

Methodology of Detection of the Economic Separatism

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Abstract

The most of the experts believe that deepening of Catalonia crisis will reinforce separatism in Europe and Russia. Serious threat can be faced not only by Spain and the United Kingdom, but the integrity of many European nations. Therefore, it is necessary to create the mechanism, which will be able to send earlier notice of so-called *poor* and *rich* regions separatism. Particularly this type of mechanism will be discussed in this article.

Keywords: Fiscal Separatism, Threat, Economic independence.

The Essence of Fiscal Separatism

According to the current data, there are from 20 to 25 active separatism movements on the European continent. Among them the demand for part of the rebel regions is the secession, while the other part claims fiscal rights– extension of economic independence [1].

However, it should be remembered that in the 90s of the last centuries, Europe, which is under threat of separatism today, did not fully resist the desintegration of the former Yugoslavia, Azerbaijan and Georgia. By active or passive supporters of the separatist projects implemented under the national self-determination slogan they promoted the introduction of precedents extremely dangerous for international law and their future. So, the Western Europeans and Russians will soon reap what they have sown in the Caucasus, Middle East and the Balkans in the 1990s.

Secessionist movements of the regions, whether it is in Georgia, Spain or the UK, at first glance, have different reasons. These are historic, political, cultural and social factors. However, most researchers believe that they all have one common cause - demand for economic independence. In addition, such economic secession, if it is disguised by addition of ethnic-political colors, becomes particularly acute. American researchers T.R. Gurr and W. Moore define an acute ethno-political conflict as the confrontation of such political groups, which consider themselves to be of the common origin, common historical past, valuable cultural signs in a certain combination and put their collective interests above the nation or other groups living in it [2].

The remarks expressed by American researchers on the primacy of interests confirm the words of former rebel president of the Catalonian Generalities Jordi Pujoli: *The language is important, the flag is also important, the culture is very important, but the most important is money* [3].

Fiscal Separatism of *Poor* and *Rich*

Collective economic interests in the condition of federal arrangement of nation are primarily revealed in the fiscal interests of individual

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regions-administrative-territorial or ethnic-autonomous subjects of the federation. In this case, the necessity of lobbying by the local elites of regional economic interests in the federal countries (especially if the powers of the center and the regions are not dramatically differentiated) arises. There are two types of fiscal separatism- *poor's* and *rich's*.

One of the type of fiscal separatism is the *poor's* separatism, which means that the local elites force to seize as much money as possible from the center or take-away through blackmail.

Historical experience demonstrates that two major factors significantly influence on the stirring of *poor's* separatism: support the region by a stronger foreign nation and unbearable dictatorship of the center. Such separatism is more radical, because the poor usually operate more radically than the rich as they do not have anything to lose.

The example of the separatism of the *poor* was Georgia in the beginning of the 90s. At this time the difference between the developments of different regions in the country was not as sharp as in other countries. However, two parallel economic and cultural poles were formed- capital-city Tbilisi, or center, and poor regions. At that time, Georgia was a very weak state, where foreign economic assistance always played a major role in strengthening centrifugal movement. Consequently, due to the weakness of the center, the separatists tried to seize its finances. It is true that in the beginning of this century the separatist regions remained in the phase of *frozen conflicts* in the north of the country, but in terms of nationalism Georgia was much more cohesive than many other young states. At the same time, the world experience shows that when the oppositions are accumulated, the forces emerge in the country and abroad to work on deepening of these oppositions, which often results in the formation of a powerful secessionist project.

That is what happened in the late 90s of the last century in the Georgian autonomy of Adjara, where the Russian-backed separatist regime created its paramilitary armed formations with the fiscal revenue which belonged, but didn't transferred to the Federal Center. The local elite argued that fiscal independence was necessary for them to *overcome poverty* caused by unacceptable transfers from the center. In 2000-2003, the absence of funds from the Autonomous Republic of Adjara in the central budget of Georgia became a *tradition*. It incurred a damage to the center in the amount of 2-3 million GEL every month, creating problems for the government in expenditure policies. At that time Adjara was a typical representative of the *poor's* sectarianism.

The budgetary problems between Adjara and the Center should not have been created, as the Parliament of Georgia adopted relevant normative acts every year (despite the absence of the present form of the *Budget Code*). For example, in 1996-2000 there were adopted the laws, which set the long-term standards of federal and local taxes between the Center and Autonomies, i.e budget federalism began to form in Georgia [4].

However, the then government of Autonomies often ignored the above-mentioned legislation and actually kept

the funds assigned to the central treasury in Adjara. The arguments of the then leaders of the Autonomous Republic of Adjara were simple: autonomy did not transfer to the central budget the money, which would be sent in the form of transfers again to the regions, including Adjara. During 1998-2004 such *disobedience* from the budget of Adjara caused to central budget to lose several tens of millions GEL [5].

Important prerequisites for the emergence of *poor* separatism are structural problems that are arisen due to unequal development of regions.

Particularly non-received transfers from the federal center was named by the then-government of the Autonomous Republic of Adjara as a reason for aspiration for self-sufficiency. In this case, the source of problems was the political upheaval of separatists by the neighboring strong state of Georgia. On the surface of these events, this was revealed in the worsening of the fiscal confrontation between the autonomy and Tbilisi, which lasted until May, 2004. Fortunately, after opening the moto-bridge on Choloki River at the administrative border and railway, the separatism of Adjara's leadership did not go into armed confrontation.

In addition to the Autonomous republic of Adjara, other regions of Georgia also had problems, which led to creation of separatist Abkhazia and Tskhinvali region- so called South Ossetia. Separatist aspirations in these regions were not connected to fiscal federalism: it was conceived yet in the Soviet era, with the help of Moscow. These processes in Abkhazia was preceded by the withdrawal of energy generated by Enguri HPP through the high-voltage electric power line *Caucasus* into Russia in the 70s of the last century. In this period it was discovered the first oil fields on the Gudauta-Ochamchire Shelf, it was started the supply of electricity from Abkhazia to Russian city of Sochi, the negotiation on supply of natural gas from Sochi to Sukhumi through gas pipeline was initiated as well as the issue of arranging the road from Circassia to Sukhumi via the Caucasus was launched; at the same time, it was started the review of the project of construction of Russian pipeline to Turkey from Novorossiysk via Abkhazia, which promised Sukhumi to gain a multi-million transit revenue.

Similar developments occurred in the then-South Ossetian Autonomy. Despite the resistance of the leading representatives of the Georgian society, at Russia's insistence, in 1985 it was activated Roki tunnel - so called *TRANSKAM*. At the same time, the project capacity was achieved by obtaining the deposit of poly-metals in Kvaisa mining. It was launched the review of the projects on Alagiri-Tskhinvali Railway connecting the North Caucasus, opening of moto-road on Mamisoni pass and high-voltage power transmission line through the Roki tunnel.

Thus, achieving economic independence from Tbilisi greatly contributed to the creation of separatist tendencies in Abkhazia and Tskhinvali region.

Unfortunately, the use of economic leverage for creation of tension still has a place in Pankisi- the region of Georgia

populated with Kists. For example, a Dagestan entrepreneur someone Magomed Kebedov for already 27 years has been building at his *own* expenses and technique the 54 km long and 4-meter wide road from Dagestan's village Bezhta via Vantliash Pass. He intends to bring the road to Georgian village Akhaldaba, claiming as he wants to restore the economic relations launched yet in the period of Tsar's Russia between Georgia's Kakheti region and the Russian Federation Dagestan autonomy populated with Avars. Actually, the goal of the project is to connect Armenia to the Eurasian space with the land communication and to change the foreign policy vector of Georgia and Azerbaijan in this manner [6].

Therefore, in order to reduce the tension between the center and the regions the correct use of fiscal distribution or economic policy mechanisms gains a great importance.

For example, the Chinese government spends huge amounts of money for the development of the eastern regions that are far behind the country's rich coastal zone. It is true that under the current strict administrative control of Beijing, it is hard to imagine that any province of China may plan to separate, but the center believes: in order not to cause problems after some time, the center should be activated today. That's why billions are being invested in infrastructural programs of Tibet, Internal Mongol and Sindzi-Uighur Autonomies as well as in raising the cultural level of the backward regions.

What are the fiscal goals the secessionist administrative or autonomous regions trying to achieve? The elites of these regions mainly lobby: 1) priority funding; 2) benefits during tax collection; 3) amendments to federal legislation in order to get more rights by the regional governments / self-governing bodies [7].

In addition, only a few lobbyists of fiscal preferences know that, apart from dividing the common interests of the separatist regions, countries have to divide their liabilities as well. For example, Scotland will have to pay the part of the state debt of the United Kingdom state if it separates. At present, 10 percent of the United Kingdom's transfers come to Scotland, which means that in case of separation, this region will have to pay the proportion of the amounts received. In addition, Scotland wants to keep pounds sterling, which may be a hindering factor for their independence.

So, we can say that the separatist movement here has been exhausted at this moment. At the referendum on September 18, 2014, 55% of Scotland wanted to remain in the UK. The primary reason for this decision of Scotland is of course the economic factor. They do not want to abandon the economic benefits they get in the UK. The same can be said about Northern Ireland, where the periodic growth of ethnic-political tension is *coinciding* with the start of the budget process. The economic benefits of remaining of these regions in the UK are bilateral. Currently there is no place for *fiscal plunder*. In most cases Scotland and Northern Ireland are getting more from the central budget of the UK than they contribute there.

In the past few years, traditional factories in Scotland - coal miners and metallurgy, and shipbuilding shells are in

recession. Although the country is successfully exporting natural gas, oil, electricity and alcoholic beverages, Scotland is *poor* in comparison with Catalonia - in the last years the GDP of this region is 140 million pounds and its share in the UK gross domestic product amounts 10% [8]. I.e. Scotland in the United Kingdom, despite a large number of oil and gas supplies, is now considered a *poor* region and its current separatism is a typical example of *poor's* separatism. However, several decades ago, Scottish separatism emerged from wealth.

The thing is that Scotland was the supplier of 90% of natural gas and oil consumed in Britain for almost half a century. Additionally, there are powerful hydro power plants in Scotland, supplying the rest of the United Kingdom and if Scotland is separated, the British will be forced to start energy import. In this case, they will have to pay much more than they are paying to Scotland now.

At that time, the Scottish political elite has the separatism of not *poor's*, but of *rich's*. This was contributed by the hydrocarbons (natural gas and oil) that have been supplied in the North Sea Shelf in the region since 1970. On the background of the energy crisis of 1973-1974, oil and gas prices have risen by 2 times in the European market. After that, hydrocarbons became an important political weapon in the hands of Scotland. At the same time, separatism increased. In particular, if in the 1970s the Scottish nationalist party, whose main program promises is the separation from the United Kingdom, gained only 11% of the votes, in 1974, after the renowned Global Energy Crisis and risen price of Hydrocarbon, the same party received more than 30% of the votes.

In contrast, during the economic crisis of 2008-2009, the number of pro-independence or *poor's* separatists in Scotland has fallen sharply, which coincided with a sharp decline in hydrocarbons price on global markets. Interestingly, in 2009 the Central Government of the United Kingdom allocated a total of 37 billion pounds of sterling credit resources to Scotland banks.

As a result, at referendum on September 18, 2014, 55% of Scotland supported the remaining of the region in the United Kingdom. The Scottish decision was primarily due to economic factors, namely:

- 1) The quantity of hydrocarbons obtained in the waters of the Scottish North Sea and their share in consuming in the United Kingdom was reduced; accordingly, their significance for Scotland was also reduced. The geological surveys proved that the reserves in the North Sea are rapidly falling-the extraction has decreased by 40%. Specialists estimate that since 1970s, more than 2/3 of the North Sea hydrocarbons have already been exhausted;
- 2) Scotland's decision was influenced by the statement of the President of the European Commission-José Manuel Barroso-on unacceptability of separatists for the European Union and the threat of staying of Scotland outside the EU, which would create for Scotland political problems along with the economic ones. After that, the announcement by London of the Brexit eventually ended up secessionist activities;

- 3) It was important the position of Scotland businessmen, big investors, banks, and companies to go against Scotland's independence, as this would lead to big financial complications and poverty in the region;
- 4) There were also doubts about remaining the pound sterling in the turnover in the region. They did not exclude the transition from Scotland pound to Euro, which would not be painless.

It is interesting to note that Osborne, the Finance Minister of the United Kingdom, on September 7, 2014, a few days before the Scottish referendum made a statement. He offered more fiscal autonomy if Scotland would stay in the Kingdom: *You will be more able to control your fate*, - he said [9].

Due to the current reality of the *Brexit*, most European experts believe Scotts have made absolutely the right decision to remain in the United Kingdom. Otherwise, they will not be in the Kingdom neither in the European Union. *Brexit* is a bilateral pragmatic step aimed at maintaining stability- by leaving the EU London gained the integrity of the country, while Scotland received economic benefits. Furthermore, the Kingdom does not disturb the ethnic identity of Scotland, the population has the right to hold a referendum on the separation issue, has its representative, judicial and some executive bodies.

Scotland's example of the 70s shows the existence of the second type of fiscal separatism- the *rich's* separatism. From this point of view, it should be noted the regions that are rich in comparison with the rest of the country and try not to share their fiscal revenues to the center. Such regions are, for example, Basque and Catalonia in Spain, Flanders in Belgium. Such separatism is also active in northern Italy, which is richer than the south. All these regions are a rich part of the country and in this case we can say that the richest regions do not want to maintain poor regions- this is the *rich's* separatism. The classical example of such separatism is today's Catalonia.

Like Georgia, Spain is a federation, and like the UK - is a democratic state. Spain has a very developed economy. By increasing the autonomous rights, it became a federal state today. However, in recent years the situation in the country confirms that, like Georgia, federalism has not been a solution to hinder the secessionist sentiment. Apparently, a similar economic policy like the United Kingdom should be taken up in Spain.

Now a significant part of Catalonian population demands independence. They share the opinion that in today's world with free trade relations, small countries can be very successful [10].

The separatist aspirations of Catalonia are based on a very weighty historical argument, but we should also take into consideration the so-called separatism of the *rich* - separation from the Spanish state is the desire of the elite of one of the most developed provinces. In the aftermath of the 2003 Catalan Generalitat elections and the success of Pascual Maragalla, the approach to the separatist movement in Catalonia has changed. If earlier Catalanism was associated with the development of the country, which

would be culturally different from the rest of Spain, since 2003 the role of culture has become less important and much attention was paid to economic and political aspects. In this regard, the fiscal policy is particularly remarkable [11].

Catalonian elite and an important part of society are cautious. It does not need destabilization, which can be connected to the independence at the sacrifice of economic prosperity. They are not ready for long struggle due to independence- they are afraid of economic problems. It is true that in Catalonia there are people who require radical action and think little about the economy, but they cannot influence the autonomy's government. In addition, today's Catalan separatism, like Scotland, requires not a completely independent state but the creation of a new member of the EU; in many cases, the separatists are trying just to throw away an *excess ring* (Madrid, London) and become subordinated directly to Brussels Euro-bureaucracy.

Catalonia is a large region with more than 7 million inhabitants. This is more than 12 EU member states taken together. Catalonia's GDP is equal to the sum of the Gross Domestic Product of Czech Republic, Ireland and Portugal. Catalonia is one of the 17 richest regions in Spain, with a share of 20% in Spanish GDP. The GDP in Catalonia is 192 billion Euros, while GDP per capita is about 27 thousand Euro, which is more by 13% to the similar index of whole Spain.

Confrontation between Spain's central government and Catalonia's local governance is expressed in the fact that out of 20% contributed to Spain GDP Catalonia receives very little, about 57 cents from 1 euro paid [12].

The annual budget of this autonomous region is 26 billion euros. Barcelona emphasizes that the region annually contributes 11 to 15 billion euros in the form of taxes, while in Madrid they claim that they receive only € 8.5 billion annually from Catalonia [13]. Catalonia produces a quarter of Spanish exports. In addition, there 10 banks out of 46 banks in Spain are located in Catalonia. It is noteworthy that unemployment rate is 1% here while it is 12-13% in the rest parts of Spain [12].

In addition, Catalonia is an attractive region for foreign investors - for the last five years there is an annual investment of 3-4 million Euros [12]. Catalonia is one of the most successful regions in Europe as well in tourism point of view. Therefore, the Catalonia call the relationship between the center and the region a *fiscal theft*. They often appeal with the slogan *Spain steals from us*. Fiscal independence is one of the most frequently demanded alternatives from the Catalans.

At first glance, Catalonia's economy is stronger than Spain's, but leaving the EU and Eurozone will also bring disastrous results to it. The regional government is in debt and financial aid from European funds is decisive for him. In addition, according to the Credit Suisse survey, the Catalonia gross domestic product will be reduced by 20% in case of separation.

The role of the fiscal sphere is important in the federative states, as in the federal financial system, as no any other area,

the antagonistic attitudes between the federal center and its subjects, as well as the subjects of the federation themselves are clearly expressed. As figuratively they say: *Give me your financial order and I will tell you what your federalism is* [12].

The thing is that Catalonia does not have full fiscal independence from the center, unlike two other Spanish autonomous regions - Navarra and Basque. Nevertheless, European politicians and economists agree that *Catalonia is the same for Spain as Germany for the EU*. In the legal sense, according to the pragmatic theory of the secession, the ethnic group has the right to demand a secession if the central authorities systematically carry out the economic *looting* of the region, or if the internal colonization takes place [11].

In this regard, it is difficult to say whether Spain operates internal colonization Catalonia. Presumably, it is possible to solve Catalonia's economic confrontation by the Spanish central authorities through fiscal reforms, or fiscal redistribution.

Historical experience shows that when the difference between the living conditions of the regions reaches a critical level, or when occurs the event that leads to an increase in revenues (for example, the discovery of hydrocarbon deposits in one of the country's regions), immediately lobbying and then separatist views emerge. For example, in the 60's of the last century, the discovery of the North Sea oil and natural gas in the United Kingdom made a significant impact on the resurgence of Scottish separatism; the same discovery coincided with the demand for the separation of the northern coastal region of Flanders from Belgium and Holland. It is interesting that now Flanders covers only a third of Belgian territory but earns 60% of GDP of the country.

From the beginning of this century, the oil factor plays a significant role in Iraq's Kurdistan and South Sudan. Over the past few months, it has also become important in Myanmar in the state of Arakan, where the deposits have been discovered.

The same is the foundation of Kurdish independence. In particular, after the referendum, Iraq, Turkey, Iran and Syria have threatened Kurdistan with military-economic sanctions. They are ready to neutralize *big Kurdistan* ambitions by force. Despite the fact that in the first half of 2017, the turnover between Turkey and Iraq's Kurdistan was 7 billion dollars, Turkish President Recep Tayyip Erdogan threatened Iraqi Kurdistan to block Kirkuk-Ceyhan pipeline today. By this pipeline, the Kurdistan Autonomous Region, bypassing the Iraqi central government, exports 500 000 barrel of oil daily, which is 95% of the budgetary revenues of this secessionist autonomy.

Until 2014 Iraqi Kurdistan received from the central government 17% of annual revenues of the country's federal budget in exchange for 250 thousand barrels of oil, i.e about 15 billion dollars. This agreement has been violated and as one part of the experts suggested it was accelerated by a referendum.

Consequently, after a referendum, disputes around the oil-rich Kurdish urge will become more intense. Although

the Iraqi Kurds protected this city from the *Islamic State*, Iraq is now ready if necessary to release Kirkuk from Kurdish influence by Iranian military aid [14].

In all these cases, political, social, historical and cultural factors have great importance, but as we see, economic interest has played the same role of *catalyst* everywhere.

Interestingly, that the idea of *escape from poor relatives* in Catalonia, northern Italy and southern Brazil was largely caused by the lack of oil monitoring, mainly due to the lack of fiscal monitoring mechanism. In addition, such caution is one of the main distinguishing marks of *rich's* secessionism. According to some experts, nationalist rhetoric and striving for separation is a trick to gain additional finances and increase decentralization. For example, in the fall of 2017, when everybody's attention was directed to Catalonia, the three states of Brazil: Santa-Katarina, Parana and Riu-Grant-du-Sullah (with 29 million inhabitants) conducted so called universal consultations of citizens.

In fact, it was unofficial referendums on independence; in 2016, analogous surveys were conducted on a relatively small scale. So far in South Brazil no one declares universal disobedience and formation of armed formations, although separatist ideas are becoming more widespread. Part of the commentators believe that it is very well organized by the world's superpower, because Brazil's enormous potential will enable them to become a superpower in the future, and to compete for example with the United States or other *BRICKS* members. The example of South Brazil shows how the so-called Separatism of *rich* is born.

Brazil is a very young state with the measurement of Europe-Asia history. Until it was formed, there were a number of separatist insurgencies, both in the South and in other regions. Years after these historic events, the central government sought to divert large parts of immigrants and migrants from the Southern States to get them closer to local farmers, who settled there earlier. For example, the German immigrants, their language and culture dominated in Riu-Grenz-du-Souza and Santa-Katarin. In Paraná, along with the Germans, many Polish people lived. Finally, these states, along with the state of São Paulo, where the separatist movement *Republic of São Paulo* existed, were formed as the *Economic Heart* of Brazil. There are three quarters of the GDP earned in the country and traditionally the infrastructure development, as well as culture level is higher.

One of Brazil's major problems was always bad communications between the provinces, and in many cases they had no land but sea routes, they have the land border with foreigners. Because of this, the psychology of the *separate world* of independent enclaves has been formed in certain states.

The development of these regions was always uneven - the government was less cared for it, and the business was looking for maximum profit. Therefore, first and foremost there were developed ports and their adjacent area in the south, where there are favorable conditions for successful economic activity. As a result, economic distortion led to a cultural one- to put it simply, rich people can give their

children better education. They are very annoyed by the fact that poor, based on the principle of democracy, can do the same or (because of the demographic advantages) have greater impact on the distribution of wealth.

This argues that sometimes the ultimate goal of *rich's* separatism is to create not a new state, but to gain the highest preferences from the central government by taking cautious steps. Part of the commentators see this desire behind the Catalan government and thinks that the parties have gone so far because of the peculiarities of the national mentality: they feared that the voter would deemed their moderate to be their weakness. Consequently, escalation in this region of Spain was stipulated by a combination of political and psychological goals. That's why (perhaps temporary) the settlement of the conflict in Catalonia was managed later than in Scotland, or even in southern Brazil, where local elites are trying to force the center to take into account their interests.

In conclusion, we can say that in the example of the two regions of Europe, it is clear how important are fiscal factor in the separatist movement of different regions. This also confirms that although federal regionalism slows down the secessionist sentiments, but in terms of non-distribution of incomes or a passive economic policy the separatist aspirations anyway emerge. So separatism is generated by famines, or great wealth.

Model of Fiscal Federalism

The federal financial system is explained in economic literature as a set of norms that regulate financial relations between different levels of state. The financial system includes the system of division of competences (insofar as it has a financial character), budgetary law and financial sources distribution system [15].

Financial order of federative states, unlike any other sphere, is in a constant change [16]. In this regard, the *fiscal constitution* of any of the federative states today cannot be considered perfect [17]. In scientific literature, financial relations in the federative state are distinguished with exceptional contradiction and dynamicity [18]. According to the prevailing view in the literature and the best practices in the world, in federal budget systems arranged according to the federal principles the same subject should have a certain power, as well as the responsibility for the expenses in order to discharge the power, including their lawfulness, purposefulness and efficiency. Administrative-territorial entity that must carry out a certain task, should be also responsible for its financing, since the cost of expenditure determines the volume of the budgetary funds used for this purpose [19].

In the majority of modern federative states one of the major principles of the legislation regulating the financial area is the independence of the state budget, the budgets of the autonomous republic (if such administrative-territorial formations are in the country is) and the independence of local self-governance units' budgets, which are ensured by the own revenues and balances; the major principle is also the right to determine own taxes independently- in accordance with law.

At the same time, the axis of the financial system of the federative state is formed by the opposite process of independence - distribution from the Revenue Center, the basic parameters of which are given in Table 1.

As shown in this chart, the federal state's subjects, since they have independent tax sources, have a relatively high share of revenue compared to the center; so independence and redistribution are the unity of the opposing sides, which require constant monitoring to ensure that one does not suffer at the expense of another. This unity is achieved between the center and the regions by means of economic regulation of income, so that it does not violate another principle- universality, which implies unnecessary appeal of all budget revenues for financing of common taxes (except donors financed).

Table 1 shows that the most decentralized structure of income and expenditures from federative states is in Switzerland, where federal authorities- the center controls just 27 percent of revenue and only 30 percent of expenses. Nevertheless, in this ethnically *mild* country, low concentration of revenues and expenditures in the central government does not generate ethnic-political separatism of regions (the country is divided into 6 ethnic cantons). Moreover, Switzerland is not a federation formally but it is a higher form of regional autonomy - confederation. The same can be said about Austria and Germany, where the regions have more fiscal leverages than the center. These leverages are automatically secured by the e-treasure, which divides the federal center's own revenues and the revenues to be left in the budgets of regions in accordance with the standard set by the *Budget Code*.

On the other hand, if we compare the above-mentioned countries with the financial position with the countries with the same federal arrangement- Georgia, despite the much higher fiscal power concentrated in the hands of the center (according to the requirements envisaged by the Appendix 1 to the Georgian Budget Code, almost 80% -90% of revenues and expenses are accumulated in the center), the problem of separatisms still remains. We want to say that in the fight against the country's secession arrangement of fiscal sphere according to the federal principles, and even the accumulation of the most of the revenues of the center secured by the e-treasure electronic is not always solution.

So what's going on? Why, while most of the above-mentioned studies recognize that fiscal separatism is the

Table 1: Structure of income and expenditures.

Type of a state	Revenues of the center	Expenses of the center
a. Federative states		
Switzerland	27.0	30.6
Austria	51.8	56.0
USA	41.0	45.8
Germany	33.4	30.6
b. Non-federative states:		
Denmark	66.9	71.4
Great Britain	73.9	83.1
Italy	60.8	72.3
Netherlands	56.4	56.7
France	48.9	44.6

basis for political secessionism, in some countries with the decentralized financial systems, such as multi-ethnic Switzerland or US there is no separatism? As the examples from the Table 1 show, the reason for all is not the non-regulated standard framework for fiscal sector, but the reason is the federal center’s economic policy in the regions.

Mechanism for fiscal federalism is mainly provided by the budget legislation of any country. For example, Annex 1 of the *Budget Code of Georgia* has allocated the percentage ration of distribution of all six budgetary taxes and other fiscal and non-tax revenues to the budgets of state, autonomous republics’ budgets and local self-governmental units’ budgets [20].

Monitoring of Fiscal Separatism

To ensure that the federal center constantly monitors monetary transfers of its own revenues from the budgeted regions and thus prevent fiscal secession attempts, the e-Treasure electronic program is created in the Treasury. It is based on the software that automatically changes the calendar days. In many countries, SQL or Visual Fox Pro is used as such software.

But before this system was introduced, annual regulations were used to distribute the revenues from different levels of budgets. Monitoring of their protection was one of the main tasks of the Ministry of Finance of any country with federal arrangement, which required substantial resources. Currently, using the electronic system, monitoring is carried out in automatic mode and the cost of monitoring is minimal.

However, in order for the monitoring to be comprehensive, it is necessary to specify the second group of indicators (variables) in the program, in addition to the standards defined by the *Budget Code*, - *Catalytic* indicators. Such indicators will be specific for all regions, as the regions are distinguished by their peculiarities. For example, if Abkhazia had more energy ties with neighboring Russia than the rest of Georgia, Tskhinvali region and Russia, or Nagorno-Karabakh and Armenia have more land transport communications. Adjara is generally distinguished with many communications with Turkey, including confessional communication, development, etc.

That’s why we believe that in the program of early detection of separatist trends, in addition to the *Basic* normative revenues defined by the *Budget Code*, there should be *Catalytic* indicators of economic policy (revenues redistribution). For example, the ratio of the road network (frequency) between the center and the region to the neighboring country or the frequency of power lines with the neighboring country in comparison to the wires connected to the center, or the quantitative ratio of the state-owned enterprises owned by the center to the local state enterprises, etc. Finally, taking into account the specificity of the region’s economy, the program of early detection of economic secessionism, in our view, must have a matrix (Table 2).

The vertical columns in it will be to implement the *root* (B - *Basic*) standards between the Center for Fiscal and Non-Tax Revenues and Budgets defined by Appendix 1 of the *Budget*

Code. 100% performance of the norm will be presented at the maximum frequency of the output vertical lines from the corresponding drawer. Similarly, the horizontal strings will be *catalytic* indicators (C - *Catalist*) that represent the specificity of this region in economic policy, and the maximum frequency of the corresponding horizontal lines out of this drawer is the maximum 100% value of this indicator. For example, the correlation of roads or transmission lines connecting the region’s center with roads, railways, power transmission lines etc. quantity, or quantitative ratio of state-based enterprises based on the number of state enterprises established by regional governance, or the ratio of minerals in the region to the overseas deposits of the center, etc.

The federal matrix operator periodically records the data of various departments from B and C indicators in the federal center of the country in both vertical and horizontal boxes and afterwards the electronic rating of the separatist quality begins.

Computer program on the display in a different color (say red) will highlight the maximum frequency of vertical and horizontal lines crossing points that are characterized by the most frequency in the given period (say month).

The frequency of the most vulnerable indicators revealed by the program provides a combination of the basic and catalytic indicators that in the case of achieving certain critical *weight* leads to redness of the corresponding transit point on the display, so it highlights the high probability of forceful confrontation between the center and the region. These critical triggers of the cross revealed by the electronic program will allow the decision-makers in central power before the multiplication of the red points to convene the operative meeting with participation of the representatives of central and regional offices (in accordance with the vertical and horizontal lines of the red boxes) and manage the early detection of a separatist conflict and respond to it.

According to the data in scientific literature, there are about 25 active separatist movements in Europe. In this term the demand for part of the rebel regions is the secession, while other part claims fiscal rights - economic independence.

Collective economic interests in the condition of federal arrangement of state are primarily revealed in the fiscal interests of individual regions - administrative-territorial or ethnic-autonomous subjects of the federation. There are two types of fiscal separatism- “Poor” and “Rich”.

Table 2: Records of data of various departments from B and C by federal matrix operator.

	B1	B2	B3	B4	B5	B6	B7	B8	B9.....Bn
C1										
C2										
C3										
C4										
C5										
.										
.										
.										
Cn										

Historical experience demonstrates that two major factors have a significant influence on provoking “Poor’s” separatism: support the region by a stronger foreign state and a dictate of the center over the region. Such separatism is more radical, because the poor usually act more radically rather than rich people for at least one simple reason: they do not have anything to lose.

In terms of “Rich’s Separatism” it should be emphasized the regions that are more developed in comparison with the rest of the country, i.e.; they are rich and are trying not to share their fiscal revenues to the center. Such regions are, for example, Basque and Catalonia in Spain, Flanders in Belgium. Such separatism is also active in northern Italy, which is richer than the south part. All these regions are a rich part of the country and in this case, we can say that the richest regions do not want to sustain poor regions.

The role of the fiscal sphere is special in Federative States, as in the federal financial system, as in no other area, the antagonistic attitudes of the federal center and its subjects, as well as among the subjects of the federation itself are clearly expressed.

Federal regionalism slows down the separatist moods, but the separatist aspirations emerge anyway in terms of non-distribution of revenues, i.e. in the conditions of a passive economic policy. So, separatism is generated by a starvation or great wealth.

To ensure that the federal center constantly monitors timely transfers of its own revenues from the budgeted regions and in this manner to prevent fiscal secession attempts, it is created the e-Treasure- electronic program in the Treasury.

However, in order for the monitoring to be comprehensive, it is necessary to specify the second group of indicators (variables) in the program in addition to the standards defined by the “Budget Code” – so called catalytic indicators. Such indicators will be specific for each region, as the regions are distinguished by their peculiarities. For example, Abkhazia had more energy connections out of the country - with neighboring Russia than with the rest of Georgia, Tskhinvali region and Russia, or Nagorno-Karabakh and Armenia had more land transport communications. Before 2004, Adjara was distinguished from Turley with its development in all fields, including theological communications (theological education, medical, cultural and ecological tourism, power transmission lines and transport communications, and etc.).

Therefore, we believe that in addition to the “basic” norms of the revenues defined by the Budget Code, in the electronic program of separatist trends early detection, there should be indicators of economic policy (redistribution of the incomes). For example, the ratio of the road network (frequency) between the center and the region to the road connecting to the neighboring country or the frequency of power transmission lines in comparison with the cables connecting to the center or the quantitative ratio of the state-owned enterprises owned by the center to the local state enterprises, etc. In the article, as a conclusion, we prove that:

- Aspiration of some separatist regions for separatism is due

to the poor performance of the region’s fiscal standards. An example of the mentioned is the Autonomous Adjara in the beginning of this century;

- Separatist aspirations of the regions are enhanced by the minerals found there, say, the availability of hydrocarbons, or the prospective of receiving the revenues as a result of transit of transport routes through their territory. For instance, the separatism of Scotland, Flanders, South Sudan and Kurdistan in these regions is coincided with extracting hydrocarbons, while the aspiration of South Brazil, Abkhazia, South Ossetia (Georgia) for secession is coincided with the construction of centrifugal/transboundary communications in their territory;
- Legal and flexible fiscal mechanisms for distribution of revenues and expenditures between the federal center and regions weaken separatism. Examples are Scotland and Northern Ireland in the United Kingdom.

The inter-agency economic mechanism of the different branches of Government interaction of early warning is proposed in this article. The federal center will use model of economic mechanism of the separatism early detection and will carry out a concrete preventive measures – meetings of the executive branch agencies and the heads of the regions, where the legislative changes and economic sanctions, other new initiatives will be discussed.

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