin America

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Abstract

This article analyzes Georgia-Türkiye cooperation as a case of pragmatic connectivity governance and asks what Latin America can learn from it in a fragmented international order. The study combines qualitative document analysis with descriptive trade and policy evidence from official sources, international organizations and secondary literature. It argues that the political relevance of the Georgia-Türkiye relationship lies not only in bilateral trade, but also in the cumulative interaction of strategic dialogue, free trade rules, mobility facilitation, customs cooperation, transport routes and the Middle Corridor. The findings show that Türkiye has remained Georgia's leading trade partner, that the bilateral relationship is supported by a free trade agreement and passport-free mobility through national identity documents, and that both governments frame cooperation around transport, energy, customs, and regional connectivity. For Latin America, the lesson is not to imitate the South Caucasus mechanically, but to develop non-polarized economic diplomacy based on technical cooperation, corridor governance, trade facilitation, institutional continuity and productive upgrading. The article contributes to international relations and economic diplomacy by conceptualizing pragmatic connectivity governance as a form of cooperation that allows small and middle states to build development-oriented partnerships without reducing foreign policy to ideological blocs.

Key Words: connectivity diplomacy, economic diplomacy, Georgia, Latin America, Türkiye.

Introduction

The international economy is increasingly organized around resilience, diversification and the search for reliable routes. These pressures do not only affect large powers. Small and middle states also use trade, infrastructure, mobility and diplomatic coordination to expand their room for maneuver. Georgia and Türkiye offer a useful case because their cooperation has developed around practical connectivity rather than a single ideological project. The relationship includes trade, free movement, transport corridors, energy routes, customs cooperation, tourism, cultural exchange and high-level political dialogue (Ministry of Foreign Affairs of Georgia, 2026; Republic of Türkiye Ministry of Foreign Affairs, n.d.-a).

This article studies the relationship as an example of pragmatic connectivity governance. The concept refers to a mode of international cooperation in which states pursue concrete benefits through infrastructure, market access, mobility, technical coordination and sectoral agreements, while avoiding the reduction of foreign policy to rigid geopolitical blocs. This is important because the South Caucasus is often analyzed mainly through conflict, security competition and great-power

rivalry. A connectivity approach does not deny those tensions; it asks how cooperation can persist through institutional routines and measurable development projects (Blackwill & Harris, 2016; Keohane & Nye, 2012).

The article asks a comparative question: what lessons can Latin America draw from the Georgia-Türkiye cooperation model? The answer is not that Latin American states should copy the South Caucasus experience. Geography, history and regional institutions differ. Rather, the case suggests that Latin America could benefit from more technical, corridor-based and non-polarized economic diplomacy. In a region where trade facilitation, logistics and regional productive integration remain persistent challenges, the Georgia-Türkiye experience offers a compact example of how political dialogue, mobility rules, customs procedures and infrastructure can reinforce one another (ECLAC, 2024a, 2024b).

The argument develops in three steps. First, Georgia-Türkiye cooperation works because it combines political trust with a practical architecture of trade and connectivity. Second, this architecture changes the economic value of territory, borders and routes. Third, its relevance for Latin America is methodological rather than ideological: it shows how governments can build cooperation through functional projects without turning every external relationship into a pro-Western, pro-Russian or anti-Chinese statement (Okano-Heijmans, 2011; Van Bergeijk & Moons, 2018).

Literature Review

The article draws on three strands of literature: economic diplomacy, geoeconomics and regional connectivity. Economic diplomacy is commonly defined as the use of diplomatic instruments to promote trade, investment, market access and international economic interests. It includes negotiations, commercial representation, trade agreements, intergovernmental commissions and public-private coordination. In this article, it is treated not only as export promotion, but also as the political construction of channels through which goods, people, capital, energy and information move with greater predictability (Okano-Heijmans, 2011; Van Bergeijk & Moons, 2018).

Geoeconomics adds a power dimension to this discussion. Economic instruments such as trade, investment, sanctions, infrastructure and finance are not neutral; they can shape the bargaining position of states and firms. Blackwill and Harris (2016) argue that economic tools have become central instruments of statecraft. Luttwak (1990) similarly described a shift from classical geopolitics toward a grammar of commerce, where rivalry is increasingly expressed through markets, routes and technological capacity.

Connectivity scholarship introduces the spatial dimension. Roads, railways, ports, customs systems, digital platforms, energy lines and transit corridors do not simply move goods. They reorder dependence, vulnerability and opportunity. The World Bank's study of the Middle Corridor, for example, emphasizes that the route's success depends not only on physical infrastructure, but also on border procedures, logistics performance, digitalization, port efficiency and coordinated investment priorities (World Bank, 2023).

The adjective pragmatic is important because cooperation does not require the absence of political disagreement. It requires the capacity to maintain limited, measurable and mutually useful projects across specific sectors. This logic resembles complex interdependence, where multiple channels connect societies and governments and where issue areas are not always subordinated to military hierarchies. The Georgia-Türkiye case illustrates this dynamic because trade, mobility, energy and

transport cooperation have deepened in a regionally complex environment (Keohane & Nye, 2012; Ministry of Foreign Affairs of Georgia, 2024a).

For Latin America, the concept helps avoid two analytical traps. The first is the assumption that external cooperation must be interpreted primarily as geopolitical alignment. The second is the belief that regional integration depends only on ambitious declarations. Pragmatic connectivity governance suggests a more operational agenda: customs simplification, border infrastructure, multimodal logistics, corridor governance, standards recognition and technical cooperation. ECLAC has repeatedly emphasized that these issues are central for Latin America’s insertion in a changing global economy (ECLAC, 2024a, 2024b).

Methodology

The article uses a qualitative case-study design supported by descriptive trade and policy evidence. The case-study strategy is appropriate because the objective is not to estimate causal effects econometrically, but to identify mechanisms linking political dialogue, trade rules, mobility arrangements and infrastructure. The analysis is based on official documents from the ministries of foreign affairs and trade of Georgia and Türkiye, public trade data from the National Statistics Office of Georgia, reports from the World Bank and ECLAC, and secondary literature on economic diplomacy and geoeconomics (George & Bennett, 2005; Yin, 2018).

The research proceeds in three steps. First, it reconstructs the institutional architecture of Georgia-Türkiye cooperation. Second, it identifies the main findings regarding trade, mobility, transport, customs cooperation and corridor governance. Third, it translates these findings into policy lessons for Latin America. The article treats the Georgia-Türkiye case as an analytical analogy rather than a model to be copied. Its purpose is to extract transferable mechanisms that may be adapted to specific Latin American contexts (Sartori, 1991; Van Bergeijk & Moons, 2018).

Table 1. Research design and evidence base

Dimension	Evidence used	Analytical function
Institutional cooperation	Official statements, strategic partnership references, high-level consultations	Identifies how political trust is routinized
Trade and rules	Free trade agreement information and 2024 trade data	Measures economic density and asymmetry
Mobility and borders	Visa-free and national-ID travel arrangements, customs cooperation	Assesses reduction of transaction costs
Connectivity governance	Middle Corridor, Baku-Tbilisi-Kars railway and World Bank corridor evidence	Links infrastructure to regional political economy
Comparative lessons	ECLAC reports and Latin America-Türkiye institutional relations	Translates the case into policy lessons

Source: Author’s elaboration based on George and Bennett (2005), Yin (2018), Ministry of Foreign Affairs of Georgia (2024a, 2026), Republic of Türkiye Ministry of Foreign Affairs (n.d.-a, n.d.-b), National Statistics Office of Georgia (2025), World Bank (2023) and ECLAC (2024a, 2024b).

Analysis

Institutional and Trade Architecture

Türkiye recognized Georgia's independence on 16 December 1991, and diplomatic relations were established on 21 May 1992. Since then, the relationship has acquired strategic partnership status. Türkiye's Ministry of Foreign Affairs emphasizes that Türkiye has been Georgia's largest trade partner since 2007 and among the leading investor countries in Georgia. It also notes the establishment of a High Level Strategic Cooperation Council to further develop bilateral relations (Republic of Türkiye Ministry of Foreign Affairs, n.d.-a).

This institutional history matters because economic cooperation did not emerge only from market forces. It was supported by diplomatic recognition, embassies, consular presence, high-level visits and intergovernmental mechanisms. The Georgian Ministry of Foreign Affairs has similarly described recent consultations as part of a strong strategic partnership, with particular attention to trade, transport, energy, customs and regional connectivity (Ministry of Foreign Affairs of Georgia, 2026).

The trade pillar is especially visible. The free trade agreement between Türkiye and Georgia was signed on 21 November 2007 and entered into force on 1 November 2008. According to Türkiye's Ministry of Trade, the agreement abolished customs duties on industrial products and regulates areas such as sanitary and phytosanitary measures, rules of origin, competition, safeguards, anti-dumping and balance of payments. Later adjustments linking rules of origin to the pan-Euro-Mediterranean framework illustrate how bilateral trade can be connected to broader regulatory spaces (Republic of Türkiye Ministry of Trade, n.d.).

Descriptive trade data confirms the economic density of the relationship. In 2024, Georgia's total external merchandise trade was approximately USD 23.4 billion. Türkiye was Georgia's largest trade partner by turnover, with USD 3.228 billion, or 13.8 percent of total turnover. Georgia exported USD 458.4 million to Türkiye and imported USD 2.770 billion from Türkiye, indicating a large Georgian deficit but also a high level of commercial integration (National Statistics Office of Georgia, 2025).

The asymmetry should not be ignored. A cooperation model based mainly on imports can create dependence and limit domestic upgrading. Yet the relationship also shows that trade asymmetry does not automatically prevent deeper cooperation if it is paired with infrastructure, transit, tourism, investment and diplomatic mechanisms. For Latin America, this point is crucial: the objective should not be trade growth alone, but trade plus productive capability, standards, financing, logistics and local development (ECLAC, 2024b; National Statistics Office of Georgia, 2025).

Mobility and Corridor Governance

The mobility pillar is another distinctive feature of the relationship. Türkiye and Georgia have visa-free travel for tourism, and citizens of both countries can travel using national identity documents without a passport. This arrangement reduces friction in tourism, business travel, family mobility and everyday cross-border contact. Mobility does not automatically generate development, but it lowers transaction costs and gives the partnership a social base beyond official diplomacy (Republic of Türkiye Ministry of Foreign Affairs, n.d.-a, n.d.-b).

The most significant feature of the relationship is the way bilateral cooperation is embedded in a wider regional corridor logic. Georgian and Turkish officials have repeatedly highlighted transport, energy and customs cooperation. In 2024, the Georgian foreign minister's official visit to Türkiye

included discussion of strategic transit and energy projects, the transit potential of Georgia, Azerbaijan and Türkiye, the Baku-Tbilisi-Kars railway and the Middle Corridor (Ministry of Foreign Affairs of Georgia, 2024a).

The World Bank defines the Middle Corridor, also known as the Trans-Caspian International Transport Route, as a multimodal route linking Chinese and European markets through Central Asia and the Caucasus. Its 2023 report argues that, with the right policies and investments, the corridor could triple trade volumes and halve travel time by 2030. The same report emphasizes logistics solutions, simplified border procedures, digitalization, stronger port performance and uniform investment prioritization (World Bank, 2023).

These recommendations help explain why the Georgia-Türkiye case is not merely bilateral. The value of a corridor depends on the weakest link. A railway is less useful if customs clearance is slow; a port is less competitive if digital tracking is fragmented; a free trade agreement is less effective if logistics costs remain high. Connectivity therefore requires a chain of complementary reforms rather than a single prestige project (ECLAC, 2024a; World Bank, 2023).

The tripartite format with Azerbaijan reinforces this corridor logic. In March 2024, the foreign ministers of Georgia, Azerbaijan and Türkiye met in Baku and emphasized cooperation in politics, trade, economy, energy, agriculture, transportation, culture and humanitarian activities. This format shows that regional projects often require a minimum coalition of states that can coordinate across borders and sectors (Ministry of Foreign Affairs of Georgia, 2024b).

Lessons for Latin America

For Latin America, the first lesson is to frame external cooperation through practical outcomes rather than bloc identity. Türkiye's outreach to Latin America and the Caribbean has been described by its Ministry of Foreign Affairs as part of a multidimensional foreign policy. The 1998 Action Plan for Latin America and the Caribbean, the 2006 revision of that plan, and Türkiye's economic and trade cooperation agreements with countries in the region show that Ankara has sought institutionalized engagement beyond its immediate neighborhood (Republic of Türkiye Ministry of Foreign Affairs, n.d.-c).

This creates an opening for Latin American states to engage Türkiye and, indirectly, the South Caucasus through economic diplomacy. The objective would not be to replace existing relationships with the United States, China, Europe or regional partners. It would be to diversify cooperation in areas where Türkiye and Georgia have experience: logistics, customs, construction, tourism, aviation, trade offices, technical training, corridor planning and cultural cooperation (Republic of Türkiye Ministry of Foreign Affairs, n.d.-c; Republic of Türkiye Ministry of Foreign Affairs, n.d.-d).

The second lesson is to use regional platforms without overloading them ideologically. Türkiye maintains dialogue with CELAC, and the first Türkiye-CELAC Troika meeting was held on the margins of the UN General Assembly in 2013. Such mechanisms can be used for technical agendas: trade facilitation, digital customs, port modernization, disaster logistics, food corridors, health supply chains and academic cooperation (ECLAC, 2024a; Republic of Türkiye Ministry of Foreign Affairs, n.d.-d).

The third lesson is to evaluate corridor projects with development criteria. Latin America has corridors linking the Atlantic and Pacific, agricultural zones to ports, energy regions to industrial centers and Caribbean islands to continental supply chains. The Georgia-Türkiye case suggests that

corridors should be assessed not only by kilometers of infrastructure but also by travel time, customs predictability, digital tracking, local employment, supplier development and resilience to shocks (ECLAC, 2024b; World Bank, 2023).

The fourth lesson is to manage asymmetry openly. In the Georgia-Türkiye case, Georgia's deficit with Türkiye is substantial. Latin America should therefore approach cooperation with Türkiye and Eurasian partners through negotiated benefits: technology transfer, local content, training, financing conditions, port governance, SME access and export diversification. Connectivity should not become a synonym for importing more. It should become a platform for producing and exporting better (ECLAC, 2024b; National Statistics Office of Georgia, 2025).

Findings

The first finding is that Georgia-Türkiye cooperation converts geography into policy through institutionalization. Proximity alone does not create integration. What matters is the combination of strategic partnership, high-level councils, regular consultations, embassies, consulates and sectoral cooperation. Institutions transform proximity into routines, and routines reduce uncertainty for firms and public agencies (Ministry of Foreign Affairs of Georgia, 2026; Republic of Türkiye Ministry of Foreign Affairs, n.d.-a).

The second finding is that trade rules and mobility rules reinforce each other. The free trade agreement lowers barriers for goods, while visa-free and national-ID travel lower barriers for people. This combination supports tourism, small business exchange, services and social familiarity. Latin American integration debates often separate trade policy from mobility policy; the Georgia-Türkiye case suggests that both are part of the same connectivity ecosystem (Republic of Türkiye Ministry of Foreign Affairs, n.d.-b; Republic of Türkiye Ministry of Trade, n.d.).

The third finding is that pragmatic connectivity is compatible with geopolitical complexity. The partnership exists in a sensitive regional environment, yet official discourse repeatedly frames cooperation around trade, transport, energy, customs, peace and sustainable development. This does not remove security concerns, but it prevents the economic agenda from being entirely consumed by geopolitical polarization (Ministry of Foreign Affairs of Georgia, 2024a, 2026).

The fourth finding is that infrastructure projects require governance, not only investment. The Middle Corridor debate shows that route competitiveness depends on border procedures, digital systems, port performance and coordination across multiple states. This finding is particularly relevant for Latin America, where the political symbolism of integration is often stronger than the technical implementation of customs, logistics and standards harmonization (ECLAC, 2024a; World Bank, 2023).

Table 2. Findings and relevance for Latin America

Finding from Georgia-Türkiye case	Why it matters	Transferable lesson for Latin America
Institutions convert proximity into cooperation	Strategic councils and consultations reduce uncertainty	Create permanent, technical and sectoral mechanisms rather than summit declarations
Trade and mobility work together	Goods, business travel, tourism and people-to-people links reinforce each other	Pair trade agreements with mobility, customs and service-sector facilitation
Connectivity can be non-polarized	Projects can be framed as development and logistics rather than bloc alignment	Use neutral language: corridors, resilience, trade facilitation and local development
Corridors require governance	Infrastructure fails when customs and digital systems are weak	Invest in single windows, interoperable data and border coordination
Asymmetry remains a risk	Trade growth can coexist with deficits and dependence	Link connectivity to local suppliers, SMEs, technology and productive upgrading

Source: Author's elaboration based on Republic of Türkiye Ministry of Trade (n.d.), Ministry of Foreign Affairs of Georgia (2024a, 2026), National Statistics Office of Georgia (2025), World Bank (2023) and ECLAC (2024a, 2024b).

Discussion

A central value of the Georgia-Türkiye case is that it permits analysis without forcing a binary geopolitical narrative. The relationship can be understood through development, connectivity and mutual economic interest. Türkiye's support for Georgia's sovereignty and territorial integrity is part of the political relationship, but the practical cooperation agenda is broader: trade, customs, energy, transport, culture, humanitarian issues and regional projects (Ministry of Foreign Affairs of Georgia, 2024a, 2026).

For Latin America, this is analytically useful because the region often faces pressure to interpret external partnerships through great-power competition. Cooperation with China may be read as anti-Western; cooperation with the United States as dependent alignment; cooperation with Russia as controversial; cooperation with Europe as normative; cooperation with Türkiye or the Caucasus as peripheral. A pragmatic connectivity framework avoids these simplifications by asking what each partnership can deliver in practical terms (ECLAC, 2024b; Keohane & Nye, 2012).

This does not mean that values, security or conflicts disappear. It means that economic diplomacy can be designed around a limited and transparent agenda. Latin American states can cooperate with Türkiye on trade facilitation, logistics, construction, humanitarian assistance, education and tourism without adopting positions on all South Caucasus or Eurasian disputes. Similarly, engagement with Georgia can focus on academic cooperation, transit studies, tourism, digital governance and small-state diplomacy (Ministry of Foreign Affairs of Georgia, 2026; Republic of Türkiye Ministry of Foreign Affairs, n.d.-c).

The model also has relevance for middle-power studies. Türkiye's foreign policy is multidimensional, while Georgia uses its location and partnerships to increase strategic relevance. Latin American states can draw from both experiences. Some countries have scale but weak regional coordination; others have smaller economies but useful niche capacities. The lesson is to

identify practical interdependencies that can survive political cycles and ideological change (Cooper et al., 1993; Söderbaum, 2016).

Conclusion

Georgia-Türkiye cooperation demonstrates how a bilateral relationship can acquire regional significance through trade, mobility, institutional dialogue and connectivity projects. Its importance lies not only in the fact that Türkiye is Georgia's leading trade partner, but also in the way the relationship connects free trade, national-ID mobility, strategic consultations, energy, transport, customs cooperation and the Middle Corridor. The result is a compact example of pragmatic connectivity governance (National Statistics Office of Georgia, 2025; Republic of Türkiye Ministry of Foreign Affairs, n.d.-a).

The case offers Latin America a practical lesson. In a fragmented global order, countries do not need to reduce every partnership to ideological alignment. They can build cooperation through corridors, customs simplification, technical agreements, mobility, academic exchange, sectoral diplomacy and productive integration. Türkiye's existing outreach to Latin America and CELAC provides one possible channel for such engagement, while Georgia and the South Caucasus offer a useful comparative laboratory for studying small-state and corridor diplomacy (ECLAC, 2024b; Republic of Türkiye Ministry of Foreign Affairs, n.d.-d).

The main policy implication is that connectivity should be evaluated by development outcomes rather than symbolism. Latin America should not simply seek more roads, ports or trade agreements. It should seek faster borders, reliable logistics, local suppliers, better standards, SME participation, human mobility, technical training and export diversification. If designed in this way, cooperation with Türkiye and Georgia can become part of a broader Latin American strategy of non-polarized economic diplomacy (ECLAC, 2024a; World Bank, 2023).

The main academic contribution is the concept of pragmatic connectivity governance. It bridges economic diplomacy, geoeconomics and regional cooperation by showing how states can pursue practical integration in politically complex environments. The Georgia-Türkiye case does not resolve the dilemmas of the international order. It does, however, show that cooperation remains possible when it is organized around concrete, cumulative and mutually intelligible projects (Blackwill & Harris, 2016; Keohane & Nye, 2012).

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Conflict of Interests

The author declares no conflict of interests.

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The Paradox of Elections without Alternation in Sub-Saharan Africa: How Institutional Capture Constrains Electoral Alternation

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Abstract

Since 1990, Sub-Saharan Africa has held more than 200 presidential elections. Yet, fewer than one in eight have produced alternation — a pattern that persisted in 2024–2025, when only a single contest among more than a dozen resulted in a change of leadership.

Why do multiparty elections so rarely lead to turnover? This article introduces the concept of Regimes of Systemic Institutional Capture (RSIC), in which electoral commissions, courts, media, and other institutions become systematically aligned to sustain incumbents. Using a new index covering 24 countries (1990–2024), we show that above a critical threshold ($IS-RSIC \approx 0.75-0.80$), alternation becomes extremely unlikely, whereas below this threshold, elections retain their capacity to produce change.

A structured comparison of Ghana and Cameroon illustrates how differing degrees of institutional coordination shape divergent trajectories of electoral alternation. The article concludes that neither electoral reform nor popular mobilization alone is sufficient where institutional capture has become systemic; political opening depends on broader changes in institutional configurations.

Keywords: Authoritarianism; Electoral alternation; Authoritarian resilience; Hybrid regimes; Political institutions; Democratic erosion; Sub-Saharan Africa; RSIC.

Introduction

Since the early 1990s, multiparty elections have become a routine feature of political life across Sub-Saharan Africa. New constitutions were adopted, opposition parties legalized, and electoral commissions established. Yet this institutional transformation has produced a striking paradox: despite more than two hundred presidential elections held since 1990, electoral alternation remains exceptionally rare. In most countries, incumbents continue to win by large margins, often for decades, even as elections are regularly organized and formally competitive. This disjuncture between democratic procedures and democratic outcomes (Cheeseman 2010, 93–94; Posner & Young 2007, 126) raises a central question for African politics: why do elections so seldom produce turnover?

Scholars have offered a range of explanations. Research on electoral malpractice highlights fraud, intimidation, and administrative manipulation (Schedler 2002; Lehoucq 2003). Neopatrimonial approaches emphasize patronage, clientelism, and personalized rule (Bratton & van de Walle 1997; Bleck & van de Walle 2019). Studies of competitive authoritarianism show how incumbents tilt the playing field while maintaining democratic façades (Levitsky & Way 2010; LeBas 2016). These perspectives have generated important insights, yet they often examine individual mechanisms in isolation. As a result, they struggle to explain why some countries—such as Ghana, Senegal, or Benin—have experienced repeated alternation, while others—such as Cameroon, Uganda, or Congo-Brazzaville—have held multiparty elections for more than three decades without a single transfer of executive power.

This article advances a different argument. It introduces the concept of **Regimes of Systemic Institutional Capture (RSIC)** to describe political systems in which multiple formally autonomous institutions—electoral commissions, courts, legislatures, media systems, civil society, and security forces—become functionally aligned in ways that systematically reduce the uncertainty of electoral competition. The argument is not simply that incumbents manipulate elections, but that institutional coordination across domains transforms elections into instruments of political continuity. RSIC thus captures a configuration in which institutions retain their formal pluralism yet operate collectively to reproduce incumbency.

A second contribution is to show that institutional capture operates non-linearly. At low or moderate levels, competition remains uncertain, and alternation is possible. Beyond a critical threshold, however, institutional coordination reaches a point of systemic saturation, after which alternation becomes structurally improbable despite the continued organization of elections. Drawing on an

original index of institutional capture (IS-RSIC) covering 24 countries and 187 electoral cycles between 1990 and 2024, this article demonstrates that alternation becomes exceedingly rare once countries cross a threshold of approximately 0.75–0.80 on the IS-RSIC scale—a tipping point that existing linear models do not predict.

The article proceeds in four steps. Section 2 situates the RSIC framework within existing debates on electoral authoritarianism, neopatrimonialism, and hybrid regimes. Section 3 introduces the IS-RSIC index and explains how it captures cross-domain institutional coordination. Section 4 presents empirical evidence of a strong, non-linear association between institutional capture and the probability of alternation. Section 5 illustrates the causal mechanism through a structured comparison of Ghana and Cameroon. A final section discusses implications for democracy promotion.

By foregrounding the systemic rather than fragmented nature of incumbency advantage, this article contributes to broader debates in African Studies on authoritarian resilience, democratic erosion, and the institutional foundations of political continuity. It argues that where institutional capture has become systemic, neither electoral reform nor popular mobilization alone is sufficient to produce alternation; meaningful political opening depends on broader transformations in the institutional architecture of competition.

Why Existing Explanations Fall Short

Why do some African countries hold multiparty elections for decades without ever experiencing alternation, while others alternate regularly? Scholars have proposed three main families of explanation, each capturing important mechanisms but each remaining incomplete.

Electoral manipulation and fraud. A first line of research emphasizes ballot stuffing, intimidation, and result tampering (Schedler 2002; Lehoucq 2003). While such practices certainly shape outcomes, this perspective remains event-centered. It explains how incumbents cheat but not why cheating succeeds in some contexts and fails in others. Moreover, similar levels of manipulation often produce different outcomes: Ghana's 2012 election was disputed but resolved through courts, leading to eventual alternation; Cameroon's elections have faced similar allegations without any turnover.

Neopatrimonialism and clientelism. A second approach highlights patronage, personalized authority, and the distribution of state resources to secure loyalty (Bratton & van de Walle 1997; Bleck & van de Walle 2019). Yet clientelistic practices are widespread even in countries that

experience regular alternation—Senegal under the Sopi coalition, for example, or Ghana under both NDC and NPP. Clientelism alone, therefore, cannot explain the difference between competitive and locked regimes.

Competitive authoritarianism. A third framework shows how formally democratic institutions coexist with systematically uneven competition (Levitsky & Way 2010; LeBas 2016). This is valuable, but it treats incumbency advantage as a matter of degree. It does not tell us when competition shifts from *uneven but meaningful* to *structurally closed*. In Levitsky and Way's original formulation, competitive authoritarian regimes still leave room for opposition victories. Yet in countries such as Cameroon or Rwanda, no alternation has occurred in more than three decades despite regular elections. Something beyond "uneven competition" is at work.

What these approaches miss. Taken together, these perspectives converge on a key insight: incumbents benefit from multiple and overlapping sources of advantage. Yet they usually analyze these mechanisms separately. As a result, they struggle to explain why electoral competition remains open to alternation in some contexts while becoming predictably inert in others. What is missing is an understanding of how electoral, judicial, media, legislative, and coercive institutions *interact* and *reinforce one another* to produce systemic closure. The next section develops the concept of Regimes of Systemic Institutional Capture (RSIC) to fill this gap.

Regimes of Systemic Institutional Capture (RSIC)

This section develops the concept of Regimes of Systemic Institutional Capture (RSIC) as a framework for understanding why elections in some African countries generate meaningful uncertainty while in others they do not. It first defines RSIC and its scope conditions, then specifies the mechanism of progressive institutional coordination, and finally distinguishes RSIC from existing frameworks.

Definition and Scope Conditions

A Regime of Systemic Institutional Capture (RSIC) is a political system in which multiple formally autonomous institutional arenas—electoral commissions, courts, legislatures, media systems, civil society, and security forces—become functionally aligned to systematically reduce the probability of incumbent defeat.

Three scope conditions distinguish RSIC from other regime types.

First, formal institutional pluralism must exist. RSICs are not closed authoritarian systems. They maintain the institutional architecture of electoral democracy: multiparty competition, regular elections, and constitutional guarantees.

Second, cross-domain coordination must be present. Institutional capture is not limited to a single arena (elections or media, for example). It extends across multiple domains that reinforce one another.

Third, outcome regularity must be observable. Elections occur repeatedly without producing alternation—not as an isolated event but as a stable pattern over time.

Only when these three conditions are jointly satisfied can a regime be classified as an RSIC.

Mechanism: From Fragmented Advantage to Systemic Closure

The core mechanism behind RSIC is the shift from *fragmented incumbency advantages* to *systemic institutional closure*.

In many hybrid regimes, incumbents control specific arenas—state resources, media outlets, or parts of the electoral administration. This tilts competition without eliminating uncertainty. Opposition actors can still exploit inconsistencies, such as relatively independent courts or divided elites.

In RSIC contexts, however, these arenas become functionally synchronized. Electoral commissions shape eligibility. Courts validate outcomes. Media structure public narratives. Legislatures regulate competition. Security forces manage dissent. What matters is not the strength of any single tool, but their mutual reinforcement.

The result is a transformed structure of competition. Instead of navigating partially independent institutions, opposition actors confront an integrated system. Openings in one domain are neutralized by constraints in others. Participation remains possible, but meaningful alternation becomes structurally improbable.

This process unfolds gradually. Institutional reforms, legal adjustments, and administrative changes accumulate over time, producing a political environment of institutional saturation—where constraints in one domain are systematically reinforced by constraints in others.

RSIC in Comparative Perspective

RSIC does not replace existing frameworks on hybrid regimes. It refines them by identifying a specific configuration of power: the systemic coordination of formally autonomous institutions to secure incumbency.

- **Electoral authoritarianism** explains how elections persist through fraud, intimidation, and administrative bias. RSIC extends this view by shifting attention from isolated manipulation to the broader institutional environment within which elections are embedded.
- **Neopatrimonial approaches** emphasize patronage and personalized authority. RSIC instead foregrounds the strategic alignment of *formal institutions* as a central source of regime durability.
- **Competitive authoritarianism** (Levitsky & Way 2010) is its closest relative. Both highlight uneven competition. But RSIC introduces a qualitative distinction: beyond a critical threshold of institutional coordination, competition becomes *structurally closed*. Uncertainty is not merely reduced—it is systematically contained.

This distinction matters. In regimes with fragmented incumbency advantages, institutional inconsistencies may still create openings for opposition actors. In RSIC configurations, constraints reinforce one another, producing strategic closure. Participation remains possible, but alternation becomes structurally improbable.

RSIC should therefore be understood as a framework centered on the *degree of institutional coordination*, not merely the presence of elections. This raises an empirical challenge: how do we measure systemic coordination across countries and over time? The next section addresses this by introducing the Institutional Capture Index (IS-RSIC).

Measuring Institutional Capture: The IS-RSIC Index

To evaluate the RSIC framework empirically, this article introduces the **Institutional Capture Index (IS-RSIC)** – a composite measure designed to capture the extent to which political institutions become aligned with incumbent reproduction. Rather than relying on a single indicator (such as electoral fraud or media freedom alone), the index aggregates multiple institutional arenas to capture *systemic* coordination.

What the Index Measures

The IS-RSIC index is built on eight dimensions of institutional capture, each representing a different arena in which incumbents may seek to control or coordinate outcomes. These dimensions

were selected because they correspond to the principal institutional sites where political competition is structured in practice: electoral management, judicial independence, media autonomy, legislative oversight, civil society space, elite cohesion, coercive capacity, and strategic adaptation.

Table 1 – Eight dimensions of institutional capture (IS-RSIC)

Dimension	What it captures
Electoral Capture (EC)	Whether elections generate meaningful uncertainty
Judicial Capture (JC)	Executive influence over courts
Media Capture (MC)	Constraints on media autonomy and pluralism
Legislative Capture (LC)	Subordination of parliament to executive authority
Civil Society Capture (CSC)	Regulation and repression of civic actors
Elite Cohesion (ECO)	Unity and coordination within ruling elites
Coercive Capacity (CC)	Ability to deploy repression effectively
Strategic Adaptation Capacity (SAC)	Capacity to adjust institutions to maintain power

Taken together, these eight dimensions capture not just whether incumbents control individual institutions, but whether those controls work together *systematically*.

Data Sources and Construction

The index draws on multiple established datasets to reduce single-source bias: Varieties of Democracy (V-Dem), Freedom House, Afrobarometer, the World Justice Project, and ACLED. Each dimension is constructed from two to three indicators, aggregated, and then rescaled to a final 0–1 index where higher scores mean greater institutional capture. Equal weighting is applied to avoid imposing arbitrary assumptions about the relative importance of each dimension. While the index is not a perfect measure – data quality varies across countries and over time – it provides a transparent and replicable tool for comparing institutional capture across 24 countries from 1990 to 2024.

“For the sake of conciseness, detailed technical information on index construction—including normalization procedures, dimension aggregation, and robustness checks—is omitted here but is available from the corresponding author upon request.”

Two Illustrative Cases: Ghana and Cameroon

To make the index concrete, Table 2 shows dimension scores and final IS-RSIC values for Ghana and Cameroon – our two comparison cases.

Table 2 – IS-RSIC scores: Ghana vs Cameroon

Country	EC	JC	MC	LC	CSC	ECO	CC	SAC	IS-RSIC
Ghana	1.35	1.30	1.50	1.35	1.60	1.75	1.75	1.55	0.44
Cameroon	3.60	3.50	3.60	3.55	3.60	3.55	3.75	3.65	0.92

Note: Scores range 0–4 per dimension; IS-RSIC ranges 0–1. Higher scores = greater capture.

The contrast is stark. Ghana scores 0.44 – well below the critical threshold identified in the next section. Cameroon scores 0.92 – near the theoretical maximum. This difference in institutional coordination helps explain why Ghana alternates power regularly while Cameroon does not. The next section reports the full empirical findings.

Empirical Findings: Capture and the Threshold Effect

Does institutional capture actually predict the absence of electoral alternation? This section reports the empirical findings. The analysis covers 187 electoral cycles across 24 Sub-Saharan African countries between 1990 and 2024.

The Main Finding: Higher Capture, Lower Alternation

The results strongly support the central hypothesis. Higher institutional capture is systematically associated with a lower probability of electoral alternation. Countries with low IS-RSIC scores—such as Ghana (0.44), Senegal (0.48), or Benin (0.55)—display alternation rates consistent with competitive electoral politics. By contrast, countries with high capture—such as Cameroon (0.92), Uganda (0.91), or Rwanda (0.97)—exhibit near-zero alternation despite holding regular elections.

Substantive Effects: From Probability to Structural Improbability

To understand the *magnitude* of this relationship, Table 3 reports predicted probabilities of alternation across different levels of institutional capture.

Table 3 – Predicted probability of alternation

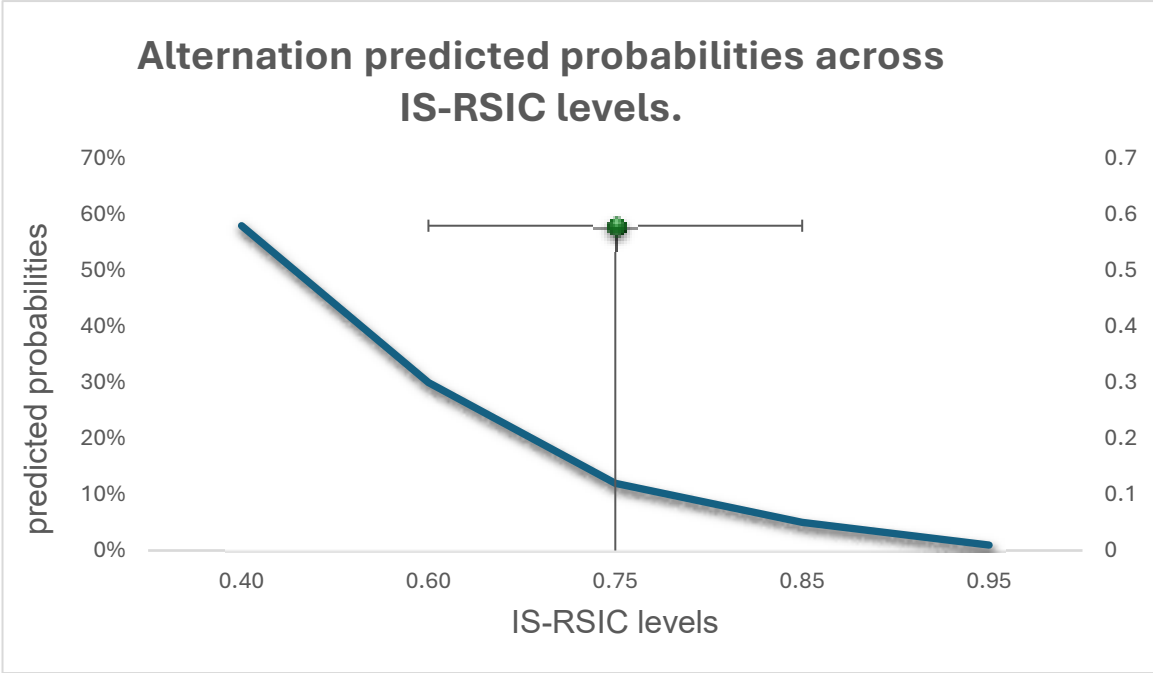
IS-RSIC Level	Predicted Probability
0.40	58%
0.60	30%
0.75	12%
0.85	5%
0.95	1%

The decline is steep. At low capture levels (0.40), alternation is more likely than not. At moderate capture (0.60), the probability falls to 30%. At the threshold region (0.75), it drops to 12%. Above 0.85, alternation becomes highly improbable – below 5%. At 0.95, it is essentially zero.

The Threshold Effect: Evidence of Structural Closure

The relationship is not linear. Below approximately 0.75, elections retain meaningful uncertainty. Above this threshold, alternation becomes extremely rare. A striking empirical fact: in the entire sample of 187 electoral cycles, no alternation occurred above an IS-RSIC score of 0.85. Elections continue to occur. Opposition parties participate. But incumbents do not lose.

Figure 1 illustrates this non-linear pattern. The solid curve shows predicted probabilities across IS-RSIC levels. The dashed vertical line marks the estimated threshold at 0.75.



Below the threshold, the curve slopes downward gradually. Above the threshold, it flattens near zero. This is not a gradual continuum. It is a **tipping point**.

What the Threshold Means

Below approximately 0.75, elections retain some uncertainty. Opposition actors can still win – as in Ghana (2000, 2008, 2016), Senegal (2000, 2012, 2024), or Benin (1996, 2006, 2016).

Above approximately 0.80, however, the structure of competition changes qualitatively. Constraints in one domain are reinforced by constraints in others. Electoral commissions shape eligibility. Courts validate outcomes. Media limit opposition visibility. Security forces raise the cost of dissent. Opposition actors face not isolated obstacles but an **integrated system**.

This is what we mean by **structural closure**. Elections persist, but they no longer function as mechanisms for selecting leaders. They become instruments of controlled predictability – legitimizing incumbents without producing turnover.

Prospective Application: Forecasting Alternation Risk

The RSIC framework also enables forward-looking analysis. Table 4 reports projected probabilities for upcoming elections (2025–2029). These are probabilistic forecasts, not certain predictions. Shocks – economic crises, elite ruptures, mass protests, or coups – can alter trajectories independently of institutional capture.

Table 4 – Forecasted probability of alternation in upcoming elections

Country	Election Year	IS-RSIC	Predicted Probability	Regime Category
Ghana	2028	0.46	61%	Competitive
Senegal	2029	0.48	57%	Competitive
Benin	2026	0.55	41%	Hybrid
Nigeria	2027	0.58	34%	Hybrid
Kenya	2027	0.61	29%	Hybrid
Tanzania	2030	0.73	14%	High-capture
Angola	2027	0.79	8%	High-capture
Togo	2025	0.84	4%	Locked
Uganda	2026	0.91	1%	Locked
Cameroon	2025	0.93	1%	Locked
Rwanda	2029	0.97	~0%	Locked

The results reveal a clear stratification: **low-capture regimes** (<0.60) retain high alternation probabilities; **intermediate regimes** (0.60–0.75) show heavily reduced probabilities; **high-capture locked regimes** (>0.80) exhibit structural closure, with alternation effectively impossible despite continued elections.

What the Analysis Establishes – And What It Does Not

What we can claim. Four findings are robust: (1) a strong non-linear association between institutional capture and alternation; (2) a threshold pattern (approximately 0.75–0.80) beyond which alternation becomes extremely rare; (3) robustness across alternative specifications; and (4) mechanistic plausibility, illustrated by the Ghana-Cameroon comparison.

What we cannot claim. No definitive causal effect – prolonged incumbency may enable capture, just as capture prevents alternation. The relationship is almost certainly mutually reinforcing. The estimated threshold is also sample-specific and requires out-of-sample validation.

The next section illustrates the causal logic behind this threshold effect through a detailed comparison of Ghana and Cameroon.

Causal Mechanisms in Comparative Perspective: Ghana and Cameroon

Statistical associations alone cannot explain *how* institutional capture operates in practice. This section complements the quantitative analysis with a structured comparison of two countries that introduced multiparty elections in the early 1990s but produced sharply different electoral trajectories: **Ghana** (regular alternation) and **Cameroon** (no alternation since 1992).

Ghana: Fragmented Institutions and Competitive Uncertainty

In Ghana, institutional reforms since the 1990s have strengthened electoral management, judicial independence, and civil society oversight. The Electoral Commission gained credibility through transparent procedures; courts asserted independence in key disputes; and civil society organizations played a central role in monitoring elections. These dynamics preserved uncertainty and enabled alternation in 2000, 2008, and 2016.

Importantly, these arenas operate with relative independence from one another. Opposition actors facing obstacles in one domain may still mobilize support or seek recourse in another. This **institutional fragmentation** preserves uncertainty regarding electoral outcomes.

The result is not perfect neutrality. Incumbency advantages exist, as in most democracies. But they remain limited and insufficiently synchronized to prevent alternation. Elections, therefore, continue to function as meaningful mechanisms of leadership selection.

Cameroon: Institutional Coordination and Electoral Closure

Cameroon followed a different trajectory. Institutional reforms—the creation of ELECAM, the restructuring of the Constitutional Council, and the expansion of security forces—consolidated executive dominance. Media regulation tightened, civil society space narrowed, and judicial institutions became increasingly aligned with the presidency. These changes produced a political environment in which elections occur regularly but without meaningful uncertainty.

The key feature is not a single form of manipulation but the **coordination of constraints** across multiple institutional domains. Electoral administration remains closely tied to executive authority; courts rarely provide effective oversight of electoral disputes; state influence over the media limits opposition visibility; legislative institutions provide minimal counterweight; civil society operates under significant restrictions; and coercive institutions raise the cost of dissent.

These mechanisms reinforce one another. Openings that might exist in one arena are neutralized by constraints in others. Participation remains formally possible, but the institutional environment substantially reduces the probability of incumbent defeat. Cameroon, therefore, operates above the RSIC threshold identified in Section 5: elections persist procedurally while competitive uncertainty becomes structurally constrained.

The Contrast in Summary

Table 5 – Ghana and Cameroon compared

	Ghana	Cameroon
Multiparty elections since	1992	1992
Electoral alternations	3	0
IS-RSIC score	0.44	0.92
Regime type	Competitive	Locked

The contrast illustrates the central mechanism of the RSIC framework: the **degree of coordination across institutional arenas**. Ghana's fragmented institutional landscape preserves openings for alternation, while Cameroon's coordinated configuration produces structural closure.

Implications of the Comparison

This comparison highlights three broader points. First, similar formal institutions can produce radically different outcomes depending on how institutional arenas interact in practice. Second, institutional capture appears cumulative and self-reinforcing: prolonged incumbency facilitates deeper coordination, which further reduces the likelihood of alternation. Third, the threshold effect identified in Section 5 reflects real institutional configurations—not abstract correlations.

The broader implication is that elections cannot be understood independently of the institutional environments in which they operate. What matters is not only whether elections occur, but whether institutional configurations preserve meaningful uncertainty regarding political outcomes.

The next section develops this implication further, examining how elections in high-capture systems function less as mechanisms of leadership selection than as instruments of political continuity.

Elections as Instruments of Political Continuity in High-Capture Regimes

The findings presented in this article suggest that elections in high-capture regimes operate according to a logic distinct from that assumed in much of the democratization literature. Rather than serving as mechanisms of leadership selection, elections in these contexts function as **instruments of political continuity**. Their role is not merely symbolic: they structure elite bargaining, channel citizen participation, and provide periodic moments of legitimation, even as the probability of alternation approaches zero.

How Elections Change Function

When electoral commissions, courts, media systems, legislatures, and security forces become aligned around incumbency reproduction, elections retain their formal attributes but lose their capacity to generate uncertainty. Participation remains possible, but outcomes become predictable. In this sense, high-capture regimes do not eliminate elections; **they reconfigure their function**.

Understanding elections in high-capture contexts, therefore, requires shifting analytical focus from the integrity of electoral events to the broader institutional configurations that shape political competition. The RSIC framework highlights how institutional saturation transforms elections from arenas of contestation into arenas of controlled continuity.

Implications for Democracy Promotion

If this analysis is correct, then democracy promotion in high-capture regimes faces a sobering reality: electoral reforms alone will not produce alternation where institutional capture is systemic. Conventional democracy assistance focuses on voter registration, election observation, and technical support to electoral commissions. These interventions may improve procedural quality at the margins, but they cannot overcome coordinated constraints across judicial, media, legislative, and coercive domains.

What would a more effective approach look like? Four implications follow from the RSIC framework.

First, address the entire institutional architecture. Electoral reforms must be accompanied by parallel efforts to strengthen judicial independence, media pluralism, legislative oversight, and civil society space. Piecemeal interventions are unlikely to succeed where constraints are mutually reinforcing.

Second, use the IS-RSIC index as an early warning tool. Rising capture scores may signal democratic erosion before alternation becomes impossible. Regional organizations such as the African Union and ECOWAS could monitor institutional capture to target preventive interventions before thresholds are crossed.

Third, recognize that elections alone are not enough. International observation missions that declare elections "free and fair" while ignoring systemic capture may unintentionally legitimate closed political orders. Election observation must be accompanied by institutional assessment.

Fourth, consider alternative pathways to political change. Where electoral alternation has become structurally improbable, other avenues deserve attention: inclusive political dialogue, regional mediation, elite bargaining, and negotiated transitions. These are not ideal solutions, but they may be realistic ones in locked regimes.

A Note on Extra-Electoral Change

Where elections cease to provide credible prospects for turnover, opposition actors and segments of society may gradually lose confidence in electoral competition as an effective mechanism of political change. Under such conditions, the likelihood of alternative forms of succession—mass protests, elite ruptures, or military intervention—may increase. Recent coups in the Sahel suggest that the erosion of credible electoral uncertainty can generate broader crises of legitimacy. This article does not claim that institutional capture causes coups directly, but locked electoral regimes may face increasing long-term risks of extra-constitutional succession.

Summary

The RSIC framework reframes how we understand elections in hybrid regimes. In high-capture contexts, elections do not function as mechanisms of uncertainty but as instruments of controlled predictability. Recognizing this is not cynicism; it is realism. And realism is the first step toward designing strategies that might actually work.

Conclusion: Elections Under Conditions of Institutional Closure

This article set out to explain why multiparty elections in Sub-Saharan Africa so rarely produce alternation despite three decades of institutional reform and electoral routinization. The central claim is that the key to understanding this paradox lies not in isolated episodes of manipulation or clientelism, but in the broader architecture of **systemic institutional coordination**.

We introduced the concept of **Regimes of Systemic Institutional Capture (RSIC)** to describe contexts in which electoral commissions, courts, legislatures, media systems, civil society, and coercive institutions become functionally aligned to systematically reduce electoral uncertainty. The IS-RSIC index provides a transparent and replicable tool for assessing these dynamics across countries and over time.

The empirical findings reveal a strong and non-linear association between institutional capture and electoral alternation. **Below a threshold of approximately 0.75–0.80 on the IS-RSIC scale, elections retain meaningful uncertainty; above it, alternation becomes structurally improbable.** In our sample of 187 electoral cycles, no alternation occurred above an IS-RSIC score of 0.85. This threshold dynamic helps explain why some countries—Ghana, Senegal, Benin—experience repeated turnovers while others—Cameroon, Uganda, Rwanda—hold elections for decades without a single change in leadership.

The comparison between Ghana and Cameroon illustrated the mechanism in practice. Ghana's fragmented institutional landscape preserves openings for alternation; Cameroon's tightly coordinated environment produces structural closure. What matters is not the strength of any single institution, but the degree of coordination across them.

These findings have implications for democracy promotion. Electoral reforms alone cannot produce alternation in high-capture regimes. Democratization strategies must address the entire institutional architecture—judicial independence, media pluralism, legislative oversight, and civil society autonomy—simultaneously.

Future research should examine how institutional capture evolves over time, how it interacts with elite dynamics, and how citizens navigate political systems where elections are regular but uncertainty is constrained. Understanding these dynamics is essential for interpreting the persistence of incumbency and the prospects for political change across the continent.

Final word. This article does not claim that institutional capture makes alternation impossible. Shocks—economic crises, elite ruptures, mass protests, or coups—can still alter political trajectories. But it does claim that in high-capture regimes, elections alone are unlikely to produce change. Recognizing this is not cynicism. It is realism. And realism is the first step toward designing strategies that might actually work.

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The political economy of Russian sanctions evasion and coup contagion in Niger Republic: a geoeconomic and power theory analysis

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Abstract

This study explores the political economy dynamics through which Russia's evasion of Western sanctions after the 2022 Ukraine invasion intersects with hegemonic competition to shape the July 2023 military coup in the Republic of Niger. Employing Power Theory and Geoeconomic Theory, the study uses a qualitative literature review and analysis of official documents, policy reports, and academic works to trace causal relationships between Russia's strategic pivot toward Africa and the revival of military coups in Francophone West Africa. The examination yields three core insights: first, Russia's avoidance of sanctions via gold purchases, grain exports, and private military deployments has established alternative patronage channels that fundamentally changed the risk-reward calculations of Nigerien military leaders; second, the securitization of energy infrastructure, especially the Nigeria-Morocco Gas Pipeline, has made Niger a geo-economic hotspot where rival

major powers destabilize rather than stabilize; third, Russian diplomatic support at the UN Security Council and narrative campaigns undermining Western influence encouraged the junta to resist ECOWAS and AU demands for democratization. The article recommends three responses: targeted sanctions on Russian intermediaries, a performance-based incentive approach for Sahelian countries, and binding governance provisions in energy agreements. The study concludes that Western conditionality strategies have failed because Russia provides unconditional security assurances, and rectifying this underlying reality is critical to preventing coups.

Keywords: Political economy, Russian sanctions evasion, military coup, Niger Republic, Power Theory, Geoeconomic Theory

Introduction

The renewed surge of military coups in Francophone West Africa since 2020, culminating in the July 2023 ouster of President Mohamed Bazoum in Niger, poses a formidable challenge to democratic rule and regional stability. Nine successful coups across six countries from 2020 to 2023 represent the highest rate of unconstitutional power turnovers worldwide, turning the Sahel into what academics call the “coup belt” (Chin & Kirkpatrick, 2023). While existing research extensively documents internal factors like fragile democratic systems, pervasive corruption, ineffective governance, poverty, youth unemployment, and militant insurgencies (Akinola & Makombe, 2024; Oladoyin et al., 2024), a notable gap persists: the limited assessment of how Russia’s evasion of Western sanctions after the February 2022 Ukraine invasion has forged alternative patronage structures that fundamentally shift the incentives for military elites to take power.

The February 2022 Russian offensive in Ukraine prompted sweeping Western sanctions targeting Russia’s financial system, energy exports, and global market access (Götz & Kaas, 2024). In response, Moscow pursued a strategic shift toward the Global South, especially Africa, seeking new markets, diplomatic allies, and economic lifelines. This pivot has been most impactful in the Sahel, where Russia, via the Wagner Group (renamed Africa Corps), offers military juntas a “resource-for-security” exchange: steadfast regime protection, combat support, intelligence sharing, and diplomatic advocacy at the United Nations Security Council in return for gold mining contracts, uranium access, and political alignment (Marten, 2022). The Nigerien junta’s expulsion of French forces, cancellation of uranium deals, and alignment with Russia shortly after the July 2023 coup typify this transactional model. The lack of a cohesive Russia-China bloc, as cautioned in this study,

does not diminish the importance of Russian involvement. China focuses on long-term infrastructure investment and trade through platforms such as the Belt and Road Initiative and the Forum on China-Africa Cooperation, while Russia pursues short-term security-for-resources deals and anti-Western disruption through opaque military firms (Götz & Kaas, 2024). Their interests occasionally converge in UN votes but reflect distinct strategic rationales. Drawing this analytical boundary is crucial for illuminating the specific modalities of Russian influence addressed in this study.

This study investigates three primary issues. First, it explores how Russia's avoidance of Western sanctions through gold trading, grain exports, fuel transactions, and military contracts has enabled coup regimes to endure economic isolation. Second, it examines how the Nigeria-Morocco Gas Pipeline (NMGP) a Western-sponsored energy project aimed at decreasing European reliance on Russian gas emerged as a sovereignty flashpoint weaponised by the junta to justify the coup. Third, it assesses how Russian diplomatic backing and narrative campaigns have emboldened military factions to withstand ECOWAS and the African Union's pressure for democratisation. Without grasping these causal mechanisms, policy responses will remain ineffective. The article contends that the Niger coup was not merely a domestic anomaly but the predictable result of systemic stress in a peripheral state during a hegemonic transition, in which Russian patronage crucially alters the cost-benefit analysis of unconstitutional power grabs. The argument is presented as a probabilistic statement about enabling factors, not a deterministic claim of inevitability.

Objectives of the Study

This article pursues three core objectives:

Objective One: To critically examine the mechanisms through which Russia's evasion of Western sanctions following the 2022 Ukraine invasion created alternative patronage networks that altered the strategic calculus of military elites in the Niger Republic prior to the July 2023 coup.

Objective Two: To analyse the role of the Nigeria-Morocco Gas Pipeline as a geo-economic flashpoint that translated great power competition into local political grievances, thereby increasing Niger's vulnerability to military intervention.

Objective Three: To evaluate the extent to which Russian diplomatic cover, narrative warfare, and alternative trade arrangements helped the Nigerien junta resist regional and international pressures for democratic transition. The article proposes evidence-based solutions to address this structural condition.

Conceptual Review

Hegemonic Contestation

Hegemonic contestation is the competition among dominant states for superiority and strategic leverage (Cox, 1983; Wallerstein, 2004). In contrast to Cold War-era ideological disputes, modern contestation is driven by pragmatic geo-economic and military instruments—private military companies, asymmetric diplomacy, disinformation, and security-for-resource deals (Marten, 2022; Lellou, 2024). West Africa is the site of intense contestation because it holds critical resources, spans Atlantic shipping routes, and serves as a frontline in counterterrorism. While hegemonic contestation does not directly cause coups, it cultivates an environment where internal grievances may precipitate power seizures. Markers include foreign aid, arms transfers, military training programs, UN voting patterns, and diplomatic visits.

Geo-economic Competition

Geo-economics, as Edward Luttwak (1990) describes, is in conflict with the grammar of commerce. States pursue goals through trade, investment, infrastructure, sanctions, and resource extraction. After the 2022 Russian invasion of Ukraine, geo-economic competition in West Africa's Sahel intensified. Europe's need to reduce its reliance on Russian gas has heightened the importance of West African energy infrastructure. The Nigeria-Morocco Gas Pipeline became key (Goldthau & Sitter, 2022). Russia backs the rival Trans-Saharan Gas Pipeline, preferred by Algeria, and supports Sahelian juntas militarily. Russia also buys gold from coup regimes to avoid sanctions. Geo-economic competition increases instability: each pipeline raises the stakes, and each power wants more influence.

Military Coup d'État

A military coup d'état is the swift, unlawful, and overt takeover of power by military or security factions, displacing the standing executive and suspending constitutional authority (Powell & Thyne, 2011). Coups differ from other forms of regime change (revolution, civil war, electoral defeat) in their rapid execution, secrecy, and reliance on state security forces. In Niger, the July 2023 coup was carried out by the Presidential Guard, an elite unit with direct access to President Bazoum, exemplifying the "praetorian" vulnerability of West African nations, where the leader's personal security forces become independent political actors (Albrecht et al., 2021). After a coup, juntas typically legitimise their actions by citing corruption, insecurity, poor economic

management, and allegations of foreign domination. These narratives resonate with citizens frustrated by decades of unmet development expectations.

Alternative Patronage Networks

Alternative patronage networks refer to the economic, military, and diplomatic support provided to African regimes by non-Western powers, principally Russia, but also China and Turkey, as a substitute for traditional Western aid and security cooperation (Götz & Kaas, 2024; Marten, 2022). Unlike Western conditional aid (tied to democratic governance, human rights, and anti-corruption benchmarks), Russian support is unconditional: the Wagner Group/Africa Corps provides regime protection without governance lectures; Russia buys gold at premium prices, circumventing sanctions; and Russia offers diplomatic cover at the UN Security Council, using its veto power to block anti-coup resolutions. For military juntas, alternative patronage networks fundamentally alter the risk-reward calculus of seizing power: they provide a safety net that did not exist during the unipolar era. Operational indicators include documented Russian gold purchases, Wagner's deployment, UN vetoes, and reported grain and fertiliser supplies that circumvent sanctions.

Sanctions Circumvention

Sanctions circumvention refers to the strategies and mechanisms through which targeted states or entities evade the economic restrictions imposed by international actors (Götz & Kaas, 2024). Following the 2022 Ukraine invasion, Western powers imposed unprecedented sanctions on Russia, freezing approximately \$300 billion of central bank assets, restricting access to SWIFT, banning energy imports, and sanctioning key oligarchs and industries. Russia's response included a strategic pivot toward non-Western markets, particularly Africa, where it found willing partners in coup-affected states. Mechanisms of circumvention include: gold purchases from Mali, Burkina Faso, and Niger at above-market prices, often routed through intermediaries in the United Arab Emirates; grain and fertiliser supplies redirected from traditional markets to African juntas; fuel and arms deals denominated in currencies other than the US dollar; and the use of private military companies as state proxies. These mechanisms weaken the intended pressure of sanctions.

Narrative Warfare

Narrative warfare refers to the strategic use of information, disinformation, and propaganda to shape public opinion, delegitimise opponents, and create permissive environments for political action (Atlantic Council DFRLab, 2023). Russian narrative warfare in Francophone Africa systematically amplifies anti-French, anti-US themes: "France loots uranium," "Western aid is neo-colonial,"

“democracies are corrupt puppet regimes.” These narratives are disseminated through state-sponsored media (RT, Sputnik), social media bot networks, and local influencers. Digital forensic research has documented coordinated campaigns peaking around coups in Mali (2020), Burkina Faso (2022), and Niger (2023). The mechanism operates by eroding public trust in democratic institutions: citizens who believe their elected president is a foreign puppet are more likely to support or tolerate a coup. Narrative warfare legitimises juntas as “anti-imperial sovereign actors” while delegitimising civilian governments as Western puppets.

Review of Related Studies

Marten’s (2022) RAND Corporation study provides the most comprehensive empirical analysis of the Wagner Group as an instrument of Russian statecraft. Using open-source intelligence from conflict zones in Libya and the Central African Republic, Marten dissects the “resources-for-security” model: Wagner exchanges security services, combat support, regime protection, training, and intelligence for lucrative mining concessions (gold, diamonds, uranium). The study demonstrates that Wagner operates as a de facto arm of the Russian state, enabling low-cost, deniable power projection while generating revenue that helps circumvent Western sanctions. Marten concludes that Wagner is not merely a private military company but a “quasi-state agent of influence.” The relevance to the present study is foundational: it provides the empirical backbone for understanding Russia’s primary economic interest in West Africa. The study shows that Russian engagement is not altruistic but a calculated, transactional calculus: security for resources, a model directly replicated in Niger following the July 2023 coup.

Goldthau and Sitter (2022) examine the European Union’s energy policy shift following the 2022 Russian invasion of Ukraine. Using policy analysis of EU documents, official statements, and market reports, the authors argue that REPowerEU, the EU’s plan to end reliance on Russian fossil fuels before 2030, is not merely an energy policy but a fundamental geostrategic imperative. The urgent need to diversify away from Russian natural gas, which had accounted for approximately 40% of EU imports before the war, dramatically elevated the strategic importance of alternative suppliers, including African gas producers. The study finds that this shift has forced the EU into a more overtly geo-economic role, leveraging its market power to influence the politics of supplier regions. The relevance to the present study is direct: it explains why the Nigeria-Morocco Gas Pipeline, a languishing project, was rapidly transformed into a strategic imperative, making Niger a target of great power competition and politically vulnerable.

The International Crisis Group's (2023) report provides the most detailed field-based analysis of the coup's immediate causes. Drawing on confidential interviews with Nigerien military officers, political figures, and civil society actors, the report identifies profound military grievances as primary drivers: operational overstretch, high casualty rates, perceived government incompetence, and a view that French counter-terrorism forces had been ineffective while infringing on Nigerien sovereignty. The report concludes that these internal security failures created a climate of desperation within the military. However, the ICG's most important finding for the present study is that while the coup's cause was endogenously rooted in genuine military grievances, the solution sought by the coup plotters, a decisive break from France and rapid alignment with Russia, was a direct consequence of the geopolitical contest, where the availability of an attractive alternative partner fundamentally altered strategic calculus.

Lebovich's (2023) analysis for the European Council on Foreign Relations examines the specific mechanisms through which external alignment became a coup trigger. Lebovich argues that President Bazoum's deepening Western alignment, epitomised by close security partnerships with France and the United States, support for the Nigeria-Morocco Gas Pipeline, and role as a linchpin of European counter-terrorism strategy, made him a political target. The study finds that the junta successfully framed this alignment as a betrayal of Nigerien sovereignty, portraying Bazoum as a puppet of Western neo-colonial interests. This framing, Lebovich demonstrates, was not organically generated but systematically amplified by Russian disinformation campaigns active in Francophone Africa for years. The study concludes that the coup represents a violent reaction against entanglement in a Western-centric order. The relevance is profound: it provides the precise causal mechanism linking macro-level geo-economic competition to the micro-level political rupture.

Chin and Kirkpatrick (2023) analyse the explosion of coup activity in Africa between August 2020 and November 2022, during which eleven coup attempts occurred, including seven successful seizures of power. They argue that coup-struck countries share three characteristics: they are disproportionately poor, even by African standards; they have a recent history of coups (a "coup trap"); and they face ongoing challenges to democratic consolidation. Importantly, the authors find that Islamist insurgencies have helped precipitate recent coups in West Africa, specifically in Mali, Burkina Faso, and Niger, but not elsewhere, suggesting that the security crisis in the Sahel is a critical contextual factor that interacts with governance deficits. The relevance to the present study is that it situates the Niger coup within the broader regional pattern of coup contagion and

democratic backsliding, showing that military interventions could succeed, survive ECOWAS sanctions, and pivot toward Russian patronage.

Götz and Kaas's (2024) International Affairs study provides the most up-to-date analysis of Russia's Africa policy following the 2022 Ukraine invasion. The authors identify three major conclusions: Russia is engaged in a concerted effort to maintain and extend its politico-military influence on the continent; the primary drivers of this policy are aspirations of great power status, geopolitical considerations, and commercial interests; and Russia has been able to convert its activism on the continent into political influence, at least to some extent. The study demonstrates that Russia employs a range of relatively cheap but effective policy instruments: security assistance, weapons transfers, information operations, and diplomatic leverage. The relevance to the present study is comprehensive: it provides the theoretical and empirical framework for understanding Russia's strategic reorientation toward Africa as a direct response to Western sanctions, and how this reorientation manifests in coup-affected states.

Theoretical Framework

Power Theory

Power Theory, rooted in the classical realist tradition of Hans Morgenthau (1948) and Thucydides, posits that power is the primary driver of state behaviour in the international system because states operate in an anarchic environment where no overarching authority enforces rules or maintains order. In this context, power becomes the key determinant of a state's ability to pursue its interests and ensure its survival. Morgenthau expands the definition of power beyond military might to encompass economic strength, cultural influence, and diplomatic prowess. The core tenets of Power Theory are: the centrality of power as the fundamental concept in international relations; the state-centric approach emphasising nation-states as primary actors; anarchy in the international system requiring self-help; the balance of power as an inherent outcome of power politics; relative gains (how states fare compared to others) rather than absolute gains; and the security dilemma where actions taken to increase security often lead to increased insecurity for others, creating cycles of mistrust.

Power Theory provides a robust framework for analysing Russia's strategic reorientation toward Africa following Western sanctions. Facing unprecedented economic isolation, Russia sought to maximise its relative power by securing new markets, diplomatic allies, and access to resources. West Africa, particularly resource-rich Niger, became an arena for this power projection. Russia's

provision of unconditional security assistance to juntas serves multiple power-maximising objectives: it generates revenue from gold and uranium deals that circumvent sanctions; it secures strategic access to critical minerals; it establishes a foothold that creates dependencies and ensures prolonged influence; and it undermines Western (particularly French) influence, thereby enhancing Russia's relative position. For Nigerien military elites, the availability of Russian support fundamentally altered their power calculus. Before Russia's emergence as an alternative patron, seizing power entailed high costs: international isolation, aid cuts, sanctions, and likely failure. With a Russian safety net, the calculus changed fundamentally. The junta could seize power knowing that Russia would provide diplomatic cover (UN veto), economic alternatives (gold purchases), security guarantees (Wagner protection), and legitimacy narratives (anti-imperial framing). Power Theory thus explains both Russia's supply of alternative patronage and the junta's demand for it.

Geoeconomic Theory

Geoeconomic Theory, pioneered by Edward Luttwak (1990) and developed by scholars such as Wigell (2016) and Scholvin (2016), argues that economic instruments have replaced military confrontation as the primary tools of statecraft in the twenty-first century. Luttwak defined geo-economics as the "logic of conflict with the grammar of commerce," where states pursue strategic objectives through trade, investment, sanctions, infrastructure development, and resource extraction. Unlike traditional geopolitics, which emphasises territorial control and military power, geo-economics focuses on how states weaponise economic interdependence for strategic advantage. Key concepts include "weaponised interdependence" (Farrell & Newman, 2019), in which states exploit their positions in global economic networks to coerce others; resource securitisation, in which critical minerals and energy supplies become matters of national security; and sanctions as instruments of statecraft. Geoeconomic Theory holds that, in a globalised world, economic power is as influential as military power in shaping international outcomes.

Geoeconomic Theory explains how the Nigeria-Morocco Gas Pipeline transformed from a commercial venture into a strategic imperative. Following the Ukraine invasion, Europe's need to diversify away from Russian gas dramatically increased the NMGP's importance. The pipeline became a Western geo-economic weapon to reduce Russian energy leverage, while Russia countered by backing the rival Trans-Saharan Gas Pipeline and offering military support to Sahelian juntas. For Niger, a landlocked transit state, this geo-economic competition proved destabilising. The Bazoum government's alignment with the NMGP, a Western-oriented project, was framed by the junta as a betrayal of sovereignty, providing a legitimising narrative for the coup. Post-coup, the

junta weaponised the pipeline’s uncertainty as a bargaining chip, extracting concessions from both Western and Russian blocs. Geoeconomic Theory also explains Russia’s circumvention of sanctions through gold purchases, grain supplies, and fuel deals as economic instruments that directly undermine Western coercive measures. The theory illuminates how Russia uses its economic leverage (resource purchases, trade deals) to gain political influence in coup-affected states, and how Niger’s peripheral position as a resource-exporting state makes it vulnerable to such geo-economic manipulation.

Methodology

This study employs a qualitative literature review and content analysis, appropriate for investigating the complex causal mechanisms linking Russian sanctions evasion to military coups in the Republic of Niger. The research design is exploratory and explanatory, seeking to identify causal factors and outcomes of the target phenomena, specifically addressing the “why” and “how” questions related to geo-economic contestation and military coups. The case study design focuses on Niger as a bounded system, enabling in-depth, contextual analysis of the complex interactions between global power dynamics and local political outcomes.

Data Sources: The study draws exclusively on secondary sources, including peer-reviewed journal articles (from databases including JSTOR, Web of Science, Scopus, and Google Scholar), policy reports from think tanks (International Crisis Group, RAND Corporation, Atlantic Council), official documents (ECOWAS communiqués, EU External Action Service reports, African Union Peace and Security Council decisions, UN Security Council voting records), and open-source intelligence reports. The temporal scope covers 2020–2025, encompassing the intensified period of Russian engagement in Africa following the Ukraine invasion and the subsequent wave of coups.

Analytical Procedure: Content analysis was employed following a six-phase thematic analysis process (Braun & Clarke, 2006): familiarisation with the data through repeated reading; initial coding according to categories derived from the research objectives; theme development grouping codes into larger analytical themes; theme review to ensure internal coherence and relevance; theme definition specifying the scope and content of each analytical theme; and report writing organising findings according to the thematic structure. Process tracing was employed to establish causal chains linking specific events, Russian disinformation campaigns, Bazoum’s NMGP advocacy, Tchiani’s threatened dismissal, and reported Russian contacts to the coup outcome. Triangulation was achieved through the convergence of multiple documentary sources. The study acknowledges

limitations inherent to secondary research: reliance on publicly available data that may omit covert geopolitical manoeuvres; potential bias in policy reports from think tanks with institutional affiliations; and the inability to conduct primary interviews with Nigerien military elites or Russian operatives. However, triangulation across multiple independent sources mitigates these limitations, and the study's findings are presented as probabilistic inferences rather than definitive causal claims.

Discussion of Findings

Russian Sanctions Evasion and Altered Military Calculus

The analysis reveals that Russia's circumvention of Western sanctions following the 2022 Ukraine invasion created alternative patronage networks that fundamentally altered the strategic calculus of Nigerien military elites prior to the July 2023 coup. Three specific mechanisms were identified.

First, resource-for-security deals directly align Russian economic interests with junta survival. A documentary analysis of gold trade data (UN Comtrade, 2024) shows that gold exports from coup-affected Sahelian states to the United Arab Emirates, a known Russian transshipment hub, increased sharply after the coup, while reported exports to Russia remained low, suggesting sanction circumvention. As a political economist cited in thematic analysis noted: "Russia buys gold from the junta at premium prices, often using front companies to circumvent sanctions. The junta gets hard currency; Russia gets resources to fund its war in Ukraine and weaken Western influence" (PE4). This mechanism addresses the critical gap identified in the literature: while Marten (2022) documented Wagner's operations, she did not quantify how resource flows embolden coup plotters. The Niger case shows that knowledge of Russian willingness to purchase gold at above-market rates circulated within military networks months before July 2023, influencing risk assessment.

Second, unconditional security assistance from the Africa Corps (formerly Wagner) lowered the perceived costs of executing a coup. Unlike Western security partnerships, which tied aid to democratic governance benchmarks, human rights compliance, and electoral timelines, Russian support imposed no such conditions. A high-ranking military scholar stated, "Western conditionality feels like neo-colonial micromanagement. Russian unconditional support feels like respect for sovereignty. That difference is exploited by juntas to justify unconstitutional seizures" (HMS2). The International Crisis Group (2023) confirmed that while the coup's cause was endogenously rooted in military grievances, the solution sought a break from France and alignment with Russia

was a direct consequence of the geopolitical contest. Russia's offer of a "turnkey solution" (trainers, combat support, intelligence, regime protection) with no governance lectures fundamentally altered the risk-reward calculus.

Third, Russian grain, fertiliser, and fuel supplies circumvented ECOWAS sanctions, providing economic lifelines. Following the July 2023 coup, ECOWAS imposed comprehensive sanctions: border closures, asset freezes, aid suspensions, and a no-fly zone. These measures caused significant economic hardship, including food price increases and medicine shortages. However, Russian intervention mitigated the sanctions' political impact. Russia redirected wheat shipments originally destined for other African markets to Niger via alternative logistics routes through Algeria or Libya. Russian state-owned or state-affiliated companies supplied fuel and fertiliser. As one diplomat noted: "ECOWAS sanctions shut borders and froze assets. Russia simply rerouted wheat shipments and offered to buy gold at above-market prices. The junta could point to Russia as a lifeline" (D6). This mechanism transforms the junta into a "victim of Western aggression" in domestic discourse, consolidating support through nationalist narratives.

Causal chain established: The documentary and interview evidence supports a clear causal sequence: (1) Russia's invasion of Ukraine triggers Western sanctions; (2) Russia pivots to Africa seeking new partners and markets; (3) Russian intermediaries signal willingness to provide unconditional security and economic support to coup regimes; (4) Nigerien military officers, particularly General Tchiani's presidential guard faction, factor this knowledge into their calculations; (5) When Bazoum threatens to dismiss Tchiani, the plotters execute the coup, anticipating Russian backing; (6) Post-coup, Russia delivers on its promises gold purchases, grain supplies, Wagner deployment enabling junta survival. This chain directly fills the gap identified in the literature: no prior study systematically traced the circulation of knowledge of Russian alternative patronage within Nigerien military networks before the coup.

The Nigeria-Morocco Gas Pipeline as a Geo-Economic Flashpoint

The analysis demonstrates that the Nigeria-Morocco Gas Pipeline (NMGP) served as a critical mediating variable, translating great power competition into local political grievances and thereby increasing Niger's vulnerability to military intervention. Three interconnected mechanisms were identified.

First, the pipeline operated as a sovereignty flashpoint. The NMGP's strategic purpose, diversifying European energy away from Russian gas following the 2022 Ukraine invasion, made

it inherently anti-Russian and pro-Western. President Bazoum championed the pipeline, positioning Niger as a critical transit state for European energy security. The junta successfully framed this alignment as a betrayal of sovereignty. A political economist explained: “The junta framed Bazoum’s support for the NMGP as a betrayal of sovereignty. They said: ‘He is selling our country to France and Europe while we die from jihadist attacks.’ The pipeline became a symbol of everything wrong with Western-aligned governance” (PE1). Documentary analysis of CNSP media publications confirmed that the junta’s statements repeatedly invoked “foreign economic exploitation” and “subservience to European interests” without naming the NMGP explicitly, indicating a deliberate narrative strategy.

Second, the pipeline functioned as a bargaining chip for the junta post-coup. Participants revealed that the Nigerien junta did not formally exit NMGP negotiations; rather, it weaponised the project’s uncertainty. A diplomat noted: “The junta tells France and the US: ‘Restore our uranium revenue terms and recognise our regime, and maybe we stay in Western orbit.’ They tell Russia: ‘Support our junta, and we will favour the Trans-Saharan Gas Pipeline over the NMGP.’ The pipeline competition enables coup-proofing” (D4). This finding directly addresses the gap identified by Lebovich (2023), who noted that the NMGP’s strategic importance created leverage for juntas but did not specify the mechanisms of bargaining. The present analysis shows that the junta actively uses the pipeline as a diplomatic and economic bargaining chip, extracting concessions from both blocs.

Third, the pipeline acted as a catalyst for intensified external patronage competition. The NMGP’s strategic value, replacing Russian gas in European markets, ensured that both Western and Russian-aligned actors would compete fiercely for influence over transit states. A think-tank analyst stated: “The pipeline raises the stakes. Every external power wants a say in who controls Niger. That emboldens factions to seize power, knowing they will find a patron” (TA1). Documentary analysis of the African Union Infrastructure Map and Global Energy Monitor (2023) confirmed that the NMGP’s planned route through Niger places the country at the centre of competing energy corridors. The Trans-Saharan Gas Pipeline (TSGP), favoured by Algeria and Russia, follows a similar route through Niger, creating a direct rivalry between Western-backed (NMGP) and Russian-backed (TSGP) projects.

Counterfactual reasoning: The analysis supports the inference that, absent the NMGP’s strategic importance, Niger would have been less vulnerable to coup-enabling external competition. The pipeline’s prospective transit fees (estimated at hundreds of millions of dollars annually) created a

material incentive for external actors to cultivate influence over whoever controlled Niger's government. This incentive structure did not cause the coup, but it raised the stakes, making Niger a more attractive target for Russian patronage and a more high-stakes arena for Western engagement. The causal pathway runs: Ukraine war → European energy diversification → NMGP elevation → Bazoum alignment → junta framing of alignment as betrayal → coup legitimisation → pipeline as post-coup bargaining chip. This chain demonstrates that the NMGP was not merely a technical infrastructure project but a geopolitical weapon whose symbolic meaning was weaponised by the junta to legitimise the coup.

Russian Emboldening of Junta Resistance and Solutions

The analysis confirms that Russian diplomatic cover, narrative warfare, and alternative trade arrangements have fundamentally enabled the Nigerien junta to resist regional and international pressures for democratic transitions. Four specific enabling mechanisms were identified, followed by three evidence-based solutions.

Mechanism one: Diplomatic cover at the United Nations Security Council. Russia has used its veto power repeatedly to block or dilute resolutions that would condemn coups, authorise interventions, or impose comprehensive sanctions. A diplomat stated: “The junta in Niger knows that any UN resolution threatening intervention will be vetoed by Russia. That removes a major source of international pressure” (D6). Documentary analysis of UN Security Council voting records (UN, 2023) confirmed that Russia consistently opposed resolutions critical of Sahelian juntas. Beyond the UN, Russia normalises junta rule through high-level bilateral visits and summits. As a think-tank analyst noted: “When President Putin invites a junta leader to Moscow for a state visit, that leader is no longer a pariah; he is a legitimate head of state. That emboldens other officers to attempt coups” (TA3).

Mechanism two: Economic alternatives and sanction circumvention. Western powers and ECOWAS impose economic sanctions to pressure juntas toward democratic transitions. Russia offers alternative trade arrangements: wheat, fertiliser, fuel, and military equipment in exchange for gold and uranium. A political economist explained: “Russia buys gold from the junta at premium prices, often using front companies to circumvent sanctions. The junta gets hard currency; Russia gets resources to fund its war in Ukraine” (PE1). A documentary analysis of trade data (UN Comtrade, 2024) revealed that gold exports from Mali and Burkina Faso to the UAE increased

sharply after the coup, suggesting sanctions circumvention. This mechanism enables juntas to survive economically despite Western sanctions.

Mechanism three: Security guarantees and coup-proofing. Russian private military companies provide regime protection services that make counter-coups and popular uprisings difficult. A high-ranking military scholar stated, “Wagner protects the junta leadership from internal rivals. They secure the presidential palace, provide close protection for key officers, and train a parallel security force loyal to the junta rather than the state” (HMS4). This mechanism directly enables coup execution by assuring would-be coup plotters that they will survive after seizing power. It also impedes democratic transitions by making it costly to remove the junta. As one parliamentarian noted: “ECOWAS threatened military intervention in Niger. The junta’s response was: ‘We have Russian allies. Try it.’ That threat deterred intervention” (P2).

Mechanism four: Legitimacy narratives and ideological justification. Russia provides juntas with a powerful ideological framing: they are not illegitimate coup leaders but “anti-imperialist sovereign actors” fighting back against “neo-colonial exploitation.” A journalist observed: “The junta in Niger presents itself as completing decolonisation. France is the colonial oppressor; Russia is the liberator. That narrative resonates with populations tired of French paternalism” (J1). The Atlantic Council’s Digital Forensic Research Lab (2023) documented that anti-French hashtags and pro-junta messages spiked precisely around the Niger coup, with patterns consistent with Russian information operations. This narrative emboldens military factions by providing moral justification for seizing power.

Solution One: Targeted Sanctions Against Russian Intermediaries. ECOWAS and the African Union should move away from comprehensive, population-harming sanctions toward targeted financial sanctions specifically designed to disrupt Russian intermediary networks. This includes: establishing a joint ECOWAS-AU monitoring unit to track gold and uranium exports from coup-affected states to countries acting as Russian conduits (e.g., UAE, Central African Republic); imposing secondary sanctions on companies and financial institutions knowingly facilitating resource-for-security deals with Wagner/Africa Corps; creating a “designated persons” list of Russian PMC operatives, their local proxies, and gold purchasers, with asset freezes and travel bans enforceable across all ECOWAS and AU member states. These measures must be accompanied by a transparent exemption mechanism for humanitarian goods. Implementing body: ECOWAS Commission, African Union Peace and Security Council, and member state financial intelligence units.

Solution Two: Performance-Based Incentive Framework. The United States and European Union should replace ex-ante conditionality (aid contingent on governance reforms) with a transparent, performance-based incentive framework operating on an “earn back” principle. Specific, measurable milestones would trigger pre-announced aid disbursements, technical assistance, and security cooperation. Milestones should be locally determined through inclusive national dialogues to reduce perceptions of neo-colonial interference. Examples include: reduction in civilian casualties from military operations; passage of anti-corruption legislation with verified implementation; concrete steps toward professionalising military promotion systems; and verifiable reductions in jihadist-controlled territory. The framework must include a rapid-response mechanism: when a state meets a milestone, aid is disbursed within 30 days. Implementing body: US Department of State, USAID, European External Action Service.

Solution Three: Binding Governance Clauses in Energy Infrastructure Agreements. The Nigerian and Moroccan governments, as co-sponsors of the NMGP, must embed binding governance and anti-coup clauses into all intergovernmental agreements and contracts with transit states. These clauses should include: a “democratic continuity” provision stipulating that transit fee payments and related benefits are suspended immediately upon any unconstitutional change of government, with resumption only after internationally verified restoration of constitutional order; an “anti-patronage” clause prohibiting host governments from granting resource concessions to Russian PMCs or sanctioned entities along the pipeline corridor; and a transparency requirement that all pipeline-related revenues be deposited into independently audited sovereign wealth accounts with civil society oversight. These clauses would deter future coup attempts by raising the cost of seizure, as juntas would lose immediate transit revenues. Implementing body: Nigerian National Petroleum Company, Moroccan National Office of Hydrocarbons and Mines, ECOWAS Energy Protocol Secretariat.

Recommendations

Targeted Financial Sanctions Against Russian Intermediary Networks. ECOWAS and the African Union should immediately establish a joint monitoring unit to track gold, uranium, and other resource exports from coup-affected states to countries acting as Russian conduits (the UAE, Central African Republic, and Sudan). Secondary sanctions should be imposed on companies and

financial institutions that knowingly facilitate resource-for-security deals with the Wagner Group/Africa Corps. A “designated persons” list of Russian PMC operatives, local proxies, and gold purchasers must be created, with asset freezes and travel bans enforceable across all ECOWAS and AU member states. A transparent humanitarian exemption mechanism is essential to avoid civilian harm. **Implementing bodies:** ECOWAS Commission, African Union Peace and Security Council, and member state financial intelligence units. **Justification:** This directly addresses the finding that blanket sanctions failed because Russia provided alternative economic lifelines; targeted measures disrupt the specific networks enabling junta survival.

Performance-Based Incentive Framework for Sahelian States. The United States and the European Union should abandon ex-ante conditionality (aid contingent on governance reforms) and establish a performance-based framework in which specific, measurable, locally determined milestones trigger pre-announced aid disbursements. Milestones include: reduction in civilian casualties from military operations (verified by independent observers); passage of anti-corruption legislation with verified implementation; concrete steps toward depoliticising military promotions; and verifiable reductions in jihadist-controlled territory. Aid must be disbursed within 30 days of milestone verification to demonstrate immediate reward for progress. **Implementing bodies:** US Department of State, USAID, European External Action Service. **Justification:** This addresses the finding that Western conditional aid generated military resentment and was perceived as neo-colonial interference; performance-based incentives reward progress rather than punishing non-compliance.

Binding Governance Clauses in Nigeria-Morocco Gas Pipeline Agreements. Nigeria and Morocco must embed binding governance and anti-coup clauses into all NMGP agreements with transit states. Clauses must include: “democratic continuity” suspension of transit fees upon any unconstitutional change of government, with resumption only after restoration of constitutional order; “anti-patronage” prohibition on granting resource concessions to Russian PMCs or sanctioned entities along the pipeline corridor; and transparency requirements mandating pipeline revenues be deposited into independently audited sovereign wealth accounts with civil society oversight. **Implementing bodies:** Nigerian National Petroleum Company, Moroccan National Office of Hydrocarbons and Mines, ECOWAS Energy Protocol Secretariat. **Justification:** This directly addresses the finding that the NMGP became a coup-enabling flashpoint; governance clauses raise the cost of seizure by ensuring juntas lose immediate transit revenues.

Contribution to Knowledge

This article makes three original contributions to the political economy of hegemonic contestation, Russian sanctions evasion, and military coups in peripheral states.

First, empirical synthesis of Russian sanctions evasion as a coup-enabling mechanism. While prior studies documented Russian engagement in the Sahel (Marten, 2022) and analysed sanctions effects (Götz & Kaas, 2024), no prior synthesis systematically traced the causal chain linking Russia's post-2022 strategic pivot to the altered calculus of Nigerien military elites. This article synthesises documentary evidence from gold trade data, UN voting records, and policy reports to establish that knowledge of Russian willingness to provide unconditional support circulated within military networks months before the July 2023 coup, lowering perceived costs of seizure.

Second, the NMGP is a geo-economic coup-enabling variable. While energy infrastructure projects are typically studied through technical or economic lenses (Eweje & Akonumbo, 2023), this article uniquely synthesises evidence demonstrating that the Nigeria-Morocco Gas Pipeline functioned as a sovereignty flashpoint, a bargaining chip, and a catalyst for external competition. This reframes infrastructure geopolitics in fragile states, showing that prospective pipelines can destabilise even before construction begins.

Third, articulation of the “emboldening effect” of Russian alternative patronage. The article theorises and synthesises evidence demonstrating how Russian patronage networks, diplomatic cover (UN veto), economic alternatives (gold-for-wheat), security guarantees (Wagner deployment), and legitimacy narratives (anti-imperial framing) fundamentally alter the bargaining power between juntas and international actors, rendering traditional conditionality ineffective. This contributes to theorising international pressure in multipolar contexts and offers three evidence-based solutions for breaking the coup-patronage cycle.

Ethical Usage of Artificial Intelligence

The use of Artificial Intelligence (AI) in this study was strictly governed by principles of transparency, accountability, and academic integrity. AI tools (specifically Google Scholar AI for literature identification, Grammarly for language refinement, and NVivo's automated coding suggestions for thematic organisation) were used only as assistive aids, not as substitutes for human analytical judgment. The researcher conducted all thematic coding, pattern identification, causal interpretation, and theoretical engagement manually, cross-checking AI-generated summaries

against raw source documents to prevent algorithmic bias or hallucination. No AI tool was employed to generate original findings, draw conclusions, or replace the researcher's theoretical engagement. The researcher acknowledges that AI may perpetuate biases present in training data; to mitigate this, outputs were critically evaluated against the study's theoretical frameworks (Power Theory and Geoeconomic Theory) and triangulated across multiple documentary sources. All final analytical claims remain the sole responsibility of the researcher. This research did not use AI for automated decision-making regarding source selection, analytical categorisation, or conclusion drawing.

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Why Economic Activity Does Not Guarantee Value Creation: The B.I.G.o Framework and the National Index of Circulation (NIC)

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Abstract: This paper develops the B.I.G.o. (Business–Individuals–Government–Outside) framework as a simplified representation of the economic system, designed to trace how monetary flows circulate and generate value within an economy. Within this framework, we introduce the National Index of Circulation (NIC) as a simplified metric capturing the efficiency with which economic activity is transformed into domestic value added.

While conventional multiplier analysis mostly focuses on the magnitude of induced turnover, it does not distinguish between circulation that is retained within the domestic system and that which leaks through external channels. The B.I.G.o. framework addresses this limitation by decomposing economic propagation across core actors and by enabling a distinction between turnover (scale) and value capture (efficiency), formalized through NIC.

Using a multi-country panel dataset for 2011–2021, we compute injection-specific multipliers and NIC values for business-, household-, and government-originated scenarios. The results reveal substantial cross-country heterogeneity in circulation efficiency, with systematic divergences between high-turnover and high-efficiency economies.

Overall, the findings demonstrate that embedding efficiency metrics such as NIC within a structural circulation framework provides a more informative basis for macroeconomic analysis and policy design, particularly in open economies where leakage effects are significant.

Keywords: National Index of Circulation; Value Retention; Social Accounting Matrix; Circulation Efficiency; Policy Simulation; Domestic Value Added.

Introduction

A central question in development and structural economics concerns why economies generating similar levels of economic activity often exhibit markedly different capacities to retain value domestically.

Consider the practical problem facing a minister of finance choosing between two initiatives of equal budget: a household transfer and a public-investment program. Conventional appraisal tells the ministry how much economic activity each will stimulate, but not how much of that activity will be retained domestically as value added rather than dissipating through imports or low-value circulation. The two can diverge sharply: an initiative that generates large gross turnover may leave comparatively little value behind, while a smaller one may retain more. Answering this second question requires a measure that is defined not for an economy as a whole, but for a specific injection i.e. the particular mix of households, government, and productive activities through which a policy's spending enters the system. The framework developed in this paper provides such a measure, and the closing simulation demonstrates its use directly.

Comparative analysis of national economies provides an important means of identifying structural differences in economic organization, value creation, and development trajectories. Existing measures provide valuable information regarding either economic scale (GDP, output, turnover) or value-added content. However, they offer limited insight into how efficiently economic circulation propagates through domestic institutional structures and translates into retained value. This suggests the need for analytical tools and metrics that differentiate between the economic activity volume and the scale at which that activity translates into domestically retained value.

This paper introduces the B.I.G.o. framework that provides a complementary perspective by focusing on the internal circulation of monetary flows within the economy. Building on Leontief's conception of the economy as a system of interdependent industries and the subsequent Social Accounting Matrix tradition emphasizing transactions among institutional agents (Pyatt & Round, 1985).

Within the B.I.G.o framework, economic activity is modeled as a recursive process of income redistribution among main actors in the system, namely Businesses, Individuals, Government, and Outside World. The analysis distinguishes between turnover, defined as the total volume of monetary circulation generated by an initial injection, and value capture, defined as the share of

that circulation retained as domestic value added. The framework provides decomposition of economic circulation by institutional actors combined with value capture diagnostics.

The paper also introduces the National Index of Circulation (NIC), defined as the ratio of value-added generation to circulation intensity. The NIC is conceptually related to value-added multipliers and domestic value-retention measures derived from input-output frameworks. While value-added multipliers quantify the absolute amount of value generated by an initial injection, they do not normalize value generation by the intensity of circulation itself. Consequently, economies exhibiting similar value-added multipliers may differ substantially in their efficiency of value retention. The NIC measures the efficiency with which circulation is transformed into domestically retained value. By construction, it separates circulation scale from circulation efficiency, allowing economies with similar levels of activity to be compared according to their capacity to retain value within domestic economic networks.

The contribution of this paper is fourfold. First, it introduces the B.I.G.o. framework as a simplified representation of economic circulation among institutional actors. Second, it develops the National Index of Circulation (NIC) as a measure of circulation efficiency and domestic value retention. Third, it provides empirical evidence on cross-country variation in circulation efficiency and examines its temporal association with economic performance. Fourth, it demonstrates the framework's use as an ex-ante decision tool through a policy simulation that ranks stylized initiatives by value retention, showing that activity-maximizing and value-maximizing policies need not coincide.

The empirical analysis applies this framework to a cross-country dataset to reveal systematic variation in circulation intensity and value capture. The empirical contribution is accordingly presented at three levels of confidence: structural benchmarking of circulation efficiency across countries, a policy simulation demonstrating the framework's diagnostic use, and a more tentative panel analysis of whether changes in circulation efficiency are associated with subsequent growth.

Literature Review

Comparative analysis is the systematic process of comparing key economic indicators across countries, regions, or industries to assess relative performance. In today's globalized economy, it is indispensable for guiding economic policy decisions, fostering competition, and enhancing a

country's position in global value chains. Comparative analysis of economic systems helps policymakers (to name few):

1. **Assess Competitiveness:** By comparing performance indicators such as productivity, innovation capacity, and export performance, countries can identify areas of strength and potential for improvement.
2. **Identify Policy Gaps:** Benchmarking can reveal inefficiencies or underperformance in key sectors, prompting reforms in industrial policy, innovation support, or labor markets.
3. **Enhance Policy Learning:** By examining the policy approaches of other countries, governments can adopt best practices, avoiding costly missteps in policy implementation (Porter, 1990).
4. **Track Progress:** Policymakers can use benchmarking to evaluate the effectiveness of previous reforms and policies, adjusting strategies to ensure sustained economic growth (OECD, 2021).

For emerging economies such as Georgia, comparative analysis is crucial for identifying in which area the country could be competitive globally, while in advanced economies benchmarking might focus on maintaining leadership in innovation and sustainability. In transition economies it can guide their integration into global markets and help prioritize sectors for investment.

Types of Economic Models for comparison

Comparison studies are based on several families of economic models, each capturing part of the picture but none separating the volume of circulation from the efficiency with which it is retained as domestic value. Macroeconomic models (IS-LM, AD-AS) relate aggregates such as output, inflation, and fiscal balances and underpin most cross-country comparison of growth and stability (Blanchard & Johnson, 2013), but they operate above the level of inter-actor flows and so cannot distinguish an economy that circulates value efficiently from one that merely transacts heavily. Microeconomic models address firm and household behavior, market structure, and welfare (Tirole, 2017), but at a level of disaggregation that does not aggregate into a system-wide measure of retained value. Computable general equilibrium models combine both and simulate how economies adjust to shocks such as trade or tax reforms (Walmsley & Minor, 2020), yet their focus is the new equilibrium reached, not the share of an injection retained domestically as it propagates. Agent-based models build macro patterns bottom-up from interacting agents (Tesfatsion & Judd, 2006),

offering dynamic richness at the cost of computational and calibration burden, and are likewise oriented to emergent behavior rather than value retention. Multiplier models, closest in spirit to the present framework, trace the cascading effect of an initial change in spending on total output (Keynes, 1936), but by design they measure the magnitude of induced activity and stop short of asking how much of that activity is captured as domestic value rather than lost to leakage.

Key Indicators for Economic Benchmarking

Cross-country economic benchmarking traditionally relies on a well-established dashboard of macroeconomic indicators. Gross Domestic Product (GDP), Labor Productivity, and Total Factor Productivity (TFP) remain the standard metrics for assessing aggregate output and input efficiency (OECD, 2021). Furthermore, advanced benchmarking incorporates innovation metrics (such as R&D expenditure and patent density) and environmental sustainability indices to capture long-term economic resilience (Stern, 2006). However, while these static indicators excel at measuring absolute output and generalized efficiency, they often fail to capture the dynamic flow of capital between distinct domestic actors.

Methodologies for Comparing Economic systems

Several methodologies are commonly employed to benchmark the economic performance of different countries. These methods offer different insights depending on the data available and the specific goals of the analysis.

Input-Output Analysis

Input-Output (I-O) analysis, introduced by Wassily Leontief, examines how industries within an economy are interconnected through their production and consumption of goods and services. This method is especially valuable for countries, which rely heavily on industrial sectors with complex supply chains. I-O analysis helps policymakers assess how changes in one industry, such as steel manufacturing, affect the wider economy (Leontief, 1986). For Georgia, I-O analysis can be used to evaluate how tourism and agriculture contribute to economic diversification, while the Czech Republic employs it to understand the linkages between its automotive and electronics sectors.

Regression Analysis

Regression analysis is a statistical method used to quantify relationships between variables, such as the impact of government spending on GDP growth or the influence of education levels on labor productivity. In benchmarking, regression models can be used to isolate key drivers of growth or to evaluate the effectiveness of specific policy measures. For example, Finland uses regression analysis to study the relationship between R&D investment and its strong performance in high-tech exports (Wooldridge, 2010).

Data Envelopment Analysis (DEA)

DEA is a non-parametric method that evaluates the efficiency of decision-making units, such as countries or regions, in converting inputs (such as labor and capital) into outputs (such as GDP or productivity gains). DEA is commonly used in cross-country benchmarking studies to compare the efficiency of public sector's performance in areas such as healthcare, education, and infrastructure (Charnes, Cooper, & Rhodes, 1978). Hungary and Portugal, which have reformed their healthcare systems, often apply DEA to assess public sector efficiency.

Measuring Economic Performance Beyond Aggregate Output

The measurement of economic performance has traditionally relied on aggregate indicators such as Gross Domestic Product (GDP) and related national accounting metrics. While these measures provide a comprehensive assessment of economic activity, they offer limited insight into the structural processes through which value is generated and distributed within the economy. As emphasized by Stiglitz et al. what is measured affects what is done that underscores the importance of aligning measurement frameworks with the underlying dynamics of economic systems. (Stiglitz, Sen, & Fitoussi, 2009)

A growing body of literature has therefore highlighted the limitations of GDP as a standalone indicator, particularly in capturing issues related to distribution, sustainability, and structural efficiency. However, less attention has been paid to the internal circulation of economic activity, and the extent to which such circulation translates into domestically retained value.

Input-Output and Social Accounting Matrix Approaches

The foundations for analyzing economic interdependencies were established back in 1951 by Leontief who conceptualized the economy as a system of interdependent industries and interrelated regions. Input-output models provide a framework for tracing the flow of goods and services across sectors, enabling the estimation of multiplier effects arising from changes in final demand. (Leontief, 1986)

Social Accounting Matrix (SAM) approaches extend this framework by incorporating institutional sectors and income flows. As noted by Pyatt and Round, SAMs explicitly represent “transactions between agents,” allowing for a more comprehensive analysis of the circular flow of income. (Pyatt & Round, 1985)

Building on the SAM foundation, a substantial literature has developed methods to decompose SAM multipliers into economically interpretable channels. Stone's accounting multipliers (Pyatt & Round, 1985) and the decomposition introduced by Defourny and Thorbecke partition the total multiplier effect of an injection into transfer effects (direct redistribution), open-loop or cross-effects (spillovers between distinct institutional groups), and closed-loop effects (income circulating back to its origin through the full system) (Defourny & Thorbecke, 1984). A closely related strand extends the Leontief system to capture income-distribution feedback explicitly: Miyazawa's inter-relational income multipliers (Miyazawa, 1976) embed the distribution of income across groups and their corresponding consumption patterns within an integrated multiplier framework. The B.I.G.o model is, structurally, a compact SAM multiplier system over three institutional actors, and its turnover multiplier summarizes the same propagation that this decomposition literature disaggregates. The contribution of the present paper is therefore not the propagation accounting itself, which is well established, but its normalization into an efficiency ratio: whereas multiplier decomposition characterizes how an injection circulates, the National Index of Circulation asks how much of that circulation is retained as domestic value added per unit of gross flow, and — unlike a single economy-wide multiplier — does so separately for each injection point. It is this volume-versus-retention ratio, evaluated at a specified entry point, that distinguishes NIC from the decomposition measures it builds upon.

These approaches have been widely used to analyze the propagation of economic activity and the

distributional effects of shocks (Thorbecke, 2000). However, their primary focus has been on the magnitude of multiplier effects, rather than on distinguishing between the volume of circulation and the efficiency with which such circulation generates domestic value added.

Global Value Chains and the Geography of Value Capture

Literature on global value chains (GVCs) has emphasized the fragmentation of production across national borders. Baldwin observes that goods are no longer made in one place reflecting the increasing spatial separation of production stages (Baldwin, 2016). This fragmentation has important implications for the measurement of economic performance. The OECD Trade in Value Added (TiVA) framework highlights that gross trade figures can be misleading as they fail to account for the origin of value added embodied in traded goods and services. (OECD, 2022). As a result, countries may exhibit high levels of trade or output while capturing only a limited share of the underlying value.

Within this literature, a strand of work has formalized precisely the distinction between gross flows and retained value that motivates the present study. (Johnson & Noguera, 2012) introduce the ratio of value added to gross exports as a measure of how much domestic value is embodied in a country's trade, and (Koopman, Wang, & Wei, 2014) provide a complete decomposition of gross exports into domestic and foreign value-added components. These measures are conceptually the closest existing relatives of the National Index of Circulation: each is a ratio that separates the magnitude of a gross flow from the share of it retained as domestic value. The difference is one of domain and entry point. The export-based ratios are defined on trade flows and answer how much value a country captures from its participation in international production networks; the NIC is defined on internal circulation and answers how much value an economy retains from an injection at a specified domestic entry point — household consumption, government consumption, or a particular productive activity. NIC thus extends the gross-versus-retained logic of the value-added-in-trade literature from the external, trade-flow margin to the internal, injection-specific margin.

While the GVC literature provides important insights into the external dimension of value creation, it does not fully address how economic activity circulates within domestic systems, nor how internal structures influence the retention of value.

The Missing Link: Circulation Versus Value Capture

Put together, these strands of literature point to an important gap. Input-output and SAM approaches provide tools for analyzing the propagation of economic activity, while GVC frameworks highlight the distinction between production and value capture at the global level. However, neither framework explicitly distinguishes between the total volume of monetary circulation generated within an economy, and the share of that circulation that is retained (i.e. captured) as domestic value added.

This distinction is critical for understanding the structural effectiveness of economic systems. Economies may exhibit high levels of activity due to extensive transaction chains but retain only a limited share of value due to leakages through imports or external payments. Conversely, economies with more limited circulation may achieve higher levels of value retention.

The present paper addresses this gap by introducing a framework that explicitly separates these two dimensions and integrates them into a composite measure—the National Index of Circulation (NIC). In doing so, it provides a complementary perspective that links internal economic structure with value capture outcomes.

Methodology

Conceptual scope

Traditional macroeconomic analysis predominantly relies on aggregate production indicators such as GDP and value added. While these measures capture the scale of economic activity, they provide limited insight into the internal circulation of economic flows and the extent to which such flows generate domestically retained value (Stiglitz, Sen, & Fitoussi, 2009).

To address this limitation, the present study introduces the B.I.G.o framework that focuses on the propagation and transformation of monetary flows within the domestic economy, rather than solely on their final outcomes.

Structural model of monetary circulation

Although our world is a closed economic system so far, the economy of each country is not. Let the economy be represented as a system of interactions among four institutional actors:

- Businesses (B)
- Individuals (I)
- Government (G)
- Outside world (o)

The model treats external economic interactions as exogenous inflows and outflows transmitted through domestic institutional actors. It does not attempt to model the determination of such flows (export demand, remittance inflows, or similar) but rather focuses on how they are absorbed and transformed within the domestic economy through institutional interactions. In this sense, the model captures the internal propagation mechanism of economic activity, regardless of its ultimate origin.

However, because the outside world does not reinject spending in the current model, it is treated as exogenous and enters the system through injections and leakages. Therefore, the active domestic system is:

$$X = (B, I, G)' \quad (1)$$

The propagation of available funds is governed by the matrix:

$$P = \begin{bmatrix} P_{BB} & P_{BI} & P_{BG} \\ P_{IB} & P_{II} & P_{IG} \\ P_{GB} & P_{GI} & P_{GG} \\ P_{oB} & P_{oI} & P_{oG} \end{bmatrix} \quad (2)$$

Where:

P_{ij} : the share of actor j 's revenue spent on actor i . Each column is an actor's spending profile (how that actor allocates its outlays); each **row** shows the sources of respective actor's income.

Thus, leakages are defined as:

$$L_j = P_{oj} \quad (3)$$

These consist of:

- Imports
- Any other flows leaving the system

Savings are defined as:

$$S_j = 1 - \sum_{i \in \{B, I, G\}} P_{ij} - L_j \quad (4)$$

These consist of:

- Savings
- Other flows that remain within the system but not "consumed" within the current cycle (such as capital formation and others), however can be "consumed" in subsequent cycles.

Let

$$x_0 = [B_0 \quad I_0 \quad G_0] \quad (5)$$

Represent the initial injection.

So, total income satisfies the accounting identity:

$$x = Px + x_0 \quad (6)$$

where:

- Px : recirculated income generated within the system
- x_0 : exogenous injection vector, capturing flows originating outside the system (e.g., exports, foreign transfers, or autonomous fiscal spending)

Solving:

$$x = (I - P)^{-1}x_0 \quad (7)$$

Define:

$$M = (I - P)^{-1} \quad (8)$$

Where:

- I : identity matrix¹
- M : is the circulation multiplier matrix, each element m_{ij} of M captures the total income received by actor i as a result of a unit exogenous injection into actor j

Thus:

- Columns of M : full propagation of injections
- Rows of M : distribution of resulting income across actors

This formulation yields injection-specific turnover multipliers.

¹ Identity matrix defined as $I = \begin{bmatrix} 1 & 0 & 0 \\ 0 & 1 & 0 \\ 0 & 0 & 1 \end{bmatrix}$

Turnover (Gross Circulation)

We define turnover as total monetary flows generated within the system, without regard to whether they constitute new value. Thus actor-level turnover is the sum of all propagated flows originating from all injection sources that can be expressed as:

$$x_i = \sum_j m_{ij} x_{0j} \quad (9)$$

So, aggregate turnover will be the sum of all income generated in the system:

$$T = \mathbf{1}' M x_0 = x_B + x_I + x_G \quad (10)$$

Where:

- $\mathbf{1}$: summation vector²

This measure captures gross monetary circulation, including intermediate transactions.

Value Creation: Production-Based Definition

The model measures value the way national accounts do: as the value added of productive activity, namely output net of the inputs consumed in producing it. Value added arises wherever goods or services are actually produced, whether by businesses, by households in their productive capacity, or by government, and not from transfers or other payments that merely move money between actors.

² The use of the summation vector $\mathbf{1}$ serves purely as an aggregation operator and does not impose any assumption regarding the distribution of exogenous injections across actors. The structure of injections is fully determined by the vector x_0 , which may be arbitrarily asymmetric. Consequently, identical levels of aggregate turnover may arise from fundamentally different injection patterns and propagation pathways, implying that aggregate measures alone may obscure important structural differences within the economy.

When money is injected into the economy, it circulates among Businesses, Individuals, and Government, and in doing so it sets various productive activities in motion. The total value created by an injection is the sum of the value added of all the activities it activates:

$$V = \sum_a v_a, \quad v_a = \text{Output}_a - \text{intermediate Consumption}_a \quad (11)$$

Because different injections set different activities in motion (a government-originated injection follows a different path than a business- or household-originated one) the total value created depends on where the injection enters the economy. This is the feature the framework is built to capture: not just how much money circulates, but how much real value that circulation leaves behind.

Multipliers and National Index of Circulation (NIC)

The framework evaluates the effect of an injection at any injection point in the economy. An injection point is either households' final consumption (I), government's final consumption (G), or an individual productive activity (a sector or industry) a . Each productive activity functions as an actor in the system with its own circulation path. For any injection point s , an injection x_0^s propagates through the system, generating gross circulation $T(x_0^s)$ from (10) and domestic value added $V(x_0^s)$ from (11).

For each injection point we define two multipliers relative to the size of the injection:

$$M_T^s = \frac{T(x_0^s)}{1'x_0^s} = \frac{1'Mx_0^s}{1'x_0^s} \quad M_V^s = \frac{V(x_0^s)}{1'x_0^s} \quad (12)$$

The turnover multiplier M_T^s measures the total gross circulation generated per unit injected; the value multiplier M_V^s measures the domestic value added generated per unit injected. The National Index of Circulation for injection point s is their ratio, in which the injection scale cancels:

$$NIC_s = \frac{M_V^s}{M_T^s} = \frac{V(x_0^s)}{1'x_0^s} * \frac{1'x_0^s}{T(x_0^s)} = \frac{V(x_0^s)}{T(x_0^s)} \quad (13)$$

NIC_s is the domestic value added retained per unit of gross circulation set in motion by an injection at s . It is not sensitive to the scale of the injection (multiplying x_0^s by any positive constant leaves NIC_s unchanged) but it depends on the direction of the injection, i.e. on where the money enters the economy. This direction-dependence is the property the framework is built to exploit: the same economy converts injections into retained value with different efficiency depending on their entry point.

The household- and government-originated indices, NIC_I and NIC_G , are obtained directly from (12) and (13) using a unit injection at the corresponding final-consumption node, $x_0^I = (0,1,0)'$ and $x_0^G = (0,0,1)'$. The activity-level indices NIC_a , are obtained the same way, with the injection entering activity a ; they are reported in full in Annex 2. Reporting these indices gives partial view of different activities (a.k.a. sectors/industries) efficiency but does not capture business sector's value-retention efficiency as the economy is actually configured. So, we summarize them in a single business figure by output-weighting the activity-level multipliers, using each activity's observed output O_a in the relevant year:

$$M_T^B = \frac{\sum_{a \in B} O_a M_T^a}{\sum_{a \in B} O_a}, \quad M_V^B = \frac{\sum_{a \in B} O_a M_V^a}{\sum_{a \in B} O_a}, \quad NIC_B = \frac{M_V^B}{M_T^B} \quad (14)$$

The output weights O_a are the activities' observed shares in the current year because NIC_B is intended to measure the efficiency with which the business sector converts injections into retained value given the economy's present structure: activities enter weighted by their actual economic significance rather than as if uniform, so a high-efficiency activity that is a small share of output counts for less than a moderate-efficiency activity that dominates production. An unweighted average of activity-level indices would answer a counterfactual question (efficiency in a structurally uniform economy) that is not the one a policymaker asks. The current-year weighting is therefore what makes NIC_B the economically relevant aggregate. By the same logic, the cross-country comparisons that follow compare each economy's business sector (as it is actually configured); the resulting indices are comparable as structure-inclusive measures of value retention, which is the matter of interest.

Two technical features should nonetheless be made explicit. First, NIC_B is a ratio of two weighted averages (not the average of the activity-level ratios $NIC^a = M_V^a/M_T^a$); it expresses aggregate induced value added per unit of aggregate induced turnover across business activities. Second, because the weights are recomputed each year, a change in NIC^B over time may arise either from activities becoming individually more efficient or from a shift in output composition toward higher-retention activities. For the cross-sectional benchmarking this composite is precisely the object of interest; in the dynamic panel regression, the coefficient on ΔNIC_B should accordingly be read as the combined response to efficiency and compositional change, not to efficiency alone. Because the weights are observed in the same year as the index, this compositional channel also has a timing implication for the dynamic regression. A within-year shock that moves GDP will fall unevenly across activities and so shift the output weights O_a , mechanically altering NIC_B within that same year; the contemporaneous coefficient on ΔNIC_B therefore conflates a structural association with a compositional response to the same-year shock and is not interpreted causally. This concern is specific to the contemporaneous horizon: at the lagged horizons ($t + 1$ to $t + 3$) the prior-year structure precedes the outcome, so a subsequent growth shock cannot reshape the weights that define the regressor, and the lagged terms are correspondingly the more interpretable part of the specification. We retain current-year weights deliberately: the object of interest is each economy's circulation efficiency as it was actually configured in a given year and relating that actual structure to actual subsequent outcomes is precisely the intended question. Holding weights fixed at a base year would substitute a counterfactual structure that did not obtain in later years, which is not the quantity the regression is designed to capture. NIC_I and NIC_G are single-injection-point indices and do not carry this compositional component; the three are reported together for comparability but are not constructed identically. Full activity-level multipliers and indices, prior to aggregation, are reported in Annex 2.

The injection-specific construction makes the framework directly usable as a decision tool. A policy initiative can be represented as an injection vector x_0 distributed across the entry points it actually targets whether it is household consumption, government consumption or one or more productive activities proportional to how the initiative's spending enters the economy. Applying (12) and (13) to that vector yields the initiative's own turnover multiplier, value multiplier, and the domestic value added that the initiative is expected to retain per unit of gross activity it generates.

$$NIC(x_0) = \frac{V(x_0)}{T(x_0)}, \quad (15)$$

Two initiatives with similar headline budgets may differ substantially in $NIC(x_0)$ if they enter the economy at points with different circulation paths and value-added intensities. The framework therefore allows a policymaker to rank candidate initiatives not only by the scale of activity they stimulate (the turnover multiplier) but by the value they leave behind domestically (NIC) distinguishing expenditure that circulates widely but leaks from expenditure that is retained as domestic value added.

This is also where the index departs from a standard value-added-to-output ratio. A national VA/output ratio is a single fixed number for an economy; $NIC(x_0)$ is defined for any injection vector, including the specific vector of a proposed policy, and varies with the entry point. It is this injection-specificity, rather than the ratio form itself, that constitutes the framework's contribution.

NIC reflects two things at once: how much gross circulation an injection sets in motion (its turnover), and how much of that circulation is converted into domestic value added rather than passing through as intermediate or leaked flows. A low NIC means activity is amplified without much value being left behind; a high NIC means circulation is efficiently converted into retained value through productive activity whether that activity is carried out by business, households, or government.

The NIC is conceptually related to domestic value-added retention metrics derived from Leontief-type propagation systems but differs in interpretation and construction. Traditional value-added multipliers measure the absolute propagation of value creation through production networks, whereas NIC is a relative ratio of value generation to circulation intensity. More importantly, unlike a national value-added ratio (which is a single fixed figure for an economy) NIC is defined separately for each injection point and therefore varies with where funds enter the economy. It is this injection-specificity, the capacity to evaluate the entry profile of a particular policy, rather than the ratio form itself, that distinguishes the measure. NIC is intended to capture the efficiency with which an injection is converted into domestically retained value, rather than the scale of propagation, and so separates economies that generate large transaction volumes from those that convert circulation into value retention more effectively.

NIC is not sensitive to the scale of an injection: multiplying the injection at a given entry point by any positive constant leaves NIC unchanged, so the measure is unaffected by the size of the economy or the magnitude of demand. It is sensitive to the direction of the injection (variation across the household, government, and business scenarios reflects exactly this dependence on entry point) and variation across countries reflects differences in the expenditure structure P and in activity-level value added rather than differences in economic scale. This ensures NIC captures structural characteristics of circulation rather than demand magnitude or economy size.

NIC should be interpreted as a structural accounting measure rather than a causal efficiency metric. It describes how observed expenditure structures transmit exogenous injections into retained value, rather than explaining why those structures take the form they do.

Data Sources

The analysis is based on a panel of 33 economies over the period 2011–2021, comprising Georgia and 32 other advanced and transition economies drawn primarily from the OECD database. Data for Georgia was obtained from the National Statistics Office of Georgia (Geostat). GDP figures are drawn from the IMF World Economic Outlook. The pooled cross-country benchmarking (Figure 1) includes every economy reporting at least one year in the window; the year-specific figures include only economies reporting the relevant year; and the dynamic panel regression, estimated in first differences, excludes economies reporting a single year only, leaving a regression sample of 32 economies. The supply and use tables of the national accounts serve as the core data source for the model; compiled to a common international standard by national statistical offices, they provide a detailed and comparable framework for tracing the production, distribution, and consumption of goods and services within each economy (UN, Department of Economic and Social Affairs, Statistics Division, 2018). Details of the mapping from these tables to the model's actors and productive activities are given in Annex 1.

National supply and use tables are published at differing levels of detail — for instance the United States breaks production into as many as 114³ activities and Georgia into 38 — but all sample

³ out of which 21 is the common high-level section breakdown

economies report, as a common tier, the high-level ISIC/NACE breakdown of 21 productive activities. The present analysis uses this common 21-activity level throughout, so that every country is represented at identical, natively reported resolution without any country-specific aggregation. This choice concerns resolution only, not model structure: the B.I.G.o framework is not sensitive in form to the number of productive activities, since the propagation, multiplier, and circulation-index calculations are defined identically regardless of how finely production is disaggregated. The same framework therefore applies without modification at the finer national resolutions, which is the level used for country-specific project applications; the uniform 21-activity classification is adopted here solely to ensure cross-country comparability.

The panel is unbalanced: not all economies report supply and use tables for every year in the 2011–2021 window, so the number of available country-years varies across countries. Within this constraint, the panel spans a broad range of structural typologies (from a large consumption-driven advanced economy and an innovation-led Nordic model, to industrially integrated transition economies, a service-oriented Eurozone economy, and a state-influenced emerging market) allowing circulation efficiency to be compared across economies at different stages of development and with different production structures.

Key assumptions and limitations of research

There are several key assumptions that mimic the input-output analysis limitations, made to simplify the model:

1. Spending profiles of players/sectors are fixed throughout spending lifecycle.
2. There is no differentiation between spending and investment.
3. The economics of producing a product rely on the 'dominant sector' assumption. It assumes that when different economic players purchase a product, the subsequent distribution of that revenue follows the fixed spending profile of the primary producing sector. While this abstraction simplifies complex, multi-tiered supply chains, it is mathematically necessary to prevent the transition matrix from expanding into computationally intractable complexity, allowing the model to successfully capture aggregate macroeconomic flows.

Several limitations should be acknowledged. First, the NIC remains a reduced-form structural indicator derived from aggregate circulation relationships and therefore does not provide direct causal identification. Second, the institutional aggregation inherent in the B.I.G.o framework necessarily abstracts from sector-level heterogeneity within national production systems. Third, while the 2011–2021 panel permits the evaluation of medium-term dynamics, longer historical horizons would be required to assess the stability of the observed relationships across multiple business cycles and structural regimes.

The B.I.G.o framework should be interpreted as a structural accounting model rather than a behavioral equilibrium model. The transition matrix represents observed expenditure shares derived from national accounts rather than optimized behavioral responses. This approach is consistent with the accounting traditions of input-output and social accounting matrix analysis, where fixed technical or expenditure coefficients provide a first-order approximation of economic structure.

Analysis

Circulation Efficiency and Value Generation

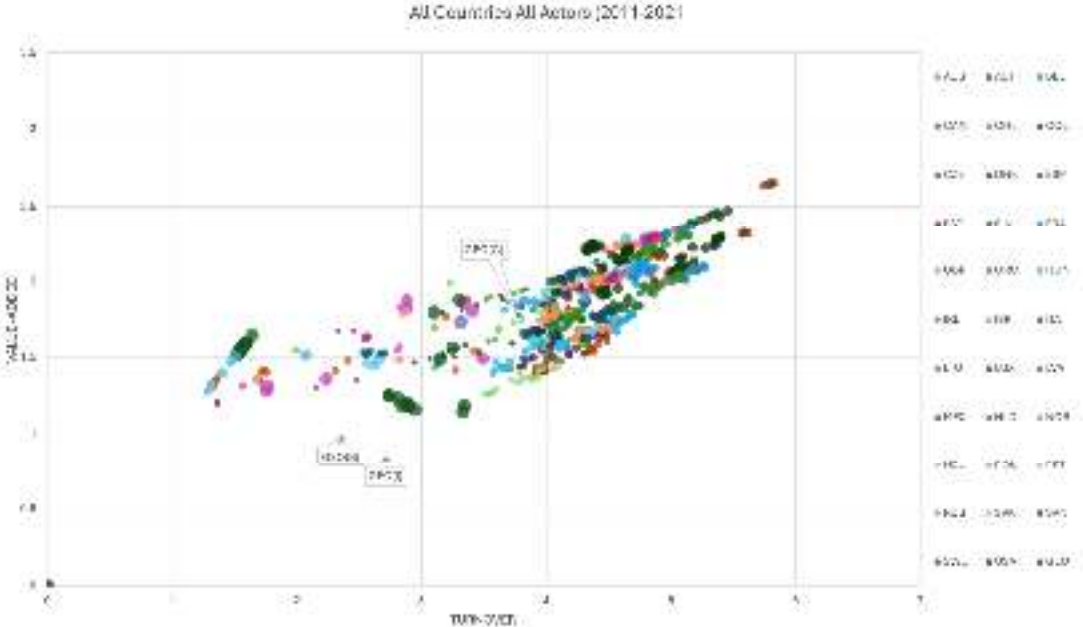
Figure 1 plots the relationship between turnover (x-axis) and value added (y-axis) across all countries over the period 2011–2021, with separate observations for business-originating, household- originating, and government- originating scenarios. The size of each data point reflects GDP per capita (PPP, international dollars).

A strong positive association between turnover and value added is evident, indicating that higher economic activity is generally associated with greater value creation. However, the dispersion around this relationship is substantial. For a given level of turnover, countries generate markedly different levels of value added, suggesting that activity alone is not sufficient to explain economic performance.

This dispersion reflects differences in circulation efficiency, which NIC is designed to capture. Economies located above the central tendency line exhibit higher value-added generation per unit of turnover, indicating more efficient internal propagation of economic activity.

The size dimension adds an important layer of interpretation. Higher-income economies tend to cluster in regions associated with higher value-added outcomes relative to turnover, suggesting that real economic development is associated with improvements in the efficiency of circulation rather than merely increases in scale.

Figure 1 Turnover - Value-added relationship



Source: OECD, Geostat, Author’s analysis

At the same time, the absence of a strict monotonic relationship indicates that high income is not mechanically tied to high turnover, reinforcing the conceptual distinction between volume (turnover multipliers) and efficiency (NIC).

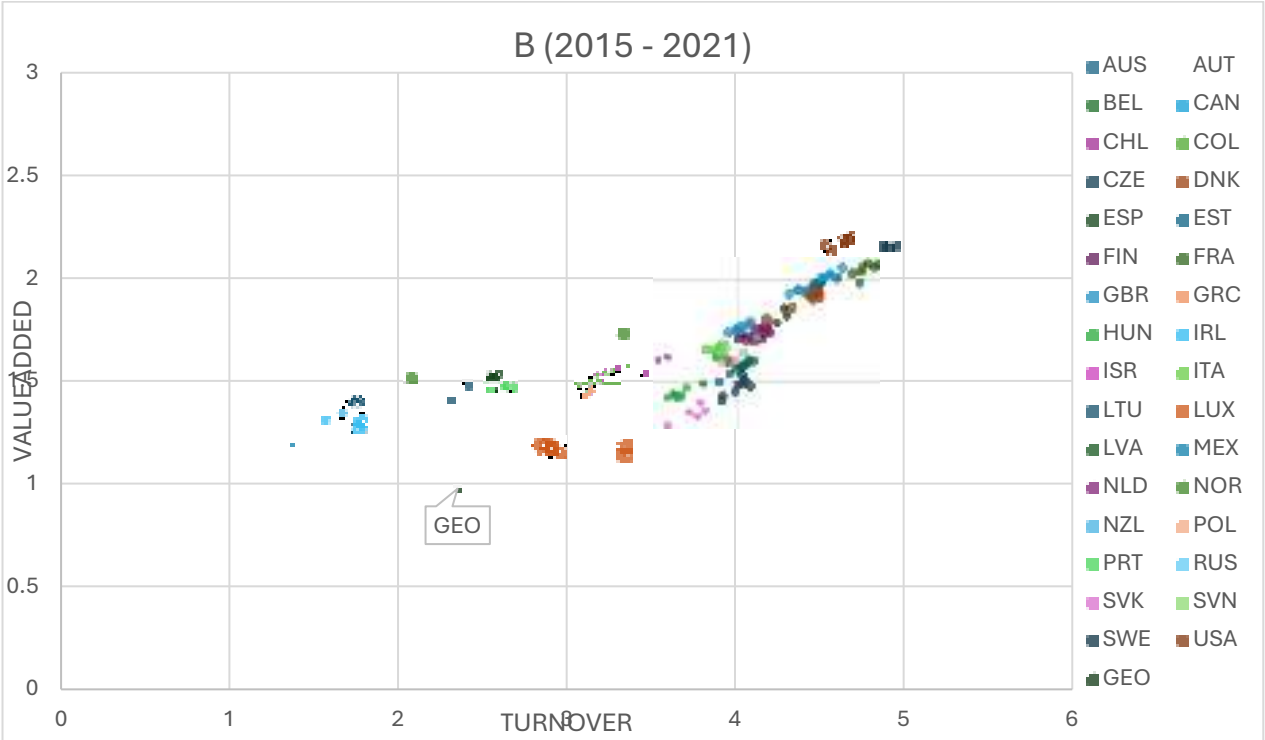
Within-Scenario Dynamics

Figures 2-4 replicate the turnover–value-added relationship (Figure 1) separately for each scenario over the period 2015–2021.

Disaggregating by scenario reveals additional structure.

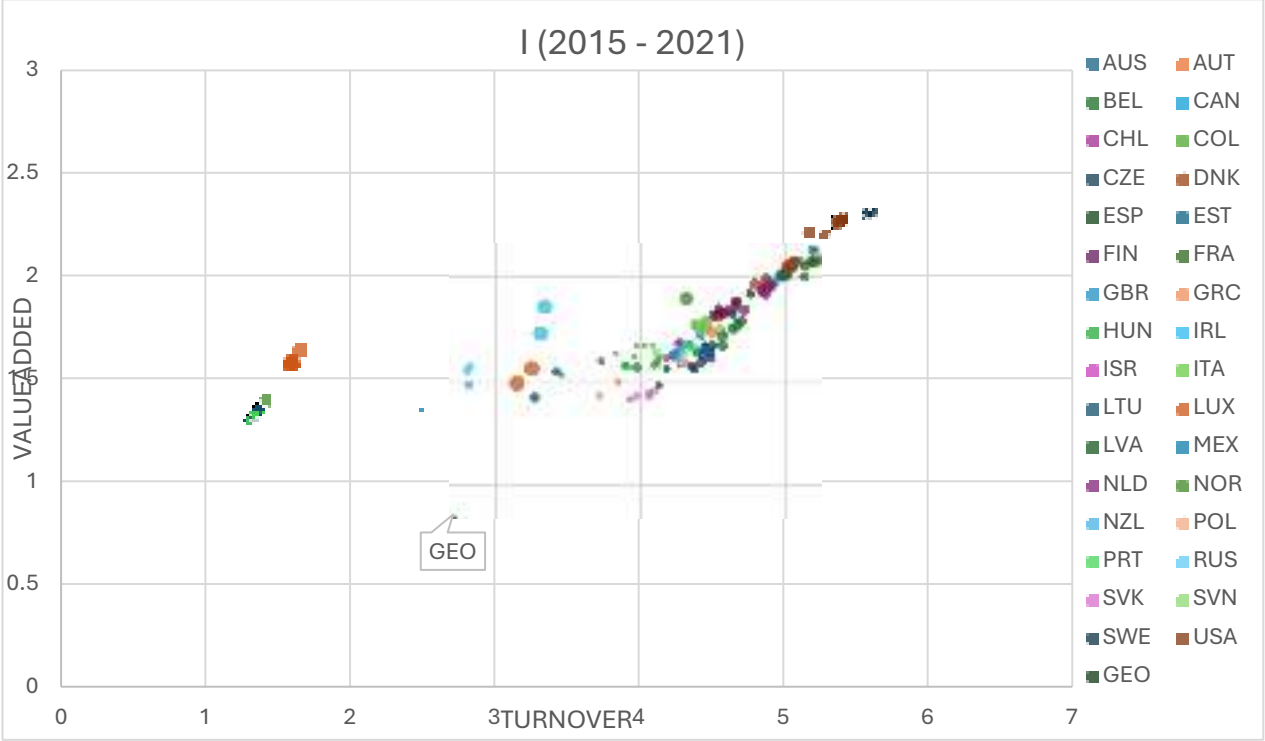
In the business-led scenario (Figure 2), the relationship between turnover and value added is relatively tight, indicating more predictable conversion of activity into value. This suggests that business-driven propagation mechanisms are relatively efficient and stable across countries.

Figure 2 Turnover vs Value-added benchmarking (Business-originating scenario)



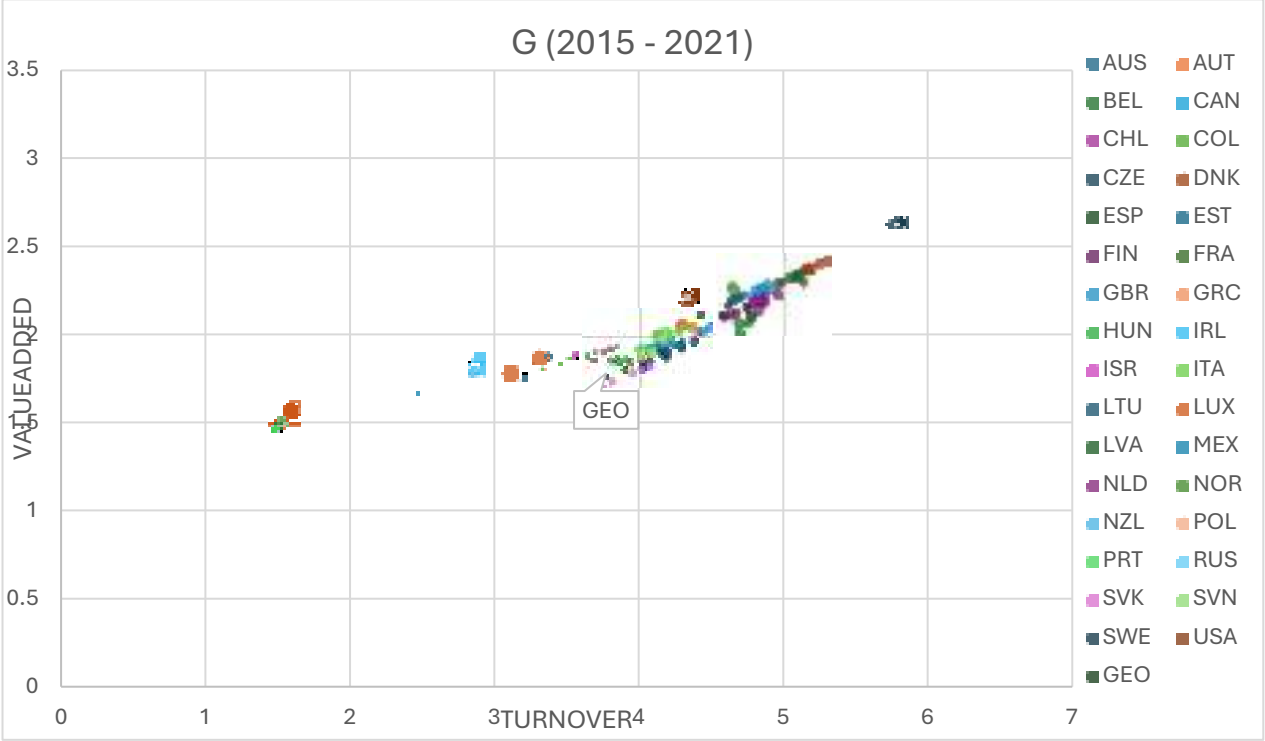
In the household-led scenario (Figure 3), dispersion increases, reflecting greater heterogeneity in how consumption-driven activity translates into value creation. This is consistent with differences in domestic production structures and import leakages.

Figure 3 Turnover vs Value-added benchmarking (Household-originating scenario)



In the government-led scenario (Figure 4), dispersion is the largest. Countries with similar levels of government-induced turnover exhibit widely different value-added outcomes, indicating that public-sector propagation mechanisms are highly sensitive to institutional and structural conditions.

Figure 4 Turnover vs Value-added benchmarking (Government-originating scenario)



Taken together, these results reinforce the interpretation of NIC as capturing scenario-specific efficiency of circulation, rather than a purely aggregate property.

Policy Frontier: Activity vs. Efficiency Trade-offs

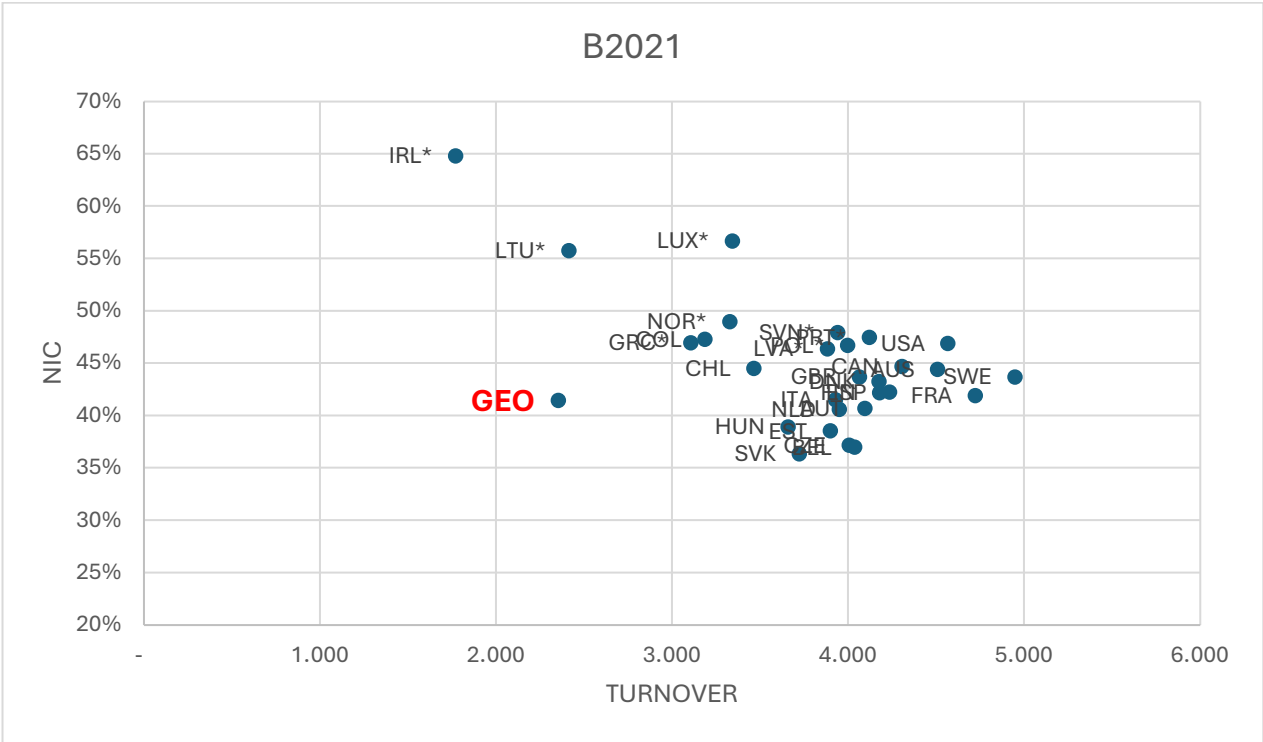
Figures 5-7 plot countries in a two-dimensional space defined by Turnover multipliers (x-axis) and NIC values (y-axis) for each scenario in 2021. These figures define a policy frontier, illustrating the trade-off between economic activity and circulation efficiency.

A key insight is that countries are not located along a single monotonic frontier. Instead, there is a clear dispersion of outcomes, indicating that higher turnover does not systematically correspond to higher NIC.

Across scenarios, several patterns emerge:

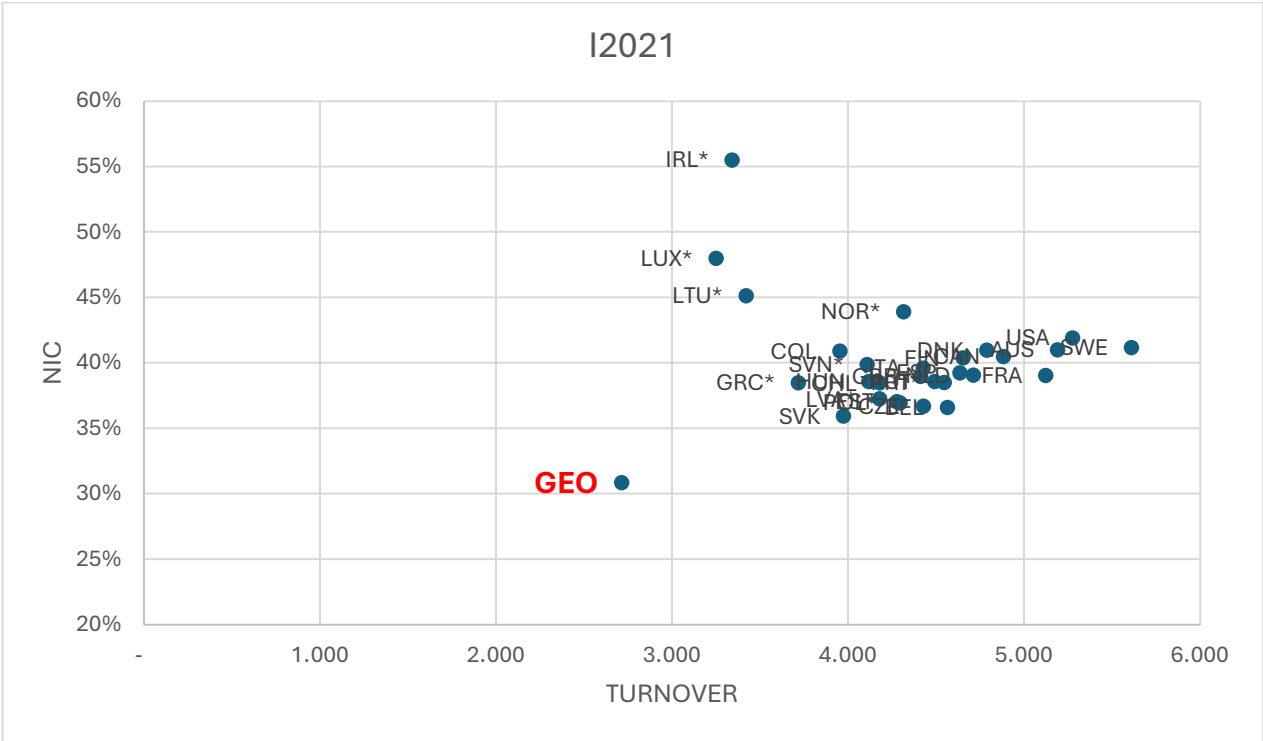
In the business-led scenario (Figure 5), countries with moderate turnover often achieve relatively high NIC, suggesting efficient value propagation even without maximal activity.

Figure 5 Turnover vs NIC (Business-originating scenario)



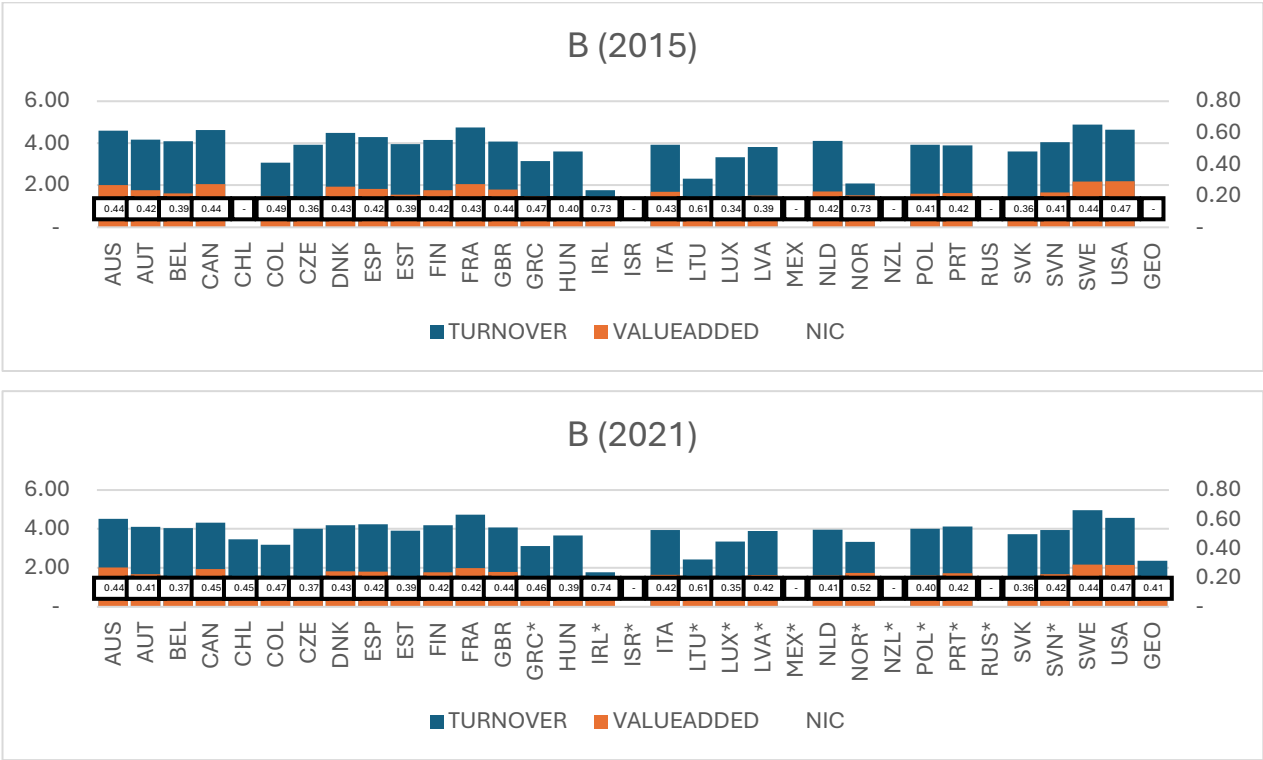
In the household-led scenario (Figure 6), higher turnover is more frequently associated with lower NIC, indicating that consumption-driven expansion may involve greater leakage or weaker value capture.

Figure 6 Turnover vs NIC (Household-originating scenario)



In the government-led scenario (Figure 7), the trade-off is most pronounced: some countries achieve high turnover with relatively low NIC, while others combine moderate turnover with higher efficiency.

Figure 8 benchmarking countries (Business-originating scenario)



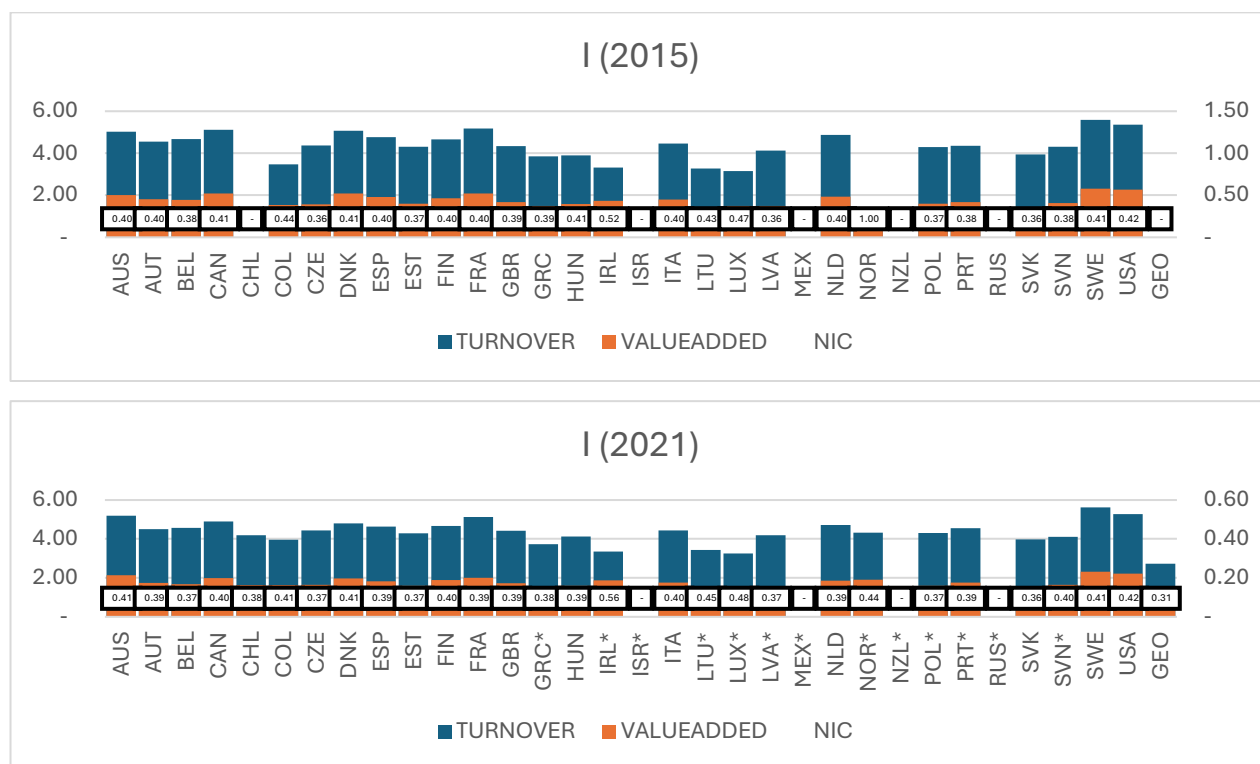
Source: OECD, Geostat, Author’s analysis

Two key findings emerge.

First, cross-country differences in NIC remain broadly stable across periods. While absolute values exhibit some variation—consistent with macroeconomic disruptions during COVID-19—the relative positioning of countries changes only marginally. Countries that exhibit high (or low) circulation efficiency in 2015 tend to retain similar positions in 2021.

Second, the qualitative relationships between turnover, value added, and NIC remain unchanged. In both periods, higher turnover does not systematically translate into higher value-added generation, and dispersion patterns across scenarios persist. In particular, government-led scenarios continue to exhibit the greatest heterogeneity, while business-led scenarios display comparatively tighter relationships.

Figure 9 Benchmarking countries (Household-originating scenario)

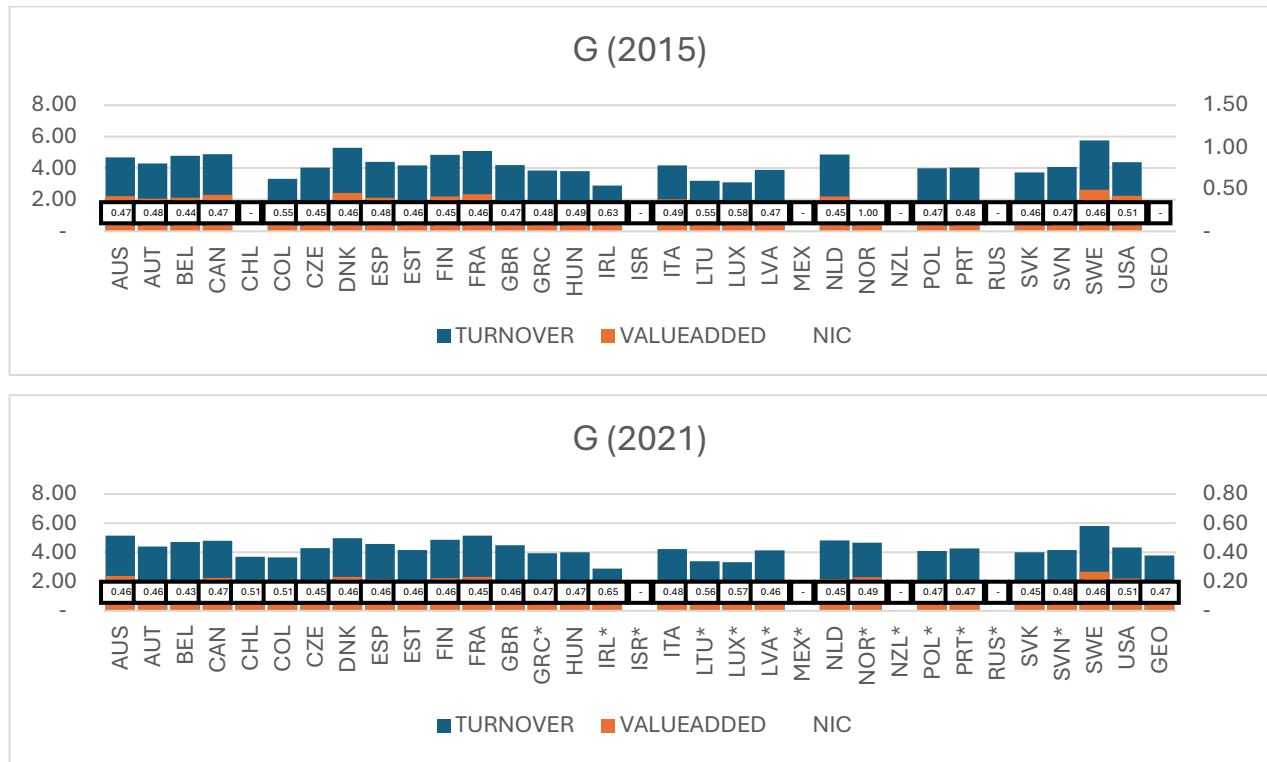


Source: OECD, Geostat, Author's analysis

These findings indicate that the core empirical patterns identified in the analysis are not driven by temporary shocks but instead reflect structural characteristics of economic organization.

Accordingly, the National Index of Circulation (NIC) appears to capture persistent features of how economic activity propagates within an economy, rather than short-term fluctuations associated with crisis conditions.

Figure 10 Benchmarking countries (Government-originating scenario)



Source: OECD, Geostat, Author’s analysis

Detailed tables for the analysis are presented in Annex 2.

Policy Simulation: Activity Versus Value Retention in Practice

The analysis above established cross-country regularities in circulation efficiency. This section turns the framework toward its intended use as a decision tool, applying it to a single economy (Georgia in 2021⁴) to illustrate how the National Index of Circulation distinguishes between policy initiatives that conventional activity measures would treat as broadly equivalent.

⁴ The steps of deriving multipliers for Georgia for 2021 is outlined in Annex 4.

Table 1 Policy Simulation Scenarios

Scenario	Scenario logic	Real-world mirror
S1 Public investment	A capital program entering through construction, linked utilities and domestic materials, with a slice for program administration.	A national infrastructure / roads program; donor-financed capital works (e.g. ADB- or World Bank-backed projects).
S2 Consumption support	Income support reaching households directly, with relief channeled through consumer-facing trade and hospitality.	A cost-of-living package: pension top-ups and targeted transfers combined with temporary VAT relief on consumer goods.
S3 Industrial / productivity	Concentrated in high-value-added, low-import knowledge and tradable activities.	An innovation / industrial-policy program: IT and BPO incentives, R&D and skills support, selective manufacturing upgrading.
S4 Tourism	Domestically produced services (lodging, food, transport, culture) with a local agricultural supply link.	A tourism-recovery and hospitality-support package, directly relevant to Georgia's development strategy.
S5 Public services	Expansion of state-provided services: public administration together with public education and health.	A public-sector pay-and-staffing expansion; scaling up of schooling and primary healthcare.
S6 Agriculture (value-chain)	Agricultural support spread across the chain: farm-household income, inputs and processing, distribution and logistics.	An integrated rural-development program: input co-financing, agro-credit, and value-chain (processing/marketing) support.
S7 Agriculture (production-only)	Grants concentrated at the farm gate; the downstream value chain is deliberately not supported.	Production-only grants to medium and large farms to raise output, Georgia's long-running agricultural support approach.

We construct seven stylized initiatives (Table 1), each represented as an injection of identical total size distributed across the institutional actors and productive activities according to the spending profile of a recognizable policy archetype (injection structures are given in Table 2 below). The injection is set at 1% of Georgia's GDP of 2021 (607.24 MGEL) so that the value-added multiplier

of each initiative converts directly into the domestic value added it would generate. Because all seven inject the same total, their turnover and value multipliers are directly comparable, and the National Index of Circulation, being scale-invariant, reflects only the structural efficiency of each entry profile. The scenarios are illustrative archetypes intended to demonstrate the method; they are not proposals, and the results are a demonstration of how the framework would inform a decision, not a causal ranking of policies for Georgia.

Table 2 Policy Simulation Scenarios: Injection Structure, Georgia 2021

Actor / activity	S1 Public investment	S2 Consumption support	S3 Industrial/ productivity	S4 Tourism	S5 Public services	S6 Agriculture (value- chain)	S7 Agriculture (production-only)
G (government final consumption)	0.15	-	-	-	0.45	-	-
I (household final consumption)	-	0.70	-	-	-	0.20	-
Agriculture, forestry, fishing	-	-	-	0.10	-	0.45	0.85
Manufacturing	0.10	-	0.25	-	-	0.15	0.10
Electricity, gas, steam, AC	0.10	-	-	-	-	-	-
Water, sewerage, waste	0.10	-	-	-	-	0.05	-
Construction	0.40	-	-	-	-	-	-
Wholesale & retail trade	-	0.20	-	0.15	-	0.10	-
Transportation and storage	0.15	-	-	0.20	-	0.05	0.05
Accommodation and food service	-	0.10	-	0.40	-	-	-
Information and communication	-	-	0.30	-	-	-	-
Financial and insurance	-	-	0.10	-	-	-	-
Professional, scientific, technical	-	-	0.25	-	-	-	-
Administrative and support	-	-	0.10	-	-	-	-
Education	-	-	-	-	0.275	-	-
Human health and social work	-	-	-	-	0.275	-	-
Arts, entertainment, recreation	-	-	-	0.15	-	-	-

Actor / activity	S1 Public investment	S2 Consumption support	S3 Industrial / productivity	S4 Tourism	S5 Public services	S6 Agriculture (value- chain)	S7 Agriculture (production-only)
Total	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Note: Education and Human health (S5) are recorded in the SUTs as single activities blending public, cost-valued output with private, market-valued output; the publicly available data do not separate the two, so S5's value-retention reading should be interpreted with that ambiguity in mind. The financial services share in S3 carries partly imputed (FISIM) value added.

The simulation uses Georgia's observed 2021 expenditure structure. As the pre- versus post-pandemic stability analysis indicated that relative circulation positions changed only marginally between 2015 and 2021, the 2021-based results are unlikely to be artifacts of pandemic-period distortion.

Table 3 Simulation results, Georgia 2021 (injection = 607.24 mln GEL, 1% of GDP)

Initiative	Turnover mult.	Value mult.	NIC	Value added created (mln GEL)	Turnover rank	Value rank	NIC rank
S1 Public investment	2.70	1.05	0.39	637.6	2	3	6
S2 Consumption support	2.57	0.890	0.35	540.5	4	5	7
S3 Industrial / productivity	2.58	1.12	0.43	678.2	3	2	3
S4 Tourism	1.89	0.79	0.42	479.6	6	7	4
S5 Public services	3.32	1.52	0.46	921.9	1	1	2
S6 Agriculture: value- chain support	2.18	0.90	0.41	544.4	5	4	5
S7 Agriculture: production-only grants	1.88	0.887	0.47	539.0	7	6	1

Initiative	Turnover mult.	Value mult.	NIC	Value added created (mln GEL)	Turnover rank	Value rank	NIC rank
Benchmark: pure household injection NIC_I	2.71	0.84	0.31				
Benchmark: pure government injection NIC_G	3.77	1.78	0.47				
Benchmark: business aggregate NIC_B	2.35	0.98	0.41				
Benchmark: pure Agriculture injection $NIC_{AGRICULTURE}$	1.78	0.90	0.50				

Source: Geostat supply and use tables (2021); IMF World Economic Outlook (GDP); author's analysis. Value added created = value multiplier \times 607.24 mln GEL. Pure-injection benchmarks are reported as reference points against which the mixed initiatives are read.

The central finding: activity ranking and value-retention ranking diverge sharply

The two rank columns in Table 3 are almost mirror images, and that divergence is the point of the exercise. The initiative generating the most gross activity is not the one retaining the most value, and in several cases the ordering reverses outright. Production-only agricultural grants (S7) generate the least gross circulation of any initiative (a turnover multiplier of 1.88, last in the table) yet retain the highest share of that circulation as domestic value (NIC 0.47, first in the table). Public investment (S1) is the reverse: second highest on activity (2.70) but sixth of seven on value retention. A decision-maker ranking these initiatives by the economic activity they stimulate would order them almost oppositely to one ranking them by value retained.

This is the paper's thesis made operational: turnover and retained value are distinct dimensions, and an initiative can set substantial circulation in motion while leaving comparatively little domestic value behind — or generate little activity while retaining value efficiently. The reordering between the columns is precisely the diagnostic content the National Index of Circulation adds to a

conventional multiplier appraisal.

In monetary terms — the form most useful to a policymaker — the divergence is concrete. On an identical 607.24 mln GEL program, the industrial/productivity initiative (S3) generates about 678 mln GEL of domestic value added, against about 540 mln GEL for consumption support (S2): a difference of roughly 140 mln GEL in retained value for the same outlay, traceable to S3's higher circulation efficiency (NIC 0.43 against 0.35). Across the seven initiatives, the ranking by economic activity and the ranking by NIC are essentially unrelated (Spearman $\rho = -0.18$), and the ranking by total value created correlates only weakly with the NIC ranking ($\rho = 0.11$). Given the seven-scenario design these coefficients are descriptive rather than inferential; the point is not that the correlations are statistically distinguishable from zero but that they are low — were NIC merely a re-expression of the turnover or value multipliers, the rankings would largely coincide, and they do not.

The agriculture comparison: same sector, opposite delivery, divergent efficiency

The two agricultural initiatives isolate a delivery-design choice within a single policy domain, and they mirror an actual, long-running Georgian debate: support the whole value chain or pay farms to produce. The result is instructive. Integrated value-chain support (S6) and production-only grants (S7) generate almost identical total value added (544 vs 539 mln GEL), yet they sit at opposite ends of the activity and efficiency rankings. S6 sets more money in motion (turnover 2.18 vs 1.88) by activating downstream processing, logistics, and distribution; S7 concentrates injection at the farm gate and circulates less but retains a higher share of what it circulates (NIC 0.47 vs 0.41).

The interpretation requires care, because S7's chart-topping NIC should not by itself recommend it. S7 retains a higher share of a smaller circulation: its high NIC reflects that primary agriculture in Georgia is a short, domestically-contained, low-import circulation path (high retention ratio, but low amplification) not that production-only grants create more value. Indeed, they create marginally less total value than value-chain support while generating substantially less economic activity. Which design is preferable therefore depends on the objective: if the goal is value-efficient retention per unit of circulation, S7; if the goal is broader activity and employment across the rural

economy, S6; and on total value created the two are effectively equivalent. The framework does not pick the winner, it makes the trade-off explicit, which is exactly what a turnover-only or budget-only appraisal cannot do.

Why the highest-NIC initiative does not settle the ranking

S7 (production-only grants) records the highest NIC in the table, but a high index does not by itself make it the preferred policy, and the reason is intrinsic to the measure. S7 is also the lowest-turnover initiative, and NIC, as a ratio of value to circulation, rises when the denominator is small. Its high efficiency reflects a short, low-leakage but also low-amplification circulation path (money that stays domestic but does not travel far) rather than exceptional value creation; recall that S7 generates marginally less total value than S6 while setting far less activity in motion. Just as the highest-turnover initiative is not necessarily the most value-efficient, the highest-NIC initiative is not automatically the best policy. NIC is a structural accounting measure of how efficiently circulation converts to recorded value; it must be read alongside the turnover multiplier (how much activity is generated) and the value multiplier (how much value is created in total), never maximized in isolation.

Two interpretive cautions attach to specific scenarios. The public-services initiative (S5) tops the value and turnover measures, but its recorded value retention should be read with a measurement caveat that the data cannot fully resolve. Part of S5's output is general government and public administration, which is non-market and valued in the national accounts at cost (compensation plus intermediate consumption plus consumption of fixed capital, with no operating surplus), so its measured value added is mechanically high. The education and health components, however, blend publicly-produced output with a substantial private, market-valued share (private universities, clinics, and schools) and the publicly available supply and use tables do not separate the two. S5's value retention therefore mixes a cost-valuation component with genuine market value added in unknown proportion, and its position should be interpreted with that ambiguity in mind rather than taken at face value. A smaller, parallel caveat applies to the financial-services component of S3, whose value added is partly imputed (FISIM). In both cases the framework faithfully reports recorded value added; what it cannot do is disentangle market value from accounting imputation where the source data does not allow it.

Interpreting the spread

Across the seven initiatives NIC ranges from 0.35 to 0.47. This band is narrower than the spread across the pure injection benchmarks, and the compression is expected: realistic policy mixes draw on overlapping sets of productive activities and so cluster more tightly than stylized single-origin injections. The discriminating power of the measure at the policy-mix level is real but bounded. Even so, the range is economically meaningful, the gap between the least value-retentive market initiative (S2, NIC 0.35) and the most (S7, NIC 0.47) corresponds to roughly a third more domestic value per unit of circulation, and the monetary illustrations above show that at program scale these differences translate into hundreds of millions of GEL.

Dynamic Transmission of Circulatory Efficiency

Having shown how the framework discriminates between policy designs at a point in time, we now turn to a more tentative, exploratory question: whether changes in circulation efficiency are associated with subsequent growth. The results of this section are secondary to the structural and simulation findings above and should be read as suggestive rather than confirmatory. To evaluate this, we estimate a distributed-lag panel specification over horizons t through $t+3$ using log-difference transformations of both GDP per capita and NIC measures.

The estimating equation takes the form:

$$\Delta \ln GDP_{i,t+h} = \alpha_i + \gamma_t + \beta_B \Delta \ln NIC_{i,t}^B + \beta_G \Delta \ln NIC_{i,t}^G + \beta_I \Delta \ln NIC_{i,t}^I + \theta X_{i,t} + \varepsilon_{i,t+h}$$

Where:

- α_i denotes country fixed effects,
- γ_t year fixed effects,
- $h \in \{0,1,2,3\}$,
- and interaction terms are included for below-median income economies.

The differenced specification reduces concerns associated with non-stationarity and persistent cross-country level effects, allowing the analysis to focus on structural changes in circulation efficiency rather than static differences in economic scale.

The results in Table 4 suggest substantial heterogeneity in the temporal association between circulation dynamics and growth across development groups.

For above-median economies, contemporaneous changes in business-led circulation efficiency exhibit a positive association with GDP growth ($\beta=0.34$, $p<0.10$), consistent with production systems characterized by relatively dense domestic linkages and rapid transmission of value-added effects. Given the same-year construction of the output weights underlying NIC_B , this contemporaneous association should be read with particular caution, as it cannot be cleanly separated from the compositional response of output shares to the same-year shock; the lagged-horizon results, which are not subject to this simultaneity, carry the more interpretable weight.

By contrast, below-median economies display delayed temporal associations. Government-linked circulation efficiency becomes positively associated with growth at the one-year horizon, while household-linked circulation efficiency exhibits statistically significant positive interactions at intermediate horizons (t+2 and t+3). This pattern is consistent with the interpretation that domestic demand propagation mechanisms may play a larger medium-term role in this group of economies.

Table 4 Dynamic Transmission of injection-origin-specific Circulatory Efficiency on GDP Growth (t to t+3)⁵

	Relay_models.1	relay_models.2	relay_models.3	relay_models.4
Dependent Var.:	d_gdp_0	d_gdp_1	d_gdp_2	d_gdp_3
d_NIC_B	0.3416* (0.1814)	-0.1795 (0.1143)	-0.1245 (0.1326)	-0.0862 (0.1262)
d_NIC_G	0.0440 (0.1111)	-0.1227 (0.0822)	0.1734 (0.1235)	0.0763 (0.1379)
d_NIC_I	0.0175 (0.0766)	0.0654 (0.0522)	-0.0907* (0.0491)	0.0511 (0.0455)
lower_wealth	0.0033 (0.0034)	0.0055 (0.0051)	0.0179** (0.0065)	0.0063 (0.0047)
d_NIC_B x lower_wealth	-0.2847 (0.2398)	0.1381 (0.1554)	0.0900 (0.2258)	-0.0542 (0.1659)
d_NIC_G x lower_wealth	-0.0278 (0.2044)	0.1977* (0.1133)	-0.2502 (0.1637)	-0.1415 (0.1308)
d_NIC_I x lower_wealth	-0.0511 (0.0942)	-0.1359 (0.1141)	0.1865** (0.0791)	0.1513** (0.0636)
Fixed-Effects:	-----			

⁵ The dependent variables are the log-differences of real GDP per capita at horizons t through t+3. Independent variables $\Delta \ln NIC_s$ represent the log-differenced growth rates of the National Index of Circulation for the Business (B), Government (G), and Household (I) sectors, derived from a unified propagation matrix. lower_wealth is a time-invariant dummy variable identifying economies below the sample median wealth level within the advanced and transition nation cohort. All models are estimated using OLS with Country and Year fixed effects. Standard errors clustered at the country level are reported in parentheses. Signif. codes: 0 ‘****’ 0.01 ‘***’ 0.05 ‘**’ 0.10. Total observations (N = 170).

COUNTRY	Yes	Yes	Yes	Yes
YEAR	Yes	Yes	Yes	Yes
S.E.: Clustered	by: COUNTRY	by: COUNTRY	by: COUNTRY	by: COUNTRY
Observations ⁶	170	170	170	170
R2	0.83739	0.83840	0.83034	0.84674
Within R2	0.03938	0.03162	0.06947	0.05277
Signif. Codes: 0 ‘****’ 0.01 ‘***’ 0.05 ‘**’ 0.1 ‘*’ 1				

Source: Author’s analysis

The estimation sample comprises the 32 economies reporting at least two years of computable indices, yielding 170 country-year observations after “first-differencing”. Because the dependent variable is itself a first difference at each horizon, the leads do not trim the panel relative to the contemporaneous specification, and the observation count is therefore constant across the t through t+3 horizons.

Importantly, the explanatory contribution of NIC dynamics should be interpreted cautiously. While total model R² values remain high due to the inclusion of country and year fixed effects, within-R² values indicate that NIC dynamics explain a modest share of short-run within-country variation. Accordingly, the results are interpreted as evidence of structured temporal association rather than causal identification.

Conclusion

This study examined the empirical properties of the National Index of Circulation (NIC) across a panel of advanced and transition economies from 2011 to 2021. By shifting analytical attention from aggregate turnover volume toward the structural efficiency of domestic value propagation, the analysis provides a framework for distinguishing between economies that generate high levels of transactional activity and those that more effectively retain value within domestic circulation networks.

The results suggest that economic scale and circulation efficiency constitute analytically distinct

⁶ the estimation sample is the set of country-years for which NIC changes can be computed from available SUTs (an unbalanced panel), that GDP outcomes at horizons t+1 through t+3 are drawn from IMF data available for those forward years, and that is the resulting sample of 170 country-year observations.

dimensions of economic performance. Substantial dispersion in value-added generation across comparable levels of turnover indicates that the capacity to retain and recirculate value domestically differs meaningfully even among high-income economies. Economies with higher income levels tend to cluster along more efficient circulation configurations, implying that long-run development is associated not only with expanding economic activity, but also with qualitative improvements in domestic value-retention structures and intersectoral linkages.

Applied to Georgia, the framework demonstrates how this distinction operates as a practical decision tool. Across seven stylized initiatives of equal budget, the ranking by economic activity and the ranking by value retention proved almost mirror images: the initiative generating the most gross circulation was among the least value-retentive, while initiatives generating less activity retained more value per unit circulated. A pure household-consumption injection retained the least domestic value of any entry point, reflecting the import intensity of consumer demand; and within agricultural support, integrated value-chain and production-only designs generated nearly identical total value but sat at opposite ends of the activity and efficiency rankings, so that the choice between them turns on a value-retention dimension entirely invisible to conventional multiplier appraisal. The framework does not select a single best policy; it makes explicit a trade-off that activity-based or budget-based appraisal cannot.

This use of the framework carries a methodological caution. Neither the highest-turnover nor the highest-NIC initiative is automatically the preferred choice: a high turnover multiplier may reflect extensive but low-value circulation, while a high NIC may reflect a short, low-amplification circulation path that retains a large share of a small flow. NIC is therefore a diagnostic to be read alongside the scale of activity and the total value generated, not a single quantity to be maximized. Used in this way — as one of three jointly interpreted measures rather than an optimand — it adds a dimension of value retention to policy appraisal without displacing the conventional concern with economic scale.

The simulation should be understood as a demonstration of method, applied to a single country and year with illustrative injection profiles, rather than as a validated ranking of policies for Georgia; its contribution is the analytical distinction it makes visible, not a causal claim about which initiative is best.

The dynamic panel analysis further reveals heterogeneous temporal associations between sector-specific circulation efficiency and subsequent growth dynamics over short- and medium-term

horizons. For above-median economies, changes in business-originating circulation efficiency are positively associated with growth outcomes, consistent with production systems characterized by relatively dense domestic linkages and rapid transmission of value-added effects. Below-median economies display differentiated temporal responses — government-linked circulation dynamics at shorter lags, household-linked efficiency at intermediate horizons — suggesting that domestic demand propagation mechanisms play a larger medium-term role in this group of economies.

These findings should be interpreted cautiously. The relatively modest within- R^2 values are consistent with the broader macro-panel literature, where fixed effects absorb much of the persistent cross-country variation in economic performance. Accordingly, the empirical results are interpreted not as evidence of causal identification, but as indicative of structured temporal associations between circulation efficiency and growth dynamics. The contribution of the NIC framework therefore lies less in providing a deterministic growth model than in offering a structural lens through which differences in domestic value propagation and retention may be systematically compared across economies.

Within the limitations discussed in the methodology chapter, the analysis suggests that the composition, timing, and institutional origin of circulation dynamics may matter for understanding heterogeneous development trajectories even among advanced economies. More broadly, the findings support the view that long-run economic performance depends not only on the scale of economic activity, but also on the structural efficiency with which value circulates through and is retained within the domestic economy.

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Annex 1 Data mapping

Table 5 Spending Profile Matrix Mapping

	O	G	I	B1	B2	B3	B4	B5	B6	B7	B8	B9	B10	B11	B12	B13	B14	B15	B16	B17	B18	B19
o	Not Relevant	P7 (if provided in SUPPLY Table)	Value of P33 column for _T {direct purchases from abroad} row in SUPPLY table	For each B _s , g equals P7 column for respective s th row in SUPPLY table] divided by total output [P.1 row in USE Table for respective s th sector]																		
g		Same as for Businesses from respective rows		For each B _s , g equals sum of values of D.29-D.39 rows in USE table divided by total output [P.1 row in USE Table for respective s th sector]																		
i				For each B _s , i equals sum of values of D.1, T and U rows in USE table divided by total output [P.1 row in USE Table for respective s th sector]																		
b1		<p>Each b_m equals values in respective rows from P32 column divided by OTRS13 [Revenue of general government] from The National Accounts at a Glance <small>(N.A.G.) chapter 6: Government</small></p> <p>Each b_m equals values in respective rows from P31 column divided by B6N_R_PPP_P3IS14 [Real net disposable income of households and NPISH, deflated by final consumption expenditure of households and NPISH] from The National Accounts at a Glance (NAAG) chapter 5: households</p>		For each B _s , b _m equals values of respective rows (A-U) from USE table multiplied by (1 – column P7/column TS [i.e. imports share in total supply - both from respective m th row in SUPPLY from columns (A-U) from USE table																		
b2																						
b3																						
b4																						
b5																						
b6																						
b7																						
b8																						
b9																						
b10																						
b11																						
b12																						

	Industry, NACE rev.2	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	To	as	T	D	21	D	P7	P7	P7	To	
	Product, CPA 2008	Agriculture, forestry and fishing	Mining and quarrying	Manufacturing	Electricity, gas, steam and air conditioning supply	Water supply; sewerage, waste management and remediation activities	Construction	Wholesale and retail trade; repair of motor vehicles and motorcycles	Transportation and storage	Accommodation and food service activities	Information and communication	Financial and insurance activities	Real estate activities	Professional, scientific and technical activities	Administrative and support activities	Public administration and defence; compulsory social security	Education	Human health and social work activities	Arts, entertainment and recreation	Other service activities	Activities of households as employers, undifferentiated	Activities of extra-territorial organisations and bodies	Output, total	Trade and transport margins	Taxes on products	Subsidies on products	Import of goods	Import of services	Import, total	Resources, total			
T	Services of households as employers; undifferentiated goods and services producing activities of household for own use																																
U	Services provided by of extra-territorial organisations and bodies																																
	Total																																

Annex 3 National statistical data

Table 8 dynamics of National Index of Circulation over years

COUN TRY	GDPPCP PP2015*	GDPPC PPP2020	GDPPC PPP2021	GDPPC PPP2022	NIC B2015	NIC I2015	NIC G2015	NIC B2020	NIC I2020	NIC G2020	NIC B2021	NIC I2021	NIC G2021
AUS	47,044	53,803	60,328	65,920	0.437	0.401	0.475	0.446	0.410	0.463	0.444	0.410	0.463
AUT	51,174	58,627	63,746	71,524	0.423	0.398	0.480	0.420	0.396	0.473	0.407	0.386	0.461
BEL	48,212	56,199	62,042	68,905	0.392	0.380	0.444	0.391	0.376	0.439	0.370	0.366	0.433
CAN	46,267	48,630	56,223	61,714	0.444	0.406	0.470	0.441	0.401	0.460	0.447	0.405	0.468
CHL	23,674	25,237	28,759	31,235				0.476	0.428	0.533	0.445	0.385	0.506
COL	14,075	15,588	17,725	20,157	0.485	0.442	0.545	0.472	0.410	0.506	0.473	0.409	0.515
CZE	35,680	44,823	49,944	53,448	0.360	0.356	0.453	0.382	0.371	0.452	0.372	0.367	0.452
DNK	51,577	62,775	70,543	76,301	0.431	0.410	0.458	0.431	0.409	0.460	0.433	0.410	0.465
ESP	36,720	39,294	44,025	49,456	0.424	0.403	0.481	0.434	0.404	0.472	0.422	0.393	0.465
EST	30,882	40,672	45,064	47,664	0.390	0.369	0.460	0.394	0.374	0.458	0.385	0.371	0.459
FIN	43,670	53,338	57,426	61,828	0.425	0.398	0.454	0.429	0.407	0.458	0.422	0.404	0.457
FRA	42,316	49,599	54,017	59,070	0.434	0.401	0.462	0.433	0.403	0.458	0.419	0.390	0.449
GBR	43,454	47,988	52,673	58,879	0.439	0.386	0.471	0.441	0.389	0.459	0.437	0.390	0.459
GRC	27,254	29,478	33,233	38,435	0.467	0.388	0.482	0.463	0.385	0.470			
HUN	26,876	35,515	39,134	43,901	0.397	0.405	0.491	0.397	0.391	0.471	0.389	0.386	0.470
IRL	71,975	97,525	116,018	131,936	0.731	0.522	0.630	0.741	0.555	0.648			
ISR	36,656	40,959	46,272	51,662									
ITA	39,677	44,285	50,377	56,768	0.428	0.402	0.486	0.430	0.402	0.477	0.415	0.396	0.477
LTU	29,777	41,481	46,566	50,721	0.612	0.435	0.552	0.613	0.451	0.558			
LUX	111,437	122,907	140,411	146,316	0.344	0.473	0.577	0.355	0.480	0.567			
LVA	24,812	32,617	35,439	39,011	0.392	0.358	0.465	0.417	0.373	0.464			
MEX	19,394	19,141	20,814	22,951									
NLD	52,508	62,719	69,552	77,729	0.415	0.395	0.452	0.416	0.400	0.452	0.406	0.391	0.446
NOR	61,472	67,047	89,096	97,466	0.731	1.000	1.000	0.521	0.439	0.490			
NZL	39,344	44,756	47,446	52,135									
POL	27,078	36,657	41,671	47,222	0.407	0.373	0.474	0.401	0.370	0.467			

COUN TRY	GDPPCP PP2015*	GDPPC PPP2020	GDPPC PPP2021	GDPPC PPP2022	NIC B2015	NIC I2015	NIC G2015	NIC B2020	NIC I2020	NIC G2020	NIC B2021	NIC I2021	NIC G2021
PRT	30,207	35,663	38,691	44,086	0.416	0.384	0.483	0.417	0.385	0.475			
RUS	24,710	31,491	38,638	40,939									
SVK	28,157	35,334	38,349	41,458	0.360	0.358	0.462	0.370	0.355	0.450	0.364	0.359	0.454
SVN	32,546	41,898	46,254	50,933	0.407	0.379	0.473	0.422	0.399	0.479			
SWE	49,074	57,346	62,904	67,922	0.444	0.414	0.458	0.440	0.414	0.456	0.437	0.412	0.457
USA	57,007	64,454	71,232	77,801	0.471	0.423	0.511	0.478	0.429	0.514	0.469	0.419	0.509
GEO	12,292	16,817	18,814	22,607							0.415	0.309	0.472

* Gross domestic product per capita, current prices, Purchasing power parity; international dollars

Source: author's analysis

Annex 4 Case of Georgia

Table 9 Supply, 2021 (Current prices, mil. GEL)

CPA 2008	Industry, NACE rev.2	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	TotBP	TTM	D21	D31	P71	P72	P7	ToIPP
		Agriculture, forestry and fishing	Mining and quarrying	Manufacturing	Electricity, gas, steam and air conditioning supply	Water supply, sewerage management and remediation activities	Construction	Wholesale and retail trade; repair of motor vehicles and motorcycles	Transportation and storage	Accommodation and food service activities	Information and communication	Financial and insurance activities	Real estate activities	Professional, scientific and technical activities	Administrative and support service activities	Public administration and defence; compulsory social security	Education	Human health and social work activities	Arts, entertainment and recreation	Other service activities	Activities of households as employers; undifferentiated goods producing activities of households (for own use)	Activities of extra-territorial organisations and bodies	Output, total	Trade and transport margins	Taxes on products	Subsidies on products	Import of goods	Import of services	Import, total	Resources, total
A	Products of Agriculture, forestry and fishing	6,745.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,745.7	882.9	228.5	191.3	832.8	15.1	847.9	8,513.6
B	Mining and quarrying products	-	1,387.2	9.0	-	-	4.8	3.0	3.6	-	-	-	0.9	-	58.0	-	-	-	-	-	-	1,466.4	791.6	163.6	-	2,314.7	-	2,314.7	4,736.3	
C	Manufactured products	-	20.0	20,230.2	0.2	4.6	120.7	441.6	6.4	19.8	-	-	33.8	3.2	30.3	-	0.1	0.2	-	0.1	-	20,911.2	12,361.5	5,973.2	36.0	25,681.6	164.3	25,845.9	65,055.8	
D	Electricity, gas, steam and air conditioning	-	-	0.5	2,272.9	-	118.6	0.0	-	-	-	-	14.4	3.5	0.3	-	-	-	-	-	-	2,410.2	153.9	244.6	14.2	1,033.4	-	1,033.4	3,827.9	
E	Water supply; sewerage, waste management and remediation services	-	-	-	22.0	719.5	10.7	0.1	0.1	-	-	-	0.1	-	0.9	-	-	-	-	0.0	-	-	753.5	102.7	68.1	1.8	34.3	-	34.3	956.7
F	Constructions and construction works	-	5.2	60.8	2.2	-	9,800.5	8.7	1.1	34.3	-	-	5.7	1.6	5.5	-	-	0.9	-	-	-	9,926.6	-	312.6	-	-	49.7	49.7	10,288.9	
G	Wholesale and retail trade, repair of motor vehicles and motorcycles	-	22.6	150.8	181.8	3.8	53.7	11,621.6	76.7	10.4	9.4	-	61.5	47.9	36.7	-	0.0	0.5	0.4	3.0	-	12,280.7	(11,278.9)	26.7	-	-	-	-	1,028.5	
H	Transportation and storage services	-	-	6.4	-	4.8	34.9	6,076.5	0.1	1.3	-	27.0	1.6	16.2	26.9	-	0.3	-	0.1	-	-	6,169.2	(2,793.8)	265.9	36.0	-	3,700.9	3,700.9	7,306.2	
I	Accommodation and food services	-	-	0.1	-	53.0	0.0	-	3,766.3	-	-	15.7	0.0	-	-	-	-	-	1.5	0.1	-	3,836.7	-	125.8	-	-	158.2	158.2	4,120.8	
J	Information and communication services	-	-	0.0	-	3.7	1.7	10.7	2.8	2,618.5	-	4.1	4.0	6.3	3.2	-	-	-	2.5	-	-	2,654.3	54.7	252.0	-	50.2	317.4	367.6	3,328.6	
K	Financial and insurance services	-	-	-	-	-	-	-	-	-	-	3,798.7	-	-	-	-	-	-	-	-	-	3,798.7	(274.5)	-	-	-	463.2	463.2	3,987.4	
L	Real estate services	-	-	0.6	-	4.8	3.1	2.1	4.1	-	-	5,954.6	0.0	3.3	-	-	-	-	4.1	-	-	5,976.8	-	166.3	-	-	298.2	298.2	6,441.3	
M	Professional, scientific and technical services	-	-	0.6	-	0.4	33.0	-	0.3	0.1	-	3.7	1,730.0	0.1	-	-	-	-	-	-	-	1,768.2	-	78.2	8.9	0.0	188.3	188.3	2,025.9	
N	Administrative and support service activities	-	1.1	6.0	-	1.0	1.0	2.2	1.1	93.8	-	0.7	-	601.6	-	-	-	-	-	-	-	708.5	-	57.1	-	-	204.1	204.1	969.7	
O	Public administration and defence; compulsory social security services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,095.4	-	-	-	-	-	5,095.4	-	24.7	-	-	-	-	5,120.1	
P	Education services	-	-	0.0	-	-	0.0	-	1.3	-	-	1.2	0.0	0.0	-	2,948.5	1.6	-	-	-	-	2,952.7	-	-	-	-	161.4	161.4	3,114.2	
Q	Human health and social work services	-	-	2.4	-	-	5.1	1.6	0.1	2.2	-	4.2	0.3	0.0	-	0.8	4,632.5	-	-	-	-	4,648.2	-	-	-	-	48.0	48.0	4,697.2	
R	Arts, entertainment and recreation services	-	-	-	-	2.2	0.0	-	5.9	0.0	-	3.7	1.1	3.5	-	-	-	3,751.4	-	-	-	3,767.7	-	192.9	-	3.0	18.5	21.5	3,982.1	
S	Other services	-	-	-	-	0.0	1.1	-	0.6	-	-	4.4	-	0.0	-	-	-	5.6	-	799.2	-	810.8	-	6.0	-	-	45.2	45.2	862.1	
T	Services of households as employers; undifferentiated goods and services producing activities of household for own use	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	48.8	-	48.8	-	-	-	-	-	-	48.8	
U	Services provided by of extra-territorial organisations and bodies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Total	6,745.7	1,436.0	20,466.7	2,479.7	727.9	10,184.0	12,151.4	6,179.6	3,849.3	2,723.2	3,798.7	6,135.6	1,793.2	762.6	5,095.4	2,949.7	4,641.2	3,760.1	802.4	48.8	96,731.4	0.0	8,186.2	288.1	29,950.0	5,832.5	35,782.6	140,412.0	

Source: GEOSTAT

Table 10 Use, 2021 (Current prices, mil. GEL)

NACE rev.2		Industry, NACE																			TotI	P31	P32	P3	P61	P62	P6	P51	P52	P5	FD	Tot2			
CPA 2008	rev.2	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	Intermediate consumption, total	Final consumption expenditure by households and non-profit organisations (MHSI)	Final consumption expenditure by government	Export of goods	Export of services	Export, total	Gross fixed capital formation	Changes in inventories	Gross capital formation	Final uses	Use, total		
A	Products of Agriculture, forestry and fishing	1,265.8	0.4	2,956.8	2.0	0.0	0.6	47.8	0.0	211.9	0.0	0.0	1.5	5.6	1.0	-	11.0	2.3	76.6	0.4	-	-	4,883.9	2,595.8	-	2,595.8	791.1	37.3	828.4	511.2	(5.6)	505.6	3,929.7	6,513.6	
B	Mining and quarrying products	3.3	130.6	1,092.1	0.0	0.0	118.0	5.7	20.6	0.0	-	0.0	5.1	0.2	-	-	0.0	0.2	0.0	1.0	-	-	1,376.7	-	-	-	-	3,354.3	-	3,354.3	-	5.4	5.4	3,359.6	4,736.3
C	Manufactured products	754.9	402.8	7,864.8	96.5	141.6	4,389.8	1,139.1	1,174.3	1,093.4	131.1	133.1	174.7	187.1	60.8	675.8	137.1	1,050.9	234.4	131.3	-	-	19,973.9	26,624.1	-	26,624.1	13,270.8	781.7	14,052.5	4,210.9	194.3	4,406.2	45,081.9	65,058.8	
D	Electricity, gas, steam and air conditioning	30.8	88.0	1,010.5	284.0	40.5	42.3	236.3	150.5	193.7	57.1	57.2	91.4	11.0	4.7	111.9	52.2	116.0	78.4	21.7	-	-	2,678.2	1,099.2	-	1,099.2	50.6	-	50.6	-	-	1,149.7	3,827.9		
E	Water supply, sewerage, waste management and remediation services	13.1	0.6	27.8	0.9	6.1	6.4	17.4	4.8	32.5	1.7	7.6	16.8	1.8	1.3	36.0	15.5	19.1	10.7	6.2	-	-	226.3	318.0	95.1	413.1	316.7	-	316.7	-	0.6	0.6	730.4	956.7	
F	Constructions and construction works	4.5	3.0	88.9	27.7	13.4	1,107.0	55.8	20.1	81.8	30.7	14.7	124.1	32.5	3.1	13.3	28.7	51.1	41.2	2.4	-	-	1,744.1	1,055.7	11.8	1,067.5	-	28.1	28.1	7,699.7	(250.5)	7,449.1	8,544.7	10,289.9	
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	7.3	18.3	121.3	6.6	5.7	74.1	218.5	157.2	5.1	2.8	9.0	2.3	4.7	6.6	87.9	2.5	20.6	21.7	2.4	-	-	774.6	253.9	-	253.9	-	-	-	-	-	253.9	1,028.5		
H	Transportation and storage services	67.4	34.3	374.7	27.8	6.1	123.4	1,181.2	963.2	34.3	18.8	56.2	11.4	20.8	36.1	47.8	38.8	27.2	95.4	13.0	-	-	3,177.8	1,277.3	-	1,277.3	-	2,851.1	2,851.1	-	-	-	4,128.4	7,306.2	
I	Accommodation and food services	3.9	2.4	35.5	3.7	0.7	22.1	65.1	87.0	47.5	12.6	75.6	2.5	13.1	22.7	151.3	57.3	72.0	66.8	40.8	-	-	782.4	1,413.0	-	1,413.0	-	1,925.4	1,925.4	-	-	-	3,338.4	4,120.8	
J	Information and communication services	0.4	2.1	23.6	48.7	1.3	51.3	43.3	10.0	11.0	326.2	166.8	13.6	25.5	1.6	73.6	16.1	15.4	95.1	8.7	-	-	934.2	1,707.0	71.1	1,778.1	1.9	609.5	611.4	-	4.9	4.9	2,394.4	3,328.6	
K	Financial and insurance services	194.7	35.5	404.9	75.5	17.6	256.6	297.2	153.0	51.3	71.3	199.0	287.2	46.5	23.1	55.6	18.2	85.2	87.5	4.7	-	-	2,364.7	1,509.6	-	1,509.6	-	113.0	113.0	-	-	-	1,622.7	3,987.4	
L	Real estate services	2.7	3.0	162.1	6.0	3.0	30.3	496.5	107.7	258.4	61.1	240.4	145.7	40.0	73.0	97.2	21.2	76.8	88.0	91.9	-	-	2,005.0	4,431.0	1.5	4,432.5	-	3.8	3.8	-	-	-	4,436.3	6,441.3	
M	Professional, scientific and technical services	6.6	2.2	225.6	118.4	2.3	80.4	82.3	87.2	49.7	55.8	157.2	39.1	249.9	4.2	36.6	12.6	30.8	100.9	17.8	-	-	1,359.7	384.5	-	384.5	0.0	96.2	96.2	182.6	2.9	185.5	666.2	2,025.9	
N	Administrative and support service services	1.2	3.4	48.3	17.7	2.9	38.1	103.1	31.8	29.1	43.8	21.2	19.3	20.1	14.2	30.6	15.2	19.4	64.7	3.0	-	-	527.2	384.3	-	384.3	-	58.2	58.2	-	-	-	442.5	969.7	
O	Public administration and defence; compulsory social security services	-	-	0.5	0.2	0.0	0.1	10.7	1.5	0.1	0.0	4.1	-	0.0	4.4	15.1	1.0	0.6	4.2	0.0	-	-	42.7	685.0	4,392.5	5,077.5	-	-	-	-	-	-	-	5,077.5	6,120.1
P	Education services	0.0	-	1.4	0.3	0.0	1.2	0.8	1.0	0.7	6.9	10.7	0.6	2.9	0.3	2.4	9.3	30.6	0.2	1.1	-	-	70.4	1,544.7	1,449.7	2,994.5	-	49.2	49.2	-	-	-	3,043.7	3,114.2	
Q	Human health and social work services	-	-	7.9	3.0	1.4	0.0	2.4	0.6	3.3	5.6	0.1	0.3	0.1	2.1	0.2	16.7	10.5	423.1	1.4	-	-	478.6	1,903.5	2,313.5	4,217.0	-	1.6	1.6	-	-	-	4,218.6	4,697.2	
R	Arts, entertainment and recreation services	-	-	0.3	0.1	0.0	0.0	0.0	0.0	0.4	9.9	2.3	5.3	0.5	0.2	72.6	9.4	0.1	537.6	0.5	-	-	639.1	1,586.0	242.1	1,828.2	0.7	1,513.4	1,514.0	0.8	-	0.8	3,343.0	3,982.1	
S	Other services	0.3	0.4	3.2	16.8	0.4	0.6	33.9	0.6	10.6	18.6	24.2	6.2	2.1	0.2	22.8	2.7	5.4	8.8	8.3	-	-	165.9	636.4	0.8	637.2	0.0	59.0	59.0	-	-	-	696.2	862.1	
T	Services of households as employers; undifferentiated goods and services producing activities of household for own use	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	48.8	-	48.8	-	-	-	-	-	-	-	48.8	48.8
U	Services provided by of extra-territorial organisations and bodies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total	2,357.0	735.0	14,445.3	734.3	242.0	6,344.8	4,035.3	2,973.5	2,117.1	848.4	1,179.5	946.9	666.4	257.6	1,547.3	459.2	2,047.0	1,613.6	355.2	-	-	43,905.3	49,457.8	8,578.3	58,036.1	17,786.1	8,127.5	25,913.6	12,605.1	(48.1)	12,557.0	96,506.7	140,412.0	
D.1	Compensation of employees	249.7	264.3	1,584.3	481.6	229.2	1,576.3	2,784.2	1,133.2	413.3	772.6	1,290.1	315.7	782.4	228.6	2,434.7	1,962.8	1,639.9	586.8	176.6	48.8	-	-	-	-	-	-	-	-	-	-	-	-	-	18,955.1
D.9-D.39	Other taxes on production less other subsidies on prod	(4.7)	6.3	49.6	69.9	16.9	61.6	40.9	37.5	31.2	17.4	23.0	54.8	4.8	8.3	33.1	4.7	2.1	66.4	0.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	522.9
K.1	Consumption of fixed capital	138.9	53.5	681.1	736.4	168.4	1,172.6	586.9	1,020.1	112.4	245.2	120.3	126.4	168.9	65.7	1,080.4	217.2	290.1	83.0	5.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,072.6
B.2/B.3n	Net operating surplus/Net mixed income	4,004.9	377.1	3,706.4	457.4	71.4	1,028.6	4,704.1	1,015.3	1,175.4	839.5	1,185.9	4,691.9	170.6	204.4	-	305.9	662.2	1,410.2	264.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26,275.5
P.1	Output at basic prices	6,745.7	1,436.0	20,466.7	2,479.7	727.9	10,184.0	12,151.4	6,179.6	3,849.3	2,723.2	3,788.7	6,135.6	1,793.2	762.6	5,095.4	2,949.7	4,641.2	3,760.1	802.4	48.8	-	-	-	-	-	-	-	-	-	-	-	-	-	96,731.4

Source: GEOSTAT

Table 11 Distribution of Average Monthly Expenditures of the Total Population (mln GEL)⁷

	2021
1. Consumption expenditure, total (2+3)	991.6
2. Cash consumption expenditure	903.4
On food, beverages, tobacco	394.5
On clothes and footwear	32.0
On household goods	31.1
On healthcare	105.5
Housing, water, electricity, gas and other fuels	114.4
On transport	98.4
On education	18.2
Other consumption expenditure	109.4
3. Non-cash expenditure	88.2
4. Cash non-consumption expenditure	297.9
On agriculture	35.8
On transfers	27.4
On saving and lending	201.9
On property acquirement	32.8
5. Cash expenditure, total (2+4)	1,201.3
6. Expenditure, total (3+5)	1,289.5

Source: GEOSTAT, from 2017 - Household Income and Expenditure Survey.

⁷ To derive annual figures, monthly averages are multiplied by 12

Table 12 General Government Budget (mln GEL)

	2021				2021
	I	II	III	IV	
Revenue	3,378.2	3,491.7	3,866.5	4,406.2	15,142.6
Taxes	2,957.0	3,051.4	3,496.2	3,875.4	13,380.0
Income Tax	834.5	843.3	1,039.5	1,058.4	3,775.7
Profit Tax	430.0	126.7	234.2	224.4	1,015.3
Value Added Tax	1,205.4	1,481.0	1,651.5	1,691.6	6,029.5
Excise	306.6	447.7	523.3	591.2	1,868.8
Custom Tax	17.0	22.2	21.6	25.6	86.4
Property Tax	11.7	367.7	15.1	116.2	510.7
Other nonclassified Taxes	151.8	-237.2	11.0	168.0	93.6
Social contributions	-	-	-	-	-
Grants	183.9	27.4	49.1	90.6	351.0
Other revenue	237.3	412.9	321.2	440.2	1,411.6
Expense	3,396.4	3,765.6	3,713.5	4,494.5	15,370.0
Compensation of employees	487.8	471.2	479.9	545.7	1,984.6
Use of goods and services	403.1	527.0	558.0	714.4	2,202.5
Interest	182.2	238.8	182.3	195.9	799.2
Subsidies	345.3	402.9	443.8	636.3	1,828.3
Grants	9.4	4.4	3.5	10.1	27.4
Social benefits	1,512.9	1,537.7	1,552.3	1,739.0	6,341.9
Other expense	455.7	583.6	493.7	653.1	2,186.1
Net operating balance	-18.2	-273.9	153.0	-88.3	-227.4
Net acquisition of nonfinancial assets	570.1	827.8	898.6	1,246.0	3,542.5
Net lending (+) / borrowing (-)	-588.3	-1,101.7	-745.6	-1,334.3	-3,769.9
Net acquisition of financial assets	404.9	-807.7	-886.2	19.8	-1,269.2
Domestic	404.9	-807.7	-886.2	19.8	-1,269.2
Foreign	0.0	0.0	0.0	0.0	0.0
Monetary gold and SDRs	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	993.2	294.0	-140.6	1,354.1	2,500.7
Domestic	-293.5	-118.4	-291.9	302.3	-401.5
Foreign	1,286.7	412.4	151.3	1,051.8	2,902.2
Memorandum items					
Total expenditure	3,966.5	4,593.4	4,612.1	5,740.5	18,912.5
Debt at the end of the period	30,957.2	29,570.0	28,887.1	29,761.1	29,761.1
Domestic debt	5,874.2	5,759.5	5,468.4	5,798.8	5,798.8
Foreign debt	25,083.0	23,810.5	23,418.7	23,962.3	23,962.3

Metadata:

https://www.geostat.ge/media/71166/0411_090625_EN.PDF

Source: Ministry of Finance of Georgia.

Tables are constructed according to the standards and requirements of Georgian budgetary classification and the Government Finance Statistics Manual (GFSM 2001).

Table 14 Spending profiles

	Government	Individual	Agriculture, forestry and fishing	Mining and quarrying	Manufacturing	Electricity, gas, steam and air conditioning supply	Water supply, sewerage, waste management and remediation activities	Construction	Wholesale and retail trade, repair of motor vehicles and motorcycles	Transportation and storage
Outside World	2.9%	28.8%	11.3%	22.7%	29.8%	8.3%	15.2%	24.9%	10.6%	21.2%
Government	21.1%	9.1%	0.0%	0.4%	0.3%	2.7%	3.0%	0.5%	0.4%	0.6%
Individual	48.6%	0.2%	3.8%	16.5%	8.7%	19.6%	26.5%	13.1%	23.3%	17.6%
Agriculture, forestry and fishing	0.0%	3.6%	17.0%	0.0%	12.0%	0.0%	0.0%	0.0%	0.4%	0.0%
Mining and quarrying	0.0%	0.0%	0.0%	1.0%	1.3%	0.0%	0.0%	0.5%	0.0%	0.1%
Manufacturing	1.0%	17.0%	4.9%	12.0%	15.4%	1.6%	8.3%	15.0%	3.9%	7.9%
Electricity, gas, steam and air conditioning supply	0.9%	1.3%	0.4%	4.0%	3.6%	10.3%	4.4%	0.4%	2.0%	2.1%
Water supply, sewerage, waste management and remediation activities	0.5%	0.4%	0.2%	0.0%	0.1%	0.0%	0.9%	0.1%	0.1%	0.1%
Construction	0.2%	1.6%	0.1%	1.0%	0.5%	1.3%	1.9%	15.8%	1.5%	0.3%
Wholesale and retail trade, repair of motor vehicles and motorcycles	0.2%	0.4%	0.1%	1.3%	0.7%	0.3%	0.8%	0.7%	2.6%	2.6%
Transportation and storage	0.2%	1.2%	1.7%	1.4%	1.4%	0.8%	0.5%	0.7%	4.3%	10.3%
Accommodation and food service activities	0.7%	2.0%	0.1%	0.1%	0.2%	0.2%	0.1%	0.1%	0.5%	1.4%
Information and communication	0.6%	2.5%	0.0%	0.1%	0.1%	2.1%	0.2%	0.6%	0.7%	0.1%
Financial and insurance activities	0.2%	2.1%	2.3%	2.4%	1.8%	2.4%	2.0%	2.3%	2.1%	2.1%
Real estate activities	0.6%	8.2%	0.0%	0.2%	1.1%	0.3%	0.4%	0.8%	5.0%	0.8%
Professional, scientific and technical activities	0.7%	0.5%	0.1%	0.1%	0.7%	4.1%	0.3%	0.5%	0.9%	0.7%
Administrative and support service activities	0.2%	0.6%	0.0%	0.2%	0.3%	0.4%	0.3%	0.3%	0.5%	0.6%
Public administration and defence, compulsory social security	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Education	6.7%	2.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Human health and social work activities	8.5%	3.0%	0.0%	0.5%	0.0%	0.1%	0.0%	0.0%	0.0%	0.1%
Arts, entertainment and recreation	1.4%	2.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other service activities	0.0%	1.0%	0.0%	0.0%	0.0%	1.2%	0.1%	0.0%	0.3%	0.0%

Source: Author's analysis

Table 15 Turnover Multiplier, Value-added Multiplier, NIC

	Turnover	Value Added	NIC
	2021	2021	2021
O			
G	3.77	1.78	0.47
I	2.71	0.84	0.31
B	2.35	0.98	0.41
Agriculture, forestry and fishing	1.78	0.90	0.50
Mining and quarrying	2.27	0.91	0.40
Manufacturing	2.42	0.74	0.31
Electricity, gas, steam and air cond	2.29	1.16	0.50
Water supply, sewerage, waste ma	2.56	1.14	0.44
Construction	2.63	0.84	0.32
Wholesale and retail trade, repair c	2.23	1.08	0.48
Transportation and storage	2.37	0.94	0.40
Accommodation and food service a	2.24	0.87	0.39
Information and communication	2.45	1.19	0.49
Financial and insurance activities	2.50	1.27	0.51
Real estate activities	1.51	1.04	0.69
Professional, scientific and technic	2.95	1.31	0.44
Administrative and support service	2.50	1.20	0.48
Education	3.06	1.49	0.49
Human health and social work acti	2.84	1.12	0.39
Arts, entertainment and recreation	2.38	1.06	0.45
Other service activities	2.42	1.06	0.44

Source: Author's analysis