

# The Role of Digital Platforms for Economic Integration of Conflict Zones into the Global Economy (Case of Georgia)

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**Abstract:- In a modern world, the far-reaching impact of the Internet on our societies and economies has entered a very important phase. The Global economy has emerged and reshaped so that economic processes cannot bypass digital technologies, and in turn, technologies are closely integrated into the business.**

While underlining new opportunities, we consider digital economy generally and digital platforms in particular as a totally new way for the integration of forcedly closed economies into the global world. In this regard, we have conducted our study on the case of conflict zones, which are under occupation and therefore they have limited access to other countries.

In this paper, we will discuss the case of Abkhazia which is currently occupied by the Russian Federation and how it can be integrated in the Georgian economy using digital technologies, as it presents additional opportunities to implement the process of digital integration in conflict regions.

**Keywords:- Digital Economy, Digital Platforms, Conflict Zones, Digital Transformation, Economic Integration.**

## I. LITERATURE REVIEW INTRODUCTION TO DIGITAL ENTREPRENEURSHIP

In the last ten years, technology trends such as mobile services, social media, cloud computing, the Internet of Things, big data, and robotics (European Commission, 2017) supported new ways of collaboration. Such rapid development has profoundly changed the competitive environment and reshaped traditional business strategies, models, and processes (Bharadwaj et al., 2013). In this sense, digital technologies are considered as enablers of entrepreneurial activities (von Briel et al., 2018) and they manifest in various forms such as digital products or services (Lyytinen et al., 2016), digital platforms (Tiwana et al., 2010), digital tools or infrastructure (Aldrich, 2014), digital artifacts (Ekbia, 2009), or Internet-enabled service innovations (Kuester et al., 2018).

In this regard, e-commerce has become a major tool for various companies as it creates unlimited opportunities.

Digital transformation is also referred to as the new phase of transition from the IT/software and Internet phases to the digital phase. For social scientists, it represents a fundamental transformation in the economic organization of society and, subsequently, in its social institutions.

Digitization has become a critical pillar for economic development as it highlights the need for opportunities based on digital media and technologies through core business models.

Moreover, digital technologies support the creation of new contexts where people with different goals and motivations interact dynamically to implement business and innovation processes (eg LinkedIn). The spread of digital technologies has created new ways to develop entrepreneurial projects using collaboration and collective intelligence (Andersson, 2014).

Amazon Web Services or Microsoft Azure are examples of digital infrastructure specialized in cloud computing. MIT Fab Central and Stanford FabLearn Labs are cases of digital infrastructure for digital prototyping and mockups. Online communities like Eclipse or Quirky, crowdsourcing portals like Amazon Mechanical Turk, Upwork or Innocentive, and crowdfunding systems like Kickstarter or Indiegogo are further examples of digital infrastructures that make entrepreneurs able to engage with potential partners and suppliers, customers, and investors and acquire varied resources on a global scale (Kim and Hann, 2013).

The development of the digital economy contributes to the improvement of total factor productivity, which directly contributes to economic development. Compared to regions with underdeveloped digital infrastructure, regions with a better foundation can benefit from the development of the digital ecosystem.

### ➤ THE ROLE OF E-COMMERCE BUSINESSES IN DIGITAL TECHNOLOGIES

E-commerce is the main field of the digital world, which includes both the giants of the world and small and medium-sized enterprises. According to statista e-commerce accounts

for 18.8% of total retail sales worldwide and it's going to hit 24% by 2026.<sup>1</sup>

The first scientific definitions of electronic commerce were voiced in 1996 by Vladimir Zvas, (Professor of Information Systems and Informatics Management at Columbia University, Editor-in-Chief of the International Journal of Electronic Commerce) who defined electronic commerce as the dissemination of business information, relationships in the business environment, and business contracts in telecommunications or networks. (Zwass, 1996)

In today's business environment, operational boundaries between firms have become transparent, as these boundaries have been an obstacle to entrepreneurship and, with it, to the firms' business processes. Accordingly, e-commerce includes trading relationships and agreements between companies, as well as the general processes that support trade within individual firms." (Zwass, 1996)

The term "e-commerce" in policy discourse is mostly seen in the global trade scene. In 1998, when the so called "dotcom era" was blooming, the WTO established a work program on e-commerce, where e-commerce was "defined as the production, distribution, marketing, sale or supply of goods and services by electronic means".

It is worth noting that among Internet users, the types of activities that people from different countries engage in differ significantly from each other. While in some European countries more than 80 percent of Internet users shop online, in many LDCs (least developed countries) the corresponding share is below 10 percent (UNCTAD, 2021c). The development of e-commerce is highly dependent on a country's ability or willingness to engage in the digital economy and reap the benefits.

#### ➤ *IMPACT OF CONFLICTS ON ECONOMIC PROCESSES*

Ferron and Latin, (2003) - estimated that between 1945 and 1999, there were approximately 3.3 million deaths in thirty interstate wars and 16.2 million deaths in 127 civil wars. These figures only account for deaths directly related to combat, but of course, the poor economic and sanitary conditions that accompany conflict have their own additional indirect death tolls. Thus, when these indirect effects are taken into account, the casualties are twice as high (Ghobarah et al., 2003).

Moreover, guidelines mentioned above refer only to two-sided battles (e.g., the army against militarized insurgents), but do not address killings that occur in unilateral violence, for example, by the army against unarmed civilians. Indeed, the death toll from unilateral violence is large by any standard: between 12 and 25 million civilians have been killed in approximately 50 episodes of mass killings since 1946 (Political Instability Working Group, 2010; Bay and Ott,

2008). The total number is 109.7 million people - 4.35% of the world's population.

Physical and psychological injuries represent another outcomes of human conflicts. Several studies have broken down both physical and mental health of people involved in the conflict. Involvement in armed conflict can have many psychological consequences, ranging from post-traumatic stress disorder to suicidal ideation (Barenbaum et al., 2004).

Additionally, there are significant trade costs associated with conflict (Glick and Taylor, 2010). The conflict has been hypothesized to facilitate the large-scale extraction of non-renewable natural resources and several studies have found that it significantly reduces school attendance and human capital accumulation (Shemyakina, 2011; Leon, 2012).

Another factor that should be highlighted is that ethnic polarization is associated with a higher risk of ethnic conflict and mass killings (Montalvo and Reynal-Querol, 2005). Moscona et al. (2018) discuss the impact of the structure of social groups, particularly segmented clan societies, on the risk of conflict initiation and duration, while Michalopoulos and Papaioanou (2016) argue that ethnic groups with fragmented ethnic homelands are more likely to suffer frequent and long-lasting consequences of political violence.

Although measures of ethnic diversity are calculated based on a group size (and potential preferences), research has shown that economic differences and geographic characteristics between groups must also be taken into account. For example, (Østby, 2008) links horizontal inequality between ethnic groups to an increased risk of armed conflict, while segregation and geographic distance between groups also have a significant impact on levels of violence (Corvalan and Vargas, 2015). Not surprisingly, institutions and politics also play a major role. The link between ethnic diversity and conflict is not hard and fast, as sound policies can significantly mitigate the risks of ethnic unrest.

To address both the root causes of war and its escalation factors, the literature review highlighted the potentially promising role of power-sharing, transparency / traceability of natural resources, education, employment programs, and a range of economic measures. Although caution is still needed at each step of implementation, programs and initiatives that contain elements of the policy dimensions discussed are likely to have positive outcomes. To develop programs based on scientific evidence, in most cases, it will be valuable to conduct a pilot study, such as a randomized control trial (RCT), which allows for robust scientific evaluation, before potential implementation. In this way, science and practice can work together to resolve the conflict around one of the most important and intractable issues of our time.

<sup>1</sup> Statista - <https://www.statista.com/statistics/534123/e-commerce-share-of-retail-sales-worldwide/>

➤ *SOVIET HERITAGE - CONFLICT ZONES IN GEORGIA: ABKHAZIA AND TSKHINVALI REGIONS*

Nowadays, Abkhazia and Tskhinvali are two of the poorest regions in Georgia (and the world).

According to the data of 1989, the population of Tskhinvali region/South Ossetia was more than 98 thousand people, of whom 66% were ethnic Ossetians, and 29% were ethnic Georgians. As a result of the conflict, almost one thousand people died, and over hundred people went missing. About 70-80 thousand people were evicted from their homes. The region was virtually emptied. As of today, the population of Tskhinvali region/South Ossetia is 15-20 thousand people.

Before the August 2008 Russia-Georgia war, the Georgian government controlled a significant part of the Tskhinvali region/South Ossetia, but the previous "frozen conflict" was replaced by a full-scale military aggression and occupation by the Russian Federation in August 2008. They carried out ethnic cleansing of up to 130,000 people, mostly ethnic Georgians. 26,000 of them, residents of the Tskhinvali region/South Ossetia and surrounding areas, remain in exile to this day. According to today's data, the number of internally displaced persons and refugees from Tskhinvali region/South Ossetia and Abkhazia exceeds 300 thousand.

The Abkhazian War was a 1992-1993 war between Georgian government troops, Russian military units, and a separatist ethnic Abkhaz group that lasted 13 months.

As a result of the conflict, more than 10 thousand Georgian civilians were killed and hundreds were missing, wounded, and maimed, more than 10 thousand people were expelled, and more than 300 thousand people were expelled. Of these, 50-60 thousand representatives of different nationalities.

The consequences of the conflict for post-Soviet Georgia turned out to be very severe. The country received the biggest victims and the worst financial and psychological damage. The war and the disorderly clashes after the war completely destroyed the territory of Abkhazia. Even today, the region of Abkhazia, which enjoys de facto independence from Georgia, faces severe social and economic problems. Despite its self-proclaimed independence, the region of Abkhazia is completely dependent on the Russian Federation. As the Abkhazians themselves declare, the region is a "de facto protectorate" of the Russian Federation.

According to the Statistics Division of the so-called republic of Abkhazia, GDP per capita equals c. 1700 US dollars. However, it should be noted, that even those figures are unreliable due to absence of transparency and the methodology of calculation. Reality shows us, that GDP per capita is much less than mentioned above.

According to the National Statistics Office of Georgia, the production of information about the population of

Abkhazia was carried out until 2008, after which the data is no longer available. At that time the demographic index of Abkhazia was approximately 149,700 people.

Unlike Abkhazia, the economic potential of Sabachablo is significantly lower, which in turn is exacerbated by the occupation. After 2008, the region was significantly depopulated. However, it should be noted that non-ferrous metals were mined in Samachablo, wood was processed and construction materials were produced

In terms of tourism, Samachablo also has a certain potential, because there are cultural heritage monuments in the mentioned area.

## II. METHODOLOGY

For our study purposes, we have selected a qualitative research method, which was used to answer the main question of how and/or to what extent the process of economic integration in the occupied region of Abkhazia is possible, using digital technologies. The reason of limiting our methodology only with qualitative research is the lack of data, as there is no availability of any kind of studies or other sources that could give us relevant and sufficient information to conduct a comprehensive data-driven research.

Our goal is to show how digital platforms could increase the economic engagement of people inside conflict zones, thus boost their welfare and living conditions on the case of Abkhazia.

Thus, we have completed several tasks to deliver the outcome of our research:

- We determined the main factors that stimulated citizens on both sides of the so called border in the process of using digital platforms/electronic commerce;
  - We investigated what kind of barriers existed in the process of economic integration in the occupied territory;
  - To understand the probable positive and negative economic consequences of how the process of economic integration affects the people living in the occupied territory;
  - We determined to what extent economic integration using digital platforms in the occupied territory will change the current situation, from an economic and social point of view.
- Considering the list, the study hypothesized that the process of economic integration creates additional opportunities for each person, regardless of geographic location, and digital technologies are one of the significant levers that can be used to implement the process of economic integration, even in the face of such a difficult challenge as an occupation.

❖ *Questions used during the research:*

➤ *Part 1 Questionnaire:*

- Please describe the current economic situation in Abkhazia;  
 Please describe the current Social situation in Abkhazia;  
 Please describe the current Political situation in Abkhazia;  
 How much trust do you have in political circles?  
 How do you perceive political life in Abkhazia?  
 How do you imagine the deepening of the economic process?  
 What kind of trade relations did you distinguish?

What is the situation in Abkhazia in terms of digital platforms?  
 How relevant is e-commerce in Abkhazia?  
 What is the level of education and knowledge in the Abkhazia region in the direction of e-commerce?  
 How much do you know about the advantages and opportunities of e-commerce?  
 How do you imagine the development of economic relations?  
 How do you imagine the development of economic connections by integrating digital platforms?

➤ *Part 2 Questionnaire:*

How would you assess the current situation with occupied Abkhazia?  
 Please describe the political, economic, and social situation in Abkhazia;  
 Please describe the relationship between the communities in the present situation;  
 What are the main economic challenges of occupied Abkhazia?  
 What are the economic prospects for occupied Abkhazia?  
 How do you imagine the process of economic integration with occupied Abkhazia using digital platforms?  
 How important is the deepening of economic ties with occupied Abkhazia?  
 To what extent do you consider deepening economic ties to overcome barriers a right step?

➤ *Part 3 Questionnaire:*

Please describe your attitude towards the occupied territory of Abkhazia in terms of the desire for economic activity;  
 To what extent do you think that it will be possible to carry out certain types of economic activities using electronic platforms?  
 How do you imagine this process to be implemented?  
 How do you imagine your role in this process?  
 What concrete steps do you think should be taken to start the process of economic integration?  
 How do you imagine the mutual cooperation of representatives of business and state organizations in the mentioned process?  
 What type of e-commerce do you find relevant?  
 How Do Conflict Zones Affect Economic Processes of the Country

The word "occupation" (Latin "occupatio" – to seize, master), means the temporary occupation of the opponent's territory (part of it) by the state troops and the establishment of the power of the higher military authorities of those troops.

Occupation does not imply the extension of occupying sovereignty over the occupied territory. The power of the military-occupational administration is exercised within the norms of international law.

Violations of the regime of occupation are considered international crimes, and the persons responsible for these violations - as war criminals.<sup>2</sup>

In a modern world, the rate of use of digital platforms is increasing day by day. At the same time, global politics and political processes related to it do not lose their relevance, which in turn are closely related to technological processes, both directly and indirectly.

Modern technologies play a significant role in the development of the economy to achieve the predetermined goals. Along with the emergence of opportunities and various difficulties, digital technologies are changing the life of society at a very fast pace.

Any economic activity that is directly or indirectly related to a product or service, which in turn is related to digital technologies, can be called a digital economy, which also closely includes electronic trade/commerce and other activities affiliated with it. It should be noted that as a result of the success achieved by start-up companies in the field of the digital economy in several countries, the capitalization of companies operating in the field of electronic commerce at the initial stage equaled and later surpassed the capitalization of giant enterprises operating in the traditional sector, as a result of which the importance of the digital economy increased immeasurably.

Along with digital development, the problem is doubly difficult for Georgia, because 20% of the country's territory (Abkhazia and Samachablo) has been occupied by Russia since 1991. On the other hand, the occupation of the territories may be considered as 20% of the unused potential and the accompanying economic damage. The region of Abkhazia is particularly noteworthy, which in turn is distinguished by tourism, agricultural products, mineral resources, railway, and deep sea port potential.

It is also important to talk about the international experience, in particular, the Gaza Strip, which is also a conflict region, therefore it is interesting to see the problem from a global perspective and at the same time to know the existing practices and share them as necessary.

The World Bank has released an extensive report on the development of Palestine's digital economy.

The report assesses the state of the digital economy in the West Bank and Gaza Strip. The bank looked at internet access and speed, the use of technology in various sectors, and startups in the Palestinian territories, among other topics.

The World Bank noted significant progress in technological advancement in the West Bank and Gaza. In 2019, 80% of Palestinian households had internet access, up from 52% in 2017. On the other hand, 2G internet speed is available in the Gaza Strip.

The World Bank also stated that weaknesses in the Palestinian legal framework are hindering digital growth. They cited a "lack of laws on cybersecurity, personal data

<sup>2</sup> Military encyclopedic dictionary of Georgia.

protection and regulations specific to digital business registration," in addition to "weak coordination between ministries on the digital agenda," among other problems. The bank added that the recently adopted law on electronic transactions has "shortcomings in regulating the use of digital IDs and digital signatures".

The World Bank has worked to strengthen Palestine's digital infrastructure in recent years. In May 2021, the bank provided \$30 million to the PA to help "adopt the Modern Telecommunication and Information Technology Act and operationalize electronic payment companies," according to a press release. For similar purposes, the World Bank gave a 20 million USD grant in March of the same year.

#### ➤ ANALYSIS OF GEORGIAN E-COMMERCE ENVIRONMENT

It's very important to share some information about the Georgian E-commerce environment because the main goal of the topic is to show a detailed analysis of the situation in Georgia. As we already mentioned Georgia is a conflict region so that's why it's very important to share information about the E-commerce situation in the country.

The Covid-19 pandemic has boosted Georgia's e-commerce market, as lockdowns have encouraged initial purchases online, as well as increased the frequency of online purchases. The lockdown caused by the pandemic has also forced Georgian companies to expand their online offerings.

The size of the local e-commerce market increased by 3.2x in 2020 and amounted to 137.9 million GEL, its share in the total (local and cross-border) increased from 11% in 2018 to 23% in 2020. However, the e-commerce penetration rate in Georgia is very low at 1.1% of retail sales, far from the European rate of 12%.

In addition, the total annual cost of e-commerce per user in Georgia in 2020 amounted to 950 GEL, which is also 3 times less than the European average. With the development of local retail and online platforms, which should also be accompanied by an increase in consumer confidence, it is possible to increase the share of local e-commerce, which will occupy more than half of the total e-commerce spending by 2025.

According to the share of enterprises using social media, the indicator of Georgia is significantly lower than the indicators of other countries of the world, according to the data for 2019, the indicator of the use of the most popular social platforms in Georgia was 25.8%, which is the lowest indicator of other countries (according to Eurostat statistical data) (Romania 32 %) by 6.2%, and it lags behind the highest

indicator (Malta 83%) by 57.2%. As for the average data of the countries, according to Eurostat statistical data, it is 55.3%, which is also significantly higher than in Georgia.

#### Use of Digital Platforms on the Road of Economic Integration of Conflict Zones in Georgia (Case of Abkhazia)

To reach our main goal and reveal the potential of digital platforms on the way of economic integration of occupied regions of Georgia, we drafted three different surveys<sup>3</sup>:  
For the people living in Abkhazia  
People working in relevant governmental institutions on territorial integrity of Georgia  
Business sector

First of all, let us briefly summarize the general social and economic situation in Abkhazia region.

It should be noted from the very beginning that, each and every respondent mentioned that de-facto Abkhazian government is fully restricting any kind of economic activities with the other parts of Georgian territory. Also, every respondent from Abkhazia asked for confidentiality of their personal information, as so called Abkhazian Government is prohibiting criticizing local officials by ordinary citizens and which is perceived as illegal.

So, it is very risky to try and sell their products or services to the territory under control of Georgian government. This is the main reason, why we considered digital ecosystem as the way to avoid those restrictions and engage in mutual arrangements.

Abkhazian region is rich with citrus (tangerines and oranges) and hazelnut production. Actually, Georgia itself is third largest exporter of hazelnuts in Europe behind Turkey and Italy.

In fact, 10% of the hazelnuts exported from Georgia, comes from Abkhazian region. A couple of years ago, The Economist published an article where there was mentioned that Georgia was making Nutella's job harder, after signing DCFTA (Deep and Comprehensive Free Trade Agreement) with EU.<sup>4</sup>

Because of specific legal issues, there were difficulties for Ferrero, Italian chocolate manufacturer to receive hazelnuts from Abkhazian region.

According to the data produced by the Statistics Division of the Abkhazian de facto government, the GDP in 2018 was

<sup>3</sup> However, in the article, we will mainly review the research conducted in the Abkhazia region, which was the most important research subject. And the other two parts, around which the research was carried out, will be touched upon in general, to have an idea of the attitude of state structures and private business representatives towards the mentioned issue.

<sup>4</sup> <https://www.economist.com/europe/2017/10/19/georgia-and-abkhazia-are-making-nutellas-job-harder>

400 million dollars. 40% of the GDP comes on trade sector, followed by construction, manufacturing.

In Abkhazia, the forest occupies 57% of the total area, the stock of which is 114.5 million m<sup>3</sup>. The main direction of agriculture in Abkhazia is fishing and citrus production.

Also, according to the mentioned data, there are more than 100 industrial enterprises operating in Abkhazia, where a total of about 2000 people are employed (the majority of enterprises are located in Sukhumi).

It is worth noting that respondents talked about the difficult economic situation, and also emphasized that de facto government of Abkhazia cares little about economic development.

As for agriculture, the respondents note that despite the various products available in Abkhazia, the population still prefers the Sochi market.

Abkhazia lags in terms of agricultural equipment, therefore, stable demand in the direction of agriculture, even for one of the most sought-after fruits - tangerines, is low, because it cannot be produced in large quantities due to the lack of technology.

There are quite a few directions that we can distinguish from an economic point of view, therefore the geographical location of the target group of the first part of the study was the region of Abkhazia.

We are going to briefly point out key findings of our survey.

### III. DIGITAL ECONOMIC ACTIVITIES IN ABKHAZIA

According to [datareportal.com](https://datareportal.com) in January, 2022 there were c. 129 000 internet users in Abkhazia, which is nearly 53 percent of the local population. Using Kepios<sup>5</sup> analysis year over year increase between 2021 and 2022 equals 7.7 percent. This means that at the beginning of 2022, nearly 47 percent of the population in Abkhazia was offline, thus people lacked the opportunity to have access to various digital tools. In terms of total social media users, it almost equals the number of internet users in the region. In this regard, Instagram is the leading platform with over 89 thousand users, while there are slightly less than 60 thousand users registered on Facebook.

Because of the fact, that despite restrictions in occupied regions, there still exists trading connection with other parts of Georgia, we believe that building digital infrastructure could bring more engagement from both sides. On the other hand, economic activities and daily communication will serve as an indirect factor for resolving ongoing conflicts and

strengthening relationship between people. Besides that, it will be difficult for the de-facto officials of the Abkhazian side to control and restrict economic activities agreed in a digital world.

Local respondents revealed that the situation in Abkhazia in terms of digital platforms is rather unstable. Even further, as filtering information in social media is actually impossible, so called government of Abkhazia is constantly promoting the idea of banning social media platforms such as Facebook, Instagram etc. However, they are popularizing some of Russian platforms Vkontakte and Odnoklassniki.

The absolute majority of the adult generation has no connection with traditional e-commerce at all, neither direct nor indirect, and as for young people, they mostly have indirect contact, although, in terms of use, e-commerce is less common in the occupied territory of Abkhazia.

E-commerce is mainly implemented in the tourism direction. Certain offers are made by individual entrepreneurs, to visit various touristic facilities and provide services.

There are also several delivery websites, although it is worth noting that mostly delivery is carried out over long distances, for example from Russia to Abkhazia, or vice versa, therefore there are no quick delivery (Q-commerce) services in Abkhazia, which would offer people the delivery of various products or things of interest to them within a short distance.

A certain share of e-commerce is occupied by web platforms for buying and selling transport, e.g. Abkhaz-auto.ru where interested parties have the opportunity to buy or sell cars, and car parts, and the site also offers car rental services to users.

#### ➤ *Social and political situation*

The social and political situation in Abkhazia is difficult in this direction as well, which implies a kind of impunity syndrome along with an unformed judicial system. Funds are often appropriated from the budget of the de facto government of Abkhazia, although the court reacts less to this.

From a social point of view the lack of educational level among the Abkhazian population, in turn, hinders both economic and social welfare.

#### ➤ *Acceptance of economic processes by the Abkhazians*

Despite all the restrictions, there is a lot of unofficial trade between Abkhazia and Georgia, which is called the Trans-Engur<sup>6</sup> trade. The trading process is characterized by seasonality and especially increases during the summer period.

When asked what kind of trade relations exist, goods are brought to Abkhazia by intermediaries or various private producers, and products such as tangerines, kiwi, feijoa, and

<sup>5</sup> <https://kepios.com/briefings>

<sup>6</sup> Enguri is one of the largest rivers in Georgia, which separates Abkhazia and Samegrelo regions in the country.

nuts are brought to the Georgian market from Abkhazia. Each interaction is carried out through the river Enguri. Mostly, people have to bribe Russian soldiers so that they are allowed to trade with other parts of the country.

At the same time, it should be noted that each economic relationship is unofficial, which may even be acceptable to both parties. Despite the economic trade, open trade relations with the Georgian side are still unacceptable for the population, and the de facto authorities of Abkhazia perceive each trading relationship as an illegal act, therefore the situation becomes doubly complicated when, on the one hand, there is economic trade, and on the other hand, this trade is not official and is perceived as an illegal action.

➤ *Willingness to have economic relations with the Georgian side*

One of the most important subjects within the scope of the research was the study of the desire and readiness of the people living in the occupied Abkhazia to engage in economic relations with the other side of the country.

People on and off the occupational line are clearly seeing the fruits of engaging in official economic activities thus are open to use any given opportunities. Almost everyone said that they had a desire for various economic ties, and they spoke openly about how economic processes can be positive for both sides. Bringing results and warming relations.

However, like the others, the mentioned process was very difficult to imagine for the respondents and they believed that it is impossible to deepen economic link as of today because the de facto government of Abkhazia considers the Georgian side as one of the biggest threats.

Respondents point out that several actions by the Abkhazian authorities further aggravate the tense situation, therefore they consider the settlement of economic relations to be a very difficult issue to solve. Regarding unofficial economic relations, according to the respondents, it is difficult to look at the current economic relations from a stable point of view.

Despite the above mentioned, there are prospects in the direction of e-commerce, despite a lot of hindering factors. If Abkhazians can conduct activities of interest to them through digital platforms, it will only increase their economic benefits.

Respondents doubt how willing Abkhazians will be in this direction, however, they believe that the use of digital platforms is one of the most optimal opportunities to deepen even the minimal economic ties that exist today and create additional opportunities that both sides will benefit from.

➤ *Production of economic activities by integrating digital platforms*

In the final part of the survey, we asked the respondents a final question about how to imagine economic activities by integrating digital platforms. If Abkhazians can conduct activities of interest to them through digital platforms, it will

only increase their economic benefits. Respondents doubt how willing Abkhazians will be in this direction, however, they believe that the use of digital platforms is one of the most optimal opportunities to deepen even the minimal economic ties that exist today and create additional opportunities that both sides will benefit from.

❖ *In the second part of the research, people living in Tbilisi, working in relevant targeted state institutions were interviewed, with whom individual in-depth interviews were conducted. We interviewed representatives of both state and non-governmental organizations, a total of 134 respondents.*

➤ *The current situation of relations with occupied Abkhazia*

When asked how they would evaluate the current situation with occupied Abkhazia, the opinions of the respondents were mostly similar to each other. Respondents divided the steps into two parts, relations between official parties and relations between communities.

The de facto government of Abkhazia constantly tries to present Abkhazia as an independent state, they have Abkhazian and Russian passports.

As one of the main problems, the respondents indicate that Abkhazians want the right to travel with Abkhazian passports, even within the territory of Georgia, which the respondents consider indirect recognition.

The respondents note that the representatives of the de facto government of Abkhazia constantly avoid participating in various international formats, they have no desire to talk with the Georgian side.

As for the relationship between the communities, the respondents note that as time passes, the relationship gets colder.

➤ *Economic challenges and perspectives in relation to occupied Abkhazia*

Respondents speak unambiguously about legislative directions.

The "Law of Georgia on Occupied Territories" prohibits any economic activity in the occupied territories, regardless of the purpose of the activity.

However, the respondents note that certain types of unofficial economic activities are carried out in Abkhazia, especially in the agricultural direction (nuts, tangerines, feijoa and other citrus fruits).

The respondents believe that easing the situation from the legal point of view will create additional motivation for both sides.

It is the easing of the legislative direction that will increase prospects from the economic point of view.

➤ *The possibility of integrating digital platforms with the economic processes of occupied Abkhazia*

Respondents also noted the limitless possibilities of digital platforms and digital directions in general.

It will create additional opportunities for the trade routes that are currently taking place with the occupied side of Abkhazia, which can, along with the deepening of economic relations, bring closer the relations between the societies.

Respondents doubt to what extent Abkhazians will be ready for this.

However, they believe that the simplification of the production of economic activity for each person is a critical point.

Accordingly, the respondents believe that there may be a problem of acceptance at the initial stage, however, with the passage of time, the interest of integrated digital platforms will definitely increase.

❖ *The third part of the research was devoted to the representatives of the companies and individual entrepreneurs who are involved in e-commerce and are well aware of the opportunities and perspectives of digital platforms. Total 97 respondents were interviewed.*

➤ *The process of mutual cooperation between e-business and the state in the way of integrating digital platforms*

Representatives of private businesses note that it is necessary to have certain mediators who would take upon themselves the organizational issues of the processes. The respondents considered that the involvement of international partners would be a very important circumstance that would take the relationship process to a higher level and implement digital trust. The role of a fair facilitator in this process may be performed by the "Electronic Commerce Association".

E-commerce engaged parties also noted that the process may begin in two basic directions. One could be the formulation of short, medium and long term strategies of how to cover occupied regions, and the other could be the process of developing the ways of implementing this strategy and activities related to it.

Finally, the respondents believe that the process of economic integration with the occupied territories clearly requires maximum involvement of both private business and the state, as well as international partners.

➤ *Attitude of e-commerce representatives working in Georgia on the path of integration into mutual economic activities of the occupied territories of Georgia*

When asked how they imagine the process of economic integration in the occupied territories of Georgia through digital platforms, the respondents note that e-commerce and digital platforms can be exactly the key that will solve many problems in this direction.

According to the respondents, the processes may not be as easy as e-commerce, but in the future, it will bring only positive economic results for entrepreneurs and companies in the controlled territory of Georgia, as well as in the occupied territory of Abkhazia.

The use of e-commerce will simplify every process that is taking place today, or even will be developed in the future in the occupied territories of Abkhazia.

At the same time, respondents noted that digital platforms have the opportunity to create additional benefits in other directions, and economic integration may lead to a new phase of relations.

#### IV. CONCLUSION

Though our research was conducted to assess the ways of economic integration of forcedly occupied region of Abkhazia within the country's economy, our findings can be generalized on many other regions with similar problems. After the dissolution of Soviet Union, several countries experienced egging ethnic conflicts within their countries from Soviet officials. Thus, not few of the post-soviet countries are carrying the heritage of the Soviet Union as there are open conflict regions even now. For example, Abkhazia and Tskhinvali regions in Georgia, Nagorno-Karabakh between Azerbaijan and Armenia, Donetsk, Luhansk, Crimea and other parts of Ukraine with Russia etc.

After aggravation of international situation in Ukraine this year, it has become even more actual to develop the concept of digital economy.

Let us summarize key findings of our study on the case of Abkhazia. First of all it should be underlined, that various countries with active conflict regions have specific ethnic, cultural, religious, geographical and other characteristics that should be considered carefully before generalizing our findings.

However, there are also other challenges and circumstances that are the issue of further examination. Although the rate of use of digital platforms and electronic commerce in Abkhazia is quite low, it is necessary to study the issue in more depth. Information is virtually unavailable about the indicators that ultimately determine e-commerce-related actions.

The fundament of the development of digital ecosystem is digital infrastructure. In this regard, it is of great importance to distinguish it into two directions. One is linked to assets such as access to high-speed internet, holding smartphones and computers as key tools. On the other hand, it is important to develop informal institutions to build digital trust throughout engaged parties. This is especially difficult in the regions that are fully isolated in terms of information and direct physical communication.

As we already mentioned in the body of the paper, local Abkhazian authorities are trying their best to keep the region



in total seclusion from the whole world but Russia. In this regard, the role of international organizations is huge. The fruits of the involvement of such organizations can be seen in several directions. But from the perspective of our study, we would love to outline three of them.

First and most important one is to assess local digital infrastructure, including digital skills of the population and provide them with the latest trends and information. Assessing digital infrastructure itself means to deal with the data gap that exists for enterprises, government and scientific groups.

Secondly, it should serve as the source of building digital trust. Trust formation itself is a complex process that needs to be developed gradually. Although COVID-19 pandemic accelerated it a lot, we cannot argue that people on the side of occupied territories 'trust' digital platforms.

Third direction of the involvement of international institutions can be seen as a mediator for the societies on and off the occupation border for both businesses and citizens.

This should be one of the main priorities of the country's government as there are very few other opportunities to create chance for mutual development and creation of links between people. It may turn to one of the most important springboards for the development of economic ties through digital platforms.

As a correlation effect, we can single out the study of the issue in the direction of the digital economy in Abkhazia and its development, because the development of the digital economy, in turn, contributes to the improvement of the productivity of the total factors, which also contributes to the improvement and development of the economic situation.

Unlike Abkhazia, the digital economy and e-commerce situation in the controlled territory of Georgia is quite progressive. Therefore, in parallel with the fact that the digital economy can improve the overall efficiency of production factors by promoting technological progress, there are many directions of opportunities that will have a positive impact on the economic integration of the occupied territories in the future.

Digital technologies create new contexts, goals, and motives, interact with business and motivate innovative ideas. That is why there is a need for large and individual entrepreneurs in Georgia to be actively involved in the process of integration of the occupied territories of Georgia, in particular, to cooperate with the state and non-governmental organizations remove restrictions that exist in Georgia today.

Along with this, it is necessary to develop a communication strategy, this may not have a direct relationship with the economy. The digital world provides many opportunities to communicate geographically, demographically and according to other indicators to the segment to whom we want to send specific messages, therefore there are many social platforms where Abkhazians are represented in large numbers.

The necessity of developing a unified communication strategy should be underlined. Here all the engaged parties, business sector, government, society and non-governmental organizations will be involved. A unified communication strategy will facilitate the sending of informational messages to the target audience, which is the people living in Abkhazia. Communication through digital platforms will help to raise awareness directly in the directions in which digital platforms will be integrated.

The digital world also provides additional opportunities in terms of getting closer to young people living in Abkhazia. In particular, the example of Sierra Leone, where a series of "Forums of Trust and Reconciliation" was held, during which social bonds were strengthened.

It is possible to create a digital platform where international organizations, relevant expert groups, and other connected parties will be involved. It can be organized in a way of a comprehensive digital platform. In the framework of platform interaction will be available under moderation of international partners and missionary organizations. On the one hand, it will further increase awareness and knowledge in Abkhazia, and it will also produce specific economic results for the parties.

It is important that the economic activities that are carried out today with Abkhazia, which are associated with unofficial trades and the presence of many intermediaries, move to an international format, define a more detailed strategy and implement the process of economic integration through digital platforms.

Nowadays, it is difficult to measure the economy of Georgia including the occupied territories, as there is a huge gap of reliable data. Although there are alternative ways of roughly assessing the value of goods and services produced within those regions, it is still not enough.

Therefore, by implementing the process of economic integration using digital technologies, it will be possible to form a more realistic and measurable picture as there will be left a smaller portion of the economy that cannot be tracked.

The covid-19 pandemic has also clearly shown us the possibilities of digital platforms in terms of education. Considering the fact that quality education is not available in Abkhazia, it is a huge opportunity for the occupied region to have access to leading regional universities (either local Georgian and / or other international universities that have local representative branches).

It is also difficult to imagine that the de facto authorities of Abkhazia will manage to limit similar activities, which we can consider as an additional opportunity.

Last but not least is the healthcare industry. Digital platforms have proved themselves as one of the most effective tools to provide consultation to the groups with special needs. Our interviews have revealed that people living in Abkhazian

region do not have access to high-quality healthcare services. Although Georgian government is fully funding the healthcare for those people who cross the so-called border, we still need to reach broader group of people.

The role of e-commerce and the state in the process of economic integration is the most important circumstance, therefore each process must be implemented with the maximum involvement of the parties. For this purpose, it is necessary to organize different working groups that will focus on the optimization of the processes.

Companies and individual entrepreneurs involved in electronic commerce express their readiness to participate in economic integration processes. In turn, this will bring them financial and non-financial benefits. Especially, this will have a huge positive impact on the welfare of those people living on the side of occupation border, as they will have access to larger and more diversified market.

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