

Georgia: In Quest of a Niche Strategy

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It was about a decade ago that Georgia began receiving international media coverage with some regularity. It was a time of historical change, when the Soviet Union began giving caesarean birth to new states, eventually itself dying in childbirth. As Georgia's confinement was most difficult, the news items featuring its post-natal pains were especially depressing. Indeed, two inflamed ethnic conflicts and a bitter confrontation within Georgian society puzzled international audiences as to whether Georgia would pull through. Luckily, Georgia has survived the most dramatic times in its recent history, but it was an extremely complex geopolitical environment and historical legacy that had provoked inexperienced parvenu politicians of the early 1990s to make a series of costly mistakes, the results of which Georgia is still feeling.

Ten years later, policy analysts and media commentators are still puzzled. Georgia still has a long way to go until it irreversibly secures peace and stability and evolves into a viable and prosperous state. For the moment, the most difficult question is whether Georgia has the *vision* and *resources* to attain this goal. It is an appropriate moment to take stock.

Prerequisites for an Unfavorable Startup

Over the past decade, Georgia has gone through rapid and profound change. Georgia has not only regained its independence; it has also set out on a path of transformation of the features of its society. Such profound changes were unavoidably accompanied by difficulties, the primary cause of which was a very disadvantageous starting position. A set of geographic, geopolitical, and historical preconditions, as well as the cultural characteristics of the Georgian nation, has greatly influenced the subsequent developments in the country:

- Situated in a geographic buffer zone between Russia, Turkey, and Iran, Georgia has historically had to strike a careful balance in its external relations. In our time too, some regional powers consider control over Georgia as a prerequisite for domination in the South Caucasus and Central Asia.²

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² Russia considers Georgia, first and foremost, as a safety valve that, if under control, would allow Russia to prevent penetration of Turkey's political influence into the North Caucasus, as well as further to the East into Central Asia. Also, control over Georgia provides leverage for Russia to rule out any possibility of future NATO expansion from Turkey into the Caspian Basin. Additionally, a subdued Georgia would ease Russia's goal of obstructing the progress of the East-West energy corridor, as well as hindering the entrance into the Caspian Basin of Western corporate

- Over the past two centuries, the Russian Empire and the Soviet Union have contributed greatly to laying the foundation for current ethnic tensions in Georgia through deportations and resettlement of different ethnic groups, as well as artificially drawing and redrawing administrative boundaries.
- The Soviet legacy is also a primary cause of the lack of a diversified economy that would better meet the needs of an independent country. Also, the Russian totalitarian legacy is, perhaps, the major impediment to progress towards market democracy.
- Unlike some other countries in the region, Georgia lacks strategic natural resources that would enable it to earn hard currency through export.
- Georgian national values, perceptions, and attitudes towards the outer world have traditionally been and still are partly subject to misinterpretation, leading to inadequate policy design.³

Additionally, the *naïveté* of Georgian authorities in the early days of independence, or what Alexander Rondeli calls wishful thinking or strategic idealism,⁴ has unnecessarily led the country through civil conflict and political turmoil, including the overthrow of a democratically elected president and separatist struggles in Abkhazia and South Ossetia. Also, Georgia's economy, already reeling from the loss of Soviet subsidies after independence, was severely damaged by these conflicts. The Georgian government could not manage to defend the country, keep order on the streets of the capital, pay state workers, collect taxes, or print currency. The vestiges of that pandemoniac episode have had an enduring impact on Georgian politics.

Short-lived Success Story

Under E. Shevardnadze's leadership, Georgia has taken painstaking efforts to achieve by the mid-1990s a relative stabilization. The country started to enjoy steadily improving political stability and economic growth. A cease-fire in 1994 brought an end to the conflict in Abkhazia, and the conflict has been dormant for several years now. A new constitution was adopted, and presidential as well as parliamentary elections were held in 1995. With the help of the International Monetary Fund (IMF) and World Bank, a recovery has begun. Georgia's currency, the

interests. Turkey views Georgia as a gateway to the Caucasus and Central Asia as it aspires to build up trade with the countries in the region, while one of the driving forces of Iran's policy in the region is a perception of Georgia as a port-of-entry state of hostile U.S. influence.

³ For example, Georgia's historical gravitation towards Europe and receptivity to its values have been naively believed to automatically pave the way to membership in the Western community, often causing inattention to the utilization of other competitive advantages of the country.

⁴ A. Rondeli, "The Choice of Independent Georgia," *The Security of the Caspian Sea Region*, edited by G. Chufrin, SIPRI (Oxford: Oxford University Press, 2001), 195–196.

Lari, was introduced in September 1995 and has remained relatively stable with the backing of an IMF stabilization fund. Inflation has been brought under control, and GDP growth has resumed, although it has been moderated for the most part by the lingering negative effects of Russia's August 1998 financial crisis. Also, Georgia has adopted some of the best laws and institutional structures among the republics of the former Soviet Union.

Although Georgia does not border on the Caspian Sea, it has emerged as one of the key players in the development and transport of Caspian oil and gas. This is especially remarkable since the minuscule republic has faced two secessionist rebellions and several bids to topple its government since gaining independence in 1991.

While Georgia's geographic attributes made it a focus of interest from global oil companies, the country's foreign policy orientation found favor in Western capitals. Georgia was able to formulate its own foreign policy with a pro-Western orientation. This approach included:

- Seeking Western mediation of the conflicts in the Georgian regions of Abkhazia and South Ossetia,⁵
- Courting Western investment,
- Seeking Georgia's participation in European and Euro-Atlantic security structures,⁶
- Promoting Georgia as a transit country for commerce between the West and the states of Central Asia and the South Caucasus, and,
- Seeking direct political, economic, and security ties with the United States and Europe.

Georgia's potential as a partner in the transport of Caspian oil was recognized in October 1995, when Azerbaijan and a consortium of mostly Western oil companies selected a pipeline route from Baku to the Georgian Black Sea port of Supsa to serve as one of two pipelines carrying early Azeri oil to market. Thereafter, Georgia was ideally positioned to remain a player in the Caspian oil game. Indeed, as the main export pipeline on the Baku-Tbilisi-Ceyhan route, intended to carry larger amounts of oil from the Caspian, and the Shah-Deniz-Tbilisi-Erzurum gas

⁵ Georgia has been making efforts to break up Russia's monopoly on the conflict resolution process by increasing the role of the Western community, which has resulted in the creation of the group called the "Friends of UN Secretary General on Abkhazia." The group consists of France, the U.S., Germany, the United Kingdom, and Russia.

⁶ Georgia has declared full integration into European Union and NATO as major foreign policy priorities. Georgia cooperates with the EU within the PCA framework, while actively participating in NATO's PfP process. Georgia is a Council of Europe and OSCE member country as well.

pipeline had both been scheduled to become operational by 2004-2005, Georgia has become the fulcrum for the East-West energy corridor.

Yet, here the pleasant part of the story ends.

Georgia Going Lamé

Late 1998 has to be considered a watershed moment between the period of effective policymaking and that of defective policymaking. Economic growth and reform slowed in 1998, due to the Russian financial crisis, drought, and political events, such as an outbreak of hostilities in Abkhazia and an assassination attempt against the President. More importantly, however, the fading of any political will to improve governance has to be emphasized. The following brief summary outlines the major problems that Georgia has failed to effectively address:

- Georgia has struggled to establish its sovereignty without the benefit of a properly structured economy.
- Georgian society suffers from a lack of traditional social services that can address the problems of poor and elderly citizens in the transitional economic period. This is further complicated by an inefficient health system.
- Georgia is a classic weak state, which has still not fully formed an effective and integrated administrative system that can provide the necessary security guarantees for its citizens.
- The absence of national unity weakens feelings of loyalty to the Constitution and a sense of common citizenship among the citizens.
- The lack of a credible, effective, and reliable law enforcement system is another challenge that Georgia faces.
- The state has not been able to consolidate its finances, largely due to problems with governance and corruption. The existing level of corruption casts into doubt the effective functioning of state institutions, hinders the development of local businesses and the attraction of foreign investments, seriously undermines the credibility of the Government and its reforms, and erodes the moral foundations of the civil society.⁷

⁷ *Georgia Country Commercial Guide FY 2001*, U.S. & Foreign Commercial Service and U.S. Department of State, 2001.

National Security Challenged

Without doubt the Georgian state has become relatively stronger over the years. Yet, due to the alternating ups and downs in the state-building process, Georgia has been wavering in and out of the “failed state” category. Although internal weaknesses take the lion’s share of the blame for Georgia’s instability and poverty, there are other factors as well that make the country increasingly vulnerable to existing and new challenges in ever-changing world.

Globalization. The process of globalization is slowly penetrating Georgia. More precisely, as the telecommunications infrastructure is still grossly inadequate and the relevant state institutions are either corrupt or underdeveloped, the positive aspects of globalization associated with increasing volumes of trade, flows of investment and information, etc., go around Georgia without positively affecting it. On the contrary, political fragility and the very weakness of the economy, along with widespread corrupt practices, promote religious extremism, separatism and nationalism, drug trafficking, arms proliferation, illegal migration, and an HIV epidemic—phenomena otherwise referred to as negative aspects of globalization. As a net result, Georgia may find itself among the losers of globalization.

Proliferation of International Terrorism. The September 11th events have demonstrated that, due to globalization, international terrorists, furnished with modern technology and abundant financial resources, can easily deploy their personnel, finances, and technology in any target country and region. The continued crisis in Chechnya has made Georgia such a target, as international terrorists have networked with some of the Chechen militants using Pankisi Gorge, where several thousand refugees from Chechnya had found shelter.⁸ The gorge has become a center of kidnapping and drug trafficking. In addition, the situation in Pankisi Gorge has become a major source of tension in relations between Georgia and Russia, as Moscow describes the area as a training ground and arms smuggling route for the Chechen rebels. Georgia, although incapable of dealing with the problem on its own, has been persistently rejecting Russia’s demand to jointly conduct a cleanup operation.⁹ This has served as a cause for repeated violations of Georgia’s air space, including bombing raids.

Russia. The very attributes that have made Georgia a favorable partner for Western governments, global energy companies, and certain regional states have also made the country a target for Russia. Since the breakup of the Soviet Union, Moscow has shown little willingness to witness the emergence of Georgia as a

⁸ “U.S. diplomat says some Afghan terrorists linked with al-Qaeda hide in Georgia,” Associated Press Newswires, February 11, 2002.

⁹ Instead, Georgia has recently made a request to the U.S. to help uproot armed rebels and criminals. The prompt U.S. decision to send to Georgia 200 instructors to train some 1200 Georgian special forces and provide them with light arms and communication systems has infuriated Russia.

regional transport hub aligned solidly with the West. Indeed, Russia has actively, if covertly, manipulated Georgia's domestic vulnerabilities in an effort to retain the republic within its sphere of influence. Throughout the conflict in Abkhazia, Russia covertly provided the separatists with arms, ammunition, and intelligence, and Russian soldiers participated directly in the hostilities on the Abkhaz side.

In the last two years, Russia has again intensified its long-standing efforts to control the focus of Georgia's foreign policy by imposing a unilateral visa regime, cutting off energy supplies, and backtracking on prior commitments to withdraw military bases.¹⁰ These punitive actions exemplify Russian objections to Georgia's Western foreign policy orientation, demonstrated by Georgia's desire to join NATO, its support for the Baku-Tbilisi-Ceyhan oil pipeline and Shah-Deniz-Tbilisi-Erzurum gas pipeline, membership in the GUUAM organization,¹¹ and alleged acquiescence to Chechen fighters operating along its Russian border. The latter allegation has been increasingly used by Russia to justify numerous cases of committing violations of Georgia's air space. As Vladimir Socor notes, "the [November 2001] air raids were of unprecedented scope and range, involving a dozen fighter-bombers and assault helicopters, and penetrating so far from the Chechnya combat theater into Georgian territory as to rule out the excuse of 'navigational error.'"¹² Russian subversion, however, has not only used its traditional tools of brute force. It has also used legalistic arguments and commercial enticements to coerce Georgia's leadership into pursuing a pro-Russian foreign policy.¹³

Lack of Unity of the South Caucasus. The South Caucasus as a region is fragmented largely due to existing ethno-political conflicts, which prevent individually weak and small Georgia, Armenia, and Azerbaijan from combining their efforts to jointly address challenges that the region as a whole faces. Also, as the foreign policy priorities of the South Caucasus's countries often diverge, they tend to build strategic and security ties with different global and regional powers whose policy agendas in the region are based on conflicting objectives. Obviously, however significant the great power rivalries may be as a factor, the future of the region will

¹⁰ At the November 1999 OSCE Summit in Istanbul, Russia, in response to Georgia's demand, signed a Joint Statement on the reduction of treaty limited equipment (TLE) and withdrawal of military bases. Russia has had four military bases remaining in Georgia from the Soviet days. After endless negotiating rounds, Russia has closed its base in the Vaziani military airport but has insisted on retaining partial control of the Gudauta base, which would be run by Russian "peacekeeping" troops in Abkhazia. Russia also wants a 15-year lease on the two largest bases, those at Batumi and Akhalkalaki.

¹¹ Created in 1996, this is an interstate consultative body consisting of Georgia, Ukraine, Uzbekistan, Azerbaijan, and Moldova.

¹² V. Socor, "Back to Bad Old Soviet Habits," *The Wall Street Journal Europe*, December 7-8, 2001.

¹³ Z. Baran, "Georgia Under Worst Pressure Since Independence," *Georgia Update, CSIS*, January 10, 2001.

ultimately be determined by the developments within the countries and their ability to cooperate. As yet, no substantial regional cooperation outside of the Caspian pipeline projects has been undertaken. More to the point, it has even been argued that trans-regional pipeline projects encourage polarization in the South Caucasus, as the high profile of the Baku-Tbilisi-Ceyhan project and the geopolitical importance attributed to it have helped solidify a strategic alliance among its beneficiaries (Azerbaijan, Georgia, Turkey, and the United States) and have fueled the creation of an opposing bloc consisting of the losers in the pipeline equation (Russia, Iran, and Armenia).¹⁴ Evidently, the South Caucasus needs a comprehensive strategy of major change that would transform the region from an area of confrontation into an open geo-economic system where, instead of conflicting interests, there would be a mutual accommodation, or even coincidence, of those interests. Shared vast natural and human resources based on developed infrastructure would allow the region to fully utilize the competitive advantages that the states in the region individually possess.

Why Georgia Matters

Given both the complexity of the geopolitical environment and the lack of political and financial resources to effectively address both old and new challenges, it is unlikely that Georgia will manage to exploit its advantages and achieve its national goals without strong support from the international community. The U.S. has been a major donor to Georgia. Important bilateral donors also include Germany, Great Britain, the Netherlands, Turkey, France, and Italy. Other major multilateral donors and international lending institutions include the IMF, World Bank, European Bank for Reconstruction and Development, and the European Union. Since 1993, Georgia has received more than US\$1.5 billion from international donors, and U.S. assistance alone has totaled approximately \$800 million. Georgia is among the largest recipients of U.S. foreign aid in the world. Importantly, Georgia also receives strong moral and political support from most of the leading Western countries and within international organizations, as it aspires to restore its territorial integrity as well as to solidify its sovereignty and independence.

Despite this myriad of problems, including those related to the deteriorating performance of state institutions, Georgia still matters. A number of factors make Georgia count.

International Prestige of the Political Leader. President Eduard Shevardnadze has proved himself to be genuinely committed to the idea that Georgia should become a democratic country. To the West, he is the only ruler in the region to have encouraged the development of a new generation of elites¹⁵ and one of the

¹⁴ L. Ruseckas, "U.S. Policy and Caspian Pipeline Politics: The Two Faces of Baku-Ceyhan," in *Succession and Long-term Stability in the Caspian Region* (Cambridge, MA: BCSIA, 2000).

¹⁵ M. Olcott, "Provisions for Succession in the Caspian Region," in *Succession and Long-term Stability in the Caspian Region* (Cambridge, MA: BCSIA, 2000).

principal guarantors of stability in and around the South Caucasus. Shevardnadze has been extremely instrumental in promoting Caspian pipeline projects and in developing Georgia's pro-Western foreign policy. Yet, as his presidential term expires,¹⁶ the role of the "Shevardnadze factor" will go into decline while the international community designs its policy towards Georgia.

Containing Russia. Despite the encouraging rapprochement between Russia and the West that has taken place in the aftermath of the September 11 terrorist attacks on the United States, the new partnership still has to be regarded as premature. However critical and productive the coordinated fight against international terrorism may be as a factor for building genuine strategic alliance, the full incorporation of Russia into the Western community will not be possible until it unreservedly accepts civilized norms of conduct both domestically and internationally. Russia's conduct in Chechnya and, more importantly, its policy towards the South Caucasus demonstrate to what extent the nostalgia for imperial might is still felt there with overwhelming force. Georgia, as a pivotal country of the region, has long suffered the most pressure from Moscow.¹⁷ This is the primary reason why Georgia seeks close security ties with the West and, vice versa, why the West regards Georgia as a bulwark against Russia's illegitimate ambitions in the South Caucasus. As Russia (hopefully) evolves into a genuine democracy, Georgia will willingly part with this role.

Promoting Peace in the Region. Georgia's pragmatic and friendship-based foreign policy is a significant factor for peace in the region. The normal and, in most cases, actively friendly relations with neighboring countries determine Georgia's unique potential for promoting peace in the region. Not surprisingly, Georgia has launched several peace initiatives aimed at ending conflict in the region and engaging in mutually beneficial cooperation. In the meantime, the very stability of Georgia itself is an essential condition for peace in the entire Caucasus and beyond, including the volatile regions of southern Russia. This has not passed unnoticed. The international community gives high priority to enhancing the peace-promoting potential and stability of Georgia, since it is increasingly contributing to settling conflicts in Abkhazia and South Ossetia, and to supporting any of Georgia's undertakings on regional cooperation.

A Gateway to East-West Transport Corridor. Georgia has been the first to strongly advocate developing the concept of what is called the Eurasian Transport Corridor and the New Silk Road.¹⁸ These efforts stimulated the subsequent

¹⁶ E. Shevardnadze was elected as President for a second term on April 9, 2000. According to the Georgian Constitution, the President serves a five-year term.

¹⁷ P. Baev, "Russia Refocuses its Politics in the Southern Caucasus," Caspian Studies Program's Working Paper Series, Cambridge, 2001.

¹⁸ A. Gegeshidze, "The New Silk Road: issues and perspectives," *Marco Polo Magazine*, no. 4-5, 1999.

launching of the EU-led TRACECA¹⁹ regional program and the Caspian pipeline projects. Since, in forthcoming decades, the Caspian Basin will play an increasing role in providing an uninterrupted supply of oil and gas to international markets, Georgia as a key transit country will remain a major player in East-West trade relations, including Caspian pipeline politics. Even more so, if and when the conflicts in Abkhazia and Nagorno-Karabakh are settled, Georgia will emerge as a transport hub for North-South trade as well.

Diffusing Democracy into Eurasia. Oil and natural gas development and related pipeline activity in the Caspian region, including the Caucasus and Central Asia, cannot be isolated from politics. Much is at stake, and both Russia and the West recognize that. It is a struggle for influence, for political linkage, and it is taking place in Russia's back yard. Like the Balkans, the Middle East, South and Southeast Asia, the region of the Caucasus and Central Asia is a proving ground where the tools and models of settling conflicts, building democratic institutions, creating market economies, as well as breaking old stereotypes and establishing new values are being tested. The pattern of the new world order that is still taking shape largely depends on the developments in these increasingly important areas. The political debate surrounding the Caspian pipeline is a façade of a much broader and longer-term strategy. Pipeline projects, acting as an icebreaker, bring into the Caspian Basin investment, new business ethics, Western interest and, ultimately, help consolidate liberal values. This will increasingly gain importance as new challenges of globalization, including international terrorism, emerge. Despite some blemishes, Georgia has so far proven to be the nation that is most susceptible to democratic change in the region. An improved record would allow Georgia as a role model country to significantly contribute to diffusing democracy further to the East. As the region of the South Caucasus and Central Asia will need unchallenged peace and stability far beyond the era of fossil fuels, the new "corridor of values" would work for that future.

The significance of most of these factors will vary over time, depending on Georgia's success in exploiting the resources that are available both domestically and internationally. The synergy of these factors will allow Georgia to make use of its unique place, a kind of niche, in the emerging system of security and stability in Europe and Eurasia.

A Need for New Vision

In case Georgia fails to succeed in dealing with democratic reforms, it will lose much of the support it now enjoys from the international community. This will result in, among other things, a considerable reduction of international efforts to solve conflicts in Abkhazia and South Ossetia, a decrease in international financial

¹⁹ An acronym for Transport Corridor Europe-Caucasus-Asia.

and technical assistance and, eventually, loss of the importance of the role that the international community has assigned to it in the region.

Georgia needs a comprehensive strategy, a new agenda, which would allow it to transform itself into a stable democracy with guaranteed sovereignty and a strong economy. Much of the homework is to be done by Georgians themselves²⁰; however, the international community, and the U.S. in particular, should come up with their part of the new agenda as a major contributor to Georgia's future success. The new agenda should be based on the recognition that there is time, although it is very limited, and resources of political will to utilize existing competitive advantages that the country still possesses. In 2005, Georgia will lose via constitutional mandate one of its major assets—the high international profile of its president. An ongoing power struggle for domination beyond the era of the Shevardnadze presidency, coupled with an increasing number of unattained national goals, will confuse both the Georgian people and the world at large while they are trying to understand the direction that Georgia is taking and the roles it intends to play. More importantly, against the backdrop of current political change, it is not yet clear who will be in charge of defining and designing a new vision for Georgia and how relevant that vision will be to the country's long-term national interests.

Georgia already needs a new vision of how it will respond to existing and future challenges in an ever-changing world. The restoration of territorial integrity and the elimination of corruption, as well as the consolidation of the Western orientation of foreign policy, are absolutely necessary to keep that vision strong. The U.S. and European powers should better coordinate their policies to draw very clear “red lines” for those both outside and inside Georgia who do not wish to see a sovereign and territorially integrated Georgia with a free and transparent society. These forces are easily identifiable, as are those who best serve Georgia's national interests. There is every likelihood that Georgia will succeed if constructive forces, both inside and outside the country, work in concert to make difference. Georgia deserves this chance.

²⁰ Until recently, Georgian authorities failed to develop concept papers arguing a vision of Georgia's future development, strategy, and political orientation. In October 2000, the Ministry of Foreign Affairs prepared a document entitled “Georgia and the world: a vision and strategy for the future.” Although this document has been approved by the Georgian National Security Council, it is very general and does not anticipate future changes that might take place both in Georgian and world politics.