



WORK PACKAGE 4, DELIVERABLE 2

LOCAL MODERNISATION INITIATIVES IN THE NORTH CAUCASUS



INSTITUTE OF GEOGRAPHY RAS

By Prof. Vladimir Kolosov, Dr. Olga Vendina, Dr. Anton Gritsenko,
Dr. Alexander Panin, Dr. Alexander Sebentsov Dr. Maria Zotova, Dr. V. Streletskii

Centre of Geopolitical Studies
Russian Academy of Sciences

September 2016

Abstract

Private enterprise is a major driver of socioeconomic development in the regions of the North Caucasus. The inventiveness and hard work of the local population, its responsiveness to the changing market situation have fostered prosperity in some of the region's households. This especially stands out during visits to the republics of the North Caucasian Federal District (NCFD), where the local initiative favoured the appearance of various types of commodity production, both in the sphere of agribusiness and in small manufactories. However, it is not possible to talk of sustainable development in the region: success stories involved primarily private backyards, small-scale production, or the service sphere and they have not transformed into regional development. The region counts among laggards in the Russian Federation and stands out, at the same time, as a large-scale shadow economy. The problem of providing it with a socioeconomic and political future remains open. This paper maps successful private-enterprise economic projects in the NCFD. It focuses on the causes that hinder the expansion and viability of modernisation processes in North Caucasian society and emphasizes their noneconomic nature. It shows that the universal mechanisms of socioeconomic development are insufficient to solve local problems. Tailor-made strategies are required, involving not only investments and institutions but also measures of indirect influence resting on shared values. In conclusion, the paper provides recommendations that (in the authors' opinion) could help overcome the gap between the economic and sociocultural modernisation of society, thereby facilitating the development of the North Caucasus.

Contents

Abstract2

Business activity in the North Caucasus4

 Ethnic diversity and local modernisation7

 Islamic vs. socioeconomic modernisation.....10

The North Caucasus: a traditional or contemporary society?12

Local development and obstacles to its implementation16

 1. Corruption and the "adequate" relations between people16

 2. "Polyjuridism",17

Conclusions and recommendations19

Business activity in the North Caucasus

In the past decade, the federal policy in the North Caucasus has aimed at compensating for the consequences of the Chechen wars, eliminating destabilizing factors, gaining the social support of the population, and stimulating economic growth (see CASCADE working paper 4.1). Major criticisms vis-à-vis the policy conducted on the part of Russian and international experts pertained to its costliness, the unrealistic time frames of projects' implementations, institutional problems, and conflicts between local businesses and large investors. Practically all of them pointed to an underestimation of the importance of local entrepreneurship.¹

Indeed, in the post-Soviet years, private initiative played an outstanding role in the region's development, except for Chechnya where government investments were still the main source of regional development. Clusters developed in rural districts and specialised in the commodity production of grains, vegetables (cabbage, potatoes, onions, tomatoes), fruits (apricots, grapes), and honey; bull-calf fattening; and raising sheep and poultry. Numerous manufactories and workshops appeared in the cities, producing footwear, furniture, and clothing (Fig. 1, Table 1). These clusters are based on small "informal" family businesses. They contribute to the growth of well-being, the creation of new industries, and the modernisation of the existing businesses; in other words, they contribute to solving strategic problems set at the federal level. These clusters fostered new competences in the field of agrarian technologies, as well as marketing; but, most importantly, they favoured an entrepreneurial environment, open to innovations and potentially capable of propelling economic development in the entire region. This is quite comparable with enterprises in some areas of northeastern and central Italy that have become the global centres of production of a number of high-quality consumer goods.

Table 1. Main economic clusters in the North Caucasus

No.	Region	Districts	Specialisation	Characteristics
1	Republic of Dagestan	Makhachkala	Footwear production: for men, safety (military, orthopedic) footwear, slippers, footwear components, footwear accessories, footwear restoration and repairs	Over 300 small businesses with total employment of 20,000-50,000 people, producing 5-10 mln pairs of footwear a year (25% of the domestic footwear market)
2	Republic of Dagestan	Verkhnee and Nizhnee Kazanishche (Buinak district), Makhachkala	Furniture production (cabinetry, tables, chairs, forged furniture for bars, cafes, restaurants)	About 50-100 small businesses
3	Republic of Dagestan	Levashi (Levashi, Ulliyaya, Naskent, Karlabko, Kakamakhi, Okhli, Susakent, etc.), Akushinskii, Dokuzparinskii, Buinakskii, Babayurtovskii, Kulinskii, and Rutul'skii districts	Cabbage production	500,000 tons (10 % of cabbage production in the Russian Federation in 2014)
4	Republic of Dagestan	Southern Dagestan: Magaramkentskii, Sulei-	Persimmon production	1,500 t (2014)

¹ D. Khalidov, *The North Caucasus: What Is to Be Done? Systems Analysis, Pressing Measures, and Topical Projects* (Izd. RGTU, Moscow, 2010) [in Russian]; *The North Caucasus: A Modernization Challenge*, Ed. by I. V. Starodubrovskaya (Izd. Dom Delo, Moscow, 2011) [in Russian]; S. M. Markedonov, "The North Caucasus: Modernization prospects for a troublesome region," *Neprikosnovennyi Zapas*, No. 1, 62-69 (2011); *The North Caucasus: The Challenges of Integration (IV): Economic and Social Imperatives*. Report of the International Crisis Group no. 237 (Europe). July 7, 2015, p. ii. http://www.crisisgroup.org/en/regions/europe/north-caucasus/237-north-caucasus-the-challenges-of-integration-iv-economic-and-social-imperatives.aspx?alt_lang=ru.

		man-Stal'skii, Akhtynskii, Untsukul'skii districts		
5	Republic of Dagestan	of Botlikhskii, Gergebil'skii, Gumbetovskii, Gumibskii, Untsukul'skii, Khunzakhskii, and Shamil'skii districts	Apricot production	85% of plantations in the Russian Federation, gross production (2015) is 40, 000 tons, or 60-80% of the Russian Federation's production
6	Republic of Dagestan	of Buinakskii district (villages Karamakhi, Chabankmakhi, and Kadar)	Stabled livestock farms	50,000-100,000 heads of cattle (2013)
7	Republic of Dagestan, Kabardino-Balkar Republic	of Karabudakhkentskii (Dorgeli), Novolakskii districts (village Duchi) of Dagestan; Urvanskii and Maiskii districts of Kabardino-Balkaria	Poultry	25 mln head of poultry a year, 36,500 tons of poultry meat (2013)
8	Republic of Dagestan, Kabardino-Balkar Republic	of Urvanskii (Kakhun, Nizhnii Cherek), Leskenskii districts (Argudan)	Tomato production	Small greenhouse farms, each employing 10-20 people
9	Karachay-Cherkess Republic	Cherkessk and Uchkeken	Wool and woolens: mittens, hats, clothing, plaids	Over 5,000 employees (30% of woolens production in the Russian Federation)
10	Karachay-Cherkess Republic, Kabardino-Balkar Republic	Dombai (Karachaevo-Cherkessia); Prielbrus'e (Kabardino-Balkaria)	Mountain skiing	Several hundred businesspeople in the hotel industry
11	Stavropol' krai	Nevinnomyssk, Georgievsk	Wool processing, production of raw materials for the textile industry, threads, yarn	5,500 tons of wool (77% of production in the region in 2014)
12	Stavropol' krai	Neftekumskii, Arzgirskii, Turkmenskii, Levokumskii, Apanasenkovskii, Aleksandrovskii, Ipatovskii, Stepnovskii, Shpakovskii districts, etc.	Mutton production	2.4 mln head, 45 000 t of mutton in 2013)

Source: compiled by the authors from the materials of the portal site Caucasian Knot, <http://www.eng.kavkaz-uzel.eu/>.

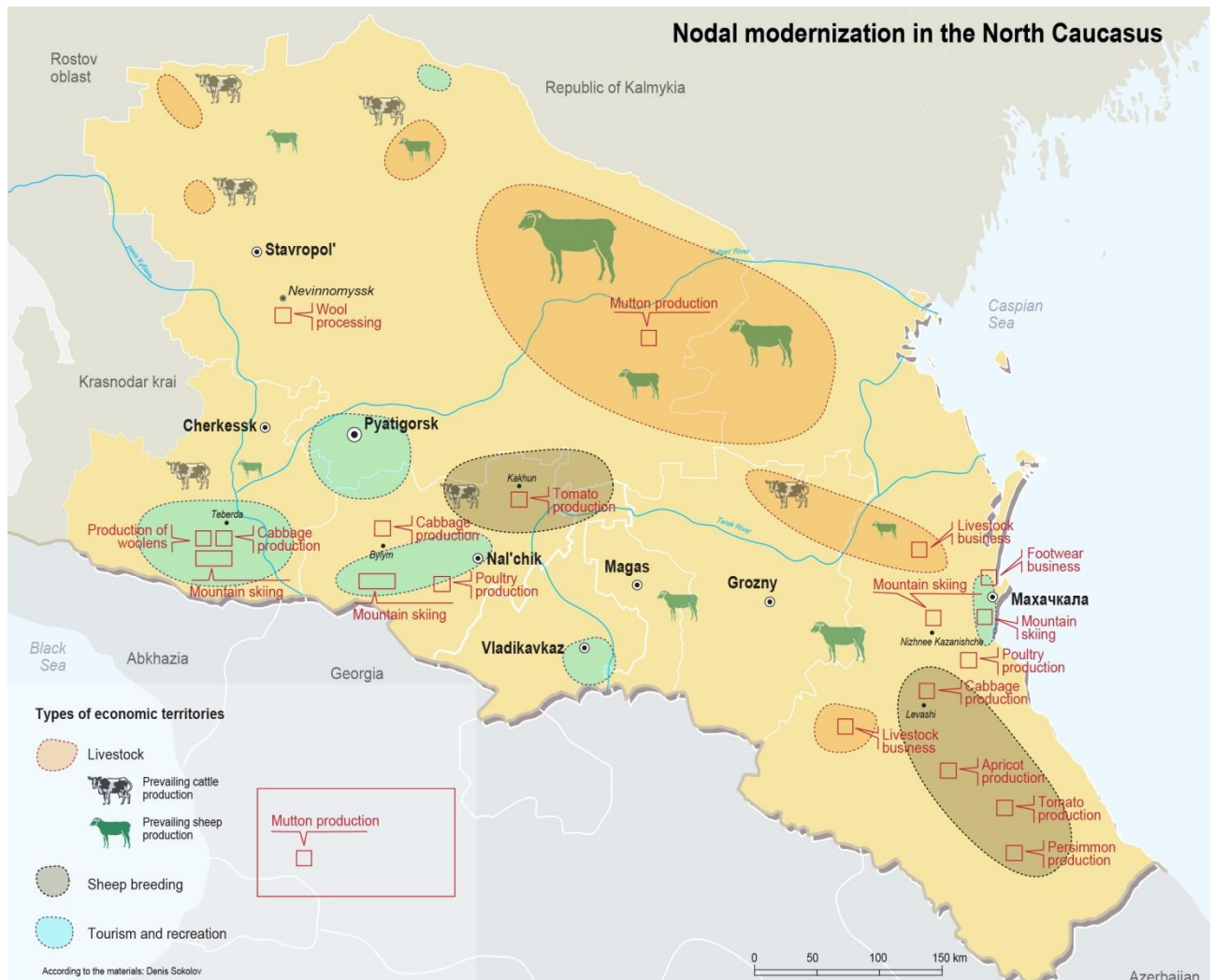
The development of clusters encourages optimism as most experts regard support for local businesses as the way out of economic stagnation. However, this is open to doubt. Success stories involved primarily private backyards, small-scale production, or the service sphere and they have not transformed into regional development. A model under which a small producer invests his labour and receives an income but does not pay taxes and transfers economic risks and infrastructural problems to government bodies is very fragile and vulnerable. Social guarantees are lacking; the competitiveness of products is weak; incomes are often of a seasonal nature, vary greatly depending on a changing demand and do not yield a multiplicative effect. This is reflected in the indicators of socioeconomic development of the NCFD: the region counts among the major laggards in

the Russian Federation and, at the same time, stands out for its massive shadow economy (see Working Paper 1). In fact, local agents of development, even if they succeed, take into account only their personal or group interests. This is encouraged by:

- *ethnic mobilisation*, which does not allow "outsiders" to enter "inside" territories;
- *competition between secular and religious systems of values*: alternative ideas of the region's future affect the nature of economic relations and business rules;
- *multitude of de facto legal systems ("polyjuridism")*: simultaneous use of Russian legislation, adats, and sharia, to which the population resorts depending on the situation;
- *absence of cooperation* in solving the problems of territorial development;
- *low level of interpersonal trust*;
- *and grassroots and top corruption*.

This study shows that practically everywhere the logic of economic rationality, which presupposes the creation of an attractive and transparent environment for business, is at odds with the regional culture and traditions. The standard tools of modernisation (the creation of new jobs, the increase in the educational level, the quality of life, etc.) are not sufficient in these conditions. Tailor-made strategies are required not only to invest in the material sphere or human capital, but also to affect the values shared by people. We discuss hereafter the key factors affecting any development projects in the North Caucasus.

Fig. 1 Nodal modernization in the North Caucasus.



Ethnic diversity and local modernisation

Several autochthonous ethnocultural subregions can be distinguished in the NCFD (Fig. 2). *The West Caucasian (Circassian) subregion* is represented by Kabardians and Circassians, who represent the "title nations" in "their" republics, as well as by Abazins and Shapsugs whose main habitats are located to the west, within the Southern Federal District (SFD). *The East Caucasian subregion* unites Dagestan, Chechnya, and Ingushetia. Despite the current division into Chechens and Ingushes, until recently many ethnographers considered them a single nation, Vainakhs.² Today they are concentrated in two separate mono-ethnic republics. In contrast, Dagestan is characterised by ethnocultural patchiness. The republic includes from 30 to 50 ethnic groups. 120 various communities claim the peculiarities of their languages and traditions. Nevertheless, only 14 peoples are officially acknowledged and taken into account in censuses. Even in this reduced form, Dagestan's ethnic diversity singles it out from other NCFD republics, where one or maximum two ethnic groups are recognized as "title ethnies." Between the *East* and *West* subregions, there is North Ossetia, compactly populated by Ossetians, an *Iranian-language* nation, mostly Christians. The *Stavropol' region* occupies a specific place on the ethnocultural map of the NCFD. This is a subregion with a significant prevalence of the Russian population. In addition, many ethnic minori-

² *Peoples of Russia: Encyclopedia*, Ed. by V. A. Tishkov (Nauch. Izd. Bol'shaya Rossiiskaya Entsiklopediya, Moscow, 1994) [in Russian].

ties with different origins live in the North Caucasus: Turkmens, Greeks, Armenians, Ukrainians, Jews, among others.

Fig. 2 The dispersal of ethnic groups in the North Caucasus.



In the post-Soviet years, the ethnic map of the North Caucasus changed noticeably. A comparison of the censuses of 1989, 2002, and 2010 points to a decrease in the Russian and Russian-speaking population in all of the NCFD subjects and a simultaneous growth of the "title" peoples.³ Thus, the share of Russians and Russian speakers has dropped since 1989 in Karachay-Cherkessia from 42 to 31%, in Kabardino-Balkaria from 32 to 22%, in North Ossetia from 30 to 20%, and in Dagestan from

³ **The Results of the All-Union Census 1989.** The National Composition of the Population of the RSFSR (Respublikanskii Inform.-Izdat. Tsent, Moscow, 1990) [in Russian]; **The Results of the All-Russia Census 2002**, Vol. 4: *The National Composition and Language Proficiency, Citizenship* (IMTs Statistika Rossii, Moscow, 2004) [in Russian]; **The Results of the All-Russia Census 2010.** The National Composition of the Population of the Russian Federation (Gostatizdat, Moscow, 2012) [in Russian]; **The Russian Caucasus**, Ed. by V. A. Tishkov (FGNU Rosinformagrotekh, Moscow, 2007) [in Russian]; V. S. Belozherov, A. N. Panin, R. A. Prikhod'ko, V. V. Chikhichin, and A. A. Cherkasov, **The Ethnic Atlas of Stavropol' Krai** (FOK-Yug, Stavropol', 2014) [in Russian].

9.7 to 3.6%. Soviet Checheno-Ingushetia included 24.8% of Russians; now 1.9% of them are left in Chechnya and 0.8% in Ingushetia.

The main reasons behind this include:

- 1) Sharp differences in demographic dynamics: a high natural growth of the population in Dagestan, Chechnya, and Ingushetia and a natural loss of the Russian population as a consequence of its aging, which is especially noticeable in the rural areas of Stavropol' krai;
- 2) A constant outflow of the Russian and Russian-speaking population, which began back in Soviet times and increased sharply after the disintegration of the Soviet Union. This outflow was due to the economic crisis and closure of industrial enterprises, as well as the ousting of Russians from profitable and prestigious spheres of activity;
- 3) Interethnic and ethno-territorial conflicts of post-Soviet times, which resulted in a large number of refugees and forced migrants;
- 4) A migration inflow into Stavropol' krai (along with Krasnodar krai and Rostov oblast) involving not only Russians and Russian-speaking migrants from national republics, but also the representatives of other nations who seek more safety and a different way of life: Armenians, Dargins, Chechens, Kabardians, Karachays, Ossetians, Azerbaijanis, and others.

Despite the temptation to interpret ethnic shifts in the NCFD regions as a consistent "de-Russification," this process is only part of a broader picture that also includes the growth of ethnic particularism and the "fragmentation" of ethnic groups in the republics. In the pre-Soviet period, the main identity of nations was based on the affiliation with a confession, *jamia*/community (*tukkhum*, *teip*), or a union of *jamias*/communities.⁴ In the first years of Soviet power, a "scientifically substantiated" nomenclature of nationalities was established and the nationalities were "affixed" to their territories. The institutionalization of ethnicity provided the title ethnic groups of the republics with a number of privileges, including the resources to foster national culture, guaranteed representation in political bodies, and quotas to access higher education and other resources. This approach enhanced the interest of the title groups' elites in the expansion of "their" nationalities and the inclusion of small ethnic groups into them.

In the post-Soviet years, as government institutions regressed, ethnicity was increasingly prioritised over social and professional characteristics. This turned ethnicity into a key channel of group mobilisation with the view to securing both pragmatic (the struggle for redistribution of land, resources, statuses, etc.) and "ideal" goals. Lobbyists of small groups emerged, struggling among themselves for power. In the 1990s, the general political instability in the country only amplified the importance of self-identification with an ethnic group as a guarantee for group support in difficult situations. As ethnic identity turned into a political asset, it left the sphere of culture and became a tool of group struggle for local resources. This had two important effects on the success of local business initiatives.

First, it led to the transformation of small businesses into a system of ethnic businesses and competition between ethnic groups for ownership, business, and entrepreneurship.⁵ Even though

⁴ *Tukkhum* is self-designation of family clans in North Caucasian highlanders, including the smallest ones. *Tukkhums* also mean long-term military-political or military-economic alliances of various clans for resolving various problems. In addition, the Caucasian peoples also have their own specific designations of clannish organization: *tlepk* among Adygean peoples, *tlibil* among Avars, *sikhil* among Lezgins, *dzhine* among Dargins, and so on. The notion *teip* is of Arabic origin and is used meaning a clan mainly by Chechens and Ingushes; it is also widespread among the Avar, Lak, Ando-Tsezic, and some other ethnicities of Dagestan.

⁵ The main vectors of implementing the government national policy in Stavropol' krai for 2011-2015. Instruction of February 18, 2011. The official site of the government of Stavropol' krai. http://www.stavregion.ru/ /cms_page_media/1177/1275CC7A.pdf

some researchers believe that ethnic entrepreneurship serves as a tool to adapt migrants to a new habitat,⁶ ethnic entrepreneurs do not so much integrate into the Russian system of economic relations; in fact, they tend to disseminate their patterns on other territories. As a result, the Russian legal practice loses its importance and concepts worked out by Caucasians disseminate as standard practices.

Second, against the background of ethnicisation of small businesses, the resources of local agents of development are used not to create new assets. Instead, they are used to redistribute the already existing assets and expand the power of "their" group, thereby stimulating ethnic mobilisation. For example, protests against the construction of a sugar mill in the Nogaisky district of Dagestan, which had an economic and social background, resulted in the creation of the National Council of the Nogai People. In 2013, it was reformed into the federal national-cultural autonomy Nogai EI, which became a permanent participant in making decisions on land management, ownership, contracts, inheritance, etc.

Economists and anthropologists have identified the encouragement of interethnic coalitions and regional and national-state identities as solutions to these problems.⁷ In fact, this does not sufficiently account for the Islamic factor.

Islamic vs. socioeconomic modernisation

For the overwhelming majority of peoples who live in the region, religious faith is an ethnic marker, whether *Orthodoxy* for Russians, Ukrainians, and Belarusians; *Judaism* for Jews and Tats; and *Islam* for almost all highland peoples. Among religiously "split" ethnicities are (1) the Ossetians, most of whom are Orthodox Christians, but Muslims prevail in Digoria and Tagauria; (2) the Kabardians, mostly Muslims, except for Orthodox Kabardians in the Mozdok district; and (3) the Tats, who mainly profess Judaism but have compact groups of Muslims. In some other cases, religious affiliation does not function as an ethnic marker, as is the case with *Baptism* and other Protestant denominations.

Sunni Islam and its various branches prevail. Shiism settled mainly in South Dagestan, in regions that border Azerbaijan. Islam of the Hanafi madhhab spread among the Adygean peoples, partly Ossetians, and West-Caucasian Turkic peoples; and among Vainakhs and Dagestani ethnic groups, Sunnism of the Shafi'i madhhab (the exception is Nogais, the majority of whom are Hanafites). Sufism and then Mouridism have spread primarily in Dagestan and Chechnya.

In the post-Soviet years, religious renaissance concerned all confessions represented in the NCFD. Today, for the overwhelming majority of the Russian population who lives in the region, their confessional affiliation is almost as important as it is for peoples who profess Islam. The principal difference lies in the fact that only an insignificant minority of Orthodox believers observe the main religious precepts: take the sacrament, confess, and regularly pray in church. The situation looks differently among Muslims. Although in the Soviet period most of the autochthonous population of the North Caucasus departed from religious practices, Islam remained culturally important: the "Islamic" and "popular" were inseparable. In Kabardino-Balkaria and Karachay-Cherkessia, people brought up in Muslim tradition continued to observe Muslim customs and rites without perceiving them as religious, while in Dagestan and Checheno-Ingushetia Muslim communities continued to

⁶ S. V. Ryazantsev, "Ethnic entrepreneurship as a form of adaptation of migrants," *Obshch. Nauki Sovr.*, No. 5, 73–86 (2000).

⁷ I. Starodubrovskaya and K. Kazenin, *The North Caucasus and the Contemporary Model of Democratic Development: An Expert Report* (Komitet Grazhdanskikh Initsiativ, Moscow, 2016) [in Russian]. <https://komitetgi.ru/analytics/2774/>. Cited July 20, 2016; V. A. Tishkov and E. F. Kisriev, "Multiple identities amid theory and politics (a case study of Dagestan)," *Etnograf. Obozrenie*, No. 5, 96-115 (2007).

function informally in Soviet years as well.^{8,9} After the USSR collapsed, Islam started to be seen as a major cultural component of a reviving society.¹⁰ While Orthodoxy sought to "return to tradition," Islam showed the road to the future, associating it with the rearrangement of society based on Islamic principles. Russian lexicon expanded to new concepts such as *fundamentalism*, *Salafism*, and *Wahhabism*. In a context of religious revival, neither the population of the North Caucasus nor their spiritual advisers seemed to be ready for the critical assessment of ideas superimposed by Islamic authorities from Arabic countries—carriers of "pure" faith, free from ethnocultural juxtapositions and Soviet influences. All the way up to 1997, the federal and regional authorities considered the manifestations of radicalism in "new" Islam as the unavoidable costs to be incurred for religious revival. The situation changed drastically during the second Chechen campaign (1999), when direct ideological opposition appeared. The growth of anti-Islamic sentiments in the Russian society led to a change in the Islamists' tactics in the struggle for power and political influence. They bounced over from open preaching in the North Caucasus to the creation of a ramified network of mobile groups and the recruitment of mujahids in all regions and cities of the Russian Federation where Muslims lived. In 2007, the "Caucasus Emirate" was proclaimed to set the goal of "*establishing sharia, Allah's Law on territories under control.*"¹¹ In 2010, the Russian Federation declared the Emirate a terrorist organization, and its activity was banned. In 2011, the United States and the UN Security Council made similar decisions. In the fall of 2015, the Emirate's combatants and leaders swore allegiance to the Islamic State.

Table 2. Confessional self-identification and religious practices in the republics of the North Caucasus (based on a poll by the Levada Center, 2012)

	Republics*				
	KChR	KBR	Ingushetia	Chechnya	Dagestan
Do you consider yourself religious? If yes, what religion do you profess?					
I do not consider myself religious	17	12	4	2	5
Islam	62	76	92	96	84
Orthodoxy	20	11	2	1	7
Judaism	-	-	-	0,3	1
I do not know	-	1	2	1	2
Observing religious precepts among Muslims (% of those who called themselves Muslim)					
I observe all religious precepts and try to lead the righteous way of life	11	11	21	70	37
I try to observe religious precepts, but not always	36	29	66	24	41
I rarely observe religious precepts	20	21	7	2	13
I practically do not observe religious precepts	17	36	1	4	4
I do not know	16	3	6	0.5	5

Source: L. D. Gudkov, B. V. Dubin, et al., p. 51.

* KChR is the Karachay-Cherkess Republic; KBR is the Kabardino-Balkar Republic.

The growing influence of Islamic precepts and preachers on the life of the North Caucasian population spurs sharp discussions in the scientific community. Some point to the danger that comes from religious radicalism; others highlight Islam's integrating potential; still others stress a dissent in the Islamic ummah and preachers; and still others emphasize the discrepancy between the de-

⁸ V. S. Bobrovnikov, "The archeology of construction of Islamic traditions in a Dagestani kolkhoz," in *Confession, Empire, Nation: Religion and the Problem of Diversity in the History of the Post-Soviet Space* (Ab Imperio, Moscow, 2012), pp. 404-433 [in Russian].

⁹ *The Russian Caucasus*, Ed. by V. A. Tishkov (FGNU Rosinformagrotekh, Moscow, 2007) [in Russian].

¹⁰ Kh. V. Dzutsev, F. B. Tsogoeva, L. T. Khetagurova, and A. R. Gabueva, "Religious interethnic orientations of the population of the republics of the North Caucasian Federal District of the Russian Federation," *Theories and Problems of Political Studies*, Nos. 4-5, 24-41 (2015); M. Ya. Yakh'yaev, "Islam in political and sociocultural processes in the North Caucasus," *Islamovedenie*, No. 1, 86-90 (2014).

¹¹ *The Caucasus Emirate*, the Caucasian Knot, June 17, 2016. <https://www.kavkaz-uzel.eu/articles/158730/>.

clared degree of people's religiosity and their actual religious conduct.¹² In fact, the hajj is an indicator of success; and in rural communities, religious precepts are perceived as part of traditions. People prefer to define themselves simply as "believers" and not as "faithfuls".¹³ In Karachay-Cherkessia, there are 90% of such; in Kabardino-Balkaria, 66%; in Ingushetia, 79%; and in Dagestan, 64%. Chechnya stands out against this background; Islam plays the role of an official religion there, but even in Chechnya one-third of the population does not observe the required precepts (Table 2).

The main concern is that the most active growth in the adherents of the "new" Islam concerns young people. In fact, this mirrors a gap between generations. While the older generation regarded religious rites as popular customs, the "children," on the contrary, tend to see traditional rites as religious rituals.

The Islamic "renaissance" in the North Caucasus has thus brought into light the correlation between religious and ethnic identities. Each of them stands for a system of values, supported by external authoritative forces, deeply incorporated into the internal social structures of North-Caucasian society. One of these is the state responsible for the economy, security, and social well-being; another is religious institutions, concerned with the spiritual state of society. Each of these forces obeys its own legal system and provides society with its own model of development. Although the end goals are clearly defined in each case—full integration into the Islamic world or into Russia's political and economic system—the boundaries of social preferences are fuzzy. It is practically impossible for many inhabitants of the republics of the North Caucasus to make an unambiguous choice in favor of a secular or a religious society.¹⁴ However, the presence of "two pillars" does not foster stability. Ethnic groups' self-determination, unlike religious one, is closely related to the institutions of a secular state that admitted the pluralism of North-Caucasian society as its major characteristic. Several generations have grown up with this thought. Therefore, in the NCFD republics, with all respect for religion, the ideas of a theocratic (Islamic) state, "Muslim brotherhood", or even an increased role of Islam in the economy, education, and management encounter opposition. However, ethnocultural pluralism, supporting the system of values of a secular state, makes not only the state but also the prospects for local development depend on ethno-political relations and sentiments in society. Therefore, it is important to understand how people evaluate the prospects of their lives.

The North Caucasus: a traditional or contemporary society?

Unlike regions with predominantly Russian population (Stavropol' krai), where social order is established with norms and values, the functions of sociocultural regulators in the republics of the North Caucasus are performed by traditions, customs, and family ties. This distinction is the source of North-Caucasian traditionalism and a marked trend in its archaisation.¹⁵ However, school education, the system of social security, new living standards, fashion, television, technical innovation, and Soviet bureaucratic practices came to stay; the norms of common law, while still remaining, were pushed aside by national legislation. Urbanisation played a great role, as it favoured individ-

¹² M. Ya. Yakh'yaev, Op. cit.; A. Malashenko, *Islamic Factor in the Northern Caucasus* (Gendal'f, Moscow, 2001) [in Russian].

¹³ L. D. Gudkov, B. V. Dubin, N. A. Zorskaya, O. S. Konstantinova, and M. A. Plotko, "Situation in the North Caucasus: An attempt of pilot research in 5 republics," *Russ. Public Opinion Herald. Data. Analysis. Discussions.*, Nos. 3-4, 25-70 (2012); Kh. V. Dzutsev et al., Op. cit.; Z. M. Abdulagatov, *Islamic Mass Consciousness of Post-Soviet Russia* (IIAE DNTs RAN, Makhachkala, 2013) [in Russian].

¹⁴ A. S. Antipova, "The values of Islam and a secular state in a sociological dimension," *Sociol. Issled.*, No. 3, 111-118 (2007).

¹⁵ A. G. Levinson, "Caucasus problems in the narratives of the inhabitants of Caucasus and other parts of Russia," *Russ. Public Opinion Herald. Data. Analysis. Discussions.*, Nos. 3-4, 78-89 (2012); L. D. Gudkov, B. V. Dubin, et al., Op. cit.

ualism and the appearance of people who do not follow precepts. The stratum of secular intelligentsia grew considerably. It is also impossible to overlook the role of migrations, education, and work in other Russian regions and abroad, as well as constant contacts with other cultural worlds. Traditions themselves have evolved: many things that are seen today as a legacy of the past are just as much a response to a changing context. Therefore, the traditionalism of the North Caucasus should be analysed in the context of a society aware of the depth of the modernisation challenge and the uncertainty of its future. In order to confirm or invalidate this thesis, it is important to understand how traditional and contemporary ideas interplay in the behaviour of people, whether they have the nature of a chaotic combination, typical of archaisation, or meet the targets of development and modernisation.

To this end, a series of in-depth interviews and group discussions was conducted in 2015 in the Republic of Dagestan, which includes all the characteristics of the North Caucasus. One of the interviews took place in Kusumkent, a poor village, distant from big cities, that young people leave massively, and another discussion was held in the village of Tuybe, which is a component of the Makhachkala agglomeration. Two focus groups were conducted in Makhachkala: one with "recent" and the other with "native-born" Makhachkala citizens, including the intelligentsia. The totality of the above sets of respondents cannot, of course, be considered a representative sample of the Dagestani population, but all these people, one way or another, are involved in modernisation processes. This enables us to generalise their statements and compare them with some important parameters of contemporary and traditional societies.

Family and society. In all the *loci* that we chose, respondents stressed the paramount importance of family and family ties as institutions that largely affect human fate, social mobility, and potential career. As a rule, a person can name several generations of ancestors. The number of relatives in one generation can reach half a thousand; however, no more than 15-20 people fall into the number of "close" relatives. The family is responsible not only for an individual's relation with the past but also for her/his integration into society. The family and social statuses are interchangeable.

Nevertheless, the basics of family and ancestral solidarity have significantly. Closeness is determined not only by the degree of relationship but also by interpersonal relations. Altruism and mutual aid are ousted by mercantilism and clientelism. In lowland cities and villages, where people of various origins live, ancestral differences blend. Urbanisation contributes to the reduction of the number of children and family size. Having one child is not a violation of the norm. In contacts with the external world, the common Dagestani identity is important for all. People feel as a community, as part of a big state entrusted with the obligation to care for everyone.

The sense of belonging to society through agency of family and kindred ties manifests itself explicitly when defining the prospects of development for the republic. Local communities actively step into the discussions of projects and investments, periodically blocking actions of the authorities and lobbying local or ethnic group interests. Pluralism, which is based on ethnic diversity and group solidarity, does not allow for a single ruling clan to emerge and encourages the promotion of meritocratic principles in appointing public figures.

Mobility. At first sight, Dagestani society appears to have limited mobility. People who live in the republic rarely change their places of residence and seldom travel. Interviewees point to their involvement in family and kindred relations as the key factors behind their limited mobility.

- *How do we differ from those who live outside of Dagestan? We have very many responsibilities. Events in which we participate. These are weddings, birthdays, childbirths, and circumcision. Religious holidays, where we all accept some financial aid. The savings*

system [does not work] because of that. To take a family outside of Dagestan ... is practically impossible.

- *Even if we can afford it financially, we do not always find time for it because I cannot go away on a long vacation knowing that a relative will have a wedding in two weeks. Another relative will have a baby born very soon.*

On the other hand, natives of Dagestan live practically in all regions of Russian and abroad. Sociological studies show that half of the population of the North-Caucasian republics have relatives living outside of their territories. For Dagestan, this share is 60%.¹⁶ The republic and its diaspora keep close contacts; both parts of society—the "settled" and the "mobile"—act in common, ensuring the existence of a single community, its reproduction and renewal. This requires the mastering of numerous contemporary practices: the Internet, mobile communications, banking services, aviation communications, etc., which considerably change human views. Thus, in Kusumkent, even elderly people spoke about the importance of access to the Internet. Thanks to contacts with relatives, the village does not look like a locus laid-up in the past. The inhabitants of Makhachkala do not differ from those of Kusumkent in their habit of using new technologies and access to information, but in their preference for bank loans instead of borrowing money from relatives. This drastically differs from traditional forms of financial support, where the "sponsor" is the clan, which does not allow its members to be in a distress.

Education. No one questions the worth and necessity of education. It is mentioned as a priority, equal to respect to elders and responsibility. Higher education is acknowledged as compulsory for young men and very desirable for young women. Education is seen as a capital that increases the worthiness of a fiancée in the eyes of the fiancé's family. A diploma also endows a girl with higher independence in selecting her husband. Young men are free to choose their profession. For girls, the socially approved choice is narrowed and includes medicine and pedagogy. Knowledge gained counts immensely in the role of a mother. Despite the growth of interest in religion, preference goes to secular education. The main source of acquiring knowledge is school, then comes family, the "street," the Internet, and, finally, the mosque. *"The mosque is not for knowledge but for the right spiritual attitude."* Muslim clothing, as a rule, is not worn in school, although there are exceptions. In Kusumkent, this is a question of family religiosity, in Tyube and Makhachkala, it is rather presented as a matter of fashion.

Success. The question of who counts as a successful person aimed at comparing the answers of Dagestan's citizens with the value scale of modernity. Connecting success with material wealth would favour the values of "survival" in traditional society, and the relationship with personal self-realisation would favour the values of "self-expression" and modernity. The answers obtained were ambiguous. During the group discussions, no one spoke about the importance of wealth, although demonstrative wealth is what surprises most in the Caucasus. No one either mentioned that money is of no interest. Alike, no one anywhere ever spoke about personal self-realisation, although the care for children *"being able to feel competitive"* and having *"the opportunity to unlock their potential"* was mentioned among the motivations for migrating to Moscow and St. Petersburg. At the same time, everyone noted that the main key to success was connections and network. They can be clannish, neighborly, community-related, friendly, or professional and rely on either pragmatic motives and network transfers or on the call of duty and responsibility. The same people complained that *"a young person without connections will never find a job,"* and stated that *"the right specialist can be hired without any connections."* Respondents stressed that

¹⁶ S. R. Khaikin and N. P. Popov, "Protest moods in Northern Caucasus: The general and the particular (part II)," Monitoring Public Opinion: Econ. Soc. Changes, No. 5, 59-74 (2012).

connections are not only opportunities that people use but also obligations that they bear. A man without connections is seen as a "loser".

Success in life is the appointment to a prestigious position that guarantees material well-being, social recognition, and authority among relatives. For instance, ideally high positions should be occupied by professionally trained specialists, who have achieved success thanks to personal qualities and efforts. Army service is also seen as a road to success. If, in the last Soviet years, people paid to avoid military service, now they pay for being drafted, because conscription from the North-Caucasian regions is limited, and, without the experience of military service, it is impossible to become a law enforcement officer. In the eyes of society, the social status of a person is crucial. Its visual manifestation is the construction of a personal house. The process can last for decades. Women who make their living independently in other regions of Russia also channel their efforts to build a house, and leave their children with their mothers and grandmothers.

Customs and traditions. E. Hobsbawm stressed the difference between customs and traditions, believing that the former evolve with changing life conditions, while the latter, on the contrary, represent fixed practices. The stories of our respondents illustrate this thesis. The most vivid example is weddings. The essence of this rite is in keeping the connectedness of society. Weddings bring the whole family together and help keeping track of its composition. This is a holiday for all, the rich and the poor, the young and the old, the members of a family and clan; it is a fair of fiancés and fiancées, a place to draw agreements and solicit approval from the older members of the tukkhum, as well as a parade of children. The number of guests at a wedding varies greatly and is an indicator of a family's capabilities and influence.

Wedding "technologies" have modernised in the post-Soviet years. Before that, a wedding, either rural or urban, was celebrated in yards, now it is done in specialised ceremonial complexes, which offer catering, music, decorations, etc. A two-day wedding ritual, held separately in the fiancée's and fiancé's homes, is often reconsidered in favour of a common holiday, limited to one day. Before, everything necessary for a wedding was done by the celebrators; now this is done by firms. Such innovations reflect the imitation and not the observance of traditions. Along with this, several really new and stable practices have emerged.

First, the institution of patriarchal collectivism "by birth" has been supplemented by contemporary collectivism "by workplace." The custom of "calling all to the wedding" to staff members is accompanied by the working out of corporate ethics, which assumes selective communication. Young people can also invite their friends from outside the family circle.

Second, all the respondents mentioned the increased popularity of alcohol-free weddings and the ambiguity of this tradition, which undermines intergeneration links and makes the observance of grandfather's experience impossible.

- *Before, all people were pious, all observed Salah, and there was music [at weddings], and there was booze. Just now, the focus goes on the fact that, if you are a believer, if you observe Salah, it is a sin to listen to music and a sin to dance. But before, our grandfathers and grandmothers still sang and danced, as well as observed Salah, and were much more sinless.*

Third, money has become a routine wedding gift. Before, cash gifts to the newlyweds reflected the closeness of relations within a family; today this is a preferable and least burdensome gift form. This shift entails the blurring of boundaries within family relations and the transfer from mutual exchanges typical of a traditional society, to goods/money exchanges, which makes it possible to cover wedding-related expenses.

Future. The idea that "*Dagestan's future is in its past,*" which could have found support if people had been retro oriented, was interpreted in very different ways during the focus groups. For some, it meant the return to the experience of ancestors; for others, the nostalgia for Brezhnev's times; for still others, the statement of the republic's economic deterioration, compared to the Soviet period. The idea of "*innovative breakthrough*" met no support. The majority agreed that quick reforms, which might have come from Moscow, were undesirable. The development model accepted by Chechnya was also assessed without enthusiasm, despite the positive evaluation of changes in the neighbouring republic. The reason for rejecting the Chechen scenario does not lie in the fact that foul means are used there (the *order set* by R. Kadyrov looks attractive), but in the pluralism and multiethnicity of Dagestani society. For "new" Muslims, the model is Arab theocracies. For those who seek jobs or education in a spiritually close environment, it is secular Turkey; for those who strive for modern life, it is West Europe and America. No one opposed Dagestan's presence within Russia. Ideas of the future of Dagestani peoples were linked to the Russian Federation.

The survey has shown that the real life of people in Dagestan is a continuous chain of transitions from the traditional forms of behaviour to modern ones and the convergence, not interexclusion, of worldview positions. This has been interpreted as the *disorientation of traditional society*, resulting in human social reactions becoming chaotic. Yet this interpretation raises doubts, because the importance of development, as a process implying personal efforts, growth in social mobility and well-being, is acknowledged by respondents. The definition of *Dagestani society as "transitional"* is equally dubious: the past (also seen as the future) takes a central place, thereby guaranteeing the reproduction of a common identity, either at the ethnic group level or at Dagestan level. In fact, the model formatted in categories of "new" Islam competes with the image of the Western world. The return to the bosom of religion after a long period of state atheism is attractive to many, since it helps mark the succession of the past and the future. At the same time, claims for absoluteness, undermining of the authority of elders, and depreciation of local customs are rejected.

Local development and obstacles to its implementation

1. Corruption and the "adequate" relations between people

The sharpest problem of the North Caucasus is corruption, which has become an integral part of the way of life and has turned into a "regulator" of social relations. Grassroots corruption is widespread in education, health care, and public and municipal services. It is considered impolite to reject a relative's request, for example, to help pass an examination or enter a higher educational institution if one has levers of influence. People use their connections to illegally produce documents entitling them to various public benefits (disability benefits, maternity capital, etc.). Corruption is not only connected to budgetary transfers from the federal center¹⁷; it also develops through any human contact with administration. It is difficult and in some cases even impossible to get a position in a budgetary institution without a bribe or services to the person who makes employment decisions. Bribery is connected to the provision of municipal and public services, primarily when processing documents of ownership rights, acquiring information, and opening a business. Most of the population in the North Caucasus believes that the level of corruption is increasing (Table 3).

¹⁷ Chechnya: The internal abroad. Report of the International Crisis group, 2015. <http://www.kavkaz-uzel.eu/articles/264772/>.

Table 3. Do you think the level of corruption in your region is decreasing, increasing, or not changing?

	NCFD	Dagestan	Ingushetia	KB	KCh	NO-A	Chechnya
Decreasing	5	3	9	7	2	6	10
Increasing	41	54	36	34	50	25	31
Not changing	46	38	54	51	40	55	48
I do not know	8	5	1	8	8	14	11

Source: S. R. Khaikin and N. P. Popov, Problems of North Caucasus and efficiency of state policy in local population assessments," Politeia, No. 4, 173 (2012).

Nevertheless, our survey shows that if corruption is not identified or criticised, people are reluctant to uncover it. Many actions that would be deemed illegal or morally unjustified in Central Russia are not perceived as such in the North Caucasus. Embezzlement, tampering, bribing officials, and some other criminal acts by officials or businesspeople are assessed as crimes, but many grassroots transactions are regarded as fair. In addition, both the direct execution of official duties and legal abuses are paid for. For people, corruption proper is only the intemperate enrichment of officials. Abuse of power "in one's own favour" is impeached, but similar actions in favour of family, relatives, friends, or fellow villagers are regarded as appropriate. Grassroots corruption is seen as a custom that provides equal access to deficient resources or the social infrastructure. Hence this leads to the idea of "good authority", one that does not interfere with people "solving" their problems but is efficient enough to accumulate resources necessary for this.

Since they regard corruption as an attribute of the upper layers of federal and regional authorities, or the consequence of imperfect legislation, or even a Soviet legacy, people do not associate it with their own behavioural mindsets. Double standards with regard to corruption greatly hinder populational support for anticorruption policy. At the same time, since corruption in the upper echelons of power is perceived by all as an obvious evil, this entails resorting to "fair" legal systems, alternative to state legislation (sharia, adats).

2. "Polyjuridism", the simultaneous effect of two and more legal systems, has always been typical of the North Caucasus. In czarist days, the choice between state legislation and other legal norms was regulated by Russian subordinate acts. In Soviet times, official legislation was not a monopoly either. In the first years of Soviet power, which hoped to bring "working Muslims" to its side, sharia was supported to the prejudice of adat,¹⁸ which was considered a relic of the past. From the late 1920s, the practice of sharia law started to be forbidden. In the 1970s, the revived interest in popular traditions made attitudes to adat more tolerant. In post-Soviet years, when it became clear that the existing legislation was not quite adequate for new economic realities, the importance of sharia and adats in the life of North-Caucasian society grew tremendously. Formal legal institutions and, in particular, courts turned into an arena of struggle between interest groups which relied on different resources, such as ethnicity, clannish and community alliances, affiliation with the Sufi Brotherhood or a community of believers, "native" inhabitants of a village or district, etc. Modes of conflict resolution and ways of forcing to fulfill decisions raised doubts as to their legitimacy and often ended up in stalemates.¹⁹

¹⁸ As a rule, Muslim legal culture associates *sharia* with consideration of civil issues, and *adat* is communal, tukkhum law, which dates back to pre-Islamic legal norms and regulates relations within a family and clan.

¹⁹ E. Varshaver and E. Kruglova, "Coalitional clinch vs. Islamic order. The market of institutions related to dispute resolution in Dagestan," Econ. Policy **10** (3), 89–112 (2015).

Legal uncertainty was amplified by radical shifts in the composition of the residents of large cities. The massive outflow of Russians and other "nontitle" nations was compensated by the inflow of highland and rural population. Former ruralists, as well as other citizens, tried to rely on traditional (alternative) legal institutions. At the same time, there has been no clear-cut differentiation between the jurisdictions of the institutions. Therefore, it is not so much the return to historically prominent legal systems as their hybridization, understood as the blending of official and alternative norms. A specific market of institutions developed,²⁰ which allowed individuals to choose the rules of the game, and the beneficiaries of this system gradually emerged.²¹ Sharia and traditional law were exercised contrary to state laws and conflicted with them. As the polls in the North-Caucasian republics show, almost two-thirds of the local population believe that in conditions when secular law contradicts faith, it may not be observed. People who think that Russian laws should be observed in any case are much fewer (20%).²²

The insufficient effectiveness of state institutions (primarily courts, which don't comply with legal norms but with informal rules in order to protect "insiders" under any circumstances) and the lack of regulation in the sphere of ownership and labour relations lead to a situation in which people prefer to resolve disputes through imams or alims (experts in sharia). A high level of trust in religious authorities ensures the legitimacy of their verdicts. Similar mechanisms of social control over the execution of decisions can be found in the case of adats. The guarantor here is the rural community or jamia.

Yet it would be a mistake to think that sharia and adats are ousting partially or fully Russian legislation. The degree of strength of "polyjuridism" in the NCFD republics differs greatly from region to region: most frequently alternative norms are used in Dagestan, Chechnya, and Ingushetia, but even there their effect spreads only to individual aspects of social and ownership relations.²³ However, we should not ignore the fact that the sharpest competition between legal systems unfolds in the loci of modernisation, i.e. on territories or in cities affected by local initiatives. On the one hand, participants in these initiatives are vitally interested in reducing risks and legal uncertainty, protecting their property and businesses, and capitalising their assets.²⁴ This explains why even unbelievers use the sharia norms to resolve disputes. On the other hand, both Islamic leaders and jamias are interested in expanding their influence and control on local businesses and personal incomes. Among local agents of development who need state regulation of relations between legal systems are farmers, small and medium businesspeople socialised in towns, who do not have the same social capital as the members of rural communities, and villagers who raise the issues of restoring the institutions of waqf land use, distributing former kolkhoz and sovkhos lands, the rights of relatives, neighbors, and outsiders when community members sell or rent out their land shares.²⁵

²⁰ **S. Pejovich**, "The market for institution versus the strong hand of the state: The case of Eastern Europe," in *Economic Institutions, Markets, and Competition*, Ed. by B. Dallago and L. Mittone (Edward Elgar, Cheltenham, 1996), pp. 111-126; **D. C. North, J. J. Wallis, and B. R. Weingast**, *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History* (Cambridge Univ. Press, 2009; Izd. Dom Inst. Gaidara, Moscow, 2011); **V. L. Tambovtsev**, *Economic Theory of Institutional Changes* (Teis, Moscow, 2005) [in Russian].

²¹ **K. Kazenin**, "Perspectives of the institutional approach to legal pluralism: The case of North Caucasus," *Econ. Policy* **19** (3), 178-198 (2014).

²² **Z. M. Abdulagatov**, *Islamic Mass Consciousness of Post-Soviet Russia* (IIAE DNTs RAN, Makhachkala, 2013) [in Russian].

²³ **K. Kazenin**, "The North Caucasus: The implementation of a strategy of socioeconomic development is hindered by land conflicts in cities," *Russ. Econ. Development* **22** (12), 122-125 (2015).

²⁴ **D. Sokolov**, "Feeding the Caucasus" or nidal modernization? <https://regnum.ru/news/1459527.html?forprint>.

²⁵ **I. Starodubrovskaya and K. Kazenin**, Op. cit.

Conclusions and recommendations

The experts of the International Crisis Group in their report on problems of development in the North Caucasus²⁶ come to the following conclusion: *"Continuous violence and institutional barriers—the result of all-permeating corruption, ineffective management, and unresolved land problems—generate a vicious circle that deprives the region of chances for healthy growth. To win the ideological battle with radical Islamists, the Russian state must convince the population of the North Caucasus that they live in an effective, honest, transparent, and just secular state."*²⁷ We share this point of view, but we think that, to support local development, not only conviction, investments, and institutions are necessary but also a policy of "soft power" to influence the local culture, understood as the accepted way of life.

The rapid development of entrepreneurial activities and private initiatives in the North Caucasus, , coincides with the presence of multiple local communities that preserve deep allegiance to traditional values and culture. Such a combination inevitably generates contradictions. Striving to resolve them, North Caucasian society sees a way out either in amplifying the regulating role of the secular state represented by the federal center and its programmes of regional development or in religion, various forms of Islam, which are becoming increasingly popular, especially among young people. The complexity of this situation requires taking into account not only local realities, but also the search for common points in opposite processes, i.e. identifying the nerve that would make the economic and cultural mechanisms of society work in unison. Only then we may hope that the successes of private and entrepreneurial initiative will contribute to the modernisation of the region and federal projects will yield the anticipated effects. What actions are possible to that purpose?

First, as our study has shown, North-Caucasian society clearly shows the moral need for *honesty, fairness, justice, and law observance*. This is the field on which Islam competes successfully with the Russian state. However, the same ethical principles are important for the implementation of any investment projects. Business implies *social responsibility, transparency, public utility, and respect for the labour and property of others*. In the Russian context, the desire to act within these rules is limited by corruption, unreliability of law enforcement, and defects of the court system. Protection against embezzlers of state property implies the reduction of the number of participants in projects to a narrow circle of honest and rock-solid persons. Local agents of development are, as a rule, not included in this list. It is clear that such a situation is perceived as discriminating and unfair. It results in undermining trust in the state and increasing the number of "closed-access" institutions, which directly contradicts the principles of transparency in doing business. To overcome this situation, support for the bottom level of justice is necessary through the mechanisms of reputational control and the introduction of "polyjuridism" into the legal framework.

Second, the idea of modernity is associated with the values of *self-expression and independence*, which are, to a greater extent, typical of individualistic societies. In collectivistic cultures, self-realisation is also associated with independence in decisions and the presence of choice. The North Caucasus witnesses three strategies of achieving self-realisation: (a) career "at home," the success of which depends on the combination of family position and personal qualities; (b) migration as a means of social mobility, and (c) conversion to "new" Islam. If the first two roads, associated with a number of socioeconomic limitations, require a wealth of knowledge, experience, and personal efforts, the third road is open to all, providing for status and individual self-realisation. The lawfulness of this choice is justified by the "putridity" of the existing social order. The recognition of its fatality entails the requirement to rebuild society on new moral foundations. Structural-

²⁶ International Crisis Group. <https://www.crisisgroup.org/>.

²⁷ *The North Caucasus: Challenges of integration (IV): Economic and social imperatives*, Op. cit.

ly, this narrative is very close to the modernisation one; it also draws the contours of the future and stigmatises the present; but there are drastic differences. "New" Islam does not offer a programme on how to resolving the existing social and economic problems and does not provide answers to human needs associated with the realisation of the value of an individual life. However, the actions of the Russian state in this respect look rather inarticulate. The deficit of opportunities for self-realisation, which originates in the post-Soviet years, has persisted since the 1990s. Therefore, any actions of the state that expand the freedom of choice of life's journey, including support for entrepreneurship, will contribute to mitigating the contradiction between the pursuit of self-realisation and the impossibility to implement it in the actual conditions. Women, who strive to expand their rights and to better the future for children, appear as a natural ally of the secular state here.

Third, the notion of *connections* is central to traditional, as well as to modern, societies, despite the difference in the nature of interactions and their interpretations. In the first case, of the greatest importance are connections that ensure internal cohesion; in the second case, connections that create conditions for building "bridges" between social groups and societies. The first does not exclude the second: various forms of social capital do not only exist simultaneously but depend on one another. This finds its expression in the parallel manifestation of phenomena such as collaboration and rivalry, differentiation and integration, competition and cooperation. If we look from this perspective at the problem of disagreement between federal and local efforts aimed at the development of the North Caucasus, it will become clear that this is caused not so much by the crudity of federal projects but rather by the absence of a coordinating link. Big business is unable to interact directly with private backyards and urban petty producers due to the difference in scales and the insufficient reliability of small economic agents. There is the need for a mediator who would compensate for these two drawbacks. This functions can be performed by local cooperation, protecting the interests of "its own" producers and promoting their products and services in the market. This means that solving the problems of coordinated development requires not only an institutional infrastructure but also trust in it, the scarcest product in Russian society. Organisational support is necessary to create cooperatives capable of making local agents of development competitive. This is a tremendous challenge since social solidarity in North-Caucasian society gets along with suspiciousness and distrust in neighbours.